BURLINGTON BOARD OF FINANCE
BUSHOR CONF. ROOM, FIRST FLOOR, CITY HALL *OR*
REMOTE MEETING WITH CALL-IN NUMBER
BURLINGTON, VERMONT
MINUTES OF MEETING
DRAFT
April 29, 2024

MEMBERS PRESENT:
Ben Traverse
Mark Barlow
Sarah E Carpenter
Joe Kane
Emma Mulvaney-Stanak

OTHERS PRESENT:
Katherine Schad
Joe McNeil
Chapin Spencer
Megan Moir
Martin Lee
Brian Pine
Rachel Jolly
Miranda Lescaze
Erik Ramakrishnan
Melo Grant

1.0 CALL TO ORDER and AGENDA

1.1 Motion to amend/adopt the agenda
Mayor Mulvaney-Stanak called the Board of Finance meeting to order at 5:32 PM

MOTION by Councilor Carpenter, SECOND by City Council President Traverse, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM

2.1 Verbal Comments
Solveig Overby spoke about item 4.3, the sale of 200 Church Street. She asked that instead of selling the building, the City should give Burlington Telecom a ground lease, saying that this would be more fiscally responsible for the City. She said that they don't know what the City is going to look like in 50 to 100 years, and that they could still receive revenue from the deal while retaining the property as an asset.

Steve Goodkind urged the City to conduct more accurate fiscal monitoring and reporting on departments funded through the General Fund. He expressed concern that the FY24 financial situation is worse than currently projected due to potential inaccuracies.

Karen Long expressed dismay about the City's financial reporting, noting that the FY25 budget gap has increased by another $4 million. She said that residents are being forced out of Burlington because they're being priced out of their homes. She said that the City needs to be more fiscally responsible, noting, for example that the $5,000 being requested in item 3.5 should be the responsibility of residents and NPAs, not the City and taxpayers.

Sharon Bushor spoke about item 3.3 (the BPRW budget neutral amendments), expressing concern that the inability to separate revenue from North Beach parking and Waterfront parking makes it difficult to know how much money was spent for parking in one area or another, in turn making it difficult to use that information to drive budget decisions. She also spoke about the sale of 200 Church Street, saying that she is typically unsupportive of selling City property and assets. She noted that the costs for the Community Justice Center would be $42,000 more on an annual basis and asked where the City will find that funding, and noted that the costs of relocating the HR department were not factored into the proposal.

3.0 CONSENT AGENDA

3.1 Motion to adopt the consent agenda and take the actions indicated.
3.2 April 15, 2024 Special Board of Finance Meeting Minutes, Draft – approve the minutes.
3.3 BPRW Budget Neutral Amendments – BPRW – approve and recommend that the City Council approve and authorize the budget neutral adjustments as detailed in the attached budget amendment forms, and further authorize the Chief Administrative Officer or designee to effect all necessary transfers of funds to carry out such amendments, subject to the final review and approval of the Chief Administrative Officer.
3.4 Authorization to Execute Easements with UVM Regarding the Redstone Water Storage Tank Site – DPW – Water Resources – 1. Authorize the City Council to approve and authorize the Mayor to execute an easement to allow the City access to UVM property for the purposes of project staging and to access its parcel located at 354 South Prospect Street for inspection and maintenance; and 2. Authorize the City Council to approve and authorize the Mayor to execute an easement to allow UVM access to its parcels through the City site located at 354 South Prospect Street.
3.5 ONE Cleanup/Cleanout Proposal – Ward Two City Councilor Gene Bergman – recommend to the City Council that it approve the expenditure of up to $5,000 from City Council Initiative Funds to support the ONE clean-up in May 2024 and to authorize the Chief Administrative Officer to reimburse expenses up to $5,000 for this event accordingly.
3.6 BED Heat Pump Bill Credit Program and Commercial Demand Response Program – BED – recommend that the City Council approve the General Manager of Burlington Electric Department, or his designee, to file with the Vermont Public utility Commission a pilot rate to provide a monthly bill credit and/or a pilot rate to customers installing BED approved measurement and control devices on electric heating systems.

MOTION by Councilor Carpenter, SECOND by Councilor Barlow, to adopt the consent agenda and take the actions indicated for items 3.1-3.6.

VOTING: unanimous; motion carries.

4.0 DELIBERATIVE AGENDA

4.1 Distribution and Collection System Improvements – Consultant Amendment and Contractor Budget Amendment – DPW – Water Resources

Director Spencer noted that this is an amendment for a consultant and a contractor budget amendment for a multi-year project conducting proactive repair and upgrade of the City's wastewater, stormwater, and potable water collection and distribution system. He noted that this is the last year of that effort. Engineering Manager Lee said that the contractor is conducting water line and sewer replacement, and sewer and storm relining throughout the City. He noted that on the waterline work, the City is projecting an overage of $135,000, due to a number of unanticipated change orders that increased costs.

Councilor Barlow spoke about the overage as they relate to the Deforest Road work, and asked whether DPW knew that there were many bends in piping when they began the work, or whether this was discovered during the course of the project. Engineering Manager Lee replied that much of it was unanticipated, but that the project also dealt with older piping in a tight space. Division Director Moir noted that this is one reason why projects like this have such large contingencies, given that the mapping used to inform the planning for this project was inherited from decades ago and hadn't been updated.

MOTION by Councilor Barlow, SECOND by Councilor Kane, to 1. Approve and recommend that the City Council authorize Chapin Spencer, the Director of Public Works, to execute an amendment in the amount of $196,785.00 for Calendar Year 2024 administration and inspection services, for a total contract value with Dubois and King not to exceed $743,076.00, provided that all these authorizations are contingent on the contract and any amendment thereto having the prior approval of the City Attorney and Chief Administrative Officer; and 2. Approve and recommend that the City Council authorize Chapin Spencer, the Director of Public Works, to execute an amendment in the amount of $135,000.00, for a total Distribution and Collection System contract value with Inliner not to exceed $8,136,131.13 provided that all these authorizations are contingent on the contract and any amendments thereto having the prior approval of the City Attorney and Chief Administrative Officer.

VOTING: unanimous; motion carries.

4.2 Lease Agreement for the Community Justice Center at Post Apartments – CEDO/CJC
Director Pine noted that though this lease agreement wouldn't begin for another 18 months, in order to get to a closing on the financing for the project by the end of the month, the lenders and investors involved in the project require proof that the project is financeable and has enough rent income to cover debt service and operating expenses. He spoke about how the Community Justice Center's current space is not adequate to meet its needs and that its currently low rent has been at the expense of good quality space for staff and program participants. He noted that the rent would increase from $21,000 to $64,000 per year, and that CJC has an annual budget of $1.6 million. He said that in terms of covering increased rent, they would optimize the use of dollars secured already for capital improvements to the municipal project through the State's sales tax reallocation, but also the Congressionally-directed spending secure by Senator Sanders. He said they are unsure whether they can capitalize for rent reserve with some of that funding, but that is the intention. He noted that the State is potentially looking to regionally consolidate CJCs and that the CJC for Chittenden County would likely be Burlington's.

Councilor Carpenter asked about rate comparisons and what other options CJC has looked at, and what alternatives there could be if CJC didn't rent that space. Director Pine replied that commercial properties are classified into Class A and Class B categories, with Class A being higher quality than Class B in terms of amenities like finishes, internet, and quality HVAC systems. He said that CJC's current space is considered Class B and that the Post Apartments project is considered Class A. He noted that Class A office spaces in central business districts is between $17 and $22 per square foot without parking, which increases with parking added on. He noted that this project is $15.50 per square foot with 8 parking spaces. Councilor Carpenter asked why CHT would like a lease now, if they feel they could rent this to anyone for that price. Director Pine noted that the draft lease agreement contains a non-appropriations clause that protects the City in the event that it can’t fund the lease. Miranda Lescaze, Director of Real Estate for CHT, noted that if the City did not lease the space, CHT would not fully fit up the space but would build a shell that could be fit up for whatever tenant would ultimately lease the space.

Councilor Kane asked if the 4,100 square feet space would be adequate for business operations as the currently exist, and for future growth in the department. Assistant Director Jolly replied that it offers adequate space and potential for expansion space. Councilor Kane asked about the end of the 15-year lease, and Director Pine replied that the 15-year partnership is created to take advantage of the federal tax credits, and that there are no benefits beyond that 15-year period. Councilor Kane asked about options to renew the lease after that 15-year period, and Ms. Lescaze replied that there is an opportunity to extend for 2 additional 5-year periods, and reinforced the strong partnership between the City’s CEDO department and CHT.

Councilor Barlow asked if there are opportunities for other City departments to use some of the spaces that are set aside for CJC expansion in future years. Assistant Director Jolly replied that one of the assets they’re most looking forward to having is a large community room and that they anticipate sharing this space with other City departments and community providers and members of the community.

Mayor Mulvaney-Stanak expressed support for making sure that CJC has the physical space it needs, noting that the 200 Church Street space is not workable for CJC anymore, and emphasizing the importance of the services that CJC provides. She said she is looking forward to partnering with CEDO to advocate for higher quality office space to the legislature and the need for stable funding sources for rent. Assistant Director Jolly spoke about efforts to diversify funding of CJC as well.

MOTION by City Council President Traverse, SECOND by Councilor Kane, to approve and recommend that the City Council approve and authorize the Mayor to execute the proposed 15-year lease between the City of Burlington and Post Apartments Housing Limited Partnership for office space located at 176 S. Winooski Avenue, to be used to house the Community Justice Center, contingent upon delivering the full lease agreement to the City Council prior to its May 6, 2024 meeting and contingent upon the City being provided the authority to negotiate an option term in that lease.

VOTING: unanimous; motion carries.

4.3 Potential Sale of 200 Church Street – CT/CEDO/I&T
Councilor Kane asked about the methodology for calculating the proposed sale price for the property. Director Pine replied that the methodology takes a price per square foot and applies it to all leasable space and subtracts expenses based on industry standards. He said that this assumes that the building is fully leased at the rate the BT pays now. He noted that the City procured an appraisal from a reputable firm, which returned a value at $2.2 million with no allowance for capital improvements that were needed. He said that BT hired an appraisal firm that returned a value of $1.2 million, which made assumptions for major capital improvements. He said that they landed on the $1,000,571 based on those two values. Chief Administrative Officer Schad spoke about how the calculations factored in the costs for a replacement HVAC system, roof membrane, and other interior work. Councilor Kane noted concerns that the redevelopment of parts of downtown could cause commercial property values to increase and that the City would be selling low now. Chief Administrative Officer Schad replied that they are basing value assumptions on the average grand list growth, which is the most conservative and stable assumption they can use. She spoke about the dire condition of the current HVAC system at 200 Church Street, and Director Pine noted that as the system ages it becomes harder to source replacement parts. She said that the lack of privacy, parking, and accessibility make the space less than ideal to house CJC and the HR department. She said that the City’s working plan to relocate HR could be to either 645 Pine Street or to BED’s space. Councilor Kane asked about replacing the HVAC system with something greener such as solar panels and heat pumps. Chief Administrative Officer Schad said that there isn’t funding in the Inflation Reduction Act for what the City would like to do, though there are tax

credits for certain things like commercial fleet vehicles and converting systems to greener energy, but not necessarily for the scope of a smaller municipal building that is partially commercially leased. Assistant City Attorney Ramakrishnan also added that the majority of federal grants for this type of project also require the City to retain the property for a certain period of time, and the current purchase option that BT has on the building makes it ineligible for these grants. Councilor Kane asked if the price include in the proposal is flexible. Assistant City Attorney Ramakrishnan replied that this is the price that has been negotiated at this point, but that if the Council wishes to discuss it further that would be best handled in an executive session. Councilor Kane asked about the potential to negotiate a ground lease agreement. Director Pine replied that if they don't proceed with selling, then the City is still responsible for the HVAC system replacement per its current agreement, and postponing the proposal to explore renegotiating terms might not be feasible in the current timeframe. Councilor Barlow asked if the City's current liabilities are applicable to business operations as well as the HVAC and other systems. Parliamentarian McNeil noted that if a lease obligation is breached it's considered direct damage. Councilor Barlow said that he is generally supportive of this proposal, but would like to explore whether the ground lease could be an option that is pursued. City Council President Traverse said that based on his review of the proposal and legal documentation, the right of first refusal extends to the entire property, not just the building.

Councilor Grant said that she is leaning on supporting this proposal, but said that as other buildings come forward for sales such as this, that the Council be provided as much information as possible from the beginning of the discussion, so that they can help inform decisions.

MOTION by Councilor Carpenter, SECOND by City Council President Traverse, to 1. Approve and recommend that the City Council approve and authorize the Mayor to execute on behalf of the City the proposed Purchase Option Exercise Agreement and License and Use Agreement with Champlain Broadband, LLC, for the sale and use of 200 Church Street; and 2. Authorize and recommend that the City Council authorize the Chief Administrative Officer to establish a separate fund in the Assigned Fund Balance to accept the proceeds of the sale of 200 Church Street and make any expenditures required to carry out the Purchase Option Exercise Agreement and License and Use Agreement and make all necessary budget transfers in relation thereto.
DISCUSSION:

- **Mayor Mulvaney-Stanak said that she appreciates the robust discussion of this proposal and recognizes that some of the conversations predate some of the members of this body and Council. She said that she doesn't take decisions about stewardship of public buildings lightly and that making these decisions needs to occur with as much due diligence as possible.**

VOTING: unanimous; motion carries.

MOTION by Councilor Barlow, SECOND by City Council President Traverse, to recess the Board of Finance for 15 minutes.

VOTING: unanimous; motion carries.

Mayor Mulvaney-Stanak reconvened the Board of Finance meeting at 7:02 PM.

5.0 FY25 GENERAL FUND BUDGET UPDATE

5.1 FY25 General Fund Budget Update
Chief Administrative Officer Schad said that this update focuses on the General Fund budget for FY25. She began by reviewing the budget assumptions that were used to develop the initial FY25 budget in December of 2023. These include all current staff, a 7.5% attrition for all departments (other than the Fire Department and Police Departments) based on historical data, health insurance information based on FY24

experience and consultant recommendations, level funded operating budgets, and revenue assumptions that have been held steady. She spoke about the City's budget gap as presented in December 2023, which was a tentative $9 million. She then noted that since then, the budget gap has increased to $13.1 million, based on a $4 million revenue shortfall, an increase in GF salaries and benefits, and an increase in operational costs. She provided details about the revenue shortfall, saying that the largest driver is the reliance on one-time funding for ongoing expenses. She provided details about the increase in salaries and benefits, saying that $3.4 million is due to an increase in salary and overtime ($200,000 for overtime), $2.1 million to an increase in healthcare costs, $1 million to an increase in retirement costs, and $500,000 in increases to all other benefits (dental insurance, life insurance, etc). She provided details about the $2.1 million increase in operating costs, including $200,000 for the Fire Department, $400,000 for the Police Department, $500,000 to pay for existing fleet leases, and $1 million for debt service costs.

Chief Administrative Officer Schad then outlined a tentative list of potential solutions to close this budget gap. These include finalizing and implementing the recommendations within the operational efficiency study and recommendations from the user fee study, utilizing leftover ARPA funds of approximately $2 million to help close the gap, increasing the City portion of the hotel component of the gross receipts tax from 2% to 4% (which raises $1 million), and implementing the voter-approved $0.03 increase to the public safety tax (which raises $1.8 million). She said that other potential solutions include analyzing and reducing the use of outside consultants, ensuring that staffing figures accurately reflect the likelihood of hiring positions given challenges in certain areas, reviewing, modifying, and eliminating programs that aren't working to maintain efficient and effective services, examining other possible reassignment and reallocation of ARPA or other one-time funds, and reviewing other ideas generated by budget advisors, department heads, and staff.

Chief Administrative Officer Schad spoke about the unassigned fund balance, noting that the City's intent is to maintain an unassigned fund balance of between 5% and 15% of operating expenditures. She said that the City's current unassigned fund balance is just over 8% and that its target is 10%, so she cautioned against using funds from the unassigned fund balance to close the gap.

Mayor Mulvaney-Stanak said that she is confident that the solutions being proposed, as well as solutions that have yet to be proposed, show the level of creativity and seriousness being deployed by staff and advisors to keep the City affordable and address sustainable budgeting practices. She said that she would like to get to a place where the City is moving toward a 3 to 5 year budgeting cycle, to avoid relying on one-time funding year-to-year and being more proactive in planning for future years. She said that the Administration is taking a hard look at the services being provided to the City and determining what the essential pieces of those services are.

Councilor Carpenter said that it would be helpful to see a comparison of the $9 million budget gap from December 2023 and the $13 million budget gap from April 2024. She said that this would help to determine the ultimate driver of the gap, which she suspects is related to personnel costs, specifically around retirement and debt service. Chief Administrative Schad replied that staff can produce this comparison and supply information to the Board of Finance and City Council. Mayor Mulvaney-Stanak emphasized the commitment to exercising personnel cuts as a last resort option, and that any additional revenues coming in would go to alleviate the burden on taxpayers. She noted that there was an error on the personnel line of the previously-presented draft FY25 budget, and appreciates the acknowledgement of that mistake and the commitment to developing solutions.

Councilor Barlow expressed concerns about how the budget gap is being characterized now versus how it was being characterized in December, specifically the new information regarding the retirement and debt service components, given that these are ultimately passed on to the taxpayers. He also asked about the fleet calculation, saying that the December presentation called it out as $1 million that is contributing to the gap, but that now there's an additional $500,000 in operating cost overage. He also said he has questions around the health insurance line, given a 31% increase in the costs from the December presentation to April's presentation.

Councilor Carpenter asked if there are other revenue opportunities from dedicated taxes that have not been exercised. Mayor Mulvaney-Stanak replied that there are several on the list of proposed options, but that they are trying to be diligent in not adding more to the revenue component of the solution. She noted that department heads are working on proposals to right-size their budgets as much as possible with an eye toward affordability, and those will be discussed in the coming weeks.

Councilor Kane asked about efforts to make this more participatory, and Mayor Mulvaney-Stanak replied that they are working toward this goal, and are trying to be as transparent as possible and share information about the FY25 budget development in a number of different ways, such as through emails, social media, and other platforms, to make this a more participatory budget development process. She said that they are also thinking about ways to get more public engagement in this process. Councilor Carpenter said that they could explore ways to make presenting budget information more presentable and understandable to the public in terms of how it's formatted.

City Council President Traverse asked about the projected $3.4 million in increased personnel costs and whether that is for cost of living increases or other across the board percentage increases for different positions, or whether it is a general average. Chief Administrative Officer Schad replied that it is not an average but factors in every single employee, their COLA increases, and when their anniversary step increases occur, as well as factoring in attrition rates. City Council President Traverse said he would like more detail on how each department is calculating their requests in terms of healthcare benefits, given that the increases vary across departments. Chief Administrative Officer Schad noted that no department budgets for its own health insurance costs, but that it is budgeted through the Clerk/Treasurer's Office, as department heads don't know which of their personnel elect to take the City's health insurance and how many dependents they have. She said that they work with Cigna and outside consultants to develop health insurance cost projections. She spoke about how stop loss projections can vary greatly from actual stop loss usage for high health cost utilizers. She also noted that the City has 100 more covered individuals this year than last year, so the health care costs between years are not an apples-to-apples comparison. She said that finalized projections for the next fiscal year are typically available in late spring. City Councilor Traverse said that he is mindful that the voters approved a public safety tax increase with the assumption that the increase would pay for services provided by those departments, where in reality those revenues may be going to the increased cost of health insurance for most departments.

Councilor Barlow asked how many total employees are covered by the City's health insurance plan.

Councilor Grant said that she had asked the previous Administration about how the City is using Health Reimbursement Accounts (HRAs). She asked about the possibility of moving to a fully insured plan rather than a self-insured plan, and whether they could explore using HRAs, to decrease cost increases. She also asked about the timing of this type of proposal in the context of negotiating union contracts. Mayor Mulvaney-Stanak replied that they are looking into this.

Councilor Kane asked for a calculation of what a 5% increase on the meals portion of the gross receipts tax would look like, and Chief Administrative Officer Schad replied that they will produce that calculation. Councilor Kane asked if increasing the franchise fees is an option. Mayor Mulvaney-Stanak replied that this is being looked into by several department heads.

6.0 ADJOURNMENT

6.1 Motion to Adjourn

With no further business and without objection the meeting was adjourned at 7:50 PM.

RScty: AAConradt