



## Office of Mayor Miro Weinberger

TO: Board of Finance  
City Council

FROM: Mayor Miro Weinberger

DATE: June 18, 2018

RE: Potential Investment of Unassigned Fund Balance

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In 2015, City Council passed a resolution adopting a Fund Balance Policy with the goal “to establish a target level of unassigned fund balance for the General Fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant,” as well as to “establish a process for reaching and maintaining the targeted level of unassigned fund balance, and the priority for the use of amounts in excess of the target.”

At the time, the City was not projected to achieve the 5 percent threshold until 2019. The City’s early achievement of our unassigned fund balance goal is a testament to the dedication of the Administration, City Council, and CAO’s Office to responsibly stewarding the City’s finances. Our unassigned fund balance now represents a healthy operating reserve for the City that will help insulate it in future years from unpredictable changes in the economy.

The 2015 Fund Balance Policy also states that, “The targeted balance is 10%, and the maximum balance is not to exceed 15%. Any amount in excess of 15% is to be appropriated as assigned fund balance, or to be used to reduce property taxes, or other fund balance categories.” As reported in Fiscal Year 2017 Audit Report, the General Fund’s Unassigned Fund Balance was \$8,409,087, equal to 14.2% of the General Fund Expenditures.

We believe it is now prudent to invest some of the unassigned monies in projects that would result in benefits to the City, including improved service to residents, operational efficiencies, and cost savings. City staff has worked to develop a list of opportunities we believe are candidates for the use of those funds, and we are seeking City Council approval of the resolution recommending investing up to \$848,000 of unassigned fund balance to support these opportunities. Proposed projects include:

- ) Support for the Heineberg Senior Center
- ) Building a reappraisal reserve
- ) Supporting the implementation of district energy
- ) Updating the Jobs and People study
- ) Improving capital accounting practices
- ) Staffing a Community Engagement Specialist

) Evaluating digitizing historic records

The attached document provides a description of each of these projects, as well as the expected benefits of each project.

We would use the remaining portion of the unassigned fund balance to support additional opportunities that require further analysis, but that we believe could have significant benefit. These are outlined in the attached document in the second section, titled “for additional consideration.”

Included in the full list are a number of studies that are underway, or requested, that we expect will result in the need for further investment to implement the resulting recommendations. We anticipate making further recommendations related to these items by the end the calendar year, upon confirmation of the FY18 unassigned fund balance and completion of the studies.

**BOF Motion:** To approve and recommend that the City Council approve the resolution recommending investing up to \$848,000 of unassigned fund balance in opportunities to improve City services and realize operation efficiencies.

## Recommended Investment of Unassigned Fund Balance

### Current Recommendation

Item	Description	Need	Benefits	Proposed UAF use
<b>Heineberg Senior Center</b>	Provide \$18,000 in funding to assist the Heineberg Senior Center in addressing the budgetary gap resulting from an unexpected loss in grant funding, while we support work with them to find opportunities to address the funding need in future years.	\$18,000 to address funding gap	- Provides programs, meals, and services for our aging population	\$18,000
<b>Reappraisal reserve</b>	The City expects the State to mandate a revaluation of City properties, which will be completed through FY21. The City has been putting \$90k from the annual operating budget into a reappraisal reserve for this need. The reserve currently has \$320k.	Reappraisal cost is estimated at \$900k - \$1m. We propose setting aside the additional \$500,000 required into the committed fund. The monies are funded in FY19, but savings would be from future operating budgets	Remove any need to borrow to cover the cost for reappraisal, or the need to budget for the large expense in the operating budget	\$500,000
<b>District Energy</b>	City and BED have been working toward a District Energy System. This project would transfer to the City for implementation.	Monies will be required to support steps toward implementation, largely fees for external counsel and expertise.	Supports work required to further commitment to increase use of renewables and become a Net Zero City	up to \$80,000
<b>Jobs and People Study</b>	Studies were completed in the '80s and '90s to evaluate jobs and employment trends in the working age population and employment in Burlington, presenting indicators of where the local economy has competitive advantages.	We may be able to identify some community development monies to address this need. If another funding source can not be identified, propose using up to \$25k to initiate an updated study.	- Understanding of local trends and indicators of areas of competitive advantage that can be used to define and drive economic development efforts	Up to \$25,000
<b>Capital Accounting</b>	The City is undertaking more complex, multiyear projects that involve multiple departments, external partners, and varied funding sources. Our practices for accounting for projects have not improved along with project complexity, and restrict our ability to track and report on project activity. Our FY17 audit included a finding recommending improvement to our practices. As the Capital Accountant position is currently vacant, there is good opportunity to review and implement improvements to our practices.	Contract with a consulting/audit firm to provide recommendations for best practices in project accounting, work with staff across departments to develop an appropriate standard for project accounting, and make recommendations on how to implement the recommended practices in New World.	<ul style="list-style-type: none"> <li>- Improved delivery of projects</li> <li>- Improved financial reporting</li> <li>- Ensure billing of all reimbursable expenses</li> <li>- Improved tracking of funding sources and use of bond proceeds</li> <li>- Address audit finding</li> </ul>	up to \$75,000
<b>Community Engagement Specialist/Engagement Support Associate</b>	Limited service positions (1 FTE Community Engagement Specialist; 0.5 FTE Engagement Support Associate) to support ongoing CEDO efforts to more effectively engage with the Burlington community and promote robust public dialogue. Specialist position will market to underserved populations, enhance social media presence, assist City departments with civic engagement, and complete Civic Engagement Handbook. Associate position will assist in all efforts, including public engagement at City Hall; will allow CEDO to keep office open to public during business hours	Thoughtful civic engagement is at the heart of CEDO mission. Currently, CEDO is under-resourced for consistent, effective engagement and communication. This position will complement and enhance current CEDO efforts.	<ul style="list-style-type: none"> <li>- Improved public engagement on City projects.</li> <li>- Enhanced communication about opportunities for community participation in events, meetings, forums</li> <li>- Improved marketing and communication to underserved populations</li> <li>- Opportunity to improve engagement across all City departments</li> </ul>	up to \$100,000

<b>Scanning/Archiving Records</b>	There are many spaces across City buildings that are dedicated to paper records, many of which could be destroyed, do not need to be in paper form, or could be made available online. The City could hire an archivist to review existing documents, work with the City Attorney, staff, and State Archivist to determine appropriate retention, and identify records for destruction, digitization, and/or offsite storage. Once digitized, files may need to be converted to existing systems (e.g. Amanda) for consumption.	We propose using \$50,000 for a consultant to evaluate our needs and develop a plan for digitizing and storing materials. We are also proposing allocating up to \$250,000 to implement the recommendations of the expert.	- Elimination of the risk of lost/damaged records - Improved customer service (onsite), availability of records online - Freeing-up of space for more beneficial uses (e.g. office space) at City Hall and 645 Pine St	\$50,000 to fund evaluation and recommendations  Following study, additional funds may be requested to implement recommendations
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**For Additional Consideration**

<b>Item</b>	<b>Description</b>	<b>Need</b>	<b>Benefits</b>	<b>Proposed UAF use</b>
<b>Customer Service Investment</b>	Funds are included in the FY19 budget to engage a consultant to perform a review of existing customer service capabilities, explore best practices and recommend opportunities to improve service across the City. We expect the recommendations we receive will require funding for implementation.	Once the budgeted study is complete, monies will likely be required to support implementation of the recommendations, e.g. reference material development, software	- Improved service to constituents - Cost avoidance - more efficient use of staff to achieve service goals without hiring new staff	up to \$200,000 for implementation of recommendations, proposal to be presented following completion of study, est by 3/15/19
<b>Asset Management/ Facilities</b>	A consulting firm is currently preparing a report for DPW that looks at our current asset management capabilities, and will recommend a structure and staffing necessary to achieve improved stewardship of our assets (facilities and infrastructure).	We expect to receive the final report in the next 6 weeks, and anticipate that report will make recommendations that include developing formal management plans for all assets, procuring software and hiring staff. Further funding will be required to fund annual facility maintenance and repairs to appropriate levels - though operating costs would increase future capital investment needs would be reduced.	Long term goal is improved stewardship of all City assets (e.g. parks, streets, benches, buildings), and reduced capital investment requirements resulting from appropriate investment in regular maintenance of those assets	A proposal will be brought forward following receipt of the consultant's report, est by 12/31/18
<b>Purchase BCA building</b>	BCA currently leases space on Pine Street, where it operates many of its classes, camps, and programs. The building is for sale, which would provide additional space that could be rented out.	The cost of the building is estimated at approximately \$2.1m. There would be approximately 19,000 sf available to rent out and/or use for City offices. Further analysis is underway	- Decreased annual operating costs for rent currently paid (\$73k for FY19) - New revenue stream for rental of new spaces, offset by costs to maintain and manage the new space.	Building est. \$2,100,000
<b>Contract for grant writing support</b>	Many activities that occur across the City could potentially be supported through outside funds (e.g. federal, state, or private grants). We propose contracting with a professional firm/individual to help identify and obtain new funding opportunities. The firm would work with department staff to understand our work and needs, research potential funding sources, and prepare and submit applications for that funding.	Contract with a firm/individual for an up to two-year trial, with the goal of raising at least as much as their cost, plus identifying additional opportunities to pursue.	Long term goal would to contain any future tax increase needs through the identification of other funding sources to cover operating expenses  In the short term, we'd aim to tie any contract and renewals to specific amounts of both identified opportunities and realized funding	up to \$250,000

<b>Solar / or Renewal Energy</b>	<p>A study of opportunities for solar implementation was completed. Three GF buildings were identified as candidates, 645 Pine, where solar was installed using GRLF funds, BPD, which requires a new roof prior to install, and Leddy. In addition, the landfill as identified ; this site would cost more, or could be leased, and poses some potential challenges.</p> <p>Monies could also be used to explore other opportunities for use of alternative or renewable energy sources.</p>	<p>At this time, we are exploring options to expand solar that might be at no or lower cost to the City, following that analysis and potential RFP, we may come back with a further proposal</p>	<ul style="list-style-type: none"> <li>- Decreased annual operating costs</li> <li>- Supports City's sustainability goals</li> </ul>	<p>TBD, pending further analysis and proposal</p>
<b>Sustainable Infrastructure Plan</b>	<p>In November 2016, Burlington residents voted overwhelmingly in support of two bond measures to reinvest in our city's aging capital infrastructure. Projects include improvement of roads, sidewalks, the bike path, facilities, and other City infrastructure.</p>	<p>Funding was approved for the first 5 years of the capital plan, up to \$27.6 million. Monies could be used to decrease the overall bonding necessary to complete the approved work.</p>	<ul style="list-style-type: none"> <li>- Expand investment in infrastructure</li> <li>- Minimize tax burden on residents</li> </ul>	<p>TBD, pending further analysis and proposal</p>
<b>Business Personal Property Tax</b>	<p>The City is exploring opportunities to eliminate the Business Personal Property Tax, in response to a 1/1/2018 Council Resolution. Original options were presented to Council on 4/30/2018, and a further report is due to Council in the fall.</p>	<p>There will be revenue impacts to the General Fund as a result of elimination of the tax, and options to fill the gap are being explored and a proposal will be developed.</p>	<ul style="list-style-type: none"> <li>- Encourage business investment and growth in Burlington</li> <li>- Expand business retention and attraction</li> </ul>	<p>TBD, pending further analysis and proposal</p>