

**MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting December 8, 2021**

**(conducted by conference call)**

**MINUTES**

**Board Members Present:** State Auditor Suzanne Bump (Chair), Deborah Wagner (Department of Revenue), Margaret Hurley (Office of the Attorney General), Nick Favorito (Office of the State Treasurer)

**Non-Board Members Present:** Ben Tafoya (Office of the State Auditor), Hilary Hershman (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), George Chichirau (Office of the State Auditor), David Todisco (Office of the State Auditor), Samantha Ormsby (Office of the State Auditor), Bill Arrigal (Department of Revenue), Bethiny Moseley (Department of Revenue), Cinder McNerney (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Peter Frazier (Hilltop Securities), Abby Jeffers (Hilltop Securities), Matthew Kerwood (Treasurer – City of Pittsfield), Roberta McCulloch-Dews (Director of Administrative Services – City of Pittsfield), Alison M. Crespo (City Accountant – City of Pittsfield), Joshua A. Garcia (Mayor – City of Holyoke), Tanya Wdowiak (City Auditor – City of Holyoke), Paul Coogan (Mayor - City of Fall River), Mary L. Sahady (Chief Financial Officer – City of Fall River), Jennifer Argo (City Auditor – City of Fall River), Ian Schachne (Treasurer – City of Fall River).

The meeting was called to order at 11:05 a.m.

Auditor Bump made introductory remarks and noted that, in accordance with Chapter 20 of the Acts of 2021, passed June 16, 2021, and the Massachusetts Attorney General’s Office June 16, 2021 guidance, 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. Auditor Bump also announced that the meeting was being recorded and that Hilary Hershman was acting as Executive Assistant.

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

**Minutes from November 10, 2021**

Ms. Wagner 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 November 10, 2021, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Favorito: PRESENT

Mr. Favorito explained that he voted present because he did not participate in the previous meeting.

## **City of Holyoke**

Ms. McNerney, on behalf of both Hilltop Securities and the City of Holyoke, introduced the city team present, indicating Hilltop's participation in helping prepare the City's request. Ms. McNerney then invited Ms. Wdowiak to elaborate on the projects to be funded. Ms. Wdowiak stated that their application for an \$8,810,000 refunding is related to 2012 general obligation bonds. The City could save around \$2 million by processing this refunding, which will help their general fund budget. She then stated that the bonds for infrastructure improvements, in the amount of \$1,918,200, include a running track, sidewalk resurfacing, and many different road projects that the City finds necessary for public safety. Ms. Wdowiak elaborated that the City took on infrastructure bonds for public safety purposes and that bonding for these projects was the best financial resource for the City to use.

Auditor Bump then invited Mayor Garcia to speak. Mr. Garcia expressed an appreciation for the support of the body, indicating that the City is in the process of keeping up better with projects. Mayor Garcia proceeded to describe the projects as direly needed. Mr. Garcia promised a lot of work on their end with regard to restructuring, internal controls, capital improvement plans, and improving their free cash balance, as well as being "more proactive" in their capital investments by becoming less dependent on bonding. Mr. Garcia stated that an approval would be very helpful.

Auditor Bump asked if there were any questions from the Board regarding Holyoke's application. Ms. Wagner asked Mr. Garcia if being "more proactive" refers to drafting a formal capital plan. Mr. Garcia answered in the affirmative and continued by mentioning the City's plan to control structural deficits (such as eventually eliminating the annual deficit) and improve long-term capital planning. Mayor Garcia said his departments are working extremely hard to improve free cash balances, and, when the City is in a stronger position, then they can depend on using and leveraging free cash for one-time capital investments instead of borrowing. He further stated that his main focus as a newly elected mayor is on financial planning.

Ms. Wagner offered her office's resources to help the City improve their planning capability.

Ms. Wagner then moved to approve the application of the City of Holyoke. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Auditor Bump: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Favorito: YES

## **City of Fall River**

Ms. Sahady introduced herself to the Board and elaborated on the projects listed in the City's request. She explained that \$4.9 million of the request was related to Phase 2 repairs of the Watson elementary school, \$2.4 million was for a new turf and lighting for the Durfee High School, \$2.7 million was for a new EMS building for their ambulance fleet, and \$4.875 million for Phase 21 of water system

improvements. Ms. Sahady indicated that the remaining projects in their request are small, but they are asking to bond for them, as they do not have the resources to fund them out of operating revenues.

Auditor Bump asked Ms. Sahady if there were any other attendees representing the City. Ms. Sahady then introduced the other members of her team, including Mayor Coogan, and Ian Schachne, Treasurer-Collector, and Jennifer Argo, City Auditor.

Auditor Bump next asked whether the federal infrastructure law (Build Back Better) might ultimately help with the expenses delineated in the request or whether Fall River has another line-up of projects to use the federal infrastructure monies. Ms. Sahady replied that the eligibility of their projects in light of that particular bill is still unclear and that the City also has a number of infrastructure projects that are not on this particular list. However, Ms. Sahady stated that Phase 21 of the City Water Project could be eligible for Build Back Better funds (it is already eligible for ARPA funds). The Mayor of Fall River had allocated \$13 million in ARPA funds to the City's water department, as well as street work that needs to be done in conjunction with the water projects, and the Commissioner of Community Utilities is developing a plan to expend the funds, with \$8 million of the \$13 million already identified for projects.

Mr. Favorito asked whether the Watson school improvement project went through the MSBA (Massachusetts School Building Authority). Ms. Sahady stated that Phase 1 did utilize the MSBA, and Phase 2 is primarily made up of ineligible costs. Mr. Favorito then asked about water system improvements and federal money, specifically, if the Massachusetts Clean Water Trust (MCWT) or other sources of federal money can be applied to their water projects. Ms. Sahady stated that the City works closely with the Department of Community Utilities, and that the City has been able in the past to use the MCWT process. However, for the last set of bonds that the City sold, Ms. Sahady stated that it was actually less expensive to use the state interest rate rather than the Clean Water rate.

Ms. Wagner made a motion to approve the application of the City of Fall River. Mr. Favorito seconded the motion. A call of the roll was made as follows:

Auditor Bump: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Favorito: YES

### **City of Pittsfield**

Mr. Kerwood presented himself and his team members, Ms. Dews and Ms. Crespo, before the Board. He noted that the Mayor was unable to attend because she was at the Mass. Mayors Association Conference and apologized for being unable to attend.

He stated that the proposed projects are primarily about replacing the City's vehicle fleet, which is consistent with their vehicle replacement schedule. Other projects include a design study for a street improvement project, storm water improvements, a storage tank replacement mandated by DEP, school repairs, roof repairs, and an elevator replacement. Mr. Kerwood stated that all projects are consistent

with their 5-year capital plan. He stated that the East Street corridor improvements will ultimately be a state project.

Auditor Bump asked Kerwood to talk about the city's relatively high debt burden. The Auditor further asked whether some of these projects cannot be funded out of operating resources, rather than increasing their high level of debt service – as an example, the acquisition of pick-up trucks. Mr. Kerwood began answering by talking about the current mayor's approach, which included devising a 5-year capital improvement plan and fleet maintenance and replacement schedule and budgeting forecasting. They worked with the Collins Center to put these tools in place. Mr. Kerwood talked about the inherited debt and the practices of the past, as the City previously had no capital improvement plan or fleet maintenance and replacement schedule in place.

Mr. Kerwood described a changing paradigm for the City, whereby the City currently pays out of cash for what they consider to be operational expenses instead of bonding for them, e.g. smaller building improvement projects or police cruisers. The City's budgeted line item for capital improvements had increased from about \$100,000 to \$500,000-750,000 annually out of their operating budget, increasing their capacity to pay for projects as they arise. Mr. Kerwood further explained that his team has looked internally and has found a number of projects in their capital improvement plan that can be pushed out to the future, as they were not immediate needs. He indicated the City is focusing on repairing existing infrastructure rather than building new infrastructure.

Auditor Bump asked Mr. Kerwood how he was looking at the opportunity presented in the federal infrastructure bill. Mr. Kerwood replied that he heard that some money would be funneled through the MA Clean Water Trust. Pittsfield has water and sewer projects required by the DEP which may serve to maximize opportunities to use these funds. Mr. Kerwood also mentioned the possibility of increased Chapter 90 allocations from the federal bill, from which Pittsfield might benefit, but it is early to predict if that will occur.

Ms. Wagner provided some details on the City's debt, which includes approximately \$206 million of long-term debt, including \$75 million related to sewer projects. Another \$45 million in debt is related to school buildings. She asked Mr. Kerwood about the debt and the use of federal funds to address infrastructure projects and inquired if the sewer projects had consent agreements in place. Mr. Kerwood replied that much of their outstanding debt came from sewer project expenses that were undertaken under a DEP/EPA consent order, without any choice on the part of the City. The City was also responsible to pay off \$45-46 million in debt for a new high school that was recently built and is waiting from a final disbursement from the MSBA. Mr. Kerwood talked about the City's ARPA allocation of \$40 million, and he stated the City will be putting much of that money into infrastructure. For example, the City will be working on a water project that will use an existing debt authorization of \$5.2 million, but will use \$4.5 million in ARPA funds to close the funding gap between that amount and the actual cost of \$9 million. Mr. Kerwood then described the City's goal to get as many projects shovel-ready as possible.

Ms. Wagner mentioned that the City has a strong free cash certification position, as well as strong stabilization funds.

Ms. Wagner then made a motion to approve the application of the City of Pittsfield. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Auditor Bump: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Favorito: YES

### **Updates and Topics for Next Meeting**

Auditor Bump asked Ms. Wagner to provide updates on the topic of long range municipal fiscal stability and on certified tax rates.

Ms. Wagner stated that her office has received 247 tax rates out of 351 with a couple of weeks left to go. She reported having seen significant use of ARPA revenue replacement funds as a revenue source. In addition, Ms. Wagner stated that her office certified 246 out of 351 free cash certifications and that they had seen healthy trends in free cash, driven largely by unspent free cash, conservative spending, appropriation turn-backs, and excess local receipts.

Ms. Wagner mentioned a conversation that day with David Eisenthal of Unibank. Mr. Eisenthal informed her that the Board will receive an application from the Town of Orange for January. Ms. Wagner expected to receive further information.

Ms. Wagner stated that she had hoped to have an update with regard to the Town of Hardwick and where they stood with their USDA project, but her last communication with Ms. Parker, the Hardwick Town Administrator, was that it did not appear to be going well. Ms. Wagner did not have a definitive update to share.

Auditor Bump asked Ms. Hershman if she had news of other applications. Ms. Hershman replied that she did not.

Ms. Wagner made a motion to adjourn, which was seconded by Mr. Favorito. A call of the roll was made with the votes as follows:

Auditor Bump: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Favorito: YES

The meeting was ended at 11:42 a.m.