



TOWN OF NEW LONDON, NEW HAMPSHIRE

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BOARD OF SELECTMEN MEETING MINUTES January 11, 2010

PRESENT:

Larry Ballin, Chair
Mark Kaplan, Selectman
Jessie Levine, Town Administrator

ABSENT:

Tina Helm, Selectman

ALSO PRESENT:

Russ Aney, Energy Committee
Bob Lavoie, New London resident
Pat Trader, Intertown Record

Chair Ballin called the meeting to order at 8:03 AM.

Minutes of January 4: Mr. Kaplan moved to approve the minutes of January 4, 2010, seconded by Chair Ballin. There were no recommended changes and the minutes were approved as written, 2-0.

Tracy Library Building Proposal: Ms. Levine said that Bob Bowers had asked her to seek the Selectmen's support for the proposed energy efficiency modifications to Tracy Library. She referred to the Request for Proposals included in the agenda packet, and the responses that varied in amount. She said that the Library Trustees were meeting with the contractors to make sure that everyone is bidding on and intending to perform the same work. She said that one concern is that if the Library does not receive a grant for a portion of the work, then they will not have enough funds in the Tracy Library capital reserve fund to complete the work. She said that the Library may request not decreasing their deposit into the capital reserve fund from \$80,000 to \$60,000, but leaving the deposit at \$80,000.

Chair Ballin asked if the Library Trustees had a long-range plan for the building and said that it seems like we have been hitting these issues in a piecemeal fashion. Ms. Levine said that the Library did present its long-range plan to the CIP Subcommittee, but knew that the energy-related work needed further investigation. She said that the energy conversions save energy consumption going forward, so there is some payback to doing the work. She said that the Library is very conscious of the criticisms that they received, primarily from Budget Committee, about deferred maintenance, and that is part of why they are trying to address the building's issues now. Mr. Kaplan said that the work makes sense because the escape of heat and air is problematic, and the building needs to be tightened up so as to avoid the return of the mold problem.

Russ Aney said that he participated in the contractor review with the Library Trustees and Trumbull Nelson and said the Trustees intend to interview all contractors this week in the hopes of choosing a contractor next week. Once that is done the Library will work with an energy engineer to identify some alternatives to the project that provide the best bang for the buck in terms of insulating and weatherizing the building. Chair Ballin asked if that is an additional cost, and Mr. Aney said that it is but it is required information if they want to go for the grant. Mr. Aney said that it is currently unknown how much energy this work will actually save, and the previous audit conducted by the Energy Committee did not cover that, so there is some follow-up to get numbers to justify the energy block grant for this project.

Mr. Aney said that he received the RFP on Friday for the Energy Efficiency Community Block Grant (EECBG), and the grant awards will be given out based on energy savings per stimulus dollar. He said that there are additional subjective qualitative criteria, but primarily this will fall into a bucket of building improvement projects and they will compare other building improvement projects in our region and go down the list. He said that we should consider our application strategy and how much we would get for this project to offset our costs. More analysis needs to be done on the payback for the energy improvements.

Mr. Aney said that we are asked to submit, by the end of this week, a letter of intent, signed by someone from the Town, to apply for the grant funds. The application itself is due February 15 and we will be notified of the decision on March 10. He thinks there will be more information available by next week's Selectmen's meeting. He said that the Library Trustees are trying to come up with the most energy efficient approach to retrofitting the building. There is the possibility that the window component of this project could be pushed into a future year, because even though the windows are leaky, the difference between refurbishing and replacing the windows does not lead to a significant savings. At the end of the day, whether refurbished or replaced, Mr. Aney said that the energy savings for the windows are not as significant as savings from wall insulation and assembly.

Chair Ballin asked if the grant money would be one block grant for the entire project or if we could choose to do the building one year and the glass the next year. Mr. Aney said that there are at least two years in which to expend the funds, but there is some cost savings associated with doing both projects at once and he said there is not going to be another EECBG round at this level of funding next year. This process was established in 2007 and not funded until the stimulus came, and there is no proposal right now, unless there's another stimulus package, to reach this level of funding. He said the current thought is to put the whole project together at once and see what we can get.

Chair Ballin said that he thinks that there will be a chilly reception at the Budget Committee to any requests for increased funding, especially since the Selectmen are making some requests as well. Chair Ballin understands that it might cost extra to do the building over two years rather than one, but thinks that it should be a phased project. Mr. Kaplan said that if the grant is highly dependent upon the money invested and the building itself is going to show the highest return, then he thinks that's what we ought to do. He said that the windows themselves could be taken care of in a future year, and since we have \$85,000 in that capital reserve fund now, the money could be spent. Ms. Levine clarified that there were other plans for those funds that would be pushed off, and the Selectmen said that they understood that.

Mr. Aney said there is no reason not to get all of the work done at once if we did get the grant, and the Trustees may choose to fund a portion of this with a grant and a portion outside of the grant. He said that the maximum New London can get is \$400,000, but it's a yes and no decision so if we asked for the maximum we may get nothing based on how our application ranked relative to other projects in our region. If we just look at the building component, we may not want to ask for \$100,000, which would be about 80% of the project; we may find that the energy savings may be equal to twice that number, and if we reduce the amount requested down to \$60,000, that could significantly improve the multiple of energy savings to ARRA funds, so we would be more likely to receive grant funds whereas if we asked for too much there's a probability that we would get nothing. He will work with the Library Trustees on a strategy that he thinks would be successful.

This led to a discussion about strategies for applying for the grants. The Selectmen suggested that Mr. Aney and Ms. Levine work this out.

Chair Ballin said that it sounds like the sense of the Board is that the Library Trustees are more than welcome to ask the Budget Committee to increase the deposit into the reserve funds, and he wishes them luck. While he thinks we're getting to the point where we will hit dangerous waters if we don't fund these kinds of repairs, he does not think this is the time in the budget process or the year to expect

success. Mr. Kaplan said that everything that we do for buildings and equipment is crucial, and if we do not take care of what we have then we'll wind up suffering in the future, so the question is whether we put money away today to solve the problems that will come up in the future, and he said the Budget Committee has to go through that process. Mr. Kaplan thinks it's possible that the question will have to come before Town Meeting.

Bob Lavoie asked if the Library has sufficient funds in reserve to match the grant application without the windows. Chair Ballin said that it appears that if they get the money that they have proposed for 2010 and they get the grant money, then they should be able to do the project but they may have to defer other work. Mr. Kaplan said that they have \$85,000 in reserve now, and they're asking for \$60,000 for 2010, which gives them a total of \$145,000 to expend. He referred to the McGray & Nichols bid and said that if the window project is removed, that contract would cost \$128,000, so there is enough money to do the project without the grant.

Mr. Lavoie said that if they receive the grant, then they'd have more funds in reserves for other projects later, and all agreed. He said that he sees two possibilities, as we may or may not know by Town Meeting whether the grant is approved, and he asked how we will handle the question on how to proceed not knowing if we get the grant or not. Chair Ballin said that will be up to the Library Board to allocate the funds depending on what they do or do not receive. Ms. Levine reminded the Selectmen that they are agents to expend the fund with the Trustees, so ultimately it would have to be a joint decision. Mr. Lavoie said that it's important that the Library Trustees get the long range plan in order. Mr. Kaplan agreed that the building needs a long range plan. Mr. Lavoie asked when that would happen, and Ms. Levine said that they presented a long range plan to the CIP Subcommittee last summer and this project has been prioritized due to the grant funding.

Russ Aney said that this project actually addresses a large part of the long-range needs of the building. Chair Ballin said that this fits into the Library's plan and has payback as well. Mr. Kaplan said that they have the funds to do the work, but if they do what Mr. Aney has said, then there is a strong possibility that we will get funds from the federal government, which means that the total program is enhanced.

EECBG Project Funds: Mr. Aney said that the EECBG came out with several categories of projects: building improvement, lighting upgrades, etc. He informed the Selectmen that the second audit report on the lighting upgrade was not an apples-to-apples comparison with the first, so he has some more work to do before making a recommendation to the Selectmen. He asked if the Selectmen would like to go forward with the grant application for the lighting upgrade, and if so he would put in an intent to apply for the funds – it was about a \$15000 project and we may get half or all of the funds through this process. Mr. Kaplan said that he is in favor of using federal funds to enhance our money.

Mr. Aney said there was one more potential project for which the Energy Committee wanted to seek grant funding, and that was a feasibility study to do a low head, low flow hydro-electric project on the water coming out of Pleasant Lake. He explained that we would seek a net metered hydroelectric project to offset the energy costs of the visitor's center that we intend to build in Elkins. There is a 1-2 year permitting process, and it's a long-range process, but the majority of the cost is not the project itself but the licensing and permitting. He asked if the Selectmen would support a grant application to look at the feasibility of this micro-hydro project; hopefully the grant money would pay for the consultant. He is pushing to find out where this fits into the grant funds.

Mr. Kaplan voiced his opinion that hydro is not a good plan because the water may not be continuous and electricity may not be generated in times of low flow. He said that there are a lot of attendant problems to running a hydro-electric plant and he asked, for example, who would break the ice so the water flows in the winter. Mr. Aney said that rather than discussing the pros and cons of the project now, he thinks there is a marginal opportunity at Pleasant Lake due to low flow at certain periods of year (end of summer and after they've lowered the water for the spring melt). He thinks we will be able to address the head

situation because the micro-hydro would be installed later, at the third dam, and there are three dams in a row (Pleasant Lake, mill pond #1, mill pond #2). He explained that we would run a pipe to the third dam so there would be more head and reserves at the lower dam to even out the flow rate. So it is still possible or potentially feasible enough that we could get a dam engineer out of Vermont to do a basic feasibility study. He's got information already gathered on the dams and the maximum/minimum flow, and with that data and pictures of existing conditions, this engineer could give us the back of the envelope "yes" or "no." If the engineer says yes, that there is some potential for low flow power, then it might be worthwhile to pursue. Mr. Aney asked the Selectmen for permission to put in an intent to apply for a grant for the consultant to evaluate the possibility. The Selectmen agreed that it's a good idea to investigate. Chair Ballin said he thinks it would enhance the whole Elkins project. Mr. Aney said that hydro power was a source of energy in the past, and it would be interesting to pull the history into the visitor's center that we're talking about building there and demonstrating the hydro power that we had in the past.

School Energy Project: Mr. Aney said that he was at the KRSD deliberative session for the discussion on the \$2.9 million energy efficient project. He said that we can apply as a group of seven towns to get funding to offset those costs, and he is working with the School Board to develop that grant application. The way the Office of Energy and Planning (OEP) issued its guidance on community partnership is that one municipality has to be the prime point-of-contact with OEP and the others sign a partnership agreement saying that they're on board. The total project has a funding level of \$1 million instead of each municipality's \$400,000, and the municipality's share would be allocated based on some formula, possibly the school allocation formula. He does not think that New London is at risk of hitting its cap of \$400,000 even with the other applications discussed this morning, and he does not think there is a risk to the school project's success if New London is the one applying for the grant funds. At the end of this week he needs one of the towns to stand up and say they'll be the prime applicant. For a variety of reasons, including that he is on the New London Energy Committee and lives here and will be working on the grant, he thinks New London would be a great prime applicant and does not think there would be additional workload despite the additional responsibilities of reporting to OEP and the federal government.

Chair Ballin said that he is concerned that if New London took on the responsibility, Ms. Levine may not have the time and desire to be the leader on this. Ms. Levine said that the work would belong primarily to the Energy Committee, Russ Aney, and the grant administrator hired by the School Board. Mr. Aney agreed that it would be Honeywell, Dan Noyes, and Shelley Hatfield, a grant administrator who has done a lot of community block grant projects. Mr. Kaplan was concerned that the other towns may not like New London to be the lead on this project, and Ms. Levine said that she could send an e-mail to her counterparts in the other towns to see if there would be any objection. The Selectmen agreed that she should do so.

Mr. Lavoie asked if this required all seven towns to participate. Mr. Aney said that not every town has to sign on, but if they did not sign on, then their share of the cost would not be funded by the grant.

Sunapee WWTP Bond: Ms. Levine said that she had been charged with reviewing the sewer rate structure and how the sewer bond could be allocated between taxpayers and sewer users. She said that in her research on sewer rates, she found a common practice in the state and across the country to use something called "block rates" or "power rates," in which the heavier users took on a larger portion of the costs because they had greater current and future reliance on the sewer system. The block rate concept also encouraged water conservation, since higher rates applied when there is more water use. She said that one of the problems with the current rate structure is the use of minimum charges, which means that the people who use the least amount of water are paying a disproportionate amount per gallon. She recommends eliminating the minimum charge.

She said that in her proposal, she recommended splitting the cost between the sewer users and town as 75% sewer and 25% town. Ms. Levine said that if the project receives the 35% grant funds and New London's remaining portion of \$3.38 million is financed at 3.7% over 30 years, then the Town's annual bond payment would be about \$187,000. She said that if the sewer users absorbed the entire cost, and nothing else changed, then there would be an increase in the sewer rates from \$13 per 1000 gallons to over \$20.50, which is almost a 60% increase. The average sewer bill would increase by almost \$400 per year, which is a lot of money. Conversely, putting the bond payments fully on the tax rate would be under 20 cents per \$1000 of value, or about \$40 per year for the average taxpayer. She also said that she has recommended a base rate to pay for capital costs and the rate-per-gallon to pay for operating costs, similar to how the Water Precinct uses the tax rate to pay for capital costs and the water usage rate to pay for operating costs.

Bob Lavoie said that he understands the rationale for higher rates for bigger users because they determine the capacity for the use of the plant, and there are more average users who will receive less of an impact from the sewer bond than the few higher users, so politically there are more average users who would be happy who would support the recommendation. Chair Ballin and it would also encourage the higher users to support conservation measures that they do not have in place.

Mr. Kaplan said that he thinks it is premature to revise the rate structure at this point, and he is concerned that people would be talking about changing the rate structure rather than talking about the bond itself. He said that our focus needs to be on getting the bond passed, and he thinks the Selectmen should decide how the bond will be split between taxpayers and sewer users and return to the rate discussion at a later time. Bob Lavoie agreed and said that the Selectmen have the prerogative to change rates at any time. Ms. Levine stated that since the first bond payment, if approved, would not be until 2011, there was time to review this more carefully, have conversations with everyone affected, and move ahead at a later time.

Mr. Kaplan said that 25% of the \$187,000 is about \$45,000, or 4 cents on the tax rate, and the project will last for 30 years. He said that he could foresee that sewer will expand sometime in the next 30 years, so he asked himself why should it only be 25% - maybe it should be 40%. He said that 40% is not a great deal of money on the tax rate. Ms. Levine cautioned him at suggesting that the sewer could be expanded to other areas of town simply because the whole town paid for the bond. She said that traditionally those benefitting from the expansion have paid for the cost of the expansion (Job Seamans, Edmunds Road, for example), so people should not expect to be able to connect to the sewer system at no future cost because of this investment. Mr. Kaplan said that he understands, but if we engage the whole town in this process then the people on the lakes may feel differently about the sewerage going forward.

Ms. Levine said that part of the problem is quantifying the value of the sewer system to the non-sewer user, such as the lakefront property owner. She asked the Selectmen how they would quantify if 25% should be paid by the taxpayers vs. 40% vs. 0%. Chair Ballin said that we as a town are all in this together and at the end of the day we have to make a determination based on what will fly at Town Meeting. He thinks that 25% is fine, and 33% is palatable as well. He proposed finding a number that is fair and going from there. Mr. Kaplan said that he agrees to 33%, which would be about 6 cents on the tax rate.

Mr. Lavoie said that people will want to know how much more money they would have to pay to pay for the bond. Ms. Levine said that we will have to come up with a response that says what the average user would pay but makes it clear that the Selectmen would be reviewing the rate structure over the next year.

Mr. Kaplan suggested going forward with 33% of the bond paid by the taxpayers and the remainder by the sewer users. Chair Ballin moved that bond payments be broken out 1/3rd to the taxpayers and 2/3^{rds} by sewer users. Mr. Kaplan seconded the motion. Ms. Levine pointed out that taxpayers who are on the sewer end up paying twice. Bob Lavoie said he thinks that seems reasonable. The Selectmen approved the motion 2-0.

Mr. Kaplan said that he had no problem letting people know that we will be addressing inequities of the current rate structure. Mr. Lavoie said that several months ago he figured out how much it would cost an average homeowner to install a septic system and maintain it over its lifetime and compared that to the sewer user, and he concluded that the non-user would pay half of what someone on sewer would pay over the same period of time. Mr. Kaplan disagreed with Mr. Lavoie's analysis.

Chair Ballin said that the Selectmen would work on getting the bond through as is and work on the rate structure afterwards.

Meeting Reports:

Economic Development Committee: Chair Ballin reported that the EDC had a good meeting with Dan Wolf about commercial real estate viability in New London and interest from the outside. He said that New London is a difficult town for retail to prosper in. Mr. Kaplan said that Dan Wolf had a good analysis: that 15 miles south of New London, people go to Concord, and 15 miles north, people go to Hanover/Lebanon, so the base of our geographic area is about a 15-mile circumference. Chair Ballin said that there are about 35,000 people that populate that area. Chair Ballin said that if someone were to create a real destination, either a restaurant or store like Baynham's tried to do, that helps propel visitors to our town, but if we're going to be a stop for milk and cookies, people have other options, and the further away they get, the more they can exercise another options.

Chair Ballin said that Dan Wolf put his School Board hat on to talk about the School District's plans for the Kearsarge Learning Center and 1941 building and the value that will have to the town from a traffic standpoint. Chair Ballin said that it would be a focal point for the seven towns in the District.

Chair Ballin said that there was also the discussion of a consulting company that was looking for 15,000 SF and whether they would consider coming here. Chair Ballin said that it is nice to know that someone is interested in coming here and finds it possibly a good place to have a business.

KRSD Deliberative: Ms. Levine said that she stepped in and out of the deliberative session while working at the H1N1 clinic, and all articles passed and will go to the voters. Both the School Board and MBC approved the petitioned article for a school resource officer.

Application for Building Permits:

- Jim & Kristen Broom, 314 Route 103A (Map & Lot 080-008-000) install propane generator on main house – Permit # 10-001 – Approved.

Application for Sign Permit:

- LSRVNA – sandwich board sign at Information Booth for H1N1 clinics – Approved.

Other:

- Disbursement voucher week of January 11, 2010 - Approved.

There being no further business, Mr. Kaplan moved to adjourn the meeting at 9:55 AM, seconded by Chair Ballin and approved 2-0.

Respectfully submitted,

Jessie Levine, Town Administrator