
AGENDA

INFORMATIONAL MEETING OF THE CITY COUNCIL

MONDAY, FEBRUARY 27, 2012

CONTOIS AUDITORIUM, CITY HALL

7:00 P.M.

PRESENT: Mayor Kiss, City Council President Keogh, Councilors Decelles, Paul, Berezniak, Shannon, and Bushor

ABSENT: Councilors Dober, Wright, Adrian, Blais, Kranichfeld, Mulvaney-Stanak, Brennan, and Hartnett

OFFICE OF THE CITY ATTORNEY: Ken Schatz

OFFICE OF THE CLERK/TREASURER: Scott Schrader and Rich Goodwin

1. AGENDA

There being no objection, City Council President Keogh accepted the agenda as presented.

City Council President Keogh requested a brief description of the purpose of the meeting. Interim CAO Schrader stated a section of the statue required an informational meeting on all items that would be on the ballot for the March election. This would allow compliance with State law. City Council President Keogh inquired if a quorum was needed. City Attorney Schatz stated it was not required, as there was no action that would be taken.

1.5. PUBLIC FORUM

| <u>Name</u> | <u>Ward/Affiliation</u> | <u>Subject</u> |
|------------------|-------------------------|----------------------------------|
| Phil Lavigne | Ward 7 Resident | Against TIF |
| Carly Raper | Ward 3 Resident | Uses of TIF/Penny for Parks |
| Lea Terhune | Ward 4 Resident | Process of Public Hearings |
| Allison Lockwood | Ward 3 Resident | Against TIF |
| MJ Farmer | Ward 4 Resident | Against BED's Borrowing Capacity |

2. INFORMATION: Information on Non-Charter Ballot Questions will be presented

City Council President Keogh stated there had been 2 public hearings on ballot questions and no one addressed the Council at those times. City Attorney Schatz stated there had been two public hearings on the charter change questions and no one addressed those issues. The advisory referendums were put on the ballot at City Council meetings. There was some public comment at those meetings.

Councilor Bushor stated there had been problems with the notification process for meetings. If the intent was to get information to the public, it would be helpful to allow another opportunity for members of the public to ask questions. There were questions around TIF and BED. She requested flexibility in the meeting to allow the public to gain information by attending this meeting.

Councilor Berezniak stated that answering specific questions might result in the Council being viewed as lobbying one way or another.

Councilor Decelles stated it would be appropriate to keep a clock to allow questions after each presentation.

Councilor Berezniak stated that questions would not be a problem, but answering them might result in the Council being seen as lobbying one way or another. City Attorney Schatz stated nothing prevented Councilors from presenting their opinions.

City Council President Keogh stated there would be no debate. There would be one question and one follow up question allowed per person; Councilor Decelles requested clarification. City Council President Keogh stated each person would be allowed one question and one follow up question after each presentation.

Councilor Paul inquired if people would be presenting ballot items and if the questions would come after their presentation. City Council President Keogh stated that was correct. Mayor Kiss stated the intention of this was not a long detailed process where everyone in the audience asked questions. The State law was to provide information, but did not require a question and answer process. City Council President Keogh stated there would be no debate and there was not an established process. If that did not work, the process could be changed.

Interim CAO Schrader stated the items would be read and followed by presentation from the appropriate person.

Interim CAO Schrader read the first item regarding approval of the School Budget. Much of the information that would be provided was also available on the City's website. Terry Bailey, Schools, stated there was an annual budget put together and voted on. There had been four public hearings on the budget thus far. The annual report and the website also provided substantial information. The budget was higher than in previous years. The shift of retirement and FICA costs from City funds to School funds accounted for about 3% of the increase. There were costs related to contract obligations that accounted for

4%. The only new portion would add staff to kindergarten classes and start a technology program for the middle and high schools, which was partially funded through grants.

Councilor Shannon inquired how the retirement shift to the School budget would affect the City budget. Interim CAO Schrader stated there was a specific retirement fund. All non-teacher employees participated in the plan. Historically, there had been a specific tax to pay for all retirement costs in the City. Each Department had a line item to pay that fund for its employees' retirement. The City was legally prohibited from spending municipal funds for School purposes. The City had been doing that and it violated State Statutes. This change would result in the School budgeting for those costs directly. The Schools had budgeted \$1.2 million for retirement and FICA. This would increase the school tax, but reduce the City retirement tax. Councilor Shannon stated there was fluctuation in the tax from each year because the amount needed to fund the liability changes. Because the liability was shifting from the City side to the School side, it was subject to voter approval. She inquired if that was different because it would typically just change a line item in the budget. Interim CAO Schrader stated that was correct. Councilor Shannon stated in the past, citizens did not vote on this. It would be part of their tax bill, if it were not for this shift. Interim CAO Schrader stated that was correct and there was a theoretical savings to the income sensitized tax payers, because the school tax was collected across the state. They would see a reduction in the overall tax bill.

Councilor Paul stated many people were under the impression that there would be a hole in the City budget, but that was untrue. The retirement amount might make up some of that. Interim CAO Schrader stated that was why it was a theoretical reduction. If there were no increases in the regular cost of retirement to the City, then there would be a one for one reduction between the City and the School budget.

Lea Terhune, Ward 4, stated this had been an opportunity to learn more about the income sensitivity issue. The income sensitivity issue sets those who were income sensitive against those who were not. One homeowner told her they were income sensitive now, but their bill would be huge when they go to sell their house. She inquired if income sensitivity transferred to new owners and requested more clarification on how that worked. Mr. Bailey stated that 67% of households in Burlington were income sensitive, in that their income was less than \$90,000. The closer their income was to that amount, the smaller the adjustment. The value of the home was also a factor. Those who paid City tax would see a difference because there was no income sensitivity for City taxes. It did not transfer with the sale of the home.

Councilor Berezniak inquired if the City would be paying retirement for the Schools if this did not pass. Interim CAO Schrader stated a discussion would have to take place. A portion of this would likely be passed on to the School department whether this passed or not.

MJ Farmer stated the school budget was \$78 million and there were 3,600 students. That was almost \$22,000 per student. Mr. Bailey stated there were grants included in that number and it was a little below \$70 million.

Interim CAO Schrader stated the second item was an advisory referendum adopting revenue policies that reduced the growing disparity of wealth and strengthen the social and economic security of the people of the United States.

Interim CAO Schrader stated the third item was an advisory referendum urging Congress to propose a constitutional amendment providing that corporations were not persons. Councilor Bushor stated this was an initiative that was statewide, and was not just on Burlington's ballot. It dealt with how people fund candidates and urged Congress to propose a constitutional amendment because it had already been made a part of the constitution. There had been information out there and work done around the State.

Interim CAO Schrader stated the fourth item was a proposed charter change with regards to Business Personal Property tax exemption. This would raise the exemption from \$2,500 to \$45,000. The City currently taxed equipment to make up the real property tax. This would increase the value of equipment that was taxed from \$2,500 to \$45,000. Anything under \$45,000 would no longer be taxed.

Councilor Shannon inquired what dollar amount of taxes would be eliminated. Interim CAO Schrader stated it would result in a loss of \$65,000 of revenue.

City Council President Keogh inquired what the justification for this change was. Interim CAO Schrader stated the City Assessor audited the personal property values within businesses. Auditing these businesses was a lot of work for a very small return. The City Assessor had suggested that by increasing this amount to \$45,000, it would allow him to focus on larger businesses that had a bigger return than the small businesses. The Board of Finance had supported this because it would provide a better incubator for small businesses and allow them to become more sustainable without the burden of this tax.

Councilor Paul stated that it would mean a loss of revenue, however, the amount of money this brought to the City was \$1.1 million. Raising this limit would eliminate 51% of the businesses in Burlington from paying this tax, but only result in a loss of 3% of the revenue. The City Assessor would no longer have to hire a part time person to keep track of all of the businesses.

Interim CAO Schrader stated the fifth item was for a referendum pledging credit of the City to finance downtown tax increment TIF district improvements.

Larry Kupferman, CEDO, stated the downtown TIF district was a defined area within Pearl, Union, and King Streets and the Waterfront. It included a group of properties that would help maintain the debt required to improve public infrastructure on a number of sites in the downtown area. This next step was to have voters approve a debt capacity so that the City could proceed with development plans. There had been presentations to NPAs and there would be another public information session. Information and materials were available online. The American Planning Association published an article stating that Tax Increment Financing existed in 49/50 states and was widely used. It was a well-accepted tool used for economic development and spurred development in areas that required a public private partnership. Vermont was tied closely to the education fund and leaders in Montpelier were quick to note how sensitive this was in relation to the education fund. There was a base property value that included 248

properties with a value of \$309 million. It allowed incremental growth and development would incur debt in the next 5 years to cover public infrastructure projects.

Brian Pine, CEDO, stated in 2009, there was a meeting with the City Council Community Development and Neighborhood Revitalization (CDNR) Committee and the full Council to discuss the process. The Council was supportive and authorized a letter of intent to the Vermont Economic Progress Council (VEPC). In May 2010, the application was completed and presented to the CDNR committee and then the full Council. In January of 2011, the application was approved by the Council and subsequently submitted. There were many meetings to show how this would be done. In most places, TIF was created with a specific business in mind to develop the area. This raised questions because there was not one business in mind. They allowed the approval in June of 2011, with the caveat that any projects would require the VEPC approval to move forward. There was a 5 year window to incur debt beginning in April 2011. Mr. Kupferman stated this did not create new debt at this time, it just allowed the process to move forward until the time when development could be considered.

Councilor Bushor stated there had been a lot of information, but people get nervous when they hear \$10 million and were unsure what they were voting for. She inquired if each project coming forward would have a process to include the public. Mr. Pine stated voters would weigh in on bond issuances. If there were a different financing mechanism, that might not be the case, however bond issuances were the most common. Councilor Bushor inquired if the State would need to approve each individual project. Mr. Pine stated that they would and binding development agreements would need to be in place before approval would be granted. It would not be possible to build infrastructure with the hope that businesses would develop around it. Councilor Bushor stated there were many steps to the process and this allowed the ability to borrow. Future projects would require further approval. Mr. Pine stated it was like a pre-approval for buying a home, and the mortgage might not be approved, but you know you could get a mortgage for a certain amount. This did not commit the City to \$10 million of investments.

Mayor Kiss requested a clarification of the differences between the Downtown and Waterfront TIFs. Mr. Kupferman stated the Waterfront TIF was bound on the South side of Cherry Street to the corner of Battery Street and extended all the way to the shopping center. That section was added to an existing TIF district that existed between Perkins Pier and the north side of the Moran plant. That was put in place in the mid-1990s; that pre-dated state education property tax. Most of the statute that was in place did not affect the Waterfront TIF. The borrowing and projects that took place in that area happened under different circumstances. Since the inception of the Waterfront TIF district, there were \$76-80 million of increment that had been realized; that had supported a total debt of \$160 million. There were 4 years of life remaining in the Waterfront TIF to incur new debt. The loans extended to 2028. No more debt could be incurred after the next 4 years, but payments would be made through the life of the debt instruments. Projects that came from Waterfront TIF where Lake Street was reconstructed, the Urban Reserve was purchased, and Lakeview Parking Garage was developed. These resulted in the ability for affordable housing projects and supported parking needs of what was then Filene's. Main Street Landing on the corner of Battery and College was also built because of public amenities on the Waterfront. At least 40 employers were able to place themselves in the TIF district and approximately 400 jobs were created. It was seen as a success story, as jobs were created, affordable housing was developed, and the tax base was grown. Those were values that were shared by all, especially growth in the tax base.

Councilor Berezniak inquired if the City could access the \$10 million in debt without going back to voters. Mr. Pine stated that was not possible and that was explained in the question. Councilor Berezniak stated voters would have to approve the bonds. Mr. Kupferman stated that 75% of the new increment would remain with the City for repayment of debt. 25% would be distributed to education and the municipal funds. As debt was retired, the full value of those taxes would go to the normal tax entities.

Lee Buffington, Ward 3 Resident and Planning Commission member, stated it would be helpful to know how CEDO selected projects for TIF funding. It seemed that parking had been emphasized, but a recent study showed there was a sufficient amount of parking downtown. The parking just needed better management and signage. She inquired how that would be determined and how the public would be involved. The bike path was very popular in the Waterfront TIF and it would be a good use of TIF funds. Mr. Pine stated that the nexus was a concept required by statute. This meant that VEPC needed to see without a doubt that infrastructure was required for development to continue. A problem with the bike path was that it was difficult to show that if the bike path was repaired an office building would result. There needed to be a cause and effect link. The parking issue was required by zoning, and developers need to provide it before they could build. That could change if the Planning Commission and the Council changed that policy; doing that could free up money for other infrastructure projects. Mr. Kupferman stated the amenity supported by TIF would be public parking. Coordinating this with Plan BTV would be important and there needed to be incentives for private parking becoming available to the public. The super block was a prime site for development that could use TIF financing. There were 100-140 public parking spaces that supported the Library and Memorial Auditorium that would need to be replaced. There had also been discussions with the School Department about sharing a parking garage for Edmund School's employees. Downtown also required investments in storm water control. There were issues in the super block that could be addressed and incent development. It would need to be coordinated with other plans, but public parking was a big concern with TIF.

Councilor Berezniak inquired if the Waterfront TIF could be used for repairs to the bike path. Mr. Pine stated that it could. Councilor Berezniak stated that was a separate TIF and there was still capacity in that district. The Downtown TIF would have different infrastructure. Mr. Pine stated that was correct.

Tim Jarvis, Ward 4 resident, stated the Waterfront TIF had \$16 million of debt. Mr. Pine stated that was the original principal, not necessarily the current balance. Mr. Jarvis inquired what the current balance was. Mr. Pine stated it was not in excess of \$16 million. Mr. Jarvis inquired how much capacity was left in the Waterfront TIF. Mr. Pine stated nothing was being proposed for the Waterfront TIF. Mr. Kupferman stated he did not know it off the top of his head. He offered to discuss the issues at a later time.

Allison Lockwood, Ward 3 Resident, inquired what would happen if the money needed for repayment was not generated. Mr. Kupferman stated the City would be responsible to pay the bill. Ms. Lockwood inquired where the City would get that money. Mr. Kupferman stated it would be the taxpayers, but it would be over the life of the district. TIF financing plans needed to be looked at in entirety. There could be one year where the City might have to make a payment, but that did not mean the whole life of the TIF would have problems. Ms. Lockwood inquired why the financing presented to the State did not include

the \$30 million owed to Chase financing. Mr. Kupferman stated the application required analysis of City assets and debits. It showed the best thoughts for development opportunities. There had to be estimates of the costs of infrastructure projects on the super block, not the entire finances of the City. Mr. Pine stated he would be happy to meet with any individual or group after the meeting.

Greg Roy, Ward 4 Resident, inquired if debt were bonded, would it have to go back to the voters for approval. He inquired how many financing tools that could be used would require voter approval. Mr. Pine stated there were four financing options- general revenue bonds, general obligation bonds, inter-fund transfers, and one other. The State would like to see most things done through bonds requiring voter approval. Mr. Kupferman stated that those that did not require voter approval would require City Council approval. There would be large expenditures which would likely require a combination of funding sources. Mr. Roy stated 1 out of the 4 mechanisms would require voter approval. Mr. Pine stated they would not be used equally.

Lea Terhune, Ward 4 Resident, stated it had been said that this question did not require new debt and it would not obligate the City to \$10 million of debt. However, it did require tax payers to underwrite \$10 million in losses. Many people thought this felt like Burlington Telecom and people would like to see a compliance audit of the Waterfront TIF before embarking on a new one. Unexpected events could leave the City with debt. Voting for this would sign off on a ballot question to accept \$10 million in losses. Mr. Kupferman inquired what she meant by losses. Ms. Terhune stated she meant that if the projections did not come to fruition and there were losses, up to \$10 million of debt would be accepted by the taxpayers. Mr. Kupferman stated a \$10 million investment in infrastructure was not a loss and would result in improvements. Mr. Pine stated this would create economic opportunity in the downtown. In the other TIF, results exceeded the expectation. Nothing would happen without additional public process. Due diligence would occur at the VEPC, City Council and voter level. Ms. Terhune stated the concern was because of the rosy projections of Burlington Telecom that did not come to fruition. She also raised concerns that TIF funds and Penny for Parks funds were used for the skate park without public process. She inquired what kind of public process was used when TIF funds were used for the Skate Park, and how it would be different with this TIF. Mr. Pine stated the Waterfront TIF had completely different rules from the Downtown TIF. To move ahead with any infrastructure investment, there would be a presentation to VEPC showing what the commitments of the taxpayers and developers were as well as the projections. They then hire an economic consultant to review all assumptions and put each project through a rigorous process. There was a nexus between development and infrastructure projects. To proceed with development on the Hood Plant, the sewer line would need to be moved. If that costs \$1 million, a developer must have financing and permitting in place to coincide with the relocation of that sewer pipe.

Councilor Shannon stated the City Council would be authorized to incur \$10 million of debt and pledge the full faith and credit of the City. Mr. Pine stated it said it was subject to future approval of each debt obligation by the voters or City Council, as required by law. Councilor Shannon inquired if voting yes on this item incurred any debt. Mr. Pine stated it did not it simply set a debt ceiling. Councilor Shannon inquired if this language was required to implement a TIF. Mr. Pine stated the State sets that language and it is what has to be used. Councilor Shannon stated the language was confusing and was raising some of these questions.

Councilor Berezniak inquired if the City could have pursued more than \$10 million in debt, and chose this amount to be prudent. Mr. Kupferman stated it was both prudent and there was a 5 year window to do it. That could amount to only 3 projects, or one really big project. It was unlikely that a huge project could be finished that quickly. None of this could happen without going through the permitting process, which the public had a large amount of say in. Councilor Berezniak inquired if TIF funds would be invested before the completion of the permitting process. Mr. Kupferman stated there would be a VEPC process to approve the project and permitting would occur on a parallel track. As far as breaking ground on any project, that would not happen until all approval was in place.

City Council President Keogh inquired how closely the State Tax Department oversaw the project. Mr. Kupferman stated they were involved in the annual reporting. Once debt was incurred, the 25% that needed to be sent to the State would need reporting and they would require backup on that; they played a key role. Mr. Pine stated he was available to any individuals or groups to answer questions.

MJ Farmer read a list of proposed and existing development projects and inquired if any of them were on the board for Downtown TIF. Mr. Kupferman stated those were included on the application. That was a list of places that the City would like to see development. The Redstone Group had done sketch plans on the TD Bank block. The others were all ideas and there were no developers looking to do them right now. The South Champlain property had recently changed hands; the King Street property was fully permitted. If there was diversion from this list, VEPC approval would be required. This might happen as further discussions about the Bus Terminal occurred. Pearl Street had been discussed as a new location and it would require a major amendment. Ms. Farmer inquired how much the public would influence the projects. Mr. Kupferman stated there would be a full permitting process, which allowed a lot of opportunity for public input. Browns Court had been discussed as a housing site, and the super block needed some serious work. Mr. Pine stated there would be public hearings for input. Ms. Farmer inquired who made the final decisions. Mr. Pine stated it would be City Council. Ms. Farmer inquired if the public voted on projects. Mr. Pine stated that the public would vote on any bond issuance.

Jean Bailey inquired who derives the most benefit from development of the TIF district. Mr. Kupferman stated one task was to grow the tax base. Doing this meant someone must develop something. The City benefits because there would be additional income. The taxpayers benefited from additional development. There was a lot of interest in seeing how the downtown would develop. The City would have to partner with developers to make things happen. The City's resources were limited. Developers would profit on their development, but everyone would benefit from job creation or housing. This would help with the Plan BTV vision where people want to be able to live, work and recreate in the downtown.

Interim CAO Schrader stated the sixth item would allow an increase in the annual borrowing authority for the City of Burlington for capital improvements. The City had developed a 5 year capital improvement plan for facilities. The \$1 million of borrowing that was authorized by the charter was not enough to cover the needed improvements, particularly energy improvement projects. This requested authority to increase borrowings for facility improvements. There was a report justifying the need for this borrowing. It showed that \$2.2 million would be needed in FY 2013 to provide energy efficiency updates and other needs. This 5 year plan was provided to the City Council each year.

Lee Buffington inquired if that included all capital improvement projects. Interim CAO Schrader stated the list was just for facility improvements. Ms. Buffington inquired if there was a comprehensive list available. Interim CAO Schrader stated there was not, but it would be helpful to put that together. Ms. Buffington stated that would be helpful, especially with the limited funding that was available. The public could see what the issues were and what was spent and help to prioritize them.

Councilor Bushor stated each department got to weigh in as to what their capital needs were. They were not always structural. There was a process that used to involve the Planning Commission. That had evolved and changed because the main needs were in infrastructure. There was a gap between what could be approved and where the money would come from. Public Works and Planning were always part of that process. Police needed \$250,000 for portable radios, and in FY13 \$100,000 would be spent on them. The process might need to be reexamined. There were projects that needed to be completed that were not funded enough. The borrowing capacity had not been increased since the 1990s and with inflation, it was no longer adequate. Each time money was borrowed, old debt was retired.

Allison Lockwood inquired what the 'Moran design and redevelopment and Waterfront North local match' on the list meant. Steve Goodkind, Public Works, stated that Waterfront North was mostly funded through a federal TIGER grant but required some local match. This would fund the local match. It would improve parking and roadways near the Moran plant. It was also not the Skate Park. Mr. Lockwood inquired what projects TIF money funded. Mr. Goodkind stated that was separate from Waterfront North.

Lea Terhune stated the City Auditor said City capital projects were tracked on spreadsheets, which were un-auditable. Interim CAO Schrader stated the audit was critical of how the City managed capital projects in that there was no system to track expenses and revenues in an auditable way. There was a new financial management system being implemented that would address those concerns and allow for budgeting and accounting of individual projects that were approved by the City Council. Ms. Terhune inquired if they would be audited in the normal way next year. Interim CAO Schrader stated it was auditable now but it was not easy to do. Ms. Terhune inquired if increasing the borrowing capacity for capital improvements would increase short term borrowings. Interim CAO Schrader stated it would not because the debt capacity of the City would be increased. The improvements being considered would rely on long term debt. There could be short term borrowings until there was enough aggregate to go out to long term bond. These projects would rely on long term debt obligations.

Kurt McCormack inquired about the energy efficiency and Code Enforcement items and what amount would be used for each. Norm Baldwin, DPW, stated this was part of a larger plan that looked at building systems. While facilities were in poor shape, many departments had identified them and fixed the worst problems. Public Works was doing broader assessments focused on electrical, mechanical, life safety, and energy efficiency systems. In the future, other systems would also be included, but those were the highest risk. The City Capital plan was based on what would be the best use of money. Safety, legal obligations, and long term cost savings were taken into account in prioritizing projects. Mr. McCormack inquired how much would be used to address energy efficiency. Mr. Baldwin stated about $\frac{3}{4}$ was life safety requirements and were necessities to the facilities. Energy efficiency was about $\frac{1}{4}$ of the projects.

Jean Bailey inquired about Parks Moran design and redevelopment and Waterfront North local match showing an estimated cost of 'ongoing.' She inquired what the \$100,000 in FY12 and \$150,000 in FY13 would pay for. Mr. Goodkind stated Waterfront North was a \$5 million project and was primarily federally funded; this was a small portion of that. Ms. Bailey inquired what ongoing meant. Mr. Baldwin stated it probably meant the final number was uncertain because it was in the process of development to determine what sources were available. Mr. Goodkind stated they were trying to reduce the cost and the capital fund would only be responsible for the amount listed. Ms. Bailey inquired if all of the other portions of the \$5 million would come out of the TIGER grant. Mr. Goodkind stated that would cover most of it. Ms. Bailey inquired if the cost could be more than \$5 million. Mr. Goodkind stated it was currently about a \$5 million, but money from this program was not being sought.

Interim CAO Schrader stated the final question was a proposed charter change increasing the annual borrowing authority for Burlington Electric Department Capital Improvements. Barbara Grimes, Burlington Electric, stated this would tie capital spending with the life cycle of projects that were proposed. It had been possible to eliminate 11 substations in City of Burlington and cut down on the number of places where outages were most likely to occur. Replacement of the underground system was the biggest need. 47% was underground and very old. Long term investments were projects that should be bonded for. Technology would dictate where projects occurred. For example, in 1998, there were few electrical switches and now there were many. It would be possible to make all changes in the system electronically. None of these dealt with the advanced meters that the Department of Energy gave a grant for. Interim CAO Schrader inquired about the Velco investments. Ms. Grimes stated Velco equity investments had been singled out. When those investments were made, there was a guaranteed rate of return set by the Federal Energy Regulation Commission. The average was around a 12% return. The highest interest rate had been 6%, so that return was used as part of the general fund to keep rates steady.

Lea Terhune inquired about the indebtedness from Burlington Electric increasing; there had been a shift from Revenue Bonds to GO bonds and she inquired why. Ms. Grimes stated improvements to the system had required more debt. It had gone up in the short term, but a significant amount would go away in 2014 because the original McNeil bond would be complete, freeing up about \$8 million a year. There was a \$39 million bond increase in November of 2009 that was approved 91%, but the financial markets were going south. The City's struggles affected BED's credit rating. The City came back and suggested attempting a bond that was supported by the revenues of BED; that was approved in March. There were several offsets from that bond. The Knox Reduction unit had already paid back that portion by selling back energy efficiency credits. The other was the return from the Velco investments. The other part was to install a line from East Avenue to McNeil, which resulted in eliminating annual payments of \$396,000 to Green Mountain Power \$396,000 annually. Ms. Terhune inquired how the increase in total indebtedness affected rates. Ms. Grimes stated there was an impact on rates, but New England had the highest rates in the nation. There was an independent system operator that cost \$50 million and the savings were yet to be seen. The Department of Public Service showed BED was only about a penny above other companies. With changes in their contracts, BED would likely be below others.

3. ADJOURNMENT

Without objection, City Council President Keogh adjourned the City Council meeting at 9:00 p.m.

Attest:

Lori Olberg, Licensing, Voting and Records Coordinator and Amy Bovee, Executive Secretary