

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting May 10, 2023

(conducted by conference call)

MINUTES

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

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), Stephanie Neal-Johnson (Office of the State Auditor), Bill Arrigal (Department of Revenue), Cinder McNerney (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Kristy Tofuri (Hilltop Securities), Taylor Erickson (Hilltop Securities), Lisa Krzywicki (Department of Revenue), Mark Ianello (Chief Administrative and Finance Officer, City of Lawrence), William Castro (Chief of Staff to the Mayor, City of Lawrence), Ramona Ceballos (Comptroller, City of Lawrence), Perla Ortiz (City Treasurer / Tax Collector, City of Lawrence), Octavien Spanner (Senior Advisor to the Mayor, City of Lawrence)

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

Dr. Tafoya, on behalf of 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 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, Auditor DiZoglio 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 April 12, 2023 Meeting

Auditor DiZoglio asked if any of the Board Members had any comments on the minutes from the April 12, 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 April 12, 2023 meeting, the members voted as follows to approve the draft minutes without any changes:

Auditor DiZoglio: YES

Ms. Wagner: Abstained, as she was not present at the meeting.

Ms. Hurley: YES

Mr. Powers: YES

City of Lawrence

Mr. Ianello and his team introduced themselves before the Board. Auditor DiZoglio asked Mr. Castro to provide an overview of the financial status of the City and provide comments on the City's request. Mr. Castro stated that the City is currently in the middle of budgetary planning and that Mr. Ianello has more information about the City's financials and the FY 2024 budget.

Mr. Ianello gave a general update of the City, indicating that the City's finances are healthy. The City received \$57.3 million in ARPA funds and was able to convert them into free cash because of the 2019 Columbia Gas crisis. As a result, the City has very healthy reserves. The City is also in the middle of balancing the FY 2024 budget and is almost ready to submit the budget to the City Council. The City has two recently-approved MSBA school projects (the Leahy School and the Oliver School) that did not require a tax override because of healthy reserve positions from ARPA funds.

Mr. Ianello indicated that the City is before the Board for a bond authorization for the Oliver School. The school was approved a couple of years ago, and construction of the school had recently started, but, due to the COVID-19 pandemic, supply chain issues, and other reasons, an additional \$15.5 million in authorized bonds (identified by the builder of the school and the MSBA's Owner's Project Manager) is needed for the project.

Mr. Ianello then provided some information about the City's financial history. In 2010, the City had bailout legislation (Chapter 58 of the Acts of 2010) that established a fiscal overseer in the City. In 2019, the fiscal overseer was abolished, and a legal provision was established requiring the creation of a CAFO. Mr. Ianello was recommended by the secretary of the state's Executive Office of Administration & Finance and was appointed by City's previous mayor (Dan Rivera). He was also reappointed for 3 years by the current mayor (Brian DePeña). The CAFO has similar powers to the previous fiscal overseer. The City is in really good financial condition, with great practices and very qualified staff. They are on top of their collections and doing all the right things.

Auditor DiZoglio said she had already gotten to speak to the City's very-available team and asked for questions from the Board.

Ms. Hurley congratulated Mr. Ianello on his reappointment and then asked about the City's approach to sale of tax titles. A pending US Supreme Court case may call into question the Massachusetts statute that authorizes municipalities to sell tax titles. She is wondering how much sale of tax titles is part of the City's budget plans. Mr. Ianello replied that the City currently has property in tax title, but it is not included in the City's operating budget. He directed Ms. Ortiz to approximate how many properties are actively in tax title. He also added that the City uses an outside attorney to handle properties in tax title. Ms. Ortiz replied that there were approximately 10 properties that were brought into Land Court during March 2023. The City does not do any bulk sales. They handle them inside.

Mr. Spanner introduced himself to the Board and provided more context about the City's tax titles. He explained that the Mayor created an inventory of all properties in the City, viewing properties that were in default as well as the amount of taxes from exempt properties (\$15 million, including interest). The Mayor and his team started to work immediately with the Inspectional Services Department to see how many properties could be placed in tax title. However, there are many properties in the City (municipal, state, non-profits, etc.) that are tax-exempt, amounting to approximately \$950 million in value. The City is trying to get the Lawrence Redevelopment Authority (LRA) involved in this matter, as well as having them look into underutilized, blighted properties. The City can use the LRA as a tool for eminent domain powers. A few properties the City identified will be presented to the LRA's board in an upcoming meeting.

Auditor DiZoglio asked the Lawrence officials if they had any other comments for the discussion. Mr. Castro mentioned that there are many businesses and developments in the City, with 27 new projects that will bring in new revenue.

Auditor DiZoglio asked the Board members if they had any other questions. Ms. Wagner provided additional context to the tax titles issue, explaining that, when a community submits its budget and tax rate to DOR for approval, tax title revenue cannot be used as an estimated revenue source. Instead, tax title revenues are used first to relieve the outstanding receivable. Any gain from a sale goes to certified free cash; it can be estimated for use in the budget, as long as it is in hand by the time a tax rate is set.

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

Auditor DiZoglio: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

Long-Range Municipal Fiscal Stability

Auditor DiZoglio asked Ms. Wagner to give an update from her office. Ms. Wagner shared that, beginning June 5th and through the rest of June, DLS will host about 28 students from community colleges across the Commonwealth. The students are business or accounting majors and will spend 4 weeks with DLS staff. They will receive a rapid-fire training in municipal finance. Then they will be placed in city and town halls performing meaningful work. This program is a collaboration between DLS, the community colleges, the Massachusetts Collectors & Treasurers Association, and the Massachusetts Municipal Auditors' and Accountants' Association. She is hopeful this program will inspire these students to work for local government, as this would partly help resolve the shortage of municipal finance officials. Auditor DiZoglio thanked Ms. Wagner for DLS's work and indicated an interest in helping create a partnership with them.

Updates and Topics for Next Meeting

Auditor DiZoglio asked Ms. Hershman if there were any communities planning to come before the Board for the next meeting. Ms. Hershman advised that she was not aware of any. Auditor DiZoglio then asked Ms. McNerney if she had heard from any communities with an interest in coming before the Board. Ms. McNerney replied that Pittsfield may appear before the Board in the coming months and asked when the next MFOB meeting will occur. Dr. Tafoya replied that the next MFOB meeting is scheduled for June 14th. Ms. McNerney indicated that the Massachusetts Collectors & Treasurers Association conference will be held that day. Ms. Wagner added that Massachusetts Municipal Auditors' and Accountants' Association annual meeting will also be held that day.

Auditor DiZoglio asked if the Board needs to move the meeting to a different date. Dr. Tafoya replied that they have the option, at the discretion of the Board, not to hold a meeting in June and can always reschedule a meeting if there is an urgent application. Ms. Hurley indicated that, although she had thought

she was not available for the June meeting, she could attend the June meeting if it is June 7 or later, and Ms. Wagner indicated that it would be more convenient for her not to have the June meeting.

Auditor DiZoglio asked Ms. McNerney if Pittsfield's application was an urgent matter. Ms. McNerney replied that it could likely wait until July.

Because of the limited availability of the Board members, Auditor DiZoglio confirmed that the meeting scheduled for June 14th will be postponed, and the next meeting will be held on Wednesday, July 12th.

Adjournment

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

Auditor DiZoglio: YES

Ms. Wagner: YES

Ms. Hurley: YES

Mr. Powers: YES

The meeting adjourned at 10:29 a.m.