

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting March 21, 2018

MINUTES

Board Members Present: State Auditor Suzanne Bump (Chair), Craig Stepno (Office of the State Treasurer), Margaret Hurley (Office of the Attorney General) (arrived at 11:04 a.m.), Mary Jane Handy (Department of Revenue)

Non-Board Members Present: Sophia Apostola (Office of the State Auditor), William Arrigal (Department of Revenue, Cinder McNerney (First Southwest/Hilltop Securities), Lisa Driscoll (First Southwest/Hilltop Securities), Abby Jeffers (First Southwest/Hilltop Securities), Sean Cronin (Department of Revenue/Division of Local Services), Ann Marie Irwin (City of Medford), Aleesha Nunley Benjamin (City of Medford)

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

Minute from February 21, 2018

On the question of approval of the minutes from the meeting on February 21, 2018: unanimous approval.

Sean Cronin

Mr. Cronin came before the Board regarding the City of Lawrence's request to borrow \$150,000 for project management staff during the February 21, 2018 meeting. Mr. Cronin is the financial overseer for Lawrence. Mr. Cronin said that project management is a legitimate capital expense, but the Mayor of Lawrence authorized it as a separate line-item as opposed to building it into the cost of each individual project. Mr. Cronin stated that moving forward Lawrence will build project management services into the cost of the project.

Medford

Ann Marie Irwin, the Treasurer of Medford gave an overview of Medford's request. Ms. Irwin stated that most of the requests are for completed projects. The Riverside Plaza renovation will receive a \$250,000 grant upon completion. Medford is in the process of building a new police station. Medford has tried to remain fiscally prudent during this process. The Mayor rejected increasing the size of the police station in order to remain within budget. Medford is acquiring two new fire trucks that are made to the City's specific specifications.

Mary Jane Handy asked why Medford is seeking a state qualified bond rather than directly going to the bond market.

Cinder McNerney stated that historically Medford used the State Qualified Bond program in order to make their bonds more marketable. There are several reasons Medford would like to use the State Qualified Bond Program, including the length of time since Medford's last rating and Medford's desire to combine this debt with their other state qualified debt.

Mary Jane Handy noted that MFOB has always used 2:1 ratio of state aid to debt service as a benchmark for borrowing under the State Qualified Bond Program.

William Arrigal stated that when the Department of Revenue (DOR) analyze the coverage, DOR looks at a community's entire debt and Medford falls just under the 2:1 ratio because of its low state aid.

Ms. McNerney discussed how Medford's school debt is inflating Medford's actual debt because some of this debt will be reimbursed by the Massachusetts School Building Authority (MSBA). Ms. McNerney believes approximately \$10 million of debt is the state's share of the school debt.

Margaret Hurley stated that the Board typically uses the benchmark of 2:1 ratio because the Board is concerned that if all of a community's local aid is used to pay the debt service the community may not have sufficient funds to provide for their municipal functions. However, in Medford's case, the Board is not concerned that the use of Medford's local aid to pay for debt service would place the City in financial jeopardy. Medford is financially stable and Medford has sufficient funds to pay for their obligations.

Other Board members concurred with Ms. Hurley's sentiment agreeing that the reason the Board was deviating from the 2:1 ratio of state aid to debt was because of Medford's financial position. Medford has sufficient funds to pay for its debt service and municipal functions. The Board does not believe that use of its local aid to pay for debt service will put debt service or municipal services at risk.

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

Margaret Hurley seconded the motion.

Auditor Suzanne M. Bump, Margaret Hurley, and Craig Stepno voted in favor of the motion. Mary Jane Handy voted against the motion.

The motion was approved by a three-fourths majority of the board members.

New Bedford

Cinder McNerney provided an overview of New Bedford's request. Ms. McNerney stated that New Bedford is doing very well and they are determined to make progress on financial fronts. New Bedford conducts multi-year forecasting. Ms. McNerney said that New Bedford's CFO, Ari Sky, has played a pivotal role in New Bedford's financial progress. New Bedford has several stabilization funds. Additionally, New Bedford continues to work to redevelop the City, especially the downtown and the waterfront.

Craig Stepno asked about the school department's finances, calling attention to the departure of the deputy superintendent and a \$10 million increase from the previous budget.

Ms. McNerney stated that it is true that the school district has a history of overspending.

Auditor Bump asked about how the recent snowstorms have affected New Bedford.

Ms. McNerney stated that she believed that New Bedford received more rain than snow in the last grouping of storms.

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

Craig Stepno seconded the motion.

The motion was unanimous approved.

Long Range Municipal Fiscal Security

The board members discussed the City of Lynn, which is seeking legislative approve to borrow for deficits. Lynn has had historic financial issues, including self-insured deficits and unmet net school spending. DOR is working with Lynn to conduct some long-range projections.

DOR has received inquiries regarding qualified bonds from secondary market buyers, including Fidelity. The board members expressed interest in inviting Fidelity to come to a meeting.

The Pioneer Valley Regional School District is facing some difficulties. PVRSD is comprised of Bernardston, Leyden, Northfield, and Warwick. The Superintendent is leaving June 30, 2018 and she is also the school business manager. Historically, the School District bills their member communities on a semi-annual basis, instead of quarterly which causes cash flow issues. PVRSD takes a RAN out every year for cash-flow purposes. DOR was informed that the school district may not be able to make its June payment.

Potential Agenda Items

The Board is considering having two groups come before the board, including:

- Fidelity to discuss the secondary market; and
- The rating companies to discuss how they make their assessments.

The board expects to hear requests from several communities in the upcoming months, including:

- Brocton
- Lynn
- Methuen
- Webster

The meeting was adjourned at 12:33 p.m.