

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting January 10, 2018**

### **MINUTES**

**Board Members Present:** State Auditor Suzanne Bump (Chair), Craig Stepno (Office of the State Treasurer), Margaret Hurley (Office of the Attorney General) (arrived at 10:32 a.m.), Mary Jane Handy (Department of Revenue)

**Non-Board Members Present:** Sophia Apostola (Office of the State Auditor), Timothy Dooling (Office of the State Auditor), Michael Ruane (Office of the State Auditor), William Arrigal (Department of Revenue), Mayor Jasiel Correia, II (Fall River), Cathy Ann Viveiros (Fall River), Mary Sahady (Fall River), Conor Baldwin (Lowell), Rodney Conley (Lowell), Kevin Murphy (Lowell), Cinder McNerney (First Southwest/Hilltop Securities), Peter Frazier (First Southwest/Hilltop Securities), Megan Hyland (First Southwest/Hilltop Securities), Andrew Nelson (Department of Revenue), Bobbi Jo Colburn (Department of Revenue)

The meeting was called to order 10:04 a.m.

### **Presentation on the Open Meeting Law**

Jonathan Sclarsic of the Attorney General's Office provided the Board with a presentation on the Open Meeting Law. Mr. Sclarsic provided an overview of:

- deliberation and some exemptions to deliberation;
- public notice;
- remote participation;
- public participation;
- meeting minutes;
- executive session, and
- the complaint process.

### **Minute from September 20, 2017**

On the question of approval of the minutes from the meeting on September 20, 2017: unanimous approval.

### **Fall River**

Mayor Correia provided an overview of Fall River's fiscal outlook. When Mayor Correia took office, Fall River had some financial difficulties, including an inability to meet its net school spending requirements, a snow and ice deficit, and overreliance on its stabilization fund. Over the last two years, the Mayor worked to institute sustainable financial practices, including building Fall River's free cash reserves to \$8 million, increasing its fire and police force, funding its school department at \$1.4 million above net school spending, paying off its snow and ice deficit, and creating an OPEB trust fund.

The Mayor also provided an overview of some economic development projects, including Amazon's warehouse facility, the opening of the Southcoast Market Plaza, and the waterfront revitalization.

Margaret Hurley asked if Fall River is seeing any negative effects from the casino in Rhode Island.

Mayor Correia stated that the Rhode Island casino has not been completed. The Mayor expects that the casino will effect Fall River, but unfortunately, because it is located in Rhode Island the casino is not required to negotiate with Fall River regarding mitigating negative impacts. However, Fall River has seen some revenue from advertising. Fall River also expect the casino will increase its sale of water, because Fall River provides water to Tiverton, RI.

Mary Jane Handy asked about the status of Fall River's employment contracts.

Cathy Ann Viveiros stated that Fall River is still negotiating with two police department unions.

Mary Jane Handy asked what Fall River's outstanding general fund debt was for FY 2017.

Mary Sahady said Fall River's total debt is \$244 million, but that she did not have the exact figure for general fund debt in FY 2017.

Peter Frazier said Fall River had \$24 million in general fund debt in FY 2016.

Mary Jane Handy stated that Fall River has emphasized that it wants to keep debt service at \$10 million, but she is concerned that with its anticipated high school construction project Fall River's debt service will exceed \$10 million.

Mary Sahady stated there is a significant amount of debt that will come off and Fall River expects to maintain its self-imposed \$10 million debt service cap. She also stated that in 2020 Fall River's debt service will decrease to \$7 million. Fall River is going to seek debt exclusion for the high school construction debt.

Mayor Correia added that he believes Fall River will support a debt exclusion on the high school construction project.

Mary Jane Handy asked whether Fall River has a contingency plan if the debt exclusion fails.

Ms. Sahady stated that if Fall River does not receive a debt exclusion the high school construction project would add an extra \$6 million to Fall River's debt service. If Fall River did not receive debt exclusion Fall River would consider scaling back the school building project.

Mary Jane Handy asked whether Fall River has a capital plan for its departments.

Ms. Viveiros stated Fall River established a capital plan in 2015, but the City Council did not take action on the capital plan.

Ms. Sahady added that Fall River's departments continue to update their capital budget and Fall River intends to budget for smaller equipment purchases in its operating budget. The items in this request are due to a significant backlog of equipment purchases, but after this issuance there are very few small equipment purchases needed. Additionally, going forward Fall River intends to include streetscapes in the five year plan.

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

Craig Stepno seconded the motion.

The motion was unanimous approved.

### **Lowell**

Conor Baldwin provided a brief overview of Lowell's request. Lowell is working on its FY 2018 capital plan, including making improvements to roads, parks, buildings, and some community attractions. Lowell's free cash was certified at \$5 million and the City Council voted to transfer \$2.5 million of its free cash into the stabilization account which will stand at \$11 million. Lowell's OPEB account has a balance of \$8.4 million. Additionally, Lowell received the Government Finance Officers Association award for its FY 2017 budget.

Craig Stepno asked for an update on Lowell's negotiations with UMass Lowell.

Kevin Murphy stated that UMass Lowell will make contributions to Lowell's debt service to repair 8 bridges in Lowell. UMass Lowell also intends to provide contributions for repairs to the Lasher Ball Park, which UMass Lowell utilizes.

Auditor Bump noted that there are several items in Lowell's request with a short useful life and inquired why some of these items were not included in Lowell's operating budget.

Mr. Baldwin stated that some of the smaller items are part of larger projects and other items are immediately necessary for safety reasons. For example, instead of buying washing machine extractors for each fire station over several years, Lowell wanted to immediately purchase each fire station a washing machine extractor, because there is research that the particles in fire fighter's clothing can cause cancer and these machines help to remove the cancer causing particles.

Mary Jane Handy asked whether Lowell has a 5 year capital plan for equipment.

Mr. Baldwin stated that Lowell has had a 5 year capital plan in place for the last 3-4 years. Lowell also considers how projects may affect the City's operating budget. For example, the lighting project will save Lowell money in the long run.

Mary Jane Handy asked how the high school project will impact Lowell's budget.

Mr. Murphy stated Lowell has sufficient levy capacity for the high school project (Lowell is \$16 million under its lower levy limit). Lowell vetted 11 options for the new high school and the options were all similar in costs.

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

Margaret Hurley seconded the motion.

The motion was unanimously approved.

### **New Business**

Craig Stepno asked whether the Board should take a long-term look at the factors the Board considers when denying a request, specifically looking at establishing guidelines or benchmarks.

Mary Jane Handy stated that the Division of Local Services is launching a tool called the Municipal Finance Dashboard which may provide useful information about a municipality's finances.

Auditor Bump asked whether the Department of Revenue could provide the Board with a presentation on factors that the Department of Revenue considers when reviewing whether a municipality is having financial difficulties.

The board members discussed whether individual members were aware of any municipalities that may be coming before the board in the upcoming months.

Mary Jane Hany stated that Marshfield may need emergency appropriations for a seawall that collapsed and Nantucket and Auburn recently had a sewer main breaks.

**Potential Agenda Items**

The board members discussed agenda items from the next MFOB meeting, including:

- scheduling a presentation with the Department of Revenue about the Municipal Finance Dashboard;
- long-range fiscal municipal stability; and
- topics not reasonably anticipated by the chair.

The meeting was adjourned at 12:17 p.m.