

REPORT OF THE FINANCE COMMITTEE

SEPTEMBER 7, 2016

A meeting of the Finance Committee was held on Wednesday, September 7, 2016, at 7:00 p.m. in the Aldermanic Chamber.

Mayor Jim Donchess, Chair, presided.

Members of the Committee present: Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien
Alderman Benjamin M. Clemons
Alderman Ken Siegel

Members not in Attendance: Alderman-at-Large Mark S. Cookson, Vice Chair
Alderman June M. Caron

Also in Attendance: Alderman-at-Large David W. Deane
Mr. John L. Griffin, CFO
Mr. David G. Fredette, Treasurer/Tax Collector
Mr. Dan Kooken, Purchasing Manager
Mr. Derek Danielson, Sr. Financial Analyst & Operations Analyst

PUBLIC COMMENT - None

COMMUNICATIONS

From: John Griffin, Chief Financial Officer/Comptroller
Re: Pre-Approval to Enter into Contracts with 3rd Party Suppliers for Natural Gas & Electricity Supplies

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND PRE-APPROVE THE CITY TO COMPETITIVELY SOLICIT AND ENTER INTO THREE AGREEMENTS FOR NATURAL GAS AND ELECTRICITY

ON THE QUESTION

Mr. John Griffin, CFO

As you may know Mr. Chair, for the last several years; about six to seven years we have been procuring the supply of natural gas and electricity from third party suppliers with the objective of beating the default rate from Eversource and now Liberty Utilities. Mr. Danielson has taken the laboring more since he began reporting to me in in working with the broker's and third party suppliers to secure favorable pricing. We have also most recently tried to work with the school department to get additional buying power and that has worked effectively. At this time they are interested in the results of this particular request. They are looking for price certainty, maybe on a three year time horizon as well as the budget certainty. We are looking for maybe a little bit of different things because we have the two dams that may provide some value from a net (inaudible.) We are still working through those numbers but Mr. Danielson can talk about the magnitude of the savings and the reason why we are asking for pre-approval.

Mr. Derek Danielson, Sr. Financial Analyst & Operations Analyst

The magnitude of the savings is for the electricity side of things in the general fund we've saved \$500,000 we've saved since fiscal 2008 and at the same time we've been able to keep the budget stable and not have to deal with price fluctuations as utilities go in for rate cases and increase or decrease their cost of service that we may not have budgeted for because we can't predict the future. On the natural gas side we have saved

since fiscal 2008 roughly about \$700,000 from the budgeted amount at that time and the magnitude of these budgets, just so we know, the electricity budget for the total general fund amount is \$3.5 million and the natural gas is \$1.3 million so it's a pretty big portion of the general fund expenses. The reason we procure from a third party is so we can typically beat the default rate and some of the numbers that I have here are; we typically beat the natural gas default rate about 17% on average over the last several years and for electricity, for example, right now we are about 19% below the default rate. Both of these supply rates make up a substantial cost of electricity and natural gas. The supply for electricity is about 60% of the total electricity cost and for natural gas it's about 70%. The reason that we are asking for pre-approval is that these contracts; we typically as vendors for pricing for a certain day or we refresh daily as the market changes and we evaluate the pricing and then we would need to assign the contract by about 3:00 p.m. because commodity markets close and their pricing is as of that day and time. We if we put it out to bid you pay for the suppliers to hedge any price risk that they may have, fluctuations that may happen after hours, etc.

Mayor Donchess

On that last point what you are saying is that in order to enter a binding bid you need to be able to respond on the same day and obviously the committee doesn't continually meet so you are seeing pre-approval to enter these contracts.

Mr. Danielson

Correct.

Alderman Deane

Those figures that you gave out, that was cost avoidance for the last seven fiscal years?

Mr. Danielson

Roughly, yes, in the budgeted amount. We have been able to reduce the budgets.

Alderman Deane

So I take it that \$700,000 figure...so that was \$100,000 per year.

Mr. Danielson

Roughly, yes.

Alderman Deane

Why did you wait this long? Aren't there better times a year to be buying than now?

Mr. Danielson

Typically we like to look at pricing on the shoulder months and shoulder months are May and June and September and October. A few weeks ago may have been better but as we met with the Mayor and staff on this issue this is when we could get it in front of the Finance Committee. The prices have come down in the last week or so since the last time we have looked at pricing; it's not a terrible time. Supply for natural gas is high and weather is still uncertain for the winter so that factors into the price. As we get closer and predictions for the winter may or may not affect the price more.

Alderman Deane

Supply is high for natural gas because we didn't have the summer that was anticipated. Have you looked at going out...what are you looking at a timeframe for locking in? Are you going to try to lock in?

Mr. Danielson

I would and I would be looking at a shorter timeframe than the schools so it could be another 12-month contract. Our current electric contract is good until next November so the contracts we are looking at now would be starting next November and then to another date in the next fiscal year. I would probably look for a 12-month contract especially with the potential for net metering. Net metered accounts cannot be on the third party supply, they have to be on the default rate.

Alderman Deane

You mean the net metered accounts to be the two dams?

Mr. Danielson

We would assemble a list of accounts that would net meter with the dams so for example, the police department and the fire department, certain electricity accounts would be net metered.

Alderman Deane

And you are only looking for a 12-month lock?

Mr. Danielson

It depends on the pricing. When we looked at the school last week the 36-month lock period was the best pricing other than the 12-month so it kind of bumped up in the middle. In the long-term the 36-month contract was more favorable.

Alderman Deane

I've already done mine so I'm just interested.

MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: Contract for NPD Roof Replacement Project (Value: \$79,150)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO CHICK BEAULIEU IN THE AMOUNT OF \$79,150. SOURCE OF FUNDING IS DEPARTMENT 150, NASHUA POLICE DEPARTMENT; TRUST FUND

ON THE QUESTION

Alderman Siegel

In reading this there was a disqualification for a failure to return addendum #1 that I saw. I can certainly understand the Kevin Smith and Son because they weren't going to handle the HVAC equipment. It seemed to me that addendum #1 was something that the vendor was going to return to you if they needed more clarification on the bid itself. Am I wrong on that?

Mr. Kooken

The actual addendum I believe had questions answered and the requirement is when they return their bid that the addendum be returned and signed along with their bid. When they don't do that, we do disqualify the bid.

Alderman Siegel

So am I correct in my assumption that the addendum or questions were by the bidder?

Mr. Kooken

By the total number of bidders on the project so whatever questions came in over the time period then we put those questions out there. The reason that we do this is because you cannot assume that the bidder bid on the correct information if they did not return that addendum.

Alderman Siegel

I understand that so it was more than they would have generated those questions, it was the entire pool of questions that all of the other bidders might have had. So everyone had the same understanding of what was being bid on.

Mr. Kooken

Exactly.

Alderman Siegel

I was under the assumption that if they didn't have any questions and they just left it alone that was still \$15,000 cheaper but because you don't have a certainty that they knew what they were bidding on that's why they were disqualified.

Mr. Kooken

Correct.

Captain EZ Paulson, Nashua Police Department

I will elaborate a little more, Alderman Siegel. They also did not return any scope of work. It was easiest to disqualify on the addendum. I think that's why the memo reflected that but they also did not return any scope of work for the project.

Alderman Siegel

That would have definitely been easier for me to understand.

Alderman Clemons

I am going to be recusing myself from this vote as Mr. Beaulieu contributed to my political campaign.

Alderman Siegel

Is that actually a legitimate reason to recuse oneself? There are a variety of people who have contributed to political campaigns and I believe it is whether or not you have personal financial gain associated with the

decisions made by the committee. I appreciate your willingness to recuse yourself but I just don't understand that is a requirement.

Alderman Clemons

I am airing on the side of caution.

Alderman O'Brien

I support Alderman Siegel's opinion on the matter. Everybody knows somebody who works for the city or different things that come up. We are elected to vote and if we do our job honestly and I think we all do; I hate to set a precedent although you may do whatever you wish but I don't there are any legal questions involved here at all so I would feel confident if you voted on this but I do admire your honesty.

MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: Purchase of Ten (10) Sets of Globe Classic Metro Advance Personal Protective Equipment (PPE)
(Value: \$17,900)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE PURCHASE FROM BERGERON PROTECTIVE CLOTHING IN THE AMOUNT OF \$17,900. FUNDS ARE AVAILABLE IN DEPARTMENT 152 FIRE; GENERAL FUND
MOTION CARRIED**

From: Dan Kookan, Purchasing Manager
Re: Change Order #1 to the Lawson/Kronos ERP System Consulting Services Contract
(Value: Not-To-Exceed \$90,000)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE CHANGE ORDER #1 TO THE CONTRACT WITH SURETY SYSTEMS, INC., FOR AN AMOUNT NOT-TO-EXCEED \$90,000. SOURCE OF FUNDING IS DEPARTMENT 113, BENEFITS; GENERAL FUND; BENEFITS INTERNAL SERVICE FUND

ON THE QUESTION

Alderman Siegel

I don't think this is very controversial but I would like to point out that this is one of those costs associated with attrition and why you don't want to lose talented people because this cost is associated with retraining people so that they understand how to use the system. Next time people nickel and dime some stuff they should recognize that there is back in cost that can be substantially higher.

Alderman Deane

People retire too.

Alderman Siegel

That's correct.

Alderman Deane

So I wouldn't say it was a nickel and dime; maybe this is a back in cost but maybe we should be training people as they go and this department was reliant on one individual and shame on the city for doing that. That is just not a good thing to be doing and this is the end result of that. It's a hard lesson to learn. I think it's good to cross train people and get them all well versed.

Alderman Siegel

I agree with Alderman Deane, however, I think unfortunately we let attrition to get to the point where we only have one person left that understood what was going on for better or for worse which isn't good and then they left.

Mayor Donchess

I think when Mr. Budreau came in the department of seven people was virtually empty and he has worked very hard to fill the department. He came in the middle of 2015 and Alderman Deane is right in that we were very reliant on one person to be able to do payroll which is obviously a very important function for the city. Now Mr. Budreau is making sure that we have cross training and more people who are available to make sure that the payroll is delivered and we did through the budget add an additional person where we really needed it. I think in the future we can help to avoid some of the problems we have had. If Mr. Budreau disagrees with any of that he can let us know. We are trying to improve that cross training situation.

MOTION CARRIED

From: Dan Kooken, Purchasing Manager

Re: Contract Award for Burke Street – Programming and Conceptual Design (Value: \$144,509)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO HTK ARCHITECTS, INC., IN THE AMOUNT OF \$144,509. FUNDS ARE AVAILABLE IN DEPARTMENT 129, BUILDINGS; CITY BUILDINGS EXPENDABLE TRUST

ON THE QUESTION

Alderman O'Brien

It seems that public works is going to be the primary beneficiary which is fine but they did also mention the school department but is that final? Are they including public health or anyone else in the city?

Mayor Donchess

Alderman Deane can supplement this but I think that the project has been more difficult to define in terms of its scope and cost than people anticipated. You are going to be getting a more complete explanation on this in the future but the original estimates were \$10 million to \$15 million for the entire project. The feedback that the group that's been working on this project; I think the facts are showing that the cost is likely to be considerably higher than that and the project is more complex than it had seemed at the beginning. The recommendation here is to hire this architect to define the cost and scope of the project in a more concrete way than we can do right now. As far as the school department goes, because these complexities have developed it is the conclusion of Director Fauteux and Alderman Deane and others that at this point we cannot guarantee or promise to the school department that this space in the office building will be ready for July or August of 2017 and so we've told the school department that. The point here is that the Brentwood Program which is a special education program is housed in a leased facility in Merrimack. Their lease is up at the end of this current school year so in order to continue that program which results in considerable savings to the city because they don't have to be placed out of district, we need to continue with the Brentwood Program. We need to find an

alternative and maybe the quickest alternative is for the administration to stay where they are for the time being and Brentwood to come and lease a facility in Nashua. Tim Cummings, the Economic Development Director, who has some knowledge about available space is conversing regularly with people on the school board who are in charge of facilities and seeking to assist them in locating the Brentwood project within Nashua.

Alderman Deane

We sat down with the architects and the school department with Mr. Conrad at the time and the Chief Operating Officer and we took a floor plan of the first floor of the building and the architects went over to the school department to the building on Ledge Street and then we had a 3 ½ or 4 hour meeting with them and we laid everything out on paper and basically we got the school department to fit in on the first floor. Trying to shoe horn public health in there just doesn't work. We laid out public works on the second floor and the school department on the first floor. The Mayor's right, HKT has done a ton of work and we've paid them very little. They have done an unbelievable amount of work and Hayner/Swanson is another contract on here and we have been going toe to toe with these people for hours on end. This contract was originally up in the high \$170's and we took a lot of things out of it that weren't necessary so it's been well vetted. HKT has done a lot of work; they have done a conceptual design. Between the four of us, Mr. Vancor, Lisa Fauteux, the director of public works, myself and Commissioner Bergeron. We have to dial this in to see exactly what the cost is going to be because the Mayor is correct, the amount of money that was originally thrown out there isn't even remotely close unfortunately so it's time to get some concrete numbers and come back to the Board of Aldermen with some phasing of the project. We have a lot of moving parts in here with the school department and the Brentwood School. If you put Brentwood over at the admin building afterwards then that's going to have to be reconfigured, but the one benefit to that is that we can utilize some of the Ledge Street school amenities. The Mayor is correct in that there is no way the school department is going to get in there by next June or July. We gave them a good list and Mr. Vancor went through it and what you see before you tonight for your consideration is the final document of the scope that is going to be done.

Alderman O'Brien

Just an observation the public health is also under somewhat of a housing crisis. I hope we don't forget about that important division as we go forward.

Alderman Wilshire

I think keeping public health in mind even if it's at another facility is okay with me. I appreciate the work the Alderman Deane and the Mayor have done in trying to move forward with this.

Alderman Deane

Nobody has forgotten about public health. We did look at trying to get them in there but it gets to the point where you start shoe horning people into places you look back and say that was a mistake. Finding out the needs of the school department was eye opening to begin with; from what they have now to what they actually need. We do know that public health has to be addressed.

Mayor Donchess

On the issue of the public health building, the contract that we have with the architect up in Manchester, the scope of that contract needs to be revised because it's focused largely on trying to find rental space. We've asked the architect to look at a couple of ideas regarding new space so we need to revise that contract and come up with a more concrete proposal of where they might go. One possibility would be the first floor of the parking garage over here. It was built with a high ceiling and a low floor back in 1985 to accommodate retail uses there if necessary and the architect have looked at that and says he thinks it might work really well. We are not forgetting them at all.

Alderman Wilshire

I like the idea because I like where it's located. I think it would be very convenient for the people that they serve. I think it's a win/win if we could make that work.

Mayor Donchess

One issue that's been raised by people who think that Burke Street wouldn't have been the best alternative for them was that very one that we should keep them in this area, near the center of downtown.

MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: Amendment #1 Hayner Swanson, Inc. – Professional Engineering Services, Burke Street Facility (Value: \$21,960)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE AMENDMENT #1 TO THE CONTRACT WITH HAYNER SWANSON, INC., IN THE AMOUNT OF \$21,960. SOURCE OF FUNDING IS DEPARTMENT 129, BUILDINGS; CITY BUILDINGS EXPENDABLE TRUST

ON THE QUESTION

Alderman Deane

This is for the services provided by Mr. Vancor related to the Burke Street project.

MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: Change Order #1 – Main Street Sidewalk Improvements – Block 3 & 4 Installation of Granite Curbing at Crosswalks and Median Islands (Value: \$15,180)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE CHANGE ORDER #1 TO THE CONTRACT WITH GRANITE STATE CURBING SETTERS, INC., IN THE AMOUNT OF \$15,180. FUNDS ARE AVAILABLE IN DEPARTMENT 161, STREETS; GENERAL FUND
MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: Change Order #17 – BSP – Parkway South – Continental Paving (Value: \$22,628)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE CHANGE ORDER #17 TO THE CONTRACT WITH CONTINENTAL PAVING, INC., IN THE AMOUNT OF \$22,628. SOURCE OF FUNDING IS DEPARTMENT 160, ADMINISTRATION/ENGINEERING; BROAD STREET PARKWAY BOND
MOTION CARRIED

From: Dan Kookan, Purchasing Manager
Re: FY17 Winter Road Salt (Value: \$465,000)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT IN EQUAL AMOUNTS TO GRANITE STATE MINERALS, INC., AND EASTERN MINERALS, INC. FOR A COMBINED TOTAL OF \$465,000. FUNDS ARE AVAILABLE IN DEPARTMENT 161, STREETS; GENERAL FUND
MOTION CARRIED

From: Dan Kooken, Purchasing Manager
Re: Purchase of Two 2017 International Cab & Chassis Trucks (Value: \$177,800)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE PURCHASE FROM LIBERTY INTERNATIONAL IN THE AMOUNT OF \$177,800. SOURCE OF FUNDING IS DEPARTMENT 161, STREETS; CERF
MOTION CARRIED**

From: Dan Kooken, Purchasing Manager
Re: Purchase of Two (2) 6- Wheel Dump Up-Fitting Equipment Packages (Value: \$143,713)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE PURCHASE FROM H.P. FAIRFIELD IN THE AMOUNT OF \$143,713. FUNDS ARE AVAILABLE IN DEPARTMENT 161, STREETS; CERF
MOTION CARRIED**

From: Dan Kooken, Purchasing Manager
Re: Perma-Line of New England for Purchase of Signs, Poles, Parts and Pavement Paint (Value: \$25,000)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO PERMA-LINE OF NEW ENGLAND IN THE AMOUNT OF \$25,000. SOURCE OF FUNDING IS DEPARTMENT 161, STREETS; GENERAL FUND
MOTION CARRIED**

From: Dan Kooken, Purchasing Manager
Re: Purchase One (1) Trackless MT6 Articulated Tractor and Attachments (Value: \$111,789)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE PURCHASE FROM H.P. FAIRFIELD IN THE AMOUNT OF \$111,789. FUNDS ARE AVAILABLE IN DEPARTMENT 161, STREETS; CERF
MOTION CARRIED**

From: Dan Kooken, Purchasing Manager
Re: Purchase of Vogelsang Pump (Value: \$16,766)

**MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE PURCHASE FROM AQUA SOLUTIONS, INC., IN THE AMOUNT OF \$16,766. SOURCE OF FUNDING IS DEPARTMENT 169, WASTEWATER; WASTEWATER FUND
MOTION CARRIED**

From: Dan Kooken, Purchasing Manager
Re: Purchase of Citizens Self-Service Module - Munis (Value: \$24,510)

MOTION BY ALDERMAN SIEGEL TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO TYLER TECHNOLOGIES – MUNIS IN THE AMOUNT OF \$24,510. FUNDS ARE AVAILABLE IN DEPARTMENT 122, INFORMATION TECHNOLOGY; CAPITAL PROJECTS; ERP SYSTEM FUND

ON THE QUESTION

Treasurer Fredette

Quite a few years ago the city started this ERP Program and part of it is to take everything off of what we ADMINIS and one of the last things on it is the taxes from the wastewater system. In July our tax bills went out

under the MUNIS system after almost two years of a conversion project. We had very few errors and everything went pretty good. Part of the project was always to have this self-serve module put in. From the communities that have it now in New Hampshire they say the customers both business and residential love it because they don't have to keep calling here or coming to City Hall. They can find a lot of the information they want right on-line. Come tax season we get hundreds of calls in the tax office from people wanting copies of their tax bills because they don't file them and they don't know where they are and they need them for their tax returns so they will be able to just go on-line and print out their own tax bill. Of course we have lots of calls from realtors and title companies looking for information. The office is looking forward to implementing this but it's going to take a little bit of time. It was part of the original plan 5+ years ago when we went with MUNIS for taxes.

Mayor Donchess

What are some of the communities that have already implemented this system?

Treasurer Fredette

In New Hampshire there is Milford, Derry and the City of Concord is doing it right now. The one thing if you notice in the letter I sent is that years ago when we started taking credit and debit cards; the city ordinance does not allow us to take credit cards or debit cards for tax payments and that might be something that the Aldermen would like to change. We have a lot of people who would like to charge their tax bills but they can't.

Alderman Siegel

You touched on people using credit to pay the tax bills. Am I correct in assuming that they would also have to pay the service fee associated with that?

Treasurer Fredette

Yes.

Alderman Deane

Is there a recurring yearly maintenance fee on this component?

Treasurer Fredette

Yes, there is.

Alderman Deane

How much is that?

Treasurer Fredette

It's a little over \$3,000 per year. It's \$3,960. It's high; all of this stuff is high.

Alderman Deane

It's ERP, we spend millions. I liked ADMINS quite frankly.

Treasurer Fredette

I do too but it's gone, well there are only a few things left on it. One of the things is the public works pension plan which we are going to have to tackle this year.

Mayor Donchess

In fairness to the project, Mike Roy has been the person that programs ADMINS here for decades. He basically said that we really needed to make this switch because there were very few people who could support ADMINS anymore and it was obsolete. To my surprise he totally endorsed switching over to another system.

Alderman Deane

It was the Lawson selection that I was a little perplexed with.

MOTION CARRIED

UNFINISHED BUSINESS – None

NEW BUSINESS – None

DISCUSSION

Alderman O'Brien

While Mr. Kooken is here, can we get an update on the elevators?

Mr. Kooken

Jay Hunnewell, Jen Deshaies and myself are going to meet to talk about this but the last repair that was done we had no issues since that repair was done about eight weeks ago. We need to talk about if we are going to proceed with this with a long lead time of approximately 34 weeks or do we wait until we have some repair that we can't fix that puts it out of commission and start the ticker at that point in time. We will be meeting shortly to discuss it. It's going to be roughly \$200,000 so the question is do we spend that money up front or wait until it is entirely necessary. I think we need to get Stanley and talk to them about what kind of failure could we anticipate having and what would the worst case cost be.

RECORD OF EXPENDITURES

MOTION BY ALDERMAN SIEGEL THAT THE FINANCE COMMITTEE HAS COMPLIED WITH THE CITY CHARTER AND ORDINANCES PERTAINING TO THE RECORD OF EXPENDITURES FOR THE PERIOD AUGUST 12, 2016, TO SEPTEMBER 1, 2016

MOTION CARRIED

TABLED IN COMMITTEE

From: Dan Kooken, Purchasing Manager

Re: Contract Award for City Hall Elevator Modernization (Value: \$184,000); Department: 126
Financial Services; Fund: Trust Fund; Accounting Classification: 81 Buildings and Improvements

- Tabled 8/3/16

PUBLIC COMMENT - None

POSSIBLE NON-PUBLIC SESSION

ADJOURNMENT

**MOTION BY ALDERMAN WILSHIRE TO ADJOURN
MOTION CARRIED**

The Finance Committee meeting was adjourned at 7:46p.m.

Alderman Ken Siegel
Committee Clerk