

**East Haven Board of Finance
Regular Meeting Minutes
May 15, 2019**

The East Haven Board of Finance held a Regular Meeting on Wednesday May 15, 2019 at 7:00 P.M. in the Mario Giaimo, Joseph Vitale Meeting Room on the lower level of East Haven Town Hall, 250 Main Street, East Haven, CT 06512.

1. **Roll Call**

Chairman Richard DePalma, Noreen Cough, Beth Purcell, Richard Esposito Jr., and Ralph Vitale were present. Marc Conte Sr. was absent. Director of Finance - Paul Rizza, Tax Collector- Lucille Huelin and Sal Brancati were also present.

2. **Read and Approve Minutes from Special Meeting held on March 21, 2019**

Noreen Clough makes a motion to approve Minutes from Special Meeting on March 21, 2019, and Beth Purcell seconds. All in Favor. Motion Carried.

3. **Old Business**

Noreen Clough had questions about the revenue. She referred to the revenue report and noticed that the end of April we had \$3.5 million of uncollected money in taxes. Noreen wanted to know if we collected anything since then. That amount represents taxes only per Paul. Paul states we currently are going to be sitting with tax office about starting a push on delinquent collections. The revenue is a little short but not bad. Noreen inquired about the State grants pilot. The pilot comes in a little later per Paul. The State used to pay those the beginning of April. Noreen said it is nice to see athletic complex fees are up, investment income is up and police assignments are down. Noreen asked about the sale of town owned property and weather we received the money from the old high school. Paul stated it was in process. Noreen asked how much we were getting and Paul stated \$500,000.00. Noreen stated that the Police Department only has \$36,000.00 to get through the next 2 months. Paul stated he thinks there will be transfers coming up. It looks like the Fire Department will be fine. Fire Chief has some positions open and some out on compensation. According to Paul he said he should have enough in his department. The command center had some people leave and they instituted part time staff which saves on the heavy costs of medical, etc.

4. **New Business**

None

5. **Public Comment**

None

6. **Tax Department**

Suspense List for Fiscal Year 2018-2019: Refer to Town Council

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Noreen Clough makes a motion to review the Suspense list for Fiscal Year 2018-2019 and refer to Town Council.

Discussion:

Lucille states she was a little late in sending out delinquent notices for the automobile accounts to the collection agency. They should have gone out 3 weeks ago but they went out last week. She stated they sent a little over \$250,000.00 in delinquent auto accounts. The letters from the collection agency did in fact go out because the tax office was getting phone calls. There will be collection of those accounts. We are working with the mayor's office and the attorney's office to increase the delinquent real estate accounts and made a big effort in pushing personal property this year. Our marshals have been doing bank executions which we have never done before and we have sent some of the delinquent personal property to our collection agencies. There is a list of delinquent accounts and we are basically taking them off as assets but we still can collect for 15 years and we make a big effort. According to Lucille's computer printout in the past year through beginning of May we have collected about \$160,000.00 of suspended motor vehicles, real estate and business personal property. We do lien the real estate and actually we lien every year. We used to give everyone the benefit of the doubt but now we sent all 2017 grand list bills to collection agency and to a marshal. 2012 to 2015 is pretty hefty and is a big chunk of this. Lucille said what has happened in the past is that we have been lenient with the personal property. A lot of these businesses no longer exist and Lucille has been trying to bring it more current. Now you will get the 2016 property and bring it up to current. Ralph Vitale asked when will we audit the assessor reports again. Paul said they are in process now and half way through. The next revaluation is next year.

Roll call, all in favor, motion carried.

- 7. An Ordinance making an appropriation of \$7,200,000 for the purchase and installation of equipment to achieve energy savings at various municipal buildings and schools in the Town of East Haven and authorization the issuance of \$7,200,000 bonds of the Town to meet said appropriations and pending the issuance thereof the making temporary borrowing for such purpose.**

Discussion:

Sal Brancati gave overview of project. This project started a year ago. We went out with an RFP for ESCOS and companies who would perform the installation of the equipment. At the request of our Finance Director Paul Rizza, we brought on ECG, Aldo Mazzaferro, the Director of Technical Services. They travel around the Northeast advising municipalities on how to choose the right ESCO,(a company which installs) whether it be Honeywell, Johnson Control, etc. This project is a capital improvement project town wide, including Board of Education and Town Buildings. Board of Education is on board. Out of most of the improvements the schools yield the highest savings. Between Honeywell and ESG we spent the last year doing audits in all the buildings to see what the best approach would be and what equipment we can change that can yield us the highest savings on our energy cost. At the end of our audit the Town Council approved going forward with that audit giving Honeywell 120 days (this is going back to November or December) to complete the audit and come back with some realistic numbers and what the savings would be as well as come back with a contract for Honeywell. This was done last month with the Town Council and they approved the contract with Honeywell when they heard this same presentation that you are hearing today. Honeywell projected a savings of \$377,000.00 per year of our current utility bills. The cost of the project to complete all of the capital improvements is projected to be about \$7.2 million, proposing a bond. The savings from energy cost will pay the debt service on that bond. The better news is that if for any reason at all there is not a savings Honeywell, which has a Tripple A rating credit, has to write a check to the Town for whatever the short fall is. The number is determined by Honeywell.

Aldo stated that Honeywell produces what is called measurement verification reports that come back and prove to us through a series of testing that the project works. Aldo works for the Town. ECG has a contract with the Town. If at any given year that the savings come in higher than the \$377,000.00 the Town keeps it.

Sal Brancati stated that they are building a solar farm at the land fill. Zoning approvals are done, and they are working with the State right now on virtual debit meters. The solar may/may not yield us a better rate, if it does great, if it doesn't we know what rate we have so everything is fine. That savings is estimated on what we are paying now for electricity. There is also a rebate involved. Honeywell works with us with the utilities and our rebate is estimated at about \$600,000.00 that will come to the Town over a 2 year period of time. You could take that money and invest it in the project. Most towns that have done this kind of project have not. North Haven did this project and that is where we got this idea from. They did this about 3 years ago and we thought we could mirror this and Kevin White met with Mike Frida and his staff and showed us how this was done. We kicked it off with RFP and got Doreen from Honeywell chosen out of 4 other people who put a bid in and we got Aldo at ECG Group. North Haven has been getting savings. They took their rebate and put it in their general fund. But the savings from the project is paying the debt service. It is a revenue expense neutral to the Town of East Haven. The savings will cover the debt service. If Honeywell misses that target of savings, then they come back into town and do more improvements because they do not want to write us a check every year on their dime.

We need a bonding authorization so we can go out and bond the \$7.2 million and kick off the project and start the construction. Aldo stated the project is based on the last average 3 winters/summers, heating and cooling seasons. Going forward you can measure how harsh a winter is and then do a baseline adjustment.

Sal said the actual project costs about \$6.5 million. Sal stated that he and Paul Rizza were talking and there is a possibility that you may need additional money so they want to authorize \$7.2 million but does not mean you are going to draw \$7.2 down. Paul stated that we are going to take the small window of opportunity to get into the school. We know there is some upfront money to Honeywell to bring in their troops, etc. Paul hasn't exactly figured out what to do but he is not going to sell bonds at this point. He stated we will run a note and we will get figures from our underwriter and our bond counsel. Aldo and Doreen are going to assist and help us figure out how much we are going to spend in year one and year two. We will then have a little more knowledge of our savings after year one. We may look to notes for 2 years and get a renewal 12 months after we issue the first note and we will roll it again and then we will know at that point how much we will be getting back in rebate or money back to us and you may not need to borrow \$5 mil or \$6 million, etc. Our bond rating is Double A.

Beth Purcell asked what the total utility cost is for the town. Aldo answered \$1.2 million. Beth asked whether that \$377,000.00 savings is calculated based on consumption savings. What if the rate goes in the other direction? It was answered that you will save based on the last historical 3 years. Should the rate go up your savings will go up. It is based on the projection.

Richard DePalma asked what type of improvements we are going to be making. Doreen from Honeywell stated we are looking at lighting and LED conversion in the buildings. Looking at boiler plants because in some of the buildings there are a lot of aged infrastructure that is falling apart. That is normal in every place we have worked. We look at 5 or 6 things that would need improvement and we pick 4 or 5 out of those 6. Looking at a complete energy management platform through the schools and recommissioning right now we (Town) has a couple of different energy management control systems in our buildings and they are not all talking to each other. They will all start talking to each other and looking at transformer upgrades at the high school and water conservations and steam track replacements at a number of the buildings. It is a pretty comprehensive plan. Rich DePalma asked whose responsibility is it for maintenance. Honeywell stated it is the town's responsibility for maintenance. After installation is complete Honeywell will sit down and go through the operating manuals.

Honeywell is not going to put something in that someone else could never maintain. It will have the recommended service, timing of service, and Honeywell helps guide through this.

Honeywell does a measurement verification and walk through and documents everything and how mechanical issues are. Honeywell wants to see what the current state was and compare it to your bills and then compare to budget to be sure it is all in line with what your spending and what you said you spent.

Beth asked how long this project will take to complete. Honeywell stated 10 months. We would not see the savings until the following year. They want to do as much as they can before heating season starts. That is when you start to see savings to your bottom line. Beth stated we will be saving 25% in heating. We will budget to new actual savings per Paul in theory. This is in addition to our regular capital plan Aldo stated that this project definitely addresses items on that capital plan, such as boilers in 7 buildings, the old highschool, etc.

The Board asked if there was a breakdown by building with how you came up with this number because \$7.2 million is way above what the Board of Finance ever had come across. Over last 8 years Paul said the highest capital improvement was maybe \$3 million. This was done intentionally so that we could pay down our debt. Eight years ago we had no money, only \$200,000.00 in our fund balance. Now our debt service is \$20 million. It went from \$40 million to \$20 million in 8 years. We have a larger pool of money we can tap. Paul does not think we need to sell bonds for \$6 million. I think we will see a return on our investment. If we sell notes today we would be selling close to 1%. You can't get money at 1%. Branford's cost for this project was \$5.5 million however we have older buildings.

When this project is done the Board would like a copy of the recommendations for maintenance schedule so that the Board of Finance can get an idea of budgeting. The question was asked as to what would happen when Board of Education doesn't have their end of the money for maintenance. Paul said to put pressure on them. There should be a system of checks and balances. Honeywell has a project manager and will get updates one time a week. They check backgrounds on everyone who is on site to be sure they have insurance, etc .

ECG Group inspects all the work that is done. The cost for ECG Group is in that number.

Noreen stated that we are supposed to maintain the gym and the pool in old highschool and auditorium . The Town is looking to bond \$10 million to fix the building. Sal said there isn't an exact number yet. The will be working on that next year probably for design and scope for the 200 Tyler Street project. We will be fixing some of the highschool with this project but there will be an additional cost on top of this project to fix that building.

The cost associated with this project is about is about \$275,000.00 for the old highschool for this project. We are not doing gym or auditorium, only doing the pool.

Out of 21 buildings there are 7 schools. The town gets all the savings, not the Board of Education because the Town is borrowing the money, the town bonds, not the Board of Education. The Town Engineer will be involved with this project and has been involved. The BOF asked if we need major work to be done in one of the schools how does this play out. Doreen explained that the project that is being done does not constrain you. You can easily put an extra addition and add to adjust for it. The energy units are important because of what they are guaranteeing. Any major work done in the schools won't hurt what is being done now

Some of the schools will have window air conditioning units in it because it wasn't cost effective to change those. There wasn't a cost saving associated with the improvement being done then you leave it alone. Then it is money you are spending with no return.

These management building systems will last 20 years, per Doreen. It is all open architecture. Many other vendors can maintain it and make modifications. It is not proprietary .

Noreen Clough asked for a Democratic Caucus. Beth Purcell was concerned because this was the first the Board of Finance heard of this.

The BOF would like a breakdown per building of the cost. ie. middle school cost, dollar amount, etc.

Honeywell will forward it to the clerk of the Board of Finance.


Noreen Clough made a Motion to approve an Ordinance making an appropriation of \$7,200,000 for the purchase and installation of equipment to achieve energy savings at various municipal buildings and schools in the Town of East Haven and authorization the issuance of \$7,200,000 bonds of the Town to meet said appropriations and pending the issuance thereof the making temporary borrowing for such purpose and refer to the Town Council.

Roll call; All in Favor. Motion Carried

8. **Adjournment**

Beth Purcell makes a motion to adjourn at 8:03 P.M. Richard Esposito, Jr. seconds. All in favor, motion carried.

Respectfully Submitted,



Susan Mauro
Board of Finance Clerk