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DLS Winter Update Provides Seasonal Municipal Finance Resources for Local Officials

Municipal Finance Training & Resource Center

At the Division of Local Services (DLS), we appreciate all that local officials of Massachusetts do and we're always seeking out innovative and helpful ways to leverage our expertise, data and resources to support our colleagues in local government. Given the seasonal nature of certain reporting requirements, municipal responsibilities, billing processes and regulatory functions, we are utilizing a seasonal pages on our website that provide helpful resources, tools and guidance you might find useful for the time of year.

Earlier this week, we unveiled the second installment of our seasonal updates for the Winter months of December, January and February. The Winter Update provides timely resources related to the annual operating and capital budget processes, property tax commitments, warrants, tax billing, abatements, issuing motor vehicle excise, and municipal debt. Bookmark our Winter resources [here](#).

As always, if you don't want to wait for the notifications, check out our [Municipal Finance Training and Resource Center](#) for a complete collection of information on these topics. For a comprehensive look at the fiscal year, please review our [Foundations in Municipal Finance trainings](#). Please recommend [signing up for DLS Alerts and](#)

In this edition:

- **DLS Winter Update Provides Seasonal Municipal Finance Resources for Local Officials**
- ***Ask DLS: Valuation of Real Property Following a Fire or Natural Disaster***
- **PERAC's 2022 Annual Report**

By the Numbers

City & Town provides updates on the progress of the tax rate and certification process.

This information is available 24/7 by [clicking here](#).

Preliminary Certifications Approved:
62

Final Certification: 60 (of 67 total)

LA4 (Assessed Values):
340 approved (342 submitted)

LA13 (New Growth):
340 approved (341 submitted)

Tax Rates: 238 approved

Balance Sheets: 218 approved

Total Aggregate Free Cash
Approved: \$1,523,289,452

Important Dates & Information

DLS Tax Rate Setting Progress Tracker

DLS offers a tool that helps your

community track its progress towards setting the annual property tax rate. The graphic follows the five major steps in the tax rate process, culminating with a table that displays the municipality's Tax Rates, Tax Levy and Assessed Values by property class once approved. The visualization can be exported to a PDF file by using the Export button.

[Click here](#) to track your community's progress.

2023 "What's New in Municipal Law" Materials Now Available Online

We are pleased to announce that the 2023 "What's New in Municipal Law" court decisions presentation, workshop materials, and discussion summaries are now available online. All of the material can be accessed on the seminar's website [here](#).

New DLS Visualization Tool Highlights Trends in Municipal Debt

DLS is pleased to announce the release of our latest municipal finance visualization. Our new [Trends in Municipal Debt](#) tool provides an in-depth look at both general fund debt service and outstanding debt using data collected through the [DLS Gateway application](#). Individual charts show trends in debt service over time and sort the data by type and per capita. We've also included a glossary page to help explain many of the terms associated with [municipal debt](#). Each dashboard can be downloaded to a PDF file, and the source data can be accessed using the "351 Report" button.

Please email any feedback to the Data Analytics & Resources Bureau at DARB@dor.state.ma.us.

New Informational Resource Page for City/Town Clerks

The Division of Local Services is pleased to announce the availability of materials on the Municipal Finance Training & Resource Center under [resources by position](#) to assist city or town clerks. A city or town clerk is an integral member of the municipal management team and a central information point for residents. While the job responsibilities may vary from community to community in Massachusetts, the clerk is a bonded official who is the municipality's record keeper and often the chief election officer. The new page is one stop shopping for

[City & Town](#) to anyone who might benefit from learning more about the world of Massachusetts municipal finance.

Ask DLS: Valuation of Real Property Following a Fire or Natural Disaster

This month's *Ask DLS* features frequently asked questions concerning the valuation of real property following a fire or natural disaster. Additional guidance on supplemental assessment can be found in [IGR-2021-12](#). 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.

As a follow up from November's edition of *Ask DLS*, concerning the new, local option, affordable housing property tax exemption, please note that the annual application for the exemption must be filed with the assessors no later than the due date of the first actual (not preliminary) tax payment for the fiscal year. The application deadline is not, as is presented in the November edition, "on or before April 1, or 3 months after the actual bills were mailed for the fiscal year, whichever is later." Please reference [the corrected version on our website](#).

Generally, can a municipality make a pro rata supplemental assessment or abatement on the value of certain improvements or damage to real estate after the January 1 assessment date?

Yes, if [G.L. c. 59, § 2D](#) applies. This statute governs the supplemental assessment of real estate subsequent to the January 1 annual assessment date. It creates limited exceptions to the general rule that assessments do not change after the January 1 annual assessment date, whether based on market conditions, the use of the property, transfer of title or other change in circumstances.

The assessor may make a supplemental assessment only if an occupancy permit is issued during the fiscal year and the new

the following topics important to clerks:

- Overview of responsibilities
- Adopting local option excise
- Local elections and town meeting
- Local Officials Directory
- Municipal debt and borrowing
- Proposition 2 ½ votes
- Record legislative action
- Tax rate setting process

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#).

2024 Municipal Cybersecurity Awareness Grant Program

The Executive Office of Technology Services and Security (EOTSS) is pleased to announce the Municipal Cybersecurity Awareness Grant Program (MCAGP) for 2024!

The MCAGP is **open to all local government agencies** (municipalities, public school districts, libraries, police departments, fire departments, planning commissions, and municipally run utility departments and airports), as well as members of the PERAC Retirement System. The program improves overall cybersecurity posture by helping organizations mitigate their human risk through awareness training, and monthly threat simulations (phishing campaigns).

EOTSS' Office of Municipal and School Technology (OMST) procures the user licenses and manages the program – making the program **free** to participating organizations. More specific information about the program, learning paths, and information sessions can be found [here](#). The applications are now available, but act quickly! The application period will close when all available seats are taken or on January 10, 2024, whichever occurs first.

Latest Issue of *Buy the Way Now* Available

Don't miss Issue #23 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.

BULLETIN-2023-6:

construction increases the parcel value by over 50 percent, exclusive of the value of the land. Further, pursuant to this statute, the assessor may make an abatement for certain damaged property. In such cases, the assessors must grant a pro rata abatement of the regular real estate tax assessed on a parcel whenever damage occurs due to fire or natural disaster after the applicable assessment date and a loss in value of more than 50 percent, excluding the value of the land, results.

What must a municipality do in order to obtain authority to make supplemental assessments or abatements?

Nothing. [Section 2D](#) is not a local option statute in the traditional mold of a municipal finance law where the relevant legislative body must vote to accept or “opt-in”. Instead, the default under the statute is that it applies, and a municipality must affirmatively opt-out of supplemental assessment for new construction or catastrophic loss or damage by a vote of the selectboard, town council or city council, with approval of the mayor if required by law. Accordingly, for municipalities that want to perform supplemental assessments post-January 1 in order to capture additional revenue based on new construction or to allow relief to a taxpayer affected by loss or damage due to fire or natural disaster, no action of the legislative body is required, and assessors should monitor such events locally through their planning, inspectional services and/or public safety departments.

A municipality's decision to opt-out of supplemental assessment is effective only upon written notice to the Department of Revenue. DLS has a [“Notice of Rejection”](#) form a municipality should complete and submit in order to give effective written notice.

Can an assessor allow a full abatement of taxes attributable to fire or natural disaster?

[Section 2D](#) requires that a loss in value of real estate due to fire or natural disaster must be at least fifty-percent (50%) of the value, exclusive of the value of the land, to be eligible for abatement. Accordingly, the minimum amount an assessor will abate is fifty-

Massachusetts Statewide Opioid Settlement Funds

The Division of Local Services (DLS) Bureau of Accounts has issued Bulletin 2023-6. Bulletin 2023-6 is a reminder to city and town accounting officials of the requirements for the accounting treatment of statewide opioid funds as well as the reporting requirements to document their use in accordance with the State Subdivision Agreement.

[BUL-2023-6 – Massachusetts Statewide Opioid Settlement Funds](#)

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

BULLETIN-2023-5: Tax Title Foreclosure Surplus Proceeds

The DLS Municipal Finance Law Bureau has a new Bulletin. Bulletin 2023-5 discuss a recently decided United States Supreme Court case, *Tyler v. Hennepin County*, 598 U.S. 631 (2023). As a result of that decision, there is uncertainty as to whether or not tax title foreclosure surplus proceeds will need to be returned to property owners. The Bulletin notes that DLS will not object to a community temporarily holding any such surplus proceeds in an agency account until there is a directive from the courts on this matter.

[BUL-2023-5 – TAX TITLE FORECLOSURE SURPLUS PROCEEDS](#)

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

MassDEP: New Large Entity Reporting Requirement

The Massachusetts Department of Environmental Protection (MassDEP) adopted a new regulation 310 CMR 7.41: *Large Entity Reporting Requirement* that became effective on September 1, 2023, which requires large entities (fleet owners, businesses, government agencies, municipalities, brokers, etc.) to submit a one-time report on medium- and heavy-duty (MHD) vehicles greater than 8,500 lbs. operated or dispatched in Massachusetts. Specific information that must be reported includes vehicle type and usage characteristics.

This report will help MassDEP assess the best way to develop electric vehicle charging infrastructure and programs to support and accelerate the MHD

percent (50%) of the value of structures and other improvements affected by fire or natural disaster. The statute does not mention a maximum abatement of taxes on structures or other affected improvements, so the full value may be abated in the event of a total loss.

However, abatement is on a pro-rated basis from the time of the underlying event to the end of the fiscal year, calculated based on the number of days remaining in the fiscal year. Additionally, taxes on the land are not abated under [Section 2D](#).

If the damage occurs between January 1 and June 30, a pro forma abatement of the next year's real estate tax on the parcel must also be given, unless the community has adopted Chapter 653, § 40 of the Acts of 1989, where the damage would already be reflected in the following year's regular property tax assessment. Similarly, if construction occurs between January 1 and June 30, a supplementary bill would be issued for the ensuing fiscal year.

Must a taxpayer apply for abatement of taxes based on catastrophic loss in order for abatement to be allowed?

Not necessarily, but it is recommended. A taxpayer has one (1) year from the time of the loss to apply for abatement if the assessor has failed to do so, but the assessor must abate if they are aware there has been a fifty-percent (50%) loss in value, as described above.

When an assessor has information that abatement for damage or destruction is warranted, they should work with the taxpayer to file an application in order to establish a formal timeline for appeal.

When a taxpayer has applied for abatement under [Section 2D](#), they have the same appeal rights as any applicant for abatement.

Applicants should use the customary abatement application form.

An appeal may be necessary if there is a dispute whether the reduction in value exclusive of the land is at least fifty-percent (50%). A severe weather event (e.g., hurricane, tornado, flooding) or geologic event (e.g., earthquake, landslide, erosion) may affect multiple properties in the same municipality with differing degrees of impact, so inspecting each property and considering all information relevant to the valuation of each will be necessary.

zero emission vehicle market in Massachusetts.

Entities must submit the report to MassDEP by **5:00 PM on Friday, March 1, 2024**. To determine whether an entity is required to report, follow the instructions provided in the link below:

<https://www.mass.gov/how-to/large-entity-reporting-requirement>

"Adopting Local Option Excise Taxes" Training Video Now Available

DLS is pleased to announce the availability of a [new training video](#) explaining the process for adopting a local option excise on room occupancy, meals and adult use recreational marijuana, or a community impact fee on short-term rentals in your community. The training also covers the Division of Local Services' role in local option excises, discusses the timetable involved with adopting any of these options, and provides examples of warrant language to assist you in preparing for a vote on a local option excise tax.

The [training video](#) is now available on the DLS YouTube channel, along with the [presentation slides](#). Additional [local options related training resources](#) and [local options data and reporting](#) information is also available on the DLS website. If you have any questions relative to adopting local option excise taxes please contact databank@dor.state.ma.us.

OIG Offers No Cost Procurement Training for Municipalities

The Office of the Inspector General introduced a pilot program, "One Free Designee," that offers core public procurement training to one public employee per municipality at no cost. Effective in FY 24 (July 1, 2023 – June 30, 2024), the OIG is offering free tuition for the three courses required for one employee to receive MCPPO designation to any municipality in the Commonwealth for whom the cost is a barrier. The \$100 fee associated with all designation applications and renewals has been eliminated.

To receive the free training for an employee, the chief municipal officer (Mayor, Manager/Administrator or Select Board Chair) must submit a [form](#) indicating the employee they wish to receive the training and an acknowledgement that obtaining the cost of training could be a factor in

PERAC's 2022 Annual Report

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 including the Boston Teachers' system for purposes of this article. (State systems reported in PERAC's Annual Report include the Mass State Teachers, MWRA, MHFA, Massport and State.)

PERAC has recently published its [2022 Annual Report](#) including important indicators on the financial health of each retirement system. Funded Ratios, Investment Return Assumptions, and Funding Schedules as of January 1, 2023, common fiscal metrics of retirement systems, were reported in our [March 16th, 2023 City & Town](#) and will be updated in a future publication after January 1, 2024 data becomes available.

The purpose of this article is to summarize and compare where possible particular financial indicators taken from PERAC's 2022 and prior Annual Reports. Except for pension appropriations reported on a fiscal year basis, other reported indicators are based on the system's last valuation date.

Investment Returns

Strong Composite Investment Return Percentages for retirement systems from 2020 to 2021 shown below weakened considerably in 2022. This weakness was not unusual as many public pension systems around the country suffered similar weakness at that time reportedly from pandemic related challenges. PERAC's Report noted, however, that "already, the 1st and 2nd quarters of 2023 have showed rebounds in returns. In short, the system and the process are working. The long game is prevailing."

obtaining the designation.

If you want to learn more about the MCPPO designation, please visit our [website](#). If you have any questions, please email the OIG at MA-IGO-TRAINING@mass.gov.

[One Free Designee Application Form | Mass.gov](#)

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](#)

[Tools and Financial Calculators](#)



Composite Investment Return Percentages

2022	2021	2020	2019
-10.84	19.51	12.80	16.90

Source: PERAC Annual Reports. 2022 Composite Percentage for Natick was unavailable.

From 2019 to 2020, 100 systems showed percentage-point decreases and five showed increases, in total averaging -4.2. From 2020 to 2021, 94 systems showed percentage-point increases and 11 showed decreases, in total averaging 7.7. From 2021 to 2022, all systems showed double-digit percentage-point decreases that ranged from 11.5 in Brockton to 41.0 in Somerville, averaging 30.9.

Market Value of Investments

The Federal Reserve reported that state and local government retirement systems as of December 31, 2022, held assets of approximately \$5.19 trillion. Assets are invested in the economy and are therefore subject to volatility. In Massachusetts, each system reports its allocation of assets to PERAC into as many as seven categories: Global Equity, Core Fixed Income, Value Added Fixed Income, Private Equity, Real Estate, Timberland and Portfolio Completion Strategies. Specific investments within each category are not indicated.

Composite Market Value (in \$ billions)

2022	2021	2020	2019
108.4	123.6	104.1	94.9

Source: PERAC Annual Reports. 2022 Composite Market Value for Natick was unavailable.

From 2019 to 2020, all systems increased from \$1 million to \$2.9 billion, averaging \$21 million. From 2020 to 2021, all systems increased from \$2.3 million to \$6 billion, averaging \$34.9 million. From 2021 to 2022, all systems decreased from \$2.1 million in Blue Hills to \$4.9 billion for State, averaging \$29 million.

The Cost of Municipal Pension Assessments

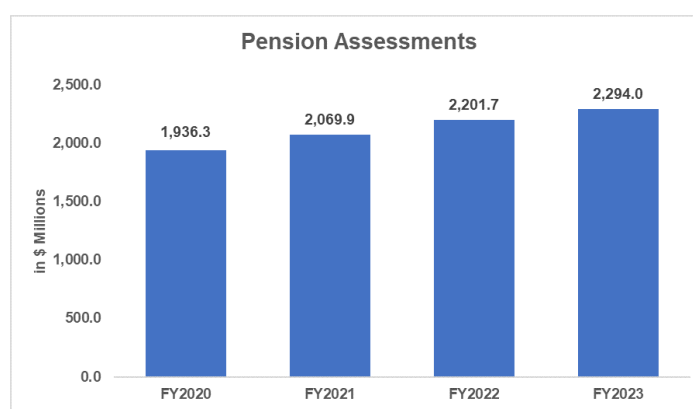
Due to increasing pension costs, government leaders nationwide face fiscal challenges providing necessary governmental services while trying to meet pension obligations. Pension costs rely on three major sources of revenue: investment earnings, employer

contribution, and employee contribution.

The Massachusetts municipal pension cost, or employer contribution, is an assessment by the retirement system upon participating local governments and must be provided for in the government's annual operating budget either by appropriation or without appropriation in the next tax levy. ([G.L. c. 32, §22](#))

Retirement systems in other States that do not require such provision may leave them short of their required contribution.

For all 99 Massachusetts municipal systems, the following graph shows recent growth in total reported municipal pension assessments.



From FY2020 to FY2021, the \$133.6 million net increase included 89 systems that increased from \$100,000 to \$27.2 million, eight had no change and two decreased by \$300,000 and \$1 million. From FY2021 to FY2022, the \$131.8 million net increase included 91 systems that increased from \$27,000 to \$29.7 million, four had no change and four that decreased from \$800,000 to \$7.1 million. From FY2022 to FY2023, the \$92.3 million net increase included 92 systems that increased from \$32,000 in Minuteman Regional to \$38.5 million in Boston, three had no change and four that decreased from \$6.4 million in Watertown to \$29.1 million in Quincy.

The Unfunded Liability

The system's unfunded liability is another common fiscal metric. Should revenue sources fall short in a system with this liability, other revenues must be increased for the system to be adequately funded

or the system's unfunded liability will grow. A system where the unfunded liability is \$0 is said to be "fully funded."

Projecting future pension costs requires an actuarial look at future demographic and economic events such as investment returns, the number of workers, retirees, life expectancy, wage and benefit growth, inflation, and the value of invested assets.

A system's unfunded liability is updated with each system's actuarial valuation to provide an up-to-date assessment of the system's condition. Otherwise, the liability remains the same until a new valuation is completed. An update, however, does not guarantee a liability reduction.

On an actuarial basis, the nationwide unfunded liability is estimated in the trillions of dollars. PERAC annually reports the unfunded liability for all systems. Seen below is the unfunded liability for the 99 municipal systems.

The Unfunded Liability for Massachusetts Municipal Retirement Systems (in \$ billions)			
	Funding Gap	\$ Inc. (Dec.)	% Inc. (Dec.)
2019	16.620		
2020	17.963	1.343	8.08
2021	17.796	-0.167	-0.93
2022	15.594	-2.202	-12.37
2019 to 2022		-1.026	-6.17

Source: PERAC Annual Reports

From FY2019 to FY2020, the \$1.3 billion net increase included 58 systems that increased from \$300,000 to \$300 million, 22 had no change and 19 that decreased from \$100,000 to \$22.9 million. From 2020 to 2021, the \$166.5 million net decrease included 10 systems that increased from \$400,000 to \$35.1 million, 64 had no change and 25 decreasing from \$700,000 to \$37.2 million. From FY2021 to FY2022, the \$2.2 billion net decrease included 3 systems that increased from \$200,000 to \$35.3 million, 30 had no change and 66 that decreased from \$100,000 to \$436.8 million.

Additional Resources and Suggestions

Through their [education](#) sessions and [publications](#), PERAC provides

recommendations on assumptions, funding strategies, and funding measures retirement systems should employ to better manage their pension obligations. For further details on funded ratios and unfunded liabilities, view the DLS [Municipal Finance Trend Dashboard, Unfunded liabilities report](#).

Conclusion

The greatest challenge facing retirement systems going forward continues to be providing benefits to employees while achieving and maintaining full funding. Closely analyzing and monitoring investment positions, listening to professional advice and considering the example of systems well on their way to full funding can help system administrators navigate their system's pension obligations and help keep their system financially stable.

Editor: Dan Bertrand

Editorial Board: Kasey Bik, Sean Cronin, Emily Izzo, Paula King, Lisa Krzywicki, Jennifer McAllister and Tony Rassias

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

To unsubscribe to *City & Town* and all DLS alerts, email dls_alerts@dor.state.ma.us.

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