Board of Finance - Monday, April 25, 2016 at 5:00 p.m. Conference Room 12, City Hall
4/25/2016

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

April 25, 2016

APPROVED

MEMBERS PRESENT:

Mayor Miro Weinberger

Jane Knodell

Karen Paul

Sharon Bushor

Kurt Wright [arrived 5:05 PM]

OTHERS PRESENT:

Bob Rusten, CAO

Eileen Blackwood, City Attorney

Ann Barton, C/T

Jason Gow, C/T

Martha Keenan, DPW

Chapin Spencer, DPW

Megan Moir, DPW

Steve Roy, DPW

Andy Legg, DPW

Gillian Nanton, CEDO

1.0 CALL TO ORDER and AGENDA

Mayor Weinberger called the Board of Finance meeting to order at 5 PM on April 25, 2016.

1.01 Agenda

MOTION Sharon Bushor, SECOND by Jane Knodell, to approve the agenda as presented. VOTING: unanimous; motion carried.

2.0 PUBLIC FORUM

There were no comments from the public.

3.0 APPROVAL OF BOARD OF FINANCE MINUTES

3.01 April 11, 2016

Bob Rusten read amendments to the April 11, 2016 minutes requested by Sharon Bushor. There was discussion of the formatting of the minutes (i.e. gaps between words throughout the document) and the minutes needing to be more extensive.

MOTION by Jane Knodell, SECOND by Kurt Wright, to postpone approve of the April 11, 2016 Board of Finance minutes until the next meeting. VOTING: unanimous; motion carried.

4.0 APPROVE AND RECOMMEND TO CITY COUNCIL

4.01 Authorize Three year Contract for Auditing Services

Bob Rusten reported six responses were received to the RFP for auditing services. Staff reviewed the bids, interviewed two finalists, and provided a recommendation.

MOTION by Sharon Bushor, SECOND by Karen Paul, to approve and recommend to City Council for approval the three year contract for auditing services from Melanson Heath and Co. for the time period of FYE June 30, 2016 through FYE June 30, 2018.

<u>DISCUSSION</u>: The following comments were made:

- **Sharon Bushor reviewed the amounts of $215,000 for the first year, $219,000 for the second year and**

$224,000 for the third year and expressed hope that the next round for auditors is more robust and everyone is considered. Ms. Bushor said staff got more insight with the face-to-face interview and may have resolved some issues with the second highest bidder if that bidder was interviewed as well. Sharon Bushor urged thinking about "fresh eyes" next round because the city has benefited from this.

· **Karen Paul stated the math for June 2016 to 2018 is not $215,000 per year and stressed the motion should reflect what is actually being done. Bob Rusten said he is comfortable with the $215,000 per year and will continue to negotiate with the firm. The amount decreased from the original proposal once there was further discussion, and the fact that the firm is working with the city and getting to know the city would indicate the audit may take less time. Mr. Rusten said he is comfortable with the ability to go back in the second year to review the proposal and see if the amount can be reduced. Karen Paul agreed there is more work in the first year.**

· **Karen Paul commented that at the end of the current three year contract it will be seven years with the firm and next time it is incumbent upon the city to find another auditor. Ms. Paul recognized the problem of finding an auditor for government auditing because it is a specialty. There may be such auditors in Maine or Massachusetts which could cost more due to the distance, but the city should cast a wider net next time. Ms. Paul said she is happy to support another three year contract with Scott McIntire and his team who have done a great job.**

· **Bob Rusten said there was lots of discussion about the phrase of "clean eyes" and the value of having people who know the city. There was agreement next time around that 'clean eyes' would put more on the balance in terms of having someone new come in.**

· **Karen Paul stated the Board of Finance is the Board of Audit, but the people being audited are the people on the committee. There should be others in addition next time.**

There were no further comments.

VOTING: unanimous; motion carried.

4.02 Authorize Standby Letter of Credit for Workers Comp

MOTION by Karen Paul, SECOND by Sharon Bushor, to approve and recommend to City Council for approval the standby letter of credit for workers compensation.

<u>DISCUSSION</u>: The following comments were made:

· **Sharon Bushor asked if there will be multiple letters of credit and reimbursement agreements. Attorney Blackwood explained bond counsel, Thomas Melloni, recommends flexibility because there may be a limit on a credit line or a lower rate.**

· **Jane Knodell asked if Travelers pays the workers comp. Bob Rusten said the company pays initially and the city reimburses. Travelers reviews the claim information when it comes in. Eileen Blackwood added they do full adjustment of the claim, deal with Department of Labor, and review medical records.**

There were no further comments.

VOTING: unanimous; motion carried.

4.03 Execute Contract with GW Tatro Construction and Create Capital Expense Budget for Manhattan Drive Slope Improvement Project

MOTION by Jane Knodell, SECOND by Sharon Bushor, to approve and recommend to City Council for approval the contract with GW Tatro Construction in the amount of $575,000 and the creation of a capital expense budget for the Manhattan Drive Slope Improvement Project in the amount of $936,923.

DISCUSSION: Sharon Bushor commented having the project done by September 2016 is wonderful. There were no further comments.

VOTING: unanimous; motion carried.

4.04 Authorize Borrowing up to $1.6 million from the Clean Water State Revolving Fund Planning Loan

Martha Keenan noted there are two separate loans ($1 million and $600,000) for two separate projects.

MOTION by Sharon Bushor, SECOND by Jane Knodell, to approve and recommend to City Council for approval borrowing up to $1.6 million from the Clean Water State Revolving Fund Planning Loan.

DISCUSSION: The following comments were made:

- **Sharon Bushor corrected the dollar amount to $600,000 in the resolution for integrated water quality, lines 24 & 25.**

- **Jane Knodell asked about the repayment plan. Martha Keenan explained the step one loan has three steps. If only the planning is done then the million dollars is repaid in 15 years at 0% and the $600,000 is repaid in 10 years at 0%. If Public Works goes to the next step then authorization for an additional loan for design elements will be required, and if this direction is taken then Public Works will come back for final design and roll the project cost into a bond vote.**

- **Jane Knodell asked if the cost is integrated into the existing budget. Martha Keenan said the paybacks could be accommodated in the capital budget, but that would mean doing less work ($72,000 in storm water and $54,000 in waste water). It is foreseen to keep going given the critical needs for both projects. Both projects can be accommodated without a rate increase at this time.**

- **Sharon Bushor observed this puts in place a different process for identifying critical pipes, etc. so there is another evaluation process. There are two different methods. Ms. Bushor questioned if a pipe is identified as critical prior to this evaluation will the pipe be given adequate consideration in the new evaluation or lose its place in the queue. Andy Legg said the pipe will not lose its queue place. Anything of critical nature that has been inspected or has been repaired will continue to be prioritized.**

- **Megan Moir stated a comprehensive assessment has not been done. Requests for relining are because the paving program is doing their projects. Public Works would like to have a full data set when asked to reline a pipe to make sure it is the best use of funds.**

There were no further comments.

VOTING: unanimous; motion carried.

4.05 Authorize Budget Amendment and Execute Contract with Sanexen for Water Main Relining

Steve Roy gave an overview of relining water mains that are properly sized with the Sanexen process. The liner once cured is rated at 150 psi so essentially there is a new pipe within a pipe. The lining is NSF approved for drinking water. The Montreal based company that won the process has installed over 2.5 million feet in North America. Everyone is excited about the process. There will be temporary water on streets where relining is being done. The relining is a cost and time savings in disruption of streets. With open day replacement approximately 150’ of relining can be done. To do the 4200’ that is proposed would take up to six months. With the Sanexen process all the streets proposed to be relined will be done in six to eight weeks.

Sharon Bushor asked if the water is tested before and after the lining for water quality and to ensure there are no additives in the water from the plastic. Steve Roy said the NSF 61 rating requires extensive testing to get the approval for drinking water. The company has the first in the state permit to use the product. There will be standard testing of water plus bacterial testing and BOC testing on the new mains. Sharon Bushor requested City Council receive a copy of the testing.

MOTION by Karen Paul, SECOND by Sharon Bushor, to approve and recommend to City Council for approval the budget amendment and contract with Sanexen for water main relining.

DISCUSSION: The following comments were made:

· **Jane Knodell asked how the streets were chosen, noting throughout the old north end there is the perception of being on the verge of failure. Steve Roy said paving is driving the water main replacement. For the first time the city has money and can be proactive and try to do utility replacement and rehab on streets that are being repaved. All the streets are on the list for FY17 and FY18.**

· **Chapin Spencer explained the process requires penetration into the pavement so the work is being done when the streets are being repaved.**

· **Mayor Weinberger stated the larger program is in the 10 year capital plan which will be coming forward shortly in the course of approving the budget. There is a proposal that shows this as the leading edge of a larger program. Staff wants to coordinate budgets so there is enough money in the water budgets going forward to do the relining when repaving the streets.**

There were no further comments.

VOTING: unanimous; motion carried.

4.06 Authorize Transfer of $25,000 for Inclusionary Zoning Ordinance Evaluation

MOTION by Jane Knodell, SECOND by Karen Paul, to approve and recommend to City Council for approval the transfer of $25,000 for evaluation of the Inclusionary Zoning Ordinance. VOTING: unanimous; motion carried.

5.0 DISCUSSION

5.01 Draft Resolutions on Board of Finance Agendas

Bob Rusten explained the new process is to get items on Board Docs for the Board of Finance. The initiative is on the departments to do this and put materials on Board Docs directly. There is the issue of draft resolutions coming before the Board of Finance for non-concurrent items. A concurrent item will have a resolution that day. The process is more difficult for the City Attorney's Office in terms of coordinating getting the material on Board Docs at the same time as doing the draft resolutions. The question is whether the Board of Finance needs to see the draft resolution for non-concurrent items.

Sharon Bushor stated her preference to see the resolution because she goes back to the resolution and it is important that the resolution address the motivation for the "therefore, be it resolved" clauses and to be complete. What is to be included in the resolution (content) is key. There could be bullets of what is to be included in the resolution. The resolution needs to capture what needs to be captured. Most of the resolutions are complete; about 10% are not complete.

Eileen Blackwood clarified what is proposed is departments putting material directly onto Board Docs instead of funneling through the CAO and City Attorney so resolutions will be coming to the CAO and City Attorney to review at the same time the rest of the material is being posted. This will give everyone a little more time to get things going. If the board prefers to see the draft resolutions then the way things have been done will continue.

Jane Knodell said it is helpful when the memos stipulate the language of the action clauses of the resolution. Sharon Bushor commented BED sent a memo that was almost the resolution and that would be adequate. Jane Knodell suggested trying the new process and making adjustments as necessary.

5.02 Overview of FY17 General Fund Budget

Bob Rusten stated the budget process is as follows:

- Quick review of the draft FY17 General Fund budget process on April 25, 2016.
- Present the draft FY17 General Fund budget with three year trends on May 9, 2016 and have answers to questions if any from the review on April 25th. The processes related to City Council initiatives will be looked at and worked into the process.
- Departments will present their budgets during the weeks of May 16th and May 23rd and respond to questions/issues. Dates and times per department will be sent to City Council.
- All budgets will be before the Board of Finance on June 6, 2016.

Mr. Rusten stated a number of additional steps were added to the process to involve the Board of Finance in the budget.

Budget outcomes and accomplishments include:

· No increase in the general city property tax rate as part of the budget.

· Budgeting for $1 million surplus due to no longer paying pilot money to the school district. The money is being used to build up the fund balance which is one item Moody's looked at that help increase the credit rating the city received.

· In Year 2 of the 10 year capital plan the cost previously in the General Fund for long term leasing of vehicles is shifted to the capital plan.

· Activation of the TIF decreased the grand list for the General Fund which had impact in terms of revenues coming in to support general city activities.

· COLA increase of 2.5% for all General Fund employees which is part of the four year contractual agreement with three unions (total increase over four years is 7.5%).

· Increase in COLA and steps and new employees.

· Increase in FY16-17 for all wages (approximately $1.4 million that had to be accommodated in the budget).

· Increase cost of over $700,000 in the General Fund employee benefits and health insurance without a property tax increase.

· Continuance of the $175,000 General Fund transfer to the Housing Trust.

· Continuance of $50,000 for City Council initiatives.

· Two General Fund contingencies of $100,000 each. The previous budget had one contingency of $500,000 and one of $300,000. Decreasing the contingencies was one of the ways to address increased costs without having a tax increase.

Mayor Weinberger explained the pilot payments and the city charter that says pilot payments by all the utilities will be split 50/50 between the school district and the city. The state Department of Education became uncomfortable with the situation about two years ago. This was tied to the strong desire from the Secretary of Education to clearly separate school finances from city finances. There was concern about the historic intermingling of some of the funds and that brought attention onto the pilot payments. The Secretary of Education felt there was inconsistency with Act 60 and Act 68 legislation. The fundamental purpose was to keep there from being special, local funding of education so the city worked hard to find a legitimate lawful way to keep about $400,000 flowing to the education fund (down from the $1.4 million payment amount). There was lots of work by the City Attorney and the school's attorney in conjunction with the Agency of Education on the agreement of the funds. The million dollars left over was budgeted as fund balance and will help the school district with their borrowing on an annual basis. There has been some interest between some members of the school board to change this and they acknowledge the need to change state law.

Sharon Bushor asked about the two General Fund contingencies. Bob Rusten said in FY16 the $500,000 contingency was money that needed City Council approval for spending. The CAO could move money as needed with the $300,000 wage and benefit contingency.

Bob Rusten reviewed the annual report on department revenue and expenses which shows the difference between FY16 amended budget and the FY17 draft budget. In FY16 the non-department General Fund budgeted revenues of $48 million and expenses of $12 million and the actual budget was $49 million in revenues and $11 million in expenses. The difference in revenues is $1 million more and reduced expenses by $600,000. Combined increase in revenues and decreased cost is $1.6 million as an increased give to the General Fund. The difference from the FY15 actual budget ($33 million) versus the requested budget by departments ($37 million) is $4 million. The report provides a one year trend budget-to-budget and a two year trend actual-to-FY17 budget as well as the percentage of change of revenues against expenditures (one year is 7% and two years is 12%).

Jane Knodell asked if departments get the requested amounts. Bob Rusten said not all. Some have seen reductions. The departments need to show what they are trying to accomplish. There may be an increase in spending because of the COLA increase or a difference in staffing, but the departments must budget to the bottom line.

Jane Knodell asked about the instructions given to departments. Bob Rustin said departments need to explain what is needed to achieve the department goals in terms of revenues and expenses which is then compared to a three year trend of actual expenditures and revenues. The budget numbers are adjusted based on the trends. The trends and what is needed to be accomplished with the objectives in the department is looked at on a department-by-department basis with the over-riding structure of the budget without a general city property tax increase and $1 million surplus.

Mayor Weinberger said there will be four sessions with City Council and the Mayor's budget will be submitted in June and changes can be tracked. Karen Paul said she would like to see where the numbers are coming from in the paperwork. Bob Rusten said all the revenues that make up the totals can be pointed out. Sharon Bushor requested having the original amount requested by departments and what was approved or not. Ms. Bushor asked about the $2 million in the General Fund City Council. Bob Rusten said the amount includes the regional program budget.

5.03 Discuss FY17 Council Initiatives Budget Ideas

Bob Rusten said there is $50,000 set aside for ideas brought to the Board of Finance. The same process as last year will be followed.

6.0 ADJOURNMENT

With no further business and without objection the meeting was adjourned at 5:56 PM.

RScty: MERiordan