



CITY OF DOVER

CITY COUNCIL - MINUTES

Meeting Type: Workshop
Meeting Location: Council Chambers - 288 Central Avenue, Dover, NH 03820
Meeting Date: **Wednesday, March 18, 2009**
Meeting Time: **7:00pm**

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

Absent: Councilor McCusker.

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

1. ENERGY EFFICIENCY PROJECTS

Mayor Myers said this Workshop was a continuation of the previous workshop two weeks ago. He said since then the City Manager has sent to the Council a draft of the contract and an amortization schedule for the payback to the City. He asked the City Manager to give his presentation to the Council.

City Manager Joyal said there were three objectives being presented at the Workshop:

1. Review proposed financing; 2. Go over the highlights of the contract's requirements and protection the City will have; and 3. Review the questions and points he received in an email from Eric Steltzer, Chairman of the Energy Advisory Committee. He reminded the Council of the process the City has gone through to get to this point. It began last spring when the City received grant funds from the Department of Environmental Services to hire a consultant to put together a performance contract with an energy services company. He said at that time the City had an Ad Hoc Energy Advisory Committee that looked at ways to save energy and promote energy efficiency throughout the community. He said the committee was involved in the initial selection of the consultant, John Rizzo from ADI. They worked to put together an RFP for energy services companies, who would be interested in evaluating all of the City's and School's buildings, to see what opportunities there were to make improvements. The School Department decided they weren't going to proceed with the energy contract, because they have just signed a facilities agreement with another company. He said the Council entered into a letter of intent in August of 2008 to have them complete a detailed energy audit of all the City facilities, and come back with their proposal. He said the energy audit was done during the fall and into January. He said they met with the newly formed Energy Advisory Committee in February, and with the City Council at the last workshop on March 4th. He said that brings the Council to this point, and his recommendation is to proceed to the next step, which involved two decisions by the Council. First, authorize entering into a performance contract with Johnson Controls; and second, arranging for the financing of the project, which would be orchestrated over a ten year period. He said essentially the City is looking at \$2.4 million in investment, with a recovery period of 7.2 years. He said there were a number of ways to finance this project: 1. Pay cash, which he would not recommend; 2. A debt or lease obligation on the City, which is essentially a lease/purchase agreement. He went over his handout, entitled Energy Efficiency Financial Analysis, with the Council. He asked the Council if they had any questions on the financing options.

Mayor Myers referred to the second page, which said \$2.2 million, and asked if that included the rebates and programs the City may be eligible for.

City Manager Joyal said that was correct. He went over the handout entitled Debt Service Analysis.

Mayor Myers referred to the comments made by the media regarding the stimulus money coming through for energy saving products. He said the City has put in applications to receive



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some of the money, but the City is looking at a worse-case scenario in case the City doesn't receive any stimulus money.

City Manager Joyal said that was correct; the financing scenario did not include any stimulus money or possible grant funds.

Mayor Myers referred to the report the Council received at Councilor Scott's and his request, which was a breakdown for each project and their payback time. He referred to #15, the boiler project, and asked if that was the Library's boiler, which was already done.

City Manager Joyal said that was correct.

Mayor Myers said that project had a 26.2 year payback time, which was the longest period. He said Johnson Controls was still including it in the project, even though it has already been completed.

City Manager Joyal said by including it in the project the savings are guaranteed.

Councilor Callaghan asked what the rebates and incentives were, and if they were federal or state.

City Manager Joyal said it was a combination of both, plus utility program incentives. He referred the Council to Pages 17 and 18 of Johnson Control's presentation, where it showed a breakdown of incentives and rebates. He said there were rebates and incentives from PSNH. He said they have applied for grant and stimulus money that is focused on energy efficiency projects, and felt the City was well positioned to take advantage of some of those funds. He referred to another program called RGGI, Regional Greenhouse Gas Incentives, money set aside in a pool that are made available to the State for allocations to various energy efficiency programs. He said the City is submitting an application for this, as well as for a comprehensive proposal of energy improvement measures within the City, and for programs that citizens can take advantage of.

Deputy Mayor Myers asked how many of the rebates and incentive monies the Council will know about before the City goes for bonding.

City Manager Joyal said the City will know about all of them, because the bond will probably be sold in September.

Councilor Carrier asked, if the City bonded for the full \$2.4 million and stimulus money came in from the stimulus plan, if the money could be applied to the principal to reduce debt.

City Manager Joyal he doesn't know the answer, because there are no details on the stimulus money.

Mayor Myers referred to the Energy Efficiency Financial Analysis handout, and asked about the scenario with the early years of negative cash flow.

City Manager Joyal said the years with the negative cash flow would have to be made up somewhere in the operating budget. He said he wasn't concerned about it. He said with the increased cash flow he wants to hire a part-time person or contractor to negotiate energy contracts and purchase arrangements. He said the negative cash flow wouldn't be an issue if the City receives the grant money.

Mayor Myers said he was more concerned with the annual cash flow basis, because the tax cap doesn't allow the positive cash flow to be moved into the following year.

City Manager Joyal said it had to do with the timing of the payments, and said there are two things that will make up for that. First, how the grant money and rebates are received. He said he is projecting that the City receives all of the \$225,000 in rebates and incentives up front. He said that could be put into a grant fund to be used as needed.



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Councilor DeDe asked if it mattered to Johnsons Control which financing method is used. City Manager Joyal said the financing is a completely separate issue. City Manager Joyal went over several points in Mr. Steltzer's email with the Council:

- Information on financing options did not go before the Energy Advisory Committee.
- Money will be available through the American Recovery Act (ARA). Mr. Steltzer is specifically referring to some energy conservation bonds and the ability of the City to take advantage of them. He said he had more research to do in this area. He said the committee envisions a revolving loan program, where a pool of money can be made available to residents and businesses, and as they pay it back more funds are available to someone else.
- Dover should be a leader and show commitment. There is a real interest in doing something flashy and noticeable. Two ideas were dual flush toilets and waterless urinals.
- Mr. Steltzer said the Committee was disappointed that there were no renewable energy projects included in the proposal.

City Manager Joyal asked Mr. John Rizzo, ADI, to speak on renewable energy projects and why they were feasible.

Mr. Rizzo said solar projects usually have 30-50 year payback periods. Solar thermals have a 60-80 year payback. He said Johnson Controls looked at the wind maps, and the economics aren't feasible for wind turbines.

City Manager Joyal said they are asking for funds from the stimulus plan to enable the City to do some renewable energy projects.

Councilor Scott asked if they looked at using wood to heat some of the buildings.

Mr. Rizzo said they initially looked at using wood pellets, and felt if oil and gas prices rise again it might make sense in some of the smaller buildings.

City Manager Joyal mentioned that the option for burning wood pellets at the North End Fire Station was eliminated for the cost savings.

Councilor DeDe referred to Paragraph 2 of the email from Eric Steltzer. He said it seemed to state that quality energy conservation bonds would be available for the municipality, but he believed the proper interpretation of that is that quality energy conservation bonds are for a city to use to lend out to other users, and not for the city to use itself.

City Manager Joyal said they needed to do more research on that. He said Mr. Steltzer is an expert in this area, and we're going to be looking to him to collect information on that.

- The Committee was also concerned about the lack of improvement to the thermal envelopes of the buildings.

City Manager Joyal said part of the reason there isn't much improvement is because the City has made them already.

Mr. Rizzo said the City buildings were controlled very well and that is the reason why there wasn't improvement recommended in this area.

- Federal funds are available through the Recovery Act. Mr. Steltzer said the funds should be use as a second level source to fund more innovative and demonstrative projects that were unable to be included in the performance contract. He said they should be used to build electrical and thermal renewable energy projects to help diversify Dover's energy source and protect the City from future energy cost risks.



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City Manager Joyal said funds received from the Recovery Act will be factored in for those types of projects.

- The Committee mentioned Mr. Rizzo's involvement as the City's advisor, and wanted to make sure the City Council knew he had the City's best interest in mind in challenging Johnson Controls. He said the City Council should ask Mr. Rizzo's opinion on why Johnson Controls proposal is in the best interest of the City, and to explain the recommendations in the contract that he feels should be included.

City Manager Joyal said he agreed that Mr. Rizzo has represented the City's interests in negotiations with Johnson Controls, and addressed many issues that the City's staff wouldn't have known needed to be addressed. He asked Mr. Rizzo for his opinion.

Mr. Rizzo spoke of the RFP process and the City's requirements of looking for a project that was significant and didn't cost a lot. He said they received three strong proposals, and Johnson Controls provided an inexpensive performance contract with savings that they feel are obtainable. He said for some of the projects that were aggressive, there are protective measures in the contract. He said every month of delay is a \$20,000 cost to the City, and it is in the City's best interest to do this at this point.

- How does the performance contract protect the City if other improvements are made to the buildings?

Mr. Rizzo said with units of energy, the contract would be silent. He said with the installation of new equipment the contract allows segregate their savings, comparing to the building usage itself. He said with all the changes being proposed for the Arena, if the City decides to change something in the next few years, they have the responsibility to notify Johnson Controls of those changes.

- The Committee recommends that the City provide the Council with a plan on how it intends to stay on top of the contractual agreements, so the contract will not become nullified.

City Manager Joyal said there are some obligations that the City will have to live up to, whether we have a contract or not. He said the City's contract with Mr. Rizzo requires him to be on board through the commissioning process to make sure the City is getting what was paid for.

Mr. Rizzo will also be available to the City through the first year to make sure the measurements and verifications back up what the City paid for. After that Mr. Rizzo will help put the City in the position to monitor the situation ourselves. He said as part of this contract the City might want to look to Johnson Controls for maintenance, because the City will want to avoid finger pointing. He said Johnson Controls has to provide the City, as part of this package, with guidelines for maintenance, which will give the City a plan.

- Johnson Controls and ADI should explain to the Council how they intend to insure that the MBTU per square foot goal will actually be achieved.

Mr. Rizzo said if there was a savings shortfall, the City asks for a check first. He said if the check becomes burdensome over time to Johnson Controls, they can come to the City and say they have a fix for the problem, and to let them fix it so the City can get the savings, and Johnson Controls doesn't have to keep paying a check to the City.

City Manager Joyal said their preference is to do anything possible to have the energy savings realized, and then the City has the guarantee.



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- The Committee felt the process was rushed. The Committee only had one presentation, and one option for a performance contract. They would have preferred getting in earlier on the process, and having seen all three scenarios.

City Manager Joyal told the Council that as soon as the report was received it was brought to the Energy Advisory Committee.

Deputy Mayor Trefethen said the \$2.4 million was the cost of the program as presented. He said if the City gets the \$225,000 in rebates it could be put into a fund for future use. He said he understood that the \$225,000 was being used to pay Johnson Controls, and for reducing the amount needed to bond.

City Manager Joyal said the question is when the money goes to Johnson Controls. He said the City does expect to get at least \$150,000 to \$160,000. He said that money will be available to make the initial payments, and from there the City realizes the savings on a year-to-year basis. Deputy Mayor Trefethen referred to the previous workshop. He said Johnson Controls is actually guaranteeing the City lower energy use; gallons of oil, kilowatts hours of electricity, and lower therms of gas; and not dollars.

City Manager Joyal said there are two methodologies that are present in this project. One of them actually involves watching the meter to make sure the City truly has energy savings, and there is a dollar value attached to that. The other is basically a negotiated dollar amount, specifying that the City will save a certain amount of money, and if the City doesn't, then there is a guarantee on that.

Mr. Rizzo said the units of energy are stipulated in the contract at the current rates, and those have an escalation factor of 4%.

Councilor Carrier asked if logs were going to be kept of the maintenance schedule to the buildings to prove that it was done, so if the savings aren't there Johnson Controls can't say that we didn't maintain the buildings.

Mr. Rizzo said logs will have to be kept, but felt it wasn't a critical issue. He said there were only a few items that would need maintenance. He said the Ice Arena would be maintained quite regularly.

Mayor Myers asked Mr. Rizzo if the Arena was being kept separate because it's such a unique building, and the projection of savings is separate from all the other City buildings.

Mr. Rizzo said Johnson Controls was the only vendor that said they would keep it separate, which means they take more of the risk on the energy savings, versus more of a calculated basis. He said that was one of the reasons Johnson Controls was selected. He said the savings are integrated for the whole project, but the Arena has a standalone monitoring verification plan.

Mayor Myers said there won't be penalties on a per-building basis, but on a culminative basis of all the City's buildings.

Mr. Rizzo said that was correct.

Councilor Cheney referred to changes of configuration to the contract. She said the stimulus money could have strings attached and have to be used for specific purposes.

Mayor Myers said if there were too many strings attached to the stimulus money the Council could just choose not to take the money.

City Manager Joyal said the Council will learn about the strings attached before accepting the money. He asked City Attorney Krans and Mr. Rizzo to give an overview of the draft contract with Johnson Controls.



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City Attorney Krans first wanted to state that this was a heavily negotiated contract, taking four months so far, and went over the highlights with the Council.

Mr. Rizzo said he just wanted to add that the City gave Johnson Controls a contract, and it was not them giving the City their standard contract.

Councilor DeDe referred to Page 22, Section 33A; it says it's still under review.

City Manager Joyal said that this has been accepted by the insurance company and is no longer under review.

Councilor DeDe said he was concerned with the wording, "Regardless of the form of action, shall in no event exceed the amount of the payments actually received by ESCO." He said that seemed to counteract the guarantee.

Mr. Rizzo said that paragraph, which has been changed, is trying to say they want to limit the coverage they would pay the City back to \$2.4 million, and that the City Hall might be worth more than that. He said that paragraph has been changed to \$5 million.

Councilor DeDe asked if there was a new Section 33A.

Mr. Rizzo said that was correct. He said it was changed to say "to insurance proceeds."

Councilor Cheney referred to Page 41, and where it said, "Fill this in."

Mr. Rizzo said once the detailed energy audit has been approved, as far as what the City wants for conservation measures, each component will be put into the contract.

Councilor Scott said he felt this was a good road map, but it wasn't an appropriate time to undertake this type of investment during these difficult times.

City Manager Joyal said Councilor Scott may have been absent from the meeting where the Council discussed some financial indicators, how the economy was performing, and how the City was fairing. He said the first item they reviewed was tax collections.

Councilor Scott asked what it was a year ago and again in January of 2009.

City Manager Joyal said the City improved our collection from last year. He said he was surprised by it.

Councilor Scott said the Council should wait to see how other issues pan out before we enter into new commitments. He said this should be looked at after the budget has been worked out. He said the Council should see what the cash flow will be, and asked to see a cash flow projection for the next twelve months.

Mayor Myers asked how this will impact cash flow and operating budget.

City Manager Joyal said it positively impacts cash, except for the three middle years. He said entering into this contract will positively impact cash flow. Every month that this contract is delayed it will cost the City \$20,000.

Councilor Scott asked if the City could do three or four of the major items, and to look at them after the budget has been approved.

Mayor Myers asked him which items he wanted to remove. He said the Council received the one page report that listed 15 items after the last workshop via email.

Councilor Scott said he never received it, because he doesn't use his City email, and asked that it be sent to his personal email.

Mayor Myers said he would have to speak to the City Manager about that.

Councilor Cheney referred to the old contract with Siemens from 1996. She asked how many of the projects were implemented. She also asked why it was a 10-year contract if the payback is supposed to be in 7 years.



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City Manager Joyal said he didn't believe the City had the expertise or the resources to understand the ins and outs of the contract. He said performance contracting is a lot different now. He said the company did make improvements. He said there were gas generators for the City Hall that were supposed to generate enough electricity to run the City Hall full time, and when that didn't work it was the contract that saved the City from paying for it. He said there were a number of projects at the Arena which eventually were abandoned because they didn't work, and ultimately there was a buy out because they couldn't get it to work. He said there were successes in the contract, and the City's buildings have seen energy savings. Councilor Callaghan asked if the Council can pick things out of this package, or if it was an all or nothing contract.

Mr. Rizzo said it wasn't an all or nothing package.

Councilor Callaghan said he was just considering the smaller items, such as insulating the doors and windows, that students could do. He said it sounded like this was going to come to the Council before the budget.

Mayor Myers said that was the plan, so the City Manager can estimate the savings to show how the debt service will be paid on the bond.

Councilor Cheney asked about the discussion of hiring a part-time person to help the City with this contract.

City Manager Joyal said the City wouldn't have to hire anyone additional right away. He said he might propose hiring a part-time person or contractor, with the savings from this contract, to help the City do some innovative conservation projects.

Councilor Scott asked about the \$225,000 in incentives and who was giving them.

City Manager Joyal referred the Council to Pages 17 and 18. He said the incentives were from PSNH, grant funds, RGGI, and ARRA funds.

Councilor Scott ask which ones the City Manager was 100% sure of getting.

City Manager Joyal said the utilities incentives of \$100,000 are virtually certain. He said it was a set program.

Mayor Myers said the numbers work even under the worst case scenario.

City Manager Joyal said that was correct.

Mayor Myers referred to Councilor Callaghan's comment about picking and choosing the projects the City wants to do, and said he wasn't advocating eliminating any of the projects, because Mr. Rizzo and Johnson Controls have already weeded out the projects that don't make sense.

Deputy Mayor Trefethen said the Council has to accept or approve the audit.

City Manager Joyal said the vote will be approving the contract.

Deputy Mayor Trefethen asked if the vote required a 2/3 majority.

City Manager Joyal said that was correct.

2. ADJOURN

Councilor Weston made a motion to adjourn; seconded by Councilor DeDe.

Vote: 8/0.