



OFFICE OF THE CLERK/TREASURER

City of Burlington

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BOARD OF FINANCE

MARCH 12, 2012

MINUTES

PRESENT: Mayor Kiss, City Council President Keogh, Councilors Mulvaney-Stanak, and Paul.

ALSO PRESENT: Interim CAO Schrader; ACAO Goodwin; Councilors Bushor and Decelles; Susan Leonard, Human Resources; Tammy Gagne, Airport; Steve Goodkind, Norm Baldwin, Joel Fleming DPW; City Attorney Schatz; Assistant City Attorney Bergman; Seth Lasker, Lise Veronneau, Fire; Thomas Melloni, Burak, Anderson, & Melloni.

ABSENT: Councilor Wright

1. Agenda

Mayor Kiss requested to add item 11. BT update from 6:30-7:00.

On a motion by City Council President Keogh and Councilor Paul, the agenda was adopted as amended.

2. Public Forum

n/a

3. Department Head Compensation - HR

Susan Leonard, HR, stated this proposal addressed department head salary range, placing them at an appropriate level so they do not become maxed out. This proposal would bring them to the closest step. The impact for this year would be \$1,400. The Burlington Telecom and Aviation director positions were already addressed and would not experience an increase. The other portion was the Mayoral compensation. Ms. Leonard stated it was more appropriate to address that now before the new mayor was elected.

Mayor Kiss stated these issues had been addressed as new people were hired or if it was clear that people were considering leaving employment with the City because their compensation was not adequate. This proposal would allow those that were already employed to move forward. It would be good housekeeping to move these forward so that it was not a debate that had to happen with a new administration. The recommendation did not request the Mayor's compensation to be based on the CAO's salary. Instead, it would be better to be based on the Assistant CAOs or at 10% of the CEDO director. The CAO needed to be recruited and paid based on credentials needed to perform that role. While the Mayor was important, the same skills were not needed. The Mayor should be above, but in the mix with other department heads. The CAO required more technical skills.

City Council President Keogh stated this was more than housekeeping and opened the door for significant salary increases. Most of them were warranted. He inquired if this would require a budget change. Ms. Leonard stated she was not sure. Mayor Kiss stated there would be \$1,400 in changes for this fiscal year across all budgets. Ms. Leonard stated some were small and that this would just implement the ranges of the Sadowski report.

City Council President Keogh inquired if there would be salary increases. Ms. Leonard listed the increases that would occur and stated the most significant would be \$600. City Council President Keogh stated he was not concerned about the significance. He inquired if the proposal had gone to the HR Committee and if not, why. Ms. Leonard stated it had not because of the timing. City Council President Keogh stated this had been an ongoing item for several years. Mayor Kiss stated that previously this had been addressed as new people were coming in. City Council President Keogh stated he agreed with that, but this was taking place at the last minute and not going through the process that was in place. He stated he was not comfortable supporting this.

Councilor Mulvaney-Stanak inquired what the process for placement on the salary grid was when a new mayor was election and there were new appointments of department heads. Ms. Leonard stated with department heads, there was a job description with a step in place. The candidates would be placed in that based on their years of experience. If a position required eight years of experience and the candidate had sixteen, they would receive four steps, as they are implemented at a 2:1 ration. Councilor Mulvaney-Stanak inquired where the Mayor would fall. Ms. Leonard stated that the recommendation was up to step 7.

A member of the audience, Councilor Bushor, stated she was surprised to see this on the agenda and it was controversial. If some positions are not reappointed, the impact would be greater. The question was whether or not the Sadowski Report was worthwhile and if the ranges were appropriate. There was a process to look at the affordability of the recommendations and modify them accordingly. She stated she was not sure which version this was and was unsure if the numbers were accurate. Councilor Bushor noted that this proposal fell off the radar because it was not strongly supported. She stated it was important to be mindful of the City's budget.

Councilor Paul stated the BT General Manager position was not filled, as BT was stable but not in great shape. It would be difficult to give the general manager a raise right off the bat. It was also difficult to do this all at once. There are some people who have been more strongly impacted than others. She believed that many of the people are worth the numbers recommended, but it was happening quickly. The Sadowski Report was controversial and as there was discussion about a tax increase right now it would be difficult to make these changes in this environment. This could cost a lot more than \$1,400 in the coming fiscal year. Ms. Leonard stated it would depend on what people start at and it could be higher or lower. She stated that approval was not required by the HR Committee, but going to them would be the right thing to do. Councilor Paul stated it was likely that it would cost more in FY2013.

Mayor Kiss stated this could be on the next BOF agenda if the HR committee wanted time to discuss this. If this was not dealt with, it would continue to come back each year. The leadership needed to be well paid.

Councilor Paul and City Council President Keogh made a motion to refer this to the HR Committee and continue discussion at the next meeting.

Councilor Mulvaney-Stanak stated she would like to know which version of adjustment this was based on. The memo discussed salaries being comparable to other city government. Mayor Kiss stated the recommendation for the Mayor was based on city managers, which would be more comparable to the CAO.

City Council President Keogh inquired how Rutland compared. Ms. Leonard stated she did not know. City Council President Keogh stated he would like to see an increase in the City Council President salary for the extra work required. Councilor Bushor stated the City Council President would not be seen the same way as an employee.

A member of the audience, Councilor Decelles, stated there was very little time left for the full Council to make a decision on this. Doing this now may be problematic, especially with the prospect of a 2 cent tax increase. Ms. Leonard stated the modified Sadowski Report had always been used. The original was in draft form. All numbers had been adjusted, are lower, and fit better within the budget. She inquired if there should be a vote from the HR Committee. Mayor Kiss stated they do not need a vote. City Council President Keogh stated a vote on a recommendation would be helpful.

The motion to refer this to the HR Committee and continue discussion at the next meeting passed unanimously.

4. Geothermal Water System Agreement with Champlain College – Attorney

Attorney Bergman stated this involved a draft agreement for Champlain College to run a pipe under a City street. The Council previously had requested more time to discuss license agreements that have financial implications. This was different than the easement agreements in that it dealt with utilities and should be looked at like a utility line. The way utilities have been addressed in the past was through franchise fees where utilities that occupy the right of way pay a fee. This was different because it was not occupying the right of way, but was a permanent fixture. The college originally asked for \$1,000, but that would be too low to use the right of way. This was a serious financial consideration. The proposal was fair and reasonable, but was not the last point of the conversation. If the Council wanted to go in a different direction, that would be helpful to know. There were also several committees that this could go through, such as the TEUC or the License Committee.

Mayor Kiss inquired about the amount of the fee. Attorney Bergman stated he did not know, and Champlain College had been balking at this. It should be based on how much their bedrooms cost and how many rooms will be serviced by this, then take a percentage of that. Doing it this way would provide something that could be audited. Mayor Kiss stated originally it would have been on the side of the street and there would have been no fee. This was purely for accessing the ground under the street. He inquired if there were fees for having poles along the road. Attorney Bergman stated that the Electric Company, Water, Wastewater and Vermont Gas all pay a franchise fee.

City Council President Keogh inquired if they could make a recommendation. Attorney Bergman stated it was unclear what their desired fee was. He stated it should be based on a percentage, but was unsure what that percentage should be. City Council President Keogh stated a straightforward recommendation would make sense. He inquired if the City could also utilize this

utility. Attorney Bergman stated it was unlikely there would be a use for this entrenchment. They needed to be on equal plane as the utilities. They were more interested in having a flat fee, but this would be in place for a long time and the fee may no longer be adequate over time. City Council President Keogh requested a recommendation. Attorney Bergman inquired how the increase over time should be incorporated. City Council President Keogh stated it should be simple and use whatever tool was in place.

A member of the council, Council Bushor, stated having a flat fee with an adjustment would allow it to increase over time. Steve Goodkind, DPW, stated it was difficult to come up with the value of this. It was possible to come up with one, though this was a small thing. Mayor Kiss stated there would be more opportunity for people to be involved. Norm Baldwin, DPW, stated there were other utilities that would need crossings. This could set a precedent for what happens in the future. Attorney Bergman stated that a license agreement with a dollar per square foot would be mismatched. He inquired if there were other committees that should be consulted.

Councilor Paul stated it was important not to give away space, but this set a precedent. She stated that the City should charge something and a middle ground should be reached. Mr. Goodkind inquired if they would like to see an annual fee with inflation. Mayor Kiss stated it was a right of way that was much bigger than the width of the pipe. If it gets in the City's way, it will have to move.

Councilor Mulvaney-Stanak stated UVM already has projects like this in place and inquired if this would affect them. Attorney Bergman stated existing projects would be grandfathered. There would be continued negotiations. This could be used in future negotiations with UVM. Mr. Baldwin stated this could go through the TEU Committee. Attorney Bergman stated this was not really a license, as the fee was the only thing that would change each year. Mayor Kiss determined it should go to the TEUC, come back to the Board of Finance, and then be voted on at the City Council.

5. Time of Sale Inspection Fee - Fire

Fire Chief Lasker stated there had been a lot of pressure on the Fire Marshall's Office to conduct time of sale inspections and this rate structure would comply with the state levels. Mayor Kiss stated the rates would be \$125 for 1 and 2 unit buildings and \$50 for each unit after that. Chief Lasker stated 99% of inspections have yielded violations.

City Council President Keogh inquired what violation was found most. Chief Lasker stated smoke detectors and railings. City Council President Keogh inquired if the inspection found a window that did not meet code, what would happen if the owner did not replace it. Chief Lasker stated there could be a fine for each day of the violation, but that was not usually done. Lise Veronneau, Fire, stated the buyer of the home was usually the one who was trying to get that done. City Council President Keogh stated he would be reluctant to have someone come to his home and tell him to change his window. Chief Lasker stated that could potentially happen, but that was typically not the result.

Attorney Bergman stated that was something that was requested by the seller or buyer of a building. All buildings are subject to that inspection. Mayor Kiss stated money would be exchanging hands for a sale. Chief Lasker stated they do not go out of the way to do this. Insurance companies often want that certification. Ms. Veronneau stated there was no charge

now, but the volume of calls was increasing. City Council President Keogh inquired how the \$125 fee was chosen. Chief Lasker stated that was the price the State charges. The only difference was the addition of \$50 for buildings with more than two units. Ms. Veronneau stated that the State provides this service for towns that do not have fire departments. This applies to every building that is up for sale. Attorney Bergman stated that a single family home required someone to inspect your house. If they come to facilitate the sale, you will pay a \$125 charge to the Fire Department, which was less than paying a private inspector. Ms. Veronneau stated it was important to not overcharge. A larger property owner would be able to afford to pay for the extra units.

Councilor Paul stated this would generate \$40,000-\$45,000 in revenue, depending on how many buildings have more than two units. She inquired if this would be included in the budget. Ms. Veronneau stated it would be included and would help bring money in without being a huge burden.

Councilors Paul and City Council President Keogh made a motion to approve the fee.

Councilor Mulvaney-Stanak inquired when this would be implemented and how to spread the word about it. Ms. Veronneau stated April 1, depending on the Council process. Mr. Lasker stated the Vermont Realtor Association had been involved in these discussions and knew this may be implemented. Attorney Bergman stated this will frustrate homeowners. Ms. Veronneau stated it will be important to budget this carefully.

A member of the audience, Councilor Bushor, stated this was important, though might not be ready for April 1. July 1 may be more appropriate. Money was tight and the public should be fairly warned. Attorney Bergman stated this money did not have to be spent unless a homeowner requested it. Councilor Bushor stated that was true, but it will be a charge they have not previously incurred. Mayor Kiss stated it should be implemented as soon as possible but there should be notice.

The motion passed unanimously.

6. Authorization to Accept Certified Local Government Grant – P/Z

The Board voted on an item that would allow the Planning and Zoning Department to accept a Grant in the amount of \$4,634.40. The funds will be used to create a Burlington Coloring Book and host a public speaker to further cultural and heritage education.

City Council President Keogh and Councilor Mulvaney-Stanak made a motion to accept the grant. The motion passed unanimously.

7. Authorization for Contracts and Leases – Airport

City Council President Keogh and Councilor Paul made a motion to approve the contract and leases.

Councilor Paul inquired if this was the last house that would be purchased. Tammy Gagne, Airport, stated there would be two more after this. Councilor Paul inquired if any purchase and sales had been put out since 2010. Ms. Gagne stated they had not. Councilor Paul inquired if

there were further plans to do that. Ms. Gagne stated there was an ongoing program to look at future projects for the next five years. Councilor Paul inquired how many were left. Ms. Gagne stated she thought there were two more. Councilor Paul inquired if the Airport Commission had approved this. Ms. Gagne stated they approved the program, but they do not approve the individual contracts. The leases are renewals that have been in place for about 10 years.

The motion passed unanimously.

8. Pearl Street Improvement Project Phase II - DPW

Joel Fleming, DPW, stated that this request was for the contract with J. Hutchins, Inc. The bid was better than anticipated, the only exception being in the cost of street lights. The goal was to negotiate with the contractor to see what could be done about the cost in order to have it fit within the budget. Mayor Kiss inquired if this would complete the project. Mr. Fleming stated this would be for work at the intersection of Church and Pearl. Work would begin in April to finish the sidewalk and then Hutchins could begin their work.

Councilor Mulvaney-Stanak stated bids came in higher than expected, and inquired if that might be a trend. Mr. Fleming stated he did not think so, as other bids have come in as expected. Mr. Goodkind stated that the lighting was the one setback that drove the price up. Other than that, the prices were good. City Council President Keogh inquired what criteria was used for street lighting. Mr. Fleming stated that the intersection should be brighter. Mr. Goodkind stated there were State standards for lighting that were being exceeded. Mayor Kiss stated it was important to have appropriate lighting. Mr. Fleming stated there would be LEDs and less external lights.

City Council President Keogh and Councilor Paul made a motion to approve the project. The motion passed unanimously.

9. Management Letter – C/T

ACAO Goodwin stated the management letter and responses were in draft form, but are about 97% done. The management letter was much smaller, 27 pages, than previous ones and addressed about 20 items. Twelve items were technology related and would be addressed by the new financial package that was being implemented. The other area was the issue of liquidity, which was starting to be addressed. A total of \$70 million had recently been secured at a lower expense to taxpayers.

Councilor Paul stated she was disappointed that the audit was not yet complete. She inquired how many funds with a negative balance have since been corrected. ACAO Goodwin stated the Schools would not be accomplished until August 2012. A bond would be used to fund the borrowings for BED, School and the City. The Southern Connector fund collected \$2.5 million that dated back to prior years. There was an additional amount of money that needed to be received from Vermont Department of Transportation and the State. Those dollars may not be collected by the end of the year, but would be in 2013. Westlake would not be funded by the end of the year, but it could be financed and there would be a revenue stream coming back to the City. That would not be made whole until the end of the fiscal year. Wastewater took out several large bonds twenty years ago with balloon payments due. The bond that was due was paid. There was no plan in place to set the money aside or raise rates. A rate increase did take place this year. There would be progress in the next year and it will be fully positive in 2013.

Councilor Paul stated the large issue was Burlington Telecom. She inquired if this information had been communicated to Moody's. ACAO Goodwin stated it had. The management letter had been shared and he stated he would be meeting with them the following week. He apologized that the audit was not available. The finance team had done what was needed to bring the audit in on time. Melanson & Heath and Sullivan & Powers had had to work together to compile footnotes. This audit needed to be completed before the meeting with Moody's. Councilor Paul stated this was better than in the past, but it needed to be done by December. ACAO Goodwin stated he agreed and he has communicated that to the audit firm. He stated he had been surprised it had taken them as long as it had. There were a substantial amount of errors and omissions in the footnotes. Councilor Paul inquired if there was an opinion letter. Interim CAO Schrader stated there was a draft. Councilor Paul inquired when it would be complete. Interim CAO Schrader stated next week.

A member of the audience, Councilor Bushor, stated the management letter was insightful. She stated there should be a list to track what needed to be accomplished and inquired if there were plans to develop something like this. ACAO Goodwin stated he would be meeting with his team to review the management letter and findings. There would then be a work plan for the upcoming audit. The audit team would be here to begin the audit on June 30, which should prevent future delays.

Councilor Bushor stated many items would be addressed by the new financial software. She inquired when that would be implemented. ACAO Goodwin stated that was happening now. Councilor Bushor stated much of this was related to security. It would go a long way to show that steps had been taken. Interim CAO Schrader stated that one of the reasons it was included in the request to the Board of Finance was to address security issues that had been raised in the past. This would change the way business was being done in departments and it would require support from the Board of Finance and City Council. One example would be that it will prevent the Airport from spending money without having funding in place.

City Council President Keogh commended them for making major strides in reducing the size of the management letter. A lot of progress had been made.

Councilor Paul stated the audit needed to be done by December 31. Interim CAO Schrader stated that he shared the same desire. Right now it was the auditor that was slowing the process.

10. Request for Approval of City of Burlington Leases – C/T

ACAO Goodwin stated this was a request for \$7 million in leases. There was a competitive bid process and three entities showed interest. The best rate was 3.7% for five years. There will be three leases. One was for Airport Boilers for \$1.2 million. Approving this would improve the cash position and liquidity of the Airport and the City, as that expense has already been incurred. The second lease was \$2 million for Waterfront North. There was a TIGER grant for \$3.1 million that required a comprehensive financial plan to fund the full amount of the project. This completes that requirement and allows the City to receive that federal money. The final lease was part of the plan to secure financing before spending. This would be for \$2 million, with \$600,000 of it reimbursing the City for money that had already been spent. This would leave \$1.4 million for additional lease expenses. In the past, the City had spent the money, then gone out for the leasing. This gets the funding up front and improves the cash position of the City. If it were not

possible to secure financing, the City would have already spent the money. The total was about \$7 million at an attractive rate. This would strengthen the cash position and improves liquidity. The entity chosen was called Jules.

City Council President Keogh and Councilor Mulvaney-Stanak made a motion to approve the leases.

Councilor Paul inquired if the proposal had expired. ACAO Goodwin stated there was originally supposed to be a meeting March 5 to address this, but it had been cancelled. He informed Jules of this and they agreed on March 28 as a final date. Councilor Paul stated she felt odd about voting on something that says it was expired. ACAO Goodwin stated the dates were put in writing 90 days ago because it fit into the timeline of closing the deal. There would be documents written up with revised dates. Attorney Schatz stated the vote was on the intent of the documents and the Assistant CAO had expressed that the dates can be revised. The vote would just agree to the terms and conditions.

Councilor Paul stated if they were voting on something that had already expired, the terms could change for some reason. Interim CAO Schrader stated they had agreed to extend the terms. He stated he could obtain a statement. Councilor Paul stated she would like to see that.

The motion then passed unanimously.

11. BT Update

Attorney Schatz stated there was a hearing scheduled in the Citi Bank litigation. He stated this should be done in Executive Session.

Councilor Mulvaney-Stanak inquired why this presentation was being given only to the Board of Finance. Attorney Schatz stated they wanted it to be limited. One City Councilor had requested an update for the full Council. It was up to the Board of Finance on how to proceed. Councilor Mulvaney-Stanak stated she was not on the Blue Ribbon Committee, and it was important that any update be shared with the full Council.

Councilor Paul stated Councilor Wright sent an email saying he would like this presented to the full Council tonight. Attorney Schatz stated this conversation could be completely postponed and have it happen later with the full Council. City Council President Keogh suggested doing that. Mayor Kiss stated he would add it towards the end of the agenda.

A member of the audience, Councilor Shannon, stated it would be redundant to give the same presentation twice, but if Terry was available now it would be better to include him. Mayor Kiss stated it would be best to include Terry. Thomas Melloni, Burak Anderson and Melloni, stated he would like to have him on the phone as much as possible.

City Council President Keogh and Councilor Mulvaney-Stanak made a motion to go into Executive Session. The Board voted unanimously to go into Executive Session at 6:44 pm.

City Council President Keogh and Councilor Paul made a motion to leave Executive Session. The Board left Executive Session at 7:15 p.m.

On a motion by City Council President Keogh and Councilor Wright, the meeting was adjourned at 7:15 p.m.