

At a Special Financial Town Meeting holden within and for the Town of Scituate, on October 25, 2008 in the High School Auditorium in said Scituate, pursuant to the Warrant issued and to law, being for the purpose of voting on the the following question:

"SHALL THE ISSUANCE OF A BOND IN THE AMOUNT OF FIVE MILLION DOLLARS (\$5,000,000), EXCLUDING THE COST OF ISSUANCE, TO FUND THE 'WATERSHED PROTECTION RESTRICTED FUND', AN INTEGRAL PART OF THE SETTLEMENT AGREEMENT BETWEEN THE TOWN OF SCITUATE AND THE PROVIDENCE WATER SUPPLY BOARD, BE APPROVED?"

After pledging allegiance to the flag of our country, the meeting was called to order at 10:10 A.M. by Town Moderator, David D'Agostino.

The warrant, the posted notice and return of service was read by Town Clerk, Margaret M. Long.

Town Moderator, David D'Agostino, advised the audience of the rules and regulations of the meeting. He mentioned that visitors are all seated in the front rows to his right and explained the procedures, which would be followed for voting by registered voters. He explained the voting procedures for this meeting, and there will be one question before the assembly. He asked that a motion be made on this question, seconded, and then will open the floor to discussion. He kindly asked that anyone making remarks, observations and comments keep them brief and to the point of the motion before the assembly. The decision of the majority of electors present will be the decision of the assembly. Voting will be accomplished by voice vote; those in favor say "aye," those opposed say "no." If the voice vote is close, it will call for a standing vote. Those in favor will stand, those opposed will remain seated. If a paper ballot is called for, under R. I. General Laws pertaining to Town Meetings, there must be a second by 20 percent of those present. If it does come down to that, we do have an Eagle Voting Machine on hand.

At this time, Mr. D'Agostino introduced the Town Council, Town Clerk, Town Treasurer and Town Solicitor who were all sitting on the stage.

Town Moderator D'Agostino then introduced former Town Council President, Theodore Richard, III who has been involved in the negotiation process for several years until present.

Council President Budway wanted to say a few words before Mr. Richard took the stage. Mr. Budway stated that Ted Richard left office two years ago. He has volunteered his time over the past two years working with the Town Council, Town Treasurer and our attorneys to help bring this matter to a conclusion. Mr. Budway wished to extend a sincere thank you to Ted for all of his assistance.

Mr. Theodore Richard stated he would like to give everyone a little history of what our taxes were and how our tax treaty works with the Providence Water Supply Board over the past years.

Mr. Richard explained that what people may or may not know is that the City of Providence did not create the Providence Water Supply Board. They have little control over it, other than they hire people to run it and send people out here to work there. It is created and is totally controlled by the RI General Assembly. Mr. Richard stated that from the get-go they did not pay any taxes. Enabling legislation through the General Assembly allowed the Providence Water Supply Board and the Town of Scituate to enter into 5-year agreements. We have, for many years, entered into 5-year agreements which were renewable for 5 years. Since 1980, we had an appraisal, and the Town met with the City of Providence and gave them a reduction in their assessed value, and they agreed on the value and froze that evaluation for 5 years. In 1985, they renewed it for 5 years, kept it frozen, the taxes went up, but their valuation remained frozen. In 1990, there was another appraisal and the Town negotiated with them the same 5-year treaty. They looked at the appraisal and gave them approximately 15% discount on the appraised value. Again in 1995 they held them frozen for 5 more years, the taxes went up, they paid their increase in taxes for the next 5 years.

Mr. Richard explained there is no scientific way to do an appraisal. It is very easy with residential property. You look at

the sale of 3 other similar properties to get a value. With the land that the Providence Water Supply Board owns, there aren't 5 more properties in the State to compare it to. There are several methodologies to do an appraisal on commercial properties. We always knew they could take us to court and say our appraisal was flawed, and they didn't agree with the methodology or process. In attempt to avoid this, and because of green industry (they use very little of our services, they don't increase our schools, they are a beautiful neighbor, people love living around the reservoir, etc.) the Town felt it was in the best interest of everyone to secure the tax base with them.

In the year 2000 there was another appraisal. Property values in the late 80's and 90's went sky high. In 2000, the Providence Water Supply Board's land valuation went sky high. Their taxes increased by \$5 million. They thought that was unfair.

Mr. Richard stated that in February 2000, he met with the Providence Water Supply Board on Academy Avenue, to try negotiate a new evaluation. Historically, we have given them approximately 15% reduction, and the Town Council was prepared at that time to reduce their evaluation by 15% on a 5-year agreement. Shortly after that meeting, the former Mayor of Providence was removed and nothing happened. We sent the tax bills out that year, and they immediately paid them under protest. Then we started negotiations to try to come to an agreement. We have spent 8 years of negotiating. We have had a tax treaty with a history of 5 year increments.

Mr. Richard stated that in 2000, they tried to introduce legislation in the General Assembly to make themselves tax exempt, and the Acting Mayor Lombardi felt they should give that money to the City of Providence. The Providence Water Supply Board does not give one dime back to the City of Providence for their water. If they don't pay their taxes to the Town of Scituate, the City of Providence does not get one penny. The Providence City Council and the Acting Mayor were not aware of how it was structured, so that legislation never got passed. The next thing they did in the fall

of 2001 was file for Farm, Forest & Open Space. They had less than 14,000 acres, and they wanted to take 10,000 + acres and put them in Farm, Forest & Open Space. This has been an on-going court case. They are looking to value their land at \$100 per acre. We negotiated, and a few years ago a new person came in by the name of Pamela Marchant. She is the new Director of the Providence Water Supply Board. In anticipation that this was going absolutely nowhere and that we would end up fighting this in court for many years and would cost several hundreds of thousands of dollars to defend this, we had to have a new appraisal done to make sure we were on firm ground if we went to court.

Mr. Richard stated that in 2004 Chris Modisette, who at that time was Chairman of the Conservation Committee, and a former employee of the Providence Water Supply Board, wrote what he thought should be a new covenant between the Providence Water Supply Board and the Town of Scituate. Realizing that the Town could never get rid of the Providence Water Supply Board or the reservoir, and the Town of Scituate is always going to be here, so we have common interests, we should start a new relationship with the Providence Water Supply Board. We gave this document to Pamela Marchant at our first meeting, and she thought this was the way we should proceed. We started negotiations all over again, which we thought were over, and we were ready to go to court. This is where we are today. Mr. Richard stated that this agreement will settle the tax issue from the year 2000, and they have paid their taxes in full since 2000, until 2018. The total revenue to the Town for that period of time from the Providence Water Supply Board will be \$102,000,000. The alternative, if we don't do this, is that it goes back to court, it will put the Town at risk, we will fight it for years, and we have an economy that is collapsing around us, and they are our largest taxpayer. If they get a favorable ruling in 5 or 6 years from now, it could be very devastating to the Town. We will have to pay 12% interest on that money. Mr. Richard stated the Town worked very hard, and if they felt there was ten more cents to get out of this agreement, they would be fighting for it.

Council President Budway explained that in previous agreements with the Water Supply Board, the Board was always granted a discount where they were not charged the full amount of tax. In keeping with that, any arrangement is going to result with a refund or credit back to the Water Supply Board. The question arose is there any way that this money can be used in the Town of Scituate? Mr. Budway stated he made a proposal that this money be set aside by the Board and put into a special account, and be used to purchase land here in Scituate, or to purchase development rights to that property. It's not just any piece of property, or property that owners are not willing to sell. If owners are willing to sell, and the Water Supply Board is interested in that property because it protects the reservoir, then it is in the interest of the Water Supply Board, and the Town of Scituate, that the property be taken out of the path of development. If it is developed, most likely it will result in additional homes that could be occupied by relatively young families with children, and those children will need to be educated, putting additional pressure on our schools. Schools are not only expensive to build, but are far more expensive to operate.

Mr. Budway stated the City agrees with this proposal. Money will be set aside in a special restricted fund for a period of five years with are some terms under which it has to be paid out, so much each year. There are a number of properties which the owners are interested in selling those properties. They have been identified by the City, the Conservation Commission and Land Trust.

We have something to start with. The money that is being appropriated today will be paid to the City, and we will be part of controls of that money, and there is a 5-person committee that will be appointed. Two of those individuals are appointed by the Water Supply Board. Two will be appointed by the Town of Scituate. The fifth person (unrelated to either party) will be a tie-breaker. The function of this committee is to evaluate the properties in accordance with this agreement.

Mr. Budway stated that what we are doing here today is we are

giving back to the Water Supply Board money that we would have given back to them anyway. Now we are able to channel that money into Town to help the Town of Scituate and to help the Water Supply Board protect their interests, which in turn are our interests.

Town Treasurer Theodore Przybyla explained that the \$5 million agreement was derived from a 12.5% reduction in the taxes they paid from 2000 to 2007. It came up to approximately \$4.3 million, with interest at 6% it is \$5.3 million. We were able to negotiate to \$5 million. What we are seeking is authorization to issue a 10-year bond for \$5 million, and with the current market conditions, we will probably be paying approximately \$620,000 per year in interest and principal. That equates to about \$ .90 cents per thousand, assuming current market conditions continue.

Mr. Przybyla stated we have asked, and they have agreed, they will be paying 2 payments under the pre-adjusted rate. They've agreed to pay that one additional year, and we will pay back that over payment in the next three years. What we've done was phase it in over two years, and that will assist us with a cash flow situation. Refer to tape for complete explanation by Mr. Przybyla.

Town Moderator David D'Agostino stated that at this time the Board of Canvassers indicated that the total number of electors present is 261, and 8 guests as well.

Motion was made by Town Clerk Long, and seconded by Councilman Wayne Salisbury on the following question:

"SHALL THE ISSUANCE OF A BOND IN THE AMOUNT OF FIVE MILLION DOLLARS (\$5,000,000), EXCLUDING THE COST OF ISSUANCE, TO FUND THE 'WATERSHED PROTECTION RESTRICTED FUND', AN INTEGRAL PART OF THE SETTLEMENT AGREEMENT BETWEEN THE TOWN OF SCITUATE AND THE PROVIDENCE WATER SUPPLY BOARD, BE APPROVED?"

Abigail Test, 600 Rocky Hill Road, questioned the agreement on page 8 where it states "the money can be redirected in manner wherever they see fit."

Council President Budway explained that the Providence Water Supply Board agreed to this and didn't have to. They could have said this is our money and we want the \$5 million, and we don't

want to hear anything about how it is to be spent. This is not something that they have to do. The Town did not go to the voters to ask for money to buy development rights on certain parcels of land because of the on-going negotiations and these properties being identified in this agreement. The language in this agreement was to put in to satisfy the Public Utilities Commission, who regulates the Providence Water Supply Board. Our job is to convince the Public Utilities Commission that this is in the interest of the rate-payers, to protect the watershed, and to protect the quality of the water. Mr. Budway explained the Scituate Reservoir Greenspace Project and how the Providence Water Supply Board and the Dept. of Environment Management looked into all the surrounding communities of the watershed. They went over all of these areas and felt that these areas need to be protected and they were looking to each community to do it's part to protect the watershed privately owned properties. They are the ones who initiated this. They were looking to us to take action to spend money to protect their investment. Mr. Budway's question was where do you expect us to get this money? That is where this idea came from.

Ms. Test asked how the initial assessment ever got to the high price of \$12,000 per acre to begin with? Where did this appraisal come from?

Tax Assessor Karen Beattie explained that is a blended rate for all the land they own in the Town, including the land where their industrial plant is. In 1990, the appraised value was actually \$13,000 per acre, and they agreed to \$8,600 an acre assessment between 1990 until the last agreement we had with them.

In 2000 the assessment was \$9,500 an acre. In 2003 it was \$10,500, and the last assessment in 2006 was \$12,000 an acre, which includes all the land at a blended rate. Refer to tape for complete discussion.

Ms. Test asked if the taxpayers will be able to see this on a map? Mr. Budway said the disclosure of property prior to a deal will not be available until after it is sealed.

Ms. Test asked if this passes, will our taxes have to be raised beyond the yearly cap? Council President Budway stated that Mr. Przybyla indicated the impact on the tax rate would be \$.90 cents per thousand. We have not gotten into the budget for the next year, and we have every intention in complying with the cap. We will continue to be frugal. Refer to tape for complete discussion.

Town Treasurer Przybyla stated this is going to be a tough year. This can be funded in excess of the cap if we have to, but we will try not to.

President Budway stated we are trying to settle a matter that has been a big question mark since 2000. If we don't settle this now, most likely we will be back in court and we will be dealing with the unknown. We will be racking up legal bills. Mr. Budway strongly encourages people to put this matter to bed so that we proceed with some certainty as to what our income will be from a major tax payer through 2017.

Town Treasurer Przybyla wanted to add that it is \$.90 cents per thousand. If we lose in court, it will still be \$.90 cents per thousand, and it will go to the rate payers. We are not going to win this 100%, but we control our destiny with this deal. The courts will control our destiny if we don't vote for this deal.

Michael Marcello of Chopmist Hill Road stated that he thinks the agreement is good and that we are settling a tax dispute from 2000 to 2008, and we are doing it at a reduced rate. Hopefully, for the next 10 years we will be able to figure out how much we can expect from our largest taxpayer. It is very difficult to establish budgets, budgets for the future, school spending, etc., if you don't know how much your largest taxpayer is going to pay.

Mr. Marcello stated that what he does not like about the agreement are a couple of things:

The \$5 million that we are going to be paying them is going to be spent on land or development rights to land in Scituate. That's a good thing. However, the agreement says that any land purchased with that \$5 million by the Water Supply Board and any other land

purchased by them during the term of that agreement, is off the tax roll. We are not going to be getting one dime for any land that they purchase. Every acre of land comes off the tax roll, and every revenue that we lose from that purchase will have to be made up by someone else (the taxpayers). Mr. Marcello stated another thing he does not like about the agreement is there is no question that taxes are going to have to go up above the cap to pay this. In the third or fourth year out, we are going to lose about \$800,000 per year. That is a lot of money to lose in these tough economic times. There is no doubt that this will cost us money, but we will get some certainty which is good.

Mr. Marcello stated the last thing he does not like about this agreement is that we had a decision of the Superior Court that this Town lost, that the Farm, Forest and Open Space applies to the land in question (9,000 acres). It is not only a written decision of the court, but it is a written, recorded decision, which has a little more weight. We gave up our right to appeal that decision in this agreement. Mr. Marcello stated he doesn't think it's any coincidence that as soon as this agreement was announced, the City of Providence said that within 90 days we are going to come to a decision as to whether or not we are going to sell this property. This agreement is binding between us and the Providence Water Supply Board. If ABC Water Company buys it, they can argue that we lost the Supreme Court Decision. Assuming that Providence doesn't sell, in 10 years we are back to where we are now. There is nothing in the agreement that has any type of procedure, or any type of arbitration provision that says what we do for the next 10 years if we cannot agree on our taxes.

Mr. Marcello stated he will vote for this agreement because there is some certainty, but by no stretch of the imagination is it a 100% perfect agreement.

Council President Budway stated that he would like to agree with Mr. Marcello that it is not a 100% perfect agreement, and it was never presented in that fashion. It should be noted that the agreement does anticipate a possible sale of this property, and it

does provide for provision for re-negotiation of the terms within a 5-year period. The Town has the option of pulling out of the agreement. As far as the Water Supply Board being sold somehow to the advantage of the City, there is some controversy as to whether that is feasible or not. The Town of Scituate has publicly expressed its interest in buying the property if it is up for sale.

When they introduced legislation in the General Assembly allowing them to sell the property, the Town of Scituate expressed interest.

We have had conversations with individuals within the City of Providence. We are pursuing all alternatives. We have preserved our rights within the agreement. We worked quite hard to get this agreement. Mr. Budway states he thinks we are protected in this agreement with that possible option.

Ann Hubbard, 177 Trimtown Road, asked what if after the 5 years are up, if the Water Supply Board sells some or all of its assets, does the amount of money that the Water Supply Board owes to us in taxes remain the same even though the land may have been dramatically reduced? What is the impact on the agreement?

President Budway stated that is a difficult question to answer because you don't know what buyer you are dealing with. You can divide the buyers into two groups: a non-profit, governmental agency, or a profit-making entity. Depending upon which one we are dealing with, there are restrictions as to how things may be handled. Once a governmental agency gets involved, it is subject to negotiation. Refer to tape for complete discussion.

Reginald Centracchio, 342 Old Plainfield Pike, first wished to commend Ted Richard with his outstanding negotiating. Mr. Centracchio stated he intended on voting for this in the affirmative, as he recognize that negotiations at their best always leave risk no matter how you look at it. If you come out with the best possible scenario, you can't ask for any more than that. Not to approve this will pose a greater risk not only for this generation but also for generations to come. Mr. Centracchio stated he would hope that everyone recognizes these are tough times, and we have a resource that is appropriated to 60% of the

State. For us to have that reside in this Town is a special gift to all of us. This particular agreement is the best that we are going to get at this time. It will undoubtedly leave some risk, but that is minimum compared to the risk that we would look at if we don't approve this. It is in the best interest of the Town to vote for this. Refer to tape for complete discussion.

Councilman Wayne Salisbury stated any legal person will tell you that when you are in the process of negotiations, it isn't 100% of what you got. If we go to court and continue with the process that we've spent hundreds of thousands of dollars on already, there is absolutely no guarantee that we will even get close to what we're getting in this agreement. The risk is substantial that we will get less. If they follow through with \$100 per acre, the risk will be substantially higher than \$.90 per thousand.

Mr. Salisbury stated that he was the most skeptical person on the Council in thinking that you could ever possibly negotiate with the Providence Water Supply Board. Until the administration changed in the City of Providence, and Pamela Marchant was placed in charge of the Water Supply Board, there was no chance to negotiate.

Mr. Salisbury wished to personally commend Ted Richard, Ted Przybyla, and Bob Budway for their hard work. Overall we have a pretty good agreement that will last another ten years or so, and hopefully we can negotiate another ten years after that. Refer to tape for complete discussion.

Sal Lombardi, 117 Central Pike, stated he is always in favor of purchasing open space. Mr. Lombardi stated we have to vote for this package; we have to stabilize the tax base for our future. Refer to tape for complete discussion.

Bill Hurry, 4 Wilkinson Road, asked if the Town relinquished its right to appeal the Court Decision?

Ken Borden, 7 Wilkinson Road, Counsel for the Town during this proceeding stated we have a decision in the Superior Court from the Superior Court Judge that said yes the acreage does qualify as farm land under the statute. In this agreement we have written that

decision into oblivion. That decision was never reduced to a judgment. If it became a judgment, it would have been binding. It really doesn't exist anymore. It can't be argued as precedence, and it can't be argued as binding. That decision is gone. The only thing that someone can do in the future is say that at some point this Judge did write that decision, and another new Judge can reject it. It was never subject to an appeal. If another Judge ever re-instituted something like that, we would appeal it and we would take it to Supreme Court.

Neal Drobnis, 102 Pole Bridge Road, stated that he doesn't understand that in 10 days from today, 3000 people will vote with no extra cost to the Town to do that. Here we are today 300 people making the vote for 3,000 people. Why are we doing it today and not 10 days from today? Other Towns put major issues on ballots, and he does not understand why we don't do that. Mr. Drobnis asked how we have the right as a small group to make this vote?

Town Clerk Margaret Long stated that she understands how Mr. Drobnis feels, and the Town Clerk's Office felt the same way too, but, unfortunately, the State requires a certain amount of time to get something placed on a ballot. By the time this agreement was in its final stages where we could bring it to the people of the Town, it was far too late to get it on the November ballot. It would have had to happen at the beginning of August. Mrs. Long stated that the Council would have put this on the ballot if they could have, but it was just too late.

Michael Marcello, Chopmist Hill Road, stated the agreement states we do give up our right to an appeal. The concern that he has, and he will never get an answer to, is that this agreement can only be binding on the parties to it: the Town of Scituate, and the Providence Water Supply Board. Mr. Marcello stated he firmly believes (as a lawyer) that if they sell this to ABC Water Company, that ABC Water Company has a legal right to say that the Town of Scituate litigated an issue on Farm, Forest & Open Space, we have a written decision of the Superior Court. Between the Town and the Water Supply Board, Mr. Borden is absolutely right, the decision of

Farm, Forest and Open Space means absolutely nothing. However, between the Town and some other entity, it's not. That is why we have written decisions -- so other people can rely upon them. Mr. Marcello stated it is a dangerous loophole in his opinion.

Town Solicitor, Nicholas Gorham referred to Page 16 of the agreement, stated "it adheres to the parties and their respective successors and asides." He stated he does not know how it could be any clearer than that.

Judy Loven, 297 Hope Furnace Road, stated let's keep Scituate just like it is. A bird in the hand is worth two in the bush.

Carol Collins, Rocky Hill Road, stated that not all the citizens of Scituate knew about this vote today, as she personally did not receive the notice in the mail. Ms. Collins asked how the Scituate residents will be informed when there is something in the future?

Council President Budway stated that everyone should have received the flier, and that we rely on the post office to deliver to everyone that is a box holder in the Town. In addition, the entire agreement was posted on the internet (Town's web), and there were public meetings, along with newspaper articles in the Observer. We did our best to make sure everyone was fully informed of this meeting, and he is not sure why she did not receive this.

Ms. Collins stated there are only 300 people here. There are a lot of people who do not have computers.

Mr. Budway stated there was also a sign in front of Town Hall. This type of forum does give people the opportunity to ask questions. This is not something that is being done in the dark. We are not trying to hide things from people.

With no further discussion, Town Moderator D'Agostino called for a vote. Motion carries.

At 11:20 am, a motion was made by Town Clerk Long to adjourn, seconded by Councilman Salisbury and others, and voted without discussion.

Please refer to electronic tape for complete discussion and testimonies given.

Witness:

Margaret M. Long, Town Clerk