

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

Present

Chairman James Sima; Committee members Patti Flynn-Harris and David Schrumm; Town Council Chairman Tim Slocum.

Staff: Michael A. Milone, Town Manager; Louis Zullo, Personnel Director; George Noewatne, Deputy PW Director; Vincent Masciana, Director of Management Services, Dept. of Education.

Guest: James Daylor, Ameresco.

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 PRESENTATION

Mr. Sima stated that the Ameresco presentation will be on the investment grade audit for the Town and school facilities, at a fee just under \$50,000. The third party consultant, Celtic Energy, has given the Town a fee of \$96,000 for their phase of the project.

Mr. Daylor gave a brief overview of performance contracting. There are two broad components of these projects – the technical portion, which means what energy efficient projects will be installed, and the financial and savings generated and methodology. It is the blending of the technical and financial aspects which make up the power of a performance contract.

Performance contracting is a cash neutral way for communities to engage in capital projects and introduce energy efficiencies into their portfolio. What makes it cash neutral is that by statute in Connecticut and by its definition, the Town can leverage its energy savings to self fund capital improvements. Performance contracting is approached by Ameresco looking at buildings and facilities, the way they are used and operated for lighting, water, heating, etc. Recommendations are made, savings are documented for various elements, with the information presented to the Town in an investment grade audit. Ameresco then works collaboratively with a staff level team to select a sub-set of projects that make technical and economic sense for the community. Then, construction level pricing is worked out around these projects, and a recommendation is submitted to move forward.

Mr. Sima asked about the return on investment time frame for some projects, i.e. something with a 4 year payback. After 4 years, he questioned if this is when the

Town could actually realize the savings kicking in, or if there are continued payments to Ameresco over a longer period of time.

In response, Mr. Daylor said Ameresco is a construction company and is paid up front, and makes its money on the fee for construction. The financing comes from the market place or operating funds. He clarified that Ameresco has no stake in the savings or financing, and is separate from the company.

PUBLIC

Lon Isaccson, 258 Eastgate Drive, asked about the average payback terms which the Town signs into.

Mr. Daylor said this depends on the community goals, but a mid-teen project is not out of the ordinary. By statute, the term cannot go out beyond 20 years.

It was stated by Mr. Sima that Ameresco does the audit, and savings are found with a payback of 6 years. He asked if the funding arm goes 6 years or is it the same as a typical bonding term.

According to Mr. Daylor, there is a high level project made up of many smaller projects, each sub project has a cost and savings associated with it. These projects are all added together with some paying in 3 to 4 years and others longer. They are bundled together and the overall project has savings and repayment associated with it. Individual measures with a 4 year payback continue to have savings accrue, and the savings are put back into the project to offset longer term projects. At the end of the defined term of the overall largest scale project, the savings belong to the Town and debt service goes away.

If the Town picks projects and does not include long term pieces, i.e. windows, Mr. Sima asked about a 7 year return on investment, and if the funding aspect is done for 7 years or over a longer period of time. He noted that the Town is not saving money on the project until there is savings to the Town. The projects could be bonded to be done without the Ameresco finance arm. He said Ameresco does the audit, the Town takes the recommendations, and bonds the cost versus Ameresco doing the funding arm.

Mr. Daylor explained that Ameresco does not lend the money, and that this is done through a funding source such as Bank of America.

Mr. Sima said the savings are based on payment back to the financing arm.

It was stated by Mr. Daylor that the Town could raise a new piece of debt to accomplish the mechanical upgrades. Ameresco identifies revenue source savings to repay that debt, and those funds come from the existing utility accounts by extracting inefficiencies from the utilities. If the Town chooses to

use performance contracting there is a built in existing taxpayer revenue to pay for that debt service. If the Town takes the investment grade audit, goes out on its own and chooses to fund the projects, it must come up with a project to create the savings, but leaves a lot on the table. The Town could not build what Ameresco would recommend because it would be obligated to low cost bidding laws, which Ameresco is not bound by. There is no performance guarantee or savings, and this would not be under the guise of the performance contracting. Operating costs could not be used to pay the capital expenses. Under 1180, the Town can use operating capital. There is a notable difference in doing the work this way, and the Town loses the power of doing performance contracting. With a 10 year project, in year 10 and one day, the debt is paid off, and after that period all of the savings would go to the Town.

Ms. Flynn-Harris questioned whether Ameresco would be putting in the projects the individual units in a priority order; if it would recommend those not to be done due to low savings; and would this recommendation be based on the cost savings.

In reply, Mr. Daylor said everything is looked at under the investment grade audit, and it will be documented for cost of savings parameters and energy conservation measures. This is presented to a committee, with Cheshire prioritizing the projects with guidance from Ameresco on payback time and the most savings. There will be discussions on prioritizing and what needs to be accomplished.

Mr. Slocum asked about Ameresco being paid up front and still being in the game. He also asked about the economies of scale, prevailing wages etc.

The committee was told by Mr. Daylor that his firm is obligated to prevailing wage laws, but not obligated to take the lowest bid. Ameresco is offering a performance guarantee that the savings will materialize to repay any form of debt service. This guarantee is measured against the baseline. Should there be a shortfall in the savings, Ameresco must make up those funds measured against an established baseline. Ameresco monitors the performance based on established measurement verifications which are agreed to ahead of time. The work done in the buildings is monitored to make sure savings materialize.

Mr. Flynn-Harris asked why there is a recommendation for a consulting company involved in the process to oversee Ameresco.

Ameresco knows what it is doing, and Mr. Daylor said the third party engineers are a valuable part of the projects. A large volume of technical and energy related data and calculation related data will be turned over to the Town. The role of the third party is to ensure the calculations are correct, and that there is a correct use of the data.

Regarding the 10 year payback period Mr. Isaccson said that internally it has paid for itself in 5 years, and the savings pay for Ameresco's profits, interests, monitoring, etc. He said the Town should be aware that there is a charge for going over budget and there are penalties involved.

Mr. Daylor said this is an incorrect statement.

This question has been raised before and Mr.Sima asked what happens if the Town is into a contract and finds out that an employee has adjusted or changed calculations, or an electrical space heater is put into a room in a building. He asked if this trips part of the agreement.

Mr. Daylor said this is talking about a broad subject of monitoring and verification. There is an established baseline, with an agreed upon set of methodologies to monitor and verify that the savings are being calculated. There are industry accepted standards on how this is done. A space heater would have a minimal impact on the savings. But it would be noted to the staff for corrective action, but there would be no penalties or adjustments. What would constitute an adjustment to the baseline would be the energy management systems constantly being over ridden, i.e. night temperatures not being followed, or closing a school building. It is all about what has been agreed upon and what is not being done, such as maintenance which affects the baseline adjustments.

An example was cited by Mr.Sima with a fan out of sync in the HVAC system, a room is chilly all the time, and the temperature is upped with the system being over ridden. And, this is occurring from the set up of the system with mis-sized ducts or such.

This is suggesting error and omission on Ameresco's design, and Mr. Daylor said if that was the case then it would their responsibility. He stated that these mistakes are not made, and there will be constant communication with the staff with Ameresco involved when things are not operating efficiently.

Mr.Sima asked about warranty of the equipment.

The committee was told by Mr. Daylor that all the equipment has a one year warranty for labor and materials from Ameresco on anything they touch, which is above and beyond the performance guarantee. Beyond that all warranties and guarantees are transferred over to the Town for all equipment. There will be normal maintenance operation by the Town on equipment and product, with or without Ameresco. A maintenance and operation plan will be established to be followed. Outside vendors can continue to operate the Town's equipment, or there can be a service contract with Ameresco.

Ms.Flynn-Harris asked about using non-certified technicians on the equipment and if this would void the baseline.

Mr. Daylor said there should be trained people working on equipment, with or without Ameresco.

It was stated by Mr. Masciana that savings begin as soon as Ameresco begins work, and utility savings are realized right away. The Town is still paying for the work that was done, but does not go cash flow positive until the loan is paid off.

Mr. Daylor said savings will out pace the debt serviced, and it will always be a cash flow positive situation. Under performance contracting, there cannot be recommendation for negative performance contracting.

Taking 10 years for 20 recommended projects, Mr. Masciana said there are utility savings paying debt service. The utility savings continue, and we have new equipment in place.

Mr. Sima commented on the overall effect to the Town of Cheshire is the time period chosen, and after that time period we see the cash flow positive.

PUBLIC

Mr. Isaacson said that the Town must maintain equipment and be vigil about it, and Ameresco will watch this. If settings are changed without the Town being aware, then parameters change against the Town. Money for maintenance must be factored in for the 10 years, more so than in the past. Using outside technicians requires that their work be double checked.

Mr. Daylor stated that the failure rate of equipment will go down, and maintenance costs will not go up, but will be cut in half because failure rate on the aging equipment will not be there.

Mr. Noewatne said that Ameresco is good about putting in utility management systems with more controls involved in operation of buildings. There is cash flow positive from the start; savings are seen immediately; and with \$1 million in utility costs the Town might see \$2,000 returned every year.

Out of a \$1.00 utility bill, Mr. Daylor said that there is 70% to purchase energy and 30% wasted energy. Ameresco will extract the 30 cents from the utility payments and use it to promote capital projects. Over the term of the project 28 to 29 cents of the inefficiency will go towards paying pieces of the debt service. At the end of 10 years the entire 30 cents will be savings put back into the general fund.

It was pointed out by Mr. Noewatne that he has been assured by Celtic Energy that any consulting services are factored into the performance contracting as well. The Town should not see additional dollars incurred.

Mr. Daylor said that labor, materials, financing, third party consultant are all paid through savings, without any cash outlay.

Town Manager Milone stated that savings have to out perform the cost. He asked if there is front loading this into the first few years, and whether this could be done under the statute.

Stating "yes", Mr. Daylor said it can be done as a buy down or use an amortization schedule as is done when borrowing.

Mr. Milone asked about calculation of return on investment, i.e. using \$1 million in utility expenses, with 30% inefficiency, and the Town realizing \$300,000 on that million dollars. When future years anticipated savings or cost avoidance are calculated, an inflation rate should be built into this, and he asked about the basic methodology.

In response, Mr. Daylor said for utility expense there is a 2% escalation rate of energy, but this is a variable. Depending on the risk calculation you could use zero or a larger number escalation rate. Using zero escalation rate in energy you will have savings materialize over time because you are not growing the cost of energy over time. This is taking the more conservative approach. The Town negotiates all of this with Ameresco at the start. Relative to the savings performance, Mr. Daylor said there is a decline in savings over time due to the performance over 15 to 20 years and this is factored into this model.

If the Town decided to bond the projects itself, Mr. Milone asked about the effect on the relationship between Ameresco and the Town.

When the energy services agreement is executed Mr. Daylor said the Town is asked how it wants to do it and can hand them a check. Some clients have capital reserves paying for the project on day one; some clients do hybrid measures with a big buy down. Bank of America has an interest rate of 3% or 3.25 % at this time. Mr. Daylor said Ameresco is open to anything the Town wants to do.

Mr. Slocum commented on going to the public and bonding the project does not do away with performance contracting. We are still dealing with normal operating rules through the capital budget. For \$10 million in projects, he asked how this is represented to the public as referendum item, and how this is paid.

This would probably lead to a referendum question and Mr. Daylor said performance contracts are not subject to referendum vote. These are operating expense projects and not capital projects because of using existing operating costs from the utility budgets. There is leveraging of utility budgets; existing tax payer funds are not being used; and it is a complex issue. It would be the

exception for a Town to go to referendum on performance contracting projects. But, Mr. Daylor said this should be checked with the town attorney.

Going forward, Mr. Daylor said a year will be picked as the baseline year, and this is the year in which utility costs will be frozen. We must level fund these accounts going forward, and it will be a new line item in the budget with surplus in the line item each month and annual savings paying for costs. Ameresco does not accept rate risks as part of the contract.

Mr. Sima noted that the operating budget will have another part to state debt service coming out of the utility bills.

It was stated by Mr. Milone that he still has a level of discomfort regarding the referendum question on this expenditure. He asked why Ameresco is so confident about the referendum issue, and if it is the statute controlling the process and giving the authority to proceed. This issue must be reviewed by the town attorney.

Mr. Daylor said these are capital funds not operating funds.

With a contract for \$10 million signed, Mr. Milone said the Town is guaranteeing a repayment of \$10 million plus interest. He asked what he has as the appropriating authority to commit to that kind of long term contract. This is where he has the immediate discomfort.

Mr. Daylor cited the statute – PA1180, Section 123, 11-H which authorizes how this is done, using utility operating funds to pay capital projects under performance contracting.

Mr. Schrumm stated that this does not necessarily mean that this statute supercedes the Town Charter.

In response, Mr. Daylor said his experience with this process in Connecticut communities and other states, it is allowed. But, the issue should be reviewed by the town attorney. He identified Farmington CT with \$5 million in projects and no referendum.

Mr. Milone stated his understanding that Farmington CT is not bonding this expense, but is doing a third party lease.

In that regard, Mr. Daylor said Farmington is talking about self-funding or leasing, and the referendum issue never came up.

It was noted by Mr. Milone that the Town Charters of towns are very different. In some cases the lease is a way to circumvent the referendum. But, in Cheshire's

case if the Town were to borrow, he still has discomfort, and the citation will be turned over to the town attorney for review.

With the third party oversight, i.e. Celtic Energy, Mr. Sima said it was referred that this cost would be bundled inside the other costs. He said the number seemed to be very expensive for a project, not knowing the size of the project, and Celtic has already given a number. Mr. Sima asked how critical the role of Celtic will be, and if their role is to only oversee Ameresco's recommendations and the work, or just the recommendations.

Mr. Daylor explained that Celtic Energy has a full engineering staff, looks at the equipment specs, installation, and takes a construction role as well as an evaluation role. They participate in the M&V review for the term of the contract. Other firms can review the calculations and estimates, but Celtic has the engineering component as well. It is suggested to have some level of representation going forward in the project, commencing with the audit statement. 5% is a dramatically high cost.

Mr. Schrumm commented on \$10 million for the project, with a contract signed paying Ameresco the \$10 million with the understanding that the cash flow comes from the savings in energy. It does not come out of taxes, bonding or anything else. He asked where this \$10 million comes from, initially.

The funding comes from Bank of America, Chase, or some other lending institution, and Mr. Daylor said it can be lease, bond, check book.

If Cheshire borrows the \$10 million to pay Ameresco, Mr. Schrumm asked about the company's experience with borrowing less expensively from a bank than Cheshire's normal bonding process.

Mr. Daylor said that Cheshire selects its own financing plan based on its own financial credentials.

Mr. Schrumm noted that borrowing \$10 million would have to be a referendum item, no matter where the money is coming from for the payback. The source of funds for the performance contracting is up to Cheshire getting the best deal, and this is the responsibility of the Town Council and Town Manager.

In that regard, Mr. Daylor advised that Ameresco has its own finance team with existing relationship with Bank of America, and can handle this financing for the Town. Ameresco does not participate in the financing and makes no money on this service. Bank of America has established funds for performance contracting. The typical payback period is 10 years depending on the projects.

The issue of guarantees of Ameresco was raised by Mr. Schrumm.

Mr. Daylor said the payback period for the \$10 million is based on the projects. For \$10 million worth of lighting, it is 10 years. If it is \$10 million on roofs, it is 300 years. When you put the project lows and the highs together they come together in the middle and you get an aggregate project fit. Mr. Daylor stated that coming up with \$4.5 million worth of work in Cheshire, looking at about 45% of the real estate, it would not surprise him to find \$10 million in capital improvements, that would pay for themselves in the space of 15 years.

Regarding guarantees, Mr. Daylor said that if Ameresco stipulates \$1 worth of savings, this is guaranteed. There is the guarantee that there is a payback for the Town to pay back the \$10 million. If the savings is not there, Ameresco is responsible for the shortfall. Ameresco looks at weather tested data over 30 years, does not pick an anomaly, so the baseline is weather adjusted, extracting the weather anomalies.

PUBLIC

Mr. Isaacson commented on the price of gas being low right now, and if it increases more than the average, the savings after 15 years will not be there. And this should be bumped up a little by 5 or 10 cents.

On the measurement and verification side, Mr. Noewatne asked about going out 15 years, and whether this is in the contract, paid for every year.

Mr. Daylor said that M&V is a project expense and could be adjusted as the Town sees fit. M&V does not have to be in the project for 15 years, and nothing says the Town must have it at all. The Town can decide on appropriate terms, and savings will be there from year one and on. The Town of Farmington is thinking of a 3 to 5 year term, with 6 months to a year of verification on lighting, heating and cooling equipment will have a more robust budget.

Mr. Schrumm asked how the bids are done, and the company selected for a large project such as the high school heating system at \$4.5 million. He commented on Ameresco going out, subcontracts the work, and questioned their looking at multiple bidders and how this would work.

This is done with the Town, and Mr. Daylor said multiple bids are received for all work. There is the open book selection process with the Town with multiple bids for everything. There can be the open book and during the audit phase the Town can decide on the bid it wants. Then the books can be closed and those prices are locked in, and Ameresco secures pricing during construction. Ameresco is the design engineer of record and is the contractor for the project. With an open book contract the Town can select the contractor. Most of the labor comes from the local labor market. If it is an open book at the beginning and the end, this means the Town is willing to share if the costs goes up or down, and the Town can pick the contractors. Ameresco would be the over seer of the

project construction, with a construction bond, and guarantees and warranties everything one year (labor and materials) and then signs them over to the Town.

If there is something significant in equipment, Mr. Slocum asked how this affects the relationship.

Mr. Daylor said that Ameresco tends to adopt efficient and modern technology, but only proven technology. It promotes equipment with the best life cycle cost. It might have a higher initial cost, but over the life of the equipment lower operation and maintenance costs. He commented on the Town pool being a good example of co-generation.

Ms. Flynn-Harris questioned the lift cycle of equipment and if there is suggested replacement in the 15 year term.

Most major mechanicals have a 20 to 25 year projected life cycle, and Mr. Daylor said replacement would not be suggested. For lighting, this could be included so re-lamping is accounted for throughout the project savings.

PUBLIC

Mr. Isaacson said this could be accounted for in the budget so re-lamping is done every 12,000 hours. Rechanging fixtures is locked in for 15 years unless it is budgeted.

Regarding building management systems and energy management systems, Mr. Sima said that whatever buildings are done would include an energy management system to look at savings and see how things are running. He asked how this system will be monitored, and if it goes to one central location where there is a network interface set up.

Mr. Daylor said the recommendation is for two fundamental approaches. One is an open protocol system, which means the system is vendor neutral. The front end means anyone is authorized to operate the equipment. It is all web based platforms, and there can be a hub in each building or a central system.

If each building had its own hub, Mr. Sima asked if there is the ability to have a p/c so whoever is on call that night can access the system, know the issue is not critical, and one element can be shut down. And, this would not violate the contract. What we are doing is making the buildings easier to maintain.

Mr. Daylor said there are two benefits – better operational control and occupancy comfort. Savings are affected by long standing changes, not just one day of overriding the system.

Mr. Sima has learned that the software for these systems has become costly, and asked if there are any licensing agreements to be signed, or if they are generic without huge fees.

According to Mr. Daylor licensing fees can be wrapped into the project. The Town can assign management access to internal staff or outside vendors of choice.

It was pointed out by Mr. Masciana that this is being done in the school system buildings with management systems installed. The Dept. of Education is at the point where maintenance people can log in and see what is going on with a boiler system.

Mr. Sima commented on Ameresco coming back with an audit, creating a number for the cost of the projects, and asked how the Town knows that the number is the real cost of the projects, i.e. \$ 5 million.

This is addressed in the proposal and Mr. Daylor said Ameresco is required to state its fees and mark-up which are agreed upon. He said that the Town and Ameresco will have to build a level of trust with each other. This is also another role of the third party consultant.

By going out to bid the Town can learn a project is \$3.2 million, and Mr. Sima said the Town learns it was not a \$5 million project. There is a need to have someone to validate the costs, and be objective.

Mr. Slocum commented on purchasing a chiller and getting only a Trane chiller.

In response, Mr. Daylor said that Ameresco does not purchase just Trane chillers, but has other manufacturers and pricing, and the Town can pick the vendor.

Mr. Schrumm discussed the issue of needing a new heating system for the high school, with the Town borrowing \$5 million at good rates, better than Bank of America. The money is financed over 10 years. The Town hires an architect, goes out to bid, gets the best price for the project at maybe \$1 million, and takes the balance of the money putting it into its pocket, and then starts saving money. Mr. Schrumm said we will never know how much money is being saved without going back and looking at the tracking. This is getting the same thing as the Town would get from Ameresco, except the guarantee, and possibly management of the system.

The example described may or may not provide the cost of differential stated by Mr. Schrumm. However, Mr. Daylor said that each time the Town does a project it must procure, design, bid, build, commission and service and maintain that project with Cheshire staff. With Ameresco, the Town of Cheshire gets

economies of scale, does not have to run procurements every time, run designs every time, and the question is whether money is actually saved. The technical and financial resources are not available to the Town to efficiently deploy these solutions. Performance contracting is the efficient methodology to deploy for procurement of solutions and this is the value being brought by Ameresco. Mr. Daylor said if savings do not materialize, Ameresco is responsible for the debt service along with the Town. He must be thorough in his calculations as he is responsible for the savings as much as the Town.

Mr. Daylor agreed to supply the Town Council with a list of third party oversight consultants other than Celtic Energy.

With regard to other facilities, Mr. Milone noted that the pool and treatment plant were not looked at, and asked about Ameresco's experience with treatment plants.

The company has experience with treatment plants, and Mr. Daylor said he has discussed with PW Director Michaelangelo the pump stations and treatment systems as part of the projects which could be upgraded under performance contracting.

PUBLIC

Mr. Isaacson said that the treatment plant could have one motor with more savings than 4 buildings, and this should be considered.

It was noted by Mr. Schrumm that 7 of the 9 pump stations have been redone in the last 5 years, and drawings and value engineering have been done for the treatment plant.

Mr. Sima talked about Ameresco looking at BFD's inside the treatment plan and pump stations, and this will come into the audit recommendations.

PUBLIC

Mr. Isaacson asked about engineering fees as part of the performance contracting savings.

Mr. Sima stated that Ameresco is asking Cheshire to hire them at \$50,000 and these fees would be deducted from the project cost.

All rebates come back to the Town and Mr. Daylor said this is part of the project. The company negotiates with CL&., and seeks out grants, etc.

Mr. Sima said that the Town Council is discussing whether to hire Ameresco to do the energy audit. Once the audit comes back the next piece is when details

are to be ironed out. There is also a need to further discuss the third party oversight.

Mr. Daylor informed the committee that there will be 60 to 90 days to review the audit, and 30 days to go to the market for the financing. The third party does not participate in the actual audit but reviews the findings, timing, prices, and how things come together.

For a time frame, Mr. Daylor said the audit starts in 2012; 60 -90 days to go through all the Town buildings; September 1st is the first pass of findings to the Town; and there is interaction with Town staff and Town Council during this time frame. The Town receives and reviews the spread sheet with projects to be selected, and then selects the projects. Ameresco gets construction level pricing around these projects, which takes another 60 to 90 days. The final presentation is the investment grade audit document which is given to the Town of Cheshire, with calculations, bids, specs, designs, descriptions, quantities, etc. This is the document which the third party engineer should review, and they should get on board when the first pass is submitted to the Town.

Mr. Milone asked about the initial review of the 4 buildings already done, and if Ameresco is hired to do the audit, whether these buildings must be reviewed again.

In response, Mr. Daylor said he would get current on the buildings, re-familiarize himself with these buildings, and do the same role with all the other buildings. The 2010 energy costs would be used, along with 3 years of utility data. The Town Council would authorize the Town Manager to execute the contract for the audit agreement.

Mr. Sima said the Planning Committee will meet again in early January. He requested that Ameresco submit a list of third party consultants for committee review. The energy investment audit recommendation would be submitted to the full Town Council by the Planning Committee.

Mr. Daylor said the expectation is to start the audit in January 2012 and begin construction in 2012 on the projects selected.

4. BIDDING – REVERSE AUCTION PROCESS

Mr. Milone reported that CCM provided information on the reverse auction program. The Town goes out to bid for a product or service, accepts bids within a timeline, all bidders would be made aware of the low bid, and can re-bid in a 30 minute period to drop the cost lower than the lowest bid. The Council would decide project by project, and the process is not universal because it does not work in all situations. Bids that are too low could compromise quality of work.

Three bids are needed to do this process. The reverse auction process must be conducted by a third party.

Mr. Zullo informed the committee that this auction is done electronically; there is a whole site; the Town signs in for the event of bid opening for electronic bidding. Everyone knows all the bid numbers (not names of bidders) and can submit a final bid, all within a set time line. All the activity is seen by Town staff on a computer screen.

Ms. Flynn-Harris asked how bidders are determined to be qualified for a project.

It was explained by Mr. Milone that it is the third party's responsibility to insure that there are pre-approved bidders. The award is not made until there is assurance that the bidder has met the qualifications. The proposal is received and verified along with the third party. Should the low bidder not meet the qualification standard, then there is a look at the next lowest bidder. If the Council is interested, more information will be submitted on the process.

According to Mr. Sima the process is similar to the opening of bids at Town Hall at a set date, time and place. The Town sees all the vendors for the bid and decides if the bidder meets the qualifications to do the job.

Mr. Zullo stated that the only difference with opening bids is how the bid is accepted and no other part of the process changes. The process would be used for commodities, not services.

The benefits and cost of the process was questioned by Ms. Flynn-Harris versus Town staff handling the bids.

Mr. Sima said the advantage is trimming the numbers down a little, with everyone seeing the bids and bringing their prices down a little more.

The cost of the service is 1% to 1.25%, and Mr. Milone said if the process brings down the final cost then the fee is worth while. The process brings a large buying network to the table. For example, the Town goes out to bid for computers, has a universe of vendors, and the auction process has an even larger universe of vendors.

Mr. Sima cited the example of the school system going through a lot of paper, and there is cost savings with this product.

Mr. Masciana informed the Council that when the BOE buys paper it is essentially a reverse auction process. He noted that the BOE got W.B. Mason paper for \$24.15 a case, through a buying network that is similar to the auction process.

It was noted by Mr. Zullo that this would not be done all the time, maybe just a few times a year. The town attorney will discuss the process further with staff, and it may require a review of the Town Charter regarding bids, as the process would require waiving sections of the Charter.

If the Council is interested, Mr. Milone will bring CCM to a meeting for a presentation and discussion.

4. LINEAR TRAIL STATUS REPORT

5. STATUS OF PREQUALIFICATION BIDDING PROCEDURES

This agenda item was moved to current status on the agenda.

Mr. Milone stated that the possibility of pre-qualification of vendors has been explored for certain services, i.e. plumbing, electrical, painting. The process is similar to looking for architectural consulting services. Page 1 of the 12/23/10 RFQ for architectural consulting services would be the basic template model used with some exceptions.

The scope of services will have to be identified, and Mr. Milone said that pricing must be secured at the same time as the vendor is pre-qualified. The idea of this process is to have people readily available on an ongoing basis for a short turn around time. The challenge right now is to identify for these types of services the kind of things to be put into the pre-qualification to insure everything is covered. Mr. Noewatne and Mr. Masciana will do the background work on this issue.

Guidance will be required from the town attorney on certain aspects. For example, 3 proposals are received from electrical contractors, with a slight variation in the unit cost. The idea is to have a list of vendors to go to at a moment's notice, and the concern is the variation in pricing on the unit cost. The question is how to deal with variations in cost, and if the Town can go to a vendor that is 10 or 15 cents a hour more, with the benefit of this vendor expediting service.

Mr. Sima said this information could be pulled from the State bid list, and there could be specialized service work and general service work. There are vendors doing the work, not going out to bid, and making large sums of money from the Town.

Mr. Flynn-Harris stated that we would identify a standard scope of work when things come up which are standard. She commented on their being a bid for emergency services with this process.

According to Mr. Sima, that is correct.

Ms. Flynn-Harris said she could see nailing down a labor cost with this process.

Mr. Sima said we would be nailing down labor cost and mark-up cost on items purchased. There would be a bid to do electrical work for loss of an electrical panel, and the vendor would supply to the Town the cost and mark-up of this panel as part of the bid.

It was stated by Mr. Schrumm that for an emergency service there would be a higher charge involved.

Mr. Zullo noted that the Town would probably not bid for projects, just regular routine bids and emergencies. He does not believe pre-qualification will work for normal plumbing or electrical costs.

The concern for Mr. Sima is whether the Town is getting the best prices, and there must be assurance that we are getting the best numbers.

Mr. Slocum believes this pre-qualification will provide clarity to the vendors.

When there is a variance in prices, Mr. Milone said the issue is how to justify going with the 3rd highest and not the lowest bidder.

Mr. Schrumm said people can pre-bid and the Town sets a price for various types of work.

This is a choice, and Mr. Milone said we set prices and select the best vendor.

It was stated by Mr. Sima that with savings in this area there will be money to be allocated elsewhere. He does not want to short change the taxpayers.

For a pool of vendors for a service, Mr. Flynn-Harris said they should charge the same hourly rate for 8 a.m. to 5 p.m., for emergency services, and materials and mark-up. She said there will always be a variation for materials, sub-contracting etc. for an emergency situation.

By unit pricing, Mr. Milone said he meant an hourly rate.

Mr. Masciana said another approach to this is the BOE getting a list of pre-qualified vendors for plumbing, electrical and other work. A series of questions are asked of the vendors such as pro-labor pricing, regular rate and weekend rate, etc. The BOE selects 4 or 5 vendors for each service. When there is a job to be done the BOE goes to the short list for a job to be done either on a tight schedule or 4 or 5 days. Mr. Masciana talks to the vendors, meets with them to show what is needed, with prices received from 4 vendors. There is the benefit of getting the vendors in, they see each other and the job to be done. The BOE likes to have a local vendor do the work, particularly in an emergency situation.

With this process, Ms. Flynn-Harris said the BOE has looked at experience, insurance coverage, bonding, etc. for the vendors.

It was suggested by Mr. Masciana that the bid limit of \$12,000 be raised for one year and see how it works out.

Mr. Zullo commented on the pre-qualification process getting quotes from the pre-qualified list for a particular job. The Town will be operating off a list of pre-qualified bidders.

The Town has smaller jobs of \$500 to \$800 and Mr. Milone sees this pre-qualification prices drawing down these costs.

Mr. Noewatne said it would be good to have a dedicated list. With a pre-qualified list it is known that the company will provide a quote to the Town. The pre-qualification process could be advertised early in the year so a company would be aware that the process is in place.

Mr. Milone said the specs at the beginning must cover all the aspects for the pre-qualification process.

The hourly rate will be set for a job and Mr. Zullo cited establishing a dollar amount for labor for painting and painting supplies. This would be the Town's list for certain project.

Ms. Flynn-Harris said the Town cannot get into unit costs.

Mr. Sima wants the hourly rates established at the beginning of the year for whatever work is to be done.

This agenda item will be discussed by the Planning Committee at a future meeting.

4. LINEAR TRAIL STATUS REPORT

Mr. Milone submitted the financial summary for the West Main Street to Jarvis Street section of the trail. The staff is putting together an RFP for a design consultant for the design; there is \$200,000 in the capital budget; and based on recent information from the State there will be 80% of this cost paid by the federal and state governments. The net cost to the Town would be \$40,000.

On the estimated construction costs there is a federal grant of \$562,400 (for the Dalton piece reallocated to this portion of the trail). Six months ago the DEEP grant of \$250,000 was awarded. As of today there is an estimated net cost to the Town of \$1,587,600. The State and Federal government will pay 80% of that cost, leaving the Town's net cost of \$317,520. There are two other variables

which could affect all of this – one is the STEAP grant application with information coming near the end of 2011. There is another round of STEAP grant applications and Mr. Milone will ask the Council for authority to pursue the same grant again. The State has urged the Town to pursue all these other grants and opportunities to bring down the cost of the trail project. Regardless of the final cost the Town's net cost is still only 20%.

The RFP for the consultant will be going out in January, and Mr. Milone stated that staff knows the cost of the trail project must be determined in time for the capital budget in July 2012.

If the Town receives additional grants and the net cost is reduced, the Town only pays 20% of this net cost. The number could go below the referendum number with more tweaking of the design. The Town portion of the estimated design cost (\$40,000) may not be part of the overall number. The DOT hopes to start the Dalton piece of the project at the same time as the Cheshire portion. The Jarvis to Southington piece will not happen right away, but should be done in 2 to 3 years. The Town will be cutting a path for DOT to survive the Jarvis leg of the trail.

Mr. Schrumm stated that this project could be done by Spring 2013.

Mr. Milone advised that the RFP for the design work for the Jarvis piece will be done. The State wants to do the design work itself to save money and expedite the project.

6. ADJOURNMENT

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

MOVED to adjourn the meeting at 10:08 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk

