

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting July 17, 2019

MINUTES

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

Non-Board Members Present: Sophia Apostola (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Molly Woods (Office of the State Auditor), William Arrigal (Department of Revenue), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Bellamy Schmidt (Holyoke), Sandy Smith (Holyoke), Tanya Wdowiak (Holyoke), Patricia Hunt (Department of Revenue), Connor Baldwin (Lowell), Eileen Donoghue (Lowell), Kelly Oakes (Lowell), Mayor Thomas M. McGee (Lynn), Mike Bertino (Lynn), Steve Spencer (Lynn), Jay Gonzalez (Lynn), Sean Cronin (Department of Revenue)

The meeting was called to order at 11:02 a.m.

Minute from April 24, 2019

On the question of approval of the minutes from the meeting on April 24, 2019: approved by all board members present.

City of Holyoke

Bellamy Schmidt, the former city auditor, provided an overview of Holyoke's financials. In the first half of the last decade, Holyoke's assessed value declined due to the recession and the closing a coal plant, Holyoke's largest taxpayer. Starting in 2016, Holyoke's real estate market grew in both residential and commercial real estate. Holyoke has started to see business development.

Auditor Bump asked about Holyoke's foreclosure trend.

Sandy Smith, Holyoke's treasurer, stated that the foreclosures are a mix of residential and commercial, but the majority are residential. The city is working to foreclose on properties and putting them back on the tax rolls. Most residential foreclosures are multi-family, the city tends to use receiverships, rather than auctions.

Mr. Schmidt provided an overview of Holyoke's request. Holyoke's fire department needs several types of vehicles. The fire department received a grant of \$880,000 for the fire department equipment purposes and Holyoke intends to borrow for the rest. The traffic signal improvements are for an intersection that does not currently have signals and for the replacement of the signals in other intersections. The borrowing for water infrastructure will allow the water department to undertake a number of projects, including water main replacement, reservoir spillway, and a 500,000 gallon tank. The borrowing for the water projects will be funded through a rate increase. Cinder McNerney noted that the water enterprise is self-supporting.

Mr. Stepno asked how the Holyoke Mall is doing.

Mr. Schmidt stated that the Holyoke Mall is doing well; the mall has a waiting list of perspective tenants so it rarely has long vacancies. The Mall is also expanding upon its entertainment facilities, it currently has a bowling alley and is looking to create a movie theatre.

Ms. Handy asked whether Holyoke has experienced any revenue from the Springfield casino.

Ms. Smith stated that Holyoke receives a small stipend from the casino of approximately \$50,000, but she is unsure if Holyoke is receiving any revenue from hotel stays because of the casino.

Mary Jane Handy made a motion to approve the request from Holyoke

Craig Stepno seconded the motion.

The motion was unanimous approved by the members present.

City of Lynn

Mayor McGee stated that when he first came before the board Lynn was in a very different place. Lynn has made tremendous progress, including stabilizing the FY 2018 and FY 2019 budget. Since Mr. Bertino came on as full-time CFO, Lynn started its budget process early to ensure the budget is timely. The budget process is more transparent for both departments, the city council, and the citizens of Lynn. Lynn also made changes to their employee drug benefits that allowed Lynn to reap some savings. The health care working group negotiated a 3 year agreement that saved Lynn \$5 million. The health care agreement included a change in employee contributions from 19 to 25%. Lynn did not moved to GIC insurance coverage.

Lynn enlisted the help of the Collins Center to conduct a capital improvement plan which outlines Lynn's substantial capital needs. The Mayor's Office is currently working toward developing a capital proposal for the City Council. Lynn would rely on grants to fund the majority of the capital plan expenditures. Lynn applied for funding for 3 major roadway projects through the Transportation Improvement Program (TIP) and received \$36 million. Lynn also applied for grants from the Highway Safety Improvement Program (HSIP) to work on sidewalk improvements; one of the projects is fully covered by HSIP at \$6 million and will improve the sidewalks around the new high school is being built. Lynn is also reviewing a proposal for solar energy credits that could potentially save Lynn \$5 million over several years. Mayor McGee also noted that Moody's took off the negative rating off of Lynn. Lynn received \$11 million in DCR funding to make waterfront infrastructure improvements. Lynn also is working on a bike trail from Everett and has received \$11-12 million in state funding for this project. Finally, Lynn also has fully funded its health insurance and net school spending and transferred money into its stabilization fund.

Auditor Bump asked how FY 2019 ended

Mr. Bertino stated that Lynn contribute \$4.6 million to fund balance. Lynn's revenue came in higher than anticipated. Lynn's budget for FY 2020 is very conservative regarding revenue assumptions. Lynn's FY 2020 budget numbers are based off of the Governor's budget so they believe they will probably receive more in local aid than budgeted.

Mr. Stepno asked whether the MAPC studies help with Lynn's TIP applications and the status of their marijuana revenue.

Mr. Bertino stated that Lynn has received \$150,000 in host fees. Lynn reserved the funds on the balance sheet. Lynn does not intend to recognize marijuana sales revenues until Lynn accounts for the first year's sales, nor will they recognize revenues from the facilities seeking permits for marijuana sales and production until the permits have been issued. Mayor McGee stated he signed a host agreement with a grow facility that will get 2% of revenue from the facility.

MAPC has been very helpful. MAPC is working with the City to create a planning department.

Auditor Bump invited Sean Cronin, Lynn's fiscal overseer, to speak about Lynn.

Mr. Cronin stated that Lynn has made great progress, but it has challenges ahead, such as union contract negotiations and capital planning, especially school capital projects. Mr. Cronin noted that Lynn has a capital plan but Lynn needs to plan how it will fund the capital plan. Mr. Cronin also stressed that Lynn would have saved \$10 million by joining the GIC, rather than \$5 million Lynn saved by changing its current health plan benefits.

Auditor Bump asked whether Lynn's unauthorized debt will be issued or whether it will be revisited.

Mr. Bertino stated that Lynn has a significant backload of capital needs. Some of the authorizations may be rescinded especially in light of the new capital plan. Mr. Bertino noted that these issues may be addressed when the new treasurer comes on board. Ms. McNerney also stated that she will also look into this and see what items can be rescinded.

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

Craig Stepno seconded the motion.

The motion was unanimous approved by all members present.

City of Lowell

Conor Baldwin, Lowell's CFO, provided a brief overview of Lowell's finances. The requests in Lowell's application are associated with the Lowell's 5 year capital plan. The largest project is the new high school project. Annually, Lowell presents to the City Council about \$10 million in capital improvements that align with the budget.

Mr. Baldwin stated that Lowell made a few improvements to their financial condition. The City Council established a policy for the OPEB liability. A portion of the health care trust was transferred into an OPEB fund when it was dissolved. The City Council also voted to approve a dedicated appropriation for OPEB.

Eileen Donoghue, Lowell's city manager, gave a brief overview of the high school project. Lowell's high school's current enrollment is 3,600, but varies up to 4,000. The high school is an accumulation of buildings that date back to as late as the 1890s. This project will renovate some of the buildings and create a new building. There were several reasons why Lowell decided to keep the high school in the same location, including the fact that 1,500 students can walk to the current location. The new facility will have a maker space and clean labs.

Lowell is building a garage in the Hamilton Canal Innovation District (HCID) for several reasons including as part of an agreement with the state to provide 300 parking spaces for a large judicial facility being built

in the district. Lowell also needs more parking in the District to accommodate new development. All the City's garages are at capacity. The garage closets to the HCID is already at 122% capacity. The bond for the garage will be paid for through the parking enterprise fund; the parking rates were carefully structured to accommodate the new investment.

Lowell is also paying for its share of some bridge work under this application. Lowell received \$13 million from a Transportation Investment Generating Economic Recovery grant to fix several bridges in Lowell. MassDOT has also contributed some money toward bridge repairs in Lowell and the City's contributions are approximately \$3 million.

The Lord Overpass will make changes to a major entrance to Lowell, which will make the area, walkable, bikeable, and drivable. The state is providing approximately \$15 million toward this project and Lowell intends to bond for its share.

Several board members questioned why Lowell was attempting to bond for smaller ticket items instead of paying for the items by budgeting for these expenses or using free cash.

Mr. Baldwin explained that Lowell could group the projects together, but Lowell itemizes its bonding requests on a project level so that departments understand that they must stay within their planned spending limits on their individual projects.

Mr. Baldwin also noted that for the last several years Lowell has not had significant free cash. Lowell was focused on deferred maintenance to its schools.

Mr. Stepno asked whether Lowell can start building on the school property.

Ms. Donoghue stated that Lowell took the property by eminent domain and there is some litigation regarding the value of the property but the City has title to the property. DHCD approved Lowell's plan regarding relocation of the residents whose property was taken through eminent domain and those residents have until the first or second quarter of FY 2020 to relocate.

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

Craig Stepno seconded the motion.

The motion was unanimously approved by the members present.

Long-Range Municipal Fiscal Stability

Treasurer/Collector of Town of Carlisle passed away. She was former CFO of Littleton and there were some irregularities found there.

Topics for Next Meeting

Board would like to put on the agenda regarding borrowing for ransom related to cyber issues.

Sophia Apostola stated that there are two potential applications from regional school district building projects.

The meeting was adjourned at 12:41 p.m.