

BUDGET REVIEW COMMITTEE

OCTOBER 6, 2020

A meeting of the Budget Review Committee was held Tuesday, October 6, 2020, at 7:27 p.m. via teleconference.

Chairman Dowd

As Chairman of the Budget Review Committee, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic and in accordance with the Governor's Emergency Order #12 pursuant to Executive Order 2020-04, this public body is authorized to meet electronically.

Please note that there is no physical location to observe and listen contemporaneously to this meeting, which was authorized pursuant to the Governor's Emergency Order. However, in accordance with the Emergency Order, I am confirming that we are:

Providing public access to the meeting by telephone, with additional access possibilities by video or other electronic means:

To access Zoom, please refer to the agenda or the City's website for the meeting link.

To join by phone dial: 1-929-205-6099 Meeting ID: 874 0065 0849 and Passcode: 988380

The public may also view the meeting via Channel 16.

We previously gave notice to the public of the necessary information for accessing the meeting, through public postings. Instructions have also been provided on the City of Nashua's website at www.nashuanh.gov and publicly noticed at City Hall and Nashua Public Library.

If anybody has a problem accessing the meeting via phone or Channel 16, please call 603-821-2049 and they will help you connect.

In the event the public is unable to access the meeting via the methods mentioned above, the meeting will be adjourned and rescheduled. Please note that **all votes** that are taken during this meeting shall be done by **roll call vote**.

Let's start the meeting by taking a roll call attendance. **When each member states their presence, please also state whether there is anyone in the room with you during this meeting, which is required under the Right-To-Know Law.**

Alderman O'Brien called the roll and asked them to state the reason he or she could not attend, confirmed that they could hear the proceedings, and stated who was present with him or her.

The roll call was taken with 6 members of the Budget Review Committee present:

Alderman Richard A. Dowd, Chairman
Alderman-at-Large Ben Clemons, Vice Chair
Alderman Jan Schmidt
Alderman Ernest Jette
Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien, Sr.

Members not in Attendance: Alderwoman-at-Large Shoshanna Kelly

Also in Attendance: Alderman Patricia Klee
Alderman Skip Cleaver
Alderwoman Elizabeth Lu
Alderman Linda Harriott-Gathright

ROLL CALL

Alderman O'Brien

Alderman-at-Large Michael O'Brien is present.

Alderman Wilshire

I am present, I can hear you and I am in the room alone, social distancing.

Alderman O'Brien

And that would be ditto for me too, I forgot to mention it.

Alderman Jette

I am here, I can hear the proceedings and I am staying safer at home with my wife.

Alderman Schmidt

I am present and I am alone in the room.

Alderman Clemons

Yes, I am here, I can hear everyone and I am at home alone.

Chairman Dowd

Yes, I can hear everyone. I am here alone practicing social distancing.

Alderman O'Brien

Also in attendance is the Mayor, Aldermen Klee, Lu and Cleaver. Is there any Alderman I did not mention?

Alderman Harriott-Gathright

Harriott-Gathright.

Alderman O'Brien

OK thank you, Alderman Gathright. Mr. Chairman, we have 6 members present.

Chairman Dowd

Thank you, we have a quorum. First order of business is Public Comment. Is there anyone from the public that would like to comment on anything on the Agenda for this evening?

PUBLIC COMMENT – None

COMMUNICATIONS - None

UNFINISHED BUSINESS - None

NEW BUSINESS – RESOLUTIONS – None

NEW BUSINESS – ORDINANCES - None

TABLED IN COMMITTEE

R-20-016

Endorsers: Mayor Jim Donchess
Alderman Linda Harriott-Gathright
Alderman Thomas Lopez
Alderman-at-Large Michael B. O'Brien, Sr.

AMENDING THE PURPOSE OF A FISCAL YEAR 2020 UNLIKE ESCROW FOR THE COMMUNITY DEVELOPMENT DIVISION

R-20-017

Endorsers: Mayor Jim Donchess
Alderman Thomas Lopez
Alderman Richard A. Dowd
Alderman-at-Large David C. Tencza
Alderman Patricia Klee
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Linda Harriott-Gathright
Alderman Skip Cleaver
Alderman Jan Schmidt
Alderman-at-Large Lori Wilshire

RELATIVE TO THE SUPPLEMENTAL APPROPRIATION OF \$50,000 TO FUND A FEASIBILITY STUDY FOR THE FUTURE REUSE OF THE ELM STREET MIDDLE SCHOOL BUILDING

- Requires a Public Hearing which has not yet been scheduled

R-20-028

Endorsers: Mayor Jim Donchess
Alderman-at-large Michael B. O'Brien, Sr.
Alderman-at-large David C. Tencza
Alderman Richard A. Dowd
Alderman Linda Harriott-Gathright
Alderman Patricia Klee

AUTHORIZING THE CITY OF NASHUA TO ENTER INTO A MASTER DEVELOPMENT AGREEMENT WITH LANSING MELBOURNE GROUP, LLC.

(re-tabled at 8-12 mtg)

MOTION BY ALDERMAN O'BRIEN TO TAKE FROM THE TABLE R-20-076, BY ROLL CALL

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Clemons, Alderman Schmidt, Alderman Jette, Alderman Wilshire
Alderman O'Brien, Alderman Dowd 6

Nay: 0

MOTION CARRIED

R-20-076

Endorsers: Mayor Jim Donchess
Alderman Richard A. Dowd
Aldermoman-at-Large Shoshanna Kelly
Alderman Patricia Klee
Alderman Skip Cleaver
Alderman Thomas Lopez
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Linda Harriott-Gathright
Alderman-at-Large Lori Wilshire

AUTHORIZING AN ENERGY PERFORMANCE CONTRACT AND LEASE FINANCING ARRANGEMENT

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE BY ROLL CALL

ON THE QUESTION

Chairman Dowd

OK the Motion on the floor is to recommend final passage of R-20-076. Is there anyone that would like to make a comment or ask a question about this? Alderman Clemons.

Alderman Clemons

Thank you. So I have a few questions, the first question I have is how long is this lease for and what happens at the end of it?

Chairman Dowd

Mr. Donovan or Mr. Smith, who wants to answer that.

Dan Donovan, COO, School Department

It's Mr. Donovan. It's a 20-year lease, and then at the end we own the equipment, it will be 20 year old equipment but 20 year old lights will still work.

Alderman Clemons

OK. A couple of follow-ups. So you mentioned, Mr. Donovan, briefly that way this is going to work is going to offset your budget. Can you explain that a little bit more in detail?

Mr. Donovan

Sure, when the work is done, so it's getting to that perfect point. But when the work is done, let's just say that's at the end of a Fiscal Year. We will going forward see a savings in that year of \$460,000.00; \$230,000.00 at each of the High Schools. So what we will do is we will go to our Energy Budget in the two High Schools, reduce that amount by \$230,000.00 and then put in a cost for payment of principal and interest of I believe it's about \$220,000.00. So basically within the Operating Budget we will show, at the beginning of that Budget Year, a \$10,000.00 savings which would probably budget on another line. But that's how it will work.

We did discuss a bond on this but if there was a bond there would be principal and interest cost outside of the School's Operating Budget. The payment of this lease and the savings will offset each other within the School's Operating Budget.

Alderman Clemons

May I continue? Yeah so my only concern is I want to make sure that the School Department gets the money and that it doesn't lapse or go into the General Fund, you know. So if it's \$10,000.00 or if it's more than \$10,000.00 it would be nice to see the School Department and I don't think it would happen this year but the end of the next, so not this July but the following July see that savings in there in your account. Is there anything that has been discussed about that with the Mayor or anyone to make sure that savings stays in the School Department?

Mayor Donchess

Well I can say that I agree with you, that whatever is realized should accrue to the benefit of the schools. I mean for the City, cityside it's a cost neutral situation budget. I would look at whatever their budget is now and think about what increase we could afford or what we need. And this was a School Department developed project. We want to work closely with the schools on this and other projects. But this was definitely a School Developed Project and really the net result, in my opinion, should go to the schools.

Alderman Clemons

If I could continue. We should look into codifying that somehow. I know we have special accounts, revenue accounts, I don't know how it would work though because it's not really a revenue it's a savings. But we have accounts that last from year to year. It would be good to see if we can set something like that up that moves forward regardless of who the Administration is. We want to make sure that you're getting that money and at least in my opinion. I have no problem with the contractor, with the lease, it sounds like it's a great deal, especially if we are guaranteed to save that money. Again my only priority is you know Boards of Aldermen change, Administrations change. I'd like to make sure that for this 20-year lease you guys get to keep that guaranteed savings. I will work with the Mayor and Corporate Counsel to see if we can somehow codify that.

Chairman Dowd

Just a couple things, real quick. However much revenue they have, the Budget process will be as it always is. But the more important part of this isn't the budget it is the energy savings and the reducing the carbon footprint is huge. And we have many other ways of savings costs associated with the Schools including the solar that's going on many of the Schools, right now as we speak. So I would suggest that we keep that type of activity separate from tonight's passing of this particular contract. Alderman Clemons?

Alderman Clemons

Yeah and I agree with you, obviously it is a separate thing. But I just wanted to put it out there that for me, yes obviously it is very good. I think the green projects are the wave of the future, they just make more sense. They tend to be more economical, but when they can save money, I'd like to see the people that put the effort forth see that savings. But yeah I can see where you point – it's unrelated to the contract. But I have no problem with the contract. I think it's a good thing.

Chairman Dowd

Alderman Wilshire

Alderman Wilshire

Thank you. It is hard to believe our High Schools are 18 plus years old. I mean it seems like we just built them five years ago. But I am excited to see that they are going to go all LED there and I'd like to thank everyone whose been working for 3 ½ years to get this to this point. I think it's important for us to do and I will be supporting it. Thank you.

Chairman Dowd

Anyone else? Alderman Klee?

Alderman Klee

Thank you very much. I am not on your Committee but I do truly support this. I just had a real quick question, I don't think it was asked or answered. We talked about the \$460,000.00 savings at a cost of \$450,000.00 for the lease and if it went below the \$460,000.00 the lease would go down. Is this \$460,000.00 expected to be at least every year and if the lease goes down because we don't save \$460,000.00 do we have an idea on a one to one ratio how far it goes down. I mean will we always have a \$10,000.00, at least a \$10,000.00 buffer or it that, I don't know if I'm asking the question right.

Chairman Dowd

Who from the School Department wants to answer that?

Mr. Donovan

Sure to clarify it's not that the lease will go down. What will happen is if we don't get the savings, EEI will give us a check. So in effect we could use the check to pay the lease. But the lease itself will stay the same. There is an amortization schedule in the documents. So that's kind of the mechanics of how the monies will work. Will savings get higher than the \$460? I mean Mr. Smith spoke to that earlier. This company wouldn't be in business very long if they guaranteed you savings and then you couldn't reach those savings. They would then have to be forking that money every single year. So just sort of a basis sense that – and they've done many of these projects and I think Mike Davey can speak to it, but I don't think they've ever had to cut a check, is that correct Mike?

Mike Davey Yeah that's correct, just to kind of give a little more background on that. We have been working with the City of Manchester on doing these types of projects since 2013 and so far always come in ahead of our savings and the same thing in Portsmouth where we have done similar projects with the City and the School.

Alderman Klee

Ok thank you. Just for clarification the lease is \$450,000.00 at least for whatever the life of the contract is under that. I know things change as times goes on but that's what we are saying that it is and we are hoping for the \$460,000.00. If we don't get the \$460,000.00 then a check gets cut to make us whole so we are not paying is that that works?

Mr. Davey Yeah the guarantee is up to the lease payment. So if for some reason you only save \$430,000.00 we would be responsible for the delta.

Alderman Klee

Ok and I appreciate that and truthfully, I am very energy conscious so I like the idea that we are going LED and so on, I think that's the most important take-away from all of this. So thank you so much.

Chairman Dowd

I think that in having been working on the periphery of this contract for quite a while, all the estimates are conservative. So it very well could happen that the savings will be much greater. Any other questions?
Alderman Lu?

Alderwoman Lu

Thank you, Mr. Chairman. What would be the cost to buy these lightings?

Chairman Dowd

I think the idea and I'll defer to, Shaun do you want to cover that?

Shaun Smith, School Department

Sure in the investment grade audit that EEI did they indicated the cost for installed LED Lighting for South High School would be about \$1.3 million and at the North High School, \$1.4million. And then there's 10 energy conversation measures which LED lighting is one of them. For each of those we have a cost so if you add up all those costs, that's basically what the total lease cost is. I would note, nobody has mentioned this yet but given my huge deferred maintenance budget, we would not otherwise be able to achieve any of this. So that is a very big thing for us, of course, we love to save money as well and reduce our footprint. But we are getting upgrades to a lot of equipment that otherwise would not have happened.

Chairman Dowd

Does that answer your question? Alderman Lu?

Alderwoman Lu

If I could just ask a clarifying question?

Chairman Dowd

OK.

Alderwoman Lu

So did you say the lights and the other savings would be purchased at about \$1.3 and \$1.4? Or is that just the lighting.

Mr. Smith

That was just the lighting.

Mayor Donchess

Mr. Chairman, I think the total project cost is about, capital is about \$7.4 or \$7.3 million and there are rebates which will come from Public Service so the actual net cost will be about \$6.7 million, I think that's the correct number.

Chairman Dowd

So I will go out on a limb here and say that if we had to do it on our own, there would be the cost of installing this equipment, which would require bonding and no guarantees on the equipment. This company can buy all this equipment at a reduced price because they are buying in volume and they guarantee the equipment. So it's been looked at nine ways to Sunday and there's no way that we could touch this internally. Any follow up Alderman Lu?

Alderwoman Lu

Just is there a calculated or assumed interest rate that was associated with the lease program?

Chairman Dowd

Interest rate on whose behalf?

Mayor Donchess

I think the interest rate, Doria is it 3.7%?

Doria Brown, Energy Manager

I believe so. If you look in the packet that was sent out with today's meeting invite, all that information is in there including the cost per line for each section like it's more than just an LED Project. Its weatherization, controls, a lot of stuff is getting done that wouldn't have been to be done otherwise. But that percent is in there as well as an annual finance statement that will tell you how much the principal is going down each year.

Alderwoman Lu

Just a follow just to verify.

Ms. Brown

I'm sorry I missed your question. No I didn't ask a question, I don't believe, I think that maybe only the Committee got today's packet. So I don't know what packet you are referring to.

Chairman Dowd

It went out with the meeting notice to everyone.

Alderwoman Lu

So it wasn't today?

Chairman Dowd

I think it went out again today, I think it's gone out a couple times actually.

Alderwoman Lu

So just to clarify because Alderman Dowd you asked me what I was referring to and I just want to have Doria Brown confirm that this is what she was referring to with 3.7. I was just wondering what the – most leases have an inferred interest rate that is being applied to the use of the – of what you are leasing. Is that what you are referring to as 3.7% Ms. Brown?

Mr. Davey This is Mike if I can jump in, it's actually 3.15 in the packet is the rate, the 3.15.

Ms. Brown

I'm scrolling through the packet right now to confirm.

Mayor Donchess

Alright sorry I got it too high. They are giving us a better deal than I thought. What that means is that basically someone is lending, the reason you the Board of Aldermen, need to approve is someone is lending us that's the financing company in essence, I mean it's expressed in terms of a lease. But in essence the financing company is lending the money to build the project and then we are paying them back in so-called lease payments over a period of years. We have just learned that the interest rate on that effective borrowing is 3.15%.

Alderwoman Lu

Thank you, I have my question answered, thank you.

Ms. Brown

And it's on page 112 of the packet if you're looking for it.

Chairman Dowd

Alderman Clemons, did you have a question.

Alderman Clemons

Yeah just a question on is there any and forgive me because I didn't get the chance to go through the packet either. Was there a warranty? What's the warranty on some of these products or what is the guarantee on them?

Mr. Davey So it varies because there a few different products in this package. I would tell you that there's a 1-year warranty minimum on all parts and labor. The light fixtures have a five-year material warranty in addition, in addition to that 1-year parts and labor. However, the expected useful life of these LED products in a school environment is 25 years. We've been converting all of the schools in Manchester and have had just a very small handful of warranty claims since the process started there in 2013. So we haven't had a significant amount of warranty issues on these LED products. And I know the City of Nashua did the streetlights LED as well, which have a similar warranty.

Chairman Dowd

All set Alderman, follow up Alderman Clemons?

Alderman Clemons

I just want to say 3.15% having one company be able to come in and do all of this work, you know, plus the guaranteed savings that the School Department is going to get. It's a really good deal for the City of Nashua. Could we bond it for a little bit less, maybe? But then you have got to hire all the contractors to go in and do the individual work. You've got to find people to do that put it out to bid. This is, yeah, this is the way to go. Great job everyone, thank you.

Chairman Dowd

This work will be done fairly soon after this has final approval at the Full Board Meeting and this company will be responsible of making sure all of it is done quickly as the savings in the first year is important to them as well as us. We would never be able to get this done in a year or in the same time-frame. Shaun doesn't have that kind of staff, he has a hard time keeping up with his work now based on what he was just talking about, deferred maintenance money. So this is definitely the way to go. Any other questions or concerns from anybody on the Board? No one? Seeing none, would the Clerk please call the roll?

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Clemons, Alderman Schmidt, Alderman Jette, Alderman Wilshire
Alderman O'Brien, Alderman Dowd 6

Nay: 0

MOTION CARRIED

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN

Chairman Dowd

I just want to say this has been a long time in the process and it was for a number of different reasons, none of the least of which would be COVID. I think this is going to be huge for energy savings for the City. The fact that we also make money on it is a plus up. And like I said I think all of the estimates have been conservative, so I would expect that we will probably see better numbers. Anyone else for Aldermanic Comment? Seeing none.

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

MOTION BY ALDERMAN O'BRIEN TO ADJOURN BY ROLL CALL

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Clemons, Alderman Schmidt, Alderman Jette, Alderman Wilshire
Alderman O'Brien, Alderman Dowd 6

Nay: 0

MOTION CARRIED

Chairman Dowd

Ok the motion carries and before I adjourn I just want to let everybody know that the Charlotte Avenue Project is moving ahead smartly and will be done by the end of October so it will not affect that polling place, other than the fact that there will be new sidewalks and new parking areas and a number of other things. So it's going along well.

The meeting was declared closed at 7:59 p.m.

Alderman-at-Large Michael B. O'Brien, Sr.
Committee Clerk