Board of Finance
7/14/2014

Board of Finance (Monday, July 14, 2014)

Generated by Amy Bovee on Wednesday, July 16, 2014

Members Present: Miro Weinberger, Joan Shannon, Sharon Bushor, Karen Paul (arrived late), CAO Bob Rusten

Absent: Jane Knodell

Also Present: City Attorney Eileen Blackwood; ACAO Rich Goodwin; Nate Wildfire, CEDO; Chapin Spencer, Pat Buteau, DPW; John Irving, BED; Miranda MacDonald, Paul Irish, Stephanie Philips, Schools; Joe McNeil, McNeil, Leddy, and Sheahan.

Meeting called to order at 5:07 PM

1. Agenda

Action, Procedural: 1.01 Adopt/Amend Agenda

Approve the Agenda

Motion by Sharon Bushor, second by Joan Shannon

Final Resolution: Motion Passes

Aye: Sharon Bushor, Joan Shannon, Miro Weinberger

2. Public Forum

No one came forward to speak.

3. Approval of the Minutes

Action, Minutes: 3.01 June 16, 2014

Motion to approve the minutes

Motion by Joan Shannon, second by Sharon Bushor

Final Resolution: Motion Passes

Aye: Sharon Bushor, Joan Shannon, Miro Weinberger

4. For Approval and Recommendation to City Council

Action, Resolution: 4.01 Authorization for Borrowing - Schools

Stephanie Philips, Schools, stated they are here to request borrowing up to $4.8 million. This would be used on an as needed basis between now and their closing on financing with KeyBank. They need this bridge loan because under Act 60/68, School finances need to be separated from City finances. Historically, the arrangement that existed between the City's sweep account gave the City and the Schools the opportunity to use those funds when they needed cash. They no longer have this opportunity, and they have high expenses before the receipt of the August tax payment. They are planning to go out for a line of credit instrument to help them with their cash flow.

Mayor Weinberger noted that a portion of the resolution refers to revenue that will be received from a Vermont education support grant. The Vermont education support grant is actually the education portion of property taxes.

Councilor Bushor stated they will borrow as needed and inquired if there is a fall back plan if for some reason money is not available. She inquired if there is any chance of that happening. Joe McNeil, McNeil, Leddy and Sheahan, stated it is very unlikely that would happen. They had a successful bid by KeyBank, so they know that they will have a source of bridge financing on good commercial terms. Councilor Bushor stated the resolution did a good job of capturing the issue.

City Council President Shannon inquired if they need to do this since they have a commitment from KeyBank. Mr. McNeil stated they hope that they will not need to borrow from the City, and will only draw down what is necessary. This is the first time that they are doing a commercial loan transaction. They have been told that they should expect a fair amount of paperwork to get that set up. This will cover the possibility that the commercial loan will not be fully in place by the time that they need the money. They do not expect that the amount they need will be near $4.8 million. City Council President Shannon inquired if they have a preapproval from the Bank in place, but do not have a commitment at this time. Mr. McNeil stated they issued an RFP and KeyBank bid on it. Their bid was subject to them providing documentation of a number of items. If they did not provide the needed documentation, the bank would not give them the loan.

Councilor Paul noted that there is no interest rate included in the resolution because State law says they cannot charge an interest rate. She inquired what rate KeyBank has offered. Mr. McNeil stated the rate will be between 2.75%-3.75% depending on which index they follow. Councilor Paul stated she believes it is incumbent upon the City to support the schools if needed.

Motion to approve and recommend City Council approval with an amendment to the resolution to add "(education property taxes)" after "Vermont education support grants" in item 2.

Motion by Sharon Bushor, second by Joan Shannon

Final Resolution: Motion Passes

Aye: Sharon Bushor, Joan Shannon, Karen Paul, Miro Weinberger

Action, Resolution: 4.02 Authorization for Replacement of Boiler Superheater at McNeil - BED

Councilor Bushor inquired how many bids they received. John Irving, BED, stated they received nine. Councilor Bushor inquired if they should be evaluating the McNeil plant for other parts that may need replacement. This might allow them to plan ahead for repairs. Mr. Irving stated they do an annual inspection to see what items they might expect to replace. They problem is there are long lead times on materials. Councilor Bushor inquired if they were able to look at the thickness of the pipes to see if they were thinning over time. Mr. Irving stated each pipe is only two inches in diameter. If one ruptured in the middle of the boiler, it would be difficult to get to it. The tubes at the top are the ones that are causing a problem. They are seven stories in the air and require scaffolding to access them. When they had a leak, they had a testing company test the width of all of the tubes. They found three that had thinned. They replaced the thinned sections which fixed the leak. They are doing everything that they can do to predict these things. The numbers are big and the lead times are long.

Mayor Weinberger noted that BED has capital reserves that they can access when things like this happen. Mr. Irving stated they have over $8 million in that account. They lose $44,000 of revenue per day that the McNeil plant is out of service, so in that respect this is a small expense. Mayor Weinberger stated they will need to have further discussions on how to restore that reserve, as Moody’s has said it is important for their credit rating.

Mr. Irving noted they will return to the Board of Finance for the installation contract.

Approve the contract and budget amendment and Recommend City Council approval

Motion by Karen Paul, second by Sharon Bushor

Final Resolution: Motion Passes

Aye: Sharon Bushor, Joan Shannon, Karen Paul, Miro Weinberger

Action, Resolution: 4.04 Authorization for Contract to Lease-Purchase Smart Meters – DPW

CAO Rusten stated they are addressing a revised resolution to reflect the increased cost of the contract. City Council President Shannon inquired what the correct dollar amount will be. Pat Buteau, DPW, stated the correct amount is $45,235.68. The interest rate came in at 4.96%.

Approve the amended contract and recommend City Council approval

Motion by Joan Shannon, second by Sharon Bushor

Final Resolution: Motion Passes

Aye: Sharon Bushor, Joan Shannon, Karen Paul, Miro Weinberger

City Council President Shannon inquired about single space meters versus multi-space meters. Chapin Spencer, DPW, stated that for a parking lot, multi-space meters make a lot of sense because they are easy to find. For street parking, they don't make as much sense because they are harder for people to get to from their parking spaces. He also noted that a multi-space meter could be challenging when there are construction projects that require meter bags to be purchased. They will buy multi-space meters this year and will place them in the most advantageous locations.

Councilor Paul stated she likes the idea of paying by plate number. Putting a piece of paper inside of a car window is challenging with snow and ice. She is glad they are trying pilot programs because their experiences will help them determine what works best. Mr. Buteau stated placing these meters in the downtown core will allow them to collect good data.

Councilor Bushor inquired when these will be installed. Mr. Buteau stated they hope to begin installing them on October 1.

City Council President Shannon inquired if they have set up remote payment options. Mr. Buteau stated that will be set up at a later date. They will be using a program that will work to transfer information directly to the meter from a phone. They hope to begin that in the Spring. The meter batteries are supposed to last a year, although he expects it will be closer to nine months. They currently change meter batteries once a year. He noted that there will be a dome that will lock over the top of the meters. When they open the meters, they are required to insert a card that will tell them exactly how much money is in the meter. This will provide a check on their collections.

5. Discussion

Discussion: 5.01 Discussion of Internal Control Self-Assessment Model - C/T

CAO Rusten stated they have continued to look at their model and have made some changes to it. They went through the VLCT checklist and cross-referenced it with the model they have presented.

Councilor Bushor inquired when they will begin to implement this. ACAO Goodwin stated they have received confirmation from the auditors that they are supportive of this model that they have developed. This will help address their internal control issues that were mentioned in the management letter. The questionnaire will be distributed to City Departments and they will begin to implement this city-wide. The original COSO document was sizeable, but they have reduced it to seven pages. There is a recommendation that they create an audit committee who would be the driver of COSO. CAO Rusten stated they would be involved in the process and make recommendations. ACAO Goodwin stated once this questionnaire is completed, they will have a better understanding of where to dedicate their resources. Councilor Bushor inquired if this checklist will serve as a roadmap for how to address these issues. ACAO Goodwin stated that it will. The last document is a page and a half summary with a list of steps they will need to take to implement this. CAO Rusten stated they have included a timeline with the steps. ACAO Goodwin stated they are on hold until the Audit Committee is created. Once created, they will begin to work with Departments to implement the model. CAO Rusten stated it is not a requirement that they create the audit committee, but they thought it would be good to expand who would be involved in this process.

City Council President Shannon inquired what the plan for creating the Audit Committee is. She also noted that the Charter states that the Board of Finance is the Audit Committee. She inquired if they will need to put a Charter Change before voters in order to do this. CAO Rusten stated he believes that this can be done by resolution. In the past, the Council, by a resolution, created an Audit Committee. City Council President Shannon inquired if they would be creating a committee to report back to the Board of Finance, and the Board of Finance would still be responsible for the audit. CAO Rusten stated they could be an advisory Committee to the Board of Finance and one function could be helping to implement COSO. Councilor Bushor stated she would support having them as an advisory committee. The Board of Finance has a function of reviewing the audit, but they have not been able to do that thoroughly. CAO Rusten stated the previous resolution included other responsibilities. They could talk about other things they would like the Committee to do, but at a minimum they would be involved in this process. City Council President Shannon inquired if they would bring forward a new resolution creating an Audit Committee. CAO Rusten stated that they could and he would like to have a discussion with the Board of Finance about what other items they would like to task the Committee with. City Council President Shannon requested that CAO Rusten bring to a subsequent Board of Finance meeting a draft Resolution creating an Audit Advisory Committee as well as the Council previously approved Resolution.

Discussion: 5.02 Board of Finance Schedule

The Board discussed the Board of Finance schedule and agreed to adopt it as presented with the understanding that they will meet on October 20, November 10, and December 15 only if needed.

7. Adjournment

Procedural: 7.01 Adjourn the Meeting

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 5:53pm.