

MINUTES OF THE CHESHIRE TOWN COUNCIL PLANNING COMMITTEE  
MEETING HELD ON THURSDAY, SEPTEMBER 22, 2011 AT 7:30 P.M. IN ROM  
207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

James Sima, Chairman; Patti Flynn-Harris; David Schrumm.  
Staff: Michael A. Milone, Town Manager; Joseph Michaelangelo, PW Director;  
Vincent Masciana, Director of Management Services, DOE  
Guest: Richard Ogurick, Chairman, Energy Commission  
Councilors: Tim Slocum (8:45 p.m.)

1. ROLL CALL

The clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. PERFORMANCE CONTRACTING/ENERGY AUDIT

Mr. Sima stated that information was received in August regarding this matter. Town staff, Energy Commission members and Board of Education members interviewed three vendors to find a firm to do a town wide energy audit. This group came forward with the recommendation to hire Ameresco to perform the energy audit. At a Council meeting Celtic Energy made a presentation to come along and work in unison with the energy audit at the same time.

The Planning Committee is meeting in order to move forward on the energy audit with the recommendation from the study group. Instead of doing the audit in unison with Celtic Energy, we can go back and see what is out there and what may, or may not, have to be done. Mr. Sima noted that it was unclear to some people as to what this ESCO would do for the Town, and benefits that would be there before the next heating season.

Ms. Flynn-Harris has discussed this issue with Mr. Milone and Mr. Sima, and said that the Federal Energy Management Program, part of the Department of Energy, has an excellent document on what energy projects should be looked at and the guidelines. Energy Services Coalition also has some information and outlines on how the audit should be done, actual checklists, etc. Getting the consultant is the second step after having done the audit. In the information from Celtic, the audit should be done to go out and get an ESCO, and then evaluate what projects could be done. Ms. Flynn-Harris stated we need the energy audit, but she does not know whether Celtic should be running it.

Mr. Ogurick stated he works for Amerisco, but has nothing specific to do with the performance contracting business for the company. He was not involved with the development of this project or selection of Amerisco. Mr. Ogurick works for a separate division of the company. He manages three performance contracts for

the company, West Haven VA, Newington VA and North Hampton VA. Mr. Ogurick said he has a lot of experience with performance contracting from an implementation perspective, but was not involved with the development of the subject document and did not see it until after the fact. For the record, Mr. Ogurick stated he wanted to make sure there was no conflict or interest or appearance of conflict of interest.

Mr. Ogurick said that Celtic's role is to be the quality assurance agent for the Town, it is outside of Amerisco, and could be viewed as the owner's representative.

There has already been an audit on four sample buildings – Cheshire High School, Dodd Middle School, Town Hall and the Police Station. The three proposals are detailed, and in comparing the three there are similarities. An investment grade audit is what can be taken to the bank, identifying the cost, details, calculated savings, guidelines, etc. This audit would be a town wide scope, unless the Town decided not to include some facilities, such as the Yellow House or Lock 12 House. All remaining schools should be included, the pool, and even the waste water treatment facility.

In the review of the value engineering, Ms. Flynn-Harris said it mentions whether some alternatives should be done in WPCA. It would be a benefit to include the treatment plant.

If the treatment plant is not included, and the Town wants it included, Mr. Ogurick said there may be an additional cost.

Mr. Sima said that we have old buildings, with much done to them, particularly the schools. We don't know if all things are balanced out into a system, making sure they are running at peak performance when they need to be, or shut down when needed.

Mr. Sima commented on a facility like the waste water treatment plant having electric motors using the most energy consumption to operate. Turning them on and off is where the energy goes. Its not the same as people in buildings in office situations keeping the climate situations tighter.

Regarding the audit, Ms. Flynn-Harris asked if it is a stipulated audit that gets done, where standards are set for times of the business day. Or, looking at individual units doing retrofits with certain values are stipulated, such as measuring during the stated business days, or relying on bills or costs seen.

When the four buildings were done, Mr. Ogurick said due diligence was done, with information provided on the hours of use, occupancy, square footage, bills for electricity. He is sure the same thing will be done for the remainder of the buildings in Town. The company will want additional information as to hours of

use at the buildings, i.e. Highland School, does it have a kitchen, its use during the summer and nights, usage for months in the year. All the information will be collected to develop a project for that facility that will look at all the electric, gas, fuel oil, water...any energy usage. A list of energy efficient/conservation measures will be developed that have a reasonable pay back, which can be from a year to 15 years.

Ms. Flynn-Harris asked if they come back and say the measurement will be based on the total building, or within specified hours. There are different ratings. With performance contracting you have to know which way the building or project was rated. If not, there could be over-estimates on savings.

According to Mr. Ogurick the federal guidelines are used, along with DOE analyses and modeling for the buildings. We will end up with a reasonable representative analysis of the true energy savings for the facility given how it is used, hours of use, the occupancy, etc. It should not be over estimated, and the safeguard is that they will guarantee what the Town is told. If they say the savings will be a million dollars a year in energy expense, and you don't they pay the difference. There is no gain for the company to over estimate to make it look better than it is, as they must guarantee the results. There are certain stipulations, such as taking out the 40 watt light bulbs, and put 32 watt bulbs in, and the savings is 20%.

Ms. Flynn-Harris said that sometimes buildings are stipulated based on usage and hours, and not the whole building. Then, there can be a problem. She said she would pass some information to be read. We must be careful as to the way the company options the whole part of it as to the review...the actual audit.

There are four options to the way the audit is done. We are looking at lights, chillers, boilers, etc. Ms. Flynn-Harris said we must be careful that a mistake is not made as to how the blended rates for electricity are stated, and make sure we have everything being done for a building.

Mr. Schrumm commented on getting the audit done for the whole town, looking at expected savings based on their audit. The Town will be getting the things fixed. He also said the audit is fairly simple looking at each building.

According to Mr. Ogurick it is a whole building approach, and it is all interactive.

Mr. Michaelangelo said they may be looking at all the components of the building, but only identifying those than can be incorporated into a performance contract.

As an example, Mr. Ogurick said that if something has a 50 year pay back, it is not worth doing.

Mr. Masciana said all three companies picked 20 things each to put into the proposal, and cited the payback with these improvements. There is improvement to the infrastructure with a stated savings.

It was stated by Mr. Ogurick that the company tries to get its arms around a lot of stuff that makes sense, not just one or two year payback things, but the 10 or 12 year payback stuff, which is subsidized by the one and two year paybacks. It ends up being an average of 7 or 8 years payback.

The high school was cited by Mr. Schrumm which he said would be a larger, more expensive project, and converting it from electricity to gas. He questioned who controls the project and the \$4 million.

Mr. Ogurick explained that the Town signs a contract with an ESCO – Amerisco has control of the project and be totally responsible for designing it, contracting it out to installers, buying materials, getting the labor, commissioning to make sure it works, etc. They are using Town money because there will be some financing, funds available from which Amerisco will draw money. Amerisco can arrange third party financing or the Town can arrange its own financing. This will cost between 3 and 4% interest for 15 year debt. Amerisco has a relationship with Bank of America, and has a line of credit of \$600 million, and this bank gets formally involved. Amerisco withdraws from that account whatever they need for labor and materials for the project to be done. After the Town approves all of this, there is payback to Bank of America over the 15 year term of the debt, i.e. \$200,000. This comes from the savings generated by converting the system from electric to gas.

Mr. Schrumm commented on this same project with the Town Manager going to the bond market with a bond offering. He said chances are Bank of America gets a great rate; the Town gets a great rate less than the commercial rate. The Town bonds the project for 20 years, and PBC manages the project, possibly using the same contractor as Amerisco recommends. The Town gets the same energy savings, and he asked for the difference.

In response, Mr. Ogurick said it is the guarantee from Amerisco that the Town gets \$200,000 a year, and if not, they pay the difference. There is value to this.

Mr. Milone asked if the Town can still get the guarantee even if the Town finances on its own.

Mr. Ogurick said the Town can get the money however it wants. If Amerisco arranges the financing, and that is all there is to it...the line of credit. If Cheshire wants to do its own financing that is fine too.

Ms. Flynn-Harris stated that East Hartford just started their second phase, and in 2007 hired Johnson Controls, taking out a \$5 million Bank of America 12 year tax

exempt lease, and this is how they paid for all their work. On the 2<sup>nd</sup> phase, they still have a consulting watching JCI to make sure they are doing all they said in the statement of work, and making sure commissioning is correct and savings are showing up.

This process should not be looked at as being primarily a source of funding. Mr. Ogurick said the federal government is using performance contracting. Many towns do not have the good credit rating which Cheshire has, and they need the source of funds. It is not a source of funding, but a source of engineering expertise, experience, guarantee and management verification.

In Celtic's presentation, Mr. Milone said they married the two together, and it was hard to disaggregate them. They are almost recommending that you have to do the performance contracting to make it worth while. If the Town can borrow at a lower rate than Bank of America will charge, what is the advantage to doing this. The question has been answered by Mr. Ogurick that the Town can borrow, get all the expertise and protections, and the borrowing part is not a requirement.

The committee was told by Mr. Ogurick that Amerisco makes nothing on the borrowing part of the process.

How things work was explained by Mr. Ogurick. The RFPs invite the responders in; walk throughs were done; data collected; and each one did an audit. This is the audit on which the ESCO was selected. The investment grade audit will cost Amerisco more than \$50,000 to do, and 6 to 8 months to complete.

Mr. Sima commented on doing the investment grade audit, and there is a decision to go a different route.

There are no strings attached, and Mr. Ogurick said the Town pays for the audit and walks away. If another company were to come in there would be another investment audit because no company will do guarantees based on another audit.

After the first phase of this audit, Mr. Sima said this is a good time to pause, look at everything and see if we are ready to make the next step. He asked how much money would be involved and the pay back period.

Mr. Ogurick stated that since there is no investment on the part of the Town the whole thing is paid from energy savings. These projects cannot be looked at as a typical payback because the Town is not making any investment, is not going to residents for \$8 million for the project. The Town will be taking the money it usually pays to the utility companies for wasted utilities, and put it in debt service.

The utilities must still be paid while the work is being done.

Based on the four facilities already looked at, Mr. Ogurick said the Town is wasting \$350,000 a year.

Mr. Schrumm talked about Amerisco saving the Town money, with a 16 year payback. At the end of 16 years, he asked at what point does the Town say we did not get the savings projected.

The committee was informed by Mr. Ogurick that every year the Town gets a report and verification from Amerisco to insure savings are on track. If not, they make the Town whole.

Mr. Masciana said the company gave a cash flow of the 20 years which shows what the cost is, financing costs, energy savings. In his view we are entering into a contract over the next few years, making all these infrastructure improvements, saving money, and in 20 years the contract is over, and we still have the infrastructure. We would be improving our infrastructure by energy savings.

If its 20 years and the Town has older buildings, it will take 20 years to pay back, and Mr. Sima said if the building is not being used in 20 years, what happens at that point.

Mr. Ogurick noted that the State has an energy bill Senate Bill #1243, PA 11-80, and submitted an excerpt from the bill to the committee for information and review. Certain things can change the guarantee, i.e. changes in the number of days in the utility billing cycle; changes in total square footage of the building; changes in the operational schedule of the facility.

According to Mr. Masciana there is going to be some give and take as this audit is completed. We must assess what things must be done and what we do not want to do. Based on the preliminary audits done on the four buildings, Amerisco wanted a 13 year payback with \$4 million of improvements. ConEd was \$2.2 million investment with 8.5 year payback.

Going back to the question about the Town going ahead with the investment grade audit, Mr. Milone asked if it can be done without Celtic having any role in it. They have suggested they must play a part in all this from day one. He does not understand what part they play if the Town hires Amerisco to do the energy audit.

The committee was told by Mr. Ogurick that the Town must view Celtic as an independent quality assurance representative. No, they are not absolutely needed, and his recommendation is to retain them for some type of oversight during that process.

Mr. Milone asked what Celtic would protect the Town from missing in an investment grade audit, and what assurance would they provide to the Town.

It's a lot of money to have someone overlook someone else who would be rigorous in their work. We are simply getting information, and Mr. Milone said it is in Amerisco's best interests to make sure it is accurately represented, or otherwise they will pay. He asked what Celtic is doing to protect the Town, and why is a third party needed to work with Amerisco, and be paid to oversee the quality of the audit.

Mr. Michaelangelo stated that there is a summary document of 21 Amerisco projects. The energy grade one will be larger than this. At some point someone must look at the document, during or after, and state whether it is good, bad or indifferent.

Mr. Sima said the Town does not need to hire Celtic at the time Amerisco is hired.

The recommendation of Mr. Ogurick is to retain Celtic which is experienced and has done this before with Amerisco, and negotiate a reduced scope of work. The work is broken down into 10 phases by Celtic. He can possibly facilitate what Celtic will do, and give this information to the Town.

Mr. Masciana commented on not having the expertise to judge the recommendations and whether the solutions are the best, and calculations for payback accurate.

Stating he agrees with this, Mr. Milone noted that Celtic has said they should be hired from day one, getting paid, while Amerisco is doing the audit. His question is...what is Celtic doing for 6 months and what are they being paid for.

Mr. Michaelangelo stated that in and of itself, having Amerisco do an energy grade audit on all Town buildings, seeking out projects for performance contracting, it does not do a lot just to have the audit.

Ms. Flynn-Harris said that Celtic's scope is that they will conduct 36% and 90% reviews. This is what their payment would be for.

It was stated by Mr. Schrumm that we are saying that whatever Amerisco designs or comes up with is the best solution – as opposed to the PBC interviewing some vendors, and choosing the one with the best solution, price, performance. The only difference is that he thinks Amerisco will come up with the super best to save energy because they are guaranteeing it. With Amerisco it is their way or the highway with engineering, design, hiring contractors, subs.

Mr. Ogurick said the Town is putting trust in the expertise of the ESCO...that they will come up with the best solution.

Amerisco will identify what needs to be done, but they will get contractors to do the work. Mr. Masciana said the Town would be involved in the process.

According to Mr. Ogurick, Amerisco has been doing this type of work all over the country and in Canada for a long time. They have a great deal of experience. The Town must take the leap of faith and believe them. The core competency of Amerisco is energy studies, and this is not the same for the PBC or PW Department.

Ms. Flynn-Harris for the normal time frame for continuation of verification for a contract like Amerisco's.

In response, Mr. Ogurick said it is 15 years.

The way it is described, Mr. Masciana said it is an extensive process for the ESCO and the Town to go through and review all the buildings, changes, etc. with all documented and discussed. The process will involve Town and BOE employees.

Mr. Sima said there will be an integrated system with someone watching all the buildings, and asked where this would go...is it watched by Town staff or Celtic.

The primary contractor is Amerisco, and Mr. Ogurick said the primary watchdog would be Celtic, as the quality assurance. In the Town, it could be PW Director Michaelangelo or Deputy Director Noewatne...there must be some staff person.

Mr. Sima said that somewhere the Town will find it is in violation of what is set up for the savings that need to be obtained. For example, the building is 5 degrees warmer than it should be, or 5 degrees cooler, and someone must know that is happening. It must come back to a central location to be caught – an energy management system.

In all the proposals, Mr. Ogurick said there is training...to make sure all maintenance staff know how to operate and maintain the equipment.

A skilled staff is required to manage the EMS.

There was a brief discussion on inclusion of all buildings, i.e. the bathroom facilities at Bartlem Park or the bus depot.

Mr. Milone noted that there has not been a discussion with the Town's financial advisor about this, but there may be a separate designation for bonding this type of project. There is tax incremental financing for development projects, pledging the additional tax revenue towards payment of the debt. The credit rating agencies treat this differently in terms of the way they rate it and the way the bond market receives it. This could create a more attractive rate. He is unsure if



they would do this for energy projects, but there is the potential it could be done. The bond would be segregated and handled as totally different than a GO bond. We are pledging the savings to pay the debt. There might be a better rate, and it might not go towards the Town's outstanding principle debt.

The Town of Farmington was a year ahead of Cheshire with Celtic and this whole process. Mr. Milone has checked in with them, but has not visited with staff. They may be able to answer some questions and Mr. Milone plans on a meeting in Farmington with Town staff on retaining Celtic.

Ms. Flynn-Harris said there is also funding available for municipalities for energy audits, and this should be looked into for the performance contracting part. The document from the State which she gave to the committee mentions Branford and other towns looking into performance contracting, and Cheshire is cited.

According to Mr. Milone, he is citing Farmington because they have followed the same process as Cheshire while other towns used different models for various reasons.

Mr. Milone explained that the bonding companies want verification that the Town has sufficient savings to pay the debt. This debt will be characterized as other than GO debt, so savings must be verified, looking at the pro forma.

### 3. TOWN CENTER AND PARKLET SIDEWALKS

Mr. Sima discussed the pavers around Town and in parklets which are in poor condition. There was talk about doing a perimeter paver and concrete. There are photos from Ms. Flynn-Harris on how this would look which the committee reviewed.

With putting in individual bricks around the concrete slab, Mr. Schrumm asked what they are resting on.

Mr. Michaelangelo explained how the concrete is poured and how the bricks are set in place. The bricks are installed in the same way as the West Main Street sidewalk design...with a paver sitting on concrete.

For the parklet sidewalk project done this summer, Mr. Michaelangelo said the contractor was the same one who did West Main Street. The details are the same; \$19 per s.f. for 1,200 s.f. There was an option if good concrete was found underneath and what just the cause of the brick would be, but this did not materialize. The 2,400 s.f. is for the unit pavers along the church property and stone wall; the \$19 per s.f. (inclusive) matches the West Main Street unit price for the concrete and paver sidewalk. In some instances the concrete can be saved and reduce the project cost.

Mr. Sima noted there is money from Yankee Gas, and how much this was.

Mr. Michaelangelo said Yankee Gas gave money based only on the amount of sidewalk on Route 10, and nothing along the Route 70 side. It was about \$22,000.

Mr. Milone advised there was a separate amount for the landscaping from Yankee Gas.

In summary, Mr. Schrumm said the entire concrete and paver work can be done for \$18,000.

Mr. Michaelangelo said the whole section is \$18,000 plus the \$22,800.

Once this project starts, Mr. Sima said the other walkway must be done for people to walk that way. He asked if there is money to start in front of the Town Green.

Mr. Michaelangelo sees this starting in the Fall.

If one section of the sidewalk was done with stamped concrete, Mr. Sima asked what the cost would be.

Mr. Michaelangelo said that most stamped concrete is not grooved, but the proposed concrete will be grooved. Plain, generic concrete is \$8 s.f. and there is more work involved with grooved concrete.

Mr. Sima commented on a warranty on the pavers and stipulating a warranty for them.

There will be another price for the project next year and Mr. Michaelangelo will have this information for the Council including other product options.

Mr. Milone stated that this project was brought back to the Council due to the increase in costs. And, whatever we start with here will be carried through, and work stopped at this point in the project due to the costs.

The work on the triangle will be done by mid November. Landscaping will be done after the concrete/paver work is done.

Energy Costs – Mr. Milone said it is \$3,470,000 broken up into 4 parts. In the operating budget the Town portion is \$650,000; Education is \$2,040,000; Pool is \$270,000 for utilities; and WPCA \$510,000 for utilities.

#### 4. PRE-QUALIFICATION OF VENDORS

Mr. Sima talked about pre-qualification of vendors, and Stamford's pre-qualifying bidders in town for work which came up and vendors ready to go and their cost.

This way there are vendors ready for emergency situations, time to respond to an emergency, and regular maintenance work in town. He viewed this information on the internet. He asked Mr. Milone and BOE to provide information on work done in Cheshire by vendors, and the numbers were high. Mr. Sima commented on pre-qualifying vendors to come forward, give a rate to do the work in Town, and this avenue could be explored. If there is work to be done, the vendors come in, and the Town knows the mark up on the products. We get the best price because they are already pre-qualified.

If there are three contractors approved and pre-qualified, Ms. Flynn-Harris asked how you chose a contractor to do the work.

Mr. Milone has asked this same question. If there were three vendors, there could be a vendor conference to determine who is readily available to do the work. Some criteria would have to be developed. These vendors would be for general maintenance work, not for large projects requiring a bid process. There is the benefit of using the vendors, without multiple bids, and for an urgent problem it is expedient and there could be cost savings. The pre-qualification is for one year.

This pre-qualification is across the board and Mr. Milone said it will be looked into further by staff.

For painting the schools, Mr. Masciana advised there is a maintenance employee of the BOE who does the interior painting. Exterior painting work is bid out.

The Town Attorney is looking at the contractual situations for bidding and pre-qualification.

Mr. Slocum said that many towns do pre-qualification of vendors, and he receives information from Wallingford on this issue.

Mr. Sima stated that in his business every time there is work done on a big well it goes out to bid, and the process is very long.

Mr. Schrumm discussed the recording machines and using a more efficient device for recording.

The committee will meet again in 6 weeks.

## 5. ADJOURNMENT

MOTION by Mr. Schrumm; seconded by Ms. Flynn-Harris.

MOVED to adjourn at 9:35 p.m.

VOTE        The motion passed unanimously by those present.

Attest: Recorded from tape.

---

Marilyn W. Milton, Clerk

