

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting July 17, 2020

(conducted by conference call)

MINUTES

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

Non-Board Members Present: Ben Tafoya (Office of the State Auditor), Hilary Hershman (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), William Arrigal (Department of Revenue), Eileen Donoghue (City Manager, City of Lowell), Conor Baldwin (Chief Financial Officer, City of Lowell), Tina Masiello (Auditor, City of Lowell), Allison Chambers (Deputy CFO, City of Lowell), Kelly Oakes (Treasurer/Collector, City of Lowell), Megan Weeks (Chair, Wachusett RSD Committee), Daniel Deedy (Director of Business and Finance, Wachusett RSD), James Dunbar (Treasurer, Wachusett RSD), Alex Morse (Mayor, City of Holyoke), Tanya Wdowiak (Auditor, City of Holyoke), David Conti (Head of Water Department, City of Holyoke), Joseph McGiverin (At-Large Councilor, Head of Finance Committee, City of Holyoke), Todd McGee (City Council President, City of Holyoke), Mary Carney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Megan Hyland (Hilltop Securities), Melissa Toland (Hilltop Securities), Raela Trifoni (Hilltop Securities)

The meeting was called to order at 11:03 a.m.

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 included a public 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 May 20, 2020

On the question of approval of the minutes from the meeting on May 20, 2020, Mr. Stepno moved for approval of the minutes, and Ms. Hurley seconded. The members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Handy: YES

Mr. Stepno: YES

Ms. Hurley: YES

Wachusett Regional School District

Ms. Weeks introduced herself and her team: Dan Deedy, Jim Dunbar, and Mary Carney from Hilltop Securities. The District is looking for \$5M in refunding bonds. Mr. Dunbar stated there are 3 issues outstanding from 2004, 2008 and 2009. They would like to take advantage of lower interest rates, and, with the savings, they would be able to free up funding for educational services rather than debt interest.

Ms. Handy asked what the savings would be by going through refunding. Ms. Carney stated that savings combined are upwards of half a million dollars over the life of the loan.

Auditor Bump asked for an overview of the District's finances and student population changes and their implications on finances. Mr. Deedy stated that, for the third consecutive year, the budget has been approved by the constituent towns (four out of five voted in favor, the exception being one municipality that has not yet held its town meeting). This year the budget has a 4.37% increase, reflecting an increase in student needs such as textbooks, technology investments, and social-emotional learning. Enrollment has been pretty flat over the past several years with a nominal decrease across member communities. There was a reimbursement of 84% for district transportation which helped them tremendously. In FY21 they will be putting \$450,000 in a stabilization fund for transportation. Regarding this fall, they are still unsure as to what will happen, due to the COVID-19 pandemic disrupting regular operations. There are particular challenges in transportation, especially special education transportation, as they have to space children out inside of vehicles (20 students in a bus; 1-2 in a special education van). They also do not know if they will be doing online classes, a hybrid, or 100% in-school learning. A proposal is due to the Department of Elementary and Secondary Education by the end of the month regarding their plan.

Ms. Handy made and Mr. Stepno seconded a motion to approve the application of Wachusett Regional School District. The roll call vote was as follows:

Auditor Bump: YES

Ms. Hurley: YES

Mr. Stepno: YES

Ms. Handy: YES

City of Holyoke

Abby Jeffers from Hilltop Securities summarized the proposal of the City of Holyoke, which is to go to the bond market in September when the BANs expire. Mayor Morse updated the MFOB on Holyoke's financial situation. He stated that a number of improvements have been made over the past several years that have put the City in a stable position. They have grown their stabilization fund up to \$13M and were able to increase revenue without hitting their levy ceiling. This is the first year they are not at the levy limit, and they are seeing new growth in the City from residential and commercial properties. With uncertainty over the budgetary picture, they were able to be conservative in revenue estimates. They have not had any layoffs and continue to provide services. Overall the Mayor feels they are in a good financial position and that the City is in a position to afford the three projects for which they are seeking approval.

The Auditor then asked how the COVID-19 pandemic and the closures of businesses will impact economic development in Holyoke, noting that development has been a major priority of the Mayor. Mr. Stepno asked about the future of the Holyoke Mall as well. Mayor Morse stated that they continue to see investments in the City, particularly in the cannabis industry. Cultivation facilities and dispensaries are seeing millions in investments and there are a number of residential and office projects ongoing in the downtown. Two new cannabis dispensaries opened in the last two weeks. The mall has seen investments as well, such as new entertaining and dining experiences, as well as rezoning to encourage development. The mall has had some temporary closures and the City is monitoring the situation there so as to not lose revenues. They will have to resist an attempt by the mall to seek revaluation to decrease their taxes. An Amazon distribution facility also just opened in the City and has been an economic driver in the area, by employing over 400 Western Massachusetts residents. Two city properties (the former Geriatric Authority and a middle school) are in the process of being sold as well. Despite the pandemic, the Mayor stated that investments into homes and the economy continue. Overall, there are short-term concerns over the impact of the pandemic in terms of employees, but they are less concerned over impacts on the private sector. A lot of residents have recently taken out permits to do work on their homes, which will lead to higher tax collections.

The Auditor asked if there was anything else the MFOB should know. Mr. McGee stated that the City finalized their FY21 budget on June 29th. The projects for which they are now seeking approval to issue bonds are part of a push to invest in schools and youth services, such as the reconstruction of the Pouillot Pool. Councilor McGiverin also stated, in regard to the water project for which they are seeking approval, that Holyoke's water services are in the black and stand on their own financially, and they feel they are in good financial shape to support the bond.

Ms. Handy thanked the Mayor for inviting the Division of Local Services (DLS) to consult with Holyoke regarding long-term reforms to update the City's financial departments for future financial success. The City has had numerous financial management reviews. It is very important to check off what has been done and what needs to be done. The Mayor then responded by thanking DLS for their support in modernizing Holyoke's government and stated that he has been

pushing for a CFO for the City since he took office because there is very little accountability and coordination in the City's financial departments.

Ms. Handy made and Ms. Hurley seconded a motion to approve the application of the City of Holyoke. The roll call vote was as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

City of Lowell

Ms. Donoghue began by thanking the board and introducing the team from Lowell: Conor Baldwin, Tina Masiello, Kelly Oakes, and Allison Chambers. Ms. Donoghue then began by providing an overview of the City, stating that the City has a very healthy reserve balance and a stabilization fund of \$12.3M. The City also has a special stabilization fund of \$4M, and free cash was certified at a high of \$7.5M. She mentioned that, in response to the COVID-19 pandemic, they implemented a hiring freeze and expenditure controls. They are expecting losses of local revenue. They are trying to forecast state and federal resources and are planning based on a 1/12th budget for the month of July. They are looking into historical economic downturns such as the 2008-2009 Great Recession to help them determine how to handle this crisis. They are currently in negotiations with unions and looking for other cost savings as well. Ms. Donoghue stated that they are under their debt capacity limit by \$164M and that they feel confident in the City's ability to afford their request. They have also deferred payments to the retirement board as well as to the Group Insurance Commission. Ms. Donoghue stated that they have continued capital development in the City and that, due to reductions in traffic in recent months, they have been able to accelerate some major infrastructure projects (such as the Lord Overpass and the Tiger Bridge). New development has started for housing in the past month at the Hamilton Canal District, as well as a new 900-car garage in the downtown area that will provide parking for the Hamilton District and the new Justice Center. Development continues, although cautiously, and City services have not been disrupted. They are working in City Hall on a daily basis and plan to open to the public in about a week.

The Auditor then asked that they provide an overview of items on the application. Mr. Baldwin stated the largest projects are within the Water and Sewer Enterprise Fund, which is self-supporting based on water rates. Those rates are being adjusted based on a recent review by outside engineering groups and financial consultants. The other major project is for six school boilers and two roofs, which are being repaired through the MSBA's accelerated repair program. The request is to pay the City's share after the MSBA makes its payments. There are other general capital fund improvements that were recently approved by the City Council in June 2020, such as voting machines and other equipment upgrades.

Ms. Handy made and Mr. Stepno seconded a motion to approve the application of the City of Lowell. The roll call vote was as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

Long-Range Municipal Fiscal Stability

The Auditor then asked for an update on how municipalities are proceeding during the COVID-19 pandemic. Ms. Handy stated that, due to delays in setting the state budget, there are also delays at the local level. Between July and September, DLS usually has about 45 communities that set their tax rates; however, without information regarding the amount of state aid, communities have not been able to set their taxes. The Governor's suggested budget is usually the most conservative, but not this year, because it was proposed in January, before significant revenue impacts. The Department of Revenue is compiling what receipts look like to inform future revenue projections.

CARES Act funding to municipalities came through the Department of Administration & Finance in two rounds, but local applications might not have accounted for expenses such as PPE. Approximately \$80M in CARES Act funding has been distributed in response to the first round of applications.

Over 200 communities have sought deficit spending authority due to COVID-19. DLS had to go through deficit spending authority applications manually, which caused some delay, but most applications were reviewed and answered within a few days. They have also put a mechanism in Gateway to automatically approve requests to use 2020 free cash for expenditures for FY21.

Mr. Stepno asked if any communities still own hospitals, due to his concerns of future litigation and the impact on budgets. Ms. Handy stated that she believes that no communities still own hospitals and that Taunton was the last community to own a nursing home facility, although they have been discussing closing the facility. At the end of FY20 Taunton still had the nursing home for purposes of setting tax rates, although it was no longer running a deficit.

Mr. Stepno asked how many communities are very close to bankruptcy. Ms. Handy mentioned that they are currently watching some communities that are encountering financial difficulties, such as Lynn and Methuen, and they are conducting at least quarterly meetings to review communities. FY20 and FY21 will be totally different, especially FY21 as state and federal aid is uncertain.

Mr. Stepno asked if Ms. Handy anticipates the necessity of any statutory changes. Ms. Handy then discussed a recent indictment on July 7 of a Town Accountant, which may lead to the need

for statutory changes, as town accountants and most contracted services positions are not covered by performance bonds. The AGO, IGO, and DLS are now discussing next steps regarding dealing with this issue.

Adjournment

Mr. Stepno made and Ms. Hurley seconded a motion to adjourn. The roll call vote to adjourn was as follows:

Auditor Bump: YES

Ms. Hurley: YES

Ms. Handy: YES

Mr. Stepno: YES

The meeting was ended at 12:03 p.m.