

~AD HOC REPORT~

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*Danbury Public Schools ~ Honeywell Energy Conservation & Capitol Improvements  
Thursday, June 14, 2007*

Hon. Mark D. Boughton, Mayor  
Common Council Members

Chairwoman Jane Diggs called the meeting to order at 7:15 p.m. on Thursday, June 14, 2007, in the Caucus Room, 3<sup>rd</sup> Floor, Danbury City Hall, 155 Deer Hill Avenue. Present were Committee members Colleen Stanley and Paul Rotello. Ex Officio member: Duane E. Perkins. Also present were Corporation Counsel Laszlo L. Pinter, Assistant Finance Director Dan Garrick, Superintendent of Public Buildings Richard Palanzo and Elio Longo.

Chairwoman Diggs introduced everyone in the room. Chairwoman Diggs explained the purpose of the evening's meeting.

Chairwoman Diggs asked Elio Longo to explain the background of the request before the Committee. Mr. Longo explained that before the Committee was a Phase III proposal for the Board of Education and the City of Danbury to enter into a contract with Honeywell Corporation on Capital Improvement Projects to be made at 17 of the City's school facilities. These improvements include energy conservation, the assessment of in-door air quality and digital security. There are two phases that the Board of Education currently holds with Honeywell Corporation. Phase I and Phase II are structured as 10-year agreements. Phase I sunsets in July of 2007 and Phase II has approximately 3 years remaining. Phase III is to continue the partnership with Honeywell Corporation to achieve additional cost savings to the Board of Education in the area of utilities. The options available are to bond projects or to enter into a lease arrangement with Honeywell and GE Capital. The desired outcome would be to achieve savings in excess of \$5 million. The Capital Improvements cost is \$3.875 million, the agreement is a lease term of 10 years, annual payments of approximately a half a million dollars. Honeywell conducts an annual audit where the programs must show a targeted cost savings to the Board of Education and the City of Danbury year-to-year. There is a financial arrangement that is tied to the contracts where they are responsible to close any gap or any differential between what was projected and the actual cost savings. Phase I and Phase II have always exceeded the target savings. Before the Committee is a 10-year contract wherein boilers are to be replaced, electronically controlled measured are to be replaced, improved remote monitoring of the systems, and an overall savings of approximately \$5.7 million on a repayment of \$5 million over the next 10 years.

Corporation Counsel Pinter pointed out that Honeywell Corporation is the preferred provider as they have been in the business for a long time and they presently have in place other arrangements with City and school buildings. There are two agreements—one is with Honeywell which provides that Honeywell and the City will cooperate to procure the products and services to facilitate the program, the second agreement will procure the financing which is an arrangement between the City of Danbury and GE Capital to borrow the money. While Honeywell will provide a means to obtain and monitor the necessary equipment, the City is responsible for making sure the equipment is properly maintained. Corporation Counsel Pinter pointed out that there are a number of negotiation elements and legal clauses that are not finalized as Honeywell's contracts are uniform but complex. He is confident the issues will be ironed out successfully.

Richard Palanzo explained that the purpose Honeywell was contacted to conduct a Phase III analysis was to try and find any additional savings through electrical or heating expenses. Mr. Palanzo provided Honeywell with the 5-year Capital Plan for the schools so they could see what items had been identified that needed repair or

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replacement. A lot of those items appeared in Honeywell's proposal. If the Council approves moving forward with Phase III, those items can be removed from the 5-year Capital Plan for the schools.

Chairwoman Diggs asked if the funds needed for would be coming from the City's budget or the Board of Education's budget. Dan Garrick explained that the lease would come from the Board of Education's budget but the maintenance portion would come from the City's budget (public buildings) which is separate from the lease. The estimated cost for Phase III is approximately \$73,000.00. Mr. Palanzo pointed out that Phase I sunsets at the end of June and a portion of the savings will be brought forward, therefore, only those pieces of equipment that Honeywell has identified as contributing to the ongoing savings will need some sort of maintenance. It will not need maintenance to the degree that it needed maintenance during the previous 10-year period. Some of the items of Phase II will also be brought forward in the same fashion. Honeywell was asked to put together one maintenance agreement identifying all items, proposing what Honeywell will take care of and what the cost will be to the City going forward. Honeywell is currently working on such an agreement. There is also an ongoing air quality assessment which is a mandate for the Board of Education. It's a third-party independent air quality study in which Honeywell will provide the City with a report of its findings.

Councilman Rotello expressed concern with the maintenance clause. He pointed out the expense with using the maintenance department for all the buildings. He pointed out the burden the City faces with a possible mold contamination wherein Honeywell is not responsible per their contract clause. Mr. Palanzo explained that the City has had a 10-year relationship with Honeywell as it has entered into two similar agreements with Honeywell. The City has exceeded the savings that Honeywell has predicted in Phase I and Phase II. The maintenance that has been described is routine maintenance that the City would have needed to perform. However, Honeywell periodically makes inspections to ensure things are running the way they should. Mr. Palanzo pointed out that his department consists of 8 mechanics. If Honeywell were not assisting, he would need to increase his staff to 20 mechanics (\$60,000 per mechanic plus benefits).

Councilwoman Stanley asked if the project helps to alleviate escalating costs to the City. Mr. Palanzo explained that Honeywell will review all the bills and find ways to reduce energy use. Honeywell has guaranteed that should the City not achieve the savings they have guaranteed, they write the City a check for the difference between what we spend and what they say we should have saved. The key, however, is properly running equipment which needed to be maintained. Corporation Counsel Pinter added that Honeywell is very clear that if there is a failure to maintain, there will be no savings. Councilwoman Stanley asked who makes that determination. In the 10 years the City has had a relationship with Honeywell, Mr. Palanzo explained that there has never been an issue regarding maintenance so long as a maintenance contract was in place with Honeywell. If no maintenance contract is in place and the City failed to achieve the minimum of guaranteed savings, then Honeywell would conduct an in-depth assessment to see where the problem(s) exist.

Councilman Perkins asked if the Council could be provided with a report which quantifies the savings being projected. Mr. Longo said that the annual audit report would provide the information being sought on a summary basis.

Councilman Rotello asked Corporation Counsel Pinter if he was comfortable with the proposed contract with Honeywell. Corporation Counsel Pinter said he did not particularly like the contract as he felt the language was "a little sloppy". He was cautious about the dispute resolution clauses because of all the elements that have been incorporated. He felt some of the clauses were one-sided. He advised the Committee that a number of man hours have been expended reviewing the contract. He noted that the contract is one that Honeywell frequently uses. While he felt the contract needed to be fine-tuned, he did caution, however, over negotiating the contract fearing Honeywell may pull out. He reminded the Committee of the 10-year relationship the City

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has with Honeywell and to bring a new company in would not only be an added expense, but also require re-training of staff in order to familiarize them with a new system.

Councilwoman Diggs asked Corporation Counsel Pinter if his desire was to fine tune the contract and return to the Committee. Corporation Counsel Pinter suggested having the Committee makes its recommendation to the Common Council, meanwhile, he would be working on the contract. Once the contract went before the Common Council, it would be at a point where the Council could approve it if they so choose. He recommended making the Committee's recommendation subject to or conditional on some additional negotiations regarding certain elements that have been discussed.

There was some confusion as to whether or not the matter would need to return to the Committee prior to being presented to the Common Council. Corporation Counsel Pinter explained that should there be a significant negotiation conflict, the Council will be advised immediately so the matter does not go before them.

Councilwoman Diggs inquired about time constraints. Mr. Longo explained that the payments relating to Phase I are completed. Honeywell is to identify which aspects of the equipment from Phase I will carry forward as energy conservation or energy offsets for 10 years. Engineering specs are to be produced which confirm the equipment has a useful life of approximately 20 years. The majority of the improvements are such that the Board of Education would like them to be completed prior to the beginning of the new school year.

Corporation Counsel Pinter advised the Committee that his daughter was getting married and he would not be able to attend the Common Council's July 3<sup>rd</sup> meeting. He did not wish to delay moving the matter forward. He would, however, be sure that Attorney Yamin was up to date on this issue and also would be available by cell phone should the need arise.

A motion was made by Councilwoman Stanley and seconded by Chairman Rotello that the Committee recommend approving Phase III of the Honeywell Energy Conservation and Capitol Improvements project and the financial agreement with General Electric Credit Corporation in the amount of \$5,010,327.71. Said recommendation is in accordance with the proposed Resolution distributed to the Committee by Corporation Counsel Pinter and conditional upon the Corporation Counsel and other staff successfully concluding negotiations. The motion carried unanimously.

A motion to adjourn was made by Councilman Rotello and seconded by Chairwoman Stanley. The motion carried unanimously at 8:20 p.m.

Respectfully submitted,

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Jane Diggs, Chairwoman

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Colleen Stanley

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Paul Rotello



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**CITY OF DANBURY**  
**OFFICE OF THE CORPORATION COUNSEL**

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June 25, 2007

Hon. Mayor Mark D. Boughton  
Hon. Members of the Common Council  
Chairwoman Jane Diggs (Committee Chair)  
155 Deer Hill Avenue  
Danbury, CT 06810

Re: HONEYWELL Energy Conservation and Capital Improvements program  
Supplementary Report

Dear Mayor and Council and Chairwoman Diggs:

At the Council Committee meeting concerning this matter on June 14, 2007, we had indicated that we would be working to finalize the details of a number of technical and/or legal provisions in the contracts of financing and program operation, and would advise you accordingly. Committee members will recall that most of the particulars and larger concerns of the general operation of this ten year arrangement with GE Capital and with Honeywell were discussed at that committee meeting.

We can report to you that we have had a number of telephone discussions with Honeywell personnel, and they have agreed to certain modifications that will serve to clarify some issues we had. While the schools system will continue to have overall charge of this program and its implementation, we were able to assist them in the review of the contractual clauses required to institute the energy savings program.

Subject to any other technical, operational or financial questions you may have, once we receive the modified documents from Honeywell (which we assume will be complete), our legal review will be completed.

The Schools administration has asked that you consider the **approval of the resolution** before you (modified from the one you had in June in order to incorporate two separate contracts, and clarify the process). Such approval will allow the process to go forward in a timely and comprehensive fashion.

Please do not hesitate to call with any questions.

Very truly yours,

Laszlo L. Pinter  
Deputy Corporation Counsel

Attachment

cc: Rick Palanzo, Superintendent of Public Buildings  
Dan Garrick, Acting Director of Finance  
Elio Longo, Director of Finance/Board of Education  
Candace Smith, Honeywell

Lip/Honeywell

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# RESOLUTION

CITY OF DANBURY, STATE OF CONNECTICUT

\_\_\_\_\_ A. D., 200\_\_

RESOLVED by the Common Council of the City of Danbury:



RE: Honeywell Energy Conservation Program

Amount to be financed: \$3,875,000.00

**WHEREAS**, the City of Danbury is a political subdivision of the State of Connecticut and is duly organized and existing pursuant to the Constitution and laws of the State; and,

**WHEREAS**, pursuant to applicable law, the City of Danbury Common Council may authorize the acquisition, disposal of and encumbrance of real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions or operations of the City of Danbury and its Public Schools; and,

**WHEREAS**, the City of Danbury Common Council hereby finds and determines that the execution of an agreement between the City of Danbury and Honeywell International, Inc. (the "Honeywell Agreement") for the purchase and installation of various capital improvements, primarily devoted to energy conservation efforts of the City of Danbury and the Danbury School System; and,

**WHEREAS**, the City of Danbury Common Council hereby finds and determines that the execution of lease purchase agreements ("Equipment Leases") in the principal amount not exceeding the amount stated above for the purpose of acquiring the property ("Equipment") to be described in the Equipment Leases is appropriate and necessary to the functions and operations of the City of Danbury Board of Education; and,

**WHEREAS**, General Electric Capital Corporation ("Lessor") shall act as Lessor under said Equipment Lease.

**NOW, THEREFORE, be it resolved that:**

The Board of Education through the Office of the Danbury Public School Superintendent (the "Board") is hereby authorized to negotiate, enter into, execute, and deliver the Honeywell Agreement, in substantially the form set forth in the document that is currently available for public inspection in the office of the City Clerk. The Board is further authorized to negotiate, enter into, execute and deliver such other documents relating to the Honeywell Agreement as necessary and appropriate. All other related contracts and agreements necessary and incidental to the Honeywell Agreement are hereby authorized.

The Board of Education through the Office of the Danbury Public School Superintendent (the "Board") is hereby authorized to negotiate, enter into, execute, and deliver one or more Equipment Leases in substantially the form set forth in the document that is currently available for public inspection in the office of the City Clerk. The Board is further authorized to negotiate, enter into, execute and deliver such other documents relating to the Equipment Leases as necessary and appropriate. All other related contracts and agreements necessary and incidental to the Equipment Leases are hereby authorized.