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City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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Timely Reminders

In [our last edition of City & Town](#), the *Ask DLS* focused on changes made by the [Municipal Modernization Act](#). One of the questions related to bond premiums and how they are to be treated under the new law. It closed with "[B]ond and municipal counsel should be consulted for language to be used to amend existing borrowing authorizations and to include in future authorizations in order to use premiums for project costs and reduce the amount authorized."

With town meetings on the horizon, it's important for every municipality that has debt that was previously authorized but has yet to be issued to include a warrant article that contains this blanket language so that the community can take advantage of the ability to either reduce the amount borrowed or set aside the premium for a future capital project. Please consult bond counsel and municipal counsel so that a warrant article can be included for upcoming Town Meetings.

We also want to take this opportunity to provide a reminder to municipalities regarding submittal of referendum votes. These votes include debt exclusions, overrides, underrides, capital exclusions and stabilization fund overrides. In order to efficiently assist cities and towns with expedited services, our Municipal Databank asks that city and town clerks email all votes to databank@dor.state.ma.us. Votes can be mailed to the attention of the Municipal Databank at the Division of Local Services, P.O. Box 9569, Boston, MA 02114.

Submissions should include votes that pass (win) and votes that fail (loss). Referendum votes must include a specimen ballot, certified results, and a signed true copy attest by the clerk. Additional copies of these votes may be sent to your BOA field representative; however,

please note that the Municipal Databank is responsible for maintaining the DLS Gateway Votes Database. In the interest of the environment and for tracking purposes, we encourage clerks to send Proposition 2 1/2 votes electronically.

As always, I like to hear from our partners in local government. We are here to assist municipalities in practicing strong municipal financial management. If we're delivering as promised, let me know. If we are not, I also want to know. If you have an idea we may not have thought of, please pass it along by emailing me at croninse@dor.state.ma.us. Enjoy the upcoming holidays!

Sean Cronin
Senior Deputy Commissioner of Local Services

By the Numbers

City & Town will provide updates on the progress of the tax rate and certification season in each edition through the rest of the calendar year. In addition to these helpful statistics, we're also pleased to announce that you can now follow the tax rate setting process in real time. Thanks to our Municipal Databank staff, this public information is available 24/7 by [clicking here](#).

Preliminary Certifications: 97 Communities Approved

Final Certification: 73 Communities (of 117 Total in Certification Year)

LA4: 275 Approved (293 Submitted)

LA13/ New Growth: 274 Approved (291 Submitted)

Tax Rates: 89 Approved

Balance Sheets: 223 Approved

Aggregate Free Cash Approved Total: \$917,721,757

Saving for Rainy Days: Geographic Variations in Municipal Reserves

Theodore Kalivas - Bureau of Technical Assistance Project
Manager

As we settle into autumn, Massachusetts communities are busily preparing their budgets for next year while awaiting word on their free cash certifications. Together with stabilization funds, free cash enables cities and towns to make one-time purchases, fund capital acquisitions, and prevent spending deficits caused by emergencies. Therefore, a well-crafted policy is a key component in effectively managing these reserves. A good reserve policy should define authorized uses and funding sources, establish target balances as either a total dollar amount or percentage of the community's annual budget, and include a replenishment requirement.

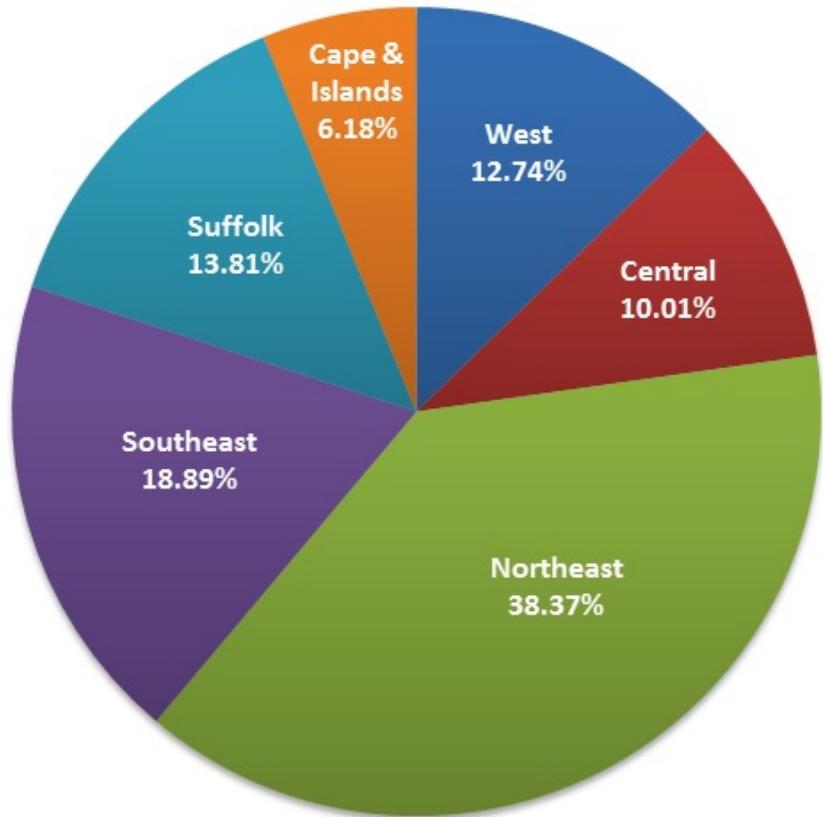
To get a sense of how communities manage reserves, let's take a broad look across the Commonwealth using the latest data available. Cities and towns report their stabilization fund balances to DLS on the Schedule A, which, at this time, does not require them to distinguish between general stabilization funds and any special purpose stabilization funds they may have. In FY2015, Massachusetts cities and towns held almost \$2.4 billion in combined reserves comprised of free cash and all stabilization funds.

	Reserves	As % of Statewide Municipal Budgets
Free Cash	\$1,399,654,718	5.54%
Stabilization	982,506,110	3.89%
Total Combined Reserves	\$2,382,160,828	\$25,278,949,669

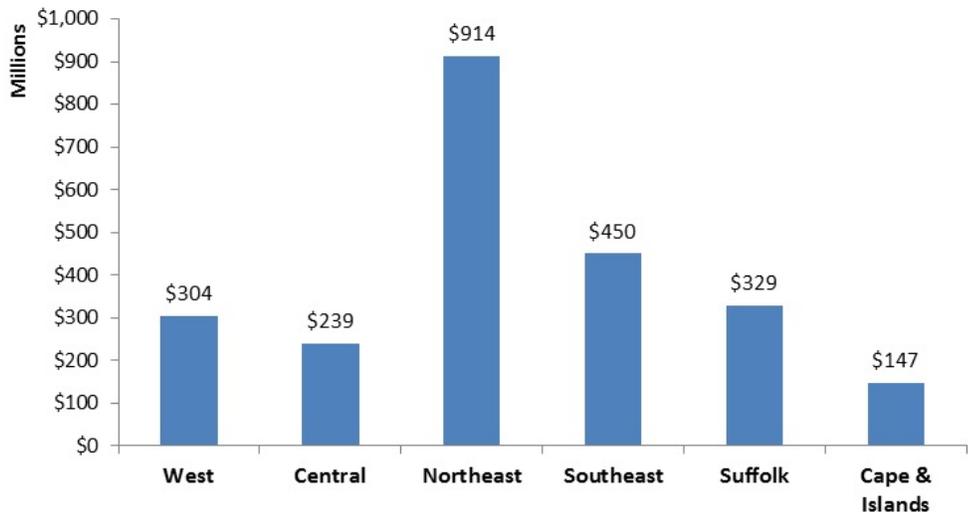
However, the aggregate total does not tell us much since it cannot be spread evenly throughout the state. Moreover, given the wide range of community sizes and resources, there would be no insight gained from calculating either a statewide average or a median. These numbers, for instance, would be skewed by the enormity of the City of Boston. Besides being the largest city in all New England by population, its budget of \$2.8 billion is many times greater than every other Massachusetts community.

To narrow the field, let's divide the state into six regions based on geography: Suffolk County (which includes Revere, Chelsea and Winthrop in addition to Boston), Northeast (Essex and Middlesex Counties), Southeast (Norfolk, Bristol and Plymouth Counties), Central (Worcester County), West (Franklin, Hampshire, Hampden and Berkshire Counties), and the Cape and Islands (Barnstable, Dukes and Nantucket Counties).

FY2015 Combined Reserves as % of Total



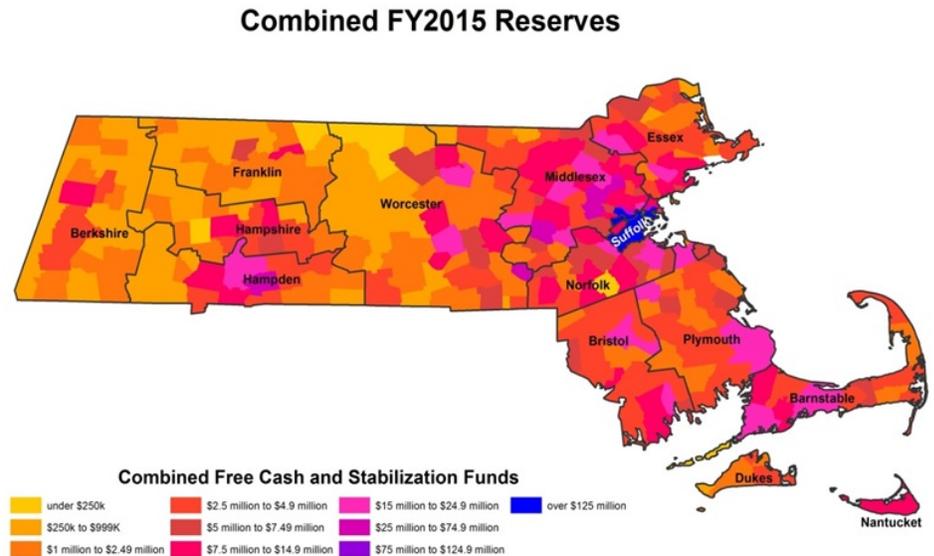
FY2015 Combined Reserves



Not surprisingly, the data shows that the regions centered in and around Greater Boston (Suffolk County, Northeast and Southeast) hold the majority of the state's combined reserve dollars because this area contains the greatest proportion of municipalities with very large budgets and higher community wealth. The Northeast in particular stands out, in part because Middlesex and Essex are respectively the first and third

most populous counties in the state.

What the charts above do not show are the subtle gradations and variances within each region. Plotting reserve levels on a map better reveals these nuances.

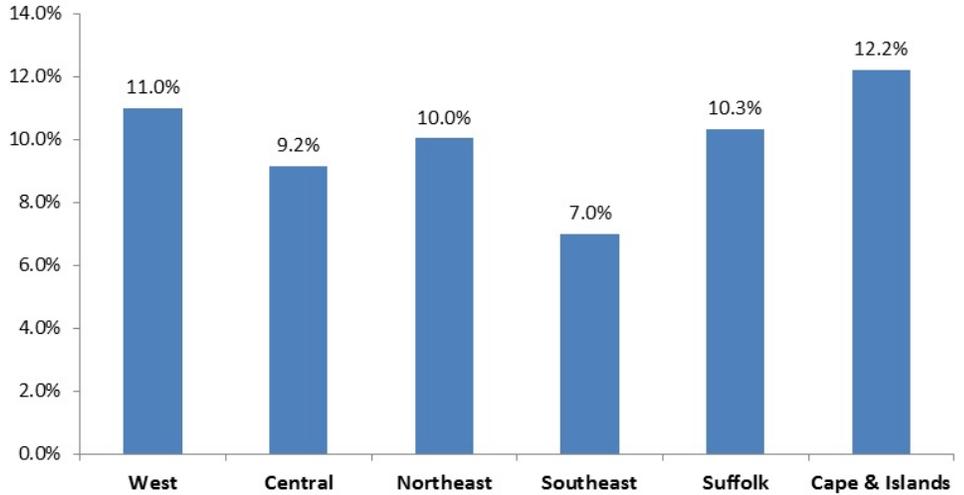


(To view a larger version of this map, click [here](#).)

As we can see on the map, Middlesex and Suffolk Counties have the highest concentration of reserve dollars, with Suffolk County containing the most reserves for a single community (Boston). But while aggregate dollar amounts can be interesting from demographic and economic points of view, they do not take into account the financial needs of communities.

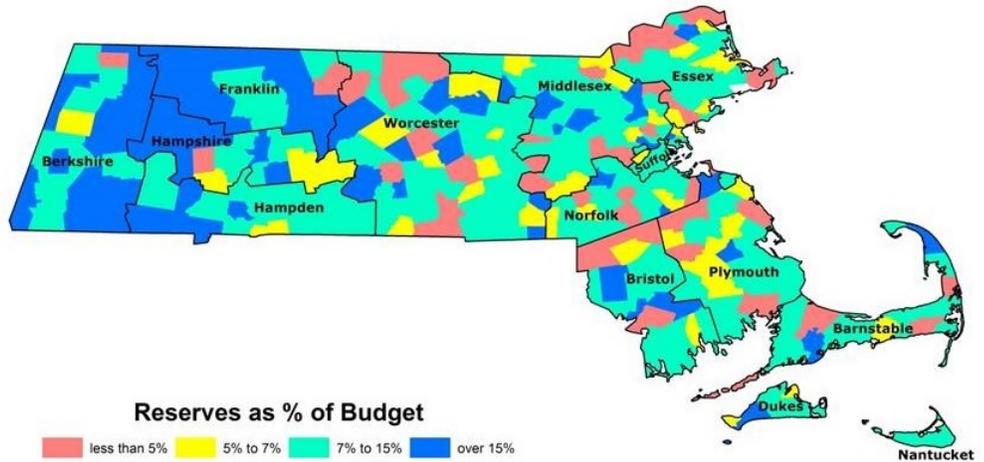
As a way of determining whether a city's or town's reserves are reflective of its needs, we should examine those reserves as a percentage of its total budget. This can indicate how prepared a community is for a fiscal emergency. As a rough indicator, the chart below takes total combined reserves as a percentage of all budgets in each region. These figures indicate that while the eastern regions hold the highest amount of total reserve dollars, the Cape and Islands have the highest amounts of reserves relative to budgets.

FY2015 Combined Reserves as % of Budgets



Plotting this data on a map shows that having moderate-to-high reserve levels relative to budgets is fairly widespread. In fact, most communities' reserves are above the minimally advisable 5 to 7% range. From this perspective, Western Massachusetts stands out by having the most communities with reserves greater than 15% of their FY2015 budgets.

FY2015 Reserves Relative to Budget



(To view a larger version of this map, click [here](#).)

It is important to keep in mind that the mix of communities with propensities to favor cash over debt for larger capital purchases impacts this comparison. This is especially true when examining a single fiscal year. In some cases, a very high percentage of reserves relative to budget may indicate a community preparing for a substantial capital purchase. In that case, reserve levels relative to budget will drop considerably after the purchase, and the community would then need to rebuild the balance. Other communities may depend primarily on debt service for their capital needs and so will maintain proportionately lower

but more consistent reserve balances. Local circumstances and priorities determine which approach is right for a community. Nevertheless, to ensure a positive financial condition, either strategy should be accounted for and fully outlined in a detailed reserve policy.

The Technical Assistance Bureau provides guidance on reserves and other subjects on this [webpage](#). To directly download the reserve topics, click on the following links: [Reserve Policies](#), [Free Cash](#), [Special Purpose Stabilization Funds](#).

A forthcoming *City & Town* article will examine rules to remember when appropriating from free cash and tips on how to rebuild or improve a community's free cash position. Stay tuned!

Data Highlight of the Month

Anthonia Bakare - DLS Municipal Databank

The Division of Local Services (DLS) offers a wide variety of municipal, financial and socioeconomic information. This month's data highlight focuses on reserves.

A community's reserves are made up of its [stabilization fund\(s\)](#) and [free cash](#). The DLS Municipal Databank offers diverse information on reserves, including graphs, bar charts and a [trend analysis](#).

Much of this information can be found in the *Debt and Other Financial Indicators* [section](#) of the Databank website. The information represents certified free cash and stabilization balance amounts based on data submitted by cities and towns. Free cash is in years 1982 to present, while stabilization funds are in years 2003 to present. There are reports on Regional School Districts' Excess and Deficiency Funds, Retained Earnings from Enterprise Funds, and Certified Free Cash from Other Taxing Districts.

We hope you become better acquainted with the data the Division of Local Services has to offer through the *Data Highlight of the Month*. For more information, contact us directly at databank@dor.state.ma.us or (617) 626-2384.

7 of 32 TAP Communities Have Set FY17 Tax Rates

Bob Bliss - Director of Strategic Planning and Regional Manager

Seven of the 32 communities enrolled in the Taxpayer Assistance Program (TAP) have set their FY17 tax rates: East Bridgewater (September 28), Sutton (October 24), Hanover (October 25), Pepperell

and Rehoboth (October 26), New Salem (November 8), and Watertown (November 15).

TAP is designed to assist communities in setting earlier tax rates by establishing timelines agreed to by the local officials who lead the assessing and financial offices of their city or town governments. The program is now in its third year.

Six of the seven TAP communities set their rates more quickly than in the previous year: New Salem, 25 days; Pepperell, 17 days; Hanover and Watertown, 15 days; Rehoboth 10 days, and Sutton, three days. Five of the seven communities had previously participated in TAP, so setting and adhering to a timeline was not new for them. For New Salem and Watertown, this was their first TAP experience. Five of the seven also set their rates ahead of their timelines; Pepperell by 33 days, Hanover by 20 days, New Salem by six days, and Rehoboth and East Bridgewater by a day each.

DLS meets with communities interested in TAP in the spring to lay out achievable timelines. Attending those meetings are DLS field reps for the Bureau of Local Assessment and the Bureau of Accounts, along with the heads of assessing and finance and anyone else the communities wish to include.

TAP is voluntary and does not include penalties for a community that misses deadline. The underlying belief in the program is that better and clear communication in city and town halls can lead to speedier settings of tax rates. For DLS, earlier tax rate setting produces a more even tax rate review workflow in the critical months of October, November and December.

If your community has questions or is interested in participating in TAP for FY18, please contact DLS Director of Strategic Planning and Regional Manager Bob Bliss at blissr@dor.state.ma.us or at (508) 792-7300 ext. 22312. Enrollment will take place in February and March of 2017, with timeline meetings in April and May. However, if you know you will be interested, feel free to let us know now.

IGRs, Bulletins and Other Guidance Regarding Municipal Modernization Act Changes

Bureau of Municipal Finance Law

The Division of Local Services has posted on its website the following IGRs, Bulletins and other guidance regarding Municipal Modernization Act changes that are now in effect.

IGRs

[IGR 16-104](#) Overlay and Overlay Surplus (Supersedes IGR 11-101)

[IGR 16-404](#) Fiscal Year 2017 Guidelines for Annual Assessment and Allocation of Tax Levy (Supersedes IGR 16-402)

[IGR 16-405](#) Small Commercial Exemption (Supersedes IGR 00-403)

Bulletins

[Bulletin 2016-05B](#) Fiscal Year 2017 Property Tax Exemption and Deferral Application Due Date

[Bulletin 2016-06B](#) Revised Abatement, Exemption and Deferral Forms and Taxpayer Fact Sheets

Other

[DLS Asset Useful Life - Borrowing Limits](#)

[Borrowing Purposes Table - Before and After Municipal Modernization Act](#)

[Municipal Modernization Act FAQs](#)

OSD Announcements: Neighbor-to-Neighbor Series

Operational Services Division

Earlier this fall, OSD launched the Neighbor-to-Neighbor campaign where local government officials joined their neighbors, the Massachusetts Office of the Inspector General, and OSD to learn procurement best practices, including how to:

- Prepare for An Act to Modernize Municipal Finance and Government, the new law streamlining municipal procurement, effective November 7th
- Comply with Chapter 30B, the Uniform Procurement Act
- Save time and money using statewide contracts
- Maximize grant dollars awarded as part of the Community Compact program

Three new events have been added to the Neighbor-to-Neighbor series, and we hope you can join us in Lenox, Rowley, and/or Huntington. Successful events have been held in Quincy, Needham, Everett, Haverhill, Dighton, Fitchburg, and Carver, with more than 220 attendees from 61 cities and towns.

If you're a local government buyer, click the link below for the city or town nearest you to register today. We are grateful to the host cities and towns for their assistance in planning and executing these events!

December 2 - [Town of Lenox](#)

December 6 - [Town of Rowley](#)

December 9 - [Town of Huntington](#)

November Municipal Calendar

November 1	Taxpayer	<p>Semi-Annual Tax Bill - Deadline for First Payment</p> <p>According to MGL Ch. 59, Sec. 57, this is the deadline for receipt of the first half semi-annual tax bills or the optional preliminary tax bills without interest, unless bills were mailed after October 1st, in which case they are due 30 days after mailing.</p>
November 1	Taxpayer	<p>Semi-Annual Tax Bills - Application Deadline for Property Tax Abatement</p> <p>According to M.G.L. Ch. 59, Sec. 59, applications for abatements are due on the same date as the first actual tax installment for the year.</p>
November 1	Taxpayer	<p>Quarterly Tax Bills Deadline for Paying 2nd Quarterly Tax Bill Without Interest</p>
November 1	Treasurer	<p>Deadline for Payment of First Half of County Tax</p>
November 15	DESE	<p>Notify Communities/Districts of Any Prior Year School Spending Deficiencies</p> <p>By this date, or within 30 days of a complete End of Year Report (see September 30th), DESE notifies communities/districts in writing of any additional school spending requirements.</p>
November 30	Selectmen/Mayor	<p>Review Budgets Submitted by Department Heads</p> <p>This date will vary depending on dates of town meeting.</p>

Final Day of Each Month

State Treasurer

**Notification of Monthly Local
Aid Distribution**

Click

[www.mass.gov/treasury/cash-
management](http://www.mass.gov/treasury/cash-management) to view
distribution breakdown.

To unsubscribe to *City & Town* and all other DLS Alerts, please click [here](#).