

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting November 20, 2019**

### **MINUTES**

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

**Non-Board Members Present:** Ben Tafoya (Office of the State Auditor), Hilary Hershman (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), David Eisenthal (Unibank), Peter Frazier (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Melissa Toland (Hilltop Securities), Cliff Ponte (Fall River), Mary Sahady (Fall River), William Arrigal (Department of Revenue), Thomas Guilfoyle (Department of Revenue Bureau of Accounts), Katie Scopelleti (Department of Revenue Bureau of Accounts), Noah Futterman (Office of the State Auditor), Michael Wessler (Office of the State Auditor). The meeting was called to order at 11:01 a.m.

### **Minutes from October 2, 2019**

On the question of approval of the minutes from the meeting on October 2, 2019, they were approved as-is without amendment by all board members present.

### **City of North Adams**

David Eisenthal of Unibank was the only representative for North Adams's application. Mr. Eisenthal stated that the city has \$3.7 million in notes maturing on 12/19/19. Originally North Adams was planning to issue qualified bonds, but now they will probably just roll over the notes. It would help the city, however, if the Board gave the approval for the bonds before then to help make the notes more marketable. Ms. Handy asked about the amount of the issuance under consideration for authorization today. Mr. Eisenthal stated it was for \$3.2 million, explaining that the \$530K for the Conte school was previously approved by the Board.

Ms. Handy suggested that some of the useful life terms listed for certain items were too long, such as 20 years on a street sweeper. Eisenthal stated that, as of next summer, the city will examine shortening the useful life listed on some longer-term items, considering the impact on the city budget. Ms. Hurley asked if the useful life terms listed were within the statutory limit, and Ms. Handy stated they were.

Ms. Handy then stated that North Adams has strong financial management: their audits are done timely, and they are building reserves. Mr. Eisenthal stated that, since the last bond issuance in FY14, finances have improved, although in FY18 they had an issue with collection of taxes because tax bills were sent out late. For the upcoming fiscal year North Adams is facing issues with the tax rate getting too high, although they are optimistic that they will not reach a \$25 per \$1000 tax rate.

The Auditor asked about the location of the Notch Reservoir dam mentioned in the application. Mr. Eisenthal stated that it is near Mount Greylock and sits above the city; there is nervousness over the reservoir being several hundred feet higher than downtown.

Craig Stepno made a motion to approve the request from the City of North Adams. Margaret Hurley seconded the motion. The motion was unanimously approved by the members present.

## **City of Fall River**

Acting Mayor Cliff Ponte was introduced to speak on behalf of Fall River's application. He stated that Fall River is going through challenging times image-wise, especially in the past few weeks with the former mayor stepping aside. The city administration is focused on bringing stability to City Hall. He stated that the financial team is focused on continuity, aided by the financial expertise of Mary Sahady, the CFO and Acting-City Administrator, who was then introduced. The Auditor asked about the transition between City Administrators. The Acting Mayor stated that he had accepted Cathy Ann Viveiros's resignation as City Administrator on the previous Friday and had immediately appointed Ms. Sahady as the Acting City Administrator. He stated it has been business as usual in City government, stating there was a day of news over this transition in the media, but that Ms. Sahady is prepared and qualified to take on the role.

Mr. Stepno then asked if there is outstanding litigation for the city related to the transition of leadership. The Acting Mayor stated there had been litigation ongoing between the City Council and Mayor Correia, but this matter has been resolved.

Ms. Hurley then asked who is serving as the City Solicitor, and the Acting Mayor stated that corporation counsel has not changed.

Ms. Hurley asked about finding a permanent City Administrator. The Acting Mayor stated he has had conversations with the Mayor-Elect and the HR Director regarding the City Administrator post. He stated they will be posting the position and have some good internal candidates. They have also had initial conversations over retaining the Collins Center to help in the search. Ms. Hurley then asked when the transition formally takes place. The Acting Mayor stated that it is on Jan. 6<sup>th</sup>, and the Mayor-Elect will announce his transition team in the next week or so. Ms. Sahady also noted that she had reached out to Shawn Cadime, town administrator in Seekonk for advice; he formerly worked in Fall River.

The Auditor asked about ongoing contract negotiations with unions, which Ms. Sahady stated is slated to start in the spring. The unions had decided to "step aside" and not push to negotiate immediately.

The Auditor asked if Acting Mayor Ponte was supportive of the bond motion, although it was submitted by the previous mayor. He stated that he was.

Mr. Stepno asked if there have been any financial surprises during the transition. Ms. Sahady stated that there have not been. They are looking at significant increases in local receipts, especially from the cannabis industry. They have had their free cash certified and are looking at combined \$9M free cash and stabilization fund. The city leadership also worked very closely with Suffolk Construction on the high school, and MSBA reimburses timely, so there is no problem with cash flow.

The Auditor then asked about the number of marijuana facilities. There are 3 medical facilities and 1 recreational marijuana facility. There is a second recreational one being considered, although the approval for it was tabled. The Auditor asked if allegations against the Mayor involve existing marijuana facilities. Ms. Sahady stated that, in the indictment, there are no facilities named and that, as far as they know, the recreational facility is not involved, although a medical one may be.

Mr. Stepno asked how much money the City receives from marijuana. Ms. Sahady stated Fall River receives an \$115,000 per month host community fee. Ms. Sahady stated they have budgeted \$1.8 million from this industry and have approximately \$400,000 deposited for the fiscal year. They are

hopeful they can get as much as \$2.4 million from marijuana revenues. Ms. Handy recommended they not budget the recreational cannabis excise revenue the first year, so they can properly project their revenues in the second operating year.

The Auditor then asked about the bond request more specifically, stating that most of it seemed school related. Ms. Sahady stated they are working with the MSBA under the accelerated repair program and the projects have all been approved. The MSBA is committed to fund 80% of the projects, and the funding is already in place. The Auditor asked if this would be for the full value of the projects, to which Ms. Sahady stated that it was. The 20% of eligible costs for Fall River would be financed through the qualified bond program.

The Auditor then asked about the Bio Reserve project. Ms. Sahady stated it is a project of the water department. They are looking to expand their water and sewer facilities and are using CPA funding for this. Ms. Hurley asked if there were any challenges, and Ms. Sahady stated there were none. Ms. Sahady then mentioned that the snow removal equipment on the list is sanders, large plow trucks, and major dump trucks to carry grime, and they expect a 10 year life on those. Ms. Sahady stated the council was concerned because the vehicles would only be used 4 months out of the year, so they decided to be conservative and use a 10 year useful life for the bond request rather than a 20 year one. The Auditor asked if the vehicles would be parked outside or in a shelter. Ms. Sahady stated they would be parked outside, but leadership would be working with the Mayor-Elect on the possibility of building a motor pool garage. They have not found a location, but it is in discussions.

The Auditor asked if the Mayor-Elect knew about the request and was supportive, and Ms. Sahady stated he was.

Ms. Handy asked if the city had a capital plan. Ms. Sahady stated they have a 5 year capital plan that is amended annually.

Ms. Hurley asked about the state of the housing stock in the city. She stated that Fall River has vacant and abandoned buildings and that the AGO has an abandoned housing initiative. Ms. Sahady stated she would let the Mayor-Elect know of that. The council recently approved a combined commercial and residential building near the future commuter rail station. There are a number of market rate housing projects in the works, as opposed to rehabilitating abandoned property.

Mary Jane Handy made a motion to approve the request from the City of Fall River. Craig Stepno seconded the motion. The motion was unanimously approved by the members present.

#### **Long-Range Municipal Fiscal Stability**

The Auditor then asked for updates. Ms. Handy stated that 3 out of 6 communities using Bay State Municipal Accounting had delayed audits due to vendor issues after Bay State decided to close down. The other 3 do not have audits. Ms. Handy has reached out to the chief executives of these communities, asking their plans for auditing after 12/31. Some have hired people, and some are looking at the Pioneer Valley Planning Commission as a potential resource. All 6 communities are trying to set their tax rates before December 31<sup>st</sup>.

Ms. Handy stated that there is one community, Warwick, from which she has not yet heard. Warwick is a member of the Pioneer Valley Regional School District. The town wants to make one planned school a

Horace Mann school. To do so, the school committee has to accept it first, which has not happened yet. DOR is unsure on Warwick's tax rate and has asked specifically if there are concerns over setting their rate, but there has been no response from Warwick. The other communities either have a plan for performing their audits or are working to finalize plans to do so.

Holyoke was noted as having depleted its free cash due to large pay raises. Since the City Auditor has retired, there have been interim auditors who have raised concerns. Mr. Stepno noted that there was a failed override debt exclusion in order to get MSBA funding. Ms. Handy noted cities rarely approve debt exclusions.

#### **Topics for Next Meeting**

The Auditor then asked why Pittsfield was postponing its appearance before the MFOB. Ben Tafoya offered that Pittsfield was having issues with setting its tax rates and would try to come in January. Ms. Handy stated that the mayor and city council are not on the same page regarding using free cash to alleviate the tax burden. She stated she received an email that on 11/26 they are going to figure out this use of free cash to reduce the tax rate. Some people want to keep the free cash as reserves, and others want to use it for tax relief. The City felt it would be a distraction, which is why they postponed appearing before the Board. Ms. Handy stated she wanted to examine Pittsfield's municipal growth factor and revenue after their tax rates are set for this year.

There was a motion to adjourn, and the meeting was adjourned at 11:55am.