Board of Finance - Monday, January 25, 2016 at 5:00 p.m.
Conference Room 12, City Hall
1/25/2016

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

January 25, 2016

APPROVED 2/8/16

MEMBERS PRESENT: Mayor Miro Weinberger

Jane Knodell

Karen Paul

Sharon Bushor

Kurt Wright [arrived 5:07 PM]

OTHERS PRESENT: Bob Rusten, CAO

Rich Goodwin, Assistant CAO

Eileen Blackwood, City Attorney

Susan Leonard, HR

Munir Kasti, BED

Dave Allenton, BPW

Gene Richards, BTV

Nic Longo, BTV

Alina Korsak, Melanson Heath and Co.

Scott McIntyre, Melanson Heath and Co.

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

1.0 CALL TO ORDER and AGENDA

Mayor Weinberger called the meeting of the Board of Finance to order at 5 PM.

1.01 Agenda

MOTION Sharon Bushor, SECOND by Jane Knodell, to approve the agenda with advancement of Item 5.01 (Hickok and Boardman 2016 Contract) before Item 4.07 (FY15 Audit and Management Letter). 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 January 11, 2016

MOTION by Karen Paul, SECOND by Jane Knodell, to approve the 1/11/15 Board of Finance minutes with the following amendment:

- **Add “without requiring additional Board of Finance approval” to the motion for Item 4.0 - Use of Generic Interconnection Agreement Forms.**

VOTING: unanimous; motion carried.

4.0 APPROVAL AND RECOMMENDATION TO CITY COUNCIL

4.01 Authorize Purchase of Equipment from Ossipee Mountain Electronics, Inc.

MOTION by Karen Paul, SECOND by Sharon Bushor, to authorize the purchase of equipment from Ossipee Mountain Electronics, Inc. and recommend to City Council for approval.

<u>DISCUSSION</u>: Bob Rusten noted minor changes to the memo and resolution relative to the bid being less than the initial grant amount and paying the invoice directly to Motorola. There were no further comments. VOTING: unanimous; motion carried.

4.02 Authorize Ninth Amendment for the Contract with Dennis Demers/Shelburne Limestone Corporation

MOTION by Sharon Bushor, SECOND by Karen Paul, to approve the Ninth Amendment for the contract with Dennis Demers/Shelburne Limestone Corporation and recommend to City Council for approval. VOTING: unanimous; motion carried.

4.03 Eliminate Engineering Designer Position, create Senior Operations Engineer, change structure for Environmental Compliance Officer Position

Sharon Bushor asked who the Environmental Compliance Officer reports to - the General Manager or Department Head - stressing the need to avoid conflict of interest. Munir Kasti explained more work is being added relative to engineering. Environmental work will be fulfilled from the Risk Management Department. Susan Leonard added there was discussion of decreasing the direct reports to the General Manager as part of the reorganization. There is now a good split between the environmental and engineering pieces.

MOTION by Sharon Bushor, SECOND by Karen Paul, to approve the elimination of the Engineering Designer position, create a Senior Operations Engineer, and change the structure for the Environmental Compliance Officer position and recommend to City Council for approval. VOTING: unanimous; motion carried.

4.04 Amend Existing Contract with CHA for Engineering Design Services for the Champlain Parkway

Dave Allenton reported Section C.6 design relative to safety enhancements is advancing. DPW is working with DEC and VTrans on a soil management plan for excavating soils, right-of-way acquisitions, and advancing Sections C.1 and C.2.

MOTION by Karen Paul, SECOND by Sharon Bushor, to approve the amendment to the existing contract with CHA for engineering design services for the Champlain Parkway and recommend to City Council for approval. VOTING: unanimous; motion carried.

4.05 Authorize VNA Family Room Funding

MOTION by Karen Paul, SECOND by Jane Knodell, to recommend to City Council for approval the transfer of $10,000 from the city's contingency fund to a new budget line in the Regional Programs Budget for the VNA Family Room.

<u>DISCUSSION</u>: The Administration was thanked for advancing the matter. There were no further comments.

VOTING: unanimous; motion carried.

4.06 Authorize Contract with Stantec Consulting for Improvements to the Rental Car Facility at the Airport

MOTION by Sharon Bushor, SECOND by Kurt Wright, to approve the contract with Stantec Consulting for improvements to the rental car turnaround facility at the airport and recommend to City Council for approval. VOTING: unanimous; motion carried.

4.07 Draft FY15 Audit and Management Letter

Scott McIntyre and Alina Korsak with Melanson Heath and Co. reviewed the FY15 audit and management letter, noting the following:

- The FY15 audit has taken a similar path to the FY14 audit, but the FY15 audit report was delivered three weeks earlier than the FY14 report.
- The auditors found the city's books and records in good order and again this year gave a clean audit opinion (unmodified opinion) of the financial statements in accordance with generally accepted accounting principles.
- General Fund Unassigned Fund Balance is $4,287,000. The city has four different accounting funds (general fund and three insurance funds) that make up the General Fund. The balance in the General Fund as of June 30, 2014 was $70,000 as compared to the current balance of over $4.2 million due to favorable results of operation and decrease in advance of the general fund to other funds.
- Non-Spendable Fund Balance is an account entry to offset any inventory and prepaid assets not available for use (i.e. CEDO, capital funds).
- Committed Fund Balance is dollars appropriated for a particular purpose.
- The account balance represents 8% of FY15 expenditures.
- Rating agencies look at the Unassigned Fund Balance and the percentage of General Fund expenditures.
- The city was issued $9 million in stabilization bonds three years ago which helped stabilize the fund balance and avoid a negative balance.
- Amendment to the Budget to Actual Comparison shows revenues $815,000 over what was budgeted and expenditures $2.6 million under what was budgeted for a total of approximately $3.4 million which is driving the increase in the Unassigned Fund Balance ($3.4 million is a combination of General Fund and health, liability, and workers compensation insurance funds).
- Impact of the sale of City Market, payback of funds borrowed from the General Fund, and previous unassigned fund balance are all contributing to the fund balance.
- Health insurance, liability, and workers compensation receive money from the enterprise and special revenue funds and any surplus will be added to the fund balance.
- Long Term Perspective Balance Sheet shows the city's unrestricted net position with liability outweighing assets. Net pension liability is new to the balance sheet for FY15. The balance is $34,597,000. Net pension liability has always existed, but now must be shown on the Long Term Perspective Balance Sheet.
- Recommendations in the Management Letter include:

o Continue improving monthly reconciliations;

o Continue to improve monitoring of pay rates;

o Continue to implement regular internal audits;

o Transmit appropriate data to the actuary from all departments, school district, and BED so total and net liabilities can be made to the various funds

· Enterprise funds net position is positive for all (BED, Airport, Water, Waste Water, Burlington Telecom).

There was discussion of the audit clearly presenting information for the public to better understand the financials of the city, especially the net pension liability. It was clarified that the adjusted actual is the budget through the audit process. Bob Rusten noted Moody's will receive the audit after the Board of Finance approves and accepts the audit. Staff will be asking the Board of Finance to allow use of $1.3 million toward the FY16 hole in the capital plan (Moody's is aware of this) and some other ideas.

Karen Paul asked if there is an internal program to monitor pay raises and if the process can be automated. Rich Goodwin explained the issue was the auditors could not confirm HR was reviewing documents that exist. An electronic sign off or at least a manual sign off by HR can be done. Alina Korsak noted Payroll does have internal controls and a change in status form. Payroll handles this and HR responsibilities. There is not separate monitoring. A process is needed for HR to understand New World Systems to be able to approve changes. Bob Rusten assured this will be addressed by the next audit. New World is meeting with the IT Director and HR Director to review automation of the system and electronic approvals. Susan Leonard stated pay rates are approved and signed off by HR. Payroll does manual data entry, but there is no verification that errors are not made. A control is needed.

Karen Paul asked about the internal auditor hired on a part-time basis. Bob Rusten said the preliminary report from the internal auditor is being reviewed. One of the city's accountants may be able to pick up responsibilities of auditor. The city is also investigating hiring an auditor as a consultant. Scott McIntyre said the auditors are looking for a robust process of testing, evaluation of results, and reporting. A full time auditor may not be necessary for this.

Karen Paul asked if capital spending and fixed assets have improved. Mr. McIntyre confirmed this.

Karen Paul noted there are four of five members on the Audit Advisory Committee at present.

MOTION by Karen Paul, SECOND by Jane Knodell, to accept the FY15 audit and management letter and recommend to City Council for approval.

DISCUSSION: Sharon Bushor mentioned having time to review the audit and hearing from City Council if there are any concerns. There were no further comments.

VOTING: unanimous; motion carried.

5.0 DISCUSSION

5.01 Hickok and Boardman 2016 Contract

Susan Leonard stated the contract with Hickok and Boardman has been in place since 2007. The fee was not increased. The city is happy with the service.

MOTION by Sharon Bushor, SECOND by Karen Paul, to approve the Hickok and Boardman 2016 contract. VOTING: unanimous; motion carried.

5.02 Presentation on Financing Tools

A representative from PFM reviewed financing tools available to the city. The following was noted:

- There are two primary purposes of bond issuance: to finance projects with long term capital bonds and working capital bonds or refunding bonds (similar to refinancing a mortgage) to save money or eliminate an unattractive bond.
- The city will have refunding opportunities coming forward to save money (lower the debt service cost).
- Payments of bonds should be matched to the useful life of projects. If the city does not have enough cash on hand then bonding can expedite a project or allow maintenance on a project which typically saves money.
- It is good financial policy to have a blend of bonds and pay-as-you-go (cash on hand).
- Common bond structures include:

o General obligation bonds which the city uses. Taxes can be levied to pay back these bonds. A 2/3 majority voter approval is needed for these bonds.

o Appropriation or lease bonds (Certificates of Participation) which are for specific projects. City Council must approve appropriation bonds upfront. There may be a lease attached to a project.

o Revenue bonds which require a revenue stream pledged to pay back the bond. There is flexibility to spread out the payments of the bond.

o Pooled bonds which is a combination of loans and selling a series to bond holders. Payment must be made to the bond bank even if there is a default by one party, but the gap does not have to be covered. There will be a negative view of the pooled bond though.

- There is a rating difference and cost difference between ‘senior bond holder’ and ‘subordinate bond holder’.
- Types of bond sales include:

o Competitive where notice of sale and bids are required. The lowest bid that fits wins the sale.

o Negotiated solicitation where a firm is selected and an official statement prepared and final pricing is determined.

o Private placement with direct purchase of obligations from the bank or group of investors. There is flexibility with the sale, but more cost as well.

· The city has used both competitive and negotiated bond sales.

· The secondary market and secondary market access is important for issuers.

· The rating of the city has an impact. Moody's is looking at the rating and would like the city to return to single A category which makes competitive bond sales more likely and more likely to be received.

There was mention of having a financial advisor to serve the city's best interest and look out for the city's fiduciary best interest.

6.0 ADJOURNMENT

With no further business and without objection the meeting was adjourned at 6:44 PM.

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