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CITY & TOWN

A Publication of the Massachusetts Department of Revenue's Division of Local Services

Qualified Bonds

Massachusetts has a unique program to improve the marketability of bonds for municipalities that have marginal credit ratings: the state treasurer pays the debt service directly from the community's local aid, reinforcing the security of the bonds. In recent years, issuers of "Qualified Bonds" have been able to obtain bond insurance that was otherwise not available. These credit enhancements have reduced the cost of borrowing by $\frac{1}{4}$ to $\frac{1}{2}$ percent. Moody's Investors Service, one of the major national rating agencies, has recently announced a "program" rating of A2 on most issues of Qualified Bonds.

The Emergency Finance Board (EFB) authorizes issuance of these bonds, as provided in Chapter 44A. Qualified bonds can be issued for any legal borrowing purpose. At the end of 1998, 11 cities and two regional school districts had been authorized to sell such bonds, some of them having received several authorizations. The treasurer of the city, town or regional school district files an application, accompanied by a copy of the original vote authorizing the indebtedness, and a copy of the vote of the appropriate executive board granting the treasurer authority to file the application, with the EFB. The EFB then investigates the need for the improvements to be financed from the proceeds of the proposed bonds; the ability of the borrowing entity to provide

other essential public improvements and to repay the debt service; the reasonableness of the amounts to be expended; and the amount of the local aid payments likely to be made to the city, town or regional school district. If

Significant savings for communities.

the EFB is satisfied that the entity filing the application is entitled to issue qualified bonds, the Board adopts a resolution authorizing issuance within 60 days of the application's submission. The Board may require future debt restrictions or other fiscal limitations that it deems necessary as a result of its investigation. These requirements, which are in writing, are binding but may be modified in the future.

The Department of Revenue's Division of Local Services (DLS) prepares a coverage analysis demonstrating the ratio of the available state aid to all potential deductions from state aid plus the payment of principal and interest due on the Qualified Bond issue in the first full year. This standard financial tool is used by rating agencies and other analysts in evaluating the sale of the bonds. Qualified bonds are then issued by the city, town or school district for not less than 10 nor more than 30

years. Each bond must have language on its face stating that it has been issued pursuant to the Qualified Bond Act. The treasurer must certify the maturity schedule of the debt issue, the interest rate(s), and the debt service payment schedule to the state treasurer within 10 days after the date of issue. The state treasurer pays the principal and interest on the qualified bonds. The payments are automatically withheld from the community's state aid or any other amounts due to the city or town.

The rapid expansion in the use of the Qualified Bond program indicates the efforts of issuers, their financial advisors, the bond counsel, the EFB and DLS are generating significant savings to cities and towns. ■

written by Jean McCarthy

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LEGAL

in Our Opinion

Q: A property owner's house abuts a town sewer line and the owner has the opportunity to hook into the system. He has no intention of connecting to the system. Should his home be subject to a sewer assessment?

A: Yes. A betterment or special assessment is a tax that is permitted where a property within a limited and determinable area receives a special benefit or advantage from the construction of a public improvement, separate and distinct from a general benefit received by the entire community. If parcels abutting or adjacent to the improvement receive the special benefit, all or a portion of the cost of the public improvement may be assessed to those properties.¹ The special benefit, in this instance, is the ability to hook up to the sewer. Betterments and special assessments are assessed on all real properties benefiting by the construction of the improvement. Accordingly, all parcels abutting a sewer street, whether or not they are actual users, are likely subject to the assessment.²

The Massachusetts Appeals Court analyzed these statutory provisions in a case where a taxpayer challenged a sewer assessment. The Court examined the language of Chapter 83 Section 15. Citing an earlier case, the Appeals Court noted that three classes benefited from the sewer and were therefore subject to assessment: (1) those with houses who do not wish to hook up to the sewer; (2) those with vacant lots and (3) those with houses who do wish to enter their drains into the sewer. The Court held that "the statute contemplates assessing those remotely benefited as well as those immediately benefited by the sewer."³ Relying on *Stepan*, we believe the house is subject to the assessment even if the owners do not wish to hook up to the sewer system.

Q: Would a private school that is exempt from property taxes also be exempt from a betterment or special assessment?

A: No. The only parcels exempt from betterments and special assessments are (1) those owned by a governmental entity for public purpose,⁴ and (2) those properties that could never connect to the system. [Chapter 83 Section 14 states in pertinent part that "no assessment in respect to any such land, which by reason of its grade or level or any other cause cannot be drained into such sewer, shall be made until such incapacity is removed."]

There are no exemption provisions in Chapters 80 and 83 for individuals, or charitable or religious organizations. Years ago, the Supreme Judicial Court ruled that Harvard College was not exempt from an assessment imposed by the board of aldermen of Boston for the widening of Devonshire Street.⁵ In another decision the Court also held that the charitable exemption "has been decided to extend only to taxes imposed for the usual public purposes and not to include special assessments for particular benefits."⁶ Under the facts presented, the private school would be subject to a betterment or special assessment.

Q: What is the land of low value procedure?

A: The land of low value procedure is an alternative collection procedure, available only for parcels with a value of not more than \$5,000.⁷ Under normal circumstances when taxes are unpaid on a parcel, the collector makes a tax taking to protect the community's lien. The instrument of taking must be recorded or registered at the Registry of Deeds within 60 days of the date of the taking. Such property, called a Tax Title, becomes the responsibility of the city or town treasurer. Ordinarily, the treas-

urer will pursue foreclosure of the tax title in the Land Court. The land of low value procedure provides a less expensive, more convenient alternative.

Under this expedited statutory procedure, the treasurer files a written application, at least 90 days after the tax taking, with the Commissioner of Revenue. The Commissioner must be of the opinion that the parcel's value does not exceed \$5,000. If proper evidence has been presented, the Commissioner will issue an affidavit which authorizes the treasurer to foreclose through a public auction. The affidavit will be recorded or registered by the treasurer at the Registry of Deeds. By statute, the treasurer must post and publish notice at least 14 days in advance of the auction. Although not required by law, it is recommended that the treasurer also notify interested parties such as the owner, mortgagee or attaching creditors, by certified mail at least 14 days prior to the auction. The treasurer acts as the auctioneer at the appointed time and place. Although the statute is silent as to minimum bid, the Department has recommended that the bidding begin at the amount due for the redemption of the tax title. A successful bidder must make full payment, including recording fees, within 10 days. If no bid is accepted, the treasurer prepares and records a deed to the municipality for this tax possession parcel. ■

compiled by James Crowley

1. *Union Street Railway Company v. Mayor of New Bedford*, 253 Mass. 304 (1925).

2. M.G.L. Ch.83 Secs. 14 & 15.

3. *Stepan Chemical Company v. Town of Wilmington*, 8 Mass. App. 870 (1979).

4. *Worcester County v. Worcester*, 116 Mass. 193 (1874).

5. *Harvard College v. Aldermen of Boston*, 104 Mass. 470 (1870).

6. *Williams College v. Williamstown*, 219 Mass. 46 (1914).

7. M.G.L. Ch.60 Secs. 79-80C.

FOCUS

on Municipal Finance

Stabilization Funds

This month *City & Town* looks at stabilization funds over the ten-year period from FY1987 to FY1997. The article describes stabilization funds as a percent of the total budget and discusses which communities have consistently maintained a high percentage of their total budgets in stabilization funds. Some communities have no stabilization fund either by choice or by economics, and other communities have less than .1 percent of their budget in their stabilization fund.

Generally, communities may not retain funds from year to year without specific legislative authority. In addition to stabilization funds, communities may retain funds in enterprise funds and in certain specific instances, such as ambulance fees, may have receipts reserved for appropriation. Another way of saving money is free cash. Some cities and towns budget conservatively to provide extra money in their operating budgets which will eventually become free cash. Free cash may be spent after certification by the Director of Accounts with a simple majority vote of the legislative body.

The stabilization fund is a mechanism for setting aside money either for unforeseen needs or for capital projects. A fund equalizes the effect of capital expenditures over time, as capital appropriations can change considerably from year to year. For other needs, it provides a "rainy day" fund. The balance in the fund will build up during years when revenues are strong and expenditures are low. During years with high capital expenditures or lower than expected revenues, the community can transfer money from the fund to reduce the impact on the tax rate or the amount of borrowing required.

A community may appropriate up to 10 percent of the previous year's tax levy into the fund, as long as the balance in the stabilization fund does not exceed 10 percent of the community's equalized valuation. Interest earned on any fund balance is retained as part of the fund. A majority vote by the community's legislative body (town meeting or city or town council) is required to appropriate funds into the stabilization fund. Two thirds of the same body must vote to appropriate money out of stabilization funds.

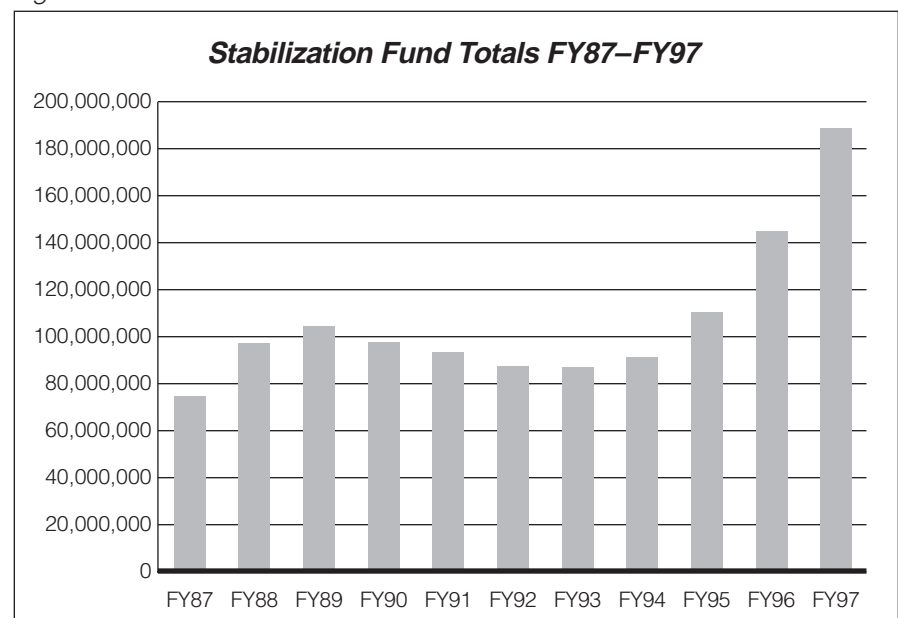
In 1991, the uses of stabilization funds were expanded to include "any lawful municipal purpose" enabling communities to use these funds for general operating expenses if needed.¹ Prior to that time stabilization funds could only be used to finance capital expenditures for which a community could borrow.² The change in potential uses for stabilization funds coincided with a downturn in the economy, making an analysis of the impact of the change difficult at the time it occurred. With the ten-

year perspective, however, it seems clear that economic conditions have impacted stabilization fund balances far more than the liberalization of proposed uses.

Mirroring the local economy, stabilization funds increased from FY1987 through FY1989 then decreased until FY1992. *Figure 1* shows the yearly totals from FY1987 to FY1997. The decrease in funds beginning in FY1990 may indicate that because of the difficult fiscal situation at the local level caused by the decline in state aid coupled with decreased local revenues during the recession of the early nineties, communities appropriated fewer dollars into stabilization funds while at the same time drawing from those funds for capital projects and other needs. As the economy improved, stabilization funds increased slowly in FY1993 and continued to increase through FY1997. From FY1993 to FY1997 stabilization funds increased by 113.5 percent.

continued on page six ➡

Figure 1



Stabilization Funds as a Percent of Budget in FY1993, FY1995 and FY1997

Municipality	FY1993 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.	FY1995 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.	FY1997 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.	Municipality	FY1993 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.	FY1995 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.	FY1997 Total Budget*	Pct. of Sub. Fund*	Pct. of Bdgd.
Abington	20,344	140	0.7	22,998	116	0.5	23,572	64	0.3	Chicopee	71,331	29	0.0	78,400	31	0.0	88,977	4	0.0
Acton	31,636	281	0.9	33,974	375	1.1	39,445	315	0.8	Chilmark	2,494	150	6.0	2,878	214	7.4	3,354	435	13.0
Acushnet	9,189	89	1.0	11,032	240	2.2	13,431	273	2.0	Clarksburg	1,792	17	1.0	1,997	39	2.0	2,232	155	7.0
Adams	7,308	1,897	24.0	8,308	1,986	24.0	9,063	2,192	24.2	Clinton	15,215	955	6.3	17,553	415	2.4	19,364	459	2.4
Agawam	34,625	609	1.8	36,886	660	1.8	43,396	1,471	3.1	Coltasset	14,936	38	0.3	16,293	111	0.7	18,487	306	1.7
Afford	690	45	6.5	705	47	6.7	782	79	10.1	Collins	1,736	81	4.7	1,805	35	1.9	2,061	92	4.5
Amesbury	40,232	2	0.0	26,191	2	0.0	30,050	2	0.0	Concord	30,763	2	0.0	33,186	2	0.0	37,286	2	0.0
Amherst	34,613	766	2.2	37,593	496	1.3	42,605	2,004	4.7	Conway	2,375	204	8.6	2,517	217	8.6	3,273	241	7.4
Andover	57,291	975	1.7	64,894	1,199	1.9	74,788	1,468	2.0	Cummington	1,173	101	8.6	1,156	136	11.8	1,294	160	12.4
Arlington	68,241	543	0.8	71,058	846	1.2	74,762	1,321	1.8	Dalton	7,399	211	2.9	7,677	236	3.1	8,768	462	5.3
Ashburnham	5,224	105	2.0	6,309	25	0.4	6,256	5	0.1	Danvers	46,401	317	0.7	48,920	51	0.1	53,473	408	0.8
Ashby	2,441	0	0.0	3,473	1	0.0	3,473	5	0.1	Dartmouth	31,757	262	0.8	42,190	726	1.7	41,313	1,090	2.6
Ashfield	1,662	139	8.4	1,831	120	6.6	2,376	78	3.3	Dedham	37,949	272	0.7	40,595	53	0.1	44,842	192	0.4
Ashland	19,012	3	0.0	21,098	4	0.0	23,691	4	0.0	Deerfield	6,679	1,021	15.3	6,659	870	13.1	8,922	720	8.1
Attol	8,533	113	1.3	7,824	126	1.6	8,971	256	2.9	Dennis	22,220	0	0.0	23,692	0	0.0	25,444	0	0.0
Attleboro	48,417	0	0.0	56,225	0	0.0	67,766	211	0.3	Dighton	5,686	19	0.3	6,121	11	0.2	6,950	333	4.8
Auburn	19,542	6	0.0	21,214	6	0.0	24,155	7	0.0	Douglas	7,378	2	0.0	8,337	2	0.0	10,804	601	5.6
Avon	7,984	6	0.1	8,385	6	0.1	9,037	44	0.5	Dover	10,486	322	3.1	11,421	359	3.1	12,547	400	3.2
Ayer	15,272	61	0.4	16,241	65	0.4	17,270	181	1.1	Dracut	27,567	237	0.9	31,035	139	0.5	38,935	970	2.5
Barnstable	68,577	641	0.9	74,915	686	0.9	93,344	141	0.4	Dudley	6,450	2	0.0	6,874	0	0.0	8,193	53	0.6
Barre	4,468	317	7.1	4,726	312	6.6	5,799	281	4.9	Dunstable	2,614	110	4.2	2,954	112	3.8	3,640	126	3.5
Becket	2,210	191	8.6	2,543	163	6.4	2,756	96	3.5	Duxbury	26,631	526	2.0	29,218	470	1.6	33,271	729	2.2
Bedford	31,190	197	0.6	32,115	2	0.0	36,082	94	2.2	E. Bridgewater	17,760	0	0.0	19,681	0	0.0	21,930	564	2.6
Belchertown	13,088	101	0.8	15,292	273	1.8	22,257	758	3.4	E. Brookfield	1,488	469	31.5	1,693	495	29.3	2,085	439	21.1
Bellingham	21,159	2	0.0	25,054	510	2.0	28,060	1,074	6.1	E. Longmeadow	20,497	254	1.2	22,395	537	2.4	26,252	252	1.0
Belmont	47,597	0	0.0	49,562	141	0.3	55,134	292	0.5	Eastham	10,044	104	1.0	10,830	5	0.1	11,956	5	0.1
Berkley	5,087	54	1.1	6,083	11	0.2	7,371	113	1.5	Easthampton	18,992	0	0.0	21,395	50	0.2	22,958	257	1.1
Berlin	2,708	82	3.0	3,362	39	1.2	4,448	639	14.4	Easton	22,496	312	1.2	29,438	405	1.4	33,339	207	0.6
Berkshires	1,985	51	2.6	2,010	32	1.6	2,181	9	0.4	Edgartown	10,479	138	1.3	11,878	76	0.6	14,268	13	0.1
Beverly	58,315	0	0.0	63,644	0	0.0	68,473	0	0.0	Egmont	2,147	11	0.5	2,272	0	0.0	2,256	0	0.0
Billerica	57,567	0	0.0	63,583	466	0.7	72,602	1,083	1.5	Erving	3,658	451	12.3	3,818	411	10.8	3,970	559	14.1
Blackstone	6,099	160	2.6	7,298	228	3.1	7,939	420	5.3	Essex	4,397	237	5.4	4,856	108	2.2	5,947	135	2.3
Blackford	1,198	14	1.2	1,312	15	1.1	1,411	18	1.3	Everett	61,013	0	0.0	66,865	1,001	1.5	73,612	12	0.0
Bolton	4,697	0	0.0	5,822	0	0.0	7,457	0	0.0	Fairhaven	21,328	8	0.0	24,135	16	0.1	25,962	1,622	6.3
Boston	1,376,056	0	0.0	1,477,269	0	0.0	1,423,911	0	0.0	Fall River	125,146	473	0.4	133,825	257	0.2	150,347	48	0.0
Bourne	23,658	139	0.6	25,745	230	0.9	28,037	378	1.4	Falmouth	49,786	187	0.4	54,418	381	0.7	60,359	785	1.3
Boxborough	6,191	60	1.0	7,238	73	1.0	8,385	131	1.6	Fitchburg	50,124	0	0.0	58,216	0	0.0	68,316	0	0.0
Boxford	9,709	251	2.6	11,306	268	2.4	14,459	254	1.8	Florida	1,214	11	0.9	1,609	6	0.4	1,710	70	4.1
Boylston	4,893	185	3.8	4,918	208	4.2	5,558	313	5.6	Foxborough	22,333	1,794	8.0	27,054	1,639	6.1	30,383	1,662	5.5
Brantree	57,592	1,154	2.0	65,596	809	1.2	68,930	1,109	1.6	Framingham	104,894	3,172	3.0	115,797	3,381	2.9	134,198	3,938	2.9
Brewster	19,071	690	3.6	21,740	2,463	11.3	22,566	2,195	9.7	Franklin	30,947	135	0.4	37,611	1,035	2.8	50,746	1,339	2.6
Bridgewater	20,431	2	0.0	20,746	110	0.5	24,655	504	2.1	Freetown	8,163	2	0.0	9,435	164	1.7	11,997	85	0.7
Brimfield	3,472	54	1.6	4,599	169	3.7	5,524	617	11.2	Gardner	22,694	0	0.0	27,161	0	0.0	32,609	472	1.5
Brockton	141,093	5	0.0	162,027	875	0.5	190,996	2,111	1.1	Gay Head	1,278	0	0.0	1,380	0	0.0	1,478	0	0.0
Brookfield	3,143	215	6.8	4,179	244	5.8	4,873	469	9.6	Georgetown	8,646	67	0.8	9,927	4	0.0	12,709	1,282	10.1
Brookline	106,896	4	0.0	118,990	5	0.0	128,885	5	0.0	Gill	1,224	67	5.5	1,372	116	8.5	1,447	97	6.7
Buckland	2,005	40	2.0	2,100	30	1.4	2,408	22	0.9	Gloicester	46,477	0	0.0	49,647	1,228	2.5	57,493	2,257	3.9
Burlington	49,809	74	0.2	55,169	13	0.0	57,565	14	0.0	Goshen	1,172	145	12.4	1,257	111	8.8	1,321	119	9.0
Cambridge	319,830	4,476	1.4	342,268	7,700	2.3	380,199	7,095	2.5	Gosnold	684	139	20.3	761	214	28.1	835	248	33.0
Canton	34,284	157	0.5	36,469	215	0.6	41,945	253	0.6	Granton	15,460	124	5.3	17,158	751	4.4	19,250	784	4.1
Carlele	8,904	37	0.4	10,169	6	0.1	11,334	6	0.1	Granby	6,705	124	1.9	7,246	135	1.9	7,988	150	1.9
Carver	13,335	2	0.0	17,995	133	0.7	21,087	419	2.0	Granville	2,284	86	3.8	2,383	62	2.6	2,560	69	2.7
Charlton	1,405	143	10.2	1,380	56	4.0	1,704	111	6.5	Grt. Barrington	10,513	957	9.1	11,340	1,164	10.3	13,712	311	2.3
Charlton	6,756	7	0.1	7,853	23	0.3	9,119	142	1.6	Greenfield	25,252	5	0.0	26,842	6	0.0	31,364	129	0.4
Chatham	17,157	23	0.1	20,818	25	0.1	20,915	90	0.4	Groton	10,718	30	0.3	11,766	85	0.7	13,744	219	1.6
Chelmsford	49,141	364	0.7	53,507	1,352	2.5	58,352	2,744	4.7	Groveland	6,306	44	0.7	6,478	47	0.7	7,509	82	1.1
Chelsea	53,086	0	0.0	69,277	0	0.0	76,400	340	0.5	Hadley	5,485	401	7.3	6,041	256	4.2	8,153	549	6.7
Cheshire	2,317	82	3.6	2,325	90	3.9	2,948	96	3.3	Halifax	7,919	231	2.9	9,074	156	1.7	11,159	714	6.4
Chester	1,204	46	3.8	1,246	39	4.0	1,421	0	0.0	Hamilton	10,432	310	3.0	11,174	213	1.9	12,450	286	2.3
Chesterfield	1,247	18	1.5	1,290	30	2.4	1,551	39	2.5	Hampden	5,704	0	0.0	5,469	0	0.0	5,851	205	1.8

Municipality	FY1993 Total Budget*	FY1993 Sub. Fund*	Pct. of Bdgd.	FY1995 Total Budget*	FY1995 Sub. Fund*	Pct. of Bdgd.	FY1997 Total Budget*	FY1997 Sub. Fund*	Pct. of Bdgd.	Municipality	FY1993 Total Budget*	FY1993 Sub. Fund*	Pct. of Bdgd.	FY1995 Total Budget*	FY1995 Sub. Fund*	Pct. of Bdgd.	FY1997 Total Budget*	FY1997 Sub. Fund*	Pct. of Bdgd.
Methuen	55,065	2 0.0	59,544	14 0.0	59,544	14 0.0	67,993	1,016 1.5	67,993	1,016 1.5	Princeton	4,840	100 2.1	5,006	111 2.2	5,115	11 0.2	5,115	11 0.2
Middleborough	27,407	4 0.0	31,576	4 0.0	31,576	4 0.0	35,908	130 0.4	35,908	130 0.4	Provincetown	13,441	245 1.8	14,378	554 3.9	16,132	22 0.1	16,132	22 0.1
Middlefield	554	34 6.0	553	41 7.4	553	41 7.4	629	41 6.5	629	41 6.5	Quincy	137,510	0 0.0	148,264	0 0.0	161,451	1,081 0.7	161,451	1,081 0.7
Middleton	7,622	51 0.7	8,641	29 0.3	8,641	29 0.3	10,530	154 1.5	10,530	154 1.5	Randolph	40,184	795 2.0	42,024	700 1.7	47,173	493 1.0	47,173	493 1.0
Milford	36,611	2,737 7.6	40,521	3,754 9.3	40,521	3,754 9.3	46,329	4,058 8.8	46,329	4,058 8.8	Raynham	11,440	4 0.0	11,620	240 2.1	13,273	804 6.1	13,273	804 6.1
Milbury	14,530	667 4.6	15,686	774 4.9	15,686	774 4.9	17,305	698 4.0	17,305	698 4.0	Reading	35,450	0 0.0	41,618	0 0.0	47,115	0 0.0	47,115	0 0.0
Millis	11,993	471 3.9	12,936	246 1.9	12,936	246 1.9	13,873	283 2.8	13,873	283 2.8	Rehoboth	8,715	634 7.3	9,005	54 0.6	10,208	2 0.0	10,208	2 0.0
Millville	2,595	124 5.4	2,570	144 5.7	2,570	144 5.7	2,780	141 5.2	2,780	141 5.2	Revere	62,200	0 0.0	67,382	0 0.0	74,603	0 0.0	74,603	0 0.0
Milton	39,460	0 0.0	41,999	0 0.0	41,999	0 0.0	48,361	500 1.0	48,361	500 1.0	Richmond	2,503	98 3.9	2,927	182 6.2	3,342	212 6.3	3,342	212 6.3
Monroe	360	39 10.8	421	64 15.2	421	64 15.2	468	57 12.5	468	57 12.5	Rochester	6,271	51 0.8	7,311	86 1.2	8,531	385 4.5	8,531	385 4.5
Monson	10,840	143 1.3	12,224	258 2.1	12,224	258 2.1	14,208	343 2.8	14,208	343 2.8	Rockland	23,228	0 0.0	25,999	0 0.0	30,874	3 0.0	30,874	3 0.0
Montague	8,954	203 2.3	9,904	200 2.2	9,904	200 2.2	10,904	193 1.6	10,904	193 1.6	Rockport	23,228	0 0.0	25,999	0 0.0	30,874	3 0.0	30,874	3 0.0
Monterey	1,441	153 10.6	1,624	202 12.4	1,624	202 12.4	1,757	63 3.6	1,757	63 3.6	Roxbury	2,275	538 23.7	1,834	326 17.8	2,639	1,122 42.5	2,639	1,122 42.5
Montgomery	824	80 9.7	931	155 16.6	931	155 16.6	977	181 18.5	977	181 18.5	Royalton	6,119	54 0.6	6,406	34 0.5	7,416	58 0.8	7,416	58 0.8
Mt. Washington	386	23 6.0	302	20 6.5	302	20 6.5	336	20 6.5	336	20 6.5	Royalton	902	54 6.0	930	93 10.0	979	152 15.6	979	152 15.6
Nahant	6,265	4 0.1	6,530	5 0.1	6,530	5 0.1	7,024	5 0.1	7,024	5 0.1	Russell	1,626	63 3.9	2,510	152 6.1	2,352	259 11.0	2,352	259 11.0
Nantucket	35,560	398 1.1	38,916	420 1.1	38,916	420 1.1	46,831	730 1.6	46,831	730 1.6	Rutland	5,484	369 6.7	5,782	341 5.9	6,834	1,153 16.9	6,834	1,153 16.9
Natick	49,382	1,064 2.2	55,705	17 0.0	55,705	17 0.0	62,735	2,510 4.0	62,735	2,510 4.0	Salem	63,341	453 0.7	71,486	453 0.6	74,827	508 0.7	74,827	508 0.7
Needham	53,492	917 1.7	57,885	837 1.5	57,885	837 1.5	64,557	1,067 1.7	64,557	1,067 1.7	Salisbury	10,276	0 0.0	10,150	0 0.0	10,885	0 0.0	10,885	0 0.0
New Ashford	247	18 7.5	269	21 7.6	269	21 7.6	377	24 6.3	377	24 6.3	Sandisfield	1,287	56 4.4	1,244	251 20.2	1,344	198 14.7	1,344	198 14.7
New Bedford	136,741	2,755 2.0	160,106	0 0.0	160,106	0 0.0	178,997	0 0.0	178,997	0 0.0	Sandwich	27,008	997 3.7	28,687	823 2.9	33,691	921 2.7	33,691	921 2.7
New Braintree	728	13 1.8	832	6 0.8	832	6 0.8	1,197	147 12.3	1,197	147 12.3	Saugus	38,862	596 1.5	41,155	667 1.6	45,109	736 1.6	45,109	736 1.6
New Marlborough	1,915	51 2.7	2,161	88 4.1	2,161	88 4.1	2,371	47 2.0	2,371	47 2.0	Saugus	814	0 0.0	1,068	33 3.1	1,042	111 10.7	1,042	111 10.7
New Salem	1,021	1 0.0	1,189	52 4.4	1,189	52 4.4	1,228	88 7.2	1,228	88 7.2	Savoy	27,043	393 1.5	29,096	524 1.8	33,486	883 2.6	33,486	883 2.6
Newbury	7,231	209 2.9	8,459	243 2.9	8,459	243 2.9	9,032	171 1.9	9,032	171 1.9	Scituate	17,560	241 1.4	20,971	176 0.8	22,855	168 0.7	22,855	168 0.7
Newburyport	26,283	0 0.0	28,270	5 0.0	28,270	5 0.0	30,789	15 0.1	30,789	15 0.1	Seekonk	25,613	4 0.0	28,675	4 0.0	32,970	5 0.0	32,970	5 0.0
Newton	162,494	162 0.1	178,793	0 0.0	178,793	0 0.0	199,053	0 0.0	199,053	0 0.0	Sharon	4,479	224 5.0	5,095	143 2.8	4,695	388 8.3	4,695	388 8.3
Norfolk	11,002	326 3.0	14,976	604 4.0	14,976	604 4.0	15,634	467 3.0	15,634	467 3.0	Sheffield	2,199	4 0.2	2,124	25 1.2	2,418	303 12.7	2,418	303 12.7
N. Adams	20,191	146 0.7	24,183	13 0.1	24,183	13 0.1	29,179	83 0.3	29,179	83 0.3	Sherburne	8,829	99 1.1	9,989	100 1.0	11,043	122 1.1	11,043	122 1.1
N. Andover	31,934	2 0.0	36,075	3 0.0	36,075	3 0.0	42,018	3 0.0	42,018	3 0.0	Shirley	5,407	6 0.1	6,573	2 0.0	7,496	394 5.3	7,496	394 5.3
N. Attleborough	31,142	398 1.3	36,675	1,257 3.4	36,675	1,257 3.4	44,029	4,935 11.2	44,029	4,935 11.2	Shrewsbury	33,439	53 0.2	38,521	60 0.2	43,357	9 0.0	43,357	9 0.0
N. Brookfield	5,810	0 0.0	6,723	0 0.0	6,723	0 0.0	7,756	70 0.9	7,756	70 0.9	Shrewsbury	2,071	42 0.1	2,571	8 0.3	3,314	9 0.0	3,314	9 0.0
N. Reading	21,635	370 1.7	27,643	434 1.6	27,643	434 1.6	28,668	816 2.8	28,668	816 2.8	Somersett	27,818	430 15.6	31,208	423 13.5	34,168	4,671 13.7	34,168	4,671 13.7
Northampton	42,645	745 1.8	45,265	169 0.4	45,265	169 0.4	49,490	0 0.0	49,490	0 0.0	Somerville	102,914	350 0.3	110,954	421 0.4	120,719	318 0.3	120,719	318 0.3
Northborough	17,249	71 0.4	19,396	614 3.2	19,396	614 3.2	22,062	1,101 5.0	22,062	1,101 5.0	S. Hadley	19,349	291 1.5	20,979	260 1.2	24,098	642 2.7	24,098	642 2.7
Northbridge	13,878	18 0.1	16,235	91 0.6	16,235	91 0.6	20,536	437 2.1	20,536	437 2.1	Southampton	5,110	289 5.7	6,045	267 4.4	7,583	293 3.9	7,583	293 3.9
Northfield	3,195	144 4.5	3,329	132 4.0	3,329	132 4.0	3,509	93 2.7	3,509	93 2.7	Southborough	11,900	507 4.3	14,102	1,198 8.5	15,459	1,982 12.8	15,459	1,982 12.8
Norton	19,633	30 0.2	22,403	226 1.0	22,403	226 1.0	28,290	1,512 5.3	28,290	1,512 5.3	Southbridge	24,822	1 0.0	27,057	192 0.7	29,132	291 1.0	29,132	291 1.0
Norwell	17,186	4 0.0	18,033	5 0.0	18,033	5 0.0	21,460	118 0.6	21,460	118 0.6	Southwick	7,415	1,993 26.9	8,685	1,886 21.7	9,893	2,125 21.5	9,893	2,125 21.5
Norwood	76,825	1,620 2.1	80,171	394 0.5	80,171	394 0.5	82,218	205 0.3	82,218	205 0.3	Spencer	7,649	3 0.0	8,626	147 1.7	9,630	44 0.5	9,630	44 0.5
Oak Bluffs	8,196	203 2.5	10,783	79 0.7	10,783	79 0.7	13,498	411 3.1	13,498	411 3.1	Springfield	314,737	0 0.0	347,071	0 0.0	321,232	0 0.0	321,232	0 0.0
Oakham	1,277	92 7.2	1,276	145 11.4	1,276	145 11.4	1,827	114 6.2	1,827	114 6.2	Sterling	7,842	7 0.1	8,247	8 0.1	9,656	584 6.1	9,656	584 6.1
Orange	9,167	36 0.4	10,613	56 0.5	10,613	56 0.5	12,641	447 3.5	12,641	447 3.5	Stockbridge	4,255	1,062 25.0	4,306	1,100 25.5	5,679	823 14.5	5,679	823 14.5
Orleans	15,600	385 2.5	15,290	443 2.9	15,290	443 2.9	16,705	682 4.1	16,705	682 4.1	Stoneham	33,040	2 0.0	36,383	3 0.0	40,757	647 1.6	40,757	647 1.6
Oris	2,430	180 7.4	2,529	179 7.1	2,529	179 7.1	2,360	491 20.8	2,360	491 20.8	Stoughton	40,221	3 0.0	43,531	3 0.0	48,552	3 0.0	48,552	3 0.0
Oxford	14,622	268 1.8	15,885	45 0.3	15,885	45 0.3	18,405	248 1.4	18,405	248 1.4	Stow	8,400	274 3.3	8,727	217 2.5	10,066	461 4.6	10,066	461 4.6
Palmer	17,145	14 0.1	19,806	15 0.1	19,806	15 0.1	21,496	16 0.1	21,496	16 0.1	Sturbridge	11,159	139 1.2	12,292	213 1.7	13,593	250 1.8	13,593	250 1.8
Paxton	4,321	10 0.2	4,658	14 0.3	4,658	14 0.3	5,260	47 0.9	5,260	47 0.9	Sudbury	28,750	278 1.0	32,689	321 1.0	37,496	353 0.9	37,496	353 0.9
Peabody	72,047	1,900 7.2	83,116	5,492 6.6	83,116	5,492 6.6	89,281	5,358 6.0	89,281	5,358 6.0	Sunderland	3,662	112 3.1	3,813	156 4.1	4,231	142 3.4	4,231	142 3.4
Pelham	1,633	120 7.4	1,854	126 6.8	1,854	126 6.8	2,063	151 7.3	2,063	151 7.3	Sutton	10,308	19 0.2	11,317	215 1.9	12,393	152 1.2	12,393	152 1.2
Pembroke	18,793	1 0.0	21,800	34 0.2	21,800	34 0.2	25,473	294 1.2	25,473	294 1.2	Swampscott	24,767	200 0.8	27,112	34 0.1	28,485	49 0.2	28,485	49 0.2
Pepperell	9,534	638 6.7	10,803	632 5.9	10,803	632 5.9	12,424	637 5.1	12,424	637 5.1	Swansea	18,200	0 0.0	18,855	0 0.0	20,478	0 0.0	20,478	0 0.0
Peru	864	88 10.1	888	73 8.3	888	73 8.3	1,009	84 8.3	1,009	84 8.3	Taunton	76,386	290 0.4	85,057	97 0.1	98,132	64 0.1	98,132	64 0.1
Petersham	1,295	18 1.4	1,398	44 3.2	1,398	44 3.2	1,816	42 2.3	1,816	42 2.3	Templeton	4,810	59 1.2	4,631	40 0.9	6,949	78 1.1	6,949	78 1.1
Philliston	972	63 6.5	1,072	75 7.0	1,072	75 7.0	1,317	101 7.7	1,317	101 7.7	Tewksbury	38,985	3 0.0	45,251	104 0.2				

Stabilization Funds

➔ *continued from page three*

Table 1 lists all 351 cities and towns and shows their total budgets, the total in stabilization funds, and the stabilization funds as a percent of their budgets for FY1993, FY1995 and FY1997. Statewide in FY1993, 85 communities either had no stabilization fund or had a balance of less than .1 percent of their total budgets. In FY1995, 66 communities were in that category and by FY1997 only 44 communities did not have stabilization funds equal to at least .1 percent of their budgets. The statewide total of funds deposited in stabilization funds in FY1993 was \$88.5 million. In FY1995 the total increased to \$111.6 million and by FY1997 to \$189 million. Looking at stabilization funds as a percent of the statewide total budgets, the improving economy is also reflected. The amount of money held in stabilization funds statewide as a percent of the statewide budget was .09 percent in FY1993. The percent increased to 1.0 percent in FY1995 and finally to 1.6 percent in FY1997.

Interestingly, many of the same communities maintained similar positions in FY1993, FY1995 and FY1997. Adams, East Brookfield, Gosnold, Rowe, Southwick and Windsor have remained in the top 10 communities when ranked on stabilization funds as a percent of total budget for all three years. East Brookfield, the top ranked community for two of the three years, had 31.49 percent of its budget in a stabilization fund in FY1993 and 29.25 in FY1995. Rowe edged out East Brookfield for FY1997 with an amount equal to 42.51 percent of its budget held in a stabilization fund. Concord, North Andover and Stoughton have had stabilization funds

of only .1 percent of their budgets for the same time period.

The communities which had no stabilization fund in all three years include many of our cities. Beverly, Boston, Fitchburg, Lawrence, Lynn, Malden, Revere, Springfield and Woburn did not have stabilization funds in FY1993, FY1995 and FY1997. Although Springfield and Lawrence do not have regular stabilization funds, they do have fiscal stability accounts mandated by the legislature. Towns which have had no stabilization funds in all three years include Aquinnah (Gay Head), Dennis, Marblehead, Reading, Salisbury, Swansea, and Wilmington. Some of these communities may have established capital acquisition funds, similar to the former stabilization funds, through special acts of the legislature.

The information on stabilization funds is from each community's Schedule A. ■

*written by Jean McCarthy
data provided by Debbie DePerri and Stan Nyberg*

1. Chapter 138 of the Acts of 1991.
2. Chapter 40 Section 5B.

Get Ready to Celebrate!

A new law, Chapter 59 of the Acts of 1998, creates a special fund into which cities and towns may appropriate funds to be used to celebrate the millennium or any centennial. Appropriations to the fund may be made in the five years prior to the celebration. Enterprising communities may charge admission fees for commemorative ceremonies or events, and sell commemorative items to raise money for this fund. All interest remains with the fund. The mayor or city manager, the selectmen, or the majority of a special committee established to plan the celebration may spend the money in the year before, the year of, and the year after the celebration. They must report such expenditures to the treasurer. Any money not spent on celebrating returns to the general fund.

New Fans for the Data Bank

Recently Stan Nyberg, Director of DLS' Municipal Data Bank, conducted a session on Accessing Municipal Financial and Demographic Data at a conference on Geographic Information Systems (GIS) held at Bristol Community College in Fall River. Organized by the Boshe Institute, a non-profit organization centered in Hyannis, and the Bristol Community College Center for Business and Industry, the conference drew participants from Virginia to Maine. Representatives from federal, state and local government agencies currently supporting or developing GIS systems, as well as staff from non-profit organizations and private business, learned about the types of information they can access through DLS' Data Bank. ■



DLS UPDATE

New Fund to Aid Elderly and Disabled Taxpayers

Communities may now establish a fund to defray the real estate taxes of low income elderly and disabled persons. A city or town must accept the provisions of Chapter 166 of the Acts of 1998 before establishing the elderly and disabled taxation fund. Modeled after the municipal scholarship program, the new program allows taxpayers to contribute to the fund through a check-off on the municipal tax bill or the motor vehicle excise bill. Tax bills can have designated areas to specify the amount donated, or the community can use a separate form mailed with the tax bills. The donation can be any amount above a \$1.00 minimum. The donated amount does not reduce the tax, but will be in addition to the amount otherwise due and payable. Should payment not be made, no interest or penalties apply. Any community which adopts this statute should consider including an insert with the tax bill which explains the purpose of the fund and procedures for collecting monies.

In 1986, legislation instituted a local option authorizing the establishment of municipal scholarship funds collected through a check-off system on local tax bills.¹ Deserving individuals, chosen by a local committee, can receive educational financial aid from this fund. In 1993 the Education Reform Act expanded the scholarship fund statute to permit taxpayers to contribute to a fund to provide supplementary money for local school needs. Once the provisions of the statute are accepted by a majority of town meeting, town council or city council, taxpayers may donate money to one or both of the funds. Al-

though similar to the education options, the elderly and disabled statute which inserts a new Section 3D into Chapter 60 may be accepted independent of the others.

Communities which establish the elderly and disabled taxation fund must form a taxation aid committee consisting of the chairman of the board of assessors, the city or town treasurer and three residents appointed by the mayor or the board of selectmen. After establishing guidelines to identify recipients of aid, the committee may spend the funds without appropriation.

The tax collector, the treasurer and their office staff play key roles in the program. The collector is responsible for collecting, segregating and turning over funds to the treasurer who invests them in an interest bearing trust fund account. This account is governed by the usual municipal limitations of trust funds. Since collecting the taxation aid funds involves additional work, the additional responsibilities should be evaluated up front to ensure success.

1. Chapter 60 §3C.

More Counties To Be Abolished

Hampshire, Essex and Berkshire Counties will soon exist only as geographic boundaries. Chapter 300 of the Acts of 1998 provides for the abolition of the governments of those counties, and transfers certain county functions to the Commonwealth. Hampshire county government is abolished as of January 1, 1999; Essex County as of July 1, 1999; and Berkshire County as of July 1, 2000, or earlier if that county fails to make a payment due on a bond or note. The transfer of functions will also occur on those dates, except for

Hampshire County where the transfer was effective as of September 1, 1998. Franklin, Middlesex, Worcester and Hampden Counties were abolished in 1997 and 1998.

The Commonwealth assumes valid debts, obligations, leases and contracts of the abolished counties. There are provisions limiting the Commonwealth's liability for certain debts in Hampshire County. Land, buildings, courthouses, registries of deeds, jails and houses of correction become the property of the Commonwealth. Certain Hampshire County leases and contracts, as well as ownership of certain assets, remain with the Hampshire Council of Governments, established in January 1999. Revenues including all of the deeds excise will now belong to the state. The Commonwealth will take over operation of the county jails and houses of correction, registries of deeds and courthouses.

The statute also provides that the Essex County Agricultural and Technical Institute will be under the operation of a seven-member board of trustees. The governor will appoint the trustees, who must be residents of Essex County. The Department of Education will provide general supervision and the school's budget will be approved by the state Board of Education.

Within 60 days after the abolition of each county government, the Secretary of Administration and Finance will establish an amortization schedule to assess the member cities and towns for an amount not to exceed the county tax assessed for the fiscal year immediately prior to the abolition date, as a deduction from state aid for as many years as needed to recover the amount expended for county debts and other liabilities. ■

Municipal Fiscal Calendar

April 1

Collector: *Mail 2nd Half Semi-Annual Tax Bills*

Y2K Local Outreach Program

The Division of Local Services' (DLS) outreach program to small towns is going very well. As of the beginning of February, over one-third of eligible communities had registered or received direct assistance. DLS has found that communities typically have a mix of new and old (non-compliant) computers, tested and untested applications, and varied awareness of the potential scope of Y2K vulnerabilities.

DLS staff is conducting inventories in municipal governments, school districts, utility districts etc., to assist communities with populations of less than 5,000 in evaluating their Y2K readiness. Letters offering assistance have gone out to 100 communities in that population group. Participation is completely voluntary. DLS provides the testing at no charge to the local community.

DLS staff helps identify vulnerabilities and provides information to aid communities in providing for Y2K-related issues in the FY2000 budget. The community can plan remedies and a Y2K contingency account. The community retains responsibility for the accuracy of data collected and the appropriateness of the proposed solutions.

Reminder

The Division of Local Services will be moving to 51 Sleeper Street in Boston in early March. All telephone numbers will remain the same. All mail should continue to be sent to: Division of Local Services, PO Box 9655, Boston, MA 02114-9655 until further notice.

Data Bank Highlight

Stabilization Fund information from FY87 through FY97 is available on the DLS website under the heading "Debt and Other Financial Indicators." This report shows the stabilization fund balance as of July 1, the total budget and stabilization fund as a percentage of budget for each city and town for each year. These reports or comparison reports can be requested from the Data Bank staff printed out on hard copy or as Microsoft Excel files which can be sent by e-mail over the Internet.

To obtain Municipal Data Bank information contact Medi Ba, Dora Brown, Debbie DePerri or Stan Nyberg at (617) 626-2300. For technical assistance contact Burt Lewis at (617) 626-2358. The World Wide Web address is listed below. ■

City & Town



City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials. DLS offers numerous publications on municipal law and finance, available by calling (617) 626-2300, or through the DLS World Wide Web site at <http://www.state.ma.us/dls> or by writing to PO Box 9655, Boston, MA 02114-9655.

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