

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting April 24, 2019**

### **MINUTES**

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

**Non-Board Members Present:** Sophia Apostola (Office of the State Auditor), Michael Ruane (Office of the State Auditor), William Arrigal (Department of Revenue), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Megan Hyland (Hilltop Securities), Kristy Tofuri (Hilltop Securities), Mary Carney (Hilltop Securities), Mayor Stephen DiNatale (Fitchburg), Anne Cervantes (Fitchburg), Mark Iannello (Lawrence), Ramona Ceballos (Lawrence), Martin Brophy (Brockton), Troy Clarkson (Brockton), Andrew Nelson (Department of Revenue)

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

#### **Minute from March 20, 2019**

On the question of approval of the minutes from the meeting on March 20, 2019: approved.

#### **City of Brockton**

Troy Clarkson, Brockton's Chief Financial Officer, provided a brief overview of his qualifications. Mr. Clarkson was the former town manager in Hanover and Bridgewater. In Hanover, Mr. Clarkson worked to change Hanover's practice of using free cash to balance its budgets.

Mr. Clarkson provided a brief overview of Brockton's fiscal health. Brockton has a strong reserve balance and is seeing a significant increase in construction and development. Brockton's real estate values increased due to new development. Brockton is working with Hilltop Securities to plan for future municipal needs, including OPEB.

Auditor Bump asked if Brockton has approved the sale of recreational marijuana.

Mr. Clarkston stated that Brockton has one medical marijuana facility. The Council has acted on an ordinance for recreational marijuana. Mr. Clarkston stated that he does not intend to rely on marijuana revenue to pay for operating expenses.

Auditor Bump asked if Brockton has specific plans for the marijuana revenue.

Mr. Clarkston stated that the Mayor created a model for addiction treatment and the Mayor intends to use some of the money to help with addiction treatment. However, Mr. Clarkson had not spoken with the Mayor to discuss his intentions for the marijuana revenue.

Mary Jane Handy noted that Brockton has not come before the MFOB in several years and wanted to understand why Brockton was seeking to bond through the State Qualified Bond Program (SQBP).

Martin Brophy, Brockton's Treasurer/Collector, stated that the reason Brockton was seeking to borrow through the SQBP was in part due to having a new financial team that is working on remedying significant deferred maintenance that the former financial team was hesitant to take up.

Ms. Handy asked whether Brockton has a capital plan.

Mr. Brophy stated that Brockton is in the process of developing a capital plan. Brockton is also conducting a study to assess its municipal buildings.

Ms. Handy suggested that if the Commonwealth held another round of community compacts that Brockton should consider applying, because it could help defray the cost of conducting of the capital plan.

Mr. Clarkson stated that he is a big proponent of capital plans. Brockton has a dormant ordinance that requires the Chief Financial Officer to submit a capital plan to the City Council annually and the Mr. Clarkson intends to do this.

Craig Stepno asked what impact the school district's budget will have on the City's overall budget.

Mr. Clarkson stated that underfunding of school funding has been a concern of Brockton.

Auditor Bump asked whether Brockton has used free cash to balance its budget.

Mr. Clarkson stated that traditionally Brockton has used free cash to balance its budgets. When Mr. Clarkson was in Hanover, it took 5 years to transition Hanover from using free cash to balance its budget. Mr. Clarkson's goal is to transition Brockton away from using free cash to balance its budget. In FY 2020, Brockton will use \$14 million in free cash to balance its budget.

Auditor Bump asked what Brockton expects to save by using the SQBP.

Cinder McNerney stated that Moody's gave Brockton a negative outlook on the rating. Ms. McNerney stated that the SQBP will help bolster their bonding package. Hilltop Securities intends to help Brockton address some of the issues that the rating companies have identified to continue to raise Brockton's ratings.

Auditor Bump asked whether Brockton expects to come back to the MFOB for future projects.

Mr. Clarkson stated that Brockton will have a significant drop-off in debt in 2028 and Brockton considers this as an opportunity to invest in infrastructure.

Ms. Handy asked whether Brockton has a debt management policy.

Ms. McNerney stated that Hilltop Securities is waiting for the capital plan and needs assessment before they create a debt management policy.

Mary Jane Handy made a motion to approve the request from Brockton.

Craig Stepno seconded the motion.

The motion was unanimous approved by the members present.

### **City of Fitchburg**

Anne Cervantes, Fitchburg's Treasurer and Collector, provided an overview of Fitchburg's financials. Fitchburg's FY 2020 budget is balanced and should be finalized shortly. Fitchburg had several good years with free cash.

Mayor DiNatale stated that in FY 2018 Fitchburg recognized \$6.8 million in free cash. Fitchburg is requesting authorization to bond for several projects, including \$2 million for school rehabilitation, the rehabilitation of City Hall and the adjacent Bank of America Building, and a parking garage. The renovations to City Hall will allow most government services to return downtown. Fitchburg negotiated with Bank of American to donate their building to Fitchburg which will house additional government offices. Fitchburg is excited that these renovations will bring all the commission and committee meetings to one location, which will make it one-stop shopping for citizens. Finally, the parking garage will help to provide parking to government offices and the performing arts center.

Ms. Handy asked if Fitchburg has developed a capital plan.

Mayor DiNatale stated that Fitchburg worked with its capital improvement commission and MIIA to develop a capital plan. Additionally, each department provides information on the department's needs.

Mayor DiNatale also noted that Fitchburg is experiencing growth in their school age population. Fitchburg attributes some of the growth in its school age population to development projects, including housing. Fitchburg is also working with Keolis to promote the commuter rail and the City's accessibility to transportation.

Mr. Stepno asked about the scope of the school feasibility study.

Mayor DiNatale stated that the feasibility study is to determine the size of the school building. Fitchburg does not have any intentions to build more than one elementary school.

Auditor Bump asked why most of the bonds be issued for 30 year terms.

Mary Carney stated that Fitchburg requested 30 year terms to provide flexibility, but that they expect that most will be issued for less than 30 years.

Mary Jane Handy made a motion to approve the request from Fitchburg.

Margaret Hurley seconded the motion.

The motion was unanimous approved by the members present.

### **City of Lawrence**

Mark Ianello, Lawrence's Finance Director, provided a brief update on Lawrence. Lawrence received an upgrade from Moody's from an A3 to an A2. Lawrence did deficit spend to account for some expenses during Columbia Gas crisis. However, Lawrence is in negotiations with Columbia Gas to pay for the expenses that the City incurred. A small upside to the gas crisis is that Lawrence has experienced new growth from the Columbia Gas crisis.

Lawrence has \$15 million certified in free cash, which is one of Lawrence's highest free cash certifications. Lawrence is at the end of the FY 2020 budget process and is in the middle of conducting a

5 year fiscal forecast. Lawrence intends to update its 5 year capital plan once the 5 year fiscal forecast is complete. Lawrence strives to use free cash for one-time purposes only and not operating expenses. Additionally, Lawrence attempts to limit its debt to 7% of net revenues. Finally, the treasurer's position is vacant but will be filled by next week.

Auditor Bump asked whether Lawrence has any additional changes due to the state oversight.

Mr. Ianello stated that Lawrence's comptroller, Ramona Ceballos, has started to implement electronic reporting that is available through MUNIS, especially the cube system, which allows comparisons, patterns and trends, and on demand reporting.

Ms. Ceballos stated that she has used cubes to organize expenditures by department and project. The cube system allows department heads to get up-to-date information on a department's spending almost instantaneously. Ms. Ceballos also uses cubes for DLS Schedule A documents.

Mr. Ianello stated that Lawrence has worked to improve their financial management over the years, including addressing the comments they receive from their audits.

Mr. Stepno asked about the status of projects in Lawrence's capital improvement plan.

Mr. Ianello stated that the FY 2019 capital improvement plan contained almost all the items in this bonding application with the addition of the Leahy School feasibility study.

Margaret Hurley asked for more details on Lawrence's deficit spend on the Columbia Gas incident.

Mr. Ianello stated that Lawrence spent \$4 million on the gas incident, including police and fire details, overtime for other departments, engineering, and light towers. Lawrence spent approximately \$2 million from its budget on these costs. Mr. Ianello stated that no city property was damaged. The City will have to spend between \$30 and 60 million on street paving while Columbia Gas makes upgrades to all its gas infrastructure over the next 3 to 4 years.

Margaret Hurley asked about any advice Lawrence could provide to other communities who may face similar issues.

Mr. Ianello stated that Lawrence set up a special account to account for all expenses from all departments related to the gas crisis so that they did not have to go back and account for the spending when they sought reimbursement from Columbia Gas. This saved the financial staff significant time in accounting for the damages.

Ms. Handy asked about Lawrence's fiscal oversight.

Mr. Ianello stated that Lawrence's fiscal oversight has been reduced over the years. Currently, Mr. Cronin attends their finance meetings every other week. Moreover, Mr. Ianello noted that one of the reasons the fiscal overseer is currently assisting Lawrence is because Lawrence still has several pending employment contracts.

Mary Jane Handy made a motion to approve the request from Lawrence.

Craig Stepno seconded the motion.

The motion was unanimous approved by all members.

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

William Arrigal discussed Westport. Mr. Arrigal stated that Westport has BANs coming due in May. He suggested to the financial advisor that she should consider submitting a request to the MFOB. Westport has not issued their tax rate, their audit is late, and they have numerous bonds out.

Ms. Handy noted that Westport has an elected treasurer and Westport brought in a consultant to help the treasurer. Westport amended their charter to allow for an appointed rather than elected treasurer. Ms. Handy also noted that challenges to Westport's recertifications is one of the reason it cannot set the tax rate.

Ms. Handy stated that Uxbridge's town administer is leaving at the end of April, as well as the treasurer/collector. Additionally, the town accountant's contract ends in mid-May.

Finally, Ms. Handy noted that Town of Millville found a new town administrator.

#### **Topics for Next Meeting**

Sophia Apostola stated that she had not heard from any communities on upcoming applications.

The meeting was adjourned at 12:34 p.m.