Board of Finance - Wednesday, September 5, 2018 at 5:00 p.m.
Conference Room 12, City Hall
9/5/2018

BURLINGTON BOARD OF FINANCE

CITY HALL

BURLINGTON, VERMONT

MINUTES OF MEETING

September 5, 2018

APPROVED – 11/13/18

MEMBERS PRESENT: Mayor Weinberger

Kurt Wright

Sharon Bushor

Karen Paul

Jane Knodell

OTHERS PRESENT: Beth Anderson, CAO

Rich Goodwin, DFO

Jordan Redell, Mayor's Office

Eileen Blackwood, City Attorney

Chapin Spencer, DPW

Megan Moir, DPW

City Councilor Pine

City Councilor Deane

City Councilor Dieng

City Councilor Shannon

City Councilor Mason

Nathan Lavery, BSD Director of Finance

Yaw Obeng, BSD Superintendent

Jeff Wick, Burlington School Board

1.0 CALL TO ORDER and AGENDA

Mayor Weinberger called the meeting to order at 5:05 PM on September 5, 2018.

1.01 Agenda

MOTION by Councilor Knodell, SECOND by Councilor Bushor, to approve the agenda with the addition of Item 5.05 – City Council Issues. VOTING: unanimous; motion carried.

2.0 PUBLIC FORUM

None.

3.0 BOARD OF FINANCE APPROVAL

3.01 Water Resources Staffing Assessment – DPW

Assistant DPW Director Moir and DPW Director Spencer explained the planned investment in the waste water and storm water system to help reduce the number and volume of combined sewer overflows (CSO's). Staff is looking at a two tiered rate structure to differentiate between small and larger users of water. There will be a base charge and incentives will be offered.

Councilor Bushor urged looking at ways to mitigate the debt service impact on property owners. DPW Director Spencer said the impact is graduated up to $6,432 after five years unless an additional rate mitigation strategy is implemented. Councilor Bushor suggested including an offer of a loan or repayment plan to homeowners to cover the cost of water or sewer line breaks. Councilor Bushor asked about the outfalls on Riverside Avenue being included in the project. Assistant DPW Director Moir said the projects will likely be in Phase 3. Tackling clean up of the lake, TMDL, phosphorus were thought to be a good start.

Councilor Paul asked about the net effect of change from meter to cash system. Assistant DPW Director Moir said the numbers for the compound meters have been compiled. Continued assessment is being done to find any more mistakes. Councilor Paul asked if there are efficiencies with the new positions and organizational structure. DPW Director Spencer said the meter to cash evaluation is looking for efficiencies. The second phase is looking at best practices for the organizational structure.

Assistant DPW Director Moir mentioned the loan source for the projects (all are state revolving loan eligible).

MOTION by Councilor Paul, SECOND by Councilor Bushor, to approve amending the Meter-to-Cash Performance Improvement Contract with Raftelis to allow an additional assessment of the organizational structure and practices of the Water Resources Division, and to authorize the DPW Director to execute the contract amendment subject to approval by the City Attorney's Office for an additional $43,394 with any necessary amendment up to the contingency limits.

DISCUSSION:

- **Councilor Bushor confirmed HR is involved and urged equity across departments and compensation packages as well as ensuring that the taxpayers can afford the salaries being paid. Mayor Weinberger assured the Administration cares about compensation being fair throughout the organization and is sensitive to the tax burden on taxpayers.**

VOTING: unanimous' motion carried.

4.0 APPROVE AND RECOMMEND TO CITY COUNCIL

4.01 Waste Water and Storm Water Upgrades and Bonding – DPW

Mayor Weinberger said the proposed bond should provide the resources to replace infrastructure in the system to eliminate breaks and continue progress on CSO's.

Councilor Knodell asked if the work and rate impact can be delivered. Assistant DPW Director Moir said there is concern about delivery of the project unless the staffing need is met. The state revolving loan fund gives a doorway into additional funding. Councilor Knodell said the sustainable capital plan has storm water projects, but the proposal is over and above that of the sustainable capital plan. DPW Director Spencer said Phase 1 of the sustainable capital plan is water and general fund assets. Waste water and storm water are not components. Councilor Knodell asked if breweries will pay extra. Assistant DPW Director Moir said a consultant will be doing a framework for breweries. The loan is to incentivize quicker implementation. Mayor Weinberger added there are other commercial users that discharge high strength waste. The goal in allocating resources to get the plan right is to regulate fairly across all businesses.

Council President Wright asked about help for homeowners with sewer breaks. DPW Director Spencer said the sewer lateral from the main to the house is the property owner's responsibility. There is a financing mechanism for low income residents. Council President Wright asked about the impact of holding the bond vote in March. Assistant DPW Director Moir said there could be a repeat of the problems experienced after storm events if the upgrades are postponed. DPW Director Spencer added there is an integrated planning effort being done on investment in waste water and storm water infrastructure. Mitigating phosphorus in the lake will help inform. The investments are in areas that will not be obsolete. Council President Wright asked if there is anything in the plan that could wait until the next phase. Mayor Weinberger said the Administration does not want to go back to the taxpayers again for phases 4, 5, 6, but to handle everything in two phases. DPW Director Spencer added it is more expensive to wait. The city is making historic reinvestment in capital assets and an asset management program needs to be in place for maintenance.

Councilor Paul asked about TIF funding. CAO Anderson said the work is related to the line item for the Great Streets project. How much outside utilities should contribute needs to be determined. Councilor Paul asked the estimate of funding with all the strategies in the aggregate. CAO Anderson noted staff is looking to find $1 million in grants and loan forgiveness.

Councilor Pine asked if there is any way to factor in resources within the bond to help property owners install more efficiencies and pay for it as part of the water bill. Assistant DPW Director Moir will check with the state.

MOTION by Councilor Bushor, SECOND by Councilor Wright, to recommend to City Council the adoption of the resolution with additional language dealing with the rate structure as discussed.

AMENDMENT by Councilor Knodell, SECOND by Councilor Wright, to amend the resolution by adding the following language:

- **Whereas, the city intends to study and adopt an alternative rate structure for water and waste water to relieve the cost burden on income constrained small user effective FY21."**

DISCUSSION:

- **Mayor Weinberger said the rates shown assume the rate structure is unchanged. For consideration are new fees for fire service (sprinklers), irrigation systems, and other ways to subsidize or reduce rates.**
- **Councilor Bushor said reducing the overall cost for everyone would be of interest. Cost shifting is a concern.**
- **The projects should be done as quickly as possible to avoid additional CSO's.**

VOTING ON AMENDMENT: unanimous; motion carried.

VOTING (on motion as amended): unanimous; motion carried.

5.0 COMMUNICATION

5.01 Debt Policy – C/T

5.02 Burlington School District Request for Bonding

CAO Anderson gave a history of the debt policy, noting the credit rating by the financial advisors includes the city level of general obligation debt and overlapping debt (i.e. debt that creates cost burden on the taxpayer) so the school district is included. The debt policy creates a capacity level for debt. An "A" rating is a total of 4% of the full value of the taxable base (equalized grand list). There is $119 million in value in city property and $101 million in value in school property. Another scenario is the asset adjustment model that considers the value of streets and sidewalk infrastructure and maintenance and the cost to bond for this. The number is then subtracted from the $181 million debt and the remainder divided between the city and school district. Each organization has the capacity to consider additional investment. The model ensures being thoughtful of the impacts on the taxpayers and credit rating.

Councilor Bushor asked for clarification of the limiting factor on the debt rating. CAO Anderson said Moody's looks at city debt relative to value of the tax base level. Overlapping debt is considered because that debt impacts the same taxpayer.

Mayor Weinberger added Moody's makes a distinction between city debt and school debt in the credit rating, and overlapping debt is considered in their evaluation. Moody's feels municipalities that burden the tax base with greater than 4% are a risk.

Councilor Knodell asked if retired debt is included for both the city and school district. CAO Anderson confirmed this. Councilor Knodell observed the existing outstanding debt for the city is 63% of the total.

There was continued discussion of the debt assumptions and what debt is captured. CAO Anderson said the debt on the books is discounted by payoff ($52 million) and does not include revenue bonds. The 2019 annual borrowing was $2 million. The 2020 bonding is in addition to the $2 million plus potentially borrowing for Memorial Auditorium. The school has annual bonding up to $2 million and previously approved investment bonds of $19 million. In 2021-2022 there will be the $70 million bonding for the high school.

Councilor Paul asked if Memorial Auditorium is TIF funded. Mayor Weinberger said currently the TIF District does not have capacity to invest much in Memorial Auditorium so it is likely general obligation bonding will be done. Councilor Paul said the city should strive to get to the rating it had in 2008-2009. The goal of the debt policy should be to continue to improve the city's rating. Mayor Weinberger said to get to an "AA" rating the debt would have to go from $180 million to $78 million. The city would not be in compliance. The city is making significant investment in infrastructure so setting the debt level at $180 million does not preclude further upgrades. Staff can revisit how "AA" standards are represented in the debt policy.

Councilor Knodell requested an analysis of the debt policy with TIF debt considered.

There was public comment on upgrading the high school to allow all students to reach their potential and not limiting capacity of the school. The city streets and sidewalks should be put back into the debt policy. Mayor Weinberger said staff is attempting to define a responsible policy that give the school district and city the ability to make substantial investment in infrastructure and provides a big picture framework to help with decisions.

Nathan Lavery, BSD Finance Manager, said his understanding is school debt is not part of the score card by Moody's and debt above $180 million does not necessarily mean a downgrade. The city is in the "AA" range in operating revenue to debt category. There are multiple ways to consider the fiscal health of a municipality. Moody's looks at this so the city should be optimistic in meeting its debt rating goals.

Councilor Paul asked the projection for school debt. Mr. Lavery calculated $70 million for the high school plus $39 million for all other capital improvements. There was discussion of the different calculations used to determine the debt ratios used by Moody's.

There was councilor comment on the "AA" rating and the city not investing in infrastructure and being a good steward of assets.

Councilor Bushor opined the city and school should share debt equally. Councilor Knodell pointed out the tax bill is 2/3/ school and 1/3/ city. The policy should not be so rigid that it prevents doing what the city wants to do. The $70 million high school proposal is needed and developments in the city will have positive impact. Mayor Weinberger said the city needs to know it is acting in a responsible way. The total level of indebtedness matters. The city has to proceed carefully. Council President Wright said it is not wise to be asking the voters for a bond when the debt policy is not settled. Councilor Bushor expressed concern about the timing of the bonds for waste water and storm water and the high school. The voters could vote down the bonds if linked to the debt policy. Councilor Paul said the best possible outcome of success with the voters is for City Council to overwhelmingly support the debt policy. A policy should have been in place long before now. Moody's wants the city to have a debt policy.

There was public comment on the needed work at the high school continually being deferred and costs increasing. Mayor Weinberger explained there is concern about the community being able to afford the total amount of debt with the $70 million trajectory. If a decision cannot be made for the November vote then the Administration will work with the school district for a March initiative. Council President Wright said the citizens have not been fully engaged yet. Councilor Knodell pointed out the school board is a separate elected body calling for a November ballot. The city is also borrowing so it is not just the $70 million for the school district. Councilor Pine said the school is the most important public facility invested in by the public. The cost per square foot should determine the amount needed to borrow. The voters will be asked in March to support investment in the lake and the school so the school can continue to operate. It is doubtful the voters will also support the high school investment then as well.

Superintendent Obeng said $30 million is not enough to provide accessibility and materials for the students. Presently money is being spent every year to address complaints about accessibility.

Burlington School Board Chair, Claire Wool, stressed the need for the city and school district to work together and be unified on the outcome. A history of bond requests for the high school is detailed in a 30 page document. Memorial Auditorium has been incorporated into the issue to avoid having to choose between the high school and Memorial Auditorium. Water and waste water are health issues separate from the school issue.

Councilor Deane said there is no doubt the high school needs investment and the $70 million is supportable. Without a decent high school families will not be attracted to the community and students will not be supported.

Councilor Bushor suggested discussing with Moody's the impact of potentially going three times the debt ratio. Mayor Weinberger offered to craft a proposal for up to $90 million for the voters to decide. Some constraints need to be identified though.

Councilor Knodell suggested there be more flexibility to the debt policy.

MOTION by Councilor Paul, SECOND by Councilor Bushor, to continue to refine the debt policy and have a conversation with Moody's, and by September 7, 2018 the Administration, City Council President, and school leadership will revise the debt policy to accommodate the $70 million request by the school. VOTING: 4 ayes, 1 abstention (Mayor Weinberger)

6.0 ADJOURNMENT

With no further business and without objection the meeting was adjourned at 8:45 PM.

RScty: MERiordan