

City of Keene
New Hampshire

FINANCE, ORGANIZATION AND PERSONNEL COMMITTEE
MEETING MINUTES

Thursday, October 27, 2016

6:30 PM

Council Chambers

Members Present:

Mitchell H. Greenwald, Chair
Carl B. Jacobs, Vice-Chair
Thomas F. Powers
Terry M. Clark

Staff Present:

Asst. City Manager/IT Director, Rebecca
Thomas Mullins, City Attorney
Public Works Director, Kurt Blomquist
Asst. Public Works Director/Solid Waste
Manager, Duncan Watson
Fire Chief, Mark Howard
Finance Director, Steve Thornton
Deputy Fire Chief, Jeff Chickering

Members Not Present:

Jay V. Kahn

Chair Greenwald called the meeting to order at 6:30 PM.

1) Periodic Report - Trustees of Trust Funds

Ms. Martha Curtis on behalf of the Trustees of the Trust Funds read the following into the record:

For over 100 years, community minded citizens of Keene have established trusts for various charitable purposes to benefit the residents of our city. These include charitable funds, library funds, park funds, cemetery funds, and scholarships. The more than 40 trusts are each separate entities and the funds are not co-mingled between the trusts. Each trust has its own trust document and intent.

The Trustees act as the custodians of the funds and act as fiduciaries to ensure that the intent of the trust is being honored and to review the investment, receipt and disbursements of funds under the trusts.

There are five trustees who meet monthly to review any requests for funds from the trusts. The trustees must be residents of Keene and serve a term of 3 years with a 6 year limit. Our role is to ensure the request adheres to the wishes of the fund's grantor in both intent as well as the amount that can be disbursed (income only or income and principal). The requests are voted upon and withdrawals approved in writing for each request. Funds

are transferred from the investments to the city for disbursement. The meetings and minutes are open to the public.

In addition to reviewing requests, we oversee the investment of the trust funds. We have an investment policy that is reviewed annually and governs the investment decisions. As these are long term funds we are able to invest these funds with a longer term strategy to maximize income as well as safety. Our investment strategy is a mix of stocks and bonds and using the “prudent investor” strategy. We use the services of Cambridge Trust Company to manage the funds according to the investment policy. They provide monthly statements and work closely with the finance staff of the City to disburse funds to the City as approved by the trustees.

Our newest trust is for the library renovation and this fund has its own separate investment policy as the timeline is very different from the other trusts.

In addition to the trust funds, the Trustees are also responsible for approval of the capital reserve funds disbursement. These funds are separate from the Trust funds. These funds are raised through taxes and managed for longer term projects such as equipment replacement, infrastructure, sewer infrastructure etc. The intent for these funds is more short term than the trust funds. In addition, as these are tax funded accounts, safety is of utmost importance. We utilize Cambridge Trust Funds to manage these accounts as well. As the primary goals for these funds are liquidity and safety, these funds are invested in bank certificates of deposits. Multiple banks are used to keep the certificates within the FDIC insured limits to protect the funds.

Capital fund disbursements are approved by the trustees by vote and signed for in the same manner as the trust funds.

Mr. Curtis expressed her appreciation for the assistance of the Finance staff, which does most of the “heavy lifting.” As there were no questions from the committee or the public, the Chair requested a motion.

Councilor Clark made the following motion which was seconded by Councilor Powers.

On 4-0 vote, the Finance, Organization and Personnel Committee recommend the periodic report on behalf of the Trustees of Trust Funds be accepted as informational.

2) Solid Waste Facility Energy Options Report - Public Works Department

Solid Waste Manager, Duncan Watson stated he was before the Committee not with one specific option but for some guidance for items outlined in the Energy Options Report. Mr. Watson explained in 1994 the landfill gas energy system was installed at the landfill powered by seven wells. When the landfill closed another ten wells were added. Mr. Duncan continued the City is getting to a point where this system cannot be relied upon as a consistent energy source. At the present time there is a diesel generator used from time to time to keep up with the demand. This becomes an expensive source and also an increased pollutant.

Last spring when the CIP was reviewed, there was discussion regarding extending three phase power from Blackbrook North to the Recycling Center. This which has an estimate of nearly \$600,000. Staff also looked at certain other options. The City hired the services of Sanborn Head Associates to conduct an energy audit. Here are three of the options they have outlined:

Option 1- Extending three phase power lines to the Solid Waste Facility. This will be at an estimated cost of \$532,000 for line extension, and \$70,000 per year utility cost and the estimated 10 year cost would be \$1,232,000. This would provide high level of reliability.

Option 2- Solar array with battery backup. It would have a 250kw array connected to an inverter and a 1 megawatt lithium ion battery. The new mode of solar power is battery storage and distribution and this is something that would progress overtime. Estimated cost would be \$1, 500,000 buildings and would likely qualify for an EPA grant which would reduce the cost to about a million dollars. \$10,000 would be the annual maintenance.

Option 3 - Installing a biofuel generator; post-consumer waste collection (vegetable oil). There is a facility in Haverill which can produce upwards of 16 million gallons of this fuel. There are other such facilities in close proximity to the City. With this option the City could also look at converting some of its existing #2 fired facilities. Burning bio fuels has a 75% carbon reduction and is 20 cents less than #2 fuel. Taking into account the EPA grant the net price would amount to about \$175,000.

Chair Greenwald stated he was under the impression if the three phase power was run it would facilitate some industrial sites along the way. Mr. Watson stated there could be some developable sites adjacent, but because of the hillside terrain, and difficult road access development would be unlikely. Chair Greenwald asked about the site on Route 12 where logging is taking place. Mr. Watson stated this site is owned by Dick Davis, and this site is located in Surry and a tremendous amount of roadwork needs to be done on Route 12 and a fairly significant discussion needs to happen with DOT. The Chair stated he has heard advertisements on TV where companies will install solar for very low cost and recalled a company which was working with MEDC on such an issue. Mr. Watson stated the landfill does not have grid connection possibilities for something like this to work where the sale of the power off the grid would for pay for the system.

Chair Greenwald asked about the consideration being given to digging into the methane field to re-energize it. Mr. Watson stated the landfill is capped and it could be reopened which could be at a tremendous cost. This was done in 2009 and there was some improvement seen and it was always known the landfill will stop percolating and stop providing a pragmatic energy source.

Councilor Jacobs noted there is a maintenance cost shown for the other two options except for bio fuel and asked what that cost would be. Mr. Watson stated it would be a small maintenance cost, but nothing too significant. The Councilor stated there is mention

of wind and asked whether this was being looked at as well. Mr. Watson stated there were two wind meters installed at the landfill, but what was realized is that the average wind speed was below 7 mph and at that time this was the wind power needed to operate this technology. However, the technology has improved and the system is too expensive to be considered.

Councilor Clark stated he had talked to the representatives from Einbeck who talked about the success they have had with the solar option and what sort of road blocks they experienced. They indicated it wasn't the technology, but more the mindset. The Councilor asked whether solar isn't more productive and less expensive in the long term. Mr. Watson agreed solar makes a lot of sense in many cases. For a very large energy user like the Wastewater Treatment Plant solar would be great. There are a few things that are necessary for solar to be successful - a large land area, utility connection which does not exist at the landfill and there is a very expensive battery that is required to store this solar.

There are going to be more solar options coming up in the near future, but it would be for different applications. The Councilor noted one of the goals of the Master Plan is reducing the carbon footprint and asked whether or not solar would not be the most frugal thing to do for the future. Further, the Councilor asked if it is installed whether there would not be sites that would want to connect to it. Mr. Watson agreed solar has improved over the years and it is becoming a valuable option, but when you balance the business aspect with the environmental aspect, from the options presented, the City would get a good return on the carbon reduction on the bio fuel option. The Councilor asked whether solar would not attract newer businesses to the community. Mr. Watson agreed, but noted he did not feel solar was best location for the solid waste facility and it is the most expensive.

Chair Greenwald asked what Mr. Watson was looking for from the Committee. Mr. Watson stated he is looking for staff to be given the authority to look at the preferred option based on the report provided. He stated he wants the committee to look at the pluses and minuses of the different options. He noted the current grant expires at the end of December, but the EPA is willing to extend it as long as the City has a project in mind.

Chair Greenwald stated because this is a very expensive project he would like to hear more about the biofuel option which seems to be the most reasonable option.

Councilor Powers asked what a reasonable lifespan would be for biofuel. Mr. Watson stated this is an ASTM rated fuel and can be used in any diesel generators. It is currently being used in City fleet. There are not many issues to it that can't be worked out and has no problem with the confidence in this type of fuel. The problems they run into are issues with suppliers and the technical side can be frustrating. Keene State is using biofuel and are very happy with the product. Councilor Powers clarified three phase power is not a practical option. Mr. Watson agreed. The Councilor stated the equipment being used at the transfer station is not likely to change its technology or capacity and we have a function that won't go away.

Councilor Jacobs clarified the solar ten year cost 1.1 million after the grant and the biofuel ten year cost is \$325,000; the EPA grant is \$500,000 which requires a \$250,000 cost match. Mr. Watson added for the biofuel project (because this will not be a \$750,000 project) the grant will be about \$350,000 with the City's investment being about \$175,000.

Mr. Watson stated staff has been looking at various vendors in close proximity which carry the same ASTM fuel. Councilor Clark asked what happens after ten years. Mr. Watson stated the City will have to enter into a contract with a vendor and added he wasn't sure if they will be able to enter into a ten year contract in the first instance. The Councilor asked how long the solar system would last. Mr. Watson stated the vendor gave him a 15 year life on the battery which is the most expensive.

Councilor Powers asked how this project was going to be funded. Mr. Watson stated this would be a conversation staff will need to have with the Council; there is an amount of money identified in the CIP for FY20 and 21 to fund such a project but the need has now been accelerated hence the reason the biofuel option is attractive at this time. Councilor Powers felt staff should be given some kind of definitive answer. Chair Greenwald asked whether a consultant would be necessary to look at the biofuel option. Mr. Watson felt staff has the expertise to determine what is necessary but felt an electrical engineer would need to be hired to design the switch gears but this will be built into the project cost.

City Attorney Mullins stated what Mr. Watson is suggesting doesn't lock the City into anything at this point. What Mr. Watson is looking for at the present time is to let EPA know the City is willing to move forward if the EPA is ready to so do, but even at that time the City is not locked into anything.

The Chairman asked whether the Finance Director would like to add anything. Mr. Thornton stated in last year's CIP there is a project in FY20/21 to be funded through a bond issue but it is now being moved up in the timeline but this is something which was expected would happen.

Councilor Clark felt the decision is simple – do we want to keep buying fuel from someone else or invest in something where the fuel is free and investing in some infrastructure. He felt even though solar was expensive it might be the most beneficial option for many years to come. The Councilor felt this is a discussion the City should pursue with EPA. He raised the issue he raised previously about Einbeck using solar power. Mr. Watson stated the EPA is likely to consider solar with a storage option but the one million is the net after applying the grant. He noted the City is making strides with energy efficiency and they used the LED lights being proposed for Marlboro Street as an example. He added he does not think solar is a bad idea but from a practical standpoint biofuel is better. Councilor Clark stated here again we are still purchasing energy but for a lesser cost and he felt the City needs to start making a commitment to purchase less energy from someplace else.

Councilor Powers stated he agrees with Councilor Clark that a solar initiative needs to be pursued, but this is not the location as it is not a practical location. It should be a location closer to the grid.

Councilor Jacobs felt the City could be looking at generating its own bio fuel with the raw materials the community already has.

Chair Greenwald stated he can't support spending one million dollars on a technology that is changing so fast. If solar can't be connected to the grid it is of no use.

Councilor Clark stated the decisions we make today sets the pace for many years to come.

Councilor Powers made the motion which was seconded by Councilor

On 3-1 vote, the Finance, Organization and Personnel Committee recommend that the City Manager be authorized to do all things necessary to pursue the preferred energy option as outlined in the Solid Waste Division Energy Options Report and, as applicable, utilize grant funds available from the EPA Climate Showcase Communities Grant to fund a portion of the cost associated with a selected energy option, which is option #3 – biofuel.

Councilor Clark voted in opposition.

3) Change Order #1 for Woodland Cemetery Wetland Restoration Project Construction Oversight Contract with GZA GeoEnvironmental Inc. - Planning Department

Planning Director, Rhett Lamb stated he was sitting in for Planner, Tara Kessler. Mr. Lamb stated this change order is necessary to move this project along. He indicated this is a grant funded project. These are funds made available at the State level through the Wetlands Permit mitigation process. The City applied for these funds to fill and mitigate a wetland area at the Woodland Cemetery. The project was designed by GZA and was also administered by GZA. Through a bid process the project was awarded to D&M Civil which began work in August 2016. Even though evaluation of the site was conducted during the work, the contractor located two things they did not expect.

The first was a petroleum storage tank not a buried underground tank but an above ground with no residue. This required the State agencies to be notified which cost GZA some unexpected costs. The second item was the testing GZA had to do on this product before it was transferred to the Cheshire County Fish and Game site on Route 12. The product revealed a minor exceedance of petroleum impacted soil from old asphalt.

Councilor Jacobs asked whether the total cost is still within the grant amount. Mr. Lamb stated the cost is still within the grant amount, in fact the project came in less than \$38,000 and this money will be held in reserve for plantings.

Councilor Jacobs made the following motion which was seconded by Councilor Clark.

On 4-0 vote, the Finance, Organization and Personnel Committee recommend that the City Manager be authorized to do all things necessary to negotiate and execute Change Order #1 with GZA GeoEnvironmental Inc. for an amount not to exceed \$4,650 for construction oversight services for the Woodland Cemetery Wetland Restoration Project, bringing the total contract cost to \$37,650 from \$33,000.

4) Relating to the Early Replacement of Ladder Truck 2 - Fire Department Resolution R-2016-32

Fire Chief, Mark Howard and Deputy Fire Chief, Jeff Chickering addressed the Committee next. Chief Howard stated this item is for the early replacement of ladder 2 in an amount of \$900,000. He stated these funds will come partially out of the fire equipment capital reserve (\$498,196) and from the unallocated fund balance (\$401,804).

Chief Howard stated Ladder 2 was manufactured by Emergency One in September 2000 and was placed in service by the City of Keene in February 2001. The unit is a 75-foot Aerial, with a 2000 GPM pump and carries 500 gallons of water. The unit is the first due fire unit assigned to Station 2 in West Keene. Over the last five years from July 1, 2011-June 30, 2016 the unit has responded to 3,244 responses. Annually on average the unit responded to 649 incident responses. This response unit provides West Keene with a dual purpose aerial ladder and fire engine ability for all of our high hazard occupancies including four Keene Schools, Black Brook Industrial Park, Cedar Crest Facility, Langdon Place and seven large residential complexes and many other homes.

The unit is scheduled currently for replacement in the FY18 CIP budget. During the last CIP there was discussion as to whether they should “flip” the purchase of Engine 1 with Ladder 2 but ultimately they decided to stay with the schedule and Engine 1 was purchased. The current mileage on Ladder 2 is 87,986 and 7,173 engine hours. Ladder 2 has been out of service since September 6, 2016 and will remain out of service due the cost of repairs, current overall condition and assessments provided by equipment repair facilities over the last three weeks.

On September 6, 2016, Ladder 2 went to Fleet Services for a State Inspection. It failed the State Inspection due to cracks in the right frame rail and was immediately taken out of service under the recommendation of Jim Mountford, the Fleet Services Manager.

On September 9, 2016, Ladder 2 went to Twin State Truck Service in West Chesterfield to verify the failed inspection and to render a second professional opinion on what caused the cracks. Twin State confirmed there were three cracks in the right frame rail up to 24-inches long due to “rust-jacking” between the frame rails and sent documentation from the State Inspection form that indicated the vehicle failed inspection due to cracks in the frame.

On September 12, 2016, Greenwood Emergency Vehicles (Local E-One Dealership) was sent pictures of the cracked frame and indicated in a phone conversation that the "Lifetime Warranty" on the frame is only for manufacturer's defects and not for rust. Greenwood sent a quote of \$61,010 to replace the cracked frame with a Galvanized frame. The company also reported that the lead time was 8-10 weeks to get the frame rails and then the work would be scheduled when frame rails were received which was estimated at six weeks once it could be scheduled.

On September 20, 2016 Lakes Region Fire Apparatus, Inc. from Tamworth, NH came to look at Ladder 2 at our central station. Lakes Region stated that the truck will not pass a state inspection without replacing the frame rails which could run \$50,000 - \$60,000. They also indicated that it was their opinion that even with the replaced frame rails, with the present condition of the truck, the truck would only be worth \$40,000 - \$50,000 in trade-on value. Lakes Region indicated that they were not interested in performing the work required to fix Ladder 2.

On September 20, 2016 Valley Fire Equipment from Bradford, NH came to look at Ladder 2. They indicated that the truck will not pass NH State inspection and they felt it would not be cost effective to replace the frame.

On September 27, 2016 Minuteman Fire & Rescue Apparatus, Inc. from Walpole, MA met with us about fixing and possibly replacing Ladder 2. Minuteman indicated that the cracks appeared to be caused by rust being built up between the two frame rails causing the frame to split "rust jacking." They also indicated that it would cost \$60,000 - \$80,000 to replace the frame rails and recommended a complete aerial test before and after the work is completed. Under the CIP Apparatus Capital Reserve Account, Ladder 2 is due to be replaced in July 2017. There is an estimated \$498,000 in the fire department CIP Apparatus Capital Reserve Account. Currently with the cracked frame, the trade-in value is the price of scrap which is estimated at \$4,000- \$6,000. If the frame was fixed, due to the age, engine hours and mileage on the apparatus the trade-in value is the same as it was a year ago at \$40,000.

The Chief stated they have been told when apparatus reaches 15 years and has mileage exceeding 93,000 miles the trade in value drops remarkably. Other financing options have been looked at for this purchase. They included only a partial pre-payment and also lease options. After reviewing those options the recommendation is to make the purchase as requested, as it is the most cost effective method. The purchase of the apparatus will be through Houston- Galveston Area Council (H-GAC). We have used the H-GAC purchasing program successfully for the purchases of Ambulance 1 and Engine 1, this program provides the most competitive pricing we have been able to obtain.

Chair Greenwald felt staff has done due diligence and have looked at all options. He noted \$4-6,000 was not a lot of money for a vehicle such as this. Chief Howard stated this is what a dealer would give the City, but if the truck was scrapped part by part and if someone had a need for it you could get more for it. He did not know if Fleet Services wanted to go through this process or not.

Councilor Clark stated he has seen the care staff puts into these vehicles and expressed surprise the vehicle had rusted. Chief Howard stated all experts who looked at this vehicle said it was the liquid salt used on roadways today as opposed to the conventional salt which causes this kind of rusting. The liquid salt is hard to get off. He noted the time when trucks were used for 30 plus years does not exist anymore.

Councilor Clark asked for the status of Ladder 1. Chief Howard stated it is scheduled for FY20 and will remain on that same timeframe. The Chairman asked about rust on this vehicle. Chief Howard stated because Ladder 1 does not have the pump, it is just the aerial ladder; it doesn't have the mileage or engine hours. The Chairman stated he was pleased funding was coming out of unallocated fund balance and capital reserve and that we were not adding to our debt. Mr. Thornton stated by financing it in this manner, the fund balance could still be preserved between 7% - 10%.

Councilor Powers reiterated this is why we have a fund balance for emergencies such as this.

Councilor Clarke made the following motion which was seconded by Councilor Powers.

On 4-0 vote, the Finance, Organization and Personnel Committee recommends adoption of Resolution R-2016-32.

5) Ladder Truck 2 Purchase Contract - Fire Department

Chief Howard stated this item is in reference to the Finance Committee recommending to the Council to authorize the City Manager to execute the contract for Ladder 2 in the amount of \$900,000

Councilor Powers made the following motion which was seconded by Councilor Clark.

On 4-0 vote, the Finance, Organization and Personnel Committee recommend that the City Manager be authorized to execute a contract for the purchase of Ladder 2 from Pierce Fire Apparatus for \$900,000.

The meeting adjourned at 8:00 pm

Respectfully submitted by,
Krishni Pahl, Minute Taker