

SENATE NO. 1147

AN ACT RELATIVE TO MUNICIPAL FINANCE

*Be it enacted by the Senate and House of Representatives in General Court assembled,
And by the authority of the same, as follows:*

1 SECTION 1. To amend or create Massachusetts General law upon the approval of two-thirds
2 of the city or municipal corporation to issue stock (similar to preferred stock) in the municipal
3 corporation up to 50% of the total valuation of the community or municipal entity to create a
4 capital reserve account or municipal stock fund or whatever name is appropriate in accordance
5 with generally accepted accounting principles the proceeds, not the principal, of which can be
6 used to augment but not totally appropriate or fund the principal and interest payments for
7 communities or municipal corporations expenditures for the following purposes: to augment the
8 municipalities. School and municipal building and repair programs (not annual maintenance)
9 including libraries, city or town halls, police and fire stations, water and sewer plants, stadiums,
10 and swimming, health, athletic facilities or whatever can be categorized as a long term capital
11 improvement that further the public good and health of the municipal corporation and the
12 Commonwealth and their residents; the stock price shall be determined by the total valuation as
13 of January 1 of the calendar year divided by the population as of the most recent decennial

14 census (stock price may fluctuate from year to year); the proceeds may also be used to reduce
15 short or long term debt at higher rates; no proceeds from the issue shall be used for
16 administrative personnel salaries nor expense but rather all annual expenses other than those
17 related to the initial issue must be borne by the municipal entity in the chief financial officer's
18 or treasurer's office and or municipal budget; stock may be purchased by residents, business
19 owners, land owners, and employees of the municipal entity or corporation in suggested share
20 denominations of no less than 100; the amount of debt liability must not exceed the total of
21 combined inside and outside debt allowed to the community under statute and can be exceeded
22 only exceptional purposes deemed acceptable and only with approval by the department of
23 revenue, division of local services and only to a level not to exceed 10% of the total valuation or
24 whichever is greater; dividend/proceeds/interest shall be paid at a rate of 1/2 % less than the
25 discount rate annually or at a regularity allowed by statutes and shall be exempt from federal
26 and state taxes and the applicable local tax commitment; the Commonwealth must take the
27 necessary steps state and or federal legislation be introduced or whatever the case may be to
28 make the dividends or proceeds or interest exempt from federal, state and local taxes; all issued
29 municipal stock must be held for at least one year of purchase and then may be redeemed with
30 the appropriate applicable interest accrued to the purchaser; with the principal, municipalities or
31 municipal corporations may or can purchase or invest securities and can invest in financial
32 instruments and conduct financial transactions within the confines of federal and state financial
33 statutes and the legal list promulgated by the division of banks and securities division of the
34 secretary of state, preferably nine-tenths of issue or portfolio in government bills, notes and
35 bonds; capital reserve account will be the responsibility of the chief financial officer and or
36 treasurer of the municipal entity; this account shall be subject to regular audit by the department

37 of revenue, state auditor, secretary of state securities division, and division of banks or specific
38 agency deemed appropriate by the General Court and any expenses incurred by the agencies
39 shall be paid by the proceeds of the principal of the capital reserve account; the expense of the
40 initial municipal stock issuer or municipal corporation as well as any expenses incurred by the
41 municipal corporation throughout the subscription process including bond counsel,
42 underwriters, insurers, brokers, investment banks, rating agencies and other relevant agencies
43 not mentioned; private auditing of the municipal stock fund must be performed on a biennial
44 basis and may be performed annually and expensed by the proceeds; any ongoing protection of
45 stock fund requiring insurance may be expensed by the proceeds provided it is required by the
46 statute and or recommended by the division of insurance and or the appropriate auditing entity
47 private and or public or both.