Special Board of Finance - Monday, September 12, 2016 at 6:00 p.m. Conference Room 12, City Hall
9/12/2016

MINUTES SUBJECT TO CORRECTION BY BURLINGTON BOARD OF FINANCE. CHANGES, IF ANY, WILL BE RECORDED IN THE MINUTES OF THE NEXT MEETING OF THE BOARD.

BURLINGTON BOARD OF FINANCE

SPECIAL MEETING

CITY HALL

BURLINGTON, VERMONT

MINUTES OF MEETING

September 12, 2016

DRAFT

MEMBERS PRESENT: Mayor Miro Weinberger

Jane Knodell

Karen Paul

Sharon Bushor

Kurt Wright

OTHERS PRESENT: Rich Goodwin, DFO

Eileen Blackwood, City Attorney

Katie Vane, Mayor's Office

Brian Lowe, Mayor's Office

Gene Richards, Airport

Marie Friedman, Airport

Nicholas Longo, Airport

Chapin Spencer, DPW

Rob Green, DPW

Martha Keenan, DPW

Norm Baldwin, DPW

Megan Moir, Water Resource

Morgan True, VT Digger

Noele Mackay, CEDO

Jesse Bridges, Parks & Rec

Sara Giannoni, City Council

Selene Colburn, City Council

1.0 CALL TO ORDER and AGENDA

Mayor Weinberger called the Board of Finance meeting to order at 6:03 PM on 9/12/16.

1.01 Agenda

MOTION Councilor Bushor, SECOND by Councilor Wright, to approve the agenda as presented. VOTING: unanimous; motion carried.

2.0 PUBLIC FORUM

There were no comments from the public.

3.0 APPROVE AND RECOMMEND TO CITY COUNCIL

3.01 Accept FAA Grant for Purchase of Properties by Airport

MOTION by Councilor Paul, SECOND by Councilor Wright, to approve and recommend to City Council to accept the FAA grant for the purchase of properties by Burlington Airport.

<u>DISCUSSION</u>: The following was discussed:

- **Councilor Bushor asked if South Burlington has been informed of the final phase of potential land acquisitions - Gene Richards, Airport Director, confirmed South Burlington City Manager and City Council President are informed of the program and that this is the direction the airport must go. Everyone agrees with keeping as much housing available as possible which is the goal. The airport is moving toward the next phase of the program which is noise insulation, but the first phase of the program must be complete before the second phase can begin. Mayor Weinberger said the goal of the Administration is to bring the program to conclusion as quickly as possible. Not purchasing or removing more houses would be supported, but that option is not available. The airport must finish what is started and complete the commitment to the neighborhood and the people who expected the program to continue. It will be made clear to the property owners that this is the last chance to take advantage of the program and then the move will be into a different type of program to be offered to a much broader number of people to address acoustic issues at**

the airport. Gene Richards said the FAA was informed of the wish of the Mayor and City Council regarding removing any more houses and the FAA gave no alternative to completing the program. The next program is noise mitigation by insulating houses that qualify. The program offers many more benefits to homeowners. Councilor Bushor said she wanted to ensure South Burlington was aware of the situation and that this is not the direction the city wanted, but the FAA requirements are understood and the program has always and will continue to be a voluntary program where the homeowners have the choice to sell their property to the airport.

- **Councilor Paul echoed the comment that City Council was strongly behind ending the program and it is unfortunate that the program must continue. Councilor Paul asked about the DNL line and qualifying properties. Gene Richards said the old 65 DNL is now the new 73 DNL which is the line being used. The new 65 DNL impacts about 900 homes which is further than the airport wanted to go. The compromise was the 73 DNL which is close to the old 65 DNL and involves 39 properties to be offered the option for purchase. The process this time will be much stricter and quicker and then the program will be closed. A grant has been written for the new program using FAA funding.**

There were no further comments.

VOTING: unanimous; motion carried.

Announcement was made of the addition of American Airlines service to LaGuardia. There are now two airlines flying from Burlington to LaGuardia (Delta and American Airlines). Also, the Charlotte, NC route has been increased to two flights per day.

3.02 Accept FAA Grant to Update Noise Compatibility Program at the Airport

MOTION by Councilor Bushor, SECOND by Councilor Knodell, to approve and recommend to City Council to accept the FAA grant to update the Noise Compatibility Program. VOTING: unanimous; motion carried.

3.03 Approve MOU with CSWD for 195-201 Flynn Avenue

MOTION by Councilor Bushor, SECOND by Councilor Paul, to approve and recommend to City Council to approve the MOU with CSWD for property at 195-201 Flynn Avenue and authorize the Mayor to sign the document.

<u>DISCUSSION</u>: Positive comment was made on the MOU. Chapin Spencer, DPW, noted Rob Green is the new Burlington rep on the CSWD board and will carry the matter forward as it advances. Councilor Bushor said it will be nice to have an improved Drop Off Center in Burlington and a vast improvement for residents.

VOTING: unanimous; motion carried.

3.04 Approve 10-Year Capital Plan and Financing Plan for FY17-FY21

3.05 Authorize Issuance of General Obligation Bonds for Capital Projects

3.06 Authorize Issuance of Revenue Bonds for Water System Improvements

Mayor Weinberger stressed the importance to move forward and ensure the necessary steps are taken as current stewards of the city so Burlington remains the wonderful place it is. The plan represent a thoughtful approach and is a shared sacrifice plan. All major stakeholders are asked to contribute in one way or another to the plan. The taxpayers are not being asked to foot the entire bill. The plan relies on stepped up efforts with preventative maintenance and managing assets in a professional and efficient way. The city may not have the opportunity again for some time if action is not taken now. Having the voters approve the bond in November will allow the biggest year yet to rebuilding the bike path and having an active 2017 construction season. If the city does not know until March whether there is additional bonding authority and additional money to finish the bike path work then an entire construction season could be missed. Similarly, with the water and paving efforts if approved in November then the plan can be done and out to bid to have a productive 2017 construction season with respect to paving. Waiting until March with the water initiative puts that in an uncertain place. Also, five of six fire engines are at the end of their useful life. There have been sustained periods of time when South Burlington's fire engines are in Central Station on loan to the city and responding to public safety calls. The process of buying a new fire engine is long and requires a year lead time. It is time to move forward and make the purchases. Approval in November would put the city in the position to do that.

Mayor Weinberger noted staff tried to be responsive to the questions from city councilors, specifically with regard to use of the Traffic Fund. The largest change in the draft plan is there is no longer reliance on the Traffic Fund for substantial dollars in the implementation of the plan in the near future. There is more work to do with the parking system and a turnout of significant dollars for the transportation system is not a given. Staff is recommending even though there is little money planned from the Traffic Fund into the infrastructure plan the language needs to be cleaned up to enable the fund to be used as a force to improving transportation and not just parking garages and parking meters in the future. Staff is recommending the charter be amended as recommended by the Charter Change Committee.

Another significant change involves the gross receipts increase that was discussed. Mayor Weinberger said an increase is no longer recommended in the meals part of the rooms & meals tax. Currently the tax is 2% and all elements were to be increased to 3%, but the recommendation now is not to change the meals tax because consumers already pay a high rate. Staff is recommending a 2% increase to the hotel tax and a 2% increase to the alcohol tax (i.e. 2% local tax increases to 4% local tax). Burlington is below the national average for gross receipts tax for hotels. With the increase Burlington will be closer to the national average of approximately 13% combined local and state tax.

Mayor Weinberger noted the recommended changes mean there will be a half million dollar shortfall from what was previously planned so cuts had to be made and a modest increase to the general obligation bond made. The range is still $27.5 million and the impact is about $10 per month for the average homeowner.

Councilor Knodell asked if low, long term interest rates can be taken advantage of even though the financing will be done in phases. Rich Goodwin explained the financing will be done in multi-stages, multi-years. The market rate will dictate interest rate paid on each loan. Councilor Knodell confirmed the plan is for a higher long term rate than the current rate.

Councilor Wright asked about the "sunset" date on the gross receipts increase. Mayor Weinberger stated there are details to work out together, but the sunset is approximately five years once the plan is paid. The current proposal is for City

Council to take action on the bonds on 9/19/16 to go on the ballot and then the Administration will request that City Council increase the gross receipts tax (after the bond vote). Councilor Wright calculated the shortfall is $2.5 million due to not using the Traffic Fund and $500,000 for the change in the gross receipts tax. Mayor Weinberger clarified the amount is $500,000 per year. The total overall effective change with cuts and revenue changes is $2.8 million.

Councilor Wright asked if Sunday parking is off the table with the removal of use of the Traffic Fund. Chapin Spencer said the parking assets need to be maintained and this helps put together a sustainable funding plan. Through working with the Clerk/Treasurer's Office and in the five year projection more of the existing revenue can be used on garage repair than funding additional capital work, but additional funding may be needed. The plan talks about managing demand. The best way to manage demand and create turnover is by enforcement. If the plan is approved by City Council, exploring different tools is still on the table. Councilor Wright asked if the decision will be through City Council first and then the Public Works Commission. Chapin Spencer confirmed this.

Councilor Bushor asked if the money that institutions are paying toward the capital plan is additional dollars. Mayor Weinberger said these are new dollars. There have been good faith discussions with institutions about making additional contributions. There are no commitments at this point, but this will be clarified before the vote. Councilor Bushor asked how in line the city will be with the hotel and alcohol tax increase relative to South Burlington and Williston. Mayor Weinberger said 13% combined state and local hotel tax is comparable to the national average for significant cities. Area towns have a local options tax on the state 9% gross receipts tax. South Burlington and Williston have a 1% gross receipts tax so there is already a difference with hotels. South Burlington is considering a possible increase in their tax. This type of tax (surcharge) has less of an impact on consumer behavior than other taxes.

Councilor Bushor said she would like to understand the total cost impact on residents for all the borrowing. Mayor Weinberger stated the two bonds have their own impact on property tax payers and rate payers. For the median (average) home valued at $239,000 the impact on the property tax side of the property tax bond ($27.5 million) when fully phased in (peaks in four years) is $122/year or $10/month and then the amount decreases because other debt is being retired. The cumulative cost for the $8.4 million bond for the water system improvements is approximately $31 per year. The total when fully phased in five years from now is $150 combined impact in the peak year and $140 the following year. The water and sewer rates have trended toward a 5% increase. The system is subsurface and not easy to fix. Many other communities are also dealing with aging infrastructure. It is critical to manage the infrastructure. The age of the pipes leads to discolored water. With proactive planning the city can look out five years and know when the streets will be repaved and with additional resources the water lines will be relined or replaced. This starts the process for having a plan for replacing the distribution system in a systematic and incremental way over the years ahead versus the current system of simply dealing with breaks when they happen.

Councilor Wright asked when the gross receipts tax will be before City Council. Mayor Weinberger said if the general obligations bond is passed in November that will be taken as an endorsement by the voters of the 10-year Capital Plan, specifically the next five years, and then City Council approval to increase the hotel and alcohol tax will be needed. Councilor Wright asked what happens if the voters vote to approve the change in the gross receipts tax, but City Council does not. Mayor Weinberger said further discussion can be held because the scenario was not considered.

Councilor Paul stated a firm commitment is not secured as yet from the institutions. The voters will want to know others have stepped up. Mayor Weinberger assured the situation with the institutions will be known before the vote. It was noted a majority of the philanthropy in the plan has been pledged or given already.

Councilor Bushor spoke in support of moving forward with the issuance of revenue bonds for the water system improvements. Mayor Weinberger said the capital plan should be adopted with the water and general obligations bonds.

Item 3.04 – Capital Plan

MOTION by Councilor Knodell, SECOND by Councilor Paul, to approve and recommend to City Council to approve the 10-Year Capital Plan and Financing Plan FY17-FY21 (Item 3.04).

DISCUSSION: There was discussion of the order of the recommendations to be approved. The following comments were made:

- **Councilor Bushor acknowledged the need is great and the city cannot do it all so that is why doing the water system improvements is suggested.**
- **Councilor Wright concurred everything in the plan is justified, but the increase is an impact on taxpayers. There is concern about putting the plan and bonds on the November ballot because there is also the TIF vote. There is inaccurate information on Front Porch Forum on the TIF vote which needs to be corrected. What has been done and what is planned for the bike path is supported, but a "Plan B" is needed should the capital plan not be passed or is not on the ballot until March. There are sections of the bike path that are so bad and need to be addressed regardless of whether or not the vote passes.**
- **Mayor Weinberger said he does not read the white paper as a directive. Overall support of the investments and the capital plan can be demonstrated whether the vote is to be in November or March.**
- **Councilor Knodell recognized the amount of work that has been done. The work is based on engineering studies. The plan has been changed in response to the City Council concerns. The city cannot afford to not support the plan.**
- **Councilor Paul pointed out the burden will be shared people who will benefit now and people who will benefit in the future because the plan is long term. Deferred maintenance is always the easier item to cut, but the maintenance has to be done.**
- **Mayor Weinberger said staff has worked over the last two years with the acute understanding that Burlington and Vermont property tax payers are under substantial pressure and it is not appropriate to bring forward a plan that just uses property taxes and rates. This plan generates 48% of the revenue from non-property tax sources and was drafted with the concern of affordability in mind. It is a false choice to suggest that if the plan is not done the people are not paying because there will be payout one way or another in heightened maintenance of fire trucks, slower response times from fire services, breakage in the water lines. These are not luxury items being discussed.**
- **Councilor Wright said he needs assurance the gross receipts tax will be taken up first at City Council and then the remaining items will be in March. This will allow moving forward on a number of items in the same construction cycle with the additional money.**

There were no further comments.

VOTING: 4 ayes, one nay (Councilor Wright); motion carried.

Item 3.05 - General Obligation Bond

On hold.

Item 3.06 – Water Revenue Bond

MOTION by Councilor Bushor, SECOND by Councilor Knodell, to approve and recommend to City Council approval of the water revenue bond on the November ballot. VOTING: unanimous; motion carried.

4.0 ADJOURNMENT

With no further business and without objection the meeting was adjourned at 7:03 PM.

RScty: MERiordan