

A Publication of the Massachusetts Department of Revenue's Division of Local Services

City & Town

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New Content on the DLS Municipal Finance Training and Resource Center

March 5th, 2020

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Important Dates & Information

Save the Date: 2020 New Officials Finance Forum

In January, DLS unveiled our new [Municipal Finance Training and Resource Center](#) and related [YouTube.com channel](#). Today, we were happy to publish a video presentation about the [Residential Exemption](#). Also available in the Resource Center is a [Residential Exemption Calculator](#), a tool to assist communities in projecting the impact if a Residential Exemption were to be adopted in their city or town. We've also recently added the following:

- Information Guidelines Releases from the DLS Municipal Finance Law Bureau
- Legal FAQs about [short-term rentals](#), the [budget process in a city](#), [tax collections](#), and other topics
- An [overview](#) of revenue and appropriation deficits
- Various [financial tools, templates, and calculators](#)
- Other resources with information on [borrowing limits](#), revolving funds (for both [school](#) and [non-school departments](#)), and more

We will soon be releasing more resources and video presentations about revenue and expenditure forecasting, new growth, debt, and more. Something you'd like to see added? We'd love to hear from you! Please email DLS's Data Analytics & Resources Bureau at 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.

The Division of Local Services (DLS) will host its annual **New Officials Finance Forum on Thursday, June 4th at the College of the Holy Cross in Worcester.**

DLS offers the seminar to recently elected or appointed officials every spring. This training introduces municipal finance concepts related to the structure and function of local government including the different roles and functions of local officials and their relation to one another. The purpose is to develop a greater understanding of the municipal budgetary process and the importance of fostering a team approach to municipal finance in your community.

We highly encourage any and all new officials to attend. Please spread the word and stay tuned for registration information.

BLA Hosts Local Assessment Workshops

In March, the Bureau of Local Assessment (BLA) will be conducting three regional workshops as well as a webinar for those unable to attend the workshops. Each session will highlight various topics including updates to the Certification Standards IGR, what to expect if in certification this year, overview of the New Growth review and template, and an update on reviewing the utility class use code 504.

The workshops will be held at

PERAC's List of Retirement Boards by Funded Ratio - Updated Tony Rassias - Deputy Director of Accounts

PERAC, the Public Employee Retirement Administration Commission, is responsible for oversight, guidance, monitoring and regulation of 99 city, town, county, special purpose district and regional school district public pension systems (municipal systems), and six state public pension systems. PERAC publishes quarterly a list of retirement boards and their last valuation date, the date when the system's actuarial valuation was last performed. The most recent list is as of 1/1/2020. GASB, the Governmental Accounting Standards Board, requires a new valuation at least every two years, if not more frequently. PERAC's list also includes three common fiscal metrics as reported by each system that can help assess whether a retirement system is fiscally healthy: Funded Ratio, Investment Return Assumption (Assumed Rate of Return, ARR), and Funding Schedule for amortizing the system's unfunded actuarial liability (UAL). The purpose of this article is to review the latest list for the 99 municipal systems only and determine how their metrics have changed from one year ago.

Funded Ratio

PERAC lists each system by its funded ratio, from greatest percentage to least. The funded ratio is the total value of a plan's assets weighed against its accrued liabilities as of its last valuation date. It indicates the extent to which assets cover system liabilities. A system with a greater funded ratio is considered a stronger system.

Leading this list is Leominster at 99.7%, and lagging this list is Springfield at 27%. The group median is 64.8%, up from 64.4% last year. The following two tables list the five leading and five lagging systems along with their valuation dates:

Leading the List

Entity	Funded Ratio	Valuation
Leominster	99.7%	January 1,
Shrewsbury	92.4%	January 1,
Watertown	89.0%	January 1,
Greater Lawrence Sanitary	88.6%	January 1,
Minuteman Regional School	88.3%	January 1,

Lagging the List

the following locations:

Danvers

Wednesday March 18, 2020
 10am - noon
 Danvers Town Hall
 1 Sylvia St., Danvers

Shrewsbury

Tuesday, March 24, 2020
 1pm - 3pm
 Shrewsbury Town Hall
 Board of Selectmen’s Meeting
 Room
 100 Maple Ave, Shrewsbury.

Sandwich

Wednesday, March 25, 2020
 10am – noon
 Oakcrest Cove
 34 Quaker Meeting House Rd.,
 Sandwich

Webinar

Monday, March 30, 2020
 1:30pm
 Test the following link
<https://zoom.us/test> to verify
 access from your computer.
 Once verified, please register as
 stated below.

Site registration is required.
 Please email your site choice,
 name, community, email address
 and phone number to John Gillet
 at bladata@dor.state.ma.us.

*The Massachusetts Association
 of Assessing Officers (MAAO) will
 grant two (2) continuing
 education credits to assessors
 attending the Local Assessment
 Workshops.*

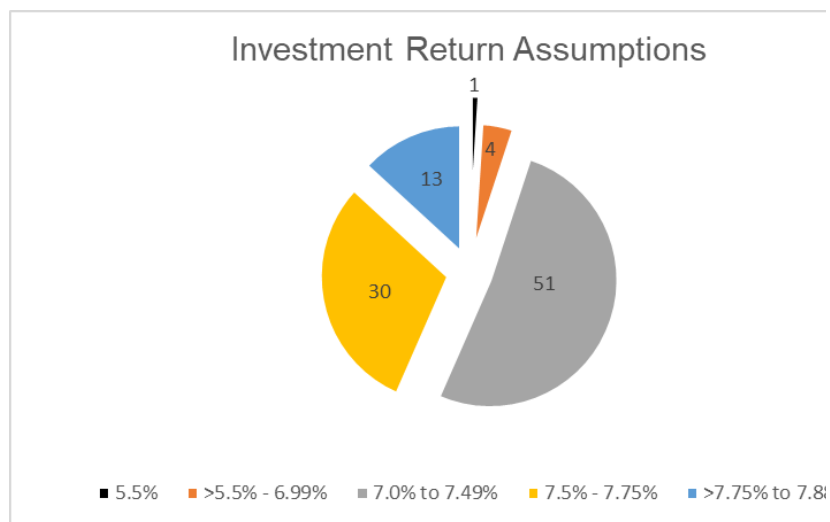
**Massachusetts Dredging
 Program Grants**

Entity	Funded Ratio	Valuation D
Quincy	45.0%	January 1, 2
Fitchburg	43.8%	January 1, 2
Fall River	41.8%	January 1, 2
Boston Teachers	41.1%	January 1, 2
Springfield	27.0%	January 1, 2

Investment Return Assumption

A system’s ARR is a major component in a retirement system’s projected asset growth because of the importance of investment earnings to the system. The ARR is chosen by the retirement system and should represent the long-term rate of return based upon a retirement system’s investment policy.

The current list shows that no system has reported an ARR greater than Plymouth County’s at 7.88%, with the lowest in Leominster at 5.5%. Thirty systems reported an ARR of 7.5% to 7.75%. The group median is 7.35%.



Funding Schedule

Each system must amortize its UAL by a fiscal year of its choosing, but no later than by FY2040 per State law. A system’s UAL is the difference between its projected future pension costs, demographic and economic events and the value of its invested assets. Projecting these costs and values requires an actuarial review that includes many factors.

PERAC’s FY2018 Annual Report, its most current annual report, shows the unfunded liability for the 99 municipal systems is over \$16.4 billion (over \$57.7 billion when including all systems within

The Executive Office of Housing and Economic Development (EOHED) is pleased to announce the availability of funding for saltwater dredging projects through the 2020 grant round of the Massachusetts Dredging Program.

One-year construction grants will be awarded on a competitive basis, with a particular emphasis placed on shovel-ready projects that contribute to the economic significance, recreational value, public safety, and/or coastal resiliency of the Commonwealth’s coastal harbors.

Applications are due April 1, 2020. All 78 Massachusetts coastal municipalities are eligible to apply. See the program’s [How to Apply](#) webpage at Mass.gov for complete details and a schedule of information sessions for interested applicants.

Housing Choice Initiative

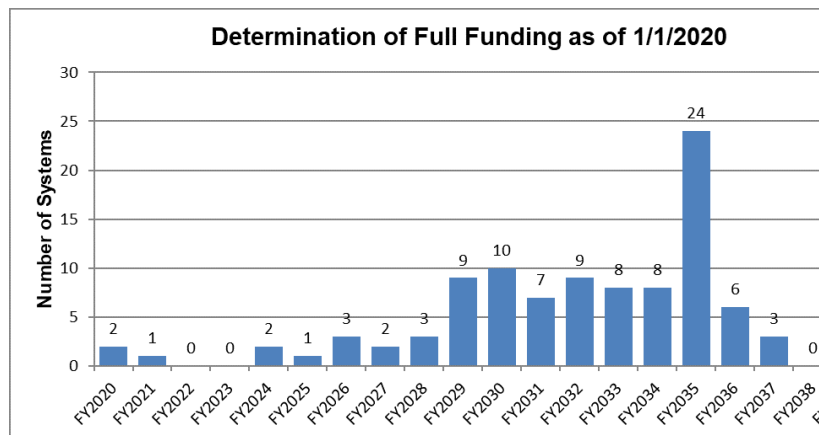
Announcing the opening of the online applications for designation as a **Housing Choice Community**. Applications will close at **3pm on Monday, March 23, 2020**.

Housing Choice Community (HCC) designation status lasts for two years, so if your community was designated in 2018, you must re-apply in 2020 to maintain your designation status.

The online application form is available at <https://www.mass.gov/how->

PERAC’s oversight).

The following graph illustrates when all 99 systems reportedly will reach full funding. Note that as of 1/1/2020, only three systems, (Leominster, Shrewsbury and Watertown) are expected to be fully funded prior to FY2024 and that FY2035 is the most common date. Marblehead is the last municipal system scheduled for full funding in FY2039.



Change from One Year Ago

When comparing PERAC’s most recent list to its 1/1/2019 list, only 40 of the 99 municipal systems updated their valuation. If a system’s valuation was not updated, there is no change to the information listed. The following analysis, then, reviews the 40 systems reporting new information.

Of these 40 systems, 34 updated their valuations to 1/1/2019, six from 1/1/2018 and 28 from 1/1/2017. The remaining six systems updated their valuations to 1/1/2018, one from 1/1/2017 and five from 1/1/2016. For comparison, this analysis will review these systems by their consistent valuation date.

Valuations as of January 1, 2019

Seen as a group, funded ratios increased and ARR’s decreased in most cases, but no ARR was increased. There was no change to funding schedules in most systems, but 10 systems did push their schedules forward and only one back.

[to/apply-for-the-housing-choice-designation](#). The application must be submitted through the online form.

A Housing Choice Community designation rewards communities that are producing new housing and have adopted best practices to promote sustainable housing development. To find out more about Housing Choice Communities and the FY2019/FY2020 grants, visit the Housing Choice web pages at <https://www.mass.gov/housingchoice>

School Water Improvement Grants Available

The Massachusetts Clean Water Trust (Trust) and the Massachusetts Department of Environmental Protection (MassDEP) are pleased to announce the School Water Improvement Grant (SWIG) program. The SWIG program will provide grant funds to purchase and install filtered water bottle filling stations for schools to replace drinking water fountains that have exceeded the Commonwealth’s lead guidance level of 1 part per billion. Eligible School Districts will receive a grant, up front, of \$3,000 per fixture. The pilot application round will be open from February 3, 2020 to March 6, 2020. For more information about SWIG please visit www.mass.gov/SWIG.

January 1, 2018 - January 1, 2019			
	Increase	Decrease	No Change
Change in Funded Ratio	3	3	0
Change in Assumed Rate of Return	0	3	3
Change in Funding Schedule	4	0	2
January 1, 2017 - January 1, 2019			
	Increase	Decrease	No Change
Change in Funded Ratio	21	7	0
Change in Assumed Rate of Return	0	23	5
Change in Funding Schedule	6	1	21

Seen individually, Swampscott increased its funded ratio the greatest from 53.5% to 59.6%, and Gardner decreased its ARR the greatest from 7.75% to 7.25%. Dedham extended its funding schedule the longest from 2021 to 2030 and only Gardner reduced its funding schedule from 2034 to 2032.

Valuations as of January 1, 2018

Seen as a group, funded ratios increased and ARR’s decreased in most cases, but no ARR was increased. There was no change to funding schedules in most systems, but one system pushed its schedule forward and one system pushed it back.

January 1, 2017 - January 1, 2018			
	Increase	Decrease	No Change
Change in Funded Ratio	1	0	0
Change in Assumed Rate of Return	0	0	1
Change in Funding Schedule	0	1	0
January 1, 2016 - January 1, 2018			
	Increase	Decrease	No Change
Change in Funded Ratio	4	1	0
Change in Assumed Rate of Return	0	5	0
Change in Funding Schedule	1	0	4

Seen individually, Leominster increased its funded ratio the greatest from 90.1% to 99.7%, and four systems decreased their ARR from 7.75% to 7.25%. Only Quincy extended its funding schedule from 2036 to 2037 and only Leominster reduced its funding schedule from 2021 to 2020.

Final Thoughts

The information reported by systems in PERAC’s 1/1/2020 list reflect improvement and conservative thinking. Words of



Other DLS Links:

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

[Publications & Training
Center](#)

[Tools and Financial
Calculators](#)

caution, also, need be said.

Although the overall median of funded ratios for municipal systems increased only slightly over last year, 24 systems reported an increase. The value of assets and their investment earnings are major factors in a funded ratio. An asset portfolio dependent upon the capital markets always carries a risk of value and revenue loss which then negatively affects the system's funded ratio.

Most systems opted a conservative approach to reduce their ARR. In early 2000, almost every system had an ARR of 8% or greater. Reductions in ARRs by Massachusetts municipal systems have followed a similar nationwide trend by other retirement systems taking into consideration capital market conditions and local option for more conservative assumptions.

As a caution, when the UAL reaches \$0, the system is said to be fully funded after which appropriations are only required to cover the Normal Cost, costs that represent a portion of the Actuarial Present Value of pension plan benefits to be paid in a single fiscal year. However, full funding status is not guaranteed. Actuarial and investment losses, changes in plan provisions, and/or assumption changes can increase UAL, or even return a fully funded system to partial funding status.

Please click this [link](#) to see PERAC's complete list of Retirement Boards by Funded Ratio.

Ask DLS: Community Preservation Act - Part 3

This month's *Ask DLS* features Part 3 of frequently asked questions concerning the Community Preservation Act. Additional questions about the CPA will be featured in future editions of *City & Town*. For Part 2 of the series, see the [February 6, 2020 edition of City & Town](#). For additional information on the Community Preservation Act, see [Informational Guideline Release \(IGR\) 19-14](#). Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

What is the effective date of acceptance?

The effective date of acceptance will be:

A.) The next (or later) fiscal year following the election as

expressly stated in the vote.

B.) The next fiscal year following the election if the vote does not express an effective date.

C.) The current fiscal year of the election if:

- i. Expressly stated in the vote and
- ii. The tax rate has not been set at the time of the vote.

Are there any reporting requirements after acceptance?

Yes. A city or town must notify the DLS Data Analytics and Resources Bureau (DARB) unit within 30 days of acceptance. See Notification of Acceptance [webpage](#) for acceptance form.

Are there other reporting requirements?

Yes. Community preservation communities are required to submit information regarding the CP Fund annually as follows:

A.) Form CP-1, "Community Preservation Surcharge Report," submitted via the [DLS Gateway System](#) under Miscellaneous Forms, Year End Accounting, to the DLS Data Analytics and Resources Bureau (DARB) by September 15. This form must be submitted by the due date to receive distribution from the State Trust Fund.

B.) Form CP-2, "Community Preservation Fund Report," submitted via the [DLS Gateway System](#) under Miscellaneous Forms, Year End Accounting, to the Bureau of Accounts by October 31.

C.) Schedule A-4, "Community Preservation Fund, Chapter 44B," submitted via the [DLS Gateway System](#) under Taxrate, Tax Rate – BOA, to the Bureau of Accounts.

D.) Part 3, Special Revenue Funds, "Schedule A," submitted via the [DLS Gateway System](#) under Schedule A, to the Bureau of Accounts.

E.) Form CP-3, "Community Preservation Initiatives Report," to the EOEEA by September 15. The Form CP-3 is available from Mass GIS after entering your community's password provided by DARB. (Note that under [G.L. c. 44, §55C\(a\),\(c\)\(1\)](#), a municipal affordable housing trust is required to expend any CP funds it receives exclusively for allowable CP community housing purposes under [G.L. c. 44B, § 5\(b\)\(2\)](#), account for such funds separately and, at the end of the fiscal year, report the

expenditure of such funds to the CPC for inclusion in the Form CP-3.)

Can a city or town amend its acceptance of the CPA?

Yes. The surcharge rate and exemptions may be amended. G.L. [c.44B, § 16\(a\)](#). A surcharge rate or exemption must be in effect for at least one fiscal year before it can be amended.

Amendment is by majority vote of the legislative body and by referendum.

If a city or town has accepted the CPA under [G.L. c. 44B, § 3\(b\)](#) (traditional CPA) and wishes to appropriate additional municipal revenue to the CP fund, it must use the amended acceptance process under [G.L. c.44B, § 16\(a\)](#) and adopt the alternative funding provision set forth in [G.L. c 44B, § 3\(b½\)](#) (blended CPA). See Part 1 of this FAQ series published in the [January 9, 2020 issue of City & Town](#) for an explanation of “traditional” and “blended” CPA.

An amendment referendum question should be in a form similar to the CPA acceptance referendum question after approval by the legislative body and must include a fair and concise summary prepared by the city solicitor or town counsel printed below the question.

When is the amendment effective date?

The effective date of the amendment is determined in the same manner as the effective date of the original acceptance. See first FAQ above.

Can a city or town revoke its acceptance of the CPA?

Yes, acceptance may be revoked, but the city or town must wait until at least five years after the referendum passes to do so. Revocation is in the same manner as acceptance. If the city or town accepted [G.L. c. 44B, §§ 3-7](#) by majority vote of the legislative body and by referendum, revocation is by majority vote of the legislative body and by referendum. If the acceptance was by petition under [G.L. c. 44B, § 3\(h\)](#) then revocation is by petition. The effective date of the revocation is determined in the same manner as the effective date of original acceptance and amendments. The surcharge continues to be assessed, however, until all obligations incurred and funded by the city or town from the CP fund revenues are paid. [G.L. c. 44B, § 16\(b\)](#).

Both revocation and surcharge amendment questions may be presented at the same election. If both are approved, the CPA is

revoked but the amended rate applies to any surcharges that must be assessed to wind down the fund. If the revocation is rejected, but the amendment approved, the amended rate applies to future surcharges.

Stay tuned for next month's *City & Town* for Part 4 in our FAQ series on the CPA. For more information, see [Informational Guideline Release \(IGR\) 19-14](#).

Data Highlight of the Month: Enterprise Fund Retained Earnings Donnette Benvenuto - DLS Municipal Databank

[Category 1](#) of the Municipal Finance Trend Dashboard contains 15 different Operating Position trends. This month's Data Highlight will focus on Enterprise Fund Retained Earnings, as authorized by [MGL c. 44 § 53F½](#). Enterprise funds provide a for systematic accounting of revenues generated by user fees to provide a service, for example water and sewer services. This chart shows the total amount of Enterprise Fund Free Cash, also known as retained earnings, as a percent of the total enterprise fund.

Our dashboard pulls this data dynamically from the DLS Gateway application, and shows a chart with 5 years of data by municipality, or you can download the 351 report to see all communities back to FY2010. You can find the [Municipal Finance Trend Dashboard](#) on the [Data Analytics](#) pages.

For more information or help using any of these reports, contact us directly at databank@dor.state.ma.us or (617) 626-2384.

RMV Excise Update March 2020 Joan Valley - ATLAS Business Lead

“RUN 2” Update

The excise tax commitment file link for RUN 2 will be emailed to assessors on March 13, 2020. The file can be accessed and downloaded by clicking on the link within the email or logging in directly to MOVEit here: <https://transfer.massdot.state.ma.us>.

Information Online – Excise Summary Report

The Excise Summary Report will be available to all assessors and

be posted after each RUN on the [Excise Tax Commitments Program](#) page of the [RMV Business Partner Communications Website](#); click on [Technical Information](#) for the Summary.

The Excise Summary Report includes the following information:

- City/Town Code
- Description (Name of City/Town)
- Begin Bill Number
- Ending Bill Number
- Total Bills
- Excise Tax
- Vehicle Tax

Note: The [Technical Information](#) page is a secure area within the site and requires a login to access. If you do not have a login, email ATLAS.municipalities@DOT.state.ma.us.

Recommitments

As of March 12, 2020:

- Recommitments from 2019 may not be submitted through the business portal; assessors must submit recommitments using their department's manual process.
- Recommitments from 2020 will continue to be accepted through the business portal

Calculating the Excise Tax Bill to the Nearest Penny

The RMV continues to receive questions about calculating the excise tax bill. It's important to note after consulting with the DOR, the RMV is calculating the excise tax to the nearest penny.

This information was presented to assessors in a [webinar](#) on August 29, 2019 (See slides 6 and 7) and discussed again in the [webinar](#) on January 23, 2020 (See slide 4).

Business Portal – Have you signed up?

The business portal offers assessors at no cost a quick and reliable way to conduct business with the RMV. Work more efficiently and join the fast-growing list of assessors who are using the portal. Sign up now by sending an email to RMVBusinessPartners@DOT.state.ma.us.

Questions for the RMV

All webinars and associated questions and answers, documents, information, and training support can be found toward the bottom of the page here [Business Partner Website](#).

If you have questions for the RMV and the excise team, please email ATLAS.municipalities@DOT.state.ma.us. The “municipalities” email is the best channel to contact the RMV for answers and helpful information.

March Municipal Calendar

		Notification of Cherry Sheet Estimates for the Following Year (pending action taken by the Legislature)
1	DARB	The cherry sheet provides estimates of 1) receipts: local reimbursement assistance program appropriations and 2) assessments: state and local assessments and charges to local governments. MDM posts cherry sheet estimates on the DLS website and updates them at every stage of the budget process.
1	Personal Property Owner	Submit Form of List to Assessors This return is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date abatement applications are due.
1	Charitable Organization	Submit 3ABC Forms To be eligible for exemption from taxation for the next fiscal year, a charitable organization must file this form with the Assessors detailing the property for charitable purposes. It is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date that abatement applications are due.
1	Telephone and Telegraph Company	Deadline for Telephone and Telegraph Company to File Form of List BLA may extend the deadline to a date no later than April 1.
31	State Treasurer	Notification of Monthly Local Aid Distributions , see IGR 17-17 for monthly sheet payment information, monthly breakdown by program is available.

Due Date Exceptions - According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made

on the next business day. This rule also applies to any actions required by or payments due on a Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day. If the due dates for any local property tax payment, abatement application, or exemption application fall on a Saturday, Sunday or legal holiday when municipal offices are closed due to charter, by-law, ordinance, or otherwise for a weather-related or other public safety emergency, the due date is extended to the next day on which the municipal office is open. [M.G.L. c. 59, §§ 57, 57C, and 59](#)

To view the municipal calendar in its entirety, please [click here](#).

Editor: Dan Bertrand

Editorial Board: Sean Cronin, Donnette Benvenuto, Linda Bradley, Paul Corbett, Theo Kalivas, Ken Woodland and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us.

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