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[Local Officials Directory](#)

[Municipal Calendar](#)

[IGR's & Bulletins](#)

[Workshops, Seminars & Events](#)

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In this Issue:

- [Secretary Lepore Highlights the FY17 Capital Plan](#)
- [Proposed 2016 Equalized Valuations](#)
- [Part Two: Uncollected Property Taxes and Excise in Cities and Towns](#)
- [OSD: Reviewing COMMBUYS Adoption in the Town of Nantucket One Year Later](#)

Secretary Lepore Highlights the FY17 Capital Plan

Secretary Kristen Lepore - Executive Office for Administration and Finance

On May 19th, 2016 the Baker-Polito Administration unveiled its Capital Budget for Fiscal Year 2017 (FY17). The \$2.19 billion plan can be found in full online at www.mass.gov/capital.

The FY17 capital plan prioritizes projects that maintain and modernize existing assets, and make targeted investments for the future, and includes funding for a number of great local projects and grant programs, including MassWorks, vocational skills grants, \$1 million for municipal projects to increase accessibility and comply with ADA regulations, and Community Compact grants for IT projects.

The \$2.19 billion bond cap represents an affordable 3% increase, or \$65 million, over FY16 and is consistent with the recommendation of the Debt Affordability Committee. The total capital investment for FY17, after accounting for non-bond cap funding sources, will total over \$4 billion. While the plan is due by law on June 30, 2016, the administration is releasing the plan early to provide recipients additional planning time so they can start projects at the beginning of the fiscal year.

The FY17 capital plan prioritizes projects that maintain and modernize existing assets, and makes targeted investments for the future, broken down as follows:

- **Maintain:** 46% of projects in FY17 prioritize maintenance by repairing, reconstructing, or reconditioning existing assets to bring condition or performance to a safe and acceptable level.

- **Modernize:** 26% of projects in FY17 renew existing assets to improve functionality, useful life or enhance service, capacity, or performance while limiting the expansion of the state's asset footprint.
- **Targeted Growth:** 28% of projects in FY17 address strategic objectives through creation of select new assets, or increase investment in priority areas to create value without expanding our state asset footprint.

Within the three strategic parameters that guided the development of this year's plan, the projects funded focus on five major themes:

Taking Care of What We Have

The Commonwealth has many existing assets in its portfolio. The Baker-Polito Administration strongly believes that we must support projects that protect, maintain, and modernize those assets by investing in the deferred maintenance of existing assets to address critical health and safety issues that affect our people and our natural resources.

Enhancing Workforce Skills and Economic Vitality

The plan helps foster a healthy ecosystem for growth, with funding for tools to train a highly skilled workforce, housing access for working families, and reliable transportation networks.

Engaging and Supporting Communities

The Baker-Polito Administration is committed to serving as a reliable partner for our cities and towns. Complementing the significant level of support we already provide through our operating budgets, including local aid and the Community Compact program, the FY17 capital funding offers additional resources for key local infrastructure initiatives to catalyze renewal, growth, innovation, and development, and to protect natural resources and distinct places.

Optimizing the Value of Our Investments

The capital plan leverages significant outside resources from federal, local, private and other sources to multiply the impact of its contributions in key policy areas and maximize return on investments.

Driving Government Performance

Investments in this year's plan support improving performance of critical infrastructure for the public, delivering better state services, and increasing the efficiency and functionality of projects consistent with agencies' core missions.

I would also like provide an update on the Governor's Municipal Modernization Bill. We filed "[An Act to Modernize Municipal Finance and Government](#)" last December with a lot of input from municipalities across the Commonwealth and I am pleased to report that the legislation is now before House Ways and Means for review. If you support our legislation, please take a moment to ask your representative to take up this legislation before the end of this year's session.

As always, thank you for your support and input. I hope you enjoy your summer with friends and family!

Proposed 2016 Equalized Valuations

Bureau of Local Assessment

On June 1st, 2016 the Bureau of Local Assessment posted the proposed 2016 Equalized Valuations (EQVs) representing the full and fair cash value of all taxable property for each municipality as of January 1st, 2016 to the Division of Local Services website at [Equalized Valuations \(EQV\)](#).

These EQVs will be used as a basis of comparison among the 351 municipalities within the Commonwealth for certain state and local purposes. Specifically, EQV is used in the allocation of aid to public libraries, in the calculation of Chapter 70 funding, and in the reimbursement rate of school construction projects. Certain Cherry Sheet charges also use EQV (County Tax, Boston Metropolitan Transit District, Mosquito Control Projects and Air Pollution Control Districts). EQV is also used in calculating a community's debt limit ([MGL ch.44, sec. 10](#)).

Informal hearings will also be held for the convenience of communities who wish to question their proposed EQV. These hearings will be held from June 6th through June 10th, 2016. Bureau of Local Assessment representatives will meet personally with Boards of Assessors in Boston and/or conduct telephone conference calls to address concerns and discuss documentation submitted by assessors that support different values. If you would like to schedule an appointment, please contact James Paquette at paquettej@dor.state.ma.us or (508) 792-7300 ext. 22314.

In addition, a formal public hearing on the proposed 2016 Equalized Valuations will be held by the Bureau of Local Assessment in Boston, Massachusetts at the Saltonstall Building at 100 Cambridge Street in the 6th floor conference room on Monday, June 13th at 10:00am.

Part Two: Uncollected Property Taxes and Excise in Cities and Towns

**Susan Whouley - Bureau of Accounts Analyst and David Guzman
Bureau of Accounts Field Representative**

This is the second of a two-part review of taxes as reported by cities and towns to the Bureau of Accounts (BOA) for FY2015. The [first article](#) focused on FY2015 uncollected taxes for real estate, personal property and tax titles, while this one addresses FY2015 uncollected motor vehicle excises.

Motor Vehicle Excise and the Collection Process

For all Massachusetts communities, collected FY2015 motor vehicle excises (MVE) totaled over \$784 million. For many communities, MVE represented their third largest revenue source behind only the tax levy and state aid.

Similar to property taxes, collection of the entire MVE assessed amount is highly unlikely, despite even the most diligent municipal collectors' attempts. Efforts to maximize collection of outstanding amounts progress through a specific process that can involve the collector, deputy collectors, deputy tax collection services, and/or tax collection agencies. Successful execution improves a community's free cash position and positively affects its cash flow. For a detailed description of the process in its entirety, please see the *Ask DLS* in the [April 3rd, 2014](#) edition of *City & Town*.

MVE Commitments and Collection Rates

The Massachusetts Registry of Motor Vehicles issues electronic data files to communities several times over the course of each fiscal year. These files provide cities and towns with the information necessary to issue MVE bills. Municipalities may then remove city/town owned vehicles (the "blue plates"), vehicles exempt from the excise, duplicates, and those belonging to another community.

The largest data file is received early in the calendar year since motor vehicles are assessed and their taxes levied on that basis ([MGL ch. 60A, sec. 1](#)). This file can be over ten times the value of other files issued during the fiscal year because it contains data for all the registered vehicles known to all vehicle owners as of January 1st. Subsequent files only contain data on new vehicles purchased after January 1st and on certain specialized vehicles. The municipality's board of assessors then commits the accounts to the collector to issue the bills. If unpaid after 30 days, the bills are classified as outstanding,

and these outstanding amounts as of June 30th are reported on the Schedule of Outstanding Receivables.

The Tables used for this review report June 30th, 2015 data as received by the Bureau of Accounts (BOA) from 341 communities on an unaudited basis. Collection efforts at this time are at the end of the prescribed collection process.

Table 1 details MVE commitments and outstanding amounts attributable to FY2014 and FY2015 billings, as of June 30, 2014 and June 30, 2015, respectively. For this analysis, RMV commitments issued in May are assumed billed and collectible in FY2015.

Table 1

Commitments and Collection Rates (\$ in millions)				
	\$ FY2014	\$ FY2015	\$ increase	% increase
<i>MVE Commitments</i>	787.8	837.3	49.5	6.3%
<i>MVE Outstanding</i>	60.3	73.5	13.2	21.9%
<i>Commitments Collected</i>	92.3%	91.2%		
<i>Commitments Uncollected</i>	7.7%	8.8%		

Sources: RMV and DLS Gateway

An analysis of Table 1 indicates:

- Statewide collection rates were 92.3% and 91.2% for FY2014 and FY2015 respectively. Lower collection rates could signal large transient or college populations, unsuccessful local collection efforts, or an abnormally large number of vehicles removed from commitments.
- A 21.9% increase in outstanding amounts was attributable to FY2014 and FY2015 billings.
- There was a 6.3% increase in statewide commitments.
- About the same percentage of the respective commitments was collected in both fiscal years presented.

As with property taxes, outstanding MVE receipts for all fiscal years are collected throughout the fiscal year. The outstanding MVE amount as of June 30th, 2014 was \$192.8 million. This fell by \$89.7 million (47%) to \$103.1 million as of June 30, 2015. An outstanding amount of \$73.5 million attributable to FY2015 MVE was added as of June 30th, 2015.

Free Cash Process and the Schedule of Outstanding Receivables

As part of the free cash certification process, BOA receives a Schedule of Outstanding Receivables. Along with outstanding real estate, personal property, and tax title amounts, it shows the amount of MVE

receivables from FY2012 to FY2015, individually, and in the aggregate for all prior fiscal years.

The Schedule is entered into Gateway on the municipal level and submitted for review and approval. The Schedule of Outstanding Receivables reports receivables as noted on the collector's and treasurer's books. These receivables in turn should reflect those reported in the accountant's general ledger. This ensures proper controls are in place.

If a variance is found, every attempt should be made to reconcile it, because it will have a negative impact on a municipality's free cash because unreconciled amounts result in a reduction to free cash. It is also important to note that while free cash is reduced by the variance amount, free cash should not be viewed as a replacement for the variance.

Total Outstanding Motor Vehicle Excises Taxes (Table 2)

Table 2 details total outstanding MVE taxes for cities, towns and all municipalities collectively. It shows the amounts due for FY2015 and the total amounts due for all prior fiscal years.

Table 2

Outstanding Motor Vehicle Excise Taxes			
(in \$ millions)			
	Cities	Towns	Cities and Towns
<i>Motor Vehicle Excise</i>			
due for FY2015	\$42.6	\$30.9	\$73.5
due for prior fiscal years	\$72.6	\$30.5	\$103.1
Total Motor Vehicle Excise	\$115.2	\$61.4	\$176.6
<i># communities reporting</i>	53	288	341

Source: DLS Gateway

MVE Budgeted vs Received

MVE comprises an estimated receipt category of a municipality's general fund that is budgeted by fiscal year and usually based upon the amount received in the prior fiscal year. Additional budgeted amounts can be approved by BOA, usually at the time of annual tax rate certification.

Problematic for all cities and towns is that a good budget estimate cannot be determined at budget time because the greatest billing amount is unknown until at least seven months into the fiscal year (see **Commitments** above).

Table 3 reports the level of outstanding FY2015 MVE taxes in relation to FY2015 MVE taxes budgeted and received in FY2015.

Table 3

Outstanding FY2015 Motor Vehicle Excise Taxes FY2015 Estimates and Actuals (in \$ millions)						
	FY2015 Amount Outstanding	% Outstanding	FY2105 Estimates	FY2015 Actuals	Amount Outstanding as % of Estimates	Amount Outstanding as % of Actuals
Cities	\$42.6	58%	\$276.8	\$321.9	15.4%	13.2%
Towns	\$30.9	42%	\$384.1	\$442.5	8.0%	7.0%
All Cities and Towns	\$73.5	100%	\$660.9	\$764.4	11.1%	9.6%

Source: DLS Gateway

An analysis of Table 3 indicates:

- Although the statewide estimate of MVE for all cities is smaller than for towns, a higher percentage is outstanding for cities (58%) than towns (42%).
- For cities, although FY2015 MVE actuals exceeded their estimates, the FY2015 outstanding double-digit amount is noteworthy. For any community, however, a delay in receipt or loss of this important revenue source could result in near-term cash flow problems and could contribute to a revenue deficit at fiscal year-end, which must be provided for by all property taxpayers in the following fiscal year.

Summary of Uncollected Taxes

Finally, combining the data from Part 1 of Uncollected Taxes that focused on real estate and personal property uncollected taxes with data from this review of uncollected MVE, Table 4 provides a final tally of outstanding property and MVE excise taxes as of June 30th, 2015 (FY2016).

Table 4

Outstanding Property and Motor Vehicle Excise Taxes			
(in \$ millions)			
	Cities	Towns	Cities and Towns
<i>Real Estate</i>	\$78.1	\$131.3	\$209.4
<i>Personal Property</i>	\$49.2	\$19.5	\$68.7
<i>Tax Titles</i>	\$167.1	\$174.1	\$341.2
<i>Motor Vehicle Excise</i>	\$115.2	\$61.4	\$176.6
<hr/>			
<i>Total Outstanding Property and MVE Taxes</i>	\$409.6	\$386.3	\$795.9
<hr/>			
<i># communities reporting</i>	53	288	341

Source: DLS Databank

This analysis has shown that \$795.9 million of real, personal property, and MVE remained outstanding as of June 30th, 2015. Clearly, this is a significant dollar amount.

Interested in a brief history on the beginning of this excise? Please see [City & Town, February 4th, 2016, A Brief Look Back: Motor Vehicle Excise.](#)

OSD: Reviewing COMMBUYS Adoption in the Town of Nantucket One Year Later

Operational Services Division

(The following article was originally published on March 15th, 2016 in OSD's monthly newsletter, Buy the Way. To sign up to receive Buy the Way, [click here.](#))

COMMBUYS, the Commonwealth's online procurement platform, offers numerous benefits to price-conscious municipalities, from streamlined purchasing to competitive pricing. In February 2015, the COMMBUYS Enablement Team and the Operational Services Division's (OSD) trainers traveled to the Town of Nantucket to provide buyer training. In April, the town went live in using COMMBUYS for all statewide contract purchase orders. With 237 orders placed from 18 different statewide contracts, Nantucket truly is a great example of the breadth of implementation and depth of buying through COMMBUYS. "The key with us is not only the amount of purchasing we do but it's the variety.

Whether it's a truck, a window, a lawnmower - we buy it off of statewide contracts," said Town Engineer Silvio Genao.

As a one-person department, Chief Procurement Officer Heidi Bauer did not have the capacity to send all of the town's needs to bid. With direct access to the Commonwealth's competitively priced and previously negotiated statewide contracts, COMMBUYS generated an invaluable time savings. "We are buying the same things as other municipalities, so anything we can do to shorten the procurement process is helpful. OSD is my procurement office. You all go out and vet everybody first," Bauer stated.

As an island, Nantucket has its own unique set of needs and challenges. With very few local businesses and complicated logistics, the town was enthusiastic for new channels for goods and services. Local officials found that the wide range of vendors on statewide contracts exponentially increases their chances of finding the right items at the best price. "The Town of Nantucket really is a model community for how we would like municipalities to use COMMBUYS to their unique advantages," remarked Trish Burke, Enablement Team Account Manager.

One of the most significant ways that the town's administration has committed to COMMBUYS is by mandate. Since implementation, Bauer has required buyers to become COMMBUYS-trained so they may leverage the benefits of statewide contracts. "Our Department of Public Works (DPW) team now is a bunch of procurement professionals," remarked Bauer. Another way Nantucket has been instrumental in its success is by proactively establishing and managing its vendor relationships. For instance, when DPW had a vendor delivery issue, Genao visited the vendor and walked through the COMMBUYS process from both perspectives to find and solve the gaps in ordering. Because of this level of engagement, Nantucket has completed eight orders that were the first COMMBUYS orders with those vendors. By communicating their needs clearly and understanding OSD's processes, town officials created a natural partnership with the Commonwealth. Bauer and Genao have participated on [Strategic Sourcing Teams](#), and Genao stated, "We have great relationships with the folks at OSD. I really can't say enough good things about our experience with you all."

If you're a municipal procurement professional wanting to learn more about how COMMBUYS can work for you, visit OSD's [Local Governments webpage](#). Contact the COMMBUYS Enablement Team to set up a time to meet by emailing COMMBUYSEnablement@state.ma.us.

June Municipal Calendar

June 1	Clerk	Certification of Appropriations This is done after City/Town Council or Town Meeting so the Accountant may set up accounts for each department in the municipality.
June 1	Assessor	Determine Valuation of Other Municipal or District Land In certain communities where land is owned by another community or district, the value of the land is determined by the Assessors in the year following a revaluation year, for in-lieu-of-tax payments.
June 1	DOR/BLA	Notification of Proposed EQVs (even numbered years only)
June 1	DOR/BLA	Notification of SOL Valuations (every 4th year after 2005)
June 10	DOR/BLA	Concludes Public Hearings on Proposed EQVs (even numbered years only)
June 10	DOR/BLA	Concludes Public Hearings on Proposed SOL Valuations (every 4th year after 2005)
June 15	DOR	Commissioner Determines and Certifies Pipeline Valuations
June 15	Assessor	Deadline for Appealing Commissioner's Telephone & Telegraph Valuations
June 15	Assessor	Make Annual Preliminary Tax Commitment The preliminary tax

		<p>commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount. This should be done early enough for the annual preliminary quarterly or semi-annual bills to be mailed by July 1</p>
<p>June 20</p>	<p>Assessor</p>	<p>Final Date to Make Omitted or Revised Assessments</p> <p>As required by MGL Ch. 59, Sections 75 and 76, if a property is inadvertently excluded or mistakenly under-assessed on the warrant for property taxes, it is the Assessors' role to correct the mistake and assess the property correctly. Such an assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later.</p>
<p>June 30</p>	<p>Assessor</p>	<p>Overlay Surplus Closes to Surplus Revenue</p> <p>Each year, any balance in the overlay reserve accounts in excess of the remaining amount of the warrant to be collected or abated in that year, is certified by the Assessors. The transfer from overlay reserves to the overlay surplus is done on the Assessors' initiative or within 10 days of a written request by the chief executive officer. Once in overlay surplus, these funds may be appropriated for any lawful purpose. Any balance in the overlay surplus at the end of the fiscal year shall be closed to surplus revenue and, eventually, free cash.</p>

June 30	Assessor	<p>Physical Inventory of all Parcels for Communities that Accepted M.G.L. Ch. 59, Sec. 2A(a)</p>
June 30	Taxpayer	<p>Deadline for Applying to Have Land Classified as Forest Land, M.G.L. Ch. 61</p> <p>According to MGL Ch. 61, Section 2, this is the deadline to apply to the State Forester to have land classified as forest land.</p>
June 30	Assessor	<p>Submit Annual Report of Omitted or Revised Assessments</p>
June 30	Assessor	<p>Last Day to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of Ch. 59, Sec. 5</p> <p>If an exemption is granted to a residential property owner, the property tax is lowered, and the city or town collects fewer tax revenues than anticipated. These exemptions are partially reimbursed by the state as indicated under "Exemptions", section B of the Cherry Sheet.</p> <p>It is the responsibility of the Assessors to submit all exemptions to DOR so that the community may be reimbursed for statutory exemptions. If the Assessors fail to submit a request, the community's loss of tax revenues will not be offset by exemption reimbursements from the state. These reimbursements may not be filed retroactively for any year.</p>

		If tax bills are mailed late, assessors may submit requests for reimbursement until August 20.
Final Day of Each Month	State Treasurer	Notification of monthly local aid distribution. Click www.mass.gov/treasury/cash-management to view distribution breakdown.

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