

## Madalyn Letellier

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**From:** [REDACTED]  
**Sent:** Friday, September 19, 2025 2:13 PM  
**To:** Public Comments; Jake Wilson; JT Scott; [REDACTED]; Willie Burnley, Jr.; [REDACTED]; Edward Bean; Economic Development  
**Subject:** citizen comment Finance Committee #25-1344, Stabilization Accounts  
**Attachments:** Stagnant Stabilization Accounts Valletta.docx  
  
**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

To: Members of the City Council Committee on Finance

Attached please find citizen commentary on item no. #25-1344, concerning unused monies in the stabilization and reserve accounts. Thanks for your attention.

Bill Valletta, Brickbottom resident, retired urban planner/municipal lawyer

Memorandum

To: Members of the Somerville City Council

From: Bill Valletta (Brickbottom resident, urban planner)

Date: 19 September 2025

Subject: **Citizen Comment on Stabilization, Reserve and Trust Accounts with Unspent Balances, Agenda Item #25-1344**

## **Introduction and Summary**

I am submitting for your consideration the following analysis of the city's Stabilization, Reserve and Trust Accounts, which are reported periodically by the Finance Department. Its purpose is to assist you in identifying each account, which has money sitting unused because:

- A surplus balance has remained after spending for the intended purpose;
- The intended purpose of the account has been fulfilled with other funding or has been determined to no longer be necessary;
- The account has accumulated money beyond the level of risk that it is intended to mitigate or "stabilize;" or
- The money in the account is likely to be wasted because criteria for its disbursement have been badly-defined.

Money should not remain sitting unused and losing value to inflation in these off-budget accounts and proposals should be made for the removal and re-allocation of idle funds.

## **Idle Funds in Somerville's Stabilization, Reserve and Trust Accounts in FY2026**

By William Valletta, (Brickbottom resident, retired urban planner)

### **Introduction**

Under Massachusetts Municipal Finance Law, all of the money entrusted to the city for public purposes must be managed prudently and within well-defined rules and procedures. The requirements of law and the best practices of municipal funds management insure protection for taxpayers, lenders, city employees and the public.

The law defines the annual Budget process in which every city agency must justify its needs for salaries and operational spending, essentially competing for priority with other agencies and needs. Once given its appropriations, an agency must then commit by contract and spend its funds with minimal delay as the fiscal year proceeds. Money, not committed and spent at year's end, reverts back to the General Fund and the agency must newly justify its needs for the next fiscal year. The agency is not allowed to accumulate or keep control of unspent monies for un-specified future purposes.

Similarly, in the Capital Plan process, the agencies that will undertake construction projects or long-term equipment purchases must adhere to the city's programs and schedules for

borrowing and investment/spending. The transfer of committed funds takes place closely in time with actual spending, and pots of money do not sit around or scatter among a variety of units. Money, not put to use in a reasonable period of time, does not remain tied to purposes that become obsolete or unnecessary.

The problem with the stabilization, reserve and trust funds is that they are defined and managed “off-budget” – separately and under different rules from the annual Budget and CIP. Their less-disciplined and non-standard processes create risks of mismanagement and wastage, in particular as the number and volume of “off-budget” accounts continues to increase.

**While the laws exempt the stabilization, reserve and trust accounts from normal budgeting and capital planning, they nevertheless set some limitations and criteria on their use?**

Several laws of the Commonwealth define the exceptions to standard budgeting and capital planning for four types of accounts. In the Municipal Finance Law, MGL Chapter 40 Sec. 5 B, the two main categories of stabilization accounts are defined:

- (1) The **general purpose stabilization** -- “rainy day fund” – which can receive money from any revenue source and disburse money for any lawful purpose; and
- (2) Other **special purpose stabilization** funds, which are created for defined purposes and may be limited to receiving revenue from one or a few specific sources.<sup>1</sup>

In several other laws, cities can choose to create:

- (3) Quasi-independent **enterprise** and **trust** funds with authority to receive, hold and disburse monies from defined sources for specified purposes.<sup>2</sup>

There also appears to be authority for the cities to maintain:

- (4) **Continuing balance** (contingency) accounts to protect against the financial consequences of certain risks.<sup>3</sup>

Broadly understood, these exceptions recognize economic realities. Annual revenue and spending, and periodic borrowing are impacted by the ups and downs of the regional/national economy. Therefore, the city can create these types of accounts (i) to bridge the end of year reversion of unspent funds back into the general fund; (ii) to accumulate capital and reduce the need to borrow when a project is ready to begin; (iii) to “flatten” the ups and downs of in-flow and out-go for services or projects; and (iv) to be prepared if an unanticipated large cost arises.

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<sup>1</sup> MGL Chapter 40, Section 5B. To create each account the City Council must vote by 2/3 majority and must clearly define the purpose of the fund.

<sup>2</sup> See the Municipal Affordable Housing Trust Fund Law (MGL Chapter 44, Section 55C), and Community Preservation Act MGL Chapter 44B, Section 7.

<sup>3</sup> This category is described in the guidance documents of the Mass. Department of Revenue, Division of Local Services without reference to any section of law.

The strategic use of a variety of these accounts can preserve a level of predictability for tax payers and for the residents and businesses, which rely on city payments.<sup>4</sup>

Despite the multiple purposes, the exceptions are not open-ended because, without limits, they could fall into lax management or abuses. In the past, rogue mayors and ward bosses have created “slush funds” with ill-defined purposes or dipped into accounts that were not being monitored. Instances of waste have come to light -- money sitting for years, losing value to inflation and not accomplishing any public benefit. Accounts have also been misused to steer money to favored non-profits or businesses, circumventing the normal rules of competitive procurement.<sup>5</sup>

### **Somerville experience using stabilization, reserve and trust accounts**

Happily in Somerville’s history, there do not appear to have been any instances of abuse with city finances. However, no one has calculated the level of loss to inflation of monies sitting idle, and it appears that the proliferation of these accounts has been driven in part by the influence of interest groups. They have sought “earmarked” funds in order to avoid the competitive scrum of the regular budget and procurement processes.

For many of these accounts, the mayoral agencies and City Council have ceded to commissions, community councils, or advisory boards either direct or indirect control over the disbursement of funds. In some cases, they have also ceded the power to define and negotiate their revenue sources and program purposes.

The appointed members of these commissions, councils and boards tend to be advocates and interest group representatives. While the Mayor and City Council usually keep the powers of final approval and review of audits or accounts, in practice, the oversight of most accounts occurs only sporadically. Accountability is weak.

The following sections of this report provide a model for categorical organization and routine oversight of the accounts. The City Council should adopt a schedule of periodic review, category-by-category or area-by-area with the intent to identify stagnant accounts. Unused residual account balances, monies that are no longer needed because their project or purposes have been fulfilled or superseded, should be removed, re-aggregated and re-purposed for priority services and public improvements.

## **Part 1: Modeling the structure and dollar volume of Somerville’s Off-Budget Finance**

In order to understand and analyze Somerville’s practice, this report has compiled data from three primary sources:

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<sup>4</sup> See Mass. Department of Revenue, Division of Local Services (17 Nov 2022), *Highly Recommended Financial Reserves*, DLS Financial Management Resource Bureau guidance publication; [www.mass.gov/doc/highly-recommended-financial-reserves/](http://www.mass.gov/doc/highly-recommended-financial-reserves/)

<sup>5</sup> Examples of the problems can be seen in two audit reports that the City of Boston conducted of the accounts and procedures of the quasi-independent Boston Redevelopment Authority in 2014/2015 and 2019. See M. Wu, *Fixing Boston’s Broken Development Process – Why and How to Abolish the BPDA* (October 2019); KPMG Audit of BRA and EDIC (July 2014).

First, the Finance Department periodically posts and updates on the city website the statement of the “Stabilization Cash Balances.” The latest such statement, dated July 2025, lists 55 accounts with a total of \$134,959,196. Comparing this total with earlier years/quarters shows how both the number of accounts and their aggregate value have fluctuated and grown.

**Table 1.A: Snapshots of the city’s Stabilization Accounts**

	30 June 20	30 Sept 21	30 June 22	31 Mar 23	31 Nov 24	31 May 25	30 Jun 25
<i>No. accounts</i>	39	46	50	50	55	55	55
<i>Total funds</i>	\$44,142,800	\$83,992,242	\$70,748,009	\$62,166,576	\$128,427,643	\$127,848,329	\$134,959,196

Second, when the books are closed at the end of each fiscal year, the Finance Department and auditors prepare the Annual Comprehensive Financial Report (ACFR). It shows the end of year balance of every city account, including leftover money in the regular budget accounts, as well as all of the reserve, trust, and stabilization accounts. This listing appears as “Note 9” in each ACFR. It is a longer list than the Stabilization Cash Balances list on the city website and has a greater dollar total. The latest Note 9 for FY2024 shows 67 accounts with a total of \$207,403,715, of which 50 correspond to the 55 accounts on the website list, which at year-end FY24 had \$128.4 million.

Third, when the annual accounting is complete, the city reports its budget data and stabilization account balances to the Commonwealth Department of Revenue, following a standard format that allows for two calculations: (a) a percent comparison of the stabilization/reserve monies to the city’s operating budget; and (b) a comparison of Somerville’s stabilization/reserves to all other cities/towns in the Commonwealth. The resulting data are published by the DOR Division of Local Services as Table 1A of the “Local Services Stabilization and Special Purposes Funds Dashboard.” The “dashboard” entry for Somerville in FY24 shows the following:

**Table 1.B: Commonwealth DOR report on Somerville’s “off-budget” stabilization accounts**

City/Town	Operating budget		Rainy day fund	%	Other special funds		Combined %
<b>Somerville</b>	<b>391.2 mill</b>		<b>9.6 mill</b>	<b>2.4%</b>	<b>117.2 mill</b>		<b>32.4%</b>

What all three data sources reveal is that Somerville, among all the cities and towns of the Commonwealth, has accumulated the highest percentage amount and dollar volume of “off-budget” money. (The comparative city/town data and analysis is found in Appendix 1, below)

The data from these three sources raises the question of whether Somerville is pushing the envelope of off-budget financing and accounting far beyond what is prudent.

### **Guidance provided by the laws**

The fundamental rules and criteria for management of the stabilization accounts are found in the Municipal Finance Law:

At the time of creating any stabilization fund the city ... shall specify, and at any later time may alter, the purpose of any fund, which may be for any lawful purpose, including ... an approved school project ... or any other purpose for which the city may lawfully borrow money. The

specification and any alteration of purpose and any appropriation of funds from any such fund shall be approved by a two-thirds vote... M.G.L. Chapter 40, Section 5B

The separate laws, which define the Affordable Housing Trust and Community Preservation Trust, create middle-ground procedures – somewhat more detailed and with stronger fiduciary responsibilities for their decision-making boards.<sup>6</sup>

The Somerville City Council, when creating new accounts, appears to follow the general requirements of MGL Chapter 40 Section 5B. The Council records in its Meeting Minutes a simple statement of purposes and sometimes makes reference to the origin of the funds that are being transferred in. This statement may make reference back to an originating action – a grant, free cash transfer, linkage fee, Planning Board condition, mitigation or developer contribution. But this is not done in all cases and there has been no consistency in the contents of the public records, which substantiate the originating acts.

Some of the originating acts are formal and detailed. For example, the minutes, reports and resolutions of the Community Preservation Trust, the Affordable Housing Trust, the Housing Authority and the Redevelopment Authority are usually clear and thorough.

Other originating acts involve the direct administrative application of regulatory texts that are uniformly applicable to all actions of the same type. For example, the “linkage” payment requirements for development projects are in the Zoning Ordinance, Article 15. They require the Inspection Services Department or Planning Board to calculate the fixed fee (\$ per square foot) to the building shown on the plans and to collect fee at the time of permit or occupancy certificate issuance. The transfer of linkage money into the Affordable Housing Trust or Jobs Creation and Retention Trust is automatic and the purposes for spending on housing subsidies or jobs retention are described in the ordinance with no need to repeat these in an account specific document.

By contrast, many other accounts originate from discretionary actions of boards or commissions, deciding individual permit or license approvals. For example, the Planning Board and ZBA special permits often impose a monetary payment or payment in lieu as a mitigation or condition. The amount may be specified in the board decision, or it may cross reference to other documents in the record (i.e., a Mobility Plan). In some permits they are stated only as vague ideas to be later filled in at the discretion of the Mobility Division or Planning staff.

Finally, for certain projects, there are “community” negotiations with developers that result in “voluntary” contributions. These are described in aspirational language in the quasi-contractual agreements.

The Mayor and City Council should try to reduce this cacophony and unruly variability by requiring the production of a standard report for every account, specifying its originating action and legal status, and clarifying all pertinent criteria and limitations for the use and disbursement of its funds.

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<sup>6</sup> See M.G.L. Chapter 44, Part 1, Section 55C and M.G.L. Chapter 44B, Section 5(b).

## Part 2: A model for City Council oversight of the stabilization, reserve and trust accounts

Shown below as Table 2 is a model list of all the Stabilization, Reserve and Trust accounts, currently reported on the city's websites. Data tracking the balances year-by year and references to the originating actions for each account is also shown in simplified form.

The City Council should order the production and publication of a similar list with full detail and it should make use of the list to conduct an annual or bi-annual review of all the accounts. The Council Finance Committee should receive from the Finance Department an explanation of the status of accounts – perhaps focusing on sub-groups of account types or reviewing the accounts that have been sitting for three or five years without disbursement of funds. The pertinent questions for the review would be the following:

- How much reserve money will be sufficient to keep in each rainy-day and city-wide stabilization account, given the anticipated risks or patterns of fluctuation in revenue/spending? Money in these funds that exceeds the amount needed for reasonable contingency and stabilization should be recognized as over-taxation and the excess balance should be withdrawn and re-purposed or returned to the tax or fee payers.<sup>7</sup>
- Which of the accounts, intended for specific public improvements or neighborhood mitigations, are holding unneeded funds because their purposes have been fulfilled or superseded? These accounts should be prepared for closure or withdrawal of their excess funds, to be re-directed to other priority needs.
- What have been the outcomes of spending from the accounts? Has the money actually bought improvements of quality design and functionality? Are the people, who were supposed to benefit, now using and enjoying the improvements and mitigations? Overall, have the benefits of investments been concentrated only in a few zones, leaving lower-income or older neighborhoods neglected?

As the starting point for these analyses, the following Table is presented as the model. It compares the account balances, listed in the ACFR Note 9 for two years before COVID -- FY16 and FY19 -- with the most recent post-COVID year FY24 and the May FY2025 update (on the city Finance Department webpage).

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<sup>7</sup> There is currently litigation underway by several Cannabis enterprises against towns that required excessive community impact payments when granting their license fees. See Boston GLOBE (09/18/25), Editorial: *End uncertainty for cannabis firms over municipal costs*.

**Table 2: City of Somerville, End of Fiscal Year Account Balances with 05/25 update**

Account		Account balance reported in ACFR			Website	Originating action/source
#	Name/Origin category	FY2016	FY2019	FY2024	FY25(July)	
<i>Non-spendable category</i>						
	Permanent Fund	433,126	433,126	433,126	--	
<i>Restricted by law or terms of a grant:</i>						
	-Strategic Plan, Community Dev.	13,814,054	17,245,876	19,644,508	--	Federal CDBG
	-Other special revenue	1,099,939	1,467,274	2,286,094	--	
	-School federal grants	148,924	57,369	--	--	Federal grants
	-School state/private grants	2,709,331	2,978,059	3,246,421	--	State/private grants
	-City state grants	466,376	5,589,748	1,248,211	--	State grants
	-Highway improvement	--	2,226,926	--	--	Federal/state transportation
	-City revolving funds	109,833	131,364	716,726	--	Budget appropriated
	-City receipts reserved	3,991,616	2,076,485	5,987,260	--	
	-School lunches	1,092,297	927,404	3,087,343	--	Federal/state grants
	-Community Preservation Trust	8,217,066	14,632,560	22,398,922	--	City tax surcharge/state match
	---Affordable Housing CPA	--	--	--	4,263,922	Account balances reported 31 Dec. 2024
	Affordable Housing non-CPA	--	--	--	28,119,602	
	-Other permanent funds	157,316	168,905	214,288	--	
<i>Committed by city administrative actions for city-wide purposes</i>						
7101	Rainy Day stabilization	--	4.2 mill	9.6 mill.	15,123,213	Free cash appropriations
--	Health Claims stabilization	16,231,230	10,678,736	--	--	
7104	Street Tree stabilization	7,428	15,325	375,592	510,212	
7112	Salary and Wage stab.	5,382,502	6,248,135	11,050,930	7,337,934	Free cash
7121	Open Space Improvement	95,277	97,140	2,030,979	2,132,908	
7127	Green Line Extension	--	5,564,057	3,136,257	4,180,271	Developer linkage payments
7130	Medical Marijuana stab.	--	400,065	3,484,579	3,633,842	Orig. 2018 – state law
7137	Racial Social Justice Fund	--	--	1,069,697	1,119,835	
7138	COVID Stabilization	--	--	667,001	442,238	Federal ARPA
7139	COVID Small Biz Emerg.	--	--	120,945	128,625	Federal COVID/ARPA
7140	Energy stabilization	--	--	1,585,122	1,493,957	Orig: #211468 - 04/06/21
7145	Participatory Budget stab.	--	--	1,806,918	1,890,594	Orig: #213939 - 06/20/22
7146	Immigrant Legal Services	--	--	477,128	358,051	Orig: 10/03/22 - #221672
7147	Bike Share stabilization	--	--	92,438	102,469	Orig: #221557 - 10/03/22
7149	Emergency Response stab.	--	--	978,355	874,924	
7150	Community Composting	--	--	350,019	367,454	
7401	Infiltration/Inflow stab.	--	723,316	7,508,549	8,403,674	
7402	Water Capital stabilization	--		4,939,068	5,074,882	
7403	Sewer Capital stabilization			--	15,656,359	
7500	Capital Projects stab.	4,305,058	6,257,004	16,888,329	1,168,827	
	Construction stabilization	2,439,175	1,395,666	2,636,597	--	
7600	Park Construction stab.			--	3,487,694	
7700	Traffic Safety stabilization	398,423	352,864	1,942,481	2,241,106	
7910	Facility Construction	2,003,736	4,574,001	25,533,938	24,997,966	
7920	Street Reconstruction	1,502,788	1,540,118	10,404,885	10,952,646	
	Compensated Absences	--	--	1,895,894	--	
<i>Committed by city administrative actions for single project impacts</i>						
7102	Max-Pak stabilization	20,143	20,617	22,137	23,294	Bd.Ald 6/06/07
7103	East Somerville stab.	102,837	105,256	114,297	120,032	BA#184560 (2007) IKEA
7105	Alpine Restaurant stab.	2,516		2,607	2,936	ZBA#2009-48, #2010-187
7106	Rockwell Restaurant stab.	9,069		9,401	10,585	ZBA#2009-57
7107	270 Cedar St. LLC, stab.	1,005	1,029	1,117	1,173	ZBA#2010-46
7108	Workforce Training stab.	9,951	422	458	481	
7109	Bicycle Stabilization	2,188	2,240	2,431	2,553	
7110	Linwood Street stab.	11,777	12,053	13,089	13,745	ZBA#2010-70
7111	Davis Square Traffic-Sign	--	--	316	332	
7113	Open Space Acquisition	94,906	97,140	164,588	172,847	
7122	Union Sq. Revitalization	5,917	12,999	13,674	14,163	Urban Redevel
7123	Millbrook Stabilization	47,826	--	0.44	0.44	



7124	Elmwood stabilization	12,515	37,813		41,060	14,606	ZBA#2011-31 for crosswalks
7125	337 Broadway stab.	4,300	4,400		4,778	5,018	PB#2014-30 pedestrian
7126	197 Washington Street	--	--		8,949	9,398	PB#2014-01 street trees
7128	Zero Elmwood stabilization	--	--		25,324	28,513	ZBA#2016-11 sewer mitigate
7129	290 Highland Ave stab.	--	--		10,860	11,405	ZBA#2015-01 sewer mitigate
7131	259 McGrath stabilization	--	--		3,754	3,942	ZBA#2008-30 street trees
7132	378 Highland Ave, stab.				3,218	3,379	CC#209835 parklet
7133	Small Business Assistance				706,857	899,173	CC#209836
7134	Water Transport Pub safety	--	--		313,610	486,189	CC#209837 April 2020
	Union sq revitalization	--	31,099		13,647	--	2017 first pay - \$172,000
7135	Union Sq. comm. benefit	--	--		3,419,040	3,965,327	2020 first pay \$214,000
7136	Alpine Street stabilization	--	--		10,949	11,263	#210144 - 05/26/20
7141	Encore Artists stabilization	--	--		111,382	93,834	Casino
7142	XMBLY Transit Improve.	--	--		201,436	211,545	12/31/21
7143	XMBLY Public Realm Imp	--	--		586,260	615,682	
7144	XMBLY Off-Site Infrast.	--	--		732,824	769,602	
7151	Prospect Street Traffic	--	--		262,000	262,000	
7800	Wellington Mitigation	--	--		105,654	107,377	BdAld#189974 Mystic PATH
7850	Algonquin Mitigation	--	132,266		22	21	2008 –gas loop mitigation
7900	Trash Transfer	155,634	13,875		666	685	
7930	Boynton Yards stab.	--	1,457		365,241	377,987	
	Mitigation Stabilization		100,951		104,230		
	Washington Stabilization	--			8,949	--	First pay 2020 \$8,347

Definitions of the categories of accounts, as stated in Note 9:

- **Non-spendable account** is a fixed investment (endowment) from which the income only can be used;
- **Restricted accounts** hold monies that have been given by external parties (federal, state, private grantors) under laws or contracts;
- **Committed funds accounts** hold monies that the city itself has set aside with the purposes, limits, constraints, or eligibility standards defined in ordinances, administrative or regulatory actions;
- **Assigned accounts** hold the monies, remaining at year's end, under control of city agencies for the specific programs or procurements authorized by their budget lines.

**Unassigned reserve** – this category is included in Note 9 as one of the balances left in the General Fund at the end of each Fiscal year. It corresponds to the Rainy Day Fund #7101 on the Table

	06/30/16	06/30/19		06/30/24	06/30/25
Unassigned reserve	15,507,488	26,014,633*		12,827,156	--

### Part 3: Reviewing the overall trends of the accounts to judge their sufficiency and prudence

This first analysis of the data on Table 2 looks in broad terms at the trends of aggregate growth in these accounts, category-by category. A summary of the trends is illustrated by comparison of the FY16 category totals with the FY24 totals:

**Table 3.A: Year-end balances in Reserve and Stabilization Accounts**

Source: ACFR Note 9 data, FY2016 and FY2024

		FY2016		FY2024		
	TOTAL accounts/aggregated balances	41	\$86,401,500	74	\$194,003,000	
1	Non-spendable (endowment) funds	1	433,100	1	433,100	
2	Grants and law-defined reserve funds	10	31,802,000	8	58,828,000	
3a	City-wide administrative defined funds	9*	32,362,000*	23	108,168,000	*Note: the 2016 ACFR does not record a Rainy Day Fund account balance
3b	Individual administrative-defined funds	14	477,000	35	7,377,000	
4	Assigned General Fund accounts	6	5,820,000	6	6,370,000	
--	Unassigned General Fund*	1	15,507,400	1	12,827,100	Corresponds to Rainy Day Fund

For the first category of non-spendable (endowment) funds, the AFCR listing shows only one minor account with no explanation of its origin or purpose. The interest that this account generates each year apparently is used for a small cultural program.

For the second category of state/federal grant and legislatively-defined reserves, the revenue arrives in fairly steady amounts each year (based on formulas like “per pupil” eligibility or “housing need” calculated as Average Monthly Income). For some of these accounts – such as the school-related grants -- the revenue comes in and goes out quickly within the fiscal year, so aggregate balances do not build up. By contrast, grants that fund housing subsidies or infrastructure projects, show growing balances. Money comes in on a seasonal schedule and is committed to planned programs or projects, but it is not spent for several years while design, permitting, construction, or implementation, are underway. For example, the Community Preservation Trust has received revenue in steady transfers of about \$3 million per year, but the money waiting in its accounts has accumulated to over \$23 million by end of FY24.

In the third category, the sub-set of administratively-defined reserve and stabilization funds – category 3(a) – also show accumulating funds. For most of these accounts, the slow disbursement is deliberate. The funds are intended for unforeseen needs or they are accumulating capital in preparation for a large project in order to offset the need for borrowing.

In category 3(b), which are developer contributed or grant funds, the revenue arrives as a one-time (or installment) payment of mitigation or community contribution to be used for a particular site, block or neighborhood. Often the intended improvement must be delayed until other design or construction work is completed. Projects can encounter obstacles, changes in design, or they may be abandoned when market conditions change. The money then can sit for years. Other accounts have been drawn down as intended, but the cost has been less or the work reduced, so residual money remains.

Overall in FY2026, it is likely that the accumulated total of all accounts will begin to shrink as regional economic downturn is felt. The pipeline of construction projects with required linkage fees is already empty. Vacant labs and commercial buildings will not be paying their total property taxes until they become occupied. The city’s budget will be restrained and end-of-year “free cash” will probably be small. Thus it will be time to dip into the rainy day account or use the capital reserve accounts to keep the momentum of infrastructure, clean energy, school modernization and similar programs going, and offsetting as much as possible the need to borrow.

### **Guidance of good practice from the state Department of Revenue**

The DoR Division of Local Services offers on its website a variety of guidance documents, in particular, a 2022 article titled “Highly Recommended Financial Reserves.”<sup>8</sup> The broad theme has been to encourage cities and towns to “... update their strategies on building and expending reserves...” in light of the influx of COVID emergency funds. Municipalities are instructed to follow the criteria that have been stated in the authorizing laws:

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<sup>8</sup> See [www.mass.gov/info-details/highly-recommended-financial-reserves](http://www.mass.gov/info-details/highly-recommended-financial-reserves)

... to protect from the usual unevenness in revenue and expenditure patterns; finance emergencies and unforeseen expenses, accrue money for specific future purposes, and in limited circumstances serve as a revenue source for annual budget

To effectively achieve these purposes, the city or town should:

- Establish target balances for [the general “rainy day”] stabilization fund, annual free cash and other reserves, as a percentage of annual budget or as total dollar ... [and] set a schedule of annual appropriations to gradually reach and sustain target balances;
- Direct the use of portions of free cash as a source for the stabilization and for one-time capital project funds; also [use] revenue from specific sources for special purposes;
- Restrict the use of unexpected nonrecurring revenue or surplus to one-time costs;
- Restrict the use of stabilization funds to nonrecurring expenditures and only in amounts above a threshold;
- Measure performance to policy statements and determine remedies for noncompliance.<sup>9</sup>

Comparing Somerville practice to these criteria, it appears that the city is deviating from them in several ways:

First, there is no evidence in the record that our Mayor or Council have ever discussed setting “target” balances as a percentage of the annual budget or as a maximum dollar amount for any category of future needs or future contingency. Instead, the city policy and strategy appears to be to maximize every opportunity for off-budget and surplus revenue and stash away as much money as possible.

Second, the Mayor has said on several occasions that the city is keeping a high cushion of reserves in order to influence the calculations of the bond rating agencies, supporting the city’s triple AAA status. This is not a factor or rationale which the state department has recommended.

Third, Somerville practice appears to deviate from the state guidance with respect to withdrawing and spending funds. In bullet point three, the state recommends that “unexpected non-recurring revenue or surplus” be used [only] for one-time costs. Bullet point four recommends that use of funds should be restricted to non-recurring expenses and in amounts over a threshold. Somerville does not discipline its spending with such criteria. Instead, the pertinent agencies and their interest group and contractor “partners” often treat the funds as an endowment or an array of alternative revenue sources, from which they can pick and choose, interchangeably with the annual budget lines of O&M.

### **The practical impact of high reserves on budgeting and financial management**

Another way to review how Somerville’s high reserve policies are working is shown in the following Table, which groups together the data on all the accounts that hold funds for street and mobility improvements. Three categories are involved: first, the annual budget appropriations to the Division of Mobility (OSPCD) and Highways (DPW); second, the stabilization and reserve funds; and third, the authorized/anticipated borrowing in the Capital Investment Plan (CIP). In practical reality, the agencies and city financial managers can treat

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<sup>9</sup> From Mass Dept. Revenue, Division of Local Services, City and Town November 17,2002, guidance document “Highly Recommended: Financial Reserves;” [www.mass.gov/dls-publications-and-financial-tools](http://www.mass.gov/dls-publications-and-financial-tools)

these as somewhat interchangeable sources whenever a particular project is proposed or ready to proceed.

**Table 3.B: Budget and Off-Budget Funds for Mobility and Street Improvements**

	FY23 total	FY26 total	FY2023	FY2024	FY2025
	<i>annual appropriations</i>				
Budget line – Mobility O&M	388,000	513,500			
Budget line – Mobility salaries	695,847	782,066			
Budget line – DPW Highway O&M	1,110,700	1,356,500			
Budget line – DPW Highway salaries	3,050,156	3,593,828			
	<i>end of year balances</i>		<i>Amounts withdrawn for spending</i>		
Street Reconstruct/Renovation Stab.	3,109,620	13,293,666	--	--	--
Traffic Safety Stabilization	1,368,894	2,525,866	(200,000)	--	--
Green Line Extension Stabilization	728,187	4,180,271	--	--	--
Bike Share Stabilization	--	102,469	(75,000)	(56,215)	--
Water Transport Public Safety Stab.	152,192	472,655	--	--	--
Prospect Street Traffic Conditions	--	262,000	--	--	--
XMBLY Transit Improvement	191,206	211,545	--	--	--
XMBLY Off-Site Improvement	687,637	769,602	--	--	--
Wellington Mitigation Mystic PATH	101,072	107,377	--	--	--
Linwood Sidewalk Stabilization	12,422	13,650	--	--	--
197 Washington St (bike/pedestrian)	8,735	9,136	--	--	--
337 Broadway (pedestrian)	4,535	4,878	--	--	--
Bicycle Stabilization	2,308	2,536	--	--	--
<b>Total Stabilization</b>	<b>6,557,954</b>	<b>21,955,651</b>			

This Table compares the budget appropriations for two years FY2023 and FY2026 with the corresponding year-end totals in the stabilization accounts that are purposed for transportation and street/sidewalk improvements. Broadly, during these two years, when the Budget entrusted the two agencies with \$1.2 million and \$4.8 million per year of O&M funds, they also had the ability to draw further funding from reserves, which grew from \$6.5 million to \$21.9 million.

In reality, however, they drew down from the reserve accounts only three times, with a total disbursement/commitment of \$350,000.

During the same years, OSPCD Mobility and DPW Highways were carrying out substantial capital improvement projects, funded by General Obligation Bonds under the normal Capital Investment Plan. In 2023 this on-going work in three projects (already funded by borrowing) added up to \$4.6 million. Over the next five years, two additional large projects were anticipated with a projected capital cost of \$61.5 million. These figures are shown in the following Table:

**Table 3.C: Capital Investment Plan projections for Street, Sidewalk and Traffic Projects**

*Source: Somerville CIP (2023-2029)*

	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<i>Authorized on-going projects already bonded</i>							
Street Resurface/ADA	2,126,728						
“	986,697						
“	1,503,792						
“	--	61,869	1,938,131				
<i>Future 5-year plan CIP (2023)</i>							
Street Resurface/ADA		6,255,347	7,680,881	8,368,969	9,125,866	9,958,453	10,874,298

Broadway reconstruct		3,443,000	2,284,000	3,745,400			
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Presumably, under the city's strategy of maintaining reserves to offset bonding, some of the \$22 million will be available to commit to the up-coming infrastructure work. In particular, the \$13 million Street Construction and Renovation account can supply capital funding to substitute for one year of anticipated CIP needs.

What conclusion can we draw? The numbers create an illusion of stabilization, risk management and debt-avoidance capital planning. Reserves that equal 140% or 200% of the annual capital spending, or that calculate at 400% of the annual budget appropriations for O&M – theoretically, these should provide the city a strong “cushion” of protection and opportunity. But actually using the money effectively for projects or programs appears to be more difficult, particularly the money that is fragmented in the 15 smaller accounts, each with its own purposes and limitations of use. Does Mobility or Highways have a plan or schedule that matches its budget and CIP spending for the next five years with the available resources of the stabilization and reserve accounts?

#### Part 4: Ward-by-ward analysis of stabilization, reserve and trust funds

What method can be used to address the questions of whether the city's practice of stabilization, reserve and trust fund management is equitable and effective in responding to actual problems and impacts in neighborhoods? The following Tables offer a ward-by-ward analysis, which could be supplemented by a more detailed analysis of specific neighborhoods within the Wards.

**Table 4.A: Consolidated Ward Analysis of Stabilization, Reserve and Trust Account Balances at Year-End FY2025**

	Mitigation/Developer contributed accounts			AHT/CPC	AHT/ Non-CPC	CPC non- housing	Other grants/ appropriations
	Unspent 5 yr.	Residual	Active				
City-wide	2,536	488	2,207,453				
Ward 1	224,068	--	1,552,378	93,900	1,578,841	--	
Ward 2	39,934	686	4,568,863	--	4,621,777	540,000	1,100,000
Ward 3	11,326	--	--	--	--	--	
Ward 4	4,938	--	--	1,960	4,568,658	--	
Ward 5	35,438	--	--	--	2,000,000		
Ward 6	17,261	--	--	--	--		
Ward 7	42,516	--	--	400,000	260,750		

The Table shows a significant disparity of geographic distribution of monies, probably reflecting the fact that many of the accounts are linkage and developer contributions, arising from site specific permits. Commercial and mixed-use development projects have been concentrated in Wards 1 and 2 and larger residential projects have received funding in Wards 4 and 5.

This consolidated table is based on the detailed data shown below. It lists and categorizes the accounts that are earmarked or originate from specific project sites. The many millions of dollars in the city-wide reserve accumulator funds are not counted – a separate analysis of geographic impact of spending from these accounts would be required to further test the neighborhood-equity results of city practices.

## Ward 1

Account		Account balance reported in ACFR			Website	Originating action
#	Name/Origin category	FY2016	FY2019	FY24	FY25(May)	
7103	East Somerville stab.	102,837	105,256	114,297	116,691	BA#184560 (2007) IKEA
7142	XMBLY Transit Improve.	--	--	201,436	205,656	12/31/21
7143	XMBLY Public Realm Imp	--	--	586,260	598,543	
7144	XMBLY Off-Site Infrast.	--	--	732,824	748,179	
7800	Wellington Mitigation	--	--	105,654	107,377	Bd.Ald#189974 Mystic Shared PATH
Affordable Housing Trust accounts with outstanding balances						
	CPA for 163 Glen St				93,900	AHT (2018)
	Non-CPA for 163 Glen				214,736	AHT (2018)
	Non-CPA for 31 Cross St				1,364,105	ZP#23-000045

## Ward 2

Account		Account balance reported in ACFR			Website	Originating action
#	Name/Origin category	FY2016	FY2019	FY24	FY25(May)	
7151	Prospect Street Traffic	--	--	262,000	262,000	
7900	Trash Transfer	155,634	13,875	666	685	
7930	Boynton Yards stab.	--	--	365,241	367,465	
7110	Linwood Sidewalk stab.	11,777	12,053	13,089	13,650	ZBA#2010-70
7122	Union Sq. Revitalization	5,917	12,999	13,674	13,036	Urban Redevel
7123	Millbrook Stabilization	47,826	--	0.44	0.44	
7126	197 Washington Street	--	--	8,949	9,333	PB#2014-01 street trees
7131	259 McGrath stabilization	--	--	3,754	3,915	ZBA#2008-30 street trees
7135	Union Sq. Comm. Benefit	--	--	3,419,040	3,938,398	2019
Affordable Housing Trust accounts with outstanding balances						
	Non-CPA for 41 Webster				3,954,000	Redevelop Auth. D4-3
	Non-CPA for 24 Webster				407,777	AHT (2020)
	Non-CPA for 24 Webster				260,000	2025
Community Preservation Trust accounts Non-Housing						
	Art Farm – 10 Poplar St				540,000	2018
**	Union Sq. plaza/streets	--	--	--	1,100,000	-- Mass Gaming Commission grant received and appropriated August 2025

## Ward 3

7129	290 Highland Ave stab.	--	--	10,860	11,326	ZBA#2015-01 sewer mitigate
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## Ward 4

7125	337? Broadway stab.	4,300	4,400	4,778	4,938	PB#2014-30 pedestrian
Affordable Housing Trust accounts with outstanding balances						
	CPA for 29 Jackson Rd.				68,658	2017 SCC purchase residual
	Non-CPA - 88 Wheatland				1,690	1999 SCC purchase residual
	Non-CPA – 299 Broadway			--	4,500,000	AFT committed 2023

## Ward 5

7102	Max-Pak stabilization	20,143	20,617	22,137	23,088	Bd.Ald 6/06/07
7107	270 Cedar St. LLC, stab.	1,005	1,029	1,117	1,165	ZBA#2010-46
7136	Alpine Street stabilization	--	--	10,949	11,185	#210144 - 05/26/20
	259 Lowell St	--	--	2,000,000	2,000,000	AHT committed 2023

## Ward 6

7105	Alpine Restaurant stab.	2,516	--		2,607	2,916	ZBA#2009-48, #2010-187
7106	Rockwell Restaurant stab.	9,069	--		9,401	10,512	ZBA#2009-57
7132	378 Highland Ave, stab.		--		3,218	3,833	CC#209835 parklet

## Ward 7

Account		Account balance reported in ACFR			Website	Originating action
#	Name/Origin category	FY2016	FY2019	FY24	FY25(May)	
7124	Elmwood stabilization	12,515	12,973	13,760	14,200	ZBA#2011-31 crosswalks
7128	Zero Elmwood stab.	--	25,300	26,502	28,316	ZBA#2016-11 sewer mitigate
Affordable Housing Trust accounts with outstanding balances						
	CPA Clarendon Hill ph.1				400,000	
	Non-CPA Clarendon Hill			1,514,280	200,000	
	Non-CPA – 485 Mystic			60,750	60,750	

Does the disparity of “off budget” resources among the wards matter from the standpoints of equity or urban form and function? If the methods of calculation of “impacts” and procedures of disbursement and spending were highly calibrated and efficient – then the answer could be: No! Each accurately measured zone or neighborhood impact would be offset by an equally accurately measured linkage fee or conditional payment. In reality, however, as the data above has shown, the practice is highly subjective and opportunistic, with agencies (and interest groups) treating pots of funds interchangeably. In such case, the geographic (and consequent social and economic) disparities begin to resemble bias.

## Part 5: Identifying for closure the accounts with unused and unneeded funds

As the conclusion of these analyses, the agencies and City Council should take actions in the short term to identify all the accounts with balances that are sitting unused, have no clearly defined purposes, or are being held in excess of a prudent standard of savings. The Council should set a deadline date, allowing the pertinent agency that would control the spending and the pertinent Ward Council member to explain why the money in a given account needs to be kept in reserve. Following the deadline, money should be withdrawn from these accounts and re-purposed to meet needs that have higher priority. The Mayor and Finance Department or Council members can propose the actions of re-allocation.

As a start for this process, the following three tables focus on three categories of accounts that can be easily recognized as stagnant. Table 4.A shows nine accounts for which the balances in 2016 and 2019 are unchanged in 2024 and 2025 except for small amounts of accrued interest. Total \$188,532.

**Table 5.A: Accounts with no activity for over five years**

Account		Account balance reported in ACFR			Website	Originating action/source
#	Name/Origin	FY2016	FY2019	FY2024	FY25 (May)	
7102	Max-Pak stabilization	20,143	20,617	22,137	23,088	Bd.Ald 6/06/07
7103	East Somerville stab.	102,837	105,256	114,297	116,691	BA#184560 (2007) IKEA
7105	Alpine Restaurant stab.	2,516		2,607	2,916	ZBA#2009-48, #2010-187
7106	Rockwell Restaurant stab.	9,069		9,401	10,512	ZBA#2009-57
7107	270 Cedar St. LLC, stab.	1,005	1,029	1,117	1,165	ZBA#2010-46
7109	Bicycle Stabilization	2,188	2,240	2,431	2,536	
7110	Linwood Street stab.	11,777	12,053	13,089	13,650	ZBA#2010-70
7122	Union Sq. Revitalization	5,917	12,999	13,674	13,036	Urban Redevel
7125	337 Broadway stab.	4,300	4,400	4,778	4,938	PB#2014-30 pedestrian
	Mitigation Stabilization	--	100,951	104,230	--	

Table 5.B shows eight more accounts created in 2020 or 2021 that received one payment but also have had no disbursements. These accounts contain a total of \$175,285.

**Table 5.B Accounts with no activity since 2020/2021**

7126	197 Washington Street	--	--		8,949	9,333	PB#2014-01 street trees
7128	Zero Elmwood stabilization	--	--		25,324	28,316	ZBA#2016-11 sewer mitigate
7129	290 Highland Ave stab.	--	--		10,860	11,326	ZBA#2015-01 sewer mitigate
7131	259 McGrath stabilization	--	--		3,754	3,915	ZBA#2008-30 street trees
7132	378 Highland Ave, stab.				3,218	3,833	CC#209835 parklet
7136	Alpine Street stabilization	--	--		10,949	11,185	#210144 - 05/26/20
7800	Wellington Mitigation	--	--		105,654	107,377	BdAld#189974 Mystic PATH
	Washington Stabilization	--			8,949	--	First pay 2020 \$8,347

In addition, there are five accounts with small residual amounts that remain after the intended purchases or disbursements have been made. These accounts contain \$1,497.44.

**Table 5.C: Accounts with residual balances after disbursement of funds**

Account		Account balance reported in ACFR			Website		Originating action/source
#	Name/Origin	FY2016	FY2019	FY2024	FY25 (May)		
7108	Workforce Training stab.	9,951	422	458	467		
7111	Davis Square Traffic-Sign	--	--	316	323		
7123	Millbrook Stabilization	47,826	--	0.44	0.44		
7850	Algonquin Mitigation	--	132,266	22	21		2008 –gas loop mitigation
7900	Trash Transfer	155,634	13,875	666	685		

## Appendix 1: Somerville compared to other nearby cities and towns

The Dashboard published by the state DoR, Division of Local Services, shows the reserve monies that cities and towns keep around the state. This allows comparison with Somerville. The following table extracts the data for several nearby cities. Its figures show similar pattern to the data for all 350 Massachusetts municipalities.

**Table App.1: Comparison of Stabilization Account reserves in nearby cities and towns (FY24)**

Mass DOR Division of Local Services Stabilization and Special Purpose Funds Dashboard

<https://dls-gw.dor.state.ma.us/reports/>

Municipality	Total city budget	Rainy day fund	% total	Special stabilization	Combined %
Boston	\$4.72 Billion	--	--	--*	--
Cambridge	1.07 Billion	41.7 mill	3.9%	22.1 mill	5.9%
Newton	665.6 mill	26.0 mill	3.9%	24.3 mill	7.5%
Lowell	532.9 mill	15.8 mill	2.9%	9.3 mill	4.7%
Quincy	439.2 mill	8.1 mill	1.8%	3.2 mill	2.6%
Brookline	397.4 mill	20.2 mill	5.1%	1.1 mill	5.3%
<b>Somerville</b>	<b>391.2 mill</b>	<b>9.6 mill</b>	<b>2.4%</b>	<b>117.2 mill</b>	<b>32.4%</b>
Framingham	362.3 mill	20.1 mill	5.5%	8.5 mill	7.9%
Waltham	321.1 mill	1.8 mill	0.5%	0.06	0.5%
Everett	314.3 mill	10.8 mill	3.4%	8.5 mill	6.1%
Lexington	310.2 mill	10.6 mill	3.4%	36.9 mill	15.3%
Medford	223.1 mill	11.0 mill	4.9%	--	4.9%
Arlington	221.5 mill	4.3 mill	1.9%	19.1 mill	10.5%
Watertown	205.4 mill	1.3 mill	0.6%	30.4 mill	15.4%



\*Note: Boston does not maintain any stabilization accounts; however, funds from linkage fees, grants, and developer contributions go into the accounts of the Boston Planning and Development Authority, which was holding \$66 million in current assets at the end of FY2024. Some of these assets correspond to the “special stabilization” category.

This chart shows how Somerville has stashed away a volume of money in its rainy day and stabilization accounts, which far exceeds the level of any other city or town in the Commonwealth. Most other municipalities keep a small percentage of funds – in general, within a range of 3% to 8%. Three other Boston region towns reached higher levels of 10% (Arlington) and 15% (Watertown and Lexington).<sup>10</sup> But Somerville alone stands out among the crowd with a 32% percent ratio.<sup>11</sup>

By July 2025, this disparity of Somerville practice has grown larger, because the city has increased its general rainy day fund to \$15.1 million (3.8% of total operating budget) and its other stabilization funds to \$137.9 million (35%). The additional reserve accounts, which appear in the city’s Note 9, ACFR, are not counted but they push the percentage to about 60% (as seen in Table 1, above).

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<sup>10</sup> Boston does not appear on the Dashboard because its separate laws of budget and finance classify its reserve accounts inconsistently. Cambridge was in the normal range with

<sup>11</sup> In order to achieve consistent comparisons, city to city, the Dashboard data counts only certain categories of the stabilization/reserve accounts – so the component list and totals reported for Somerville are smaller than the city’s own Note 9 and Finance website data.