

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting December 10, 2020

(conducted by conference call)

MINUTES

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

Non-Board Members Present: Hilary Hershman (Office of the State Auditor), Ben Tafoya (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Carina DeBarcelos (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Bill Arrigal (Department of Revenue), Peter Frazier (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Paul Coogan (Mayor, City of Fall River), Mary Sahady (Finance Director, City of Fall River), Ian Schachne (Collector/Treasurer, City of Fall River)

The meeting was called to order at 11:04 a.m.

The Auditor made introductory remarks and noted that, pursuant to Governor Baker's Executive Order of March 12 concerning the COVID-19 pandemic, this meeting was being held by conference call. The public meeting notice for this meeting provided a call-in number to facilitate public access during a relaxation of open meeting law requirements.

Board Member roll call: All members indicated orally that they were present.

Minutes from September 2, 2020

Mr. Stepno made a motion to accept the minutes from the last meeting which was seconded by Ms. Hurley. On the question of approval of the minutes from the meeting of September 2, 2020, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

City of Fall River

The Auditor asked for an overview of Fall River's fiscal situation and specifics of the request. Mayor Coogan stated that the approval by the MFOB would save Fall River some money as it would give them a better bond rate. Ms. Sahady said that the City closed their books for FY2020 and had \$2.2M of free cash certified. Overall, the City lost revenue but saved on certain expenses, particularly in enterprise funds such as EMS (\$400,000), water (\$400,000), and sewer (\$1.9M). The City has utilized \$2.1M of one-time funds in the FY2021 budget over concern for providing services. As of the 1st quarter of FY2021, the City is doing well, and local receipts are higher than anticipated. One development project will provide \$300,000 to \$500,000 in local receipts in spring 2021. There is also a new cannabis dispensary opening that had not

been anticipated in the budget. Although the City projected an \$11M budget for school transportation costs, due to lower transportation usage as a result of the COVID pandemic they are saving \$2-3M. The City intends to begin planning for the FY2022 budget, as well as a capital planning budget, in January. The capital budget will be more of a forecast as it is a 5-year plan and the revenue situation is uncertain. The City is looking to save money on health care and is working with a local hospital to possibly provide a local HMO and save health costs, for which the City is self-insured. The City has also had BlueCross BlueShield track all COVID-19 expenses, currently at \$1.6-1.8M dollars, and was able to get them reimbursed under the CARES Act.

The Auditor then asked for elaboration on COVID expenses. Ms. Sahady stated that these were employee-related COVID-19 health and legal expenses. Any employee that had services related to COVID-19 such as a test or office visit had their expenses submitted as part of the City's CARES Act application. The Auditor asked if the expenses would be reimbursable if the City were not self-insured. Ms. Sahady stated that she had a discussion with a consultant regarding costs for premium-based health insurance models versus the City's self-insured model, but she was not sure of the answer to the Auditor's question. Ms. Sahady stated that the City has been reimbursed so far through the state's distribution of CARES Act funds. There is uncertainty if Congress will extend the deadline for claims beyond the end of 2020, which would impact the City's claims going forward. The Auditor asked if the City has been reimbursed by A&F. Ms. Sahady said that they have been reimbursed so far. They have completed their October claim and are going to submit November's claim. The Auditor expressed her admiration of the City for obtaining the CARES Act funds for this purpose.

The Auditor asked if this request to the MFOB is part of the City's capital plan, and Ms. Sahady stated that it is outside of the plan. The water system project is an ongoing project through the MA Clean Water Fund, and this request represents the City's \$4.9M share of costs for street repairs and water system improvements. Current snow equipment is aging, and having some of their own snow equipment will save payroll and will reduce outsourcing for snow removal.

Ms. Handy congratulated the City for getting their tax rate recap and free cash certification done. Ms. Handy also asked about collective bargaining negotiations, to which Ms. Sahady said that the police and fire unions turned down the City's offers, including a recent "last and best offer." They are currently waiting, but she believes the fire union contract will go to arbitration. The City offered other unions 1.5-year contracts, and those unions accepted that proposal.

The Auditor then asked if there were people falling behind in property tax payments related to the COVID-19 pandemic. Ms. Sahady stated that they have not seen persons falling behind, but, if they did, it would go to the City's outside tax title attorney, and they would work on a payment plan. She noted that Ian Schachne and the tax title attorney have done an excellent job with tax collections. Ms. Sahady noted that the City pushed off interest payments during the spring of 2020. The Auditor asked about the housing situation in Fall River. Anecdotally, Ms. Sahady noted that properties in her neighborhood are selling quickly and that the City is looking to auction off some land that would secure the City about \$1.5M.

Ms. Handy then made a motion to approve the qualified bond application of the City of Fall River. Mr. Stepno seconded the motion. Ms. Hershman made a call of the roll, which was as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

Long-Range Municipal Fiscal Stability

Ms. Handy stated that communities are behind in submitting for tax rates, and DOR is running about 40% behind. She predicts the month of December will be particularly trying and that some communities may miss their deadlines to submit tax rates and send tax bills, which may lead to special legislation being necessary or their quarterly tax bills being due May 1st. The Auditor asked if legislation needs to be approved on per-community basis, and Ms. Handy stated that it cannot be one general piece of legislation for everyone and would need to be a special act for that community's particular circumstance or an act referencing several communities specifically. Mr. Stepno asked if the communities that are behind are mostly towns or cities, and Ms. Handy stated that it is a mix of communities. In the past, 1-2 communities would request a valuation delay due to issues such as ransomware or illness. Some communities have not submitted their tax recap yet as they are waiting for the state budget to be approved.

Ms. Hurley asked Ms. Handy if she is talking to communities about requirements related to filing special legislation. Ms. Handy replied yes. She said she has not seen much of this happening in the towns. Smaller towns keep hoping that budget revenues will alleviate their problems. Cities only have to deal with city council, but towns require a town meeting to file special legislation.

Mr. Stepno then asked about Town Meetings being held during the COVID-19 pandemic to petition for special acts, and if COVID rules would prevent a town meeting taken place. Ms. Hurley stated that legislative bodies including Town Meetings are exempt from these rules, but towns are concerned over voting and may have difficulty getting a quorum to vote. Ms. Handy explained that some assessor's offices have shut down for months, and are therefore behind on their valuations, which provide the basis for submitting tax rates to the state, and will be allowed to defer preliminary tax bills as a result. Ms. Handy added that some communities are at their property tax levy limit and that the commercial tax base, particularly retail, is shrinking due to the pandemic and the growth of e-commerce.

Topics for Next Meeting

Ms. Hershman stated that there are several communities that want to come in January and February, but these communities have not yet been identified by Hilltop Securities.

Mr. Stepno then made a motion to adjourn. Ms. Hurley seconded the motion. Ms. Hershman made a call of the roll:

Auditor Bump: YES

Ms. Hurley: YES

Ms. Handy: YES

Mr. Stepno: YES

The meeting was adjourned at 11:38 a.m.