FY23 Budget Presentations, Thursday, May 19, 2022, 5:00 pm **Bushor Conference Room, Room 102, 1st Floor, City Hall OR remotely via ZOOM 5/19/2022

BURLINGTON BOARD OF FINANCE

REMOTE MEETING WITH CALL-IN NUMBER

OR

CITY HALL, 1ST FLOOR: SHARON BUSHOR CONF. ROOM

SPECIAL MEETING: FY23 BUDGET PRESENTATIONS

BURLINGTON, VERMONT

MINUTES OF MEETING

May 19, 2022

MEMBERS PRESENT: Karen Paul

Zoraya Hightower

Ali Dieng

Joe Magee

Miro Weinberger

OTHERS PRESENT: Katherine Schad

Rich Goodwin

Jordan Redell

Gene Bergman

Sarah E Carpenter

Mark Barlow

Darren Springer

Munir Kasti

Phet Keomanyvanh

Chapin Spencer

Megan Moir

Jeff Padgett

Joan Shannon

1.0 CALL TO ORDER and AGENDA

Chief Administration Officer Schad called the Board of Finance meeting to order at 5:00 PM.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

None at this time.

3.0 MAYOR'S OFFICE

3.01 Mayor's Office – Jordan Redell

Chief of Staff Redell began by providing an overview of staffing in the Mayor's Office. She noted that the majority of the budget is related to staff costs, and that there are four positions within the Mayor's Office (Mayor, Chief of Staff, Communications and Project Coordinator, and Administrative Coordinator). She noted that the operating budget is level-funded and that some budget lines were shifted for accounting purposes.

4.0 BURLINGTON ELECTRIC DEPARTMENT

4.01 Burlington Electric Department – Darren Springer

General Manager Springer said that they will be discussing both the FY23 budget and the FY23 rate proposal.

He provided context for the budget, noting difficulties such as high inflation and volatile fuel and energy prices. He noted that the FY22 rate increase was 7.5% though demonstrated need was 11.8%. He noted that BED has a strong cash position for FY23, driven by strong McNeil production during high energy demand in the winter of 2021-2022. He also spoke about the 2022 Net Zero Revenue bond as a key source of capital financing.

He then spoke about the FY23 budget overview and key assumptions. He said that the operating revenue of $63.5 million is 5% higher than in the FY21 budget, due to a rate increase of 3.95% to respond to inflation and other cost increases, as well as due to increased kWh sales to customers as COVID-19 recedes, and increased REC sales. He said that operating expenses were 1% higher than in the FY22 budget (and total $64.5 million), due to upward pressures related to increased costs of wood fuel, state and regional transmission cost increases, reduced purchasing power due to high energy forwards, an increase in the City's indirect allocation of $124,000, and an additional project management FTE funded by reallocating contracted services. He noted that the budget includes the Energy Assistance Pilot Rate, a program to offer low-income customers a 12.5% discount. He noted that continued fiscal discipline since FY16 has resulted in modest annual increases in controllable costs to 4.89%. He spoke briefly about capital programs.

General Manager Springer spoke about the strong progress on Net Zero Energy within the FY23 budget. He noted that the department is still 100% renewable electricity, that there are continued enhanced incentives for heat pumps and other non-fossil-fueled items, increased funding for electrification rebates, energy efficiency programs and rebates, more public EV chargers, two new fleet EVs, and converting equipment to electric or biodiesel.

General Manager Springer then spoke in more detail about the FY23 rate case increase of 3.95%. He said that BED had not had a rate change in 12 years, but anticipates having more annual but moderate rate case changes over the next several years. He compared BED electricity to other commodities, noting that it has had much more modest increases in costs since the 1980s. He also compared the rate to other residential and commercial/industrial electrical costs in Vermont and New England, noting that they will remain below the Vermont and New England averages even after the proposed rate change. He said that the rate change would lead to an average increase of $3.10 per month in billing.

Councilor Carpenter asked about how multi-family properties are categorized. General Manager Springer replied that they could either fall under residential or commercial, depending on how many units and meters are in a given building.

Councilor Hightower asked if rates are reviewed by the Transportation, Utilities, and Energy Committee (TEUC). General Manager Springer replied that they are reviewed and recommended by the Electric Commission, which reviewed and recommended the rate proposal yesterday.

Councilor Dieng asked for more information on staffing. General Manager Springer replied that he will send that information to Councilor Dieng. Councilor Dieng asked how much of the power lines and utilities have been buried. Munir Kasti replied that they do not have any specific project for underground lines, though some lines will be underground for certain projects (such as the Champlain Parkway Project).

5.0 RACIAL EQUITY, INCLUSION, AND BELONGING (REIB)

5.01 Racial Equity, Inclusion, and Belonging (REIB)

Acting Director Keomanyvanh began by reviewing the REIB Department's mission statement, which is to promote racial equity and inclusion throughout the City both internally and externally. She briefly discussed areas of focus through a strategic roadmap that was developed by the department. She noted the department's functional areas, which include culture and events, public policy, public health and community trust, and training/education. She outlined the organizational chart, noting several vacancies, and also noted that several positions are limited service (but are anticipated to continue). She spoke about the FY22 budget ($1.82 million), noting that the bulk of it is for wages and salaries. She said that the proposed FY23 budget is also $1.82 million and does not include the one-time costs for public art that the FY22 budget included.

Councilor Hightower asked which positions are full time. Acting Director Keomanyvanh replied that all of the positions are full time.

Councilor Carpenter asked who the target audiences are for trainings. Acting Director Keomanyvanh replied that they are still training City staff and are working on producing a module through the Human Resources (HR) Department for seasonal workers. Chief Administration Officer Schad added that they wanted to limit cohort size for staff trainings, so they are having to break up the training into multiple cohorts.

Councilor Dieng asked about next steps for the REIB Department's strategic roadmap and areas of focus. Acting Director Keomanyvanh said that work is being completed in each domain, noting activities in the education and health domains. She said that she is hoping that the new director can help expand these areas of focus. Councilor Dieng asked which part of the budget will be used to implement the strategic plan. Acting Director Keomanyvanh said that funding will come from the operating budget/racism as a public health emergency fund and will also come from the empowerment fund. Mayor Weinberger added that major focuses for the Department include trainings for staff as well as preparation for the upcoming Juneteenth celebration.

Councilor Carpenter asked about whether State funding is available for some of the activities proposed within the REIB budget, given that some of the programming will benefit more than just the City's residents. Mayor Weinberger replied that he agrees that there is a regional impact for some of REIB's activities.

6.0 WATER/WASTEWATER/STORMWATER

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

Division Director Moir began by noting that the Water Resources Division's goals and principles are focused on finances, infrastructure, and staff resources. They noted that they intend to fully recover the costs of provider 24/7/365 service, achieve rate payer affordability, work on renewal and replacement initiatives for infrastructure, operate and maintain the infrastructure that is already in place, maintain sufficient staff resources to keep up with current and anticipated needs, and improve training through instruction, standard operating procedures, and proficiency evaluations. They noted water resource highlights for FY22, including maintaining services, upgrades to the Flynn and Fletcher pump stations, installing rain gardens in the South Prospect area, submitting a draft integrated plan to the State which outlines how the City will address new regulatory obligations (such as reducing phosphorus run-off to Lake Champlain), implementing Burlington's Water Resources Assistance Program (WRAP), and conducting a comprehensive assessment of the City's wastewater treatment plants and what improvements are needed.

They outlined the FY23 Water Resources Budget. They noted that water and wastewater usage have returned to pre-pandemic patterns and that the disconnection moratorium will be lifted in August of 2022 (and that significant outreach will occur prior to this, in June and July). They spoke about expense drivers, such as base operational increases, increased repair and maintenance in wastewater to address needs for emergency repairs, increased costs in fuel, equipment maintenance, and chemicals, new debt service, increased funding for additional operation and maintenance staff, and adding three new water resource positions (a Risk and Resiliency Engineer and a two-person Water Resources accounting team). They also spoke about the fiscal health of the division, noting that while all of the funds are meeting the minimum 120 days of cash on hand targets, they all have significant capital improvement project needs in their immediate future. They spoke about the revenue component of the budget, saying that it assumes conservative decreases in overall water usage trends, continued conservative assumptions regarding uptake rate for affordability discounts, and that they continue to phase in the full cost of private fire protection fees.

They said that in terms of proposed bill impacts related to the FY23 budget, there will be a proposed 5.42% bill increase (about $2.66 increase per month), a 5.11% increase for the typical WRAP customer (about 2.10% increase per month), and that other customer increases will vary based on impervious surface amounts and fire protection charges.

They said that looking ahead, there will need to be continued reinvestments across all three funds for improvements and replacements, as well as work to meet requirements of the Lake Champlain Phosphorus Plan, and that they are hopeful that there will be Infrastructure Investment and Jobs Act funding.

Councilor Carpenter noted that continued education for the public around the relationship between algae blooms and development would be helpful. Division Director Moir noted that there is a new program called Blue BTV residential stormwater program that will allow for a consultant to conduct a lake friendly assessment on peoples' homes, as well as funding that could help residents pay for rain gardens and other mechanisms to reduce runoff.

Councilor Barlow asked if there is money available to help both residential homeowners and condominium and large developments install rain gardens. Division Director Moir replied that the program will start with residential homeowners but will also approach home owner associations when feasible. They noted that larger developments trigger state requirements through Act 250, which include provisions to decrease stormwater runoff (among other requirements).

7.0 TRAFFIC AND PARKING

7.01 Traffic and Parking – Jeff Padgett and Chapin Spencer

Division Direct Padgett began by outlining the total budget for Parking and Traffic ($7.3 million) and the different funds and functions of the division (Traffic, Parking, and Parking Services). He noted that there is new management that is driving restructuring in systems related to financial reporting, public safety, and customer experience. He noted that there are persistent economic challenges, but the division's revenues are recovering. He spoke about key goals for the division around safety and equity. He briefly spoke about the Traffic fund, which is funded through parking meter revenue and totals around $2.3 million. He noted that revenues are recovering slowly, that smart meter upgrades are in process, that they continue to use the ParkMobile app, and that graffiti is an ongoing distraction. He then spoke about the Traffic fund (approximately $2.3 million), noting that revenues are expected to recover in FY23, that they will maintain the school crossing guard program, and that they will increase the maintenance budget to account for vandalism and graffiti. He then outlined the Parking Facilities fund (totaling $3.4 million), which is funded through garage and lot revenue. He noted program highlights including gateless garages, decommissioning on Elmwood Avenue to make way for homeless pods, the creation of Pearl Street lot permits, and focusing on safety at garages through equipment and infrastructure upgrades. He said that the fund is expecting full revenue recovery and will conduct major structural repairs at garages. He then spoke about the Parking Services fund, which generates revenue from parking tickets and totals around $1.6 million. He noted that the program has moved to DPW, that it remains focused on customer and community service, and that revenues are anticipated to nearly meet the budget. He spoke about the impacts of Covid-19 on staffing and coverage, which were heavily impacted (a 23% reduction in workforce).

Councilor Carpenter asked how the lack of CityPlace has affected revenue, and what will be impacting revenue in future. Director Spencer replied that one big post-Covid challenge has been that office workers are no longer commuting downtown and parking. Mayor Weinberger noted that the CityPlace garage was taken down about two years before Covid and that its removal did not have a significant negative impact on revenue.

Councilor Barlow asked about vandalism and graffiti and what was being targeted. Division Director Padgett replied that signs, parking meters, walls and streets have been the primary targets.

8.0 REGIONAL PROGRAMS

8.01 Regional Programs – Jordan Redell

Chief of Staff Redell noted that this is an annual budgeted allocation to fund various nonprofits and organizations that work with Burlington. She noted that the budget is consistent with past years in terms of funding and allocations. She noted that the regional programs are managed through the Mayor's Office. Chief Administration Officer Schad noted that the Accessibility Committee's budget has been moved from Human Resources to Regional Programs for FY23, and that funding related to the Indigenous Peoples Study will also be rolled over from FY22 to FY23. She additionally noted that the emergency response RFP funding was moved from the Regional Programs budget to the Burlington Police Department budget.

9.0 UNASSIGNED FUND BALANCE

9.01 Unassigned Fund Balance – Katherine Schad

Mayor Weinberger noted that the goal for the Unassigned Fund Balance (UAFB) in the past had been to accumulate funding and set a policy for the targeted amount of the budget that should be in the UAFB. Chief Administration Officer noted that the fund balance policy sets a minimum of 5% of the previous year's General Fund, has a targeted balance of 10%, and that the maximum balance should not exceed 15%. She said that any amount in excess of 15% should be appropriated as assigned fund balance or should be used to reduce property taxes. She showed a 5-year lookback of the UAFB in both total dollars and percentage of the GF. She noted that the current UAFB is 13.8% and that they could spend $2.5 million of it. She noted that the Assigned Fund Balance (AFB) is currently at approximately $7.2 million. She proposed taking 2 items out of the AFB to unassign $1,000,000 to return to the UAFB. She noted that these items include a portion of health insurance reserves ($250,000), and a portion of workers compensation and liability insurance reserves ($750,000). She said that this would result in $3.5 million that could be spent in one-time money, and proposed using it for the following activities: bike path reimbursement, recycling toters, 405 Pine Street investments, moving City IT equipment out of Memorial Auditorium, BPRW investments for parks, cemeteries, and public buildings, identifying new revenue opportunities, and the jobs & people study.

Councilor Carpenter asked if the funding proposed for cemeteries would help to alleviate some of the problems with stormwater runoff (and Director Wight replied that yes, it would).

Councilor Barlow said that it would seem more prudent to keep the UAFB higher in the case of a more severe budget shortfall next fiscal year. Mayor Weinberger replied that the City would still stay at its 10% target for UAFB, there would be a $2 million pool of ARPA funding to meet any unforeseen budget volatility, and there is still some flexibility in the AFB. Councilor Barlow said that with uncertainties around inflation and cost-of-living adjustments, he would be supportive of holding on to as much funding as needed to avoid a tax increase.

Councilor Dieng said that they need to continue thinking about the taxpayers and the fact that the tax increase for FY23 was voted down. He said that he would much rather put this funding into sidewalk repairs, since some of the sidewalk conditions are dire.

Councilor Bergman said that he tends not to be austere, though he would like to be prudent with the budget. He said that he would like to see the full list of AFB items. He asked where these proposed activities fall in each department's priorities. He said that contract negotiations with unions need to be a major consideration. He said that he needs more context in order to determine whether proposed activities should be prioritized.

10. ARPA

10.01 ARPA – Katherine Schad/Kara Alnasrawi

Chief Administration Officer Schad began by noting that the City received a $27 million allocation in ARPA funding. She noted that last year, the City Council obligated $7.3 million of that for lost revenue, and made additional obligations in FY22 of $7.5 million. She noted that this leaves approximately $12.2 million of ARPA funding remaining to obligate.

Chief Administration Officer Schad noted that the proposals for uses of ARPA dollars in FY23 are a revenue replacement reserve (if needed), an the RFP process for upgrading or creating community infrastructure, equity investments, targeted, high-impact grants through the application process, a small business revolving loan fund (that would be women/BIPOC-focused), constituent services, economic services, and Covid response.

Chief Administration Officer Schad said that this would leave approximately $3.8 million in ARPA funding for FY24. She said that proposed uses for this remaining funding would be for housing and houselessness, a revenue replacement fund, and equity investments. Director Alnasrawi noted that ARPA funding does not need to be encumbered until 2024.

Councilor Dieng asked about the differences between the community infrastructure RFP process and the targeted high-impact grants. Director Alnasrawi replied that they are still working out details. She said that survey respondents for the ARPA survey said that community infrastructure is a priority, and that the City would leverage up to $2 million for projects on public or private land, and could partner with those in the community on proposed infrastructure projects. She said that in terms of the high-impact grants, these would go to recipients looking for smaller grant amounts to stabilize programs that they are already running, and that they would go through an application process.

11. TAX RATE

11.01 – Tax Rate – Katherine Schad

No discussion at this time.

12. HEALTH, RETIREMENT/WORKERS' COMP/INSURANCE

12.01 – Health, Retirement/Workers' Comp/Insurance – Rich Goodwin

No discussion at this time.

13. ADJOURNMENT

13.01 Motion to Adjourn

With no further business and without objection the meeting was adjourned at 7:37 PM.

RScty: AACoonradt