

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting September 2, 2020**

**(conducted by conference call)**

### **MINUTES**

**Board Members Present:** Auditor Suzanne Bump (Office of the State Auditor), 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), Carina DeBarcelos (Office of the State Auditor), Noah Futterman (Office of the State Auditor), Bill Arrigal (Department of Revenue), Karen Jelloe (District Treasurer, Southeastern Regional Vocational Technical School District), Luis Lopes (Superintendent, Southeastern RVTSD) Mark Morris (Business Manager, Southeastern RVTSD), Joseph Dutcher (School Committee, Southeastern RVTSD), Thomas McGee (Mayor, City of Lynn), Michael Bertino (Chief Financial Officer, City of Lynn), Stephen Spencer (Comptroller, City of Lynn), Elyse Fannon (Treasurer/Collector, City of Lynn), Dawn Kwiatek (Internal Auditor, City of Lynn), Ari Sky (Chief Financial Officer, City of New Bedford), Renee Fernandes (Treasurer, City of New Bedford), Cinder McNerney (Hilltop Securities), Abby Jeffers (Hilltop Securities), Lisa Driscoll (Hilltop Securities), Audra Riding (Staff, Sen. Mark Montigny's Office), Keisha Adarkwah (Staff, Senator Walter Timilty's Office), Chris Lisinski (State House News Service)

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

Pursuant to Governor Baker's Executive Order of March 12 concerning the COVID-19 pandemic, this meeting was being held by conference call. The public meeting notice for this meeting included a public call-in number to facilitate public access during a relaxation of open meeting law requirements.

All Board Members were present remotely.

### **Minutes from July 17, 2020**

Mr. Stepno made a motion to accept the minutes from the last meeting, which was seconded by Ms. Handy. On the question of approval of the minutes from the meeting on July 17, 2020, the members voted as follows to approve the draft minutes without any changes:

Auditor Bump: YES

Ms. Handy: YES

Mr. Stepno: YES

Ms. Hurley: YES

### **City of Lynn**

Introductions were made by the team from Lynn. Mayor McGee discussed the great progress Lynn had made in financial management that has been impacted by COVID-19. Over the past 6-7 months the finance team has moved to a more conservative budgetary footing as the state and local government face fiscal impacts. The City balanced its budget and has had no layoffs, and he feels they are in as good a place as they can be under the circumstances. He also discussed new development proposals in the City such as one development with 70 condos currently in the planning stage. There are also MassWorks projects, one of which is going out to bid in the next few weeks. Auditor Bump noted the improved financial situation in the City under his administration.

The Auditor then asked about the role of the state's fiscal stability officer. Mr. Bertino described a close relationship with the fiscal stability officer, especially during budget season. Mr. Bertino said that they had had some direction in January but that was pushed aside due to COVID. He feels comfortable with how Lynn finished the fiscal year, including fund balance growth of \$7-\$8M dollars. They feel some revenue sources will fall short in FY21, but feel they can meet their budgetary obligations. In response to COVID they used management strategies like budgetary freezes and hiring freezes so they could weather a fiscal crisis for the next 2-3 years. They also wrote down all revenues going into FY 2021. Investments in Lynn will also be added to tax rolls and will help with revenues.

The Auditor then asked for discussion of Lynn's MFOB application. Mr. Bertino stated that, due to the current state of the bond market, they are looking to issue now while costs for borrowing are low. Their specific projects for refunding were completed in 2018.

Ms. Handy then asked how much the savings would be on the refunding in the application. Mr. Bertino stated it should be about \$130,000 with about \$10,000 annually in budgetary savings. Ms. McNerney from Hilltop Securities stated those are conservative estimates and this opportunity is worth taking.

The Auditor then asked if the team from Lynn could talk about eligible reimbursements from the state and federal governments through CARES Act funding in response to the COVID-19 pandemic. Mr. Bertino stated that as of June 30<sup>th</sup> the City does not have a deficit as they got a \$200,000 DPH grant as well as \$279,000 from the CARES Act. The DPH money was used for new hires in the health department, as well as office and cleaning supplies and PPE. They have spent about \$180,000 of the \$279,000 and are looking to extend the funding to maintain a nurse and translator on staff. Beyond that, the City absorbed everything else and in the future can expect a drawdown in funding. Mr. Bertino also is looking for pre-approval for future building improvements outside of the MFOB application. They also received a FEMA grant to establish an emergency operations center. They are seeking clarification on use of FEMA funds to backfill a

position in the Fire Department. He re-iterated that the City did not run a deficit. The Auditor acknowledged their difficult position and thanked them for their hard work.

The Auditor wanted to make clear that her questions were not related to an audit. She wanted to understand how cities were selecting pools of funding for certain expenses related to COVID and emphasized their situation.

Ms. Handy then made a motion to approve the qualified bond application of the City of Lynn. Mr. Stepno seconded the motion. Ms. Hershman made a call of the roll, which was as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

The motion was passed. The Auditor thanked the team for their time and wished them well.

### **City of New Bedford**

Mr. Sky introduced the team from the City of New Bedford and provided an overview of the application. The application is for the FY21 capital program, which was significantly reduced in scale due to the pandemic. There are 3 projects on the application: roadwork, renovations to the fire department headquarters, and renovations to police department headquarters.

They are looking into downtown development, but there is uncertainty given the COVID crisis. The City Council adopted the FY21 budget last week. The budget is balanced, although there are considerable one-time revenues involved such as funds from the CARES Act. The City does not anticipate using any of their stabilization fund and will utilize free cash. So far FY21 revenues are looking pretty good. Mr. Sky stated they are cautiously hopeful. FY20 revenue was down about 6%, although expenses went down, but the gap was about \$1 million. Home sales are still ongoing, although unemployment is high. There is a major real estate development project happening.

The Auditor then asked about expected savings from the qualified bond application. Ms. McNerney stated that this issuance would increase the attractiveness of the bonds, but stated it was hard to quantify the exact savings number.

Ms. Hurley then asked if there were any concerns over the coverage analysis. Mr. Arrigal from DOR stated that local aid was going to be more than sufficient for the debt the City has and is looking to take on. Mr. Sky stated in the capital plan there are debt indicators the City looks at and that they are careful to make sure they are maintained within established thresholds.

The Auditor then asked if the City could provide information relative to its COVID spending. Mr. Sky stated that they had spent \$2.2 million on COVID. There has been about \$776,000 in

CARES Act receipts as well as about \$400,000 from FEMA with a potential additional \$400,000 from FEMA. The state has restrictions on CARES Act spending that have produced some tension; however the City is careful to put only reimbursable items under COVID accounting.

Ms. Handy then asked if the payment of the 4<sup>th</sup> quarter real estate taxes was delayed. Mr. Sky stated the due-date was kept the same, but they waived late fees and interest. This approach produced a windfall in revenue in July and August. The City also was lucky in terms of healthcare expenses as spending has been lower, due to fewer elective surgeries and hospital visits during the COVID pandemic.

Ms. Handy then made a motion to approve the qualified bond application by the City of New Bedford. Ms. Hurley seconded the motion. Ms. Hershman made a call of the roll, which was as follows:

Auditor Bump: YES

Ms. Handy: YES

Ms. Hurley: YES

Mr. Stepno: YES

#### **Southeastern Regional Vocational Technical School District**

Mr. Lopes gave an overview of the FY21 approved budget. In addition to a \$318k capital cost assessment, they annually generate between \$300-400k in post-secondary accounts. They also have a cash balance of over \$7.6m. He stated that this project would not result in an increase in assessments to constituent communities, which gave their approval. The District is looking to take advantage of low interest rates to save money on the issuance. Mr. Lopes stated that, during a last round of building additions, they determined that they should continue without the auditorium project and have been saving for it for some time.

The Auditor asked if there has been preliminary planning for construction including estimates of costs during the COVID pandemic. She also asked how the pandemic affected the affordability of the project. Mr. Lopes stated that, after initial uncertainty, having opened bidding they are about 5% under what they had planned on spending, closer to \$7.9M rather than \$8.2M.

The Auditor then asked about their school reopening plan. Mr. Lopes stated that they have tracked COVID numbers in communities, particularly in Brockton. They have teaching staff back in the building and are using remote learning until 9/21, after which they will shift to a hybrid model. The district has received approval to purchase PPE. To date, the district has spent a little over \$425,000 related to COVID. They had already been purchasing laptops for student use in previous years, so they did not need to budget for that cost, around \$160,000. In terms of transportation they have to run more buses due to increased enrollment. However, the cost will be the same as they are using a hybrid model and have seen an increase in parents giving students

rides. Regarding adult post-secondary education, they have a separate re-opening plan. This adult education brings in significant revenue.

Ms. Handy asked about impacts on vocational programs due to COVID. Many skills require in-person learning, so they are looking to do mostly theory and related coursework for the present, along with video learning. Eventually they will have to get students in to do the hands-on work; they do not have social distancing concerns because the building is very large. Freshman exploratory programs will be a series of days digitally, followed at some point by a week of in-person learning as usual. Decisions on which program to undertake will be deferred until January. Mr. Tafoya noted the support of Sen. Timilty's office for the application, conveyed by Ms. Adarkwah.

Ms. Handy made a motion to approve the application of the Southeastern Regional Vocational Technical School District. Mr. Stepno seconded the motion. Ms. Hershman made a call of the roll, which was as follows:

Auditor Bump: YES

Ms. Handy: YES

Mr. Stepno: YES

Ms. Hurley: YES

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

Ms. Handy stated that the majority of towns anticipate having town meetings by September under special legislation that allowed for the delay of town meeting due to the COVID pandemic. Communities can file deficit spending approval requests with the Division of Local Services absent the town meeting. Ms. Handy stated that this information about town meetings is good news as it means budgets will be passed soon. CARES Act funding is being distributed by the Executive Office of Administration & Finance, and there is a second round of reimbursements upcoming, potentially in October. COVID eligibility for reimbursement extends only to 12/30/2020, and expenses made after that time need to be paid out of a community's local budget. FEMA will also pay 75% of certain spending, with CARES Act available to cover the remaining 25%. FEMA is a reimbursement grant, and CARES Act funding, for cash flow purposes, could be used to pay the whole amount of an expense, with FEMA then reimbursing funding. Ms. Handy stated there are approximately 100 grants from the federal government flowing into Massachusetts. The Auditor asked if DLS knows the amount of FEMA reimbursement coming into the state, but Ms. Handy said that she did not know.

Ms. Handy noted that Williamstown has, or is about to, set its tax rate, the first community to do so. Now with Chapter 70 and general aid numbers being stable, communities are looking to prepare their budgets for town meeting approval.

Mr. Arrigal also noted a request from the Town of Monson to the DLS Deputy Commissioner to approve an appropriation on an emergency basis, but it was determined they had time to do a town meeting.

Ms. Handy then noted that there are still some municipal hospitals in existence, such as in Cambridge. Mr. Stepno suggested that they might have extraordinary expenses, although Ms. Handy stated that most communities have stop-loss insurance coverage, so there are funds available to them.

There was a discussion about insurance expenses for municipalities, as premiums may be on the rise going forward.

### **Topics for Next Meeting**

The Auditor asked if there were any applications heading to the MFOB. Ms. Hershman stated she knows of none. Ms. McNerney stated that there most likely will be applications coming, but she would have to take a look.

Ms. Hershman asked for board members to sign and email the bond motions to her to be sent to communities.

Mr. Stepno then made a motion to adjourn. Ms. Handy seconded the motion, and Ms. Hershman made a call of the roll:

Auditor Bump: YES

Ms. Hurley: YES

Ms. Handy: YES

Mr. Stepno: YES

The meeting was adjourned at 12:13p.m.