Board of Finance Meeting, Monday, January 4, 2021, 5:00 pm
VIRTUAL MEETING
1/4/2021

BURLINGTON BOARD OF FINANCE

REMOTE MEETING WITH CALL-IN NUMBER

BURLINGTON, VERMONT

MINUTES OF MEETING

January 4, 2021

MEMBERS PRESENT: Max Tracy

Karen Paul

Brian Pine

Ali Dieng

Miro Weinberger

OTHERS PRESENT: Katherine Schad

Rich Goodwin

Jordan Redell

Joe McNeil

Nathan Lavery

Jessica Lavalette

Marty Spaulding

Thomas Melloni

Megan Moir

Jenna Olson

Chapin Spencer

Gene Richards

Dave Fox

Sarah Carpenter

Darren Springer

Emily Stebbins-Wheelock

Tom Flanagan

Marie Friedman

Laura Wheelock

1.0 CALL TO ORDER and AGENDA

CAO Schad called the Board of Finance meeting to order at 5:12 PM.

1.
    i. Motion to amend/adopt agenda

MOTION by Councilor Paul, SECOND by Councilor Dieng, to adopt the agenda with the following change:

- **Remove item 3.01-3.02 and place on the 1/19/2021 Board of Finance agenda.**

VOTING: unanimous; motion carries.

2.0 PUBLIC FORUM (VERBAL)

2.01 Verbal Comments

None at this time.

3.0 CONSENT AGENDA

3.01 motion to adopt the consent agenda and take the actions indicated

3.02 Board of Finance Draft Minutes, December 21, 2020 – **postponed until the 1/19 BOF meeting**

4.0 PRESENTATION: Water Resources Division Rate Restructuring and Affordability Project Restart for Fiscal Year 2022

4.01 Presentation Regarding Water Resources Division Rate Restructuring and Affordability Project Restart for Fiscal Year 2022

Assistant Director Moir introduced the item, saying that it was the project that was first introduced last year but postponed due to the uncertainties associated with COVID. It has also been tweaked to include stakeholder and Council feedback.

She said that water, wastewater, and stormwater are all separate enterprise funds, and are responsible for their own revenue recovery. She also said there is no reliance on property taxes and revenue is entirely dependent on rate payers. She said that the City Council charged the Water Resources Division (WRD) with restructuring their affordability and rate programs to maintain access to clean water while being able to reinvest in infrastructure.

Dave Fox, a project consultant, provided an overview of the financial needs of the Water Resources Division, noting that revenue is required for operation and maintenance of infrastructure as well as debt service and bond covenant requirements, that revenue is prudent to support annual PayGo capital and designated capital reserves, and that revenue is desirable to support additional customer assistance programs, such as loans, grants, and conservation practices. He outlined a financial planning model for Fiscal Year 2022, saying that between a 5-7% rate increase for water, wastewater, and stormwater is needed to support revenue needs. He outlined costs for providing water services for base level demand, extra capacity for peak flow, and further capacity for fire protection. He summarized each rate proposal and policy change, which include a fixed charge by meter size, a lifeline rate tier, a class-based rate structure, higher volumetric rates for irrigation, standalone monthly private fire protection charges, and a Water Resource Assistance Program (WRAP). He outlined the rates for 2022 and a snapshot of possible customer impacts.

City Council President Tracy thanked the Water Resources Division for their stakeholder outreach efforts. He asked about the implications of the rate changes for renters. Assistant Director Moir said that it is difficult to factor renters into the affordability and conservation efforts, which is consistent with the national conversation about affordability and renters.

Councilor Pine suggested shifting away from poverty as the guideline and use the Housing and Urban Development (HUD) median income threshold instead for determining affordability. He said it would expand the number of single-person households that would benefit.

5.0 FOR APPROVAL AND RECOMMENDATION TO CITY COUNCIL

5.01 BED IT Forward software systems – BED

BED Director Springer introduced the next item, saying that it is a multi-year process to look at technology systems that serve BED's financial and customer information needs and how they interact, and how best to update them. He said that consultants helped form an informational road map. He said that many systems are currently reaching the end of their lives, and that the systems have multiple vendors instead of one enterprise vendor for all systems. He noted that BED released a Request for Information (RFI) to see what types of technology, systems, and functionalities are out there, and issued a Request for Proposals (RFP) for necessary software improvements.

Councilor Pine asked what happened in the 13 months between notification and now. Ms. Stebbins-Wheelock replied that negotiations took a year, due to the disruption by COVID for the City team and selected vendor, and that six separate statements of work were reviewed for software components that would ultimately be part of the agreement.

MOTION by Councilor Pine, SECOND by Councilor Paul, to recommend that the City Council authorize the General Manager of the Burlington Electric Department to execute with N. Harris Computer Corporation a Software License Agreement, a Software Implementation Services Agreement, a Master Support & Maintenance Agreement, and a Hosting Service Agreement that grant the Burlington Electric Department the option to purchase and receive associated services for software systems at fixed prices good through June 30, 2023, subject to review and approval of the City Attorney's Office and to appropriations for each relevant fiscal year.

VOTING: unanimous; motion carries.

5.02 Presentation: Tom Flanagan, Superintendent, BSD, re: Approval Of Financing Guarantee For Construction Loan For Burlington High School Move To Macy's Building

Mr. NcNeil provided an overview of the request, saying that it originated with the closure of the Burlington High School due to detected levels of PCB and that students have been remote since that discovery in September. He said that two alternative locations for the school were explored, including custom-designed trailers in the BHS campus which would be stationed on the athletic fields, or utilizing the old Macy's Building downtown. He said that the City was able to reach an agreement with the owners of the Macy's Building for a fit-up of the building to be conducted by February with a move-in after September break for the students. He said that there would be fit-up costs of $3.5 million and rental costs for 3.5 years of $100,00 a month. He said that Northfield Savings Bank would finance the project, but would like a guarantee from the City for $3.5 million, and that the school department would back up any commitment the City would have to make. He asked for approval of a back-up guarantee of the fit-up costs, subject to the City Attorney's review of the entire guarantee agreement and subject to the School Department's commitment to back the City.

5.03 Approval Of Financing Guarantee For Construction Loan For Burlington High School Move To Macy's Building – BSD

MOTION by Councilor Pine, SECOND by City Council President Tracy, to recommend that the City Council approve the attached resolution.

DISCUSSION:

- **Councilor Pine asked for clarification on the financial responsibility and who is backing whom. Mr. McNeil said that the bank is looking for the guarantee because the school district is also a department of the City of Burlington, in addition to being an independent district of its own. He said the Mayor and City Attorney wanted to ensure that this would ultimately be a guaranteed educational expense.**
- **Mr. Lavery said that the School District has gotten signals from the Governor's office that the fit-up costs would be covered by the Governor's budget allocation adjustment in January. He said that the City and School District would not have to come up with $3.5 million at one time.**
- **City Council President Tracy asked about the relationship of this agreement with the City's debt policy and credit rating and asked if it edges the City closer to its cap. Mayor Weinberger replied that the debt policy may create challenges with the District in the future and that this interim site expense was not part of the budget. He said that it should not have an impact on the City's credit rating. City Council President Tracy asked how the $100,000 per month rental rate was calculated, and asked about the timeframe for reimbursement. Mr. McNeil replied that the monthly rental rate was negotiated intensely, and that the resolution would only cover the fit-up cost, not the monthly rental payments. Mr. Lavery replied that no specific timeframe for payback was defined.**
- **Councilor Dieng asked for an update on the City's debt capacity. Finance Director Goodwin said that the City has significant capacity without impact on its credit rating, and the administration will provide a memo outlining further detail to the Board of Finance. Councilor Dieng asked when further information on the incorporation on fit-up costs would be released in the Governor's budget allocation adjustment. Mr. Lavery replied that once the Governor proposes budget adjustments they are subject to legislative review and approval, but should have a good sense by the end of January.**

VOTING: unanimous; motion carries.

5.04 Airport Revenue Refunding Bonds - C/T **will be on the 1/19/21 CC Agenda**

Mr. Melloni provided a brief overview of the item, saying that due to the impact on air travel and airport traffic of COVID-19, the airport has been looking to restructure some of its revenue bonds that have principle coming due in the next few years. He said that he has worked with the City financial advisor to look at pushing out debt service payments for bonds from 2012 and 2014. He said that the process would be to adopt a supplemental resolution to the overall bond resolution, which would pledge airport revenues for indebtedness. He said the proposal would authorize up to $32,000,000 of revenue bonds and authorizes the CAO and Finance Director to complete and authorize the ultimate terms and provisions. He said that this would give the airport breathing room to wait out the rest of the COVID-19 pandemic to be able to service its debt after it is over.

Councilor Pine asked if the current outstanding indebtedness on the bonds is the $32,000,000 or if that is the aggregate bond amount. Mr. Mellloni said it is the aggregate total principle amounts that constitute refunding, and that due to changes in tax law, these would need to be issued as taxable bonds. He said that some of the money that would be borrowed would have to fund an escrow sufficient to pay off maturities that are coming due in 2021-2024. Councilor Pine asked for projected cost of this. Finance Director Goodwin said that this would increase liquidity and improve debt ratios to wait out the remainder of the pandemic.

Councilor Dieng asked how much debt had been accumulated by the airport prior to COVID-19 and asked about the airport's total assets. Finance Advisor Friedman said that the airport annually pays around $3.6 million in principle and interest, $2.4 million of which is principle. She said that the debt was refinanced in 2012 and 2014. She added that in 2011-2012 the airport had zero days of cash on hand, and that in June 2020 it had 450 days of cash on hand and that it has been thoughtful about increasing that. Deputy Director Longo said that the airport assets are valued at $600,000,000, which includes depreciation.

Councilor Pine clarified that this is not general obligation debt, but is revenue debt and does not obligate the City. Mr. Melloni replied in the affirmative.

MOTION by Councilor Paul, SECOND by Councilor Pine, to approve and recommend that the City Council adopt the attached resolution and authorize the Chief Administrative Officer and the Director of Financial Operations to execute and deliver the Refunding Bonds for the purpose of refunding any of the outstanding Airport revenue bonds and execute all necessary documents, subject to City Attorney's Office review.

VOTING: unanimous; motion carries.

5.05 Increase to the CY19 Street Reconstruction Project Budget – DPW

MOTION by Councilor Pine, SECOND by Councilor Dieng, to 1. approve and recommend that the City Council authorize an increase to the CY19 Street Reconstruction Project Budget in the amount of $827.23 for a new total project budget of $2,189,715.78, with funding coming from the same FY21 Street Capital Fund (G/L 840-19-700.9500_100), and 2. To approve and recommend that the City Council authorize the Director of Public Works to execute a final change order with Frank W. Whitcomb Construction Corp up to a maximum limiting amount of $2,189,715.78 to pay for the final expenses.

DISCUSSION:

- **City Council President Tracy asked for a summary of the challenges that resulted in this overage. Senior Engineer Wheelock said that these are two contracts on which the City tries to use all of its contingency funding. She said that for CY19 contract, late in the season, DPW chose to use some of the contingency towards Batchelder and intersection of Maple/Union streets to fix profiles, grades, and damage. She said that it was a unit price contract, but that the City does not have a maximum cap in terms of amount billed and amount in the fund. She added that there was also some faulty estimate calculation on DPW's part. City Council President Tracy said that given volatility of costs, how is DPW planning on calculating contingency estimates for future projects. Senior Engineer Wheelock replied that there have not been a lot of large projects with which to gauge how the market has changed, but that for a recent large RFP, both bids came in under the estimate, as contractors are also eager to secure contracts with the City for work.**

VOTING: unanimous; motion carries.

6.0 COMMUNICATION

6.01 Communication: HANDS, re: Thank you for $1,000 Donation

No discussion at this time.

7.0 ADJOURNMENT

7.01 Motion to Adjourn

MOTION by Mayor Weinberger, SECOND by Mayor Weinberger, to adjourn the Board of Finance meeting.

With no further business and without objection the meeting was adjourned at 6:55 PM.

RScty: AACoonradt