Board of Finance - Monday, May 9, 2016 at 5:30 p.m. Conference Room 12, City Hall
5/9/2016

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

CITY HALL

BURLINGTON, VERMONT

MINUTES OF MEETING

May 9, 2016

Approved

MEMBERS PRESENT: Mayor Miro Weinberger

Jane Knodell [via teleconference]

Karen Paul

Sharon Bushor

Kurt Wright

OTHERS PRESENT: Bob Rusten, CAO

Rich Goodwin, ACAO

Eileen Blackwood, City Attorney

Gene Bergman, Assistant City Attorney

Brian Lowe, Mayor's Office

Neale Lunderville, BED

Chapin Spencer, DPW

[Note: Minutes reflect the order of the published agenda.]

1.0 CALL TO ORDER and AGENDA

Mayor Weinberger called the Board of Finance meeting to order at 5:30 PM on May 9, 2016.

1.01 Agenda

MOTION Sharon Bushor, SECOND by Karen Paul, 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 Authorize BED Positions and Change Reporting Structure

MOTION by Karen Paul, SECOND by Sharon Bushor, to approve and recommend to City Council for approval the BED positions of Director of Engineering and Grid Services and Chief Power System Coordinator, elimination of one Power System Coordinator position and change of the reporting structure.

DISCUSSION: The following comments were made:

- **Sharon Bushor corrected the date of April 25, 2016 to May 9, 2016 in the resolution.**
- **Sharon Bushor asked if the manager's position and sphere of responsibility were reviewed, and requested acknowledgement this was done to ensure it was not overlooked. Neale Lunderville said the Manager of Utility Services and Engineering position was looked at with the BED reorganization. The plate of responsibilities for the manager has not shrunk at all. The Manager of Engineering position had five people reporting to the manager and now there are 80 people reporting to the manager with no pay change to the position. There is now better alignment and three directors. The responsibilities of the position have not change.**

There were no further comments.

VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.02 Execute Contract Amendment #9 of Clough Harbor and Associates Agreement for Champlain Parkway Project

MOTION by Karen Paul, SECOND by Sharon Bushor, to approve and recommend to City Council to execute Contract Amendment #9 of the Clough Harbor and Associates Agreement for engineering design services for the Champlain Parkway Project. VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.03 Approve Grant Amendment for Colchester Ave. Sidepath

MOTION by Sharon Bushor, SECOND by Kurt Wright, to approve and recommend to City Council for approval the grant amendment for the Colchester Ave. sidepath that expands the scope of the project, expands the grant by

$194,750 and increases total city contribution by $21,687, and further, to authorize Chapin Spencer, DPW Director, to sign the Cooperative Agreement Amendment CA0422-1. VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.04 Retroactively Approve Contract Amendments #6 and #7 with Krebs and Lansing for Manhattan Drive Slope Improvement Project

MOTION by Kurt Wright, SECOND by Karen Paul, to approve and recommend to City Council for approval retroactive approval of Contract Amendment #6 in the amount of $9,265 (total value of contract $102,295.96) and Contract Amendment #7 in the amount of $52,007 (total value of contract $154,302.96) with Krebs and Lansing for the Manhattan Drive Slope Improvement Project

DISCUSSION: The following comments were made:

- **Sharon Bushor commented the scenarios are complicated. There is one amendment to Geo (Amendment #2) and Amendment #7 includes an additional $25,000 because of the subcontract with Krebs and Lansing.**
- **It was noted Amendment #7 is design of a slope for the bike path with Geodesign as the sub to Krebs and Lansing. The subcontractor's proposal was provided for information.**

There were no further comments.

VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.05 Create Public Works Engineer Position and Engineer Tech Position

MOTION by Sharon Bushor, SECOND by Kurt Wright, to approve and recommend to City Council for approval creation of a Public Works Engineer position and Engineering Tech position.

DISCUSSION: Sharon Bushor said she recently learned the Engineer Tech position is a limited service position and not a union position. There were no further comments.

VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.06 Approve Contract with Suisman Urban Design and Budget Amendment for Planning and Zoning

MOTION by Sharon Bushor, SECOND by Kurt Wright, to approve and recommend to City Council for approval the contract with Suisman Urban Design and the budget amendment for Planning and Zoning.

DISCUSSION: Sharon Bushor disclosed it took an hour to re-read the information to understand the $804,000. Ms. Bushor said she forgot about TIF dollars. Some of the communications are complicated, and the communication on this item was particularly challenging to follow. Sharon Bushor said she did understand moving the planning money and it took a while to understand. A synopsis of how to get to the $804,000 or a table with the communications would have been helpful. There were no further comments.

VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

3.07 March Sweep Report

Rich Goodwin reported there are no substantial changes. The balance as of March 31, 2016 was $6.3 million cash in bank. Cash-on-hand increased by 12 days. The daily "cash burn" for the city is $400,000 per day.

Sharon Bushor asked about the unfunded amount from Burlington Telecom ($518,000). Rich Goodwin explained the amount owed to the Sweep Account is $518,000 because there is a timing difference from billing to receiving the cash from BT. The city pays for some BT expenses and is reimbursed. Payroll is the best example.

4.0 DISCUSSION

4.01 Draft FY17 General Fund Budget

Bob Rusten reviewed the list of handouts previously provided to the Board including:

- General ledger for General Fund with FY13, FY14, FY15 actuals and FY16 information and FY17 departmental requests.
- Breakdown by departments showing FY14 amended against FY14 actual and FY15 amended against FY15 actual and FY16 so a two year trend revenue against expenses by department can be seen.
- Document showing key accomplishments in FY17 budget.
- Complete general ledger budget with FY16 amended and FY17 departmental requests and estimated FY18 and FY19 General Fund.
- Total revenues and total expenses and net for FY16 amended budget and FY17 departmental requests.

The schedule for departmental budget presentations was reviewed. June 6th the budget will go to Board of Finance for review. June 13th the budget resolution will go to City Council.

Bob Rusten stated a surplus of $970,000 in FY17 actual is anticipated. FY18 shows $1.47 deficit including the $1 million budget surplus. FY19 shows $1.8 million deficit due to a 2.75% pay increase for unions, increase in benefits, and changes in personnel.

Karen Paul asked if the $1.47 million deficit in FY18 includes the $1 million. Mr. Rusten confirmed this, adding if the $1 million is removed then the deficit is $470,000.

Jane Knodell asked if the FY17 budget includes the $1 million unassigned fund balance. Bob Rusten explained the FY17 budget is based on ending with $1 million surplus. Revenues against expenses equal a net of $970,000 surplus. Mayor Weinberger said the Department of Education did not feel the cost of the pilot program could be shared so the city had an influx of money into the unassigned fund balance. In addition, the Administration has been working toward a 10% fund balance. Sharon Bushor asked if the FY17 budget includes the $1 million set aside. Bob Rusten said there was a $72,000 surplus in FY14. In FY15 there was a $4.2 million surplus and $1.2 million was transferred to the capital plan leaving a balance of $3 million. If the FY17 budget performs as proposed there will be a $4 million fund balance. FY18 and FY19 budgets will each have an additional $1 million surplus. Mayor Weinberger said the goal is for approximately $6 million or 10% of unassigned fund balance. Expenses against revenues show a $271,000 deficit, but there is supposed to be a surplus so the $1 million is added to the negative. Also added are $100,000 in expense for the BCA lease and potential costs to the city for the mall renovations (lost property and sales tax). The $1.471 million deficit for FY18 without the $1 million would be a deficit of $471,000. FY19 budget shows estimated expenses of $62.8 million and revenues of $61 million for a $1.6 million deficit plus the additional $1 million and the BCA lease and mall renovation expenses for a $2.8 million deficit. Without the $1 million surplus the deficit is $1.8 million.

Kurt Wright asked about the dramatic difference between FY18 and FY19 budgets. Bob Rusten said there is a pay increase of 2.75% plus a budgeted increase in benefits and only a small increase in tax revenue because the grand list growth is small.

Sharon Bushor observed in FY20 and FY21 revenue will be coming in because the mall will be utilized. Bob Rusten said there is potential in FY20 for some additional revenues (less than $200,000 which is minimal compared to the increases if nothing is done).

Mr. Rusten said because there is a surplus in FY16 it is suggested contingency money be used to hire an expert to assess the General Fund departments in terms of structure and staffing to identify efficiencies that can be made and if there are long term savings with different structures. Public Works, Parks & Rec, and Traffic would be good starting points. Staff will continue looking at additional non-property tax revenue sources to try to stem the tide of large increases over the next couple of years. Sharon Bushor said the goal of a $6 million fund balance is understood, but a tax increase or radical change in services is not wanted. The city needs to get back on an even keel. Options of what the city should be doing and the revenue streams should be reviewed. Bob Rusten said in FY2026 it is estimated $800,000 will be generated in Waterfront TIF going into the General Fund. If the 25% increment for Phase 1 of the mall in FY2020-21 is not touched the estimate is $200,000. Both the revenue and expense sides should be looked at and current structures reviewed to see if there is a way to provide better customer satisfaction and reduce costs. Discussions with the school district show there are four areas where a savings up to $1.2 million could be realized, split between the city and school.

Kurt Wright asked about a half penny less on the tax rate. Bob Rusten said a reduction in tax rate in FY17 of 6/10th of a penny is expected based on debt service and refinancing, retirement fund, tax rate to be flat, and only a small increase in CCTA rate and the county tax. A reduction in tax rate means reduction in the property tax component. The lost revenue will have to be made up by cutting expenses, finding other revenues, or reducing the surplus. Jane Knodell pointed out the tax rate is a ceiling (can collect up to that ceiling). Rather than go to the ceiling taxpayers could be given a year of breathing room. There is a projected surplus in FY17 and the city is ahead in terms of how fast money is being added to the unassigned fund balance. Ms. Knodell said she is opposed to the policy of a 5% or 10% fund balance as completely driving the city's fiscal policy. A penny reduction to the taxpayers would be greatly appreciated. Karen Paul said trying to find ways to increase revenues is good, but the more responsible action is to find ways to cut expenses. Perhaps there are city departments for whatever reason are not as streamlined as they could be which does not necessarily means jobs need to be cut, but does mean being more efficient with what there is. In the long term the best interest of the city is to have the best credit rating possible and if that means building on the surplus then that benefits the city taxpayers.

Kurt Wright asked the reason for the tax rate increase two years ago. Bob Rusten recalled $800,000 in problems were identified in the FY15 budget and a tax increase would help address them. Kurt Wright mentioned the issue of taxpayers moving out of Burlington or out of state to protect their incomes. A way to balance the undesignated fund balance and taxpayer affordability needs to be examined. Staff is asked to provide scenarios to consider. Mr. Rusten said it is a policy question to cut taxes. The half cent reduction (approximately $180,000) has to be covered. The unassigned fund balance could be used or the amount made up in FY18 or the surplus could be cut or cuts in other revenues sources could be found. The pros and cons of each choice can be given. The goal of the cut in property taxes and who will benefit and the methodology used should be analyzed. Renters may not benefit by a property tax cut to property owner. Income earners of less than $47,000 per year have their municipal and school taxes capped at 5% so there is question whether they would benefit from a tax cut. People who pay based on income would see no benefit from a property tax cut. Mr. Rusten reiterated there are lots of options to cover the tax cut. The most disconcerting in terms of practice is taking money out of the unassigned fund balance because the auditor has raised the question of whether this money can be used for property tax cuts because of the fiscal stability bond proceeds. Moody's may not find it acceptable to take money in the fund for one year and using it for a property tax cut. Mr. Rusten said it was not easy to put together a balanced budget for FY17 meaning $1 million surplus because there were lots of pressures and expenses. Property tax revenue for the general city tax only increased $60,000. If the Board still want the $1 million surplus then $180,000 must be cut from the budget. Where that comes from or decreasing the surplus can be suggested, but cutting taxes is a Board decision.

Sharon Bushor said she is trying to help people with incomes over $47,000 because they are working two or three jobs by cutting a penny on the tax rate. Ms. Bushor said she continues to be troubled by how staff is added through limited service positions. All agree there is a need and the job has to get done so positions are created. In 2007 the number of positions in the city were reviewed. Where the city is now relative to those numbers should be looked at so the city is not in a position where a department was allowed to have more positions than should have. Ms. Bushor said she would rather stay on track and figure out what is realistic in a timeline to do than be in the position of having to shrink departments. Bob Rusten calculated 4/10th of a penny added to the 6/10th is another $140,000 that would have to be found in a budget that is already under pressure. The Police Department has pressure to increase spending to deal with what they have to do to handle the opiate issue. The city's IT system is antiquated. There is pressure on the library. To accomplish the work that is going on now means more staff is needed, but the staff may not be needed three years from now. Departments are always looking for ways to be more efficient and effective. More information will be provided on trends in spending, fire budget revenues and expenses, departmental budgets in context to the overall budget, pressing goals by departments. Sharon Bushor said she would like to know the programs departments have, how successful they are and who they serve to better understand and explain to the taxpayers how the money is being spent.

Sharon Bushor said she is disappointed the budget information was not received before mid-May when approval is due in June. Mayor Weinberger said what departments requested and the amendments made through the budget process will be shown. Initial drafts of departmental budgets go through an iterative process with the CAO to get to the budget that is put out to the public. Sharon Bushor said there may be missed opportunities because some items are not entertained that may have been a priority for residents. Bob Rusten recalled staff proposed last summer to have the Board of Finance look at one or two departments more closely over a couple of months, but the Board chose not to do this. There have been more budget meetings with the Board of Finance rather than just budget presentations.

Jane Knodell mentioned lines 3316-3334 on the budget spreadsheet are lacking labels for entries in Column T. Bob Rusten said the labels are the same as on the spreadsheet provided the first week of the budget meetings. A refreshed spreadsheet will be provided.

5.0 EXECUTIVE SESSION

5.01 Weston Contract Amendment

MOTION by Sharon Bushor, SECOND by Kurt Wright, to find that premature disclosure of a mediated settlement agreement, essentially a contract, would place the city at a disadvantage. VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

MOTION by Sharon Bushor, SECOND by Kurt Wright, based on the finding that premature disclosure will place the city at a disadvantage to go into Executive Session to discuss the Weston contract amendment and invite the Board of Finance, Brian Lowe, Chapin Spencer, Gene Bergman, Eileen Blackwood, Bob Rusten, and Rich Goodwin to attend. VOTING: unanimous [Jane Knodell not present for vote]; motion carried.

Executive Session was convened at 5:50 PM.

MOTION by Karen Paul, SECOND by Kurt Wright, to adjourn Executive Session and reconvene the regular meeting. VOTING: unanimous; motion carried.

Executive Session was adjourned and the regular meeting reconvened at 6:02 PM.

5.02 Contract Negotiations

MOTION by Karen Paul, SECOND by Kurt Wright, to find that premature disclosure of employee negotiations of an employment contract would place the city at a substantial disadvantage. VOTING (by roll call): Mayor Weinberger – ayes, Jane Knodell – aye, Sharon Bushor – aye, Kurt Wright – aye, Karen Paul – aye (unanimous); motion carried.

MOTION by Karen Paul, SECOND by Kurt Wright, based on the finding that premature disclosure will place the city at a disadvantage to go into Executive Session to discuss contract negotiations and invite the Board of Finance, Brian Lowe, Attorney Blackwood, CAO Rusten, and ACAO Goodwin. VOTING (by roll call): Mayor Weinberger – ayes, Jane Knodell – aye, Sharon Bushor – aye, Kurt Wright – aye, Karen Paul – aye (unanimous); motion carried.

Executive Session was convened at 6:50 PM.

MOTION by Kurt Wright, SECOND by Karen Paul, to adjourn Executive Session and reconvene the regular meeting. VOTING (by roll call): Mayor Weinberger – ayes, Jane Knodell – aye, Sharon Bushor – aye, Kurt Wright – aye, Karen Paul – aye (unanimous); motion carried.

Executive Session was adjourned and the regular meeting reconvened at 7:15 PM.

6.0 BOARD OF FINANCE APPROVAL

6.01 Weston Contract Amendment

MOTION by Sharon Bushor, SECOND by Kurt Wright, to approve the proposed settlement agreement with Don Weston Excavating and Doyle Tanner, and authorize Chapin Spencer, DPW Director, to sign the agreement on behalf of the city. VOTING (by roll call): Mayor Weinberger – ayes, Jane Knodell – aye, Sharon Bushor – aye, Kurt Wright – aye, Karen Paul – aye (unanimous); motion carried.

7.0 ADJOURNMENT

With no further business and without objection the meeting was adjourned at 7:16 PM.

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