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BOARD OF FINANCE MONDAY, JANUARY 13, 2014

MINUTES

PRESENT: Mayor Weinberger; City Council President Shannon; Councilors Bushor and Knodell; Councilor Aubin (arrived at 5:20); CAO Rusten

ALSO PRESENT: ACAO Goodwin; City Attorney Blackwood; Assistant City Attorney Haesler; Ben Pacy, HR; Barbara Grimes, Tom Buckley, BED; Chapin Spencer, Norm Baldwin, David Allerton, Laurie Adams, DPW; Brian Lowe, Mayor's Office; Nate Wildfire, CEDO; Peter Owens, CEDO (arrived at 5:25); Dr. Martha Lang, Ward 1 Resident

1. Agenda

Councilors Bushor and Knodell made a motion to adopt the agenda. The motion passed unanimously.

2. Public Forum

Dr. Martha Lang, Ward 1 Resident, spoke the Burlington School District's proposed real estate transaction and budget. She handed out an updated version of her letter. Councilor Shannon asked CAO Rusten to exchange updated letter with the one currently on the City Web Page.

3. Approval of Board of Finance Minutes

a. January 6, 2014

City Council President Shannon and Councilor Bushor made a motion to adopt the minutes. The motion passed unanimously.

4. Authorization for Creation of BED Energy Efficiency Analyst Position - HR

Councilors Bushor and Knodell made a motion to approve the creation of the position.

Tom Buckley, BED, stated Burlington Electric and Efficiency Vermont have increased the goals of their programs by 50% over the last three years. They have done that without increasing staff. The requirements of the regulatory process have gotten stricter. There were thirteen different proceedings in this year alone. To be as effective as they would like to be, they need someone to handle regulatory issues. This person will take on reporting, planning and budgeting. It is a fairly high level analysis and they have to work with a complicated database. They also have to monitor their programs. It will free up time for staff working on the implementation side of the programs and allow them to focus on customers.

Councilor Bushor inquired if it is common practice to have a member of the department be involved in classifications. Ben Pacy, HR, stated that is historically how they have done BED's

positions. Councilor Bushor stated in the past, there was an attempt not to have the department involved because there was a perception that individuals could influence other members and advocate for a higher grade. They should have a system in place where any two people would come up with the same grade if asked to evaluate a position. Mr. Pacy stated it has been done differently for non-BED positions. They used to have Classification Committees where people on 3 or 4 different committees would do classifications. They ended that practice in the early 2000s and the Human Resources Department took that on. Usually 2-3 HR staff members score positions. For BED, the CFO and an HR staff person score the positions. Councilor Bushor stated the resolution lists the classification as A06 but it should be A04. Mr. Pacy stated he will correct the resolution.

CAO Rusten stated this is going to be a permanent position, not limited service. They determined that the current rate structure can incorporate this position.

The motion passed unanimously.

5. Authorization for Lease Renewals – DPW

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

Councilor Bushor stated one lease agreement authorizes the Director of Public Works to enter into the agreement and the other authorizes the Mayor. She inquired if that was intentional. Chapin Spencer, DPW, stated the City Attorney's Office drafted the agreements and he believes they are different because CSWD is a municipality and ReSource is a non-profit.

The motion passed unanimously.

6. Authorization for Contract to Reline Storm Pipe on Colchester Ave. - DPW

Councilors Bushor and Knodell made a motion to authorize the contract.

Laurie Adams, DPW, stated in the past they would have had to dig to reline the pipe. This liner is different than the ones they used before. It is made of fiberglass and cured with ultraviolet light. It is strong and should have a 50 year life. They do not need to dig and can run it manhole to manhole.

Councilor Bushor inquired how long the traffic disruption will be and when it will be done. Ms. Adams stated she is unsure, but usually these projects are done in a day. They expect to do the work two weeks after this is approved.

City Council President Shannon inquired if this is what they used on Battery Street that failed. Ms. Adams stated the issue on Battery Street was a failure of the contractor, not the liner. This is also a different product.

The motion passed unanimously.

7. Authorization to Accept Grant and Award Contract for Manhattan Drive Slope Repair

– DPW

David Allerton, DPW, stated the rains last May caused a storm pipe to fail. That ultimately caused a washout on the corner of Manhattan Drive and North Champlain Street. They repaired it temporarily. It has been declared a disaster, so they are eligible for federal highway funding. Federal money will pay 100% of the emergency work, which is about \$240,000. The City will have to pay 18.92% of the permanent repair, so they will end up paying about \$66,000 for a \$600,000 project.

Councilors Bushor and Knodell made a motion to authorize acceptance of the grant and executing the contract.

Councilor Aubin inquired about the traffic pattern. Norm Baldwin, DPW, stated they will likely keep it at one lane. They will examine it.

The motion passed unanimously.

8. Authorization to Accept Internet Crimes Against Children Task Force Grant – Police

City Council President Shannon and Councilor Aubin made a motion to authorize acceptance of the grant.

Lise Veronneau, Police, stated this is a countywide initiative. Burlington is one of the contacts. One of their lieutenants oversees the countywide program. They also manage the grant.

The motion passed unanimously.

9. Discuss Lang Letter

City Council President Shannon stated there were two items added to the list in the revised letter.

Councilor Bushor stated she found it particularly disturbing that they received a letter from 2013 regarding reducing debt service costs. The potential solution talked about departure from the City and the School doing bonding. She was concerned about that and felt it was deserving of attention. They are two separate entities but their finances are married. Mayor Weinberger stated it has received their attention and he appreciates this letter as well. They reported to the Council last week that they met with the Board. One concern was that when the Schools do go out to bond there is no municipal sign off. Long term major capital projects need to be coordinated between the School District and the City. He is hopeful they will get a response to that. Councilor Bushor stated that is the essence of her concern.

10. Discussion of PIAP Slate & TIF Capacity to Support Bonding – CEDO

Mayor Weinberger stated they distributed a communication over the weekend that lays out what the administration has done. He hopes the process has resulted in a clear and accurate plan and that the Board will be comfortable recommending approval of the slate to the full Council.

CAO Rusten stated they looked at the amount that is currently in the TIF district and its

incremental value. They looked at appropriate increases in value and tax rates. They tried to keep those realistic, but on the conservative side. They are predicting no more than a 1% growth each year. They tried to look at realistic tax increases. They felt that estimating a 4% increase in the education tax is actually lower than what it has been. They felt it would be better to come in at a lower amount, so they reduced it to 1% increases after 2020 to be conservative. They also looked at an annual municipal tax increase of 1%. This seems in line with increases that have been approved by the voters or the City Council. When looking at how that translates to increased revenues, they looked at financing the \$8.1 million and \$7.5 million of bonding capacity. They looked at each of these numbers of different interest rates and with different repayment structures.

Councilor Knodell inquired what the \$8.1 million number is. Nathan Wildfire, CEDO, stated it would finance Waterfront North, the Bike Path, CEDO, and repayment of the HUD Section 108 loan. CAO Rusten stated they looked at \$8.1 million at 6% or 5%. Depending on how the borrowing is structured, it will cost them between \$11 million and \$14 million. They can see the difference between TIF revenue versus what the costs would be. At the 6% rate, they would have \$9 million of revenue. At the 5% rate, they would have \$11.7 million of revenue. If they were to borrow an additional \$7.5 million for the new projects that are being discussed at a rate of 6%, the cost of borrowing would be \$10.1 million. At 5% it would be \$9.7 million and at 4% it would be \$9.2 million. They also looked at borrowing \$7 million, \$6.5 million, or \$5.7 million. This tells them that borrowing \$8.1 million at 6% and then \$7 million at 6% would be difficult to make work. However, if they were to borrow \$8.1 million at 5% and \$7.5 million at 6%, there is sufficient revenue to cover it. They suggest borrowing the additional \$7.5 million for additional projects in a phased in approach so they can see if their revenues come in as predicted. If they can borrow at 5%, they are fine either way.

Councilor Bushor inquired if when they are looking at the percentage that they will borrow money at and what will cover the debt, they have determined that at 5% they will give them the capacity to borrow the additional \$7.5 million. The future debt service at 5% would be \$11.1 million, but the future revenue would be \$11.7 million. CAO Rusten stated that is correct. Looking at the 6% rate, they would have \$9 million of revenue from the TIF, but would have \$10 million in expenses. They looked at what options they have and tried to include as many factors as possible. One possibility is that if they do a reappraisal, they could see a reduction in revenue coming in.

Councilor Knodell stated there was a significant increase in projected revenues for the TIF between 2013 and 2014. CAO Rusten stated that is because of Hotel Vermont. Councilor Knodell stated she is glad they have Hotel Vermont, or their options would be limited. She inquired if the revenue generated from past TIF investments create the capacity for future investments. CAO Rusten stated revenue from past TIF investments allows them to pay off bonds. When they look at how much they bond for, they want to ensure that they have enough revenue to pay the bond. They also want to look at cash flow to ensure that they do not have to borrow from the general funds to make payments. Councilor Knodell inquired if there has been negative cash flow and how it was financed. Assistant City Attorney Haesler stated there have been some negative years. They were financed through a ledger anticipating that the growth of the district would be sufficient to reimburse pooled cash. Mayor Weinberger stated there is some new revenue anticipated from the mall.

CAO Rusten stated they have estimated an interest rate of 6% based on their history. However, last week they were able to close a deal with the Bond Bank. The Bond Bank has indicated they would consider bonding for TIF. If that is an option, they may be able to get a rate closer to 5%. This gives them more flexibility and allows them to look at borrowing the \$7.5 million for different projects.

Councilor Bushor inquired if the Bond Bank looks at what they are funding. In the past they have not had the anticipated revenue for a period of time and they have paid themselves back. She inquired if that would factor into the interest rate that they could have their debt at. She inquired if 5% is really something that they anticipate. CAO Rusten stated he thinks that the Bond Bank will be more interested in whether their projections for future revenue match what is identified. It will be the City's responsibility to make up any differences. If they are convinced that their figures are accurate and they would have the capability to make payments, they would put it out to bid. It would likely be bundled with other items that the Bond Bank is financing. Councilor Bushor inquired if there is a risk that they would find themselves in a close situation. CAO Rusten stated the Bond Bank will put them through the ringer upon the basis for which they came up with these numbers. If they were to determine that the projections are unrealistically high, they would not be likely to agree to bond. They would also talk to them about that. They do try to be conservative about the number of factors. They have used some negative numbers in case there is a reappraisal. They do not want to paint too rosy a picture. Mayor Weinberger stated the numbers have a fair amount of variability. The retirement of existing debts are predictable numbers. There may be scenarios where it may make sense to have a formal loan from the City to the TIF district, although the goal is to structure this so that they will not need to do that. Councilor Bushor stated everyone tries to present a package that has the TIF District pay for itself. If they do not get the anticipated revenue, they may need to borrow money. Mayor Weinberger stated this is a conservative analysis. This will come before the Council to allow them to put an item on the ballot to authorize them to borrow up to \$7.5 million in the future. They are realistically 1-2 years away from issuing those bonds. They will look at this again when they want to borrow the \$7.5 million to ensure that their assumptions are holding up.

Councilor Knodell inquired if the \$500,000 that will go to CEDO is an allowable use and how they came up with that number. Mayor Weinberger stated it is allowable use under the TIF reform that was passed last year. The \$500,000 is roughly 7% of the total allocation. They found this commercially reasonable and it has sufficient precedent. Councilor Knodell inquired if it is based on actual projections of staffing needs. Mr. Wildfire stated if they did that it would be a much bigger number. Assistant City Attorney Haesler stated they will have to create documentation for the State Auditor. He believes that this is a good target. Mr. Wildfire stated the \$8.1 million is debt that they have already authorized. When looking at the summary sheets, there is a column that shows the cost to service that debt. There is another column that shows the other dollars that they have to invest in TIF projects. Councilor Knodell inquired if they will ask for up to \$7.5 million and if projections are not what they expected, they will do less than that. Mayor Weinberger stated it is possible that they will borrow less. They are fairly optimistic that they will be able to do more than that, especially if they end up with a lower than expected interest rate. ACAO Goodwin stated when they put together this model, they had feedback from their financial advisors. They first put together the most conservative model that they could ever envision. They found that they could support \$5 million of debt at a 6% interest rate even if there were no increases to the education or municipal tax rates and no growth in the capacity of the TIF. They are asking to go from \$5 million to \$7.5 million with very reasonable assumptions

about the taxes that will be billed. CAO Rusten stated this is not a decision that will be implemented tomorrow. They will be able to go to the Bond Bank and have someone else review their figures. They will also have phase in so they can evaluate this. They are easily capable of doing this.

Councilor Bushor inquired about the differences between the original slate of projects and the slate that was ultimately proposed. Mayor Weinberger stated the major change was around the Perkins Pier marina expansion. He hopes they continue to work on that project, but it is not a part of this slate. That would have been a \$3 million proposal, while the Burlington Harbor Marina proposal was more modest. The second reason was that they need resolution about what to do with the Northern waterfront. By moving the Sailing Center, the Burlington Harbor Marina, and New Moran forward, they will have that resolution. There are also more moving pieces and questions with the Southern part of the Waterfront. They will continue looking at it in the future. The other change was to the New Moran proposal. He will be asking the Council and the voters to say this is the last chance for Moran. He has always been someone who wants to see something done with it, and believes there is value in the building. This is an exciting proposal. They will give it one final shot, and hold the project to certain milestones. If it proves infeasible, they would like the authority from the voters to take the building down. Many people have had to process this before seeing value in it. The New Moran people see the value in it as well. The people he has talked to want resolution. They will be thrilled if something great can be built there, but if it is impossible after 30 years of trying they are ready to move on.

Councilor Knodell inquired how the Burlington Harbor Marina will generate new revenue and where that revenue will go. Mayor Weinberger stated they anticipate a number of different revenue streams for the City. One will be from property taxes within the TIF District. They anticipate that there will be a base payment and a revenue sharing agreement within the lease. They are hopeful that they can negotiate something that works for all parties. Mr. Wildfire stated they are having similar conversations with the Sailing Center. Mayor Weinberger stated they are talking about adding 120 new boat slips. They have to turn people away each summer, but being able to accommodate them will bring in more money. Councilor Knodell inquired if the new revenue will go to the General Fund or the Parks budget. Mayor Weinberger stated he sees Parks as a general fund department. CAO Rusten stated Parks has a general fund portion and some special revenue fund portions. They will need to look at how the general fund can benefit from direct revenue or a reduction in transferring money from the general fund into parks special revenue funds. Mayor Weinberger stated it has been difficult for Parks to generate enough revenue in recent years.

Mayor Weinberger stated they would like this to be approved by the full Council. He feels it would be helpful if the Board of Finance would be willing to recommend approval. City Council President Shannon suggested they recommend the proposal that has been presented to them. Mayor Weinberger stated that would be helpful.

Councilor Knodell inquired if they have issued the debt for the \$8.1 million. Mayor Weinberger stated they have not issued it yet, but they have been authorized to issue it by the voters. They will return to the Board of Finance before doing that. They received approval last March, but none of the projects were ready for construction at that time. They will be preparing for the construction before doing the bonding. That will be happening in the course of 2014. Waterfront Access North will be in construction in the spring, and Bike Path construction will take place in

the fall. Mr. Wildfire stated within the \$8.1 million is the already authorized \$2.1 million that will pay back the Section 108 loan that was taken out on Moran in 2011. The remaining \$6 million will be for Waterfront Access North and the Bike Path. The number the voters will be looking at is \$9.6 million. That will include \$7.5 million of new debt, and the reauthorization of the old Moran debt. Councilor Bushor requested a detailed explanation of what the debt is, what it is for, and what the revenue will be. They are getting into an area where it would be good to have everything spelled out. Councilor Knodell stated she would be supportive of authorizing the issuance of \$7.5 million of new debt having evaluated their capacity to carry the \$8.1 million. Assistant City Attorney Haesler stated because of TIF reform, they are statutorily required to include the \$2.1 million for the Section 108 loan in the ballot question. Every dollar that is used for TIF has to have voter approval. The \$7.5 million is new debt and their revenue projections support it. The \$2.1 million has already been through that analysis, but they have to include it statutorily. Assistant City Attorney Haesler stated prior to TIF reform, they did not need approval for a Section 108 loan. He stated he will draft and circulate ballot language for the next City Council meeting. If the Board of Finance is supportive of it, he will include them as sponsors.

Councilors Knodell and Bushor made a motion to authorize the issuance of \$7.5 million in new debt and to issue the \$8.1 million of debt that was previously approved. The motion passed unanimously.

****** EXPECTED EXECUTIVE SESSION******

City Council President Shannon and Councilor Bushor made a motion to go into executive session at 6:20pm to discuss a real estate transaction and contract negotiations. Premature disclosure would put the City at a substantial disadvantage. The motion passed unanimously.

Mayor Weinberger left the meeting. CAO Rusten took over as Chair.

11. Transfer of Property

12. Legal Services

Councilors Knodell and Bushor made a motion to go out of executive session at 6:52pm.

Without objection, CAO Rusten adjourned the Board of Finance meeting at 6:52pm.