

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting May 25, 2021

(conducted by conference call)

MINUTES

Board Members Present: State Auditor Suzanne Bump (Chair), Anthony Rassias (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), Carina DeBarcelos (Office of the State Auditor), Samantha Ormsby (Office of the State Auditor), Bill Arrigal (Department of Revenue), Deborah Wagner (Department of Revenue), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Monica Mulcahy (Hilltop Securities), Kristy Tofuri (Hilltop Securities), Katherine Jackowski (Treasurer, City of Holyoke), Tanya Wdowiak (Auditor, City of Holyoke), Terry Murphy (Mayor, City of Holyoke), Perla Ortiz (Treasurer, City of Lawrence), Ramona Ceballos (Comptroller, City of Lawrence), Mark Ianello (Chief Admin. And Finance Officer, City of Lawrence)

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

The Auditor made introductory remarks and noted that, pursuant to Governor Baker's Executive Order of March 12, 2020 concerning the COVID-19 pandemic, this meeting was being held by conference call. The public meeting notice for this meeting provided a public call-in number to facilitate public access during a relaxation of open meeting law requirements. The Auditor also announced that the meeting was being recorded.

Board Member roll call: All members indicated orally that they were present.

Minutes from April 27, 2021

Ms. Hurley made a motion to accept the minutes from the last meeting, which was seconded by Mr. Stepno. On the question of approval of the minutes from the meeting on April 27, 2021, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Mr. Rassias: Abstained from voting as he was not present at the last meeting.

Ms. Hurley: YES

Mr. Stepno: YES

City of Brockton

Ms. McNerney introduced herself to the board, indicating that she was told that it was sufficient for Hilltop Securities staff to represent the request for City of Brockton at today's meeting. She expressed that the City is requesting to obtain approval of the remaining \$3,710,000 refunding bond request that was not approved in the previous MFOB meeting due to a lack of city council authorization. Ms. McNerney said

that the City expects to save a couple of hundred thousand dollars and the refunding will help make the city more economically efficient.

Mr. Stepno made a motion to approve the application of the City of Brockton. Mr. Rassias seconded the motion. A call of the roll was made as follows:

Auditor Bump: YES

Mr. Rassias: YES

Ms. Hurley: YES

Mr. Stepno: YES

The Auditor thanked the City of Brockton, and the application was approved.

City of Holyoke

The Mayor introduced his team and gave a brief overview of the items included in the application including public safety and public works vehicles and a feasibility study for school roof repairs to three schools. The bonds will help address replacement of these vehicles, which were much needed for safety and routine measures and have impacted issues related to quality of life. He explained he had been advised they are in a good state financially for this bonding and hoped for approval.

The Auditor asked how this application fits into the City's overall capital plan. He stated this fits into the City's bond indebtedness and would keep them at a level debt amount. He believes the City can improve on its capital planning and is working with the MSBA and explained that there had recently been a large amount of turnover in City leadership. Ms. McNerney added that this is a modest amount of new money debt, which will have a modest impact on the budget, and it can be amortized over the life of the construction project. Part of the application is also for refunding purposes and would help the City save money as well.

Mr. Rassias asked, based on DOR's last review of the City's balance sheet, about reductions in the potential free cash due to grants and capital projects that were in deficit. He asked if the City had applied for reimbursement for the deficit amounts and asked if any of the borrowings today would address the capital project deficits. The Mayor responded that they are working to address these deficits. Ms. Wdowiak stated that for special revenue grant accounts they have introduced new financial policies to address these issues going forward. This borrowing will also take care of deficits for capital projects, and they do not anticipate any going forward. Mr. Rassias confirmed the City understood they might have to raise taxes or revenues going forward. The Mayor added that other departments were transferring unnecessary funds to address those deficits. Ms. McNerney added that the request includes a feasibility study for the school roof, as well as \$1 million for refunding purposes, which will save the City a couple hundred thousand dollars and have modest impact on their municipal budget. Ms. McNerney added that the City is doing a BAN issue for cash flow purposes and to address the grant deficits.

Mr. Stepno made a motion to approve the application of the City of Holyoke. Ms. Hurley seconded the motion. A call of the roll was made as follows:

Auditor Bump: YES

Mr. Rassias: YES

Ms. Hurley: YES

Mr. Stepno: YES

City of Lawrence

Mr. Ianello introduced himself and his team from the City of Lawrence. He apologized for the absence of Mayor Vasquez. Mr. Ianello explained that the Lawrence bond request totals approximately \$11.4 million, and that first three bonds in the request, which total over \$5 million, are related to the City's share of financing Massachusetts Clean Water Trust projects. He added that the City's water and sewer enterprise funds help cover these activities. The remaining bonds in the request total to over \$6 million, which represent the FY 2021 Capital Improvement Plan that was approved by the City Council in August 2020. He explained that the City is trying to borrow for these capital projects before the end of the fiscal year so that they do not get into a deficit. The projects are spread throughout the City. The Capital Improvement Plan was vetted by former mayor Dan Rivera and the current city council. The City also has a financial policy where their annual debt service cannot be over 7% of their net general fund revenue. He stated that this is the City's fourth or fifth capital improvement plan and are in the process of establishing a new CIP that should be completed by the end of summer 2021.

Mr. Rassias asked about an item (\$150,000) on the application related to digitization of city records. He explained that the Bureau of Accounts and State House Notes Program view this type of expense as a service contract and felt that the MFOB had been consistent on not approving items like that in the past as well. The Auditor asked the City for comment in response. Mr. Ianello explained he had spoken to the Mr. Rassias and discussed the request with the City's bond counsel, Jay Gonzalez, and they were comfortable submitting the request. Mr. Ianello further explained that the City does not have the appropriate software needed to perform digitization and had planned not to fund the project out of their general fund operating budget because it has a pretty substantial cost, instead moving forward with a bond request to hire a group to perform the project over multiple years. Mr. Ianello indicated a willingness to remove that amount from the application so as not to break with precedent. Mr. Rassias reiterated that to be consistent with MFOB precedent and the State House Notes Program, he would be in favor of taking that item out. Mr. Stepno also supported removal of the item, and the Auditor added that it was the only item she had concerns with as well. Ms. Hurley stated she would defer to DOR and supported removal as well. Mr. Rassias then added that Lawrence has been doing great financially and he was very satisfied with the performance of Mr. Ianello.

Mr. Rassias made a motion to approve the application of the City of Lawrence, in the revised amount of \$11,204,920, which does not include the \$150,000 digitization request. Mr. Stepno seconded the motion and a call of the roll was made and the votes were as follows:

Auditor Bump: YES

Ms. Hurley: YES

Mr. Rassias: YES

Mr. Stepno: YES

Long-Range Municipal Fiscal Stability

Mr. Rassias began the discussion by saying that there is significant ARPA money coming into municipalities from the federal government. There are significant requirements for these funds, including 150 pages of guidance from the federal government. DOR sent out advice yesterday that this is to be treated as a federal grant and that there is a process to accept the grant and expend monies. This will be one of the biggest impacts to municipal finances going forward, and some communities that had been struggling may in effect be “bailed out” by these funds. Ms. Wagner explained DOR/DLS will issue a series of bulletins to address topics as they come out of the Federal Treasury, particularly since the Treasury guidance is an “interim” final rule so that DOR expect changes. DOR is already beginning to receive many questions regarding ARPA funds. All communities have set tax rates and there are only 3 or 4 communities that have to have their free cash amounts certified. The Auditor thanked DOR for that update and added that this is an extremely large amount of money coming into communities.

The Auditor then stated that OSA has begun auditing of CARES Act funding, and that, if DOR could keep OSA on top of ARPA guidance, it would be helpful when ARPA funds are audited. Ms. Wagner stated they would be happy to do that and added that communities have been advised to keep sufficient documentation and detailed receipts of funds for auditing purposes.

Scheduling of Upcoming MFOB Meetings

The Auditor then discussed the idea of having a set MFOB schedule, rather than meeting on an as-needed basis. Ms. Hershman stated that to her knowledge there are no pending MFOB requests, and she was unaware of any communities who are looking to come before the board in the near future. Board members discussed their schedules, and Mr. Stepno suggested a monthly board meeting. The Auditor agreed with the idea of having a monthly meeting, and Ms. Hershman stated that the board typically receives requests to appear before the Board 3-4 weeks in advance. Mr. Stepno made a motion that the board do a monthly meeting for a 6 month period. Board members then discussed when to have a deadline for applications. Mr. Tafoya stated that, if there were no requests at least 3 weeks before a meeting, DLM recommends the meeting be cancelled. The Board should require there to be a request from a community and a summary of the request at that time for the meeting to stay on the schedule. The full application package is typically received 8-10 calendar days before the meeting. Board members reviewed their calendars and accepted the idea that they would have a set schedule and agreed to meet at 11:00a.m. on the second Wednesday of the month, with a cover sheet notice 3 weeks in advance and the full application package 8 business days in advance. The Auditor discussed outreach to financial advisors so they are aware of the change and also that we should update the MFOB website. Mr. Stepno then made a motion to approve the schedule for an initial 6 month period, which was seconded by Ms. Hurley. A call of the roll was made with the votes as follows:

Auditor Bump: YES

Mr. Rassias: YES

Ms. Hurley: YES

Mr. Stepno: YES

Topics for Next Meeting

In consideration of the new scheduling policy, the next meeting of the Board will be July 14. There are no requests that are known to be upcoming at this time.

Ms. Hurley raised the issue of future meetings being virtual or remote. The Auditor indicated she hoped that virtual meetings could be maintained in some form. Ms. Hurley indicated that based on news coverage of new legislation by the Governor, changes to virtual meetings may only be for municipalities. For a board like the MFOB, it is unknown what impacts to virtual meetings will be.

Mr. Rassias made a motion to adjourn, which was seconded by Mr. Stepno. A call of the roll was made with the votes as follows:

Auditor Bump: YES

Mr. Rassias: YES

Ms. Hurley: YES

Mr. Stepno: YES

The meeting was ended at 12:00 p.m.