

MUNICIPAL FINANCE OVERSIGHT BOARD

Meeting October 2, 2019

MINUTES

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

Non-Board Members Present: Ben Tafoya (Office of the State Auditor), Lori Lombard (UniBank), Melissa Falkowski (Central Berkshire Regional School District), Richard Jette (Central Berkshire Regional School District), Barbara Craft-Reiss (Central Berkshire Regional School District), William Arrigal (Department of Revenue), Emily Izzo (Division of Local Services), Carina DeBarcelos (Office of the State Auditor), Philip McLaughlin (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Michael Ruane (Office of the State Auditor)

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

Minutes from August 13, 2019

On the question of approval of the minutes from the meeting on August 13, 2019; approved as-is without amendment by all board members present.

Central Berkshire Regional School District

Auditor Bump discussed the interest that DLM and the OSA have regarding rural regional school districts and inquired about further regionalization in the Berkshires.

Melissa Falkowski, the Assistant Superintendent for Finance and Operations for the Central Berkshire Regional School District (CBRSD), described the makeup of the regional school district, including its locations, student population trends, and shared services with neighboring municipalities. She mentioned that the previous superintendent for CBRSD helped establish the Berkshire County Task Force. Ms. Falkowski further expressed that the CBRSD has been fortunate that their school budget has only seen slight increases, and thus small financial impacts, to its member towns in the last five years. The district also has a self-funded insurance group (Berkshire Health Group) that has been successful in controlling premiums and other related costs.

Auditor Bump asked if municipalities south of the CBRSD have been included in regionalization conversations.

Barbara Craft-Reese, the school committee chair of CBRSD, stated that the district has begun discussions again on the matter.

Richard Jette, the CBRSD's treasurer, specified that Berkshire Hills RSD and Southern Berkshire Regional School District (SBRSD) are talking possibly about sharing resources or merging. Mr. Jette also serves as the Treasurer for Berkshire Hills RSD. Feedback from those areas included a desire for consolidation and want to replace their high school. Mr. Jette mentioned though that he is not exactly involved in these discussions, and is unsure if any decisions will be made soon.

The Auditor asked their opinions on the education reform bill now before the Legislature, and they stated they were positive, but would like to see it appropriated first.

Ms. Falkowski provided an oral presentation describing the background of their project, the new Wahconah Regional High School in Dalton. The current high school was built in 1959 and has housed students since 1960-61 – nearly 60 years of usage. Despite that the building has served its current student population well, the quality of the building is faltering and therefore not conducive to the type of education CBRSD wants to deliver. The CBRSD inquired the MSBA about possibly pursuing new construction. About four years ago, the MSBA visited the building and agreed to move the project forward with the funding process.

The District brought these tentative plans to its member towns to include a 59% reimbursement rate. This will be the base rate, while the net rate will be lower. A feasibility study was also voted in 2017. Currently, the project has completed the feasibility study and is currently at the pre-construction phase. They currently have pre-packages and drawings for the construction phase, and also have a 60% design completion to be submitted to MSBA. The District hopes to break ground between March and April of 2020, and expect to have students in the building for the 2021-22 school year. From there, the current building will be demolished and the project will be officially completed by 2022.

Auditor Bump noted that the vote to authorize the project across the District's member towns raised some controversy, and asked if all matters were completely resolved.

Ms. Craft-Reiss said that she thinks and hopes that they are. She referred to one town in particular that had significant concerns, but noted that the District had extensive dialogue to assuage the communities' concerns. She expressed that the CBRSD wants to be more present in select board meetings and wants to increase transparency by communicating with residents and members of the Select Board.

Mary Jane Handy asked what the District's relationship was with the towns regarding the CBRSD budget process.

Ms. Falkowski replied that the District strives to be transparent, but also recognizes that the District cannot afford an unsustainable increase in their budget. She was proud that the budget increases have been low because the towns benefit in the long run. They knew that the project would eventually happen, so they strategically planned to budget for a new school and any long-term debt related to such a building project. The CBRSD's budget process involves visiting the seven member towns, attending an advisory board that represents the towns, and meeting with Select Boards and residents. Ms. Falkowski also referred to their budget being on the District's website, and that she is always available for questions.

Ms. Craft-Reiss said that the District received supportive feedback from the member towns because of their transparency during the process.

Auditor Bump noted that Dalton is the only member town that approved a debt exclusion, and asked if other districts have not sought one because they don't need one. She also asked if the District expects the towns to ask for debt exclusions later on.

Ms. Falkowski said that the other member towns don't need to pass a debt exclusion, as methods to finance the project were presented before the towns. She said that the towns know that this project is

on the horizon and that they will need to make plans to accommodate the financing. She understands why Dalton went for the debt exclusion, as it is the biggest member town represented for the project, with 66% of the student population coming from the town.

Auditor Bump asked about Cummington's current and future status in the CBRSD, who has previously been in talks to leave the District.

Ms. Falkowski noted that Cummington used to have a school in their town that had an estimated 30-40 students, with class sizes averaging about 4 students. Due to the low enrollment, the school closed and students went to either another school in the CBRSD, a different regional school district, or other schools in Hampshire County instead of the Berkshires. They still have dialogue with Cummington officials but they are still in the CBRSD. Currently, there are 20 students from Cummington in the District, while multiple other students are either attending other schools through school choice or are homeschooled. Cummington represents 2% of the District's capital budget, and have a smaller share in the operating budget.

Mr. Jette said that Cummington highlights a perfect example of changing demographics, as students from the town used to commute to schools in Pittsfield and Berkshire County in the 1950s. Due to lost jobs, residents from Cummington now work in Amherst, Springfield, and Connecticut, thus moving those students to schools closer to those areas. Despite this, he says that due to financial commitments, there is no way for a district to easily exit a regional school district.

Auditor Bump asked about challenges related to school transportation, as well as the responsibility for transportation for students in the school choice program.

Ms. Falkowski stated that students can take school buses that have space for them, but the District will not be reimbursed, stating that the responsibility goes towards the parents. She further emphasized that the CBRSD's transportation budget is large and covers 230 sq. mi. of road. There are fewer buses going to outer-lying towns due to the isolated areas. For example, Cummington has three buses despite their small student population.

Ms. Handy referred to the North Middlesex Regional School District as a contact regarding the District's actions to build behind the old school.

Ms. Falkowski thanked Ms. Handy and stated that they are working with project managers that did a similar project for Taconic High School in Pittsfield.

Auditor Bump said she was surprised that the MSBA contribution rate was less than 60% and thought that was rather low for a not wealthy school district. She asked if this was because the District was adding features that the MSBA doesn't cover.

Ms. Falkowski replied that the rate only applied to reimbursable costs, stating that certain areas are not reimbursable if they do exceed MSBA standards. She said that they do not lose percentage points because of these additions. In fact, the CBRSD received more percentage points for adding building elements that promote energy efficiency.

Ms. Handy said she was also surprised with the rate, and asked if economic factors brought down their reimbursement rate.

Ms. Falkowski mentioned that there are a range of wealth characteristics and percentages of second home owners among the member towns.

Ms. Handy then asked about garnishments on state aid, and stated they had spoken with Lori and recommended that the principle payment be on the end of the FY in case budgets were not passed so there is no cash flow problem. She asked they plan for the closeout of the project to take at least a year, though it can take 2-3 years.

Mr. Jette said he had experience in another school district, also recalling at the closeout process was too long.

Ms. Falkowski stated that the member towns submit their payments on time. They are at the end of the first quarter and 25% of our assessments in. Their final assessment is due June 1st.

Mr. Jette also says that the District plans on having principal payments to be in by June, emphasizing the importance of having the quarterly payments collected on time.

Ms. Handy said that the District should not miss the bond payment if they progress through the project. If there is a cash flow issue, then there is short term borrowing available.

Mary Jane Handy made a motion to approve the request from the Central Berkshire Regional School District.

Craig Stepno seconded the motion.

The motion was unanimously approved by the members present.

Long-Range Municipal Fiscal Stability

Ms. Handy stated that they received notification that the Baystate Municipal Accounting Group, which has done accounting for Uxbridge and Ashburnham and other communities, is closing at the end of the summer. This will leave 6-7 communities without Town Accountants. As such, DOR DLS has notified the communities and CPA firms and are trying to help implement a transition plan. By the contract, they have to provide this notice within 90 days.

Auditor Bump asked what the work they were finishing up was.

Ms. Handy said they plan to close the FY19 books and submit the FY20 tax rates before December. They will also submit the Schedule A FY19 reports, the free cash certifications, and will work on audits with any community that has scheduled it before November 15th.

Auditor Bump asked if they were struggling to meet commitments.

Ms. Handy said the contractor does most of the work himself, though there are concerns over employees leaving before these projects come to fruition. Calls are being made to other consultants doing this work as they might get calls, and they might pick and choose which communities to serve. The contractor was not getting information to department heads on a timely basis, and they were operating in the dark.

Topics for Next Meeting

Ben Tafoya, director of the Division of Local Mandates, stated that North Adams is planning on attending the next MFOB meeting. The tentative date is November 20, 2019.

Bill Arrigal, from the Department of Revenue, has concerns about North Adams, indicating that the reason they did not come to the Board today was due to discussions over useful life certificates. They were debating the life certificates over some equipment, and wanted to bond for the maximum lifespan of said equipment.

Ms. Handy said that the CFO recognizes that they cannot bond longer than the maximum lifespan listed on a life certificate.

Mr. Arrigal said that bonding for the equipment went for a city council vote and got approved. The issue is that they want to stretch out the terms of their bonding period for more than what they voted for.

Auditor Bump asked if North Adams had other debt that could be refinanced.

Mr. Arrigal said that it was hard for them to refinance debt, stating that there has to be a net cost savings involved, even if the savings are just a few dollars.

The meeting was adjourned at 11:46 a.m.