



April 16th, 2020



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## Dealing with the Impact of COVID-19 on Local Government's Financial Health – Things to Consider

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The following is designed to help local officials navigate through some of the municipal finance concerns that have arisen over the last few weeks. This is in addition to [recent guidance](#) provided by DLS related to [Chapter 53 of the Acts of 2020](#) (“An Act to Address Challenges Faced by Municipalities and State Authorities Resulting from COVID-19”).

### Financial Management

#### *Cash Flow*

Due to the current unstable economy, cash flow may be severely impacted. The treasurer should prepare a detailed cash flow analysis by using historic warrants and monthly revenue reports to project spending and collection patterns to determine whether cash flow will be sufficient when large bills for debt service, regional school and pension assessments are due. Discuss activity in the capital market with your financial advisor if issuance of revenue anticipation notes, or any other short- or long-term debt instruments is anticipated. A sample cash flow spreadsheet can be found on the DLS [Municipal Finance Training and Resource Center](#).

#### *Forecasting Assumptions*

## Capital Planning Tools Available

### Important Dates & Information

#### **CANCELLED: 2020 New Officials Finance Forum**

Due to the ongoing uncertainty surrounding the current COVID-19 state of emergency, the Division of Local Services (DLS) has cancelled its annual New Officials Finance Forum (NOFF) previously scheduled for Thursday, June 4th at the College of the Holy Cross in Worcester. Please note that DLS remains committed to providing helpful guidance and instruction to municipal officials through our recently developed [Municipal Finance and Training Resource Center](#).

#### **GFOA Financial Policy Challenge**

For 2020, the Government Finance Officers Association (GFOA) has launched a [Financial Policy Challenge](#) to encourage members to adopt and share financial policies. Financial policies provide guidelines for financial decision making and set the strategic intent for financial management and

Local officials should revisit their FY2021 financial forecast assumptions that may have been made prior to the onset of the pandemic. As a living document, a forecast includes reasonable assumptions that must be continually evaluated and updated to reflect changing circumstances and events. By doing so, the forecast provides a fair representation of the community's fiscal future to help guide the budget and strategic planning process. You can also visit [Municipal Finance Training and Resource Center](#) for information on revenue and expenditure forecasting.

#### *Accurate Recordkeeping*

For federal reimbursement: As federal funding for emergency measures related to the pandemic will be made available to local governments, it is important to maintain an accurate tracking of costs for the duration of the response to prepare for reimbursement.

For emergency expenditures: As outlined in [Bulletin 2020-01](#), upon request, the Director of Accounts will allow COVID-19-related emergency expenditure liabilities in excess of appropriation to be paid under [G.L. c. 44, § 31](#). The deficit created by this account may then be raised without appropriation on the FY2021 Tax Rate Recap, if not already provided for, and will not be considered a reduction in the calculation of free cash as of July 1, 2020. Further guidance will be provided by the Bureau of Accounts.

For deficit amortization: As outlined in [Bulletin 2020-02, Chapter 53 of the Acts of 2020](#) allows a city, town or special purpose district with COVID-19 emergency expenditures approved under [G.L. c. 44, § 31](#) to amortize any spending or revenue deficit over three fiscal years beginning in FY2021. These will not be considered a reduction in the calculation of free cash as of July 1, 2020. Further guidance will be provided by the Bureau of Accounts.

#### *Remote Deposit Services*

Due to closure to the public of many city and town halls, the treasurer/collector should consider engaging with a financial institution to use a lockbox and remote deposit service, if one is not already being used. This bank provided service collects tax or other payments by mail, processes the payments through the bank's collection system, automatically deposits payments into a municipal bank account and produces daily receipt reports that are sent to

are central to a strategic, long-term approach to financial management.

To support this effort by GFOA, the Division of Local Services has built over a dozen financial policy manuals for cities and towns in Massachusetts. [Click here](#) to learn more about how the DLS Technical Assistance Bureau can help your community build a set of formal written financial policies to meet this challenge.



#### **Other DLS Links:**

[COVID-19 Resources and Guidance for Municipal Officials](#)

[Local Officials Directory](#)

[Municipal Databank](#)

[Informational Guideline Releases \(IGRs\)](#)

the treasurer/collector.

#### *FY2020 End-of-Year Transfers*

Municipal officials should monitor their FY2020 expenditures to identify budgetary surpluses available for transfer to other parts of the budget that may be in deficit. [IGR 17-13](#) outlines transfer procedures for cities and towns that may occur during May and June, and the first 15 days of July in the new fiscal year.

#### **Planning for FY2021**

##### *Appropriating Free Cash/Retained Earnings*

[Chapter 53 of the Acts of 2020](#) allows a city council, town or special purpose district, with prior permission of the Director of Accounts, to appropriate from free cash or enterprise fund retained earnings certified as of July 1, 2019, provided an unappropriated amount remains as of June 30, 2020 and provided the city, town or district meeting has been delayed beyond June 30, 2020 due to the emergency. Further guidance will be provided by the Bureau of Accounts.

##### *Budgeting*

Local governments should prepare (or revisit) their FY2021 budgets based on the current economic climate. If budgets cannot be approved by June 30, [Chapter 53 of the Acts of 2020](#) allows the Director of Accounts, upon notification and approval of the mayor or select board, to approve spending of at least 1/12<sup>th</sup> of the prior fiscal year's budget until a final FY2021 budget has been approved. Further guidance will be provided by the Bureau of Accounts.

##### *Financial Policies*

In light of a changing economy, consider developing a set of documented financial policies and procedures to provide important guidance and consistency around local fiscal policy decisions and financial operations. DLS recommends developing policies on capital planning, debt management, forecasting, investments, OPEB and reserves, including the use of free cash. If such policies exist, consider revisiting them considering the change in the economy.

##### *Setting the Tax Rate*

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

For cities, towns and special purpose districts that levy property taxes, setting the FY2021 tax rate may be delayed due to revaluation or another valuation-related delay. Based on this possibility, we recommend the following:

- cities and towns using a semi-annual tax billing system consider issuing semi-annual optional preliminary tax bills which provide a source of revenue until the tax rate is finally determined next spring
- cities and towns using a quarterly tax billing system consider issuing third quarter preliminary tax bills
- special purpose districts may be authorized to issue these bills if at least one of the cities or towns constituting the district has been so authorized.

Assessors should review requirements for issuing either semi-annual or third quarter preliminary tax bills after approval of a Pro Forma Recap by the Bureau of Accounts. DLS will soon provide further guidance in this matter.

#### *Website*

Communities might revisit their websites to ensure they provide departmental listings and contact information, community links, access to forms, electronic payment options, news, and announcements. Effective use of the website helps residents interact more effectively with their local government, generates public awareness and promotes confidence in their government.

#### **Expand Remote Capabilities**

##### *Conferencing Using Available Technology*

Many local governments are using laptops and other technology to work remotely as well as to hold meetings, both public and private, from remote locations. The FBI has provided warnings related to [Teleconferencing and Online Classroom Hijacking](#). Users of this technology should discuss how to protect their video activity from violators with their IT staff and to notify their local police department should an attack occur.

##### *Remote Data Entry*

Communities should consider opportunities to expand remote entry capability to departments. With proper training, departmental staff could be given responsibility for data entering their vendor bills and payroll information. This would distribute the burden of data entry without weakening financial controls. The accounting or treasury staff would match the departments' electronic submissions against their submitted back-up documents before accepting and posting the data to the appropriate system (e.g., warrant, general ledger, or cash book).

#### *Open Meeting Law Modifications*

Governor Baker's [Executive Order](#) of March 12, 2020 modified certain requirements of the Open Meeting Law. The Massachusetts Attorney General's Office has issued [guidance](#) on public meetings and hearings on its website, along with telephone and email contact information. Local boards and committees can meet remotely provided certain conditions are met. Clerks should advise local boards and committees to proceed according to the modifications and contact the Attorney General's Office for further guidance if needed.

#### *DLS*

Along with DLS Alerts notifications, DLS will continue to provide updates and information through our [COVID-19 Resources and Guidance for Municipal Officials](#) page, which includes current information on our services, guidance on issues, and updates on related legislation. Sign up for DLS Alerts by [clicking here](#).

Our website also includes [telephone numbers and email addresses](#) for our field and administrative staff who are currently working remotely, but check their voicemail and email accounts regularly. To streamline incoming communications, we have temporarily suspended our DLSLaw attorney hotline and email but have created a [COVID19DLS@dor.state.ma.us](mailto:COVID19DLS@dor.state.ma.us) email account into which all inquiries go and will be responded to. If we can help, please contact us.

***Ask DLS: An Act to Address Challenges Faced by Municipalities and State Authorities Resulting from COVID-***

## **19 - Sections 10 and 11 of Chapter 53 of the Acts of 2020**

This month's Ask DLS provides answers to frequently asked questions of municipal officials regarding sections 10 and 11 of "An Act To Address Challenges Faced by Municipalities and State Authorities Resulting from COVID-19", [c. 53 of the Acts of 2020](#), (the Act) signed by Governor Baker on April 3, 2020.

### **FAQs Regarding Extension of Due Date of Property Tax Bills - Section 10**

*SECTION 10. (a) Notwithstanding any general or special law to the contrary, as a result of the outbreak of the 2019 novel coronavirus, also known as COVID-19, and the governor's March 10, 2020 declaration of a state of emergency, for fiscal year 2020, the chief executive officer of a city or town, as defined in clause Fifth B of [section 7 of chapter 4 of the General Laws](#), or a district may extend:*

*(i) for the purposes of the first paragraph of [section 57 of chapter 59 of the General Laws](#), the date May 1 to a date not later than June 1, 2020;*

*(ii) for the purposes of the seventh and eighth paragraphs and the tenth and eleventh paragraphs of [section 57C of said chapter 59](#), the date May 1 to a date not later than June 1, 2020;*

*(iii) for the purposes of the seventh paragraph of said [section 57C of said chapter 59](#), the date April 1 to a date not later than June 1, 2020; and*

*(iv) for the purposes of the third paragraph of said [section 59 of said chapter 59](#), the date April 1 to a date not later than June 1, 2020.*

*(b) Notwithstanding said sections [57](#), [57C](#) and [59](#) of said [chapter 59](#) or any other general or special law to the contrary, if municipal offices are closed as a result of the outbreak of the 2019 novel coronavirus, also known as COVID-19, or the governor's March 10, 2020 declaration of a state of emergency on the date that a tax payment, abatement or exemption application is due, the due dates shall not be extended except pursuant to this section.*

**We understand that sections 10(a)(i)-(iii) permit the Chief Executive Officer (CEO) of a city, town or district to extend the due date of property tax bills under [G.L. c. 59, §§ 57](#) and**

**[57C](#) from either April 1 or May 1, as applicable, to a date no later than June 1. Can the CEO choose which property tax bills or which property taxpayers are eligible for this extension? For example, can the CEO extend the due dates for real property tax bills, but not personal property tax bills, or extend the tax bills of senior real property taxpayers only?**

No – The wording of sections 10(a)(i)-(iii) allows only a change of the due date contained within the referenced paragraphs of sections [57](#) or [57C](#) of [chapter 59](#) of the general laws. No other authority is granted to CEOs. The new due date, if this option is exercised, applies to all property tax bills and all property taxpayers.

**Do sections 10(i)-(iii) allow the CEO to choose a due date that is earlier than June 1, 2020?**

Yes – the CEO may choose to extend the due date to a date not later than June 1, 2020.

**We have a city form of government, but no mayor. Who is the CEO with authority to exercise the local options contained in sections 10 and 11 of Chapter 53?**

A CEO is defined to “include the mayor in a city and the board of selectmen in a town unless some other municipal office is designated to be the chief executive officer under the provisions of a local charter.” [G.L. c. 4, § 7, Clause Fifth B](#). Some communities have a town council and town meeting form of government and their charters provide that the town council is the CEO. Other communities have a city form of government, but no mayor (*e.g.*, Barnstable, Cambridge, Watertown). In these communities, local charters will ordinarily determine the CEO. If there is any question regarding the identity of the CEO in a community, local counsel should be consulted.

**Does section 10 allow the CEO to extend the due date of motor vehicle excise bills?**

No – the provisions of sections 10(i)-(iii) apply only to property tax bills issued under [c. 59](#). Motor vehicle excise bills are issued under [c. 60A](#).

**FAQs Regarding Waiver of Interest and Other Penalty - Section 11**

*SECTION 11. Notwithstanding [section 57](#), [57A](#) and [57C](#) of [chapter 59 of the General Laws](#), [section 2 of chapter 60A of the General Laws](#) or any other general or special law to the contrary, as a result of the outbreak of the 2019 novel coronavirus, also known as COVID-19, or the governor's March 10, 2020 declaration of a state of emergency, the chief executive officer of a city or town, as defined in clause Fifth B of [section 7 of chapter 4 of the General Laws](#), or the prudential committee or commissioners of a district may waive the payment of interest and other penalty in the event of late payment of any excise, tax, betterment assessment or apportionment thereof, water rate or annual sewer use or other charge added to a tax for any payments with a due date on or after March 10, 2020 and made after its respective due date but before June 30, 2020. Notwithstanding the forgoing, a city or town shall not terminate an essential service of a resident, including, but not limited to, water, trash collection or electricity, for nonpayment of taxes or fees with a due date on or after March 10, 2020, made after its respective due date but before June 30, 2020, if the nonpayment resulted from a demonstrated inability to pay due to circumstances related to the outbreak of COVID-19 or the governor's March 10, 2020 declaration of a state of emergency; provided that the inability to pay shall include a demonstrated financial hardship of a resident, which may include, but not be limited to, loss of employment, serious illness of someone within the home or death of someone within the home.*

**To what bills/charges other than the property tax does the option to waive the payment of interest and other penalty apply? Does it apply to water and sewer bills not added to the tax bill or other local utility bills or charges?**

The first sentence of section 11 contains the local option to waive payment of interest and other penalty and it applies to "any excise, tax, betterment assessment or apportionment thereof, water rate or annual sewer use or other charge added to a tax for any payments with a due date on or after March 10, 2020 and made after its respective due date but before June 30, 2020." (Emphasis added.)

This local option applies to the motor vehicle excise and the property tax. In addition, it applies to "betterment assessment or apportionment thereof, water rate or annual sewer use or other charge added to a tax." This phrase is found in the 12<sup>th</sup> paragraph of [G.L. c. 59, § 57C](#). [Section 57C](#) provides that if the "tax, betterment assessment or



apportionment thereof, water rate or annual sewer use or other charge added to such tax” is not timely paid, it shall accrue interest at the rate of 14% from the due date. The use by the legislature of this same phrase in section 11 indicates its intent that the section 11 waiver apply only to these charges (betterment assessment or apportionment thereof, water rate or annual sewer use or other charge) after they are added to the property tax bill.

For each of the above charges, interest is imposed by statute and a city/town would have no authority to waive interest without legislation. For motor vehicle excises, [G.L. c. 60A, § 2](#) requires 12% interest if unpaid within 30 days. For unpaid property taxes, betterment assessment or apportionment thereof, water rate or annual sewer use or other charge added to a tax, [G.L. c. 59, §§ 57](#) and [57C](#) require 14% interest. The section 11 option allows a city/town to waive the statutory interest for these charges.

A city or town may also waive its locally imposed interest or penalty on local fees or charges; however, the waiver is not done through section 11. Legislative authority is ordinarily not required to adjust or waive locally imposed due dates or interest charges. If a city or town wishes to pursue the adjustment of locally imposed due dates or interest charges on its local water, trash or other charges (not already added to a property tax bill), it should consult its local counsel for advice on the procedure.

**Does the city/town need to find a “demonstrated inability to pay ...” to adopt the waiver of interest and other penalty contained in the first sentence of section 11?**

No – As a result of the legislative history and the wording of section 11, it is our opinion that the “demonstrated inability to pay” applies only to the termination of essential services provision contained in the second sentence of section 11. It does not apply to the first sentence of section 11 which contains the waiver of interest and other penalty option.

**Can a city/town exercise the option in the first sentence of section 11 to waive interest/penalties and choose the bills to which it will apply? For example, can a city/town choose not to adopt the local option interest waiver for motor vehicle excise bills, but exercise it for the rest of the listed charges – “tax, betterment assessment or apportionment thereof, water rate or annual sewer use or other charge added to a tax”?**

Yes - We think that the use of the word “any” in the legislation permits a city/town to choose from among the listed bills.

**If a city/town exercises the waiver option under section 11, can a city/town exclude certain categories of taxpayers from the waiver? For example, can it exclude personal property taxpayers, or allow the option only for elderly taxpayers?**

It is unclear that the legislation allows this. As a result, we advise that local counsel be consulted if considering this approach.

**If a city/town exercises the option to waive interest, what is the last day for a taxpayer to pay the bill and qualify for the waiver of interest?**

June 29, 2020. The relevant language in the legislation is “made after its respective due date but before June 30, 2020.” If the bill is paid on June 30, 2020 or after, it is paid too late for the waiver to apply. Interest will run from the date the bill is due to June 30, 2020 (or the date after June 30, 2020 that it is paid). For example, if a property tax bill’s due date was extended to June 1, 2020 and it is paid on June 30, 2020, interest will run from the due date of June 1, 2020 to June 30, 2020. If the bill is paid July 15, 2020, interest will run from June 1, 2020 to July 15, 2020. If, however, the bill is paid on June 29, 2020, interest will be waived.

**If a city/town exercises the option to waive interest and a property tax bill is paid after its due date, but on June 29 so that the interest waiver is applied, what is the impact on Appellate Tax Board (ATB) jurisdiction to hear the taxpayer’s appeal of the denial of a property tax abatement under [G.L. c. 59, § 64](#)?**

Under [G.L. c. 59, § 64](#), to pursue an appeal before the ATB, a taxpayer usually must have paid all or part of the tax before filing the appeal. For personal property tax appeals, one-half of the personal property tax must be paid. For real property tax appeals, when the tax is \$5,000 or less, no payment is required. For a real property tax over \$5,000, all preliminary and actual installments must have been paid on or before their due dates, i.e., without incurring interest. The question is whether interest is “incurred” for purposes of [G.L. c. 59, § 64](#) when a taxpayer pays his tax bill late but before June 30

and the interest is waived under section 11? In other words, will the payment of the tax after the due date but before June 30 prevent the ATB from having jurisdiction over the taxpayer's appeal? This is a question for decision by the ATB, subject to further appeal to the courts.

For additional information, please see the [DLS COVID-19 Resource and Guidance for Municipal Officials page](#).

### **DLS Municipal Finance Training and Resource Center: New Forecasting & Capital Planning Tools Available**

The Division of Local Services has added new materials to its online [Municipal Finance Training and Resource Center](#) to assist cities and towns with the financial forecasting and capital planning processes.

Financial forecasting is an essential planning and policy-making tool that projects and expenditures over a multiyear period. A well-designed forecast allows a municipality to evaluate the impact of various decisions and policy choices, identify challenges, and develop a plan for budget sustainably for the future. A community's forecast should be based on reasonable assumptions that are documented, continually evaluated, and updated to reflect changing circumstances and events. Forecasting also allows a municipality to undertake "what-if" scenarios, which are especially important during times of economic uncertainty like we are living in today. By doing so, the forecast serves as a framework that reasonably projects resources among competing needs, takes into consideration past practices, and highlights the impact of today's decisions into the future to help guide strategic and budget planning processes.

DLS developed a series of training resources to help communities understand, build, and maintain a useful forecast. These resources include [several video tutorials](#) on the fundamentals of financial forecasting, along with an excel-based template and detailed how-to instructions manual.

In addition to these forecasting tools, we've added some additional resources regarding capital planning. A capital improvement program (CIP) provides a blueprint for planning a community's capital expenditures and is one of the most important responsibilities of local government

officials. It coordinates community planning, financial capacity, and physical development. The [Capital Targets Template](#) is designed to help local officials monitor their capital spending goals by providing an easy means to track annual and projected spending on maintenance, equipment, and infrastructure. When developing a CIP, local officials should use a standardized capital form when collecting departmental requests. The [Capital Project Request Form](#) is a template cities and towns can use to make tracking projects within and across fiscal years much more efficient and make analysis and comparison of projects easier. These newly published resources compliment a [three-part video series](#) on capital planning also available on the DLS YouTube page.

In the coming weeks, we will be publishing resources on municipal debt, new growth, stabilization funds, and more. Something you'd like to see added? We'd love to hear from you! Please email the DLS Data Analytics & Resources Bureau at [DARB@dor.state.ma.us](mailto:DARB@dor.state.ma.us)

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#) to stay updated on new items added.

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