

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting January 12, 2021

(conducted by conference call)

MINUTES

Board Members Present: State Auditor Suzanne Bump (Chair), Mary Jane Handy (Department of Revenue), Craig Stepno (Office of the State Treasurer), Margaret Hurley (Office of the Attorney General)

Non-Board Members Present: Hilary Hershman (Office of the State Auditor), Ben Tafoya (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Bill Arrigal (Department of Revenue), Linda Tyer (Mayor of Pittsfield), Matthew Kerwood (Director of Finance and Administration, City of Pittsfield), Allison Crespo (City Accountant, City of Pittsfield), Anne Cervantes (Treasurer/Collector, City of Fitchburg), Calvin Brooks (City Auditor, City of Fitchburg), Noah Jacobson (Rep. Tricia Farley Bouvier's Office), Susan Templeton (Sen. John Cronin's Office), Cinder McNerney (Hilltop Securities), Mary Carney (Hilltop Securities), Monica Mulcahy (Hilltop Securities).

The meeting was called to order at 11:03 a.m.

The Auditor made introductory remarks and noted that, pursuant to Governor Baker's Executive Order of March 12 concerning the COVID-19 pandemic, this meeting was being held by conference call. The public meeting notice for this meeting provided a public call-in number to facilitate public access during a relaxation of open meeting law requirements.

Board Member roll call: All members indicated orally that they were present.

Minutes from December 10, 2020

Mr. Stepno made a motion to accept the minutes from the last meeting, which was seconded by Ms. Hurley. On the question of approval of the minutes from the meeting on December 10, 2020, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

City of Fitchburg

Ms. Cervantes introduced herself and elaborated on the request by the City of Fitchburg. The Auditor asked how this request fit into the capital plan and how much the use of the Qualified Bond Program would save the City. Ms. Cervantes stated that the request for water meters in the package was dropped, and the runway reconstruction and school roof and boiler projects in the request were nearly complete. The airport runway reconstruction has allowed business jets to land, resulting in greater revenues for the

City. The roof and boiler projects for the South Street Elementary School will allow for longer use of the buildings. The sewer separation project will allow the City to do various upgrades and repairs based on an EPA/DEP consent decree.

The Auditor asked if the removal of the water meters affected the bottom line of the request, and Ms. Cervantes stated that it would not. The Auditor then asked about the City's overall fiscal health, and Mr. Brooks stated that the City has been doing well living within its budget, but has recently been impacted negatively by the COVID pandemic. For example, the hotel occupancy tax typically brings in \$1 million from the Great Wolf Lodge property alone, which has evaporated due to the pandemic. Because the City has done well with reserves, he indicated that they have reserves to cover shortfalls in FY2021. Going forward there are three projects for capital spending coming up including a City Hall renovation, a new building for the Crocker Elementary School, and a borrowing to match funds for a local project. The Mayor has committed \$6 million to library renovations, and they are receiving a grant from the Library Board or another organization. The city also appropriated some money for debt service in the City's budget for future use. Mr. Brooks indicated that this was done so that debt for future projects (such as the library renovations) can be spent with existing debt service instead of using other funding from the city budget. He commented that the City is not altogether out of the woods, but in a not bad place right now.

The Auditor then asked about the fiscal impacts of COVID and inquired about details of state and federal reimbursements. Mr. Brooks stated that, under FEMA, they will be getting less reimbursed than they thought, but CARES Act money will provide funding to fill a gap. Mr. Brooks feels they are in reasonably good shape, and, if the federal government allowed funds to be used to offset lost revenue, it would help as well. The City might need an additional \$400k on top of the \$400k they received from allocated CARES Act funding of \$3 million, but existing funding will help move them ahead for their FY2022 budget.

Ms. Handy asked if the City is self-insured for health insurance or whether its health insurance is premium based. Ms. Cervantes stated that the City is self-insured, and Ms. Handy noted that the City of Fall River, which is self-insured, was able to get reimbursed for health care costs through the CARES Act.

Ms. Handy then made a motion to approve the request of the City of Fitchburg. Mr. Stepno seconded the motion, and a call of the roll was made as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

City of Pittsfield

The Auditor asked for a brief overview of Pittsfield's request. Mayor Tyer detailed the projects included in Fitchburg's request, including school safety upgrades to have a common security standard across all schools. She noted a variety of requests in their application, indicating that the City has made a deliberate decision to finance infrastructure and continue advancing recreational amenities and other moves to

protect their assets (such as high school temperature controls). The Mayor also detailed how property values have increased in the City, primarily in the residential sector, which had a 4.2% increase, and that they have \$5.3 million in free cash. New growth increased \$2.2 million, and the City is slowly, painfully opening a gap with their levy ceiling. The Mayor described progress as slow, but steady. COVID-19 has had an impact on commercial businesses, and Mr. Kerwood anticipated more abatement requests in that property class in FY2022, which would have to be addressed in the City's FY2022 budget strategy. Mr. Kerwood noted the City's total assessed valuation has increased by \$119 million and indicated that properties in the county are selling for substantial amounts. He noted that the trend is expected to continue into FY2022.

The Auditor stated that these trends were good for City coffers, but asked about affordability for natives of the area. Mr. Kerwood stated that it was a legitimate concern and that they did not envision 20 years ago that property values would be where they are.

Ms. Handy asked about the City's commercial valuation and inquired if there were concerns over vacancies. Mr. Kerwood stated they have not seen a vacating of strip malls in the community, other than a PriceRite supermarket leaving, and that there are mostly national retailers in the city. Ms. Handy stated that there was a decline in regular malls as opposed to strip malls and raised a concern over commercial sites surviving the COVID pandemic. Mr. Kerwood stated that residential growth would help mitigate some of the losses.

Mayor Tyer also mentioned that General Dynamics, one of the largest employers, occupies a lot of property in the City that is owned by the federal government, although General Dynamics pays a lot in commercial and personal property taxes. The Mayor stated, however, that they are extremely grateful for General Dynamics' presence in the City, including investments in market rate housing and their demand for a workforce, which benefits Pittsfield in terms of employment. Mayor Tyer then stated that there have been no concerns raised over malls or strip malls in the City, as they are not home to any massive shopping centers. Mr. Kerwood added that there are impacts on local receipts, especially on meals tax receipts. He added that the City is conservative in their local receipts estimates, but he overestimated for the last fiscal year. Treasurers and collectors are scrambling across the state to figure out the financial outlook for FY2022.

Mr. Stepno then asked for a refresher on regional medical facilities and asked if there would be any drain on income in the future. Mr. Kerwood stated that there is a mixture of non-profit and private healthcare facilities in the area and that there is no indication of any issues with health systems in the City.

Mayor Tyer then discussed the impacts of COVID on City finances. She described CARES Act funding as having been vital for emergency homeless sheltering, materials, supplies, food, and rapid testing in shelters. A significant amount of funding was spent on schools to prepare for remote-learning and hybrid-model learning. Chromebooks and hotspots were provided for students in the City. PPE was also included in these expenditures. The City has also been in a precarious situation related to COVID-19 as it is a high risk community. CARES Act funding was used for a public outreach campaign to raise awareness around the pandemic and protective measures.

Mr. Kerwood then elaborated on the impacts of COVID on City finances, particularly in technology to allow for remote work and meetings. He stated that, in going forward, he hopes that federal partners can strategize a way to remove FEMA from the equation as this pandemic is ongoing and is not a one-time

crisis. Mr. Kerwood stated that it would make their jobs easier if the focus was on CARES Act funding rather than on FEMA reimbursements. Mayor Tyler said that the City received CARES Act money through a community development block grant and gave it to businesses to help cover payroll, rent, and other expenses. The City distributed \$700k to assist 90 small businesses and restaurants.

Ms. Handy then asked about the refunding piece of the request, in particular the projected savings. Ms. McNerney stated that it will save close to \$1 million across all funds.

Ms. Handy then made a motion to approve the request of the City of Pittsfield. Ms. Hurley seconded the motion, and a call of the roll was made as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

Long-Range Municipal Fiscal Stability

Ms. Handy stated that DOR DLS has set the majority of tax rates, and there are less than a dozen left. There are some outstanding free cash certifications, but she is hopeful that they will be resolved with Spring 2021 town meetings. She stated that there are discussions on special legislation extensions in regard to COVID to ensure safe Town Meetings in 2021.

She also stated there are ongoing discussions around CARES Act funding, as some communities still have funding left to use by the December 31, 2021 deadline. Ms. Handy then discussed FEMA, which covers 75% of costs, and noted that FEMA involvement allows communities to save some CARES Act money on FEMA reimbursable items. Ms. Handy stated that Lynnfield is nearing the end of their CARES Act funding and that they have requested emergency spending authorization. She is unsure if this is the beginning of communities reaching the end of funding. Some communities that have their own school districts will encounter more expenses, particularly if they have a higher population.

Topics for Next Meeting

Ms. Hershman stated that in the next few months the City of Springfield might want to come before the board and that she has not heard of any other communities.

Mr. Stepno then made a motion to adjourn. Ms. Hurley seconded the motion, and Ms. Hershman made a call of the roll:

Auditor Bump: YES

Ms. Hurley: YES

Ms. Handy: YES

Mr. Stepno: YES

The meeting was ended at 11:53 a.m.