

**TOWN OF EAST HADDAM**  
**Board of Finance**  
**Regular Meeting**  
February 8, 2016  
Grange Hall

The regular meeting of the East Haddam Board of Finance was called to order at 7:00 pm by Chairman Raymond Willis at the Grange Hall.

The special meeting of the Board of Selectmen was called to order at 7:00 pm by First Selectman Mark Walter.

The Pledge of Allegiance was recited.

In attendance:

Board of Finance Members:

Raymond Willis, Chairman  
Robert Bennett, Secretary  
William DiCristofaro  
Bruce Dutch  
Gregory Lauria  
Harvey Thomas

Others:

Mark Walter, First Selectman  
Ernest Malavasi, Selectman  
Susan Link, Selectman  
Bryan Perry, Chairman Board of Education  
Deb Denette, Town Clerk and recording secretary  
Denise Dill, Tax Collector  
Cindy Varricchio, Finance Director  
John Bennet, Esq.  
Scott Jezek, Esq.  
Erik Dill  
Roger Nemergut  
Joanna Hunt  
Fred Hunt  
Heather Hunt  
Julie Leonardo  
Mark Sassi  
Tom Wymys  
Mr. Mott

## **APPROVAL OF AGENDA**

Mr. Willis requested a motion to alter the order of the agenda to accommodate the guests in the audience.

**Motion was made by Mr. DiCristofaro to amend the agenda to move New Business up on the agenda to follow Approval of Minutes. Mr. Bennett seconded the motion and it was unanimously approved. Motion carried.**

## **APPROVAL OF MINUTES**

**Motion was made by Mr. Bennett to approve the minutes of the January 11, 2016 regular meeting as presented. Mr. Dutch seconded the motion and it was unanimously approved. Motion carried.**

## **NEW BUSINESS**

### **a. Old Colony Construction—Dolbia and Jones Hill Road Bridges Settlement:**

Mr. Walter introduced Attorney John Benett from the law firm of Gould, Larson and Benett. Attorney Bennet stated that the town engaged with the firm of Old Colony Construction in connection with replacement of the Jones and Dolbia Hill Roads bridges. The projects began in 2003 and were completed in 2006. Litigation has been on-going with the town since 2009 with the main issues being related to cost overruns. The project amassed \$709,000 in unrecognized costs and the town asserted that federal requirements were not being met. Mr. Willis noted that there is no option for the Board of Finance regarding the court ordered settlement that resulted. Due to the weather and the lengthy agenda, he requested Attorney Bennett to provide the specific detail and advise what action was necessary from the Board of Finance.

Attorney Bennett stated that the Selectmen settled the claim and the litigation has been withdrawn. Mrs. Varricchio stated that \$313,765.26 is necessary to clear the books. She stated that it would be her recommendation that a special appropriation be made. It was noted that the audit reports have reflected this item for the past eight years.

**Motion was made by Mr. Lauria to approve a special appropriation in the amount of \$313,756.26 to Fund 3150–Dolbia Hill Road (\$88,495.29) and Fund 3151–Jones Hill Road (\$225,269.97) to fund the deficit created by these projects and their ensuing litigation and to request that the Board of Selectmen schedule a Town Meeting for approval. Mr. Bennett seconded the motion and it was unanimously approved. Motion carried.**

### **b. Shagbark Solar Project—Virtual Net Metering Presentation and Partnership Discussion:**

Attorney Scott Jezek, representing Shagbark Lumber, brought forward his clients proposal that is designed to deliver electrical needs to East Haddam's schools. The creation of the energy comes at no cost or risk to the town, however the town is being asked to commit to a 25 year agreement to purchase the electricity Shagbark produces at 90% of the cost of the credit generated (essentially providing 10% of the electricity for free). In furtherance of the agreement the equipment utilized would not be taxed during the agreement period.

Engineer Roger Nemergut presented visuals of the parcel impacted, wetland areas, and structures to be built, essentially referring to them as lumberports. Attorney Jezek interjected that the Connecticut Citing Council has jurisdiction over this type of project and local permits are not required. He stated, however, that as a courtesy, a presentation will also be made to Planning and Zoning Commission tomorrow evening. The arrays of solar panels will be 400 feet from the road. He stated that they may be visible through the CL&P right of way. The location of swales to offset the runoff that will be created from the impervious surface was also depicted, along with a bio retention pond that will treat runoff prior to uptake. Mr. Nemergut opined that the project is a responsible project that is well balanced.

Mr. Wemyss from Purepoint Energy noted that the 4,000 solar panels will be warranted for 25-years. He stated that solar is a mature product and over the eight years that he has been involved there has only been a six percent improvement with technology. He stated that the product will create direct current and with a virtual netmeter that will measure how much energy is produced and return it to the grid. There will be minimal power on site as it will be forwarded to the grid. Mr. Willis inquired if there was a limitation on how much power could be sent to the grid. Mr. Wemyss responded that any energy produced can be sent to the grid. Mr. Willis inquired if more energy was produced than needed for the three schools could additional facilities be brought on-line. Mr. Wemyss responded that up to ten facilities can be brought on line. Mr. Sassi added that the cost of the credit generated may go up or down, but that East Haddam will always receive 10% of the credit.

Mr. DiCristofaro noted that 25 years is a very long time to be committed. He stated that should other opportunities arise, East Haddam is locked.

Another provision of the agreement is that there would be a property tax exemption on the solar equipment.

Ms. Leonardo the comptroller at Shagbark reviewed the tight timeframe required to secure the financing pursuant to the Connecticut program available to farms. She noted that although this is a new proposal to this group, that Shagbark has been working with the Selectmen's office for some time now.

Mr. Malavasi stated that following a recent Board of Selectmen's meeting he has done some research and he found that the savings to the town should be more in the 20-25% range in keeping what has been done in other municipalities. He also noted that a 25 year agreement is approximately five to ten years longer than what other municipalities have had.

Ms. Hunt stated that this proposal offers a way to preserve the farmland she enjoyed as a girl and to be able to keep it open.

Mr. Walter stated that he recognized that this is a lot to absorb in one meeting. He added that he has been working on this with Shagbark for over a year. He stated that East Haddam is on the forefront of something. He added that because of Shagbark's personal use of solar, when this pilot program came up, they were in a unique position. Mr. Walter added that despite the tight timeframe, the final approval does not occur with the Boards here, but lies with the legislative body of the town. He stated that as with any multi-year contract a Town Meeting is required to authorize execution of the agreement.

Mr. Thomas raised concern with limiting the town's rights to acquire energy from any other provider. He questioned the incentive to Shagbark. Ms. Leonardo added that the incentive to Shagbark is with the tax incentive, the desire to help the community is also paramount. It was reiterated that none of the risk associated with this project lies with the town.

Attorney Jezek summarized that the project has staying power and benefits all parties. It was reiterated that solar is a mature technology and at the end of the agreement period energy will continue to be generated. Attorney Jezek added that the concept is the same as with a mortgage on a new house, at the end of the mortgage period the house is now 30 years old, It was also noted that there is an opt out clause. Mr. DiCristofaro questioned the risk factors, he stated that he would like to review worst case scenarios. Mr. Sassi stated that with nuclear power plants going off line, he summarized that we are seeing worse case scenarios at this time. He reiterated that both the ceiling and the floor credit is 10%.

Mrs. Link stated that the town currently pays Eversource for its electric bill every month. With the proposed plan East Haddam will pay Shagbark 90% of the electric bill.

Mr. Thomas raised several technical questions regarding the costs of maintenance and repair. Mr. Wemyss stated that there are no moving parts with the equipment and that a regular maintenance contract will be required to be in place. Mr. DiCristofaro inquired about the scenario wherein enough power is not generated to cover East Haddam's needs. Mr. Sassi replied that in that event the town would pay Eversource and there would be no cost to the town.

The question was asked what would happen if the schools were consolidated. It was noted that up to ten structures could be added, and that flexibility has been built in, so that the old middle school could be added when it is again in use as the municipal office complex. Mr. DiCristofaro inquired what if costs were 30% more. It was noted that to protect the town the price will always be 10% of both the best and worst case scenarios. Mr. Malavasi again stated that it is not uncommon for a 15-20% incentive to be offered.

Ms. Lombardo noted that Shagbark will need to secure financing of \$3,300,000 to move forward and that by the end, it will have invested \$4,300,000. She also added that the value to Shagbark is in the tax incentives, both State and Federal.

Responsive to an inquiry from Mr. Malavasi about paying two vendors for electricity. Mrs. Varricchio stated that from the finance office perspective it is not a problem.

Responsive to inquiry from Mr. Bennett, it was emphasized that Connecticut Citing Council pre-empts local zoning and they have jurisdiction over these types of applications.

Mr. Thomas stated that the entire proposal was presented by the applicant's team, he suggested that the town retain its own engineering firm to review the agreement and offer its professional opinion that this is a good deal for the town. Mr. Malavasi stated that he is supportive of the project, he stated, however, that he would like to see more due diligence done to determine if it is a beneficial arrangement for the town, particularly given the long duration of it.

Mr. Hunt stated that the town will save \$.10 on every \$1.00 of its energy costs and that Shagbark is taking the risk out of it for the town.

### **BOARD OF SELECTMEN**

Motion was made by Mr. Walter that the Board of Selectmen hereby adopts the following resolution and refers to the Board of Finance and Town Meeting for approval:

**RESOLVED:** that the Board of Selectmen hereby resolves that the town negotiate and enter into a power purchase agreement for the Shagbark Lumber solar facility on such terms and conditions as are acceptable to the town and approved by the town attorney, substantially as set forth in the letter of intent dated November 3, 2015, and that Mark B. Walter as First Selectman is hereby authorized to execute such power purchase agreement on behalf of the Town.

Mrs. Link seconded the motion.

Discussion:

Mrs. Link stated that she feels that the town is not taking on the risk but is receiving a benefit from it. She added that she believes it is generous of Shagbark to present the offer.

Mr. Malavasi stated that it is not with any disrespect to the parties involved, or to the project however, he stated that he feels it is not prudent to proceed without having an independent third party review assuring the agreement is in the best interest of the town. Ms. Lombardo questioned where Mr. Malavasi received his information, she also advised that New Jersey, Massachusetts and New York have more favorable rules than Connecticut.

Mr. Walter stated that due to deadlines there is not the luxury of delaying for an independent review, he further noted that there was not a funding source from which to pay for an independent engineering firm.

**FAVOR:** Link, Walter  
**OPPOSED:** Malavasi  
**Motion carried.**

Motion was made by Mr. Walter to adjourn the Board of Selectman meeting at 8:25 pm. Mrs. Link seconded the motion and it was unanimously approved. Motion carried.

### **BOARD OF FINANCE**

Mr. Dutch stated that he was prepared to vote as well.

Motion was made by Mr. Dutch that the Board of Finance approves the town to negotiate and enter into a power purchase agreement for the Shagbark Lumber solar facility on such terms and conditions as are acceptable to the town and approved by the town attorney substantially as set forth in the letter of intent dated November 3, 2015, and that Mark B. Walter, as First Selectman is hereby authorized to execute such power purchase agreement on behalf of the town. The Board of Finance requests that

**the Board of Selectmen call a Town Meeting for approval. Mr. Bennett seconded the motion.**

Discussion:

Mr. Willis stated that he did have concerns regarding the length of the agreement. He stated that 25 years is a very long time and binds future generations. He asked if it was possible for Mr. Walter to provide the Board with a copy of the contract for their review. In addition, Mr. Willis asked Mr. Walter to obtain information from other municipalities who have done this. He questioned whether that could occur prior to a town meeting.

Mr. DiCristofaro stated that he would like to see the clauses that are included in the agreement. He also questioned whether a conditioned approval could be granted given time for an independent review. Mr. Walter stated that there was not a funding source for any such independent review. Mr. Sassi stated that the costs for such a review could run up to \$5,000. Mr. Lauria stated that he was prepared to vote on the information that was presented. He added that the risk and liability is not with the town, but it will receive a benefit.

Mr. Willis called for a vote on the motion.

**FAVOR: Bennett, DiCristofaro, Dutch, Lauria, Willis**

**OPPOSED: Thomas**

**Motion carried.**

**c. Emergency Communications Center Contract for Municipal Services:**

Mr. Willis stated that the Board has been hearing about this for several months. He inquired if a presentation was necessary.

**Motion was made by Mr. Bennett to approve a three-year contract to provide emergency telecommunications and 9-1-1 services with Valley Shore Communication, Incorporated and to recommend that the Board of Selectmen schedule a Town Meeting for approval. Mr. Dutch seconded the motion and it was unanimously approved. Motion carried.**

**CHAIRMAN'S REPORT**

**a. Tax Collector's December Report:**

Mr. Willis inquired if there were any discussions regarding the Tax Collector's report. Mrs. Dill reported that all items were tracking as expected. Birthday wishes were extended to Mrs. Dill.

**b. 2016-2017 Budget Process—Review Workshop Dates:**

Saturday, March 26, 2016 (beginning at 9 am) was established as a workshop for review of the budget and Saturday April 2, 2016 was also reserved in the event a second date is needed. The location for the budget workshops is the Senior Center.

**c. Board of Finance Liaisons:**

The revised liaison report was distributed. Mr. Bennett noted that the Firefighter Pension Committee was not included. Mr. Willis appointed Mr. Bennett to remain that liaison.

**d. Financial Policies Update:**

Mr. DiCristofaro stated that this subcommittee will meet each Friday following the regular meeting of the Board of Finance. He stated that refined policies will be brought forward for action by the entire Board.

**e. Board of Finance 2016-2017 Budget Request:**

Mrs. Varricchio inquired whether the Board had any guidance for preparation of its budget. Discussion was held relative to contingency, Mr. DiCristofaro stated that ½ to 1% of the town's government budget or 50 basis points would be a good guideline. It was noted that the contingency for 2015-2016 is \$90,000 and \$16,000 of that has been committed.

**FIRST SELECTMAN'S REPORT**

**a. Shared Services Report:**

Mr. Willis requested that Mr. Walter prepare a very condensed report. Mr. Walter encouraged Board members to review the Shared Services Report. He also noted that the latest snow storm was a tough storm with many power outages and downed trees and wires. He commended Public Works crew for the work maintaining the roads.

**FINANCE DIRECTORS REPORT**

**a. December YTD Budget Report:**

Mrs. Varricchio reported that town meeting approved budget reductions to address the shortfall resulting from return of the grant associated with the Center for Community Agriculture project.

She noted additional concern with State cuts to municipal aid. She noted that the town will be done with its budget prior to the legislative session being completed.

**b. Auditor Selection:**

Mrs. Varricchio reviewed the RFP that was issued. She reported that three firms responded and were ranked by the review committee comprised of Chairman Willis, Treasurer Kathleen Klinck, First Selectman Walter and her. She stated that Blum Shapiro was the clear frontrunner.

**Motion made by Mr. Dutch to recommend the Board of Selectmen schedule a Town Meeting for a vote on the three year town auditor contract with Blum Shapiro and Company, with the option to negotiate for an additional two years. Mr. Bennett seconded the motion and it was unanimously approved. Motion carried.**

Mr. Willis advised that the Board of Education Chairman Bryan Perry invited him and Mr. Lauria to tour the school facilities. They along with Superintendent Brian Rease= toured the elementary and middle schools and they plan to tour the high school as well.

#### **LIAISON REPORTS**

Nothing Noted.

#### **GUESTS AND AUDIENCE COMMENTS**

Nothing Noted.

Mr. Willis called for a motion to adjourn.

**Motion was made by Mr. Lauria to adjourn at 9:05 pm. Mr. Thomas seconded the motion and it was unanimously approved. Motion carried.**

Respectfully submitted,

Deb Denette  
Recording Secretary