



OFFICE OF THE CLERK/TREASURER

City of Burlington

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BOARD OF FINANCE

OCTOBER 31, 2011

MINUTES

PRESENT: Mayor Kiss, City Council President Keogh, Councilors Wright, Paul, and Mulvaney-Stanak, Interim CAO Schrader

ALSO PRESENT: Councilors Bushor and Hartnett; ACAO Goodwin; John Vickery, Assessor; Amber Thibeault, Burlington Telecom; Barbara Grimes, BED; Bill Ellis, McNeil, Leddy and Sheahan; Lea Terhune, Burlington Resident.

1. Agenda

Councilor Wright requested a discussion regarding Pennies for Parks at the next meeting.

Lea Terhune, a member of the audience, stated that money from Penny for Parks was currently being used for the Skate Park and Moran and it was supposed to be used for improvements to the existing parks. She objected to this.

Councilor Wright requested to remove item 6 and add it to the next agenda.

On a motion by Councilors Wright and Paul, the agenda was adopted as amended.

2. Approval of Board of Finance Minutes

a. October 5, 2011

On a motion by Councilor Wright and City Council President Keogh, the minutes were approved.

3. ASSESSOR: Review of Business Personal Property Tax

The Board discussed a request from the Assessor's Office to reconsider the parameters of the Business Personal Property Tax. Mayor Kiss stated eliminating businesses below a certain amount would allow for more time to be spent on businesses with more assets. John Vickery, City Assessor, stated it would allow for a better use of the Assessor's Office's resource.

City Council President Keogh stated exempting businesses under \$25,000 would result in an annual loss of \$33,000 in total.

Councilor Paul stated she would like to see 50% of businesses exempt from this tax. She suggested raising the limit to \$35,000. This would result in a greater loss of tax revenue but also reduce expenses in staff time. Mayor Kiss asked how many businesses this would exempt.

Councilor Paul stated this would eliminate half of the businesses. John Vickery stated most are paying \$25 to \$300 annually. Some are paying as much as \$44,000 a year and that is where most of the tax revenue comes from. This would provide help to small businesses at a low cost to the City.

Councilor Wight suggested raising the exemption to \$45,000 to exempt 107 more businesses. Councilor Paul stated this would result in a loss of taxes of \$65,000 instead of \$48,000.

A member of the audience stated she agreed with the proposal. She inquired how this money was going to be made up if this tax were ultimately eliminated. John Vickery stated other communities make up for it through real estate taxes and raising the sales tax.

Councilor Mulvaney-Stanak stated she was in favor of going in this direction but wanted to ensure there was still a source of revenue. Mayor Kiss stated this would save work for the Assessor's Office and allow them to focus on larger businesses and help small businesses.

Councilors Wright and Paul made a motion to raise the exemption to \$45,000. The motion passed unanimously.

4. C/T: Quarterly Financial Reports

The Board reviewed financial reports provided by the Clerk/Treasurer's Office. ACAO Goodwin stated this was a quarterly statement which provided an overview of funds. An update on the Enterprise Funds was included. The pooled cash report, which will constantly change, currently totaled approximately \$1.3 million. In the past the City had allowed excess cash to remain in the pool but will now utilize a revolving line of credit.

The Airport owes the City approximately \$6.7 million that will be paid by the Airport Improvement Project that the FAA approved and a short term borrowing of approximately \$5 million in a few weeks. Wastewater owes the City approximately \$2.7 million and will work to get a \$1 million Bond Anticipation Note to bring this in balance. The State of Vermont owed the City over \$5 million from FY09 and this was recently collected. The last piece was the financing capital with a negative balance of \$1.2 million. There is approval for a lease with Chase for this amount. The cash balance is positive. Further, the upcoming November 12th tax collection would increase the amount of cash.

Councilor Paul inquired how this compares to last year. ACAO Goodwin stated comparing this year to the prior year was useless because of changes in how the City operates with the revolving line of credit. TD Bank did not want to offer the City the revolving line of credit because they made interest from us. Another bank was willing to offer the revolving line of credit. Councilor Paul stated in the past they had been advised to keep large sums of money on hand. ACAO Goodwin stated they have changed the cash strategy and having two Assistant CAOs has allowed more time to be spent in their respective areas.

Councilor Wright inquired about the cash strategy. ACAO Goodwin stated the City had relied on short term borrowings. The City borrowed in the short term for long term notes and had been aggressive on collecting receivables. Councilor Wright asked what the dollar figure on savings will be. ACAO Goodwin stated there were lower interest rates that would result in savings. Councilor Wright inquired if the former CAO, Jonathan Leopold, was supportive of this

approach. ACAO Goodwin stated he was and they have had conversations with him. Interim CAO Schrader stated they have more resources since ACAO Goodwin had been hired and this has allowed a change in strategy.

ACAO Goodwin stated the General Fund currently was in a good position and revenues for the first quarter were good. Burlington Telecom was positive in the first quarter and was doing better than last year. Strategies to get them back on track would be discussed and rates were better than budgeted.

Councilor Wright inquired if the interest rate had been lowered how it affects what is paid back to the City. ACAO Goodwin stated it is lower than the rate would be if it was borrowed from a bank and this would save Burlington Telecom money in the long run. In the Airport's first quarter of 2012, the requirement for debt service was 5.0 but it was actually 1.90, which was not good. The Airport always made a profit. The first quarter they made \$1.4 million, an improvement from \$891,000 last year. They have cut a lot of expenses and construction projects have helped increase revenues.

City Council President Keogh inquired if these rates would continue. ACAO Goodwin stated they would not and the Airport would work to improve debt coverage ratios. There would be increased expenses in the winter months at the Airport. City Council President Keogh inquired about the debt coverage score and the FAA. ACAO Goodwin stated the FAA did not care about the debt coverage score but investors do. City Council President Keogh inquired if this was happening because more time was being spent on finance. ACAO Goodwin stated it was not just his time, but the whole team. City Council President Keogh stated there have been improvements. ACAO Goodwin stated the Airport was changing the way business was done with better results.

ACAO Goodwin stated the Water Department profits were about \$4,000. Revenues for the first quarter were good. Wastewater rates were increased to help pay for borrowings. Changes resulting from the new financial software will be better and make things run more efficiently.

5. BED: Operating Guidelines

Bill Ellis, Attorney for Burlington Electric Department, discussed the document presented to the Board of Finance. Mr. Ellis stated the document would change the operating guidelines in relation to Smart Grid. The amendments were approved by the Public Service Board. There needed to be an amendment to allow for customers to opt out of using Smart Grid. Barbara Grimes stated the meters were no longer being referred to as Smart Meters but Advanced Metering Infrastructure or AMI. This will allow customers to monitor their energy consumption and make adjustments to save money.

Councilor Wright inquired about the fee for opting out. Barbara Grimes stated the average is about 1.5% so that was what they used. Councilor Wright inquired if the fee would discourage people from opting out. Barbara Grimes stated they did not have data on that but the fee was small. Councilor Wright inquired if it could be lower. Barbara Grimes stated it was reasonable based on what it costs to pay someone to read the meter.

City Councilor President Keogh and Councilor Mulvaney-Stanak made a motion to adopt the operating guidelines. The motion passed unanimously.

7. HR: Burlington Telecom Reorganization

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

On a motion by Councilors Wright and Mulvaney-Stanak, the meeting was adjourned at 5:53 p.m.