



**CITY OF
MONTPELIER
MONTPELIER,
VERMONT**

Agenda for City
Council Meeting
Wednesday,
February 23, 2011
7:00 P.M.

- 1) Call to Order by the Mayor
- 2) 11-053. General Business and Appearances
- 3) 11-054. Consideration of the Consent Agenda:
 - a) Consideration of the Minutes from the December 22nd, 2010 Meeting.
 - b) Approval of City Manager's Contract renewal for March 13, 2011 through March 12, 2014.
 - c) Consideration of authorizing and approving the submittal of a grant application from the Vermont Department of Environmental Conservation, through the financial assistance program, for the construction of Municipal Water Pollution Control Facilities and to authorize the City Manager to execute the grant application on behalf of the governing body.
 - d) Consideration of the becoming the Liquor Control Commission for the purpose of acting on the following:
 1. Ratification of the issuance of two Catering Permits from Yebba, Inc., d/b/a The Abbey Pub & Restaurant, for ?
 - A. A Cocktail Reception held on Tuesday, February 15th, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.

B. A Cocktail Reception scheduled to be held on Wednesday, February 23rd, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.

2. Ratification of the issuance of a Special Event Permit to Go America, Go Beverages, LLC, d/b/a "Whistle Pig Whiskey", for a Legislative Tasting Event scheduled to be held on Thursday, February 24th, from 2:30 to 6:30 P.M. in the State House Cafeteria.

3. Application from Hyzer Industries, Inc., d/b/a Three Penny Taproom, for Cheese Reception/Concert scheduled to be held on Friday, March 4th, from 7:00 to 11:00 P.M. in the City Hall Auditorium.

e) Payroll and Bills

3) 11-054. Consideration of the Consent Agenda:

4) 11-055. Appointment to Planning Commission.

a) Following the resignation of Missa Aloisi, staff advertised to fill this position; listed below are the names of those who submitted letters of interest and/or resumes: Michael Tarrant Kimberly Cheney, Esq. 144B Main Street, Apt. #2 c/o Cheney, Brock & Saudek, PC 159 State Street

b) Recommendation: Opportunity to meet applicants; possible Executive Session in accordance with Title I, §313, Executive Sessions, (3) The appointment or employment or evaluation of a public officer or employee; appointment to fill the unexpired 2-year term until August, 2012.

5) 11-056. Presentation of the City's Audit Report for FY July 1, 2009 - June 30, 2010.

a) Steve Love of Love, Cody & Company, CPA's, will present the Audit Report to the Council.

b) Recommendation: Receive report; opportunity for discussion; acceptance of the City's FY 10 Audit Report.

6) 11-057. Consideration of approving and authorizing the City Manager to contract for technical support services regarding the development of the District Heat Project.

- a) The City applied for, and received, an \$8 million grant from the Department of Energy Community Renewable Energy Program funded by ARRA to develop a district heating system fueled with locally harvested renewable biomass energy.
- b) The project would be developed in partnership with State Government/Building and General Services (BGS) which currently operates a central heating plant in Montpelier.
- c) For the City to develop the proposed routing, preliminary design and cost estimates, of the heat distribution system, along with providing BGS critical information for sizing and selecting the boilers which will replace the current aged boilers at their central heating plant, the City proposes to contract for assessment and preliminary design services with Community Biomass Systems.

Recommendation: Authorize the City Manager to enter into a contract with Community Biomass System Inc. for the necessary technical services up to the amount of \$95,490.

7) 11-058. Council Reports

7) 11-058. Council Reports

8) 11-059. Mayor's Report

9) 11-060. Report by the City Clerk-Treasurer

9) 11-060. Report by the City Clerk-Treasurer

10) 11-061. Status Reports by the City Manager

10) 11-061. Status Reports by the City Manager

11) 11-062. Agenda Reports by the City Manager

Adjournment

**City of Montpelier, Vermont
Agreement for Technical Services
with Community Biomass Systems, Inc.
for the
Montpelier Community District Heat Project**

THIS AGREEMENT is made this ____ day of February, 2011, by and between Community Biomass Systems, Inc, with its principal place of business at 1324 West County Road, Calais, Vermont hereafter referred to as CBSI and the City of Montpelier, VT with a principal place of business at the Montpelier City Hall, 39 Main Street, Montpelier, Vermont 05602-2950, hereinafter referred to as the CITY.

WHEREAS, the CITY wishes to employ CBSI for the purpose of providing technical service in support of the advancement of a community district heat system; and,

WHEREAS, federal funds may participate in the cost of the services described in this AGREEMENT pursuant to the provisions of Title 23, United States Code; and 23 Code of Federal Regulations, which are incorporated herein by reference, and,

WHEREAS, CBSI is ready, willing and able to perform the required services.

NOW THEREFORE, in consideration of these premises and the mutual covenants herein set forth, it is agreed by the parties hereto as follows:

I. SCOPE OF WORK

Community Biomass Systems is co-lead of the MacMillin/Community Biomass team, one of the three teams that bid on the City's August 2010 RFP for design/build services for the Montpelier Community Renewable Energy Project. The 2010 RFP encouraged bidders to propose alternates. In response, the MacMillin/Community Biomass proposal of October 2010 included an alternate titled, "District Heat Business Development Assistance." The City in consideration of the status of the project and the informational needs to advance the project has concluded that the Alternative offered in the MacMillin/Community Biomass response, as detailed in the following Scope of Work, best meet the needs of the project, "This proposal is made by Community Biomass Systems, in partnership with RDA/Centratherm and with support from MacMillin."

CBSI agrees to provide and the CITY agrees to accept project management services to conduct the following tasks:

The Scope of Services provided by the City is given below, with each of the five tasks in italics. Following each task is the detailed Scope of Services CBSI proposes to provide.

TASK 1: *Develop a work plan and schedule, satisfactory to the City of Montpelier that completes the following tasks by May 30, 2011. The work plan and schedule will be submitted to the City within 10 days of entering into contract. Said work plan shall provide specific dates and deliverables necessary to complete the remaining tasks.*

CBSI Proposal for **Work Plan and Schedule:**

As written above. Carried out by CBSI with assistance from RDA.

Deliverables:

- Work Plan, for the period March 1 – May 30, 2011
- Schedule of Work, for the period March 1 – May 30, 2011

TASK 2: *Recruit customers for the proposed District Heating System. Contact property owners in the proposed service area to introduce them to the proposed project. For those property owners that express an interest in connecting to the district heating system, assess their heating needs, evaluate the costs and benefits for them to be served by the District Heat system, develop a design and cost of the hook up connection they will need, including energy consumption metering, estimate their annual heating cost and secure letter of commitment from the customers that commits them to a hook up within a range of prices the City approves. The proposed methodology for assessing costs and benefits of connecting to the district heating system will be presented to the City of Montpelier and the methodology accepted prior to its application for evaluating any potential connections to the district heating system.*

Connected Load:

As written above. Because it is not known how many customers might chose to connect, it is difficult to define the level of effort required. For cost estimation CBSI has assumed that ten customers will chose to connect to the system at this time. However, the effort will be made to engage as many as possible during the period of this contract.

Each interested potential customer will be visited by CBSI staff, with engineering backup provided by RDA and assistance from a local plumbing/heating contractor. The existing heating equipment will be inspected and fuel consumption records will be collected. For each building, a preliminary connection design will be developed and the connection cost estimated. This cost will include the Energy Transfer Station (ETS) or system interface, which will be designed and costed by RDA for standardized capacities. Each potential customer will be provided with an analysis of the cost effectiveness of connecting, using CBSI's District Energy Assessment Tool (DEAT). An important input to this analysis will be the price of thermal energy that the City proposes to charge to customers.

Engineering-level design and bid drawings for customer connections are not included in the scope. CBSI will prepare a standard commitment letter, with input and approval from the City, and provide education and support for potential customers to make signed commitments.

Deliverables:

- Methodology for analyzing customer cost and benefit
- Any written materials used for customer education and recruitment
- Standardized connection and ETS package designs developed, with costs
- List of buildings identified and visited
- Results of analysis for specific buildings visited
- Signed commitment letters
- Assessment of load impacts (plant capacity and energy sales) for committed customers

TASK 3: *Design an optimum routing of the heat distribution piping that serves initial customers and enables additional customers to connect to the system. The long-term goal of the district heating system is serve 1.8 million square feet of heated space in the Montpelier community. Provide accurate costing information for installation and operation of the district heat system, and costing for connections to the system for at a minimum the Montpelier City Hall/Fire Station, Police Station, Montpelier High School and Union Elementary School. The final deliverable of this task shall be appropriate for competitive bidding and construction. The work plan developed under Task 1 shall identify appropriate phases and interim deliverables and how the design of the district heating will be coordinated with the design and development of the heating plant.*

Pipe Routing and System Design:

As written above. Community Biomass will convene a team led by RDA and including staff from the Public Works and Planning Departments, the Montpelier Energy Advisory Committee and representation of the downtown community to discuss, analyze and make a proposed final decision on pipe routing. The selected route will serve identified city and school buildings as well as likely load density areas of the downtown, in particular large loads that have expressed interest in connection. The route selection process will also be shaped by the difficulty and cost of river crossings, the need for easements, and the technical and logistical difficulty associated with pipe burial.

RDA will develop a preliminary design for the buried pipe system, using the selected pipe route, assuming full-build out capacity (to be able to serve a total of 1.8 million square feet of connected buildings as identified in the DOE grant). Based on the preliminary design, RDA will work with other team members (including MacMillin, Engineering Ventures and DuBois Construction) to develop a budget-ready cost for the system.

Depending on available time and funds for this phase of work, RDA will then advance the pipe network design and engineering toward bid drawings, understanding that this cannot be fully achieved during this three-month period. See “Other Work,” below.

RDA will lead a team to determine the most cost-effective means of constructing the pipe network project, as a means to avoid over-design and to control cost.

RDA will visit each of the listed city and school buildings and any other buildings recruited as a result of Task 2 to develop a design for connection and a budget-ready cost for connecting, including tie-in pipe from the mains in the street, foundation penetration and restoration, routing of pipe through the building, and installation and connection of the ETS (heat meter and other equipment).

Deliverables:

- Final pipe route, approved by City representatives
- Buried pipe network preliminary design
- Buried pipe network budget-ready cost
- Buried pipe network installation plan
- Design and budget-ready cost for connecting each of the identified city/school buildings
- Progress drawings and specifications for system design work completed by May 30, 2011

TASK 4: *Outline the permitting requirements, cost (including permit preparation) and timeline applicable to the construction/installation of the district heat distribution system. Prepare technical materials that maybe required to obtain all applicable permits for construction and installation of the district heating system distribution piping and connections to end users. Prepare draft permit application(s).*

Permitting:

As written above. BCSI will work with the Public Works and Planning Department staff, as well as with appropriate state agencies, to develop a list of applicable permits for the project involving the installation of the buried pipe network and the connection of buildings. CBSI will provide cost estimates and schedule for all identified permits.

At the current time, it is not possible to know what technical materials or inputs from hired consultants will be required to complete permit applications, but BCSI does not anticipate that permitting will be onerous or expensive. BCSI will apprise the City of permit needs and any specialized consultant resources required, and their costs, after they have been identified. BCSI will draft all permit applications that CBSI can do without outside assistance from specialized consultants. Should specialized permit consultants be required, BCSI will manage their work in completing applications. The cost of such specialized consultants is not included in this proposal.

Deliverables:

- List of required permits, with costs and schedule
- Identification of permit applications requiring specialized consultants, with costs
- Drafted permit applications

TASK 5: *Define the hot water requirements necessary to serve initial and expected customers of the Montpelier Community District Heating System. Develop the necessary demand curve information that will allow the heating plant owner/operator to provide the necessary hot water production and circulation to meet the heating requirements of the district heating system under all heating conditions. The work plan developed under Tasks 1 shall identify how the heating load will be coordinated with the heat plant development.*

Plant Hot Water Capacity and Energy Sales Estimates:

As written above. RDA, assisted by Community Biomass, will finalize the connected capacity for each of the city, school buildings as well as for all other committed buildings. CBSI will also determine a load diversity factor and make a recommendation for the city's capacity allocation at the central heating plant. Working with state staff, RDA will provide demand duration curves to define daily and seasonal variations in heat demand from customers on the city heat network (including city/school buildings and other committed buildings).

RDA will work with the state engineers to advise on the heat exchangers, district heat pumps heat network controls and master heat meter, as well as their integration with the equipment and controls of the state's steam plant. Design and cost estimation of this equipment and controls is not included in this scope of services.

Deliverables:

- Connected load of each committed building
- Recommended load diversity factor
- Recommendation on city's plant heat capacity requirement
- Load duration curves, as required

II. OTHER WORK

Because the system is under development at this time, particularly with respect to negotiations between the City of Montpelier and the State of Vermont on key points, it is not possible to know precisely what needs there may be for work beyond what is detailed above. Items not included above will be treated as "Other Work" that would only be undertaken with the express instruction and approval of the City, and with close feedback to the city on time and cost expenditures for any requested and approved work.

Other Work may include:

- Working with City and State on developing heat rates
- Development of the City's business structure for selling heat
- Review of the City business model used to determine the cost-effectiveness of the new heat distribution business
- Attendance at some meetings or negotiations with the state, or providing input for such meetings
- Customer recruitment, for customers beyond the ten specified in the Task 2
- Developing detailed operating cost projections for the city district heat distribution business
- Provision of detailed engineering designs and bid documents for non-city customers
- Developing design or cost estimation for conversion from steam to hot water for part of Union Elementary School
- Working on detailed engineering design and bid documents for the pipe network installation
- Providing detailed design, cost estimation and/or bid documents for central plant equipment

III. BEGINNING OF WORK AND TERMINATION

This AGREEMENT shall be effective upon signature by both parties and shall be completed on or before May 30, 2011. The contract may be extended by mutual written agreement.

IV. PROFESSIONAL FEES

General. The CITY agrees to pay CBSI and CBSI agrees to accept as full compensation for performance of all services and expenses encompassed under this AGREEMENT and the subsequent scoping documents, the labor time and reimbursable expenses to CBSI. Labor time and reimbursable expenses will be invoiced inclusive of all expenses except travel and related direct costs as follows:

CBSI major team members' **hourly rates** are:

Community Biomass Systems	
Principal (Timothy Maker)	\$150/hour

Technician	\$ 40/hour
Secretarial/Administrative	\$ 40/hour
RDA Engineering	
Principal (David Wade, P.E.)	\$140/hour
Engineer	\$100/hour
CADD/Technician	\$ 65/hour
Secretarial	\$ 45/hour

Other subcontractors that may be employed will be billed at their costs.

Task Pricing Estimates:

Task 1 Work Plan and Schedule	\$ 1,810
Task 2 Connected Load	\$32,620
Task 3 Pipe Routing and System Design	\$30,860
Task 4 Permitting	\$ 4,520
Task 5 Plant Hot Water Capacity and Energy Sales Estimates	\$20,280
RDA Travel Expenses (3 trips from Marietta, Georgia)	\$ 4,900
Direct Expenses (printing, copying, postage, etc.)	\$ 500
Total Not To Exceed	\$95,490

The total maximum cost authorized under this contract is \$95,490.

V. APPLICABLE LAW

This Agreement shall be construed in accordance with the laws of the State of Vermont, U.S.A. If any provision in this Agreement is determined to be invalid by a court of competent jurisdiction, the remaining terms and conditions shall remain in full force and effect.

All work done by CBSI must comply with the federal requirements for contracted work, included herein as Appendix A. Failure to comply with these requirements will result in forfeiture of payment.

VI. RESOLUTION OF DISPUTES

If a disagreement arises concerning a matter covered by this Agreement, CITY and CBSI agree to promptly communicate with each other regarding the matter and to attempt to resolve the disagreement to their mutual benefit. All attempts will be made to resolve the dispute without litigation, including first working with mediators that can be mutually agreed by both parties. Should either party hereto, or any heir, personal representative, successor or assign of either party hereto, resort to litigation to enforce this Agreement, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to recover its or their reasonable attorneys' fees and costs in such litigation from the party or parties against whom enforcement was sought.

VII. ENTIRE AGREEMENT

This Agreement, together with any exhibits attached hereto, constitutes the entire Agreement between the parties and subcontractors the . This Agreement supersedes any prior or contemporaneous oral or written communications, understandings or agreements related to the subject matter of this Agreement.

VII. PAYMENT PROCEDURES

Invoices shall be submitted monthly to the City of Montpelier, Planning and Community Development, at 39 Main Street, Montpelier, Vermont 05602-2950. Invoices may be submitted electronically within one week after the first of the subsequent month the invoice is for. Along with the Invoice CBSI shall include a reporting of the activities completed, the associated costs relative to the estimated costs budgeted for each task and cumulative total under this contract. As the included Task pricing are best estimates, CBSI should note if actual costs differ and confer with the CITY to make any appropriate adjustments.

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed as of the date and year first above written.

Community Biomass Systems Inc.

By: _____
Timothy Maker

Title: President/CEO

Date: _____

CITY of MONTPELIER, VERMONT

By: _____
William J. Fraser

Title: City Manager

Date: _____

APPENDIX A: Federal Requirements

Fly America Requirements

The Contractor agrees to comply with 49 U.S.C. 40118 (the "Fly America" Act) in accordance with the General Services Administration's regulations at 41 CFR Part 301-10, which provide that recipients and subrecipients of Federal funds and their contractors are required to use U.S. Flag air carriers for U.S Government-financed international air travel and transportation of their personal effects or property, to the extent such service is available, unless travel by foreign air carrier is a matter of necessity, as defined by the Fly America Act. The Contractor shall submit, if a foreign air carrier was used, an appropriate certification or memorandum adequately explaining why service by a U.S. flag air carrier was not available or why it was necessary to use a foreign air carrier and shall, in any event, provide a certificate of compliance with the Fly America requirements. The Contractor agrees to include the requirements of this section in all subcontracts that may involve international air transportation.

Energy Conservation Requirements

The contractor agrees to comply with mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act.

Lobbying Disclosure Requirements

Modifications have been made to the Clause pursuant to Section 10 of the Lobbying Disclosure Act of 1995, P.L. 104-65 [to be codified at 2 U.S.C. § 1601, *et seq.*]

Lobbying Certification and Disclosure of Lobbying Activities for third party contractors are mandated by 31 U.S.C. 1352(b)(5), as amended by Section 10 of the Lobbying Disclosure Act of 1995, and DOT implementing regulation, "New Restrictions on Lobbying," at 49 CFR § 20.110(d)

Language in Lobbying Certification is mandated by 49 CFR Part 19, Appendix A, Section 7, which provides that contractors file the certification required by 49 CFR Part 20, Appendix A.

Modifications have been made to the Lobbying Certification pursuant to Section 10 of the Lobbying Disclosure Act of 1995.

Use of "Disclosure of Lobbying Activities," Standard Form-LLL set forth in Appendix B of 49 CFR Part 20, as amended by "Government wide Guidance For New Restrictions on Lobbying," 61 Fed. Reg. 1413 (1/19/96) is mandated by 49 CFR Part 20, Appendix A.

Byrd Anti-Lobbying Amendment, 31 U.S.C. 1352, as amended by the Lobbying Disclosure Act of 1995, P.L. 104-65 [to be codified at 2 U.S.C. § 1601, *et seq.*] - Contractors who apply or bid for an award of \$100,000 or more shall file the certification required by 49 CFR part 20, "New Restrictions on Lobbying." Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier shall also disclose the name of any registrant under the Lobbying Disclosure Act of 1995 who has made lobbying contacts on its behalf with non-Federal funds with respect to that Federal contract, grant or award covered by 31 U.S.C. 1352. Such disclosures are forwarded from tier to tier up to the recipient.

APPENDIX A, 49 CFR PART 20--CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

(To be submitted with each bid or offer exceeding \$100,000)

The undersigned [Contractor] certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for making lobbying contacts to an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form--LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions [as amended by "Government wide Guidance for New Restrictions on Lobbying," 61 Fed. Reg. 1413 (1/19/96). Note: Language in paragraph (2) herein has been modified in accordance with Section 10 of the Lobbying Disclosure Act of 1995 (P.L. 104-65, to be codified at 2 U.S.C. 1601, *et seq.*)]

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

[Note: Pursuant to 31 U.S.C. § 1352(c)(1)-(2)(A), any person who makes a prohibited expenditure or fails to file or amend a required certification or disclosure form shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such expenditure or failure.]

The Contractor, _____, certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, the Contractor understands and agrees that the provisions of 31 U.S.C. A 3801, *et seq.*, apply to this certification and disclosure, if any.

_____ Signature of Contractor's Authorized Official

_____ Name and Title of Contractor's Authorized Official

_____ Date

Access to Records Requirements

The following access to records requirements apply to this Contract:

1. Where the Purchaser is not a State but a local government and is the FTA Recipient or a subgrantee of the FTA Recipient in accordance with 49 C.F.R. 18.36(i), the Contractor agrees to provide the Purchaser, the FTA Administrator, the Comptroller General of the United States or any of their authorized representatives access to any books, documents, papers and records of the Contractor which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts and transcriptions. Contractor also agrees, pursuant to 49 C.F.R. 633.17 to provide the FTA Administrator or his authorized representatives including any PMO Contractor access to Contractor's records and construction sites pertaining to a major capital project, defined at 49 U.S.C. 5302(a)1, which is receiving federal financial assistance through the programs described at 49 U.S.C. 5307, 5309 or 5311.

2. Where the Purchaser is a State and is the FTA Recipient or a subgrantee of the FTA Recipient in accordance with

49 C.F.R. 633.17, Contractor agrees to provide the Purchaser, the FTA Administrator or his authorized representatives, including any PMO Contractor, access to the Contractor's records and construction sites pertaining to a major capital project, defined at 49 U.S.C. 5302(a)1, which is receiving federal financial assistance through the programs described at 49 U.S.C. 5307, 5309 or 5311. By definition, a major capital project excludes contracts of less than the simplified acquisition threshold currently set at \$100,000.

3. Where the Purchaser enters into a negotiated contract for other than a small purchase or under the simplified acquisition threshold and is an institution of higher education, a hospital or other non-profit organization and is the FTA Recipient or a subgrantee of the FTA Recipient in accordance with 49 C.F.R. 19.48, Contractor agrees to provide the Purchaser, FTA Administrator, the Comptroller General of the United States or any of their duly authorized representatives with access to any books, documents, papers and record of the Contractor which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts and transcriptions.

4. Where any Purchaser which is the FTA Recipient or a subgrantee of the FTA Recipient in accordance with 49 U.S.C. 5325(a) enters into a contract for a capital project or improvement (defined at 49 U.S.C. 5302(a)1) through other than competitive bidding, the Contractor shall make available records related to the contract to the Purchaser, the Secretary of Transportation and the Comptroller General or any authorized officer or employee of any of them for the purposes of conducting an audit and inspection.

5. The Contractor agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.

6. The Contractor agrees to maintain all books, records, accounts and reports required under this contract for a period of not less than three years after the date of termination or expiration of this contract, except in the event of litigation or settlement of claims arising from the performance of this contract, in which case Contractor agrees to maintain same until the Purchaser, the FTA Administrator, the Comptroller General, or any of their duly authorized representatives, have disposed of all such litigation, appeals, claims or exceptions related thereto. Reference 49 CFR 18.39(i)(11).

7. FTA does not require the inclusion of these requirements in subcontracts.

Requirements for Access to Records and Reports by Types of Contract

Contract Characteristics	Operational Service Contract	Turnkey	Construction	Architectural Engineering	Acquisition of Rolling Stock	Professional Services
II <u>Non State Grantees</u>						
a. Contracts below SAT (\$100,000)	Yes ³	Those imposed on non-state Grantee pass thru to Contractor	Yes	Yes	Yes	Yes
b. Contracts above \$100,000/Capital Projects	Yes ³		Yes	Yes	Yes	Yes

Sources of Authority:

¹ 49 USC 5325 (a)

² 49 CFR 633.17

³ 18 CFR 18.36 (i)

Federal Changes Requirements

Contractor shall at all times comply with all applicable FTA regulations, policies, procedures and directives, including without limitation those listed directly or by reference in the Master Agreement between Purchaser and FTA, as they may be amended or promulgated from time to time during the term of this contract. Contractor's failure

to so comply shall constitute a material breach of this contract.

No Obligation by the Federal Government.

- (1) The Purchaser and Contractor acknowledge and agree that, notwithstanding any concurrence by the Federal Government in or approval of the solicitation or award of the underlying contract, absent the express written consent by the Federal Government, the Federal Government is not a party to this contract and shall not be subject to any obligations or liabilities to the Purchaser, Contractor, or any other party (whether or not a party to that contract) pertaining to any matter resulting from the underlying contract.
- (2) The Contractor agrees to include the above clause in each subcontract financed in whole or in part with Federal assistance provided by FTA. It is further agreed that the clause shall not be modified, except to identify the subcontractor who will be subject to its provisions.

Program Fraud and False or Fraudulent Statements or Related Acts Requirements

(1) The Contractor acknowledges that the provisions of the Program Fraud Civil Remedies Act of 1986, as amended, 31 U.S.C. § 3801 et seq. and U.S. DOT regulations, "Program Fraud Civil Remedies," 49 C.F.R. Part 31, apply to its actions pertaining to this Project. Upon execution of the underlying contract, the Contractor certifies or affirms the truthfulness and accuracy of any statement it has made, it makes, it may make, or causes to be made, pertaining to the underlying contract or the FTA assisted project for which this contract work is being performed. In addition to other penalties that may be applicable, the Contractor further acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification, the Federal Government reserves the right to impose the penalties of the Program Fraud Civil Remedies Act of 1986 on the Contractor to the extent the Federal Government deems appropriate.

(2) The Contractor also acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification to the Federal Government under a contract connected with a project that is financed in whole or in part with Federal assistance originally awarded by FTA under the authority of 49 U.S.C. § 5307, the Government reserves the right to impose the penalties of 18 U.S.C. § 1001 and 49 U.S.C. § 5307(n)(1) on the Contractor, to the extent the Federal Government deems appropriate.

(3) The Contractor agrees to include the above two clauses in each subcontract financed in whole or in part with Federal assistance provided by FTA. It is further agreed that the clauses shall not be modified, except to identify the subcontractor who will be subject to the provisions.

a. Termination for Convenience (General Provision) The (Recipient) may terminate this contract, in whole or in part, at any time by written notice to the Contractor when it is in the Government's best interest. The Contractor shall be paid its costs, including contract close-out costs, and profit on work performed up to the time of termination. The Contractor shall promptly submit its termination claim to (Recipient) to be paid the Contractor. If the Contractor has any property in its possession belonging to the (Recipient), the Contractor will account for the same, and dispose of it in the manner the (Recipient) directs.

b. Termination for Default [Breach or Cause] (General Provision) If the Contractor does not deliver supplies in accordance with the contract delivery schedule, or, if the contract is for services, the Contractor fails to perform in the manner called for in the contract, or if the Contractor fails to comply with any other provisions of the contract, the (Recipient) may terminate this contract for default. Termination shall be effected by serving a notice of termination on the contractor setting forth the manner in which the Contractor is in default. The contractor will only be paid the contract price for supplies delivered and accepted, or services performed in accordance with the manner of performance set forth in the contract.

If it is later determined by the (Recipient) that the Contractor had an excusable reason for not performing, such as a strike, fire, or flood, events which are not the fault of or are beyond the control of the Contractor, the (Recipient), after setting up a new delivery of performance schedule, may allow the Contractor to continue work, or treat the termination as a termination for convenience.

c. Opportunity to Cure (General Provision) The (Recipient) in its sole discretion may, in the case of a termination for breach or default, allow the Contractor [an appropriately short period of time] in which to cure the defect. In

such case, the notice of termination will state the time period in which cure is permitted and other appropriate conditions

If Contractor fails to remedy to (Recipient)'s satisfaction the breach or default of any of the terms, covenants, or conditions of this Contract within [ten (10) days] after receipt by Contractor of written notice from (Recipient) setting forth the nature of said breach or default, (Recipient) shall have the right to terminate the Contract without any further obligation to Contractor. Any such termination for default shall not in any way operate to preclude (Recipient) from also pursuing all available remedies against Contractor and its sureties for said breach or default.

d. Waiver of Remedies for any Breach In the event that (Recipient) elects to waive its remedies for any breach by Contractor of any covenant, term or condition of this Contract, such waiver by (Recipient) shall not limit (Recipient)'s remedies for any succeeding breach of that or of any other term, covenant, or condition of this Contract.

e. Termination for Convenience (Professional or Transit Service Contracts) The (Recipient), by written notice, may terminate this contract, in whole or in part, when it is in the Government's interest. If this contract is terminated, the Recipient shall be liable only for payment under the payment provisions of this contract for services rendered before the effective date of termination.

f. Termination for Default (Supplies and Service) If the Contractor fails to deliver supplies or to perform the services within the time specified in this contract or any extension or if the Contractor fails to comply with any other provisions of this contract, the (Recipient) may terminate this contract for default. The (Recipient) shall terminate by delivering to the Contractor a Notice of Termination specifying the nature of the default. The Contractor will only be paid the contract price for supplies delivered and accepted, or services performed in accordance with the manner or performance set forth in this contract.

If, after termination for failure to fulfill contract obligations, it is determined that the Contractor was not in default, the rights and obligations of the parties shall be the same as if the termination had been issued for the convenience of the Recipient.

g. Termination for Default (Transportation Services) If the Contractor fails to pick up the commodities or to perform the services, including delivery services, within the time specified in this contract or any extension or if the Contractor fails to comply with any other provisions of this contract, the (Recipient) may terminate this contract for default. The (Recipient) shall terminate by delivering to the Contractor a Notice of Termination specifying the nature of default. The Contractor will only be paid the contract price for services performed in accordance with the manner of performance set forth in this contract.

If this contract is terminated while the Contractor has possession of Recipient goods, the Contractor shall, upon direction of the (Recipient), protect and preserve the goods until surrendered to the Recipient or its agent. The Contractor and (Recipient) shall agree on payment for the preservation and protection of goods. Failure to agree on an amount will be resolved under the Dispute clause.

If, after termination for failure to fulfill contract obligations, it is determined that the Contractor was not in default, the rights and obligations of the parties shall be the same as if the termination had been issued for the convenience of the (Recipient).

h. Termination for Default (Construction) If the Contractor refuses or fails to prosecute the work or any separable part, with the diligence that will insure its completion within the time specified in this contract or any extension or fails to complete the work within this time, or if the Contractor fails to comply with any other provisions of this contract, the (Recipient) may terminate this contract for default. The (Recipient) shall terminate by delivering to the Contractor a Notice of Termination specifying the nature of the default. In this event, the Recipient may take over the work and complete it by contract or otherwise, and may take possession of and use any materials, appliances, and plant on the work site necessary for completing the work. The Contractor and its sureties shall be liable for any damage to the Recipient resulting from the Contractor's refusal or failure to complete the work within specified time, whether or not the Contractor's right to proceed with the work is terminated. This liability includes any increased costs incurred by the Recipient in completing the work.

The Contractor's right to proceed shall not be terminated nor the Contractor charged with damages under this clause if-

1. the delay in completing the work arises from unforeseeable causes beyond the control and without the fault or negligence of the Contractor. Examples of such causes include: acts of God, acts of the Recipient, acts of another Contractor in the performance of a contract with the Recipient, epidemics, quarantine restrictions, strikes, freight embargoes; and
2. the contractor, within [10] days from the beginning of any delay, notifies the (Recipient) in writing of the causes of delay. If in the judgment of the (Recipient), the delay is excusable, the time for completing the work shall be extended. The judgment of the (Recipient) shall be final and conclusive on the parties, but subject to appeal under the Disputes clauses.

If, after termination of the Contractor's right to proceed, it is determined that the Contractor was not in default, or that the delay was excusable, the rights and obligations of the parties will be the same as if the termination had been issued for the convenience of the Recipient.

i. Termination for Convenience or Default (Architect and Engineering) The (Recipient) may terminate this contract in whole or in part, for the Recipient's convenience or because of the failure of the Contractor to fulfill the contract obligations. The (Recipient) shall terminate by delivering to the Contractor a Notice of Termination specifying the nature, extent, and effective date of the termination. Upon receipt of the notice, the Contractor shall (1) immediately discontinue all services affected (unless the notice directs otherwise), and (2) deliver to the Contracting Officer all data, drawings, specifications, reports, estimates, summaries, and other information and materials accumulated in performing this contract, whether completed or in process.

If the termination is for the convenience of the Recipient, the Contracting Officer shall make an equitable adjustment in the contract price but shall allow no anticipated profit on unperformed services.

If the termination is for failure of the Contractor to fulfill the contract obligations, the Recipient may complete the work by contract or otherwise and the Contractor shall be liable for any additional cost incurred by the Recipient.

If, after termination for failure to fulfill contract obligations, it is determined that the Contractor was not in default, the rights and obligations of the parties shall be the same as if the termination had been issued for the convenience of the Recipient.

j. Termination for Convenience or Default (Cost-Type Contracts) The (Recipient) may terminate this contract, or any portion of it, by serving a notice of termination on the Contractor. The notice shall state whether the termination is for convenience of the (Recipient) or for the default of the Contractor. If the termination is for default, the notice shall state the manner in which the contractor has failed to perform the requirements of the contract. The Contractor shall account for any property in its possession paid for from funds received from the (Recipient), or property supplied to the Contractor by the (Recipient). If the termination is for default, the (Recipient) may fix the fee, if the contract provides for a fee, to be paid the contractor in proportion to the value, if any, of work performed up to the time of termination. The Contractor shall promptly submit its termination claim to the (Recipient) and the parties shall negotiate the termination settlement to be paid the Contractor.

If the termination is for the convenience of the (Recipient), the Contractor shall be paid its contract close-out costs, and a fee, if the contract provided for payment of a fee, in proportion to the work performed up to the time of termination.

If, after serving a notice of termination for default, the (Recipient) determines that the Contractor has an excusable reason for not performing, such as strike, fire, flood, events which are not the fault of and are beyond the control of the contractor, the (Recipient), after setting up a new work schedule, may allow the Contractor to continue work, or treat the termination as a termination for convenience.

Suspension and Debarment

This contract is a covered transaction for purposes of 49 CFR Part 29. As such, the contractor is required to verify that none of the contractor, its principals, as defined at 49 CFR 29.995, or affiliates, as defined at 49 CFR 29.905, are excluded or disqualified as defined at 49 CFR 29.940 and 29.945.

The contractor is required to comply with 49 CFR 29, Subpart C and must include the requirement to comply with 49 CFR 29, Subpart C in any lower tier covered transaction it enters into.

By signing and submitting its bid or proposal, the bidder or proposer certifies as follows:

The certification in this clause is a material representation of fact relied upon by the City of Montpelier. If it is later determined that the bidder or proposer knowingly rendered an erroneous certification, in addition to remedies available to the City of Montpelier, the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment. The bidder or proposer agrees to comply with the requirements of 49 CFR 29, Subpart C while this offer is valid and throughout the period of any contract that may arise from this offer. The bidder or proposer further agrees to include a provision requiring such compliance in its lower tier covered transactions.

Civil Rights Requirements

The following requirements apply to the Project Manager contract:

(1) Nondiscrimination - In accordance with Title VI of the Civil Rights Act, as amended, 42 U.S.C. § 2000d, section 303 of the Age Discrimination Act of 1975, as amended, 42 U.S.C. § 6102, section 202 of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12132, and Federal transit law at 49 U.S.C. § 5332, the Contractor agrees that it will not discriminate against any employee or applicant for employment because of race, color, creed, national origin, sex, age, or disability. In addition, the Contractor agrees to comply with applicable Federal implementing regulations and other implementing requirements FTA may issue.

(2) Equal Employment Opportunity - The following equal employment opportunity requirements apply to the underlying contract:

(a) Race, Color, Creed, National Origin, Sex - In accordance with Title VII of the Civil Rights Act, as amended, 42 U.S.C. § 2000e, and Federal transit laws at 49 U.S.C. § 5332, the Contractor agrees to comply with all applicable equal employment opportunity requirements of U.S. Department of Labor (U.S. DOL) regulations, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," 41 C.F.R. Parts 60 *et seq.*, (which implement Executive Order No. 11246, "Equal Employment Opportunity," as amended by Executive Order No. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," 42 U.S.C. § 2000e note), and with any applicable Federal statutes, executive orders, regulations, and Federal policies that may in the future affect construction activities undertaken in the course of the Project. The Contractor agrees to take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, national origin, sex, or age. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. In addition, the Contractor agrees to comply with any implementing requirements FTA may issue.

(b) Age - In accordance with section 4 of the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 623 and Federal transit law at 49 U.S.C. § 5332, the Contractor agrees to refrain from discrimination against present and prospective employees for reason of age. In addition, the Contractor agrees to comply with any implementing requirements FTA may issue.

(c) Disabilities - In accordance with section 102 of the Americans with Disabilities Act, as amended, 42 U.S.C. § 12112, the Contractor agrees that it will comply with the requirements of U.S. Equal Employment Opportunity Commission, "Regulations to Implement the Equal Employment Provisions of the Americans with Disabilities Act," 29 C.F.R. Part 1630, pertaining to employment of persons with disabilities. In addition, the Contractor agrees to

comply with any implementing requirements FTA may issue.

(3) The Contractor also agrees to include these requirements in each subcontract financed in whole or in part with Federal assistance provided by FTA, modified only if necessary to identify the affected parties.

Disputes and Conflict Resolution Requirements

Disputes - Disputes arising in the performance of this Contract which are not resolved by agreement of the parties shall be decided in writing by the authorized representative of (Recipient)'s [title of employee]. This decision shall be final and conclusive unless within [ten (10)] days from the date of receipt of its copy, the Contractor mails or otherwise furnishes a written appeal to the [title of employee]. In connection with any such appeal, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its position. The decision of the [title of employee] shall be binding upon the Contractor and the Contractor shall abide by the decision.

Performance During Dispute - Unless otherwise directed by (Recipient), Contractor shall continue performance under this Contract while matters in dispute are being resolved.

Claims for Damages - Should either party to the Contract suffer injury or damage to person or property because of any act or omission of the party or of any of his employees, agents or others for whose acts he is legally liable, a claim for damages therefor shall be made in writing to such other party within a reasonable time after the first observance of such injury or damage.

Remedies - Unless this contract provides otherwise, all claims, counterclaims, disputes and other matters in question between the (Recipient) and the Contractor arising out of or relating to this agreement or its breach will be decided by arbitration if the parties mutually agree, or in a court of competent jurisdiction within the State in which the (Recipient) is located.

Rights and Remedies - The duties and obligations imposed by the Contract Documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law. No action or failure to act by the (Recipient), (Architect) or Contractor shall constitute a waiver of any right or duty afforded any of them under the Contract, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

Incorporation of Federal Transit Administration (FTA) Terms Requirements

The preceding provisions include, in part, certain Standard Terms and Conditions required by DOT, whether or not expressly set forth in the preceding contract provisions. All contractual provisions required by DOT, as set forth in FTA Circular 4220.1E, are hereby incorporated by reference. Anything to the contrary herein notwithstanding, all FTA mandated terms shall be deemed to control in the event of a conflict with other provisions contained in this Agreement. The Contractor shall not perform any act, fail to perform any act, or refuse to comply with any (name of grantee) requests which would cause (name of grantee) to be in violation of the FTA terms and conditions.

Sandy Pitonyak

To: L-Council
Subject: Application for Special Event Permit

Submitted by *Go America Go Beverages, LLC*, d/b/a "Whistle Pig Whiskey", for a "Legislative Tasting Event" scheduled to be held on Thursday, February 24th, from 2:30 to 6:30 P.M. in the State House Cafeteria.

From: Andy Hooper [tah@thatitguy.com]
Sent: Friday, February 11, 2011 2:31 PM
To: Sandy Pitonyak
Subject: RE: Application for Special Event Permit

Sure. Fine with me.

From: Tom Golonka [tomgolonka@comcast.net]
Sent: Friday, February 11, 2011 3:05 PM
To: Sandy Pitonyak; L-Council
Subject: Re: Application for Special Event Permit

Ok with me.
Tom

From: Jim Sheridan [twomonts@comcast.net]
Sent: Friday, February 11, 2011 5:21 PM
To: Sandy Pitonyak; L-Council
Subject: Re: Application for Special Event Permit

OK by me, Jim

From: Sarah Jarvis [sarahvermont@yahoo.com]
Sent: Saturday, February 12, 2011 12:52 PM
To: Sandy Pitonyak
Subject: Re: Application for Special Event Permit

I approve.
~ Sarah

STATE OF VERMONT
DEPARTMENT OF LIQUOR CONTROL
13 Green Mountain Drive
Montpelier, VT 05602

APPLICATION FOR SPECIAL EVENT PERMIT

Fee: \$25.00

Check payable to Vermont Department of Liquor Control must accompany this application

As part of
a member
of Distilled Spirits
Council
of VT

Licensee name Go America Go Beverages, LLC / Raj Bhakta

d/b/a Whistle Pig Whiskey

Address: 1030 Palmer Rd

Town/City: Shoreham VT Zip 05770

Manufacturer's License No: 7349-001-MFSL-01 Email: b.caldene@whistlepigfarm.com

1. Describe the special event: Legislative tasting event - Montpelier

2. Location (specify defined area, include address of event): VT - Statehouse

Statehouse Cafeteria - 115 State St.
Montpelier, VT
05602

3. Date of event: February 24, 2011

4. Hours of operation: Beginning 2:30pm Ending 6pm
(set-up)

Signed: [Signature] Date 2/9/11
(manufacturer) Raj Bhakta

(circle one)

APPROVED

DISAPPROVED

Town/City Clerk signature

Town/City

Date

Vermont Liquor Control Board:

APPROVED

DISAPPROVED

(authorized agent)

(date)

CITY OF MONTPELIER, VERMONT

Financial Statements and Schedules

June 30, 2010

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

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SECTION I

FINANCIAL SECTION



Independent Auditors' Report

The City Council
City of Montpelier, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Montpelier, Vermont as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Montpelier, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont, as of June 30, 2010, and the respective budgetary comparison for the General Fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011 on our consideration of City of Montpelier, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedule of funding progress, on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montpelier, Vermont's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Love, Cody & Company, CPAs, P.C.

February 18, 2011

Vt. Reg. #357

Love, Cody & Company, CPAs

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Our discussion and analysis of the City of Montpelier, Vermont's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements which begin on Exhibit A.

Financial Highlights

Government-Wide Statements

Net assets of the governmental activities increased by \$2,273,633 or 17 percent and net assets of the business-type activities increased by \$167,186 or 0.9 percent. The City's total net assets increased by \$2,440,819 as a result of this year's operations. This increase is primarily related to a capital grant for the Route 2/Route 302 Intersection capital project and a savings in General Fund for Department of Public Works winter-related expenditures.

The cost of all of the City's programs was \$15,598,109 in fiscal year 2010 compared to \$17,993,814 in fiscal year 2009, which is approximately a 13% decrease. Total government revenue also decreased from \$19,409,657 in 2009 compared to \$18,138,928 in 2010, which is a 6.5% decrease from the previous year. These reductions are related to the one-time replacement of an unfunded pension liability agreement with the Vermont Municipal Retirement System which occurred in fiscal year 2009.

Fund Statements

During fiscal year 2010, the General Fund reported a net increase in the fund balance of \$114,593.

The unreserved fund balance for the General Fund was \$919,677 and the reserved fund balance of the General Fund was \$568,733 as of June 30, 2010. The reserved fund balances are reserved for special projects or are not available for current expenditures. \$145,293 of the \$919,677 unreserved fund balance is designated for future capital purchases and special programs which leaves \$774,384 unrestricted and undesignated.

The Community Development Fund ended the year with a reserved fund balance of \$363,038, which was \$25,387 higher than the prior year fund balance of \$337,651. This fund balance is reserved by various sources for Community Development.

The Capital Projects Fund ended the year with a fund balance of \$1,416,161 which was \$1,668,546 higher than the prior year deficit fund balance of \$252,385. The reserved fund balance of \$1,049,164 is reserved by various sources for Capital Projects. Last year's negative unreserved fund balance of \$713,592 was eliminated by the collection of grant receivables.

Other nonmajor governmental funds ended the year with a fund balance of \$1,363,035, which was \$17,037 higher than the prior year fund balance of \$1,345,998. \$842,415 of this fund balance is reserved by various sources for various purposes.

The Water Fund ended the year with net assets of \$8,765,734, which was \$196,515 less than the prior year balance of \$8,962,249. Of the total net asset balance, \$9,428,743 is invested in property and equipment. This leaves an unrestricted deficit of \$663,009 to be recovered in future periods. \$297,500 of this unrestricted deficit is debt related to the refinancing of the unfunded pension liability. Principal repayments on this debt are not due until November, 2017.

The Sewer Fund ended the year with net assets of \$10,308,123, which was \$305,676 higher than the prior year balance of \$10,002,447. Of the total net asset balance, \$10,788,810 is invested in property and equipment. This leaves an

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2010

unrestricted deficit of \$480,687 to be recovered in future periods. \$402,500 of this unrestricted deficit is debt related to the refinancing of the unfunded pension liability. Principal repayments on this debt are not due until November, 2017.

The Parking Fund ended the year with net assets of \$328,965, which was \$58,025 higher than the prior year balance of \$270,940. Of the total net asset balance, \$311,398 is invested in property and equipment and \$41,220 is restricted for various projects. This leaves a deficit of \$23,653 to be recovered in future periods. \$192,500 of this unrestricted deficit is debt related to the refinancing of the unfunded pension liability. Principal repayments on this debt are not due until November, 2017.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on Exhibit A. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and parking activities are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on Exhibit C. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2010

(like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds- governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds on the exhibits that follow each financial statement.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as a Whole

The City's combined net assets increased by \$2,440,819 from a year ago - increasing from \$32,306,147 to \$34,746,966. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	<i>June 30, 2010</i>			<i>June 30, 2009</i>		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Current and other assets	\$ 6,434,870	26,555	6,461,425	7,929,806	37,085	7,966,891
Capital assets	18,117,248	37,433,836	55,551,084	15,808,818	37,814,620	53,623,438
Total assets	24,552,118	37,460,391	62,012,509	23,738,624	37,851,705	61,590,329
Long term liabilities	8,562,209	17,681,909	26,244,118	7,530,212	18,478,572	26,008,784
Other liabilities	645,765	375,660	1,021,425	3,137,901	137,497	3,275,398
Total liabilities	9,207,974	18,057,569	27,265,543	10,668,113	18,616,069	29,284,182
Net assets:						
Invested in capital assets,						
net of debt	13,879,218	20,528,951	34,408,169	12,014,867	20,393,869	32,408,736
Restricted	1,981,162	41,220	2,022,382	2,276,469	41,220	2,317,689
Unrestricted	(516,236)	(1,167,349)	(1,683,585)	(1,220,825)	(1,199,453)	(2,420,278)
Total net assets	\$ 15,344,144	19,402,822	34,746,966	13,070,511	19,235,636	32,306,147

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As noted earlier, net assets may serve over time to be a useful indicator of a government's financial position.

Net assets of the City's governmental activities increased 17% (\$15,344,144 compared to \$13,070,511). This increase is primarily related to \$1,874,334 in capital grants and contributions (the majority of which is for the Route 2/Route 302 Roundabout construction project).

Net assets of the business-type activities increased by \$167,186 (\$19,402,822 compared to \$19,235,636, or .9 percent).

Table 2
Change in Net Assets

	<i>June 30, 2010</i>			<i>June 30, 2009</i>		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
REVENUES:						
Program revenues:						
Charges for services	\$ 1,173,482	6,184,445	7,357,927	1,955,223	6,104,315	8,059,538
Operating grants and contributions	834,357	0	834,357	1,015,434	0	1,015,434
Capital grants and contributions	1,938,249	124,176	2,062,425	2,665,834	14,051	2,679,885
General Revenues:						
Property taxes, penalties and interest	7,618,724	0	7,618,724	7,198,011	0	7,198,011
Payment in lieu of taxes	184,000	0	184,000	184,000	0	184,000
Unrestricted investment earnings	141,959	0	141,959	115,393	13,199	128,592
Capital asset impairment	(155,000)	0	(155,000)	0	0	0
Gain (loss) on sale of capital assets	(88,384)	0	(88,384)	0	2,184	2,184
Other revenues	175,680	0	175,680	99,434	32,154	131,588
Contributions to permanent endowments	7,240	0	7,240	10,425	0	10,425
Total revenues	11,830,307	6,308,621	18,138,928	13,243,754	6,165,903	19,409,657
PROGRAM EXPENSES:						
General government	1,874,052	0	1,874,052	2,147,763	0	2,147,763
Public safety	4,033,759	0	4,033,759	3,864,168	0	3,864,168
Public works	1,964,525	0	1,964,525	2,379,156	0	2,379,156
Culture and recreation	1,093,533	0	1,093,533	837,933	0	837,933
Community development	54,094	0	54,094	1,962,157	0	1,962,157
Cemetery	181,319	0	181,319	185,150	0	185,150
MontpelierNet	21,332	0	21,332	37,590	0	37,590
Interest on long-term debt	243,760	0	243,760	470,305	0	470,305
Water	0	2,432,394	2,432,394	0	2,361,919	2,361,919
Sewer	0	3,088,840	3,088,840	0	3,189,852	3,189,852
Parking	0	610,501	610,501	0	557,821	557,821
Total program expenses	9,466,374	6,131,735	15,598,109	11,884,222	6,109,592	17,993,814
Excess before special item and transfers	2,363,933	176,886	2,540,819	1,359,532	56,311	1,415,843
Special item - pension expense						
VMERS liability	0	0	0	(2,488,003)	(892,500)	(3,380,503)
Transfers	9,700	(9,700)	0	9,700	(9,700)	0
Increase (decrease) in net assets	\$ 2,373,633	167,186	2,540,819	(1,118,771)	(845,889)	(1,964,660)

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The City's tax rate increased to \$1.2506 from \$1.2197 per \$100 of assessed value from fiscal year 2009 to fiscal year 2010.

Table 3 presents the cost of each of the City's seven largest programs - general government, public safety, highways and streets, culture and recreation, water, sewer and parking - as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3									
Costs of Programs									
	June 30, 2010					June 30, 2009			
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities		
	Net Revenues		Net Revenues		Net Revenues		Net Revenues		
	Total Cost	(Cost)	Total Cost	(Cost)	Total Cost	(Cost)	Total Cost	(Cost)	
	of Services	of Services	of Services	of Services	of Services	of Services	of Services	of Services	
General government	\$ 1,874,052	(1,335,889)	0	0	2,147,763	(959,456)	0	0	
Public safety	4,033,759	(3,275,865)	0	0	3,864,168	(3,423,416)	0	0	
Public works	1,964,525	167,823	0	0	2,379,156	374,109	0	0	
Culture and recreation	1,093,533	(686,606)	0	0	837,933	250,692	0	0	
Community development	54,094	9,999	0	0	1,962,157	(1,876,462)	0	0	
Water	0	0	2,432,394	(196,815)	0	0	2,361,919	(170,116)	
Sewer	0	0	3,088,840	305,676	0	0	3,189,852	54,825	
Parking	0	0	610,501	68,025	0	0	557,821	124,065	
All others	446,411	(399,748)	0	0	693,045	(613,198)	0	0	
Totals	\$ 9,466,374	(5,520,286)	6,131,735	176,886	11,884,222	(6,247,731)	6,109,592	8,774	

The City's Funds

As the City completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$4,630,644, which is above last year's total of \$2,805,081. Included in this year's total change in fund balance are an increase of \$114,593 in the City's General Fund; an increase of \$25,387 in the Community Development Fund; an increase of \$1,668,546 in the Capital Projects Fund and an increase of \$17,037 in Other Governmental Funds. The increase in the Capital Projects Fund fund balance is due to a substantial grant received and recorded as revenue during the year and long term debt proceeds of \$1,150,000.

General Fund Budgetary Highlights

Revenue exceeded the budget by \$432,505. A significant part of the unbudgeted revenue is \$221,739 in unanticipated grant revenue. Other notable revenues exceeding budget are Ambulance Calls which were \$113,353 more than budgeted, State & Local Payment in Lieu of Taxes (PILOT) revenue which exceeded projections by \$68,284.

Expenditures exceeded the budget by \$480,048. A significant part of the unbudgeted expenditures are for \$418,653 in capital equipment purchases which were offset by lease proceeds and use of designated funds. Other notable

CITY OF MONTPELIER, VERMONT
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expenditures exceeding the budget are grant-related expenditures which are offset with the \$221,739 in unanticipated grant revenue. In addition, there is \$122,707 in unbudgeted reappraisal costs and the \$33,936 of unbudgeted unfunded pension liability interest. Both are of these expenditures were offset by the use of a designated funds from previous years.

Other Financing Sources (Uses) exceeded the budget by \$162,136. The City received \$319,864 in debt proceeds and \$55,000 in sale of equipment. Due to savings in winter storm related costs the City Council approved an unbudgeted transfer of \$207,000 from the General Fund Public Works Department to the City's Capital Improvement Fund. \$5,728 was transferred to a Community Justice reserve fund.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the City had \$55,551,084 compared to \$53,623,438 at June 30, 2009 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$1,927,646, over last year.

Table 4 Capital Assets at Year-End (Net of Depreciation)						
	<i>June 30, 2010</i>			<i>June 30, 2009</i>		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Land	\$ 922,050	250,672	1,172,722	894,650	250,672	1,145,322
Capital improvements and equipment	15,544,726	36,951,442	52,496,168	12,150,387	35,804,121	47,954,508
Construction in progress	1,650,472	231,722	1,882,194	2,763,781	1,759,827	4,523,608
Totals	\$ 18,117,248	37,433,836	55,551,084	15,808,818	37,814,620	53,623,438

This year's major additions included:

Tower restoration & McAvoy land	\$ 67,016
Computer equipment	45,831
Police vehicles	40,240
Taylor Street Bridge - contributed	572,598
Infrastructure	2,239,278
DPW equipment	438,988
Fire equipment and vehicles	199,845
Water - computer equipment	8,730
Sewer treatment improvements	529,924
Sewer - Vactor and pump	223,250
Sewer - Computer equipment	8,912
	<u>\$ 4,374,612</u>

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For the Year Ended June 30, 2010

Long Term - Debt

At June 30, 2010, the City had \$25,856,011 in bonds and notes outstanding versus \$25,632,123 on June 30, 2009 - an increase of \$223,888 - as shown in Table 5.

Table 5				
Outstanding Debt at Year-End				
	Balance at			Balance at
	June 30, 2009	Additions	Payments	June 30, 2010
<i>Notes, capital leases and bonds payable:</i>				
Governmental activities	\$ 7,246,564	1,473,129	449,518	8,270,175
Proprietary Funds	18,385,559	0	799,723	17,585,836
Totals	\$ 25,632,123	1,473,129	1,249,241	25,856,011

New debt resulted from an ambulance and grader lease, various capital projects and Wastewater upgrades.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider economic factors and the community's priorities when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities. With the national and regional economy suffering, inflation running at or below zero, Montpelier's property taxes already high and a property reappraisal in process which would likely increase overall residential values, the 2011 Budget was guided by a firm desire to avoid a tax increase or any other unanticipated increases. The other guiding force was resident opinion obtained through the National Citizen Survey process. This survey identified Police, Planning, Parks and Roads as key service drivers which reflect their overall satisfaction with the city. The survey also highlighted citizen concerns with taxes, affordable housing and jobs.

Economic factors considered include the unemployment in the City, which stood at 6.0% (July 2009) compared with 3.4% (July 2008) a year earlier. This compares with the State's unemployment rate in June 2009 of 7.20%. Also considered was the Consumer Price Index percent change over one year (August 2008-August 2009) which was -1.5%.

The City took into account these indicators as well as the property tax rate confusion that would be brought on by the city-wide Grand List reappraisal scheduled to be completed in April 2010. The updated Grand List may produce some cost-shifting between residential and commercial property owners. When budgeting for fiscal year 2011, the City Council met its goal of no tax increase (in dollars), while maintaining the current level of services. The budget decisions reflected the community's priorities as expressed in the citizen survey.

Looking ahead, the City is partnering with federal and state agencies to study flood mitigation measures to alleviate the threat of damages due to seasonal flooding of the Winooski River in the downtown area. The installation of flood gauges significantly improves the City's ability to monitor the river water levels.

As for the City's business-type activities, utility rates remained unchanged on July 1, 2010. The combination of users' water conservation and the lack of growth in numbers of users, provides additional challenges to the Water and Sewer Funds. The Water and Sewer Rate Committee authorized a study of water and sewer rates to propose a new rate structure that assures annual revenues will be generated to cover all costs and eliminate previous years' deficits.

CITY OF MONTPELIER, VERMONT
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For the Year Ended June 30, 2010

Current quarterly water rates are as follows: \$7.51 per 1,000 for the first 50,000 gallons, \$7.97 per 1,000 for the next 200,000 gallons, \$12.93 per 1,000 for over \$250,000 gallons and a fixed charge for all accounts for meter reading, billing and other administrative service costs of \$25.00.

Current quarterly sewer rates are as follows: \$8.47 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of \$30.00.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at the City of Montpelier, 39 Main Street, Suite 6, Montpelier, VT 05602.

BASIC FINANCIAL STATEMENTS

CITY OF MONTPELIER, VERMONT
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 1,912,719	50	1,912,769
Investments	1,141,908	0	1,141,908
Receivables (net of allowance for uncollectibles)	560,091	1,227,164	1,787,255
Loans receivable	1,077,767	0	1,077,767
Note receivable	204,922	0	204,922
Deposits	0	1,600	1,600
Prepaid expenses	69,047	15,076	84,123
Inventories	151,387	99,694	251,081
Internal balances	1,317,029	(1,317,029)	0
Capital assets:			
Land	922,050	250,672	1,172,722
Construction in progress	1,650,472	231,722	1,882,194
Other capital assets, (net of accumulated depreciation)	15,544,726	36,951,442	52,496,168
Total assets	24,552,118	37,460,391	62,012,509
Liabilities:			
Accounts payable	449,012	80,222	529,234
Construction payable	0	211,549	211,549
Accrued payroll and related expenses	128,133	35,071	163,204
Deferred revenue	0	3,991	3,991
Accrued interest	42,620	44,827	87,447
OPEB obligation	26,000	0	26,000
Noncurrent liabilities:			
Due within one year	594,710	1,029,009	1,623,719
Due in more than one year	7,967,499	16,652,900	24,620,399
Total liabilities	9,207,974	18,057,569	27,265,543
Net assets:			
Invested in capital assets, net of related debt	13,879,218	20,528,951	34,408,169
Restricted	1,981,162	41,220	2,022,382
Unrestricted	(516,236)	(1,167,349)	(1,683,585)
Total net assets	\$ 15,344,144	19,402,822	34,746,966

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,874,052	336,604	201,559	0	(1,335,889)	0	(1,335,889)
Public safety	4,033,759	506,658	251,236	0	(3,275,865)	0	(3,275,865)
Public works	1,964,525	18,736	239,278	1,874,334	167,823	0	167,823
Culture and recreation	1,093,533	264,821	78,191	63,915	(686,606)	0	(686,606)
Community development	54,094	0	64,093	0	9,999	0	9,999
Cemetery	181,319	33,138	0	0	(148,181)	0	(148,181)
MontpelierNet	21,332	13,525	0	0	(7,807)	0	(7,807)
Interest on long-term debt	243,760	0	0	0	(243,760)	0	(243,760)
Total governmental activities	9,466,374	1,173,482	834,357	1,938,249	(5,520,286)	0	(5,520,286)
Business-type activities:							
Water	2,432,394	2,235,579	0	0	0	(196,815)	(196,815)
Sewer	3,088,840	3,270,340	0	124,176	0	305,676	305,676
Parking	610,501	678,526	0	0	0	68,025	68,025
Total business-type activities	6,131,735	6,184,445	0	124,176	0	176,886	176,886
Total	\$ 15,598,109	7,357,927	834,357	2,062,425	(5,520,286)	176,886	(5,343,400)
General revenues:							
Property taxes, penalties and interest					7,618,724	0	7,618,724
Payment in lieu of taxes					184,000	0	184,000
Unrestricted investment earnings					141,959	0	141,959
Capital asset impairment					(155,000)	0	(155,000)
Loss on sale of equipment					(88,384)	0	(88,384)
Other revenues					75,680	0	75,680
Contributions to Permanent Endowments					7,240	0	7,240
Transfers					9,700	(9,700)	0
Total general revenues, special item and transfers					7,793,919	(9,700)	7,784,219
Change in net assets							
					2,273,633	167,186	2,440,819
Net Assets - July 1, 2009					13,070,511	19,235,636	32,306,147
Net Assets - June 30, 2010					\$ 15,344,144	19,402,822	34,746,966

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	\$ 1,377,311	391,645	0	143,763	1,912,719
Investments	0	0	0	1,141,908	1,141,908
Receivables (net of allowance for uncollectibles)	364,307	658	67,892	127,234	560,091
Loans (net of allowance for uncollectibles)	0	913,767	0	164,000	1,077,767
Note receivable	204,922	0	0	0	204,922
Prepaid expenses	69,047	0	0	0	69,047
Inventories	151,387	0	0	0	151,387
Due from other funds	0	0	1,613,808	459,917	2,073,725
Total assets	\$ 2,166,974	1,306,070	1,681,700	2,036,822	7,191,566
Liabilities:					
Accounts payable	\$ 122,062	16,062	256,971	53,917	449,012
Accrued payroll and related expenses	120,787	0	0	7,346	128,133
Deferred revenue	157,043	896,970	8,568	164,500	1,227,081
Due to other funds	278,672	30,000	0	448,024	756,696
Total liabilities	678,564	943,032	265,539	673,787	2,560,922
Fund balances (deficit):					
Reserved for:					
Inventories	151,387	0	0	0	151,387
Trustees of public funds	0	0	0	764,400	764,400
Other purposes	417,346	363,038	1,049,164	78,015	1,907,563
Unreserved, reported in:					
General Fund	919,677	0	0	0	919,677
Special Revenue Funds	0	0	0	520,620	520,620
Capital Projects Funds	0	0	366,997	0	366,997
Total fund balances (deficit)	1,488,410	363,038	1,416,161	1,363,035	4,630,644
Total liabilities and fund balances	\$ 2,166,974	1,306,070	1,681,700	2,036,822	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					18,117,248
Other assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.					1,227,081
Long-term and accrued liabilities, are not due or payable in the current period and, therefore, are not reported in the funds.					(8,630,829)
Net assets of governmental activities				\$	15,344,144

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, penalties and interest \$	7,483,898	0	0	135,707	7,619,605
Permits and licenses	60,867	0	0	0	60,867
Intergovernmental	891,379	61,725	2,100,634	212,362	3,266,100
Fees and charges for services	1,626,150	0	0	141,550	1,767,700
Fines and forfeitures	19,285	0	0	0	19,285
Investment income	52,648	10,806	0	78,505	141,959
Contributions	850	0	0	88,416	89,266
Rents and commissions	25,275	0	0	3,115	28,390
Equipment revenues	119,125	0	0	0	119,125
Loan principal repayments	0	58,877	0	0	58,877
Other revenues	67,994	0	0	7,686	75,680
Total revenues	10,347,471	131,408	2,100,634	667,341	13,246,854
Expenditures:					
General government	2,233,919	0	191,833	0	2,425,752
Public safety	3,828,206	0	0	0	3,828,206
Public works	1,732,651	0	0	0	1,732,651
Culture and recreation	451,216	0	0	605,964	1,057,180
Community development	0	76,021	0	30,000	106,021
Cemetery	0	0	0	171,967	171,967
MontpelierNet	0	0	0	21,332	21,332
Capital outlay;					
General government	40,607	0	0	0	40,607
Public safety	240,308	0	0	0	240,308
Public works	462,791	0	2,175,265	0	2,638,056
Culture and recreation	0	0	0	67,016	67,016
Debt service - principal	439,536	0	0	9,982	449,518
Debt service - interest	271,959	0	0	5,282	277,241
Total expenditures	9,701,193	76,021	2,367,098	911,543	13,055,855
Excess (deficiency) of revenues over expenditures	646,278	55,387	(266,464)	(244,202)	190,999
Other financing sources (uses):					
Debt proceeds	319,864	0	1,150,000	0	1,469,864
Proceeds from sale of equipment	55,000	0	0	0	55,000
Insurance reimbursements	0	0	100,000	0	100,000
Transfers from other funds	30,000	0	685,010	359,764	1,074,774
Transfers to other funds	(936,549)	(30,000)	0	(98,525)	(1,065,074)
Total other financing sources (uses)	(531,685)	(30,000)	1,935,010	261,239	1,634,564
Net change in fund balances	114,593	25,387	1,668,546	17,037	1,825,563
Fund balances (deficit) - July 1, 2009	1,373,817	337,651	(252,385)	1,345,998	2,805,081
Fund balances - June 30, 2010	\$ 1,488,410	363,038	1,416,161	1,363,035	4,630,644

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances,
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 1,825,563
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$2,985,987) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$851,772). This is the amount by which capital outlays exceeded depreciation in the current period.	2,134,215
Noncash capital contributions are revenues that do not provide current financial resources and therefore are not reported as revenues in the funds.	572,599
The net effect of various transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(398,384)
Long term community development loans payments are recognized on an accrual basis in the statement of net assets, not the modified accrual basis.	(6,950)
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis.	(881)
Revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis.	(811,951)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,023,611)
In the statement of activities, OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(26,000)
In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(24,448)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	33,481
Change in net assets, governmental activities (Exhibit B)	\$ 2,273,633

To eliminate the doubling up of internal service charges between the Governmental Activities and the Business-type activities on the statement of activities, the charges for services was decreased by \$974,063, the general government expenses was decreased by \$717,609 and the public works was decreased by \$256,454.

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2010

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes, penalties and interest	\$ 7,417,450	7,483,898	66,448
Intergovernmental	669,640	891,379	221,739
Fees and charges for services	1,827,876	1,972,194	144,318
Total revenues	9,914,966	10,347,471	432,505
Expenditures:			
City Council operations	29,080	42,017	(12,937)
City Manager's office	298,448	327,519	(29,071)
Clerk/Treasurer/Elections	224,656	227,868	(3,212)
Finance Department	295,100	307,584	(12,484)
Technology services	191,935	190,165	1,770
Property assessment	219,896	342,603	(122,707)
Planning and development	380,464	339,203	41,261
City Hall maintenance	190,125	148,637	41,488
Fifty Eight Barre Street	60,000	48,535	11,465
Police:			
General	1,439,998	1,447,385	(7,387)
Communications	444,805	456,142	(11,337)
Outside pay	0	1,638	(1,638)
School Resource Officer	81,830	75,550	6,280
Community Justice Center	131,913	149,334	(17,421)
Fire and ambulance	1,575,232	1,601,022	(25,790)
Code/health enforcement	82,668	80,307	2,361
Emergency management	25,368	16,828	8,540
Public works:			
Streets	1,334,245	1,237,110	97,135
Fleet operations	458,077	449,768	8,309
Building operations	67,670	45,773	21,897
Wrightsville Beach	4,007	4,007	0
Kellogg-Hubbard Library	293,975	293,975	0
Outside agencies in budget	92,175	89,175	3,000
Community enhancements	37,800	36,800	1,000
Tree management and Board	22,125	23,077	(952)
Conservation Commission	6,250	4,182	2,068
Other governmental service	144,448	144,448	0
Small equipment	0	21,042	(21,042)
Tax abatement	50,000	48,219	1,781
Miscellaneous expense	9,000	12,143	(3,143)
VMERS pension expense	0	33,936	(33,936)
Capital outlay:			
General government	55,102	40,607	14,495
Public safety	88,326	240,308	(151,982)
Public works	196,120	462,791	(266,671)
Debt service - principal	439,536	439,536	0
Debt service - interest	250,771	271,959	(21,188)
Total expenditures	9,221,145	9,701,193	(480,048)
Excess (deficiency) of revenues over expenditures	693,821	646,278	(47,543)
Other financing sources (uses):			
Debt proceeds	0	319,864	319,864
Proceeds from sale of equipment	0	55,000	55,000
Transfers from other funds	30,000	30,000	0
Transfer to other funds:			
Capital Projects	(469,610)	(676,610)	(207,000)
Justice Fund	0	(5,728)	(5,728)
Cemetery	(110,159)	(110,159)	0
Parks	(107,052)	(107,052)	0
Events Fund	(11,000)	(11,000)	0
Affordable Housing Fund	(26,000)	(26,000)	0
Total financing sources (uses)	(693,821)	(531,685)	162,136
Net change in fund balance	\$ 0	114,593	114,593
Fund balance - July 1, 2009		1,373,817	
Fund balance - June 30, 2010		\$ 1,488,410	

See accompanying notes to financial statements.

CITY OF MONTPELIER
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Water Fund	Sewer Fund	Parking Fund	Total
Assets:				
Current assets:				
Cash	\$ 0	0	50	50
Receivables (net of allowance for uncollectibles)	629,447	570,666	27,051	1,227,164
Due from other funds	0	0	191,842	191,842
Deposits	0	0	1,600	1,600
Prepaid expenses	0	0	15,076	15,076
Inventory	75,316	24,378	0	99,694
Total current assets	704,763	595,044	235,619	1,535,426
Noncurrent assets:				
Capital assets:				
Land	32,000	0	218,672	250,672
Construction in progress	0	231,722	0	231,722
Buildings	11,557,678	9,709,565	0	21,267,243
Improvements	10,414,823	20,827,841	234,742	31,477,406
Equipment and vehicles	719,858	952,927	110,655	1,783,440
Accumulated depreciation	(5,306,191)	(12,017,785)	(252,671)	(17,576,647)
Total noncurrent assets	17,418,168	19,704,270	311,398	37,433,836
Total assets	\$ 18,122,931	20,299,314	547,017	38,969,262
Liabilities:				
Current liabilities:				
Accounts payable	\$ 28,389	47,793	4,040	80,222
Construction payable	0	211,549	0	211,549
Due to other funds	953,269	555,602	0	1,508,871
Accrued payroll and related expenses	11,968	16,089	7,014	35,071
Deferred revenue	3,991	0	0	3,991
Accrued interest payable	33,724	11,103	0	44,827
Capital leases - current portion	4,301	12,474	0	16,775
Bonds payable - current portion	410,519	701,372	0	1,111,891
Total current liabilities	1,446,161	1,555,982	11,054	3,013,197
Noncurrent liabilities:				
Capital leases - long-term portion	36,163	104,872	0	141,035
Bonds payable - long-term portion	7,835,942	8,287,693	192,500	16,316,135
Accrued compensated absences	38,931	42,644	14,498	96,073
Total noncurrent liabilities	7,911,036	8,435,209	206,998	16,553,243
Total liabilities	9,357,197	9,991,191	218,052	19,566,440
Net assets:				
Invested in capital assets, net of related debt	9,428,743	10,788,810	311,398	20,528,951
Restricted	0	0	41,220	41,220
Unrestricted (deficit)	(663,009)	(480,687)	(23,653)	(1,167,349)
Total net assets	8,765,734	10,308,123	328,965	19,402,822
Total liabilities and net assets	\$ 18,122,931	20,299,314	547,017	38,969,262

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenses
and Change in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Parking Fund	Total
Operating revenues:				
Charges for services	\$ 2,201,110	3,234,555	678,526	6,114,191
Interest and penalties	26,538	25,032	0	51,570
Miscellaneous	7,931	10,753	0	18,684
Total Operating Revenues	2,235,579	3,270,340	678,526	6,184,445
Operating expenses:				
Administration	515,743	445,406	0	961,149
Supplies and treatment	425,515	1,394,117	0	1,819,632
Wastewater management	0	82,934	0	82,934
Distribution system	400,302	0	0	400,302
Collection system	0	360,723	0	360,723
Delinquent collection	19,225	18,933	0	38,158
Meter operations	58,696	0	0	58,696
Private sewer system maintenance	0	6,082	0	6,082
Parking enforcement	0	0	390,415	390,415
Parking lot leases	0	0	83,381	83,381
Parking lot maintenance	0	0	109,650	109,650
Depreciation expense	530,440	604,753	16,407	1,151,600
Total operating expenses	1,949,921	2,912,948	599,853	5,462,722
Net operating income	285,658	357,392	78,673	721,723
Nonoperating revenues (expenses):				
Interest expense	(452,179)	(175,892)	(10,648)	(638,719)
Capital grants	0	124,176	0	124,176
Bad debt expense	(30,294)	0	0	(30,294)
Transfers from other funds	300	0	0	300
Transfers to other funds	0	0	(10,000)	(10,000)
Total nonoperating revenues (expenses)	(482,173)	(51,716)	(20,648)	(554,537)
Change in net assets	(196,515)	305,676	58,025	167,186
Net assets - July 1, 2009	8,962,249	10,002,447	270,940	19,235,636
Net assets - June 30, 2010	\$ 8,765,734	10,308,123	328,965	19,402,822

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Parking Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,584,307	3,306,281	651,831	6,542,419
Receipts from interfund services	0	0	24,756	24,756
Payments to suppliers	(613,975)	(775,049)	(167,161)	(1,556,185)
Payments for interfund services	(365,006)	(560,487)	(50,047)	(975,540)
Payments for wages and benefits	(427,501)	(793,243)	(358,983)	(1,579,727)
Net cash provided by operating activities	1,177,825	1,177,502	100,396	2,455,723
Cash Flows from Noncapital Financing Activities:				
Decrease (increase) in due from other funds	0	0	(77,538)	(77,538)
(Decrease) increase in due to other funds	(303,267)	19,864	0	(283,403)
Proceeds from general obligation bonds	0	210,880	0	210,880
Transfers received from other funds	300	0	0	300
Transfers paid to other funds	0	0	(10,000)	(10,000)
Interest payments on interfund balances	(24,836)	(6,324)	0	(31,160)
Net cash provided by (used in) noncapital financing activities	(327,803)	224,420	(87,538)	(190,921)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(8,731)	(759,875)	(2,210)	(770,816)
Receipts from capital grants	0	124,176	0	124,176
Receipts from note receivable	0	0	0	0
Principal payments on general obligation bonds and leases	(413,948)	(596,655)	0	(1,010,603)
Interest payments on general obligation bonds and leases	(427,343)	(169,568)	(10,648)	(607,559)
Net cash used in capital and related financing activities	(850,022)	(1,401,922)	(12,858)	(2,264,802)
Net Increase in Cash	0	0	0	0
Cash - July 1, 2009	0	0	50	50
Cash - June 30, 2010	\$ 0	0	50	50
Adjustments to reconcile operating income to net cash provided by operating activities:				
Net operating income	\$ 285,658	357,392	78,673	721,723
Depreciation expense	530,440	604,753	16,407	1,151,600
Decrease (increase) in accounts receivable	347,567	35,941	(1,939)	381,569
Decrease (increase) in prepaid expenses	0	0	(76)	(76)
Decrease (increase) in inventory	(19,370)	(20,946)	0	(40,316)
(Decrease) increase in accounts payable	19,365	184,052	(487)	202,930
(Decrease) increase in accrued payroll	10,969	16,089	7,014	34,072
(Decrease) increase in deferred revenue	1,161	0	0	1,161
(Decrease) increase in accrued vacation	2,035	221	804	3,060
Net cash provided by operating activities	\$ 1,177,825	1,177,502	100,396	2,455,723

Non-cash transactions:

The Water Fund incurred a \$30,924 bad debt expense.

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

The City of Montpelier, Vermont (City) was chartered on March 5, 1895 and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture and recreation, community development, cemetery, public improvements, water, sewer, parking and general administrative services.

1. Summary of Significant Accounting Policies

The accounting policies adopted by the City of Montpelier, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

1.a. The Financial Reporting Entity

This report includes all of the funds of the City of Montpelier, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on the aforementioned criteria, the City has one component unit, The Green Mountain Cemetery Commission. Although legally separate, the Commission is blended as a governmental non-major fund into the primary government. Separate financial statements for the Commission are not issued.

The Montpelier Public School System is a department of the City of Montpelier, Vermont authorized by Title VI of the City Charter. The School System operates under its separately elected Board of School Commissioners who appoint a Superintendent and provides education services. The School System also manages the Montpelier Recreation Department. The Montpelier Public School System is considered a primary government for financial reporting purposes in accordance with the standards set forth in Governmental Accounting Standards Board statement No. 14, "Defining the Financial Reporting Entity". This standard is based on the concept that financial reporting by a local government should report the accountability of elected officials for organizations under their control. Although the Montpelier Public School System is referred to as a department in the charter of the City of Montpelier, it meets the three criteria set forth in the standard for determining a primary government.

Those criteria are:

- a) It has a separately elected governing body. The voters of the City of Montpelier elect a board of seven School Commissioners who are charged with the exclusive management and control of the public schools and all school property of the City. Vacancies in the Board of School Commissioners are filled by the remaining members of the Board of School Commissioners.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

1.a. The Financial Reporting Entity (continued)

- b) It is legally separate as defined in the standard. The Montpelier Public School System possesses the corporate powers that would distinguish it as being legally separate including the capacity to have its own name, the right to sue and be sued in its own name without recourse to the City of Montpelier, and the right to buy, sell, lease and mortgage property in its name, subject to the approval of the voters. The Board of School Commissioners have all the powers of a Vermont town school district except the power to call elections or take property.
- c) It is fiscally independent of other state and local governments. All monies received by the Montpelier Public School System from tuition and other sources, and all funds received from the issuance of bonds or notes authorized by the voters of the City of Montpelier for school purposes are restricted for school purposes. The Montpelier Public School System determines its own budget (the City has a ministerial approval power over the budget but does not have the authority to modify the budget), has its own tax appropriation approved by the voters of the City of Montpelier and sets rates or charges for tuition and other services without approval of any other government. As is the case in Vermont municipalities generally, issuance of bonded debt is subject to the approval of the voters.

The City Council of the City of Montpelier has a ministerial power in that the School Board must submit its request for debt to the City Council which is required to submit it to the voters for approval. No financial burden or benefit accrues to the City of Montpelier from the Montpelier Public School System.

Additionally, under state law, the laws governing education and regulations of the State Board of Education apply to all school districts unless otherwise specifically provided for in the charter of a City. Under Vermont law, school districts are considered separate legal entities from other municipal governments which exist in the same geographic boundaries and have the same voters.

1.b. Basis of Presentation

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and presents a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and presents a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

1.b. Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports on the following major governmental funds:

General Fund - This is the main operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Community Development Fund - This Fund is used to account for the Community Development grant and loan programs throughout the City.

Capital Projects Fund - This Fund is used to account for major capital project activities by the City.

The City reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sewer Fund – This Fund accounts for the operations of the Sewer Department.

Parking Fund – This fund accounts for the operations of parking activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

1.c. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Equity (i.e., net total assets) is segregated into invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

1.c. Measurement Focus (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into reserved and unreserved amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1.d. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Standards issued after November 30, 1989.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

1.e. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.f. Assets, Liabilities and Equity

Cash

The City considers all short-term investments of ninety (90) days or less to be cash equivalents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments

The City invests in investments as allowed by State statute and the City Council's investment policy. Investments with readily determinable fair values are reported at their fair values on the financial statements. Unrealized gains and losses are included in revenue.

Receivables

The City utilizes the allowance method for uncollectible accounts. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Expenses

Inventories are determined by physical count and valued at the lower of cost (first-in, first-out) or market. Inventories in the General and Proprietary Funds consist of expendable supplies held for consumption.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

1.f. Assets, Liabilities and Equity (continued)

Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ending June 30, 2004. The City has elected to not report major general infrastructure assets retroactively. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$5,000	N/A
Buildings	\$5,000	40-100 years
Building Improvements	\$5,000	20-75 years
Improvements	\$5,000	15-75 years
Equipment and Vehicles	\$5,000	5-20 years
Infrastructure	\$5,000	10-25 years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

Compensated Absences

It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused vacation benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

(continued)

1. Summary of Significant Accounting Policies (continued)

1.f. Assets, Liabilities and Equity (continued)

Long-term Liabilities

Long-term liabilities include notes and bonds payable and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and generally only include current assets and liabilities on their balance sheets.

Fund Equity

Fund balances and net assets are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances and restrictions of net assets represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balances are available for future appropriations.

2. Explanation of Differences Between Governmental Fund and Government-wide Statements

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they occur. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as an other financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

3. Stewardship, Compliance and Accountability

3.a. Budgetary Information

During December of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. In January, the Council finalizes a proposed budget to present to the City's residents. Public hearings are then conducted to obtain taxpayer comments.

Annually, on the first Tuesday in March, the voters authorize a specific sum of budgeted tax appropriation for the support of all City departments.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

3. Stewardship, Compliance and Accountability (continued)

3.a. Budgetary Information (continued)

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. There were no budget amendments during the year. The City budgets operating transfers between the Proprietary Funds and the General Fund as expenses in the Proprietary Funds and as operating transfers in the General Fund.

3.b. Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the General Fund by \$480,048. The overages were funded by excess revenues.

4. Detailed Notes on All Funds

4.a. Deposits and Investments

Cash - Deposits with Financial Institutions	\$ 1,912,169
Cash on Hand	600
Total Cash	1,912,769
Investments - Certificates of Deposit	264,365
Money Market Mutual Funds	100,445
Government Bonds	121,219
Mutual Funds - Mixed Holdings	69,945
Mutual Funds - Bonds	505,471
Mutual Funds - Stocks	77,867
Corporate Stock	2,596
Total Investments	1,141,908
Total Cash and Investments	\$ 3,054,677

Investment Policy

The City's investment policy is as follows:

All public funds (defined herein) shall be invested to achieve liquidity, security and return. Of the foregoing, it is the declared intention of the City Council to provide for security of investment, both principal and interest, as a priority.

Public funds shall be invested in accordance with the following schedule of priorities:

- (a) Deposits insured by an agency of the federal government; provided, however, that up to \$500,000 of uninsured public funds may be invested or deposited in any one state or federal banking institution which maintains offices in the City of Montpelier.
- (b) Obligations of the United States, such as Treasury Notes.
- (c) General obligations of the State of Vermont.
- (d) General obligations of the several states.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.a. Deposits and Investments (continued)

- (e) Securities fully insured by an agency of the United States, or fully collateralized by securities of the United States.
- (f) Periodically, and at least every three years, the City Treasurer shall cause to be made a survey of all banking institutions maintaining offices in Washington County and whose services area includes the City of Montpelier. Each banking institution so surveyed will be required to submit a proposal to serve as the City's lead bank and as one of the City's depository banks. The City Treasurer, in concert with the City Council, shall designate annually a lead bank and one or more depository banks, and shall establish the banking service to be secured from each.
- (g) In order to achieve investment liquidity, the City Treasurer shall be given thirty days advance notice of any requisition or warrant in excess of \$50,000.
- (h) The term "public funds" shall not include cash or credits held for the City's benefit as performance or completion.
- (i) For investments that the City controls directly, no investment will be made in tobacco stocks. For investments in which the City has an advisory role or has a seat on an investment board or committee, or where the City is constrained in its action by statute or existing contract, the City and/or its representatives shall make their best efforts to avoid investment of City funds in tobacco stocks, consistent with their fiduciary responsibilities.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. Mutual funds are shown at their weighted average maturity (if available). The City's certificates of deposit are not subject to interest rate risk disclosure. Corporate stock is exempt from this analysis.

Investment Type	Remaining Maturity (In Years)					Total
	0-1	1-5	6-10	Data not Available	N/A	
Certificates of Deposit	\$ 0	0	0	0	264,365	264,365
Money Market Mutual Funds	100,445	0	0	0	0	100,445
Government Bonds	0	121,219	0	0	0	121,219
Mutual Funds - Mixed Holdings	0	0	0	69,945	0	69,945
Mutual Funds - Bonds	0	99,352	406,119	0	0	505,471
Mutual Funds - Stocks	0	0	0	0	77,867	77,867
Corporate Stock	0	0	0	0	2,596	2,596
	\$ 100,445	220,571	406,119	69,945	344,828	1,141,908

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.a. Deposits and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The certificates of deposit and the corporate stock are exempt from this analysis. The mutual funds are open-ended and are therefore excluded from the credit risk analysis.

Concentration of Credit Risk

The City does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than certificates of deposit and mutual funds, that represent more than 5% of total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City's investments are held in its name and are not subject to custodial credit risk. The City does not have any policy to limit the exposure to custodial credit risk. The table below shows the custodial credit risk of the City's cash and certificates of deposits.

	Book Balance	Bank Balance
Insured by FDIC	\$ 698,304	694,022
Insured by Private Surety Bond	1,422,866	1,662,969
Uninsured, Uncollateralized	155,809	155,809
Total Deposits	\$ 2,276,979	2,512,800

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flow at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year end.

Deposits are comprised of the following:

Cash – Deposits with Financial Institutions	\$ 1,912,169
Investments – Certificate of Deposits	264,365
Investments – Money Market Funds	100,445
Total	<u>\$ 2,276,979</u>

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.b. Receivables

Receivables at June 30, 2010, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes, Penalties and Interest	\$ 169,101	0	169,101
Ambulance	394,075	0	394,075
Parking Tickets	0	208,051	208,051
Accounts Receivable	105,341	57,173	162,514
Grants	196,270	0	196,270
Billed Services	0	159,444	159,444
Unbilled Services	0	990,496	990,496
Other Receivables	32,204	0	32,204
Allowance for Doubtful Accounts	(336,900)	(188,000)	(524,900)
	\$ 560,091	1,227,164	1,787,255

4.c. Loans Receivable

Governmental Activities:

There are approximately 90 loans to residents, businesses, and non-profit organizations that were funded with various community development grants and loans. The largest outstanding balance is approximately \$600,000 and there are four other loans with balances over \$100,000. The terms of the loans vary depending on the type of the loan allowed per the grant agreements. Interest rates vary between 0% and 8%.

\$ 2,859,926

Notes receivable, six (6) housing loans, 0% interest, due upon any conveyance or transfer of condominium units.

164,000

Total

3,023,926

Less allowance for doubtful loans

(1,946,159)

\$ 1,077,767

Changes in loans receivable for the year ended June 30, 2010 were as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 3,048,340	34,460	58,874	3,023,926

4.d. Note Receivable

A loan of \$443,000 was made by the General Fund to Connor Brothers with monthly payments of \$2,889 beginning January 1, 2001 through October 1, 2015 with one final principal payment on November 1, 2015 of \$35,000 with interest at 2.7%. The balance of the loan on June 30, 2010 was \$204,922. This loan is secured by a building. The current principal due over the next twelve months is \$29,570.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.e. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 894,650	27,400	0	922,050
Construction in progress	2,763,781	998,571	2,111,880	1,650,472
Total capital assets, not being depreciated	3,658,431	1,025,971	2,111,880	2,572,522
Capital assets being depreciated:				
Buildings and building improvements	7,215,575	49,938	300,000	6,965,513
Vehicles and equipment	5,000,986	724,903	574,703	5,151,186
Infrastructure	4,944,656	3,914,864	0	8,859,520
Totals	17,161,217	4,689,705	874,703	20,976,219
Less accumulated depreciation for:				
Buildings and building improvements	1,858,239	202,489	45,000	2,015,728
Vehicles and equipment	2,702,082	375,148	386,109	2,691,121
Infrastructure	450,509	274,135	0	724,644
Totals	5,010,830	851,772	431,109	5,431,493
Total capital assets, being depreciated	12,150,387	3,837,933	443,594	15,544,726
Governmental activities capital assets, net	\$ 15,808,818	4,863,904	2,555,474	18,117,248

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 250,672	0	0	250,672
Construction in progress	1,759,827	231,722	1,759,827	231,722
Total capital assets, not being depreciated	2,010,499	231,722	1,759,827	482,394
Capital Assets Being Depreciated:				
Buildings	21,267,243	0	0	21,267,243
Improvements	29,421,588	2,055,818	0	31,477,406
Equipment and vehicles	1,540,337	243,103	0	1,783,440
Total capital assets, being depreciated	52,229,168	2,298,921	0	54,528,089
Less accumulated depreciation for:				
Buildings	3,921,488	411,328	0	4,332,816
Improvements	11,735,375	636,091	0	12,371,466
Equipment and vehicles	768,184	104,181	0	872,365
Totals	16,425,047	1,151,600	0	17,576,647
Total capital assets, being depreciated	35,804,121	1,147,321	0	36,951,442
Business-type activities capital assets, net	\$ 37,814,620	1,379,043	1,759,827	37,433,836

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.e. Capital Assets (continued)

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 128,494	Water	\$ 530,440
Public Safety	197,404	Sewer	604,753
Public Works	480,169	Parking	16,407
Culture and Recreation	36,353		<u>\$ 1,151,600</u>
Cemetery	9,352		
	<u>\$ 851,772</u>		

During the fiscal year ended June 30, 2010, the Senior Center building was destroyed by fire. The building had a net book value of \$255,000, and insurance proceeds of \$100,000 were received in the current fiscal year. The net loss of \$155,000 is reported as a capital asset impairment on the Statement of Activities. Additional insurance proceeds were received subsequent to June 30, 2010.

4.f. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2010 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	\$ 0	278,672
Community Development Fund	0	30,000
Capital Projects Fund	1,613,808	0
Other Governmental Funds	459,917	448,024
Water Fund	0	953,269
Sewer Fund	0	555,602
Parking Fund	191,842	0
Total due to/from other funds	\$ 2,265,567	2,265,567

Interfund transfers during the year ended June 30, 2010 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	\$ 676,610	Budgetary Authorization
General Fund	Green Mountain Cemetery Fund	110,159	Budgetary Authorization
General Fund	Montpelier Events Fund	11,000	Budgetary Authorization
General Fund	Montpelier Parks Commission	107,052	Budgetary Authorizations
General Fund	Justice Center	5,728	Transfer
General Fund	Montpelier Housing Trust Fund	26,000	Transfer Reserves and Budgetary Authorizations
Green Mountain Cemetery Fund	Capital Projects Fund	8,400	Transfer
Community Development Fund	General Fund	30,000	Budgetary Authorization
Expendable Cemetery Trust Fund	Green Mountain Cemetery Fund	25,000	Budgetary Authorization
Non-Expendable Cemetery Trust Fund	Expendable Cemetery Trust Fund	64,567	Interest Income Transfer
Montpelier Parks Commission Fund	Water Fund	300	Budgetary Authorization
Hubbard Park Trust Fund	Montpelier Parks Commission Fund	258	Interest Income Transfer
Parking Fund	Green Mountain Cemetery Fund	10,000	Budgetary Authorization
Total		\$ 1,075,074	

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.g. Deferred Revenue

Deferred Revenue in the General Fund consists of \$108,317 of delinquent taxes, \$33,500 of ambulance revenue and \$15,226 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the General Fund is \$157,043.

Deferred Revenue in the Community Development Fund consists of \$896,970 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Capital Projects Fund consists of \$8,568 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Other Governmental Funds consists of \$500 of grant receivables and \$164,000 of loans receivable that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Other Governmental Funds is \$164,500.

Deferred Revenue in the Water Fund consists of \$3,991 of water usage overpayments.

4.h. Long-term Liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for the payment of a prior pension liability. General obligation bonds have been issued for general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds.

The City has other notes payable to finance various capital projects through local banks.

The City enters into lease agreements as lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects.

The City received money from the Agency of Commerce and Community Development (ACCD) to provide Community Development Loans. The City annually pays back a portion based upon program income as defined in the agreement between the City and ACCD.

It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Long-term liabilities outstanding as of June 30, 2010 were as follows:

Governmental Activities

Berlin Street reconstruction bond, various interest rates (6.6% - 7.0%), to Vermont Municipal Bond Bank, refunded by the Vermont Municipal Bond Bank August 2, 1995 from 1991 Series 1 to 1995 Series 1 and 2, principal payable in annual installments of \$10,000 to December 1, 2005, and \$5,000 from December 1, 2006 to December 1, 2011.

\$ 10,000

Retaining walls bond, net interest rate 5.676%, to Vermont Municipal Bond Bank, \$5,000 principal payments due annually from December 1, 1997 to December 1, 2016.

35,000

Fire station improvement bond, net interest rate 5.029%, to Vermont Municipal Bond Bank, \$40,000 principal payments due annually from December 1, 1998 to December 1, 2007, \$35,000 from December 1, 2008 to December 1, 2017.

280,000

Bridge improvement bond, net interest rate 5.033%, to Vermont Municipal Bond Bank, \$35,000 principal payments due annually from December 1, 1998 to December 1, 2013, \$30,000 from December 1, 2014 to December 1, 2017.

260,000

Fire truck bond, net interest at 4.08% , to Vermont Municipal Bond Bank, \$30,000 principal payments due annually December 1, 1999 to December 1, 2002, \$25,000 from December 1, 2003 to December 1, 2013.

100,000

Retaining wall bond, net interest at 4.789%, to Vermont Municipal Bond Bank, \$50,000 principal payments due annually from December 1, 1999 to December 1, 2003, \$45,000 from December 1, 2004 to December 1, 2018.

405,000

Library bond, various interest rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, \$30,000 principal due annually from December 1, 2001 to December 1, 2020.

330,000

Bike path lighting project bond, interest at 4.67%, to Vermont Municipal Bond Bank, \$20,000 principal due annually, due in December 2021.

240,000

Montpelier Police Station bond, various interest rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, \$75,000 principal due annually from December 1, 2001 to December 1, 2014, \$70,000 from December 1, 2015 to December 1, 2020.

795,000

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

City Hall improvement bond, various interest rates (1.87% - 5.09%), to Vermont Municipal Bond Bank, \$45,000 principal due annually from December 1, 2005 to December 1, 2014, \$40,000 principal due from December 1, 2015 to December 1, 2024. 625,000

Honeywell Global Finance, LLC. Lease, for energy efficiency upgrades, interest at 4.53%, due in semi-annual installments of principal and interest of \$25,600 until February 1, 2009 then \$26,890 until February 2010, then \$30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment. 246,832

De Lage Landen Public Finance Lease, interest at 4.25% six annual payments of principal and interest of \$10,993, due August 25, 2013, secured by vehicle. 39,671

City Hall/DPW improvement bond, various interest rates (3.835% - 4.665%) to Vermont Municipal Bond Bank, \$45,000 principal due annually from December 1, 2007 to December 1, 2022, \$40,000 due from December 1, 2023 and \$35,000 due from December 1, 2024 to December 1, 2026. 730,000

T.D. Banknorth Municipal Lease for ambulance, interest at 4.45%, annual payments of principal and interest of \$10,423 due January 15, 2007 to January 15, 2011. 9,979

Community National Bank Municipal Note, interest at 4.44%, annual payments of principal and interest of \$11,392 due from April 2008 to April 2012, secured by excavator. 21,329

VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$25,000 to \$520,000 until November 15, 2032, (74.95% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.30% reported in Sewer Fund and 5.40% reported in Parking Fund). 2,672,500

T.D. Equipment Finance Lease for ambulance, interest at 3.6%, annual payments of principal and interest of \$39,873 due June 1, 2011 to June 1, 2015. 179,521

Sabins pasture/district heating/retaining walls/bridges improvement bond, various interest rates (1.391% to 4.981%) to Vermont Municipal Bond Bank, annual installments of \$95,000 decreasing to \$45,000 until November 15, 2029. 1,150,000

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

T.D. Equipment Finance Lease for grader, interest at 3.45%, annual payments of principal and interest of \$38,163 due November 1, 2009 to November 1, 2013.	140,343
Total governmental activities bonds and notes payable	\$ 8,270,175

Business-type Activities

Water Fund

Water line improvement bond, various interest rates (3.865% - 4.665%) to Vermont Municipal Bond Bank, principal payments in annual installments of \$105,519 decreasing to \$80,195 until December 1, 2027.	\$ 1,738,961
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Water filtration system bond issued July 10, 1991 to Vermont Municipal Bond Bank, refunded by the Vermont Municipal Bond Bank August 2, 1995, from 1991 Series 1 to 1995 Series 1 and 2, net interest rate of 7.14%, interest payable June 1 and December 1, and principal payable in various annual installments increasing from \$25,000 to \$195,000 until December 1, 2021.	1,670,000
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Vermont water system improvement bond refinanced July 2004 through the Vermont Bond Bank, various interest rates (1.87% - 5.09%), interest payable June 1 and December 1, and principal payable in various annual installments increasing from \$145,000 to \$310,000 until December 1, 2024.	3,395,000
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Westside connector bond issued July 2004 to Vermont Municipal Bond Bank, interest rates (1.87% - 5.09%), interest payable June 1 and December 1, and principal payable in various annual installments increasing from \$50,000 to \$105,000 until December 1, 2024.	1,145,000
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VMERS Refunding Bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$25,000 to \$520,000 until November 15, 2032, (74.95% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.30% reported in Sewer Fund and 5.40% reported in Parking Fund).	297,500
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Honeywell Global Finance, LLC lease for energy efficient upgrades, interest at 4.53%, due in semi-annual installments of principal and interest of \$25,600 until February 1, 2009, then \$26,890 until February 1, 2010, then \$30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment.	40,464
Total Water Fund bonds payable	\$ 8,286,925

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

(continued)

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Sewer Fund

Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$22,049 until December 1, 2016.	\$ 154,343
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Sewer system improvement Bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$38,856 until December 1, 2017.	310,844
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Sewer system improvement bond, Vermont Municipal Bond Bank, net interest rate of 5.676%, annual principal of \$30,000 until December 1, 2016.	210,000
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Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$14,156 until December 1, 2018.	127,406
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Ultraviolet disinfection system bond issued July 2004 through the Vermont Municipal bond Bank, interest rates (1.87% - 5.09%), payable June 1 and December 1, and principal payable in various annual installments increasing from \$55,000 to \$105,000 until December 1, 2024.	1,205,000
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Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$35,497 until April 1, 2020.	354,970
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Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$174,171 until July 1, 2025.	2,612,563
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Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$13,807 from January 2003 to January 2022.	165,685
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Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$26,456 until July 1, 2022.	317,470
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Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$34,432 until July 1, 2023.	447,615
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(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$28,100 until June 1, 2024.	393,395
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$25,785 starting in fiscal year 2007 for 20 years, during 2009 the loan was finalized and the repayment schedule was adjusted to annual principal payments of \$34,710 until September 1, 2025.	555,355
Local share CSO bond, Vermont Municipal Bond Bank, 4.96% interest, annual principal payments of \$40,000 until 2020 then annual principal payments of \$35,000 until 2032.	820,000
River Street sewer line bond, Vermont Municipal Bond Bank, various interest rates (1.9% - 4.65%), principal payments of \$20,000 until November 15, 2028.	380,000
VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$25,000 to \$520,000 until November 15, 2032, (74.95% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.30% reported in Sewer Fund and 5.40% reported in Parking Fund).	402,500
Honeywell Global Finance, LLC lease for energy efficient upgrades, interest at 4.53%, due in semi-annual installments of principal and interest of \$25,600 until February 1, 2009, then \$26,890 until February 1, 2010, then \$30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment.	117,346
Sewer pump bond, Vermont Municipal Bond Bank, various interest rates (3.865% - 4.665%), principal payments in annual installments of \$19,481, decreasing to \$14,805 until December 1, 2027.	321,039
Sewer CSO/ultra violet bond, Vermont Municipal Bond Bank, interest rate 2%, due in annual installments of principal and interest of \$6,448 until July 1, 2031. Half of loan to be forgiven in July 2012.	210,880
Total Sewer Fund bonds payable	\$ 9,106,411

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)
4.h. Long-term Liabilities (continued)

Parking Fund

VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$25,000 to \$520,000 until November 15, 2032, (74.95% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.30% reported in Sewer Fund and 5.40% reported in Parking Fund).

	\$ 192,500
Total Parking Fund bonds payable	\$ 192,500
Total Proprietary Funds bonds payable	\$ 17,585,836

Changes in all long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 6,869,235	1,153,265	(390,000)	7,632,500	459,999
Capital Leases	335,876	319,864	(39,394)	616,346	112,257
Notes Payable	41,453	0	(20,124)	21,329	10,431
ACCD Payable	28,085	0	(16,062)	12,023	12,023
Compensated Absences	255,563	24,448	0	280,011	0
Total Governmental Activities Long-Term Liabilities	\$ 7,530,212	1,497,577	(465,580)	8,562,209	594,710
Business-type Activities					
General Obligation Bonds	\$ 18,214,380	0	(786,354)	17,428,026	1,012,234
Capital Leases	171,179	0	(13,369)	157,810	16,775
Compensated Absences	93,013	3,060	0	96,073	0
Total Business-type Activities Long-Term Liabilities	\$ 18,478,572	3,060	(799,723)	17,681,909	1,029,009

Compensated absences are paid by the applicable fund where the employee is charged.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2011	\$ 470,430	391,959	136,580	1,012,234	583,476	23,736
2012	470,899	372,724	126,155	1,142,012	558,813	23,737
2013	450,000	353,170	126,156	1,056,659	530,218	23,737
2014	445,000	333,853	126,156	1,066,749	500,192	23,736
2015	415,000	314,717	77,000	1,096,838	468,599	23,737
2016-2020	1,762,400	1,297,209	111,379	5,598,194	1,817,020	71,209
2021-2025	1,245,725	924,662	0	5,066,886	839,690	0
2026-2030	1,350,550	560,438	0	958,957	250,334	0
2031-2035	1,043,825	107,359	0	429,497	40,183	0
Less Amounts Representing Interest	0	0	(87,080)	0	0	(32,082)
Total	\$ 7,653,829	4,656,091	616,346	17,428,026	5,588,525	157,810

The City has authorized, but has not issued long-term debt at June 30, 2010 as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Amount</u>
Transportation Center	March 2002	\$ 800,000

The short-term debt activity during the year was as follows:

Beginning Balance	\$ 1,500,000
Proceeds of Tax Anticipation Note – General Fund	2,000,000
Repayment of Tax Anticipation Note – General Fund	(2,000,000)
Payment of Grant Anticipation Note	(1,500,000)
Ending Balance	\$ 0

The tax anticipation note had an interest rate of 1.8% and was paid in June 2010. The grant anticipation note had an interest rate of 1.69% and was paid in November, 2009.

Subsequent to year end, the City issued a \$4,000,000 tax anticipation note.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.i. Reserved and Designated Fund Balances/Net Assets

The reserved fund balances/net assets of the City as of June 30, 2010 consisted of the following:

	Balance July 1, 2009	Increase (Decrease)	Balance June 30, 2010
Governmental Funds			
General Fund:			
Inventories	\$ 168,174	(16,787)	151,387
Prepaid Expenses	0	69,047	69,047
Act 60 Reappraisal - State Statute	40,579	(628)	39,951
Records Restoration - State Statute	62,275	(7,014)	55,261
Armory Note Receivable	236,080	(31,158)	204,922
Park Impact Fees - State Statute	37,449	750	38,199
Parks Wetland - Donations	140	(140)	0
City Hall Plaza -Donations	192	(192)	0
Drug Seizure	0	114	114
Police K-9	0	50	50
VMERS Bond Proceeds	33,936	(33,936)	0
Flex Spending Account	0	9,747	9,747
Ambulance - Donations	55	0	55
Total General Fund	578,880	(10,147)	568,733
Community Development Fund:			
Community Development	319,950	25,387	345,337
Community Development - Program Expenditures	17,701	0	17,701
Total Community Development Fund	337,651	25,387	363,038
Capital Projects Fund:			
Traffic Impact Fees	28,610	(18,310)	10,300
Bond Proceeds	423,378	606,267	1,029,645
Capital Grants	9,219	0	9,219
Total Capital Projects Fund	461,207	587,957	1,049,164
Other Governmental Funds:			
Special Revenue Funds:			
Montpelier Events Fund - Donations	4,880	1,000	5,880
Montpelier Foundation - Donations	79,652	(7,517)	72,135
Total Special Revenue Funds	84,532	(6,517)	78,015
Permanent Funds:			
George Blanchard Trust	70,173	1,119	71,292
Non Expendable Cemetery Trust	359,568	4,280	363,848
Hubbard Park Trust	14,620	0	14,620
Expendable Cemetery Trust	275,073	39,567	314,640
Total	719,434	44,966	764,400
Total Other Governmental Funds	803,966	38,449	842,415
Total Reserved Fund Balances - Governmental Funds	\$ 2,181,704	641,646	2,823,350

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (continued)

4.i. Reserved and Designated Fund Balances/Net Assets (continued)

The designated fund balances/net assets of the City as of June 30, 2010 consisted of the following:

Governmental Funds:	
Major Funds:	
General Fund	
Designated for Fire Revenue Reserve	\$ 15,906
Designated for Computer Equipment	19,858
Designated for Tree Board Expenses	7,564
Designated for Conservation Commission	4,369
Designated for Equipment Reserve	97,596
Total General Fund	\$ 145,293
Other Governmental Funds:	
Special Revenue Funds	
Designated for Montpelier Park Commission	\$ 24,960
Designated for Montpelier Events Fund	30,101
Designated for Conservation Fund	33,297
Designated for Montpelier Housing Trust Fund	79,329
Designated for Montpelier Net Fund	530
Designated for Montpelier Senior Citizen Fund	359,739
Total Special Revenue Funds	\$ 527,956

The negative unreserved fund balance of \$7,336 in the Cemetery Fund will be funded with future revenues.

4.j. Restricted Net Assets

The restricted net assets of the City as of June 30, 2010 consisted of the following:

Governmental Activities:	
Restricted by State Statute - Impact Fees	\$ 48,499
Restricted by State Statute – Other	95,214
Restricted by Donors	78,234
Restricted by Trust Agreements - Non-Expendable	366,808
Restricted by Trust Agreements - Expendable	314,640
Restricted by Community Development Loan/Grant Agreements	1,077,767
Total Governmental Activities:	1,981,162
Business-Type Activities:	
Restricted by Impact Fees Statute	41,220
Total Business-Type Activities	41,220
Total Restricted Net Assets	\$ 2,022,382

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

5. Other Information

5.a. Benefit Plans

All eligible employees of the City are covered under the State of Vermont Municipal Employees' Retirement Plan. The Plan requires that both the City and employees contribute to the Plan which provides retirement, disability and death benefits. The City has elected to participate in two (2) plans, Plan B and Plan C, which require all eligible employees to contribute 4.5% and 9%, respectively, of gross wages while the City contributes 5% and 6%, respectively.

The City pays all costs accrued each year for the plan. The premise of Plans B and C are to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not determinable.

Total payroll for the year was \$5,598,028 while covered payroll was \$5,456,892. Pension expense for the year was \$316,528.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State of Vermont.

5.b. Property Taxes

Property taxes attach as an enforceable lien on property as of April 1. Taxes are levied on June 15 and are payable in four installments on August 15, November 15, February 15 and May 15. The City bills and collects its own property taxes and also taxes for the School District, Cemetery and education taxes for the State of Vermont. City property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate for fiscal year 2009-2010 was as follows:

		Residential	Non Residential
City, Cemetery and Outside Agencies	\$	1.2647	1.2647
State Education Tax		2.1367	2.2905
Water/Sewer Benefit Charge		0.1200	0.1200
Senior Citizens/Recreation		0.1409	0.1409
Total	\$	3.6623	3.8161

5.c. Risk Management

The City of Montpelier, Vermont is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Montpelier, Vermont maintains insurance coverage through the Vermont League of Cities and Town's Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Montpelier, Vermont. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

5. Other Information (continued)

5.c. Risk Management (continued)

In addition, the City of Montpelier, Vermont is a member of the Vermont League of Cities and Town's Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members.

The City of Montpelier, Vermont is also a member of the Vermont League of Cities and Town's Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

5.d. Commitments

Parking Lot Leases

The City leases three different parking lots around Montpelier for approximately \$85,000 per year. All are cancelable by the City. The City is responsible for the repair, maintenance and upkeep of the parking lots.

Montpelier Fire District

The City and the Montpelier Fire District have an inter-local agreement that requires the City to pay \$45,000 annually out of the Water Department revenues to the District. These payments entitle the City to integrate the improvements in the City's public water supply system and receive benefit of the improvements. This agreement shall remain in effect for as long as the Fire District has outstanding unpaid bonds issued to finance construction of the improvements.

Green Mountain Community Baseball, Inc.

On April 27, 2005, the City guaranteed a \$160,000 note between Green Mountain Community Baseball, Inc. and Northfield Savings Bank. The note is unsecured and is backed by the full faith and credit of the taxing authority of the City of Montpelier, Vermont by the Guaranty of Indebtedness. The loan will be amortized over ten years with \$16,000 annual principal payments plus interest. The balance on the note at June 30, 2010 was \$50,000.

East Central Vermont Community Fiber (ECF)

The City of Montpelier is a participant in an Interlocal Contract made up of 22 towns in East-Central Vermont committed to making state-of-the-art high-speed communications services available to all institutions, homes and businesses in participating towns. The revenue generated from system users is intended pay the costs of building, financing and operating the system so no cash outlay from member municipalities will be required.

On October 22, 2008, the City authorized ECF to issue certificates of participation (master lease) not to exceed \$106,000,000 for the purpose of making certain capital improvements for the delivery of communication services. The aggregate principal amount of the certificates of participation would be allocated to the City and the other participants based on their relative population. It is intended that the repayment of the certificates could only come from the revenues generated by the communications system.

Due to significant changes in the capital markets, ECF does not currently intend to finance the project with the certificates of participation described previously. ECF is pursuing alternative financing that, in accordance with the Interlocal Contract, will not result in any potential liability to the City.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

5. Other Information (continued)

5.d. Commitments (continued)

Operating Leases

The City has three 60-month leases for copiers. One lease is for two copiers with a monthly payment of \$702 through June, 2011. The other two copier leases have monthly payments of \$305 and \$103, respectively, through November, 2013. The lease expense for the year ended June 30, 2010 was \$13,320.

The minimum lease payments are as follows:

2011	\$ 13,320
2012	4,896
2013	<u>2,040</u>
	<u>\$ 20,256</u>

5.e. Contingency – Health Care Benefits

On January 1, 2010, the City changed the employee health insurance program to a High Deductible Health Plan with a Health Reimbursement Arrangement (HRA). All eligible employees who chose to participate were enrolled in the CIGNA HDHP 2250 Value Insurance Plan with a \$3,500/\$7,000 maximum out-of-pocket expense. The City is responsible for the first \$3,000 toward the maximum out-of-pocket health expenses for the single person plan. The City is responsible for the first \$6,000 toward the maximum out-of-pocket health expenses for the two person and family plans. When budgeting for employee health insurance program costs, the City projected that employees will use 65% of the City's out-of-pocket funding. If all employees used 100% of the City's out-of-pocket funding, health insurance costs could be \$205,000 over budgeted costs. Drawdowns for the HRA occur daily as employee health claims are processed. As of June 30, 2010, the City had only six months of experience with this new health insurance program so the ultimate benefit or risk of the new funding arrangement can not be determined.

5.f. Postemployment Benefits Other Than Pensions

Plan Description

The City of Montpelier administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the City's employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the City and the City's employees. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. The City does continue to fund a net HRA contribution of 35% of the active life rate for early retirees and spouses. At age 65, retirees and spouses move into a different plan that has premiums that are 100% paid by the participants and there is no further subsidy. For fiscal year 2010, the City contributed \$19,000 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

5. Other Information (continued)

5.f. Postemployment Benefits Other Than Pensions (continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the town's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 45,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	45,000
Contributions made	(19,000)
Increase in net OPEB obligation	26,000
Net OPEB obligation—beginning of year	-
Net OPEB obligation—end of year	\$ 26,000

Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$479,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,456,892, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.78 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees — Based on the historical average retirement age for the covered group, active plan members were assumed to retire between age 55-70, or at the first subsequent year in which the member would qualify for benefits.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2010

5. Other Information (continued)

5.f. Postemployment Benefits Other Than Pensions (continued)

Marital status — Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality — Life expectancies were based on mortality tables from the RP2000 Generational Mortality Table.

Turnover — Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate — The expected rate of increase in healthcare insurance premiums was 7 percent initially, reduced to an ultimate rate of 3 percent after four years.

Health insurance premiums — 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate — An expected long-term inflation assumption of 3 percent was used.

Payroll growth rate — The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the town's short-term investment portfolio, a discount rate of 3 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

5.g. Subsequent Events

Subsequent to year end, the City obtained a tax anticipation note of \$4,000,000 from Merchants Bank with interest at 1.84% and due June 30, 2011.

Subsequent to year end, the City assigned the physical assets of MontpelierNet to Summit Technologies. In return Summit Technologies will remove and dispose of all installed hardware and relieve the City of any further liability or obligation.

The City has evaluated subsequent events through February 18, 2011, the date on which the financial statements were available to be issued.

CITY OF MONTPELIER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)— Entry Age	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
6/30/2010	0	479,000	479,000	0.0	5,456,892	8.78

CITY OF MONTPELIER, VERMONT
Combining Balance Sheet
Other Governmental Funds
June 30, 2010

	Special Revenue Funds												Permanent Funds								Total Other Governmental Funds							
	Green Mountain Cemetery Fund		Montpelier Parks Commission Fund		Montpelier Events Fund		Reach Fund		Conservation Fund		Montpelier Foundation Fund		Montpelier Housing Trust Fund		Montpelier Senior Citizens Fund		MontpelierNet Fund		George Blanchard Trust Fund			Non-Expendable Cemetery Trust Fund		Hubbard Park Trust Fund		Expendable Cemetery Trust Fund		
	Fund		Fund		Fund		Fund		Fund		Fund		Fund		Fund		Fund		Fund			Fund		Fund		Fund		Fund
Assets:																												
Cash	\$	0	0	0	0	0	0	0	0	46,299	14,215	0	83,249	0	0	0	0	0	0	0	0	0	0	0	0	0	0	143,763
Investments		4,443	0	0	0	0	0	0	0	0	70,830	0	304,321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,141,908
Receivables		18,008	168	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,176
Due from other governments		0	0	0	0	0	109,058	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	109,058
Loans receivable		0	0	0	0	0	0	0	0	0	0	164,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	164,000
Due from other funds		0	28,937	36,481	0	0	0	0	0	0	0	79,329	0	530	0	0	0	0	0	0	0	0	0	0	0	0	0	459,917
Total assets	\$	22,451	29,105	36,481	36,481	109,058	109,058	46,299	85,045	243,329	85,045	243,329	387,570	530	71,292	676,359	14,663	314,640	2,036,822									2,036,822
Liabilities and fund balances:																												
Liabilities:																												
Accounts payable	\$	8,640	1,778	500	500	30,318	0	0	0	0	0	0	12,638	0	0	0	43	0	0	0	0	0	0	0	0	0	0	53,917
Accrued payroll and related expenses		2,441	1,867	0	0	939	0	0	0	0	0	0	2,099	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,346
Deferred revenue		0	500	0	0	0	0	0	0	164,000	0	164,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	164,500
Due to other funds		18,706	0	0	0	77,801	13,002	12,910	12,910	0	13,094	0	13,094	0	0	312,511	0	0	448,024									448,024
Total liabilities		29,787	4,145	500	500	109,058	13,002	12,910	12,910	164,000	164,000	164,000	27,831	0	0	312,511	43	0	673,787									673,787
Fund balances (deficit):																												
Reserved		0	0	5,880	5,880	0	0	0	72,135	0	72,135	0	0	0	0	0	14,620	314,640	842,415									842,415
Unreserved	(7,336)	24,960	30,101	30,101	30,101	0	33,297	0	0	79,329	79,329	79,329	359,739	530	0	0	0	0	520,620									520,620
Total fund balances (deficit)	(7,336)	24,960	35,981	35,981	35,981	0	33,297	0	72,135	79,329	79,329	79,329	359,739	530	71,292	363,848	14,620	314,640	1,363,035									1,363,035
Total liabilities and fund balances	\$	22,451	29,105	36,481	36,481	109,058	46,299	85,045	243,329	387,570	530	71,292	676,359	14,663	314,640	2,036,822												2,036,822

CITY OF MONTPELIER, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds										Permanent Funds				Total Other Governmental Funds
	Green Mountain Cemetery Fund	Montpelier Parks Commission Fund	Montpelier Events Fund	Justice Fund	Reach Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Montpelier Senior Citizens Fund	MontpelierNet Fund	George Blanchard Trust Fund	Non-Expendable Cemetery Trust Fund	Hubbard Park Trust Fund	Expendable Cemetery Trust Fund	
Revenues:															
Property taxes	0	0	0	0	0	0	0	0	135,707	0	0	0	0	0	135,707
Intergovernmental	0	23,954	0	0	173,908	14,500	0	0	0	0	0	0	0	0	212,362
Fees and charges for services	33,138	0	0	0	0	0	0	0	87,647	13,525	0	7,240	0	0	141,550
Investment income (loss)	574	11	0	0	0	299	7,761	1,403	5,473	0	1,119	61,607	258	0	78,505
Contributions	0	1,154	0	0	0	3,000	1,352	0	82,910	0	0	0	0	0	88,416
Rents and commissions	0	3,115	0	0	0	0	0	0	0	0	0	0	0	0	3,115
Other revenues	0	1,947	1,000	0	0	0	0	0	4,739	0	0	0	0	0	7,686
Total revenues	33,712	30,181	1,000	0	173,908	17,799	9,113	1,403	316,476	13,525	1,119	68,847	258	0	667,341
Expenditures:															
Public safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Culture and recreation	0	119,060	13,492	0	173,908	3,102	16,630	0	279,772	0	0	0	0	0	605,964
Community development	0	0	0	0	0	0	0	30,000	0	0	0	0	0	0	30,000
Cemetery	171,967	0	0	0	0	0	0	0	0	0	0	0	0	0	171,967
MontpelierNet Expenses	0	0	0	0	0	0	0	0	0	21,332	0	0	0	0	21,332
Capital outlay	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Culture and recreation	0	39,616	0	0	0	27,400	0	0	0	0	0	0	0	0	67,016
Cemetery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt service - principal	9,982	0	0	0	0	0	0	0	0	0	0	0	0	0	9,982
Debt service - interest	3,346	1,936	0	0	0	0	0	0	0	0	0	0	0	0	5,282
Total expenditures	185,295	160,612	13,492	0	173,908	30,502	16,630	30,000	279,772	21,332	0	0	0	0	911,543
Excess (deficiency) of revenues over expenditures	(151,583)	(130,431)	(12,492)	0	0	(12,703)	(7,517)	(28,597)	36,704	(7,807)	1,119	68,847	258	0	(244,202)
Other financing sources (uses):															
Transfers in	145,159	107,310	11,000	5,728	0	0	0	26,000	0	0	0	0	0	64,567	359,764
Transfers out	(8,400)	(300)	0	0	0	0	0	0	0	0	0	(64,567)	(258)	(25,000)	(98,525)
Total other financing sources (uses)	136,759	107,010	11,000	5,728	0	0	0	26,000	0	0	0	(64,567)	(258)	39,567	261,239
Net change in fund balance	(14,824)	(23,421)	(1,492)	5,728	0	(12,703)	(7,517)	(2,597)	36,704	(7,807)	1,119	4,280	0	39,567	17,037
Fund balance - July 1, 2009	7,488	48,381	37,473	(5,728)	0	46,000	79,652	81,926	323,035	8,337	70,173	359,568	14,620	275,073	1,345,998
Fund balance (deficit) - June 30, 2010	\$ (7,336)	24,960	35,981	0	0	33,297	72,135	79,329	359,739	530	71,292	363,848	14,620	314,640	1,363,035

CITY OF MONTPELIER, VERMONT
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2010

Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>Department of Health and Human Services</u>				
<u>US Administration of Aging</u>				
Rural Elder Assistance for Care and Health (REACH)	93.048	90AP2656/01	\$ 334,670	\$ 173,908
Total US Administration of Aging				173,908
<u>US Department of Energy</u>				
Recovery Act: Montpelier Community Renewable Energy	81.087	DE-EE0003071	8,000,000	13,770
Total US Department of Energy				13,770
<u>United States Department of the Interior</u>				
Passed through Vermont Division for Historic Preservation				
Certified Local Government Program- Phase II	15.904	VT-08-011	11,423	3,342
Total US Department of the Interior				3,342
<u>US Department of Housing and Urban Development</u>				
Passed through the Vermont Agency of Development and Community Affairs				
Community Development Block Grant	14.228		18,500	18,500
Housing Preservation Grant	14.228		50,000	2,183
Total US Department of Housing and Urban Development				20,683
<u>US Department of Justice</u>				
2009 Justice Assistance Grant Program	16.579	2009-SB-B9-0115	33,209	7,554
COPS Hiring Recovery Program	16.710	2009RKWX0869	209,571	52,393
Bulletproof Vest Partnership Program	16.607	OJP 15-04-0001	5,245	1,439
Total US Department of Justice				61,386
<u>US Department of Homeland Security</u>				
Passed through Vermont Department of Public Safety				
Homeland Security Grant	97.067	2007-GE-T7-0049	803	727
Homeland Security Grant	97.067	2007-GE-T7-0049	354	354
Homeland Security Grant	97.067	2006-GE-T6-0014	1,796	1,796
Homeland Security Grant	97.067	2007-GT-T7-0049	11,935	11,935
Homeland Security Grant	97.067	2007-GT-T7-0050	1,381	1,244
Homeland Security Grant	97.067	2007-GT-T7-0050	1,423	1,423
Homeland Security Grant	97.067	2007-GT-T7-0049	1,973	1,973
Total US Department of Homeland Security				19,452
<u>US Department of Labor</u>				
WIA Youth/ARRA-SYEP	17.259	94733152	20,183	11,629
Total Department of Labor				11,629
<u>US Department of Transportation</u>				
Passed through Vermont Agency of Transportation				
Transportation Enhancement Project (RT 2/302)	20.205	FEGC 028-3(34)S	3,396,129	939,169
Transportation Enhancement Project (Bike Path)	20.205	STP BIKE(33)S	567,560	17,758
Transportation Enhancement Project (Carr Lot)	20.205	STP MMTC(5)	145,600	20,871
Emergency Relief Program	20.205	FHWA ER VT08-1	170,316	37,256
Safe Routes to School	20.205	STP SRIN 11/300	101,700	2,036
Passed through Vermont Department of Public Safety				
Governor's Highway Safety Program	20.613	02140-0910-6220	3,500	2,617
Total US Department of Transportation				1,019,707
<u>US Environmental Protection Agency</u>				
Passed through the Vermont Agency of Natural Resources				
Clean Water State Revolving Fund/ARRA	66.458	CWSRF-AARA 09	1,174,700	770,712
Total US Environmental Protection Agency				770,712
Total Expenditures of Federal Awards				\$ 2,094,589

SECTION II

COMPLIANCE AND INTERNAL CONTROL



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Montpelier, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Montpelier, Vermont, as of and for the year ended June 30, 2010, which collectively comprise the City of Montpelier, Vermont's basic financial statements and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Montpelier, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Montpelier, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Montpelier, Vermont's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Montpelier, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Love, Cody & Company, CPAs, P.C.

February 18, 2011

Vt. Reg. #357

115 Elm Street • P.O. Box 319 • Bennington, Vermont 05201-0319

(802) 442-5552 • (800) 894-5511

Facsimile: (802) 442-7314 • e-mail: mail@lovecody.com

www.lovecody.com

**Request to Cater Malt and
Vinous Beverages &
Spirituos Liguors**

Caterer's Permit Number 6910-001-CATR-01

APPROVED

DISAPPROVED

Date:

Reason: _____

(for department use only)

To: Board of Selectmen/Alderman at catered location and Vermont Liquor Control Board.

From: Licensee name: HYZER INDUSTRIES INC.

d/b/a: THREE PENNY TAPROOM

Street: 108 MAIN ST. Town/City: MONTPELIER

Contact name and phone number: SCOTT KERNER (802) 223-8277

Email or Fax # SCOTT@THREEPENNYTAPROOM.COM

BE SURE TO READ INSTRUCTIONS BELOW, BEFORE COMPLETING APPLICATION.

(Each catered affair must have a recommendation from the local Board of Selectman or Alderman acting in their capacity as local control commissioners and must have the approval of the State Liquor Control Board.)

Please answer the following questions:

1. Describe type of party to be catered: CHEESE RECEPTION/CONCERT

2. Location of catered party (street, town or city; if no address, describe location): _____

CITY HALL

3. Date of catered party (not more than five days, unless specifically authorized: 3/4/11

4. Hours of operation: Beginning 7 PM hrs. Ending 11 PM hrs. No. of Persons 100

Signed: [Signature] Date: 2/15/11
(caterer)

We recommend: approval disapproved

If you recommend disapproval, please state reason(s): _____

Town/City Clerk's signature
Of CATERED location.

Town/City
Fax Number or email address: _____

Date

SUBMIT AT LEAST 5 DAYS PRIOR TO DATE OF FUNCTION

Submit to Town/City Clerk for recommendation.

Town/City Clerk will email, fax or mail to Vermont Liquor Control Board, 13 Green Mountain Drive, Montpelier, VT 05602 email address: { [HYPERLINK "mailto:DLC-Licensing@state.vt.us"](mailto:DLC-Licensing@state.vt.us) } Fax number is 802-828-1031

LIQUOR CONTROL BOARD'S PROCEDURAL REQUIREMENTS FOR CATERER'S PERMIT HOLDERS:

1. All liquor control laws and regulations that apply to 1st and 3rd class licenses also apply to caterer's permits.
2. Before a catered event is approved in any open area, the following requirements must be fulfilled:
 - a) A defined area, for serving and consumption of alcohol beverages, designated with physical barriers.
 - b) Separate toilet and lavatory facilities available for both men and women.

Sandy Pitonyak

To: L-Council
Subject: 2 Catering Permit Applications

Yebba, Inc., d/b/a The Abbey Pub & Restaurant, for ...

- ✓ A Cocktail Reception scheduled to be held on Tuesday, February 15th, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.
- ✓ A Cocktail Reception scheduled to be held on Wednesday, February 23rd, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.

From: Andy Hooper [tah@thatitguy.com]
Sent: Thursday, February 10, 2011 2:03 PM
To: Sandy Pitonyak
Subject: RE: 2 Catering Permit Applications

Fine with me.

From: Tom Golonka [tomgolonka@comcast.net]
Sent: Thursday, February 10, 2011 2:10 PM
To: Sandy Pitonyak; L-Council
Subject: Re: 2 Catering Permit Applications

OK with me

From: Sarah Jarvis [sarahvermont@yahoo.com]
Sent: Thursday, February 10, 2011 4:10 PM
To: L-Council; Sandy Pitonyak
Subject: Re: 2 Catering Permit Applications

I approve both permits.
Thanks,
Sarah

From: Jim Sheridan [mailto:twomonts@comcast.net]
Sent: Thursday, February 10, 2011 6:44 PM
To: Sandy Pitonyak; L-Council
Subject: Re: 2 Catering Permit Applications

OK by me, Jim

**Request to Cater Malt and
Vinous Beverages &
Spirituuous Liquors**

Caterer's Permit Number 2019

APPROVED

DISAPPROVED
Date:

Reason: _____

(for department use only)

To: Board of Selectmen/Alderman at catered location and Vermont Liquor Control Board.

From: Licensee name: Yebba, Inc

d/b/a: The Abbey Pub + Restaurant

Street: 6212 VT Rte 105 Town/City: Ernsburg Falls

Contact name and phone number: Rachel Judd 802-933-4747

Email or Fax # rachel@abbeygroup.net

BE SURE TO READ INSTRUCTIONS BELOW, BEFORE COMPLETING APPLICATION.

(Each catered affair must have a recommendation from the local Board of Selectman or Alderman acting in their capacity as local control commissioners and must have the approval of the State Liquor Control Board.)

Please answer the following questions:

1. Describe type of party to be catered: Cocktail reception

2. Location of catered party (street, town or city; if no address, describe location): _____

Cedar Creek Room 115 State St Montpelier

3. Date of catered party (not more than five days, unless specifically authorized): 2/15/11

4. Hours of operation: Beginning 1500 hrs. Ending 1900 hrs. No. of Persons 40

Signed: [Signature] Date: 2/10/11
(caterer)

We recommend: approval disapproved

If you recommend disapproval, please state reason(s): _____

Town/City Clerk's signature
Of CATERED location.

Town/City
Fax Number or email address: _____

Date

SUBMIT AT LEAST 5 DAYS PRIOR TO DATE OF FUNCTION

Submit to Town/City Clerk for recommendation.

Town/City Clerk will email, fax or mail to Vermont Liquor Control Board, 13 Green Mountain Drive, Montpelier, VT 05602 email address: { HYPERLINK "mailto:DLC-Licensing@state.vt.us" } Fax number is 802-828-1031

LIQUOR CONTROL BOARD'S PROCEDURAL REQUIREMENTS FOR CATERER'S PERMIT HOLDERS:

1. All liquor control laws and regulations that apply to 1st and 3rd class licenses also apply to caterer's permits.
2. Before a catered event is approved in any open area, the following requirements must be fulfilled:
 - a) A defined area, for serving and consumption of alcohol beverages, designated with physical barriers.
 - b) Separate toilet and lavatory facilities available for both men and women.

**Request to Cater Malt and
Vinous Beverages &
Spirituuous Liquors**

Caterer's Permit Number

2019

APPROVED

DISAPPROVED

Date:

Reason:

(for department use only)

To: Board of Selectmen/Alderman at catered location and Vermont Liquor Control Board.

From: Licensee name: Vebeba, Inc

d/b/a: The Abbey Pub + Restaurant

Street: 1212 VT Rte 105 Town/City: Ernsburg Falls

Contact name and phone number: Rachel Judd 802-933-4217

Email or Fax # rachel@abbeygroup.net

BE SURE TO READ INSTRUCTIONS BELOW, BEFORE COMPLETING APPLICATION.

(Each catered affair must have a recommendation from the local Board of Selectman or Alderman acting in their capacity as local control commissioners and must have the approval of the State Liquor Control Board.)

Please answer the following questions:

1. Describe type of party to be catered: Cocktail reception

2. Location of catered party (street, town or city; if no address, describe location):

Cedar Creek Room 115 State St Montpelier

3. Date of catered party (not more than five days, unless specifically authorized): 2/23/11

4. Hours of operation: Beginning 1500 hrs. Ending 1900 hrs. No. of Persons 40

Signed: [Signature] Date: 2/10/11
(caterer)

We recommend: approval ☒ disapproved ☐

If you recommend disapproval, please state reason(s):

Town/City Clerk's signature
Of CATERED location.

Town/City
Fax Number or email address:

Date

SUBMIT AT LEAST 5 DAYS PRIOR TO DATE OF FUNCTION

Submit to Town/City Clerk for recommendation.

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2. Before a catered event is approved in any open area, the following requirements must be fulfilled:
 - a) A defined area, for serving and consumption of alcohol beverages, designated with physical barriers.
 - b) Separate toilet and lavatory facilities available for both men and women.



**CITY OF MONTPELIER
MONTPELIER, VERMONT**

Agenda for City Council Meeting

City Council Chambers, City Hall

Wednesday, February 23, 2011

7:00 P.M.

- 1) Call to Order by the Mayor
- 2) 11-053. General Business and Appearances
- 3) 11-054. Consideration of the Consent Agenda:
 - a) Consideration of the Minutes from the December 22nd, 2010 Meeting.
 - b) Approval of City Manager's Contract renewal for March 13, 2011 through March 12, 2014.
 - c) Consideration of authorizing and approving the submittal of a grant application from the Vermont Department of Environmental Conservation, through the financial assistance program, for the construction of Municipal Water Pollution Control Facilities and to authorize the City Manager to execute the grant application on behalf of the governing body.
 - d) Consideration of the becoming the Liquor Control Commission for the purpose of acting on the following:
 1. Ratification of the issuance of two Catering Permits from Yebba, Inc., d/b/a The Abbey Pub & Restaurant, for ...
 - A. A Cocktail Reception held on Tuesday, February 15th, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.
 - B. A Cocktail Reception scheduled to be held on Wednesday, February 23rd, from 3:00 to 7:00 P.M. in the Cedar Creek Room of the State House.
 2. Ratification of the issuance of a Special Event Permit to *Go America, Go Beverages, LLC*, d/b/a "Whistle Pig Whiskey", for a Legislative Tasting Event scheduled to be held on Thursday, February 24th, from 2:30 to 6:30 P.M. in the State House Cafeteria.

3. Application from Hyzer Industries, Inc., d/b/a Three Penny Taproom, for Cheese Reception/Concert scheduled to be held on Friday, March 4th, from 7:00 to 11:00 P.M. in the City Hall Auditorium.

e) Payroll and Bills

4) 11-055. Appointment to Planning Commission.

a) Following the resignation of Missa Aloisi, staff advertised to fill this position; listed below are the names of those who submitted letters of interest and/or resumes:

Michael Tarrant

144B Main Street, Apt. #2

Kimberly Cheney, Esq.

c/o Cheney, Brock & Saudek, PC
159 State Street

b) Recommendation: Opportunity to meet applicants; possible Executive Session in accordance with Title I, §313, Executive Sessions, (3) *The appointment or employment or evaluation of a public officer or employee*; appointment to fill the unexpired 2-year term until August, 2012.

5) 11-056. Presentation of the City's Audit Report for FY July 1, 2009 – June 30, 2010.

a) Steve Love of Love, Cody & Company, CPA's, will present the Audit Report to the Council.

b) Recommendation: Receive report; opportunity for discussion; acceptance of the City's FY 10 Audit Report.

6) 11-057. Consideration of approving and authorizing the City Manager to contract for technical support services regarding the development of the District Heat Project.

a) The City applied for, and received, an \$8 million grant from the Department of Energy Community Renewable Energy Program funded by ARRA to develop a district heating system fueled with locally harvested renewable biomass energy.

b) The project would be developed in partnership with State Government/Building and General Services (BGS) which currently operates a central heating plant in Montpelier.

- c) For the City to develop the proposed routing, preliminary design and cost estimates, of the heat distribution system, along with providing BGS critical information for sizing and selecting the boilers which will replace the current aged boilers at their central heating plant, the City proposes to contract for assessment and preliminary design services with Community Biomass Systems.

Recommendation: Authorize the City Manager to enter into a contract with Community Biomass System Inc. for the necessary technical services up to the amount of \$95,490.

- 7) 11-058. Council Reports
- 8) 11-059. Mayor's Report
- 9) 11-060. Report by the City Clerk-Treasurer
- 10) 11-061. Status Reports by the City Manager
- 11) 11-062. Agenda Reports by the City Manager

Adjournment

On Wednesday evening, December 22, 2010, the City Council Members met in the Council Chamber.

Present: Mayor Hooper; Council Members Weiss, Sheridan, Sherman, Hooper, Jarvis and Golonka; also City Manager Fraser.

Call to Order by the Mayor:

Mayor Hooper called the meeting to order at 7:00 P.M.

10-321. General Business and Appearances.

Council Member Weiss said during the energy update he would like to add a nomination for a person who would like to serve on the Energy Committee and has been endorsed by Planning Director Hallsmith and the Energy Committee.

Mayor Hooper said they would like to reorder the agenda a little and put the Energy Update next after the Consent Agenda.

10-322. Consideration of the Consent Agenda

a) Consideration of becoming the Liquor Control Commission for the purpose of acting on the following:

- 1) An Application for a Catering Permit from Vermont Hospitality Management, d/b/a New England Culinary Institute, for a Graduation scheduled to be held on Friday, January 7, 2011 from 3:15 to 6:00 P.M. at the College Hall Chapel.
- 2) Consideration for a First Class Liquor License Application for A&E Restaurants, d/b/a The Black Door Bar and Bistro, at 44 Main Street. This is an ownership change and request to approve the new owners.

Motion was made by Council Member Weiss, seconded by Council Member Sheridan to approve the consent agenda. The vote was 6-0, motion carried unanimously.

10-324. District Heat Update

- a) The committee has completed formal interviews with the three firms who have submitted proposals.
- b) The committee met on December 10th to discuss the interviews and to attempt to decide which direction to go in.
- c) Recommendation: Receive update; discussion; possible direction to staff.

Council Member Weiss said at a previous meeting of the Council they were introduced to Daniel Jones who was one of the four candidates to sit on the Planning Commission. He has been very faithful in attending the Energy Advisory Committee meetings and lives in Montpelier on Northfield Street. He has a great background in media and communications and is very much interested in the energy program. Last night the Energy Advisory Committee voted unanimously to ask the Council to appoint Mr. Daniel Jones to a seat on that committee.

Council Member Weiss moved that the Council appoint Daniel Jones to a seat on the Energy Advisory Committee. Council Member Hooper seconded the motion.

Mayor Hooper called for a vote on the motion. The vote was 6-0, motion carried unanimously.

Harold Garabedian said the project is moving along. It is a dynamic project and has its challenges. They keep talking with state government and have been meeting with them weekly to define the project. They did receive three very qualified proposals in response to the RFP. Between the RFP responses and information they are receiving from the state they are actually seeing the project reshape a little bit. They are not prepared to select from any of the bidders at this point. They are envisioning a process where we are going to actually receive some additional information from them to move the project forward and redefine it to fit the new information. The Advisory Committee has met. From the Advisory Committee they actually pulled two members, Justin and Ken Jones, together with Gwen, himself and some key state department folks plus other members of the Technical Committee. They went through the proposals and evaluated the qualifications. They are very qualified folks. It is just that the information they have received suggests that the actual project they bid on may be oversized because the state has gone back and looked at their base information and are finding that, as like the city, these energy efficiency programs are actually delivering the benefits that were intended so the loads are down. If they were to design to the original plan they would probably overbuild the plant. It has its advantages and disadvantages.

Council Member Jarvis asked if that would mean a second RFP process or working with the same people.

Mr. Garabedian replied it would be working with the same people. There was a tremendous investment made and they think that really qualifies these people.

Justin McCabe of the Energy Advisory Committee said they have learned a lot throughout this process and the scope of the project has changed tremendously. The loads are different. They no longer believe that electrical generation is an option for this project and they need a hot water system only. The scope has dramatically changed from where they started. The Energy Committee recommends that the city staff put together a new scope for the three bidders who have already proposed on this project to rebid the project and provide information, both financial and technical, in regards to the new scope of work that they think is the only really affordable option for the city to proceed upon. With the three proposals they have right now it is a “no go” project.

Council Member Jarvis said she recalled information earlier about the efficiency and that only with cogeneration does this make sense.

Mr. Garabedian said that isn't necessarily the case. If this project moves forward you would anticipate at some point in the future adding electricity. He would hold that as an option. At this point in time it looks like the return on investment may be longer than they would like to see. It is a capital versus operating issue.

Planning Director Hallsmith said one of the reasons that cogeneration appears to be a more efficient use of the resource is because when you are developing a steam plant you can use the waste heat from that steam generation to turn the turbines to create the electricity. You are right, there is a sense that cogeneration in a steam application should be a way to maximize efficiency of the use of the resource. What they discovered through this process and through the financial and technical work that our consultants have done is that first of all the fact that the plant doesn't run year round plays into consideration because they are investing all of that money in the electric generating capacity and it isn't going to be working all of the time. Secondly, the best cogeneration possibilities, even with a steam application, are where the loads stay fairly constant. You have a constant base load. When you are dealing with a heating application you have a fluctuating base load and that can affect the generating capacity and the revenues you get because obviously if you are producing a lot of steam you get a lot of turbine turning, and if you are not you don't. That also affects the economics of it because the amount of electricity they can sell is reduced significantly in both of those cases.

In her opinion the game changing thing they came to this week is that the state is willing to consider looking to converting to hot water. Already 40 percent of their buildings are heated with hot water that runs through a heat exchanger from the steam that comes around their loop because hot water is actually a lower cost way to heat than steam. Steam is also a technology that is on its way out. You are not going to be investing a lot in steam technology in this country if you are smart because it is on its way out. There are going to be fewer people that running it and fewer people who will know how to fix it. It is kind of like beta VHS tapes. The technology is on its way out. Her point of view of investing a lot of money on the public sector and reinventing a steam plant doesn't make a lot of sense. In addition, the state has a building on line right now, 120 State Street, the DMV building that has some serious steam leaks so they are looking at changing it over to hot water, too, which would increase the percentage of the state's system beyond 50 percent that is heated with hot water. It doesn't make sense to take wood, heat it up to the point where you are creating steam which is an exponential function on the heating scale just to cut it back down to hot water again. It makes a lot more sense from an efficiency point of view to make hot water to heat the buildings and not heat it up to steam and cut it down to hot water. That is really the game changer, and that is what they are looking for the new bids on which is a hot water system that would serve the city and the state with the idea they phase out the state's steam system.. They wouldn't be touching or changing their plant. They might be reducing the load that the plant was expecting, but given the fact that some of their boilers are needing replacement now that manage that load that isn't the end of the world for them.

Council Member Hooper said the existing plant would be operating parallel while the state changes over from steam to hot water.

Mr. Garabedian replied yes.

Planning Director Hallsmith said one of the ideas she had since the Energy Committee met last night was a technique they used in the past when they have been in a similar circumstance the city is in right now. It is the idea of a design competition that we would pay the bidders for this next iteration of the project. We would pay the qualified bidders to develop this new design that we are asking for which is going to be a lot more clearly defined with a lot fewer alternatives opened to them because of what they have learned in this process and get to the new picture of what we are going to be considering a month hence. She called all of the bidders and talked to them about it today. They all are agreeable to looking at it and moving forward with the design competition idea. She has talked with the state about it. They are not opposed to it at this point. She wouldn't say they embrace it enthusiastically, but they are not opposed. They recognize we are in a very difficult position and that we are trying to coordinate a lot of moving parts that are difficult

to coordinate. She thinks going from a classic design build modality to a little more to something that is like design bid build, which is what a lot of more people are comfortable with, is a difficult transition and they are trying to move through that gracefully. What she proposes is a design competition with a fixed price for their work from now until January 14th, which will be the deadline, in time to know whether they need to post any money items for Town Meeting. Parallel they will be hiring an independent contractor to do what the state's contractor has been doing for them. They are not a construction engineer but a design engineer and don't bid on construction projects. They have been looking at their own specifications for what they would recommend to the state under these circumstances and conducting the state's own economic analysis of what that looks like and arriving at all of the different pricing points and capital expenditures and net present value of the savings you are getting for the state. They would be working in parallel as they are moving through that process and serve as part of our judging capacity on that design competition. At the end of that process she hopes they would have a package they could move forward with. Whether that is a package they would move forward with by hiring one of the consultants and one of the teams as our partner to move with their idea forward or whether we say yes all of this combined information is something we would like additional bids on she remains open on at this point in time because there are a lot of conflicting opinions about this.

Mayor Hooper asked her to talk to the Council about the timeline.

Planning Director Hallsmith said the timeline for the Department of Energy is that we need to have the project funds committed and obligated by the end of 2012 and have all of the draw downs done by the end of 2015. Because of their tight timeline and the fact that this is ARRA funded they are under constant pressure to make sure they are not delaying the project unnecessarily. These types of delays are something we hear about. She doesn't think right now what they are describing changes their timeline at all because we were shooting for a mid January decision point about how to move forward and whether to post a bond vote or not. The "or not" has a lot of different possibilities, one of which is the type of private financing that has been proposed by a couple of the bidders would be acceptable to the city and we wouldn't need a bond vote because we would share ownership with the investors on the plant. That is made possible through a number of different mechanisms, one of which is known as the Treasury 1603 grants which were recently extended by Congress to go through 2011. They thought they were expiring at the end of 2010 but they didn't. What that does essentially is it puts the private investors on par with public money in terms of the cost of capital and makes it possible to have a private partner in this on a capital intensive project with low margins around what the capital costs can be.

Mayor Hooper said she believes the last they heard about this we were trying to figure out whether they could go for a bond vote for March, which is the January deadline. She thinks this is new news to the Council that we may be considering doing this differently. She has sat in on a couple of meetings and have had conversations with people. Does the Council want more information on this and why the timeframe is changing the way it is?

Planning Director Hallsmith said some additional information is that even if we don't have a bond vote for the full project in March what we will be asking for from this next iteration of bids is the cost of the designing and permitting work we need to do between now and June if you schedule the bond vote in June once the state's process is over if a bond vote is necessary. We can only spend the DOE funds as we have the match for it. She doesn't know right now if we have enough match in DOE funds to take us through design and permitting all the way to June. She knows they can make it to March. Part of what they will be asking the bidders for in this next iteration is the budget we need to have in place to make it through June.

Mayor Hooper added presuming they go for a bond vote in June.

Planning Director Hallsmith said she isn't recommending that at this point.

Mayor Hooper asked if a bond vote in March off the table.

Planning Director Hallsmith said she wouldn't say that for sure. They will know more when they get the next iteration of bids on January 14th. It is likely that it is off the table, but we need more information before we can say that for sure and she doesn't want to recommend that right now.

Council Member Hooper said it seems like an awfully tight timeframe around the holidays. Have all three of the bidders consented to a January 14th deadline?

Planning Director Hallsmith replied that most of them because of all of the work they have put into it to date can actually do this relatively easily. It's not a huge change in the task. They are asking for more detail and a different approach to the actual boilers.

Council Member Golonka said she talked about changing the focus where we pay them to change their bid. Is that what we are talking about right here? What is the dollar amount? Who is paying for it?

Planning Director Hallsmith replied that is how a design competition is typically structured you pay the bidders to deliver the next bid.

Council Member Golonka asked how much money are we talking about and who is paying for it?

Planning Director Hallsmith said the money to pay for it would come out of the grant and out of our money that matches the grant. Fifty percent comes from the city money that we authorized in a vote two years ago to proceed with design, siting and permitting and fifty percent would come out of the DOE grant.

Council Member Golonka said that is taking money away from what we originally planned. The original spreadsheets were design, plan and build, but now we are paying them to bid.

Planning Director Hallsmith reminded him this is still part of the design process. It could make it less expensive in the long run because of all of the information we have gathered through the process. The bidders have put in an enormous investment in this process. One of the bidders estimated that their firm invested a quarter million dollars in putting its bid together. We have three excellent proposals from a team that represents the best and brightest of all of the firms in Vermont. At this point in time when we change the scope it is advisable and good faith that we pay them at least for this next step, which is only a fraction of what the effort they have actually put into it already.

Council Member Golonka said he doesn't like the sound of this. It sounds like we are kicking back, to pay them back for what they have put in. He doesn't like how that sounds. How much money are you talking about to pay them to bid?

Planning Director Hallsmith said between the bidders and the expertise they would need to hire to evaluate their bids would be \$50,000.

Council Member Golonka said he isn't prepared to make any type of commitment of that nature tonight. This seems very ill prepared tonight to say we are changing gears and we are paying these bidders. It sounds to him like it is a pay back for what they have already paid in, and that really disturbs him.

Mr. Garabedian replied no; if it sounds like that it is unfortunate. It really is following the information. It is clear from the proposals that were put out the project as originally scoped came out of the feasibility study and it is over built and a lot of money. In the interactions they have had with state government in reviewing the data since the feasibility study was really important because the feasibility study was commissioned at the time that allowed the Energy Investment Worker's Commission so the data they had was the historical data to date and what they have been able to do is continue and accumulate the data since then which shows the benefit of doing the contracts and that has reduced the load significantly. We are in

a position to rescope this project to a smaller size heat plant which means a smaller capital investment and better economics overall. We don't have that data. We need to get the data on the rescope plant in order to make the financial evaluations. The other piece that has changed is that the idea of not doing the entire state load at once but an incremental process but the advantage of just taking the state's hot water doesn't require us to design a steam boiler, and that is a big capital investment. If we just take that portion of the state that is already hot water and add that to our system that becomes an easy pick. Again, it is following the data.

Planning Director Hallsmith said there is an alternative, and this is an alternative that some people would be more comfortable with. We can hire an engineer who is an expert in this to rescope it for us, which is going to be in the same price range, and then put it out to bid on a designed bid built process. It is going to cost that much to get that expertise as well at this point in time to get the specifications detailed enough to go with that process. When we decided to go with the design build we were looking for innovative approaches and cutting the timeline down because of our tight timeframes. Her concern about that alternative is she believes we have a real investment on the part of a lot of Vermont's best firms in this project and she wants to build that trust and build on that investment, and this is a good way to do it. Each of them would still be in the game. An alternative for them would be to tell the Council tonight this is a no build under the current bids. We reject all bids and we design it again and go out to bid. That is an alternative. She doesn't recommend that alternative because she thinks that would not serve the process they have undertaken so far.

Mayor Hooper said she thinks what they are reacting to is a whole new concept in a very compressed time and she doesn't believe that the design competition idea has even been discussed with the committee.

Mr. McCabe said their motion did ask the staff to develop a process by which to determine how to move us to the next step. That was how it was framed.

Mayor Hooper said they are being pushed because of the deadlines for getting things on the ballot. Is that the January 14th issue?

Mr. Garabedian said he would say it is actually the deal they granted that drives all of this. It is the \$8 million timeline. If it wasn't for that this project has been talked about for 20 years.

Planning Director Hallsmith said we do have the authority to use the money that we are using now for design, siting and permitting, and that is the process they are in right now that we need to complete before we can build the plant. She doesn't know if they have enough in their current budget to get us through that entire

process if we are going to delay a vote until June, and she needs that information by mid January. That is going to be one of the pieces of information they will get in this next iteration. They will be refining the existing proposals that we have to a point where we have a design they can decide on. That is the goal. She thinks they will have invested a reasonable amount of money in that process by going through this and we will also be very respectful of the people who have taken a risk and dedicated their staff time and their resources to producing excellent proposals for the City of Montpelier without being paid a dime. She also feels bad that they could also decide to just ask them to refine their bids with these new specifications. She just doesn't feel that good about this because she knows the effort that has gone into this thus far. It is only fair and prudent for the city to pay for the next bit of effort because at least when we are paying for it at the end of the day we own at least part of that product and we aren't locked into a particular approach. We own the designed product.

Council Member Golonka said he appreciates her candor in this. His concern is if we are paying for it he doesn't believe they get as good information versus if they decide to rebid on a revised project then we know they are still interested. If we are paying them just to submit a bid, how do we know it is really a viable project versus a partner that is specifically chosen because this scaled down version is not economically viable because we aren't putting another dime into it? If it is a viable project it will pay back to them in the future, and that is one of the reasons they bid on it and that is why they would have paid for their proposal they bid. They viewed it as an economically viable project for them. If it is scaled back and we give them money to put together a proposal where is their incentive? He has concerns about the city paying them for anything.

Planning Director Hallsmith said this is a multi million dollar project.

Council Member Golonka said he won't be rushed, though, and he won't be rushed by January 14th to put this on the March ballot. He won't support it.

Planning Director Hallsmith said she isn't suggesting that they necessarily are planning to do that.

Council Member Golonka said he hears her rushing the Council right now and that is concerning him.

Mayor Hooper said they know they have been rushed by either the deadlines for getting things on the ballot but also by the grant. We have been hearing repeatedly how DOE is pressuring us on that so maybe we need to push back if we aren't comfortable doing that. She had thought one of the things they were going to hear tonight is we can't do March and we need to collect better data which we are hearing

tonight. We need to collect better data in order to put a good project in front of people. Now we are only talking about the mechanism for collecting the better data. She would presume that everybody would support the notion of let's make sure we have the best information to put in front of people to vote on so the question is how do we get there.

Planning Director Hallsmith said she doesn't believe they will be coming to the Council in March and asking for a multi million dollar bond vote at this point. She doesn't think they will have the information they need by then for that. She is concerned about additional incremental funding we might need to get through to June, and she will have that information for the Council before the Town Meeting ballot needs to be posted.

Mayor Hooper said Gwen was saying that in order to develop the additional information the mechanism was to go back out to bid and they would give us this information. Could we have somebody else do a very high level of review? Not actually do the engineering but give us some sort of overview of that if the issue is knowing how much money we need.

Planning Director Hallsmith said she is proposing they have this next iteration of information from the bidders that we pay them for but we also engage an independent consultant to do exactly what she is saying to give us that information outside of the context of the bidding process so we have both objective information to evaluate the bidding information by and the kind of high level service she is describing that we need to know about what we need to ask for.

Mayor Hooper said they need the bidding information needs to be happening simultaneously. Could we get the overview of the cost information first to answer the questions we have?

Planning Director Hallsmith said that is an alternative solution, to hire somebody, have them develop detailed design specifications and financial specifications instead of putting it out to the bidders and then rebidding it all. That is a possibility. Her opinion about that is that it will add delay to the process, but if that is what they feel more comfortable with they can move forward with that.

Mr. Garabedian said it may take some creativity and some competition out of the process because that is what everybody would go to.

Council Member Hooper asked how much city money is currently remaining for this.

Planning Director Hallsmith replied she didn't have an up to date version but she would say close to half a million dollars in city and grant money, and that's a lot. It costs a lot to get through design and permitting. The permitting fees alone in some of these things cost a couple hundred thousand dollars right off the top. If we are going to delay until June, which is a definite possibility, providing we need a bond vote, how do we get to June? This is a tight timeline and we can't stop because we don't have any money.

Council Member Hooper said between now and June it could be more than a million dollars total expenditure.

Mayor Hooper said more than half a million.

Planning Director Hallsmith said this is a very complex and difficult project. She often says to herself, what was I thinking? You have to keep the federal government, state government and city government happy through every step of this process. Are you out of your mind? Some of the things we accomplish in life we only accomplish because nobody ever told us it was impossible to do. She was in Washington last week working on this project. She met with the White House and Senator Sanders and the National League of Cities, and she came back from Washington thinking she had to come to the Council tonight and tell them they need to send the money back. But the new development with the state where they are willing to consider the hot water option has kept her in the game. She thinks that is a good option. It is a way to get it to move forward and make it happen. She is committed to making this project happen. She thinks it is enormously important for the city and the state. They are doing their best to keep all of the different players happy. She appreciates all of their concerns because they are hers, too. It is a very expensive project. It is a big commitment for the city. There are a lot of risks involved, and she doesn't deny that. What they are trying to do right now is get the best information they can, honor all of their partners in the process and make it work in a very difficult scenario.

Council Member Sherman asked if the three bidders know the schedule and what she wants and are willing to go the next step.

Planning Director Hallsmith replied yes. She has talked to them all today in detail about this and has talked to the state in detail about this, and they are all relatively satisfied with this next step. Since none of the bids examined these exact questions in a level of detail we need we feel it is only fair to ask all of them to do it again and to pay them for it.

Mayor Hooper said her recollection of some of the conversations has been that this has been evolving so rapidly that to get the best project. It's kind of like the

continual iteration of needing to get back out to get more information and bring it back to what it is we are trying to do and figure out if it is right. She understands what she is proposing but it isn't what we expected.

City Manager Fraser said the number one point is that prices are too high. Based on what we have we don't have a project. In order to figure out whether there is a project we need more information. It was suggested actually by the state as something they would want to engage in. We can say we are moving fast and one of the issues we have run into with the state and federal governments is the conundrum of thinking outside the box to get things done and then every time somebody proposes something it doesn't fit their regulations. One of the areas that they are trying to come down to is what is affordable and they are really settling on the notion of affordability for the various parties which is defined as what we are spending now on energy costs. If we spend \$300,000 a year to supply energy costs what kind of bond does that support? If it is going to cost a whole lot more than we are spending now for energy costs we can't do it. Even with the \$8 million federal subsidy it still may not work. Timing is an issue. It is interesting how this conversation has developed. One of the things he thought they would be asking tonight was does the Council object if it goes past the March ballot? They are trying to put together a lot of information quickly for a huge project and we do have a timeline delivered by the key funding source. They want it done in a certain amount of time.

Council Member Jarvis said she personally doesn't have a problem with it moving fast or a problem with the \$50,000 expenditure. Her issues are having to do with the timeline for the state decision point. A partner of her firm is on the team that is working with the state in helping them figure out their involvement in the project and she isn't involved in that at all. Her understanding of the timeline of when the state is going to come to a decision point is far in the future, maybe next year. That worries her.

Planning Director Hallsmith said they did receive different input from the state this week about that.

Council Member Jarvis said her understanding is that it is a two part process, that they are going to do an initial evaluation and then after that there will be a more complete evaluation and they don't know how long that will take.

Planning Director Hallsmith said the evaluation they have been conducting as we have been moving through the bidding process is now complete. They received the final results on Tuesday and what they discovered is important and very valuable for the state. They discovered that by moving up their initial timeline for the upgrade of their facility, which was scheduled for 2021, in net present value they gain over a

million dollars in value because of the increased efficiency and lower fuel costs. That assumes a lot of the assumptions they have been making all along about building a new steam plant, which they are saying now maybe not, and increasing the amount of wood that the state uses instead of oil in an uncertain oil environment, and also increasing the efficiency with which it is burned. They have also determined what it would cost for them to increase their capacity to provide the city with the heat we would need for our load only, not the entire community's load which is what the DOE grant envisioned. That is what they were discussing yesterday with the state. Out of that discussion they came to the point of maybe it makes more sense for the city to look into hot water production to serve the state's hot water load instead of the entire steam load. Because of some of the current issues the state has and because of their long term plan to change over to hot water they were actually very open to that alternative. Jeb Spaulding, the new Secretary of Administration, was at the meeting. He basically said they want to make this work, and if it doesn't fit into your traditional boxes they will get us the waivers we need, and that seemed to move things in a good direction.

Council Member Jarvis said her concern is that the study is just the study and the Legislature is the decision making body. She appreciates her saying the state agrees and thinks it is a good idea, but there is no "the state" until we have a decision from the Legislature.

City Manager Fraser said the argument is for putting off a bond vote until June because then we will know what direction the state wants to go in.

Council Member Jarvis said no way would she support a bonding for the full project until she knows we have a commitment from the state.

Planning Director Hallsmith said to make that decision now is just going to be seen as another delay at this point in time. She thinks they can wait to make that decision until January. They don't think it makes any sense for the city to bond for the whole project until they know first of all that the state will need to make a contribution both of land, buildings and money, which we don't know for sure until this next iteration, and what the result of that will be.

Mayor Hooper said she thinks they need to come back to the first question which is, are we comfortable with the process of not having this on the March ballot which would then mean we would have a special election? She thinks that is the principle question. There is the fundamental question of do we do it or not, and how do we pay for it? Gwen was raising the issue of financing between now and the final vote. She has a feeling there needs to be a discussion among staff looking at the numbers and figuring that out. We need a better recommendation from Gwen on that. We

can talk about that again at the next Council meeting. She thinks the fundamental question is, if we decide to go forward is it okay to have a special meeting rather than trying to cram it on to the March ballot? No one is ready to go in March. She thinks that is the only question in front of the Council today.

Council Member Sheridan said he doesn't want anything to do this. This is starting to sound like Stone Cutters Way to him. It got caught in a timeline crunch, money was threatened to be taken back, it got hurried, a plan was laid out and they never got what was envisioned there at all. There was supposed to be an extension of downtown and that was why the money was taken from downtown. It was supposed to be retail, housing, etc. It never happened because it was hurried and people didn't have the time to think about consequences. What if technology changes before this thing is paid off? Steam is out. He has already seen a technological change here that wasn't talked out before, and it is a minor one. This is a huge project and it just sounds like a big risk for a city of 8,000 people to be taking. He just watched Burlington Telecom on the news and this has that potential of being a disaster. It has the potential for being great but it also has the potential for being a disaster. He hopes the Council thinks about it carefully.

Council Member Weiss said he believes there is a technicality between the city and the federal government, and if we aren't going to have an article in March that the Council is better advised, either by consensus or by motion, to postpone the March action as opposed to having Gwen and the City Manager suggest that. Mayor Hooper and Council Members, either by consensus or by motion let's agree now that there will be no voting by article at the March meeting.

Mayor Hooper asked if this was to raise the entire amount for funding the project. The staff needs to go away and develop a plan. There is pretty general consensus that we aren't going to go with March so the staff needs to figure out how to get from March to whenever.

Planning Director Hallsmith agreed.

Mayor Hooper said if that involves money then maybe that needs to be on the ballot.

Council Member Weiss said if Gwen requires information back by the 14th of January, does that give us time to include a ballot item in March?

City Manager Fraser said they could adopt a ballot item on January 20th; that is our deadline.

Mayor Hooper asked if they had consensus on what Alan has proposed. Do they need more discussion?

Jay Ancel, Architect at Black River Design, said they were on one of the three teams that bid according to the proposal. Their team and the others have spent a lot of money on this request for proposals and design. Their team spent \$250,000 on this. he understands they are thinking of rebidding it. Standard process would be that you could do a qualification based proposal, select a team and work with it and then study the options. This case was design built. They were told the process would be based upon selection of what was provided within the RFPs and there is plenty of information there, technical, financial, etc. on which to base that. That should be the basis to move forward, pick a team and go ahead and look at options. To bid it again is not something they would see in the HUD work they do, the rural development work we do and the state and school work they do. It's just not part of the standard process. If anything it would be seen at least as unethical. You should pick a team and move ahead. Why you would go to steam he doesn't know. It has been shown as being viable. If the state thinks they might convert to water, that might be fine, but we will also lose buildings like Heney's building and lose half of the elementary school, among other buildings downtown.

Council Member Weiss said in terms of parliamentary procedure this gentleman is not a member of the public.

Mr. Ancel said he is a member of the public. He lives in Montpelier.

Council Member Weiss said his point he is a bidder, competitor and a private entrepreneur and it isn't quite fair to give him this opportunity.

Mr. Ancel said it has been expressed to them what is going to happen and what the issues are and he thinks it would be fair to respond to them so the Council is working from a full point of knowledge.

Council Member Jarvis said they have been told by their staff that we either reject all of the proposals today or ask for something new and different.

Planning Director Hallsmith said there might be a misunderstanding about what they are asking for. They aren't talking about rebidding. They have talked to all of the teams including the head of his team.

Mayor Hooper said what they did hear is a need to reconsider how we are moving forward. The only decision the Council is going to be making this evening is the decision not to put this on the March ballot. What she would suggest is there needs to be an opportunity for the bidders to have a more detailed conversation with the

team that is working with us on this project. The staff has presented several alternatives for how we can move forward and in making that presentation was very clear that all three bidders are highly credentialed and provided us fabulous proposals and in their view these are people the city wants to be working with but the data has been changing. They are not comfortable saying to pick one of these so the Council's choices are to reject them or look for another way to move forward. They are asking for another way to move forward and there are lots of questions to ask around that. That is a proposal that the city staff and the team working for us needs to develop and bring back to the City Council. Yes, Jay, we need a lot more information but now is not the time. The only question before the Council right now is, and they are there by unanimous consent, we are not going to put the big project on the ballot in March because we aren't prepared to go there. That is the only decision the Council is prepared to make this evening.

Mr. Ancel asked if there was concern about losing the \$8 million if they don't proceed on the timeline.

Mayor Hooper said they have had that conversation. They are trying to figure out how not to and have it be a good investment for the city in every way possible.

Council Member Hooper said not too long ago they came before the Council and said they were going to be very complicated proposals and they are going to need outside expertise to evaluate them. Did that happen?

Planning Director Hallsmith said a lot of the evaluation they did should be on the web site. There are the strengths and weaknesses that the National Renewable Energy Lab provided, data from one of our consultants that Cogent Products provided. They have done a very clear responsiveness to the RFP analysis and a lot of analysis has been done. The bottom line is that all of the proposals are too expensive from the city side. She thinks they have a way to move forward and she has gotten the bidders to agree to help them to move forward with that.

Mayor Hooper said this is hard and they will figure out what is the best thing to do for the city.

Council Member Weiss said the city is fortunate to have an excellent Energy Committee.

City Manager Fraser said they will get more facts and come back to the Council.

Planning Director Hallsmith said she needs more information by January 14th. There are existing contracts they can use to get that information. She doesn't need to issue it tomorrow although she was hoping to. She thinks they are missing an

opportunity if we don't move forward in that direction but they can certainly have something for the Council by the next meeting that describes it in more detail.

Council Member Golonka said he doesn't know enough personally. Secondly, he thinks it is unfair in the city process to change the rules of the game. What if somebody who wanted to bid but didn't would now bid because the city would help them in the project it is blatantly unfair to change the rules without issuing an RFP. He thinks it is wrong. If they are going to do it they need to have more information. He thinks the city is exposing itself to liability for other potential bidders. He is concerned about paying to play and this is what it sounds like.

Council Member Sherman said she thinks it is different and moving ahead to another phase. The players are clear.

Council Member Golonka said they can call it what they want but we are writing a check for \$50,000.

Council Member Sherman said they are also protecting an \$8 million project and it is not irrelevant.

Mayor Hooper said they don't have enough information to be able to make a decision. She doesn't think they understand enough about it. Unfortunately, their problem is that it is December 22nd and they aren't planning on another meeting until January 5th. That is probably not enough time.

Planning Director Hallsmith said what she is going to propose to do tomorrow is to draft what they had imagined asking the bidders to refine their bids on, to issue it to them, and then at the next meeting the Council can decide to pay for it or not.

Council Member Weiss said they cannot avoid keeping the Energy Advisory Committee informed and giving them a role to play.

- 10-323. Continued discussion regarding the City's FT 2011-12 Budget – Recreation Department, Senior Center, Police/Dispatch/Parking, City Council, City Manager, Clerk/Treasurer, Finance/IT, Assessor and Revenues.

Recreation Department:

Mayor Hooper said the first item they will review is the budget of the Recreation Department. Mark Mason, Montpelier's Superintendent of Schools, Arnie McMullen, Recreation Director, Sue Aldrich, School Board Member; Brian Murphy, and Buzz Rouleau, Members of the Recreation Board appeared before the council.

Arnie McMullen thanked the Council for the opportunity to present the Recreation Department's budget. The mission of the Montpelier Recreation Department is to provide a variety of quality programs, community events and recreational services in a safe and affordable manner and to effectively develop and maintain recreational facilities for all residents of the Montpelier community. With outside programs and groups offering many of the same programs as the Recreation Department does it is their challenge to look at all of the providers that are out there and try to fill in the gaps not being provided and to make those activities and programs available to everybody in Montpelier. A lot of other programs are dedicated to specific groups. Some are specific to teens; some are specific to adults. There is a unified basketball team they have done through the High School, but the Recreation Department actually has a unified adult program for soccer, basketball and bowling with adults. He works with Neil from the High School to coordinate that program. They also run most of the youth sports programs. They don't do hockey and real young lacrosse but do middle school lacrosse. Once the kids get to the Middle School the school groups take over and run the programs until they graduate from High School.

Their goal is also to provide programs for all ability levels. They aren't an "A" league and have to provide for all levels so the kids have an opportunity and even the adults have an opportunity to participate. They also need to use all of their facilities to their maximum. All of us know the facilities are limited. They find as they are adding more and more programs to their program brochure they are finding less and less space available. They have to manipulate some of the things they do to make room for a program sometimes to get a program out there.

The swimming pool is also not used just for swimming, but as soon as the weather is cold enough and can hold a truck to plow it they will have ice skating on the swimming pool which is open from 9:00 to 9:00 every day and is free skating.

In the spring fields are no longer just baseball fields any more. There is also spring soccer and a lot of other activities that happen on their fields that create a lot more wear and tear. They also have to keep up with their equipment and facility needs. All of their equipment needs to be maintained and kept in good working condition to maintain all of their outdoor facilities.

A couple of projects they have completed this year is they have put in new pool filters, painted the pool house and replaced the bridge behind the pool house so people can feel comfortable walking across that bridge now. The rails were literally almost sideways at one point and they realized they had to do something. Their new web site is up and running, which is exciting because for some of their programs they have a control on what they can let people enroll in on the internet and also

how many, but it will literally let you sign up and mail a check to the department and you will be on the list.

They have some other things they are looking at doing this year. They are replacing or fixing the roof at the Recreation Center, which is leaking. They hope to work on a backstop project down at the Little League field which needs some work. They are looking at also putting up a pavilion down at the pool area.

Their programs are to promote recreational activity preschool through seniors. They actually have an excellent Senior Center so they don't see a lot of seniors in a lot of their programs but a lot of adults who participate. In this past year they have had around 2,600 enrollments just in their programs and a little over 2,000 people that participated in their special events such as the Father/Daughter Dance, Halloween Party, Touch a Truck, etc. That doesn't even include the people who come through their doors for their ski and skate sale.

Attendance at the swimming pool increased this past year. They were around 8,000 in 2009 and this last year they were around 11,000. A lot had to do with the warmer weather and more people with season passes came out and participate at the pool more often.

The other process they go through is setting a reasonable price. They try to keep their programs affordable for everyone. Some programs are free. There is a preschool open gym on Wednesday mornings, a Halloween Party, Rotten Sneaker Contest and the Annual Egg Hunt up at Hubbard Park which draws a lot of people. They also try to promote wellness and fitness through their activities.

He reviewed the process they used for developing their budget. Once a budget is developed the Recreation Board reviews and approves their budget.

The Recreation Department budget that is being presented tonight reflects a level funded budget. With the current estimated grand list that would be 7.4 cents on the tax rate.

There is an increase in their administration which is mainly due to an increase in the unemployment and health insurance. He reviewed the budget showing where increases and decreased had occurred. He talked about the enrollment in their programs which shows approximately 53% residential use and 47% non residential use. They have one of two licensed outdoor summer camps in Vermont. The Mountaineer Baseball Camp also draws a lot of nonresidents. The outdoor pool at the recreation field averages about 92% residential use.

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Council Member Golonka said he initiated this because of the charter. He thought it was at least important for the Council to understand the budget. With regard to the web site, the link from the Rec Board to the City there is a notation that says this isn't a city department and this isn't a city function, and it doesn't work. Could they address and fix that at some point because the citizens of Montpelier pay 76 percent of the budget and it is the city. That is on the city web site. The second question he has is more with regard to the functionality of the Rec Board versus the School Board. This Council has the authority to delegate oversight of this board to either the School Board or do it ourselves. There seems to be three boards that are overseeing the Recreation Department which seems a little cumbersome. Does the Rec Board feel that they could run this similar to the Green Mount Cemetery and not look to the City Council or the School Board. How is the functioning of having three boards? It seems to him a little dysfunctional having so many layers of review. Has the Rec Board discussed this?

Mr. Murphy said he didn't think it was that cumbersome a process. They spent a few meetings going over the budget themselves to make sure of its transparency. If the Council is comfortable with the scrutiny they give the budget they are comfortable with it. He is confident they do a good job of going through the numbers and making sure everything is sound. It is pretty standard simple stuff they are looking at. It isn't too complex and they don't need outside assistance.

Council Member Golonka said in terms of outside fees do we charge more for nonresidents?

Recreation Director McMullen said there are some programs they don't and they charge the same. Most of them they do charge an outside fee for nonresidents. Some of the programs they don't are typically sports camps. Part of the concern is that if they put the fee too high, because a lot of other camps in the area have the same fee, it will just turn people away and then some of the residents may not have a camp to participate in. They try to adjust it so it will work.

Council Member Sherman said she was interested in where in the budget the maintenance for fields and grounds is. Do they own trucks and equipment?

Recreation Director McMullen said they do. In the budget it is under outdoor recreation where they keep their field budget and trucks. All of their truck maintenance is listed there.

Council Member Jarvis asked if he could explain the fund balance.

Recreation Director McMullen said the fund balance is a balance where if they have some money left over at the end of the year. It is money they are allowed to

retain and then use for projects. The pavilion at the swimming pool would be done out of those funds. It is money that is exceeded in the budget that didn't get spent or if they received additional revenues at the end of the year, if their revenues came in higher than anticipated. The Fund Balance is \$206,000.

Sue Aldrich said they have a fund balance at the schools, too. It is used to cover emergencies such as if the boiler were to blow up. They try to keep it at 2 percent of their budget. Their fund balance right now is \$300,000 plus. For this small budget that is a decent sized fund balance.

Council Member Weiss said he wanted to thank the Recreation Board and Recreation Department they have one of the best fields in the league. The only reason they do is because of the great cooperation we receive.

Mayor Hooper said somewhere they are going to have a request for accessible bathrooms.

City Manager Fraser said it isn't in this year's budget.

Assistant City Manager Hill said before Arnie leaves she would like the Council to know how helpful he has been to the Senior Center since the city has taken over. Arnie is the one she calls when she has an emergency. He has been salting and sanding the walks along with shoveling. We owe him a debt of gratitude.

Senior Center:

Assistant City Manager Hill said the budget is on page 58. They worked hard to level fund the appropriation. Garth Genge tells them that he is optimistic that the renovated center will be opened by April of 2012 which will be within this budget year. As she worked with the architect and asked about heating and electrical costs they weren't at the point to give her those figures. April is optimistic but if they make it there won't be the heating demand at that time of year. They hope things like that won't affect the building costs. They will be paying a portion of the building costs once it is put into condominiums. The Senior Center will be a condominium and the housing part will be shared costs. For now they have just put in a lump sum.

They kept the rent figure in this year. It is something the seniors would like to discuss with the Council at some point. This year they have kept it in to cover some of the anticipated costs that may come once they get back into the building. She provided the Council with the revenue figures. She has been working with the Finance Committee and Bill Doelger made a business plan that he worked with Garth on. Bill's convinced her they will have more members once the building

opens in April. They have always budgeted conservatively using last figures for revenue, but have increased it by \$3,000 this year. She hopes they aren't being too optimistic, but he really believes that the membership is going to be increasing once the building is completed.

While the number may seem high for trip income there is an offsetting expense number that goes with it. Sandy Gallup has lumped the first two categories. She is a little concerned they may not hit the \$4,000 depending on when they draw the money down from the endowment fund for this project. The Smith Barney account right now has \$304,000 and the Council approved \$200,000 for the project, but they may not draw that down that fast.

Miscellaneous revenue are guestimates. This past year the reason the Memorial gift was so high was because they received \$35,000 from an estate. They don't anticipate being in the Center in time to hold both a bazaar and a rummage sale; it may be one or the other but not both this year because of space. Other towns is level funded. The Finance Committee is going to be working on a proposal to present to the Council. There is a real interest in keeping the membership open to outside people and if they do that they need to come to the Council with a proposal to show the appropriated costs for the usage. For the present year they are operating under the same fees they have been.

The salary budget is up a little bit. The Program Director has informed them that she will be retiring in September and she would like to bring in somebody to work with her for two weeks to a month. She believes a person at the Center could be doing more of what is being done here at City Hall administratively.

With regards to health insurance there is a single person there now but the person we hire may take a family plan so we have budgeted accordingly. Most of these numbers are numbers Sandy plugs in through her formulas.

The contracted services are the instructors and mostly classes. The swimming program is probably the most costly program and is the one we subsidize the most. The Advisory Committee and the Senior Services Coordinating Committee talked about the ability to offer a program to those who might not be able to participate otherwise, and because we have to subsidize what we pay per hour for the swimming pool, and we pay it whether we have 5 or 50 people, so they have reduced the rate for the Montpelier seniors to participate in the swimming program. The numbers have increased because of that. This is something that Jim Sheridan has pushed for quite awhile. The Montpelier swimmers were paying \$25 but we have increased substantially the numbers, and in fact to the point where the swimmers are saying we have too many people. It isn't all seniors because they also rent out the pool at the same time.

Assistant City Manager Hill reviewed the bowling program and said it was paying for itself.

The senior van repairs and maintenance they have increased. GMTA has agreed to service the vehicle for us. It needs to be serviced every 3,000 miles per the lease agreement which is about \$100. This year it has been relatively low but they think that will increase.

Council Member Jarvis inquired about the cleaning services.

Assistant City Manager Hill said prior the cleaning services were under the food budget because the lady who did the cooking also did the cleaning. They now have a private contractor who is doing the cleaning.

Council Member Hooper asked if it was \$100 every 3,000 miles if it means they are putting 30,000 miles per year on the van, or expect to.

Assistant City Manager Hill replied they certainly expect to next year. This fall there was an average of a couple of trips a week to Lake Elmore, Woodstock, Burlington and local trips.

Council Member Sheridan said one of the reasons he pushed for the swimming is because sometimes for some seniors it is really the only physical activity they can do because the water doesn't put pressure on the joints. We were looking for ways to use Corey Funds to subsidize Montpelier voters and he thought that would be a good program to keep them active. There used to be a policy that people who went on trips could bring friends and quite often they were friends who were not from the city, and they did not have to be members but just pay the trip price. He pushed for and got the Board to accept that you had to pay the membership fee to go on the trips.

For food services they will continue through most of the fiscal year doing one special meal a month. They will still go to the High School on Tuesdays to have lunch there. Once a month they do a special meal in St. Augustine's which is catered by Mike Marinelli. The Senior Center pays \$9 per meal but the people attending pay \$6 so they subsidize \$3 per meal. The subsidy monies are coming from the Corey Fund.

Council Member Hooper asked if she had heard much grumbling about separating Montpelier and nonresidents as far as fee schedules. Is there a lot of pushback?

Assistant City Manager Hill replied yes, and there is a strong feeling among the membership that they want their friends from the other towns to be members and do things.

Council Member Jarvis said in fairness it is more than just wanting their friends but these are also some of the important volunteers so they are contributing to the Center.

Assistant City Manager Hill said one particular activity now that is becoming popular is the yoga classes. She actually had a couple members speak to her this week saying they need bigger space; there are 30 in the class. We may have to add more classes or limit the size. Montpelier residents get first dibs for signing up for classes and they know what the timeframe is. The next group of people whose towns give us something are allowed the second choice and any others will get third choice. It may be that eventually those classes will be only available to Montpelier residents.

City Manager Fraser said he certainly could appreciate from the perspective of members and the grumbling but maybe we should just have a sign out saying "Thanks to Montpelier voters for contributing \$125,000 in taxes to the facility." It's not that we are trying to be difficult but the residents have paid through their property taxes for this service and the nonresidents haven't. It's an equity issue. If their communities want to come up with a formula and pay in that would help.

Assistant City Manager Hill said they have \$14,000 which was for special meals and that has an offset contribution of \$5,000 on revenues. Some of it is guestimate. They wanted some more nutritional type meals.

The field trips, especially the big trips where only 8 or 10 people, whether it is to Ireland or wherever, she told the Director that she makes sure that all of the costs are covered. There are no subsidies on any of those costs because there are only very few people who can take the trips. It is an offering that is good because there are a lot of people who do not have families to take them on these special trips and there was one lady who has always dreamed of going to Ireland, a very elderly lady who went to Ireland this spring. It provides an opportunity that some people might not ever get because there is no one to go with them. Those big trips they have worked hard to make sure there is no subsidy. The local day trips to the Champlain Valley Fair and Flynn Theater they are subsidizing some of those trips because otherwise it would be a little unreasonable for some members.

Council Member Weiss said he thinks it is great that the local trips are being increased because on the previous page she has reduced the gas allocation by \$1,000 and gas prices are going up.

Council Member Sheridan said for the city taking on the Senior Center quickly that Bev has done a wonderful job in her time doing a lot of things to straighten it out. The Senior Center and Council really owes her a lot of thanks. If no Council member really wants to be the representative to the Senior Center he has checked their bylaws and the Council can appoint someone who isn't from the Council and he would be willing to continue on. The Board has asked him to consider that. He is making the offer to continue to represent the city for the Senior Center.

Police/Dispatch/Parking:

Police Chief Facos said on revenues they are just into one year on their COPS Grant and that grant pays for three years of salary and benefits for our 17th officer with the guarantee that the fourth year we will retain that position. Next week he will be closing out the JAG Grant. That was number two of two of our Police Department funding.

There have been some changes with the Governor's Highway Safety. He thinks they are aware that the last time they still participated with some projects such as "Click It – Ticket" campaigns, and they still have one of their sergeants as one of four statewide supervisors for the DUI Enforcement Team. Our participation in those traffic safety endeavors gets a force multiplier for us and brings in resources to Montpelier on key times for DUI patrols, but basically they are developing credits or what can be done as a grant and that is what covers a lot of their equipment such as radar units, light bars, highway safety related items

Capital Fire Mutual Aid, that contract will be up for renewal so he will be renegotiating that contract with the group. There really haven't been too many changes, although he was informed today that Berlin is adding a Fast Squad which is a First Aid support team so it will also require dispatching EMTs in addition to their ambulance. It should be a minimal impact. It's the same call but now it's a new government entity and another layer of emergency response. The way that contract was worded has kept pace with the workload and he was always cautious to make sure that other communities were paying their fair share of our communications budget, and it certainly has. He doesn't see any major increases at all. His guess it will be a 4 to 5 percent increase which certainly keeps pace with what is happening with communications.

Mayor Hooper asked if we had the capacity with the dispatchers to be able to add in that additional item.

Police Chief Facos said that won't affect that. It is relatively minor. They can always watch those. For example, East Montpelier stood up their ambulance service but we were still providing communication for that, which would be Barre Town

EMS. It is a little bit more work for dispatch but they aren't looking to pick up any new communities. It is a two part process. We are unique in how we do our contractual dispatching compared to Barre City. Barre City contracts with the individual communities and he is fortunate there is a User's Group so he just go to the representatives of Capital West and talks about workload. Warren is not a member of Capital West. They have the capacity to take them on. Right now they aren't anywhere close to a regionalized model but will always look at that as they negotiate the contracts. The other contractual dispatch service we have is with the Capital Police at the State House. There hasn't been any change in the workload or impact so that remains at \$8,600.

They have had some federal asset forfeiture coming in for the budget they are in now from some ATF work and DEA work and hopefully that will continue to grow as they work closely with those organizations.

Council Member Weiss said at the top of the page 2, School Resource Officer, \$43,000. That is revenue. Where is the source of that revenue?

Police Chief Facos replied from the school budget. It is still basically a 50/50 split for the SRO.

Police Expense on page 17. There are no substantial changes for the most part other than wages for the same number of personnel. One thing he did do on this budget is separate out a line from the maintenance to create a line for police buildings, grounds, and maintenance which is at \$17,288. The reason he wants to start separating that out is that their station is at the 10-year mark. Their heating and ventilation systems they can certainly get hit with very high bills when things go wrong, and it at that age when things start to go wrong even with their service contracts in place. Elevator inspections – some of the same concerns that Todd struggles with this facility. This is a line he wants to watch closely. The Community Room is part of that and they were working with a flooring contractor after a bid process to replace the carpet that is worn out in the communications control area. That was something that kept getting pushed back from previous budgets when they made sacrifices. Instead of carpet it looks like they are going to a very durable linoleum tile and they are hoping to re-carpet the Community Room. He has also had two of the tables redone because they got broken. They also had to replace some of the blinds. They have been tightening the reins on who uses that facility. The repairs come out of the Police budget. That also is their emergency operation center and it should be a nice place to store data.

Police Chief Facos said in his presentation back on November 17th he talked about a minor change they made to meet their commitment for quality dispatching service.

There was a hole and they plugged it with a half-time \$25 per hour employee that they brought on and train for that position.

Council Member Jarvis said he had suggested there would be a net savings in overtime expenditures. She would like to know if in fact that was realized.

Police Chief Facos said the longest he had 17 officers was about three months and the overtime was nonexistent. It was exactly what they knew what it would do. The bike officers were out, foot patrol, flexibility to do a lot of community problem solving, plain clothes officers out there and everything was working.

He said he wanted to provide an update on staffing. Officer Jackie Adams graduated from the Academy on December 3rd and because they had front loaded her field training before she went to the Academy this summer they cut her loose last week and she is doing well. They have 15 officers and have identified two additional officers as candidates who will be attending the Vermont Police Academy in February. By the time they are done, because they won't have any experience or training when they start in the beginning of February, post basic they are looking at 20 weeks of training and then field training so they won't see them on their own until probably July at best. That will bring them back to 17 officers.

Council Member Sherman asked Chief Facos if he didn't just lose an officer to Barre City.

Police Chief Facos replied he did.

Council Member Sherman said he was all trained so he was ready to go from here to full responsibilities there.

City Manager Fraser said he came from Barre fully trained.

Police Chief Facos said it was a loss for them. He was a supervisor and also one of our negotiators.

Council Member Sherman said she was wondering who carried the training costs.

Police Chief Facos said he and Chief Bombardier have a running joke. They have two officers that were former Barre City officers. One is a sergeant and he said those two are always fair game. But he does get concerned when he hear other communities talking about sign on bonuses for police officers as high as \$10,000. Even with the economy the way it is and there are no jobs he really struggle with that when he sees how few applicants we are receiving. When he talks to other Chiefs in Chittenden County the number and the quality of applicants overall is

down, and it is tough. Nobody wants to go into this business.

Council Member Sherman said they realize that training is absolutely critical.

Police Chief Facos said PERF, which is the Police Executive Research Forum which is run out of Washington, D.C., are always looking at what is happening in trends. They had a large conference with a variety of Police Chiefs from around the country asking what they were all doing in these tough economic times to maintain staffing and meet the demands of the taxpayers. That is one area they were unanimous. In this day and age with the perplexity of policing none of these Chiefs from even the largest departments like LAPD said you can't afford to cut training any more. It comes down to service delivery and officers on the ground. That is one area where training is so critical because of the expectations and the liabilities of doing this job.

With regard to communications, there is a little money left over from the JAG Grant and with some technology money they have replaced much needed voice recorder logger. Again, from a liability standpoint that is what records the phone calls, the radio traffic; it's a quality control tool. They also use that device to make sure if they have to play something back in a crisis or an emergency as well as it protects the employees and the agency from any accusations. They can listen to exactly what was said and how it was said.

There is nothing in the budget right now for what they are going to do for replacing the base radio. He is really hoping that they can piece this together. There is a grant opportunity but it is a 20 percent match so we would still have to come up with roughly \$40,000 to \$50,000 to make that match. He is working with their local vendor on that and he is hoping to get by another year and hoping for some new federal opportunities, which he thinks there will have to be because a lot of jurisdictions are going to be struggling with meeting new challenges. Some are mandated by the FCC. They don't have a deadline yet, which is a good thing. Communications is certainly their backbone to delivering the services.

Council Member Hooper said that 20 percent is our share or theirs?

Police Chief Facos said that would be our share. We are talking about a \$220,000 to \$240,000 for a base radio station.

Mayor Hooper said she wonders what his thoughts are on how well we are prepared for an emergency. The ability to respond for those circumstances that are outside of the normal police work, etc. that really brings all of the departments together. She recalls five years ago they did a really nice scenario with a hostage taking over at the High School. Are we adequately prepared for that sort of scenario?

Police Chief Facos replied as adequately as we can be. All of our officers and dispatchers all have ICS training at the various levels. Right now the supervisors and sergeants have ICS 200 level, which is an 18-hour class. That is Civic Command System which is all part of Presidential Directive 5 which is NIMS which is National Incident Management System. That is across the board with the Fire Department, some of Public Works personnel and Police. He certainly has had these discussions with Bob Gowans at the Fire Department about how many of their fire officers are at the ICS 300 level because currently he is the only one at the 300 level of ICS training. That is as high as they would need to go. Every year he has to do a survey of making sure how many officers, how many dispatchers and civilian personnel we have in the organization and how many of those are ICS trained and to what level.

Mayor Hooper asked if we were also doing the sort of cross training work that we need to be where we had that scenario.

Police Chief Facos said that was a unique training opportunity because there were some issues with the 2006 with the flood mitigation of really defining operationally what the role of the command center would be and the role of the emergency operation center, which is a broader support role which was a real scale exercise in that way. We do need to do more of that kind of training. It's costly and there are some financial opportunities with Homeland Security still to do that. Right now he thinks the best opportunity to do those exercises is to participate at the LEPC-5, the local planning committee, and staying involved with those opportunities. They do use ICS on a regular basis. They did a large scale training with the State Police Tactical Services Unit and the Hostage Negotiating Unit but they didn't really test the ICS. They had an incident command post, but the plan there was just really to test their officers and also the integration with the State Police Swat Teams. One of the city's new negotiators at that time was a negotiator for two plus hours on the scenario with the luxury of having nine State Police negotiators around him approaching his first time out. It was a very tactical exercise in terms of their actual movements, capabilities, communications and how they do the handoff to the Swat Team.

Mayor Hooper said she is asking the question in the budget context. Are we sufficiently staffed and have the resources to support that. She guesses the answer is yes.

Police Chief Facos said the officers have the training. The biggest concern he has always had, even when it was part of the argument when he asked to go to 17 officers instead of 16, was having the ability and capacity to respond to a crisis because they do not have a residency requirement with police officers or firefighters. For example, with the rock slide there is an immediate problem of how

rapidly you can get people in there. The flood of 1992 they all came in for that incident and the challenge for Chief Hoyt was they had to work 16 on 8 off and 16 on. When things are unfolding you have to look at who is on the schedule but anticipate who will be available. He would love an additional one or two officers that a consultant will probably recommend.

Parking right now looks like it is going to be a wash. They are making some investments out of the current year. The Council will be hearing formally in a few meetings from now a request to purchase two vending machines to replace Capitol Plaza and 60 State Street. Some of those parking machines are 13 to 18 years old so they are well within the life cycle. This will be coming out of this budget and not the next one. Right now their ticket numbers they are writing are up but it seems that fewer people are paying their tickets.

Council Member Hooper asked Chief Facos if he knew what the outstanding collectables are for parking.

Police Chief Facos replied he didn't right now.

Finance Director Gallup said it is a very large number.

Police Chief Facos said they are booting more vehicles now. They bought two new boots last year and they are very aggressive on that. With some potential technology such as license plate readers they should be even more effective.

Council Member Sherman said we want them to pay when they are supposed to pay. She noted that on the parking lot meter machines there is no way where it says you don't have to pay on weekends.

Police Chief Facos said on the new devices they will be seeing later will be solar powered and credit card ready. There will be some additional service fees when you are adding the software for the security features that need to be in place.

Mayor Hooper said parking is clearly not one that should be the Chief's responsibility. There certainly are opportunities out there on how to think about parking and how we manage it. It is an important issue to our community and certainly our downtown.

Police Chief Facos said he modified some of the resource allocation for parking and coverage as a percentage that covers the supervisory patrol and dispatch workload so that is why they see the increase under the overtime. It's the appeal process with parking. Whatever the future holds for parking in Montpelier the one thing that is important is a key element of effective traffic flow and safety.

Chief Facos said he had covered most of the equipment issues when he presented on November 17th. The discussion around tazers will be a formal presentation and they have already gotten some of that information out to people who have requested it. That will happen on January 12th. Soft body armor they still have some grant money from the Department of Justice for FY'12 which will assist them with that. They do need to replace their camera video systems. Some of the cars are down and not working and that is a liability concern. They are not at the point yet legally where if it isn't on tape that DUI doesn't count but unfortunately the officers have to answer a lot of questions on a DUI or an arrest or traffic stop. Some of those units are very old. That is an area where he initially asked for \$25,000 to upgrade all of them at once. Also, from an evidentiary standpoint that system would include automatic downloads. In other words, the cruisers would back into the port area and the officers don't touch anything and it is automatically downloaded into the receiving end. That is one of the biggest challenges that mobile video systems have had, especially in Vermont with the potholes, is a stable platform with a moving vehicle. For cruisers that maintains their request for their annual replacement of one car per year which has been a good rotation for the cars. They don't know what it is going to be because Chevrolet changed platforms. The Impalas have been very good for them. They are a very durable car and front wheel drive and get them up the hills. The only car they will be looking at now will be a Ford product unless they can find an old 2010 Impala because the new Chevrolets are going to be back to big powerful engines, rear wheel drive, just like the Dodge Charger, and they aren't cars like they need for Montpelier. Ford has a car that is either front wheel or all wheel drive.

Council Member Weiss asked the Chief to ponder a question if it is raised. On January 12th after his tazer presentation would he consider taking \$11,000 of his operating budget?

Revenue:

Finance Director Sandy Gallup said for revenues in state and local pilot the city has an anticipated additional funds from the previous year's budget. State highway funding is \$144,000.

Mayor Hooper said the highway payments have been level for a long time, or down.

City Manager Fraser said other state funds have been flat.

Finance Director Gallup said a lot of these are complicated lines. They look at history and kind of judge from there. Charlotte helps with the recording fees. There really isn't much change when you look at the numbers in the fees and charges. Rent commissions, they took down the 58 Barre Street rent from \$52,500 and just

put the \$27,500 that they put in the Senior Center budget because that is all of the revenue they are going to receive from 58 Barre Street next year.

Council Member Sherman asked if the Library was a nonprofit. Do they really pay \$293,000 in property taxes?

City Manager Fraser replied that is how much the city collects. The reason that shows up at the beginning is that is how much is raised in property taxes that the voters approved. It helps us calculate the total tax rate but it isn't part of the budget. They don't pay property taxes. This is the amount of property tax raised to pay their budget.

City Council:

Council Member Sheridan said he would propose they put on the ballot that they raise pay for Councilors \$2,000 and let the voters vote on it. He said he could propose that because he won't be benefitting from it. He doesn't think what they get is worth anywhere near what they do but no one can remember the last time it has been raised. That would make it \$3,000 for each Councilor.

City Manager:

They did include the budgeting for the city archiving system for \$6,200. Otherwise, there are no real major changes in the budget.

Clerk/Treasurer:

City Manager Fraser said for all of the administrative departments they have tried to keep the operating lines as low as they could.

Council Member Hooper said it would be helpful for him in each of the sections if there could be a line summary after the 10th line of the total FTE employee loaded cost of each department. That way they would know what the fully loaded cost of the labor is.

Council Member Jarvis asked City Clerk Hoyt to give the Council a reminder of who her people are and what they do.

City Clerk-Treasurer Hoyt said Peggy does the cashing up, mail and counter. Crystal and she work on the recording and she also does the counter and answers the phones. They all answer the phones. Loretta works with water and sewer, parking, counts the coin and does the parking tickets. She is also helping out in Finance with

accounts payable. Joan does the minute for the Clerk's Office and also for Planning. Crystal helps with the elections.

Council Member Golonka asked Charlotte how she handled all of the school money and the Recreation money. The Charter says it all goes through the Treasurer. How does that work?

City Clerk-Treasurer Hoyt said the Recreation Department and School Department brings in their money to be deposited. The Recreation and School Department take care of the accounting breakdown. The Senior Center does the same.

City Manager Fraser said the city collects the taxes for the school.

Council Member Hooper said Tom had pointed out something to him in the language of the Charter that says all of the fund balance is part of the city's domain, even for the schools.

City Manager Fraser said it is an interesting thing in the Charter. At some point the Charter was written to meet the school and the city. There is a reference to them bringing their budget in but it doesn't necessarily say the Council approves it.

Council Member Golonka said the reference says we approve all of the warrants. We should change the charter.

Mayor Hooper said the issue of minutes being done for us. Now that we have this good video system and the ability to recall information totally, do we really need to be having somebody doing as much work as they are in transcribing the notes. Could we create a system where we are just capturing motions and votes and referencing the discussion? It would save some time which could then be devoted to a lot of other work that needs to be done. This is an easy reference that we can go to so we now have another source to go along with the printed minutes. We aren't increasing staff in the Treasurer's Office. There is a lot of work to be done in there.

Council Member Sheridan said they need a better microphone system first. If you save money on the minutes should they put in a better microphone system?

Mayor Hooper said she doesn't think they are going to save money. They won't have somebody working less but doing other things. This is a policy question.

Finance/IT:

Finance Director Gallup handed out a sheet showing fund balances as of June 30, 2010 because she doesn't have a draft of the audit yet. Also there is a memo from the Finance Department concerning her budget. It has been a busy year for Finance. She has been here for five years. Last year Finance had a lot more attention than we probably thought it would ever get so she felt compelled and the need to follow a lot of recommendations. At the same time they had new programs, new grants and a retirement in their office. The budget is up in their office but the manpower behind it is substantially better. The restructuring has to do with not using outside consultants (Fothergill, Segale & Valley for the 9 hours a week) and converting that into a .6 person. They also had a .6 FTE person retire. In all they had 2.8 full time equivalency in the old budget for this year and with the new budget there are 3.6. Not only are they more but they are also more highly qualified personnel. There is a price tag to that. Probably the staff versus the purchased services is \$8,000 more. Her budget is up because there was extra money in there for the Finance Director. There is \$5,000 in health insurance costs and another \$4,000 for software as they change staff and use the software. She did try to offset some of this increase by identifying \$25,000 from the REACH Grant that she would like the grant to help with overhead, and they believe that's doable. She needs to have somebody work on the federal grants. Directly contact with the special grants systems is unforgiving, demanding has deadlines and we need to be on top of our game because we do have a lot of money going into these federal grants.

Mayor Hooper asked didn't we write the grants so we get an x percent for administrative costs.

Finance Director Gallup said every grant is different and sometimes you are looking for matches and some grants don't like to pay for admin costs. Gwen has asked for a few years to try to get an indirect cost which a lot of cities and towns have done. Burlington may have done it. Then you apply for a federal approved indirect cost and she is trying to get a CPA firm to help her with it. For the last two years she has approached two and hasn't gotten very far. It isn't an expertise that a lot of them have. If we did do it they would be able to bill these grants with a high number and be consistent. They are going to see a lot of grant money coming through these next few years and she has not been told that it is going to be a sustainable amount. We have always had federal and state grants but we may not have it at the level we see right now.

The major events of the last year were restructuring the Finance Department and also last year was the first year they really had a mild winter and could benefit by a substantial surplus. That was enjoyable. There is a reduction in health insurance

costs in 2010 and they believe they will meet the projected \$200,000 but the claims are still coming in. She hopes the health insurance increase next year, because it tends to go up now, will not be as severe as it was this year.

Another complicated occurrence was the fire damage to the Senior Center at 58 Barre Street. There is nothing like a really big claim to take up time. The League has been great, but you still have to always be on it. There is a very complicated new grant and mechanism to really improve that building and it has come with quite a bit of complicated finance and insurance claims management.

They documented their internal control system and have an audit and the one thing they said that our fraud risk assessment we do annually they were amazed and had never seen anything like it. Our department heads do an excellent job and exceeded the expectations.

Her proposed budget is up 12 percent. It is due to the restructuring of staff and the salary adjustments to the Finance Director. Also, there is more maintenance cost. It is their second year without discounts. The Gatsby Audit requirements, new ones added each year to continue to increase the cost of attaining the Annual Audit Report every year.

Technology:

That budget is up 7.5 percent due to a reclassification of our Technology Technician's position. Nick Daniels has been here six years and what he does on a daily basis has really put him above the job description that he was first hired for and we have suggested recognizing moving him two classifications down. Our technology services are critical to keep the water plant going.

Council Member Hooper said on the scope of technology services it mentions the radio recording software. Is that what Tony was referring to?

Finance Director Gallup said she doesn't know.

City Manager Fraser said it is an important point to make because he thinks a lot of times people think of the two individuals who take care of our tech work and think of City Hall. They are not realizing that all that high tech stuff with dispatch and the water treatment plant and Fire Department all have technology needs. It is amazing the work the two do.

Council Member Jarvis said she sees there are 52 computers in the city that are four or more years older.

City Manager Fraser said it is his sense that they do a very good job of making sure people has the technology they need. .

Finance Director Gallup said in the technology equipment section she would like to remark that Fred Skeels got \$10,000 less than what he asked for so Bill did cut back. That would be in the equipment fund.

Council Member Hooper asked if that included work stations.

Ms. Gallup replied yes.

Council Member Hooper said one thing that stood out to him on the technology list is 88 telephone lines which leads to the possibility for 88 concurrent phone calls which is a lot for 100 plus employees.

Council Member Weiss said he would like to flag something. January 5th he is asking they flag audit. He is concerned about the cost of the audit and the lack of service we are receiving. We are now going into the sixth month after the close of the fiscal year and none of us have seen an audit report, and that is not acceptable. He would like that on the agenda for discussion on January 5th.

Assessor:

City Manager Fraser said they have a lot of residual work continuing the reappraisal. He suggested they consider taking \$25,000 out of reserves for the reappraisal of personal property if we are going to continue that revenue source as part of our property tax. The big savings in this area is that we do not have the \$70,000 for appraisal services that we have had in the budget for the last three years. There were some licensing costs with the new software. He believes Steve Twombly is very committed and talks about wanting to continue. His goals is to keep pushing to get the interior entries and get the records up to speed.

Fund Balance & General Fund Questions:

The first page of her handout is the General Fund. It starts with reserve funds which means they have been given with restrictions. We had \$568,000 reserved in this category in the General Fund at the end of June 30, 2010. Then there are more designated monies where they are pulling money that is unused out of budgets and keeping it for the purposes they were intended. The total designated was \$99,554 at the end of last year. The total fund balance of \$1,488,000, take away the \$568,000 reserve and then almost \$100,000 for designated and then you get unrestricted undesignated reserve of \$820,000. That is what she calls the fund balance.

The water fund is the next area. The important number here is unreserved. It looks like we lost \$88,000 last year which is a total of \$723,000 deficit. We have got to take retirement liability and consider that. It is a \$425,000 hit that happened. We don't have to pay for that for another 17 years.

City Manager Fraser said they talked about that last year because that was money they were paying anyway.

Finance Director Gallup said for the sewer fund, the unreserved balance there is a \$127,000 loss last year. This is where accountants and auditors really get her upset. If you take the \$909,000 deficit they say we have, and of that \$263,000 is just because we didn't get the vactor loan forgiveness we know we are going to get so we booked it as a loss. It was an incredible exercise of accounting only to take good numbers and make them look worse. Next year you are going to see \$263,000 dropping in and everybody will be thrilled because sewer is doing so well. It is just the way enterprise funds handles debt. Take the \$909,000, subtract the VMERS liability of \$506,000, which gives you around \$400,000 and then subtract the \$262,000. She is not anywhere near as concerned about the sewer fund.

Parking had a good year. That is part of the reason why Tony is saying that we need to buy some equipment that is not working, and because it is not working we are losing revenue. With the \$62,000 that we had in surplus last year the fund balance is healthy they should be able to purchase that equipment.

Cemetery has a small deficit. They are really struggling to keep their heads up.

Council Member Weiss said he would like to comment that when they were here he wanted to know why their fees were so low and their fees are absolutely absurdly low. They should reevaluate their fees.

Mayor Hooper said she is worried about the cemetery adequately investing in the infrastructure they have. That beautiful building deserves to be maintained.

Finance Director Gallup said there isn't much going on with parks although it does have about \$14,000 of a fund balance and a little bit left in the tower reserve of \$7,500.

The Senior Center the Corey Fund is not part of this. There is a lot of money there but it's not the city's until they decide it is. Only the funds we have control over are listed here. Unrestricted is \$353,000 at the end of last year and \$304,000 was their endowment fund. They had a good year.

The inside agencies is fund 27, and this is a miscellaneous listing of internal funds that we have.

Capital projects has a lot of money going through that.

Traffic impact fees has \$10,000 in that account. That is for traffic lights.

The Montpelier Foundation which is a collection of monies we hold in trust is \$72,000. The Montpelier Housing Trust has \$79,000 at the end of last year but there may be money committed out of that.

Mayor Hooper said it is all committed to the Senior Center's housing portion.

Mayor Hooper asked when the Blanchard money becomes available. It says parks on it. It was restricted in the deed until a certain point. The land is restricted period, but there was money that came with it and that could not be spent for a period of time.

Council Member Weiss said he would like to point out that the county reduced its budget by \$100,000. There are 20 communities in the county so if we take an average that is \$5,000 each. For the City of Montpelier that is roughly 1/16th of one cent on our budget.

Council Member Weiss said they have done an excellent job in terms of revenues and expenditures and he has a rough idea as to what our total bonded indebtedness is, but he would like to know what other indebtedness we have. Are there other places where there are accumulated deficits, and if so what is the magnitude of deficits of that type for the city?

Finance Director Gallup said all deficits he saw were on the green sheet she handed out.

City Manager Fraser said when they have done total bonded indebtedness they have included water and sewer.

Finance Director Gallup said that is in the Audit Report.

Mayor Hooper said the plan for January 5th is to walk our way through all of the flagged items and get some questions answered. There is also the second hearing on the zoning. She asked Clancy to bring maps. He showed her the map of the downtown and showed what the changes are.

10-325. Council Reports:

None.

10-326. Mayor's Report:

None.

10-327. Report by City Clerk-Treasurer:

None.

10-328. Status Reports by City Manager.

None.

Adjournment:

After motion was duly made and seconded by Council Member Sherman and Golonka the council meeting adjourned.

Transcribed by Joan Clack

Attest: _____
Charlotte L. Hoyt, City Clerk

EMPLOYMENT AGREEMENT

THIS AGREEMENT, entered into on the 23rd day of February, 2011, by and between the City of Montpelier, State of Vermont, a municipal corporation, hereinafter called "Employer", as party of the first part, and William Fraser, hereinafter called "Employee", as party of the second part, both of whom understand as follows:

WITNESSETH

WHEREAS, Employer desires to employ the services of Employee as City Manager of the City of Montpelier, as provided by Title X of the Charter of the City of Montpelier; and

WHEREAS, it is the desire of the Governing Board, hereinafter called "Council," to provide certain benefits, establish certain conditions of employment and to set working conditions of said Employee; and

WHEREAS, it is the desire of the Council to (1) secure and retain the services of Employee and to provide inducement for him to remain in such employment, (2) to make possible full work productivity by assuring Employee's morale and peace of mind with respect to future security; (3) to act as a deterrent against malfeasance or dishonesty for personal gain on the part of the Employee, and (4) to provide a just means for terminating Employee's services at such time as he may be unable fully to discharge his duties due to age or disability or when Employer may otherwise desire to terminate his employ; and

WHEREAS, Employee desires to accept employment as City Manager of said City.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

Section 1. DUTIES.

Employer hereby agrees to employ William Fraser as City Manager of the City of Montpelier, Vermont, to perform the functions and duties specified in Title X of the City Charter and by said Title 24, V.S.A., Chapter 37, and to perform other legally permissible and proper duties and functions as the Council shall from time to time assign.

Section 2. TERM AND RENEWAL.

A. This agreement runs from March 13, 2011 through March 12,

2014. The Council and Employee shall determine on or before March 13, 2013 whether this agreement will be renewed, extended, or terminated beyond March 12, 2014. This agreement is a successor to a prior contract between the parties running from March 13, 2010 through March 12, 2013.

B. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Council to terminate the services of Employee at any time, subject only to the provisions set forth in Section 4, paragraphs A and B, of this Agreement.

C. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Employee to resign at any time from his position with Employer, subject only to the provision set forth in Section 4, paragraph C, of this Agreement.

D. Employee agrees to remain in the exclusive employ of Employer until termination of this Agreement, and neither to accept other employment nor to become employed by any other employer until said termination date.

The term "employed" shall not be construed to include occasional teaching, writing, performance or military reserve service performed on Employee's time off.

Section 3. SUSPENSION.

Employer may suspend the Employee with full pay and benefits at any time during the term of this Agreement, but only if:

- 1) a majority of Council and Employee agree, or;
- 2) after a public hearing, a majority of Council votes to suspend Employee for just cause provided, however, that Employee shall have been given written notice setting forth any charges at least 10 days prior to such hearing by the Council members bringing such charges.

Section 4. TERMINATION AND SEVERANCE PAY.

A. In the event Employee is terminated by the Council, during such time that Employee is willing and able to perform his duties under this Agreement, Employer agrees to pay Employee a lump sum cash payment equal to five (5) months (defined as 22 weeks) plus one additional week per year of completed employment up to a maximum total of 52 weeks aggregate salary. In the event, however, that Employee is terminated because of a criminal charge of any illegal act involving personal gain to him, then, Employer shall withhold such payment pending the resolution of such charge; such payment shall be made together with interest at the legal rate upon such charge being dropped or Employee's acquittal of such charge. Upon conviction of such charge Employer shall have no obligation to pay the aggregate severance sum designated in this paragraph.

During the term of this agreement, severance pay will be as follows:

Effective March 13, 2011	5 months plus 16 weeks
Effective March 13, 2012	5 months plus 17 weeks
Effective March 13, 2013	5 months plus 18 weeks

B. Employee may, at his option, be considered terminated and receive severance pay as per section 4.A in the event that:

(a) Employer, at any time during the term of this Agreement, reduces the Employee's salary or other financial benefits in a greater percentage than an applicable across-the-board reduction for unclassified Employees of the City of Montpelier, or;

(b) Employer refuses, following written notice, to comply with any other provision benefiting Employee herein, or;

(c) the Employee resigns at the Council's request.

C. In the event Employee voluntarily resigns his position with Employer, then Employee shall give Employer three months notice, unless the parties otherwise agree.

Section 5. DISABILITY.

If Employee is permanently disabled or is otherwise unable to perform his duties because of sickness, accident, injury, mental incapacity or health for a period of four successive weeks beyond any accrued sick leave, or for twenty working days of a thirty working day period, Employer shall have the option to terminate this Agreement, subject to the severance pay requirements of Section 4, paragraph A. However, Employee shall be compensated for any accrued sick leave, vacation, holidays, compensatory time and other accrued benefits and shall be eligible for any and all disability insurance benefits provided to other city employees.

Section 6. SALARY.

A. Employer agrees to pay Employee an annual base salary of \$98,060 payable in installments at the same time as other employees of the Employer are paid. Employee may designate a portion of that base salary as deferred compensation and shall designate a portion under Section 12B below.

B. On or before March 13, 2012 employer agrees to consider adjustments to employee's salary based on employee's performance as evaluated through the terms defined in Section 7 of this agreement, In the event that adjustments are made, this agreement will be amended to reflect such changes.

C. On or before March 13, 2013 employer agrees to consider adjustments to employee's salary based on employee's performance as evaluated through the terms defined in Section 7 of this agreement, In the event that adjustments are made, this agreement will be amended to reflect such changes.

Section 7. PERFORMANCE EVALUATION.

A. The Council shall formally review and evaluate the performance of Employee at least once annually in February of each year and more frequently if desired. This review and evaluation shall be in accordance with specific criteria developed jointly by Employer and Employee. These criteria may, from time to time, be amended by the Council in consultation with the Employee. Further, the Mayor shall provide Employee with a summary written statement of the findings of the Council and provide an adequate opportunity for Employee to discuss his evaluation with the Council.

B. Annually, the Council and Employee shall define such goals and performance objectives which they determine necessary for the proper operation of the City and attainment of the Council's policy objectives. These goals shall be written in priority order. They shall generally be attainable within the time limitations as specified and the annual operating and capital budgets and appropriations provided.

Section 8. HOURS OF WORK.

It is recognized that Employee must devote a great deal of time outside of normal office hours to business of the Employer. Employee shall accrue vacation at the rate of two days per month, and will be allowed to take compensatory time off as time permits during said normal office hours. Such vacation time shall not exceed 30 days on November 1st of any year or the accrued time over 30 days will be lost. It is recognized that vacation may be accrued and taken together in a block, limited to four weeks.

Section 9. OUTSIDE ACTIVITIES.

Employee shall not spend more than 10 non-business hours per week in teaching, counseling or other non-Employer connected business without the prior approval of the Council.

Section 10. AUTOMOBILE.

The Employee will provide his own business and personal transportation. The Employer and Employee agree that the employee will be eligible for mileage reimbursement at the established IRS rate for professional use of his personal vehicle.

Section 11. HEALTH AND LIFE INSURANCE.

Employer agrees to put into force and to make required premium payments for Employee for insurance policies for life, accident, sickness, major medical and dependent's group insurance (as well as any other insurance or benefits which are now or in the future offered to unclassified employees of the Employer covering Employee) and his dependents equal to that which is provided all other employees of the Employer under the Personnel Plan. In the event that the Employee is terminated under the provisions of Section 4, the Employer shall also continue full medical insurance benefits to the Employee for the duration of the severance period defined in Section 4.

Section 12. PENSION & DEFERRED COMPENSATION

A. Employee will be a member of the Vermont Municipal Employees Retirement System Plan C (VMERS-C). Employer and Employee shall make contributions to the plan as specified by VMERS. Employee entered the VMERS plan with 7.75 years of credited service.

B. Employer agrees to maintain an ICMA 401 (a) deferred compensation plan upon request of Employee. Employer will contribute an amount equal to Five Percent (5%) of Employee's salary to this plan.

Section 13. DUES AND SUBSCRIPTIONS.

Employer intends to budget and to pay for the professional dues and subscriptions of Employee necessary for his continuation and participation in approved associations and organizations necessary and desirable for his continued professional participation, growth and advancement, and for the good of the Employer, subject to financial constraints.

Section 14. PROFESSIONAL DEVELOPMENT.

A. Employer intends to budget for and to pay the dues, registration, travel and subsistence expenses of Employee, subject to financial constraints, for professional and office travel, meetings and occasions for professional development and to pursue necessary official and other functions for Employer. Professional development expenses include, but are not limited to, membership in and attendance at the annual conferences of the International City/County Management Association (ICMA), the Vermont League of Cities and Towns (VLCT), the Vermont Town and City Management Association (VTCMA), the National League of Cities (NLC) and such other national, regional, state and local governmental groups and committees of which the City or Employee are members.

B. Employer also intends to budget and to pay for registration, travel and subsistence expenses for Employee for short courses, institutes and seminars for his professional development and to benefit the Employer, subject to financial constraints.

C. Employer agrees to sponsor Employee's attendance at the Senior Executives in State and Local Government program at the Harvard Kennedy School of Government during July of 2011 subject to the Employee's admittance into the program. Employee agrees that if he voluntarily resigns his position within four (4) years of completing the program he shall reimburse the city for the program tuition as per the following schedule based on the Employee's final work date:

August 1, 2011 through January 31, 2012	\$11,200
February 1, 2012 through July 31, 2012	\$9,800
August 1, 2012 through January 31, 2013	\$8,400
February 1, 2013 through July 31, 2013	\$7,000
August 1, 2013 through January 31, 2014	\$5,600
February 1, 2014 through July 31, 2014	\$4,200
August 1, 2014 through January 31, 2015	\$2,800
February 1, 2015 through July 31, 2015	\$1,400
After August 1, 2015	\$0

If the Employer terminates the Employee under the provisions of Section 4 before August 1, 2015, the Employee will not be responsible for any tuition reimbursement.

Section 15. GENERAL EXPENSES.

Employer recognizes that certain expenses of a non-personal and generally job-affiliated nature are incurred by Employee and hereby agrees to reimburse or to pay these general expenses up to the budgeted amount.

Section 16. CIVIC CLUB MEMBERSHIP.

Employer recognizes the desirability of representation in and before local civic and other organizations, and Employee is authorized to become a member of such civil civic clubs or organizations. Employer shall pay these expenses subject to financial constraints. Employee shall report to the Employer on each membership that he has taken out at Employer's expense.

Section 17. INDEMNIFICATION.

Employer shall defend, save harmless and indemnify Employee against any tort, professional liability claim or demand, or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Employee's duties as City Manager. Employer will compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon.

Section 18. BONDING.

Employer shall bear the full cost of any fidelity or other bonds required of the Employee under any law or ordinance.

Section 19. OTHER TERMS AND CONDITIONS OF EMPLOYMENT.

A. The Employer, in consultation with the Employee, may establish such other terms and conditions of employment relating to the performance of Employee, provided such terms and conditions are consistent with or not in conflict with the provisions of this Agreement, the City Charter and the law.

B. In addition to terms provided for specifically in this agreement, the terms of Employer's Personnel Plan relating to sick leave, holidays and other fringe benefits and working conditions shall apply to Employee as they would to other unclassified employees of Employer.

Section 20. NO REDUCTION OF BENEFITS.

Employer shall not, at any time during the term of this Agreement, reduce the salary, compensation or other financial benefits of Employee, except to the degree of such a reduction across-the-board for unclassified employees of the Employer.

Section 21. NOTICES.

Notices pursuant to this Agreement shall be given by deposit in the custody of the United States Postal Service, postage prepaid, and addressed with return receipt requested to guarantee receipt.

Alternately, notices required pursuant to this Agreement may be personally served in the same manner as is applicable to civil judicial practice. Notice shall be deemed given as of the date of personal service or as of the date of the return receipt's signature upon delivery.

Section 22. GENERAL PROVISIONS.

A. The text herein shall constitute the entire Agreement between the parties.

B. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Employee.

C. This Agreement is effective commencing March 13, 2011 through March 12, 2014.

D. If any provision, or any portion thereof, contained in this Agreement is held unconstitutional, invalid or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable, shall not be affected and shall remain in full force and effect.

IN WITNESS WHEREOF, the City of Montpelier has caused this Agreement to be signed and executed in its behalf by its Mayor, and duly attested by its City Clerk, and the Employee has signed and executed this Agreement, both in duplicate, the day and year first above written.

Mayor of the City of Montpelier

ATTEST:

City Clerk

William J. Fraser

Date

Design Review Committee Vacancy?

- a) Staff advertised to fill Muffie Conlon's unexpired term; one letter of interest was received from ...
- b) Recommendation: Opportunity to meet ; appointment to fill the 3-year term which will expire in October, 2012.

Sandy Pitonyak

From: Kimberly Cheney [KCheney@cbs-law.com]
Sent: Thursday, February 03, 2011 12:48 PM
To: Sandy Pitonyak
Subject: planning commission vacancy
Attachments: Kim Resume, 2008.doc

Gentlepeople,

I would like to serve on the Planning Commission. I have returned to live in Montpelier (after a tour in Middlesex). Since I'm back home, I welcome the opportunity to participate the civic life here. I attach my resume. I understand that in public life there are many different points of view, which must be listened to respectfully before adopting policies that effect everyone. I have had experience in both. I have not had experience in land use planning, a deficit I hope to cure by study and listening to others.

Thank you for considering my application.

Mr. Kimberly B. Cheney, Esquire
Cheney, Brock & Saudek, P.C.
159 State Street
Montpelier, VT 05602
Tel: (802) 223-4000
Fax: (802) 229-0370

KIMBERLY B. CHENEY, ESQ.

Cheney, Brock & Saudek, P.C.

159 State Street

Montpelier, VT 05602

(802) 223-4000

www.cbs-law.com

Current Employment:

Shareholder/partner in Cheney, Brock & Saudek, P.C. a law firm in Montpelier, Vermont, since 1977, engaging in general law practice, with emphasis on civil and criminal trials, and labor relations.

Education:

Yale University, New Haven, CT., BA 1957, Yale Law School, LLB, 1964 (Class Rank 21/166)

Work History:

1958 - 1961 U.S. Navy Lt., Operations Officer LST: Fleet Advisor Korean Navy.

1964 - 1967

Associate; Gumbart, Corbin, Tyler & Cooper, New Haven, CT.

1967 - 1968

Vermont Assistant Attorney General, General Counsel for Vermont Department of Education

1968 - 1972

Washington County State's Attorney

1972 - 1975

Vermont Attorney General.

1975 - 1977

Solo Practice of Law, Montpelier, Vt.

1977-Present

Partner, Cheney, Brock & Saudek, P.C.

Other Activities

1973 - 1978

Chairman, Committee to Advise Vermont Supreme Court on Rules of Criminal Procedure

1978-1986

Chairman, Vermont Labor Relations Board

1979-1982

Member, Montpelier School Board

1981-1986

Vermont Family Proceeding Advisory Committee (Divorce law reform)

1987

Chairman, Interim Advisory Committee to Vermont Supreme Court on Rules for Family Practice

1990-1996

Co-Chair, Vermont Adoption Reform Commission

1988-Present

Panelist New York Public Employment Relations Board. Arbitration and teacher mediation

1980-Present	American Arbitration Association, Arbitrator (Labor Relations)
1981- 2007	Member, Vermont Advisory Committee to United States Civil Rights Commission. 1987-2007, Chair, 1996 to 2001
2002 - Present	Director, Vermont State Employees Credit Union
2004-Present	Board of Directors, Washington Electric Cooperative

Professional Associations:

Vermont Bar Association
Vermont Trial Lawyer's Association
American Arbitration Association
Vermont Employment Lawyers Association
Vermont Criminal Defense Lawyers Association

Publications:

Safeguarding Legal Rights in Providing Protective Services. 13 Children 89 (1966)

A Public Employees Board for State Employees Rights Grievances - Excluding Private Arbitration. Why Not? Association of Labor Relations Agencies Proceedings. 1980

The 1986 Divorce Revolution, (With Trine C. Bech) Vermont Bar Journal, Aug 1966.

Family Law: Curtailing Judicial Discretion Vermont Bar Journal, Aug 1990

Author: Joint Custody: The Parents' Best Interests ARE the CHILD'S BEST INTERESTS, Vermont Bar Journal, Dec 2001

Author: Labor and Employment Law in Vermont, Butterworth Legal Publishers, 368 pages (1994);

Vermont Legislative bills including State Education Law, State Access to Public Documents Law, Criminal Code, Divorce, Child Support, Adoption.

Opinions, Vermont Labor Relations Board (Vols. 1 to 9) 1978 - 1986 see www.cbs-law.com

Newspaper Column The Washington World Berlin
Vt. collected at www.CheneyColumn.com

Other:

Elected Chairman, New England Attorney Generals
Association 1974 (Rudman, New Hampshire;
Killian, Connecticut; Isreal, Rhode Island)

Biography: Who's Who in America 1974-
Present

Biography: The Best Lawyers in America (Labor
Law) Woodward White, Inc. (1983)

American Arbitration Association, Whitney North
Seymour, Sr. Medal (1988) Outstanding
Contribution to use of Arbitration

**Admitted to Practice
in the following Courts:**

1964	Connecticut Supreme Court
1965	U.S. Court of Appeals 2 nd Circuit
1967	Vermont Supreme Court
1971	United States Supreme Court
1974	U.S. Court of Appeals D.C. Circuit
1974	U.S. District Court, State of Vermont
1978	U.S. Court of Military Review

KIMBERLY B. CHENEY'S litigation practice includes Personal Injury, Family Law, Criminal
Law, Civil Rights, and Professional Regulation. He advises individuals and corporations in the
field of labor management relations.

February 2, 2011

Mr. Fraser:

I'm interested in being considered for appointment to the opening on the City's Planning Commission. I'm currently a second year law student at Vermont Law School but I reside in Montpelier. I've attached my resume.

If you have any questions or if I need to do anything else, please don't hesitate to contact me.

Thank you,

Michael Tarrant

Michael John Tarrant II

144B Main Street, Apartment 2, Montpelier, VT 05602
CELL: (802) 595-5008 E-MAIL: mtarrant@vermontlaw.edu

EDUCATION

Vermont Law School, South Royalton, VT
J.D. anticipated May 2012
Member of the Vermont Law Review

Lewis and Clark College, Portland, OR
B.A., East Asian Studies, May 2002
Emphasis on Japanese language, culture and history
One semester spent abroad at Kansai Gaidai University, Osaka, Japan

WORK EXPERIENCE

Vermont Supreme Court, Montpelier, Vermont, 2L Spring Semester, 2011
Spring Extern, Justice Johnson's Chambers

Prepared briefings regarding upcoming arguments, researched discrete legal issues, and helped work on judicial opinions, including writing, researching, editing, and proof-reading.

Vermont Attorney General's Office, Montpelier, Vermont, 1L Summer, 2010
Summer Intern, Public Protection Division, Special Projects

Worked closely with two assistant attorneys general on issues arising from arbitration between the States and major tobacco companies related to the tobacco Master Settlement Agreement. Projects included: drafting a proposed judicial order with accompanying memorandum of law in support, writing memorandums on the ethics of fact witness compensation and the applicability of the Deliberative Process Privilege to the Vermont Executive branch, and reviewing and editing documents to be submitted for the arbitration.

NoKaOi English School, Kyoto, Japan, May 2007 – June 2009

Owner, Manager, Instructor of an English Language tutoring business
Taught a variety of professionals, K–12 as well as university students, and on-site instruction for large corporations such as *Daihatsu Motors* and *Japan Tobacco*.

iQuest English, Kyoto, Japan, May 2005 – May 2007

Instructor / Manager from May 2005 – May 2007

Prepared for and taught 4 to 5 one-hour lessons daily. Including group and private lessons. All levels of students taught. Also ran the day to day business, including: collecting money, managing finances, cleaning, devising advertising, and opening and closing the school.

SKILLS AND INTERESTS

High level of fluency in Japanese
Lived in Japan for seven years
Passed the Japanese Language Proficiency Test Level 2 in December 2005

STATE OF VERMONT
AGENCY OF NATURAL RESOURCES
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

FINANCIAL ASSISTANCE PROGRAM FOR THE
CONSTRUCTION OF MUNICIPAL WATER POLLUTION
CONTROL FACILITIES

Title 10 V.S.A., Chapter 55, Sections 1624(a) and 1625

APPLICATION FOR FINANCIAL ASSISTANCE

SECTION I: Request for Construction Grant

Project No. _____
(For State Use)

The City of Montpelier, VT (municipality name) in accord with the provisions of Vermont Statutes Annotated hereby makes application to the Vermont Department of Environmental Conservation for State financial assistance in the amount of \$ 138,500 under the provisions of Title 10 V.S.A., Chapter 55, Sections 1624(a) and 1625.

The above funds are requested to assist in the cost of construction of _____
Montpelier Combined Sewer Overflow Elimination Contract 09-11
described in detail in Section IV of this application.

The Montpelier City Council as governing body of the applicant hereby agrees:

- (a) That if a State grant or loan is made, the applicant will pay the remaining costs of the approved project less Federal grants/loans and/or other funds, if any;
- (b) That the project will be constructed in strict accord with the drawings and specifications approved by the Department of Environmental Conservation;
- (c) To provide and maintain competent and adequate engineering supervision and inspection of the project to insure that the construction conforms with the approved drawings and specifications;
- (d) That it will submit to the Department of Environmental Conservation such documents and information related to this project as it may require;
- (e) That the construction contract will provide that the representatives of the Department of Environmental Conservation will have access to the work wherever it is in preparation or progress and that the contractor will provide proper facilities for such access and inspection;
- (f) That adequate accounting and fiscal records shall be maintained to reflect the receipt and expenditure of funds for the purpose of this project and all funds, however provided, for the payment of the cost of the project, shall be deposited promptly upon receipt thereof in a separate checking account, and these funds shall be expended only for costs of the project;
- (g) To provide regular, proper, and efficient operation and maintenance of the approved project in

accord with standards established by the Department after completion thereof;

- (h) That a sewer use ordinance will be adopted and implemented which requires all persons in the area to be served by the project to connect to the sewer system when completed or to construct proper individual waste treatment facilities approved by the Agency of Natural Resources, Wastewater Management Division;
- (i) That it will comply with all state requirements for construction management, including, but not limited to, approval from the Department prior to advertising for bids for construction, approval prior to award of bids, approval of change orders, and performance of a final inspection by the Department; and
- (j) That it will submit to the Department for audit documentation of all project costs and expenditures when requested.

The Montpelier City Council as governing body of the applicant hereby authorizes William Fraser, City Manager to act as the authorized representative of the applicant for the purpose of furnishing to the State of Vermont such information, data and documents pertaining to the application for a grant as may be required, and otherwise to act as the authorized representative of the applicant in connection with this project. The engineering consultant CANNOT function as the Authorized Representative.

Done this _____ day of _____, 20 11.

Signature of Governing Body:

I, the undersigned, the duly qualified and acting City Clerk of the City of Montpelier, hereby certify that the above action was formally taken by the governing body at a meeting held on the _____ day of _____, 20 11, and is duly recorded in my office.

Signature of Officer

Charlotte L. Hoyt, City Clerk

(Print or Type Name and Title of Officer)

SECTION II: Site and Permits

A. Authority to Construct and to Bond

- 1) Attach or include the following documents: A copy of a legal warning for the meeting called to vote on the authorization to bond and construct this pollution construction project.
- 2) A copy of the recorded vote on the articles pertinent to the project.
- 3) A certification by the municipal clerk that the documents in the above sections are true copies.

B. Site Information

- 1) If the treatment plant site or other major project site(s) has/have been acquired, provide the following information if such data has not been previously submitted.
 - (a) Attach a legal description of the site(s).
 - (b) Attach a legal opinion as to the precise interest in the site(s) which has/have been acquired.
- 2) If all lands, easements and rights-of-way required for the sewer and appurtenant works construction have been acquired, attach a legal opinion to that extent.
- 3) If the required interests in the necessary lands have not been acquired, state the nature and extent of interests in lands, easements and rights-of-way which will be acquired, and indicate the proposed method and the time required for acquisition. Also refer to applicable legal requirements and authority.

C. Compliance with the Land Use and Development Act, Title 10 V.S.A., Chapter 151. Submit if not previously submitted.

- 1) If the municipality has received the necessary permit for the project, attach a copy.
- 2) If a "write-off" letter advising that no permit is required has been received, attach a copy.
- 3) If procedures to acquire a permit have been initiated, note here the date the request was filed with the Environmental District Commission _____.

SECTION III: Project Financing

- A. Submit a copy of the portion of the 5 or 10-year capital budget that includes construction and expansion/maintenance of these pollution control facilities.

B. Funds to be made available for project

Date Available

Cash		\$		
General Obligation Bonds			<u>520,681</u>	<u>12/31/2010</u>
Revenue Bonds				
State Aid	Under	<u>2011 capital</u>	<u>138,500</u>	<u>2011</u>
	Under	<u>Bill</u>		
	Under			
Federal Aid				
	Under	<u>ARRA AR1-016</u>	<u>234,750</u>	<u>12/31/2010</u>
	Under			
Other (Specify)				
TOTAL		\$	<u>659,181</u>	

C. Funds to be made available annually for operation and maintenance of the proposed system.

Salaries	\$	<u>800</u>	Maintenance	\$	<u>2,500</u>
Power			Insurance		
Fuel			Administration		<u>1,200</u>
Telephone			Other		
Chlorine			Other		
TOTAL	\$	<u>4,500</u>			

SECTION IV. Engineering Information

A. Description of the Project

Provide a brief description of the project, including length of sewer, number of pumping stations and capacity, major treatment plant units and capacities, submit drawings and specifications and/or preliminary report, or facilities plan. Project includes approximately 2,300LF of new storm drain pipe, 31 new catch basins with sumps.

B. Users

- 1) Total number of equivalent users N/A
- 2) Maximum number of equivalent users N/A

C.1. Construction Cost Estimates

Attach engineer's estimates consistent with the following construction costs including a line item breakdown of units eligible and ineligible for Federal and State aid. If previously submitted, additional copies are not required.

C.2. Project Cost Summary – A separate project cost summary may be attached in lieu of this form:

PROJECT COST SUMMARY

	Total Cost	Eligible Cost for Federal Aid	Eligible Cost for State Aid
A. Construction			
Contract #1	\$ <u>591,798</u>	<u>234,750</u>	<u>138,500</u>
Contract #2	<u> </u>	<u> </u>	<u> </u>
Contract #3	<u> </u>	<u> </u>	<u> </u>
Equipment	<u> </u>	<u> </u>	<u> </u>
Small Purchases	<u> </u>	<u> </u>	<u> </u>
Subtotal	\$ <u>591,798</u>	<u>234,750</u>	<u>138,500</u>
B. Preliminary Technical Services			
Preliminary Eng	\$ <u> </u>	<u> </u>	<u> </u>
Inflow/Infil & SSES	<u> </u>	<u> </u>	<u> </u>
Environmental Assess	<u> </u>	<u> </u>	<u> </u>
Testing/Survey/Boring	<u> </u>	<u> </u>	<u> </u>
Other	<u> </u>	<u> </u>	<u> </u>
Subtotal	\$ <u>0</u>	<u> </u>	<u> </u>
C. Final Design Technical Services			
Final Design Eng	\$ <u>6,453</u>	<u> </u>	<u> </u>
Testing/Survey/Boring	<u>1,500</u>	<u> </u>	<u> </u>
Easements	<u>1,830</u>	<u> </u>	<u> </u>
Other	<u> </u>	<u> </u>	<u> </u>
Subtotal	\$ <u>9,783</u>	<u> </u>	<u> </u>
D. Construction Phase Technical Services			
Basic Engineering	\$ <u>9,800</u>	<u> </u>	<u> </u>
Resident Inspection	<u>45,400</u>	<u> </u>	<u> </u>
Testing/Survey/Boring	<u>1,900</u>	<u> </u>	<u> </u>
O & M Manual	<u> </u>	<u> </u>	<u> </u>
Operator Training	<u> </u>	<u> </u>	<u> </u>
Record Drawings	<u>500</u>	<u> </u>	<u> </u>
Grant Administration	<u> </u>	<u> </u>	<u> </u>
One Year Overview	<u> </u>	<u> </u>	<u> </u>
Other	<u> </u>	<u> </u>	<u> </u>
Subtotal	\$ <u>57,600</u>	<u> </u>	<u> </u>

E. Land/ Legal/ Miscellaneous

Legal Expenses	\$			
Fiscal (Interest)				
Administrative				
Land Acquisition				
Miscellaneous				
Other				
Contingency				
Subtotal	\$			
TOTAL	\$	659,181	234,750	138,500

Date of This Estimate 2/15/2011
Prepared by Kurt Motyka ENR Index _____

D. Project Construction Schedule

1. Project will be advertised for bid on September 9, 2009
2. Contracts will be awarded within 10 days after bid openings.
3. Project will be completed within 150 days after contract award.

E. Engineering Services

1. Name and Address of Applicant's Consulting Engineer.

DuBois & King, Inc. Name

28 North Main Street Address

P.O. Box 339

Randolph, VT 05060

802-728-3376 / 802-728-4930 Phone & Fax Numbers

2. Proposed Staffing for Resident Engineering and Inspection.

Tom Mancini

3. Submit draft copies of agreements for all engineering services during the construction phase.

I, William Fraser, Authorized Representative on behalf of City Council,
the governing body of the City of Montpelier, hereby certify that the
foregoing information is true and correct to the best of my knowledge.

Correspondence should be sent to the authorized representative at the following address:

William Fraser, City Manager

Phone# 802-223-9502

39 Main Street, City Hall

Fax # 223-9519

Montpelier, VT 05602

Federal ID # 036000579

Year Ends: June 30

[date accounting period ends]

Email: wfraser@montpelier-vt.org

STATE GRANT APPLICATION 5-09-03 [CONVERTED TO MICROSOFT WORD]

K:\WPSHARE\MARKS\FORMS\STATE GRANT APPLICATION