

Steelton Borough
Special Joint Meeting
Borough Council and Borough Water Authority
September 30, 2010

The special joint meeting was called to order at 6:03pm by Vice President, Stephen Shaver and Authority Chairman Matthew O'Keefe followed by the pledge of allegiance and a moment of silence.

In Attendance:

Absent:

For Borough Council:

Dennis Heefner
Maria Marcinko
Stephen Shaver
Raymond Spencer

Michael Albert
MaryJo Szada
Jeffery Wright

Mayor Thomas Acri
David A. Wion, Solicitor
John M. DeSanto, Jr., Secretary/Treasurer
Kathy I. Sosnowski, Administrative Assistant
Mike Musser, Consultant
Jay Wenger, Susquehanna Group Advisors, Inc.

For Borough Water Authority:

Mayor Thomas Acri
Howard Gray
Kathleen Handley
Matthew O'Keefe
Raymond Spencer
Michael Solomon, Solicitor
Paul Navarro, Navarro & Wright
Vaughan Leer, Navarro & Wright
Patrick Regan

PUBLIC COMMENT: Agenda Items Only

None

COMMUNICATION:

None

UNFINISHED BUSINESS:

None

NEW BUSINESS:

Mr. Patrick Regan, Constellation Energy, Inc. – Present the company’s Response to Proposal to the Borough of Steelton and the Steelton Borough Water Authority for a Guaranteed Energy Savings Performance Contract Bid Offering.

COMMENTS/CONCERNS:

Mr. Heefner – Requested confirmation of \$18,000 figure to move forward with the IGA (Investment Grade Audit); concerned that once the process starts, the Borough and Authority will be locked in. Also, if one week into the process, if we decide not to proceed, will both entities be responsible for \$9,000 each? Mr. Regan indicated that the figure would be negotiable depending on the engineers’ and auditors’ time.

Mr. Spencer – Has concerns about some of the figures on the worksheet presented. The water plant already has a \$250,000 replacement grant in place; a 25% savings is required under that grant, but the sheet lists only 8% savings. Mr. Navarro feels comfortable that the savings will amount to the projected range needed; he handed out a letter of recommendation for members to review.

Mr. Navarro – Indicated that once the field studies are done, then Constellation Energy (CE) would guarantee the 25% savings. Mr. Heefner questioned how Navarro & Wright decided that the Borough should approve the project; Mr. Navarro replied that their recommendation was only to the Water authority as their advisors.

Mr. Spencer – Informed members that Mr. Navarro had talked to the Authority and they thought that he should include council in his recommendation. Also, the potential \$7,000/yr. for debt service, \$10,000 in improvements being done and costs for other replacements may result in figures not realistic to our budget.

Mr. Heefner – At the request of Mr. Shaver, Mr. Heefner stated his opinion that the authority will definitely save enough money to make the project worthwhile to them. However, he can’t justify the borough doing the same, as the savings wouldn’t be as much as necessary. Mr. Regan explained that if the borough made sustainability measures not normally done (lighting/air conditioning, etc.) that would create the savings expected. Mr. Heefner questioned whether the savings were sure to cover costs in years to come; the authority has a better option.

Mr. Spencer – At the request of Mr. O’Keefe, Mr. Spencer recommended that the authority pick up 85% of the debt service for plant upgrades; new equipment will be needed within the next year or two. Mr. Navarro agreed that some of the equipment is

near the end of its useful life (1-5 years). Mr. Leer also reminded everyone that the H2O Grant excludes the Energy Project. Mr. Spencer concluded that if the authority can afford 85%, then they should proceed.

Mr. Shaver – Like Mr. Heefner, he did not realize there was an \$18,000 back-out fee and asked that the solicitors advise.

Mr. Wion - Indicated that after CE's presentation, Requests for Proposals (RFP) were sent out. Honeywell picked up information but did not bid; CE placed the only bid. Also, the proposal went out in the Borough's name only with the understanding that both bodies would be involved in decision-making. Constellation would provide a letter of intent (LOI) to perform the IGA and review facilities to quantify their suggestions. If the Borough/Authority decide to proceed, then we would enter into a contract with CE. NOTE: Tonight's meeting is only for approval for the IGA, LOI and a memorandum of understanding. An affirmative vote tonight is only for those items – *not a contract*.

Mr. Solomon – The letter of intent could be addressed to both bodies, but other items should be separated; some provisions would be different. Mr. Wion added that we should probably create a third contract between the Borough and Authority as to what portion of the budget each entity will be responsible for (which depends on the results of the IGA). Mr. Solomon agreed.

Mayor Acri – Thanked Mr. Heefner and Mr. Spencer for working on this project. Questioned if the Authority could take this project on their own (if the Borough doesn't want to; Mr. Wion indicated that they could, but reminded all that it's not how the whole project was approached. He would also hesitate the prospect of the Authority borrowing \$150,000-\$250,000 without some guarantee from the Borough.

Mr. Spencer – Sees this project as a viable vehicle to get the work done, but the savings anticipated were for both bodies. He also asked if the budget allows for \$7,00 a year to be spent; Mr. Navarro is inclined to say yes.

Mr. Wenger – Indicated that he thinks the proposal has merit; this is an inexpensive way to finance projects that you will need to do anyway. Also the risk to the Borough is relatively modest.

Mr. Heefner – Stated that the sewer engineers were not involved in initial meetings and the Mr. Ellinger of HRG doesn't see the need for any sewer upgrades. He also wanted to know how much the Borough would have to borrow; he was told to let CE figure that out *after* the IGA is done.

Mr. Regan – The annual audit fee of \$2,000 for measurement/verification is only required for the first to third year; then we could track savings on our own and forego that yearly expenditure.

Mr. Wenger – Recommends at least proceeding with the IGA to

Vote (Council):

Vote (Authority):

OTHER BUSINESS:

None

AUDIENCE PARTICIPATION:

None

ADJOURNMENT:

There being no other business before Council, on a motion by _____,
seconded by _____, the meeting adjourned at _____ p.m.

Respectfully submitted,

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John M. DeSanto, Jr.
Borough Secretary/Treasurer

Kathy I. Sosnowski
Executive Administrative Assistant