

STATE OF VERMONT  
CITY OF BURLINGTON  
CITY COUNCIL

BOARD OF FINANCE  
MONDAY, FEBRUARY 14, 2011  
CONFERENCE ROOM 12, CITY HALL  
5:00 P.M.

TRANSCRIBER: Janice D. Badeau

I N D E X

Presenter:	Page
1. Fred Duplessis, Auditor	11

1 February 14, 2011

2 (Tape No. 1, Side A)

3  
4 (Transcriber note: There were several parties present at  
5 this hearing. Speakers' names were used whenever  
6 possible, but in the instances where they were not  
7 identified or could not be discerned by the transcriber,  
8 generic terms were used.)  
9

10 BOARD CHAIR: Okay. I'm going to call  
11 to order the Board of Finance meeting for Monday,  
12 February 14th at twelve minutes after five. And the  
13 first item on the agenda is the agenda. Any changes to  
14 the agenda? Is there a motion to accept the agenda?

15 BOARD MEMBER: Move to accept the  
16 agenda as written.

17 BOARD CHAIR: (Inaudible.) Any  
18 discussion? All those in favor?

19 BOARD MEMBERS: Aye.

20 BOARD CHAIR: All those opposed? So  
21 the first item on the agenda for action is public works.  
22 Item A is a memo regarding lower Church Street and St.  
23 Paul Street improvements project. Cheryl, is Steve able  
24 to join us?

25 FEMALE SPEAKER: Erin is not here

1 today.

2 BOARD CHAIR: I can tell that.

3 FEMALE SPEAKER: So this contract  
4 that's before you is for the residential (inaudible)  
5 purpose for the construction of the lower Church Street  
6 improvements for Church Street and St. Paul improvements.  
7 These services include, basically, the field engineer and  
8 his time on site, his or her time on site during  
9 construction. Erin, I -- she went out to -- she went out  
10 with an RFP for this and based -- and when we choose  
11 consultants, it's not based upon an oral bid-by-phone.  
12 We have construction bids and its qualifications-based.  
13 So she included, for your information, you know, their  
14 hourly rate and things like that. But essentially, you  
15 take a look at the RFP and see if they really understand  
16 the project (inaudible). Our analysis indicated that  
17 Holye Tanner would be the best fit and that they had the  
18 best sort of grasp on the time that might be required to  
19 get the project done. It's a two million dollar project.  
20 This is a \$90,000 --

21 MALE SPEAKER: How -- how much is the  
22 project?

23 FEMALE SPEAKER: About two million.  
24 Maybe a little under. Maybe one (inaudible).

25 MALE SPEAKER: (Inaudible) the RFP

1 (inaudible).

2 FEMALE SPEAKER: Before, yes. They  
3 definitely did.

4 MALE SPEAKER: So (inaudible).

5 FEMALE SPEAKER: In terms of time,  
6 estimated time, yes. And you can often tell when  
7 (inaudible) if somebody thinks that they can do it in  
8 less time than you know it can be done, then you start  
9 looking at the other ones a little harder. So --

10 MALE SPEAKER: So, I mean --

11 FEMALE SPEAKER: We've had lots of  
12 experience with Holye Tanner. They've done many of the  
13 designs on the marketplace of late. So we've been happy  
14 with their work. (Inaudible.)

15 MALE SPEAKER: So as (inaudible) that  
16 were -- had lesser bid, was the biggest difference in the  
17 amount of time (inaudible).

18 FEMALE SPEAKER: Well, she -- and I  
19 didn't either, but she did -- she did break it down to  
20 dollars per hour just so that we could compare apples to  
21 apples and Holye Tanner was in the middle-to-low with 78.  
22 The high was 101. So it was actually the lower two were  
23 fairly close in dollars per hour. And that makes sense  
24 because they were both local, as compared to the one in  
25 the middle which is located in Randolph. They probably

1 would have a fair amount of travel time associated with  
2 working on this project. So I mean, I feel comfortable  
3 that \$84 is adequate for RE. That's pretty close to what  
4 we would pay (inaudible) contractor.

5 This is an 80-20, so \$18,000 will be  
6 covered through the local share of funds that have been  
7 identified for the most part through capital, some  
8 traffic money for the work (inaudible).

9 MALE SPEAKER: Cheryl, again --

10 FEMALE SPEAKER: Um hum?

11 MALE SPEAKER: -- the hourly rate for  
12 Holye Tanner is \$84 --

13 FEMALE SPEAKER: \$84.30.

14 MALE SPEAKER: \$84.30.

15 FEMALE SPEAKER: Um hum.

16 MALE SPEAKER: And but that's for  
17 (inaudible) other similar costs (inaudible) for  
18 construction administrator --

19 FEMALE SPEAKER: Um hum.

20 MALE SPEAKER: -- that's all -- be all  
21 pro rated.

22 FEMALE SPEAKER: Correct.

23 MALE SPEAKER: All -- all you've given  
24 there is the \$84.30 is just the top dog.

25 FEMALE SPEAKER: That's right. That's

1 what you pay for the person who was going to be doing the  
2 majority of the work on the project.

3 MALE SPEAKER: Okay. But if you have  
4 other people on the project --

5 FEMALE SPEAKER: Yes.

6 MALE SPEAKER: -- you expect it at that  
7 hourly rate.

8 FEMALE SPEAKER: Exactly.

9 MALE SPEAKER: Okay.

10 FEMALE SPEAKER: Yes.

11 MALE SPEAKER: Move to conclude the  
12 discussion.

13 MALE SPEAKER: Second.

14 BOARD CHAIR: Further discussion? All  
15 those in favor?

16 BOARD MEMBERS: Aye.

17 BOARD CHAIR: All those opposed? Okay,  
18 Cheryl.

19 FEMALE SPEAKER: Okay.

20 MALE SPEAKER: (Inaudible.)

21 FEMALE SPEAKER: He doesn't have to  
22 (inaudible).

23 BOARD CHAIR: All right. Next item on  
24 the agenda is police item 3FY11 capital improvement  
25 program at 1 North Avenue.

1 FEMALE SPEAKER: Fiscal Year 2011

2 capital plan, the police station was identified as one of  
3 the recipients of a portion of the mechanical upgrade  
4 that we've been setting aside each year to do energy  
5 efficiency or code upgrades on a lot of our facilities.  
6 Mechanical was one of the categories and I included three  
7 projects together here under mechanical upgrade for a  
8 total of about \$31,000. And because that was a fair  
9 amount less than what we had expected to pay, we listed a  
10 couple other projects that they had to do that were also  
11 related to their system, heating systems, including hot  
12 water heater and their generator upgrade.

13 They're going to be getting a couple of  
14 replacement heating units and the AC unit for the fitness  
15 room is being put in so that they can keep that room  
16 colder than the offices on that floor without, you know,  
17 having people be uncomfortable. The hot water heater is  
18 being upgraded. Because we're working in the area and  
19 it's an older one that has a couple code issues  
20 (inaudible) so we can get that done at the same time.

21 And lastly, we -- the generator project  
22 is one where they're -- this is the City's emergency  
23 operation center generator, so it runs the operation  
24 center in the event there's any kind of major emergency  
25 or catastrophe. The newer generator that they purchased



1 a few years ago, it's really bigger than the tank that's  
2 in the ground at the station. And so in order to make --  
3 make it a little more serviceable, they decided to get  
4 Vermont Gas to bring fuel to it and have the in-ground  
5 tank just be a backup for it.

6 So they'll be able to use the generator  
7 they have, but they'll now -- it will be powered by  
8 Vermont Gas and a backup, which is the -- the in-ground.  
9 And that's the 10,435 estimate by (inaudible) who is  
10 doing -- we -- we got this price from them because  
11 they're doing a bunch of other work at the same time.  
12 They're doing some generators at the fire station so we  
13 asked them to give us quotes on a number of things.

14 (Inaudible.)

15 MALE SPEAKER: (Inaudible.)

16 FEMALE SPEAKER: I just had a question.

17 FEMALE SPEAKER: Yes.

18 FEMALE SPEAKER: The total dollar  
19 amount --

20 FEMALE SPEAKER: Um hum?

21 FEMALE SPEAKER: -- proposed  
22 (inaudible). You referenced here two contractors  
23 (inaudible). But is that (inaudible). There was one  
24 that (inaudible).

25 FEMALE SPEAKER: That's correct.

1 FEMALE SPEAKER: Yes. If you added  
2 those two together, does that the total (inaudible) what  
3 you had allocated for making capital improvements?

4 FEMALE SPEAKER: Yes. We had 65  
5 thousand allocated.

6 FEMALE SPEAKER: Okay.

7 FEMALE SPEAKER: (Inaudible.)

8 FEMALE SPEAKER: Oh, yes. I see that  
9 now. I'm sorry.

10 FEMALE SPEAKER: That's okay. Okay.

11 FEMALE SPEAKER: Okay. Thank you.

12 MALE SPEAKER: Cheryl, the backup  
13 generator, how long does that last?

14 FEMALE SPEAKER: The generator itself?

15 MALE SPEAKER: Yes.

16 FEMALE SPEAKER: They last quite a long  
17 time.

18 MALE SPEAKER: I mean -- I mean, how  
19 many -- 48 hours?

20 FEMALE SPEAKER: Oh, how long does it  
21 run?

22 MALE SPEAKER: Yes. How long does it  
23 run as a back-up?

24 FEMALE SPEAKER: I am not exactly sure.  
25 Walt Decker would know --

1 MALE SPEAKER: Okay.

2 FEMALE SPEAKER: -- know the answer. I  
3 know that he's certainly dealt with the people who  
4 (inaudible) for them, but --

5 MALE SPEAKER: Okay.

6 MALE SPEAKER: (Inaudible.)

7 FEMALE SPEAKER: It is (inaudible).

8 MALE SPEAKER: Type of a problem you're  
9 not answering.

10 FEMALE SPEAKER: Yes. I can get it for  
11 you, if you want.

12 MALE SPEAKER: No. Thank you.

13 BOARD CHAIR: Further discussion on the  
14 motion for the police? All those in favor?

15 BOARD MEMBER: Aye.

16 BOARD CHAIR: All those opposed? Done.  
17 Next thing on the agenda is number four, Larkin report  
18 and audit discussion with Fred -- Fred Duplessis.

19 MR. DUPLESSIS: (Inaudible) early.

20 BOARD CHAIR: Perfect timing, yes.

21 MR. DUPLESSIS: You're ahead of  
22 schedule.

23 FEMALE SPEAKER: Fred, thanks for being  
24 here.

25 MR. DUPLESSIS: Oh, you're welcome.

1 MALE SPEAKER: You know that Karen had  
2 -- had asked some questions of you and --

3 MR. DUPLESSIS: Yup.

4 MALE SPEAKER: -- you provided a  
5 response and that -- that's probably something we can  
6 talk about with the --

7 MR. DUPLESSIS: And we have the audit.

8 MALE SPEAKER: Yes.

9 MR. DUPLESSIS: Which -- so what I'd  
10 like to do, if I could, is I have some notes and I'd like  
11 to just go through them and I -- just to make sure I  
12 cover everything I think we need to want to cover and  
13 then I'd be happy to open it up to any questions on  
14 either the Larkin questions or the audit itself.

15 MALE SPEAKER: That sounds good, Fred.

16 MR. DUPLESSIS: Okay. Probably just a  
17 couple minutes on this.

18 MALE SPEAKER: (Inaudible.)

19 FEMALE SPEAKER: I -- I just want to  
20 ask, is there -- normally, you have several copies of the  
21 audit in that form outside; (inaudible) that Fred has.  
22 Do you have any other copies of the audit?

23 MALE SPEAKER: I do. I brought hard  
24 copies this evening. I know that we sent out on PDF.

25 FEMALE SPEAKER: Yes.

1 MALE SPEAKER: But if anybody would  
2 like a hard copy --

3 FEMALE SPEAKER: I'd be happy with  
4 that.

5 MALE SPEAKER: -- I'd be more than  
6 happy to do that.

7 FEMALE SPEAKER: Thank you. Yes.  
8 Would you (inaudible).

9 MALE SPEAKER: Here you go.

10 FEMALE SPEAKER: Thank you.

11 MALE SPEAKER: You're welcome.

12 FEMALE SPEAKER: It's a lot to read in  
13 a PDF on-line.

14 MALE SPEAKER: It is.

15 MR. DUPLESSIS: I end up looking at the  
16 paper myself.

17 FEMALE SPEAKER: I have a 20-page limit  
18 is about (inaudible).

19 MR. DUPLESSIS: So --

20 FEMALE SPEAKER: There will be a quiz  
21 on this at the end.

22 MALE SPEAKER: Thank you.

23 MR. DUPLESSIS: So I'm really here  
24 tonight to discuss the audit and our responses to the  
25 Larkin questions. But first I'd really like to thank the

1 City's accounting staff because, together, we're issuing  
2 this audit almost two and a half months earlier than last  
3 year and close to five months earlier than the previous  
4 two years. And that was done in spite of some scheduling  
5 delays due primarily to the City and Telecom staff  
6 responding to mostly requests for information and  
7 materials from the Department of Public Service and  
8 Larkin themselves. So we have to shift our schedule a  
9 bit from when we're going to do Telecom and pushed it  
10 back and then worked around their schedule. But in spite  
11 of that, we're still two months ahead of schedule.

12 Our plan is in the contract to have the  
13 single audit done and the management letter, because they  
14 go along hand-in-hand, because a number of the findings  
15 under the management letter, a month from now. March  
16 15th is the deadline and we -- we hope we'd have you  
17 drafts of that a few weeks earlier so that you'll have  
18 plenty of time to look at the issues in the management  
19 letter, determine whether you agree with them factually,  
20 and then prepare the City's response that -- or the  
21 single audit has to be bound right in with the audit.

22 The other recommendations that they've  
23 responded to in 2009 can be put right in the management  
24 letter. In 2008, they did not respond to the other  
25 recommendations when we issued. They did respond later.

1 So, but I think if we're on the pattern of having the  
2 responses included right in, it makes it much easier  
3 reading. You can see the points and then the response.

4 As you can -- as Karen alerted to us,  
5 you can tell by the size, it's 117 pages. There's a  
6 significant amount of information in that audit. We're  
7 responsible for auditing over 535 million dollars in  
8 assets; 193 million dollars in liabilities; and another  
9 195 million dollars in revenues; and 171 million dollars  
10 in expenses; and a variety of funds and activities. And  
11 that includes a separate non-profit organization,  
12 Burlington Community Development Corporation. That is  
13 included in, but shown separate in the audit.

14 But before we do this, I know there's a  
15 lot of questions. I would like to address the -- the  
16 concerns that Karen had related to our response to her  
17 questions. And I -- and there's a number of issues.

18 You know, first, as I explained in our  
19 cover letter, every CPA is required to treat all the  
20 information from every client, even a municipality, as  
21 confidential. I know it's public from you. It's not  
22 from me. And so we can't respond to any individual  
23 requests for information unless approved by the Board of  
24 Finance in advance. In fact, when I went back, this is a  
25 very specific requirement in the City's requests for

1 proposals when you went through this process, I don't  
2 know, a year ago, maybe. And -- and we have to agree to  
3 that before (inaudible) a contract. In fact, the wording  
4 is that any non-audit services should always be approved  
5 in advance by the Board of Finance Audit Committee. And  
6 that is part of our contract by reference.

7 So, you know, we're in the position  
8 where we get requests all the time, and we simply cannot  
9 violate our standards. And so the process we have to  
10 take is to find out that the Board of Finance agrees to  
11 -- to -- to do that.

12 However, if -- if -- and because it  
13 seems to be an issue, if the Board of Finance wants to  
14 give us permission tonight, or in the future at any time,  
15 to respond to any individual counselor's requests, or for  
16 requests by media, we'd be happy to have you do that and  
17 we'd certainly try to comply to those requests. But we  
18 would want that permission up front.

19 In the letter, too, and I know you've  
20 got an audit committee coming at some point and I talked  
21 to Karen last week and, hopefully, we get some good  
22 candidates. I don't know whether you do at this point.

23 FEMALE SPEAKER: I've been working on  
24 it.

25 MALE SPEAKER: Okay. If the audit



1 committee takes effect, I think that would be a great  
2 liaison for these kinds of services and to be contact.  
3 What we would hope would happen was that they would --  
4 they would coordinate any of these audit-related  
5 requests. We think any services requested should have  
6 written specifications, including any required formats,  
7 timelines for completions, and some discussion of fee; be  
8 it some sort of an estimate or with an understanding that  
9 there -- that it would have to be time and charge it.  
10 What we don't like is having to do work and then  
11 surprising anyone with a bill. However, when we do work,  
12 we bill. I mean, that's simply the nature of what we do.

13 What would happen then is that then  
14 both sides could agree in advance that either we could do  
15 the work, could meet the specifications and meet the  
16 timeline. If not, we'd have to agree and determine where  
17 we go from there.

18 So again, if the Board of Finance wants  
19 to give us that permission for any councilor, I still  
20 think, though, that that same process needs to happen.  
21 That any work product needs to be agreed to so that we  
22 understand exactly what we need to do. That we  
23 understand that we have permission to do it and when --  
24 when you want it and whether we can meet that deadline.  
25 I mean, we -- you know, we try to be as responsive as we

1 can. And I know there was some communication issues this  
2 time and I, you know, I am not sure what happened. But  
3 when we finally got permission, we did it when we could.  
4 So, I think we're here tonight.

5 Now I'd like to address some of the  
6 things in the -- the most serious concerns seem, in our  
7 response to the -- it appears to be the -- our response  
8 to the violation of the Condition 60 in the CPG and the  
9 City's ability to repay the pool cash deficit.

10 As we discussed in the response, what  
11 our responsibility is to evaluate the City's  
12 determination if there could be a direct and material  
13 affect on the financial statement as a result of any  
14 violation of the CPG. Or, in that matter, any violation  
15 of any law or regulation.

16 And I'm going to read to you from the  
17 engagement letter in a while, but that is the City's  
18 responsibility to make that determination. What our role  
19 as auditors is to evaluate that assertion and make sure  
20 that we're comfortable that the City has evaluated it.

21 The direct affect of any violation of  
22 the CPG would be fines enclosed -- imposed by the  
23 Department of Public Service. It has been the City's  
24 position all along that it was unlikely that fines would  
25 ever be imposed. And, to date, that hasn't happened.

1 Doesn't mean it won't happen, but it hasn't happened to  
2 date.

3           From our perspective, the most serious  
4 concern from a financial statement impact was the City's  
5 ability and intent to repay the pool cash deficit. Up  
6 until the City rejected the Piper Jaffray financing  
7 proposal, the City was able to assert that, based on the  
8 facts and circumstances every year, at each point in  
9 time, that the City did have the ability and intent to  
10 repay the pool cash. And as I, in the letter, went  
11 through the chronology of year-to-year what -- what the  
12 City based that on, be it subsequent refinancing or the  
13 assertion that they could get refinancing. And in -- in  
14 one year, we, because in June 30th, 2008, the -- there  
15 was no refinancing that was set in place at that time,  
16 the City included in their footnotes a description of  
17 what the implications would be if they couldn't obtain  
18 that refinancing. And this is right out of the June  
19 30th, 2008 audit. What it says is that Burlington  
20 Telecom has negative pool cash in the amount of  
21 \$8,654,981. Subsequent to year-end, that negative  
22 balance has increased substantially. The City intends to  
23 refinance its debt -- its debt to include paying back  
24 other City funds. The City believed it has the ability  
25 to do this; however, if this does not happen, it can have

1 an adverse impact on the City's cash flow and on the  
2 classification of the negative cash resulting in a  
3 significant reduction to the City's general fund balance.

4 MALE SPEAKER: Okay. Where was that,  
5 Fred?

6 MR. DUPLESSIS: That is in your audit  
7 as of June 30th, 2008. So in spite of the City's  
8 assertion that it could obtain refinancing and a  
9 confirmation from Municipal Leasing Consultants who wrote  
10 a letter saying that they were confident they could get  
11 refinancing, the City still decided to put this into  
12 their notes so that the readers would be warned that, if  
13 it didn't happen, there's serious implications.

14 Again, these are your financial  
15 statements. These are your footnotes. Our  
16 responsibility is to write the letter that I'll talk  
17 about when we get to the audit.

18 MALE SPEAKER: (Inaudible.)

19 MR. DUPLESSIS: Sure. Go ahead. Yes.

20 MALE SPEAKER: I just want to be clear.  
21 So when you talk about June 30th, '08, that means we  
22 received that in '09?

23 MR. DUPLESSIS: Well, at that point,  
24 yeah. We obviously were late. As I said, we're getting  
25 now to the point where you're seeing the June 10 in early

1 February. The goal would be next year that that be a  
2 month earlier. And so I think that (inaudible) the City  
3 originally hoped to have all of those audits done by  
4 December 31st.

5 MALE SPEAKER: But the information that  
6 you've read --

7 MR. DUPLESSIS: Correct. Was in the  
8 audit that was issued. Yes. And so --

9 MALE SPEAKER: During the winter of  
10 '09.

11 MR. DUPLESSIS: It was in -- that audit  
12 was issued I believe in June.

13 FEMALE SPEAKER: In June. It was  
14 almost exactly a year later.

15 MR. DUPLESSIS: It was almost a year  
16 later. Not quite. And the reason I know that is --

17 MALE SPEAKER: (Inaudible.)

18 FEMALE SPEAKER: (Inaudible.)

19 MR. DUPLESSIS: Yes. The City had an  
20 extension from the federal government that we were to do  
21 the single audit and it had to be done and we all worked  
22 hard to get it done by then. But before that, the City  
23 wasn't ready for audit.

24 MALE SPEAKER: And my only thing is  
25 that they were saying then, I'm sorry to -- they were

1 saying then --

2 MR. DUPLESSIS: Um hum.

3 MALE SPEAKER: -- that failure to  
4 refinance would be a problem.

5 MR. DUPLESSIS: Correct.

6 MALE SPEAKER: At that point, they had  
7 already actually finally got word to the council of the  
8 CPG violation (inaudible) a month prior to that.  
9 Correct?

10 MR. DUPLESSIS: I don't know. I am not  
11 sure of the timing of when they were --

12 MALE SPEAKER: (Inaudible.)

13 MR. DUPLESSIS: I don't know. I mean,  
14 we --

15 MALE SPEAKER: Okay.

16 MR. DUPLESSIS: Yeah. I am not sure of  
17 that. I'd have to, you know -- but that is the  
18 (inaudible) June 30th, 2008.

19 As of June 30th, 2009, and in this  
20 audit, the City could not assert that. They -- the Piper  
21 Jaffray proposal had been rejected. Alternative  
22 financing was not being pursued. So as of June 30th,  
23 2009, we had to issue a qualified opinion based on that  
24 uncertainty. And that -- that still stands. And I know,  
25 Karen, we still -- I mean, your question, one of your

1 questions is (inaudible), how long can that stand? And  
2 the answer is that it stays as long as there's an  
3 uncertainty. And so even if part of one of the term  
4 sheets says that, you know, it's possible or you will  
5 receive money, unless that uncertainty is cleared up one  
6 way or another, I mean, there's two ways, obviously, that  
7 could be cleared up. One would be that you will get  
8 repaid; the other will be for sure you won't. Either  
9 way, the uncertainty is gone and we have a claim pending.  
10 And but we have to deal with the implications being some  
11 sort of funding for that deficit, if it didn't happen.  
12 If we're in a position where there's -- if you're relying  
13 on possible future income and the City can't assert and  
14 prove, which is hard -- as Karen and I discussed, we --  
15 we do an okay job as auditors looking backwards. We have  
16 no chance (inaudible). So as long as that (inaudible)  
17 exists, the qualification will be in there.

18 What the problem is, and I know from  
19 Rick's perspective, in talking to bankers, is that --  
20 that they're typically looking for an opinion. It's not  
21 entirely unusual to have qualified opinions, but this  
22 isn't a qualified opinion saying you're doing something  
23 wrong. This is an uncertainty. But what it explains is  
24 that, depending on which way (inaudible) certain  
25 implications. They describe what that is in that

1 qualification. So it stays as long as the uncertainty  
2 stays.

3 MALE SPEAKER: (Inaudible) service  
4 agreement, one of the requirements was (inaudible).

5 MR. DUPLESSIS: Right. And if you have  
6 financing, it's kind of a Catch-22. So if you had  
7 financing or if the Piper Jaffray had been done and you  
8 received whatever amount of money and replenished the  
9 pool cash, again, we'd have a clear opinion because there  
10 would be no issue of replenishing the pool cash. Because  
11 that's the issue at this point in time.

12 So, I -- I just want to make it clear.  
13 This is not a unique issue to Burlington. We've  
14 addressed this in a number of municipalities over the  
15 years. I know as of June 30, 2010, we've had to deal  
16 with this in at least two other municipalities. And in  
17 one of them, we've issued an almost identical qualified  
18 opinion. So the issue of having to have negative amounts  
19 (inaudible) and not having them a certainty to being  
20 repaid is not a unique issue. Certainly, the size of  
21 yours is larger, but it's not a unique issue.

22 MALE SPEAKER: (Inaudible.)

23 MR. DUPLESSIS: Yes. Absolutely.

24 MALE SPEAKER: So, in regard to that,  
25 in the current time --



1 MR. DUPLESSIS: Um hum.

2 MALE SPEAKER: In your, hopefully,  
3 (inaudible), (inaudible) to provide an assessment in its  
4 ability to refinance its debt or otherwise provide  
5 sufficient cash flow from the Telecom funds in order to  
6 repay all or a portion of it due to other funds,  
7 liabilities within a reasonable time.

8 MR. DUPLESSIS: Correct.

9 MALE SPEAKER: Again, what is a  
10 reasonable time?

11 MR. DUPLESSIS: Well, that -- that  
12 isn't unusual in terms of the Telecom. We actually  
13 consulted directly with the Government Accounting  
14 Standards Board and what they said is it really depends  
15 on the nature of what's being financed. In some cases,  
16 it could be as long as the project itself. And so if,  
17 you know, if it was financing capital assets, then it  
18 would be reasonable to have that repaid over the life of  
19 the assets. And so it's -- it's not a black and white  
20 decision. It's really based on the facts and  
21 circumstances of what the money was financing. And so we  
22 really have to look at it at that point in time.

23 MALE SPEAKER: You say in some cases it  
24 would be?

25 MR. DUPLESSIS: No. It's always --

1 it's always based on the nature of what -- what's being  
2 financed.

3 MALE SPEAKER: But you said in some  
4 cases it could be the life of the --

5 MR. DUPLESSIS: Oh, absolutely. Yes.  
6 In fact, as we said, it's clear to them that that's  
7 reasonable. You know, it depends on the useful life of  
8 -- of the various components of the Telecom system.

9 MALE SPEAKER: And then you say, if the  
10 Telecom funds cannot be repay all or a portion of it due  
11 to other funds, other liabilities. The City would be  
12 required to record a transfer from the general fund to  
13 the Telecom funds.

14 MR. DUPLESSIS: Correct.

15 MALE SPEAKER: So at what point would  
16 that happen? (Inaudible.)

17 MR. DUPLESSIS: Only when the  
18 uncertainty is resolved in the negative. So that if --  
19 if at some point this auditor or future auditor comes in  
20 and you say, "Can't do it. We're not going to repay it,"  
21 then the next would be (inaudible) and (inaudible)  
22 proposal to transfer that amount of money from the  
23 general fund to the Telecom fund because you've indicated  
24 to us that there was no longer an ability to repay. So  
25 it -- it would be at the point in time when you're sure

1 it's not going to be repaid.

2 MALE SPEAKER: Doesn't matter if it's  
3 over 20 years, it comes in, or -- or if it's not --

4 MR. DUPLESSIS: No. That -- that would  
5 be the second step. So if you said, "Okay, we think we  
6 can repay it over 20 years." Now, we're -- now we're  
7 back to evaluating is that a reasonable period of time.  
8 And so then the question we'd start to ask that we  
9 haven't had to ask, okay, what are you financing? What's  
10 the life of the asset? What do you think the -- is that  
11 a reasonable payback? And that would be an assertion you  
12 would make as the City. Our job as auditor would be to  
13 determine whether we think that's a reasonable assertion.

14 MALE SPEAKER: Has that come to play as  
15 to what's called a debit to the cash pool? I mean, it's  
16 continued to be called a debit to the cash pool. At what  
17 point --

18 MR. DUPLESSIS: Well, now you're using  
19 accounting terminology.

20 MALE SPEAKER: Yes. I -- I don't --  
21 that's why I wanted you to explain that.

22 MR. DUPLESSIS: Yes.

23 MALE SPEAKER: Why would it not be a  
24 debit to cash flow?

25 MR. DUPLESSIS: Well, you replenish --

1 you replenish it. There's other ways that could happen.  
2 If you, for whatever reason, decided that you were going  
3 to refinance it, that would be one way to replenish it.  
4 The second would be if (inaudible) came in and decided  
5 that they were going to repay you the 17 million dollars.  
6 That would be another way to replenish it. The third way  
7 would be if you had a proposal that says that, you know,  
8 the debt would be repaid, we'll get some and you get "X"  
9 and "Y," and that -- that amount that you would get based  
10 on some formula, I presume. I -- I don't know any of the  
11 term sheets. I don't know any of the players. So I  
12 can't tell you what -- but just thinking what might be a  
13 logical, I would say that, you know, you get "X" percent  
14 based on, you know, earnings after reasonable payout,  
15 risk reward to the investors. And if that amount seems  
16 like it's doable, and again, that's looking forward, that  
17 would have to be evaluated, and if it was within a  
18 reasonable time, then the qualification would go away.  
19 And what would happen, then, is there would be a footnote  
20 that would explain what the terms of the deal are and  
21 what the expectation of the City is in terms of timing.  
22 And so that gets harder because now it's going to force  
23 you to evaluate both, first of all, the likelihood of --  
24 of these circumstances and the view of actually  
25 happening; and secondly, evaluating when they're going to

1 happen. But that's the exercise you would have to do,  
2 either you or your consultants. It's nothing we can do.  
3 We have to be independent. So what we do is evaluate  
4 what you tell us you think will happen and our job would  
5 be to try, the best we could, to -- if -- if we couldn't  
6 -- we might have to tell you that we need consultants as  
7 well to help us understand whether that's possible,  
8 feasible, whatever, or not feasible.

9 I do want to also just quickly address  
10 just two issues raised in the newspaper article, because  
11 one of them just sort of puzzled me. There was a comment  
12 that said that the letter was signed by Sullivan Powers  
13 and Company rather than me. If you look on the  
14 letterhead, you're going to see that I'm only one of four  
15 owners. In fact, I only own 25 percent of the company.  
16 Our reports are not prepared by only me. They are  
17 prepared by the firm. We, and every CPA firm are  
18 required to sign our reports with the firm name. As  
19 certainly Scott (inaudible) are aware, we've got up to  
20 nine different individuals working in the City audit at  
21 various points in time. Many of them spent significantly  
22 more time than I did. The response letter wasn't written  
23 by me entirely. And in fact, like all of our work, was  
24 subject to review by other partners. I'm just puzzled.  
25 I just don't know why this is an issue. But -- but it

1 seems to be.

2 Secondly, the article --

3 MALE SPEAKER: Excuse me.

4 MR. DUPLESSIS: Go ahead. Yes?

5 MALE SPEAKER: Fred, do you have a peer  
6 review of the audit?

7 MR. DUPLESSIS: We do. Well, of the  
8 audit -- we have a peer review of our firm every three  
9 years. We had a peer review about a year and a half ago.

10 MALE SPEAKER: I guess I --

11 MR. DUPLESSIS: Prior --

12 MALE SPEAKER: Do you have a peer  
13 review of this audit? Of any of the City audits --  
14 City's audits?

15 MR. DUPLESSIS: I believe that they  
16 did. It's certainly a significant portion and it was  
17 subject to peer review. I know they looked completely  
18 (inaudible). I don't know that they looked at every  
19 single work paper because there are crates of work  
20 papers.

21 MALE SPEAKER: Yes.

22 MR. DUPLESSIS: But, yes, absolutely.  
23 This -- this audit was subject to a peer review.

24 MALE SPEAKER: Subject to a peer review  
25 (inaudible).

1 MR. DUPLESSIS: Oh, no, I know they  
2 looked at the financial statement. I know they looked  
3 and asked a lot of questions. They're trying to get  
4 coverage. They want to make sure that -- that, you know,  
5 the City is a large client for us. It's -- it's -- you  
6 know, 90 percent plus of our work is not the City. I  
7 mean, this is, you know, somewhat less than, you know,  
8 (inaudible). And so it is -- it's an important client.  
9 There is a significant portion of our work that is not  
10 the City. I would say more than 90 percent is not.  
11 However, if you can still take one large audit like this  
12 in Vermont, it helped them to get that coverage.  
13 Clearly, too, there's no other municipality that has the  
14 different types of entities that you have to deal with;  
15 an airport, a marina, a campground, you know, memorial  
16 auditoriums, you know, and -- and the largest school  
17 system in the state. And so all of those things are  
18 subject to -- to this. And so, yes, they did.

19 We -- we hope you look at our peer  
20 review. I mean, we've done unqualified opinion. We've  
21 hired the firm who is the president of the New England  
22 Peer Review Committee to do our peer review. We wanted  
23 to make sure that we got the scrutiny at the highest  
24 level. And so he -- I don't know if he is still  
25 president, but he was president of the New England -- but

1 every firm in Vermont, in Northern New England is subject  
2 to. So I thank you for bringing that up because we are  
3 proud of our results of that peer review.

4 MALE SPEAKER: I -- I want to -- just  
5 two more questions (inaudible).

6 MR. DUPLESSIS: Yes.

7 MALE SPEAKER: I have a concern that  
8 the --  
9

10 END OF TAPE #1, SIDE #A

11 BEGINNING OF TAPE #1, SIDE #B  
12

13 MR. DUPLESSIS: -- there was one year  
14 where the management letter was sent to the -- originally  
15 sent to the Mayor and City Council and we were asked to  
16 change it to the Mayor and Board of Finance.

17 MALE SPEAKER: Okay. All right.

18 MR. DUPLESSIS: However, all of our  
19 original --

20 MALE SPEAKER: Now, you -- now, you  
21 have said that you do -- you have an audit, and you've  
22 got no -- you have -- how many years have you been doing  
23 the City's audit?

24 MR. DUPLESSIS: Oh, I don't know. It's  
25 10 or 15.



1 MALE SPEAKER: Ten years? Okay.

2 MR. DUPLESSIS: Yes.

3 MALE SPEAKER: And you have never got  
4 any feedback with respect to the City Councilors having  
5 looked at the management letter, having done anything  
6 until Councilor Paul brought the issue up and --

7 MR. DUPLESSIS: I --

8 MALE SPEAKER: And I'm wondering -- let  
9 me finish.

10 MR. DUPLESSIS: Yes.

11 MALE SPEAKER: What I'm wondering is  
12 you've done, other than municipality, have -- have  
13 legislative elements of those municipalities discussed  
14 the audit and management letter with you when Burlington  
15 did not? And didn't you think that might have been  
16 unusual?

17 MR. DUPLESSIS: No. There's a --  
18 there's a number of municipalities that we meet with on  
19 an annual basis. There are many municipalities that we  
20 do not meet with on an annual basis or sometimes at all.  
21 What I did find unusual was that -- that the council was  
22 not aware that an audit was out there, or management  
23 letter, until Councilor Paul raised that issue. Because  
24 it -- you spend over a quarter million dollars between us  
25 and KPMG. You go through an RFP process on a regular

1 basis. Our nine people are in this building a lot. We  
2 have a presence here. It's -- it's a -- it's an item in  
3 the budget. And so it does surprise us. We -- we  
4 expected that the audit was distributed, that it was  
5 reviewed and that it was being read. If it wasn't, yes.  
6 That -- that surprised us.

7 MALE SPEAKER: But it would surprise  
8 you that you didn't say, "Hey, wait a minute." Whether  
9 the current mayor, the previous mayor, the previous  
10 mayor, you never got any feedback saying -- about what's  
11 the response on this and etcetera. There was no follow-  
12 up, I guess.

13 MR. DUPLESSIS: Well, we certainly  
14 heard from state and federal representatives when they  
15 got the audit.

16 MALE SPEAKER: But that's not the City.

17 MR. DUPLESSIS: So we -- that's  
18 correct. Although, we certainly had discussions with,  
19 you know, the CAO relating to the audit.

20 MALE SPEAKER: Right.

21 MR. DUPLESSIS: From time-to-time.  
22 He's on the Board of Finance. But, no. I guess you  
23 know, we certainly expected you saw it. We certainly  
24 expected that, if you had questions, that you were always  
25 free and responsible to do that.

1 MALE SPEAKER: Also, I think Senator  
2 Brock had a bill --

3 MR. DUPLESSIS: He was.

4 MALE SPEAKER: -- (inaudible)  
5 legislation that requires --

6 MR. DUPLESSIS: I -- I -- I actually  
7 testified for him. He asked me to come in and testify on  
8 that bill and I suggested that I think it's a good bill.

9 MALE SPEAKER: Okay. The CPA  
10 regulations, do they require you now to do that?

11 MR. DUPLESSIS: No.

12 MALE SPEAKER: (Inaudible.)

13 MR. DUPLESSIS: No. That's not a CPA  
14 regulation. That's a regulation designed to you. And so  
15 if you expect us to do that, you need to -- we're happy  
16 to do it. It does not rule us. It rules you. And so  
17 contractually, you need to get us to agree to that. And,  
18 in fact, I think, through this RFP process, you did. And  
19 so I think in the RFP, it -- and in our contract which,  
20 again, is referenced by -- by reference, we agreed that  
21 this would happen. This -- that this would become a  
22 regular. And what we expect is that the audit committee  
23 will become a major player in that process as well.

24 MALE SPEAKER: That's all I have.

25 MR. DUPLESSIS: I've just got a couple

1 more things, Karen, if you don't mind, and I will feel  
2 free to -- so --

3 MALE SPEAKER: (Inaudible.)

4 MR. DUPLESSIS: Okay.

5 FEMALE SPEAKER: Okay.

6 MR. DUPLESSIS: Secondly, and this is  
7 important to me, and I know it's an issue and I know  
8 that, you know, that -- that -- you know, the article  
9 certainly indicated that we seemed to complain about the  
10 press coverage related to the questions. We certainly  
11 were not concerned about the press coverage. I'm not  
12 saying that I'm thrilled, but we weren't concerned. We,  
13 in fact, we expected it.

14 What we were concerned was the  
15 impression we were unresponsive. And we were simply  
16 complying with the rules the City made us agree to in our  
17 professional standards. And so I just need to get that  
18 out there.

19 We are aware that there was a huge  
20 expectation gap between what people think an audit is and  
21 what it really is and what we are really contracted to do  
22 and what's in our standards. However, we can do no less,  
23 but we can do no more than what the current standards  
24 tell us to do. We have to do that.

25 I've got your engagement letter for

1 2009. It's the same as ten, it's the same as eight, it's  
2 the same as seven. It is the same as any engagement  
3 letter that you'll see from any other firm. We -- we  
4 don't get very creative. We're accountants. We copy  
5 from each other.

6 This is an audit. One sentence. The  
7 objective of our audit is an expression of opinions as to  
8 whether your basic financial statements are fairly  
9 presented in all material respects and in conformity with  
10 generally accepted accounting principals. That's it.

11 In this same letter, there's a whole  
12 bunch of pages of your responsibilities. One of them is  
13 that, in the City, you know, the City being the Council,  
14 the Mayor, the CAO, the staff, you're responsible for the  
15 design and implementation of programs and controls to  
16 prevent and detect fraud and for informing your auditors  
17 about all known and suspected fraud or illegal acts,  
18 (inaudible) the government involving management,  
19 employees and others where fraud or illegal acts could  
20 have a material affect on the financial statements. You  
21 are also responsible for identifying and insuring that  
22 the municipality complies with the laws and regulations,  
23 contracts, agreements and grants. And so that's what our  
24 standards say. That's what your contract tells us that  
25 you're doing and what our responsibility is. We can't do

1 more than that. We simply can't do more than that.

2 It's unfortunate tonight that any of  
3 the five members of the audit task force (inaudible).  
4 I'd love to have you, if you are concerned, to confirm  
5 with them. There's a number of other CPAs, many in this  
6 town, that do audits that I (inaudible). People like  
7 Greg Bourgea or Dave Coates or Pete McCoy or anybody that  
8 does -- would confirm to you that this is standard  
9 language, and it is.

10 However, I will say, it is not  
11 understood. We don't do a very good job of explaining  
12 what our responsibilities are and -- and we -- we put in  
13 this letter, we make you sign it, we refer to our  
14 standards, but -- but what I think should happen is that  
15 we should probably go through this.

16 When -- when we were auditing the  
17 League of Cities and Towns, we had this (inaudible).  
18 They had me come in and present -- do a presentation to  
19 the board and go through the engagement letter, the  
20 opinion letter, the audit committee letter and the  
21 management letter and it was very helpful because we  
22 explained what we do, why we do it, what our role is,  
23 what your role is, and I think it was very helpful. I  
24 wish that was done. I've talked to the State Auditor of  
25 Account and we suggested that that may be something we

1 need to do so that -- that people do understand what we  
2 do.

3 We can only tell you what we know for  
4 sure and we have to be careful. There's -- there's civil  
5 and criminal cases pending. We can't speculate or guess.  
6 You're not the only one asking us questions. To the  
7 extent that the answers you're getting are the same that  
8 we're giving the other people asking us questions, you  
9 know, I guess, Karen, I'll do what I can to clarify for  
10 you in my response. I do know I left out part of number  
11 one and I sent you an e-mail related to the responses to  
12 the management letter and what the responsibility was. I  
13 think I already talked about that.

14 And I know that you'd like me to  
15 reorder this report. I can do that. I'm not -- it's  
16 simply a matter of timing. This happens to be printer  
17 deadline week for all my municipalities that are trying  
18 to get ready for March town meeting and I'm, you know,  
19 I'm up to it. But if -- but if -- but if it's something  
20 that you still want after this meeting, I'd be happy to  
21 get it to you and I'm sure I can do it by the end of the  
22 week. So, if you still have concerns, I'd be happy to --  
23 to do that.

24 I'm open to questions, unless you want  
25 me to jump into the audit. And I've got -- there's a lot

1 of material in here, too. Karen.

2 KAREN PAUL: Thank you. I think when  
3 it comes to the audit and the Larkin report, in the  
4 interest of time, we're probably not going to be able to  
5 give people the time --

6 MR. DUPLESSIS: I wouldn't think so.

7 KAREN PAUL: I -- I would --

8 MR. DUPLESSIS: But I can give you a  
9 quick overview of the audit, at least.

10 KAREN PAUL: I would, I mean,  
11 personally, I would prefer to have a meeting devoted to  
12 the audit. I think we (inaudible) enough time on it.

13 MR. DUPLESSIS: I don't disagree with  
14 that.

15 KAREN PAUL: And in fact, one of the  
16 recommendations of the audit task force is that there  
17 needs to be, I think, and I agree, much more of an  
18 opportunity for council to have a stronger level of  
19 financial literacy over what an audit is, what a balance  
20 sheet is, what an income statement is.

21 MR. DUPLESSIS: Absolutely.

22 KAREN PAUL: I mean, it's -- you know,  
23 in fairness to, you know, the City Councilors, there is  
24 no requirement that, in order to serve on the board, I  
25 mean, serve on the Board of Finance or, for that matter,



1 on the City Council, that you have to have a degree in  
2 finance. And --

3 MR. DUPLESSIS: It's hard enough to get  
4 people to run and volunteer.

5 KAREN PAUL: Well that -- that's true.  
6 But I mean, the point is that that's not -- it's not  
7 necessarily within the (inaudible) to have that  
8 information. And so, you know, what I've -- what I've  
9 tried to do is, you know, is to raise these issues  
10 because I, you know, I have some of that background.

11 MR. DUPLESSIS: Yes. Absolutely.  
12 That's -- that's more than fair because it gives me the  
13 opportunity to -- to have this, you know, discourse and  
14 try to explain what we do and why we do it.

15 KAREN PAUL: The -- there's a couple of  
16 things that I want to -- that I wanted to mention. The  
17 first is that, you know, I -- I appreciate the fact that  
18 you, and admire the fact that you wanted to speak to us  
19 and get out some of the -- some of the things that are  
20 making you feel uncomfortable about the -- the perception  
21 that might be out there. I also would like to express a  
22 few things to you.

23 The -- in -- on December 27th we had a  
24 council meeting, a Board of Finance meeting. I was on  
25 the phone. At that time, I let the Board of Finance

1 know, and I think everyone else was here, that I had many  
2 questions that I wanted to ask you in relation to  
3 (inaudible). At no time was I told that that was at all  
4 a problem. That there was any protocol to follow. And  
5 so in January, I sent an e-mail on -- addressed to the  
6 Mayor, but also copied to you.

7 MR. DUPLESSIS: Um hum.

8 KAREN PAUL: And to Bill Keogh, as  
9 Council President.

10 MR. DUPLESSIS: Right.

11 KAREN PAUL: Letting you know that I  
12 had a list of questions that I wanted to be answered. I  
13 would appreciate if these answers could be -- questions  
14 could be answered in writing. And I, at the time, had  
15 given you -- had hoped that you might be able to get them  
16 by the 12th of January which is, if you remember, that  
17 was when we were going to have our original meeting --

18 MR. DUPLESSIS: Correct.

19 KAREN PAUL: -- on BT.

20 MR. DUPLESSIS: Yes. The public  
21 meeting. Yes.

22 KAREN PAUL: Now, I will say I did not  
23 ask that the answers to the questions be numbered. I --  
24 I sort of made that assumption, and in the future I won't  
25 make an assumption.

1 MR. DUPLESSIS: And we could have done  
2 that. Yes.

3 KAREN PAUL: You know, it would have  
4 been a little easier to follow.

5 MR. DUPLESSIS: Yes. I understand  
6 that.

7 KAREN PAUL: The -- so I sent this  
8 letter, I sent this e-mail on the 5th of January.

9 In between the 5th of January and the  
10 1st of February, no one at any time during the Board of  
11 Finance meeting or in the several e-mails that I sent  
12 over that period of time, did anyone ever mention to me  
13 or raise the issue concerning any process that had to go  
14 on between communicating with the auditor by a single  
15 City Councilor. No one said anything. If anyone did --

16 MR. DUPLESSIS: And that surprises me.

17 KAREN PAUL: Well, they -- I -- they --  
18 the -- why people were --

19 MR. DUPLESSIS: And the reason that --  
20 I --

21 KAREN PAUL: If I could just finish?

22 MR. DUPLESSIS: Sure.

23 KAREN PAUL: For just a second. No  
24 one, you know, no one ever raised that issue. I followed  
25 the protocol of letting the -- the administration and the

1 City -- president of the City Council both know that I  
2 had these questions and I -- I (inaudible). I gave you  
3 the questions at the same time I gave them to them. So,  
4 you know, there was no -- there was never any discussion  
5 about that.

6 On the 1st of February was the first  
7 time that I was told in an e-mail from Rich Goodwin that  
8 there has to be a protocol here.

9 MR. DUPLESSIS: Um hum.

10 KAREN PAUL: And so if, in fact, there  
11 is any discussion about you feeling at all that somehow  
12 rather -- that the perception was that you were -- didn't  
13 want to use the questions or whatever --

14 MR. DUPLESSIS: Unresponsive. Sure.  
15 Sure.

16 KAREN PAUL: -- that was certainly not  
17 anything that was ever -- there was no discussion about  
18 that. And so I would hope that you might understand  
19 that, had I known that there had to be a protocol  
20 followed, I would hope that those people, the people that  
21 would have that information at their fingertips. For  
22 example, that the treasurer's office might have let us  
23 know that there was a specific way that you needed to be  
24 communicated with. The --

25 MR. DUPLESSIS: Can I just respond to

1 that quickly, Karen? And I heard from no one, either,  
2 from the City, anyone, until, again, that February 1st.  
3 And so that gap in time existed for me as well.

4 KAREN PAUL: Okay. The other thing I  
5 do want to also mention is that on the 27th of January,  
6 which was the evening the City Council had the meeting on  
7 BT, I specifically asked, and I believe it was I asked  
8 the Mayor, about the response to the questions that I had  
9 raised. And I believe, and you know, we have a tape of  
10 it if you want to hear it.

11 MR. DUPLESSIS: I actually listened to  
12 that part.

13 KAREN PAUL: Okay. At that point, it  
14 was, I believe that the Mayor did say that you were more  
15 comfortable coming to a meeting and answering the  
16 questions that I had asked. I did, again, ask if I could  
17 have them in writing and I believe the answer that I got  
18 at that time was that we needed to talk about that.

19 MR. DUPLESSIS: No. And that's --  
20 that's not quite --

21 KAREN PAUL: And so I -- I just --  
22 and --

23 MR. DUPLESSIS: But that may --

24 FEMALE SPEAKER: -- and, if the Mayor  
25 is here, he can certainly refute that, but I'm -- I just

1 wanted --

2 MR. DUPLESSIS: Well, first --

3 KAREN PAUL: -- to let you know.

4 MR. DUPLESSIS: Yes. No. And I  
5 understand.

6 KAREN PAUL: My -- my -- I certainly  
7 did not insinuate to anyone --

8 MR. DUPLESSIS: Um hum.

9 KAREN PAUL: -- that there was  
10 anything, if that was -- you know, because I -- I'm not  
11 interested --

12 MR. DUPLESSIS: Right. I understand.  
13 I know.

14 KAREN PAUL: -- in maligning anyone's  
15 reputation.

16 MR. DUPLESSIS: Yes. And I --

17 KAREN PAUL: Especially when I don't  
18 believe that there's any need for it.

19 MR. DUPLESSIS: Sure. Thank you. And  
20 we, you know, we've had a number of discussions over the  
21 years and we've always gotten back to you. And I -- I'm  
22 not denying -- the Mayor and I have had no conversation  
23 related to that directly. And so what my original  
24 conversation with Bill was that I could certainly prepare  
25 a response in writing, but that it would be easier and,

1 frankly, cheaper for the City and would be less time for  
2 me if I could simply respond to those questions at a  
3 Board of Finance meeting. I never said I wouldn't. I  
4 never said that I couldn't. I simply said that that --  
5 and I never even said prefer. I simply said that that  
6 would be one way to do it, is that okay. Again, never  
7 heard back until I got notice after I heard your  
8 conversation. Then quickly Rich called and said, "We'd  
9 like it to be done." That was after Monday night Board  
10 of Finance we started work. And so I think there's a lot  
11 of miscommunication perhaps on both sides. But there was  
12 certainly gaps in the timing. And -- and again, we have  
13 no qualms. I certainly did it. I don't have any qualms  
14 about numbering it, putting it in some sort of -- so,  
15 again, you know, if -- if I wasn't going to do it, I  
16 still wouldn't have done it. I mean, it's simply not  
17 that. It's simply a matter of I thought that it would be  
18 nice to deal with your questions or any other questions  
19 at the same time, as I'm going to do right now.

20 KAREN PAUL: Okay.

21 MR. DUPLESSIS: So I, you know, I can't  
22 explain, you know, we're not here everyday at that point  
23 in time and so, you know, were we both out of the loop?  
24 Perhaps.

25 KAREN PAUL: You know, again, as I say,

1 I mean, everyone knew that I had these questions. There  
2 was no mystery.

3 MR. DUPLESSIS: Anyone -- but --

4 KAREN PAUL: And anyone could have --

5 MR. DUPLESSIS: Right.

6 KAREN PAUL: -- said to me that, in  
7 fact, or to anyone that, in fact, there had to be --  
8 there was a protocol to be followed. If I had known  
9 that, I can assure you that on the 6th of January, I  
10 would have attended to that.

11 MR. DUPLESSIS: Sure.

12 KAREN PAUL: But the important thing is  
13 to get the answers to the questions.

14 MR. DUPLESSIS: Right.

15 KAREN PAUL: So, in terms of the  
16 answers to the questions.

17 MR. DUPLESSIS: Um hum?

18 KAREN PAUL: You know, with time  
19 allowing, I'd like to go through the answers -- the  
20 questions that you've --

21 MR. DUPLESSIS: Sure.

22 KAREN PAUL: -- had posed to you. And  
23 that, for example, in question number one, I'm not -- I'm  
24 not sure that either I don't understand the answer or  
25 that the answer isn't -- isn't complete. For example, on



1 -- in the -- in the FY07 management letter, you noted the  
2 insufficiencies, the ones that I've noted in your letter  
3 -- in the -- in the -- in the questions.

4 MR. DUPLESSIS: 2008 or 7?

5 KAREN PAUL: This is in the FY7  
6 management letter that was dated June 26th of '08.

7 MR. DUPLESSIS: Okay. I'll get that.

8 KAREN PAUL: And what I -- what I was  
9 asking you was, if you discussed with someone, any --  
10 anyone in the administration, because, obviously, you  
11 didn't discuss it with the City Council.

12 MR. DUPLESSIS: Sure.

13 KAREN PAUL: If you discussed it with  
14 someone. And, if so, with whom? And I understand that  
15 you feel that these deficiencies were not significant,  
16 but did you discuss them with someone? Did you discuss  
17 them -- did you discuss with someone your concern about  
18 CPG compliance in the fall or in the winter of 2007? You  
19 noted it on -- you know, you have it in your management  
20 letter.

21 MR. DUPLESSIS: Um hum.

22 KAREN PAUL: So, it would seem as  
23 though --

24 MR. DUPLESSIS: We actually don't have  
25 CPG compliance specifically in our management letter.

1 What we have in our management letter is that the --  
2 there was no system to monitor compliance with any of the  
3 CPG conditions. And so what we were looking for is when  
4 we audited Telecom and was, first, as I explained in the  
5 letter, to -- to determine if -- to ask the City if they  
6 felt that a violation of the CPG could have a direct and  
7 material impact on the financial statements. The City's  
8 assertion was that it could not. That the direct impact  
9 of a violation would be potential fines and that they,  
10 the City felt it was unlikely that there would be fines  
11 because fining the City would simply punish the rate  
12 payers who the Department was supposed to protect. And  
13 so that they were in conversation, and I -- when I say  
14 they, I don't know if it was Tim Nulty, Chris Burns, but  
15 that that was not an expectation. It's proved correct  
16 today. There has been none.

17 If -- if the fines were going to be  
18 imposed, at some point, we asked (inaudible) material.  
19 We've been advised that the maximum amount, and I think  
20 (inaudible) public meeting, but the allowance would be --  
21 I think it's \$8,000.

22 KAREN PAUL: Okay. So in your  
23 definition of materiality, you only included fines.

24 MR. DUPLESSIS: That's the direct and  
25 material impact to the City's financial statements. The

1 other -- the --

2 KAREN PAUL: Well, there is one other  
3 one.

4 MR. DUPLESSIS: No. And that -- the --  
5 well, go ahead and I'll tell you what --

6 KAREN PAUL: Okay. What about the CPG?  
7 What if that -- what if that was revoked by the Public  
8 Service Board. Is that a material -- is that directly  
9 material?

10 MR. DUPLESSIS: I don't know. That  
11 wasn't asserted to us by the City as a possibility at  
12 that point in time.

13 KAREN PAUL: So, I mean, and in fact,  
14 it seems as though what -- what --

15 MR. DUPLESSIS: And if we're looking  
16 back at 2007, that's still pretty early on in this  
17 process and there -- this was still in a billed out, you  
18 were still borrowing money, you had subsequent debt.  
19 What this -- this -- we're looking backwards now, but  
20 what we're auditing is looking at real time and what the  
21 facts and circumstances are as of any point in time. At  
22 that point in time, the possibility of a revocation of  
23 the CPG license, considering that you (inaudible) was not  
24 an issue.

25 KAREN PAUL: All right. That was 2007.

1 But that -- that, and I haven't seen the management  
2 letter (inaudible) for FY10.

3 MR. DUPLESSIS: Correct.

4 KAREN PAUL: But that -- that  
5 deficiency has been in the last three years of management  
6 letters.

7 MR. DUPLESSIS: That's a legal  
8 deficiency, not an internal control deficiency. And you  
9 need, again, that's part of the expectation gap. If --  
10 part of what we do in this audit is to confirm directly  
11 with City Council. Anyone -- any council that's working  
12 on any -- and we would ask them, "Are there any possible  
13 laws or violations that could have a material impact on  
14 the financial statements. As a part of that, if the CPG  
15 revocation were brought up, then the next step would be  
16 for us to ask the City what's the likelihood, what are  
17 the implications and then we have to evaluate those  
18 responses. We haven't been to that yet.

19 KAREN PAUL: So you never -- you -- you  
20 haven't considered the materiality of that happening.

21 MR. DUPLESSIS: When you say that, in  
22 2007, certainly not. Or two thousand --

23 KAREN PAUL: Or eight or nine.

24 MR. DUPLESSIS: Or eight or nine. In  
25 ten, the most serious issue relating to that would be the

1 inability to pay the pool cash. And because we have that  
2 as an uncertainty, it's already described that the City  
3 may not have the ability to repay that. That would be  
4 the impact. My understanding is as of -- as of ten, the  
5 other impact would be that City capital would be -- get  
6 their -- their assets back. And so I think we've  
7 described the major impacts to the financial statements  
8 that could happen as a revocation of the CPG. And when I  
9 say "we," you've described because these are your  
10 financial statements. We've simply, you know, came in  
11 and said that, yes, we need to -- we need to address that  
12 uncertainty.

13 KAREN PAUL: Now, in your opinion, did  
14 you -- would there be the potential to inquire, other  
15 than to be, you know, management and the City attorney to  
16 inquire of anyone else whether or not there were  
17 potential implications in violating the certificate?

18 MR. DUPLESSIS: Only -- only if we felt  
19 we needed to. Only if we felt we needed to.

20 KAREN PAUL: So did you consider that  
21 as a possibility?

22 MR. DUPLESSIS: We didn't feel we  
23 needed to. We felt that we had the information. I mean,  
24 this has become very public. This is not hard-to-get  
25 information about the current status of the -- of

1 Burlington Telecom. So we're certainly intimately aware  
2 of what's going on, at least while we're here.

3 KAREN PAUL: In the --

4 MR. DUPLESSIS: And, you know, part of  
5 what we do is (inaudible) we certainly watch the -- as  
6 far as I'm aware, there's been no -- no threat of  
7 revocation at this point. I'm not saying it certainly  
8 couldn't happen, but I'm not -- I'm -- my understanding  
9 is there has not been a threat yet.

10 KAREN PAUL: Well, I mean, in -- the  
11 second question --

12 MR. DUPLESSIS: We can't anticipate  
13 every possibility. We have to have, as I read to you,  
14 the City tell us what are the possibles and then we audit  
15 that.

16 KAREN PAUL: Okay. And then the second  
17 question, I didn't feel as though there was an answer to  
18 that question. And the answer -- the question was, given  
19 that you have been the City's auditor for some time, were  
20 you surprised to read in the Larkin report that  
21 Burlington Telecom had not been in compliance with  
22 Condition 60 since 2005, you know, with some gaps in  
23 between which they, you know, they mentioned with the co-  
24 financials, you know, the money that came in (inaudible)  
25 and City.

1 MR. DUPLESSIS: Sure.

2 KAREN PAUL: And then, you know, so I  
3 guess my question was --

4 MR. DUPLESSIS: Was I surprised?

5 KAREN PAUL: Yes.

6 MR. DUPLESSIS: Well, I mean, it was  
7 irrelevant to me, frankly. I -- I don't know if I was  
8 surprised. I don't know that it's accurate. I don't  
9 know that it is inaccurate. I've see no evidence.  
10 There's a -- in -- in the -- I was shown as a part of  
11 another interview a schedule that is in the back of the  
12 Larkin report. I couldn't follow it. I didn't have the  
13 formulas or the spreadsheet.

14 KAREN PAUL: Um hum.

15 MR. DUPLESSIS: It's a PDF file,  
16 unfortunately. So I -- I don't know. No one was able to  
17 explain to me. I think that's a question for Larkin. I  
18 mean, you've paid Larkin \$77,000 to prepare that report.  
19 I think there's questions in that report that I'd like to  
20 ask at this point, considering I'm being asked. I don't  
21 know that answer. I don't know if it's accurate.

22 KAREN PAUL: Okay. So --

23 MR. DUPLESSIS: I don't know what  
24 standards your report was prepared under. First of all,  
25 it's -- it's being called an audit. It's not an audit.

1 They don't say it's an audit. It's not in agreed-upon  
2 procedures.

3 When I -- when I look at their report,  
4 it -- it says an investigation. You know, I'm a CPA.  
5 I'm used to looking at a lot of reports by CPA's. That's  
6 -- that's not a term of art I'm used to seeing. I'm not  
7 sure. They don't talk about what standards it was. It  
8 was not fully vetted. It wasn't sent out in draft. It's  
9 hard to respond to, Karen, because I don't know that it  
10 either is or isn't accurate.

11 KAREN PAUL: In -- in both question  
12 three and question four that I had -- that I had asked  
13 you, I -- one of my questions was, you know, if the scope  
14 of work that you were contracted to do was expanded,  
15 could you ascertain if Larkin's statements on BT's  
16 accounting records, understanding BT monthly balances is  
17 true or not true?

18 MR. DUPLESSIS: Yeah. I mean, we would  
19 simply have to go back -- if you -- if you hired us to do  
20 an agreed-upon procedures engagement, we could certainly  
21 go back, run month-by-month trial balances and determine  
22 -- I mean, it would require an audit as of the balance  
23 sheet date. I mean, I'm not -- it's not an inexpensive  
24 process because the balance of the pool cash account in  
25 BT is the result of direct activity; customers paying



1 bills, drawing down on construction loans. It's reduced  
2 by construction expenses, purchasing equipment. It's  
3 reduced by paying for supplies, paying for payroll. It's  
4 also -- it's also adjusted by charges through the  
5 indirect expenses of the City. They -- they share in the  
6 risk pool, in the indirect costs of -- of finance. And  
7 so it would mean auditing all of those at some point in  
8 time.

9 KAREN PAUL: Um hum.

10 MR. DUPLESSIS: It could be done.  
11 Larkin didn't do it. We haven't done it.

12 KAREN PAUL: Okay.

13 MR. DUPLESSIS: And so they've made  
14 some statements in their report about, in some of the  
15 records that aren't available that are simply inaccurate.  
16 They talk about that they couldn't generate reports that  
17 showed monthly balances. That's simply not -- we -- we  
18 get those all the time and I -- if -- if the City was  
19 asked, they could print them for you right now. And so I  
20 don't know why they made that statement or why they made  
21 that assumption. They never asked us. I can't speak to  
22 whether they asked the City. It's unfortunate that  
23 there's erroneous statements in there, but there are.

24 KAREN PAUL: In the -- in -- and I  
25 agree. I don't think that -- I think that, actually,

1 that Larkin as not referred to it as an audit. I think  
2 they've referred to it as an investigation.

3 MR. DUPLESSIS: Correct. And they  
4 should have sent a draft out. That would have helped  
5 everybody. I think it would have been a much more useful  
6 document to -- to eliminate those inconsistencies and  
7 errors and then we wouldn't be having that discussion and  
8 answering questions that I can't answer.

9 KAREN PAUL: I understand. In the FY08  
10 management letter, which is now dated a year later, which  
11 would be June of 2009.

12 MR. DUPLESSIS: That was the issue date  
13 of the -- of the --

14 KAREN PAUL: Right. Right.

15 MR. DUPLESSIS: -- of the audit.  
16 Correct.

17 KAREN PAUL: You noted, and I can give  
18 you a page number, if you'd like. It's page 30. The  
19 need for a legal opinion on the use of pool cash.

20 MR. DUPLESSIS: Correct.

21 KAREN PAUL: Is there a reason why this  
22 was not noted in the FY07 audit?

23 MR. DUPLESSIS: Yes.

24 KAREN PAUL: Okay. What's the reason?

25 MR. DUPLESSIS: When we audited FY07,

1 there was a subsequent refinancing and there was -- the  
2 balance was not significant. And we dealt with Telecom  
3 staff during that year. For that -- for that full year  
4 under audit, Tim Nulty was still the general manager  
5 through, I think, October of 2007. And so the -- the --  
6 the treasurer's office was not as involved as they became  
7 later once Tim left. And so our questions for 2007 were  
8 at Telecom. And in fact, as I said, we -- we addressed  
9 and resolved the issue of the CPG compliance and then  
10 addressed and resolved the issue relating to the negative  
11 flow of cash because there was a subsequent refinancing  
12 and -- in 2007.

13 In 2008, that wasn't the case, and  
14 there was no refinancing going on. When we asked Telecom  
15 staff whether there would be subsequent refinancing,  
16 their reply is that that's something you need to speak to  
17 the CAO. They're handling that now.

18 KAREN PAUL: Did you do that?

19 MR. DUPLESSIS: We did do that.

20 KAREN PAUL: Okay. And -- and --

21 MR. DUPLESSIS: And part of our  
22 conversation with the CAO -- and that was also in looking  
23 at following-up on the (inaudible) issues. And when we  
24 discussed -- and I've got to be careful, because this is  
25 from recollection, three plus years ago, and so my

1 recollection is that, when we had that conversation, he  
2 asked me to write a letter to him delineating some of  
3 those specific issues in the CPG that we thought weren't  
4 being monitored. And it's a direct result of the 2007  
5 point. One of the items that -- that wasn't being  
6 monitored was compliance with Condition 60. And he made  
7 a statement in the -- the management letter that was  
8 worded something like, "It has to be repaid within 60  
9 days." I believe we -- we discussed that he didn't  
10 believe that my statement was as black and white as I  
11 said it was.

12 KAREN PAUL: And when was that?

13 (Inaudible.)

14 MR. DUPLESSIS: Oh, the letter was  
15 April, I believe, of 2009. I suspect that I would have  
16 got that letter out to him within a week or so after. So  
17 I'm suspecting March or April. In that time frame.

18 MALE SPEAKER: (Inaudible.)

19 MR. DUPLESSIS: But let me -- I'll --  
20 can I take hers and then, yes, I will. So --

21 MALE SPEAKER: It's just related to it.

22 MR. DUPLESSIS: Yes. And so what we  
23 said was that, you know, and I wrote that letter and I  
24 think -- I assume you have copies of the April 2009. I  
25 certainly -- it's available. The City has it. It may be

1 on you website under Burlington Telecom. I am not sure.

2 KAREN PAUL: I don't believe so.

3 MR. DUPLESSIS: If not, I -- I know --  
4 I know I can get a copy to Rich. I believe you have a  
5 copy of that, I think? Or -- okay. So in that letter we  
6 -- we addressed a number of them. In fact, 60 was  
7 somewhere down like fourth, I think, in terms of issues,  
8 because there's a number of issues in the CPG that we've  
9 -- we felt weren't being monitored. And remember, in  
10 that letter, we're not necessarily making a determination  
11 of compliance. And when Larkin took that planning note  
12 that was not actually prepared by me, but nevertheless,  
13 they added the word "is" a violation. That's an  
14 important distinction. That was not in there. This was  
15 simply a number of bullets that said these are things we  
16 need to think about. This was very early on in the audit  
17 process. And so we did address that concern. But -- but  
18 going forward, a year later, when talking about the  
19 refinancing, and so I said, "Well," -- and this is where  
20 I am not sure whether Jonathan asked me to -- to put it  
21 in the management letter to remind him or whether I  
22 simply put it in the management letter to remind him,  
23 because there's a question that I believe you raised that  
24 said it's not just necessarily cash that has to be in  
25 there. I think he talked about that it could be covered

1 by --

2  
3 END OF TAPE #1, SIDE #B

4 BEGINNING OF TAPE #2, SIDE #A

5  
6 MR. DUPLESSIS: -- and that's -- I  
7 don't want to speak for anyone. You were typically  
8 refinanced when either it was an advantageous point in  
9 time because of the market. Whether the use of the pool  
10 cash was going to put you in a position where it was  
11 going to affect the City's cash flow. Or you simply knew  
12 that you were out of the money you had and needed to then  
13 move onto the next cycle. But I -- you know, I was not  
14 involved in, nor asked about any of that.

15 MALE SPEAKER: If -- if you had  
16 (inaudible) that Burlington Telecom was projected  
17 (inaudible) continue in the spring, March or April, they  
18 will run out of money, you wouldn't have been alarmed  
19 because you would have expected that there would be  
20 financing?

21 MR. DUPLESSIS: Correct.

22 MALE SPEAKER: Okay.

23 MR. DUPLESSIS: Correct.

24 MALE SPEAKER: So that wouldn't set off  
25 alarm bells or anything.

1 MR. DUPLESSIS: No. And in fact, but  
2 -- but, you know, even though, yes, the City asserted  
3 that -- that it had the ability, the intent, it -- it had  
4 such an implication that we decided we would ask to get a  
5 letter from Municipal Leasings to -- to corroborate that  
6 statement. That the City did, indeed, have the ability  
7 and intent to refinance. And Municipal Leasing clearly  
8 said that they felt that (inaudible) that. And in  
9 history proving itself was able to get the Piper Jaffray  
10 proposal presented to the City.

11 MALE SPEAKER: If I may just jump in  
12 here. So, Fred, the use of pool cash the way that you  
13 used in the big picture was something that wasn't  
14 (inaudible) the City's to use. Right?

15 MR. DUPLESSIS: I'm sorry?

16 MALE SPEAKER: The use of pool cash in  
17 the way that it was used isn't (inaudible) the City's to  
18 use and nothing was inappropriate with that.

19 MR. DUPLESSIS: Yes. I'm going to --  
20 I'm going to -- I'm going to say yes. However, you know,  
21 that -- that -- that, obviously, the CPG had restrictions  
22 related to it that didn't necessarily have a financial  
23 statements implication, but may have had a legal  
24 implication.

25 MALE SPEAKER: No. I know that. But

1 -- but --

2 MR. DUPLESSIS: It -- it --

3 MALE SPEAKER: -- just looking at the  
4 use of pool cash, that wouldn't call your attention to  
5 any special -- if you didn't understand there was a  
6 requirement about a CPG, the use of --

7 MR. DUPLESSIS: It was --

8 MALE SPEAKER: -- pool cash is  
9 consistent.

10 MR. DUPLESSIS: Yes. No. I mean, what  
11 -- part of what we do every year is any -- any fund that  
12 has a deficit, and you'll see this consistently in all of  
13 our audits, is to put a disclosure in the way of how the  
14 deficits will be funded. And so, typically, indication  
15 of a deficit and a fund is an inability to repay its pool  
16 cash. And sometimes there's good reasons for that. The  
17 -- the electric department over the years has borrowed  
18 significant funds from the pool cash, simply waiting for  
19 advantageous times to enter the market. And so by  
20 itself, no. However, we did -- we still needed to verify  
21 the City's assertion that it had that ability and intent.

22 MALE SPEAKER: But you were getting  
23 increasingly concerned about the -- the growing amount  
24 that was being taken out of the cash pool. You expressed  
25 those concerns, haven't you?



1 MR. DUPLESSIS: Oh, sure. And -- and  
2 in fact, in the June -- in the -- as I said, in the June  
3 30th, 2008 audit, the City included a footnote which we  
4 thought was appropriate that explained that, if it  
5 couldn't happen, there would be serious implications.

6 MALE SPEAKER: And -- and two years  
7 later now, basically, I mean, 2007-2008 was the time that  
8 the money was used.

9 MR. DUPLESSIS: It was being used. It  
10 was being replenished. You know, the -- the --

11 MALE SPEAKER: And then it stopped  
12 being replenished.

13 MR. DUPLESSIS: And then it stopped  
14 being replenished and --

15 MALE SPEAKER: And what is your -- your  
16 level of concern now about the fact that a couple of  
17 years later we have been unable to replenish that fund at  
18 all?

19 MR. DUPLESSIS: Well, obviously, it's  
20 resulted --

21 MALE SPEAKER: (Inaudible.)

22 MR. DUPLESSIS: -- in a qualified  
23 opinion. That's a serious implication. That has -- that  
24 has impacts to your bond rating. That has impacts to  
25 local financing.

1 MALE SPEAKER: I just want to hear  
2 level of concern.

3 MR. DUPLESSIS: Yes. I mean, it's --  
4 sure. I mean, we -- it's not -- we don't issue qualified  
5 opinions without, you know, serious -- it's a -- it's a  
6 serious issue to have that. And so when in 2009, after  
7 the Piper Jaffray proposal had been rejected, the City  
8 could no longer assert -- they -- they could, but they  
9 didn't. At that point in time, the City said, "We're not  
10 sure. We don't know that we're going to refinance." And  
11 at that point in time, then our responsibility was to let  
12 -- let the readers of the financial statements know that  
13 this major uncertainty exists, and we did. And you did  
14 and we did. And so your financials have indicated it and  
15 our opinion pointed it out as well.

16 MALE SPEAKER: Thank you.

17 KAREN PAUL: Thank you. In getting  
18 back to the questions. In -- I was hoping you might be  
19 able to just simply respond. In question number six I  
20 had asked there's a quote in the Larkin report that says  
21 the evidence shows that the auditors informed the City of  
22 the violation, quote, of Condition 60, this is on page  
23 11.

24 MR. DUPLESSIS: I see those. Yes.

25 KAREN PAUL: Evidence shows that the

1 auditors informed the City of the violation of Condition  
2 60 prior to November of 2008. Moreover, this practice of  
3 a proper use of the City's pool cash fund by BT  
4 apparently violates Condition 60. It places the general  
5 fund and the taxpayers of Burlington at risk. And I had  
6 asked if, you know, what your response was to that --  
7 that comment. I am not sure that I understand your  
8 answer. It's a little bit unclear to me. Does the  
9 improper use of the City's pool cash place the general  
10 fund and the taxpayers at risk?

11 MR. DUPLESSIS: Well, not by itself.  
12 If the City had refinanced -- I mean, there's lots of  
13 reasons --

14 KAREN PAUL: But if it's there.

15 MR. DUPLESSIS: No. Not by itself.  
16 Absolutely not.

17 KAREN PAUL: No?

18 MR. DUPLESSIS: It's the uncertainty of  
19 the ability to repay that. The -- the -- the condition  
20 certainly would have eliminated that uncertainty, had it  
21 been -- but -- but, no. It's -- that's not the result.  
22 The result -- if -- if, for instance, the City had  
23 accepted the Piper Jaffray proposal, we wouldn't have  
24 this uncertainty. The money would have been replenished.  
25 The -- the general fund would be whole and, frankly, the

1 -- the taxpayers, based on my understanding of that  
2 proposal, would not be at risk. And so --

3 KAREN PAUL: Well, that's -- that's  
4 debatable.

5 MR. DUPLESSIS: Well, I've -- I've  
6 looked at an opinion by your bond counsel who -- who  
7 indicates that very thing. And so I'm not bond counsel  
8 and I'm not going to make a legal interpretation. I  
9 can't. My -- my friends in the legal profession will --  
10 will stop me from doing that. But that's -- that's my  
11 understanding.

12 I'm not saying that that was the right  
13 thing or wrong thing to do. I'm not saying that that's  
14 -- I'm simply indicating that it would have cured the --  
15 it would have cured the Condition 60 violation. It would  
16 have replenished the pool cash fund and it would have  
17 eliminated risk to the taxpayers.

18 KAREN PAUL: Well, I appreciate from  
19 your point of view what you're saying. We have had  
20 financial experts that the City has hired and I believe  
21 respects, as well as being people from Gorman and  
22 (inaudible), who say that that 60 million dollar debt was  
23 not supportable by the revenue from Burlington Telecom.

24 MR. DUPLESSIS: Never said it was  
25 supportable. I simply said it would have replenished --

1 right.

2 KAREN PAUL: I -- I understand.

3 MR. DUPLESSIS: Right.

4 KAREN PAUL: I appreciate what your  
5 point of view is.

6 MR. DUPLESSIS: What -- right. May I  
7 make another point? It always surprised me, frankly,  
8 that -- that when the 60 million was rejected, that the  
9 City simply didn't refinance 50 million, since you were  
10 already in debt for 50 million anyway. But -- but  
11 obviously, I -- I wasn't asked. I -- it wouldn't be  
12 proper to ask. I need to maintain independence. But it  
13 did surprise me.

14 KAREN PAUL: So the -- so the -- the  
15 quote in the Larkin report says that evidence shows that  
16 the auditors informed the City of a violation of  
17 Condition 60 prior to November of 2008.

18 MR. DUPLESSIS: I don't know what that  
19 evidence is. I've had -- that would be another thing I'd  
20 want Larkin to -- to spell out to me. I don't -- I don't  
21 know what that is. That was not asked of me. We were  
22 not discussed --

23 KAREN PAUL: (Inaudible.)

24 MR. DUPLESSIS: I'm not -- I'm not -- I  
25 simply would need to see what they're talking about. If

1 -- if --

2 KAREN PAUL: So if you knew what their  
3 -- if you knew what that was, then you'd be able to  
4 respond?

5 MR. DUPLESSIS: Exactly. Yes.

6 KAREN PAUL: Okay.

7 MR. DUPLESSIS: If they're referring to  
8 the point in the management letter -- the point in the  
9 management letter doesn't say -- it simply says, "You  
10 need to monitor compliance." Even if there was a  
11 question related to whether you violated or not, I  
12 wouldn't answer that. I can't. That's a legal question.  
13 I would confer with counsel. I would ask them that. But  
14 I would only ask them that if I felt that it had an  
15 implication to the numbers in the financial statement.  
16 And it didn't -- it wouldn't have changed any of the  
17 numbers in your audit. And so -- but I don't know what  
18 Larkin is referring to.

19 MALE SPEAKER: Can you tell us when you  
20 had discussion with Burlington Telecom and City  
21 attorneys? Sorry.

22 MR. DUPLESSIS: Should I -- I --

23 MALE SPEAKER: Well, you're with Karen,  
24 you're not (inaudible).

25 MR. DUPLESSIS: Okay.

1 KAREN PAUL: The -- the other -- one of  
2 the other questions was related to the question of how  
3 much money of the 60.9 million is borrowed and how much  
4 is interest.

5 MR. DUPLESSIS: Yes.

6 KAREN PAUL: And you had said that you  
7 can get that. That Larkin was incorrect.

8 MR. DUPLESSIS: I -- that -- that is --

9 KAREN PAUL: And you can get that.

10 MR. DUPLESSIS: Absolutely.

11 KAREN PAUL: So is that something that  
12 the -- the treasurer's office can get?

13 MR. DUPLESSIS: Well, and let me give  
14 you an example, and I've been thinking about this.  
15 Absolutely. But you need to make some cash flow  
16 assumptions. Let's just say we all have a fresh credit  
17 card and we go out and we go out to dinner, we -- we buy  
18 some furniture, we buy flowers for our wives on  
19 Valentine's Day and we end up with a thousand dollars  
20 worth of charges on it and that month we can't pay it  
21 back and so we pay back \$400 and we'll leave the \$600.  
22 So what I'd have to ask you, you think the credit card  
23 isn't going to tell you you've paid off these \$400 worth  
24 of items. They -- all -- all thousand dollars worth of  
25 things you purchased are paid for. Everything is paid

1 for. What -- what you know all is the balance left on  
2 that \$600. And so, if you said to me that we want this  
3 to be applied to my first purchase first on a date, then  
4 -- then, yes. I could simply take that \$400 and make a  
5 list of the purchases and the dates you spent them and  
6 apply the \$400 to that first and say, "Okay, based on  
7 your flow assumption, then these are the items that I  
8 paid for." That's the same way that a pool cash system  
9 works. There's the money going in and going out on a  
10 daily basis. It is very easy to understand what the  
11 expenses are that were charged against it. It is very  
12 easy to determine the money that's coming in. But to try  
13 to then pick and say what's been -- or everything's been  
14 paid. The employees are paid, the vendors are paid, the  
15 contractors are paid. But to then say how much of that  
16 is left and how much and which items does it cover -- I  
17 mean, we could do it, but you'd have to tell us on what  
18 flow assumption you want to do that for.

19 KAREN PAUL: Well, if this is -- I'm  
20 sorry.

21 BOARD CHAIR: We have one other item on  
22 the agenda and -- in the order of approval and we have an  
23 executive session scheduled. So would you like to draw  
24 this to a close?

25 MR. DUPLESSIS: And can I -- and,



1 Karen, there's a lot of your questions that, if extra  
2 work beyond what you contracted us to do, can be done.  
3 And but -- but like I spoke about earlier, we need to  
4 determine the specifications. We need to ask you, you  
5 know, these are things we can do and these are the  
6 assumptions you need to make. And, certainly, we could  
7 do them, others could do them, Larkin could do them, if  
8 they were asked that. And so, you know, it's a shame in  
9 a sense that you've paid \$77,000 for them to do this and  
10 you don't have access to them to understand --

11 KAREN PAUL: Oh, it wasn't the City's  
12 choice whether or not --

13 MR. DUPLESSIS: I understand that.

14 KAREN PAUL: -- (inaudible.)

15 MR. DUPLESSIS: It's -- what I think is  
16 kind of interesting is that the maximum fines could be  
17 \$80,000. My contention is you've already paid it. It  
18 just got sent to Larkin.

19 KAREN PAUL: If you -- I think that --  
20 I think, for me, the bottom line is that, you know, is  
21 that it's imperative that we learn from what happened  
22 (inaudible) just a second.

23 MR. DUPLESSIS: Yes.

24 KAREN PAUL: That we learned from what  
25 happened with Burlington Telecom. I mean, there were

1 obviously either, if you want to call them errors in  
2 judgment or whatever it was, there were things that  
3 should have been done along the way that weren't done.  
4 And my -- you know, I understand what you're saying about  
5 it being a going concern. I still would love for you to  
6 answer, if this was at the (inaudible) level, would you  
7 have determined that this was a going concern, even back  
8 in 2007 or 2008?

9 MR. DUPLESSIS: And -- and the answer  
10 is that, at every point in time, I would say that in 2007  
11 and 2008 you would be now asking us to look forward and  
12 that -- those are -- there were a tremendous numbers of  
13 start-up companies and there are tools and consultants  
14 that CPAs use to evaluate those and are they -- do they  
15 give clear opinions and are they wrong? Sometimes. And  
16 so had you -- had you said to me, "As a part of your  
17 audit, we're going to require you to evaluate the going  
18 concerning of Burlington Telecom Company." I might have  
19 at that time said, "Karen, not this firm. We don't have  
20 that level of expertise to do that."

21 KAREN PAUL: Okay. Well --

22 MR. DUPLESSIS: And so, we certainly  
23 have the ability to audit the City as a whole, because it  
24 is an entity-wide decision. But if I had to audit just  
25 that and determine -- and determine cash flow, there's a

1 lot of things that aren't that complicate, that would be  
2 tough, because now you're asking to evaluate projections  
3 and forecasts. You've had a number of them that said it  
4 would work. Then you've had others that said it  
5 wouldn't. And so, you know, everybody had their opinion.  
6 It's -- it's tough.

7 KAREN PAUL: I just had one last thing.

8 BOARD CHAIR: Okay, the very last  
9 thing.

10 KAREN PAUL: Yes. The very last thing.  
11 Your issue about ability and intent. I think that  
12 before, in the future, before you determine whether or  
13 not there is the ability and intent, there may be intent,  
14 but the ability to enter into that into the City capital  
15 deal or the co-financial deal, and I have to say, those  
16 were done before I was on the City Council.

17 MR. DUPLESSIS: Right.

18 KAREN PAUL: The ability is only as --  
19 it only goes so far as the City Council approving that.  
20 So that is part of the definition of the ability. And  
21 you may not -- you may or may not agree with me, but, you  
22 know, the -- the City -- the deal with Piper Jaffray was  
23 -- was -- there may have been intent, but the ultimate  
24 ability to do that rests with the City Council --

25 MR. DUPLESSIS: And --

1 KAREN PAUL: -- to approve that.

2 MR. DUPLESSIS: I agree, Karen. And  
3 unfortunately, we never had to address that because, by  
4 the time that that audit was done, it was rejected and we  
5 simply had to issue the qualified opinion. So that never  
6 became an issue.

7 KAREN PAUL: And so had it been, you  
8 would have -- you would have put that (inaudible).

9 MR. DUPLESSIS: You can't speculate.

10 KAREN PAUL: Okay.

11 MR. DUPLESSIS: I can't speculate and I  
12 would hope you wouldn't, either.

13 BOARD CHAIR: (Inaudible.) And so I  
14 don't think -- this is not a complete discussion. And,  
15 Fred, I hope we can have you back again. There's a whole  
16 other audit to talk about.

17 MR. DUPLESSIS: There's a very  
18 important audit to talk about.

19 KAREN PAUL: Yes.

20 BOARD CHAIR: And there's more still to  
21 talk about in terms of this. So --

22 MR. DUPLESSIS: Yes. And the one thing  
23 I would like to clarify before I leave, because we've  
24 been accused earlier and had this conversation about not  
25 -- do you want us to still put these in a numbering

1 sequence? It's not going to change any information. I  
2 will simply have to reshuffle things and -- but that's  
3 your call or it's this -- you know, I'm -- I'm happy to  
4 do it.

5 KAREN PAUL: Well, my own view --

6 MR. DUPLESSIS: I don't know if it's  
7 going to give you anymore information than we've talked  
8 about tonight.

9 KAREN PAUL: Well, my own -- my own  
10 answer to that is just simply that I -- I'd really like  
11 for you to really answer the questions.

12 MR. DUPLESSIS: I have answered them.

13 KAREN PAUL: Well, I -- I -- you know,  
14 it says -- if somebody asks who you discussed it with  
15 and, if you didn't, why not? I'd like to --

16 MR. DUPLESSIS: And -- and, Karen, if I  
17 can't -- if I don't have that information documented so  
18 that I'm 100 percent sure, I'm not going to speculate. I  
19 do know that during that first audit we spoke to Telecom  
20 staff. I can't tell you who and on what days. I -- I --  
21 I believe I know that it had to be one of a group of  
22 three people that we spoke to. I don't know that they  
23 were all there at the time, but we certainly had that  
24 conversation. A year later, I specifically said that we  
25 spoke to the CAO. So I think that these people are being

1 asked these exact same questions by other parties at this  
2 point in time, and I think that -- that this will come  
3 out. And so -- but I -- I just don't want to guess. I  
4 can't guess. It's too important.

5 BOARD CHAIR: I'm going to (inaudible)  
6 and I -- we -- Fred, I hope you'll come back again.  
7 We'll invite you back for sure. And some of these  
8 discussion will continue and new discussion on the  
9 current audit.

10 MR. DUPLESSIS: Absolutely.  
11 Absolutely.

12 KAREN PAUL: Now, is manager  
13 (inaudible)? I -- I -- maybe I missed this or you said  
14 it before and I didn't get it. Is the manager  
15 (inaudible)?

16 MR. DUPLESSIS: No. We -- we promised  
17 that that would be done in our contract by March 15th to  
18 coincide with the single audit.

19 KAREN PAUL: All right. Okay.

20 MR. DUPLESSIS: So -- because they  
21 really go hand-in-hand.

22 KAREN PAUL: All right.

23 MR. DUPLESSIS: Yes. Yes.

24 BOARD CHAIR: Thank you.

25 MR. DUPLESSIS: And so we -- we still

1 plan on having that.

2 KAREN PAUL: We'll look forward to  
3 that.

4 MR. DUPLESSIS: Yes.

5 KAREN PAUL: Yes.

6 BOARD CHAIR: Thanks, Fred, for joining  
7 us.

8 MR. DUPLESSIS: You're welcome.

9 BOARD CHAIR: Yes. We'll -- we'll  
10 invite you back again.

11 MR. DUPLESSIS: Thank you.

12 BOARD CHAIR: All right. We have one  
13 last item on the agenda and that's the -- the BT  
14 reorganization resolution that's in the -- in the current  
15 packet. Steven, you want to join us? (Inaudible.)

16 BOARD MEMBER: I move the approval of  
17 the resolution (inaudible).

18 BOARD MEMBER: Second.

19 BOARD CHAIR: Any discussion? All in  
20 favor?

21 BOARD MEMBERS: Aye.

22 BOARD CHAIR: All those opposed?  
23 (Inaudible.)

24 MALE SPEAKER: I wasn't planning to  
25 about the status, but if you want me to, I will.

1 MALE SPEAKER: (Inaudible.)

2 MALE SPEAKER: In other words, we --  
3 the City Council (inaudible) at this session and we  
4 (inaudible).

5 MALE SPEAKER: Was there anything else  
6 -- there's no executive session (inaudible).

7 MALE SPEAKER: No.

8 MALE SPEAKER: Okay.

9 FEMALE SPEAKER: (Inaudible.)

10 MALE SPEAKER: (Inaudible) I'm sorry.  
11 Cross conversation. I wanted to ask, when we get to the  
12 executive session portion of the City Council meeting, I  
13 want to ask you to go into executive session to discuss  
14 pending litigation related to (inaudible).

15 MALE SPEAKER: (Inaudible.)

16 MALE SPEAKER: (Inaudible.)

17 MALE SPEAKER: Or -- or -- or --

18 MALE SPEAKER: Do you think Steve could  
19 do that?

20 MALE SPEAKER: No. Steve is not  
21 involved in that.

22 MALE SPEAKER: Just the -- I was just  
23 here for the reorganization and to listen to the  
24 (inaudible).

25 BOARD CHAIR: Okay. That wouldn't be



1 something that would be business (inaudible).

2 MALE SPEAKER: Correct.

3 BOARD CHAIR: (Inaudible.) (Inaudible)  
4 go to executive session (inaudible).

5 MALE SPEAKER: Yes. It's a City  
6 Council meeting.

7 BOARD CHAIR: So at that time, are you  
8 asking to add (inaudible)?

9 MALE SPEAKER: Correct. (Inaudible.)

10 FEMALE SPEAKER: It's 6:30 here.

11 MALE SPEAKER: (Inaudible) it's here.

12 FEMALE SPEAKER: Yes.

13 BOARD CHAIR: (Inaudible.)

14 MALE SPEAKER: Executive session after  
15 the City Council (inaudible). Two points.

16 BOARD CHAIR: Two items.

17 MALE SPEAKER: Is there a motion on the  
18 floor?

19 (Inaudible conversation.)

20 MALE SPEAKER: You've already voted on  
21 the --

22 MALE SPEAKER: I voted on the  
23 resolution.

24 BOARD CHAIR: So is there a motion to  
25 adjourn?

1 BOARD MEMBER: So moved.

2 BOARD CHAIR: Is there a second?

3 BOARD MEMBER: Second.

4 BOARD CHAIR: All those in favor?

5 BOARD MEMBERS: Aye.

6 BOARD CHAIR: All those opposed? We  
7 are adjourned.

8 MALE SPEAKER: Now, we don't need  
9 (inaudible).

10 BOARD CHAIR: I don't think so.

11  
12 (Inaudible discussion.)  
13  
14  
15  
16  
17  
18  
19

20 (Thereupon, the proceedings were concluded.)  
21  
22  
23  
24  
25

CERTIFICATE

I, Janice D. Badeau, do certify that the foregoing pages, numbered 2 through 82, inclusive, are a true and accurate transcription, to the best of my ability, of the proceedings held on February 14, 2011, in the matter of  
In Re: Board of Finance Meeting.



*Janice Badeau*

---

Janice D. Badeau,  
Transcriber