

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting March 9, 2022**

**(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), Nicola 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), Sean Cronin (Department of Revenue), Bethiny Moseley (Department of Revenue), Monica Mulcahy (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Cinder McNerney (Hilltop Securities), Timothy Plante (Chief Administrative and Financial Officer, City of Springfield), Lindsay Hackett (Deputy Chief Administrative and Financial Officer, City of Springfield), Pat Burns (Comptroller/Auditor, City of Springfield), Chris Caputo (Collector-Treasurer, City of Springfield), Chris Cignoli (DPW Director, City of Springfield), Michael Gagne (Interim Chief Financial Officer, City of New Bedford), Renee Fernandes (Treasurer-Collector, City of New Bedford), Jared Nicholson (Mayor, City of Lynn), Elyse Fannon (Treasurer-Collector, City of Lynn), Michael Bertino (Chief Financial Officer, City of Lynn), Stephen Spencer (Comptroller, City of Lynn), Adam Bass (Lynn Daily Item)

The meeting was called to order at 11:01 a.m.

Auditor Bump made introductory remarks and directed Ms. Hershman to read a statement noting 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. After the statement was read, Auditor Bump 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 9, 2022**

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 February 9, 2022, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Mr. Favorito: YES

Ms. Hurley: YES

Ms. Wagner: YES

### **City of Springfield**

Mr. Plante, the Chief Administrative and Financial Officer of the City of Springfield, introduced himself and his team before the board. He stated that the City is making an \$8.1 million request related to bond orders for vehicles. According to him, the City has a strategy devised by the Department of Public Works, including a replacement schedule, in order to ensure they have vehicles when they need them.

Ms. Wagner asked for a description of the city department vehicles. Mr. Plante replied that the vehicles were mainly sedans and trucks used to provide transportation for the City's workforce, including the board of assessors, animal control, economic development, code enforcement, parks, and facilities.

Mr. Favorito asked if the vehicles requested represented a wholesale replacement of the fleet over time. Mr. Plante replied that the City is catching up for a period in which they were not able to replace city vehicles, other than the heavy vehicles, and they are working on a full replacement schedule.

Mr. Favorito then asked about the City's anticipated timeline to keep the vehicles. Mr. Cignoli replied that the City divided the vehicle purchases into 3 categories, with useful lives of 8, 10, and 20 years, respectively. Trash vehicles have the shortest useful life (8 years), because of the wear and tear and mileage involved with their activity. Most passenger-style vehicles/pickup trucks have a 10-year useful life, and dump trucks can be kept for 20 years. Mr. Cignoli stated that the City's DPW has \$40 million to \$50 million in vehicles, and this is a percentage of replacement of their fleet.

Mr. Favorito then asked the other Board members if this was consistent with other communities' useful life determinations. Auditor Bump said she thought it was, but then asked Ms. Wagner to elaborate further. Ms. Wagner replied that the useful life of a vehicle should fall between a 5 and a 20-year term for borrowing under Massachusetts General Laws terms (MGL).

Ms. Wagner then moved to approve the application of the City of Springfield. 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 Lynn**

Mayor Nicholson introduced himself and his team to the Board. Auditor Bump asked the Lynn team to present the City's request, as well as a financial overview of the City. Mayor Nicholson replied that the City has made tremendous progress under the leadership of former Mayor McGee and the financial team. Several years ago, the City was in dire financial straits, but thanks to assistance of the Commonwealth and the work of Mayor McGee and the City's financial team, Lynn has achieved a much better financial position. Mayor Nicholson stated that his administration is committed to maintaining and pushing forward the efforts of the McGee team in order to put in better controls, maintain fiscal

discipline, and invest in capital needs for the City's long-term outlook and performance. According to him, Lynn has a "tremendous opportunity" to deploy extra funds from the federal government and is trying to put them to their best use; he also stated that his administration is committed to growing the City in a way that includes everyone and then directed Mr. Bertino to provide specific examples of Lynn's financial progress.

Mr. Bertino then went over the City's latest operating results: the City had a "banner year," with over \$31 million certified in free cash (the highest the City has ever seen), and also established stabilization funds to firm up the City's financial footing. The City was allocated approximately \$8.3 million in CARES money and has expended around \$6 million so far. The funds were mainly spent on nurses, contact tracers, and PPE for schools and public safety officials; they also made donations to food banks and supported local non-profits and small businesses with grants. Mr. Bertino explained that only around 75% of the money was used because they didn't need all of it. They repurposed some savings and used them and ESSER money to improve the ventilation systems at 10 schools. He described the city's actions as "very responsible," mentioned how they have made substantial investments in their capital program, and stated that the balance sheet is very solid.

Mr. Bertino then stated that the City is using about 20% of the ARPA money to upgrade all of their HVAC systems across 36 buildings. They are surveying constituents on how to spend the next portion of that money. He stated that "it's no secret that Lynn has a space issue in the City," and, as a solution, the City is looking to issue bonds in order to acquire two vacant buildings to purchase these through eminent domain, which are to be used to rebalance school offices, recreate a senior center, and relocate a regional 911 operations center, which will free up space to house three or four children in a facility the City already owns. They plan to improve the Gannon Golf Course, for which the Gannon Fund will ultimately pay. He also described work done on Fraser and Manning Fields – two athletic fields used by students in the public schools, St. Mary's, and charter schools. Finally, Mr. Bertino talked about the City's investment in public safety, specifically how every two years, they are investing in new pumpers for the fire department. Lynn officials are currently talking about retiring their deficit bonds, as they have the financial capacity and reserves to do so, but will look at how the economy functions over the next quarter before making a final decision.

Auditor Bump then asked if there was anyone else from the City who would like to add information. Mr. Bertino continued, indicating that Lynn had their bond rating upgraded by Moody's in June 2021 and by Standard and Poor's (S&P) this month. Lynn is now rated A+, with an AA outlook, by S&P. Auditor Bump stated that the upgraded bond ratings are good affirmation of the City's progress.

Mr. Favorito asked Mr. Bertino about Lynn's previous requests for the Lynn Vocational Technical Institute and the current status of the project. Mr. Bertino replied that the project is well underway. One of the larger authorizations they are seeking today pertains to this work. He believes the project will be 25% completed over this summer, and 75% over next summer. Some delays may occur as there is a backlog in securing windows and doors for the building. Mr. Favorito then asked if the project was being reimbursed by the MSBA. Mr. Bertino replied that the school was under the accelerated program. He continued by stating that the City currently has the capacity to do 1-2 major programs per year; he concluded by saying that they are happy with the progress they have made.

Ms. Wagner indicated that Mr. Cronin of the Department of Revenue would like to speak about Lynn. Mr. Cronin began by stating that he is speaking in his capacity as the City's Fiscal Stability Officer under

the special act of 2018. He stated that many good things have happened in the City, something that he had already told the City Council in May or June 2021. Most importantly, deficit financing notes are being paid off, reserves are high, there are no operating deficits, they have done conservative budgeting, and he is happy that the bond rating is being upgraded. However, he wished to highlight to the Board that Lynn still does not have long-term strategic capital planning, an issue he had brought to the City's attention in the past.

Mr. Cronin declared he had no issue with the current request made by the City today, but he was looking at the long-term needs of the City. He mentioned he had sent the Board a graph that showed their debt service, as well as estimates for the future Pickering School project. The school project is estimated to be in the \$130-\$150 million range, and the MSBA effective reimbursement rate might be only 65% state share to 35% local share, instead of the expected 80% - 20%, due to caps on construction costs per square foot. More costs will be borne by the City than expected. Mr. Cronin said he wants to see a long-term financial plan from the City, in order to see what impact this project would have, especially when a second major project might be undertaken. He reiterated that he wants to make sure the City has a real, long-term capital plan to afford debt, because it is difficult to estimate future expenses without such a plan.

Mr. Cronin then mentioned that one of the things they did early on was to provide funding to the Collins Center at UMass Boston for a capital plan, which was presented in the spring of 2019, but that plan has not been updated since then. The financing approach in the plan has also not been followed. He repeated that he hopes that the City will develop a long-range planning process, a financial forecast, and a capital plan, so the impact of a nine-digit school project can be understandable in the totality of the City's finances. Mr. Cronin stated that he believes that a holistic look at all capital needs and a review of existing funding sources will help the City.

Auditor Bump thanked Mr. Cronin for his comments. The Auditor then told Mayor Nicholson that this isn't the first time the Board has heard of the need for a focus on long-range planning in Lynn. She then asked Mr. Bertino about the City's debt service and its intent to retire deficit bonds early, specifically on what impacts such retirement would have on the City's finances.

Mr. Bertino replied that Lynn has set aside \$1.4 million of their operating budget in a special stabilization fund and \$1.3 million for debt service associated with the deficit funding. He indicated that he does not make final decisions on everything, but rather advises the Mayor and City Council. He has the money to pay off those debts and would put an ordinance in play to set aside the money in a capital stabilization fund. He stated, however, that a lot of the politics has been taken out of the equation and the fact that Standard and Poor's and Moody's gave the City an upgrade showcases the progress made. He then spoke about his previous work on bringing City departments together and on how a lot of them had to be educated on the difference between different kinds of capital.

Mr. Bertino then said that a care for the taxpayer's money is his overarching principle and gave a series of examples to illustrate that concern. He stated that he buys "all his vehicles cash," and that his numbers are "solid," although they may go "sideways for a couple of years." However, no amount of capital planning can fix disinvestment over the previous decades. Mr. Bertino then explained that he currently has too much money in Chapter 70 funds, but that the adding of capacity to schools and institutions are monumental decisions that are going to alleviate capital issues. He also mentioned how Lynn ran one of the most successful vaccination clinics in the state, in his view, because of a proper

allocation of resources and proper communication between departments. He finished by saying that Lynn won't have a AAA capital plan like Dover or Brookline for another 10 years, but that it is not a priority.

Auditor Bump invited follow-up questions, and Ms. Hurley then asked Mr. Bertino to clarify whether or not he was referring to the Collins Center report as "cut-and-paste." Mr. Bertino replied in the negative: "no, what we put in our budget each year – it's a cut-and-paste from the snapshot."

Ms. Hurley then expressed concerns that the Collins Center report may have been shelved or that the recommendations by the Center have not all been followed through and wanted him to discuss why the City is not looking at that report. Mr. Bertino replied that the Collins Center report is "contained in our budget," which is a "cut-and-paste" from the report: "We've extracted it and put it into our budget." Mr. Hurley then inquired about the recommendations that were not followed through, echoing Mr. Cronin's comments about the report's needing to be a vital working document. She then stated that she would like to hear from the City that the City Council and department heads are using that report and implementing the offered recommendations.

Mayor Nicholson then spoke, beginning by thanking Mr. Cronin for his comments and questions. He explained that, in his understanding, the City's budget contains a 5-year lookout for their capital plans, which has been updated each year since the release of the Collins Center report, based on new realities. A lot of the City's focus has been placed on operating controls and process in recent years; while paying attention to a long-term capital plan needs additional work, the City is certainly committed to doing that going forward, and he recognizes that Mr. Cronin has suggestions as to how they should make those improvements. He stated that the City wants to see the progress they have made on the operating side replicated in capital planning. He said that he is acutely aware of particular capital needs - at least half of the City's 26 schools are over 100 years old, and too many are in unacceptable physical condition.

Mayor Nicholson mentioned the frustration and challenges in figuring out how to bring their MSBA reimbursement up to where it needs to be. He detailed that Lynn has had an explosion in the number of students, has significant needs beyond the Pickering School, and is trying to figure out how to finance them with the support of the Commonwealth; he added that Lynn wants to be doing its part, by doing responsible budgeting and trying to carry that forward to capital planning. According to him, Lynn has a robust process in place in terms of expending remaining ARPA funds by asking residents about long-term projects they would like to see, while recognizing funding constraints. The Mayor finished by saying he intended on getting everyone in the City on the same page in terms of long-term capital planning efforts.

Ms. Wagner then echoed the comments made by Mr. Cronin and Ms. Hurley. She added that, while excellent communication between departments is what they want to see, there is no replacement for a long-term capital plan that is annually updated and recommended that the City should move ahead with working on one.

Ms. Wagner then moved to approve the application of the City of Lynn. 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 New Bedford**

Mr. Gagne introduced himself and his team to the Board. Auditor Bump asked Mr. Gagne if he could provide a financial overview of the City and their request. Mr. Gagne indicated that the City is starting to come back from the financial strains of the previous fiscal year (such as delinquent payments on wastewater and water and diminished local receipts). According to him, New Bedford has seen payment delinquency improving, and local receipts are also beginning to show an upwards trend, although they are not back to the strength seen in FY 2019; this resulted in cuts in personnel and services that the City offers to residents. Mr. Gagne added that the Mayor has an exceptional plan in place for the \$81 million in ARPA funds, and that biweekly meetings are held regarding the allocation of these funds, particularly in order to ensure that they are meeting the requirements of the U.S. Treasury. The City has also hired an ARPA director to guide and direct the process and have hired staff to manage those funds; the City is expecting that this Thursday the City Council will approve the allotments, as proposed in the Mayor's 9-step plan, and that the use of this money will have a lasting impact on the City.

Mr. Gagne then added that the City's current request is related to the projects the Mayor proposed in his overall plan. He then listed the projects and their significance, beginning with the regional airport, including improvements to the runways, taxiways, travel ways, lighting, and signage. New Bedford has commitments to improve buildings, as well as access and egress to the airport. Mr. Gagne then spoke of the school infrastructure improvement plan, mentioning the Campbell School, one of the larger elementary schools. The City is planning to submit a school feasibility study to do accelerated repairs and upgrades on doors, windows, boilers, the alarm system, new safety measures, and entrance and egress. They are hoping that the project will be funded with MSBA assistance, but New Bedford will also need to commit a certain amount, and some ESSER money will be used. Mr. Gagne then mentioned wastewater and stated that the total is about \$6.8 million in improvements. These improvements are funded through rates, however, with no effect on the City's general fund. Finally, Mr. Gagne mentioned water infrastructure. They have in effect a 5-year rate structure schedule put in place by the Water Board, which will support the borrowing. The work includes dams and fire equipment. He stated that this is the second year during which they are replacing equipment that is over 15 years old. He stated that New Bedford needs trucks that can reach high rises, which are very expensive: the city bought one last year for about \$1.2 million. He ended by mentioning that they have a pumper that is over 15 years of age.

Auditor Bump then asked for additional information on the effect of the pandemic. She noted that, in the recent past, New Bedford was the only community which has announced significant reductions in local receipts and therefore cuts in services. The Auditor solicited a comparison to other municipalities.

Mr. Gagne replied that he had served as Town Administrator for Dartmouth for 28 years and then CFO and Town Administrator for Mattapoisett for 12 years. He explained that for FY 2020, the City's projected local receipts were "too close" to the previous year's actual receipts; FY 2019 had been a good year, and "there was no way" 2020 was going to meet the same numbers. He stated that this was a place for improvement.

Auditor Bump further asked if the City is under any consent decrees with the EPA related to water and wastewater. Mr. Gagne replied that the City is under a significant consent decrees and administrative orders. As an ocean-side community, New Bedford has a significant number of combined sewer overflows, which are extremely expensive to rectify. He stated that the City is currently working on it, and there will be significant borrowing, but first they need a rate structure that adequately supports that.

Auditor Bump then invited further questions. Ms. Wagner noticed that the Department of Revenue had not received a free cash certification from the City and asked about the City's status regarding that submission.

Mr. Gagne replied that the balance sheet is complete and that he will soon be reviewing the sheet with the [City] Auditor and Interim Auditor. He expects that the certification will be submitted by next week. Ms. Wagner also commented on the City's total receipts; for FY 2021, the City estimated \$29.275M for local receipts, and according to their tax recap the City had accrued \$29.536M, having a surplus of only just around \$260K, which was a little low. Mr. Gagne indicated that the City needs to make an adjustment to come down on those estimates. Ms. Wagner added a general comment on consent decrees, noting that there are many communities in the Commonwealth that are currently dealing with consent decrees like the Town of Hardwick. Mr. Gagne appreciated that their projects are being given high priority in terms of eligibility and that the City is able to secure low interest rates for their work. Ms. Wagner then added that the City has a healthy stabilization fund of \$16.9M as of fiscal year 2021.

Mr. Favorito then asked Mr. Gagne how long-term debt service is being managed. Mr. Gagne replied that the previous CFO had a debt service schedule, as well as a 10-year plan with an outlook on debt service. According to him, this outlook is based on the City's ability to pay - essentially seeing what is doable based on the income of families in the community.

Auditor Bump then asked about debt service and planned projects, as she noted that there is a significant amount of authorized unissued debt on the books, and asked what the City's plans are in terms of unissued debt. Mr. Gagne replied that the City is going to review their unissued debt and, specifically, projects that were approved but have not been moved forward. He said he is aware that debt can be rescinded in towns and indicated that, if these projects are not going to be pursued, they should be rescinded by the City Council under an order from the Mayor. He stated that he has discussed this matter with Ms. Fernandes, and they will be doing some "house cleaning."

Ms. Wagner then moved to approve the application of the City of New Bedford. 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

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

Ms. Wagner had good news about the Town of Hardwick: a state earmark of \$500k has been approved, which may “help shake loose” the additional \$17 million from the USDA, in order to allow Hardwick to move forward. She stated she will keep the Board updated as the DOR hears more. She also praised the new Town Administrator.

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

Ms. Hershman and Mr. Tafoya indicated there is a community potentially attending before the Board in April, according to Mr. Eisenthal of UniBank.

Auditor Bump then asked Ms. McNerney if she is aware of any other communities potentially seeking to come before the Board. Ms. McNerney replied that she will take a look and get back to the Board.

Auditor Bump confirmed that an April meeting will occur if the Board receives requests. The deadline for requests will be on March 16<sup>th</sup>.

### **Adjournment**

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 12:22 p.m.