
OFFICE OF THE TOWN MANAGER

TO: SELECTBOARD
FROM: PETE WEBSTER, TOWN MANAGER
SUBJECT: TOWN MANAGER'S REPORT
DATE: MARCH 19, 2010

I will forward to you a document from Neil, who has come up with a good starting point for discussions of an update of the Capital Budget Plan. This very good document dating back to November of 2006 needs to be reviewed and updated and shared with the public for further input. Along those lines of long-range capital planning, I want to share with you the news that the Congregational Church next door has made its decision to sell the Parsonage property adjacent to Tracy Hall. I feel strongly that it behooves us to take a serious look at negotiating a purchase of that .63 acre parcel with the house and garage for municipal purposes. The congregation has appointed a subcommittee of three to work through that sale, and I have already met with one of those members and walked through the house. I would like to schedule a meeting of your Board and that subcommittee for the week of April 5th, and would like you to get back to me with your availability. Either Monday or Wednesday evening, April 5th or 7th around 6 PM have been suggested by the subcommittee.

As we proceed with an updating of the NORCAP report, we need to keep in mind the needs of the Town for the next 50 years and out, not just the current needs. Even if we had no immediate purpose for this property I think it's incumbent upon us to think much more long term. I understand the Police Department has been in their 'temporary' quarters for some 18 years now, and I think having the Police Department be much more visible right on Main Street makes sense. In addition, this would free up space for use by the Fire Department, and might obviate the need for an expensive combined new Public Safety Facility that is one possibility from the NORCAP report. Acquiring the church property would also give us more parking and more office space on the second floor of the parsonage. I can't envision another opportunity to expand the municipal footprint of Tracy Hall. The current assessment of that property is \$801,900, which may be reduced by the Listers in view of the Mascoma Bank settlement. I would think an appraisal of the property would be in order if we are in agreement to negotiate this purchase.

I have the finalized union contract ready for your ratification next week. Please look it over and let me know if you have any final concerns—that draft was shared with you some time ago, and if you need another electronic copy, please let me know. I also have sent you the three audit proposals and Roberta's recommendation, and hope we can agree on a proposal for the next three years.

You will be hearing from the Energy Committee Wednesday on the latest information on the complicated 230 KW solar project. I say complicated because it is, and I hope your Board will give this the time and attention it deserves—spread sheets are available for your study if you'd like to get into that level of detail, but Alan Berolzheimer and his committee will give you an overview and whatever detail level you desire. I have to say I was disappointed at the lack of preparation from

some of the Finance Committee members who had not taken the time to study the information that had been provided, some not even understanding the term ‘photovoltaic’. I heard comments that some were inclined to oppose this project because of what they were hearing ‘on the street’, and this is a classic case of the tail wagging the dog. The Energy Committee is following a sensible process of first trying to inform and educate the Finance Committee, then your Board, then taking it to the residents in a public hearing or series of meetings to inform, educate and answer concerns raised. To have as yet uninformed members of the public swaying the opinion of a Finance Committee member who hasn’t studied the proposal thoroughly doesn’t do justice to the efforts of the Energy Committee. This is a project that no town in Vermont has ever undertaken, which may be off-putting to some, but I think that makes it all the more deserving of serious scrutiny. I will forward to you some of the concerns raised by the Finance Committee that have been addressed by the Energy Committee.

I have met with Andy to once again go over all the issues surrounding the State’s relinquishing some of their road mileage to the Town. We will have a full presentation of the pros and cons for your meeting on April 14th, and hopefully Margaret Cheney will be able to join us that evening.

We have a Request for Proposals out for a communications study, with proposals due back by the first week in April. As you know, there are locations in our Town where radio coverage is marginal or nonexistent, and good communications between fire, police and public works is a necessity.

I will be signing an agreement with Gallagher and Flynn Human Resources Services for a wage study, as we have planned for this study in the current budget. We may run over on the Professional Services line this year, but some of this study can come out of next year’s budget as well, as the study will commence in May and probably run through July. The total cost of this study will be \$4,800 and give us a good understanding of just where our various employees’ wages fall in relation to similar profiled towns.

As you know, I have been working on a location, possible facilitator(s) and agenda for a Selectboard Retreat and hope to have more details by next Wednesday. Steve Flanders has sent you his thoughts on how to make this retreat as productive as possible, and I thank him for his input.

Last week I took part in the seventh of nine all day sessions in the Leadership Upper Valley program over at the Marsh-Billings-Rockefeller National Park in Woodstock, and again found it to be quite meaningful. I would recommend this nine month program to other Town employees who might benefit from the course, despite the cost. Vital Communities is the sponsoring organization and you can better understand this course by going to www.vitalcommunities.org/LeadershipUV/index.htm

That’s it for this report.

Sincerely,

Pete Webster

Status Report
Capital Budget Plan and Report
Town of Norwich
March 16, 2010

This is a review of the status of recommendations made in November 8, 2006 Capital Budget Plan and Report.

Recommendation 1 – Adopt a Capital Budget Policy

When developing a capital budget it is recognized that it is a continually changing document. While the committee looked at five and fifteen-year projections we recognize that the farther in the future the projections are the less accurate they may be. It is important that there be at least an annual review of the capital budget and appropriate up dating. The adoption all of a capital budget policy would assist in maintaining an up to date capital budget. An example of a Capital Budget Policy is included in Attachment 6.

Adopted by Selectboard on .

Recommendation 2 – Adopt a Debt Management Policy

The town is currently paying off debt for the modifications to Tracy Hall and the acquisition of three pieces of heavy equipment for the public works department. It is anticipated that major capital facilities construction would require the issuance of additional debt. The adoption of a debt management policy would provide guidance on the issuance of debt and minimize the impact on taxpayers and on the financial condition of the town. An example of a Debt Management Policy is included in Attachment 7.

Adopted by Selectboard on

Recommendation 3 – Adopt a Vehicle Acquisition and Replacement Policy

The maintenance and replacement of vehicles utilized by the public works department, fire department and police department represent significant annual appropriations. The FY 2007 appropriation for these replacements is \$204,600. The adoption of a vehicle acquisition and replacement policy would provide important guidance on the acquisition of additional vehicles and developing replacement schedules for currently owned vehicles.

No action – On Selectboard Agenda Pending Items List.

Recommendation 4 – Transportation Study and Pavement Management Plan

In reviewing traffic figures and projections it was found that there is a minimum amount of base information and very little reliable projections on future traffic. In addition there was a significant request for sidewalks construction presented to the committee as well as ongoing projects involving enhancement of the Main Street corridor, bicycle and pedestrian paths and roadway improvements. It is important that these transportation improvements which impact the public works department, police department and fire department as well as the traveling public be integrated into a single plan. The committee recommends that a transportation study be undertaken that would look at traffic on the major collectors, including Route 10 as impacted by Hanover, parking in the Village, sidewalks and bicycle paths and park and ride facilities. Since Norwich is impacted by traffic whose origins and destinations are outside the geographical limits of Norwich a regional approach to portions of the study should be considered.

The public works department is working with the Two Rivers-Ottauquechee Regional Commission to develop a pavement management plan. An inventory of culverts, bridges, and roads has been completed and the pavement management plan is nearing completion. The committee recommends that the results of these studies be reviewed in considering future revisions to the capital budget.

MARCON Corporation with the assistance of Chuck Wise, Transportation Planner for the Two Rivers-Ottauquechee Regional Commission and Andy Hodgdon, Norwich Public Works Director developed a pavement management plan (Transportation Capital Program 2007 - 2015) for the Town of Norwich.

An inventory of culverts, bridges, and roads has been completed and is being updated as necessary.

A Transportation Study has not been completed however elements of a plan have been implemented including updating signage on Union Village Road, construction of a traffic island at Union Village Road and Route 132 and the installation of a park and ride facility on Turnpike Road at Huntley Field.

Recommendation 5 – Public Works Facility Plan

The town owned property at the site of the existing highway garage and solid waste facility is proposed for upgrading by adding a new public works facility, fire training facility and at sometime in the future upgrading the solid waste facility. These all involve major investments of town funds. To provide guidance on the location and sizing of these facilities the committee recommends that a facility plan be developed for the public works site that would include location of facilities, size of facilities and traffic flow. This planning effort could be funded from the existing highway garage reserve fund.

A Request for Proposals for the facility plan has been drafted excluding the fire training facility.

Recommendation 6 – Public Works Garage

The existing highway garage is inadequate for the current operations of the public works department. It does not provide for sufficient storage for highway vehicles, which represent a considerable investment on the part of the town, provides no centralized storage to allow the purchasing of bulk supplies to reduce costs of purchasing, does not have an adequate maintenance bay for the maintenance of highway, police and fire vehicles and provides no office space or adequate washroom or locker facilities for employees of the public works department, does not have a fire sprinkler system to protect the facility or equipment stored in the facility and does not have an adequate domestic water supply or water for washing and cleaning vehicles. The committee recommends that following the completion of the facility study and plan that planning and design proceed on the identified new facilities or remodeled facilities needed to sustain both the present and future functions of the public works department. Funding of this project would be through the issuance of bonds.

A Request for Proposals has been developed for a code and regulatory review of the public works garage to specifically define areas where the facility does not comply with health, building, safety and environmental codes.

Recommendation 7 – Public Safety Facility

An architect and planner are under contract with the town for a continuing study of a fire and police public safety facility. The present fire station and police station are not adequate for serving the current needs of the town and will become more deficient in the future. The committee recommends that work continue on identifying the current and future needs of the fire and police departments and that design proceed on a facility that will serve these departments and the town for the next 30 years. Funding of this project would be through the issuance of bonds.

The planning and architectural study was partially completed.

A Request for Proposals has been developed for a code and regulatory review of the police and fire stations to specifically define areas where the facilities do not comply with health, building, safety and environmental codes.

Recommendation 8 – Fire Department Training Facility

The fire department does not have adequate facilities for training of its members. The fire departments has prepared a preliminary plan for the construction of a training facility that would provide opportunities for providing the important training that is necessary for firefighters to safely and efficiently fight structure fires. The committee recommends that \$30,000 per year be appropriated to a reserve/designated fund for construction of this facility.

This recommendation was not implemented and the monies that had been appropriated to the reserve fund were transferred to the Tracy Hall reserve fund by Town Meeting in March ??

Recommendation 9 – Wood Chip Boiler

The Norwich School Board is considering construction of a wood chip boiler to heat the Marion Cross School that will be voted on at a special town meeting on November 7, 2006. If the measure passes and the school board decided to proceed with the project it would be possible an to utilize the wood-chip boiler to heat Tracy Hall. The committee has not included this project in the proposed capital budget. If the finance committee determines that this project would be economical and it is determined that the environmental impact is acceptable the committee recommends that additional discussion occur on the possibility of including this project as a ballot measure at the town meeting in March 2007 for the construction of the necessary facilities to extend service to Tracy Hall.

This recommendation was not implemented because of community concern about particulate emissions from a wood chip boiler.

Recommendation 10 – Fleet

The replacement and maintenance of the current fleet of vehicles represents a significant annual cost to the town. As previously mentioned the committee recommends that a fleet replacement policy be developed and adopted by Selectboard to provide guidance for these expenditures. The committee recommends appropriations as identified in section 10.4 this report for maintenance of the current fleet of town vehicles.

Monies are being appropriated to reserve funds for fleet replacement.

Recommendation 11 – Equipment

The town has a considerable investment in equipment. The fire department indicated that the replacement value of fire fighting equipment, excluding fire apparatus, exceeds \$315,000. In addition there is need for periodic replacement of the compactors at the solid waste facility and upgrading of the Tracy Hall telephone system. The committee recommends appropriations as identified in section 10.4 of this report for equipment replacement.

Monies are being appropriated to a reserve fund for fire department equipment replacement.

Recommendation 12 – Interoperable Communications

The radio communications coverage for the police fire and public works department is inadequate. There are locations in town where there is marginal or no radio coverage. In emergency situations this places first responders at risk. In addition consideration is being given to having the Norwich police department provide backup to Hartford Dispatch, which provides dispatch services for the Norwich fire and police departments. The committee recommends that a communications study be undertaken to define the steps necessary to provide adequate coverage, capacity and interoperability for the radio communications system for the fire, police and public works departments. The committee recommends an appropriation from operating funds of \$25,000 for the study. There may be federal and state funds available for implementation of the study recommendations. In addition there are ongoing consultations with Hanover Hartford and Lebanon about a combined study and consideration of regionalizing public safety dispatch.

A request for Proposals was sent to potential consultants on March 9, 2010 with proposals due on April 3, 2010.

Recommendation 13 – Sidewalks

The committee reviewed the recommendations of the transportation committee on sidewalks. The present cost of \$5 million far exceeds the capacity of the community to support. At the same time it is important to make the village more pedestrian friendly. That was a special warrant article at the March 2006 town meeting that appropriated \$25,000 to a reserve/designated fund for sidewalks. The committee recommends that \$25,000 per year be appropriated to a reserve fund for sidewalks and that the priority be the extension of the Turnpike Road sidewalk to Moore Lane and the construction of sidewalks in the vicinity of the Marion Cross School including extension of a sidewalk from the Marion Cross School to the possible affordable housing facility on the Agway property.

Monies are being appropriated to a reserve fund for sidewalks. The sidewalk on Turnpike Road has been extended to Moore Lane, a sidewalk has been constructed around the Green as part of the Corridor Project and a “Safe Routes to School” grant has been awarded for extension of a sidewalk on Church Street to Carpenter Street.

Recommendation 14 – Town Pool

The town pool has recently had emergency repairs to the dam. There was a \$5,000 appropriation in the past to reserve/designated fund to accumulate funds for replacement of the dam. The committee recommends that an annual \$5,000 appropriation be made to the reserve/designated fund to allow for future replacement of the dam.

Monies are being appropriated to a reserve fund for future replacement of the town pool dam.

Recommendation 15 – Fire Station Vehicle Exhaust System

The fire department has applied for a grant to install a vehicle exhaust system in the existing fire station. If this grant is received the local share of the grant will be approximately \$4,100. The committee recommends an appropriation of this amount to the fire station reserve/designated fund.

A grant was not received but town meeting in a separate monetary article appropriated funds for the installation of the exhaust system which was completed ???

Recommendation 16 – Main Street Bicycle/Pedestrian Path

The first phase of this project has an estimated cost of approximately \$241,000, which involves the section in the vicinity of Montshire Drive. It is anticipated than a corridor enhancement grant will be applied for next year. The committee recommends an appropriation to the designated/reserve fund of \$48,203 as the local share for this grant.

Need update from Phil.

Recommendation 17 – Main Street Corridor Project

There was an initial corridor enhancement grant of \$400,000 for this project. It was an 80/20 grant with a local share of \$80,000. Approximately \$256,000 remains from the original grant and the estimated cost of the first phase of the project is approximately \$490,000. An application has been submitted for another corridor enhancement grant in the amount of \$235,000. The committee recommends an appropriation to the designated/reserve fund of \$47,000 as the local share for this grant.

Elements of the Main Street Corridor project were completed by VTrans in 2009 as part of repaving Route 10A, Main Street and Church Road. Need additional information from Phil.

Questions for the Norwich Energy Committee
From the
Norwich Finance Committee

Regarding the
Norwich Solar Energy Proposal

1. Please tally the bottom-line income and expenditures that result in the claimed savings over the project life in a simple column.

Answer: Column R in each scenario gives the year-by-year cash flow. Column S show the accompanying account balance for each year; line 24 gives a total balance after 24 years and line 25 includes the resale value of the panels in that accumulated balance.

2. Is the claimed savings of \$400K over the life of the project the net financial benefit to the town?

Answer: Yes

3. On what financial scenario have you based your recommendation to the town? What is its Internal Rate of Return? In this scenario, what is guaranteed? What isn't guaranteed?

Answer: Our recommendation of this project is based on our judgment that even in the worst-case scenario, the project will be revenue-positive for the town over the warrantied life of the panels (25 years) and beyond. The IRR ranges from .95% to 3.95% depending on the scenario. See the Data Assumptions page, row 43.

4. What is the worst-case scenario that you have considered? What is its Internal Rate of Return?

Answer: Scenario 1, with 0% annual inflation in utility rates, and phase-out of the .06/kWh Green Mountain Power solar premium after six years; IRR is .95%

5. How does your scenario factor in the probable closing of Vermont Yankee?

Answer: The closing of Vermont Yankee would most likely create upward pressure on the retail price of electricity. (Relicensing will do the same, since the purchase price Entergy has offered to Vermont utilities is higher than the current price.) We have modeled the annual inflation rates for the cost of power at 0%, 1%, 2%, and 3%. One big advantage of the solar project is that it locks in the price of power that the town will pay for 25+ years, at a stable rate that is comparable to (actually slightly lower than) what we're paying today.

6. Do your financial returns now employ Present Value calculations?

Answer: No. The money available for this project can only be used for one purpose.

7. What happens to the Internal Rate of Return when Green Mountain Power rates rise? Does it go up or down?

Answer: It goes up. See scenarios 2-6.

8. Does either your assumed or worst-case scenario require the town to provide tax dollars in a future fiscal year, beyond what it would have budgeted for electricity?

Answer: Yes. In the worst-case scenario, in Year 12 the town would have to spend a little under \$20,000, and in Years 13-18 the annual expenditure would decline from that level to around \$17,000. In this scenario the town's account balance would remain negative until Year 24. (See column S.) Under the next-worst scenario, #2 (1% inflation and phase-out of the premium after six years), the town would make expenditures in Years 13-17, which decline from around \$16,000 to around \$11,500. Under scenario 2, the account balance turns positive in Year 20. Thus, any required expenditures in these middle years should be considered a medium- to long-term investment by the town that will have a positive financial return.

9. Does the project consider the opportunity cost to the town of donating land that it may require at a later date?

Answer: No. As planned, the solar project will share a site that the town expects to use to build a new public works facility. Initial prep work (clearing) for the whole site will be done at the same time.

10. What is the effect of changing the salvage value of the panels to zero on the Internal Rate of Return? Why is this not a more appropriate assumption than assuming the panels will have salvage value or even be a hazardous waste problem?

Answer: At the end of 25 years the panels will still be producing \$30,000-\$60,000 worth of power annually (a net of \$20,000-\$50,000 revenue to the town annually). There would be no reason to shut the system down. The financial projections run for 25 years because that's the length of the warranty on the panels. Including the salvage value at Year 25 is a way to account for their continuing power production and/or resale value beyond the 25-year timeframe.

11. What has been the historical trend for EV solar panel efficiency per unit of cost? Have you plotted this?

Answer: See #12 below.

12. If the trend is for the efficiency of solar panels to increase dramatically in the near future (5-10 yrs) while at the same time the cost of panels drop dramatically over the same period? (Moore's Law), wouldn't it be smarter for the town to delay investing?

Answer: Moore's Law does not apply. From Wikipedia:

It is a common (but mistaken) belief that Moore's Law makes predictions regarding all forms of technology, when it actually only concerns [semiconductor circuits](#).

Panel efficiency is not the issue; the issue is cost per watt. Cost per watt is currently at a historic low and is unlikely to decline further in the near to medium term. In fact, because of supply and demand factors, cost per watt is more likely to increase in the short to medium term. Equally important, we have in hand now a \$220,000 grant from the state of Vermont—which represents about a quarter of the total project cost—and a very low-interest financing mechanism. Competition for these state grants, if they're available at all, is likely to increase and there is no guarantee Norwich would receive one at a future point in time. The remainder of the financing, via the Clean Renewable Energy Bond, comes at a very favorable rate, ~1%, and our authorization from the IRS will expire in 2 and a half years.

13. In the event of a total loss of the system from any cause (fire, lightning, wind etc) would the town's casualty insurance plan pay for the depreciated value of the system or would it pay for full replacement cost of both labor and equipment?

Answer: Pete Webster thinks it will cover full replacement cost, but he's checking with the insurer. We should have a definitive answer tomorrow.

14. What is the breakdown of labor and materials in the construction costs?

Answer: Solar Installer Labor = \$112,655 (13%) of the \$872,342 three-phase bid