



October 20th, 2022



## Continuing Our Commitment to Supporting the Next Generation of Local Officials

Sean Cronin - Senior Deputy Commissioner of Local Services

### In this edition:

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- **My Experience as a DLS Fellow**
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- **Data Highlight: Prop 2 1/2 Indicators and Related Data**

### By the Numbers

*City & Town* provides updates on the progress of the tax rate and certification season while also allowing you to 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 Approved: 24

Final Certification: 10 (of 70 total)

LA4 (Assessed Values) Approved: 101 (122 submitted)

LA13 (New Growth) Approved: 101 (116 submitted)

Tax Rates Approved: 27

Balance Sheets Approved: 126

Total Aggregate Free Cash

Are you new to local government or know someone who recently entered public service in a city or town? On behalf of the Division of Local Services (DLS), I want to invite you to come join us for our latest webinar, [Meet DLS: Who we are and how we can help](#).

On October 24th at 2pm, attendees will hear directly from [DLS](#) staff about our mission and the resources, guidance and information we offer to cities and towns across the Commonwealth. The second half of the webinar will offer breakout rooms hosted by the [Bureau of Local Assessment](#), [Bureau of Accounts](#), and [Financial Management Resource Bureau](#) who will provide a high level overview of key concepts and functions that are important to your role.

We have a sincere appreciation for all that the municipal officials of Massachusetts do to provide the core services that residents depend on daily. This webinar is the chance for newly elected or appointed officials who have served for a few years or less to interact with staff from DLS and learn more about who we are and the resources and support we offer. To register for this free webinar, please click [here](#).

In [our last edition](#), Lieutenant Governor Polito highlighted the ongoing efforts to “meet the tremendous demand for qualified, trained, and diverse municipal employees.” She also highlighted the

## Important Dates & Information

### City/Town Clerks Webinar: Submitting Proposition 2 ½ Votes Using DLS Gateway

As announced earlier this month, city and town clerks now have a new, faster way to notify DLS of any Proposition 2 ½ votes for the current fiscal year by entering them directly into DLS Gateway.

Join us on November 16th at 10am to review this new process with staff from DLS' Data Analytics & Resources Bureau. DLS staff will walk through each step and answer questions directly at the end of the presentation. Prior to the webinar, you can also review the [self-help guide](#) available on our website.

To register, click [here](#). Please feel free to contact [dlsregistration@dor.state.ma.us](mailto:dlsregistration@dor.state.ma.us) with any questions. We look forward to seeing you then!

### Qualifications of Assessors IGR

The Division of Local Services (DLS) Municipal Finance Law Bureau (MFLB) has issued a new Informational Guidelines Release (IGR). IGR 2022-15 establishes the minimum qualification standards assessors must meet to qualify to perform the duties of their office.

#### [IGR-2022-15 – QUALIFICATIONS OF ASSESSORS](#)

To access IGRs, LFOs and Bulletins, please visit this [webpage](#).

### Balance Sheet and Tax Rate Recap Gateway Processes Instructional Videos Now Available

As the end of the calendar year approaches, please watch our new step-by-step videos that walk through the processes for submitting your community's balance sheet and tax rate recapitulation for DLS review.

**Balance Sheet Checklist** - As of July 1st, 2022, the revised balance sheet checklist is now a DLS Gateway form that must be completed as part of the Bureau of Accounts free cash certification review process.

This instructional [video](#) walks

new Local Finance Commonwealth Fellowship, a partnership between DLS and our Commonwealth's Community Colleges. This new initiative provides up to 30 community college students the opportunity to enter a paid Fellowship that provides both career preparation, via a training program managed by DLS, and a work-based learning experience, via partnerships with cities and towns who will serve as host communities. I'm thrilled that DLS will play a significant role in this initiative and also proud that the curriculum will be modeled after our 2022 DLS Fellowship that was run over the summer.

We had five participants in the 2022 DLS Fellowship Program, each of whom demonstrated a sincere commitment to learning during their time with us. It was a pleasure to work with them! I want to thank the DLS staff, our partners in local government, the Massachusetts Municipal Association, and the Collins Center at UMass-Boston for providing instruction, direction and guest speakers who shared their passion for public service. It was a great collaboration – one that will be leveraged to make the new Local Finance Commonwealth Fellowship a great success!

In this edition of *City & Town*, we're featuring a first-person account of the DLS Fellowship from one of the participants. Tori Uzzell writes about her experience and provides her perspective as a current college student learning more about a subject both she and her classmates did not know too much about, municipal finance. We believe you'll find it quite interesting.

At DLS, we remain committed to supporting our colleagues in local government. If you have any thoughts or ideas that you would like to share with me directly, please contact me at [croninse@dor.state.ma.us](mailto:croninse@dor.state.ma.us). In closing, I wish you the best during the busy coming months and always know that DLS is here to assist.

## My Experience as a DLS Fellow

### Victoria Uzzell – 2022 DLS Fellow

I recently surveyed 30 undergrads and found that 65% had little to no knowledge about local government. Before my time at DLS, I

through how to complete the twenty questions that appear on the newly formatted balance sheet checklist.

**Tax Rate Recap, Page 3 Support Form** - As of July 1st, 2022, the new Gateway tax rate recap page 3 support form must be completed and submitted as part of the Bureau of Accounts tax rate recap approval process.

This [video](#) provides detailed instruction on how to complete the four tabs associated with the new page 3 support form. Prior to starting the page 3 support form, please input the actual and estimated local receipt figures on page 3 of the tax rate recap. Once these figures have been entered and saved, the page 3 support form will automatically populate based on the numbers entered in the tax rate.

If you have questions or need additional information, please contact your [Bureau of Accounts field representative](#).

### **Latest Issue of *Buy the Way* Now Available**

Don't miss Issue #17 of [Buy the Way](#), the official magazine of the Operational Services Division (OSD).

[Click here](#) to get news and updates from OSD delivered to your inbox.

### **IGR Regarding the Borrowing Amount of an Approved Prop 2½ Debt Service Exclusion**

The Division of Local Services (DLS) Municipal Finance Law Bureau (MFLB) has issued a new Informational Guidelines Release (IGR). IGR 2022-14 explains the policies of the Commissioner of Revenue regarding the borrowing amount covered by an approved Proposition 2½ debt service exclusion. It also includes new procedures and forms to be used by cities and towns with approved debt exclusions for obtaining a determination about the inclusion of cost increases. [IGR-2022-14 – PROPOSITION 2½ DEBT EXCLUSIONS](#)

To access IGRs, LFOs and Bulletins, please visit this [webpage](#).

### **Overview of Municipal Debt Training Video**

DLS has added a new informational [video](#) on municipal debt to the [Municipal Finance Training and](#)

was absolutely one of them.

There are many preconceived notions and stereotypes about public service. Prior to the fellowship, I always associated local government with politics. I also thought that public service mainly dealt with creating and regulating laws. However, the 2022 DLS Fellowship Program taught me that these were just general stereotypes. I learned about the important functions of local government, something I haven't been exposed to in my studies at Bryant University.

Over the course of eight weeks, the 2022 DLS Fellowship Program provided an in-depth introduction to the structure and function of municipal government, the budgetary process, property assessment and taxation, and the statutory, advisory, and regulatory role of DLS. Five full-time undergraduate students with concentrations in finance and/or accounting were selected to participate to obtain a comprehensive overview of municipal government, appreciate the budgetary process in both practical and policy terms, and comprehend the principles and practices of sound municipal financial management. Fellows completed the Course 101 assessment administration training, job shadowed local officials at city and town halls, met with guest speakers, and regularly attended municipal accounting trainings with the Bureau of Accounts.

During my time, I had the opportunity to shadow former head of DLS Bob Nunes in his role as Middleborough Town Manager. He stated that his community is currently facing many vacancies due to retirements in positions including the treasurer/collector, fire chief, town accountant, and for his role as town manager. Bob has implemented a strategic plan which involves setting departmental goals and monitoring progress. He hopes this planning will enable his successor to carry on the town's objectives, especially as they relate to future infrastructure needs. This desire to recruit and hire qualified, dedicated people was something I heard a lot as we met with local officials during the DLS Fellowship.

To learn more about the divide between the municipal need for new staff and students like myself who might fill those needs, I created

[Resource Center](#) and our [YouTube page](#). The video provides a brief overview of municipal debt, how it's authorized, and the roles local officials and others play in the issuance process. The training video also highlights a number of DLS resources available to help municipal staff better understand municipal debt.

These include our existing municipal debt videos like the [Deeper Dive into Municipal Debt playlist](#). You can also review [informational guideline releases](#) and access our [debt service calculator](#) as a guide to project debt service payments. These and other municipal debt-related resources are all available on the [debt and borrowing section](#) of our training page.

### **Pandemic Flexibility Provisions Extended**

On July 16th, 2022, Ch. 107 of the Acts of 2022 was signed into law, extending certain pandemic-related policy measures. This bill authorized the continuation of remote meetings and public access under the Open Meeting Law and other remote meeting provisions (including for Massachusetts nonprofit corporations and Massachusetts public companies) until March 31, 2023. [Click here to view the law](#).

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

## **DLS Links:**

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

[Events & Training Calendar](#)

[Municipal Finance Training and Resource Center](#)

[Local Officials Directory](#)

[Municipal Databank](#)

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

[Bulletins](#)

two surveys. For the first survey, I asked my fellow interns to share their thoughts on local government prior to the internship. DLS Fellow Kyle Mackenzie from UMass-Amherst stated that he had thought that it was an environment that would be less focused on outperforming one another due to the lack of a profit incentive for the government bodies. Diana Riley from Providence College expressed that before the fellowship, all that she knew about municipal government came from listening to her parents discuss local issues, watching an occasional town meeting on TV, and learning a few concepts in her accounting classes.

My second survey asked to current undergrads about their perception of local government and their interest level in the public service in the field. Most of those surveyed felt they didn't know or couldn't explain the roles and responsibilities of local government. Answers generally focused on "laws and taxation" and taking care of "stuff within said town like deciding on what to buy for police and fire departments."

Despite having a limited appreciation for the municipal government, I was pleased to find that 56% of the surveyed undergrads are interested in learning more about municipal finance and government. My hope is that with our newly attained knowledge on the subject, the DLS Fellows can educate our peers on what public service truly entails.

The DLS Fellowship included independent project components with deliverables. For example, I developed a procedures manual for the editorial board of *City & Town*. Throughout the project, I obtained writing tips on how to expand my communication skills that I can now use in my courses at school. Other DLS Fellows helped develop financial forecasts, created trend analyses, and reviewed legislative proposals related to regionalized municipal services.

I've learned so much during this fellowship that I'll use going forward. Before the DLS Fellowship, I only had a general understanding of public service in Massachusetts, mostly from a tour I took of my town hall when I was in high school. For example, I've lived here whole life, but never knew that there were a total of



351 cities and towns or that the state bird is the black-capped chickadee. Now, I'm capable of performing Proposition 2 ½ calculations, reviewing a tax recap, and analyzing finance metrics. Tiare Hicks from Boston University appreciated the opportunity for the hands-on experience that she gained from the projects, breaking down detailed tax reports and seeing what a specific town has gone through over the years. Jessica Alaniz from Emmanuel College stated that she has loved the support and care that she has received as well as the sharing of knowledge.

I'm grateful I had the chance to learn more about public service, particularly related to municipal government. This fellowship showed me different career paths that I didn't know existed. It taught me the importance of communication and professionalism. My hope is that more undergrads explore learning about municipal government and pursue it as a career. I can't wait to share my experience with my fellow classmates this year.

## Highly Recommended: Using the Financial Indicator Tool Analyze a Levy Limit

Financial Management Resource Bureau

*The DLS [Financial Management Resource Bureau](#) (formerly the Technical Assistance Bureau) has offered financial management advice to municipalities across the state for over 30 years. To share this guidance more broadly, we thought it would be helpful to highlight some of our more useful, timely, or interesting recommendations for the benefit of City & Town readers.*

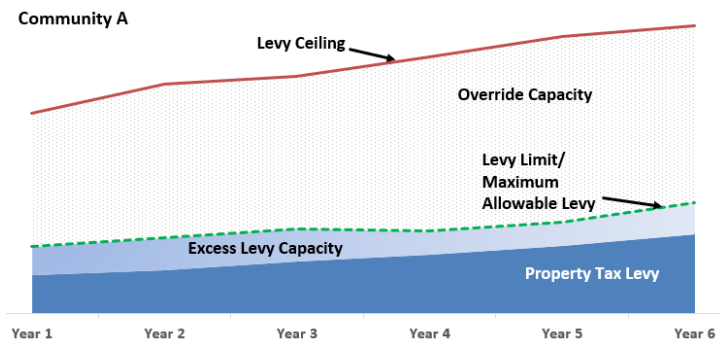
For effective financial planning and budgeting, it's vital to understand your community's primary and most dependable revenue source, the property tax. The Financial Management Resource Bureau (FMRB) has developed an Excel-based Financial Indicators tool to help communities monitor their financial condition. In this article, we'll review the Financial Indicator Tool's Levy Limit Analysis metric, which illustrates the historical trend of a community's tax base.

Annual growth in the property tax is limited by Proposition 2½ to a 2.5% increase over the prior year's levy limit, increases stemming from new construction added to the tax rolls, and any voter-approved overrides or exclusions. As long as property value trends are favorable, the property tax levy should grow sustainably year-over-year. We'll be referencing the levy limit, levy ceiling, override, override capacity, and maximum allowable levy in this article. A primer on the specifics of Proposition 2½ can be found on the Municipal Finance Training and Resource Center linked [here](#).

The levy ceiling (an amount equal to 2.5% of the community's total assessed value) is a limit to the size of a city or town's maximum allowable levy. Although a community can pass an override or a temporary debt exclusion to exceed its levy limit, only the debt exclusion can exceed the levy ceiling. Except for the amount of the debt exclusion, if the levy limit calculation produces a number greater than the levy ceiling, the ceiling must be used in its place. If a community cannot increase its levy limit normally, it is said to have reached the "levy cap."

Using publicly available data from the [Municipal Databank](#) and the [Municipal Finance Trend Dashboard](#), it's possible to calculate a community's levy limit, maximum allowable levy, and override capacity (the difference between the levy limit and the levy ceiling). This data can be used to determine override capacity as a percentage of the levy ceiling. Let's look at "Community A" as an example.

In this example, the community's override capacity as a percentage of the levy ceiling can be used as an indicator for how much room the tax levy can grow under proposition 2½, including its capacity to pass overrides if the need arises. A steady increase is optimal, while a steady decrease indicates significant revenue constraints. This principle is more apparent in the chart below.

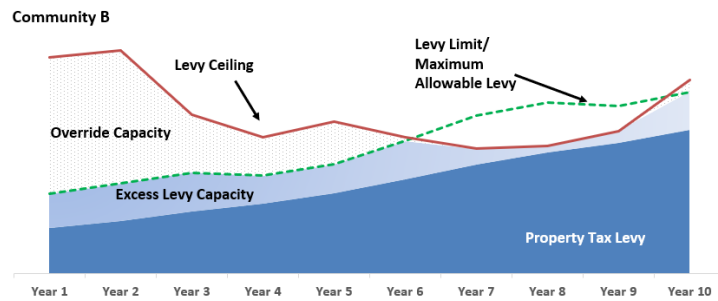


For our example, the levy limit is equal to the maximum allowable levy, which is the case when there are no exclusions or other adjustment permitted in excess of the limit. Note how much override capacity separates the levy limit and maximum levy from the levy ceiling, showing that this community is far from the levy cap. This equates to increased potential revenue through an override in the near term and through annual tax rate increases in the long term. Furthermore, while operating under the levy cap this community can take full advantage of revenue growth from the annual 2.5% increase and new growth. Once the cap is hit, the municipality is forced to “leave money on the table” and set their levy limit equal to the levy ceiling.

When a community hits the levy cap and its levy ceiling is in decline, it becomes progressively more difficult to raise funds from the property tax. This environment also severely hampers a community's ability to expand services or finance large capital projects through an override, since the levy ceiling is directly tied to a town's override capacity (the difference between the levy limit and the levy ceiling). You can see this happening in the following graphical representation of Community B hitting the levy cap.

From Years 7 through 10, the levy limit calculation resulted in a larger tax levy than the levy ceiling allowed (red line), so the ceiling was used to calculate the subsequent year's levy limit. Each year, this resulted in vast dollars of unrealized potential revenue and zero override capacity. The trend in override capacity as a percentage of the levy ceiling followed the levy limit's progress toward this situation, bottoming out in Year 7 when the community finally hit the levy cap.





Distance from the levy cap is linked directly to assessed property values, since it is a function of the levy ceiling (2.5% of total assessed value). This how the Levy Limit Analysis tracks whether the community's tax base is eroding. High property values lead to a comfortably high levy ceiling and more latitude when setting the tax rate. Low values require an ever-increasing tax rate to ensure the same revenue but are limited to \$25 per \$1,000 of assessed value (or 2.5%).

In Community B, assessed values for the same time period declined steadily, precipitating it hitting the levy cap. The loss of assessed value drives the drop in the levy ceiling until it dips below what would otherwise be the levy limit and replaces it, severely constraining annual growth.

Tracking override capacity as a percentage of the levy ceiling (and considering the underlying data) can provide an early warning that the tax base is in decline and that hitting the levy cap is on the horizon. While it will not provide solutions per se, a declining trend can raise the alarm for budget planners and policymakers. This may be in the form of bolstering the city or town's reserves, but in this case may mean that the community should redouble its efforts in encouraging economic development or identifying and tackling the factors behind declining property values. Updating the Financial Indicators Analysis annually will allow a community to keep track of these and other potential warning signs and create a plan of action to deal with them.

## Data Highlight: Prop 2 1/2 Indicators and Related Data

Data Analytics & Resource Bureau



Did you know that the data used to populate and analyze the impact Proposition 2½ and local budget decisions have on the property tax levy can all be found on the DLS website?

The [Municipal Finance Trend Dashboard](#) is a great resource to review multi-year trends within a municipality. You can also view and download the data for all 351 communities dating back at least 15 years. Additional information and reports relating to property tax data and statistics is available by clicking [here](#). These reports provide historical tax rates, levies and assessed values, plus a history of all the Proposition 2½ ballot questions reported to DLS.

We hope this data is helpful as you make local budget decisions and utilize the indicator tool mention in the previous article. If you have questions about the data, please don't hesitate to contact us at [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us).

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Contact *City & Town* with questions, comments and feedback by emailing us at [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us). To view previous editions, please [click here](#).

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