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BOARD OF FINANCE
MONDAY, JUNE 20, 2011

MINUTES

Present: Mayor Kiss; Council President Keogh, Councilors Paul, Mulvaney-Stanak, and Wright; CAO Leopold

Also Present: Councilor Bushor; ACAO Goodwin; Larry Kupferman, CEDO; Stephen Barraclough, Burlington Telecom; Lise Veronneau, Police; Eugene Bergman, Attorney; Susan Leonard, Human Resources; Scott Gustin, Planning and Zoning; Megan Moir and Carol Weston, DPW

The meeting of the Board of Finance convened at 5:00 p.m.

1. Agenda

There being no amendments to the agenda, the agenda was approved.

2. Approval of Board of Finance Minutes

a. June 6, 2011
b. June 13, 2011

Councilor Mulvaney-Stanak made a motion, seconded by Councilor Paul, to approve the minutes.

Councilor Mulvaney-Stanak requested a line be added to the June 6, 2011 minutes explaining the reason for her vote.

The minutes passed unanimously as amended.

3. DPW: Stormwater and Water Infrastructure Mapping Contract

Megan Moir stated the maps have not been updated since the 1980's. There was now technology to make better maps that were more accurate. This would ensure there was a picture of the existing structure and keep it updated. The program could record information regarding maintenance and inspections. The company they found to create the maps was able to do it quickly and cost effectively. They would also be able to create the water maps at little additional cost. Having these maps would help with project planning.

President Keogh and Councilor Wright made a motion to approve the contract and forward it to the City Council for approval.

Councilor Paul inquired if this was included in the FY12 budget. Ms. Moir stated it was. Councilor Paul inquired what would happen should they not receive funding in the budget and if they would be obligated to move forward with the contract. Ms. Moir said the resolution was pending the passage of the budget.

In response to an inquiry, Ms. Moir stated there would be a $40,000 shortfall if there were an adjustment in the budget. In response to an inquiry regarding the vulnerability of the project, CAO Leopold stated that if the budget were adopted as proposed funding would be in place. The resolution authorizes the City to enter into a contract but does not obligate it to. In response to an inquiry, CAO Leopold stated if the work can be done more cost effectively the City would have the option to explore that.

Councilor Wright inquired if this was time sensitive and what failure to pass this would mean. Ms. Moir said she did consider it time sensitive. If not passed, it becomes much more difficult to help the public because maps were not up to date.

The motion passed unanimously.

4. DPW: Grants for Stormwater Improvements at Blanchard Beach

President Keogh and Mulvaney-Stanak made a motion to accept the communication and place it on file. The motion passed unanimously.

5. DPW: Cherry Street Contract Execution

Carol Weston stated this contract would be part of the Church Street earmark. It was originally combined with the lighting project in the Marketplace. This would improve the intersection at Cherry Street by making improvements to the crosswalk, installing an electric conduit, and improving the brick paving. Don Weston Construction was the lowest bidder out of four and work would begin after Labor Day and be completed by Columbus Day.

Councilor Wright inquired about grants for this project. Ms. Weston stated there were two grants funding this.

Mayor Kiss inquired about the electrical conduit and if this could be used by Burlington Telecom fiber as well. Ms. Weston stated they have spoken to Telecom and they have funding available, but haven't decided if they want to put their line in at this time. Their line could be added in the future.

Councilor Paul inquired where the grants came from. Ms. Weston said it was part of an annual grant the State was providing the City.

Councilor Wright and President Keogh made a motion to authorize the grants. The motion passed unanimously.

6. POLICE: CDIP 2011 OT Grant

Councilor Paul made a motion, seconded by Councilor Wright, to authorize the grant. The motion passed unanimously.

7. MAYOR: Funding for the Off Campus Living Survival Guide

CAO Leopold stated this was part of the Special Project Fund. Mayor Kiss stated this was a request for $1,500 for printing costs of the Off Campus Living Survival Guide. It provided information to students at UVM and Champlain College so they have a better understanding of how to be responsible in neighborhoods.

Councilor Bushor stated she works with the Community Coalition, the group that publishes the guide, and it was a wonderful booklet that would benefit anyone in Burlington. The City benefitted from this and the total printing cost was over $10,000. Councilor Paul also stated it was an excellent guide with good information.

Councilor Mulvaney-Stanak inquired if only UVM used the guide. Councilor Bushor stated Champlain College also used it, as well as being offered in the off-campus living workshops.

Councilor Paul and Wright made a motion to approve the request. The motion passed unanimously.

8. MAYOR: Flooding Permit Fee Waiver

Scott Gustin of Planning and Zoning stated this action would waive Zoning and Building Permit Fees for all structures affected by flooding that were located below 102 feet in elevation. Most of these were on North Cove Road, North Ave Extension. This would apply to 27 primary structures. If all of these structures come in compliance with flood level regulations, the estimated cost would be $5,500 for Zoning Permits, and the cost of Building Permits would be similar. Structures under 102 feet that were substantially damaged would have to come into compliance with code, adding a financial burden to owners. This would also encourage compliance with flood regulations.

Councilor Wright inquired how many properties were affected. Mr. Gustin stated there were 27 primary structures. Councilor Wright inquired if there were a substantial number of people who suffered damage but did not fall under this fee waiver. Mr. Gustin stated that they looked at raising the threshold to 104 feet because the lake level had reached 106. Doing this would raise the number of affected structures to 62. Councilor Wright inquired if this would force people over 102 feet to comply to flood regulations. He also inquired what the financial cost of doing this would be. Mr. Gustin stated that raising this would cost $7,900 in permit fees and only those under 102 feet would be required to comply. Councilor Wright stated he would like to consider that option because it would not be a loss in revenue, as this activity was only happening because of the flood. He inquired if there were any other reasons not to do change the requirement. Mr. Gustin stated they could easily do that and had prepared both numbers. They selected 102 feet because it was the regulatory number. Councilor Wright inquired how they could regulate a proper use of the permits. Mr. Gustin stated the fee waiver would only apply to primary structures.

President Keogh inquired how they planned to regulate the grey areas of whether a person was doing a repair or making improvements. Mr. Gustin stated that it is grey area and Public Works would need to make that distinction.

Mayor Kiss inquired about homes that were more than 50% damaged. Mr. Gustin stated that in a flood zone if the amount of money it would take to repair the house exceeded 50% of the value of the home, the structure would need to be brought up to flood regulations. This meant elevating the first floor to above flood level. Mayor Kiss stated those homes were especially affected by the added cost of compliance.

CAO Leopold inquired what the 102 feet distinction was. Mr. Gustin stated anything below 102 feet was a flood hazard zone. If they received damage, in order to be in compliance with flood regulations, they would need to raise the structure. CAO Leopold inquired if it would only be those below 102 feet who would have their fees waived. Mr. Gustin stated that was the current proposal. Councilor Paul added that extending it would change the cost from $5,500 to $8,000. CAO Leopold stated that the winds had also affected the flood level. To help everyone who suffered flood related damage, the appropriate level would be closer to 104 because that was the level at which damage occurred.

Councilor Wright inquired what would happen to someone who suffered damage at 104 feet but could not afford the repairs. Mr. Gustin stated there were grants and low interest loans available to help rebuild. If a person still couldn't or didn't rebuild, it would become a violation and they would need to move or have their property bought out.

Councilors Wright made a motion, seconded by Councilor Paul to use the 104 foot flood level. CAO Leopold asked if this would only affect the waiver fee. Mr. Gustin stated it would.

The motion passed unanimously.

9. AIRPORT: Bond Anticipation Note

ACAO Goodwin stated that in May, 2010, the taxpayers approved bonds for up to $21.5 million for the Airport. In February 2011, they met with Frasca, the financial advisors for the Airport, to help rate the bond. Based on that meeting, they concluded that they would not need the bond by the end of the fiscal year. Realizing there they had no solution, the next step was to explore the municipal note's market. TD Securities was selected. The approach that Frasca provided was to put in place a Bond Anticipation Note. In April 2010, the City Council agreed to use TD Securities and put together an investment memo that went to 28 investors. On May 23, there was a teleconference call with 11 investors who expressed interest and TD Securities received several calls from investors as well. On June 14, TD Securities said there was one deal that was very attractive. The rate was 6.5% which was less than the amount the financial advisors had originally stated could be obtained. They had anticipated a 7-7.5% interest rate. The City decided to move forward with a $12 million deal at this attractive rate. The reason for doing this was because it would improve the Airport's credit rating, allow them to reimburse the City $7 million they had borrowed, and reimburse the project for $14.5 million. The City Council and Board of Finance would need to approve the BAN for $12 million at 6.5%.

Councilors Paul and Wright made a motion to approve the BAN.

Councilor Wright inquired if the Airport Commission favored this plan. ACAO Goodwin said they had been involved and encouraged the ACAO Goodwin to do this.

President Keogh inquired if we would be selling bonds to pay this off. CAO Leopold stated the risk was that interest rates could go up. In a year and a half the permanent financing may be at a higher rate. The other side was that this would improve the financial position of the Airport and improve the credit rating. Doing that would provide a greater benefit, as it would allow us to secure lower costs of permanent financing. The total project cost is $14.5 million for a piece of the green roof. They hope to pay for this with grants. President Keogh inquired if this would be paid off in 18 months. CAO Leopold stated it would. Currently the City was covering $7 million of this out of the City's pooled cash, $5 million had come from the Airport's liquid cash and $7 million was fully funding the passenger facility charge account. This process would increase the liquidity of the Airport.

President Keogh inquired if this would this pay off the City. CAO Leopold stated it would reimburse the City's pooled cash. ACAO Goodwin stated the debt coverage at the Airport had not been achieved for three years. The Airport was on track and had developed initiatives for the next six months to ensure debt coverage was achieved. A higher debt coverage score could result in a higher credit rating. President Keogh inquired if there were a chance of default on this loan and what would happen if that occurred. CAO Leopold stated $12 million was paid out of the City's current cash reserves. If in eighteen months the City did not receive permanent financing, it would default to the current position. The strategy was to build a cash reserve, and this allowed time to create strong financial statements and meet debt service ratio coverage. The Airport could continue to function as it was, but this would strengthen the Airport.

ACAO Goodwin stated the taxpayers authorized a $21.5 million bond, but the Airport wouldn't have the capacity to pay that back. There were initiatives in place for the upcoming year that would increase the revenue stream. In the last fiscal year, the Airport managed to spend $1 million less than budgeted. He stated he was confident that the Airport was on track.

Mayor Kiss stated the debt ratio came from a decision to keep parking fees low to attract and keep customers at the Airport. Doing this was a strategy that was chosen and maybe was not the best in the long run. The new strategy would more accurately reflect costs. ACAO Goodwin stated they had set up a reserve of $500,000 to improve the debt coverage score. The BAN was a short term bond and it allowed more time to achieve the debt coverage score.

Councilor Wright inquired what the alternative to a BAN would be. ACAO Goodwin stated he did not have an alternative because of time constraints. This process had taken 5½ months. There was an investor who was prepared to loan the Airport $12 million immediately. A no vote could result in a loss of funds and it could take several months to find another loan provider. He stated the City needed to take advantage of this offer. CAO Leopold stated a no vote would leave us where we were currently. ACAO Goodwin stated he had met with other investors and this financing was going to result in the City gaining additional financing. This would save a substantial amount in interest each year. Councilor Paul stated that if there were something that came along that was better, there was the opportunity to change course, but this was the best course at this time.

The motion passed unanimously.

10. C/T: Compensation and Benefit Changes for Non-Union Employees

CAO Leopold stated there was currently an agreement with AFCSME for a cost of living adjustment in FY2012 of 2.1% based on a February cycle. The City agreed to a March cycle with the Fire Union at a 2.7% rate. The question was how to deal with non-union personnel. The City offered a recommendation that all non-union personnel would go on the same cycle as the Police (2.7%), but switch to a bi-weekly payroll. Weekly payroll was expensive and unusual for large employers. A bi-weekly payroll would offset the cost difference. It could be offered to employees as an option or the City could just make the change. There would be a one week advance and then an adjustment could be made for one day each week so no one would have to go without pay. It was noted this could also be offered to AFCSME and they could be brought on to the same CPI cycle, but they would have to agree to a bi-weekly payroll. Historically the City had tried to bargain with the unions to go to a bi-weekly payroll without success. Mayor Kiss inquired how this would affect the budget. CAO Leopold stated the budget accommodated the 2.7% if we go to bi-weekly payroll. He also noted it made sense to enact this now before a new payroll system is put in place.

Councilor Mulvaney-Stanak stated she agreed we should move towards a bi-weekly system but was confused about the plan to offer and advance and shift the day of the month on which checks were issued. CAO Leopold stated that there would be an advance so the next weekly check was a 10 day check instead of a 5 day. The following month you would back that off by one day so that at the end of the calendar year it was a regular cycle. The problem with just changing the pay cycle was that people would have to go for a whole week without a paycheck. There were too many employees who would have trouble financially managing that.

In response to an inquiry, CAO Leopold stated the City Council would need to pass a resolution. Councilor Wright inquired about the written materials. CAO Leopold stated they would draft a resolution and a memo for the next Board of Finance meeting but wanted to have the discussion first. The Fire Union contract was still in progress but Police was finalized. If AFCSME did not agree with the concept then they would be giving up half a percent of CPI. The worst case would be if the City went forward with moving non-union personnel to a bi-weekly payroll and it worked smoothly, AFCSME would then likely come back and open the discussion. In response to an inquiry, CAO Leopold stated it was difficult to calculate CPI retroactively, so the decision should be made by next week.

11. BT: Reorganization

President Keogh and Councilor Mulvaney-Stanak made a motion to enter into executive session to discuss a matter the premature disclosure of which could place the City at a substantial disadvantage.

The Board came out of Executive Session at 6:45 and the meeting was adjourned at 6:50 p.m.