

DRAFT ~ SUBJECT TO CHANGE

**ENFIELD TOWN COUNCIL
MINUTES OF A SPECIAL MEETING
MONDAY, AUGUST 22, 2016**

A Special Meeting of the Enfield Town Council was called to order by Chairman Kaupin in the Council Chambers of the Enfield Town Hall, 820 Enfield Street, Enfield, Connecticut on Monday, August 22, 2016. The meeting was called to order at 6:30 p.m.

ROLL-CALL– Present were Councilors Arnone, Davis, Deni, Edgar, Hall, Kaupin, Lee, Stokes and Szewczak. Councilors Bosco and Cekala were absent. Also present were Town Manager, Brian Chodkowski; Town Clerk, Suzanne Olechnicki

RESOLUTION #3788 by Councilor Hall, seconded by Councilor Szewczak.

WHEREAS, Chapter III, Section 11 of the Town Charter states the Town Council shall annually designate an independent public accountant or firm to audit the books and accounts of the Town and

WHEREAS, on May 7, 2014 the Enfield Town Council designated Blum Shapiro and Company, P.C. to audit the town's accounts for the fiscal year ending June 30, 2014 and

WHEREAS, the Director of Finance recommends the designation be extended to include the audit for the fiscal year ended June 30, 2016; said designation for the second year of a three year appointment

NOW, THEREFORE, BE IT RESOLVED, the Enfield Town Council does hereby designate the audit firm Blum, Shapiro and Company, P.C. to audit the town's accounts for the fiscal year ending June 30, 2016, in accordance with the above recommendation.

Councilor Edgar questioned how many other firms applied. He noted if they had Blum Shapiro over three years, the town needs to change auditors. Chairman Kaupin stated his belief this is the third year of a three-year bid, but they have to re-authorize it every year.

Councilor Edgar again questioned how many other firms applied, and Mr. Chodkowski stated this is the final year of the three-year requirement, and then they have additional one-year extensions, therefore, this audit would be the final of the current agreement, and the Town could then solicit new proposals from several firms for a new three-year proposal.

Councilor Edgar stated the Town did not sign a three-year contract, but rather a firm is appointed yearly, and it does not have to be three years. He added he is not against this, however, he's wondering who else applied. Mr. Chodkowski responded he does not have the answer to that question because he doesn't know if the Finance Director released additional request for proposals this year. Councilor Edgar stated he won't vote against

this, but he would like an answer to this. Mr. Chodkowski indicated he would provide an answer.

Chairman Kaupin stated his understanding that in 2014 when Blum Shapiro was designated as the auditor, it was for a three-year period, but it has to be renewed each year by the Council in case they didn't like the results of the previous year or two. He noted it's a three-year award, therefore, they wouldn't go out to bid within that three-year period, and then there's the option to extend it one more year after the third year, and then they would go out for an RFP. Councilor Edgar stated he knows they can serve up to three years with an additional year, but it's done yearly, and they don't go three years in advance.

Upon a **ROLL-CALL** vote being taken, the Chair declared **RESOLUTION #3788** adopted 9-0-0.

RESOLUTION #3789 by Councilor Arnone, seconded by Councilor Stokes.

BE IT RESOLVED, that the Enfield Town Council hereby provides its consent to the Town's insurer, CIRMA, to settle the matter of Maier v. Enfield, et al., No. 3:15cv414(WWE), pursuant to the discussion with the Town's legal counsel in executive session on August 1, 2016.

Councilor Edgar stated he has a question about transparency. He stated he would like the amount of settlement on record. Mr. Chodkowski stated this resolution was provided to the Town Manager's office by the Town Attorney, and it was requested it be presented in this format based on the terms and conditions under which the Council was briefed at its last executive session.

Councilor Edgar stated he will not vote for this without the figure.

MOTION #3790 by Councilor Edgar, seconded by Councilor Stokes to table this item.

Upon a **SHOW-OF-HANDS** vote being taken, the Chair declared **MOTION #3790** adopted 9-0-0.

PRESENTATION: ENERGY PERFORMANCE CONTRACTING

Present from Honeywell was Doreen Hamilton, Energy Account Executive and Steve Weisman of Peregrine Energy Group

Mr. Chodkowski stated this project involves the mechanical and equipment systems of the town and school systems. He noted property, plant and equipment (PP&E) maintenance expenses have been continually deferred by the Town for prioritizing operational expenses. He stated in that aspect, the Town has seen an increasing demand for the need to address PP&E issues. He cited the example of the air conditioning at the Central Library.

He stated the Town commissioned several studies regarding the needs of town and school buildings, and those studies were performed by Strategic Building Solutions as well as a commercial grade audit performed by Honeywell, and that information was verified and reviewed by Peregrine Energy Group.

Mr. Chodkowski stated the total cost of PP&E needs are approximately \$80 million dollars.

He listed aging boilers in the school and town facilities, some of which go back to the mid-1960's, and the town is relying on these boilers to heat and cool facilities.

He reviewed some possible funding alternatives as follows:

- Conventional General Fund/Cash-On-Hand financing, which would require raising the mill rate an additional 3.88 mills to fund the work currently outlined as part of the performance contract
- Commit setting aside funds – this would require a commitment of about 5.5 years, and those are the funds the Town is currently doling out, which is around \$2.5 million dollars annually
- Energy Performance Contracting allows the Town to fund infrastructure repairs through energy use savings. The physical improvements are funded by the gap from what is the new utility bill versus the old utility bill.

Mr. Chodkowski stated the benefit of Energy Performance Contracting is that it doesn't impact the budget, but provides for a positive increase in the physical assets of the town, therefore, the town would be getting \$11.2 million dollars worth of capital improvements at zero additional expense added to the budget.

He listed other benefits of Energy Performance Contracting:

- Performance Contracting allows for immediate infrastructure improvements without increases to taxes or fees.
- Enables the Town to sustain cash flow and operational flexibility
- Provides scheduled facility improvements and allows for efficient continued operations (Central Library HVAC)
- Helps ensure funding remains available for other important projects or purchases
- Savings delta is continuous

Mr. Chodkowski stated this is a multi-faceted, multi-step project. He noted they've proceeded through most of the required steps to get where they are today, and a lot of those are general statute requirements as well. He stated time, effort and energy has been put into this to be sure the town has a good project to consider and will have a positive impact to all residents in some capacity. He noted they are very close to the finish line.

Steve Weisman from Peregrine Energy Group then spoke.

Mr. Weisman stated Peregrine provided independent technical support to Enfield as owner's agent (OA). He noted they evaluated energy infrastructure needs and opportunities and assisted in the competitive selection of a performance contracting partner, which is Honeywell. He added they also participated in project development and contract negotiations. He noted Peregrine has done this work for a number of other communities in Massachusetts and Connecticut.

He explained Peregrine's role in project development as follows:

- Provided an independent check on Honeywell's engineering
- Confirmed viability for all proposed energy savings measures
- Evaluated the calculations to be sure they were reasonable and consistent with standard engineering practice
- Reviewed the energy baseline, which is the number that's established for comparative purposes to determine whether there were savings. To that end, Honeywell proposed a mechanism for measuring and verifying savings, and Peregrine checked that methodology to ensure it met industry standards
- Peregrine spent a lot of time negotiating the final contract language between Honeywell and the Town to be sure it was the best contract that the Town could get.

Mr. Weisman provided an overview of performance contracting as follows:

- Performance contracting is a financing strategy for energy infrastructure modernization and replacement. Energy savings can be reinvested in other capital projects that are energy related.
- Performance contracting enables a town to get a lot of value with essentially no impact on the budget.
- An Energy Services Company (ESCO) is engaged to design and build a bundle of projects
- Bundle typically includes longer payback energy and infrastructure upgrades (e.g. boilers) and shorter payback energy saving measures (e.g. lighting). He noted lighting generates a lot of savings.
- The owner and ESCO agree on a mix of projects where the annual savings over a 15-year term will cover all project capital cost and any cost of financing
- ESCO provides all project design, secures subcontractors and materials, and manages construction as part of its fee
- ESCO guarantees that if annual energy savings are not met it will reimburse owner for the shortfall

Mr. Weisman provides a graph which showed how energy performance contracting works. The graph showed what is being spent on energy now as well as the increase of

cost over time. Over the last 20 years, energy costs have increased by 2.5%, and it's expected energy costs will continue to increase at about 2.5% per year.

He noted current energy costs are \$883,000 for town buildings. He stated after construction, that figure will drop to \$559,000 in the first year with most of \$324,000 savings used to cover debt service. He noted the school's energy costs are \$1.3 million dollars with a savings of about \$317,000, which would result in a contribution to the debt service.

Mr. Weisman highlighted risks in a performance contract.

- If there are unforeseen projects costs, ESCO change orders are not permitted without authorization from the town. Also included is some contingency, which the Town controls in the budget.
- If the ESCO does not complete the work, a construction bond is required from the ESCO to cover the cost of completing construction.
- If work is sub-par, all work must be fully commissioned to the owner's satisfaction prior to it being accepted and final payments made
- If guaranteed energy savings are not achieved, ESCO must reimburse the owner for the value of annual shortfalls

Doreen Hamilton, Energy Account Executive for Honeywell reviewed project activities to date:

- Surveyed over 851,099 square feet of Enfield's facilities
- Placed data loggers in all facilities. Data loggers show how equipment is running, what temperature equipment is running at, when equipment turns on and off, what the temperatures are at night, what the conditions and outside air temperatures are, and how that effects the energy consumed in each facility. This information is compared against energy bills.
- Developed a comprehensive list of energy & infrastructure measures and numerous financial options
- Determined that many mechanical plants are past their useful life
- Worked with Eversource to maximize incentives. There's a commitment from Eversource for \$1.69 million dollars to help buy down the cost of this program
- Spent over 3,300 man hours developing and analyzing projects to focus on short and long term needs

She provided a listing of all the facilities surveyed. She noted not included were Fermi High School, the Water Pollution Control Plant, Enfield High School and Old Town Hall.

Ms. Hamilton then reviewed project solutions in the different buildings. She then highlighted a breakdown of costs by location.

She reviewed the project financials as follows:

- Total implementation cost - \$11,200,000
- Finance term – 15 years
- Construction term – 15-18 months
- Annual savings - \$760,742
- Total Utility Incentive Estimate - \$1,691,498
- Estimated Positive Cash Flow - \$1,000,000+

Councilor Deni questioned the status of Northeast Utilities, and Ms. Hamilton stated they reached out to Eversource and had several meetings with them. She noted Eversource is committed, and they sent a letter confirming the \$1.69 million dollars committed to this project.

Councilor Lee referred to the risks involved and possible shortfall, and questioned if this is calculated quarterly or annually. Mr. Weisman stated the measurement and verification method is an annual check. He noted Honeywell will actually compare bills between years to see what the savings are, and in other cases, it's based on a calculated amount because the impact of an individual measure can get lost in the overall use of the building. He stated Honeywell will submit a reconciliation report every year, and if they haven't met the mark, they will make up the difference.

Councilor Lee questioned if Peregrine will be responsible for the creation of that report through an on-going relationship. Mr. Weisman stated Honeywell does the analysis and Peregrine checks it, or someone like Peregrine. He pointed out Peregrine does not have a long-term contractual commitment as yet with the Town to do that.

Councilor Lee referred to the annual savings of \$760,742 and questioned if that's derived by a calculation of what the Town is currently putting out for a utility outlay. Mr. Weisman explained they guarantee units of energy saved and make assumptions of what the value of that energy will be. He noted that's a calculated number based on those assumptions, and it's escalating that value over time to cover debt service.

Councilor Szewczak stated with JFK having its own pre-referendum committee, she was under the understanding that it would only have lights, therefore, there would be some sort of effect. She questioned if they would know the effect of not doing the boilers and everything else that was under JFK. Mr. Chodkowski stated the consensus was that with JFK being under evaluation at this time and with subsequent work to be done on that facility at some point in the future, performing most of the work at that facility today wouldn't be beneficial. He noted that the lighting element that could be performed at JFK would be appropriate because that improvement would occur regardless of whether or not that work was done as part of this project or the future rehabilitation at that facility. He stated Honeywell is in the process of updating its formal Exhibit A to the contract, which will reflect that amendment to the work so that what work will be done will be specifically listed as the lighting. He noted the remainder of the work will be removed. He stated Honeywell is preparing an a la carte menu of additional improvements that could be undertaken if they choose to do them, but are not obligated to do so under the project.

Councilor Szewczak stated if it goes to an a la carte, is there an up charge because it wasn't in the original bids that will go out. Ms. Hamilton responded no, it will be the same open book pricing as done before.

Councilor Lee questioned if there are examples from other communities where the legal agreement indicates what savings beyond the scope of the project might be earmarked for, i.e., energy projects, reduction of outstanding bonds, or long-term debt. Ms. Hamilton stated the City of Danbury has done multiple phases of energy performance contracting, and they decided to put it back into infrastructure. She noted the City of Stratford put savings into some renewable energy projects, and Middletown Schools put their savings into buying new computers.

Councilor Lee stated if the Town is doing this to save money, perhaps they should consider eliminating debt as their first priority.

Councilor Edgar questioned how they arrived at the 15-year term. Ms. Hamilton stated typically when they develop these performance contracts, they show a lot of different terms and types and sizes of projects. She noted they worked with Peregrine and the Town of Enfield to ask if they wanted shorter or longer terms and what are the goals for the project. She stated infrastructure and energy renewable projects were the biggest want, and this is when the 15-year term came about. She pointed out the State of Connecticut Department of Energy and Environmental Protection was also involved in the process, and they advocated for the 15-year term, and that was what was being advocating across all the State agencies that they were developing the same type of performance contracts with.

Chairman Kaupin requested more clarification on the street lighting component, i.e., would every streetlight be changed. Ms. Hamilton stated it's comprehensive, and all street lighting would be upgraded to high efficiency lighting.

Chairman Kaupin stated his belief the Town should have done energy performance contracting years ago, but there are requirements of getting referendums passed. He noted two of these referendums failed. He questioned what Peregrine and Honeywell can do to help the Town better inform the voters so that when they go to the polls in November, they can make an informed decision.

Ms. Hamilton stated they will be mailing a brochure, and they are working on this brochure with the DPW Subcommittee and the Clean Energy Task Force. She noted this is scheduled to be mailed soon. She stated they would like to meet with the schools and PTO's to help get the word out.

Councilor Lee referred to the pie chart in the presentation and stated his understanding there's a lot of complex components in a lot of buildings. He questioned whether a document for the public provides a simple laundry list of what the improvements might look like at each facility. Mr. Chodkowski stated Exhibit A in the Honeywell contract

will specifically delineate specific improvements at each facility. He noted when that document is finalized, it will be available on the website.

Chairman Kaupin invited comments/questions from the public.

Robert Lamontagne, 64 South River Street

Stated this type of program is outstanding. He noted he was Chief Electrician for a hospital and such programs pay off quickly. He stated the new boilers are outstanding, and the energy management and savings are there, however, he cautioned there should be some oversight of the actual work being done because in his experience he has seen some shoddy work. He stated he finds the 15-year term rather long.

Neal Narkon, 5 Clear Street

Questioned whether co-generation was considered for any of the larger buildings and was informed that they did look at co-generation at JFK, but it was found it was not a proper fit in that building and the payback was extremely long.

Mr. Narkon was questioned whether this could be considered for Enfield High School, and was told that's possible. It was also noted that with co-generation they have to find a use for excess heat.

Mr. Narkon questioned whether boilers were looked at closely because old boilers aren't necessarily bad. He questioned if there are other alternatives if the price of gas goes up. He was told boilers were evaluated and prioritized, and they have dual-fuel.

Mr. Narkon raised the matter of lighting color, and was told they tested different lighting and took input from employees, and they will be going with an acceptable type of lighting.

Mr. Narkon questioned what's being done with streetlights, and was told they will also test different streetlights to learn what the Town likes the most.

Councilor Lee referred to street lighting and noted some of the new decorative fixtures near St. Patrick's Church have been replaced with new LED lighting.

Jack Sheridan, 7 Buchanan Road

Questioned what is PP&E, and Mr. Chodkowski stated this stands for property, plant and equipment. He noted this is an accounting term used to define fixed assets of a corporation.

Mr. Sheridan stated ten years ago, the Town was well aware of energy waste and still hadn't put any money aside in their capital plans. He pointed out the Town Hall building was paid for the day it became occupied. He questioned what happened to that concept. He stated his belief people shouldn't vote for this.

Melissa Everett, 2 Post Road (Chair of the Enfield Clean Energy Committee)

Stated she has witnessed Peregrine and Honeywell putting in many hours going through buildings.

She noted within the contract there is an annual budget line for monitoring and verification and she stated her understanding that is for the reporting and tracking to be sure things are on track. She requested further detail about this budget line and what it pays for. Ms. Hamilton stated it's the on-going measurement and verification service that's part of the overall energy guarantee to verify the operation of facilities, the equipment, and the measurement of verifying that the buildings are saving energy. She noted they are looking at energy bills every month, and they're also looking at energy usage in facilities from a management standpoint and doing data logging every month and finalizing that every quarter. She noted every quarter, they are providing interim reports so they know ahead of time where they're going and where they are at so they're not waiting for anything to happen.

Ms. Everett questioned the life of the replacement equipment. Mr. Weisman stated boilers tend to last a long time and will be there for at least 15 years and according to history, boilers could be there four times that long. He noted LED lighting could last as long as 20 years, which will result in a significant savings for maintenance because they won't have the burnouts as in the past. Ms. Hamilton stated in the lighting category, there will be a 2% stock in every building. She noted they're trying to make standardization across the buildings easier.

Ms. Everett questioned if the length of this investment has any impact on the Town's bond rating, and Mr. Chodkowski stated traditionally, energy performance contracts do not adversely or positively impact the bond rating from the standpoint that the expense of the improvements is offset by the savings, therefore, there's no additional obligation by the Town against the debt incurred for that project.

Ms. Everett stated the American Medical Association has developed guidelines regarding LED's, which can effect people's sleeping if it gets in their window, and it can effect migratory patterns of wildlife. She stated her understanding there are good LED's from that perspective as well, and she questioned if that's something Honeywell would work with the Town on, and Ms. Hamilton responded yes.

Ms. Everett thanked everyone for their work on this. She urged Council members to be spokespersons and educators regarding this effort.

Jack Sheridan, 7 Buchanan Road

Questioned the completion date for this project, and Ms. Hamilton responded if the referendum is passed in November and if contracts are signed in December, they'd start installing January, 2017 with duration of the work 15 to 18 months.

Mr. Sheridan stated he's concerned about maintenance. He stated his belief maintenance has been a problem in Enfield for a long time.

Robert Tkacz, Enfield Terrace

Questioned if the work involves strictly heating, ventilation and air conditioning and was told it also involves water conservation, steam conservation, electrical and lighting.

Mr. Tkacz stated his belief they need to be careful with LED lighting because the American Medical Association says LED lighting is damaging to retina, and if they get the 4,000 Kelvins, there will be eye damage. He noted incandescent lighting is about 1,500 Kelvins, and it has been said they should not exceed that figure, especially in the classroom.

He questioned if a report can be given to the Council on how things turned out in other towns. He noted there doesn't seem to be that much savings in Stratford with 42 buildings. He stated there's no work sheet on the electrical and gas consumption building by building and where the savings and efficiencies will be. He pointed out the public wants to see the numbers. He noted he'd prefer seeing a shorter term for the contract.

Robert Lamontagne, 64 South River Street

Stated Kelvin readings come in fluorescent, LED's and incandescent. He noted the parking lot lights at the hospital he worked at were 400 watts, and they went to a 320 watt bulb, which were high-pressured sodium, and they then moved onto 80 watt LED lights. He stated as a result, the penetration into the parking lot out-performed everything else. He noted although he was not very pleased with the color of the lighting, it resulted in a dramatic improvement in clarity for security cameras.

Mr. Lamontagne stated his workplace had a high-pressured hot water boiler, and they went to individual boilers on the out buildings, and the savings were outstanding. He noted this is a no-brainer, and this program is money in the pocket.

He concluded stating the Town needs supervision in the field to watch what construction workers are doing. He noted at his hospital such projects had one licensed individual with five apprentices, and as a result, there were issues.

Neal Narkon, 5 Clear Street

Questioned if all boilers are to be replaced, and the boiler replacement has been prioritized by the Town.

Mr. Narkon questioned what kind of efficiencies are expected out of the new boilers and was told the new ones are in the low to mid nineties for the condensing waters.

Mr. Narkon questioned whether modular boilers are being considered, and he was told they're going with the same sized boiler, but the boilers will modulate.

Mr. Narkon questioned whether there's a website showing studies, graphs and charts, and Mr. Chodkowski stated the Town Manager's Office has binders of information, and anyone is welcome to review them.

Walter Kruzel, 21 Charnley Road

Stated his company changed to LED's, and they've been very satisfied. He voiced his support of this project.

Robert Tkacz, Enfield Terrace

Questioned how much money is Eversource going to contribute every year to this project, and was told \$1.6 million dollars total.

Mr. Tkacz stated the size of the new air conditioning system at the library should take into consideration any expansion to that building.

Mary Ann Turner, 7 Meadow Road

Stated she is 100% in favor of this project. She stated her concern is that the public has to hear this.

She questioned how many years it will take to do this work should the referendum fail. Mr. Chodkowski stated if they took last year's fiscal allocation for capital improvements and dedicated that same amount, it would take 5.5 years to accomplish all of this work, but they would not be able to do any other capital improvements.

Chairman Kaupin stated \$11.2 million dollars equated to mills would be about a four mill increase if they were to pay for it all at one time through taxes.

He stated there will be a Public Hearing on Tuesday, September 6th at 6:30 p.m. in the Council Chambers of Town Hall. He noted there will be a variety of opportunities for the public to learn about energy performance contracting in an interactive setting during the fall leading up to Election Day.

Councilor Arnone thanked Peregrine and Honeywell for doing a great job.

ADJOURNMENT

MOTION #3791 by Councilor Lee, seconded by Councilor Szewczak to adjourn.

Upon a **SHOW-OF-HANDS** vote being taken, the Chair declared **MOTION #3791** adopted 9-0-0, and the meeting stood adjourned at 8:10 p.m.