# Board of Finance
# 9/29/2014

**Board of Finance (Monday, September 29, 2014)**

*Generated by Amy Bovee on Tuesday, September 30, 2014*

**Present:** Miro Weinberger, Sharon Bushor, Jane Knodell, Karen Paul, CAO Bob Rusten, Joan Shannon (arrived at 5:15)

**Also Present:** City Attorney Eileen Blackwood; Assistant City Attorney Richard Haesler; ACAO Rich Goodwin; Mike Kanarick, Brian Lowe, Mayor's Office; Chapin Spencer, Norm Baldwin, Guillermo Gomez, DPW; Brian Pine, Darlene Kehoe, Beth Truzansky, CEDO; Steve Carlson, Paul Bohne, Austin Hart, CCTA

**Start Time:** 5:05pm

1. Agenda

Action, Procedural: 1.01 Adopt/Amend Agenda

Approve and Recommend City Council Approval

Motion by Jane Knodell, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor

Not Present: Joan Shannon

2. Public Forum

No one came forward to speak.

3. Approval of the Board of Finance Minutes

Action, Minutes: 3.01 August 25, 2014

Councilor Bushor requested a correction to item 4.08 to make it clear that there is no nominating committee and applications will be reviewed by the City Council.

Approve the Minutes as Amended

Motion by Sharon Bushor, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor

Not Present: Joan Shannon

Action, Minutes: 3.02 September 8, 2014

Approve the Minutes

Motion by Sharon Bushor, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Karen Paul, Sharon Bushor

Abstained: Jane Knodell

Not Present: Joan Shannon

Action, Minutes: 3.03 September 15, 2014

Approve the Minutes

Motion by Sharon Bushor, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Jane Knodell, Karen Paul, Sharon Bushor

Abstained: Miro Weinberger

Not Present: Joan Shannon

4. For Approval and Recommendation to City Council

Action, Resolution: 4.01 Authorization for FY15 Budget Amendments for CDBG - CEDO

Councilor Bushor stated there were two years involved with this. One had a significant amount of money left and she inquired why the money was not spent. Brian Pine, CEDO, stated there was a project they had planned to complete that did not move forward as scheduled. Councilor Bushor stated on item was a microenterprise grant for $75,000 and there was a Brownfields for $22,000, a neighborhood revitalization grant for $39,000 and another grant for $73,000. Mr. Pine stated there are some projects they can start and finish in a year and others that they cannot. Some take multiple fiscal years. Councilor Bushor inquired if the projects are still in progress. Mr. Pine stated they are.

Approve and Recommend City Council Approval

Motion by Jane Knodell, second by Sharon Bushor

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor

Not Present: Joan Shannon

Action, Resolution: 4.02 Authorization for Housing Trust Fund Budget Amendment - CEDO

The Board addressed an item to allow CEDO to amend their budget to account for $207,729.51 of unspent funds from the Housing Trust Fund in FY14.

Approve and Recommend City Council Approval

Motion by Jane Knodell, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor, Joan Shannon

Action, Resolution: 4.03 Authorization to Accept FY15 AmeriCorps Grant - CEDO

Councilor Bushor stated this seems like it is labor intensive. She inquired what the City's incentive for administering the program is. Beth Truzansky, CEDO, stated the We All Belong program is still associated with AmeriCorps. It pays for her salary to administer the grant. The incentive is that it allows them to provide funding to participating organizations. It also allows them to provide cultural competency training. Councilor Bushor inquired if the City gets to utilize the people that receive this training. Ms. Truzansky stated City Departments host AmeriCorps members and have access to more resources than they would if they were not participating. The training is something that no one else is doing in the country. It is a year-long pilot cultural competency training program focused on organization teams rather than individuals.

City Council President Shannon arrived.

Approve and Recommend City Council Approval

Motion by Sharon Bushor, second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor

Abstained: Joan Shannon

Action, Resolution: 4.04 Authorization for Budget Amendment for FY14 AmeriCorps Funds - CEDO

The Board addressed an item to allow CEDO to amend their budget to account for $90,144 of unspent funds from the 2014 AmeriCorps Grant.

Approve and Recommend City Council Approval

Motion by Jane Knodell, second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor, Joan Shannon

Action, Resolution: 4.05 Authorization for Contract for Sidewalk and Pedestrian Infrastructure and Assessment - DPW

Councilor Bushor requested an overview and an updated timeline. Norm Baldwin, DPW, stated this is an assessment of the sidewalks and developing a transition plan for maintaining them. An investment in sidewalks is very needed. A group of City staff and volunteers did an assessment, but it did not contain the information that they needed to develop a plan. They are hoping to have a consultant do that work. They put out an RFP. There are not many consultants that have done this type of work, so it was challenging to find the right fit. They also want to be able to get this done before it snows.. There was a wide range of skills and abilities in the respondents. Some had little experience but were low cost but others with more experience and a higher price. After reviewing the submissions, they determined that the high bidder was the only vendor that could deliver what they needed. They think that the higher consultant fees are justified, as their work will result in protecting a significant asset. Councilor Bushor inquired if there were examples of Cities in colder that have experience with these firms. Mr. Baldwin stated climate does not matter for what they are doing. They need to collect the data at a time of year when they can see the sidewalks. The key with this assessment is that they will have data that is collected consistently. The volunteers that they used in the previous assessment gathered good information but it was more subjective. Councilor Bushor stated it makes sense to use a trained group of people. She will support the contract and she appreciates that they want to use a model for sidewalk repair. She hopes that as they build their budget they will have a contingency fund to address walkers concerns. She hears a lot from her constituents about the quality of the sidewalk. Mr. Baldwin stated they know that their sidewalk system is underfunded. When they have more information, they can triage the worst areas. Mayor Weinberger stated they know that sidewalks have a forty year life cycle and their goal should be to maintain them on that cycle. They are looking at ways to increase their sidewalk maintenance this year, but it will take changes in philosophy and funding to be on a sustainable course. Councilor Bushor stated she would like the Board of Finance to have a conversation about jump starting sidewalk improvements and creating a sustainable maintenance plan. Mayor Weinberger stated that is a conversation they are preparing to have.

Councilor Knodell stated one of the reasons they chose this contractor is because they responded to the optional services. Mr. Baldwin stated the optional services will help them evaluate traffic signalization and accessibility. The Traffic Fund will pay for that element of the project. Councilor Knodell inquired how they were evaluated on a common playing field when some chose to respond to the optional services portion and others did not. Mr. Baldwin stated they made their assessments based on the base bid. Guillermo Gomez, DPW, stated they acknowledged the additional cost of the optional services for the bidder who included them. Price was not the only criteria used in their evaluation. Councilor Knodell stated she thinks that bringing a ten year capital plan to the voters in March 2015 is a good idea. Mayor Weinberger stated his commitment was to bring to the City Council a ten year plan for adoption.. He does not see this study as being a major driver of March ballot items. It will inform them to reprioritize areas in the FY15 Capital Budget. They hope to dedicate more funding to sidewalks.

City Council President Shannon stated she appreciates that they currently have an ability for sidewalks to be repaired when constituents complain. She is pleased that they are moving towards a systemic approach to repairing sidewalks.

Mayor Weinberger stated the plan has been to move towards a systemic approach but to have some funding available for short term responses. The goal is to spend the bulk of their funding on long term planning and repairs, and they have not been able to make too many short term responses because there are so many that are needed.

Approve and Recommend City Council Approval

Motion by Karen Paul, second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor, Joan Shannon

Action, Resolution: 4.06 Authorization for Easement Agreement with CCTA

Mayor Weinberger stated this is in respect to the new Downtown Transit Center. There has been a strong desire for a new facility to be built for the past thirty years. CCTA has worked with the City to determine that this is their preferred site. The City Council received an initial presentation a year ago and a lot of additional work has happened since then. It has taken time to refine designs. They have been vetting this long term agreement that will encumber a significant portion of the City's right of way. They believe it will be a vital component of revitalizing Cherry Street. In addition to the right of way, CCTA will be securing the right to 18 parking spaces along Pearl and Cherry Streets. The City felt strongly that if there is a better use for these spaces they should have the ability to reclaim the use of those spaces. There are also public utilities underneath the street that the City needs to have access to. They have reserved on of the parking spaces for intra-state bus traffic such as Greyhound or Megabus. They encountered an issue with the bike lanes on Pearl Street and had to determine how they would interact with the bus station. They have had interaction with the State who owns a building right next door. In the easement, there is a reference to an MOU that is not yet complete. They are asking for a recommendation on the easement with the understanding that the MOU is not yet complete. He will not sign this agreement until the MOU is complete, but they wanted to have this approved because it is a large item. The MOU may be a three way agreement including the State. In the presentation to the Council of the designs, there was a partial glass canopy above the waiting area for passengers. They believe the design matters. There will be about 2 million passengers passing through it every year and it should be a positive, comfortable space to be. They believe CCTA has had great success with their shelters and they want to continue that with the glass canopy above the waiting area. Because the City felt strongly about the canopies, they have agreed to use some local resources.

Councilor Bushor stated there will be eighteen spaces that will be lost on Pearl Street. She is concerned about the small businesses in that area. Mayor Weinberger stated the spaces will be lost on Pearl, Cherry and St. Paul Streets.

Councilor Knodell inquired if other public parking will be available. Assistant City Attorney Haesler stated they will consider this as they work on their parking plan and redeveloping Cherry Street. Councilor Knodell inquired what issues are still outstanding in the MOU. Assistant City Attorney Haesler stated the City is entering into an easement agreement with another municipal entity. They have a fiduciary responsibility to the abutters. The State is the only abutter to the transit center. There are things that each of the entities want to see with the project. The State wants the project to move forward, but want their concerns to be addressed. The City wants to be a responsible landlord and look at the impacts to the abutters. The goal is to come to an agreement between the three parties. Mayor Weinberger stated because this project is in the City right of way, it does not go through the Development Review Board process. There is no standard permitting process for building this. They are sorting out those types of issues through this MOU process. Councilor Knodell inquired if the MOU will come to the City Council. Mayor Weinberger stated it will.

City Council President Shannon inquired if they have the full plans. Assistant City Attorney Haesler stated they are voluminous. Mr. Baldwin stated they are still working on updating the drawings to reflect what they have talked about. Assistant City Attorney Haesler stated they are willing to provide further information that the Council feels that they need even though final plans may not be available. They have 95% plans available. City Council President Shannon stated it is difficult for her to know what this easement will look like without the drawings.

Councilor Bushor stated she did not realize this would not go through a design review process. She supports the direction they are going in. She understands that the State is the abutter, but she is unsure which of the small businesses have been notified about the lack of parking. She believes they should have a meeting to inform the public and weigh in. Mayor Weinberger stated there has been extensive public process around this. None of the affected parties will be surprised. Steve Carlson, CCTA, stated they have had many public meetings, have met regularly with the Church Street Marketplace and the Cathedral. Councilor Bushor stated there are small businesses on Pearl Street. She would like there to be an opportunity for the public to come and know what is happening. This relies on the expertise of the DRB in reviewing functionality and aesthetics. Mayor Weinberger stated that is the nature of this project. A lot of effort has gone into the design.

Councilor Knodell inquired if the canopies were in the original design, were removed, and now will be added back in. Mayor Weinberger stated that is correct. Assistant City Attorney Haesler stated there were financial concerns about the canopies so they were removed, but the City wanted them to be added back in. Councilor Knodell inquired if they will help pay for the canopies. Assistant City Attorney Haesler stated there will be a local match. CAO Rusten stated this could also come in the form of in-kind services rather than cash. Mayor Weinberger stated it also could be a financial contribution. This will be here for a long time and he believes that having canopies will improve the experience for bus riders. Councilor Knodell stated it sends a message that they value people who travel by bus.

Assistant City Attorney Haesler stated there have been concerns about parking around the Federal Building. They have confirmed that they are satisfied with this arrangement.

City Council President Shannon stated this is a lot to digest and consider. She suggested that they first have an informational presentation to the City Council before seeking approval. She would prefer that the MOU be ready by the time they vote. Steve Carlson, CCTA, stated they need to get this out to bid soon in order to be ready for the next construction season. They will prepare the documents to go out to bid as soon as they receive City Council approval. They do not want to invest money in drawings and bid documents without City Council approval. They want to work out the State's concerns so long as they are reasonable. They do not want to rush the Council, but their support is important in moving forward.

Councilor Bushor stated she is supportive of the project, she just wants to make sure the public is informed and that they are fulfilling their role as a Council.

City Council President Shannon requested a more detailed site plan when it is presented to the Council.

Approve and Recommend City Council Approval

Motion by Karen Paul, second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor, Joan Shannon

Action, Resolution: 4.07 Discussion of Fiscal Stability Bond Report

CAO Rusten stated when they issued the Fiscal Stability Bond, the Council passed a resolution that said the CAO would provide a report on the bond. This is the first year that they are submitting this report. When they talk about the Fiscal Stability Bond there is both the bond itself and the stability that comes with it. The bond is a mechanism to try to achieve stability. Both Moody's and the auditors have identified concerns about their reliance on short term borrowing. They looked at this in terms of where they might have been and where they are now. The State Treasurer identified that the Fiscal Stability Bond as a key element in their ability to use the Vermont Municipal Bond Bank, which they have now done three times. The interest rates are significantly lower than they would have gotten from the market. Moody's has identified that this has addressed their concern about short term borrowing and their outlook has been improved. In Fiscal Year 2013, they had a negative unassigned fund balance of nearly $15 million. That is something that lenders look at. It also means that when they have a surplus they cannot apply that as revenue towards future years or use it for other purposes. In FY14, they went from having a $15 million unassigned fund balance to just over $2 million. If they can address the remaining unassigned fund balance, it puts them in a position to use surplus funds in the future. In the report they noted the savings that they believe have resulted from using the Vermont Municipal Bond Bank rather than going out to market. They also have used no Tax Anticipation Notes for the first time in many years which resulted in a savings.

City Council President Shannon inquired if at the end of FY12 they had a line of credit of $15 million. CAO Rusten stated the $14 million was their negative unassigned fund balance. $15 million would have been the maximum line of credit available to them. ACAO Goodwin stated in FY12 the maximum amount they could borrow on the Tax Anticipation Note was $15 million, but that is not the maximum they are allowed to borrow per the City Charter. City Council President Shannon inquired when they got the Fiscal Stability Bond. ACAO Goodwin stated it was April 2013.

Councilor Knodell stated she believes that this report was useful and is helpful for the public to understand the costs and benefits associated with the bond. There are estimates of the interest savings if their credit rating had or had not been downgraded. This shows that the bond has done something good. She does not think that having zero short term borrowing is necessarily optimal. There are times when they can borrow within the fiscal year and it is appropriate. They currently do not need a line of credit and they are drawing solely on the fiscal stability bond for intra-year needs. That long term borrowing is more expensive than shorter term borrowing. She thinks that eventually having a mix might not be a bad thing. They also made progress in reducing borrowing from their sweep account, with the exception of BT. Through the work that they have done, those deficits are being funded outside of the sweep account which relieves the stress on their cash flow. They have had an improvement to the cash position because of the fiscal stability bond and addressing their underlying problems. It is unclear to her how much is coming from each source. Mayor Weinberger stated their reduction in the undesignated fund balance is due in large part to the $9 million of the fiscal stability bond. The other $4 million is from other deficits that they have erased. This is a permanent solution in that they committed to pay off the $9 million of debt from the bond. Councilor Knodell stated there is a difference between having cash in their bank account which offsets a liability and just having cash in the bank account as a positive surplus. Mayor Weinberger stated they have cash in the bank account, they have an offsetting liability, and an offsetting asset with the additional revenues that reduce the liability. Councilor Knodell inquired what their target cash balance is. CAO Rusten stated they first have to eliminate the negative undesignated fund balance. They need to look at the Charter to see what they can do to create reserve funds. They will need to have a positive cash flow on a year to year basis to determine what they would like as a fund balance for the City to be secure. This will allow them to address longer term liabilities through a better budgeting process.

Councilor Bushor stated they are paying interest on the fiscal stability bond and inquired when they will start paying the principal and for how long. CAO Rusten stated they will begin in FY16, later revised to FY 15, and will pay for fifteen years. Councilor Bushor inquired what the principal payment will be. Mayor Weinberger stated the total will be $9 million. Councilor Bushor stated the goal is that they will continue to have cash infusions until the bond is paid off. Once they pay it off they hope to continue to have infusions of cash that will result in a stable bottom line. CAO Rusten stated if they have created the appropriate budgeting and revenues they will lessen the need to do short and long term borrowing. Councilor

Bushor stated the remaining issue is the $17 million deficit. The other measures they have taken have helped stabilized them. Councilor Bushor inquired what their thoughts are about having some short term borrowing. Mayor Weinberger stated some short term borrowing could be appropriate, but they have already borrowed and are paying for $9 million. They can use this without incurring additional costs from short term borrowings. Once they get through the fiscal stability bond, short term borrowing could be reasonable. CAO Rusten stated they will have the option of determining whether short term or long term borrowing is in their best interests. In the past they were doing short term borrowing because they had to. It should be something that they are more in control of.

Councilor Paul stated the report and the chart are indications that the Fiscal Stability Bond was the right way to go. She recommended that the financial reports be placed on the deliberative agenda so that the full Council can receive the same information.

Councilor Knodell stated she voted against the Fiscal Stability Bond because she did not believe they needed the full $9 million. She believes they could have borrowed less and use some short term borrowing.

Approve, Recommend City Council Approval, and place on the Deliberative Agenda at the next City Council meeting

Motion by Jane Knodell, second by Sharon Bushor

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Karen Paul, Sharon Bushor, Joan Shannon

Action: 4.08 Review Monthly Financials as of August 31 - C/T

CAO Rusten stated they are still early in the fiscal year and nothing has struck him as problematic at this point.

Action: 4.09 Review Sweep Account Report as of September 17, 2014- C/T

ACAO Goodwin stated the Capital Fund has a credit as a result of getting bond proceeds. The Retirement Fund owes nothing to the Sweep Account. The Airport currently owes the Sweep Account $4.5 million. He has been working with the Airport Commission and the FAA to issue a $5 million Grant Anticipation Note and secure their cash position.

Mayor Weinberger stated at times seems that there is a positive cash position and concerns about liquidity are behind them. The reality is that many of these funds are reserves and have very specific uses. ACAO Goodwin noted there is $27 million in the bank, but many of those funds are reserve accounts. CAO Rusten stated they have worked to create segregated accounts because in the past all of the money was in the same account and funds could be used inappropriately. They have been sweeping money into separate accounts on a monthly basis so it can be used appropriately. Councilor Knodell stated this does not show how good or bad their cash flow is from an operating point of view. She inquired if there is a national standard for how much cash they should have on hand. Mayor Weinberger stated the only place he has seen a national standard is for BED where it has been recommended that they have cash on hand to operate for six months. ACAO Goodwin stated they would like to have between 60-75 days worth of cash on hand. Mayor Weinberger stated their fund balance is an assessment of their cash on an annual basis. At the last audit they were still in the hole and they expect they will be just out of the hole after the next audit. Councilor Bushor inquired how they will get to the point where the Board of Finance will know what their real cash balance is. ACAO Goodwin stated this report can be prepared to meet their needs. They could have a total for reserve and non-reserve funds.

5. Discussion

Discussion: 5.01 Plan for City's Billing Systems

CAO Rusten stated when they worked on the FY15 budget they looked at General Fund charges and made a number of changes. With the announcement from BED, it seems that they should expand their review to look at all billing systems. They identified the possible areas of concerns and a proposal for how to move forward. There are a number of ways that they could analyze the information that they get and they would ultimately hire a firm to do that. They would use a portion of the money they will get from BED to fund that. That will allow them to do their due diligence to find any issues. They will assess internal systems and make any necessary improvements.

Councilor Bushor stated she likes the proactive approach and would like to look at all of their systems. She suggested they prioritize by looking at the systems that would have the most affected customers. CAO Rusten stated they would discuss this with the auditing firm that they hire. Mayor Weinberger stated they plan to use some of the proceeds from the settlement with BED.

6. Adjournment

Action, Procedural: 6.01 Adjournment

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:43pm.