

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting February 14, 2024**

**(conducted by conference call)**

### **MINUTES**

**Board Members Present:** State Auditor Diana DiZoglio (Chair), Deborah Wagner (Department of Revenue), Margaret Hurley (Office of the Attorney General), Minot Powers (Office of the State Treasurer)

**Non-Board Members Present:** Jana DiNatale (Office of the State Auditor), Ben Tafoya (Office of the State Auditor), Hilary Hershman (Office of the State Auditor), Sonia Kwon (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), Michael Woo (Office of the State Auditor), Bob Ekstrom (City of New Bedford), John Taxiarchos (City of New Bedford), Emily Arpke (City of New Bedford), Cinder McNerney (Hilltop Securities), Taylor Erickson (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Melissa Toland (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Steven Tedeschi (Office of Rep. Christopher Hendricks),

The meeting was called to order at 10:00 a.m.

Auditor DiZoglio made introductory remarks and read a statement noting that, in accordance with July 16, 2022 Massachusetts law, An Act Relative to Extending Certain State of Emergency Accommodations, as extended by Chapter 2 of the Acts of 2023, adopted March 29, 2023, and the Massachusetts Attorney General's Office February 18, 2022 guidance, this meeting of the Municipal Finance Oversight Board was being held via 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. After reading that statement, Auditor DiZoglio announced that the meeting was being recorded.

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

### **Minutes from December 13, 2023**

Auditor DiZoglio asked for any comments from the Board on the December 13<sup>th</sup> meeting minutes. There were none. Ms. Wagner then made a motion to approve the minutes from the last meeting, which Ms. Hurley seconded. On the question of approval of the minutes from the December 13, 2023 meeting, the members voted as follows to approve the draft minutes without any changes:

Auditor DiZoglio: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

## **City of New Bedford**

Auditor DiZoglio welcomed the representatives of the City of New Bedford. She also welcomed any elected officials present to introduce themselves. Mr. Tedeschi introduced himself as present on behalf of Rep. Hendricks.

Auditor DiZoglio asked Mr. Ekstrom to apprise the Board about the application. Mr. Ekstrom stated that he is the Chief Financial Officer of the City and had previously been the Auditor from 2014 to 2021. He then acted as a consultant for the City. He rejoined the City in October 2023. He introduced John Taxiarchos, Interim Treasurer for the City, who started in November 2023 and brings a wealth of experience from the private sector. He also introduced Emily Arpke, City Auditor, who was hired in July 2022.

Mr. Ekstrom started by giving some background information on the City. He stated that there was a great deal of energy around New Bedford at that time, helped by an infusion of ARPA money. He complimented the Mayor on bringing in solar and wind farming. In the summer of 2024, New Bedford would be an MBTA community. It has an airport, fantastic access off Route 195, a deep-water harbor, and close proximity to Boston, Fall River, and the Cape. The population was 100,682. He stated that New Bedford struggled a little with demographics (per capita income and family median income), but was bringing in high-paying jobs. They had built a strong staff, which was growing. There was more excitement about governmental service. New Bedford had balanced its budget every year, but was heavily reliant on state aid (\$261 million out of its \$450 million budget). The City had a net levy of almost \$146 million. For the first time in its history, the City's assessed valuation had exceeded \$10 billion. It went from \$8.6 billion in 2023 to \$10.6 billion in 2024. New Bedford used \$3 million of its ARPA funds to balance this year's budget, but only for ARPA-qualified expenses, not for lost revenue. They were striving to reach the GFAO standard of best practices of having 2 months of operating expenditures on hand. That translated to a 16.7% fund balance, although they were at about 9%. The City was getting close to communities with an 'AA+' rating. Mr. Ekstrom then turned to Ms. Arpke for further remarks.

Ms. Arpke stated that ARPA money (city and county) totaled about \$84 million. Almost 78% of what had been committed had gone into economic development, directly or indirectly. Every ARPA dollar committed so far had leveraged about \$3.52. They spent about \$2 million to finish off projects with expenses that ran over budget. They had just completed their FY 2023 audit and submitted it the previous month. They had a \$39 million fund balance, \$10 million more than the previous year. The general fund stabilization account was up to 3.7% of the FY 2024 operating budget. They were trying to stay in the 2-6% range. Debt payments to general fund expenditures had remained stable, about 2% of overall budget. They were projected to stay at that level for the next five years based on the last adopted capital improvements plan. She then turned to Mr. Taxiarchos to talk about projects.

Mr. Taxiarchos stated that most of the items in the request are part of the City's capital improvements program, and he reviewed the items on the list.

Auditor DiZoglio asked if there were any questions from the Board. Ms. Wagner asked about the status of the FY 23 balance sheet for free cash certification. Ms. Arpke indicated that that they were almost finished and should be finished by the end of the day. Mr. Ekstrom noted that almost \$20 million of the

\$39 million of the general fund was unassigned on a GAAP basis. There was 8.7% coverage of total annual expenditures, compared to 6.7% the previous year. His goal was 16%.

There were no other questions.

Mr. Powers made a motion to approve the application of New Bedford for state qualified bonds as distributed to the Board, because Ms. Wagner was briefly offline. Ms. Hurley seconded the motion. The members voted as follows:

Auditor DiZoglio: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

Auditor DiZoglio thanked the representatives of the City of New Bedford, and Mr. Ekstrom thanked the Board for continually supporting New Bedford. The Auditor thanked Rep. Hendricks' office, the entire legislative delegation, which had been championing New Bedford's cause, and the Mayor.

### **Long-Range Municipal Fiscal Stability**

Ms. Wagner stated that DOR was wrapping up municipal balance sheets that had been submitted certifying free cash or, more recently, in preparation for Spring Town Meetings. She also raised the changes in the application process relating to qualified bonds and coverage analysis and the statement of understanding for regional school districts about how that would work. Auditor DiZoglio stated that Dr. Tafoya and Ms. DiNatale would lead the discussion on behalf of the Auditor's Office.

Ms. Wagner stated that, at the last meeting, the Board had before them two regional school districts with a coverage analysis of less than 2:1, in terms of net state aid to debt. One of the benefits of state qualified bonds is that the debt payments come out of the applicants' state aid. In reviewing the applications, the Board wanted to make sure that the community has state aid that is at least twice the debt service that is going to be withheld from that state aid. They had developed a policy that formalized that standard and stated that the Board considers it when considering their vote on state qualified bonds and included that standard with a statement in the authorization application. Dr. Tafoya stated that the Board had discussed this issue and had indicated an interest in possibly making a change to the application. He stated that Ms. Hershman had sent out the proposed policy, drafted by Ms. Wagner, to the members of the Board and that they were open to reactions from Mr. Powers and Ms. Hurley. Ms. Hurley stated that she thought it was a great idea. Mr. Powers agreed.

Dr. Tafoya stated that the second issue was an acknowledgement letter for the member communities of regional and vocational school districts to sign. The Auditor's Office had raised this issue as a topic. G.L. c. 44 charges the Board with determining that the underlying municipalities for regional entities have the capability of meeting their ongoing obligation with the approval of the debt issuance. Some of the regional school districts have many underlying communities. In the past, the Board had not asked for anything from the underlying communities indicating that they were aware of the mechanics of how state qualified bonds work. There are two steps for regional school districts for the process of repaying the bonds: (1) the money comes out of the district's state aid; and (2) there is a capital assessment on

the member communities. Ms. Wagner stated that she is not objecting to requiring an additional statement and that all member communities in a regional school district are assessed at their usual proportions for district expenses.

Auditor DiZoglio described this proposed procedure as an additional layer of accountability. She stated that she had no issue with adding in this requirement, which makes crystal clear the municipal responsibilities in this situation. Ms. Wagner stated that the procedure acknowledges the Board's responsibilities under the law. The Auditor asked if the other Board Members had any objections to this course of action, but there were none. Dr. Tafoya informed Hilltop representatives still at the meeting that the Auditor's Office would reach out to them regarding the mechanics for implementing this change, for which Ms. Erickson expressed her gratitude.

Auditor DiZoglio then asked if there was an indication of any prospective applicants for upcoming MFOB meetings. Ms. Erickson indicated that a handful of communities might want to come before the Board in the spring, and Hilltop would be in touch.

The Auditor then indicated that she would entertain a motion to adjourn. Ms. Wagner moved to adjourn the meeting, and Ms. Hurley seconded the motion. On the motion to adjourn, the Board Members voted as follows:

Auditor DiZoglio: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

The meeting was adjourned at 10:33 a.m.