

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting July 18, 2018

MINUTES

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

Non-Board Members Present: Sophia Apostola (Office of the State Auditor), Anthony Rassias (Department of Revenue), William Arrigal (Department of Revenue), Thomas J. Kelly (City of Methuen), Bellamy Schmidt (City of Holyoke), Cinder McNerney (Hilltop Securities)

The meeting was called to order at 11:01 a.m.

Minute from May 9, 2018

On the question of approval of the minutes from the meeting on May 9, 2018: unanimous approval.

City of Methuen

Thomas Kelly, the auditor for the City of Methuen, provided an overview of Methuen's current finances, including the City's deficit, and this request. Regarding Methuen's deficit, Mr. Kelly stated the school department accumulated a \$3.9 million deficit due to special education costs. Methuen has free cash, but Methuen typically uses its free cash to pay for deficits in the City's snow and ice budget. Mr. Kelly stated that Methuen maintains a stabilization account from meals tax revenues. While Methuen has previously used stabilization funds to pay for school costs, Mr. Kelly advised the Mayor that it is not sound financial policy to pay for operating expenses with one-time funds.

Mr. Kelly stated that he does not have the authority to look at the school department's financial records. He advised the City Council to support the state appointment of a financial overseer. Mr. Kelly stated that the draft deficit spending legislation authorizes Methuen to borrow up to \$10 million, but he does not believe that Methuen will use the entire amount. Mr. Kelly believes that the deficit will be approximately \$3.7 million.

Mary Jane Handy stated that Sean Cronin, Senior Deputy Commissioner at the Department of Revenue, recommend that Methuen establish a chief financial officer position to assess the City's finances, as well as, the school department's budget.

Ms. McNerney stated that this request is for water and sewer debt which is self-supporting debt. Ms. McNerney also stated that the current request will be mostly offset by debt that is maturing. Finally, Ms. McNerney stated that this request will not have an effect on the FY 2019 budget.

Craig Stepno asked whether there any contracts due to expire.

Mr. Kelly stated the teacher contract expired on June 30, 2018; he has recommended the City delay those negotiations until the police contract has been settled.

Mr. Stepno asked whether the school's budget anticipate potential retroactive raises upon completion of the contract negotiations.

Mr. Kelly stated that he was not sure whether the school district budget contemplated retroactive raises. Mr. Kelly believes that teacher salaries constitute approximately \$46 million of the school budget.

The board inquired about Methuen's tax base.

Mr. Kelly stated that the Mall of the Mills closed, but an indoor farming facility purchased this property, which will offset the lost revenue from the Mall of the Mills. The average tax bill is \$3,600.

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

Craig Stepno seconded the motion.

The motion was unanimous approved.

Holyoke

Bellamy Schmidt, the acting auditor for the City of Holyoke, provided an overview of Holyoke's finances. In 2008, Holyoke, like many other communities, experienced a decrease in property value due to a nationwide economic downturn. Additionally, the Holyoke lost its largest taxpayer, an energy producing coal plant. The decrease in property value caused Holyoke reach its debt ceiling. In 2016, Holyoke started to see a recovery in property value. To help spur growth downtown, Holyoke made investments in sidewalks, transit, and parks. As a consequence of this, Holyoke has started to see commercial investment in the City. Additionally, Holyoke authorized marijuana production. The City hopes that the marijuana industry will increase the City's revenues.

Ms. Handy asked about Holyoke's plan to hire a permanent city auditor.

Mr. Schmidt stated that Holyoke is currently interviewing three candidates. The hiring committee will send its recommendations to the City Council with comparisons of the candidates. The City Council has lifted an ordinance requiring the city auditor to maintain residency in Holyoke, but they have not increased the salary range.

Ms. Handy asked about the length of borrowing for some of Holyoke's equipment purchases.

Mr. Schmidt stated that Holyoke examined their current equipment's useful life to determine realistic estimates for new equipment and assured the Board that the bonding periods are realistic estimates for Holyoke's equipment.

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

Margaret Hurley seconded the motion.

The motion was unanimous approved.

Discussion of Entities Allowed to Borrow Under the State Qualified Bond Act (G.L. c. 44A)

William Arrigal stated that the Division of Local Services received inquiries as to whether counties can borrow under the State Qualified Bond Act. Mr. Arrigal stated that the State Qualified Bond Act does not mention counties.

The Board Members agreed that they cannot read beyond the plain meaning of the language in the State Qualified Bond Act. The statute does not identify counties and consequently, counties cannot seek approval to borrow under the State Qualified bond act.

Long-Range Municipal Fiscal Stability

Mr. Arrigal stated that the Pioneer Valley Regional School District (PVRSD) anticipates a \$2 million deficit. The PVRSD's annual budget is approximately \$12-13 million. The Department of Elementary and Secondary Education is in the process of appointing an overseer for the PVRSD.

Discussion of Draft Applications for Emergency Borrowing and Borrowing Above the Debt Limit

Sophia Apostola presented applications for emergency borrowing and borrowing above the debt limit to the Board. Ms. Apostola asked if the board members had any comments or amendments they would like to make to the applications.

The board members did not have any comments or amendments.

Craig Stepno made a motion to approve the application for emergency borrowing and the application for borrowing above the debt limit.

Margaret Hurley seconded the motion.

The motion was unanimously approved.

Agenda Items for Next Meeting

The Board would like to discuss whether the Board has the ability to reject an application without having a hearing on the application.

The meeting was adjourned at 12:46 p.m.