

Report of the Town Manager

March 9, 2015

1. Personnel Updates-

- a. Public Works Director-** As has been publicly reported, Public Works Director John Deline has given his notice of resignation to take a position in the City of Fitchburg Water Department. Obviously losing John is an incredible blow to the department and the town. In his 3 ½ years in the job great things have been accomplished.

As I stated in the local media, I recognize that we chose public service out of a need to give back to our community but that we also must be cognizant of what is in our family's best interest. In John's mind, the move to Fitchburg is in his family's best interest so I am left to step back and wish him all the best.

The advertisement for his replacement is on the street.

Action Requested: None.

- b. DPW Worker Appreciation Day-** As requested, in your packets you will find the proclamation naming the first day of spring----March 20, 2015----as DPW Worker Appreciation Day here in Winchendon.

Action Requested: Please vote the proclamation.

2. Financial Updates-

- a. FY16 Budget-** The Governor has released his budget proposal, known as House 1. It calls for slight increases in both local government aid and school Chapter 70 aid the net of which is about \$70,000 for each side of the budget. This is still just the starting point of the state budgeting process. We still have the House, the Senate, the Conference Committee and then back to the Governor.

Also as requested, and in conformance with your policy regarding communication with department heads/staff, I have invited two department heads to your meeting tonight to discuss any issues of interest or importance to you. You will see Fire Chief Smith and Veteran's Agent Gauthier.

Action Requested: I look forward to answering any questions that you may have regarding budget at this point in time.

- b. The Deficit Note -** As earlier reported, the \$3,000,000 deficit borrowing was completed last week. We were able to sell the note for an interest rate of one half of one percent (½ %).

Action Requested: Let's discuss as you wish.

- c. **Other Capital Project-** One issue that we have not discussed publicly is the ancillary benefit we are realizing within the details of the deficit legislation. To point, at the end of the process we were able to get language added into the deficit legislation that allows us to issue the notes for the police station, ladder truck as “qualified notes” under the Commonwealth. What does this mean to us? Quite simply, it means significant savings to be realized by the taxpayers in Winchendon for the cost of these projects.

For example:

Police Station Project- The original calculations for the cost of the Police Station Project planned for a borrowing of \$2,750,000 over 20 years at a projected interest rate of 4.5%. This would have resulted in an annual payment of \$211,409 and a total interest cost over the life of the note of \$1,478,187.94. By way of example, as a \$3,000,000 qualified note for the deficit we just realized an interest rate of .5%. The same .5% rate on the police station would result in an annual payment of \$ 144,832.74 and a total interest cost of \$146,654.86. This reflects an annual **savings to the taxpayer of \$66,576.66 and a life of the loan savings of \$1,331,533.20.** (see attached amortization tables)

Ladder Truck- The original calculations for the cost of the Ladder Truck planned for a borrowing of \$850,000 over 20 years at a projected interest rate of 4.5%. This would have resulted in an annual payment of \$65,344.72 and a total interest cost over the life of the note of \$456,894.45. By way of example, as a \$3,000,000 qualified note for the deficit we just realized an interest rate of .5%. The same .5% rate on the Ladder Truck would result in an annual payment of \$ 44,766.48 and a total interest cost of \$45,329.68. This reflects an annual **savings to the taxpayer of \$20,578 and a life of the loan savings of \$411,565.** (see attached amortization tables)

Once the project is ripe we will petition the State Auditor’s Office to roll the Library project in under the same classification.

Action Requested: Share the good news whenever and wherever you can.

3. Project Updates-

- a. **Town Solar Farm -** As earlier promised, included in your packets you will have seen the recently finalized solar land lease/power purchase agreement for our town solar farm on the property adjacent to the capped and closed landfill on River Street.

As background, you will recall that we negotiated and executed a deal with a company called Axio Power as they were the successful bidder to our RFP back in December of 2010. That deal would have provided power to us for \$.01/kwh for ten years and \$.0875 for the following 10 years. Right in the beginning stages of construction, however, Axio was bought by Sun Edison. Sun Edison continued to keep the project alive including performing significant site development work into 2012 and ultimately they determined that the economics of the project as agreed to by Axio could not be financed so they walked away from the project. We have worked tirelessly to keep the dialogue open in an effort at realizing a project without the expense and risk associated with litigating the matter.

As reported over the past several months, we have been working to come back together around a deal that works for all parties and the document in your packets reflects just that end.

As an overview, the deal calls for Sun Edison to build and maintain a 2.6MW DC solar filed on our property and to sell us power in the form of net metering credits from the site to meet our townwide power load.

We are currently paying \$.223/kwh for our power needs for an annual cost of \$602,100 (2.7 million kWhs @ \$.223/kWh). This is for electricity for all town of Winchendon functions---schools, water and wastewater, street lights, and all other municipal buildings.

Under the terms of the PPA in front of you we would see a rate of \$.075/kwh for our power needs for an annual cost of \$202,500 (2.7 million kWhs @ \$.075/kwh) representing an annual savings of \$400,000 to be divided, pro-rata, between the schools, the enterprise funds and the general government.

Additionally, while the average annual increase in electricity rates in New England over the past 20 years is 3.9% with annual spikes as high as the 33% we saw in 2005 and the recent 30% hit, the terms of the PPA tie the rate of annual increase to a flat 2% per year. Under these terms, even 20 years out from today we will only be paying \$.1093/kWh, which is less than half of what we are paying today!

Lastly, please be advised---as I have stated each step along the way---this is not done until the switch is flipped and in that regard I am not counting on any power savings in my calculus for the FY16 budget. The terms of the agreement provide Sun Edison no more than 270 days to begin construction and then no more than 180 days to complete the project. While it is believed that the time frame will be much shorter than that, the document provides those outside timelines.

For what it is worth, the document also provides that Sun Edison is required to pay us \$12,500 per quarter for the option rights regardless.

Action Requested: This document has been fully vetted by Town Counsel Rick Holland who was involved in all aspects of its creation. After your review of the terms, and the answering of any questions that you may have, a vote to move forward and execute the document per the existing town meeting authorization would be in order.

- b. Proposed Business-** While we recognize that nothing is real until it is real-
- i. ONGOING-Salvatore Auto group's proposed Jeep dealership project at the intersection of Rt. 140 and Rt. 12 is scheduled to be before the Planning Board next week. It will be an exceptional gateway business and create new tax base and jobs for the town.
 - ii. ONGOING-we have been working with a business, which wishes to remain confidential for now, in an effort at landing them here in town as they seek to expand from another location within the region. They are currently functioning in a 10,000sf space and are looking for a minimum of 30,000sf. Their projection is 20 jobs.

- iii. ONGOING-UPDATE_-This group has made an offer on a property in town and the offer was accepted. This group is pursuing the adaptive reuse of a currently vacant building in town for their operations. Their initial job creation estimate is 50 new jobs created here in Winchendon.

Action Requested: None.

- c. **Police Station Filed Sub-Bids-** The bid specification documents for the project are on the street with filed sub bids due on March 25, 2015 and the general contractor bids due on April 2, 2015. I will be keeping you updated as we progress.

Action Requested: None.

4. Miscellaneous Updates-

- a. **Town Meeting Warrant Articles-** As earlier reported, we have draft warrant articles to create an Audit Committee, and Insurance Advisory Committee, Multi-family residential unit inspections and placeholders for the issue of retiree health insurance.

Action Requested: None.

5. Tickler File-

- a. **Yard Sale Policy-** You have copies of several versions of yard sale policies for your review and consideration.