



Bulletin

2009-01B

Storm Damage Costs

TO: Mayors, Selectmen, City/Town Managers, Finance Directors, Treasurers, City Auditors and Town Accountants

FROM: Gerard D. Perry, Director of Accounts

A handwritten signature in cursive script that reads 'Gerard D. Perry'.

DATE: January 2009

SUBJECT: Financing Ice Storm Damage Expenses

On December 12, 2008, Governor Patrick formally declared a State of Emergency in response to the widespread damage caused by the December winter ice storm throughout the Commonwealth. Due to these events, we have received numerous inquiries from local officials about financing ice damage expenses. This *Bulletin* addresses funding options available under the General Laws of the Commonwealth.

In cases of natural disasters, Chapter 44, § 31 allows cities and towns to make emergency expenditures without appropriation with a two-thirds vote of the City Council or majority vote of the Board of Selectmen and to pay those liabilities with the approval of the Director of Accounts. Emergency spending authorized under this statute less any offsetting federal or state reimbursements must be raised or otherwise provided for in the next annual tax rate. This option provides for immediate spending authority until other financing sources, such as loans approved by the Emergency Board or appropriations from available funds, are in place to cover the spending. Communities selecting this emergency spending option should request approval from the Director as soon as possible. To do so, the Mayor or Board of Selectmen should notify the Director by letter that the City Council or Board has declared an emergency under Chapter 44, § 31.

The state Emergency Board, composed of the State Treasurer or his designee, the Attorney General or his designee and the Director of Accounts, may authorize loans for emergency spending pursuant to Chapter 44, § 8(9). These loans may be authorized for a period of up to two years for purposes for which borrowing is not otherwise available to the city or town. A borrowing order must be first approved by the Emergency Board and subsequently by a two-thirds vote of the City Council or Town Meeting. All local authorizations and borrowings should take place before June 30, 2009.

In communities that finance any emergency spending authorized under Chapter 44, § 31 from proceeds of loans authorized by the Emergency Board under Chapter 44, § 8(9), the FY10 tax rate cannot be approved until the funds authorized by the Emergency Board and the City Council or Town Meeting have been borrowed. It is expected that communities will generally not have to budget for any debt service payment until FY10. If communities borrow the funds so as to require a payment in FY09, however, they will have to raise any amount paid without appropriation and not otherwise provided for in the FY10 tax rate. Communities that have yet to set their FY09 rate also have the option of raising any required FY09 payment on the FY09 recap.

Requests for a hearing should be submitted no later than January 30, 2009 to Bill Arrigal at arrigal@dor.state.ma.us. Emergency board hearings will be scheduled at convenient locations throughout the Commonwealth after January 30th based upon the communities making the requests. While the hearing need not be held during that period, city or town officials should compile the schedule of expenses for presentation at the hearing. These schedules will likely also be used for submission for any possible state reimbursement programs. In any community that has a municipal light plant, we request that wherever possible the plant's expenses be listed separately from the municipality's expenses. In addition, any authorization to borrow \$500,000 or more requires the written approval of the community's bond counsel.

If you have any questions, please contact Bill Arrigal at 617-626-2399.