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PUBLIC DOCUMENT No. 146

CITY OF LOWELL
MASSACHUSETTS



FOURTH ANNUAL REPORT

OF THE

Mass: FINANCE COMMISSION *for the*
city of Lowell

As Established by Chapter 411, Acts of 1931



JANUARY
1935

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To the Honorable the Senate and House of Representatives of the Commonwealth, in General Court Assembled.

In accordance with Section 3 of Chapter 411 of the Acts of 1931, "An Act Establishing a Finance Commission for the City of Lowell," it is required that the Finance Commission shall make an annual report in January of each year to the General Court.

The undersigned members of the Finance Commission for the City of Lowell herewith submit their fourth annual report.

EDWARD J. TIERNEY, Chairman,
ALBERT J. BLAZON,
JOHN E. DRURY,
Finance Commission of Lowell.

MASSACHUSETTS STATE
TO
ATTORNEYS GENERAL

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FOURTH ANNUAL REPORT OF THE FINANCE COMMISSION

For the CITY OF LOWELL

(As Established by Chapter 411, Acts of 1931.)

January 1, 1935.

To the Chairman and
Members of the Finance Commission,
Lowell, Mass.

Gentlemen:

In accordance with your instructions, I have the honor to submit the following report of the activities of the Finance Commission for the year 1934.

The personnel of the Commission remains the same as when first appointed, namely:

Edward J. Tierney, Chairman.

Albert J. Blazon.

John E. Drury.

William Trottier, who was named secretary shortly after the appointment of the original commission on July 1, 1926, continued to serve in that capacity.

Miss Margaret M. Coyle was given a permanent appointment as clerk on March 25.

APPROPRIATIONS AND EXPENDITURES

As in 1933, the Commission requested and received the full appropriation provided for it by statute, \$14,000. This was disposed of as follows:

Salaries of Commissioners and	
Office Staff	\$7,312.92
Other Expenses	1,728.68
Transferred and Used to aid	
Other Departments	3,670.50
Refunded by Commissioners	800.00
Returned to the Treasury	1,287.90

MEETINGS AND HEARINGS

As in previous years the Commission has held itself on call at all times. It meets every Saturday morning and as often in between times as material comes in for con-

sideration. In this way 66 meetings were held in 1934. The Commission is in daily contact with the secretary.

OFFICE ROUTINE

Between meetings, the secretary is occupied in making inquiries and keeping informed of the activities of the various departments of the city, so that the Commission may have the necessary data to take prompt action on the various matters coming to their attention. This is accomplished by interviews in the office, telephone calls and, where necessary, by personal inspection of outside activities. All the payrolls and bill drafts are kept posted up to date so that the Commission may know at any time the financial record of any department.

Various departmental reports are carefully checked and comparative records kept for the more important divisions of the government.

Particular attention is being paid at the present time to financial developments and the office staff is constantly on the alert for all possible information through personal contact, newspaper and magazine articles, etc., which may have a bearing on the problems of extricating a city from the dangerous condition of spending beyond its revenues.

SUBJECTS TREATED

In addition to the matter of appropriations, which is treated elsewhere, the Commission took up a great many subjects, a list of which is here given, with explanatory matter where necessary. They may be characterized generally as among the more important of "Secretary's Reports."

Revaluation: This was submitted to the Commission as an ERA project, and the Commission made an exhaustive study of the matter. While satisfied that the matter was promoted from outside, rather than arising from a genuine demand from city officials, the Commission felt that a real revaluation, done by experts and without political bias of any kind, would be beneficial to the city. To this end it agreed to an appropriation, to be taken from Debt. The appropriation died a natural death in the City Council, the City Council apparently being unwilling to commit itself on this important project.

Aerial Ladder No. 3. The fire department possesses an aerial ladder which is deemed dangerous by the chief of the fire department and other experts. The Commission, by vote of the city council, secured a complete report on this piece of equipment, as a result of which it recommended an appropriation of \$6000 to make it safe and usable. The appropriation order has been resting in the office of the city solicitor since August 7, for a ruling as to its legality; and the chief of the fire department has requested a new ladder at a cost of \$18,000, in his estimates for the annual budget

Eastman Heat Control: This was an attempt to sell the city a device to save coal. At the request of the Mayor, the Commission studied the matter thoroughly, and as a result of its findings, declined to recommend its installation.

Bankruptcy bill for cities and towns: A careful record of the progress of a congressional bill and its possible application to Lowell.

Payrolls, Weekly, Comparison of: This latter was embodied as a monthly feature of the Finance Commission bulletin.

Street Lighting: The Commission took up the matter of street lighting on several occasions. It refrained from interfering in the Mayor's program.

Tax Title Redemptions: The Commission took up this matter on numerous occasions. It is a recurrent topic.

School Expenses: Considerable correspondence on this subject has been published. Every month, the secretary submitted reports of the expenditures and balances in the school department appropriation, but the several warnings of the Commission were ignored.

Water Department, Bills due from other department: From time to time the Finance Commission received reports from the Water Department that city departments were not paying them for water consumed. After considerable study the Division of Accounts took cognizance of the matter in the following statement in its report of its audit of the city's accounts:

"Water Department. The books and accounts of the water department were examined and checked. The

commitments, abatements and discounts were checked with the auditor's books and the receipts were compared with the payments to the treasurer and with the auditor's books. It was noted that on June 30, 1934, there were outstanding accounts amounting to \$17,658.35, representing bills due to the water department from several city departments for water, services, etc., for the years 1931, 1932 and 1933, and for the period from January 1 to June 30, 1934. These bills should be provided for and charged to the departments to which the services were rendered."

Special Report. City and Town bills: The Board of Public Welfare, upon taking office, found about \$97,000 owed to cities and towns for aid given to people with Lowell settlements. How to meet this situation and prevent its recurrence is one of the problems on which the Commission is still engaged.

Trust Funds: A study of Mayor Bruin's proposal to use the city's trust funds during the payless pay-days early in 1934.

Municipal Finance: Illegal bills: A study of a superment court decision on a Lawrence matter for its applicability to Lowell.

Auto Excise Tax, Analysis of: For record purposes.

Welfare: Improvements at Chelmsford St. Hospital. The Commission cooperated with the Board of Public Welfare in securing certain needed improvements at the Chelmsford St. Hospital.

Lowell--Fall River: Comparison of Federal Census. For purposes of record.

Welfare: 1933 bills. Report for information.

Water Department: Pitometer Survey. The Commission has found that about half the water pumped by the Water Department is not paid for. There is a heavy loss which only a Pitometer survey can check. The Commission recommended that such a survey be made as an ERA project, but to date the project has not been approved.

Schools: Expenses to September 30. One of several such reports made during the year.

Finance: Cost of Maintenance less Welfare. For purposes of record and publication.

Water Rates. For purposes of record, a comparison of water rates in many cities was prepared.

Police Department: Personnel increase. On an anonymous complaint, the Commission queried the Superintendent of Police and secured from the latter a written assurance that he would not make any more permanent appointments for the balance of the year.

Welfare: City and Town Bills, referred to the Finance Commission by the Board of Public Welfare. These are bills owed to cities and towns for aid given Lowell residents and present a very bad record. The Commission studied the matter and is prepared to act when the proper steps are taken.

Public Safety: Conference with City Council relative to modernizing the police department. The Commission planned to embody its findings in the annual budget.

Other matters brought to the attention of the Commission by your secretary during the year were:

Tax Tile Redemptions.

Street Lighting: Petitions to Mayor and Finance Commission.

Schools: FERA Funds.

Payrolls, Weekly: Compared.

Finance: Bankruptcy for cities and towns—Congressional act.

Expense Accounts.

Metcalf & Eddy Contract.

Isolation Hospital: Taking by County.

Chelmsford Street Hospital: Auto Expense.

Health Department: Appointment of Permanent Men.

Debt: How surplus was acquired.

Buildings Department: Branch Street Fire House Floor.

Statement: 1933 Finance.

New England Southern Abatement.

Fixed Charges: Schedule of Payments.

Tax Title Redemptions: New England Southern.
Schools: Expenditures as of April 1.
School Expenses: Two Months.
Payment of \$10,000 to Lowell Textile Institute.
Auto Allowances: Proposed transfer of.
Tax Titles: Ordinance relating to.
Expenditures: Analysis of, since 1927.
Police: Appointment of four men.
Assessors' Office Equipment.
Welfare: Complaint of St. John's Hospital on eye-
glasses.
Ordinance: Welfare Board.
Special Drafts: December, 1933.
Bridge Repairs.
Fall River: Water Department and Hospitals.
Municipal Golf Links: ERA Project.
Aid and Relief Bills for January.
Water Pipe—New type.
Finances: Balance Sheet.
Financial Outline of 1934.
Comparison of Appropriations.
Reserve System.
Finance: Outline of Financing 1934.
Signal System: Horni Co. Demonstration.
Ashes and Waste: Temporary Employees.
Annual Budget: Secretary's Report on Mayor's
Budget.
School Survey: Communication from Commission-
er of Education.
Annual Budget: Addition to "Assessors".
Health: Collection and disposal of rubbish and
garbage.
Gasoline Contract.
Valuation: Buildings Razed.

Tax Rate 1934.

Foreclosure of Tax Titles.

Chelmsford St. Hospital: Complaint of F. M. Bill.

Statistics: Tax Titles and Municipal Relief.

Taxes: Abatement of Assets Realization Corporation.

Welfare: Operation of new Board.

Chelmsford St. Hospital: Purchase of Farm Equipment.

Ordinance for Auto Allowances.

Hearing on Central Bridge.

Fire Apparatus—Demonstration in Lynn.

MONTHLY BULLETN

In July of 1934 the Commission authorized the secretary to publish monthly a printed bulletin containing a record of the weekly payrolls of the previous month, a record of contracts received and awards made and a general review of the month.

The bulletin immediately became popular and as a result of numerous requests a mailing list was established which is continually being added to. After a few months of publication the Director of Accounts requested that five copies be sent to his office and five copies to the Emergency Finance Board. The bulletin was issued and the policy of issuing it has received the endorsement of the local press.

The method of distribution is to fill out the mailing list which includes all banks of the city and to distribute copies to all departments of the city and the city council; the rest is then available for public distribution. Through the courtesy of the City Treasurer, a supply is left in his office to be more available for tax-payers and the balance is left in the main lobby of City Hall for public distribution.

APPROPRIATIONS

The matter of appropriations was rather completely covered in the December bulletin of the Finance Commission. Your secretary, therefore, will content himself with a summary of appropriations passed upon by the Commission in 1934, together with a few pertinent observations arising from a study of the appropriation list in the December bulletin. The summary follows:

CHRONOLOGICAL SUMMARY
Record of Appropriations—1934*

Class	No. of Orders	Total
1—Tax Levy Appropriations	18	\$5,172,238.11
2—Transfers from surpluses to other depts.	19	127,559.00
3—Transfers within departments....	16	61,604.96
4—Appropriations of Water Receipts	6	318,941.18
5—Transfers within the Water Dept.	2	12,000.00
Totals		\$5,692,343.25

*Exclusive of loan orders.

It would appear from the record of 1934 that the school department, for the time being, may be classed as a fixed charge. This department in 1934 received from the city government an appropriation that obviously required a curtailment of approximately \$50,000. In spite of repeated requests from the Finance Commission that something be done to absorb this deficit, the school committee consistently refused to act on these requests and by the end of the year it had asked for and received from the city government and the Emergency Finance Board, \$54,000 in additional funds. It would appear from this that the school department appropriation may, for the time being, be classed as an appropriation difficult of control and that any efforts to curtail its estimates would be difficult.

The appropriation record of 1934, likewise, would indicate that without a firm hand passing upon such appropriations, the maintenance departments of the City of Lowell cannot be curtailed any further.

As a result of the procedure which developed to a great extent in 1934, the Commission has asked the help of all departments to submit appropriation orders in due time for the Commission to pass upon them. All through 1934, it was customary to send to the Finance Commission office, a few hours before a council meeting, appropriation orders upon which action was expected at that meeting. Were it not for the fact that the Commission's office staff were able to foresee the receipt of these orders and have reports ready upon them prior to their receipt, it would be impossible for any deliberative body to give them proper consideration. Notwithstand-

ing this, it is deemed unfair to the Commission to give them so little time to deliberate upon the various appropriations and it is hoped that 1935 will see a decided change in this procedure.

ACKNOWLEDGMENT

The secretary wishes to acknowledge with deep appreciation the hearty spirit of co-operation given him by all department heads and other employees to the various requests made for information as to the operation of their departments.

Respectfully submitted,

William Trottier,
Secretary.

1934 FINANCING

In carrying out its duties, the Finance Commission for the City of Lowell, has been of necessity in close touch with the Sttae House and with similar matters in other cities since the establishment of the original Commission in 1926. In that time it has arrived at one well defined conclusion, among others, regarding municipal finance. This conclusion may be expressed as follows:

There are two distinct steps in the handling of all public funds. These are:

1. The levying or the raising of the money and the collection of it; a proper accounting of it and its disbursement. In Lowell four departments perform this work:

The Assessors raise the money; the Treasurer and Collector (in Lowell one office) collects the money and disburses it. In between these two departments, there are the City Auditor and the City Clerk who play an important part in guiding along proper channels, and accounting for, the moneys raised by the Assessors and collected and disbursed by the Collector and Treasurer.

2. The proper use by departments of such moneys as are raised or accounted for by the above officials.

Of the two steps, the Commission considers the first of the most vital importance. The proper functioning of the departments under this head cannot do otherwise but keep a city solvent and preserve for it a good credit rating. Conversely, improper operation, negligence, political expediency, the almost complete impossibility of a

consistent financial policy can operate at times to jeopardize the financial standing of a city and pile up a staggering deficiency.

In other words, the financial solvency of a city is a thing entirely apart and removed from the type of public service given by that city. If a city raises five million dollars on a reasonable tax-rate, on equitable and moderate valuations, has used no frozen assets as if it were liquid cash, and in the five million includes any past obligations, then there is a solvent city, even though regrettable as it would be, the departments wasted or allowed to be diverted to improper channels, even 50% of the funds entrusted to them.

Lowell made a distinct advance on the road to recovery in 1934. This advance consists in the fact that only one-half a million dollars was borrowed for current expenses, as against \$1,065,000.00 in 1933. There was no temporary loan to be included in the tax-levy, and the the city finished the year with all bills paid, except in some cases where questions have been raised. Interest rates on short term notes dropped radically during the year. Certain items of estimated revenue were exceeded, resulting in a surplus.

There are adverse factors to be considered, however. The December 31 balance sheet of the city auditor shows a disturbing condition in the matter of temporary loans unpaid compared to outstanding taxes. The figures are:

Temporary loans outstanding	\$1,719,800.00
Uncollected Taxes 1934	1,619,943.73
	<hr/>
Deficit	\$ 99,856.27

This means that even if we collected every penny of our 1934 taxes, we would be almost \$100,000.00 short of meeting the obligations standing against them. Even with prior years' taxes and cash on hand, there is too little margin for comfort.

There is also an overlay deficit of \$126,454.93, for the years 1929, 1931, 1932, and 1933 which will be an added drain on our tax-levy in 1935.

Tax titles is another adverse factor. On December 31 we still owed \$803,252.89 of the funds we borrowed against them. On the other hand, tax-titles held stood

at \$795,770.23. There are many cities with a much better record of redemptions than Lowell, and it is possible that a certain stiffening in our policy of handling tax-titles would help. The law under which these borrowings were made expires July 1, 1935, after which the loans must be retired in three years. The matter is one that calls for considerable study.

Notwithstanding these adverse factors, the Commission is encouraged by the thought that some progress was made in 1934. We believe there is a better understanding of the city's financial problems, even though the right measures may not always be taken to solve them. The shrinking of our real estate values continues to be a source of worry. The following very illuminating calculation can be found on Page 6 of the annual report of the Board of Assessors:

1932: Total Property valuation....	\$117,279,706.00
Property tax abatements....	308,077.31
Rate per \$1,000.00	42.00
Amount of abatements in terms of valuation	7,335,174.00
Net valuations, abatements deducted	109,944,532.00

And there still remains over one million dollars worth of property on which the 1932 taxes have not been paid, plus some amount, unknown to the Commission, which must be held by the city on tax titles. So that, two years after the levying of this tax, we find that we didn't have \$117,000,000.00 worth of valuation, but something approximating \$108,000,000.00

PROSPECTS FOR 1935

In 1934, according to the annual report of the Board of Assessors, the state took 4.1 cents of every Lowell tax dollar for its uses; the county took four cents and the city used 91.9 cents. On the rate per thousand of \$38.80, the state took \$1.59 per thousand, the county \$1.54 and the city used \$35.67 for its own purposes. This is cited to show that any reduction in the local tax-burden must come about through city operations.

In 1934, the city raised a grand total of \$5,811,878.26, of which \$5,173,182.51 was for city appropriations and the balance of \$638,713.12 was for state and county charges and \$217,165.14 for overlay deficit. Of the amount for city appropriations of \$5,173,182.51, the tax payers, including polls, paid only \$4,334,435.10,

the balance of \$838,747.41 coming from other receipts and the half-million loan. That half-million loan enabled the city to secure a tax-rate reduction of about \$4.50 from what it would have been without these loans.

Again in 1934, the annual report of the Board of Assessors shows that abatements granted in that year on tax levys of the six prior years was \$433,344 exclusive of polls. At an average tax-rate of \$36.00 this would represent twelve millions in valuation. Now if all these abatements were applied to 1935, Lowell would have a valuation of only ninety-eight millions.

These few statistics lead us naturally to a discussion of what may be termed:

ADVERSE FACTORS

Valuation is the first of these. Real property bore 88% of the tax load in 1934, and those familiar with the situation in mortgages did not need the recent statement of Tax Commissioner Long to realize that the property owner today is in a precarious position. In money, a total tax of \$3,788,645.40 was levied on the holders of real property last year and there is no evidence to show that business will revive sufficiently in 1935 to make the payment of a similar sum any easier. If about \$100,000,000.00 is our real valuation, as it seems to be, and we desire a rate per thousand no higher than last year, real property, if still 88% of the total would yield us \$3,414,400 instead of the \$3,788,645.40 we levied in 1934.

The regrettable factor of this is that the Finance Commission can see no evidence whatever that the city government will care to bring about the reductions which would be necessary to reduce the real estate tax from \$3,788,645.40 to \$3,414,400. As a matter of fact this adverse factor will more likely serve to increase the tax burden in 1935 under the present circumstances.

TAX TITLES

In 1934 the City of Lowell borrowed \$380,000 on its tax titles. On December 31 we stood in the position of being slightly over-borrowed, bearing in mind that tax titles are not regarded as securities under the act permitting the loans, but rather as a borrowing limit. The Commission is informed that the city may not be able to borrow so much on tax titles in 1935 as it did in 1934,

so that we stand to lose almost \$200,000.00 in this class of revenue, if the Commission's information is correct.

OVERLAY DEFICIT

This is an adverse factor which is the natural result of maintaining indefensible valuations. In 1934 the city was forced to include in its tax levy \$288,000.00 of overlay deficit. On December 31 the city already had over \$126,000.00 of overlay deficits ready to be included in the 1935 levy, with the prospect that much more would be added to this figure before the tax levy is declared

CITY PAYROLLS

It has been mentioned above that the true valuation of the city of Lowell is probably only \$100,000,000.00. The city payroll for 1934 was approximately two and one-half million dollars. To raise this payroll of two and one-half million dollars would require a valuation of sixty-five million dollars.

Several other adverse factors of 1935 may be grouped together. There is one that is not yet a fact, but it may prove bothersome if it be carried out. This relates to the funding act of 1932 which provided that any temporary loan outstanding on August 1, be included in the tax levy. There is said to be a bill in the legislature advancing this date, because of the advance in the date of declaration of the tax rate and the payment of taxes. This feature is too obscure as yet to warrant any lengthy comment.

The ERA requirements for 1935 which have been estimated at \$150,000.00, is more than twice as large as 1934. The proposed improvements to the Auditorium will also tend to increase the city's requirements for funds.

FAVORABLE FACTORS

Departmental Receipts

Due to the surplus of such receipts in 1934, it may be good judgment and good business to increase the estimate on 1935 by anywhere from \$60,000 to \$100,000.00.

Reduction in Interest Requirements

Due to the fact that interest rates dropped considerably in 1934, it may be possible to make a saving in this item in 1935.

Possible New Revenue

There are several proposals now before the legislature which, if passed, may result in a substantial increase in the revenue for the City of Lowell in 1935. These measures are too indefinite at this writing to warrant any further comment.

RECOMMENDATIONS

The Commission recommends again more modern and up-to-date methods in the offices of the Board of Assessors and the City Treasurer. There are several economical and accurate devices making for more efficiency and economy and preventing duplication of effort.

In the Fire Department several fire houses could be abolished and the men, for the time being, concentrated in the remaining houses.

That the policy of no replacements, which has resulted in the lessening of expenditures in many departments, be followed more rigidly than ever before.

That the present system of distributing insurance on city buildings be changed to a more scientific and less costly system.

That a Pitometer survey be undertaken in the Water Department as soon as possible.

That the City Council pass an ordinance requiring all city officials and employees, except certain department heads, to itemize all claims for expenses incurred while engaged in city work.

That the proper officials take steps to secure under the ERA, certain building and park improvements and bridge repairs.

Respectfully submitted,

EDWARD J. TIERNEY, Chairman.
ALBERT J. BLAZON,
JOHN E. DRURY,

Finance Commission of Lowell.