

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting August 1, 2018

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) (arrived after the meeting was called to order)

Non-Board Members Present: Sophia Apostola (Office of the State Auditor), Michael Ruane (Office of the State Auditor), Michael Leung-Tat (Office of the State Auditor), Sean Cronin (Department of Revenue), Anthony Rassias (Department of Revenue), William Arrigal (Department of Revenue), Mayor Thomas M. McGee (City of Lynn), Peter Caron (City of Lynn), Richard Fortucci (City of Lynn), Cinder McNerney (Hilltop Securities)

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

Minute from July 18, 2018

On the question of approval of the minutes from the meeting on July 18, 2018: approved by all members present: State Auditor Suzanne Bump, Craig Stepno, and Mary Jane Handy.

City of Lynn

Mayor McGee provided an overview of Lynn's finances and its request. In FY 2018, Lynn had a \$9 million deficit. Lynn implemented several programs to help reduce budgetary expenses, including installing LED lighting in the City (expected savings of \$1 million) and implementing a trash fee (expected revenue \$2 million). In FY 2018, Lynn eliminated the Section 260 requirement from net school spending, which made \$2.2 million available. Lynn also paid off deficiencies in its net school spending and Lynn is now meeting its net school spending obligations. Lynn is in the process of signing a host agreement for a cannabis facility. Additionally, Lynn is in the process of hiring a full-time chief fiscal officer (CFO). Lynn also has several new developments that will be a source of revenue for the City.

Mayor McGee stated that this request is for infrastructure investments to help encourage growth. Lynn's infrastructure has been substantially underfunded. The Mayor noted that some of the projects will receive MSBA matching.

The board members asked about Lynn's contract negotiations.

Mayor McGee stated that all contracts expired as of June 30, 2018.

Peter Caron, Lynn's current CFO, stated that all employees, except for the teachers, received a 1% raise, which Lynn factored into its budget.

The board asked about whether Lynn is exploring premium based insurance rather than self-insurance

Mr. Caron stated that the deficit spending legislation required the creation of an insurance study group. Mr. Caron stated that Lynn's self-insurance problems resulted from the City underfunding its self-insurance accounts. However in FY 2019, the City fully funded its obligations for self-insurance, and at the current rates, Lynn is on track to develop a \$2 million surplus in its self-insurance trust fund. Lynn also saved money by separating drug and medical coverage.

The board asked about Lynn's trash fee.

Mr. Carron stated the trash fee pays for about 30% of the cost for trash removal. Under the trash program, Lynn allowed seniors to partially abate the trash fee, which Lynn expects will be about \$400,000.

Auditor Bump asked whether Lynn was using any TIFs, and if so, how Lynn was using them.

Mr. Caron stated that Lynn did not use TIFs for the current development because they are residential projects.

Craig Stepno asked whether Lynn factored tax revenue from marijuana in its FY 2019 budget.

Mr. Caron stated that they did not and any marijuana revenue would be additional revenues.

Auditor Bump asked what the \$1 million request for the marina entailed.

Mayor McGee stated that the request was to help restore the marina. The marina will be surrounded by new development and this request will revitalize the docks.

Auditor Bump asked about the closure of Garelick Farms.

Mayor McGee stated that the parent company did not notify the City of the closure. However, the employees are highly skilled and are very marketable. Garelick Farms is still paying property taxes and the City views this as an opportunity to develop 70 acre.

Mayor McGee noted that Lynn intends to repurpose its landfill as open space, which will also double as a barrier for sea rise.

Craig Stepno asked about the City's sewer capacity for the new developments.

Mayor McGee stated the City has the capacity to meet the demand from all the new development.

Sean Cronin, Lynn's fiscal stability officer, was invited to comment. Mr. Cronin stated that Lynn's FY 2019 budget is balanced, but subsequent budgets will not benefit from the additional deficit financing revenues. Mr. Cronin noted that FY 2020 will provide some challenges for Lynn, including managing increases in the education budget and budgeting for pay raises and the salaries of 40 new public safety officials. Mr. Cronin also stated that Lynn needs to develop a capital plan that identifies funding sources for the City's capital needs.

Margaret Hurley asked whether Mr. Cronin was appointed for a specific time frame.

Mr. Cronin stated that the Fiscal Stability Officer is in place until the Executive Office for Administration and Finance deems the position unnecessary.

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

Craig Stepno seconded the motion.

The motion was unanimous approved.

Long-Range Municipal Fiscal Stability

Mary Jane Handy provided an overview of the ongoing issues with the Pioneer Valley Regional School District (PVRSD). PVRSD has a \$2 million deficit, but does not have deficit spending legislation in place. PVRSD was unable to meet its payroll obligations in July. Consequently, on behalf of the PVRSD, the Division of Local Services requested an advance of PVRSD's state aid from the Executive Office for Administration and Finance. DOR ensured that PVRSD paid off its RAN. In August, DESE and DOR, along with the member communities, will meet to discuss the deficit.

Ms. Handy also informed the Board of several other matters. Burlington has an FY 2018 budget deficiency because of school department overspending. Burlington has sufficient free cash to cover the deficit, but this will require town meeting approval. The Blackstone-Millville Regional School District is holding a super town meeting because the member communities could not come to an agreement on their school budget. Finally, Orange's fire station has been declared unsafe due to rotting wood and timbers.

(Mary Jane Handy left the meeting)

William Arrigal provided an overview of the Ashburnham's fiscal issues. Ashburnham defaulted on a debt service payment on school bonds and defaulted on a payment to Massachusetts Clean Water Trust (MCWT). Ashburnham eventually paid the school bonds and the MCWT, but the Town was late in its payments. Ashburnham is anticipating applying for a RAN. Mr. Arrigal informed the Board that Ashburnham would like to come to the Board to refinance bonds.

The meeting was adjourned at 12:23 p.m.