

**COMMITTEE MEETING
LAKE PLEASANT, NY
MONDAY
JUNE 5, 2014**

**PUBLIC WORKS COMMITTEE
9:00 AM**

Members present: Brian Towers, Brian Wells, Rick Wilt and Phil Snyder

Also present: Bill Farber, Bob Edwards, Clark Seaman, Neil McGovern, Tracy Eldridge, Don Rhodes and Bill Osborne

Mr. Towers thanked everyone for being here.

Highway Superintendent Eldridge stated that they are all here to discuss the Fuel Consolidation Phase III Application. Today on the agenda there is a resolution to award the bid for Phase II at Indian Lake and Long Lake. As we started looking at Phase III and asked our engineering firm to try to keep well within what the Department of State looks for; the costs have gone up exceptionally since Phase I.

Mr. Eldridge stated once Mr. Rhodes took the tasks that they gave him, he came up with a cost of just over 1.5 million dollars. The total grant award would be only 1 million dollars which put a half of million dollars for local share to make up.

Mr. Towers stated in Phase I and Phase II we have communities that have issues that they needed to complete. When we look at Phase III and how things would be centrally located, we are not in desperate need of doing something because our fueling depots are in pretty good shape right now. When you look at a million dollars and the local share of for example \$75,000.00, my Board is going to raise eyebrows because they think we are in pretty good shape.

Mr. Eldridge stated as time goes forward regarding county issues it's not getting any cheaper especially when you are talking about bulk petroleum storage. He spoke with Mr. Rhodes and Mr. Farber regarding local share and they went back and looked for different options.

Mr. Farber stated that he understands Mr. Tower's point. The simple reality is we all know that communities move forward on projects once they have a consent order. We have had success with Phase I and Phase II, people like it because it was a transformational project. He wonders how they are going to score the application once they look at how transformational this is; is it worth the State of New York spending a million dollars. So we have to intersect the local interest with what is going to score well and that we are not just doing phase after phase, we are showing additional transformation such as phase II where DOT was more involved in Indian Lake. We have to show them we are growing the level of transformation in order to continue to get Department of State's attention and getting the applications funded.

Mr. Rhodes explained we start with what we ask for, which is pretty much what everyone else has got already, and there's the cost, it's high and probably higher than what you will receive. He doubts that DOS will give Hamilton County a million dollars this round and there may be other ways to go about it. In order to change the approach we need the stake holders to say that is the right direction. So he created some alternatives for basic cost cutting for everyone to look at in the handouts.

Mr. Rhodes explained option one. The Town of Wells, because he feels there is real opportunity for cost benefit within that area because of the number of stake holders. There is a labor savings of all stake holders that would be involved in the larger project. For example Wells School has a very simple facility and underground tank that probably has another ten years left on it, but every day they have to unlock the pumps, stick the tanks, read the meters and at least a half hour is consumed doing these tasks. Now, the Town of Wells has two facilities, he is not saying it takes them that long but there is savings there. Again Wells has two facilities and eventually they will have to replace that within the next ten years which will be a cost of about \$290,000.00 today for a very low grade system, nothing like what we are planning. Now if you budget that over a ten year period it would be a \$29,000.00 a year budget impact. Similar to the school, they are going to be into it about \$250,000.00 assuming it was today, but it's going to be ten years out so the annual tax payers' savings on just the debt cost or that savings for that future project is \$54,000.00 for the Wells stake holders.

Option two is if you move forward with phase III facility, it will be built, you'll pay for it partially with the grant, there will be a certain amount of savings there and in thirty years you are going to have to replace it. So in thirty years the Town of Wells is going to have to undertake a project, the differences in savings for that thirty year out project is \$18,000.00 a year and Wells school is going to pay nothing because they are not going to have to put in a new facility, there is your real savings. One facility is gone away, one is completely upgraded and when you factor that in with labor for just the Wells stake holders it is just about \$47,000.00 per year which is pretty substantial. In the end it equates to around a \$50,000.00 savings per year if they move forward with a facility in the Town of Wells. Seeing they have two facilities they have the biggest bang for the buck.

In Inlet we have something similar but you have a system that is in pretty good shape. Mr. Rhodes handed out information.

Mr. Eldridge stated one other advantage to the stake holders that that they may or may not think of as an advantage because they are still paying, is that they won't have the task any longer of procuring diesel fuel or gasoline.

Mr. Rhodes continued the discussion. The original high cost high benefit option that he sent out still had investment in Benson and Raquette Lake with just pulling the tanks out which removed all of those costs. Morehouse tanks are in pretty good shape, not a high level number of users there, they could come onto the system immediately and the County could order the fuel and they would just have to maintain the responsibility for inventory and invoicing.

Under the Inlet scope you could either spend the \$500,000.00 for the brand new island like they have in Arietta or we can do something else. Inlet currently has fuel management, they are the only

one in the county that really has a temporary system and have a lot of stake holders that use it and it functions pretty well, but they would benefit from letting the county take over some of the invoicing and they could tie into the county's new system once they came on line this fall with absolutely no increase in cost.

Mr. Rhodes is proposing taking a look at the Inlet site and say we leave what they have there. They have 1950's pumps that probably need to be replaced and add on electronics for tank gaging to make it easier for the county to interface with them to know what the levels are in the tank and we could basically save \$416,000.00 by making those minor changes. They are not going to get fire suppression, a canopy etc. that usually is in a fuel management system and is not mandatory.

Then in Hope either reuse existing tanks and put on fuel management only or do the same as Morehouse has. He also showed another alternative for just Hope. They have older tanks and use around 100 gallons of gasoline per year with a 1,000 gallon tank so you could use that elsewhere. Mr. Rhodes feels that diesel could benefit them and Benson, so putting in a new 2,000 gallon diesel tank isn't that costly so we do that with no fuel management and you have an appropriately sized and designed tank at about \$40,000.00. You can save a little money, you are deleting the fuel management but you are getting a new tank.

With these changes we are still a little bit high so the idea maybe doesn't make since to do this all as one phase, the goal was but it is costly. Does it make since to do the southern portion of the county this phase and the northwestern in phase III, he thinks it may. This would bring it down to a 10% match.

Mr. Eldridge and Anas Mashhadi from Department of Transportation spoke about this; once we are on line in Indian Lake, Mr. Mashhadi and the Utica Regional office is in favor of consolidating with the County. They have a 2,000 gallon protected tank that Mr. Mashhadi could entertain the Regional Office that the tank be moved to the Town of Hope. Mr. Rhodes stated that would be a great opportunity since they are right behind the Wells Highway site. Mr. Rhodes stated if we can count on that we can take \$50,000.00 off the budget and that is where he would like to be at or a little under the \$600,000.00 mark and that should get us there. He feels if they are awarded it would be around \$600,000.00 at the highest.

Mr. Rhodes stated now here is the sticky part, once you go in for a grant award you can't get more and you have to provide what you are asking for. There are options, he took this year's construction costs and inflated them for the initial transmittal by 20%. The one everyone has in the handout is 15% which he is comfortable with however he suspects an award will be made before November and we could actually get this project built in 2015 which is completely different from what we did for Phase II.

Mr. Rhodes wanted to discuss the alternatives and figure out what they want to put in the grant application. He would like to provide as much benefit to the entire county as he can. If we can completely strip out the Inlet scope and keep Wells that would bring down the budget \$140,000.00 we would be getting into a really good grant situation because you are under the \$600,000.00 limit. We will do the low cost approach so that we can bring the entire county into the program.

Mr. Farber asked what Mr. Rhodes meant by accessing their fuel management system. Mr. Rhodes stated they have a Fuelmaster System so we could essentially hook into them for very little cost. Mr. Farber questioned if we proceed with this and Benson and Hope are comfortable with our 6,000 gallon tank going from Indian Lake to Inlet what kind of cost would be involved in that. Mr. Rhodes stated pretty minor, he spoke with someone who does this type of stuff and was told as long as the county could move the tank it would be less than \$5,000.00 to plumb it in and additional cost for some concrete to be laid.

Mr. Farber asked if we are strengthening our application even though it's a few thousand dollars, to actually show how we're serving them and where we are moving the tank and using their fuel management system etc. The down side is it would make it tougher to go back later and apply for more for Inlet if Inlet wanted to do something more dramatic. Mr. Farber stated that he would need to contact Mr. Frey and relay the options they are looking at.

Mr. Rhodes stated he feels the best bang for the county's buck is to fund it outside of the grant but we can weave it in as a county intended project. Let the county undertake a project and partnership with the town to relocate that tank, work together to put the tank in, plumb it and now they have sufficient room for the diesel, it would be less than \$10,000.00 in the end.

Mr. Eldridge stated that he wants to make sure that all of the stake holders are comfortable in moving forward.

Mr. Farber stated we need to make sure people understand what we are thinking and this is what we are proposing and does it work; is there a benefit to our communities and if there isn't, now is the time to express it because there is no point in getting grant funding for something that the communities don't want to implement.

Mr. Rhodes stated you will never get another grant in the future if you don't implement it.

Mr. McGovern asked if there are any older tanks that need to be taken care of.

Mr. Eldridge stated this current phase they are doing right now eliminates all the tanks in Indian Lake and Long Lake as far as the Town and County goes except for heating fuel, there is one in Long Lake underground and some at the Professional buildings in Indian Lake but are all up to date.

Mr. Rhodes stated that the Wells site has about ten years left and then they will have to invest.

Mr. Towers stated that he doesn't personally have a problem moving forward but he thinks he will have some real questions from his Board about having to come up with \$50,000.00.

Mr. Farber asked if they see Wells School participating financially in this.

Mr. Rhodes stated how you structure that partnership is up to the county, the way we have done it in the past can change. It was always whoever has the site pays the most. Wells School is

significantly benefited by partnering with the Town and offsetting some of the costs, its real savings to them just to get rid of that liability in the ground.

Mr. Towers stated that there has not been any conversation regarding this with the Town Board but should be done.

Mr. Osborne stated often in an economic development project you would fund infrastructure improvements through what is known as pilot increment financing or tax increment financing as where you earmark any incremental property tax receipts to go towards the payment for the infrastructure improvements. Is there any way to establish that the savings that you are talking about are enough to cover the match cost?

Mr. Rhodes stated there is and continued to explain how that works with the State.

Mr. Osborne then asked are the real savings enough, let's say the town borrowed the match, are the real savings enough to pay off that loan and what period of time.

Mr. Rhodes stated he would look back at the equipment replacement options again and for the town budget to replace the existing facility ten years out is \$29,000.00 a year. If they do it today and they build it and save for that thirty year replacement it will cost them \$18,000.00 a year.

Mr. McGovern stated this is either pay me now or pay me later scenarios. Long term budgeting requires someone or at least the majority of your board who is willing to assume that if we don't pay it now we're going to pay more later. Mr. Osborne's questions are right on and Mr. Rhodes is trying to lay out if you were doing things right and putting aside, yes the savings would be there, if you weren't doing it right then no you're not going to be able to pay the debt service off of money that is left over.

Mr. Osborne stated that is his point of real savings opposed to on paper savings because if the savings are real and you can actually touch the money then you could vote to isolate those funds.

Mr. Towers asked Mr. Rhodes where he came up with \$290,000.00 if we were to replace our facilities ten years from now.

Mr. Rhodes stated if you are going to have a project today, you are going to have to put in new tanks, new dispenser etc. it will cost \$290,000.00 for the same setup you have now, you can figure in 10% for every year.

Mr. Rhodes stated with these fuel tanks people turn a blind eye to them and if you're not saving for it you are going to end up exceeding its useful life, cutting corners and having a huge cleanup penalty which he has worked on a lot of them and some are not as successful as Lake Pleasant's was. You don't want to not save and he recommends all of them to start talking about that type of budgeting, even if it is half of the cost, it's something.

Mr. Towers asked Mr. Rhodes if he had the breakout to remediate the school's tanks now and it looks like their cost would be around \$24,000.00, has anyone had that conversation with the school.

Mr. Rhodes stated that a letter was sent stating the anticipated costs and showing what the 10% match would be.

Mr. Rhodes stated that these are somewhat estimates, but feels they are reasonable estimates, is there savings yes, can out touch it, depends on how you budget.

Mr. Edwards asked Mr. Rhodes what percentage it is going to cost Benson and Hope.

Mr. Rhodes stated if we take the DOT tank from Indian Lake and we don't add fuel management to it, it will cost you nothing. It will cost you to get rid of your existing tanks which can be done outside of the grant which isn't that costly. If we add fuel management which is approximately \$40,000.00 to \$50,000.00 item it would cost you 10%.

Mr. Eldridge stated he thought Benson and Hope would want the fuel management.

Mr. Towers stated if Wells comes up with their share so that DOT can use our fuel system, then DOT is going to give them the tank at no cost and I get no benefit from that.

Mr. Rhodes did review a few other options but not as simple as the other options. He stated you change it anyway you want but it just makes things more complicated.

Mr. Towers stated he can go back to his board and talk about thirty years and what it will cost us for the next year and a half that will protect us for the next thirty years.

Mr. Eldridge offered to come to any of the town board meetings to explain the situation.

Mr. Edwards asked Highway Superintendent Eldridge if this will be similar to the fee for maintaining your trucks at the transfer station.

Mr. Eldridge stated they charge .5 cent on top of whatever the contract price is right now.

Mr. Farber stated that keeps us responsible for the fuel management system software and etc. The tank is yours so if you locally want to set aside money annually so that when something happens to one of your tanks you are in a position to replace it that is all up to your board. We all have unique opportunities here, we have the ability to use shared services money to upgrade tanks and that is not going to come around again.

Mr. Eldridge stated that they will be in much better shape with the DOT tank than with the 6,000 gallon tank that is there. Your annual maintenance cost will be minimal.

Mr. Farber asked if anyone had any question regarding their particular role in this. Mr. Farber stated that should not be without note that Mr. Osborne is here. When these numbers first came

out we were obviously well over the max for a million dollars. He spoke with Mr. Eldridge and stated that he was willing to set aside the Morehouse piece and not try to pursue upgrades because he believes it pushes them off the radar screen. His town board has some interest in getting rid of the tanks entirely. With that he spoke with Mr. Osborne about an economic development project which they are proposing to weave into the language of the application if it makes sense to this board which will talk about something that is more transformational with respect to selling this application. That is to start privatizing part of the municipal system. He spoke with Mr. Osborne, Mr. Rhodes and Mr. Eldridge on how we would go after economic development funds, not only for that but Mr. Seaman has a local businessman who is looking at doing a stand-alone CFA for a particular site. Our concern with the knowledge that we have with the CFA system and the way they score both at the region and also the state level is individual businesses are hard to show job creation and economic impact, they don't score really well. The three of us are going to discuss doing a county application.

The county has historically been the applicant for money that goes to the IDA. The idea of the project would be to try to pick up the project that Mr. Seaman has in Raquette Lake and in Morehouse. The idea is to have some IDA money available to upgrade other pumps within the county so that they could be automated to 24/7 credit card capability and backup power. This could give us the ability to say through the applicant commitment to the IDA that they will maintain their tanks at 50% full or greater so that we can argue into what the Governor has talked about with strategic fuel reserve county wide.

Mr. Osborne reported that there is also a potential fuel project in Wells too. We could certainly make it part of any IDA funding or applications that benefit fuel projects.

Mr. Farber stated this is going to be grant money to cover a big portion of the cost. Obviously the applicants are going to have to match it with personal investments.

Mr. Osborne stated if municipalities would agree to buy x amount of fuel from one of these entrepreneurs, even if it was at their cost, there is benefit to the entrepreneur.

Mr. Farber stated that is the plan for Morehouse to switch over to state contract credit cards, they eliminate the sales tax automatically and you make the commitment to the entrepreneur for the fire, ambulance and highway departments to buy all the fuel from them and that gets us out of the fuel service for a small fee.

As there was no further business, the meeting ended at this time.