

## **MUNICIPAL FINANCE OVERSIGHT BOARD**

**Meeting September 20, 2017**

### **MINUTES**

**Board Members Present:** State Auditor Suzanne Bump (Chair), Craig Stepno (Office of the State Treasurer), Margaret Hurley (Office of the Attorney General) (arrived at 11:15 a.m.), Mary Jane Handy (Department of Revenue)

**Non-Board Members Present:** Sophia Apostola (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), Cathy Ann Viveiros (Fall River), Mary Sahady (Fall River), John Lavoie (Greater Lawrence Regional Vocational Technical High School), Maria Silva (Greater Lawrence Regional Vocational Technical High School)

The meeting was called to order 11:02 a.m.

### **Minutes**

On the question of approval of the minutes from the meeting on May 24, 2017: unanimous approval.

### **Greater Lawrence Regional Vocational Technical High School District**

Superintendent John Lavoie provided an overview of the Greater Lawrence Regional Vocational Technical High School District's (the District) request. The District undertook a three phase renovation of its athletic fields; Phase I is complete and this request is for Phase II and III. The District intends to pay the debt service through various means, including a fundraising campaign, the lease of the athletic fields, and the sale of energy credits from a solar field.

Auditor Bump thought that the funding mechanism was very creative. Craig Stepno asked what the District expected for leased revenues.

Superintendent Lavoie stated that the School District issued an RFP and received one response for \$ 1 million over 15 years and another response from a private organization for \$1.5 million over 15 years. The District also believes they will obtain revenue for special events and for weekend tournaments.

Superintended Lavoie noted the District made a commitment to its member communities that they would not assess the member communities for the cost of the athletic fields. The District believes that through the campaign it can raise \$1 to 1.5 million over the next year. Finally, the District expects to make between \$100,000 and \$150,000 per year by selling excess energy.

Mary Jane Handy asked whether the District expects any surplus in its Excess and Deficiency Account (E&D).

Maria Silva, the District's Business Administrator, stated that the District expects a surplus of approximately \$1.4 to 1.6 million. Superintendent Lavoie also noted that some of the proceeds from energy sales from the solar farm go into the District's E&D account.

Craig Stepno asked whether the District is considering selling the naming rights to the athletic fields.

Superintendent Lavoie responded that naming rights were part of the District's fundraising campaign.

Cinder McNerney added that selling the naming rights to the athletics fields will make the debt taxable.

Auditor Bump asked about the status of the Districts previous project from 2014.

Superintendent Lavoie responded that the District came before the Board in 2014 to bond to upgrade their HVAC systems. The upgrades to the HVAC systems allowed the District to reduce energy consumption and lead to increased sale of excess energy. The District is also upgrading its lighting system and the District expects to save 1 million kilowatts of energy.

Mary Jane Handy asked whether the District anticipated any additional borrowing.

Superintendent Lavoie stated that the District opened up a Science, Technology, Engineering, Arts, and Mathematics (STEAM) innovation program in partnership with MIT. The District wants to expand the school facilities to accommodate the program and increase enrollment. Currently, the District receives 1000 applications per year and the District only accepts 400 students. Additionally, the District is considering partnering with MIT on textiles and technology program to train future workers in that industry. As part of the program, MIT will provide the equipment and the District will provide facilities that can accommodate the equipment. The District also provides evening classes for unemployed or underemployed persons. Consequently, the District is considering another MSBA project.

Mary Jane Handy made a motion to approve the request from the Greater Lawrence Regional Vocational Technical High School.

Craig Stepno seconded the motion.

The motion was unanimously approved.

### **Fall River**

Cathy Ann Viveiros provided an overview of Fall River's financials. Ms. Viveiros stated that Fall River continues to make fiscal strides. The City is building its stabilization reserves, with approximately \$4 million in reserves currently. Mary Sahady stated that Fall River intends to file a free cash certification of \$2.7 million; Fall River intends to transfer \$2 million of its free cash to its stabilization fund and use the remaining \$700,000 to fund an OPEB account. Ms. Viveiros noted that Fall River is in its second year of zero waste budgeting. Fall River increased its public safety compliment and funded the SAFER Grant legacy through zero waste budgeting. Additionally, Fall River was able to meet its net school spending. Finally, the operating budget did not rely on any one-time funds.

Ms. Viveiros discussed some of Fall River's economic development projects. Ms. Viveiros stated Amazon is operational with over 1000 jobs and the South Coast Marketplace has opened, current tenants are a Market Basket and TJ Maxx. Fall River hopes the South Coast Marketplace will help reinvigorate a vacant plaza in the vicinity. Ms. Viveiros also stated Fall River's unemployment dropped to about 6%. Some of the projects in Fall River's request to the Board relate to streetscapes that are intended to encourage economic development.

Ms. Viveiros noted that Fall River will not exceed the self-imposed cap on the operating budget of \$10 million per year in debt service.

Fall River successfully negotiated its union contracts, with the exception of two unions (the police and police supervisors unions). During contract negotiations the unions agreed to accept 0% increases in wages in FY 2015 and FY 2016 and a 2% increases in FY 2018 and FY 2019. The firefighters and EMTs agreed to the merge the departments. Fall River was losing revenue by paying for EMT services provided by other towns and private companies. The merger of the EMT and Fire Department will increase the number of persons certified to provide EMT services.

Craig Stepno asked whether the twenty-one new firefighters, which were formerly funded through SAFER Grants, were now funded through budgetary appropriations.

Ms. Viveiros stated that the twenty-one new fire fighter positions were funded through the City's budget.

Craig Stepno also asked for an update on the City's trash collection program.

Ms. Viveiros stated that Fall River retained the pay-as-you-throw program. Additionally, residents supported a non-binding referendum to study the establishment of a transfer station through a public private partnership (P3). As part of the P3, a private company would operate and fund the transfer station and Fall River would receive a host fee. The City has two years remaining on their contract and it hope to have a new contract in place at the end of the two year study period. Ms. Sahady added that Fall River has received less complaints about the trash. The City receives approximately \$2.3 to 2.5 million in revenue from sales of trash bags. Litter officers are monitoring areas of the City that do not comply with purple bags or recycling. Fall River also monitors the trash program on a monthly basis. Finally, Ms. Sahady added that Department of Community Maintenance has seen improvements regarding recycling contamination. The City was paying \$100/ton for recycling due to contamination; the fees have been reduced to \$40/ton.

Peter Frasier added that Fall River expects to save approximately \$1.3 million by borrowing through the State Qualified Bond Program for the projects listed in this request.

Mary Jane Handy asked how Fall River is implementing its budgeting and planning for capital improvements, noting concern about Fall River's current request to bond for municipal equipment. The other Board members echoed Mary Jane Handy's concerns regarding the bonding for municipal equipment when Fall River's Community Compact report indicated an extensive need for capital improvements.

Ms. Sahady stated that the requests are to replace equipment that was beyond its useful life. The mayor intends to budget for capital needs moving forward, but the City needs these items so that employees have the equipment they need to do their respective jobs. Ms. Viveiros also noted that there are times when the City Council has made cuts to operating budget expenses that the financial team believed were necessary to pay for equipment improvements.

Craig Stepno asked where the City stood on its sewer and water projects.

Ms. Viveiros stated that Fall River needs to spend about \$100 million more on water infrastructure. The water upgrade is about 17 years into a 20 year project. The City is also considering a loan order to fund a master plan for water and sewer.

Craig Stepno asked whether the City paid for any of its police officers through grant funding.

Ms. Viveiros stated that there are some remaining grants that will end in February, but other than that the City uses no other grants to pay for employees. However, Fall River has applied for another SAFER Grant.

Auditor Bump and Margaret Hurley stressed that they were concerned that Fall River is making a habit of borrowing for municipal equipment. Fall River had a similar request in March 2017 and the Board at that time stressed that Fall River should fund the purchase of municipal equipment through the City's operating budget. Margaret Hurley also stressed the need for a 5-year capital plan that outlines all equipment and building needs for the City's municipal departments.

Mary Jane Handy made a motion to table the request to another date.

Margaret Hurley seconded the motion.

The motion was unanimously approved.

### **Haverhill**

Cinder McNerney provided an overview of Haverhill's request and financials. Ms. McNerney stated Haverhill is doing well overall; Haverhill has are straight AA, even with the Hale Hospital debt service. Haverhill's water enterprise is self-supporting. Haverhill also prevailed in a fire arbitration due to unfunded OPEB liabilities. In general, Haverhill is fiscally conservative and financially responsible to their taxpayers.

Mary Jane Handy made a motion to approve the request from Haverhill.

Margaret Hurley seconded the motion.

The motion was unanimously approved.

### **Pittsfield**

Cinder McNerney provided an overview of Pittsfield's request. Ms. McNerney stated that \$10 million of the requests is for wastewater with a significant portion of the borrowing being borrowed through the Mass. Clean Water Trust. Ms. McNerney informed the Board that Pittsfield has a new team, including a new mayor and a new finance director. She also noted that the Collins Center is helping Pittsfield with fiscal policies. Pittsfield is in the A category, but benefits from the State Qualified Bond Program.

Craig Stepno asked about the reference to new financial policies in a Standard & Poor's assessment of Pittsfield.

Ms. McNerney stated that Pittsfield does have new financial policies but the policies are so new that the rating agencies did not incorporate them into the City's rating. Ms. McNerney added the new financial director is conservative and he assesses all projects based on the City's fiscal constraints. Ms. McNerney also noted that Pittsfield is not adding any new money to debt service.

Margaret Hurley distinguished Pittsfield's request to borrow for municipal equipment from Fall River's request. Ms. Hurley stated that Fall River has a history of requesting to bond for municipal equipment through the State Qualified Bond program and that Pittsfield does not have that same history.

Auditor Bump stated that Pittsfield should consider budgeting for small items, including municipal equipment within its operating budget.

Ms. McNerney stated that Pittsfield's practice is to authorize specific amounts for capital needs rather than authorizing a larger amount for generalized borrowing. Additionally, the new finance director made attempts to pay for smaller items with cash or through the use of BANS or notes rather than bonding.

Mary Jane Handy made a motion to approve the request from Pittsfield.

Craig Stepno seconded the motion.

The motion was unanimously approved.

### **New Business**

Margaret Hurly stated that the Office of the Attorney General's Division of Open Government is conducting training for boards and commissions and suggested that the Board inquire about a refresher training pertaining to the Open Meeting Law. Sophia Apostola will look into scheduling a training for the Board.

The meeting was adjourn at 12:44 p.m.