

City of Gloucester City Council

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CITY COUNCIL STANDING COMMITTEE
Special Budget & Finance Committee
Tuesday, August 17, 2010 – 6:00 p.m.
1st Floor Council Conference Room , City Hall

AGENDA

1. *Continued Business*

A) Memo from Jim Duggan, CAO re: Stabilization Fund Expenditure Request (School Buildings)

COMMITTEE

Councilor Steven Curcuru, Chair
Councilor Paul McGeary, Vice Chair
Councilor Jacqueline Hardy

Committee members – Please bring relevant documentation

Back-up and Supporting Documentation all on file at the City Clerk's Office, City Hall

CC: Mayor Carolyn Kirk
Jim Duggan
Kenny Costa
Jeffrey Towne
Michael Hale
Joseph Connelly, Superintendent
Brian Tarr, Asst. Superintendent
Tom Markham, CFO

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Nine Dale Avenue
Gloucester, MA. 01930



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CITY OF GLOUCESTER
CITY AUDITOR'S OFFICE

MEMORANDUM

TO: Gloucester City Council
FROM: Kenny Costa, City Auditor 
RE: Stabilization Funds
Date: August 9, 2010

I am respectfully responding to Councilor Tobey's e-mail dated August 9, 2010 concerning the Stabilization Fund.

1. A description of its statutory basis under Massachusetts law.

M.G.L. – Chapter 40: Section 5B. Stabilization funds; establishment

Section 5B. For the purpose of creating 1 or more stabilization funds, cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund.

The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth.

At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting, and in a city any such vote shall be taken by city council.

M.G.L. Chapter 70, Section 5b, cited from: <http://www.mass.gov/legis/laws/mgl/40-5b.htm>

2. A description of the reasons for its establishment, as derived from City records.

I have read the motion from the May 2, 1995 City Council meeting and have determined that a purpose was not established.

“MOTION: On motion of Councilor Bjorlie, seconded by Councilor Perry, the City Council voted UNANIMOUSLY to ACCEPT Chapter 40 Sec. 5 B to Establish a Stabilization Fund for the City of Gloucester.”

3. A statement of its allowable uses and the process to be followed in granting permission for its use.

I would recommend the Mayor to establish a purpose of the fund. This would require a vote from the City Council to approve the purpose of the fund.

Under M.G.L. – Chapter 40: Section 5B. - A Stabilization Fund may be established for any lawful purpose.

4. A graph presentation that shows the history of balances within the Stabilization Fund from the date of its establishment to the present time.

Please see attachment #1. The source of the history of balances within the Stabilization Fund is from the Massachusetts Department of Revenue’s website.

5. Councilor Whynott requested to see a list of each time the fund has been used, specifically for what purpose, and the dates of the usage.

The Unifund system allows the City to retrieve records back to FY2006. The manual records from the old Data National system are on paper copy at the Post Office. To retrieve these records from our archive system could take a couple of weeks and may not be available going back to FY1995. The City Auditor’s Office would need more time to conduct the research.

The timeline researched regarding the Stabilization Fund in the Unifund system includes FY2006 – FY2010.

In FY2008, the City appropriated a total of \$57,760 from the Stabilization Fund to the General Fund. Of the \$57,760, \$24,000 was appropriated on 05/01/2008 to fund the FY2007 cash reconciliation project and \$33,760 was appropriated on 05/29/08 to fund capital projects review and temporary assistance.

In FY 2006, 2007, 2009 and 2010, no Stabilization Funds were appropriated.

Stabilization Fund Balances

