

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting May 24, 2017**

### **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), Timothy Dooling (Office of the State Auditor), Michael Ruane (Office of the State Auditor), William Arrigal (Department of Revenue), Cinder McNerney (First SouthWest/Hilltop Securities), Peter Frazier (First SouthWest/Hilltop Securities), Abby Jeffers (First SouthWest/Hilltop Securities), Town Administrator Jeff Chelgren (Nahant), Treasurer/Collector Kathryn Kougias (Nahant), Town Account Debbie Waters (Nahant), Interim DPW Superintendent Dennis Ball (Nahant)

The meeting was called to order at 10:00 a.m.

### **Minutes**

On the question of approval of the minutes from the meeting on March 8, 2017: unanimous approval.

### **City of Holyoke**

Cinder McNerney provided an overview of Holyoke's request. Holyoke is planning on coming into the bond market to permanently finance borrowing for nearly \$6.7 million in infrastructure projects. Holyoke has a current rating of Aa2 from Moody's Investor Services, but Holyoke has not been rated by Moody's Investor Services since 2013. While Holyoke has drawn on its free cash recently, Holyoke has maintained its Stabilization Fund and made the Stabilization Fund a priority, which has approximately \$11 million in the account. Holyoke's longtime city manager has retired. Cinder McNerney stated that Holyoke is managing themselves well given Holyoke's economic constraints. Holyoke is planning for infrastructure projects; while their current request is for approximately \$6.7 million in infrastructure projects, Holyoke has authorized \$20 million in borrowing for future infrastructure projects.

Mary Jane Handy stated that the vacancies in municipal financial offices are a problem throughout the Commonwealth.

Cinder McNerney stated that many communities are taking advantage of the Collins Center or using CPAs as a temporary replacement for municipal financial staff.

Mary Jane Handy stated that the Department of Revenue is considering encouraging municipalities to regionalize certain financial positions through the Community Compact program. She believes that if the smaller municipalities regionalize these positions it may increase availability for larger communities who need full-time positions.

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

Craig Stepno seconded the motion.

The motion was unanimously approved.

## **Town of Nahant**

Jeff Chelgren provided an overview of Nahant's request. In April, Nahant experienced three sewer main breaks with an overall cost of approximately \$1.4 million. Jeff Chelgren stated the reason Nahant did not authorize borrowing at their annual town meeting was twofold. First, the last sewer main break occurred after the town meeting. Moreover, it was unclear how much the cost of the sewer main breaks were at the time of the town meeting. Nahant is currently still receiving bills related to the breaks. Second, Nahant's bylaws require that the finance committee prepare and publicly post a report detailing the reasons for borrowing before a matter is presented at town meeting. This process typically takes 50 days to complete. Because of the emergency nature of the situation and pending bills, Nahant thought it was best to seek emergency borrowing. When Nahant holds its next special town meeting in October, Nahant will authorize borrowing for the reactive and proactive repairs to its sewer lines in compliance with its bylaws.

Margaret Hurley asked if the Nahant considered dispensing with the process in case of emergencies.

Jeff Chelgren stated that Nahant did not consider dispensing with the borrowing report protocol because they wanted the process to be open and transparent.

Several board members asked whether the sewer main breaks were related to one another and if Nahant foresees additional breaks in the system.

Dennis Ball stated that Nahant is in the process of trying to find the cause of the breaks but they currently do not have enough information as to whether the breaks are related. The Town has adjusted the pump system in order to reduce probability of future breaks and will continue to investigate the causes of the breaks. However, Nahant does not expect additional breaks if it receives permission to borrow, because this will allow Nahant to not only repair the breaks but take proactive steps to prevent future breaks.

Mary Jane Handy stated that the Department of Revenue (DOR) approved the request as an emergency in the full-amount. Nahant only receives \$ 1 million of state aid per year. Nahant would have to increase their tax rate significantly to borrow for the cost of repairing the sewer main breaks for only a year.

Auditor Bump asked what Nahant's total budgetary expenditures are.

Jeff Chelgren stated Nahant's total budgetary expenditures are approximately \$12 million. Nahant learned from these sewer breaks. Nahant spent a significant amount of money on trucking, and consequently, is contemplating entering into an agreement with Swampscott or Lynn to establish an emergency bypass in case they were ever to experience more breaks.

Craig Stepno asked whether Nahant expects to receive any fines for environmental damage.

Jeff Chelgren stated that Nahant did everything in accordance with the law and does not expect any fines due to pollution.

Mary Jane Handy made a motion to approve the request from the Town of Nahant.

Margaret Hurley seconded the motion.

The motion was unanimously approved.

The meeting was adjourned at 10:51 a.m.