

**Minutes of the Montpelier Special City Council Meeting
February 7, 2013
Community Meeting Room, Montpelier Police Department**

In attendance: Mayor John Hollar (presiding), City Manager Bill Fraser, City Councilors Andy Hooper, Angela Timpone, Thierry Guerlain (remotely - via IP videoconference service), Alan Weiss, Tom Golonka and Anne Watson. City Clerk John Odum acted as Secretary of the Meeting.

Mayor Hollar called the meeting to order at 6:01.

13-041. Joe Aja and Wanda Minoli from the Vermont Buildings and General Services Department appeared with Commissioner Michael Obuchowski before the Council to brief the city on the nature of the projected \$2.3 million in cost overruns on the state's portion of the district heat project. Commissioner Obuchowski indicated they had become aware of the overruns just last week and had since met with the Mayor, as required by the contract between the state and the city.

Obuchowski referenced the materials provided to the Council in characterizing the overruns (which were specific to the state's generating building and system) as a result of the time it took to formalize the project, the risk involved with the project (floodproofing in particular), and construction challenges relating to the site (including concerns about meeting the October 1 deadline).

In response to a question from the City Manager, Aja acknowledged that the cost of the heat exchanger had not been accounted for in the agreement. Mayor Hollar, along with Councilors Watson, Golonka, and Guerlain questioned why the full costs were not known earlier in the process. Commissioner Obuchowski characterized all parties as bearing some degree of responsibility.

Obuchowski cited a previously proposed 75%-25% split for cost overruns as a basis to address the shortfall. Councilor Golonka objected, noting that the language had been explicitly removed from the contract in regards to the generating facility to avoid burdening the city with potential financial responsibilities for the state's portion of the system. Obuchowski responded that the formula was only cited as part of an open, good faith discussion.

Councilor Golonka noticed the financial risks to the city, given the contracts already signed on the project. He further objected to comments from Obuchowski which appeared in the paper, which Golonka characterized as blaming the city for the cost overruns. Obuchowski replied that it was not his intention to send that message. He went on to repeat the state's commitment to the project, citing its numerous anticipated benefits.

Councilor Timpone asked about the department's confidence in the revised estimates, and also wondered whether the legislature was likely to be open to increasing the appropriation for the project. Washington County Senator Ann Cummings indicated that

Senator Dick Mazza (of the Senate Institutions Committee) was not pleased with the overrun.

In response to a question from Councilor Timpone, Commissioner Obuchowski indicated that the state needed a resolution on the matter from the City by next Wednesday, in order to keep to the project timeline. The Mayor indicated that alternative revenue streams were outside the scope of the project.

Councilor Weiss asked the City Manager for a breakdown of the city's financial obligations on the project. The City Manager indicated the city had \$3.7 million in commitments and had already spent over \$1 million. He added that customers were expecting service on October 1st, and that the project funding depended on those revenues. He repeated Councilor Golonka's point that the overall project was structured such the generating facility was the sole responsibility of the state, and that the city and state should look towards future capacity for more funds.

Councilor Golonka expressed further concern about the potential for the state to default on the contract if the legislature does not provide extra funds to cover the budget gap. Obuchowski indicated that, hypothetically, the project would have to be downsized, and that the state's financial obligations would also be jeopardized under such a scenario. In response to a question from Councilor Watson, Councilor Golonka suggested that the project start date could not be moved at this point. City Manager Fraser agreed.

Mayor Hollar asked for details on specific budget overruns on the materials provided by the Department. A discussion of the federal grants followed, and the City Manager indicated it was unclear how they would be impacted, in terms of potential liability to the federal government, should the project be delayed. At Councilor Guerlain's question, it was noted that the overruns represented an increase of roughly 14-15%.

Guerlain also received a confirmation that the costs of the pumps and exchanger were not reflected in original estimate, due to the shift in the funding responsibility for those components over the course of negotiating the final contract.

Aja indicated that there were not significant savings to be made from altering the construction plan of the building.

At 7:13 PM, Councilor Hooper moved that the Council enter into executive session along with City Attorney Richard Saudek. Councilor Weiss seconded the motion, which passed unanimously.

At 8:00 PM, Councilor Weiss moved that the Council return to open session. Councilor Golonka seconded. The motion was agreed to unanimously.

At 8:01 PM, Councilor Weiss moved that the Council adjourn. Councilor Golonka seconded. The motion was agreed to unanimously.