FY22 Budget Presentations - Thursday, May 20, 2021, 5:00 pm
Virtual Meeting
5/20/2021

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BURLINGTON BOARD OF FINANCE

REMOTE MEETING WITH CALL-IN NUMBER

SPECIAL MEETING: FY22 BUDGET PRESENTATIONS

BURLINGTON, VERMONT

MINUTES OF MEETING

May 20, 2021

MEMBERS PRESENT: Max Tracy

Karen Paul

Brian Pine

Ali Dieng

Katherine Schad

OTHERS PRESENT: Rich Goodwin

Jordan Redell

Sara E Carpenter

Mark Barlow

Amy Bovee

Sara Katz

Gary Scott

Doreen Kraft

John Vickery

Eileen Blackwood

Darren Springer

Bill Ward

Mary Danko

Megan Moir

Chapin Spencer

Kelly Devine

Jack Hanson

1.0 CALL TO ORDER and AGENDA

Chief Administrative Officer Schad called the Board of Finance meeting to order at 5:07 PM.

MOTION by Councilor Paul, SECOND by City Council President Tracy, to adopt the agenda.

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

- Kelly Devine spoke about the proposed water and electric rate increases and expressed concern for the potential negative impact that these could have, in addition to reappraisals, on small businesses in Burlington.
- Gary Scott spoke against the proposed Burlington Electric Department rate increase, which would be detrimental to the University of Vermont Medical Center. He asked that the Board of Finance look at other relief funds to offset the cost of the rate increase.

3.0 BURLINGTON CITY ARTS

3.01 BCA – Doreen Kraft

Director Kraft provided an overview of BCA’s FY22 budget. She noted its accomplishments during Covid, which included supporting working families and youth through summer camp and full-day educational programming last summer. She said that the current challenge will be ramping back up its normal programming, which will include the in-person festivals and events that will occur this summer, while also maintaining online programming, since it has been extremely accessible to the general public. Assistant Director Katz spoke about budget drivers for FY22, noting that the budget includes new revenues from fund-raising and sponsorship, though it will rely on the general fund as well. Director Kraft added that BCA is also in the middle of a capital campaign for its studios on Pine Street.

Councilor Pine asked about BCA's projection for private support and sponsorship as the City emerges from the pandemic. Director Kraft replied that BCA has striven to keep its relationships with the community active during Covid. She acknowledged that the next several years will be a ramp up back to normal, the pace of which is unknown. She noted that BCA usually fundraises about 60% of its budget in a normal year, and she hopes to return to that funding level as quickly as possible.

City Council President Tracy noted that performing artists have been hit hard by the pandemic and asked how BCA is supporting the local arts community. She also asked if BCA is collaborating with the RRC in some of this support. Director Kraft replied that BCA provided emergency grants to around 80 artists. She said they also created a resource center within BCA in order to coordinate and access funding for artists at the statewide level. She also noted that they should be receiving support through ARPA funding for distribution in the local community.

4.0 CITY ASSESSOR

4.01 City Assessor – John Vickery

City Assessor Vickery gave an overview of the City Assessor's Office and its budget for FY22. He spoke about the office's activities, which include valuation of real estate and business property and holding associated property value appeal hearings, conducting real estate market analysis, determining the level of appraisal for the State Education Fund formula, and maintaining the City's property database for public access. He spoke about assessor staffing in FY, noting that the Office is requesting to maintain its current staffing levels of 2 full time temporary appraisers, the City Assessor, a Deputy Assessor, an Associate Assessor, and temporary part-time assistance in April and May, in order to complete the current reappraisal. He spoke about the goals of the appraisal office, which allow for filing and hearing appeals, completing the hearings before the end of calendar year 2021, having sufficient funding to hire appraisers for complex commercial properties, and passing the VT Tax Department's independent test of the reappraisal property. He outlined the key expenses and revenues for the Office.

Councilor Carpenter recommended developing a plan for conducting reappraisals more frequently or on a rolling basis, once the current reappraisal is completed. City Assessor Vickery replied that the current reappraisal was mandated by the state since the City is not meeting required measures of equity, adding that the threshold for triggering a reappraisal was increased from 80% to 85% and that this should mean that reappraisals occur more frequently. Councilor Carpenter asked if the City Assessor's Office has plans to conduct an analysis of the burden shift as a result of the reappraisal. City Assessor Vickery said that he is anticipating preparing that analysis for the City.

5.0 CITY ATTORNEY

5.01 City Attorney – Eileen Blackwood

City Attorney Blackwood provided an overview of the City Attorney Office's FY22 budget, saying that it is driven by personnel. She said that the Office includes 6 attorneys, 1 paralegal, 1 legal assistant, and 1 public records specialist. She summarized the legal services provided by the office, which include being general counsel for all City departments and projects. She noted that conflict counsel is hired where appropriate and that electric utility and airport regulation, commercial real estate, bankruptcy, tax collection, and environmental matters are usually handled by outside council. She listed the outside legal firms that were used by the City in FY21. She provided an overview of the Office's key functions and activities and listed its expected internal projects and goals from FY22. She noted that the FY22 budget would include the creation of a Deputy City Attorney position and that other primary increases in the budget are related salary, benefits, and equipment (cell phones to aid in remote work).

Councilor Dieng asked whether the City has considered designating attorneys for each of the enterprise departments, rather than relying on the City Attorney's Office. City Attorney Blackwood replied that much of the legal expertise has been brought in-house so that the City is able to coordinate legal activity and provide uniform services. City Council President Tracy asked what kind of expertise the City should be looking for as it goes to recruit for a new City Attorney. City Attorney Blackwood replied that one area of expertise where there is need is with some of the real estate components of the projects that CEDO works on.

6.0 BURLINGTON ELECTRIC DEPARTMENT

6.01 Burlington Electric Department - Darren Springer

General Manager Springer provided an overview of BED's FY22 Budget. He spoke about the effects that Covid has had on the department, noting that sales to customers have declined by $2.1 million compared to budgeted amounts since March 2020. He said that this has exacerbated the already-present trend of customer loss and delayed additional additions. He also noted that customer arrearages are up significantly due to Covid, and that they are at $1.3 million as of April 30, 2021. He said that BED has tried to reduce its growth rate in controllable expenses, keeping it at an average of 3.55%. He said that due to Covid, arrearages, and other effects, BED has much less cash in hand than it had at the start of previous years. He said that even with a rate increase for customers, net income is projected to be $808,000 for the fiscal year. He noted that around $1.3 million in ARPA funds could be used to assist in arrearages. He also noted that BED will have an energy assistance program to help offset the impacts from rate increases for customers enrolled in state fuel assistance programs. He spoke about BED's capital program and projects. He also noted that though there have been negative impacts from Covid, BED will continue its strong progress on net zero energy through the FY22 budget. He spoke about the history of rate changes, both for residential and commercial/industrial customers. He provided a brief summary of the effect on residential bills that a rate increase would have, saying that the average increase would be around $5 per month.

Councilor Hanson asked about the short amount of notice given to the public for the rate increase. General Manager Springer replied that BED provided as much notice as it could, even prior to the rate increase approval by the Electric Commission. He said that there have been several public meetings and that there will be several more. He noted that the rate increase, if passed, wouldn't go into effect until at least August. Councilor Hanson asked what the City Council's role is in terms of rate increases. General Manager Springer said that BED needs approval to file for a rate increase from the Electric Commission, Board of Finance, and City Council. Councilor Hanson asked about customer relief for the rate increase, and General Manager Springer spoke about the energy assistance program that BED would implement.

Councilor Carpenter asked when customers can expect to see the rate increase. General Manager Springer said that if BED files the rate increase by July 15, they would see the surcharge for the rate increase in August. Councilor Carpenter asked about the strategy of freezing rates for 12 years and then having a large rate increase at once. General Manager Springer replied that they would have asked for a rate increase in 2020, had it not been for Covid. He said that BED doesn't intend to go another 12 years without a rate increase.

Councilor Pine asked if BED could promote additional efficiency improvements or educate customers on how to lessen the impact to their actual bill. General Manager Springer replied that BED has over $2 million in funding for program assistance. He said that the energy services team has been conducting virtual (and now live) site visits to help customers make improvements and increase energy efficiency.

Councilor Dieng asked what the effects would be of not increasing rates. General Manager Springer replied that the rate increase is a last resort and that they aren't able to cut any other expenses without negatively impacting the workforce or the system's reliability and safety. Councilor Dieng said that the timing of the rate increase is not ideal.

City Council President Tracy asked about renewable energy credits and whether they have made budgeting more challenging. General Manager Springer replied that the renewable energy credit markets have provided between $7-8 million per year in revenue and that they have generally been stable. He noted that they are not one of the drivers of the rate increase.

Councilor Paul noted that constituents feel that they have not had enough time to adjust to the rate increase. She asked whether there is an opportunity to delay the rate increase/surcharge until October or November. General Manager Springer replied that every month that BED doesn't have the surcharge in effect results in a loss of $200-$300,000 per month and reduce the days cash on hand metric and potentially impact its credit rating.

7.0 PERMITTING AND INSPECTIONS

7.01 Permitting and Inspections - Bill Ward

Director Ward provided an overview of the Department of Permitting and Inspections' proposed budget for FY22. He said that the department's core functions are inspecting of rental housing, health inspections, zoning and development review, trades permit review, and vacant building enforcement. He spoke about the focus areas for FY22, which include the refining the new online permitting request processes, amendments to ordinances around electrification, housing, Chapter 8, and electric permits, and graffiti removal assistance.

City Council President Tracy said that in last year's budget there was an increase for recycling toters and asked if there was a similarly-increased allotment for FY22. Director Ward replied that there has been a shortage of these toters and that the City is waiting for shipments of them. Director Spencer replied that the department has budgeted an extra $10,000 to purchase more toters, but they are still awaiting them.

Councilor Carpenter said she has heard feedback that trade inspections could move more quickly if Burlington delegated some of those activities, and whether Covid has enabled more remote work in that area. Director Ward replied that the trades team had been reluctant to do remote inspections but that there is now a greater comfort level with conducting them remotely, which has improved the process and increased timeliness.

Councilor Dieng asked about installing solar panels. Director Ward replied that they are working on it from a code perspective and are ensuring that they can find something that is safe and acceptable to the code.

8.0 FLETCHER FREE LIBRARY

8.01 Fletcher Free Library – Mary Danko

Director Danko provided an overview of the Fletcher Free Library's FY22 budget, saying that the Library's mission is to provide free access to information and materials. She said that during Covid, many of the librarians assisted with pandemic-related activities, such as with the RRC, staffing vaccination sites, and tracking information. She noted that to increase equity, the library is now fine-free. She spoke about the new integrated library software that will be implemented, noting that it is more intuitive, collaborative, and less expensive. She noted that book prices for libraries are more expensive to purchase than for customers through retail or Amazon, which has an impact on the budget. She noted that 82% of the library's budget is related to personnel.

City Council President Tracy asked how the library's budget can support outreach to residents who aren't currently using its services but could benefit from them. Director Danko replied that they have just hired an outreach staffer and they will be focusing more on senior outreach. City Council President Tracy asked if there is coordination occurring between library outreach and the REIB department's outreach, specifically to the BIPOC community. Director Danko replied that they have begun to review their policies through a racial equity lens, and are looking forward to using the REIB department's racial equity toolkit to help with policy revisions.

9.0 WATER/WASTEWATER/STORMWATER

9.01 Water/Wastewater/Stormwater – Megan Moir and Chapin Spencer

Director Moir provided an overview of FY21 highlights and FY22 goals for the Burlington Water Resources division. She noted that in FY21, the division provided critical water services daily, completed disinfection upgrades, preliminary engineering for the remainder of the wastewater phase II clean water resiliency plan improvements, conducted wastewater surveillance for the presence of the Sars-Cov-2 virus, conducted an integrated water quality planning study, and worked toward water and wastewater ratepayer affordability. She provided an overview of the FY22 budget, noting that Water and Wastewater usage has performed better than predicted for FY21 and that they are back on the sustainable stewardship track for FY22. She noted that Water, Wastewater and Stormwater have significant capital improvement project needs in future and need health cash reserves to support loan underwriting and cash flow needs and that the FY22 budget establishes dedicated capital reserves. In terms of revenue, she noted that a 6% increase in retail revenue is required for water and wastewater and a 5% increase for stormwater. She emphasized the importance of continued reinvestment across all three funds as well as investments related to new regulatory targets and pursuit of ARPA funds for the division's use.

City Council President Tracy asked if the raingarden program will be expanded across the City. Director Moir replied that some areas are not as conducive to getting overflow out of the system. She added that the long-term plan sets aside several million dollars in green infrastructure programming and equipment.

Councilor Dieng asked if the department has looked into combining billing and administrative functions for electricity and water. Director Spencer replied that often the two utilities have different client bases and also have different regulators and regulatory requirements, though they are still looking into where efficiencies could lie.

10.0 HEALTH, RETIREMENT/WORKERS' COMP/INSURANCE

10.01 Health, Retirement/Workers' Comp/Insurance – Katherine Schad

Finance Director Goodwin noted that the retirement budget is generated by the City's retained actuary. He said that the Retirement department serves around 2,300 employees. He noted the funding sources for the department—including employee contributions, from departmental funding, and from the dedicated tax for retirees. He said that the City gets $12 million from the various departments, around $4.4 million from employee contributions (from paychecks). He noted around $100,000 in payroll expenses for administering the retirement benefit. He noted that $18.5 million pays for 802 retirees monthly. When it is all combined, he noted a shortfall of $4.3 million, which is deducted out of the investment portfolio to make the fund whole.

Finance Director Goodwin then walked through the health and dental fund and a workers' compensation fund. He said that employees are responsible to pay 20% of the cost share for health and dental insurance and the other 80% comes out of the departments. He noted that around $3.5 million are taken out of employees' paychecks for this contribution. He noted total projected expenses of $13.4 million. He walked through the workers' compensation fund is funded by the various departments.

11.0 ADJOURNMENT

9.01 Motion to Adjourn

With no further business and without objection the meeting was adjourned at 8:08 PM.

RScty: AACoonradt