

FINANCE CONTROL BOARD, February 12, 2007

Present: Thomas Gloster, Alan LeBovidge, Mayor Charles V. Ryan, Jake Jacobson, City Council President Kateri Walsh, City Clerk Wayman Lee.

Chairman Alan LeBovidge: First, I would like to welcome a new member of the board, new City Council President Kateri Walsh and welcome her to his nice little group. I look forward to working with her. Before we start, Jose, would you mind coming forward for a moment? If you can come around on up, and the Mayor has a few words to say.

Mayor Charles V. Ryan: Jose, I've been asked by the Chairman to represent the Board and to thank you for your outstanding service as a member of this board last year. It was an exciting year. We had a couple of difficult votes I remember making together with you, and we really appreciate the...what you gave to the operations of this body, so I have this plaque which I hope will find a place of honor in your office or in your home, but this is [reads] "Presented to Jose F. Tosado in recognition and appreciation of your outstanding and dedicated service to the Springfield Finance Control Board 2006." Congratulations, Jose. [Applause]

AL: Say anything you want.

Jose Tosado: Well, first of all, I just want to say thank-you, Mr. Mayor, and thank you to each and every one of you here on the control board and to Phil Puccia. And I thank you not only for receiving this, but also I just want to thank you for the work that each and every one of you have done on the control board over the past two and a half years.

I know it's not often that you get a sincere thank you from a Springfield elected official, but I do want to say that it's sincere and I do appreciate the fact of the work that you've done. As the mayor said in the Outlook Luncheon just last Friday, that we need champions for the city of Springfield. People do not have a crisis of confidence [sic] and I know that what you have done....Springfield couldn't be where it is today in terms of just about ready to turn the corner on this financial picture with the bond ratings increase and the new economic development going on in the city....

We are now a City of Hope. I know that the ones who created those opportunities were members of the Financial Control Board, and you also have been champions for our city. For that, as a Springfield resident and a city elected official, I just want to say thank you. [Applause]

AL: Jose, thank you.

JT: [to Kateri Walsh, patting her on the shoulder] Good luck.

AL: The first order of business is the approval of the minutes of the December 18, 2006 meeting. I guess, before I start, I should say that after we finish the public session, we

will be going into an executive session and not coming back from that executive session. Any comments on the minutes from the December 18 meeting?

Thomas Gloster: The clerk turned me in for being late which I was hoping we'd be able to avoid, but, other than that, it looked fine.

AL: I know. Could I have a motion to approve the minutes?

****MOTION PASSES UNANIMOUSLY.**

AL: All right, I'll turn the agenda over to Mr. Puccia, and we'll go through your items.

Phil Puccia: Thank you, sir. We have a series of presentations for the board today dealing with some of the issues that are most important, particularly economic development, and I'd like first to call Mr. Panagore...

Economic Development Director David Panagore: Brian Connors

PP: Oh, Brian Connors? That's right...who is are going to give a presentation on a study we have conducted on Springfield residential market. Brian is the deputy director of economic development. I hope I got your title exactly right...

Brian Connors: You did, thank you very much.

PP: ...and joined us just recently from the city of Lowell, and we're happy to have his expertise, so, Brian, take it away.

CVR: Phil?

AL: You have someone standing behind you.

Laurie Volk: I'm actually making the presentation.

AL: Then have a seat.

PP: Why don't you introduce yourself?

Downtown Springfield Residential Market Potential Study

LV: OK. I'm Laurie Volk, I'm co-managing director of Zimmerman Volk Associates. We're a housing market research firm based in New Jersey, and we did the study to determine market potential for downtown.

AL: Very good.

BC: Mr. Mayor, Madam President, members of the Control Board, thank you for having us. We're here today, I think, to talk about some very good news for downtown Springfield. You may have seen in the newspaper yesterday the city engaged Zimmerman Volk Associates to conduct a market study for market rate housing in the downtown. As most of you know, there's been a national trend in folks moving back to cities, folks moving back to the urban environment, folks looking for the urban living experience where you can walk to, you know, the great things that, you know, we have in Springfield like the museums, the libraries, the symphony, great restaurants. So we engaged Zimmerman Volk Associates to really take a look at that potential.

Zimmerman Volk is a nationally known firm, really the leader in this type of study. They've done these across the country. And what they do is...it's a unique methodology where they get into...they really drill down to, not only census data information, but they drill down into I[nternal]R[evenue] S[ervice] information to see where people move, where they're going to, and what the real market is for downtown living in Springfield.

It's been great for us, really, I think, to have "outside eyes" kind of looking in and saying "You know what? There are great things here. There are great things that people who want this urban living experience what they're striving for but right now the units aren't there, so the market is there, but the units aren't there for those folks." So it was, you know, refreshing to hear those types of things. So it's really kind of...you know, you look at this information that Laurie will present in a minute and it's really...it's a confirmation of what many people, I think, there's been some great private investment downtown, and the recent announcement of River's Landing is part of that, so it's a confirmation for those folks who have been doing that great work. But it's also a wake-up call, I think, for those who've been kind of, you know, scared to invest in downtown Springfield.

This will tell you that the market is there, and the information that ZVA provides is highly respected by the development community. So, with that, Laurie is going to go through a brief presentation. She will be available for media comment after this, and we'll let Laurie take it away.

LV: Thank you very much.

AL: Good morning.

LV: I'm delighted to be here. Our firm has conducted more than 50 downtown market studies, but we count among our clients, not just cities who are looking to understand what the market is for urban neighborhoods, but also probably $\frac{3}{4}$ of our practice is with private developers, so we also understand what the challenges are from a development perspective as well as from the public perspective. We've been doing this for 20 years, and so I think that you will see that we have very *positive* findings to report to you, and I'm going to be giving you the "Reader's Digest" version because I was told to keep it to 15 minutes--which is going to be hard, but I'll do my best.

Downtown Study Area Defined

Anyway, the Downtown Springfield Study Area is shown on this map [displayed on a screen] but basically it encompasses the area between Union Station and the Amtrak Railroad tracks to the north, Byers and Myrtle Streets to the east, Union Street to the south and the Connecticut River to the west, so it's a pretty broad area, but it's also essentially the core business district.

Assets

We discovered that when we were here, even though we were a *little* apprehensive before we got here, because we had read a lot of *negative* press about what's happened in Springfield, but you actually have an *enormous* number of assets:

The historic buildings that you have here are quite extraordinary and really form the good bones of what makes a real downtown work.

Downtown is still a regional center of employment, and that's really critical for those people that would consider living downtown.

It's also a cultural center, and that's something that many cities strive for, but haven't gotten there. Springfield *is* there.

It is also extremely walkable. That's very important that...one of the reasons that people move downtown is because they want to be able to walk: they want to be able to walk to work, they want to be able to walk to restaurants, they want to be able to walk to the theatre. Springfield is very walkable.

You have wonderful parks and...

You've got a riverfront. (We know and have done work in many cities that don't have those assets, and, believe me, it's quite a challenge trying to come up with an asset that's as wonderful as a river.)

You also have tourist attractions and, again, that's an asset that you have that many cities don't, and finally...

You have extraordinary location and access. You could actually live in downtown Springfield and work *anywhere* along the interstate corridor.

Methodology

So we have a very specific methodology to determine what downtown market potential is, because we discovered many, many years ago when we did our first assignment in Norfolk, Virginia that many cities are projected to *lose* population and not gain it. And, if there hasn't been any new development in that city, and they're losing population, what's the rationale for *doing* new development which, of course, leaves cities in a terrible position--they're essentially doomed to never improve. So we decided that, if we look at really what market *potential* is rather than supply and demand, that you could actually get a handle on what the market could be and what you need to do to capture that market.

And market potential really comes from the fact that every year, between 15% and 20% of all American households move. And when you've got that kind of mobility (and you definitely have that here), that's a lot of people moving. And if you can understand *why* they're moving, *what* they're looking for when they move and *what* their financial capabilities are, you have a really wonderful opportunity to capture a percentage of that market. So that's what our study was designed to do, address the question...to answer the questions of:

- Where your potential market's living now?
- How many would likely be a market?
- Who are those households?
- What kind of housing are they really looking for?
- What kind of housing's currently available here now?
- How much will the market pay? and
- How fast will they rent or lease up those units?

Now we were specifically asked to address the issue of market rate housing only. Some cities are looking to do—because they have *nobody* living downtown, they want to see what the complete mix would be—but we personally feel that you have a large supply of affordable housing in the downtown which needs to be balanced by a large supply of market rate housing, and that's what this study is designed to address.

So we use IRS data to determine where the market is now and who is likely to move here. As you know, if you move in a given year, you report it to the IRS on your tax return, and the IRS keeps these massive change-of-address files which they then compile to understand what the migration and the mobility is in the United States. Well, every year we buy a CD, we get that data, and we're able then to hone in on specific market areas to understand what the migration and mobility patterns are in any given area.

Potential Markets

So for Springfield, what we saw that in the city as a whole, people that are already living in the city represent 1/3 of the market. People are moving from one house to another, from an apartment to a house, you know, the common types of moves that people make. The balance of Hampden County represents another 1/4 of the market. Other cities, such as Hartford and Worcester as well as cities in Hampshire County, is another 12% of the market. And the Boston Metro area is another 12%. (We were quite surprised to see that there is a significant market from Boston, and *that* is really because, as the major cities get more and more expensive, we're finding what we call second and third tier cities are becoming much more attractive to people who would ordinarily have chosen the larger cities.) And of the balance of the nation is another 20%.

So how many households would be likely to move downtown? Well, for the city as a whole, just under 8000 households represents the annual potential market. And when you look and take away all those households that are markets for single-family-detached-houses or for suburban neighborhoods, but just looking at those people that we

know from our experience represent a downtown market, there are more than 1150 households *per year* that represent that market potential which is a very significant number.

Who is that market? More than half are what we call “younger singles and couples” (We look at American households with three general groupings based on life stage: younger singles and couples [people who are just starting out] empty-nesters and retirees [people who are in that category] and then what we call “traditional and non-traditional families.”) Because, depending on where you are in your life stage, will have a significant impact on the kind of housing choices you make, so it’s very important to understand who your market is in terms of where they are in their life stage, because that can have an impact on the kind of units you need to build.

So with half the market being young people, that’s actually very good, because what we’re finding is young people are choosing downtowns in urban environments. Empty nesters and retirees are another 35% of the market. Now this is significant, because of two national trends which are also very much apparent here. The “baby boom” generation, those people born between ’46 and 1964 are the largest generation in America today. And it’s the baby boomers have had significant impact on every kind of institution in our country as they have moved through it from the construction of elementary schools when the baby boom first hit grammar school all the way to now, people looking at active adult retirement communities.

The second largest generation in America are the children of the baby boom, 78million of them, the leading edge of those are turning 30 this year, and what we are finding all across the country and here in Springfield is that the “millenials” (as we call them) are choosing...they were largely brought up in the suburbs, and they’re choosing to move to downtown and to urban neighborhoods in much higher percentages than predecessor generations.

So what we have here are the two largest generations in America converging so that, over the next 15 to 20 years, you have an enormous number of baby boomers who are moving down out of their single family detached houses in the suburbs and moving back to urban neighborhoods. And you have the “millenials” who are moving out of their parents’ households and moving into downtown urban neighborhoods.

And this [PowerPoint] graph I think shows very clearly what impact that that could have. Right in the middle is 2014 where you have the largest number of baby boomers and the largest number of millenials. And accommodating that is going to be significant for downtowns. *There is a basic, strong demographic support for significant increases in housing.* And that applies to every city in the United States.

A lot of cities are saying, “Well, what about families?” And in this case, what we call ‘traditional and non-traditional families’ are only 12% of the market, but there’s more than one reason for that. One reason is that outside of Chicago and Manhattan, very few “full-nest” families chose multi-family housing to live in. And, in a downtown,

that's the kind of housing you really want to create because that brings more people, more units, in the same piece of ground. Another major factor is that in the 1980s when the baby boom was in its full-nest life stage, a married couple with children (the sort of traditional American family) was more than 45% of all American households. Today, that demographic is now less than 25% of all American households, so you don't even *have* the number of those kinds of families that typically drove the movement out of the cities into the suburbs. And the Ozzie and Harriet version where Dad works and Mom stayed home and took care of the kids is now less than 15% of all American households, and that is the case here in Springfield as well. Of all the households currently living in the city of Springfield, more than 2/3 of them are composed of either one or two persons. They're not families; they're one or two person households. So that goes to show you what a significant change that is in any given city.

So when you look at the housing preferences of each of those groups as a whole, what kind of housing should...how much rental...how much for sale should be in downtown? 37% of the units should be new rental apartments, and the remainder should be a mix of for sale apartments (lofts or apartments) and what we call row houses which is another urban form, very similar to what you have already on Mattoon Street.

Currently in downtown Springfield, the general rent ranges are from \$525. to nearly \$1700. a month for studios to two bedroom apartments. And condo sales range from \$35,000. for a unit in Kimball Towers to \$339,000. to a unit in Classical Condominiums for a studio to a two-bedroom unit, so you already have a broad range of housing here. You just don't have enough of it. And looking at the financial capabilities of the target households that we identified, you could actually go higher in both rent and price as...given certain conditions. So *if* you are able to actually create units to specifically target those households, you could get rents from \$600. to \$2000. a month for, again, studios to three bedroom units and sale prices could range from \$90,000. for a hard loft for a young single person to more than \$500,000. for a high end condominium in a...and there's a number of buildings in downtown that I can think of that you could easily do those kinds of high end condominiums that would be highly desirable to the market. Row houses could range in price from \$195,000. to \$350,000.

So, how fast, given that price range and that number of households that represent the market...how fast can you actually absorb those units? Well, we look at a capture of the potential market of between 10% and 15% which is a very small percentage given that the potential market is just a tiny percentage of what the overall market for this city is. But, if you can capture between just 10% and 15% of that potential market a year, you could add more than 150 new units in downtown Springfield every year for the next five years. And what we find is that once development really gets going and you keep introducing new housing units in the downtown that are matched to the target market preferences, that instead of depleting the market, you'd actually add to the market.

What's even better news is that we're not playing a zero sum game here. In other words, we're not robbing other neighborhoods in Springfield to fill up downtown, that of those 157 units, 106 of them will be purchased or leased by people who are currently not

living in the city. And that's really good, because a city needs to do two things to remain healthy: you need to keep the people here who are already living here, but you also need to attract new blood.

Challenges

However, there are caveats. There are some specific challenges to Springfield that we haven't necessarily come across in other downtowns. And I think the principal one is—it's labeled here "safety concerns," but it's not really people fearing for their physical safety as they walk down the street. I think it has more to do with the "quality of the public realm" in that one should be able to walk down a street without being accosted or confronted by drug dealing, by prostitution, or by aggressive homeless. Every city has these problems; they need to be addressed. You need to take back your streets, because in order to attract that market that we identified, people need to feel like they can walk down the street without being confronted. People don't have to worry about being killed, but they do need to have...I mean I heard it in a series of interviews here across the board—everyone mentioned it—and this was a much stronger response than I've gotten in any of the other 50 downtown studies that we've done. So that said to me that this is an issue that *genuinely needs to be addressed*, because Springfield has enormous potential, but right now people can't get past it...they can't get past what the physical situation is when you walk down the street.

Neglected/vacant properties: of course that helps *contribute* and actually that's a negative, but it can also be viewed as a positive, because those are buildings that represent potential development projects.

High development costs—that's not specific to Springfield, it happens in every downtown. Typically, people who own land in a downtown think it's worth way more than it really is which makes it very challenging for a developer.

Developer perceptions Some of the developers in many cities believe that nobody wants to live downtown. (Well, we know that's not true, and this study will help, I think, assure them that there really is a market.)

An unsupportive real estate community and I actually learned some more today that it's not limited to the real estate community, but people (brokers, personnel departments) will actually steer people away from living in Springfield. And a lot of that has to do with that Issue #1 ["quality of the public realm"] which is why it is so critical to address that issue among the first things that you do.

And there's also, typical parking misconceptions. There's never enough parking in downtown even if the entire downtown were parking lots.

And a lack of marketing. We think it's very important Springfield and downtown be marketed as the center of the region and not just another little piece of the Pioneer Valley. This is not, again, something that's exclusive to Springfield, but those cities that understand that they need to market all of their assets to the outside world find that the people who live in Springfield and live in their own city then find their own perceptions changing, and you have an entirely transformed city where it can go from where everyone feels really down on the place to where everyone's very positive, and you get much more cooperation when you're trying to undertake various projects.

Downtown Housing Strategies

We also recommend a number of strategies which I'm not going to really go through; they will be in the report, because I know I'm supposed to keep this to a certain length, but I could go on and on forever. But there are specific things that you do need to do, and we tried to seek out all of those types of strategies that don't cost the city money. Very few cities have a whole lot of money to throw at residential development, but they're designed to make the process easier for developers, to make the process *more interesting* to developers, because getting the private sector in here is your ultimate goal. The city doesn't want to have to...be do...being in the development business, but it has to create the *climate* that will make it attractive for the private sector.

And we are quite confident...that we have a number of clients that I think, once they see our study will be very interested in any potential parcels that might be available here. But it's very important that you keep in mind that this is a downtown, and it's urban, and you should not be doing suburban development in a vain attempt trying to bring people back from the suburbs. And, again, marketing is key...not...this kind of marketing, that's not what we're talking about...but actually a marketing that will transform people's perceptions of what Springfield has to offer, because you have a tremendous amount.

Programs/Policies

And, again, we...there are regulatory issues that represent challenges and we've recommended a whole series of different kinds of programs and policies that other cities have undertaken.

Acquisition is a challenge. How do you get control of some of these builders[sic] if there's a recalcitrant seller. Again, there's cities all over who have tried different kinds of approaches to address these same issues, and we've given you recommendations on what we have seen to be most successful.

And the cost is another *huge* issue, because often what you find is that what it's going to cost to develop residential will put those units out of the rent and pricing structure of where your market is today. And so being able to come up with programs and policies that address that is really critical.

And they range from a gap financing pool-- which this young man [Brian Connors] knows about, because the city of Lowell has, actually is embarking on the second gap financing fund to help developers.

Tax incentives, some of which may apply and some of which don't.

Arts district housing: I can't tell you how critical it is to try to encourage an arts district, because artists are inherently interesting. They create all kinds of neat stores and neat sculptures that people like, and they're typically poor, so they usually can't afford the rents and prices that would be available in downtown. So being able to establish a separate district where artists would get special incentives to live there is really critical.

And again, we've a number of best practices available, and we can give you the names of the people who run them in all those different cities which will really help uncover the market that we know is here for downtown Springfield. And I thought that this was the very appropriate close from the gardens at the museum quadrangle: "Unless someone like you cares a whole awful lot, nothing's going to get better. It's not."

And the one thing that I found when I was here with all those focus groups is that even though people were very distressed about some of what they viewed as the problems of downtown and the problems of the city, there was a depth of personal affection and commitment to Springfield that I haven't seen in a long time. And so I think that you have a very strong base from which to proceed. And I would not be surprised if five years from now, someone called me up and said, "Laurie, you will not believe what's happening in downtown Springfield." Thank you.

BC: Thank you, Laurie. So our goal today, really, is getting this information out to the people who need it and that's...and this morning we met with real estate agents who throughout the city, today with the control board and the public. And this afternoon, we'll be meeting with builders who building owners who are considering the future of their building downtown. So the way we look at this is really a great tool for us, a tool for outreach into the development community, a tool that will be very helpful for us with 1331 Elm, for instance, when we put that out later this year to for an RFP.

LV: A magnificent property.

BC: So there are absolutely great benefits from rolling the study out now.

AL: Any questions?

CVR: Yes, I have a question. First of all, I'm very pleased with your report. I think it's excellent, and I think we all realize the challenges are real [inaudible]. You made some references early in your remarks about the presence of Symphony Hall, the Quadrangle, the MassMutual Center. Comparing us with...this is not Boston; it's not New York; it's not Montreal. But comparing us to cities of, let's say, 100,000 to 250,000 in population, how do those cultural assets stack up? Is there a...enough of a...?

LV: [inaudible] restaurants and theatres and, you know, public facilities, that people who want to live in downtown look for. And we've done market studies in cities that had very little of that, and still, had...were able to develop a significant downtown market. So from our perspective, what you have here is an asset that you can hardly undervalue. I mean, it's quite extraordinary. And I think that that's one of the reasons why you could really develop an incredibly strong market. We already see that there are significant numbers of people moving here from Boston. And, you know, if they were to understand what you have, I'm sure that that number would increase, because, frankly, it's not easy to find out or to understand what kind of attractions really are here, other than the Basketball Hall of Fame, so...

BC: We think it's really...it also dovetails nicely with a lot of the other efforts that the city is pursuing now in terms of the Main Street improvements, where really lighting, I think, is key to the Main Street improvements over the next year. And then, certainly [inaudible] approach with the police department, I think that both of those [static] going to have some of the [inaudible] the issues.

TG: You said you'd done 50 downtown studies. I know Springfield is not unique with safety concerns, but [inaudible]

LV: Well, they were far more pronounced. Let me be frank with you: every downtown has a problem with homeless. Typically, the services for homeless are centered in the downtown. However, how they are handled...problems can arise if, for example, where people go to get meals is on one side of the city and where they go to sleep is on the other. I mean that's an invitation for [waving her arms from side to side] a lot of people walking back and forth. In some cities it's worse than others. *This* [inaudible] because...

TG: I was kind of fishing for something positive, and...

LV: Oh, when you have all this other stuff, see? I mean this is a...

TG: ...all these downtown studies [inaudible] generalized sense of all these other downtowns, are there success stories that we should look at? How are these other downtowns doing in the aftermath of your studies?

LV: Well, St. Louis, downtown St. Louis [inaudible] studied in 1998, because they wanted to have 2000 new housing units in their downtown by 2004, which was the 100th anniversary of the World's Fair. At the time, they were like Springfield; a majority of their downtown housing units were public housing or Section 8...some kind of an affordable...[inaudible]...the downtown would represent *good* areas that would be very, you know, acceptable to that potential downtown market. I found out last week that *now* there are more than 5000 units, most of which have been built, but under construction and planned in the downtown, and that St. Louis is actually become, you know, an example of one of those cities like Baltimore [inaudible] one of the cities *gaining* population. And, you know, the downtown is a key place for it to happen, because the downtown is really where [inaudible] it's the heart of the city, and, certainly, cities are well-advised to concentrate a great deal of effort in the downtown.

Norfolk, Virginia is one with [inaudible]...situation significantly, everyone had...it was very similar to this, very, very negative ("Gee, who would want to live here?"). But after focusing on downtown, they went from having seven restaurants to more than 50. They've got a tower high-rise, a 31 story tower, under construction where the penthouse sold for \$2.5million. And if you'd told them that 15 years ago, nobody...they would have thought "What are you doing?" because they would not have believed it. But it just shows that it can happen.

BC: I think Providence, RI as well.

LV: Yeah, Providence is interesting.

BC: I think the Mayor toured their new homeless facility, but they had a real problem with homeless in the downtown urban core where people are now living. And they addressed the homeless need while addressing that need as well.

AL: OK. I'm sure we could keep going on this, but I want to just...

City Council President Kateri Walsh: I just have one question on this. Thank you for your report. It's really great to hear that people still love Springfield and we have wonderful assets to market. And I was very curious because...Mayor Ryan, I'm sure you've heard it, too...we hear it in whispers, but to have you actually say there's an "unsupportive real estate community." Did you find that to be an unusual finding?

LV: No. No, that's very typical, because of some of those social problems. Real estate brokers...and I'm not blaming them...will tend to steer potential clients away from neighborhoods that they feel are not acceptable. I, you know, understood that, actually, some of the personnel departments are doing that as well. So, I mean, it's a serious issue. It is *not* unusual. I, I mean I've been to cities where I was only able to find *one* real estate broker that would even consider showing anyone a dwelling unit in downtown or in an in-town neighborhood that surrounds downtown.

So, you actually have--I met with them this morning-- cadre of real estate people who are...really love the city and are asking "What can they do to help?" And that's important, that's an asset.

AL: OK. Thank you. Thank you very much.

CVR: Thank you.

State Street Corridor Project

PP: Mr. Panagore, please. We're going to give you a presentation on the State Street corridor project.

AL: OK.

Economic Development Director David Panagore: Good Morning, Mr. Chairman, Board Members. This morning we're going to do...provide you with a brief presentation on a research presentation we did for the State Street corridor partnership. This...to my right is Maureen Hayes, president of the Springfield Business Development Corporation and the group asked by the private sector to come together around the State Street in support of the \$13million of the federally and state funded improvements to State Street, and to really put some development interest around it and build on that activity. And so, most of

your questions and most of the comments I could make will be handled in Maureen's presentation, so I turn it over to Maureen.

AL and TG: Good morning.

Maureen Hayes: Good morning. Thank you, Mr. Chairman and Control Board. Really this [inaudible] the development last fall of the State Street corridor development strategy, and the strategy was developed to support the State Street corridor reconstruction project, \$13million state and federal investment in improving the roadway. The strategy sought to achieve a balance between competing demands, the demands of a roadway and the needs of the neighborhood; eliminate the conflicts of the commuter artery; bring new vitality to the State Street corridor and really to create an urban corridor that unites and serves the entire city.

The development strategy, as I mentioned, was drafted last fall. It was really developed as a preliminary piece to elicit input and stimulate discussion, to advance planning efforts, to attract private investment and to encourage redevelopment. And we're going to talk about some of that this morning.

Some of the program initiatives that were identified: leadership and strategic partnerships, quality urban design (that's something that would address signage and design controls), effective zoning policy (putting in place a new zoning policy for the city of Springfield), commercial redevelopment along the corridor (that might even include mixed use development with housing), a neighborhood housing strategy—the corridor runs through six neighborhoods plus the downtown, a total of seven Springfield neighborhoods—and the identifying redevelopment [unintelligible] the various initiatives along the corridor.

Just to give you an idea, as I mentioned, the State Street corridor is 3.2 miles in length. It runs east to west through six neighborhoods and the metro center downtown neighborhood. And what we've identified on this plan is the boundary of the State Street project [unintelligible]

Just to give you some of the highlights of the developments along the corridor, we broke them down into six areas:

Area #1 includes uses like the [unintelligible] block located at the corner of State and Main Street, another building located at 145 State Street (known to some of us as the former Civic Tower).

Area #2, I think most of us are familiar with this project; it's the construction of the new federal court house, and it is located across the street from the Classical Condominium project, and just directly east of the library and museums complex.

Area #3 we're up near STCC now about this point and there's the historic Gun block property, a possible redevelopment site.

Area #4 includes the former, now vacant, Byron Funeral Home at State and Thompson Streets and then the River Inn also at State and Thompson Street at the opposite corner.

As we head east, Area #5 Mason Square Fire Station to Roosevelt Avenue, this stretch includes the Indian Motorcycle Building. It also includes American International College and the former Mason Square Fire Station. So there are many attributes as you drive along the corridor.

The last area, Area #6, takes you to Boston Road. It includes the headquarters of the MassMutual Financial Group and Putnam High School which is scheduled to be [unintelligible]

In terms of advancing some of the preliminary development concepts that were identified in the development strategy, leadership and strategic partnerships is under way. (I'm going to talk minute in a minute about the State Street alliance.) Transportation enhancements: the roadway project is about to go out to bid; that should be completed within the next year. Commercial redevelopment planning, that is an issue. An RFP for commercial redevelopment has been issued and I'm going to run through that process. The zoning is in process; the city of Springfield is formulating a new zoning ordinance. Quality urban design with signage and design controls is also being formulated. The city is working on a neighborhood housing strategy to address the neighborhood, the neighborhoods, that are adjacent to the State Street corridor. And then, effective redevelopment tools are being developed.

In terms of an overview of the redevelopment plan, our goal was to formulate and adopt a redevelopment plan that will complement the State Street roadway improvement project [inaudible] on retail, commercial, office and housing market opportunities, a market-based redevelopment plan. We're envisioning that the redevelopment plan will identify site-specific opportunities along the corridor. It will compliment the work that the city and other partners are doing in terms of neighborhood housing strategies. We envision it creating, expanding and capitalizing on the strategic connections that connect, link the corridors destinations such as our area colleges. We're fortunate to have four different colleges on or adjacent to the State Street corridor and to foster private/public partnerships.

The action plan is to issue an RFP in preparation of the redevelopment plan. As a first step to that, a public/private affiliation of over 50 community business and government representatives have come together to foster the development of the redevelopment plan and to finance the preparation of the redevelopment plan. It is called the State Street Corridor Alliance. It has secured the private funding for the plan preparation. It will be the vehicle for community input. It will review presentations by finalists. It will provide recommendations on a choice of a consultant. It will participate in the preparation of the redevelopment plan through focus groups, and it will review on a periodic basis the updates from the selected consultants. The Springfield Redevelopment Corporation is providing technical support to the Alliance. We have prepared an RFP and issued it on behalf of the Alliance.

The objectives of the redevelopment plan, as I mentioned: a market-driven, financially feasible program that capitalizes on the public investment made along the corridor will transform the corridor's commercial and residential environment, will

stimulate revitalization of the adjacent seven neighborhoods. We envision this identifying initiatives that are based on sound development principles to ensure the successful and sustainable, the long-term revitalization of the State Street corridor. We want to establish a State Street corridor that is a significant economic asset, strengthens adjoining residential neighborhoods, and provides linkages to key destinations. The scope of services includes a commercial market analysis. We're also asking the consultant to look at the market for mixed uses along the corridor, focusing on housing. We have the very successful Classical Condominiums, and we're hoping that that can be replicated as well.

Identify under-served market segments and recommend unique market opportunities. The corridor changes as you drive east to west or west to east. We believe that those changes represent distinctive market opportunities, whether it be downtown-related retail, educational-related retail, service-related retail. So it changes along the 3.2 mile stretch.

We've also asked the consultant to analyze the physical conditions effecting redevelopment including land use, zoning and what we're envisioning coming out of this process is a, a market-based redevelopment alternative for six to seven priority sites along State Street. Some of these sites might be single buildings—for instance, I mentioned the Gun Block. It could include a Gun Block. Other sites might be stretches along the corridor that contain under-utilized properties that are, that are suitable for redevelopment. We're really looking for six to seven sites that will serve as a catalyst for other development, that will attract [inaudible] that will create opportunities for trade areas along the corridor, that will reinforce [inaudible] these key sites, six to seven sites along the corridor. It will include the preparation of site level redevelopment concepts that are based on physical, financial, market and regulatory considerations, a preliminary financing plan for each redevelopment scenario, including realistically available sources and uses and identifying any gaps in financing and a summary of the economic and fiscal impacts for each alternatives [sic]: jobs to be created, taxes to be raised. And what we hope to have at, in the end is a integrated redevelopment plan document that includes an implementation plan, identifying the specifics steps necessary to implement the redevelopment plan, the appropriate vehicle to do the work and a time table.

In terms of a schedule, as I mentioned, we have over 50 representatives on the State Street Alliance. We held a meeting on January 25. We had over 60 people at that meeting. We issued the RFP the next day, January 26. Proposals, consultant proposals, are due on March 9. We envision a technical review process and then presentations of the finalists to the alliance, the State Street Alliance, the last week of March/the first week of April with a consultant being on board by the end of April. And then we will get into the preparation of the plan which we envision taking six to nine months. So it's a very exciting time for State Street corridor. It's very heartwarming to see the number of people who have come to the table to participate in the development of the plan, some of them financially participate.

DP: Thank you very much and I might mention that this is...the State Street Alliance and the study are all privately funded: privately raised, privately funded.

AL: Any other questions...or comments?

KW: I have a question. I'm curious: are there city agencies that are part of the Alliance?

MH: There are...well, well, the city of Springfield is participating in the Alliance and , and the library [sic] is also participating in the alliance, but there are government representatives on the Alliance, but the government representatives have not made a financial contribution to the study. That's all privately funded.

KW: OK. I'm just a little concerned when you say there's a presentation to the Alliance, and the Alliance is going to put forth a proposal for some of the use on State Street. Are you going to include neighborhood councils? I want to know what the community input actually means.

MH: Well, the community input...the vehicle for providing the input will be through the Alliance. The Alliance is just overseeing the preparation of the redevelopment plan. The redevelopment plan itself will identify the steps necessary to implement the, the development scenarios along the corridor.

DP: The neighborhoods are part of the Alliance. Each of the presidents, each of the neighborhoods...this is both neighborhoods and business and stakeholder who are participating in the Alliance. So it's intended to be comprehensive in that way. It wouldn't succeed without that.

KW: Thank you.

MH: Sorry, yeah.

AL: So great to have presentations talking about development, you know.

TG: Yeah.

MH: It's exciting.

AL: Yeah. This is fantastic. OK. Thank you very much.

PP: Mr. Panagore is going to stay up here and make another presentation with Sean Calnan from the Mass. Development on the DIF which is District Improvement Financing as we talked about in the car on the way. Thank you.

Memorial Industrial Park II District Improvement Financing Application [or DIF]

DP: Mr. Chairman, Board Members, you have in your packet executive order 02-12-01 which is a resolution authorizing the sub-- the...authorizing and authorizing the submission of a Memorial Industrial Park II DIF (District Improvement Financing) application to the Massachusetts Economic Assistance Coordinating Council.

This, as has been summarized for the board, is a program enacted by the state in 2004. Only Worcester has so far only gone through the process and is still in the completion aspects, but it's a process where what you're able to do is garner some of the new taxes, the new property taxes, that are coming out of a development and be able to help finance the development itself, the amenities, etc. What we're suggesting, putting before you today, is on a pay-as-you-go basis, meaning as the revenues come in [inaudible] development of Memorial Industrial Park. No more than 40%, but no more on a cap of \$150,000. for ten years in order to secure the cost of development of the industrial park.

These funds are necessary in order for us to complete the development of the park. It's a very expensive infrastructure out there. We've had to put in place over \$4million so far in terms of between brownfields, roadway construction and so on in addition to the millions of dollars of the state's and federal government are spending on Roosevelt Avenues and on the Page Blvd. improvements. These will also go to ensure that we build a Grade A, Class A industrial park. And that means, of course, a quality infrastructure through the park so that we can help to attract a very good user to the remaining 35 acres in the back of the park. This will also become a source of funds for the ancillary improvements that we want to make in the park (sidewalks and things like that). It is a more than a "belt and suspenders." It is necessary, as I've discussed with the board, in order to secure the completion of the park.

AL: Can I ask you a question? How long is this debt...the 40% tied up?

Sean Calnan: The duration of the district we're proposing is ten years, but it's only going to be used on a pay-as-you-go basis. So, as David Panagore's office is presented with project costs, they can determine if they are applicable to use in the DIF district. If the project is completed prior to ten years, you can seek termination at any point by petitioning the state council.

AL: It goes back to the general fund.

DP: It would return to the general fund.

AL: OK. Any other questions?

Jake Jacobson: If the work at Memorial Industrial Park is done prior to ten years, but there's other development work that needs to be done, can these funds be applied to that?

DP: The, the...at any time the DIF district could be extended in terms of its land area up to 25% of the city not including...and they don't have to be contiguous...and the time frame and the amounts could also be amended.

AL: So that...you would have to take a vote at that time.

DP: It would have to be...it would have to come back before the city for a vote for that authorization, but that is certainly out there.

JJ: And beyond, the 40% of the *new* revenue to a maximum of \$150,000 a year.

SC: And if the control board does approve this resolution today, it does go to another state body that oversees the traditional tax increment financing program, so the state actually has some oversight in this as well. So, if they have a 65 day technical review period from the time that we submit the approval from this body today. So, hopefully, we'll find out from them over the spring whether or not they concur and if the program can be put in place.

AL: If there's no other questions, do I have a motion to approve...

****MOTION APPROVED UNANIMOUSLY.**

Worthington Street Land Taking

PP: If the board would permit me to go out of order, I'd like to have Ms. Breck...Kathy?

AL: What are we covering?

PP: We're going to talk about a taking order for Worthington Street.

Assistant City Solicitor Kathleen Breck: I have some information I'd just like to pass out.

AL: What order is this?

PP: It is item #7

AL: What executive..

PP: Oh, I'm sorry, I'll read it to you

CVR: 2-12-03?

PP: Yes. 2-12-03 and 2-12-04.

KB: 2-12-03, I believe, is the appropriation order, and 2-12-04 would be an order of taking.

AL: Can you speak up just a little?

KB: Certainly. Members of the Board, good morning. I'm here before you to request the board to consider the eminent domain taking of two parcels of land located on Worthington Street in Springfield. These are vacant parcels located behind the Springfield Police Department, and the purpose of the taking is for municipal purposes and my understanding is that the police department is interested using this land, at least in the short term, for parking. They have a severe parking problem at the police department.

The history of this parcel goes back a ways. The city has been, from time to time, in contact with the property owners trying to negotiate an acquisition of the parcel. We were unable to do that over a period of time. The...I received this morning—it actually came into our office on Friday--but I passed out to the members of the board a letter from the attorney for the property owners indicating their objection to the eminent domain taking. They have indicated that, because they are a church, that they feel that the city has no power to do an eminent domain taking of their property. And this matter has been researched, and that is not the case.

The city has the power to take the property regardless of the fact that it's owned by a church. The church...the owners feel that it's worth much more than the city has offered. We've offered to acquire the property for \$175,000. The attorney's letter also raises some issues having to do with taxes and taxation of the property. And I've spoken with the assessors. The assessors have been in communication with the property owners. (It has nothing to do with the taking, but just for the board's information, when property is owned by a church, it is not necessarily tax-exempt. The church would have to occupy the property for the purposes...for religious purposes. This property is vacant, and they do not occupy it. They've indicated a plan to *build* a church on this site. They've owned it since...for...since 2003. So I just wanted to give you some background and put the letter in context.)

TG: Is the offering price, the condemnation price is \$175,000. Is there an appraisal?

KB: Yes. The city had an appraisal done. We received the appraisal in December, and the appraised value, according to the appraiser was \$100,000, you know. And he appraised it as is, as two vacant parcels on Worthington Street, comparing it to vacant parcels in other locations, two in Springfield and one in West Springfield. The...after some discussion with the city solicitor and the Mayor, the city made an offer of \$175,000 in keeping with the current assessed value of the property and felt that was a fair offer, given the circumstances.

The...according to the attorney's letter, he indicates that the owners feel that it's worth at least \$225,000, but we do have a recent appraisal which is far less.

KW: Excuse me, Attorney Breck, I would just like to say for the public record that I serve on a board with the pastor of Calvary Love Church, so I do not feel that it would be appropriate for me, unless...I did try to reach the attorney before the meeting...to vote on the issue regarding Calvary Love Church.

AL: Can I ask a question? This letter which I'm reading, is, I guess, addressed to me, it is...I'm a little confused. Is it a question of *valuation* or a question of use of the property? In one part of the letter, it says that the church is planning on building on that property. Then it says [reading] "but we believe it to be worth well over \$225,000" and then it says "we will not sell the property to anybody, the city of Springfield or anyone else." What is the issue from your perspective?

KB: I, I'm trying to understand myself, Mr. Chairman, but I...the attorney's letter just wanted to go on record as opposing...opposing the taking, and that the church is not interested in selling the property. And I believe he thinks that the city has no authority to take the property, because it's owned by the church. But there have been takings by...of church property in the past.

AL: [reads] "But at this time, the church is ready to present their plans to the city of Springfield in order to obtain a building permit." OK? That kind of sounds like they're going to build a church or something.

KB: That is their stated intention, to build a church on that site. They've owned the site since October of 2003, and, through their counsel, they have told us that they intended to build a church there, but their....you know, we've...we haven't been provided with anything further.

CVR: Mr. Chairman, I'd just like to make a comment or two, especially in light of the letter from Attorney McMahan who represents the church.

Anytime that the city exercises the power of eminent domain, it's a very, very serious undertaking. And the only reason that we're moving forward and asking for the board's approval today is that this land is really necessary for the operation of the Springfield Police Department which has an annual budget of about \$35million. As you all know, the headquarters and a significant amount of parking is immediately adjacent to the headquarters building. And, since I've been mayor, there have been three different individuals who have been the chief executive officer of the police department (Chief Meara, Acting Commissioner Fitchet, and now Commissioner Edward Flynn). And each one of those individuals has indicated to me, when they were exercising their responsibilities as head of the department, the necessity of acquiring this property for the orderly growth of the department.

The letter points out that (and I have no way of controverting this, and I accept it as true) that the former owner, a Mr. Sanborn, prior to selling it to the church, did offer the property for sale to the city of Springfield, but that the city did not make an offer. And I have every reason to accept that as probably true, and, obviously, the reason was

that in 2003, the city had no money for *anything*, including shutting off the street lights and doing nothing else. And that's, really, is why this board is here. I would hope that the church would not misinterpret the fact of a no offer in 2002 and 2003 to Mr. Sanborn as effecting in any way the *bona fides* of what the city feels it has to do right now. And, of course, in the meantime, between 2003 and the present day, the city, through the offices of this board, has recovered its footing from a financial point of view, and *is* in a position to carry out the recommendations of Chief Meara, Acting Commissioner Fitchet, and Commissioner Flynn.

We have...there are certain constraints on us as to how much we can offer in an eminent domain situation. And, in offering \$175,000. or acquiring it for \$175,000., we're at the outer limits, but I can assure the church representatives of two things. One is that, within our legal ability to negotiate further, we certainly hold ourselves available for that and then, secondly, we will ask the city's planning department to be of whatever assistance it can be to try and search out an adequate or a desirable site for the church for their new facility some place else.

We're a city of many churches, and we cooperate in every occasion with the growth of our religious community and our faith-based community. It's just unfortunate that, in this situation, their land is really necessary for us to continue the orderly development and growth of the city's police department which everybody knows is badly needed at this particular time in our history.

AL: Any other questions or comments? Do we have a motion to..?

KB: We...if I could just ask the board to take order 2-12-03 first. That is the appropriation order, and the appropriation order must precede the order of taking, and it does require a 2/3 vote. That is an order requesting that the board appropriate the sum of \$175,000. as damages for the taking of the two parcels.

City Clerk Wayman Lee: That will require a roll call.

AL: This is 02...

PP: It's 2-12-03

AL: Mine has...

PP: I'm sorry...

KB: It's 04? I apologize. I

PP: It's 04 and 05

CVR: That's a different one.

PP: That's a different one. I went out of order, sir, by one.

CVR: This is it here.

WL: Roll call.

AL: Is there a motion to accept 2-12-04

WL: We need a roll call.

AL: A roll call vote?

WL: Now a roll call.

****MOTION PASSES UNANIMOUSLY (WALSH ABSTAINING).**

KB: The next order, Mr. Chairman, would be 2-12-05 which is the order of taking which would be approving the taking of these two parcels for municipal purposes for the sum of \$175,000. and awarding to the property owner that sum of money.

****MOTION PASSES UNANIMOUSLY (WALSH ABSTAINING).**

Draft Financial Policies

PP: Mr. Lisauskas, please. I believe in previous correspondence via mail we have sent you copies of draft financial policies. Steve Lisauskas is going to give a brief presentation so...this is just for discussing today. I think that some of the members have particular questions that we will try to work on over the next month or two before any sort of formal vote. Thank you, Steve.

CVR: Could I ask you a question?

PP: Yes, sir.

CVR: Are we going to do anything about the two donation accounts to the Parks Department?

PP: If the board would indulge me, I'd just as soon table these items until our next meeting.

CVR: Fine.

Control Board Deputy Director Steve Lisauskas: Good morning, Mr. Chairman, members of the board. The draft financial policies which were included in your packet, I just wanted, as the executive director said, to provide a very brief presentation about them.

The financial policies—and all policies—are basically...establish the boundaries within which decisions are made. In this instance, these are financials that are designed to communicate what is permitted and what is not permitted from a perspective of financial management. These policies are fairly unique in the way that they are written. Some of the contents are fairly unique as well, but the way the policies are drafted is the policy is stated and then there is an explanation as to why that particular policy is important and why it's structured the way that it is. That is designed to communicate both to policy makers in the future—some 15 years from now—why did the city or the control board decide the way it did as well as to communicate to the public why the policies are the way they are, why you should have a reserve fund level of 5%, for instance.

So it's designed to communicate both to the public and to policy makers in the future. The policies were developed with the significant assistance of the chief financial officer of the city, Mary Tzambazakis, the city's auditor, Mark Ianello, and with the assistance of First Southwest Co., the city's bond financial advisor. The rating agencies...and as everyone here is well aware, we received a double up-grade from Standard and Poor's and a single up-grade, an outlook upgrade, from Moody's.

Management is approximately 25% of their rating. So it's not just demographics. It's not just secure finances. It's also how well you manage your operations, and that's approximately 25% of every rating. Financial policies within that rating are termed very important. So, within the 25%, financial policies are a significant or an important portion of that 25%. And the policies before you reflect research from the best managed cities, towns, and counties in America. They were then further improved and also reflect the local conditions here in Springfield, the sort of "where we're coming from" as well as the uniqueness of Springfield, because Springfield is different than Fairfax County and different than every other city, town and county in America.

The rating up-grades we received, both of them specifically referenced these policies in strong terms and favorable terms, indicating that their, that the ratings were...the rating increases...were related to the existence of these...of the proposed financial policies as well as their implementation and *continued* implementation being factors that would result in future rating increases.

The major areas of financial policies are budget, revenue, financial reserves, capital plan, debt and debt management, cash management, mandatory reporting and account reconciliation (the latter of which has not been a frequent occurrence for the city in the past), departmental responsibilities, and grants. It includes things such as mandatory multi-year financial forecasting, revenue and expenditure estimation, minimum reserve fund balances, monthly reports and a whole bunch of other things.

So that's really a very brief overview of what the financial policies are, how they were arrived at, who was involved, where they come from. We'd be happy to answer any

questions you may have now or be happy to meet with you on an individual basis or small group basis—however you'd like me to assist you in this process.

AL: Does anybody have any questions now?

TG: I just wanted to say that, Steve, this is very well done. I have a number of questions which I'd like to address, I guess, privately at some point with you. Like, for example, I wasn't sure that the trash fee fit within the parameters of this policy, just as one example.

SL: OK.

TG: Some other things like that, so I'd love to discuss it with you.

SL: Sure, that'd be great. Thank you.

CVR: Is it be fair to say that in the recent past and the present time, there are no written financial policies of the city?

SL: There...in the past, there have...there have been nothing written. In the last six months or so, there have been some skeletal financial policies in place. And the city has been operating under some "soft" policies—they have not been written. But I know that the city has been operating under a number of best practices, but without the actual policies being in place.

CVR: In the past, let's say, prior to the control board...

PP soto voce to SL: There was nothing.

CVR: ...there weren't any guidelines as to how the people who run the city government were supposed to act...

SL: That's correct.

CVR: ...with respect to revenue estimates or debt service or anything else.

SL: Yes, sir, and that's a terrific point you raise. For instance, if we just look at revenue estimation, as we looked at prior year budgets, the revenue estimates were not necessarily based on any...

PP soto voce to SL: Historical trends.

SL: ...historical trend data. *These* financial policies require that you go based on the city's past, historical trends and, to the extent that you project a variance, you must justify that variance and place that variance in a written document of the revenue budget which is then communicated to the mayor and to the city council. So everybody gets to see the

information. It's not just a revenue estimate that no one sees other than the finance department, which was the past practice.

CVR: OK, thank you.

PP: If I might just add one point is that what we're trying to formalize and codify is really what the board has given us direction to operate on with for, you know, the past two and a half years in practice.

AL: Very good. I'm sure you'll get a lot of private comments.

PP: Sir.

JJ: Is...when I read through this quickly over the week-end, I didn't notice that there was a spot that made clear the difference between what I'll call "gap accounting" or "public sector gap accounting" and cash accounting. So, for example, many people *hear* "We have a balanced budget" and think they can spend the revenue. When you can have a balanced budget for accounting purposes and not have the cash to spend, which is what Springfield did for many years. It spent money that it did not, in fact, have, even though it had a "balanced" budget. So is there...is it in here and I missed it or is it an intentional omission to not have a financial policy which *clarifies* for people the *difference* between the, you know...having a balanced budget doesn't mean you have the cash to spend and reconciling those two?

SL: There...there are a couple policies that speak to that, though perhaps not as directly as may be advisable. The budg—some of the budget policies require, for instance...from an accounting...they look from an accounting perspective and say "You cannot count revenue unless there is a reasonable *assurance* that it will come in. And you must count an expense if there is a reasonable *likelihood* that it will be incurred." So it has the bias toward counting expenses and the bias toward *not* counting revenue.

There are also financial reporting requirements to the extent that you miss your financial projections. So your budget says that we'd bring in \$150million and you only brought in \$140million, that triggers a mandatory public reporting. So there are a couple things that get us, I think, some close to where you're going, but I think, perhaps, a specifically crafted policy to address that may be of assistance.

JJ: Just it might be something that is done in some reform at the time the budget is submitted to reconcile in a way that a person without a lot of financial background can understand "Is the budget 'cash reconciled' or is it only 'accounting reconciled?'" And I just think it would be helpful, because we have a lot of data that says, at least in the past, there were elected officials who were attempting to discharge their responsibilities and clearly didn't understand that difference.

PP: Between...yes, sir.

CVR: I'm not sure whether or not...I suppose there's two schools of thought on this, but when you enact policies, they should be kind of abstract documents. By the same token, some of the most egregious mistakes that were made prior to the control board were so horrendous that I, personally, would feel happy if we could go a little bit further in these policies, and, by way of example, refer to, for example, estimating that you would collect 100% of taxes when the history was that they were collecting 92% of taxes. And at \$1.2million per percentage point, it really meant that the city was automatically starting off at a \$7million or \$8million disadvantage in dealing with reality.

And while it may be editorializing, in a way, we're drawing a document for people that are going to come here and run this city after we're gone. And if they're going to have to confront these written policies, I think it would be helpful if we spelled out for them some of the actual misdeeds that occurred so that they would feel it's not just an abstract document, that this really is one of the primary reasons that the city went under. So I would recommend that to you for your consideration.

SL: I'd be happy to include that, Mr. Mayor.

CVR: The other thing is this, that it would be helpful to me as we try and move forward to get further information and further discussion, perhaps with you and the chief financial officer, if you could quantify, as best you can, many of the recommendations that are made, for example, "there should be a reserve of 3% to 5%" or something like that. I would really like to have those things spelled out as to how many millions of dollars that we're talking about. Because there's probably five, ten or twelve areas where certain specific recommendations are being made that we do X% of this particular figure or Y% of another figure, and if they could be quantified, it would really be easier to deal with them.

AL: You know, from my perspective, you want a policy that is balanced, but I don't want to tie the hands of the mayor or the city council who's ultimately going to run this city, so I want to have it as a guideline, but not as something that's so onerous that the elected officials, you know, can't use any judgment in running the city and town.

CVR: And I would just second that point, too.

SL: And I think, to that end,...

CVR: I'm not going to be here to do it, but I really do think there's got to be some awareness of the fact that this is a dynamic process.

SL: I think, to that end, reflecting those specific points, there *is* a policy here which is reflected in no other policy that we saw in our research across the U.S. that says "You can 'violate' the policies. These are best practice policies, but if you violate them, you have to notify everyone."

CVR: Yeah.

SL: So it provides that flexibility. These are our best practices...

AL: [unintelligible]

SL: Yes, "If you *fail to comply* with the policies..." Thank you.

KW: I would just like to, like to make a comment that I...it is a wonderful report and there are fabulous guidelines in this. And that I am very happy to see the city council included in so much of the language and that there'll be actually guidelines for the city council as we start the transition process for when the mayor and the city council will again be totally responsible for the budget.

SL: Thank you.

PP: And we have one more item...

AL: OK because we are running really late.

PP: We're running really late, and ...

AL: Let's do one more item.

SL: Well, we can make the presentation extraordinarily brief, if you'd like.

PP to SL: Do you have written documentation?

Debt Restructuring

SL: Yes. [to control board] You were sent...each of you were sent a memo with regard to the bond structure for the city's recent debt issuances. The long and short of it is that those bonds were issued in a very unique structure which resolves some *very* significant problems in the city's prior debt structure. The city's existing debt structure has a number of...two areas and two what are known as "spikes." One of which would result in a 36% increase in the debt service budget in one year. The other would result in a 42% increase...

AL: This came about ?

SL: This came about from a number of things. Actually, the Mayor's comment of earlier that will be included in some of the financial policies of some of the games that were played previously with bond money, resulting in some very significant problems in the city's debt service budget. We have eliminated those problems through the issuance of the city's debt, have created a brand new structure of debt issuance that has not been used before, unique to the city of Springfield. That structure itself will save \$8.52million for the taxpayers of Springfield. If you add onto that the \$1.1million that will be saved from

the debt structure used for the ESCO bonds, we're looking at \$9.62million in savings for the taxpayers just based on structural decisions made with regard to...

AL: That relates to how interest is...amortization of the loan?

SL: Yes, sir. Yes, sir. It relates to where principal is paid off and how, with the debt spikes how you have, how you filling the troughs to make sure you don't have giant increases in the debt burden.

AL: Sounds good to me.

TG: Question: who advises you on this? This is really a very good memo. Who advised you, by the way?

SL: The city's bond financial advisors are First Southwest Company, located, I believe, out of Texas. Our office is in Boston as well as Raymond James Associate and UBS.

TG: I just have one question of a substantive nature. As I understand this hybrid structure, you accelerate to some extent, even in the hybrid structure, payment of principal.

SL: Yes, sir.

TG: So, does that mean that in the earlier years of this issuance that there is greater debt service payments than there would be otherwise?

SL: That is correct. Yes.

TG: So we are, in effect, increasing our budgeted costs in the first couple of years going forward as a result of this thing. So we could have saved money, but been financially unwise in doing so.

SL: That's right.

AL: To reduce the cash outflow costs us more money in the long run for the city.

TG: So, it puts a little pressure on 2008, does it not?

SL: It does, but the advantage to this is...well, excuse me, it puts the...I would say it puts the pressure on, perhaps in 2010 and 2011. What we've done is we've actually flatlined it. We said, "Where we're going to set the bar is: when we issue the new debt, our existing debt service plus that will be the new bar moving forward." So it's flatlined; it doesn't from an opportunity cost sense, it's more difficult, but from a budgetary sense, we just need to maintain for the next ten years or so.

PP: And when Steve did the analysis and we saw the difference in doing it flatline or in the traditional approach, the difference did not seem to be large enough to us to not warrant moving forward in this direction.

AL: So this would be like if you had a home mortgage, this would be like making an extra principal payment on your monthly mortgage which cuts down on the interest cost and saves you hundreds of thousands of dollars on your mortgage,

SL: And in this instance, \$9.6million.

AL: Well, that's a big mortgage.

SL: Yes, it is.

PP: And that concludes our presentation, sir.

AL: OK. Is there any new business before we take the vote to go into executive session?

JJ: Yes, I have. In our last meeting on executive order 12-18-01, we said that it was for fiscal year 2008, and it's supposed to be fiscal year 2007, I am told. So we need a motion to amend executive order 12-18-01 from last session to change the date from 2008 to 2007. I would be happy to make that motion.

****MOTION PASSES UNANIMOUSLY.**

PP: The staff apologizes for not catching that.

AL: OK, we're going to go into executive session and let me...I'm sorry.

Public Speak-out at Control Board Meetings

CVR: Mrs. Walsh, did you want to make a motion about speak-outs? If you don't, I will.

KW: I would love to be able to make a motion on public speak. I did not know what the....it's my first meeting with the board. I did not know what would be appropriate, but I would like to make a motion that part of the agenda of the Springfield Control Board include public speak.

CVR: I've already had a conversation with the board members on this, and I think that the sentiment is very much in favor of this. And I would suggest that it begin at our next regular meeting with a half hour prior to the call of the meeting to have a speak-out here in this room for those members of the public who want to come forward.

AL: OK.

KW: And I would also like to include, as we do with the Springfield city council, that there's a time limit with public speak.

AL: You mean a three minute?

CVR: Yeah.

KW: A three to five minute.

AL: You can control that....?

KW: I'm working on it. I'll bring my gavel with me.

****MOTION PASSES UNANIMOUSLY.**

Meeting adjourned to discuss labor and litigation matters.