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BOARD OF FINANCE TUESDAY, SEPTEMBER 3, 2013

MINUTES

PRESENT: Mayor Weinberger, Councilors Bushor, Aubin, and Knodell

ABSENT: City Council President Shannon, CAO Rusten

ALSO PRESENT: Amy Bovee, C/T; Brian Pine, Darlene Kehoe, Peter Owens, CEDO; John Vickery, Assessor; Brian Lowe, Mike Kanarick, Mayor's Office; Paul Alexander, BED; Ron Redmond, Church Street Marketplace; ACAO Goodwin (Phone); David Provost, Champlain College; Martha Lang, Ward 1 Resident

1. Agenda

Councilor Bushor requested they add a discussion about Violence in the City to the agenda. Mayor Weinberger added this as item 12.

Councilors Aubin and Bushor made a motion to adopt the agenda as amended. The motion passed unanimously.

2. Public Forum

Martha Lang, Ward 1 Resident, spoke about the School Department's proposed real estate transaction.

3. Approval of the Board of Finance Minutes

a. June 24, 2013

b. July 8, 2013

Councilor Bushor noted a correction to the spelling of a Public Forum speaker's name in the June 24 minutes.

Councilors Bushor and Aubin made a motion to approve the minutes. The motion passed unanimously.

c. August 5, 2013

Councilor Bushor noted that the vote on the Burlington Telecom Reorganization took place in open session and not executive session.

Councilors Bushor and Aubin made a motion to approve the minutes as amended. The motion passed unanimously.

4. Property/Boiler and Machinery Insurance Renewal – BED

Councilors Knodell and Aubin made a motion to approve the insurance renewal.

Councilor Knodell noted that that the cost will exceed the budgeted amount. She inquired what the plan to absorb the cost will be. Paul Alexander, BED, stated the budget is done in December and they try to project the changes that will occur by October 1. This is their largest budgeted line so they bring it to the Board of Finance each year. They had projected a 7.5% increase. The total property value increased by 8%, which was the biggest driver of the increase. The insurance rate only went up by 4.63%. The two together resulted in the 13% increase overall.

Councilor Bushor stated she believed that Burlington Electric would be able to stay within their budget for this fiscal year, but they would have to plan for the next fiscal year. Mr. Alexander stated there are multiple lines that come in above or below what was budgeted. This went up by \$26,000, but there are other lines that were well below what was projected. Next year, if the trends show they will have an increase in property values, they will build that into their budget. The rate is quite good. Insurance is cyclical and they are currently in a hard market.

Councilor Knodell inquired if the respondents to this RFP look at BED's risk management program when determining their pricing. Mr. Alexander stated they have received a 5-10% discount because of his background and his ability to negotiate with brokers. That is helpful in a hard market, but does not absorb the total amount.

The motion passed unanimously.

Councilor Bushor noted that this item will require a resolution when presented to City Council.

5. Authorization for Step Placement for Mayoral Projects Coordinator – HR

Mayor Weinberger stated they have hired Brian Lowe as their Mayoral Projects Coordinator. They brought this forward because there was an assumption in some of the documents during the reorganization that the person would be hired at Step 1. They are instead proposing a Step 3. They have given the administration the ability to make these placements up to Step 7, but they felt they should present this for clarity.

Councilors Bushor and Aubin made a motion to approve the step placement. The motion passed unanimously.

6. Authorization for Agreement for Kiosk with B Hospitality Group – Marketplace

The Board addressed an item to allow the Church Street Marketplace Office to sign a lease a kiosk to B Hospitality Group.

Councilors Knodell and Bushor made a motion to authorize renewing the license agreement. The motion passed unanimously.

7. Authorization for FY14 Americorps Budget Adjustments – CEDO

Councilors Bushor and Knodell made a motion to approve the budget adjustments.

Councilor Aubin stated he had a difficult time determining what money was carrying over from FY13 to FY14. Darlene Kehoe, CEDO, stated Americorps runs from September 1 to August 31. When this was prepared, they did not know what the unspent money would be. This moves money that will be spent to the FY14 budget.

Councilor Knodell inquired if they can carry over any amount indefinitely. Ms. Kehoe stated that they program ran through August 31. They are just amending the FY14 budget to reflect actual expenses in this year.

Councilor Bushor inquired if they saved money on health, dental, and life insurance. Ms. Kehoe stated that adjustment will correct an error in the prepared budget. They had prepared the budget for twelve months, but they were then directed to prepare the budget only for two months. This adjusts for those two months.

The motion passed unanimously.

8. Authorization for Sale of Browns Courts Municipal Parking Lot – CEDO

Brian Pine, CEDO, stated they are requesting approval for the sale of the municipal parking lot known as Browns Court. The City acquired this property in the 1950s. It was previously homes and a gas station. It has operated as a parking lot since that time. They have considered constructing a parking garage, but found it was not feasible. CEDO has always considered it as a development site that could be more useful than a surface parking lot. City Council passed a resolution directing CEDO to look at all surface parking lots and to build housing on as many as possible. Municipal policy states that surface parking lots in the downtown are one of the least efficient uses of land that they could have. This is a win-win because the development of housing on this property will also result in public parking spaces. City Council approved a Request for Qualifications to encourage the development of mixed income rental properties on this site. They received about 6 proposals. All were deemed qualified. That was during the Zoning Rewrite project, so they decided not to move forward. In 2009, the Eagles Club decided to sell their property and Champlain College purchased it. They did not proceed with development of the parking lot, but they remained in communication with Champlain College about their plans for the Eagles property. It became clear that Champlain could meet a significant obligation of housing their students if they were to purchase this property, which is adjacent to the Eagles Club property. They commissioned an appraisal which appraised it at \$1,075,000. They stated the best use would be residential. They projected they could build 35-40 apartments on just the parking lot itself. Annual taxes would be approximately \$3,000 per unit, resulting in about \$120,000 of revenue for the City. The approach is that Champlain will pay slightly above market value to purchase the lot and will pay property taxes on the market value. The purchase price is \$1,100,000. The City will continue to operate the parking lot until Champlain is ready to proceed with site development. The parking lot generates about \$30,000 per year in parking revenue. That does not include maintenance and the cost of patrolling the lot. Champlain is going to endeavor to maintain the same number of spaces to be available to the public.

David Provost, Champlain College, stated that both parcels will be taxable. They will be using a third party developer who will own the building. They believe the taxes would be in the

\$300,000-\$400,000 range. It is currently not on the tax rolls and is generating only \$30,000 in parking revenue.

Councilor Bushor inquired if the taxes on the property would remain the same even if Champlain were to make improvements. Mr. Provost stated the owner of the building will be Eagles Nest LLC, a fully taxable entity. They will be subject to property tax. Champlain will not own the building. In purchasing the land, Champlain will pay any property taxes that are currently paid. That is dictated by a State Statute that says a non-profit cannot hurt the tax rolls. If Champlain were to develop the land, the improvements would not be taxable. If Champlain buys the building, there will be an appraised value and Champlain will have to continue to pay taxes on that appraised value. Mr. Pine stated this is in the Downtown TIF District. Councilor Bushor inquired about the spaces that will be available to the public. Mr. Provost stated they believe there are 38 spaces. They are willing to make the same number of spaces available to the public because the City will be losing them. They will be metered parking spaces and they will require some students living there to park in off-site locations. Councilor Bushor inquired if Champlain will be paying taxes on the parking lot while the City is using it as a parking lot. Mr. Pine stated that they do not expect Champlain to play taxes while they are operating it as a municipal parking lot. Mayor Weinberger stated Champlain plans to move forward on this as quickly as possible, so the time period where this will be operated as a parking lot will be small. Councilor Bushor inquired what they will do after the spaces have been eliminated but before the new spaces are available. Mr. Pine stated they have not accounted for finding replacement spaces during that time period. The analysis in planBTV showed that there is an excess of available parking, despite the perception that parking is scarce. Councilor Bushor stated The Flynn uses that space. Mr. Pine stated The Flynn is aware of the issues, and they are also constrained by a hotel project in the same area. Councilor Bushor stated she does support this, but she does not know who parks there. She understands what planBTV says, but she would want to know if she would be losing her regular space so she could find another place to park. Mr. Pine stated they have considered flyering the windshields of the cars in the lot. It is primarily used by downtown workers who pay 25 cents for 40 minutes of parking. It operates at about 65% occupancy. Mayor Weinberger stated they have been able to test this, as the hotel project is occupying 15 of those spaces 24 hours a day. So far there have been no complaints.

Councilor Knodell stated since this is in the TIF district, the tax revenue will be used to retire debt that will be incurred in that district. Mayor Weinberger stated the rules are different in the Downtown TIF district, so they will receive 25% of the tax revenue from this parcel. There will be some new taxes as a result of this. Councilor Knodell requested they explain how the property will be managed when this is presented to the full Council.

Councilor Bushor requested they explain to the full Council how this will impact the Downtown TIF District. Mr. Pine agreed to provide that information. Mayor Weinberger noted that there have been no investments in the Downtown TIF District yet. Councilor Knodell inquired if there will be any investments as a result of this project. Mr. Pine stated there is nothing currently planned. Mr. Provost stated they may look at the projects occurring in this area more broadly to see if there is a need for some type of investment. Mayor Weinberger stated there will be significant change on that block, but no plan has been committed to.

Councilors Knodell and Aubin made a motion to approve the sale. The motion passed unanimously.

A member of the audience, Martha Lang, inquired about the appraisal of the lot and the affordable housing required by the zoning of the. Mr. Pine stated the value discussed is for the parking lot only. It is \$1,075,000. This is separate from the Eagles Club itself. Mr. Provost stated the College paid \$1.5 million. Mr. Pine stated the building will not be dormitories, but apartments. They have discussed meeting the affordable housing requirements by having an agreement with the developer to have 15% of the apartments available to students who qualify for certain financial aid programs.

9. Authorization to Accept Grant for Pine Street Pedestrian Signalization – Mayor

Mayor Weinberger stated they have decided to accept a grant, which he interpreted as budget-neutral because they already budgeted the matching funds. There was a concern that something different was meant by accepting budget-neutral grants, so they decided to present this to the Board. They are moving forward and hope to have this in the ground by the end of the construction season. He requested clarification from the Board about whether this should require their approval.

Councilor Bushor stated she believes this should have been presented to them, as they only discussed accepting grants that did not have a local match. She does support this. She was unclear if they could accept grants without approval if the local match was anticipated in the budget. She requested that they include clarifying language in the resolution delegating this authority. She understands that the administration should accept grants, but as a City Councilor, she wants to know what grants they have accepted and what is being done with the money. She would like the administration to provide that information to the Board to keep them informed. Mayor Weinberger stated his understanding was that the administration was required to provide quarterly reports. Councilor Bushor stated she understands that, but feels the Council should be aware. She would rather find out about things like this from the administration rather than the newspaper. She would like a report outlining what grants they have accepted.

Councilor Aubin stated his understanding was that it would only require Board of Finance approval if money will be required down the line that has not already been budgeted for. He feels that they could accept a grant when money has already been budgeted for, though he can see where the confusion came from.

Councilor Knodell stated it makes sense that if they approved a budget with a local match in it, it should be fine for them to accept grants under \$100,000. She would want to see it if the local match was higher than what was budgeted.

Mayor Weinberger suggested they provide more clarification when the resolution is rewritten after December. They could have a standing agenda item listing any grants that they accepted. Councilor Bushor stated she would agree with that.

Councilors Bushor and Aubin made a motion to accept the grant. The motion passed unanimously.

10. Approval of City Investment Policy – C/T

ACAO Goodwin stated they are seeking approval for an investment policy. The policy will give the Clerk/Treasurer's Office the authority to invest \$5 million in very safe investments. They are doing this because they have reduced their reliance on short term borrowing and have done no short term borrowing in tax anticipation notes this year. The cash position is stronger, which will allow them to invest excess cash and will result in a new revenue stream.

Councilor Aubin inquired if this is a new policy. ACAO Goodwin stated this has never been done before. The City has not been in a cash position to invest. The existing cash position is the best it has been in over seven years. It is a new policy. This is an opportunity for the City to invest a small amount of money. They can expect a return between 1.75%-2.75%. If they could invest \$5 million and get a 2% return, this would be new money that was not budgeted. This policy has been shared with the auditors and they agree with the strategy. It is also allowed under the City Charter. Councilor Aubin stated he is in favor of this and it makes sense.

Mayor Weinberger inquired if the Council should weigh in on this. ACAO Goodwin stated it should be reviewed by Board of Finance and adopted by City Council.

Councilor Bushor stated she has reservations about this. Taxpayers want to be taxed so they can afford City services and have some money left over for a rainy day. She does not see the City as a business making investments. They went to the citizens and told them they needed an infusion of money. She is now hearing that they are financially sound and can invest \$5 million, which they just asked the citizens for. Having a policy is good, but they function with Ordinances and a Charter. They should have a dialogue about where this money is coming from. She is frustrated because they ask for information like the status of pooled cash and are told that information is not available. They were also told that they needed an infusion of money, and are now being told that they have never been so financially sound. She does not have documentation for any of that. Mayor Weinberger stated they are in this cash position because of the sale of the Fiscal Stability Bonds, which resulted in the infusion of \$9 million. The reason for doing that was so they could rely on that money rather than Tax Anticipation Notes. They have replaced that short term borrowing with long term amortizing debt. However, there is a cost to the borrowing. They have borrowed \$9 million and are paying interest on it. However, they do not need to spend that full amount at all times. The balance will go up and down. He shares frustrations that they are not able to tell where balances are at. This will allow them to invest this money so that it will earn some income. They are paying about 5% for the fiscal stability bond. If they can earn 1.5%-2.5%, it minimizes the cost to taxpayers. It is sensible, unless they take undue risk with it. The investment vehicles listed in the policy are all very safe.

Councilor Bushor stated some of the ways to invest that they listed have a penalty for withdrawing money early. That would defeat the benefit of that investment. Councilor Knodell stated they would have projected their liquidity needs and they will not need the money that has been invested. ACAO Goodwin stated they are looking for approval to invest up to \$5 million. They will not necessarily invest the whole amount. They did a refinance for the Airport Bonds and were able to reduce their debt load by \$300,000. They were required to put money in a reserve account in the amount of \$1.6 million. The bond covenant allowed them to invest that money in conservative AAA investments. They have invested approximately \$700,000 that was sitting in a reserve account making no money and it is now returning 2%. When they are allowed to invest excess cash, it reduces the interest costs with the return on the investment. Councilor Bushor stated she feels the full Council should have a chance to weigh in on this. She requested a

brief presentation from the administration at the next Council meeting. She suggested forward this to the Council for their information before making a recommendation.

Councilor Knodell inquired if this is the first time they have had this kind of policy. Mayor Weinberger stated he feels it is wise to have a policy, and is unsure if there was one in the past. ACAO Goodwin stated the auditors have stated they want something in writing. This is the first time that has happened to his knowledge. The City has invested less than \$300,000 annually over the past 7 years. There have been cash balances, but they have not used them to invest. Councilor Knodell stated she does not see anything controversial in the policy and feels it would be fine to forward it to the Council for comments. She appreciates the recognition that this is some interest income, but there is also an interest expense associated with the source of the funds. Mayor Weinberger inquired if the auditors included the creation of an investment policy in the management letter. ACAO Goodwin stated it was not in the management letter, but the auditors have recommended it in the past. They have also heard this from the financial advisors and Moody's.

Councilor Knodell suggested that they include a minimum rating for public debt.

Mayor Weinberger stated they will forward the policy to the Council and provide a brief presentation. He requested the CAO's office draft a brief memo with some background information. After the presentation to the City Council, the Board of Finance will address this item again to make a recommendation before it returns to the full Council for adoption.

11. Approval for Special Meeting on September 11 – C/T

Mayor Weinberger stated they are in the process of selling new bonds for \$7 million authorized by the Charter and approved in the budget. They will have terms to accept at a special meeting on September 11. ACAO Goodwin stated they get the best rates on Wednesday, which is why they will need a special meeting. They will seek Board of Finance approval. Once it is granted, they have 24 hours to accept the offer.

12. Update from Mayor on Violence in the City

Councilor Bushor stated she received a call about activity over the weekend that was perceived to be gunshots. There is a perception that there are things going on in the City that are making people uneasy. It seems that there has been an outbreak of more violent crimes. She wanted the Mayor to be aware of this. Sometimes people do not know the resolution to these issues and rely on the media. They could let people know if these are isolated incidents or not. People are looking for a better understanding about what is going on. Mayor Weinberger stated he will speak with the Police Chief. Councilor Knodell stated she called the chief after she received a call from a citizen. The average resident does not know what is happening and it creates a lot of uncertainty. Mayor Weinberger stated that there is information in the media, but communicating more broadly may be helpful. Councilor Bushor stated one community member told her he had family members visiting. They were sure they had heard gunshots, but he was sure they were firecrackers. It turned out to be gunshots, and he felt uncomfortable about discounting firecracker sounds. Councilor Knodell stated there were no gunshots in this incident. The Public Safety Committee has been working on this issue and have been working with the Police to find ways to get information out to the community. Mayor Weinberger stated they have exceptionally low

violent crime rates in the City, though they do have some property crimes.

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:24 pm.