

MINUTES OF THE CHESHIRE TOWN COUNCIL PLANNING COMMITTEE  
MEETING HELD ON TUESDAY, OCTOBER 25, 2011, AT 7:30 P.M. IN ROOM  
207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

James Sima, Chairman; Patti Flynn-Harris and David Schrumm.  
Staff: Michael A. Milone, Town Manager; George Noewatne, Deputy PW  
Director; Louis Zullo, Personnel Director; Vincent Masciana, DOE, Director of  
Management Services.

1. ROLL CALL

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

The group Pledged Allegiance to the Flag.

2. PERFORMANCE CONTRACTING/ENERGY AUDIT

Mr. Milone advised the committee that the cost of the energy audit is \$49,611.

The committee was informed by Mr. Milone that he, Mr. Michaelangelo, Mr. Noewatne and Mr. Masciana visited the Town of Farmington CT and spoke with town officials regarding the Farmington energy audit. This town is about 60% the size of Cheshire. The audit took about 9 months, and upon its completion, the town officials distilled the recommendations down to \$3.1 million in projects, with financing and no more than a 15 year payback. Some of the recommended projects did not meet the criteria for a return in 15 years. Other, more expensive projects, were considered worthwhile despite a better return on some other projects.

Mr. Masciana stated that the Farmington Town Hall, HVAC system, was old and problematic and was 1/3 of the total cost of all the projects. There was a long list of items and the town negotiated down to what should and should not be done. The town is working with Amerisco for the energy audit. All the projects will have performance based contracting, with the exception of one project, without a payback. Farmington is going forward with \$3.1 million in projects, and into a contract financed through energy savings.

According to Mr. Milone the Town of Farmington is at a decision point on financing, but is not certain on going through a lease agreement with an ESCO at a 4% interest rate. However, the town could go through the ESCO without paying too much more than private financing. Cheshire officials were told by Farmington officials that town staff must be available throughout the energy audit to continue to provide access and support, and a working team must be put together to interact with the ESCO.

Mr. Milone commented on the fact that he was told by Farmington officials that the auditor is an integral part of the whole process (i.e. Celtic Energy). As the

audit is being done, all of the measurement and verification criteria is being developed as the investment grade audit is taking place. Someone is need to totally see what Amerisco is doing to insure that the measurement verification and criteria is adequate and in the best interests of the town. It is too late to do this when the audit is completed. This must be done on an ongoing basis as they develop project and project. The auditor analyzes and cross-examines them to insure the interests of the town are being protected, and to insure the validity and accuracy of what Amerisco is telling the town. The role of the auditor is important and valuable in protecting the town.

Mr. Masciana noted that the auditor has the expertise which no one on the Town side would have. When a recommendation is made, the auditor knows the ins and outs of the process.

For Cheshire to select an auditor, an RFP must be done to be on board when the energy audit starts.

Ms. Flynn-Harris commented on her brother being involved in performance contracting with Amersico, and the need to bring the auditor on board immediately. This is an important part of the whole process. Ms. Flynn-Harris stated that going out with an RFP is important. She has a problem with Celtic and Amerisco having a tight relationship, and said there are only a few high level experts in the field.

Regarding financing, Mr. Schrumm said that the rate may be 4%, but could be 3.25%. He asked whether this is a flat rate for all of the projects, or if it was a floating rate.

This rate will not float and Mr. Milone said a contract is being signed. If there is a second phase with more projects added, there would be renegotiation of the terms of the borrowing lease costs.

Stating he has been told to watch the financing, Mr. Schrumm said there is no reason why Cheshire cannot borrow cheaper than going through Amerisco.

This has been Mr. Milone's argument from day one, and he said the town could borrow at a lower rate, i.e. 3.1%, and would not borrow at 4%.

Mr. Schrumm said that by the town borrowing, the issue may have to go to referendum, and clarification on this would be needed from the town attorney.

In the OLR research report, Mr. Milone noted that some communities did hire the auditors to monitor Amerisco and Johnson Controls. There were good things said about Amerisco. There are two things which Mr. Milone wanted to offer to the Council.

One – The Council members had questions which staff could not answer about Amerisco. Mr. Milone suggested inviting the firm to a committee level meeting to answer questions. Second, go out on the street with an RFP for an auditor, find out the cost, and see the response we get. A copy of the Farmington RFP will be sent to committee members.

Mr. Schrumm thinks that doing financing ourselves will give a better interest rate. The question is whether there is a better price to bid the projects ourselves on the open market. He suggested two bids on the street – one from Cheshire and one from Amerisco. It is probable the same contractors would be bidding.

In some of the documentation, Ms. Flynn-Harris said an important comment said to look at this with a holistic approach, looking at everything in town.

Mr. Noewatne said this is the order of magnitude. These projects cannot be taken as stand alone issues. Amerisco might develop 200 projects in the course of the performance contracting. They may get a tremendous bundle with good pricing for the projects; they have their own designers with design costs buried in the cost.

There is a guarantee of what the energy savings will be, and Mr. Masciana said this is an opportunity to do many infrastructure improvements, having a cash outlay, with the net cash flow zero to positive. Based on the preliminary audit, Amerisco gave the town a net cash flow over 15 years of about \$16,000 with proven energy savings.

Ms. Flynn-Harris commented on the need for training of maintenance staff on all of the equipment and parts. Amerisco must bring training as part of the package.

Mr. Milone said that training is a key element of all of this. With regard to the bond versus the lease, if Cheshire decides to bond these projects the only difference would be the town paying the financing directly. Everything Amerisco would do for the town would be the same...the town is not putting together the bid specs or going on the street. There might be situations where the lease is more attractive because if the guaranteed savings is not being generated in any one year, there is no payment to Amerisco. Whereas, if the town is paying back its own borrowed money, the debt must be consistently paid.

With regard to a \$5 million sign up with Amerisco, Mr. Schrumm asked when payment starts, and how this is treated from the debt service line in the budget.

The committee was informed by Mr. Milone that this is a separate stand alone lease line, and would be a long term liability with a separate account. It would not be rolled into the town debt.

Mr. Milone noted that many questions are being raised which only Amerisco can answer, particularly the financing issues. Once the town signs the contract with Amerisco, things start moving along quickly. The sooner the projects are done the sooner the money is being saved, and Amerisco achieves what must be done contractually.

There is a list of towns with performance based contracting agreements, and Mr. Noewatne, and the time frame is from about five years ago.

The oldest reference is 6 years in New City, NY, Nyack NY, and the list will be sent to committee members.

Mr. Milone stated that a list was put together for the committee, looking at the five year capital plan, and projects that are in the plan which would be relevant to this initiative. There is uncertainty as to whether WPCD would be into this, but two pump stations are coming up, and could be candidates for this initiative.

The electricity replacement project at the high school, at \$4 million, has been on the list for 15 years, and Mr. Masciana said this is one of the projects that could be done. The window replacement payback is about 15 years.

Mr. Sima commented on \$25,000 as being a better number than \$196,000 for the auditor.

The third party consultant issue was discussed. Ms. Flynn-Harris saw Amerisco with Johnson Controls and other consultants.

Mr. Milone stated that hiring an auditor will be more than the \$25,000 paid by Farmington. With the high number, there was rolling in of the investment grade audit, monitoring of the project. Without an RFP we do not know the solid number. A copy of the RFP must be compiled and if it is okay, it can go on the street, and the town can receive responses.

Mr. Schrumm requested a clarification on the town bonding the financing, and whether this must go to referendum.

There was talk about savings paying off bonds and Mr. Milone said the finance advisor did not recommend this. The debt would still come up as town debt, and the interest rate will not sell any lower than a conventional g.o. bond.

The cost of the investment grade audit is \$49,611, and it was clarified that if the town goes forward with any of the projects, this fee is offset.

A time frame was discussed. Mr. Noewatne stated that if the Council makes a decision in December or January, the process takes 9+ months, and goes into next fall with a report back to the Council. The projects would then start in the

winter months of 2012, with heating projects held off until summer 2013. There is time for decisions to be made on the recommended projects.

The committee scheduled a meeting on Thursday, November 17, 2011, at 7:30 p.m. Mr. Milone will invite Amerisco to attend this meeting.

### 3. PRE-QUALIFICATION OF VENDORS

Mr. Zullo is the point person on contracts and RFP's, and CCM has a template which can be followed, but the town has not received it yet. CCM is trying to locate information on pre-qualification of vendors to send to Cheshire. Mr. Zullo said there are vendors for various trades when getting quotes. The question is how to further break down the list, and with the information from CCM there could be adaptation to what Cheshire needs.

On the school side, Mr. Masciana said there is a \$12,000 limit before going to bid. The idea of pre-qualified vendors to do a job is in place. For example, if there is a plumbing problem, there is a call to 5 plumbers, and quotes are received for the immediate job. Negotiations take place with the best bidders and the work is awarded. This enables negotiation as opposed to a hard bid and money is saved.

Ms. Flynn-Harris commented on the question being how to pre-qualify bidders. She cited the Stamford CT ordinance, and noted that New York State, Vermont, North Carolina and other states pre-qualify vendors. Some states have an application form and process. All the bidders on the list were judged by department heads across the state and receive approval. There are many different ways to do the pre-qualification.

According to Mr. Sima, the State of Connecticut has pre-qualification (DAS list), and spends more time with paperwork rather than quality of work.

On the DAS list, Mr. Masciana said you are not always getting the lowest pricing. With a list to go to in the town, negotiate with vendors after submission of a proposal, this gives a real advantage which is not there today.

Mr. Milone said that in order to attract vendors there must be identification of the range of expenditures in one year, the number of service calls in one year, etc. The vendor could decide if it is worth while for them to be on the list. The question is also when to make a distinction between using a pre-qualified bidder on a big construction job, or just going out to bid. If the Council adopts a process for qualifying, it is understood that it could go over the \$12,000, and does not have to be bid. Mr. Milone said this process is basically taking the place of the bid.

Mr. Sima talked about going out to a pre-qualified electrician, and the project includes more than electrical work, then the scope has changed.

If the electrician ends up going over \$12,000 Mr. Milone said it is his understanding that because they are pre-qualified it is not bid this work.

Ms. Flynn-Harris explained that Norwalk CT has a list of pre-qualified vendors and their ordinance still states that sealed bids are sent out.

Mr. Zullo commented on pre-qualification of people, and the bid having a condition that the bidder must be pre-qualified, or the bid is not accepted.

There must be clarification on what we want to achieve, and Mr. Milone said his understanding was that for smaller type projects (plumber), are we getting the best unit price. Doing the pre-qualification will assure getting the most competitive unit price. Over the course of the year the separate jobs will go over \$12,000. Mr. Milone stated that guidelines are needed for these issues.

Mr. Zullo advised that last year there was pre-qualification for an architect for the PBC, and tree bids for PW requests for additional tree work.

In the construction business everything is done on an hourly basis, and Mr. Sima said that on a per job basis the idea is to get as much work done much faster to make the money.

Ms. Masciana stated that sometimes the low bid is not the best you can do compared to negotiations with a vendor. He requested the construction increase to \$25,000 from \$12,000, require 3 bids, keep a file and allow negotiation without going to a formal bid process.

The committee was informed by Mr. Milone that CCM has a program for reverse auctions, and he explained how it works. You go out to bid for anything, make clear in the bid specifications that you are accepting bids and turning around, notifying all the bidders of the bid amounts, without identification of the bidders. The bidders are given a time frame to come back with revised bids once they see what all the bids are. This has been very successful and is catching on around the country. The town attorney is reviewing this as a way to deal with larger projects.

Mr. Masciana reported on the replacement of the netting on the baseball field. He called a vendor for a recommendation and pricing to repair the netting. It came in under the bid limit, and he negotiated and received a good price.

Mr. Noewatne noted that the waste water treatment plant has pre-qualified vendors for methanol.

#### 4. DOG PARK STATUS REPORT

Mr. Milone reported that the Planning and Zoning Commission approved the proposal for use of the land next to the land fill for the dog park.

Mr. Noewatne displayed a the plans for the dog park. The dimensions of the park include an enclosure 350 ft x 225 ft. with a smaller 100 ft. x 100 ft. enclosure for smaller dogs. The park will be fenced in with various fencing and heights with a grass surface. Approval has been received from D.E.E.P. to utilize the site. Some excess fencing will be given to the dog park by the town. The project must go to Parks and Recreation Commission for rules and regulations and then be approved by the Council.

To date the dog park group has raised \$8,500. On the weekend of October 29<sup>th</sup>, 10 a.m. to 2 p.m. the group is having a Chilly Dog Walk at Cheshire Park, with vendors, kids events, and activities. Information on the dog walk has been sent out via e-mail and through local organizations. The group is also conducting a brick sale fund raiser on line and on their web site. On December 11<sup>th</sup> the group will meet with a consultant on grant applications and funding. The parking lot will be crushed stone; there will be 8 regular spaces and 2 handicapped spaces; there will be a large gate for entrance and exit to the park which will enable maintenance of the park by town staff. This parking area can also be used by Arts Place. The anticipated time frame for installation of the dog park is Spring/Summer 2012.

At the Planning Committee meeting of November 17<sup>th</sup> there will be discussion on the Linear Park and funding for the extra Milone and MacBroom work.

Mr. Milone advised that an RFP must be done for this work for Public Works and Parks and Rec Departments. He will get a report on the status of the State's Cornwall to West Main portion of the project. He stated that the State wants to go out and do the survey, but needs to get through this piece of the trail. Cheshire has been asked to clearing a path for the survey to be done. PW Director Michaelangelo has asked the engineer at the DOT to advise Mr. Milone what this entails so it can be determined how to accommodate this request. There will be more information at the November 17<sup>th</sup> meeting.

A hard number for the trail project will be needed in May/June 2012 for the CEP process. Two grants applications were submitted for the Linear Trail project, the STEAP grant and federal grant. No word has been received on these grant applications. There is \$190,000 for the bike trail repavement, but this project could wait one more year.

#### 5. ADJOURNMENT

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

MOVED to adjourn the meeting at 9:12 p.m.

VOTE        The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk