
DELIBERATIVE AGENDA

SPECIAL MEETING, LOCAL CONTROL COMMISSION

MONDAY, JUNE 20, 2011

CONTOIS AUDITORIUM, CITY HALL

7:05 P.M.

PRESENT: Mayor Kiss, City Council President Keogh, Councilors Bushor, Berezniak, Brennan, Mulvaney-Stanak, Wright, Shannon (arrived at 7:12 p.m.), Blais, Decelles, Dober, Paul (arrived at 7:41 p.m.) and Adrian (arrived at 7:48 p.m.)

ABSENT: Councilors Kranichfeld and Hartnett

CITY ATTORNEY'S OFFICE: Ken Schatz and Gene Bergman (arrived at 7:22 p.m.; departed at 10:27 p.m.)

CLERK/TREASURER'S OFFICE: Jonathan P.A. Leopold, Jr. (departed at 10:28 p.m.), Rich Goodwin and Lori Olberg

CITY COUNCIL PRESIDENT KEOGH PRESIDING:

1. AGENDA

On a motion by Commissioners Dober and Berezniak the agenda was adopted as is.

2. CONSENT AGENDA

Commissioner Mulvaney-Stanak inquired about noise that would be related to an outside consumption permit at Sky Burgers. Commissioner Dober stated they would be required to remove their tables by 9:00 pm.

On a motion by Commissioners Dober and Berezniak, the Local Control Commission adopted the consent agenda thus taking the following actions as indicated:

2.01. COMMUNICATION: Amy Bovee, Executive Secretary to the CAO, re: Minutes, Local Control Sub-committee/City Council License Committee, May 4, 2011

*waive the reading, accept the communication and place it on file

2.02. APPLICATION FOR FESTIVAL PERMIT (**two days only**): Vermont Brewers Festival, Waterfront Park 7/15-7/16

*waive the reading, accept the communication, place it on file and approve the Application for Festival Permit for the Vermont Brewers Festival for July 15th and July 16th only

2.03. AMENDMENT TO OUTSIDE CONSUMPTION PERMIT (**2011-2012**): Sky Burgers

*waive the reading, accept the communication, place it on file and approve the amendment to Sky Burgers' Outside Consumption Permit

3. ADJOURNMENT

On a motion by Commissioners Dober and Berezniak, the Local Control Commission voted unanimously to adjourn at 7:07 p.m.

Attest:

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

SPECIAL MEETING, CITY COUNCIL

MONDAY, JUNE 20, 2011

7:07 P.M.

PRESENT: see above

CITY COUNCIL PRESIDENT KEOGH PRESIDING:

1. AGENDA

On a motion by Councilor Bushor with no second, the agenda was unanimously amended as follows: add to the consent agenda item 3.17. COMMUNICATION: Karen B. Horn, Director Public Policy and Advocacy, Vermont League of Cities & Towns, re: 2011 VLCT Awards Program: Description and Nomination Forms with the action to “waive the reading, accept the communication, place it on file and send to the Mayor’s Office for consideration;” add to the agenda item 5.5. COMMUNICATION: Bob Kiss, Mayor, re: FY12 Budget Update; note written material for agenda item 6. RESOLUTION: Annual Appropriation and Budget for Fiscal Year Beginning July 1, 2011; note written material for agenda item 7. RESOLUTION: Annual Tax Assessments on the Property Grand List of the City for the Purposes Therein Set Forth for the Fiscal Beginning July 1, 2011; note written material for agenda item 8. RESOLUTION: Water and Wastewater Rates for Fiscal Year Beginning July 1, 2011; note written material for agenda item 9. RESOLUTION: Temporary Loans in Anticipation of Taxes for the Fiscal Year Beginning July 1, 2011; note written material for agenda item 10. RESOLUTION: Authorization for Temporary Borrowing on Behalf of the Water Resources, Wastewater & Traffic Divisions of the Department of Public Works and the Burlington International Airport and the Burlington Electric Department for Fiscal Year Beginning July 1, 2011; note written material for agenda item 11. RESOLUTION: Appropriation of the General Fund Capital Improvement Budget for Fiscal Year 2012; note written material for agenda item 12. RESOLUTION: Approving the Issuance and Sale of Airport Improvement Bond Anticipation Notes, Series 2011; add to the agenda item 12.5. RESOLUTION: Authorization to Waive Until June 20, 2012 Zoning & Building Permit Fees for Work that is Required to Repair Damage to Structures Caused by the Spring 2011 Floods for Properties at or below 104 Feet (Board of Finance); remove from the agenda item 5. RESOLUTION: Airport Issues (Councilors Blais, Adrian).

2. PUBLIC FORUM

City Council President Keogh opened the public forum at 7:29 p.m.

<u>Name</u>	<u>Ward/Affiliation</u>	<u>Subject</u>
Phil LaVigne, Resident	7	Waterfront Cleanup

With no one further coming forward and no objection from the remaining Council, City Council President Keogh closed the public forum at 7:32 p.m.

3. CONSENT AGENDA

On a motion by Councilors Bushor and Mulvaney-Stanak, the consent agenda was unanimously adopted, as amended, thus taking the following actions as indicated:

3.01. COMMUNICATION: Lori Olberg, Licensing, Voting & Records Coordinator, re: Accountability List

*waive the reading, accept the communication and place it on file

3.02. RESOLUTION: Authorization to Enter into License Agreement to Maintain Tables and Chairs on a Portion of the City’s Right-of-way with Saint Nicholas, LLC d/b/a Sky Burgers (Councilors Dober, Blais, Berezniak: License

Committee)

*waive the reading and adopt the resolution

3.03. COMMUNICATION: Lori Olberg, Licensing, Voting and Records Coordinator, re: Schedule of Meetings of the City Council through August, 2012

*waive the reading, accept the communication and place it on file

3.04. COMMUNICATION: Scott Schrader, Assistant CAO for Administration and Management, re: Livable Wage for 2011

*waive the reading, accept the communication and place it on file

3.05. COMMUNICATION: Mayor Bob Kiss, re: U.S. Conference of Mayors "Military Spending" Resolution

*waive the reading, accept the communication and place it on file

3.06. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, March 14, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.07. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, March 28, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.08. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, May 2, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.09. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, May 4, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.10. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, May 11, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.11. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, May 16, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.12. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, May 23, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.13. COMMUNICATION: ACAO Schrader, re: Board of Finance Monday, June 2, 2011 Minutes of Meeting

*waive the reading, accept the communication and place it on file

3.14. COMMUNICATION: Lori Olberg, Licensing, Voting & Records Coordinator & Sue Trainor, Assistant to the CAO, re: Minutes, City Council, March 28, 2011

*waive the reading, accept the communication, place it on file and adopt the minutes at the June 27, 2011 City Council Meeting

3.15. COMMUNICATION: Lori Olberg, Licensing, Voting & Records Coordinator & Amy Bovee, Executive Secretary to the CAO, re: Minutes, City Council, April 11,

2011

*waive the reading, accept the communication, place it on file and adopt the minutes at the June 27, 2011 City Council Meeting

3.16. COMMUNICATION: Bernadette Ferenc, Business Manager to Mr. William Keogh, President,
Re: TAC Re-appointments

*waive the reading, accept the communication, place it on file and re-appoint Nicole Losch as the TAC Representative and Erin Demers as the TAC Alternate Representative

3.17. COMMUNICATION: Karen B. Horn, Director Public Policy and Advocacy, Vermont League of
Cities & Towns, re: 2011 VLCT Awards Program: Description and
Nomination Forms

*waive the reading, accept the communication, place it on file and send to the Mayor's Office for
consideration

4. PUBLIC HEARING: COMPREHENSIVE DEVELOPMENT ORDINANCE—Shared-Use
Parking District Expansion ZA 11-09

Sandrine Thibault from Planning & Zoning, stated there was a change to the enterprise light
manufacturing district to include an area on Birchwood Parkway and Zoning Maps were amended to
reflect that. There was one map that was not amended and this ordinance would correct the inconsistency.

City Council President Keogh opened the public hearing at 7:16 p.m.

There being no one coming forward, City Council President Keogh closed the public hearing at 7:16 p.m.

4.01. ORDINANCE: COMPREHENSIVE DEVELOPMENT ORDINANCE—Shared-Use
Parking District Expansion ZA 11-09 (Planning & Zoning Department,
Planning Commission)(2nd reading)

Councilors Shannon and Berezniak made a motion to waive the 2nd reading and adopt the ordinance. The
motion passed unanimously.

4.02. COMMUNICATION: Clerk/Treasurer's Office, Public Hearing Notice Burlington
Comprehensive Development Ordinance

Councilors Shannon and Berezniak made a motion to wave the reading, accept the communication and
place it on file. The motion passed unanimously.

5.5. COMMUNICATION: Bob Kiss, Mayor, re: FY12 Budget Update

Mayor Kiss stated that revenues of \$17,500 had been added to the FY12 Budget under Regional
Programs. This would provide Memorial Flags for the City Cemetery. The annual contribution of \$2,000
to the Sister City Program had been included and there was a proposal to commit \$15,000 to the
temporary help line item for the AmeriCorps program.

Councilor Dober questioned whether the \$15,000 for AmeriCorps was new this year. Mayor Kiss stated
the City had volunteers and hoped to have them next year. This reserved money for that possibility.

Councilor Shannon asked what the \$16,000 under Fees for Service for City property under revenues for
the Clerk/Treasurer's Office Property referred to. Mayor Kiss stated that Parcel A, where the new hotel on
Cherry St. was being built, and City Market paid a fee to the City. Further, the Mayor anticipated that the
Champlain College fee for services would increase by \$1,500. Councilor Shannon asked for further
information on Parcel A. CAO Leopold explained the agreement between the City and the hotel whereby

they lease land from the City and pay an annual lease as well as paying a fee for services which was \$8,000 annually. The City had a similar agreement with City Market. Because these fees were new this fiscal year, they were overlooked and not included in the FY 12 proposed budget. They were similar in concept to the fees of Champlain College and UVM where the land was not subject to property taxes. They did pay taxes for the structures. Councilor Shannon asked for more information on the TIF District payments. CAO Leopold stated the taxes on the structure go into the TIF district. Councilor Shannon inquired about the period for the agreement. CAO Leopold stated the leases and the fees were 49 years with the option to renew for another 49 years.

Councilor Wright thanked the Administration for putting funds back into the Library. He asked where the funding came from, as it was not taken from the City Council fund. CAO Leopold stated it was mostly funded through the fee for service which had been overlooked initially.

6. RESOLUTION: Annual Appropriation and Budget for Fiscal Year Beginning
July 1, 2011 (Board of Finance)

City Council President Keogh stated he did not believe this resolution would be acted on at this meeting. Councilor Bushor stated this meeting had specifically been called as a special meeting of the City Council to deal with the budget and it was her intent to act on the budget resolution at this meeting. She stated if indeed there was no intention to act on the resolution, then she questioned the reason for tonight's meeting. Both Councilor Bushor and Mayor Kiss stated they would like to move forward with the budget. Mayor Kiss stated he believed the budget was in a position to be approved by the Council. The purpose of this meeting was to allow more time for discussion if needed, however, again, he believed the budget was ready to be voted on.

Councilor Wright stated the issue of the Airport Parking Garage was the major reason the budget was being delayed and asked for comment on the issue. He inquired if it was going to be resolved by the time the budget was voted on. Councilor Wright stated he was fine with delaying the vote if the issues between the Airport and DPW were resolved within a week. Mayor Kiss stated it would not be resolved and a report would be due in August.

The President of the Council asked the Mayor how he wished to proceed with the rest of the meeting. The Mayor stated that the budget had been discussed many times and in many forums. This meeting allowed for some final questions prior to the vote. The Mayor then asked for a general overview of the budget so the Councilors could move it forward at this meeting.

CAO Leopold stated FY11 was going to end in good condition with the only major issue being loss of revenue at the Waterfront, about \$125,000, due to the flood. There was also some pressure on insurance expenses. He stated at this time there was \$7 million in the City's undesignated fund which provided the City a strong reserve position.

He then stated the three highlights of the FY12 Budget were that the General Fund operating expenses were up only 1.8%. By way of reference, the May to May cost of living or consumer price index was up 3.6%. Therefore, this operating budget was actually 1.8% below the rate of inflation. The non-school tax rate was increased by 1.1%, less than one cent on the tax rate. There would be an increase in wastewater rates. This budget recommended a 10% increase which would result in a combined total increase of water and wastewater by 6%. This would mean about a \$50-\$55 increase per household annually.

Within the General Fund, healthcare costs, for the first time in three years, were now budgeted with an increase of about 10%. The number of personnel would be reduced by 4 positions. The Parks Department budget reflected the evolution of the City Kids program into a single program with the School Department taking the lead. This was proposed by the Budget Task Force several years ago and the CAO was pleased that Parks had been able to effect the change successfully. Secondly, he noted that the Parks Department was expanding its recreation programming in all Parks locations.

The major reductions made in the General Fund to close the budget gap were in administrative overhead and the City's intent to purchase a master accounting system would facilitate an effective management process. This budget also included a reorganization in the Human Resource Department. The CAO stated the accounting system (which would include personnel and payroll functions) would strengthen the human resources function in the City and would reduce costs in the Retirement System.

CAO Leopold then noted there were three major capital improvement initiatives in the General Fund. The first was the Streets Program with this being the final year of the bond funding for the repaving program. He believed the program had been very successful. The second was the annual general capital improvements, which was funded through the annual \$1 million bond and carryover. This budget identified \$540,000 of projects in the Parks budget that would be held in reserve until the level of damage from the flooding was determined. The final capital improvement was the Penny for Parks Program which would be presented in the coming weeks.

Councilor Wright asked if the Airport Parking Garage issue could be resolved by Monday. Robert McEwing, the Interim Aviation Director, stated it could not be resolved by then. Councilor Wright inquired if there was anything else important about the Airport Garage or budget that the Council should consider. Tamara Gagne, Director of Finance and Administration for the Airport, stated they had reviewed the DPW budget and they were anticipating higher expenses and revenue than the Airport would like to pay, regardless of whether or not they continued to work with DPW.

Councilor Berezniak asked if the City had spent the full amount on Street Improvements and if remaining funds would roll over to next year. CAO Leopold stated they anticipated spending the full balance of the Bond proceeds in FY12. The program would continue with revenue generated from the tax increase. He believed there would be higher quality streets because DPW would now be ahead of the cost curve. Councilor Berezniak inquired if the City would reach the quality level anticipated. CAO Leopold stated he expected it would be exceeded.

Councilor Bushor asked if the Airport, Mayor, and DPW would be coming forward with a recommendation regarding the parking garage no later than August 8th, as specified in the budget resolution. Mr. McEwing stated that was doable. Councilor Bushor asked how the Commissions would weigh in on this decision. CAO Leopold stated the terms Airport and DPW include both management and their commission. Councilor Bushor then explained the work she had done to prepare for voting on the budget at this meeting and her intent was to be able to vote.

Councilor Paul stated she would not vote on the budget until there were answers to several questions including: the parking garage issue, how the changes in the City Kids program saved money, and how the Airport Parking garage revenue would factor into the school crossing guard program. She also inquired if it was appropriate to be using Airport revenue to fund crossing guards. CAO Leopold stated it was legal and was approved by the FAA. The CAO explained that the City's Traffic Fund managed the parking garage and was compensated through direct reimbursement for expenses and payment of a management fee. The management fee was then used for the school crossing guards. If in fact there was a change in the management of the Airport garage, the City Council must be aware that funding for the crossing guards would need to be paid through the General Fund.

Councilor Dober stated he was not prepared to vote tonight and expressed surprise at the salaries of Burlington Electric personnel. He believed their salaries were out of control.

Councilor Adrian first questioned the transparency of Councilor Bushor speaking directly to staff with questions. He preferred that questions be asked in the open at Council meetings. He then asked the City Attorney what the City Charter required that needed to be done by June 30th regarding the budget. City Attorney Schatz stated a budget showing revenue and appropriations for the coming fiscal year must be adopted. Councilor Adrian asked if the Council could pass whatever budget it would like. City Attorney Schatz stated the Mayor, in consultation with the Board of Finance, must present a budget and the City

Council may decrease line items. To increase line items, it may do so with a 2/3 vote. Councilor Adrian asked the consequences if a budget were not adopted. City Attorney Schatz stated the City would have no authority to spend money.

Councilor Adrian then questioned why Burlington City Arts had received an increase in their budget, particularly an 84% increase in limited service positions. Following clarification of what Councilor Adrian was referring to, CAO Leopold stated the increase reflected temporary help being reclassified as limited service and actually there was a net change of only \$5,000, or 1.2%. Councilor Adrian inquired why City Arts was the only department budget that was increasing. CAO Leopold stated their expenses had increased \$59,000 and there was an offset of their revenues of \$50,000. The net change was an increase of 1% which was in line with other departments. Councilor Adrian inquired if the numbers for revenue for FY11 had come in yet. CAO Leopold stated they had not but expected they would come in on budget. Councilor Adrian then asked if there was a line item for the Penny for Parks expenditures. CAO Leopold stated there was a reserve of \$361,000 but a schedule had not yet been proposed. There was a plan from Parks but they needed to still identify what could be held in reserve pending the determination of the cost of flood repairs.

Councilor Decelles asked how much it cost to run the City Kids Program. Mari Steinbach, Director of Parks and Recreation, stated the revenues for FY11 were \$831,000 and the expenses were \$944,000. The actual difference turned out to be \$101,000. The FY 12 budget was almost a balanced budget with \$1,036,000 in revenues and \$1,035,000 in revenues. Councilor Decelles asked what portion the Schools contributed. Ms. Steinbach stated approximately \$25,000, with the remaining portion coming from Parks and Recreation. Councilor Decelles asked if this included Flynn School; the Director stated it did.

Councilor Decelles asked how this would change next year. Director Steinbach stated that when speaking with Councilor Paul she had reviewed the variance figure which reflected a reduction of \$400,000. The number now reflected \$565,000 was being removed from the Parks and Recreation budget. The City Kids budget was rebuilt and recreations programs were expanded and, therefore, it was very difficult to compare the numbers. Councilor Decelles asked how much this change was going to cost the School Department. Director Steinbach stated approximately 1/3 to 1/4 of the cost would be subsidized by the Schools, approximately \$300,000. Councilor Decelles inquired if this included the magnet schools: Director Steinbach stated Barnes was included but Wheeler was not. Councilor Decelles asked how they were going to run the program differently for less money. Ms. Steinbach stated the program had always been subsidized. In the past they had used funding from other programs to offset the cost of City Kids and this was difficult to track.

Councilor Brennan spoke about the Airport parking garage and crossing guard issue. He was surprised to hear that Councilors were suggesting shifting the costs to pay for the Crossing Guard Program from the Airport to the taxpayer. He thought it was inappropriate to hold the budget hostage when discussion of this matter could be held throughout the year.

Councilor Mulvaney-Stanak stated the employees staffing the parking garage had rights covered by a collective bargaining agreement. If the City decided to privatize the garage there would be legal implications. Any changes in the garage would take time. The other issue that needed to be dealt with would be how DPW would deal with the loss of revenue. She stated she too came prepared to act on the budget. She believed the budget had been vetted and debated more than any other time and believed it was time to vote on the matter.

CAO Leopold stated that not approving the budget due to the Burlington Electric Personnel Schedule would not affect the wages. The personnel schedule was based on currently approved pay scales and the IBEW contract. It does, in fact, appear shocking when compared with other City departments, but was comparable to other utility companies. He suggested if the Council was concerned about the wages they could charge the Human Resources and Institutions Committee with handling this issue. Further, for better or worse, neither the Council nor the Mayor had approval authority over the BED budget.

CAO Leopold, in response to Councilor Paul, stated the impact on the FY11 revenue for the Parks Department due to flooding would be a loss of revenue between \$130,000 - \$140,000 and it should not affect the FY12 budget. He then explained that the City Kids Program changes that were put in place at the recommendation of two Budget Task Forces were made to improve the program and eliminate duplicate administration and management, but not simply to save money. The solution that was reached accomplished this. Regarding how the change affected the Parks and Recreation Department, there would not be savings of \$420,000, but, rather, a reduction of costs that would be funded from other sources. There was a larger reduction in revenue that now would be transferred to Schools. The expansion of recreation programming would offset the reduction in revenue for the Parks and Recreation Department. The CAO supported the parking garage language of the resolution calling on the Airport, Mayor, and DPW to bring forward recommendations. The CAO believed that reducing costs and enhancing the financial position of the Airport, managing an effective school crossing guard program and protecting the integrity of the Traffic Fund were all important to the overall position of the City.

Councilor Shannon stated her opinion that the reason for calling this meeting had been to discuss the budget and if issues were raised there would be time before the next meeting to gather information. She stated that the Airport needed to be cautious about using revenue to pay for other items; however, any entity that had a contract to manage the parking garage would receive a management fee or profit they could use as they please. In the case of the City, her understanding was the City was choosing to use that management fee to pay for school crossing guards. She asked Interim Aviation Director McEwing if there were any other solutions which would allow the City to use the management fee for other things that would not get the Airport in trouble. Mr. McEwing stated his belief it was to the City's advantage not to highlight that as a particular use of that 5% fee. The concern the Airport had, however, was with the overall cost of managing the parking structure. CAO Leopold stated he would discourage transferring the management fee to the General Fund because the Traffic Fund was the only element of the City that was authorized by Charter to manage parking facilities. The revenue it derived should stay within that entity.

Councilor Shannon commended Mari Steinbach for how she had handled the flood and opened the parks for the season. She stated she had difficulty understanding the memo regarding City Kids because it was attempting to summarize a complicated issue and that more detail would have been helpful. She also asked about the reduction in the seasonal employees. Ms. Steinbach stated there was a reduction of about \$130,000 in seasonal employees assigned to City Kids and that the Burlington School Department would now be responsible for hiring those positions. Councilor Shannon asked about the remaining funds that were being reduced from seasonal help. Ms. Steinbach stated she did not have the detail with her that would explain where those funds were being cut from specifically. Councilor Shannon requested more detail and stated she was not comfortable voting on the budget at this meeting.

Councilor Shannon then asked about City Arts increasing their budget by 5%, while other departments had submitted budgets with lower increases. She believed that in a year where the Council had asked departments to cut back, she was surprised that City Arts had presented a 5% increase. She noted that the CAO stated this was a 1% increase when you consider the revenue projections. However, she requested information for the last three years outlining the budgeted revenues and actual revenues to see what the track record was on meeting those projections. CAO Leopold stated the expenses for City Arts had increased by \$59,000. The revenue was increasing \$50,000. The increase was $\frac{3}{4}$ of a percent as a net increase which was in line with what the Administration had requested.

Councilor Bushor, responding to Councilor Adrian's comments, stated that whenever she needed additional information she would seek answers from department heads or staff people. She had never been criticized for it. She believed it was incumbent upon City Councilors to have their questions answered; however, that did not mean that hours needed to be taken up at Council meetings to be informed. Broad issues should be brought to the whole Council, but Councilors should also educate themselves. She stated she was prepared to adopt the budget, but the need for more information was a valid reason to postpone voting. She also noted that the budget could be amended.

Councilor Wright asked if the Parks and Recreation Commission and the group that had worked on the City Kids issue had given their support. Ms. Steinbach stated the concept had been endorsed by the Community Advisory Committee which consisted of a variety of groups and then explained the lengthy process involved in the transition process. Councilor Wright then asked if the Parks and Recreation Commission had voted and if so, was it a unanimous vote. Ms. Steinbach stated it was approved and she believed it was unanimous. Councilor Wright echoed Councilor Bushor's comments and stated he was prepared to vote on the budget and did not believe that waiting a week would change anything.

Councilor Paul stated that the issue of DPW employees working at the parking garage had already been noted and addressed. Councilor Paul stated the employees would not lose their jobs if another vendor took over the management of the parking garage at the Airport.

Councilor Berezniak stated he was in favor of separating City Kids from the Parks Department. However, he believed the crossing guards should be the School Department's responsibility, if possible. He inquired if reducing the insurance reserve was a good idea and where that money was going. CAO Leopold stated it was carried over year to year and the City expected a fair amount of new expenses. It would be rebuilt over time.

Councilor Adrian asked the City Attorney again if the Council wanted to reduce the budget, could it be done to the whole budget or on a line by line basis. City Attorney Schatz stated it could be either, but any motion would have to include some specificity as to where the money would be cut from. Councilor Adrian asked if money were taken from one department and added to another, would this still require a two-third vote. City Attorney Schatz stated you would need a two-third vote for the line item increase portion. Councilor Adrian inquired if this was specified in the Charter. City Attorney Schatz stated it was his interpretation of the Charter. Councilor Adrian stated he was not prepared to vote on the budget at this meeting and was under the impression that this meeting was intended for discussion. He stated he planned to recommend some adjustments to the budget.

Councilor Brennan stated he believed that thirty years ago the City created an innovative way to fund crossing guards and making changes were unnecessary. He reminded the Council that the school district had one of the lowest per pupil costs in the county but his view was that placing the additional costs of the crossing guard service on the schools was a mistake. Voters passed the school budget, while only 18% of households actually had children. The schools were very successful, but the buildings were failing and services were not provided equally. He also noted that Interim Aviation Director McEwing did not provide a convincing argument on why the practice should not continue.

Director Steinbach then returned to answer several questions the Council had. She stated there was a gap of \$81,000 difference in the temporary help. She explained that \$40,000 was being reduced for the Miller Center because that was one location where one of the Recreation Specialists would be placed. The other \$41,000 was from shifting the Lifeguard and Learn to Swim Program from the recreation division to the parks operation budget as a stand-alone program in order to more accurately determine the cost of the North Beach program. The additional gap was from the benefit costs assigned to the Burlington Kids program.

Councilors Wright and Berezniak made a motion to postpone action on agenda items 6 through 11 until the June 27, 2011 City Council Meeting. The motion passed unanimously.

7. RESOLUTION: Annual Tax Assessments on the Property Grand List of the City for the Purposes Therein Set Forth for the Fiscal Year Beginning July 1, 2011 (Board of Finance)
8. RESOLUTION: Water and Wastewater Rates for Fiscal Year Beginning July 1, 2011 (Board of Finance)
9. RESOLUTION: Temporary Loans in Anticipation of Taxes for the Fiscal Year Beginning

10. RESOLUTION: Authorization for Temporary Borrowing on Behalf of the Water Resources, Wastewater & Traffic Divisions of the Department of Public Works and the Burlington International Airport and the Burlington Electric Department for Fiscal Year Beginning July 1, 2011 (Board of Finance)
11. RESOLUTION: Appropriation of the General Fund Capital Improvement Budget for Fiscal Year 2012 (Board of Finance)
12. RESOLUTION: Approving the Issuance and Sale of Airport Improvement Bond Anticipation Notes, Series 2011 (Board of Finance)

Councilors Wright and Paul made a motion to waive the reading and adopt the resolution. Councilor Wright stated the Board of Finance had approved the resolution unanimously. The Airport Commission also approved it by a vote of 4-1.

CAO Leopold stated a revised resolution had been provided to the Council and he explained the final version had been prepared by bond counsel. It did not provide any substantive change but rather some technical changes. Thomas Melloni, Esq., stated the note purchaser had requested a cross default so that if there was a default under the general bond resolution it would constitute a default on their notes. The clarification was that the default would exist but it would not trigger a higher interest rate. This would only be triggered if there were a non-payment at the maturity date. Councilor Bushor inquired why acceleration of maturities was removed. Mr. Melloni stated it was removed to have just the default rate apply for non-payment.

Councilor Adrian inquired if in the event that the Airport were to default, would the Airport be solely obligated. Mr. Melloni stated the City was not required to pledge its credit. The repayment was expected to be through long term revenue bonds. The other source of payment would be that these bond anticipation notes could be rolled over. Councilor Adrian asked if the Airport defaulted on the notes, would there be anything to preclude the holders of those notes from trying to seek remuneration from the City itself. Mr. Melloni mentioned that the notes expressly stated they were not a pledge of the full faith and credit of the City; the Airport would ultimately be responsible. Councilor Adrian inquired if there were anything to preclude the creditors from obtaining the money from the City. He inquired if they sued the City, would their claim fail with certainty. Mr. Melloni stated that with absolute certainty no, but it was clear from the note that they could not force the City to pay from non-Airport revenues. The repayment could come from refinancing the bond anticipation notes and reissuing them. Councilor Adrian inquired if an interest rate of 6.5% was high for a municipality. Mr. Melloni stated this was not a full faith and credit pledge and was payable with the expectation that long term revenue bonds would be issued in the future. This was also done with a placement agent who solicited interest from purchasers. These were subordinate on airport revenues and were not rated; therefore, there were a limited number of institutional purchasers.

CAO Leopold stated this was a Bond Anticipation Note that anticipated that within 18 months the City would issue permanent financing. It was under the authority of voter authorization in March 2010 for a \$21.5 million bond for the expansion project. Most of the project was now completed and there were now an additional 600 spaces. The total project cost \$14.5 million and the reason for only issuing \$12 million was because this was part of an overall strategy to restore the credit rating of the Airport. This would help increase cash flow and help secure a better interest rate in the future. He stated this was a very good interest rate under the current circumstances that the Airport and the industry were under.

Councilor Berezniak asked if a commission would need to be paid if these bonds did not sell. CAO Leopold stated a term sheet had been signed and the Council merely needed to adopt the resolution.

Councilor Dober asked if these funds would reimburse the pooled cash. CAO Leopold stated the \$12 million would repay the advance provided to the Airport from the City's pooled cash of approximately \$7 million. The balance of \$5 million would be part of the total cash reserves of the Airport to help rebuild finances. CAO Leopold explained that the Airport had saved considerable interest costs from the internal financing done for the advancement of funds. The rating reviews by Moody showed the major issues were the debt service coverage ratio and lack of strong cash reserves. Councilor Dober inquired what the debt service ratio was currently. CAO Leopold stated if a General Obligation bond had been approved, the credit rating would rely on the City and their general credit rating. With a Revenue Bond, the only security would be the revenue and assets of the Airport. This undermined the security which drove the rates up. The debt service coverage derived from the net operating revenue of the Airport, with additional revenue being available at more than 125% of debt service. From a rating agency's standpoint, it was better to have 140%-150% coverage. Councilor Dober inquired what the revenues would need to be to achieve 125%. CAO Leopold stated that for the current level of debt it was about \$5 million net operating revenue annually. A Bond Anticipation Note did not get factored into the debt service ratio.

Councilor Wright asked what failure to pass this would do and what would the alternative be. CAO Leopold stated this was designed as a strategy to promote the liquidity of the Airport. If the resolution did not pass, the Airport would not be in the projected financial position that had been projected and would have failed to fulfill the commitments made to Moody and Fitch to improve finances.

Mira Weinberger of the Airport Commission stated it was approved by a vote of 4-1. The Commission was told this was the only option, but it was his belief it was not a good option for the Airport. He believed the BAN was expensive, risky and only a short term fix. There was currently about \$37 million of long term debt. The Airport Commission was barely able to meet the current debt coverage requirements. This BAN pushed off the need to calculate into debt service coverage ratio on the BAN for 18 months. If the BAN and the RAN, amounting to the \$17 million, were to be put on the Airport as long term debt, the Airport would need an additional \$2 million to service this debt. He believed this was a serious situation and there would be many more difficult conversations in the future.

CAO Leopold stated the numbers quoted by Airport Commissioner Weinberger were not correct. Revenue or Bond Anticipation Notes were not included in the calculation of debt service reserves. In response to Councilor Dober's previous question, the Airport had debt service of \$4.2 million dollars. The debt service coverage would require 100% of that, plus 25% or \$5.3 million. It was expected they would meet that at a ratio of 129%.

Councilor Paul noted that four members of the Airport Commission looked at the same information and voted in favor of the proposal. She then asked ACAO Goodwin if communication about the bond anticipation notes had been maintained with Moody and Fitch, and if so, what their impression was. ACAO Goodwin stated both companies felt it was a very sound strategy because it allowed for the opportunity to improve the debt coverage score. He noted that the debt coverage score had been achieved for the last 11 months which provided an opportunity to show the budgeted numbers could be achieved. Both companies had commended the City for segregating the accounts from pooled cash and setting up the required reserves.

ACAO Goodwin believed the bottom line was that the garage was built. The City received full approval to secure short term financing. The voters approved the borrowing of \$21.5 million but in fact the borrowed amount would only be \$12 million. He explained that he had fully apprised the Airport Commission that an interest rate in excess of 7% could be a possibility, but in fact the City was able to find an attractive rate of 6.5%. Wells Capital Management verified they want to do this deal. With the approval of Board of Finance and City Council, \$12 million would be available on June 24th. He stated this agreement would bring funds back into pooled cash and improved the City's financial performance. This would result in better interest rates and lower borrowing rates for Tax Anticipation Notes and RAN for Burlington Electric.

Councilor Paul asked about the risk of the debt coverage. ACAO Goodwin stated the risk was lowered because the amount being borrowed was significantly less than was approved by the voters. He noted the Airport has reduced their budget by \$1 million this year and there was opportunity to increase revenues. There were other options, but this deal took 5 ½ months to structure and outlined the process involved in selecting the financing company. Councilor Paul stated this was not necessarily the end of the road in looking for the best way to finance this. ACAO Goodwin stated this one deal would provide the opportunity to do better deals in the future and could save the taxpayers hundreds of thousands of dollars in interest each year.

Councilor Dober asked how much debt the Airport was currently in. ACAO Goodwin stated he believed it was \$37 million. There would be some long term debt retiring in the next two to three years. Compared with other Airports, the Burlington International Airport's debt level was less than comparative Airports. Councilor Dober asked what the implications were of not voting on this item tonight. ACAO Goodwin stated that the bank that wanted to do business with us could walk and the City would be out \$12 million and it could take months to restructure a deal. Councilor Dober stated that he was nervous about adding more debt to our most valuable asset just to improve the credit rating of the City.

CAO Leopold stated the Airport had \$37 of million long term debt. The equity fund balance was more than 150% of that figure. The ratio of debt to equity was significantly better than the norm for investment grade airports, let alone ones in our rating. The credit rating affected how much it costs to borrow funds. He reminded the Council the parking garage had already been built. The time to worry about adding more debt was eighteen months ago. He reminded the Council that this process had been underway for 5 ½ months and had been authorized by the City Council.

Councilor Dober asked how the Airport's credit rating declined. CAO Leopold stated the first downgrade was a year ago because of the debt service coverage ratio which they had failed to meet, the lack of cash reserves, and the lack of liquidity with City General Fund which they called a protective security for the Airport. The second downgrade which occurred in the fall was due to the fact that debt service coverage and increasing the cash flow of the Airport had not yet been dealt with. This resolution provided the liquidity while not exacerbating the debt service coverage issue.

Councilor Dober stated \$12 million would only fix the liquidity and this was just buying time. CAO Leopold stated this was moving forward by strengthening the liquidity and giving the Airport time to manage its budget in a manner that would enhance their ability to meet debt service coverage. There had been cuts in expenses of \$1 million as a starting point. The second piece would now be to bring in more revenue. Businesses at the Airport could help make the Airport more viable. Having a better restaurant, an enhanced parking garage, would provide more revenue. The Airport Commission, with the Clerk/Treasurer's Office, was currently addressing the issue of how to strengthen operations during the downturn in the industry. Going from a debt service ratio of 99% to 129% in one year was very dramatic. Further, CAO Leopold noted there needed to be a turnaround in the business. The Airport had a high ratio of seat capacity being utilized, but there were fewer seats than there used to be. Councilor Dober stated despite the explanation, he could not support this because this would put another \$12 million in debt on the Airport while we did not know if travel was going to increase. He believed this was throwing money at a situation instead of tightening up operations.

Councilor Adrian asked if \$12 million in short term debt was being added to \$37 million which would ultimately be rolled into long term debt when the bond was issued. CAO Leopold stated that was not correct because this would cover \$7 million of existing debt. The increase in debt was only \$5 million. To understand more clearly, Councilor Adrian stated there was \$37 million in long term. The GAN in September was for \$5 million. He inquired if this would add \$12 million for anticipatory notes. CAO Leopold stated it would pay back \$7 million to pooled cash. A \$5 million increase would provide more cash to the Airport. There were also \$14.5 million more in assets because the garage had been constructed.

Councilor Adrian inquired if that \$5 million from the GAN was part of \$37 million. CAO Leopold stated it was not and it would be used in the event we began a project under a grant from the Federal Government that instead of the City providing the money, the bank would. The Federal Government would then reimburse the bank. It was not increasing the debt of the Airport except to the extent that you have an offset receivable. Councilor Adrian inquired if the \$7 million was being paid at a 2% rate. CAO Leopold stated that 2% would be in the range of 6% if the liquidity problem were not addressed. Councilor Adrian asked about the rate of interest being charged to departments. A CAO Goodwin stated the rate for pooled cash was now 4.5%. Councilor Adrian inquired if we had spontaneously raised interest rates. CAO Leopold stated they charged the City's cost of borrowing. Councilor Adrian inquired about the rate on a long term bond. CAO Leopold stated it related to what was done to improve the credit rating. If this strategy was successful we could get down in the 4%-4.5% range.

Councilor Adrian stated he had heard that Burlington had one of the lowest credit rating in the country. CAO Leopold stated he did not think that was correct. Councilor Adrian inquired about banks wanting to do business. A CAO Goodwin stated he had met with TD Bank who provided financing. They were interested in our strategy and had made it clear they would watch tonight and by the middle of the week they would look at additional financing deals for the City of Burlington. Additionally, TD Securities provided an attractive offer and financing would be complete by the end of the week.

Councilor Adrian inquired if we were looking to get more money in the future. CAO Leopold stated the City had a significant cash flow financing program ongoing throughout the course of the year. The Airport, Burlington Electric, and the City had been downgraded. The financial community was looking at us to see how seriously the City was dealing with the issue. The City had Revenue Anticipation Notes, Bond Anticipation Notes, and Tax Anticipation Notes. Everyone in the financial community was watching to see how the City handled these downgrades; this BAN addressed that. Improving the credit rating lowered interest costs in the future. He noted that two of the most widely respected financial advisory firms in the country were involved in this effort to address the downgrading of the City and enhance the financial position.

Councilor Adrian stated most people have a difficult time grappling with this kind of debt because they were used to thinking in terms of personal finances. It was difficult to think of taking out debt to work out of debt, as this usually hurts one's credit rating. Councilor Adrian then stated that from what he had heard the City was not going to fall apart in nine months and he would rather see a new Administration debate this issue to come to a different solution.

Councilor Wright stated that the development had already happened. Both the Airport Commission and Board of Finance voted in favor of this. Interim Aviation Director McEwing and Director of Finance and Administration Gagne both had said the City needed to do this. Airport Commissioner Weinberger that voted no stated he could not think of another solution. Councilor Wright stated he would support this resolution and urged Councilors to do the same.

Councilor Berezniak asked if the \$5 million that was left over after pooled cash was paid back would be held in reserve. CAO Leopold stated it would. Councilor Berezniak asked if the \$7 million was paid back to the cash pool and something went wrong in the future, would the Airport have the option to borrow from the City's cash pool to buy some time. CAO Leopold stated there would be three options. One would be to roll it over. The only reason to do that would be if there were problems issuing bonds and did not want to hurt the debt service coverage. The second would be to issue permanent financing, which was what the City would like to see. One issue the City should consider was go back to voters to have this authorized as a General Obligation which would make it less expensive and easier to move forward. The third option would be to take the \$5 million that the Airport had in cash and go back to where we were today. In the interim this would create a more favorable scenario. Councilor Berezniak stated when moving forward with the parking garage, it was noted the Airport purchased steel prior to the bond being written; this had raised concerns in the past. He stated he would support this resolution.

President Keogh requested a roll call. The resolution passed by a vote of 10-2.

AYES: Councilors Berezniak, Blais, Brennan, Bushor, Decelles, Mulvaney-Stanak, Paul, Shannon, Wright and Keogh

NAYS: Councilors Adrian and Dober

ABSENT: Councilors Hartnett and Kranichfeld

12.5. RESOLUTION: Authorization to Waive Until June 20, 2012 Zoning & Building Permit Fees for Work that is Required to Repair Damage to Structures Caused by the Spring 2011 Floods for Properties at or below 104 Feet (Board of Finance)

Councilors Wright and Shannon made a motion to waive the reading and adopt the resolution.

Councilor Wright stated he appreciated this action to help flood victims. He explained that at the Board of Finance meeting there had been a change from 102 flood level to the 104 flood level. The Board of Finance approved this resolution unanimously. This would expand the number of eligible properties from 27 to 62 and provide more help to more people. He then made a motion to amend the resolution by changing 102 to 104. Councilor Shannon accepted the amendment as friendly.

Mayor Kiss stated by changing the number from 102 to 104 this would defray the costs for 62 people instead of 27. This would impact and reduce roughly \$16,000 in revenue.

Councilor Berezniak inquired if this would just be for rebuilding and not expanding structures. The Mayor stated that was the intention.

The motion passed unanimously.

13. COMMITTEE REPORTS

Councilor Bushor stated the HR committee meeting would be adopting its mission statement at their next meeting.

Councilor Mulvaney-Stanak stated the Tax Abatement Committee discussed the resolution regarding tax abatements for flood victims. The Committee drafted a letter and sent it to approximately 20 residents reminding owners they could apply for abatement of taxes for this quarter.

Councilor Wright stated the TEUC Committee met and discussed parking garage issues with people from DPW. The Airport was not prepared to come to the meeting but the Committee requested they come back.

Councilor Shannon stated the Downtown Smoking Steering Committee would be holding its first meeting. The Ordinance Committee discussed the Taxi Ordinance and were working on a 55 page document. They were pushing to meet the deadline for the new licensing year.

Councilor Paul stated the Parks Arts and Culture Committee met and had a presentation from David G. White about the Moran Sources and Uses Budget. They would be coming to the next City Council meeting.

14. COMMUNICATION: City Councilors, re: General City Affairs

Councilor Bushor stated the paving on Grove Street was wonderful and South Williams Street was much better. She expressed appreciation to the Department of Public Works.

Councilor Mulvaney-Stanak inquired about the U.S. Conference of Mayors military spending resolution. She stated she had been concerned with this issue and it called for reprioritization of federal funding and investing in infrastructure rather than spending on wars abroad.

Councilor Dober stated he went to the high school graduation and congratulated all the graduates.

Councilor Berezniak stated the student noise issue goes on every year in his ward and expressed disappointment with the Council for not strengthening the MOU for on-campus housing at UVM.

Councilor Brennan stated June 20th was World Refugee Day and yesterday there were 300-400 refugees celebrating their new found freedom. It was a great celebration with a blending of many cultures in downtown Burlington.

Councilor Wright thanked everyone who helped with the cleanup effort at North Beach.

15. COMMUNICATION: Mayor Kiss, re: General City Affairs

Mayor Kiss stated there were dumpsters out to help get rid of debris related to the flood. The City would continue to help solve problems. He stated there would be a meeting to provide information and representatives from FEMA will be there. In response to Councilor Mulvaney-Stanak's comments, the Mayor noted Resolution 59 of the U.S. Conference of Mayors passed and called on the government to end the wars in Afghanistan and Iraq and bring that money back to benefit from a peace dividend.

16. ADJOURNMENT

Without objection, the Special City Council Meeting unanimously voted to adjourn at 10:36 p.m.

Attest:

Lori Olberg, Licensing, Voting and Records Coordinator & Amy Bovee, Executive Secretary to the CAO