

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting March 18, 2020

(conducted by conference call)

MINUTES

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

Non-Board Members Present: Hilary Hershman (Office of the State Auditor), Ben Tafoya (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Timothy Dooling (Office of the State Auditor), Melissa Toland (Hilltop Securities), Peter Frazier (Hilltop Securities), Abby Jeffers (Hilltop Securities), Raela Trifoni (Hilltop Securities), Bill Arrigal (Department of Revenue), Cinder McNerney (Hilltop Securities), Lisa Driscoll (Hilltop Securities), T.J. Plante (Chief Administrative and Financial Officer, City of Springfield), Steve Lonergan (Treasurer-Collector, City of Springfield), Tim Brown (Budget Director, City of Springfield), Robert Sullivan (Mayor, City of Brockton), Troy Clarkson (Chief Financial Officer, City of Brockton), Martin Brophy (Treasurer-Collector, City of Brockton), Austin Faison (Town Manager, Town of Winthrop), Anna Freedman (Chief Financial Officer, Town of Winthrop), Anne Audette (Legislative Aide, Rep. Michelle Dubois)

The meeting was called to order at 11:00 a.m.

The Auditor made introductory remarks and noted that, 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 was amended March 16, 2020 to provide a public call-in number to facilitate public access during a relaxation of open meeting law requirements.

Minutes from February 5, 2020

On the question of approval of the minutes from the meeting on February 5, 2020: approved by all board members present with amendment under the section "City of New Bedford" to insert the word "which" after the words "public safety center" in the second sentence.

City of Springfield

Introductions were made by the team from Springfield. Mr. Plante introduced the request for \$45.3 million. The Auditor asked that he put the request in context of the capital plan. Mr. Plante stated the Capital Plan is robust and contains over \$800,000,000 in planned spending. The Capital Plan is published around March of each year. The City has structured its debt to be able to issue debt every year or two. This has given Springfield a declining debt schedule so they can invest in their community. Over \$3,000,000 was certified in free cash for FY19. They hope to move this to a stabilization reserve to give them over \$50,000,000 in reserves. Mr. Plante feels the City is healthy financially.

The Auditor asked how much money the City will save by using the Qualified Bond Program. Ms. McNerney stated it would provide "belts and suspenders" to the request, providing better market access, but did not have a dollar amount.

Due to closings of casinos under the state of emergency, the Auditor asked about casino revenues for Springfield for FY20 and FY21. Mr. Plante stated there is a 40-year contract with MGM Springfield that provides millions (at least \$17.6 million) in guaranteed payments regardless of revenue. A share of gross gaming revenue is being lost due to the closure, but it is short money when compared to the overall contract.

Mr. Stepno asked if restaurants were closed in Springfield. Mr. Plante stated that they were and that the City projected a small drop in hotel and meals taxes. They are planning a budgeted drop in revenue in FY21 due to the impacts. Mr. Stepno asked about the reserves, and Mr. Plante stated Springfield's annual budget is \$700,000,000, so the \$50,000,000 in reserves would help for a little while if the disruption were to continue.

Ms. Handy asked what the impact would be in the current fiscal year due to the loss of revenues. Mr. Plante stated that they expect a loss of revenues, but are controlling expenditures in response and feel they will be close to their projected revenue target. Ms. Handy then noted that there is legislation pending to amortize deficit spending for COVID-19 through FY23, similar to legislation passed concerning the 2015-16 snow storms. Mr. Plante said Springfield will take advantage of this legislation.

Ms. Handy then made a motion to approve the request from the City of Springfield. Mr. Stepno seconded the motion, and it was approved unanimously.

City of Brockton

Introductions were made by the team from Brockton. Mr. Clarkson described efforts to submit the City's first-ever capital plan to the City Council of Brockton. It is a 6-year plan containing \$300,000,000 in spending. He also described a significant debt drop-off in FY2028 and the City's plans to take advantage of that. The City has taken steps to join an OPEB trust. The City is poised to submit a budget to the Council that is transparent. There are also steps being taken on adjustments to water rates that will raise infrastructure revenues. Property values are higher than they ever have been, and despite current difficulties the City is still attracting interest to downtown Brockton. For example, they recently met with a developer who wants to build 20 market-rate apartments in downtown Brockton. The City is confident that they will weather the current volatility from the coronavirus and continue strong economic performance.

Mr. Stepno asked about the City's reserves and if there were any surprises from the transition of mayors. Mayor Sullivan stated there were issues with water infrastructure, including a major water main break, because pipes were installed from 1880-1920. There was also a blackout of 7,000 households prior to the current pandemic. There is a new \$15 user fee for water and sewer that is being implemented. Mayor Sullivan feels confident Brockton is poised for greatness and will be able to manage these issues.

Ms. Handy asked if two coupons for tax bills were mailed in January. Mr. Clarkson stated that tax bills are mailed every quarter and will be mailed by the end of the week, as the City wants to get the bills finished earlier rather than later. Ms. Handy asked what the impacts of the current pandemic will be for the current fiscal year on local receipts. Mr. Clarkson stated that there are expected losses in the hotel/motel and meals taxes, but they project they will be okay in FY20 as it is a small share of local receipts. They expect to be more conservative in FY21 in budgeting for these revenues. Ms. Handy again noted legislation that would allow amortization of coronavirus expenditures, which Mr. Clarkson appreciated.

Ms. Handy made a motion to approve the request from the City of Brockton. Ms. Hurley seconded the motion, and it was approved unanimously.

Town of Winthrop

Introductions were made by the representatives from the Town of Winthrop. Ms. Freedman described the amounts requested relating to a Superior Court judgment. The Town's insurance covered about 1/3 of the costs for the judgment, and money was expended as well to settle matters at the Massachusetts Commission Against Discrimination and to make payments towards this court settlement. Ms. Freedman stated that the Town is up against its Prop 2 1/2 limit, and these judgment expenditures would decrease the Town's bond rating. Debt service on the amount would put pressure on the operating budget, so they plan to pay for it over multiple years so as not to jeopardize the bond rating. To maintain the stabilization fund and balance resources, they want to bond for the remainder of the settlement, \$1,265,000.

Mr. Stepno asked if there is other publicly-known pending litigation involving the Town. Mr. Faison stated there is one case in arbitration now. They have already paid back wages, but are negotiating on the emotional distress component. The Town plans to use reserves to pay for this arbitration as it is a smaller amount. They have already put in place new policies and procedures to mitigate these types of claims.

Ms. Handy noted the bonds are for a term of 10 years and asked if they plan to stretch the debt over that full period. The Town answered in the affirmative, as they want to mitigate the impact to the budget year by year.

Ms. Handy then made a motion to approve the request from the Town of Winthrop. Mr. Stepno seconded the motion, and the request was approved unanimously.

Long-Range Municipal Fiscal Stability

Ms. Handy noted concerns from the Dept. of Revenue over emergency expenditures and loss of revenues from the hotel and meals taxes, as well as concerns over sending out tax bills. There is also a concern over having Town Meetings; if these meetings cannot be held by June 30, then towns would not have authority to submit budgets and other financial documents to the Division of Local Services. Without the authority of Town Meeting votes, Towns could not spend money on and after July 1st. Ms. Handy noted that the Governor had filed legislation to alleviate these concerns. Ms. Handy stated requests under the legislation could be made to the Director of Accounts for expenditure approvals up to an amount of 1/12 the amount that was spent in the prior fiscal year. The legislation also would push certain submission deadlines back until the end of July.

The Auditor asked what the current revenue collections are from hotel and meals taxes. Ms. Handy stated the Dept. of Revenue is hearing from communities they will be fine for FY20 due to conservative revenue projections and the calendar nearing the end of the fiscal year. Relief from expenditures would be helpful, but it is unknown if FEMA will make reimbursements. The Auditor then asked about the impacts from casino closures. Ms. Handy stated that some casinos had minimum amounts they would have to pay to communities under contractual obligations. The worry now is the impact to FY 2021, as communities are currently planning their budgets now for that fiscal year. Ms. Handy also noted that there will be impacts to state revenue. The Auditor observed that the effect on state government is going to be huge. Ms. Handy stated that there was a notice from FEMA that they will reimburse National Guard, law

enforcement, and State Emergency Operations Center expenditures related to coronavirus at a 75% federal cost-share.

Ms. Hurley asked Ms. Handy if her office is seeing emergency borrowing requests, and she stated they are seeing small amounts, but that it was too soon into the crisis and they expect more further into the year.

Topics for Next Meeting

Mr. Tafoya noted there are no current requests for MFOB approval. Ms. Handy stated there are indications the municipal bond market is slowing because yields are so low currently, and they do not expect many bids on municipal bonds.

The Auditor noted that board members had authorization (vote) forms that need to be signed, then sent to DLM's legal counsel Hilary Hershman.

Ms. Hurley made a motion to adjourn. The motion was seconded by Mr. Stepno, and the meeting was adjourned at 11:44am.