

Emergency Preparedness  
Franklin Regional Council of Governments  
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**Emergency Borrowing Overview**

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## Short - Term Emergency Borrowing Initial Steps

❖ In August, 2011, the Massachusetts Department of Revenue issued a Bulletin pertaining to the Hurricane Damage experienced across the Commonwealth. The Bulletin addressed the means by which a municipality could address the Hurricane Damage detailing allowable methods for payment of emergency expenditures.

- Deficit Spending – Ch. 44, s. 31 allows immediate spending authority for emergencies with DOR approval
  - Short – term borrowing - Ch. 44, s. 8(9) allows borrowing for emergency costs with appropriate votes of local authority and approval by DOR
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# Short - Term Emergency Borrowing Initial Steps

- Ch. 44, s. 8(9A)
  - ✓ Operations vs. Infrastructure expenditures should be accounted for separately
    - a) Operations –employee overtime, police detail, etc.
    - b) Infrastructure or capital costs –reconstruction and repair of public assets
  - ✓ All operational expenditures remaining after FEMA/MEMA reimbursements must be paid back within a maximum of 2 years (up to 10 years with DLS Approval) from the date of each initial borrowing per Ch. 44, s. 8(9)
- Long – term borrowing
  - ✓ To finance infrastructure costs obtain Town Meeting votes under the appropriate borrowing authority for the various repair projects allowing the maximum statutory repayment term.

❖ ***Municipalities that plan on utilizing the above mentioned emergency borrowing option should contact their Bureau of Accounts representative as soon as possible.***

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## Short - Term Emergency Borrowing Initial Steps

- ❖ Municipalities should compile a schedule of expenses to be funded by the borrowing.
    - Compile estimates for proposed work as well as invoices from actual work already performed – DOR is requiring these be attached to all borrowing requests, detailing the breakdown of Operational vs. Infrastructure expenses.
    - Information provided to DOR for borrowing approval can be the same worksheets used to obtain FEMA/MEMA reimbursements.
    - Municipality should copy all correspondence between the DOR and FEMA/MEMA to its Fiscal Advisor.
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## Short - Term Emergency Borrowing Initial Steps

- ❖ Damage estimates of \$500,000 or more with plans to borrow through the DOR's State House Note Program must also obtain a Green Light Letter from Bond Counsel.
    - The Municipality should forward a certified copy of the certificate signed by the DOR as well as the approval letter from the Director of Accounts to Bond Counsel.
    - Bond Counsel will inform the Municipality of any additional information they will need in order to give the Municipality a preliminary legal opinion to proceed with the borrowing.
    - Once the preliminary legal opinion is received, the Municipality may then proceed with a short – term borrowing through the DOR's State House Note Program.
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## Short - Term Emergency Borrowing Through the DOR State House Note Program

- Work with your Fiscal Advisor to schedule a sale allowing for funds to be in the Municipality's account to meet emergency cash flow requirements.
  - If requested, the Fiscal Advisor will notify a list of bidders of the specifics of the sale.
  - On the sale date, those bidders will telephone bids to the Municipality's official authorized to receive those bids up until 11:00 am of the sale date unless the Municipality requests the Fiscal Advisor accept the bids for them.
  - The Municipality and Fiscal Advisor will review all bids.
  - The Municipal official will make the official award to the lowest bidder.
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## Short - Term Emergency Borrowing Through the DOR State House Note Program

- If requested, the Fiscal Advisor will prepare the securities and other pertinent documents and present them to the Municipality for signature by the Treasurer, Selectmen and Clerk.
  - The Clerk completes a Town Clerk's Certificate in the form required by the Bureau of Accounts.
  - The Fiscal Advisor will review with the Municipality the documents which will need to be submitted to the Bureau of Accounts for certification.
  - The Municipality should send to the Bureau of Accounts, by registered or express mail, return receipt requested, all documents required, at least 5 business days prior to settlement.
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## Short - Term Emergency Borrowing Costs

- ❖ Issuance costs associated with Short - Term Emergency Borrowing
    - Fee for obtaining a green light letter from Bond Counsel should be approximately \$1,000. (Required for borrowing authorizations \$500,000 or greater)
  
    - DOR has confirmed that both Bond Counsel's fee and Fiscal Advisory fees would be considered issuance costs and as such can be paid from the borrowing authorization.
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# Long Term Financing of Infrastructure Expenses

## ❖ Borrowing to finance the infrastructure costs long term.

- Work with your Fiscal Advisor and Bond Counsel to correctly identify infrastructure expenses and appropriate statutory borrowing authority.
    - ✓ Submit warrant article and vote at Town Meeting for voter approval.
    - ✓ Submit certified copies of appropriate Town Meeting documents to Bond Counsel for review to obtain revised green light letter detailing the breakdown of operations Ch. 44, s. 8(9) and infrastructure under appropriate Massachusetts General Laws statute.
    - ✓ Ch. 44, s. 8(9A) MFOB approval for long-term borrowing.
    - ✓ Total Municipality share of Infrastructure costs will be determined after the deduction of all FEMA/MEMA grants.
    - ✓ Long Term Financing option will depend on the size of the Town's share of the remaining balance.
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