

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting April 27, 2021

(conducted by conference call)

MINUTES

Board Members Present: State Auditor Suzanne Bump (Chair), Mary Jane Handy (Department of Revenue), Craig Stepno (Office of the State Treasurer), Margaret Hurley (Office of the Attorney General)

Non-Board Members Present: Hilary Hershman (Office of the State Auditor), Ben Tafoya (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Samantha Ormsby (Office of the State Auditor), Bill Arrigal (Department of Revenue), Mark Morris (Business Manager, Southeastern RVTSD), Karen Jelloe (District Treasurer, Southeastern RVTSD), Robert Sullivan (Mayor, City of Brockton), Troy Clarkson (CFO, City of Brockton), Martin Brophy (Treasurer-Collector, City of Brockton), AnnMarie Raymond (Interim City Auditor, City of Brockton), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Monica Mulcahy (Hilltop Securities).

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

The Auditor made introductory remarks and noted that, pursuant to Governor Baker's Executive Order of March 12, 2020 concerning the COVID-19 pandemic, 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.

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

Minutes from January 12, 2021

Mr. Stepno 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 January 12, 2021, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

Southeastern Regional Vocational Technical School District (SRVTSD)

Mr. Morris introduced the request from SRVTSD. The district is looking to re-issue bonds from 2011. Mr. Morris noted that bond interest rates are currently very low so the bonds would be advantageous to the district if they can be issued as state qualified bonds. Ms. Jelloe added that, if the district pursued refinancing, it would save an estimated amount of over \$700,000 in their budget. Ms. Jeffers from Hilltop Securities mentioned that the refunding would save about 16% and would not extend maturity of the

bonds as they will have the same term as the 2011 bonds. There were no additional questions from the board.

Ms. Handy made a motion to approve the application of the Southeastern Regional Vocational Technical School District. Mr. Stepno seconded the motion and a call of the roll was made and the votes were as follows:

Auditor Bump: YES

Ms. Hurley: YES

Ms. Handy: YES

Mr. Stepno: YES

City of Brockton

Mayor Sullivan introduced himself and the team from the City of Brockton, and thanked the MFOB for approving SRVTSD's request, adding that 65% of the District's students are from Brockton.

The Mayor explained that the Brockton bonds will help finance a proposed new public safety complex that will house both fire and police departments, as well as IT and BEMA, an emergency management agency. Mayor Sullivan explained that the departments will be relocated into this new facility, freeing space in other buildings such as Brockton High School.

The Auditor asked how this project fits into the City's long-term capital planning and asked for some idea on how financing was being approved. Mayor Sullivan replied that the facility was a long-standing idea by multiple mayors in the last decade – the main issue was finding a location that meets the needs of the fire department, so they can easily access Route 24 for any accidents, as well as the police department. The City is limited in terms of space for the current Fire Department, and the Police Department facility has been outdated for 20 years. Ultimately, the City plans to have a modern, sleek, and technology-friendly location. They want to have a welcoming facility that will house the four departments and a community room. The Mayor explained the facility location has required two takings of land, which were recently approved by the City Council. The facility, which will be a whole city block, will be located at the top of Legion Parkway in Brockton. Consolidating all these departments in one building is in the best interests of the City.

The Auditor asked if this was being solely funded by the City, and the Mayor confirmed that. The bond authorization from the City Council is for up to \$98 million, and the Mayor believes that now is the time to borrow money based on historically low rates. Auditor Bump asked how this project will fit into Brockton's overall capital improvement plan. Mr. Clarkson stated that Brockton is working with the Collins Center at UMass Boston and is ready to introduce a comprehensive set of financial policies, as well as its first long-range capital plan. The six-year plan has not yet been introduced to the City Council, but the plan includes a list of projects they are planning to build and buy, including the public safety complex.

Mr. Clarkson further explained that they had reviewed the finances regarding the public safety complex at length with the City Council and the public and got a very positive reception. The City had demonstrated to the City Council and the public how the City's debt position will change in the next few years, explaining that in 2028, the City's debt service will plummet from \$15 million a year to \$2 million a year. Mr. Clarkson

explained that the City can fund this project within the levy limit and without increasing budgetary expenses and that they have positioned the City to fund the project in a responsible and conservative way.

Ms. Handy congratulated the City for the public safety complex and for not pitting the fire department and police departments against each other and asked what the impact of this project would be on the tax rate. Mr. Clarkson stated he has not done the calculation yet, because they do not anticipate any increase in the tax burden from this project.

Ms. McNerney interjected to state that there was a refunding loan order before the City Council that was included in the original MFOB package. Because the loan order was not approved last night by the City Council, as anticipated when they filed their application, and is currently referred to committee, the City has submitted an amended package this morning. Ms. McNerney stated that the amended request is for \$100,942,058, a decrease from the original \$104,652,058 request, and apologized for the last minute change. Mr. Clarkson anticipates that this refunding would be voted on by the 10th of May by the City Council. Ms. McNerney stated the refunding would provide up to \$500,000 in savings.

Ms. Hurley asked what will happen to the existing historic fire station. Mayor Sullivan stated that the building would be a City asset and he would like to turn it into a fire museum. Ms. Hurley noted that, in the S&P report, market value growth has been strong in Brockton, over 7.2%, led by multi-family residential conversion of industrial and commercial buildings located by commuter rail. She asked if the City might utilize the recent housing choice legislation to support those development efforts. Mayor Sullivan explained that the City Planner is going to use that and the Mayor supported it strongly.

The Auditor also asked if the capital plan might include improvements to D.W. Field Park. He stated that there are plans to utilize the park more, including lighting it up during the winter similar to the La Salette Shrine in Attleboro, which is a popular attraction.

Ms. Handy made a motion to approve the issuing of qualified bonds in the revised amount of \$100,942,058. Mr. Stepno seconded the motion. Ms. Hurley asked if the revised vote was contingent on City Council action, and the Auditor explained the revised amount removed the article not approved by the City Council. A call of the roll was made as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

The Auditor thanked the City of Brockton and added that the MFOB will look forward to seeing the City in an upcoming meeting to hear the remaining requested amount once they receive City Council approval.

Long-Range Municipal Fiscal Stability

The Auditor recognized Ms. Handy for her years of service, thanked her for enhancing the Board's understanding of municipal finance, and congratulated her on her upcoming retirement.

Ms. Handy indicated that there are additional federal funds being made available through the American Rescue Public Assistance (ARPA) program and that the funds can be used through December of 2024. Guidance from the U.S. Treasury has not been released. Expenditures eligible under this program will be 100% reimbursable by FEMA. The amount of ARPA money for municipalities is very large, and there are a number of categories in which funds can be spent. FEMA is updating the eligibility list. Ms. Handy indicated that DOR have been attending weekly meetings and updates from federal partners and there are still a large number of questions about the funds to be answered. It is unclear whether ARPA funds will be considered as federal grants or public assistance, which impacts how the funds are distributed under state law. Grants can normally be multi-year, while public assistance is only considered for the fiscal year. The expenditures will be audited to ensure they are expended in accordance with the grant. There is a claw-back mechanism so unexpended funds are returned to the federal government. Ms. Handy is concerned there may be more funds than necessary to be spent while still being applicable to COVID. Ms. Handy also stated that the counties are getting their own money and will not be distributing to municipalities in their counties. All of the municipalities will be getting their own money. Most of the money will pass through the Executive Office of Administration and Finance as the federal government is relying on the states to distribute funds. The Auditor commented that the President had noted that Plymouth County had the lowest overhead costs for distribution of CARES Act money.

The Auditor asked how equipped municipalities are to handle this large amount of funding coming to them. Ms. Handy stated that municipalities in Plymouth County had to submit for reimbursements on a monthly basis, and that the County has only reimbursed cities and towns through September. Some municipalities are concerned they may run into a deficit as they have not received CARES Act funds yet. Ms. Handy also mentioned that municipalities are handling federal funds in different ways, but felt that communities need to coordinate more within their internal divisions so all departments get access to the money. Someone needs to prioritize use of the money.

The Auditor asked Ben Tafoya, Director of the OSA's Division of Local Mandates, about an apparent lack of coordination within communities about accessing CARES Act monies. Mr. Tafoya said that there was a lack of coordination between city/town clerks and the municipalities' finance teams about whether CARES Act money was used for elections. There was also a wide disparity between communities as the use of CARES Act money. Ms. Handy commented that a municipality can't maximize the use of money if information is siloed. She told [DLS Senior Deputy Commissioner for Local Services] Sean Cronin that there should be a person who gets everyone on the same page concerning what to do with the money, because you don't want to have to give it back. She thinks you should have representatives of all major departments attend a meeting so they all hear the same information. She also thinks there should be a playbook of what money can be spent on. If it's a grant, money does not need to be appropriated.

She noted that ANF has a lot of information about how CARES Act money was spent because communities have to report to ANF how the money was used. She noted that for a while she was attending daily one-hour conference calls about how CARES Act money could be spent. Ms. Handy said the 25% of expenses not paid by FEMA were reimbursed with CARES Act money. Now, however, FEMA will reimburse 100% so there will be lots of money freed up that is going to be available through the CARES Act. It must be spent between now and December 31, meaning the programs paid for must be in place and operational by that deadline.

Topics for Next Meeting

The Auditor asked about upcoming meetings and if they should be scheduled in advance before having applicants submit materials, rather than scheduling a meeting after notification from a financial advisor that a municipality wants to submit a request to the MFOB. Ms. Handy stated that she would recommend a schedule in the future to help municipalities with planning, similar to the Massachusetts School Building Authority procedure, such as meeting on every second Tuesday of the month. Mr. Tafoya explained the current process and suggested that a standard date be picked for each month, with certain months being skipped based on the needs of the Board. Mr. Stepno indicated he was in favor of a regular schedule. Mr. Tafoya suggested that there be a three week period between the deadline for requesting to attend a meeting and the meeting date. Ms. Handy suggested requiring applications three weeks before the meeting. Auditor Bump suggested that this topic be discussed again at the next MFOB meeting but reserved for Ms. Handy's successor at DOR. Ms. Hershman indicated that the next MFOB meeting has already been scheduled for May 25. Mr. Tafoya mentioned that a number of communities are looking to come before the board then: Lawrence, Holyoke, and Webster. It was noted that Brockton would also have to come before the board to present their application regarding refunding.

Ms. Handy noted that an internal search has already begun for her replacement. She then noted that, until a permanent replacement is appointed, Tony Rassias, Deputy Director of Accounts, will be acting on behalf of the Director of Accounts.

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

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

The meeting was ended at 12:15 p.m.