

**MUNICIPAL FINANCE OVERSIGHT BOARD**  
**Meeting March 8, 2023**

**(conducted by conference call)**

**MINUTES**

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

**Non-Board Members Present:** 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), Andrew Carden (Office of the State Auditor), Bill Arrigal (Department of Revenue), Taylor Erickson (Hilltop Securities), Megan Hyland (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Stephen DiNatale (Mayor, City of Fitchburg), Anne Cervantes (Treasurer, City of Fitchburg), Calvin Brooks (Auditor, City of Fitchburg), Jackie Cronin (Deputy Auditor, City of Fitchburg)

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

Dr. Tafoya 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 Dr. Tafoya 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 February 8, 2023**

Dr. Tafoya asked if any of the Board Members had any comments on the minutes from the February 8, 2023 meeting. There was none. Ms. Wagner therefore made a motion to approve the minutes from the last meeting, which Mr. Powers seconded. On the question of approval of the minutes from the meeting on February 8, 2023, the members voted as follows to approve the draft minutes without any changes:

Dr. Tafoya voted YES, as he was present at the previous meeting.

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers YES

Dr. Tafoya introduced staff members from the Office of the State Auditor who were present, Ms. Wagner introduced Bill Arrigal from DOR, and Hilltop staff introduced themselves.

## **City of Fitchburg**

Mayor DiNatale and his staff introduced themselves before the Board. Dr. Tafoya asked if the Mayor or his staff would like to give an overview of Fitchburg's fiscal condition and the City's request. Mayor DiNatale noted that the City's fiscal condition is sound and deferred to his staff to provide additional information.

Mr. Brooks started the overview, indicating that the City's financial picture is very good. The City has been generating decent free cash in the last five years. About 15 years ago, the city was in dire financial straits, but successfully recovered, due in large part to conservative revenue estimates and adequate expense estimates. The City is being wise and careful in their budget process, managing to include three major capital projects, one of them related to City Hall renovation. The City is also in the process of building a new elementary school and conducting a major library renovation. Officials gradually increased debt service capacity within the budget each year to accommodate the projects in the City budget. The difference between the actual debt service and the projected budgeted amount was moved into a reserve for capital expenses that will help with smaller projects. The City has started to add more funds (about \$1.5 million) into their stabilization fund over the next three years to cover debt service costs that are five to six years out. Mr. Brooks anticipates that there will be a "squeeze" in terms of capital spending in the City budget in about five years due to the funding of the three capital projects, but believes that the City can manage these expenses. Further, the City is ten years away from having their pension system fully funded. There will be a \$20 million windfall that will go back to capital projects once the system is funded.

The City managed to get through the pandemic and received \$32 million in ARPA funding. The City allocated about one-third of the funding to the library renovation project, over one-third for water main infrastructure work in and around the downtown area, and the remaining amount to economic development and assistance for areas disproportionately impacted by the pandemic. Overall, the City is in a good position, where, with careful management, they can generate future surpluses.

Ms. Cronin then discussed the projects listed in the City's request before the Board. The SCADA water costs listed in their request were related to the replacement of the obsolete control system for the City's water operations. The new system will collect data, which is needed for the City to report information to the Mass. DEP and the EPA. The costs related to the Falulah transmission main will be to replace a 120-year-old main that runs from the City's water treatment plant to two storage tanks. Replacement of the main is due not only to its age, but also to its size. The main needs to be enlarged to handle the daily capacity from the plant. The City's line item for sewer system design and engineering relates to the planning and design phases for a \$30 million sewer construction project (which is a part of the City's request). The sewer project is the latest phase in the City's compliance efforts with a 2012 consent decree between the City and the U.S. Department of Justice. Under the consent decree, the City is required to separate sanitary flow and stormwater in its sewer system. It will also involve rehabilitation of some downtown infrastructure.

Costs related to the accelerated repair of the Longsjo Middle School include repairing all doors and windows, which will materially extend the useful life of the school. The City's request also includes a replacement of the Crocker Elementary School, which has reached the end of its useful life, as well as a request to renovate completely a public library built in the 1960s, including the costs for temporary quarters during construction. Lastly, the City is seeking approval for lead and copper planning costs to cover the costs of complying with the lead and copper rule revisions, which includes developing a lead service line replacement plan, creating a water service inventory for the City's water system, and reviewing and updating a lead and copper sampling plan.

Dr. Tafoya asked Mayor DiNatale if he wanted to provide any additional information. The Mayor replied that the City is working on capital improvements and generating great interest in the downtown area. He estimated that there are over \$150 million in investments in the City's Main Street, and he is excited for these projects to come to fruition very shortly.

Dr. Tafoya asked to clarify the sewer project's line item in the City's request – he was aware that the project will cost \$30 million, but wanted to confirm that the City is only requesting \$3 million at this time. Ms. Cronin replied that most of the sewer project's funding will be provided through borrowing from the Massachusetts Clean Water Trust, leaving \$3 million as the remaining balance for the City to cover. Dr. Tafoya then asked where the City is in terms of the Intended Use Plan and if the MCWT had approved the loan. Ms. Cronin replied that she did not know the answer at that moment.

Dr. Tafoya then turned to the Board for questions. Ms. Wagner reiterated that the City's financial position is strong, with over \$6 million in certified free cash, approximately \$8 million in stabilization funds, and \$11 million in undesignated funds. She noted that these numbers have been relatively stable over the years, and she concurred with the City's assessment of its financial picture.

Ms. Hurley asked if the City could confirm if the City's share to replace the Crocker school was \$29 million, as noted in the S&P ratings report. Mr. Brooks confirmed that this amount was correct.

Mr. Powers asked what the sources of funding were for the library renovation project outside of their MFOB request. Ms. Cronin replied that the City will receive a \$12.5 million grant from the MBLC, they have set aside \$12 million in ARPA funds, and the Library Trustees have made a fundraising pledge of \$3.5 million.

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

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

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

Ms. Wagner gave a few updates regarding the Division of Local Services' new data visualizations. DLS has a webpage related to data analytics and visualizations, containing interactive maps and other resources. She presented a heat map containing average single-family tax bills across municipalities in the Commonwealth in FY 2023 and a list of the top 10 communities with the highest and lowest average single-family property tax bills. She also presented a new Municipal Financial Self-Assessment data visualization, which shows various data points for each municipality, such as total budget, population, income, EQV per capita, and foundation school enrollment. She noted there are also charts that detail information about income sources, such as state aid, local receipts, and property tax levies. In addition, there are charts detailing property values and taxes, as well as debt and other liabilities. Finally, there is a section on financial reserves such as certified free cash, stabilization funds, and overlay for abatements

and exemptions. There is also the Municipal Finance Trend Dashboard. Dr. Tafoya stated that the OSA's Division of Local Mandates uses this data all the time and thanked DLS for continuing to enhance the data.

Ms. Wagner also provided an update on opioid settlement funds. The DOR has received multiple questions from officials about the funds. Ms. Wagner recently held a presentation with the Attorney General's office on how to account for the funds and spoke at a meeting with small town administrators. She added that the Governor's press release about the FY 2024 budget indicated that there will be a supplemental budget forthcoming and it would include some municipal finance language that will make it easier for municipalities to expend these funds without going through "accounting gymnastics." She is looking forward to the passage of this language.

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

Dr. Tafoya stated that he is not aware of any MFOB applicants for the April meeting. He then introduced Mr. Carden to discuss with the Board a proposal to change the day and time for MFOB meetings at the request of Auditor DiZoglio.

Mr. Carden stated that the Auditor requested a change in the MFOB schedule because this meeting conflicts with the PERAC meeting. He expressed that keeping meetings on the second Wednesday of the month, but moving the time to 10:00 a.m., would help. Mr. Powers and Ms. Wagner replied they have no objection. Ms. Hurley asked her fellow members if they anticipate the meetings to continue on a remote or hybrid basis, as the basis of the 11:00 a.m. meeting time was partly related to in-person commuting times for Board members. Dr. Tafoya replied that this form of meeting would likely continue, given the proposed change in the law that allows for it and the fact that both chambers have positively acted on an extension of this authority. Reviews from everyone have been very positive about holding the meetings remotely.

Ms. Wagner made a motion to change the scheduled time for the MFOB meetings to the second Wednesday of the month at 10:00 a.m., and Mr. Powers seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

Dr. Tafoya indicated that Ms. Hershman will notify the financial advisors of the changes to the MFOB schedule.

### **Adjournment**

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

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

The meeting adjourned at 11:32 a.m.