

MUNICIPAL FINANCE OVERSIGHT BOARD Meeting

August 9, 2023

(conducted by conference call)

MINUTES

Board Members Present: Ben Tafoya (Designee for MFOB Chair, State Auditor Diana DiZoglio), Deborah Wagner (Department of Revenue), Minot Powers (Office of the State Treasurer)

Non-Board Members Present: Jana DiNatale (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), Cinder McNerney (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Megan Hyland (Hilltop Securities), Taylor Erickson (Hilltop Securities), Bill Arrigal (Department of Revenue), Lisa Krzywicki (Department of Revenue), Andrew Nelson (Department of Revenue), Bobbi Colburn (Department of Revenue), Conor Baldwin (Chief Financial Officer, City of Lowell), Austin Ball (Deputy CFO - City of Lowell), Kelly Oakes (City Auditor, City of Lowell), Tom Golden (City Manager, City of Lowell), Ted Panagiotopoulos (Treasurer-Collector, City of Lowell), Patti Michelle Bouchard (Office of Sen. Edward Kennedy), Rick Manley (Locke Lord LLC).

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 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 of the Municipal Finance Oversight Board was being held via 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, 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 (other than Ms. Hurley, who was absent).

Minutes from July 12, 2023

There were no comments on the unapproved minutes from the Board members. Dr. Tafoya noted that, although he did not represent the Auditor at that meeting, he was present and would therefore be voting on approval of the minutes. Ms. Wagner then made a motion to approve the minutes from the last meeting, which was seconded by Mr. Powers. On the question of approval of the minutes from the meeting on July 12, 2023, the members voted as follows to approve the draft minutes without any changes:

Dr. Tafoya: YES

Ms. Wagner: YES

Mr. Powers: YES

City of Lowell

Dr. Tafoya asked Mr. Golden to introduce himself and his team before the Board regarding the City's application request. Mr. Golden thanked the Board for allowing them to express their concerns about the request. He explained that the City just settled a case that has been around since 1982 regarding a wrongful incarceration (Rosario vs. City of Lowell). The case could have been more serious regarding financial concerns, but the City was able to settle for \$13.2 million. The potential liability was originally between \$30 and \$40 million.

Mr. Golden said that the City was compelled to make this request because of the settlement, especially given the financial background of a number of pending municipal projects and the challenges concerning the City's pension liability, coupled with a 5.1% rise in healthcare costs, charter school reimbursements, etc. He stated that since he took over, he had addressed several lingering lawsuits. Furthermore, over the preceding 14 months, the City had aggressively raised revenue through taxation for the first time: they had raised taxes by 5.5% in the first two months; in the FY 2024 budget, it was 3.5%. He stated that he wasn't pleased about it, but recognized the City's revenue had to match its expenses. The Rosario settlement made financial matters slightly more challenging for the City, and extending the bond term would alleviate some of the financial impact on the taxpayers.

Dr. Tafoya noted that the request falls under M.G.L. c. 44, § 7(3), which requires any municipality wishing to finance a judgment for more than one year to seek Board approval for the length of the term.

Ms. McNerney elucidated that one reason for the 20-year term's suitability was the City's lineup of capital projects planned for the next five years, amounting to \$150 million. Hilltop had provided a spreadsheet to the City highlighting the City's upcoming priorities, and the City realized that a longer term was more suitable.

Mr. Baldwin expressed gratitude to the Board for the opportunity to present the request and went on to detail the City's financial situation. The City had an ambitious capital plan in progress and other standalone projects that would impact the operating budget, such as significant high school renovations in collaboration with the MSBA — a project valued at \$381M, with a local share of \$160M. This project had been phased over several years and is set to be complete by 2026. Roadway improvements were another priority, an area where the City had lagged, and demanded urgent work. The City was also finalizing plans for bridge repairs, and a specific City contribution was essential to match a federal TIGER grant. A major overpass restructuring was also performed.

City schools were part of this capital plan, with some using the MSBA plan for accelerated repairs.

Mr. Baldwin said that the City Council had emphasized boiler and roof repairs since some schools were constructed in the late 1800s, while others received MSBA funding in the 1990s.

All these projects strained the operating budget. In brief, to accommodate the settlement of this legal matter, they wanted the Board to consider term extension, as the difference between the 10-year and the 20-year term was about \$600,000 per year in debt service.

Dr. Tafoya inquired if there were any further questions or comments.

Ms. Wagner specified that there would be two separate votes, first to approve the borrowing for a term longer than one year, and second to allow the issue of debt as qualified bonds. She stated that she had no reservations about the financial situation and felt comfortable with the extension, given its legal compliance. Mr. Powers had no comments at that time.

Dr. Tafoya wondered about the financial implications if the term were to be changed to 15 years. Mr. Baldwin referred to Ms. McNerney for more details, but thought that in that case the debt service might approximate \$1.3 million per year. Dr. Tafoya mentioned a possible interest savings of \$1.4 million in borrowing costs if the term were 15 years, while understanding the need for capital project funds. Mr. Baldwin said the City had considered this, but, after discussions with Hilltop, they had concluded that a 20-year term was the most affordable choice for the City.

Dr. Tafoya asked for a motion. Ms. Wagner then proposed to approve the application to allow the City of Lowell to issue bonds and payments for the final judgment for a term of 20 years. Mr. Powers seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Wagner: YES

Mr. Powers: YES

Mr. Tafoya then introduced the second item on the agenda, the City's issue of qualified bonds and invited Mr. Golden or Mr. Baldwin to present.

Mr. Baldwin said that the balance of the City's request revolved around the issuance of state-qualified bonds related to the legal settlement they had discussed. Not long ago, they had come before the Board for approval of several new capital improvement loan order authorizations. Another significant component was the projects associated with the sewer enterprise's efforts to separate systems; this was an ongoing issue for the City of Lowell and had been a topic of past discussions with the Board. In many areas of the City, there was a single pipe system for both stormwater and sewage; their objective was to separate these systems, and they were in conversations with the EPA about their obligations in this matter. Furthermore, they were keen on integrating this with green infrastructure projects. An example he provided was their initiative to introduce amenities like splash parks while simultaneously undertaking sewer separations, essentially achieving two goals efficiently.

Finally, they had pinpointed a refunding opportunity in partnership with Hilltop. This opportunity projected savings of approximately \$350,000 over its duration. The City Council had approved an updated refunding loan order, and he believed a certified copy had been sent to the Board earlier that day. With all these considerations, they respectfully asked for the Board's approval of their proposal.

Dr. Tafoya asked if they were getting state or federal assistance for the CSO (combined sewer overflow) project. Mr. Baldwin hoped some assistance will arrive, but none is currently available. Dr. Tafoya then invited questions from the Board. There was none, so Dr. Tafoya asked for a motion.

Ms. Wagner then moved to approve the application of the City of Lowell to issue qualified bonds and/or notes to cover the matters mentioned in its application. Mr. Powers seconded the motion. A call of the roll was made as follows:

Dr. Tafoya: YES

Ms. Wagner: YES

Mr. Powers: YES

Mr. Golden thanked the Board for giving them an opportunity to come before the Board, and the Lowell team withdrew.

Long-Range Municipal Fiscal Stability

Ms. Wagner stated that they had begun to gather balance sheets for the fiscal year ending on June 30, 2023, marking the onset of their busy period for certifying free cash and subsequently transitioning into tax rates. Concerning the recent flood incidents, she mentioned they had received three applications for emergency spending. She was aware that various communities might face considerable expenses due to the flooding. Ms. Wagner expressed particular concern about one community, the town of Clarksburg, which she feared lacked the financial capacity to handle such crises. DLS was working closely with Clarksburg, considering the town's limited resources. Beyond this, she had no additional information to share.

Dr. Tafoya inquired if they knew of any state or federal assistance available for the affected communities. Ms. Wagner responded by mentioning some funding related to the flood event, which was passed in a supplemental budget and was directed toward farmers and certain cities and towns. As for FEMA, she clarified that damages must reach a specific threshold for a disaster declaration to be made, thereby invoking FEMA assistance. She was uncertain if the damages from the recent floods would meet this threshold.

Updates and Topics for Next Meeting

Dr. Tafoya asked Ms. McNerney if any municipality would come before the Board in September; Ms. McNerney asked Ms. Mulcahy for her input. There was no municipality planning to come, to their knowledge. Dr. Tafoya then asked what the next date would be for an upcoming meeting. Ms. Hershman replied it would be September 13, and that requests are due September 1. Cover letters are due August 23.

Adjournment

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

Dr. Tafoya: YES

Ms. Wagner: YES

Mr. Powers: YES

The meeting was ended at 11:30 a.m.