

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting February 8, 2023

(conducted by conference call)

MINUTES

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

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), Jeffrey Moyer (Office of the State Auditor), Phil DeCologero (Office of the State Auditor), Tyler Carlton (Office of the State Auditor), Emma Crowley (Office of the State Auditor), Bill Arrigal (Department of Revenue), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Neil Perry (Mayor, City of Methuen), Jennifer Finnigan (Treasurer-Collector, City of Methuen), Maggie Duprey (CAFO, City of Methuen), Eunice Zeigler (City Council Chairperson, City of Methuen), Steve Lisauskas (WasteZero).

The meeting was called to order at 11:00 a.m.

Auditor DiZoglio made introductory remarks and read a statement noting that, in accordance with the July 16, 2022 Massachusetts Law, An Act Relative to Extending Certain State of Emergency Accommodations, and the Massachusetts Attorney General's Office February 18, 2022 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. After reading the statement, the Auditor 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 January 11, 2023

Auditor DiZoglio asked if any of the Board Members had any comments on the minutes from the January 11, 2023 meeting. There was none. Ms. Wagner therefore made a motion to approve the minutes from the last meeting, which was seconded by Mr. Powers. On the question of approval of the minutes from the meeting on January 11, 2023, the members voted as follows to approve the draft minutes without any changes:

Auditor DiZoglio deferred to Dr. Tafoya, as he had presided at the previous meeting; Dr. Tafoya voted YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers YES

City of Methuen

Ms. Duprey introduced the members of Methuen's team including Mayor Perry, Jennifer Finnigan, and representatives of Hilltop Securities. Mayor Perry stated that the City has made enormous strides in the last three and a half years and has set the "fiscal ship afloat." The City is in the best free cash position in its history, and its bond rating has improved four times since his administration took office. The City's five-year fiscal plan includes capital expenditures, as well as projected revenues and expenses, for the first time in the City's history. The Mayor emphasized that his administration does the day-to-day things to ensure that their policies continue to have an impact. Every month, he and Ms. Duprey meet with every department head, go through every line item of revenues and expenditures, and review any situations that need further attention to ensure that the City performs well.

Auditor DiZoglio noted that the City has experienced financial and management challenges in recent years from the police and school departments. The Auditor asked Mayor Perry to share with the Board some of the actions taken by his administration to ensure these problems from prior leadership will not affect the City's ability to repay the bonds.

Mayor Perry explained that the City is in the process of converting to a centrally-organized finance tracking system (Munis), as the City was previously using seven separate financial systems. The Mayor hopes that utilization of Munis by the school system and police will help avoid financial difficulties, such as those that the City had before his administration. One was that the schools overran their budget by \$4 million, which is not legal, so the City ended up under state oversight. The Mayor thanked Sean Cronin at the Division of Local Services for the advice and assistance provided. The Mayor also mentioned the creation of Ms. Duprey's position, with oversight of both the city and school financial structure, as the first step in creating a comprehensive financial structure. The implementation of Munis on July 1 is going to merge all existing financial systems so that the administration can better monitor any ongoing issues. In addition, now the business manager of the schools reports to the CAFO.

The Mayor believes the City is in a better position to survive any challenges and is looking to build on his record of providing timely budgets in both the private and public sectors. He then mentioned budget oversight, which included monthly performance meetings with department heads to track progress.

Mayor Perry then moved to the City's five-year outlook, saying that his administration is being a little bit more conservative this year because of the evolving economic situation. He is hoping that, as mortgage rates are starting to fall, the City's housing market will be more invigorated. The real estate market in Methuen is strong. The average price of real estate in the City is up to \$449,000, and he worries that seniors will not be able to afford replacement housing if they sell the houses they are in now.

Ms. Duprey thanked the Mayor for his overview and further highlighted the City's planning work, explaining that they have spent the last three years focusing on changing the City's perspective to being proactive rather than reactive. They are focusing on "actionable planning." The proposed bonds the City has brought to the Board relate to the second year of their capital improvement plan, which they are monitoring constantly and moving forward on. Ms. Duprey also emphasized the saving that the City has done in recent years, including money in the general stabilization fund, which is the highest it has ever been, now over \$5 million, and has an annual automatic funding source from the City's meals tax, which adds \$1 million per year. The City has also established a reserve funds for compensated absences; they also have a stabilization fund for the stadium and parks and one for public safety vehicles.

The Auditor thanked the Mayor and Ms. Duprey and acknowledged Councilor Zeigler, who had just joined the call, asking if she wanted to make any comments.

Methuen City Councilor Zeigler said that there was a good working relationship between the legislative and executive branches in the City. She also serves on the Finance Committee, and throughout the years they have had a number of conversations with the Mayor and CAFO about strengthening the City's financial position, while holding each other accountable. She noted that the City's bond rating continues to increase, which is not typical for cities across the Commonwealth. She believes the City is in a good position to be aggressive in addressing all needs while being fiscally responsible.

The Auditor thanked the Councilor and asked the Board members if they had any questions.

Ms. Wagner acknowledged Mr. Cronin's memo submitted to the Board and stated that Methuen has improved its financial condition and made great improvements in terms of working together and being proactive in the budget process, as both the Mayor and Ms. Duprey had indicated. The City is poised to pay off their deficit borrowing in March and remove the oversight requirements under which the City has been operating. She hopes to maintain a collaborative relationship between DLS and the City going forward.

The Auditor recognized Dr. Tafoya for a question.

Dr. Tafoya mentioned the wide-ranging nature of Methuen's request for a number of different capital items, including some smaller expenses as low as \$20,000. He asked the City representatives if Methuen actually planned to borrow for these items in the long run.

Ms. Duprey stated that their intention is to borrow; they look at capital expenses as anything over \$5,000-\$10,000. The City does cover some expenses with free cash or "pay as you go," but looks to bond as well. This approach is an effort to increase the City's debt ratio to over 5%, since the debt ratio is very low, and every little bit counts on their effort on that score (good debt versus bad debt). When the City is able to establish a better debt ratio, the administration may cover smaller expenses with reserves.

The Mayor added that his administration had inherited an infrastructure that had been largely ignored. If the useful life of the item is greater than 10 years and has a cost of a little over \$5,000, he believes it is best to treat it as a capital expenditure. Sometime he would like to explain how they are using their ARPA funds. They partnered with the City Council to select the most important things to invest in, most of which are water and sewer improvements.

The Auditor recognized Ms. Hurley for questions. Ms. Hurley asked the Mayor to explain the request item for the "Civic Eye."

The Mayor stated that the Civic Eye system is for the police department. The City hired an outside firm to do an independent audit to look at how the City could improve the department; the firm developed 22 key recommendations, including a more focused approach to what goes on in the City. He described the City's CompStat meetings, which allow the Mayor and the police chief to review incidents, categorize them, and look at them geographically. The Civic Eye is a replacement for an existing system that controls the operational model of policing in the City, including where vehicles are assigned. With this data, the City's staff can make sure that resources are assigned to where they are most needed,

being proactive rather than reactive. This change is allowing staff, such as the Director of the Crime and Disorder Analysis Unit, to identify trends, e.g. the theft of catalytic converters, and link efforts with other communities. It is a computer-aided dispatch system, but tied into a data package. Ms. Duprey added that a great deal of equipment needs to be purchased in connection with the system, including vehicles and in dispatch, so this request allows the City to purchase all of that equipment. Annual cost of maintaining the system will be in the budget. The Mayor hopes to eventually expand this system to Department of Public Works vehicles.

Ms. Hurley asked if the City is considering any energy-efficient equipment for future projects, such as streetlights, police cruisers, and the City's library project.

Ms. Duprey replied that the City is currently figuring out if they can buy hybrid vehicles, but is having difficulty finding multiple vehicles of the type they are seeking. The City was able to get one vehicle that was hybrid. Mayor Perry indicated that the City added 4 EV charging stations by the City Hall, as well as some in other spots around the City, which were funded by state grants. However, the City is having a more difficult time finding heavy-duty electric vehicles for police and fire. They did not buy any cruisers from 2017 to 2022 because of political unrest and distrust in the community regarding police command. Last year they bought 8 police cruisers, which replaced cruisers with 280,000 miles on them. He hopes to replace cruisers with many miles on them in the coming years with electric vehicles.

The Auditor asked if Board members had any other questions, but there were none.

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

Auditor DiZoglio: YES

Ms. Wagner: YES

Mr. Powers: YES

Ms. Hurley: YES

Long-Range Municipal Fiscal Stability

Ms. Wagner stated that DLS is wrapping up the end of tax rate setting season. Only a couple of communities have not set a final tax rate. DLS is continuing to certify the free cash for the communities that got their balance sheets in, getting ready for the spring annual town meetings. DLS is also addressing delays from several communities that have not submitted their Schedule A, which is a statement of revenues and expenses from a community for the prior fiscal year. This is a report that is required by law, utilized internally by the Commonwealth as well as federally. When a community does not submit this report by mid-February, DLS holds back local aid beginning at the end of February until submittal or until an extension is granted.

Updates and Topics for Next Meeting

The Auditor asked Ms. Hershman if she was aware of any MFOB applicants for the March meeting. Based on comments made by Ms. McNerney, Ms. Hershman advised that Springfield may be ready to apply, but she is not aware of any other possible applications. Ms. McNerney further stated that she would be checking with everyone else that is thinking about debt issuance.

Adjournment

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

Auditor DiZoglio: YES

Ms. Wagner: YES

Mr. Powers: YES

Ms. Hurley: YES

The meeting adjourned at 11:41 a.m.