Board of Finance
1/12/2015

Board of Finance (Monday, January 12, 2015)

Generated by Amy Bovee on Tuesday, January 13, 2015

Present: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor, and Karen Paul (arrived at 5:27pm)

Also Present: CAO Bob Rusten; ACAO Rich Goodwin; Assistant City Attorney Richard Haesler; Ben Pacy, Stephanie Reid, Julie Hulburd, Susan Leonard, HR; Police Chief Michael Schirling; Jesse Bridges, Parks; Gene Richards, Airport; Laurie Adams, Nicole Losch, DPW; Peter Owens, Nate Wildfire, CEDO (arrived at 5:20pm); Brian Lowe, Mayor's Office (arrived at 5:21pm); Kirsten Merriman-Shapiro, CEDO (arrived at 5:35pm); Scott McIntire, Melanson, Heath and Co.; David Driscoll, Bucks Consultants

Start Time: 5:14pm

1. Agenda

Action, Minutes, Procedural: 1.01 Adopt/Amend Agenda

Approve the Agenda

Motion by Sharon Bushor, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

2. Public Forum

No one came forward to speak.

3. Approval of the Board of Finance Minutes

Action, Minutes: 3.01 December 8, 2014

Approve the Minutes

Motion by Sharon Bushor, Second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Minutes: 3.02 December 15, 2014

Approve the Minutes

Motion by Sharon Bushor, Second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Minutes: 3.03 January 5, 2015

Approve the Minutes with a correction to the date in item 3.

Motion by Sharon Bushor, Second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

4. For Approval and Recommendation to City Council

Action, Resolution: 4.01 Authorization to Accept Agency of Transportation Grant for the Colchester Avenue Sidepath – DPW

Councilor Bushor inquired if the path will be widened in addition to being re-done. Nicole Losch, DPW, stated it will. Councilor Bushor inquired if the green belt will become smaller as a result of this project. Ms. Losch stated the Greenbelt will remain the same.

Approve and Recommend City Council Approval

Motion by Joan Shannon, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Resolution: 4.02 Authorization for Contract for Water Plant Finished Water Pump Operation - DPW

City Council President Shannon stated she will recuse herself from this item because of her involvement in a business negotiation with one of these companies.

The Board addressed an item to allow the Department of Public Works to execute a contract with Omega Electric to complete electrical work related to replacing a water pump. The cost of the contract will be $155,500 and will be paid for with financing that has already been secured thorough the State Revolving Fund.

Approve and Recommend City Council Approval

Motion by Jane Knodell, Second by Sharon Bushor

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Jane Knodell, Sharon Bushor

Recuse: Joan Shannon

Action, Resolution: 4.03 Authorization for Re-categorization of Police Crime Prevention and Analysis Specialist - HR

The Board addressed an item to allow the Police Department to re-categorize the Crime Prevention and Analysis Specialist Position from Temporary to Regular Full Time. The position will be a Grade 15 with an annual salary of $43,009. The position will assist with data analysis of a number of crime rates and respond to media and public inquiries. The position will be funded through budgeted funds and Justice Assistance Grants.

Councilor Bushor noted a minor correction to be made to the resolution.

Approve and Recommend City Council Approval

Motion by Jane Knodell, Second by Sharon Bushor

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Resolution: 4.04 Authorization for Reclassification and Retitling of BED Buyer, Retitling of BED General Services Laborer - HR

The Board addressed an item to allow the Burlington Electric Department to reclassify and retitle its Buyer position. The new title will be Purchasing Agent and the position will supervise three people previously supervised by the General Services Coordinator. They are also seeking authorization to retitle a General Services Laborer position to Building and Grounds Laborer. The total increase to their budget will be $1,800 which will be funded through BED revenues.

Approve and Recommend City Council Approval

Motion Sharon Bushor, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Resolution: 4.05 Authorization for Reclassification of CEDO Lead Project Specialist - HR

The Board addressed an item to allow CEDO a Lead Project Specialist position from Grade 16 to Grade 17 because of increased responsibilities of the position. The annual salary will be $51,537. The position is fully funded through grants and the budget allows for the increased salary.

Councilor Bushor inquired if this position is currently filled. Stephanie Reid, HR, stated the position is currently filled.

Approve and Recommend City Council Approval

Motion Sharon Bushor, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Resolution: 4.06 Authorization for Reorganization of Airport Maintenance and Engineering Divisions - HR

Councilor Bushor stated the Director of Engineering no longer has a maintenance component. She wants to ensure that if someone inherited the position they could understand how it would function. She suggested they identify that they will collaborate with maintenance. Gene Richards, Airport, stated the two jobs do overlap and will collaborate. He feels comfortable with this change.

Approve and Recommend City Council Approval

Motion Sharon Bushor, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Action, Resolution: 4.07 Authorization for Parks and Recreation Reorganization - HR

Councilor Bushor stated she had asked if there will be a savings in this reorganization. She has heard that they will be saving money by bringing electrical work in house. It is a big reorganization and is consistent with what was presented during budget presentations. She noted a minor correction to be made in the resolution.

Councilor Knodell inquired where savings will come from. Jesse Bridges, Parks, stated they have proposed reductions in certain expense lines in their budget because of the addition of these positions. They also believe that certain positions will bring in additional revenue in future years, such as the Marketing position. CAO Rusten stated they anticipated three of the new positions in the budget. Their salaries will be less than budgeted because they have not yet been hired.

Councilor Paul arrived.

Approve and Recommend City Council Approval

Motion Sharon Bushor, Second by Jane Knodell

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor

Recuse: Karen Paul

Action, Resolution: 4.08 Authorization for Budget Amendment for Waterfront Park PIAP - Parks

City Council President Shannon inquired if this will be an increase of $800,000. Jesse Bridges, Parks, stated voters approved an allocation of $800,000. CAO Rusten stated this was included in the FY15 budget. This will allow them to start expensing those funds.

Approve and Recommend City Council Approval

Motion Sharon Bushor, Second by Karen Paul

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor, Karen Paul

Action, Resolution: 4.09 Authorization for Downtown TIF Ballot Item - CEDO

Mayor Weinberger stated this is a significant step to activate the Downtown TIF District. They had a successful process with VEPC to bring this to this point.

Councilor Knodell stated she is supportive of this and believes they are acting conservatively. She inquired if it would make sense to ask for authorization to issue the $20 million that VEPC has approved. They can go out for financing the $10 million amount as planned. The advantage of doing it that way would be that they would not have to go back to voters. Having to do go to voters again could delay projects. The Council would review any future borrowings. City Council President Shannon stated the advantage of that is that they would not have to go back to voters. However, they are going to voters with a list of specific projects that will cost $10 million. Voters would want to know what they will spend the additional $10 million on. Councilor Knodell stated the Council would approve specific projects. Mayor Weinberger stated they have had conversations about this. Assistant City Attorney Richard Haesler stated they specifically describe to voters exactly what they are agreeing to. They did this because of legislative requirements that say they have to list the proposed developments specifically. It would be difficult to ask voters for approval for a project that they have not yet determined. Mayor Weinberger stated they have been successful with voters because they have been able to be clear about how the funds will be used. He believes it is a valid concern to be concerned about the timing, but he believes it is possible to plan accordingly so that they will be prepared to go to the voters when it is necessary. He would prefer to move forward with the proposal as presented.

Councilor Knodell inquired about a portion of the ballot language that states that the City may utilize more than the statutory minimum requirements of 75% of all municipal increment. Assistant City Attorney Haesler stated they have to use municipal increment above 75% only for certain related costs. Those costs are $150,000 of municipal personnel costs. CEDO is not funded by the general fund, so they have to determine what their funding sources will be. CEDO has used funding from TIF for TIF projects. They need to have voter approval to use money in addition to the minimum.

Councilor Bushor noted two corrections to be made to the resolution. She inquired about their choice of language outlining the total Downtown TIF debt. Assistant City Attorney Haesler stated most of the language is required by law.

Councilor Knodell stated they do not know the form the borrowing will take and the resolution leaves that open. She inquired if they could issue a GO Bond without taking another vote. Assistant City Attorney Haesler stated they have confirmed that they can. They have written the language to keep their options as open as possible. Councilor Knodell inquired why it reads that the City may issue 11 bonds between now and 2018. Assistant City Attorney Haesler stated VEPC used that language because there are 11 projects, but they do not anticipate issuing that many bonds.

A member of the audience stated that VEPC has approved up to $20 million of borrowing with a full list of project. They have said they only have a list of projects amounting to $10 million. He inquired why they will not be going to voters for the maximum borrowing authority that they have. Mayor Weinberger stated they have chosen an amount that they are confident that they can pay for. They only have that confidence for the first $10 million. Councilor Paul stated they heard a report on TIF financing and she feels most comfortable with $10 million.

City Council President Shannon inquired if they will have to return to VEPC if they want to issue another $10 million in 2016. Peter Owens, CEDO, stated they are only confident in the first $10 million in revenues. They do have other projects that have been identified. He confirmed that they can move forward in 2016 without returning to VEPC.

Councilor Bushor inquired if there is an opportunity to request more than $20 million and if they would have to return to VEPC to borrow additional money. Mr. Owens stated expanding it would be a substantial change to their application and they would have to return to VEPC. It is more involved, but they would be willing to take it on if they determined it was needed. Councilor Bushor stated as a voter, she appreciates knowing what the money will be used for and is in favor of only requesting $10 million.

A member of the audience expressed concern about removing parking spaces in the Marketplace Garage while they do these improvements. This will be happening at the same time that the mall will be redeveloped and their parking spaces may also be unavailable. Assistant City Attorney Haesler stated they will need to address parking as another phase of TIF.

Approve and Recommend City Council Approval

Motion Karen Paul, Second by Joan Shannon

Final Resolution: Motion Passes

Ayes: Miro Weinberger, Joan Shannon, Jane Knodell, Sharon Bushor, Karen Paul

5. Discussion

Action: 5.01 Review Burlington Retirement System 2014 Actuarial Valuation Report

David Driscoll, Bucks Consultants, stated this valuation is a snapshot of the situation with the system and they make an assessment about future funding levels. The report determined that the June 30, 2014 ended favorably. The system added assets greater than the rate at which they were consumed. There was an unfavorable demographic experience, but this was insignificant compared with the favorable earnings on assets. They made changes in the funding calculations as a result of the deliberations of the Burlington Employees Retirement Board. This is a mathematical method used to ensure that contributions are adequate in the long term. They have begun to use a funding method that will maintain consistency between funding and financial reporting. They have done a good job improving the pace that exceeds their expenses in the past few years. They have adopted a more modern mortality table that they adjusted for Burlington's experience. The unfunded liability was affected by this change. The funding ratio has risen to over 70%, even with the change in the mortality table. The actuarial value is below the market value. The investment gains and the changes in actuarial assumption methods were the significant changes for the year.

Councilor Knodell inquired what the required actuarially contribution for FY15 will be compared with the previous year. Mr. Driscoll stated the contribution for FY15 was determined by the previous report. This will impact their contribution for FY16. Councilor Knodell inquired how this will impact FY16. Mr. Driscoll stated it is outlined on page 7 of the report. Councilor Knodell inquired what the size of the increase for normal and past service was. Mr. Driscoll stated Class A normal cost percentage will increase from 9.33% to 10.83%. Class B normal cost percentage will change from 5.53% to 7.07%. . CAO Rusten stated Class A past service assessment will increase $280,000 and Class B will be reduced by $150,000 with a net change of $130,000. Councilor Knodell inquired if the changes in methodology will help them. CAO Rusten stated they have talked about a graduated amortization or using an open route method. Councilor Knodell spoke in favor of the change in the mortality table. Mr. Driscoll stated he believes it will be useful to their financial reports.

CAO Rusten inquired if not making that change would have increased their unfunded liability. Mr. Driscoll stated the old table would have made them look like they were doing well, but the experience study would not have shown that. This was a good year to apply it because they saw positive investment gain. CAO Rusten noted that even though the funding level has increased, they still have problems facing them. Mr. Driscoll stated they have had some gains, but if they had losses it would create problems. CAO Rusten stated if they are going to achieve the goals set by the Retirement Committee, they will need to do further work to ensure that. Mr. Driscoll stated if they want to improve their funding percentage while level funding contributions there needs to be a jump in contributions. They are looking at other options to achieve that.

Councilor Paul stated she is encouraged by the report. They will need to emphasize to the Council that they still have a lot of work to do even though the funded ratio has increased.

Discussion, Information: 5.02 Discuss Draft FY14 Audit - C/T

Scott McIntire, Melanson Heath and Co., stated a key highlight was the positive unassigned fund balance. Their opinion is that the City is complying with Generally Accepted Accounting Principles. This is significant because this is the first time in five years they have had an unmodified opinion. The City’s General Fund had an unassigned fund balance of close to $72,000. A year ago, that was a negative $2.2 million. This is the first time it has been a positive number in many years. Their Committed fund balance was $2 million. The nonspendable fund balance had a balance of $2.8 million, which is down from about $20 million last year. The reduction is because of the $16.9 million interfund receivable from the Burlington Telecom fund. The Auditor and City administration recommend writing down that receivable. This had no impact on the unassigned fund balance.

Councilor Paul inquired if there are also assigned fund balances. Mr. McIntire stated there are, but they did not apply this year.

Mr. McIntire stated the unassigned fund balance was positively impacted by the fiscal stability bond. This provided them with cash to reduce their reliance on short term borrowing. This can be seen in their financial statements. The unassigned fund balance represents a positive inflow of cash exceeding the outflow of cash of $2.3 million. This is reflected in the net change in fund balances before special item, which was $2.5 million. The budget versus actual comparison shows that there was an excess of revenues over expenditures of $2.5 million. He believes that this audit went significantly better than previous audits. He noted that the first item in the management letter are recommendations that are still being addressed. The second item is a list of items that are backlogged in the Clerk/Treasurer's Office. The third item relates to improvements that are needed to capital accounting and project accounting.

Councilor Bushor requested further discussion about positions that have been created to address capital project accounting and other items. She believes that the City is doing a pretty good job and is glad to hear that they are moving in the right direction.

Councilor Knodell stated they have had a discussion about the write down of the $16.9 million. It says that the Mayor will take the advice of the Council, and she inquired if they will have a discussion of that. She would like to hear the pros and cons. Mr. McIntire stated he believes that doing the write down will help them. The fact that they have an unmodified opinion will help them because it will not raise questions for investors.

Councilor Paul stated she agrees that having an unmodified opinion is important. She believes they need this to get an increase in their credit rating. The argument about not writing down the $16.9 million was that they were in the midst of negotiations with Citibank. That has since been settled. Mr. McIntire stated that complying fully with Generally Accepted Accounting Principles is the right thing to do.

Councilor Bushor stated she has concerns that if they are erasing this, they will not make an attempt to reclaim that money. Councilor Knodell stated writing down the $16.9 million sends a message to investors that they do not need to worry about that money. Mr. McIntire stated the City still has a $16.9 million recording on its general ledger. It has been written down to show the most conservative financial report. Mayor Weinberger stated this assumes that they will not receive it in the next year. Mr. McIntire stated writing it down does not preclude recognition of it in future years. CAO Rusten stated the Settlement Agreement talks about a process to recoup the money. He believes this will have a bigger impact on taxpayers than an audit will. The outlook in the January 2011 report from Moody's stated that future reports will incorporate future developments of Burlington telecom as it relates to the City's position. It says they will look to the audited financial statements for this information. Not having a qualified opinion in the audit will be favorable when they are working with investors. He believes they have a vehicle to provide explanation to the public and that this will have a positive impact on Moody's. He suggested that the Council could take action to accept the audit. Councilor Paul stated she wants to ensure they address this in time to include the audit in the annual report.

The Board of Finance took no action and will discuss this again at their next meeting.

Discussion, Information: 5.03 Review Petition of the Equalization Education Property Value and Common Level of Appraisal - Assessor

This item was not addressed at this meeting.

6. Adjournment

Action, Procedural: 6.01 Adjournment

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:55pm.