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BOARD OF FINANCE

MONDAY, DECEMBER 9, 2013

CITY HALL, CONFERENCE ROOM 12

5 Minutes after BCDC Meeting (Approximately 5:30pm)

PRESENT: Mayor Weinberger; City Council President Shannon; Councilors Aubin, Bushor, and Knodell; CAO Rusten

ALSO PRESENT: ACAO Goodwin; City Attorney Blackwood; Ben Pacy, Julie Hulburd, HR; Daryl Santerre, Munir Kasti, John Irving, BED; Ryan Betcher, Airport; Doreen Kraft, BCA; Peter Owens, CEDO

1. Agenda

Mayor Weinberger stated they will add an executive session item to discuss a real estate transaction. This was added as item 12.

On a motion by Councilors Bushor and Aubin, the agenda was adopted unanimously as amended.

2. Public Forum

No one came forward to speak.

3. Approval of Board of Finance Minutes

a. November 12, 2013

b. November 25, 2013

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

4. Reclassification/Creation of BED IT Positions – HR

Councilor Knodell and City Council President Shannon made a motion to approve the position changes.

Councilor Bushor stated the proposed organization chart does not have the right classification. She inquired what the title change of the Senior Network Analyst is. Ben Pacy, HR, stated the incorrect classification was an error on his part. The title change is from Senior Programmer/Analyst to Senior Programmer/Analyst/Systems Administrator.

The motion passed unanimously.

5. Re-categorize BCA Positions from Limited Service to Full Time – HR

Councilor Aubin inquired what motivates the change from limited service to full time. Julie

Hulburd, HR, stated limited service positions are created to last three years. These positions have been in existence for longer than three years, so they are looking to make them permanent. The benefit to the employee is obvious, and policy requires them to address them after three years.

Councilor Knodell stated sometimes they create limited service positions because they are not sure if they can secure the funding for permanent positions. She inquired if they are confident that they will be able to support these positions within their budget long term. Doreen Kraft, BCA, stated the individuals have been with them for some time, although in different positions at times. The positions may not totally pay for themselves, but they bring in a greater percentage of revenue each year. In this case, some of their corporate clients and non-profit clients pay into the cost of the service delivery. They also provide service to other parts of the City.

Councilor Bushor stated there is an impact on the Retirement System and inquired if the City is able to support that. CAO Rusten stated the first question is whether they need these positions to continue. In conversations they have had, the answer is yes. These three positions will not have a big impact on the retirement system in the long term. They need to look at the Retirement System as a whole. Councilor Bushor stated one of her concerns with the limited service process is that it is a back door into getting a permanent position. Most of the time, these positions had a limited scope. Either the job or the funding for it would either have a sunset. She always felt uncomfortable with this process. When Departments need a new position, they should bring that forward rather than go through the Limited Service process. CAO Rusten stated it is a concern, as it is with positions funded by grants. They will consider this as they do their review. Ms. Kraft stated this has been a long term process of bringing people that were in City service in-house. It is not their intention to use this as a back door way to create positions. That is how they were told to do this.

Councilor Bushor and City Council President Shannon made a motion to approve the re-categorization of the positions. The motion passed unanimously.

6. Authorization for Land Lease with SMS Realty Partnership – Airport

City Council President Shannon and Councilor Aubin made a motion to approve the lease.

Councilor Bushor inquired why they are charging as much for the 6 month lease as they are for the full year lease and inquired what the full amount should be. Ryan Betcher, Airport, stated the amount is \$39,600. They have been using this space on a temporary basis already. They are doing a 6 month lease to get their leases in line with their fiscal years. Because they have been using the space, they are paying a full year's worth of rent. Councilor Bushor also identified that the memo had incorrect amounts for the yearly rent. Mr. Betcher said he would revise the memo.

The motion passed unanimously.

7. Authorization for Purchase of 3 Properties - Airport

The Board addressed an item to allow the Airport to purchase 397 White St., 1 Maryland St., and 6 Ledoux Tr. using AIP-98 funding.

City Council President Shannon and Councilor Aubin made a motion to approve the property

purchase. The motion passed unanimously.

8. Review Proposal for Next Steps re: Pension – Mayor

Mayor Weinberger stated Brian Lowe has been organizing the pension summit but was not able to make the meeting. They are seeking approval of the process from the full Council and any comments.

Councilor Bushor stated the proposal says that the Committee will have members of each City Council Caucus for a total of 4 members. There are Democrats, Progressives, one Republican, and Independents who are not actually a party. She inquired if the intent is to get a good flavor. City Council President Shannon noted one of the Independents has joined a caucus. CAO Rusten stated the intent was to allow those who are not in a caucus to be represented as well. City Council President Shannon stated there have been times when a caucus will back an independent as their representative. Councilor Bushor stated she wants to have a broad representation of views. They language should reflect that they will have a diverse representation of people from the Council and ideally they would not be of the same party. City Council President Shannon stated it is important to have diverse perspectives. There are a broad range of opinions within the Democratic caucus, and one person could probably not represent the views of all members. To get a broad viewpoint from the Council, she does not feel such a large caucus should be limited to one member. It could also be divided geographically. Councilor Bushor stated she believes the Republican and Progressive Councilors often see things differently and the Independents fall into different categories. She feels it would be best if they could have representation from each party. City Council President Shannon stated she believes they could go with three caucus members as long as the caucus can choose them. If there will be a fourth representative, they could be elected by the full body. Councilor Bushor stated she would ideally like to have one member of each party and an independent. City Council President Shannon stated that is a problem because it predetermines two people. Councilor Aubin suggested that the Council could approve a slate of representatives. Councilor Knodell stated the Democrats would be underrepresented, but because the administration is of the same party it would not be a problem. City Council President Shannon inquired what the protocol would be if a Republican does not want to serve. Councilor Knodell stated they could appoint a designee.

Councilor Knodell stated her concern is that it is unclear what the relationship between the advisory committee and the collective bargaining units is. At the end of the day, any changes will have to be approved by them. She also has concerns that this will postpone action, and the sooner that they are able to start making changes the better off they will be. She does not want this group to get bogged down. Mayor Weinberger stated the administration recognizes that any changes will have to go through bargaining agreements. The intent of the process is to identify any changes that would have to be discussed as part of the new collective bargaining agreements. The hope of this process is to involve all bargaining units so that they are more likely to agree to the changes that will result. CAO Rusten stated they could include a deadline in the proposal. Councilor Knodell stated she would like that. It is ultimately the responsibility of the City Council and the Mayor to address pension problems, and inquired if they should have a bigger role in guiding this process. She worries about delegating their responsibility. Councilor Bushor stated she agrees and feels they should own this. It is important to think of solutions and understand the potential for savings. Mayor Weinberger stated he feels it will be important for them to check in throughout this process to make sure the delegated committee is on track. Any

proposal will come back to the full Council.

City Council President Shannon stated they should define goals at the outset and anyone participating in the process will need to buy into those goals. How they get there will be up to the Committee. Goals will help the Committee stay on task. CAO Rusten stated it is a fine line between encouraging people to participate in the process and take ownership of it, while making sure the process achieves an outcome. Another option would be to have the group define the goals to then be reviewed by Council, rather than force goals on them. That will give them more ownership in the process, but the Council can still oversee the goals and ensure they are appropriate. City Council President Shannon stated they can propose goals and the committee can fine tune them. She wants to avoid the large committee getting bogged down in the process. They can return to the Council if they want to change the goals. Councilor Bushor stated they can set out their intent and overarching goals and let the Committee add to that. She likes the idea of having them check in on a regular basis. They need to figure out how the two bodies will relate to each other so that they do not waste time. It would be unfortunate if the Committee spent a lot of time on something the Council would not support. Councilor Aubin stated he feels that they need to provide the Committee with some parameters to work within.

A member of the audience, John Irving, inquired why there is no representation from non-union employees given the fact that about 39% of employees are non-union. CAO Rusten stated there are non-voting, non-union management members of the administration on the Committee. They had conversations about a non-management, non-union employee sitting on the Committee, but they had not identified who that would be. They also do not want the Committee to be too large. Because they are meeting in public, non-union employees who are not on the Committee could still attend meetings and provide feedback. Mr. Irving stated adding one member does not significantly impact the size of the committee. He does not think there would be a lot of people competing to get on the committee, but they could probably find one to represent 39% of the employees. City Council President Shannon stated the non-voting members of the administration on the Committee are not representing that viewpoint, but their area of expertise. She thinks it would be fair to have someone designated that people could look to and talk to. That person could represent the interests of that group. She did not know how significant a number of non-union employees that they had. Councilor Bushor stated she believes that they should have non-union representation. She would prefer to have non-union employees select their representative. Councilor Knodell stated she hopes that the union representatives are coming to the table to look at the broad picture and not just what will have the least impact on them. She inquired whether taxpayers or employees pay more into the system. CAO Rusten stated the taxpayers pay significantly more. Councilor Knodell stated they may want to have citizens representing taxpayer interests.. If they want to do something different, they may want to see if there are City employees willing to serve on this board to solve the problem. They could be union or non-union. Councilor Bushor stated there is rationale for why the bargaining units are included. She does think that including taxpayers makes sense in this situation. She hopes they are loud and clear in their participation. Mr. Irving stated he feels that the City Council represents the taxpayers and that they could bring in an actual employee. City Council President Shannon stated she would argue that City Councilors have to consider the function of government and what the City employees bring to the table in terms of value. It is important to keep the City workforce happy and attract quality employees as well as representing the taxpayers. Their interest is broad.

Mayor Weinberger stated they will review the ideas discussed before bringing this to the full Council and will discuss it further at that time. CAO Rusten stated the Council determines the process and can make changes to it. He has heard that they want to establish a communication process, set deadlines, set goals, and have non-union, non-management representation.

9. Contingency Funds for the Sustainability Coordinator Position – Mayor

Councilor Bushor stated there was a suggestion that there could be an offset of the cost of this position from other groups, such as UVM and Champlain. She is not sure she wants to approve the funds until they know more about that. CAO Rusten stated there are conversations occurring about contributions from other organizations. They do not have the funds for this position. They will be seeing if partners will contribute to fund this position. Peter Owens, CEDO, stated they have been having good conversations with their partner organizations and is confident that they will get partners. It may take more time to get there. This would be a positive step forward and they owe it to the position.

Councilor Bushor inquired why the funds were not put in the budget. Mayor Weinberger stated they funded it through CEDO before, but they are no longer able to do that. CAO Rusten stated this position was not funded in the FY14 budget. Mayor Weinberger stated they agreed to come up with a solution for this position during the year. Councilor Bushor stated this is not really a solution. CAO Rusten stated this is money that is appropriate to use. They are currently paying without any money. It is a temporary solution, but it is appropriate. Councilor Bushor stated she does want them to do the things outlined in the communication.

Councilors Aubin and Knodell made a motion to authorize contingency funds for the Sustainability Coordinator position. The motion passed unanimously.

10. Authorization to Refinance Wastewater Bonds – C/T

ACAO Goodwin stated they are requesting authorization to refinance Wastewater Bonds and for a Bond Anticipation Note. They are requesting the Bond Anticipation Note because the existing bonds are due and payable on January 1, 2014. The Bond proceeds from the Vermont Municipal Bank will most likely not be received until January 8 or 10. At that time they will pay off the Bond Anticipation Note and have a long term liability for the Wastewater Bonds for approximately 20 years. Mayor Weinberger requested some background information. A CAO Goodwin stated 20 years ago the voters approved a series of Wastewater bonds. The bonds can be refinanced without voter approval. The City did not take the necessary steps to increase rates or set aside reserves for those bonds that were due on January 1 in a balloon payment. In 2010 when he began working for the City, he saw there was no plan in place to deal with this. They communicated this with the Mayor and have made increases to the existing rates to position themselves to do this refinance. CAO Rusten stated they are getting a much better rate than they would have if they went out to the market. They estimate they will save \$4 million over the next 20 years by using the Municipal Bank.

Councilor Bushor inquired why they have not used the Municipal Bank in the past. A CAO Goodwin stated they had attempted to use the Municipal Bank in the past, but they would not provide them with a loan until their financial situation improved. They met with the State Treasurer and Municipal Bank Chair, Beth Pearce, and she liked the direction that the City is

headed. They were told they could submit an application and then they heard they were approved for the financing. The work they have done in the past few years has made it a possibility to get more attractive rates. Councilor Bushor stated there was a lot of media attention on Burlington's financial uncertainty. She is glad that they are able to access this financing at a low rate. She inquired why they are doing this in two steps. Mayor Weinberger stated there was a recommendation that they would receive the best long term rate by doing it this way. ACAO Goodwin stated they receive a much better interest rate by not closing on the last or first day of the calendar year. By closing later in January, they will receive a much more attractive rate. CAO Rusten stated they have developed a positive relationship with the Municipal Bank to the point where they were inviting them to apply for financing. Councilor Bushor inquired how much interest they will pay on the short term bond. ACAO Goodwin stated they will pay 2.5% on \$14 million for a period of 10 days. That is about \$30,000 in interest expenses. The short term interest expense is lower than the rate they will get from the municipal bank in the long term. CAO Rusten stated doing this will save them money overall. ACAO Goodwin stated the Municipal Bank will tell them the interest rate they will pay, but not until just before closing. If the interest rate is less than 5%, they will not need to come back to the Board of Finance for approval. CAO Rusten stated they will return if the interest rate is above 5%.

Councilor Knodell inquired if the Bond Bank buys bonds on the municipal market and then lends at a higher rate to cover their costs. CAO Rusten stated that is correct. ACAO Goodwin stated the Municipal Bank has a better credit rating than the City, which is why they are able to get a better rate. Councilor Knodell inquired why they would do this financing for the City. ACAO Goodwin stated their mission is to provide financing for municipalities. CAO Rusten stated they want to do the right thing by the City. They have justified their ability to make payments and they feel comfortable doing it. ACAO Goodwin stated it also provides them with a revenue stream. They feel the risk is not high. Councilor Knodell inquired what the process is. ACAO Goodwin stated they put it out on the market for a period of seven days and they get feedback on the overall rate. It is no different than when they do private financing. They look at the credit rating of the Municipal Bank and the actual deal. They will make sure that it can be paid for, which is demonstrated through the revenue being generated. All of that translates to a rate. CAO Rusten stated they may attempt to reduce the interest rate in the future. Councilor Bushor inquired if they look for opportunities to refinance at a lower rate. ACAO Goodwin stated they do. They will have an opportunity to do a similar thing with the Stability Bonds in a few years. Based on their credit rating, they may be able to refinance at a better rate.

City Council President Shannon and Councilor Aubin made a motion to recommend approval to the City Council for the Bond Anticipation Note and the refinance of the Wastewater Bond. The motion passed unanimously.

11. Board of Finance 2014 Meeting Schedule

The Board discussed whether they would like Board of Finance meetings to be scheduled on the same night as Council meetings or different nights. They agreed to meet primarily on non-council nights.

*****Expected Executive Session*****

12. Discussion of Real Estate Transaction

This item was not addressed at this meeting.

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:33pm.

FOR INFORMATION PURPOSES

Grants Accepted Since Last Meeting:

- **Governor’s Highway Safety Program Grant – Police - \$4,000 – SHARP Occupant Protection Initiative**
- **Continuum of Care Planning Grant – CEDO - \$12,108 – Programs and Financial Support to Support Individuals and Families Experiencing Homelessness**