

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

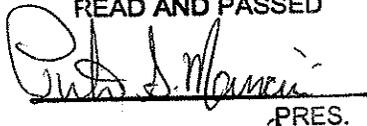
RESOLUTION OF THE CITY COUNCIL

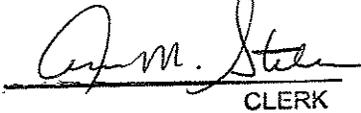
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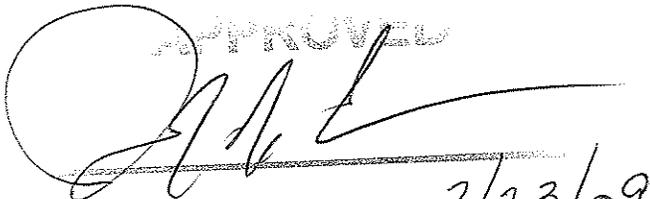
Approved February 23, 2009

RESOLVED, That the agreement reached in the tax settlement with the Town of Scituate which covers all land owned by the City of Providence within the town, including 900 acres currently held by the Providence Public Buildings Authority, is hereby approved, as attached.

IN CITY COUNCIL
FEB 19 2009
READ AND PASSED


PRES.


CLERK


MAYOR 2/23/09

ANDREW K. MOFFIT
Chairman
JOSEPH D. CATALDI
Vice Chairman
BRUCE T. MILLER
Ex-Officio
CARISSA R. RICHARD
Secretary
FERNANDO S. CUNHA, ESQ.
Legal Advisor



DAVID N. CICILLINE
Mayor
PAMELA M. MARCHAND, P.E.
Chief Engineer & General Manager
JOSEPH DE LUCA
City Councilman
MICHAEL A. SOLOMON
City Councilman
JOHN A. FARGNOLI
Member
EVERETT BIANCO
Member

December 11, 2008

Anna Stetson, City Clerk
City of Providence City Council Members
City Hall
25 Dorrance Street
Providence, Rhode Island 02903

Re: Scituate Tax Agreement

Dear Council Member:

As you are aware, Providence Water has made considerable progress in reaching a tax settlement with the Town of Scituate. The agreement covers all land owned by the City of Providence within the town, including those 900 acres currently held by the Providence Public Building Authority (PPBA).

The Town of Scituate has approved the agreement, and the voters have approved the issuance of a \$5 million dollar bond per the agreement.

A copy of the agreement is attached for your review. To summarize:

- 17 year tax treaty (7 years retroactive and 5 years prospective followed by a 5 year automatic renewal clause)
- \$5 million refund to Providence Water – funds will be dedicated to watershed land acquisition – specific parcels will be determined by a joint Providence Water / Town of Scituate advisory board
- no additional taxes will be paid to Scituate regardless of future land acquisitions, improvements to dams, buildings or purchases of equipment or other improvements
- Scituate will acknowledge/classify all DEM-certified forest land as such
- Providence Water will dismiss all tax appeals

The agreement still needs to be approved by the Providence City Council, the PPBA and the Public Utilities Commission. At this point, we ask for your review and signature on two (2) copies of the agreement to be returned to me.

Attached for your information is the testimony to be submitted to the RI Public Utilities Commission, as it fully describes all of the issues of the agreement.

If you have any questions regarding the proposed agreement, please feel free to contact me at 521-6300, ext. 7121.

Respectfully,

PROVIDENCE WATER SUPPLY BOARD

A handwritten signature in cursive script that reads "Pamela M. Marchand". The signature is written in black ink and is positioned above the printed name and title.

Pamela M. Marchand, P.E.

Chief Engineer and General Manager

Cc: B. Spinelli
M. McElroy
R. Kerbel
A. Ogden
R. Murphy

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 Q. Please state your full name and title?

2

3 A. Boyce Spinelli, Deputy General Manager -
4 Administration of the Providence Water Supply Board
5 (Providence Water).

6

7 Q. How long have you held the position of Deputy General
8 Manager?

9 A. I have held this position since January, 2001. Prior
10 to that I was Director of Administration for the City
11 of Providence. From September, 1992 to July, 1999, I
12 was Finance Director for the City of Providence and
13 was an ex-officio member of Providence Water's Board
14 of Directors.

15

16 Q. Would you please state your education, background and
17 professional associations?

18 A. I graduated from LeMoyne College in Syracuse, New York
19 with a Bachelor of Science in Economics, and completed
20 two years of graduate work in Economics at Washington
21 State University. I have worked in the private sector
22 as well as serving as finance director for three
23 cities in Virginia, Connecticut, and Rhode Island.

24

25 Q. Have you testified before the Public Utilities
26 Commission (PUC) with respect to operating matters or
27 rates for Providence Water either in your current
28 position or in your previous positions?

29 A. I have testified before the PUC on several occasions

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 in my capacities as Finance Director for the City of
2 Providence and as Deputy General Manager for
3 Providence Water.

4
5 **Q.** Please provide a brief history of the factors that
6 culminated in the current tax appeals and litigation.

7 **A.** Providence Water and the Town of Scituate entered into
8 a tax treaty for tax years 1991 - 1995, and that
9 treaty was renewed for a subsequent 5 year period 1996
10 - 2000. Upon the expiration of that tax treaty,
11 Scituate conducted a town wide property revaluation
12 effective 12/31/2000. The revaluation resulted in
13 Providence Water's total assessed value increasing
14 from \$106,848,000 to \$154,550,700. Based on a 50%
15 assessment ratio, Scituate's claimed full fair market
16 value of the Providence Water property increased from
17 approximately \$200 million to \$300 million.

18
19 This town wide revaluation resulted in an increase in
20 the total Scituate tax levy for tax year 2001 of about
21 \$1,000,000. Due to the claimed approximate \$100
22 million increase in full valuation, Providence Water's
23 share of the town wide \$1 million tax increase was
24 over \$900,000.

25
26 Providence Water did not agree that the full fair
27 market value of the Providence Water property located
28 in Scituate was \$300 million. Additionally, Scituate
29 refused to classify approximately 10,000 acres of

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 Providence Water's DEM certified forest land as forest
2 land for tax purposes, despite the fact that this land
3 met the criteria established by the Legislature for
4 such forest land classification under the Farm, Forest
5 and Open Space Act.

6

7 **Q. Based on the above facts, what course of action was**
8 **taken by Providence Water?**

9 **A.** Providence Water initiated a dual track approach of
10 (1) appealing the overall valuation as excessive, and
11 (2) appealing the failure of Scituate to grant forest
12 land tax classification.

13

14 The valuation appeal was based on several errors
15 contained in Scituate's appraisal of Providence
16 Water's property that formed the basis for the
17 12/31/2000 assessed value, and the fact that
18 Providence Water did not agree that the fair market
19 value of its watershed land was approximately \$10,000
20 per acre. Providence Water retained an appraiser who
21 determined that the value of Providence Water's
22 property in Scituate was approximately \$200 million,
23 not the approximate \$300 million value claimed by
24 Scituate.

25

26 The second track of Providence Water's appeal was the
27 failure of Scituate to classify Providence Water's DEM
28 certified forest land as forest land for tax purposes.
29 Scituate granted such forest land tax classification

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 to all other eligible property owners in town.

2 The maximum recommended assessed value for DEM
3 certified forest land was \$100 per acre in 2001,
4 compared to the assessed value of approximately \$5,000
5 (\$10,000 x 50% assessment ratio) per acre established
6 by Scituate.

7

8 While both appeals were proceeding, Providence Water
9 paid the full amount of the tax bills rendered by
10 Scituate in order to protect its appeal rights.

11

12 **Q. Were there any other steps taken to attempt to resolve**
13 **the tax dispute?**

14 **A.** Providence Water and the Town of Scituate agreed to
15 try to negotiate a settlement. Many negotiating
16 sessions were held over a several year period,
17 including a multi-day mediation session in 2003. Very
18 little progress was made through these negotiation and
19 mediation sessions.

20

21 However, a breakthrough occurred on February 3, 2006
22 when Judge Vogel of the Rhode Island Superior Court
23 reversed the decision of the Scituate Board of Tax
24 Review and directed the Scituate tax assessor to
25 classify Providence Water's forest land as forest land
26 for tax purposes. By Order dated August 19, 2006, the
27 Superior Court directed the assessor to classify the
28 property as forest land. Judge Vogel remanded the
29 matter back to the tax assessor, ordering the assessor

**PROVIDENCE WATER SUPPLY BOARD
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BOYCE SPINELLI**

1 to classify and reassess the subject property as
2 forest land and to determine the correct assessments
3 for all pertinent years. Acting on the Remand Order,
4 the tax assessor did classify the land as forest land,
5 but actually increased the assessed value of the
6 forest land to approximately \$5500 (\$11,000 x 50%)
7 instead of the \$100 to \$115 per acre recommended
8 maximum values established by the Farm, Forest and
9 Open Space Land Subcommittee created by law.

10
11 Providence Water then took the matter back to Judge
12 Vogel, but Providence Water and Scituate agreed to put
13 both the forest land and the valuation litigation on
14 hold in order to once again attempt to negotiate an
15 agreed resolution. To this end, Providence Water and
16 the Town of Scituate both agreed to hire new
17 consultants to prepare complete appraisals, followed
18 by a simultaneous exchange of the new appraisals, and
19 then negotiation.

20
21 **Q. What was the result of the new appraisals?**

22 **A.** There was a very large discrepancy between the new
23 appraisals. The consultants for Providence Water and
24 Scituate each utilized the cost approach, sales
25 comparison approach, and the income capitalization
26 approach to arrive at reconciled values. The
27 reconciled values are as follows:
28
29

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

Dec 31	CBRE (Scituate)	Sansoucy (Prov. Water)	Difference
2000	\$297,700,000	\$127,000,000	\$170,700,000
2001	not calculated	\$140,000,000	
2002	not calculated	\$125,000,000	
2003	\$330,800,000	\$140,000,000	\$190,800,000
2004	not calculated	\$123,000,000	
2005	not calculated	\$117,000,000	
2006	not calculated	\$127,000,000	

1

2 The average fair market value difference for the two
3 years that the consultant for Scituate calculated a
4 value was \$180,750,000. Based on a 50% assessment
5 ratio the average difference in assessed value was
6 \$90,375,000.

7

8 Using an approximate tax rate of \$29 per \$1,000 of
9 assessed valuation, the annual difference in taxes was
10 about \$2,620,875. (This amount assumes that
11 Providence Water would prevail on every point of its
12 appraisals and on every issue raised in the
13 litigation. This, of course, would be extremely
14 unlikely.)

15

16 Upon reviewing the respective appraisals, Providence
17 Water and Scituate realized that reaching a negotiated
18 agreement would entail much more than merely splitting
19 the difference between the appraisals because they
20 were so far apart.

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 Both sides agreed, however, to undertake one last
2 concerted effort at negotiating an agreement. Both
3 sides understood the significant risks associated with
4 continued litigation, along with the time, expense and
5 uncertainty of revenue and expense projections.
6

7 **Q. Did Providence Water and the Town of Scituate reach a**
8 **negotiated agreement?**

9 **A.** Yes, the negotiations were eventually successful. At
10 a special meeting of the Providence Water Supply
11 Board, held on September 3, 2008, the Board voted to
12 approve a proposed tax agreement with the Town of
13 Scituate, conditioned on all other necessary
14 approvals, such as the Providence City Council, the
15 Mayor of Providence, the Providence Public Buildings
16 Authority, the Clean Water Finance Agency, and the
17 PUC's approval of the use of the \$5 million refund.
18 The Scituate Town Council has also approved the
19 agreement. A copy of the agreement is attached hereto
20 as Exhibit 1, together with a summary of the
21 highlights of the agreement.
22

23 **Q. Does this agreement provide significant benefits to**
24 **Providence Water ratepayers, and if so, what are they?**

25 **A.** Yes, it does. The agreement provides a \$5 million
26 refund for tax years 2001 through 2007, and an
27 additional estimated \$9 million reduction in taxes
28 scheduled to be paid in tax years 2008 through 2017
29 (as compared to estimated tax payments in the absence

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
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1 of a tax treaty).

2

3 The tax treaty also provides that no additional taxes
4 will be paid to Scituate during the ten year term
5 (2008 - 2017) on any improvements to any property
6 owned by Providence Water (such as improvements to the
7 Scituate Water Treatment Plant) as well as any
8 property acquired in Scituate during the term of the
9 agreement.

10

11 Since Providence Water proposes to acquire additional
12 watershed land in Scituate and is already in the
13 design phase of a multi-million dollar water treatment
14 plant improvement program, the agreement provides an
15 additional major benefit in that it defines an agreed
16 tax amount per year, not related to the assessed value
17 of the property. In this regard, it is similar to the
18 tax treaty that was in effect in 1991 - 2000.

19

20 Providence Water feels that two of the most attractive
21 and beneficial elements of the proposed tax treaty are
22 the 10 year term of the agreement and the provision of
23 no additional taxes during the entire term.
24 Providence Water insisted on both of these provisions.
25 The Town of Scituate agreed to, and did, introduce and
26 support legislation to change the maximum allowable
27 term of such tax treaties from the previously allowed
28 5 year term to the presently allowed 10 years.

29

**PROVIDENCE WATER SUPPLY BOARD
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1 Scituate also agreed to classify Providence Water's
2 DEM-certified forest land as forest land for tax
3 purposes during the entire 10-year term.
4

5 Q. In light of the large maximum potential refund
6 testified to in Docket 3832 (\$13.5 million through tax
7 year 2006) why is Providence Water agreeing to a \$5
8 million refund through tax year 2007?

9 A. It is true that the maximum potential refund, if
10 Providence Water prevailed on all points in both
11 litigation tracks (valuation and forest land), is
12 larger than the agreed upon \$5 million refund. It
13 must be remembered, however, that there is significant
14 litigation risk in continuing the court battle through
15 the Rhode Island Supreme Court. It is not known how
16 the merits of the case would be ruled on and/or the
17 possible reluctance of the court to award an amount
18 that could negatively impact the finances of the Town
19 of Scituate, especially considering the fact that
20 Providence Water provides approximately 25% of
21 Scituate's total tax levy per year.
22

23 Additionally there is the time, effort, and
24 significant dollar cost involved in litigation, as
25 well as a potentially several year period of
26 uncertainty and instability in rate setting for
27 Providence Water, and budget formulation for the Town
28 of Scituate.
29

**PROVIDENCE WATER SUPPLY BOARD
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1 Moreover, a court resolution would not be prospective,
2 but would be retroactive for only the years under
3 appeal. Another round of appeals and litigation could
4 be just around the corner for the tax years going
5 forward.

6
7 This agreement provides a ten year period of stability
8 for rate making, provides a total known savings to the
9 ratepayers of approximately \$14 million, and also has
10 a provision for no additional taxes, which
11 substantially increases the future tax savings.

12
13 Q. The proposed tax agreement provides a \$5 million
14 refund for tax years 2001 through 2007. In Dockets
15 3446, 3684, and 3832 the Commission directed
16 Providence Water to notify the Commission of any
17 property tax refund and to maintain any refund in a
18 restricted account until such time as the Commission
19 rules on the final disposition of the tax refund. Is
20 Providence Water prepared to comply with the direction
21 from the Commission?

22 A. Yes, the purpose of this filing is to comply with this
23 directive. If approved by this Commission, the \$5
24 million refund will be retained in the Watershed
25 Protection Restricted Fund established by the
26 agreement.

27
28 The entire restricted fund is intended to be spent or
29 contractually committed by Providence Water for

**PROVIDENCE WATER SUPPLY BOARD
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BOYCE SPINELLI**

1 Watershed land in Scituate within 5 years from the
2 date of the agreement, with the additional proviso
3 that \$1 million or more must be spent or contractually
4 committed for each year of this 5 year period. If
5 less than \$1 million is spent and/or committed on a
6 yearly basis, measured cumulatively on each
7 anniversary of the effective date of the agreement,
8 then the agreement provides that the PUC shall
9 redirect such unspent and/or uncommitted funds for the
10 benefit of the ratepayers of Providence Water.

11
12 **Q. Why is this proposed use of the restricted fund in the
13 best interest of the ratepayers?**

14 **A.** One of the goals of Providence Water is to protect the
15 quality, reliability and purity of its water source.
16 Over the years, one method of accomplishing this has
17 been the selective acquisition of property, or
18 interests therein, such as development rights, for the
19 long term protection of water quality in the Scituate
20 Reservoir watershed.

21
22 The agreement lists the following primary criteria
23 that must be used to assess and evaluate land
24 considered for purchase with the restricted fund:

25 1. The property provides the protection of
26 water resources to include:

- 27 • Wetlands and watershed protection
28 and/or stabilization.
- 29 • Groundwater protection.

**PROVIDENCE WATER SUPPLY BOARD
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- 1 • Open water bodies and frontage on open
2 water bodies.
3 • Protection of water quality.
4 • Additional buffers to existing
5 watershed property.
6 • Security.
- 7 2. The property poses a possible threat to the
8 water resources if developed.
- 9 3. The property abuts and/or provides for
10 increasing the size, protection and
11 effectiveness of existing public or
12 privately conserved lands contiguous to
13 other property owned by the Water Supply
14 Board.

15

16 Any qualifying watershed property purchased from the
17 proceeds of the Watershed Restricted Fund will have a
18 direct and immediate benefit to all of Providence
19 Water's ratepayers. Additionally, to the extent that
20 watershed land is acquired through this restricted
21 fund, it frees up funds currently in the Water Quality
22 Protection Fund to acquire watershed land outside of
23 Scituate, for example, in Foster and Gloucester. It
24 also frees funds to undertake eligible projects such
25 as fencing and signage.

26

27 Q. What will happen in the event that land meeting the
28 stringent criteria outlined in the tax agreement is

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

1 not available or a purchase cannot be consummated?

2 A. Based on Providence Water's information and in
3 discussions with Scituate, the availability of
4 eligible land does not appear to be a problem.

5
6 However, in the event that eligible land is not
7 readily available for acquisition, the PUC shall
8 redirect unspent and/or uncommitted funds to the
9 benefit of the ratepayers.

10

11 Providence Water insisted upon, and the Town of
12 Scituate recognized the necessity of, establishing a
13 reasonable deadline for expending and/or committing
14 the funds (5 years) as well as an annual requirement
15 (\$1 million).

16

17 Q. What other contingencies/approvals need to be obtained
18 in order for this agreement to become effective?

19 A. The following approvals are required:

- | | | |
|----|--|----------|
| 20 | 1. Scituate Town Council | OBTAINED |
| 21 | 2. Scituate Voters (\$5 million | |
| 22 | borrowing authority) | OBTAINED |
| 23 | 3. Providence Water Supply Board | OBTAINED |
| 24 | 4. RI Public Utilities Commission | PENDING |
| 25 | 5. RI Clean Water Finance Agency | PENDING |
| 26 | 6. Providence Public Buildings Authority | PENDING |
| 27 | 7. Mayor of Providence | PENDING |
| 28 | 8. Providence City Council | PENDING |

29

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
BOYCE SPINELLI**

- 1 Q. Does this conclude your testimony at this time?
- 2 A. Yes, it does.

AGREEMENT

AGREEMENT made this _____ day of _____, 2008, by and among the TOWN OF SCITUATE (“Scituate”), the PROVIDENCE WATER SUPPLY BOARD, an enterprise fund of the City of Providence (“PWSB”) and the PROVIDENCE PUBLIC BUILDINGS AUTHORITY (“PPBA”), hereafter PWSB and PPBA are sometimes collectively referred to as the “Water Supply Board”.

WHEREAS, PWSB and PPBA own certain real and personal property located in Scituate; and

WHEREAS, certain property owned by PWSB and PPBA in Scituate is subject to taxation by Scituate; and

WHEREAS, PWSB and PPBA have challenged the tax classification and valuations of certain property owned by them in Scituate; and

WHEREAS, the parties desire to settle the disputes of all matters by and among them, including the final settlement of all pending civil actions in the Providence County Superior Court (“Court Actions”) and all pending administrative appeals before the Scituate Tax Assessor and/or the Scituate Board of Assessment Review (“Appeals”).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein made, each of the parties hereto agree as follows:

1. **Real estate and personal property taxes assessed as of December 31, 2000 through and including December 31, 2006 (for the tax years 2001—2007).**

The parties acknowledge and agree that the Water Supply Board has paid, in full, all of its real estate and personal property taxes to Scituate assessed as of December 31, 2000 through and including December 31, 2006 (tax years 2001—2007). The parties agree to resolve all pending tax challenges by the Water Supply Board for said tax years including, but not limited to, a final resolution of the Court Actions and Appeals. In consideration of Scituate recalculating and reducing the Water Supply Board's real estate taxes for the tax years 2001—2007 inclusive, and Scituate paying the refund set forth below, the Water Supply Board agrees to dismiss, without prejudice, all pending tax challenges including, but not limited to, dismissing the Court Actions and Appeals, once final approvals of this Agreement have been obtained, the Legislation has been passed, and the refund has been paid. Scituate agrees to recalculate the Water Supply Board's real estate taxes for the years 2001—2007 by granting the Water Supply Board a 12½% reduction from the real estate taxes actually paid each year, together with the payment of interest on said amounts at 6% per annum. The parties acknowledge that a 12½% reduction of those taxes would yield a cumulative refund of \$4,297,516. The parties also acknowledge that interest at 6% per annum on that amount would yield a total refund of over \$5,300,000. Notwithstanding, the parties have agreed that the refund to be paid by Scituate to the Water Supply Board will be capped at \$5,000,000, inclusive of interest.

The parties further agree and acknowledge that this Agreement is contingent upon Scituate raising \$5,000,000 through the issuance of bonds or some other legally authorized financing arrangement to pay PWSB. Scituate and the Water Supply Board agree to use their best efforts to educate the taxpayers of Scituate and the ratepayers and customers of the PWSB, through a series of workshops or other public relations efforts, if necessary, in order to seek any necessary approvals in furtherance of the purposes of this Agreement.

Scituate also agrees to cooperate with reasonable requests by the Water Supply Board for assistance in connection with its efforts to secure PUC approval of this Agreement and approval from the Water Supply Board's Lenders. The parties acknowledge and agree that PUC and Lender approval of this Agreement in toto is a contingency and a condition precedent to this Agreement. The Water Supply Board will not dismiss any Court Actions or Appeals unless and until all contingencies are fully satisfied, all approvals are obtained, and the refund is paid.

2. **\$5,000,000 Watershed Protection Restricted Fund**

If approved by the PUC and the Water Supply Board's Lenders, the \$5,000,000 refund paid by Scituate to PWSB will be held by PWSB in a watershed protection restricted fund ("Restricted Fund") intended to be used for the purchase of land (together with any buildings thereon) located in Scituate which will provide watershed protection for the water supply distribution systems of the PWSB pursuant to generally recognized proper watershed management practices. Any purchases made by the Water Supply Board utilizing any portion

of the Restricted Fund may take the form of fee simple ownership by the Water Supply Board, a 100% lease, the acquisition of development rights by the Water Supply Board, or a joint purchase by the Water Supply Board and other entities. Any purchases by the Water Supply Board utilizing any portion of the Restricted Fund shall be supported by an appraisal from a duly licensed and accredited appraiser, and if required by the PUC, shall be subject to PUC approval. The Restricted Fund may also be used to pay reasonable professional fees associated with investigating and completing potential purchases of such land, including reasonable appraisal fees, survey fees, engineering fees, legal fees, environmental investigation fees, etc.

A. Establishment of Watershed Protection Restricted Fund Advisory Board. Within three months of the Effective Date of this Agreement the parties agree to establish a Watershed Protection Restricted Fund Advisory Board (“Advisory Board”) consisting of five (5) members, two (2) selected by PWSB, two (2) selected by Scituate, and one (1) selected jointly by PWSB and Scituate, for an initial 2-year term, who is to vote only in the event of a tie. All members shall serve without compensation. The purpose of the Advisory Board is to identify property to be purchased with Restricted Fund funds. The Advisory Board shall hold no less than four (4) regular meetings per calendar year. At the first regular meeting the Advisory Board shall elect a chair from among its members. Special meetings may be called by the Chair. The four members chosen by Scituate and PWSB shall constitute a quorum for the transaction of business at

meetings. Special and regular meetings may be open to the public; provided, however, the Advisory Board may meet in closed sessions to discuss any and all aspects of identifying and acquiring property. An opportunity for public comment shall be provided at all regular meetings. The Advisory Board may take action to set reasonable rules for public comment during regular and special meetings on a case by case basis. Roberts Rules of Order, newly revised, shall govern all questions of procedure not otherwise provided for in this Agreement.

B. Land Selection Procedures. Upon receipt of an application or nomination for acquisition of a property or an interest therein, the Advisory Board shall conduct a review of the property, or the interest therein. The review shall be based upon the criteria set forth below. The Advisory Board may assign relative weights to the selection criteria. Based upon consideration of the preliminary review, the Advisory Board shall determine by a majority vote of those members present at a regular or special meeting whether the application/nomination should proceed to acquisition.

C. Selection Criteria. Significant issues affecting the Scituate Reservoir, the source of drinking water for approximately half of the state's population, are the rapid growth rate and changing land use patterns that have been occurring within the watershed. The surface drainage basin or watershed for the Scituate Reservoir covers approximately 93 square miles, of which the Water Supply Board owns and protects approximately 25%. That leaves 75% of the watershed in private ownership and subject to development pressures. As such,

the purpose of the Restricted Fund is to acquire property or interests therein, for the long-term protection of water quality in the Scituate Reservoir watershed – including reservoirs, their tributaries, and ground water. The following primary criteria shall be used to assess property considered to be purchased with the Restricted Fund:

1. The property provides the protection of water resources to include:
 - Wetlands and watershed protection and/or stabilization
 - Groundwater protection
 - Open water bodies and frontage on open water bodies
 - Protection of water quality
 - Additional buffers to existing watershed property
 - security

2. The property poses a possible threat to the water resources if developed.

3. The property abuts and/or provides for increasing the size, protection and effectiveness of existing public or privately conserved lands contiguous to other property owned by the Water Supply Board.

The following secondary criteria may also be considered in evaluating possible purchases if and only if the above primary criteria are met:

The property provides an opportunity for habitat protection and/or protection of agricultural lands in the Scituate Reservoir watershed, and/or the property serves to direct development away from environmentally sensitive areas in the Scituate Reservoir watershed to those areas more suited to economic development.

D. Acquisition Procedures. Upon approval of the Advisory Board to pursue acquisition of a property, the following general procedures will be followed:

1. Preliminary discussions with landowner.
2. Landowner submits letter to Advisory Board requesting consideration of acquiring property (either fee simple, development rights or 100% lease).
3. Advisory Board obtains two full independent appraisals, each containing a value for fee simple, development rights, and any other relevant values as determined by the Advisory Board.
4. Purchase price is negotiated with the land owner.
5. If agreement is reached, a purchase and sale agreement is signed. At this time, a deposit may be forwarded to land owner.
6. Advisory Board will obtain a survey, title report, phase 1 environmental site assessment, and other warranted information.
7. Closing on the property and payment.

8. Mapping, boundary work, inventory, fencing, signage, etc. by the Water Supply Board.

3. **Termination of Restricted Fund.**

The entire Restricted Fund is intended to be spent and/or contractually committed by the Water Supply Board within five (5) years from the date of this Agreement. It is also intended that \$1 million or more of the Restricted Fund will be spent and/or contractually committed by the Water Supply Board for each year of this 5-year period. The parties shall use their best efforts to designate and acquire property in accordance with the procedures set forth above. If less than \$1 million is spent and/or committed on a yearly basis, measured cumulatively on each anniversary of the Effective Date of this Agreement, then the difference between (the total of the amount spent and/ or committed together with the total of the amount previously redirected) and the sum of \$1 million (measured cumulatively each year) shall be redirected in a manner by the Public Utilities Commission ("PUC") for the benefit of the general ratepayers and customers of the PWSB. By way of example: if no money is spent in year 1, \$750,000 in year 2, \$500,000 in year 3, \$250,000 in year 4 and \$1 million in year 5, the following amounts would be redirected:

Year 1 \$1.0M less \$ 0.0M previously redirected/spent/contractually obligated + \$0.0 spent/contractually obligated = \$1.0M redirected

Year 2 \$2.0M less \$ 1.0M previously redirected/spent/contractually obligated + \$750,000 spent/contractually obligated = \$250,000 redirected

Year 3 \$3.0M less \$ 2.0M previously redirected/spent/contractually obligated + \$500,000 spent/contractually obligated = \$500,000 redirected

Year 4 \$4.0M less \$ 3.0M previously redirected/spent/contractually obligated + \$250,000 spent/contractually obligated = \$750,000 redirected

Year 5 \$5.0M less \$ 4.0M previously redirected/spent/contractually obligated + \$1.0M spent/contractually obligated = \$0.0 redirected

Total: \$2.5 spent/contractually obligated \$2.5 redirected

For purposes of this paragraph, the Effective Date of this Agreement is when all contingencies and approvals required herein have been met and/or received.

4. **State Legislation.**

The parties acknowledge and agree that this Agreement and the obligations of the parties contained herein are specifically conditioned upon the Rhode Island General Assembly amending the Public Laws of Rhode Island to enable Scituate and the Water Supply Board to enter into this Agreement.

5. **Ten (10) Year Tax Treaty.**

For a period of ten (10) years beginning with the real estate and personal property taxes assessed as of December 31, 2007 (tax year 2008) and continuing on and through the real estate and personal property taxes to be assessed as of December 31, 2016 (tax year 2017), Scituate shall charge the Water Supply Board and the Water Supply Board shall pay real estate and personal property taxes, and the taxes will be based on no less than a continuing 12½% reduction (and assuming a maximum allowable property tax levy on an annual basis) as follows:

2008	\$5,145,964
2009	\$5,390,397
2010	\$5,632,965
2011	\$5,872,366
2012	\$6,107,261
2013	\$6,351,551
2014	\$6,605,613
2015	\$6,869,838
2016	\$7,144,631
2017	\$7,430,416
TOTAL	\$62,551,002

Notwithstanding the foregoing, the Water Supply Board agrees to pay real estate and personal property taxes for tax years 2008 and 2009 at \$5,824,650.57, resulting in an overpayment made by the Water Supply Board in tax years 2008 and 2009. Those two overpayments will be made up (with 6% annual interest) in the tax years 2010, 2011, and 2012, resulting in the following payment schedule to be paid by the Water Supply Board to Scituate as follows:

2008	\$5,824,651
2009	\$5,824,651
2010	\$5,199,933
2011	\$5,439,334
2012	\$5,674,228
2013	\$6,351,551
2014	\$6,605,613
2015	\$6,869,838
2016	\$7,144,631
2017	\$7,430,416
TOTAL	\$62,364,846

The above payment schedule is based on the assumption that Scituate will raise taxes annually to the maximum property tax levy allowed by law. The foregoing payments schedule will not change for the duration of this Agreement, except that in the event that Scituate does not raise taxes by the maximum property

tax levy allowed by law in any given year, Scituate agrees to reduce the Water Supply Board's scheduled payments by the percentage by which taxes were not raised to the maximum allowed by law in those years when the maximum increase is not implemented. For example, if the maximum allowable increase in the levy is 4% and Scituate only raises its tax levy by 3%, then a 1% reduction will be made for that year, and the appropriate reduction will also apply in each remaining successive year of this Agreement.

6. **Tax Classification:**

For the entire term of this Agreement, Scituate agrees to classify as forest land on its assessment list, all land owned by the Water Supply Board that the Rhode Island Department of Environmental Management ("RIDEM") certifies now or in the future as forest land. Scituate and the Water Supply Board agree that the foregoing classification by Scituate is for the purpose of settling a dispute among the parties, which dispute is the subject of the Court Actions and Appeals and is not an admission by Scituate that the Water Supply Board's land is forest land or is entitled to forest land classification under the laws of the State of Rhode Island. Upon the termination of this Agreement, Scituate shall be entitled to take any actions with respect to the forest land classification of the Water Supply Board's land as if this Agreement, the Court Actions and the Appeals never occurred including, but not limited to, removing all of the Water Supply Board's land from the Scituate list of classified forest land, denying any application by the Water Supply Board to the Scituate Tax Assessor for classification of land as

forest land and issuing a use valuation assessment for the Water Supply Board's land by the Scituate Tax Assessor. The Water Supply Board also expressly reserves and will be entitled to exercise any and all appeal rights with respect to Scituate taking any of the foregoing actions.

The parties also agree that they will not use any of the terms, provisions or agreements contained in this Agreement against the other in any future proceedings concerning the assessment or collection of taxes by Scituate. The parties further agree that they will not raise as an issue that anything which transpired in the Court Actions or any administrative appeals which were filed by the Water Supply Board prior to the date of this Agreement establishes, under the doctrines of res judicata, collateral estoppel, administrative finality, or any other theory or ground, that the land owned by the Water Supply Board is or is not entitled to be classified and/or valued as forest land. After the termination of this Agreement, all parties shall be entitled to present their positions concerning the issue of forest land classification and valuation just as if the Court Actions and any administrative appeals and this Agreement never occurred. The foregoing provisions contained in this Paragraph 6 shall survive the termination of the Agreement.

7. **Court Actions and Appeals.**

Upon execution of this Agreement, and satisfaction of all the conditions and contingencies, including, but not limited to, the passage of the Legislation, the obtaining of all approvals, and the payment of the refund, the Water Supply Board

and Scituate, through their duly authorized attorneys, shall enter into written stipulations of dismissal, dismissing without prejudice, the Court Actions and the Appeals as more particularly identified on Exhibit A attached hereto. The foregoing stipulations shall be filed with the Providence County Superior Court and the Scituate Board of Assessment Review.

Notwithstanding the forgoing, in the event that the Water Supply Board finds it necessary to commence administrative appeals or civil actions with regard to the forest land classification and/or forest land valuation of any of its acreage after the expiration of this Agreement, Scituate agrees that the Water Supply Board may introduce the Judge Vogel decision of February 3, 2006 (as amended) into the proceedings and may argue that the reasoning of that decision should be followed, but the Water Supply Board agrees that it will not raise the issue that said decision must be followed under the doctrines of res judicata, collateral estoppel, or administrative finality, or any other theory or ground. In addition the parties agree that Scituate may at that time hold hearings before the Board of Assessment Review to establish the value of any such forest land, and the Water Supply Board may appeal the determination of said Board.

8. **Additional Property or Improvements.**

The parties agree and understand that the agreed taxes established by this Agreement include any real and personal property which may be acquired by the Water Supply Board, and any improvements to any property owned by the Water Supply Board, during the term of this Agreement, as well as any property which

may be acquired with the \$5 million Restricted Fund, and that the taxes to be paid by the Water Supply Board during the term of this Agreement will not be increased as a result of any such acquisitions or improvements.

9. **Termination.**

This Agreement shall terminate on December 31, 2017. Notwithstanding the foregoing, effective as of December 31, 2012, and after, (but not before), Scituate shall have the option to terminate this Agreement after receipt of actual notice that the Water Supply Board has, on December 31, 2012 or after, sold, leased or otherwise alienated any of its water supply system property to a non-public entity by giving written notice to the Water Supply Board within thirty (30) days of Scituate's receipt of such actual notice. This option to terminate shall only apply to the water supply system property actually sold, leased or otherwise alienated to a non-public entity and the Agreement shall remain in full force and effect for the balance of the Water Supply Board's property. The effective date of the termination shall be December 31 of the calendar year following the calendar year in which Scituate gives the written notice.

10. **Miscellaneous.**

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island.

B. This Agreement constitutes the entire agreement among the parties and supersedes any prior communications, written and oral, with respect to all

matters pertaining thereto. This Agreement shall not be modified or amended except by an instrument in writing signed by the parties hereto.

C. All notices, requests, demands and other communications hereunder shall be deemed to have been duly given if hand delivered or if sent by prepaid registered or certified mail or by a recognized overnight delivery service to the parties hereto at the following addresses:

For PWSB: (1) Chief Engineer and General Manager, Providence Water Supply Board, 552 Academy Avenue, Providence, RI 02908, (2) Finance Director, Providence Water Supply Board, 552 Academy Avenue, Providence, RI 02908, and (3) Michael R. McElroy, Esq. Schacht & McElroy, 21 Dryden Lane, P.O. Box 6721, Providence, RI 02940-6721.

For Scituate: (1) President, Scituate Town Council, 195 Danielson Pike, North Scituate, RI 02857; (2) Town Clerk, Town of Scituate, 195 Danielson Pike, North Scituate, RI 02857; and (3) Gorham & Gorham, Attorneys at Law, 25 Danielson Pike, North Scituate, RI 02857.

Any party hereto may change its address for notice purposes by providing notice in accordance with this provision. Any notice, demand, or other communication shall be deemed given and effective as of the date of delivery by hand, or upon the fifth day following mailing.

D. This Agreement constitutes a valid and binding agreement of the parties hereto, enforceable in accordance with its terms. This Agreement shall be binding

upon, and shall inure to the benefit of, the parties and their respective successors and assigns.

E. The parties agree that they shall meet not later than one hundred and eighty (180) days prior to the termination of this Agreement for the purpose of discussing a possible extension of this Agreement or a new similar agreement.

F. The parties agree that, during the term of this Agreement, it shall not be necessary for the Water Supply Board to file any notices of intention to bring in an account, any accounts, or any appeals of any kind, and this Agreement shall control all obligations of the Water Supply Board to pay all taxes to the Town during the entire term of this Agreement. This Agreement may be enforced as a contract directly in the Superior Court of the State of Rhode Island, without the necessity of the filing of any administrative appeals or the exercise of any other administrative remedies by the Water Supply Board or the Town.

G. This Agreement may be signed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto cause these presents to be executed on this _____ day of _____, 2008, by their duly authorized representatives.

Executed in presence of:

PROVIDENCE WATER SUPPLY
BOARD OF THE
CITY OF PROVIDENCE

By: _____
Andrew K. Moffitt, Chairman

PROVIDENCE PUBLIC BUILDINGS
AUTHORITY OF THE
CITY OF PROVIDENCE

By: _____
Lloyd Granoff, Chairman

THE CITY OF PROVIDENCE

By: _____
David N. Cicilline, Mayor

By: _____
Peter S. Mancini
City Council President

TOWN OF SCITUATE

By: _____
Robert Budway
Town Council President

[EXHIBIT A NEEDS TO BE ATTACHED]

AGREEMENT

AGREEMENT made this _____ day of _____, 2008, by and among the TOWN OF SCITUATE (“Scituate”), the PROVIDENCE WATER SUPPLY BOARD, an enterprise fund of the City of Providence (“PWSB”) and the PROVIDENCE PUBLIC BUILDINGS AUTHORITY (“PPBA”), hereafter PWSB and PPBA are sometimes collectively referred to as the “Water Supply Board”.

WHEREAS, PWSB and PPBA own certain real and personal property located in Scituate; and

WHEREAS, certain property owned by PWSB and PPBA in Scituate is subject to taxation by Scituate; and

WHEREAS, PWSB and PPBA have challenged the tax classification and valuations of certain property owned by them in Scituate; and

WHEREAS, the parties desire to settle the disputes of all matters by and among them, including the final settlement of all pending civil actions in the Providence County Superior Court (“Court Actions”) and all pending administrative appeals before the Scituate Tax Assessor and/or the Scituate Board of Assessment Review (“Appeals”).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the mutual promises and covenants herein made, each of the parties hereto agree as follows:

1. **Real estate and personal property taxes assessed as of December 31, 2000 through and including December 31, 2006 (for the tax years 2001—2007).**

The parties acknowledge and agree that the Water Supply Board has paid, in full, all of its real estate and personal property taxes to Scituate assessed as of December 31, 2000 through and including December 31, 2006 (tax years 2001—2007). The parties agree to resolve all pending tax challenges by the Water Supply Board for said tax years including, but not limited to, a final resolution of the Court Actions and Appeals. In consideration of Scituate recalculating and reducing the Water Supply Board's real estate taxes for the tax years 2001—2007 inclusive, and Scituate paying the refund set forth below, the Water Supply Board agrees to dismiss, without prejudice, all pending tax challenges including, but not limited to, dismissing the Court Actions and Appeals, once final approvals of this Agreement have been obtained, the Legislation has been passed, and the refund has been paid. Scituate agrees to recalculate the Water Supply Board's real estate taxes for the years 2001—2007 by granting the Water Supply Board a 12½% reduction from the real estate taxes actually paid each year, together with the payment of interest on said amounts at 6% per annum. The parties acknowledge that a 12½% reduction of those taxes would yield a cumulative refund of \$4,297,516. The parties also acknowledge that interest at 6% per annum on that amount would yield a total refund of over \$5,300,000. Notwithstanding, the parties have agreed that the refund to be paid by Scituate to the Water Supply Board will be capped at \$5,000,000, inclusive of interest.

The parties further agree and acknowledge that this Agreement is contingent upon Scituate raising \$5,000,000 through the issuance of bonds or some other legally authorized financing arrangement to pay PWSB. Scituate and the Water Supply Board agree to use their best efforts to educate the taxpayers of Scituate and the ratepayers and customers of the PWSB, through a series of workshops or other public relations efforts, if necessary, in order to seek any necessary approvals in furtherance of the purposes of this Agreement.

Scituate also agrees to cooperate with reasonable requests by the Water Supply Board for assistance in connection with its efforts to secure PUC approval of this Agreement and approval from the Water Supply Board's Lenders. The parties acknowledge and agree that PUC and Lender approval of this Agreement in toto is a contingency and a condition precedent to this Agreement. The Water Supply Board will not dismiss any Court Actions or Appeals unless and until all contingencies are fully satisfied, all approvals are obtained, and the refund is paid.

2. **\$5,000,000 Watershed Protection Restricted Fund**

If approved by the PUC and the Water Supply Board's Lenders, the \$5,000,000 refund paid by Scituate to PWSB will be held by PWSB in a watershed protection restricted fund ("Restricted Fund") intended to be used for the purchase of land (together with any buildings thereon) located in Scituate which will provide watershed protection for the water supply distribution systems of the PWSB pursuant to generally recognized proper watershed management practices. Any purchases made by the Water Supply Board utilizing any portion

of the Restricted Fund may take the form of fee simple ownership by the Water Supply Board, a 100% lease, the acquisition of development rights by the Water Supply Board, or a joint purchase by the Water Supply Board and other entities. Any purchases by the Water Supply Board utilizing any portion of the Restricted Fund shall be supported by an appraisal from a duly licensed and accredited appraiser, and if required by the PUC, shall be subject to PUC approval. The Restricted Fund may also be used to pay reasonable professional fees associated with investigating and completing potential purchases of such land, including reasonable appraisal fees, survey fees, engineering fees, legal fees, environmental investigation fees, etc.

A. Establishment of Watershed Protection Restricted Fund Advisory Board. Within three months of the Effective Date of this Agreement the parties agree to establish a Watershed Protection Restricted Fund Advisory Board (“Advisory Board”) consisting of five (5) members, two (2) selected by PWSB, two (2) selected by Scituate, and one (1) selected jointly by PWSB and Scituate, for an initial 2-year term, who is to vote only in the event of a tie. All members shall serve without compensation. The purpose of the Advisory Board is to identify property to be purchased with Restricted Fund funds. The Advisory Board shall hold no less than four (4) regular meetings per calendar year. At the first regular meeting the Advisory Board shall elect a chair from among its members. Special meetings may be called by the Chair. The four members chosen by Scituate and PWSB shall constitute a quorum for the transaction of business at

meetings. Special and regular meetings may be open to the public; provided, however, the Advisory Board may meet in closed sessions to discuss any and all aspects of identifying and acquiring property. An opportunity for public comment shall be provided at all regular meetings. The Advisory Board may take action to set reasonable rules for public comment during regular and special meetings on a case by case basis. Roberts Rules of Order, newly revised, shall govern all questions of procedure not otherwise provided for in this Agreement.

B. Land Selection Procedures. Upon receipt of an application or nomination for acquisition of a property or an interest therein, the Advisory Board shall conduct a review of the property, or the interest therein. The review shall be based upon the criteria set forth below. The Advisory Board may assign relative weights to the selection criteria. Based upon consideration of the preliminary review, the Advisory Board shall determine by a majority vote of those members present at a regular or special meeting whether the application/nomination should proceed to acquisition.

C. Selection Criteria. Significant issues affecting the Scituate Reservoir, the source of drinking water for approximately half of the state's population, are the rapid growth rate and changing land use patterns that have been occurring within the watershed. The surface drainage basin or watershed for the Scituate Reservoir covers approximately 93 square miles, of which the Water Supply Board owns and protects approximately 25%. That leaves 75% of the watershed in private ownership and subject to development pressures. As such,

the purpose of the Restricted Fund is to acquire property or interests therein, for the long-term protection of water quality in the Scituate Reservoir watershed – including reservoirs, their tributaries, and ground water. The following primary criteria shall be used to assess property considered to be purchased with the Restricted Fund:

1. The property provides the protection of water resources to include:

- Wetlands and watershed protection and/or stabilization
- Groundwater protection
- Open water bodies and frontage on open water bodies
- Protection of water quality
- Additional buffers to existing watershed property
- security

2. The property poses a possible threat to the water resources if developed.

3. The property abuts and/or provides for increasing the size, protection and effectiveness of existing public or privately conserved lands contiguous to other property owned by the Water Supply Board.

The following secondary criteria may also be considered in evaluating possible purchases if and only if the above primary criteria are met:

The property provides an opportunity for habitat protection and/or protection of agricultural lands in the Scituate Reservoir watershed, and/or the property serves to direct development away from environmentally sensitive areas in the Scituate Reservoir watershed to those areas more suited to economic development.

D. Acquisition Procedures. Upon approval of the Advisory Board to pursue acquisition of a property, the following general procedures will be followed:

1. Preliminary discussions with landowner.
2. Landowner submits letter to Advisory Board requesting consideration of acquiring property (either fee simple, development rights or 100% lease).
3. Advisory Board obtains two full independent appraisals, each containing a value for fee simple, development rights, and any other relevant values as determined by the Advisory Board.
4. Purchase price is negotiated with the land owner.
5. If agreement is reached, a purchase and sale agreement is signed. At this time, a deposit may be forwarded to land owner.
6. Advisory Board will obtain a survey, title report, phase 1 environmental site assessment, and other warranted information.
7. Closing on the property and payment.

8. Mapping, boundary work, inventory, fencing, signage, etc. by the Water Supply Board.

3. **Termination of Restricted Fund.**

The entire Restricted Fund is intended to be spent and/or contractually committed by the Water Supply Board within five (5) years from the date of this Agreement. It is also intended that \$1 million or more of the Restricted Fund will be spent and/or contractually committed by the Water Supply Board for each year of this 5-year period. The parties shall use their best efforts to designate and acquire property in accordance with the procedures set forth above. If less than \$1 million is spent and/or committed on a yearly basis, measured cumulatively on each anniversary of the Effective Date of this Agreement, then the difference between (the total of the amount spent and/ or committed together with the total of the amount previously redirected) and the sum of \$1 million (measured cumulatively each year) shall be redirected in a manner by the Public Utilities Commission ("PUC") for the benefit of the general ratepayers and customers of the PWSB. By way of example: if no money is spent in year 1, \$750,000 in year 2, \$500,000 in year 3, \$250,000 in year 4 and \$1 million in year 5, the following amounts would be redirected:

Year 1 \$1.0M less \$ 0.0M previously redirected/spent/contractually obligated + \$0.0 spent/contractually obligated = \$1.0M redirected

Year 2 \$2.0M less \$ 1.0M previously redirected/spent/contractually obligated + \$750,000 spent/contractually obligated = \$250,000 redirected

Year 3 \$3.0M less \$ 2.0M previously redirected/spent/contractually obligated + \$500,000 spent/contractually obligated = \$500,000 redirected

Year 4 \$4.0M less \$ 3.0M previously redirected/spent/contractually obligated + \$250,000 spent/contractually obligated = \$750,000 redirected

Year 5 \$5.0M less \$ 4.0M previously redirected/spent/contractually obligated + \$1.0M spent/contractually obligated = \$0.0 redirected

Total: \$2.5 spent/contractually obligated \$2.5 redirected

For purposes of this paragraph, the Effective Date of this Agreement is when all contingencies and approvals required herein have been met and/or received.

4. **State Legislation.**

The parties acknowledge and agree that this Agreement and the obligations of the parties contained herein are specifically conditioned upon the Rhode Island General Assembly amending the Public Laws of Rhode Island to enable Scituate and the Water Supply Board to enter into this Agreement.

5. **Ten (10) Year Tax Treaty.**

For a period of ten (10) years beginning with the real estate and personal property taxes assessed as of December 31, 2007 (tax year 2008) and continuing on and through the real estate and personal property taxes to be assessed as of December 31, 2016 (tax year 2017), Scituate shall charge the Water Supply Board and the Water Supply Board shall pay real estate and personal property taxes, and the taxes will be based on no less than a continuing 12½% reduction (and assuming a maximum allowable property tax levy on an annual basis) as follows:

2008	\$5,145,964
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TOTAL	\$62,551,002

Notwithstanding the foregoing, the Water Supply Board agrees to pay real estate and personal property taxes for tax years 2008 and 2009 at \$5,824,650.57, resulting in an overpayment made by the Water Supply Board in tax years 2008 and 2009. Those two overpayments will be made up (with 6% annual interest) in the tax years 2010, 2011, and 2012, resulting in the following payment schedule to be paid by the Water Supply Board to Scituate as follows:

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TOTAL	\$62,364,846

The above payment schedule is based on the assumption that Scituate will raise taxes annually to the maximum property tax levy allowed by law. The foregoing payments schedule will not change for the duration of this Agreement, except that in the event that Scituate does not raise taxes by the maximum property

tax levy allowed by law in any given year, Scituate agrees to reduce the Water Supply Board's scheduled payments by the percentage by which taxes were not raised to the maximum allowed by law in those years when the maximum increase is not implemented. For example, if the maximum allowable increase in the levy is 4% and Scituate only raises its tax levy by 3%, then a 1% reduction will be made for that year, and the appropriate reduction will also apply in each remaining successive year of this Agreement.

6. **Tax Classification:**

For the entire term of this Agreement, Scituate agrees to classify as forest land on its assessment list, all land owned by the Water Supply Board that the Rhode Island Department of Environmental Management ("RIDEM") certifies now or in the future as forest land. Scituate and the Water Supply Board agree that the foregoing classification by Scituate is for the purpose of settling a dispute among the parties, which dispute is the subject of the Court Actions and Appeals and is not an admission by Scituate that the Water Supply Board's land is forest land or is entitled to forest land classification under the laws of the State of Rhode Island. Upon the termination of this Agreement, Scituate shall be entitled to take any actions with respect to the forest land classification of the Water Supply Board's land as if this Agreement, the Court Actions and the Appeals never occurred including, but not limited to, removing all of the Water Supply Board's land from the Scituate list of classified forest land, denying any application by the Water Supply Board to the Scituate Tax Assessor for classification of land as

forest land and issuing a use valuation assessment for the Water Supply Board's land by the Scituate Tax Assessor. The Water Supply Board also expressly reserves and will be entitled to exercise any and all appeal rights with respect to Scituate taking any of the foregoing actions.

The parties also agree that they will not use any of the terms, provisions or agreements contained in this Agreement against the other in any future proceedings concerning the assessment or collection of taxes by Scituate. The parties further agree that they will not raise as an issue that anything which transpired in the Court Actions or any administrative appeals which were filed by the Water Supply Board prior to the date of this Agreement establishes, under the doctrines of res judicata, collateral estoppel, administrative finality, or any other theory or ground, that the land owned by the Water Supply Board is or is not entitled to be classified and/or valued as forest land. After the termination of this Agreement, all parties shall be entitled to present their positions concerning the issue of forest land classification and valuation just as if the Court Actions and any administrative appeals and this Agreement never occurred. The foregoing provisions contained in this Paragraph 6 shall survive the termination of the Agreement.

7. **Court Actions and Appeals.**

Upon execution of this Agreement, and satisfaction of all the conditions and contingencies, including, but not limited to, the passage of the Legislation, the obtaining of all approvals, and the payment of the refund, the Water Supply Board

and Scituate, through their duly authorized attorneys, shall enter into written stipulations of dismissal, dismissing without prejudice, the Court Actions and the Appeals as more particularly identified on Exhibit A attached hereto. The foregoing stipulations shall be filed with the Providence County Superior Court and the Scituate Board of Assessment Review.

Notwithstanding the forgoing, in the event that the Water Supply Board finds it necessary to commence administrative appeals or civil actions with regard to the forest land classification and/or forest land valuation of any of its acreage after the expiration of this Agreement, Scituate agrees that the Water Supply Board may introduce the Judge Vogel decision of February 3, 2006 (as amended) into the proceedings and may argue that the reasoning of that decision should be followed, but the Water Supply Board agrees that it will not raise the issue that said decision must be followed under the doctrines of res judicata, collateral estoppel, or administrative finality, or any other theory or ground. In addition the parties agree that Scituate may at that time hold hearings before the Board of Assessment Review to establish the value of any such forest land, and the Water Supply Board may appeal the determination of said Board.

8. **Additional Property or Improvements.**

The parties agree and understand that the agreed taxes established by this Agreement include any real and personal property which may be acquired by the Water Supply Board, and any improvements to any property owned by the Water Supply Board, during the term of this Agreement, as well as any property which

may be acquired with the \$5 million Restricted Fund, and that the taxes to be paid by the Water Supply Board during the term of this Agreement will not be increased as a result of any such acquisitions or improvements.

9. **Termination.**

This Agreement shall terminate on December 31, 2017. Notwithstanding the foregoing, effective as of December 31, 2012, and after, (but not before), Scituate shall have the option to terminate this Agreement after receipt of actual notice that the Water Supply Board has, on December 31, 2012 or after, sold, leased or otherwise alienated any of its water supply system property to a non-public entity by giving written notice to the Water Supply Board within thirty (30) days of Scituate's receipt of such actual notice. This option to terminate shall only apply to the water supply system property actually sold, leased or otherwise alienated to a non-public entity and the Agreement shall remain in full force and effect for the balance of the Water Supply Board's property. The effective date of the termination shall be December 31 of the calendar year following the calendar year in which Scituate gives the written notice.

10. **Miscellaneous.**

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island.

B. This Agreement constitutes the entire agreement among the parties and supersedes any prior communications, written and oral, with respect to all

matters pertaining thereto. This Agreement shall not be modified or amended except by an instrument in writing signed by the parties hereto.

C. All notices, requests, demands and other communications hereunder shall be deemed to have been duly given if hand delivered or if sent by prepaid registered or certified mail or by a recognized overnight delivery service to the parties hereto at the following addresses:

For PWSB: (1) Chief Engineer and General Manager, Providence Water Supply Board, 552 Academy Avenue, Providence, RI 02908, (2) Finance Director, Providence Water Supply Board, 552 Academy Avenue, Providence, RI 02908, and (3) Michael R. McElroy, Esq. Schacht & McElroy, 21 Dryden Lane, P.O. Box 6721, Providence, RI 02940-6721.

For Scituate: (1) President, Scituate Town Council, 195 Danielson Pike, North Scituate, RI 02857; (2) Town Clerk, Town of Scituate, 195 Danielson Pike, North Scituate, RI 02857; and (3) Gorham & Gorham, Attorneys at Law, 25 Danielson Pike, North Scituate, RI 02857.

Any party hereto may change its address for notice purposes by providing notice in accordance with this provision. Any notice, demand, or other communication shall be deemed given and effective as of the date of delivery by hand, or upon the fifth day following mailing.

D. This Agreement constitutes a valid and binding agreement of the parties hereto, enforceable in accordance with its terms. This Agreement shall be binding

upon, and shall inure to the benefit of, the parties and their respective successors and assigns.

E. The parties agree that they shall meet not later than one hundred and eighty (180) days prior to the termination of this Agreement for the purpose of discussing a possible extension of this Agreement or a new similar agreement.

F. The parties agree that, during the term of this Agreement, it shall not be necessary for the Water Supply Board to file any notices of intention to bring in an account, any accounts, or any appeals of any kind, and this Agreement shall control all obligations of the Water Supply Board to pay all taxes to the Town during the entire term of this Agreement. This Agreement may be enforced as a contract directly in the Superior Court of the State of Rhode Island, without the necessity of the filing of any administrative appeals or the exercise of any other administrative remedies by the Water Supply Board or the Town.

G. This Agreement may be signed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto cause these presents to be executed on this _____ day of _____, 2008, by their duly authorized representatives.

Executed in presence of:

PROVIDENCE WATER SUPPLY
BOARD OF THE
CITY OF PROVIDENCE

By: _____
Andrew K. Moffitt, Chairman

PROVIDENCE PUBLIC BUILDINGS
AUTHORITY OF THE
CITY OF PROVIDENCE

By: _____
Lloyd Granoff, Chairman

THE CITY OF PROVIDENCE

By: _____
David N. Cicilline, Mayor

By: _____
Peter S. Mancini
City Council President

TOWN OF SCITUATE

By: _____
Robert Budway
Town Council President

[EXHIBIT A NEEDS TO BE ATTACHED]