



CITY OF DOVER

CITY COUNCIL - MINUTES

Meeting Type: Workshop
Meeting Location: Council Chambers - 288 Central Avenue, Dover, NH 03820
Meeting Date: **Wednesday, March 4, 2009**
Meeting Time: **7:00pm**

Present: Mayor Myers, Deputy Mayor Trefethen, Councilors Callaghan, Carrier, Cheney, DeDe, McCusker, Scott and Weston.

Also Present: City Manager Joyal, City Attorney Krans and City Clerk Lavertu.

Councilor Scott led the Pledge of Allegiance.

1. ENERGY EFFICIENCY PROJECTS

City Manager Joyal mentioned that the City Council entered into an agreement with Johnson Controls last year to complete a detailed energy audit of all City-owned buildings and operations, and there were several people present to report to the Council about this. He introduced Mr. John Rizzo from the American Development Institute (ADI), who was hired with grant funds to assist the City in this process. He said after Mr. Rizzo completed his presentation, he would then ask representatives of Johnson Controls to come before the Council to go through their findings for savings opportunities throughout the City's buildings, and basically outline the proposed project that he is recommending to the Council. He said this project was attempting to accomplish two main objectives: First, reduce the City's energy consumption; Second, make changes to equipment and operations, which requires an investment. He said the City will have to spend money to save money, but the savings over time will more than make up for the initial expense. He said he will attempt to address the Council's questions, and will ultimately be recommending that the Council proceed with this project. He said it would consist of two resolutions brought before the Council: 1. Establishing the funding mechanism for this project, which would be over 10 years; 2. Entering into a performance contract with Johnson Controls. He asked Mr. Rizzo to give his presentation. Mr. Rizzo gave a little background information regarding this energy audit. He said Johnson Controls has been working on this project for a while, and has been meeting with him every week. He referred to his handout to the Council, and reviewed the ten items used in the evaluation process.

City Manager Joyal introduced Jim Cotton, Sales Manager for Johnson Controls.

Mr. Cotton went over the summary of the proposal to the Council.

Councilor Scott referred to Page 13 of the presentation. He asked for the specific investment for each of the ten projects, and if Mr. Rizzo was able to provide that.

Mr. Cotton said he would provide that information to the Council. He said it was readily available. He did provide that information to the City Manager and ADI.

Councilor DeDe referred to the removal process for hazardous waste. He asked if there were any calculations of the actual costs.

Mr. Cotton said they would be responsible for the cost of removal, and it is part of the service contract.

Councilor DeDe referred to the energy management systems. He said some areas have different usage patterns. He asked if there were provisions in the calculations for overrides in specific areas of the building.

Mr. Cotton said that has been calculated into the savings.

Councilor DeDe asked if it was specific to the individual rooms that might be used, or if it was applicable to the building as a whole. He said it was a very big problem in the McConnell Center.



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Mr. Cotton asked Domenic Armano, Regional Project Development Manager for Johnson Controls, to answer the question.

Mr. Armano said the baseline is established with the usage of hours identified in the document, and that pattern would be used for the future use of the building.

City Manager Joyal said the improvements will allow for tailoring of heating and cooling in order to save energy on a room-by-room basis.

Councilor Cheney referred to Page 16 of the presentation, Capital Cost Avoidance of \$33,840, and the Annual Operational Savings of \$13,680. She asked what the difference was between these figures. She asked if the Library boiler was included in the Capital Cost Avoidance.

Mr. Cotton said Capital Cost Avoidance is for the pool dehumidification unit for the indoor pool that is proposed to be replaced in this contract, which will eliminate the capital cost to the City in the future. He said the Annual Operational Savings comes from the chiller that will be replaced in the Ice Arena. He said the \$13,680 comes from the difference between the historical repair costs versus the future maintenance costs. He said the Library boiler, which was replaced on an emergency basis, is included in the overall costs.

Councilor Cheney said in the presentation today the lighting changes save \$28,000. She referred to Page 18 of the proposal where it said the savings with the VFD installations would be \$33,000.

Mr. Cotton said Page 18 of the proposal is the summary of utility rebates that would be garnished by installing new lighting.

Councilor Cheney referred to the line beneath, regarding a custom incentive. She asked about the utility deciding the amount of the rebate, which could be as much as 35% of the installed costs.

Mr. Cotton said the Wastewater Treatment Plant (WWTP) is the primary focus for the custom rebates. He said they gave Public Service of New Hampshire (PSNH) the design upgrades that Johnson Controls is proposing to do, which is to install two very large motors as replacements in the WWTP. He said PSNH did an evaluation and came up with the custom rebate.

Deputy Mayor Trefethen asked how Johnson Controls makes money on this project.

Mr. Cotton said Johnson Controls is an engineering general contractor. He said they already did the engineering design aspect, which the Council authorized, and will be paid for that. He said they also make money in the construction. As the project is completed they will invoice the City for the \$2.4 million. He said the RFQ defines clearly what Johnson Controls' overhead and profit will be on the project.

Deputy Mayor Trefethen asked if the \$2.4 million includes all the City's costs.

Mr. Cotton said that was correct.

City Manager Joyal said Johnson Controls also wants to build a relationship with the City, and this equipment will require ongoing maintenance. He said Johnson Controls will certainly pursue a City contract for maintenance. He said the City doesn't have to, but they have the opportunity to have a future relationship with Johnson Controls.

Deputy Mayor Trefethen said he assumed the equipment had some form of warranties.

Mr. Cotton said absolutely.

Deputy Mayor Trefethen referred to the City Hall building, which does not have central air conditioning or heat. He said in the summer there were window air conditioners and fans. He



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said in the winter there were space heaters. He asked as Johnson Controls tries to reduce energy costs, how they take those variables into consideration.

Mr. Cotton said they were going to gain control over the space. He used the City Manager's Office, which is usually very warm, as an example. He said Johnson Controls will go through the heating system, specifically concerning the calibration of the system. He said that was included in the costs and is a critical component in gaining control of the building.

Deputy Mayor Trefethen asked they will address how the summer air conditioning problems.

Mr. Cotton said they will eliminate air conditioners that have high energy usage.

Mayor Myers referred to Page 11 of the presentation, areas for energy efficiencies that have been discarded in the proposal, because the payback in years was too great. He said it would be helpful to him and the Council if there was a breakdown of the payback years, and costs for each item that Johnson Controls is considering in the proposal, and not just the aggregate of 7.2 years for \$2.4 million. He asked Mr. Cotton to speak on the fluctuation of energy costs over the past few years, and how the baseline of consumption was one number that equates to the costs of various utilities.

Mr. Cotton said utility costs are unpredictable, but they are being conservative. He said the calculations are based on current costs, and then they escalated those costs by 3% per year for the length of the contract. He said Johnson Controls guarantees reduction of units.

Mayor Myers asked how often Johnson Controls is going to be in the City buildings.

Mr. Cotton said on a quarterly basis.

Mayor Myers asked what the penalties were for the City if we don't follow through on our end of the agreement.

Mr. Cotton said the City is required to maintain equipment, and lack of maintenance will result in negotiations over the payment of the guarantee.

Mayor Myers asked if the temperature was overridden, if that would change the guarantee. He asked if Johnson Controls monitors this. He asked if the guarantees were tight.

Mr. Cotton said that was correct.

Mayor Myers asked about central air in the entire City Hall versus room-by-room.

Mr. Cotton said they have identified specific areas in the building for a split system, which involves a single condenser. He said the cost savings are marginal, but there would be savings in staff time.

Mayor Myers asked about the vendor machine controls, and if the system is affected when the machine is switched for a new one.

Mr. Cotton said the controls are mounted on the unit itself, and it is simple to switch when machines are replaced.

Mayor Myers asked Mr. Rizzo what red flags the City should be aware of.

Mr. Rizzo said he looked at the proposal in fine detail. He said the contract is solid and the document is strong. He said the next step is during construction phase, where they will review drawings, conduct a submittal review and hold bi-weekly meetings. He said after the first quarter, ADI will monitor the project.

Mayor Myers asked what the average payback time is that he has seen for other cities entering into this type of agreement.

Mr. Rizzo said 7 years is reasonable for a 10 year financing term.

Mayor Myers asked the City Manager if the City was going to keep someone like Mr. Rizzo to monitor the project for 10 years, and if that cost is factored in.



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City Manager Joyal said part of the project was trying to free up enough money to fund a consultant or a part-time position. He said Mr. Rizzo's obligation is through the construction and implementation period. He said \$30,000 has been estimated for a consultant.

Councilor Scott referred to Pages 9, 10, and 11 of the proposal, where 14 locations are identified, with the costs of the therms for each location for three years. He noticed on the three largest facilities, Ice Arena, Wastewater Treatment Plant, and McConnell Center, that it wasn't for the full three years. He asked why that wasn't done.

City Manager Joyal said the Ice Arena was shown on Page 101.

Councilor Scott asked where the information was obtained.

City Manager Joyal said it was obtained from the invoices that were received from the utilities.

Councilor Callaghan asked if Johnson Controls took into account heating/cooling degree days.

Mr. Cotton said yes, they did. He said it was in calculations that are weather dependent.

Mayor Myers asked if the Ice Arena had two chillers that allow the City to alternate energy sources; one electric and one natural gas.

City Manager Joyal said they use the primary natural gas system, with the electric used as backup, and do not toggle between one and the other. He said this was one of the issues being looked at with this proposal.

Deputy Mayor Trefethen referred to Page 16 of the presentation, and asked the City Manager if the City will bond the \$2.2 million.

City Manager Joyal said he would be recommending debt financing for the \$2.2 million, with the revenue stream coming from the savings.

Deputy Mayor Trefethen asked the City Manager if he would provide the amortization table.

City Manager Joyal said yes.

Deputy Mayor Trefethen said he didn't think \$256,000 in guaranteed savings was enough to cover the debt financing.

City Manager Joyal said it may be short the first year, but it would be realized back in the remaining nine years.

Councilor Cheney referred to Page 32 of the proposal, and the Library boiler, which has been replaced. She asked if he put that in the contract that doesn't exist yet.

Mr. Cotton said the boiler was replaced because of an emergency situation. He said he agreed to hold back invoicing until a decision was made on the contract.

Councilor Cheney asked for the cost breakdown for the projects. She said she was concerned with the common sense items that Johnson Controls is recommending. She asked why the City couldn't fix some of those items themselves to realize the savings right away.

Mr. Cotton said he would provide the cost breakdown.

Councilor Cheney said she was concerned with the previous energy contract, and asked if that contract missed all of these items that Johnson Controls is proposing.

Mr. Cotton said he did review the previous contract for scope. He said Johnson Controls' proposal was a detailed review as it exists today.

Deputy Mayor Trefethen asked the City Manager about the timeline for this project.

City Manager Joyal said if there was an interest, it will be put into next year's budget. Johnson Controls is coming into construction season and is waiting to start. He said the Ice Arena has a scheduled shutdown this spring and they will get in there then. He recommended that a decision be made within the next month or so, so Johnson Controls can get together with their subcontractors and start working in the buildings this summer.



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Mayor Myers asked what the construction timeframe is once they started.

Mr. Cotton said the chiller for the Ice Arena needs 12 to 16 weeks lead time to order the equipment, but the overall timeframe for the whole project is 9 months. He said they were ready to go.

Mayor Myers said the City wouldn't be realizing all of the savings in the first year, because of the nine months of construction.

City Manager Joyal said the City wouldn't realize all of the savings, but the costs would be built into the budget. He said there would be some operational adjustments that he would factor into next year's budget, which he still had time to do.

Mayor Myers asked the City Manager if he could identify, in a summary sheet, where he made reductions for some of the specific categories, so the Council can see the savings based on these improvements.

City Manager Joyal said he could do that.

Mayor Myers suggested that the Council have another workshop on this topic on March 18, 2009, and the resolution could be put on the March 25, 2009 agenda. He thanked Johnson Controls for their presentation.

2. EPA STORM WATER REGULATIONS

City Manager Joyal introduced Dean Peschel, the City's Environmental Project Manager, to speak about the forthcoming EPA Storm Water Regulations.

Mr. Peschel gave his EPA Storm Water presentation to the Council.

Councilor DeDe asked what was considered a developed acre.

Mr. Peschel said it had to do with an impervious service, and doesn't address open lands or rural areas. He said Dover had 22,000 acres total, and 13,000 to 15,000 acres are developed.

Councilor DeDe asked how Manchester, NH was assessing the fee.

Mr. Peschel said they are looking at different ways. He said some areas give credits.

Councilor DeDe asked the City Manager if this was an unfunded mandate from the State Legislature in Concord.

City Manager Joyal said it was a Federal mandate. He said the system protects the environment and there is an associated cost to do it. Unfortunately, it was just coming at a bad time economically. He said this goes into effect on July 1, 2009, and the City has to hit the ground running with the new additional program, on top of what the City already does now. He said there will be additional costs, and the City needs to figure out a way to accommodate that. It could be added to the Operating Budget, which would impact the taxpayers, or they could be creative and look into treating the storm water utility as any other utility. It would be based on use, creating incentives for people to help avoid storm water runoff.

Mayor Myers asked if a city-wide assessment would need to be completed.

City Manager Joyal said the grant would allow the City to look at the feasibility for levying charges.

Mayor Myers said additional staff or contractors will be needed to do the additional water testing.

City Manager Joyal said that was correct.

Deputy Mayor Trefethen asked Mr. Peschel if he has any indication what is in store for the City from the EPA in the next five years.



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Mr. Peschel said he felt the chart showed the direction in which we are going. He said conservation groups are pushing the EPA to protect our water supply.

Councilor Cheney asked what was considered illicit use of the storm water system.

Mr. Peschel said it is any connection that discharges contaminated water.

Councilor Cheney asked if the City's system was adequate.

Mr. Peschel said it was constantly growing as development takes place.

Councilor Cheney asked what would happen if the City cannot comply.

Mr. Peschel said the City would be subject to fines and penalties.

Mayor Myers thanked Mr. Peschel.

City Manager Joyal told the Council that they will be seeing two things: There will be an impact to the budget, and the City will be applying for a grant to look at what options are available to the City.

3. ADJOURN

Deputy Mayor Trefethen made a motion to adjourn; seconded by Councilor Cheney.