

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting August 11, 2021

(conducted by conference call)

MINUTES

Board Members Present: Ben Tafoya (Office of the State Auditor Division of Local Mandates), designee for State Auditor Suzanne Bump (Chair), Deborah Wagner (Department of Revenue), Margaret Hurley (Office of the Attorney General)

Non-Board Members Present: Judith Bromley (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), Samantha Ormsby (Office of the State Auditor), Bill Arrigal (Department of Revenue), Sean R. Cronin (Senior Deputy Commissioner of Local Services, Department of Revenue), Anthony Rassias (Department of Revenue), Abby Jeffers (Hilltop Securities), Megan Hyland (Hilltop Securities) Monica Mulcahy (Hilltop Securities), Bob Peirent (City Engineer, City of Holyoke), Terry Murphy (Acting Mayor, City of Holyoke), Tanya Wdowiak (City Auditor, City of Holyoke), Michael McManus (Superintendent of DPW, City of Holyoke), Anthony Soto (Receiver of Holyoke Public Schools), Eileen Donoghue (City Manager, City of Lowell), Conor Baldwin (Chief Financial Officer, City of Lowell), Christine McCall (Director of Economic Development, City of Lowell), Kelly Oakes (Treasurer/Collector, City of Lowell), Sheryl Wright (Interim City Auditor, City of Lowell), Thomas McGee (Mayor, City of Lynn), Mike Bertino (Chief Financial Officer, City of Lynn), Allison Chambers (Deputy Chief Financial Officer, City of Lowell)

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

Dr. Tafoya made introductory remarks and noted 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. Dr. Tafoya also announced that the meeting was being recorded and that Judith Bromley was acting as Executive Assistant.

Board Member roll call: All members indicated orally that they were present, with the exception of the designee of the Office of the State Treasurer, who was unavailable for this meeting.

Minutes from May 25, 2021

Ms. Hurley made a motion to accept the minutes from the last meeting, which was seconded by Dr. Tafoya. On the question of approval of the minutes from the meeting on May 25, 2021, the members voted as follows to approve the draft minutes without any changes:

Dr. Tafoya: YES

Ms. Wagner: Abstained from voting as she was present as a non-board member at the last meeting.

Ms. Hurley: YES

City of Holyoke

Dr. Tafoya welcomed to the meeting Mayor Murphy, who introduced his team to the board. Mayor Murphy discussed Holyoke's financial situation, indicating that the city is working on getting a balanced budget for FY2022 and is reviewing its sewer fees. The city is seeking school roof replacements for three schools and is working closely with the MA School Building Authority (MSBA). The \$575,000 request for street and sidewalk improvements has two components. The first component is to resolve a major street artery that has unsafe driving conditions and is getting a major project 2-3 years down the road. City engineers helped create a plan for 3-5 years to help make that road much safer to drive. The second component is to place raised sidewalks in areas that had serious speeding traffic incidents and fatalities, as well as areas that have high pedestrian traffic. Some of the sidewalks in need of repairs are near a school and baseball field, as well as a park with no parking lot. Mayor Murphy expressed that the city felt it was essential to get the roadway project done to make sure it is safe in the years to come.

After Mayor Murphy introduced his team members at the meeting, Ms. Wagner expressed her appreciation that Holyoke is addressing its sewer fees, which will be helpful in balancing its budget.

Ms. Wagner made a motion to approve the application of the City of Holyoke. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

City of Lowell

Ms. Donoghue introduced herself and her team to the board. Dr. Tafoya asked the team about Lowell's financial outlook, and Ms. Donoghue replied that Lowell is in a very strong fiscal position in terms of reserves and investments. She noted that the bond request required a correction, indicating that one of the items in the request – the Concord River Greenway – is actually for \$100,000 instead of \$10,000.

Mr. Baldwin then discussed the projects listed in Lowell's application. He stated that Lowell is in a strong financial position considering they are just on the other side of the pandemic. During the pandemic, the City Manager enacted financial controls such as a hiring freeze and restrictions on overtime use in various departments, and as a result they were able to add to reserves. He added that the general stabilization fund is at its highest level in many years, at over \$12.8 million. They have not audited their FY21 results but believe their fund balance will be at a higher level than previous fiscal years. There was a significant amount of turn-backs from departments, partially due to significant federal aid.

The largest components of Lowell's request are part of the city's FY2022 capital loan order. There are a number of ongoing projects involving roads and bridges. Mr. Baldwin explained that the city has over 200 miles of roadway, as well as two major rivers, despite only being 14 square miles in size, so it is something the city is always investing in for long-range fiscal plans. He added that the city's annual capital budget helps supplement Chapter 90 transportation funding. There are also two projects funded through the City's wastewater enterprise fund, which are also included in their bond request. They include

improvements to the Duck Island Regional Wastewater Facility, as well as remote station upgrades at various pump stations. There is also a school roof repair design project in their request that is funded in a partnership with the MSBA.

Dr. Tafoya wanted to verify the final amount of Lowell's amended request prior to the Board's vote. Ms. Hyland replied that Hilltop Securities can send in an updated agenda and loan order with the amended request amount.

Ms. Hurley inquired about what projects Lowell anticipates funding with federal monies. Ms. Donoghue replied that the city received over \$9 million in CARES Act funding, has spent over \$6 million so far, and has obligated another \$1.9 million. Mr. Baldwin added that the CARES Act funds have been used for pandemic response by public safety officials, as well as public health nurses conducting contact tracing. The city also had to shift to remote work and used federal funds to build up infrastructure with servers, laptops, and other devices to carry on core and critical functions during the pandemic. Ms. Donoghue explained that the City is in the process of hiring someone to assist them with expending ARPA funds. The City is currently assessing needs for using ARPA funds in the best way possible to recover from the pandemic and plan for the future of the city.

Ms. Hurley asked if the City had resiliency planning in response to climate change effects and potential elevation increases in rivers. Ms. Donoghue replied that there is a resiliency plan and referred to Ms. McCall for further elaboration. Ms. McCall explained that the City is working with the Municipal Vulnerability Preparedness Program (MVP) grant it received for resilience planning, for which the City is addressing storm water resiliency at one of its brooks that flooded. The Department of Planning and Development is committed to climate resiliency, and these projects are reflected in their master plan. The City is also part of the National Flood Insurance Program, so all new construction is required to meet a minimum standard. One of their recent large developments (a Market Basket) went above and beyond expectations for new construction as a result.

Dr. Tafoya asked the City Manager about hiring someone for ARPA due to complexities around using the money. Ms. Donoghue replied that the position was approved by the City Council the night before the MFOB meeting. She expressed that municipal officials had multiple hearings with stakeholders such as nonprofits, cultural and arts groups, and others, recognizing that there are multiple uses for ARPA funds. The City wants to directly work with groups and communities that have been hard hit by the pandemic and believes it is important to hire a professional to help with community outreach and communicate with officials. She expressed that the ARPA funds are a once in a lifetime opportunity and wants to make sure that expenditures are determined with careful consideration.

Dr. Tafoya asked if there was a final confirmed number for the loan order. Ms. Hyland confirmed that the updated request and loan order is \$19,575,294.

Ms. Wagner made a motion to approve the issuing of qualified bonds to the City of Lowell in the revised amount of \$19,575,294. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Hurley: YES

Ms. Wagner: YES

City of Lynn

Dr. Tafoya welcomed Mayor McGee and his team and asked for a high-level summary of the city's financials and its bond request. Mayor McGee explained that the city has faced significant challenges, although they have come a long way from where they were pre-pandemic. He commended Mike Bertino and the team, who helped turn the city around by borrowing money from the state to balance their budget and working with unions to preserve health insurance benefits and increase contribution rates. In this current budget cycle, the City has \$28 million in reserves, as well as several bond rating upgrades and a positive financial outlook. The team has taken on these challenges and turned the city around to a place where they can move forward and make future investments to grow.

Mayor McGee elaborated that one of the projects is for the accelerated school proposal for annex design and replacement for the Lynn Vocational Technical Institute. Another part of the request is for replacing the sprinklers at the municipal golf course. Mayor McGee stated that the golf course is a great resource for the community and continues to be a positive presence, but the sprinklers are over 40 years old and are in need to replacement in order to preserve and protect the course. The next item in Lynn's request is for turf upgrades at the Fraser and Manning fields, which have been used by 5 high schools for football, soccer, track, and baseball, as well as other events such as state tournaments and a vaccination festival. The city also approved an extended contract with Fisher College to use these facilities. The last item in Lynn's request is for a new fire pumper truck. Mayor McGee explained that when he was first mayor, some of the city's fleet of vehicles for fire, police and DPW were decades old and in terrible shape. They used capital funds to acquire a number of vehicles, are replacing a 20-year old pumper truck, and have already added a ladder truck, an ambulance, and other equipment. Overall, the Mayor indicated that the request will help improve their financial standing and thanked Sean Cronin from DOR for assisting the city and helping them get back in shape, considering the city was on the brink of receivership when he first started his tenure as Mayor.

Mayor McGee then turned to Mr. Bertino for further comments about the loan request. Mr. Bertino explained that the FY2022 budget is balanced with no one-time revenues, with over \$2 million in cash capital as well as payments for the notes that they are hoping to issue. Fund balance will also increase above \$15 million dollars, and their healthcare trusts are at over \$12 million. For the first time in a while, the City has a decent budget where resources are allocated to a wide range of activities, slowly bringing them up to a stable financial level. He added that they are comfortable where they are, and development is going strong in the city. Their recent upgrade has also helped the City. Overall, the team is taking normal regular steps to bring the city back to enjoying the benefits of a well-rounded city.

Mr. Tafoya asked Mr. Cronin if he had additional comments about Lynn. Mr. Cronin agreed with the comments expressed by Mayor McGee and Mr. Bertino, adding that certified free cash in the city is now over \$18 million and that the city has recently created stabilization funds. The City also created a collective bargaining reserve in the FY2022 budget, which had not been done in the past. The City's supplemental reserve that is used to help finance deficit notes is fully funded at \$4 million. The previous fiscal year sounds like it was good for the City, and the FY2022 budget had conservative funding estimates.

Mr. Cronin did have some concerns about some of Lynn's financial practices. While there was a spreadsheet in their budget document that included capital projects, as well as a forecast in the

document, they were not integrated, and he wants that done to help the city better plan long-term for their budgets. He was disappointed that a plan created in the previous fiscal year that would maintain \$3-4 million in budget capacity to further augment the capital stabilization fund was moved into other parts of the budget in order for the budget to be balanced. He noted that it will be interesting to see how the city will be able to afford two major school projects with their debt service (one of them not included in Lynn's current request), but is hopeful that there will be improved capital planning and a continually-updated debt management plan in the city. He warned that, if the city is banking on a significant sum of money from MSBA for the projects, then they may need to re-look at their capital plan.

Mr. Bertino had further comments, explaining that, when he first started in this position, there was an override vote that failed for the two school projects. Although there are two school projects in their capital plan, one of the projects is in the immediate pipeline to be built, while the other will only be initialized in 5 years. He also added that \$2M is already set for aside for one of the schools. They are hopeful they can successfully work on these projects, as they will be conducive to 21st century learning. As for affording the projects, he believes that Lynn's commercial and residential property tax bases will increase as long as they can manage collective bargaining agreements at reasonable rates.

Mayor McGee added that Lynn has over 10 schools that are over a century old and that he is committed to using CARES Act funds to upgrade the schools with new ventilation systems. They are also starting to make decisions as to how the ARPA funds will be used, particularly accelerating school projects that need HVAC upgrades. Ultimately, he explained that there are a range of options as to how the City can upgrade its 27 schools, as well as replacing the Pickering Middle School. In response to Mr. Cronin's comments, the Mayor replied that he is working with him to resolve some of the concerns he had with the Lynn City Council. Mayor McGee also expressed that the City will be hiring someone to assist them with expending federal dollars, as well as a consulting team to ensure the City is making the right investments that will provide long-term value to the community. He anticipates that some of that investment will be used for school buildings by making upgrades that will last 20 to 30 years. The City's officials are building on their budget's successes and are taking the opportunity with federal dollars to help resolve long-standing issues.

Ms. Wagner asked about the useful life of the golf course sprinklers (20 years), as well as the turf improvements (30 years) for the fields, inquiring if the city felt comfortable with those terms. Mr. Bertino replied that they are comfortable with the useful life for the golf course sprinklers, and they can revisit the useful life of the turf, as the quality of turf has been improving. Mayor McGee added that the current sprinklers are actually close to 50 years old, as they were installed during the 1970s, and the new sprinklers would be state-of-the-art. The useful life certificates of the sprinklers and the turf reflect the reality of their current investments.

Ms. Wagner made a motion to approve the application of the City of Holyoke. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

Long-Range Municipal Fiscal Stability

Ms. Wagner wanted to bring attention to the modernization of the State House Notes program. The program will be moving to electronic signatures on notes from live signatures. DOR worked with financial advisors and bond counsel to make sure there were no issues with the updated process and provided new information to treasurers about this process. It eliminates the need to send documentation by mail delivery, instead moving to electronic delivery through the DLS Gateway service. She also added that all non-entitlement units of local government (NEUs), as well as metropolitan cities, received their ARPA monies. The 50% county allocation from ARPA has also arrived, which will be distributed within the next ten days to municipalities that are within the defunct counties. Free cash and balance sheet submissions have started to come in, and certifications are now starting.

Mr. Tafoya asked if many communities will be reaching out for outside assistance to help them. Ms. Wagner replied that outside assistance was an allowable expense under ARPA, adding that, if a community is willing to spend funds on a consultant, then it is a wise investment as reporting requirements are complex.

Ms. Hurley asked about the infusion of federal monies and ARPA oversight, and if this will impact requests to the Board. Ms. Wagner replied that the US Treasury will have oversight over the ARPA funds, unlike the CARES Act expenditures, which were overseen by ANF. She added that the revenue loss component in ARPA can be used for general municipal costs, but there are specific capital items for which communities can use funds, such as water, sewer, and broadband.

Dr. Tafoya asked if there is one person from state government who is knowledgeable of the various allowable uses of the ARPA funds. Ms. Wagner replied that Heath Fahle, the Special Director for Federal Funds in the Executive Office for Administration and Finance, is the expert on ARPA funds in Massachusetts, adding that he is also knowledgeable about the CARES funds. She added that the DLS website has a COVID emergency link that provides all guidance for CARES and ARPA funds and that she is happy to help with any questions about these federal monies.

Topics for Next Meeting

There are no requests that are known to be upcoming at this time. There is a possibility that the next meeting of the Board will be rescheduled due to an agency-wide meeting at the OSA the same day.

Dr. Tafoya added that he will keep the Board updated with any changes.

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

Dr. Tafoya: YES

Ms. Wagner: YES

Ms. Hurley: YES

The meeting was ended at 12:05 p.m.