



# OFFICE OF THE CLERK/TREASURER

City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

Voice (802) 865-7000

Fax (802) 865-7014

TTY (802) 865-7142

## BOARD OF FINANCE MONDAY, JANUARY 27, 2014

### MINUTES

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

**ALSO PRESENT:** Councilor Hartnett; ACAOs Goodwin and Schrader; Assistant City Attorney Haesler; Susan Leonard, HR; Laurie Adams, DPW; Seth Lasker, Fire; Rubi Simon, Library; Jesse Bridges, Parks; Bill Ward, Code Enforcement; Dr. Martha Lang, Ward 1 Resident; City Attorney Blackwood (arrived at 5:15pm); Steve Roy, DPW (arrived at 5:20pm); Mike Kanarick, Mayor's Office (arrived at 5:20pm).

#### 1. Agenda

CAO Rusten stated they will recess the Executive Session to have a second executive session at 6:15 to talk about BT.

Councilor Knodell requested a brief discussion about the PIAP proposal.

Councilor Bushor requested a brief explanation of the step placement for the senior accountant payroll item.

The agenda was adopted unanimously as amended.

#### 2. Public Forum

Martha Lang, Ward 1 Resident, discussed the Burlington School Board budget and proposed real estate transaction.

#### 3. Approval of Board of Finance Minutes

##### a. January 13, 2014

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

#### 4. Authorization for Vehicle and Equipment Replacement – Parks

Councilor Bushor and City Council President Shannon made a motion to approve the vehicle and equipment purchase.

Councilor Bushor inquired if they should spell out what vehicles are being replaced in the resolution. Jesse Bridges, Parks, stated they tried not to get into the detail, because that was outlined in the additional information that accompanied the resolution. Councilor Bushor suggested they should reference the date of the memo in the resolution to link them together.

The motion passed unanimously.

**5. Authorization for Contract for Hydrologic/Hydraulic Model of Main Plant Collection System - DPW**

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

**6. Authorization for Increase in Maximum Tax Rate for General City Purposes – C/T**

Councilor Knodell and City Council President Shannon made a motion to approve the tax increase.

Councilor Bushor stated she does believe that this is necessarily and will likely recommend approval. The needs outlined in the resolution were broad and citizens will want more detail about where money will be spent. She also stated she is concerned that there are a number of limited service positions included in this, and is unsure if this needs to happen all at once or if it could be phased in.

City Council President Shannon stated three years ago the Council supported a tax increase going on the ballot. There was a suggestion that they divide that question so that part of it would be dedicated to support Police and Fire and part of it would support other areas of the general fund. That passed the Council but failed with the voters. The next year they were told they needed an increase for Police and Fire, but they decided to leave it up to the next administration. They have been lucky to get by for as long as they have without a tax increase. There are some limited service positions that are being created by this, but she can see how thin the City is running. They are losing efficiency by running as thin as they are. Creating some positions that will save money in the long run makes sense. She completely supports this.

Mayor Weinberger stated it is not the new positions that are driving the need for a tax increase. CAO Rusten stated there are thirteen key cost drivers that resulted in a shortage of \$2.6 million. They had nothing to do with new positions. The tax increase that they are proposing would only raise about \$1.4 million. The new positions are steps towards getting out of the position they are in long term. They have 400 general fund employees and about an equal number of computers. 20% of those are over 5 years old. This year, they bought 24 new computers, some of which are still in the box because they have not had the staff to get them out. People are using old computers and software. They have only two full time employees that function as an IT Department. Departments have their own people who are supposed to be doing different jobs working on IT. They have people adding software that does not match their system. They have people asking for information that they are unable to provide because they do not have the network, computers, or people to do so. In the long term, this should save them money. They have included the cost of IT people, but also cost savings that they will provide. This is a strategy designed to address the problems in the FY15 budget. If they do not raise the tax and eliminate the ten new positions, they will still have a large hole. They will have to cut the services they have instead of offering more services.

Councilor Bushor stated she would like talking points about the new positions. The information

provided was very broad, and she thinks the public will need more detail to support it. They have identified the need for a unified IT system. That is where they need to go. Knowing how the money will be utilized is important. CAO Rusten stated he does have some talking points that he has identified. The proposed budget maintains and expands current operations and services to citizens, it builds on the goal of long term fiscal stability, it assists more vulnerable populations, and it responds to citizens' concerns about property taxes.

Councilor Knodell stated the list of cost drivers is vague. CAO Rusten stated he identified the positions within the expenditures. Councilor Knodell stated there are some items that are driving costs that are the result of Council action, such as livable wage requirements. She inquired if the contract needs, such as the Diversity and Equity Contractor, will be ongoing expenses. CAO Rusten stated the decision has not been made what the long term expenditures will be. They have talked about hiring that position in Human Resources, but it is currently not included in salaries. Councilor Knodell stated she is supportive of the proposal and they have done a good job of being prudent. CAO Rusten stated in the budget, the new positions and the elimination of one position will result in a net cost of about \$718,000. They have \$115,000 in the budget as revenue to help pay for those positions. There is also \$265,000 of cost savings that will help pay for those positions. There is also \$100,000 of new revenue that they believe would not occur without those positions. When they take all of that, the cost of the positions in FY15 is really about \$238,000. Councilor Bushor inquired if that includes benefits. CAO Rusten stated it does. Some of these positions will also provide better services to people. Mayor Weinberger noted that only a small portion of the new revenue will go to fund new positions.

The motion passed unanimously.

#### **6.5 Discussion of Waterfront TIF Capacity**

Councilor Knodell stated last week they reviewed the capacity of the Waterfront TIF to take on the proposed additional debt. They went through a number of scenarios, but it occurred to her that they did not look at the scenario in which Moran would be demolished. They did show that the numbers work for that scenario because they would be issuing less debt and Moran would have less debt service.

Councilor Bushor inquired where the money will come from if they demolish Moran. They would have to borrow money to do that. Mayor Weinberger stated they are asking for authorization to borrow \$9.6 million. Councilor Bushor inquired if they can use that money to demolish the building. Mayor Weinberger stated they can. If they demolish the building, they will still have the capacity to borrow that amount of money. They would spend much less on demolition than they would on redeveloping Moran.

#### **7. Review Monthly Financials as of December 31, 2014 – C/T**

CAO Rusten stated they have added a column to the report that shows revenues and expenditures through December line by line. At this point, there are some lines that are not bringing in the revenue anticipated, but others that are bringing in more revenue. They have looked at the aggregate of revenues and expenditures and it looks like they are doing alright. Departments have identified some of the issues in the notes. There was nothing that struck him as a huge problem, but he will be speaking to some Departments.

**8. Review Sweep Account Analysis as of January 22, 2014 – C/T**

ACAO Goodwin stated the Sweep Account is demonstrating what they forecasted last month. He organized the report to show the most significant funds at the top. They forecasted to Moody's that they would not use their line of credit until February. If they borrow, it would be no more than \$2-\$3 million, but their goal is not to utilize it. There is a reduction in the Water/Wastewater Account because of the refinancing of the Wastewater Bond. It was a successful deal, but it did require a deposit into a reserve account. They will need to make three more deposits. Telecom, Airport, and Retirement are all where they expect them to be. The cash balance of the TIF is \$1.6 million and he expects that it will be \$2 million by June 30. The balance of Impact Fees and Penny for Parks have dropped slightly. Going down the list, there are some reserve accounts for the Airport, as well as some small, immaterial accounts with balances that do not change much from month to month. The Retirement Fund still owes the sweep account about \$1.6 million. He projects that they may have to borrow from the VPIC by the end of the year. The amount owed to the City from Burlington Telecom remains the same.

Councilor Knodell noted there is \$14 million outstanding. ACAO Goodwin stated that is correct. That amount represents the total of all of the amounts due to and from the sweep account. The largest driver of that number is the debt from Burlington Telecom. Councilor Knodell inquired if they are funding that with the stability bond. ACAO Goodwin stated the Stability Bond has helped them reduce their reliance on short term borrowings.

**9. Quarterly Budget Amendment Report – C/T**

ACAO Schrader stated his overriding comment is that there have been a lot of budget amendments, and preparing this report was time consuming. There were approximately 650 line item transfers in the last quarter. Much of that was because of CEDO, as they take fund balances and use them in the next fiscal year. They do not get grant information in time to budget for it, so they have to amend the budget to accommodate it. All of these transfers were initiated by City Council resolutions or under the authority that has been granted to the CAO and the Mayor.

CAO Rusten stated he would not be surprised to see this drop off in the third quarter because of CEDO. He would expect to see an increase in the fourth quarter as people begin to move money around to finish the fiscal year. He inquired if the Board feels the report is worth the time they are putting into it. They can print a report from New World which is harder to follow, but it would take substantially less time to prepare. Councilor Bushor stated she feels that the Council needs to be aware of what goes on as they become more removed from transfer of money. She would like to see the activity, but she is not sure it is worth the time it took to prepare it.

Councilor Knodell inquired what the purpose of the report is. CAO Rusten stated they receive requests to move money from one line to another. They have to determine if it is an appropriate use and if there is money that they can use. The Council is double checking this. Councilor Knodell stated the purpose is to see if the CAO's authority is being used correctly, but she is not sure she would be able to do that from this report. CAO Rusten stated the only thing they would be able to tell is if the dollar amount was higher than the amount that they were given authority to adjust. Mayor Weinberger stated New World has given them the ability to make micro transfers that were not happening before. The Council asked for a report on this authority. He

inquired if they expect a drop off in the next year as they have been using New World longer. CAO Rusten stated he does predict a drop off in the next year. They get requests for budget amendments in paper form. They could have a folder with all of the forms available for review. They would not have to do so much work to prepare a report. Councilor Bushor stated there are a number of items that are not of interest. If there is value in this report, they may need there to be a higher threshold. If one line item is depleted significantly and the Council finds out about it, they might have liked to have input. She wants to remain aware of their actions. CAO Rusten stated they will continue to think of ideas about how to report this.

City Council President Shannon stated she thinks it is important for them to understand what is happening in the budget, but she does not get that from this report. She inquired if any of these transfers have changed the bottom line for a Department Budget. CAO Rusten stated if it is purely an adjustment in expenses it does not. The only thing that would create a difference is if there is increase revenue in a Department's budget, such as receipt of a grant. There would be an increase in revenue and a corresponding increase in expense. City Council President Shannon stated every expense increase has an equal revenue increase or expense decrease. ACAO Schrader stated that is correct with very few exceptions. City Council President Shannon suggested they should focus on the exceptions. CAO Rusten stated their authority only extends to budget neutral amendments. With CEDO, they moved money forward from a previous year, which was done through a City Council resolution. City Council President Shannon stated she would want to see if money was moved from one Department to another. She would also want to know if they cancelled a program within the budget the City Council approved. She does not see anything on this report that is of concern to her. ACAO Schrader stated there is a column in the monthly financial that shows budget amendments which corresponds to the quarterly budget amendment reports. They will see this information in the monthly financials. CAO Rusten stated the amount in the monthly financial is an aggregate amount rather than a line by line listing. ACAO Schrader stated if they have questions with regards to a budget amendment in the monthly financial, they can ask for more detail.

Councilor Bushor stated she believes there should be an orientation and explanation for new Board of Finance members about where they can find information. There are things that they do not understand with the new formatting. She believes that it is important that they know about new money coming in and how it is spent. If there is a significant amount of money being transferred from one line item to another that may tell them they should be tracking something more closely as they create their next budget. CAO Rusten stated they have been putting the grants that they accepted on Board of Finance agendas so that they get that information.

### **9.5 Discuss Step Placement for Senior Accountant Payroll - HR**

Councilor Bushor stated she understands they are placing someone at a step. She got lost when reading about the budget for this position. She inquired if they are compensating this person the way that they would anyone else. Susan Leonard, HR, stated the step placement is fine. Human Resources is asked to report the budgetary impact of step placements and reclassifications. If the incumbent was a step 3 and the new person will be a step 6, there is an impact on the budget. In this case, they are reporting that there is no budget impact. The previous person was a step 1, however in the interim, they paid for and budgeted for a person who was paid higher than at step 1. They wanted to be transparent. Councilor Bushor stated the interim person was compensated at step 7, but the budget listed the position at step 1. Ms. Leonard stated that is correct.

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

On a motion by City Council President Shannon and Councilor Knodell, the Board voted unanimously to go into executive session at 6:00pm to discuss a real estate transaction and pending litigation. Premature disclosure would place the City at a substantial disadvantage.

**10. Transfer of Property****11. Discussion of Burlington Telecom**

Without objection, the Board ended the executive session at 6:55pm.

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:55 pm.

**FOR INFORMATION PURPOSES ONLY****Grants Accepted Since Last Meeting**

- **Certified Local Government Grant – P/Z - \$16,343 – Architectural Planning and Engineering for College Street Congregational Church, Seminar on Fire Risk Management and Protection Strategies**

**Communications**

- **Letter from Meghan Humphrey, HANDS**
- **Step Placement for Senior Accountant Payroll - HR**