

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting January 17, 2019

MINUTES

Board Members Present: State Auditor Suzanne Bump (Chair), Craig Stepno (Office of the State Treasurer), Anthony Rassias (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), Michael Leung-Tat (Office of the State Auditor), William Arrigal (Department of Revenue), Mary Sahady (Fall River), Cathy Ann Viveiros (Fall River), Paulianne Martins-Teixeira (Fall River), Jennifer Argo (Fall River), Peter Frazier (Hilltop Securities), Matthew Kerwood (Pittsfield), Cinder McNerney (Hilltop Securities)

The meeting was called to order at 11:05 a.m.

Minute from December 11, 2018

On the question of approval of the minutes from the meeting on December 11, 2018: approved by Auditor Bump, Margaret Hurley, and Craig Stepno.

City of Fall River

Cathy Ann Viveiros, the City Administrator for Fall River, provided a brief overview of Fall River's request. Fall River is seeking authorization for its local share to funding several school projects, including the construction of Durfee High School, upgrades to Fall River's sewer and stormwater system, and several other infrastructure and equipment projects. Fall River is continuing to grow its stabilization reserves account and Fall River has \$8 million in reserves. The residents of Fall River supported a debt exclusion for the Durfee High School project. The cost for the entire high school project is \$263 million and Fall River's share is approximately \$100 million. The residents of Fall River also authorized \$123 million for upgrades to Fall River's sewer system.

Craig Stepno asked whether Fall River has encountered any issues with the site that was chosen for the school building project.

Ms. Viveiros stated that when the City evaluated all the proposed sites they decided to locate the new high school on the site of the current high school because of the amenities, including the athletic and performing arts facilities. The chosen site had some issues with leveling that affected the project. Additionally, MSBA has excluded some costs as unallowable expenses. However, the budget for the project has not be altered.

Anthony Rassias asked whether stormwater or sewer rates were increased to recoup the cost of the loan.

Ms. Sahady stated that the sewer rates have been increasing on an annual basis in anticipation of the upgrades. She also noted that stormwater charges also increased during the past year. Sewer and stormwater rates generally increase in the spring and are presented during the budget process.

Mr. Rassias asked whether Fall River's stabilization fund was earmarked for specific projects.

Ms. Viveiros stated Fall River's stabilization fund is intended for rainy day purposes and Fall River intends to grow the stabilization fund.

Ms. Sahady stated that Fall River has \$700,000 in free cash. Fall River's free cash appears low because Fall River is practicing zero based budgeting, so the City does not have large surpluses in any departments. Ms. Sahady noted that Fall River has low deficits in snow and ice.

Mr. Rassias asked if Fall River had plans for its free cash.

Ms. Sahady stated that \$300,000 was placed into the stabilization account. Fall River intends to make a \$300,000 donation to the Vietnam War Memorial.

Mr. Rassias asked why Fall River was borrowing for the feasibility studies.

Ms. Sahady stated the cost of the feasibility studies will be rolled into the expense of the entire project. Historically, Fall River has borrowed for feasibility studies and rolled it into the larger construction project. Ms. Sahady stated added that Fall River has not considered paying for feasibility studies with available funds in order to grow their reserves.

Mr. Rassias asked what percentage of budget is debt service.

Ms. Sahady stated that debt services is at 3.5% of the operating budget. Fall River has an internal policy that Fall River cannot have more than \$10 million in debt service annually.

Ms. Viveiros also noted that Fall River is in the process of writing a debt service plan.

Mr. Stepno asked about Fall River's snow removal budget and how closely the budget aligns with the actual costs.

Ms. Sahady stated that Fall River budgeted \$500,000 for snow removal and Fall River's actual costs in FY 2018 for snow removal were \$2 million.

Auditor Bump asked what the status of Fall River's FY 2018 audited financials were.

Ms. Sahady stated that the independent auditor was in the process of completing the report.

Auditor Bump asked what other projects or expenditures were expected as part of Fall River's capital plan.

Ms. Sahady stated that the Collins Center conducted a 5 year infrastructure plan. Fall River has some equipment purchases for the police department, equipment for the fire department, and software and hardware upgrades for the IT Department. Fall River has also asked departments to start budgeting for capital expenses as part of their departmental budgets.

Auditor Bump asked for more details about the bonding request for the voting machines.

Ms. Sahady stated that this request would replace voting machines for the entire city. Municipalities are required to coordinate the purchase of voting machines with the Secretary of State, which authorizes the type of equipment purchased.

Anthony Rassias made a motion to approve the request from Fall River.

Craig Stepno seconded the motion.

The motion was unanimous approved.

City of Pittsfield

Matthew Kerwood, the Finance Director for Pittsfield, provided an overview of the Pittsfield's request. Mr. Kerwood stated that Pittsfield has \$5.5 million in free cash reserves and \$3.1 million in its stabilization fund. Pittsfield's high school opened in fall 2018. The entire high school construction project cost \$100 million and Pittsfield's local share was approximately \$46 million.

Auditor Bump noted that the request is comprised of many relatively smaller projects and she asked how these projects fit into Pittsfield's capital plan. Other board members asked why Pittsfield is bonding for equipment purchases and whether Pittsfield maintains a capital stabilization fund.

Mr. Kerwood stated that Pittsfield's charter requires the City to have a capital plan. He noted that some of these projects have already been completed under the capital plan. Pittsfield's practice is to bond for equipment, rather than using rolling BANs. Mr. Kerwood stated that Pittsfield does not have a capital stabilization fund. Pittsfield does budget for some capital purposes in its operating budget. However, Pittsfield has a financial policy that allows for the bonding of equipment purchases for purchases over \$25,000. While, Pittsfield tries to minimize what it borrows for, Pittsfield is trying to maintain and grow its reserves, and thus, the City's policy has been to bond for some equipment purchases.

Mr. Stepno asked for an overview Pittsfield's wastewater treatment project.

Mr. Kerwood stated that Pittsfield moved forward with the wastewater treatment project. The estimated expense of the wastewater treatment project was \$70 million, but the project is approximately \$13 million under budget. The wastewater project was funded through loans from the Massachusetts Clean Water Trust. Pittsfield increased sewer and water rates. Pittsfield has lowest water and sewer rates in the Commonwealth, but these rates do not support the current projects. Pittsfield hired a consultant to conduct a 5-year rate study and Pittsfield is working to implement that study.

Mr. Rassias asked what percentage of Pittsfield's budget is debt service.

Mr. Kerwood stated that Pittsfield does not have a written debt service policy, but Pittsfield has a practice that debt service should not exceed \$10 million annually. Additionally, Mr. Kerwood noted that not all of the debt in this request will be issued at once. Pittsfield attempts to structure its debt so they do not have more than \$10 million in debt service per year.

Mr. Rassias asked whether the airport is an enterprise fund and whether the federal government require the airport to be operated as an enterprise fund.

Mr. Kerwood stated that the airport is not run as an enterprise fund; the airport is paid out of the general fund. Mr. Kerwood noted that the FAA recommends that airports be run as an enterprise entity or that the revenue stay with the airport. Pittsfield's airport does not receive enough revenue to support its operating expenses. Pittsfield is working to develop solar at the airport which might increase the revenue.

Mr. Stepno asked whether there any other projects that would have a significant impact on Pittsfield's debt profile.

Mr. Kerwood stated that upgrades to the water infrastructure might have some impact on Pittsfield's debt profile, but it would be beyond the scope of the current 5-year capital plan.

Anthony Rassias made a motion to approve the request from Pittsfield.

Margaret Hurley seconded the motion.

The motion was unanimous approved.

Long-Range Municipal Fiscal Stability

The board members had nothing to report on this topic.

Topics for Next Meeting

Sophia Apostola stated that there are several communities that may want to come before the board in March. As well as the potential for the Pioneer Valley Regional School District to seek to come before the board.

The meeting was adjourned at 12:00 p.m.