



## Identifying Fiscal Stress Using the DLS Trend Dashboard

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### Important Dates & Information

#### Sign Up for the 2018 New Officials Finance Forum!

The Division of Local Services is offering a seminar for recently elected or appointed officials on Thursday, June 7th, 2018 at the College of the Holy Cross in Worcester. This course is designed to foster a team approach by developing an understanding of the responsibilities of local offices and duties as well as their interrelationship. Please note that preregistration is required. Registrations must be received by Monday, May 21st.

[Click here for the registration form.](#)

If you have any questions regarding this event, please contact DLS Training Coordinator

This article follows Deputy Commissioner [Sean Cronin's introduction](#) of the Division of Local Services' (DLS) [Municipal Finance Trend Dashboard](#). As outlined in that article, the Dashboard "is comprised of key municipal fiscal health indicators based upon data that is part of required municipal submissions to DLS, annual financial statements, state agency databases, and the US Census. It graphically displays trends in revenues and expenditures, municipal operating positions, demographic information, unfunded liabilities, property taxes, Proposition 2½ data, and debt."

It is our hope that this new resource will help local officials identify areas that may be trending in the wrong direction and negatively affecting fiscal health. Cities, towns, school and special purpose districts can utilize these metrics to both assess current conditions and track performance over time. To assist in these efforts, this piece will define and highlight indicators of fiscal stress as they relate to governmental financial operations. Utilizing the [DLS Municipal Finance Trend Dashboard](#), local officials can identify and monitor these early warning signs. In future articles, we will outline approaches, practices, and procedures to address difficult circumstances and prevent their re-occurrence.

#### What is Fiscal Stress?

Fiscal stress doesn't necessarily imply that the fiscal roof is about to collapse, but rather foretells that significant challenges may loom ahead should a community or district continue down a certain path. These challenges may then eventually affect taxpayers, creditors, vendors, employees, retirees, local officials and the local governmental entity itself.

According to a [Pew Charitable Research Report of July 2013](#):

*When budget gaps widen and a city cannot pay its bills, meet its payroll, balance its budget, or carry out essential services, the local government is viewed as distressed. Officials usually respond with some combination of service cuts, worker layoffs, tax and fee increases, reserve spending, and borrowing. If those measures do not work and the city no longer has the money to meet its obligations, the distress can escalate into a crisis or financial emergency, which may include defaulting on a bond payment or, in rare instances, filing for Chapter 9 bankruptcy protection.*

A fiscal crisis can occur in any city, town, regional school or special purpose district. It causes public discontent with government, breeds low morale with its employees, prompts concerns by retirees about retiree

Donna Quinn at [quinnd@dor.state.ma.us](mailto:quinnd@dor.state.ma.us) or (617) 626-3838.

### Housing Choice Designation Online Application Now Open

The [Housing Choice Initiative](#) provides incentives, rewards, technical assistance and targeted legislative reform to encourage and empower municipalities to plan and build the diverse housing stock that the Commonwealth needs to continue to thrive.

The [online application](#) contains detailed information about the criteria for designation and submittal requirements. The application period will close on April 30, 2018 at 3:00pm. For more information about the program, please visit <https://www.mass.gov/housingchoice>

### DEP Offering

#### Municipal Recycling IQ Kit

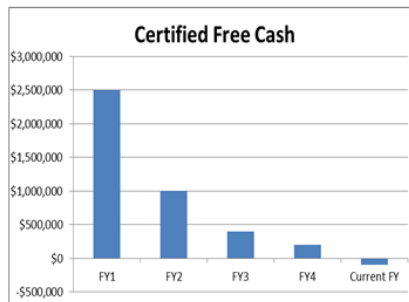
The Baker-Polito Administration has a new resource through the [Massachusetts Department of Environmental Protection \(MassDEP\)](#) to help cities and towns across the Commonwealth increase the quality of the residential recycling stream. The *Recycling IQ Kit* will help municipalities educate residents on how to better recycle in order to remove contaminants from the recycling stream and make those materials more attractive to the world's commodity markets. The program has already awarded a total of \$187,500 to the communities of Dartmouth, Lowell, Lynn, New Bedford, Halifax and Chatham. Additional funding is available to more communities that sign up to implement the strategies included in the [Recycling IQ Kit](#) program.

benefits, and sends signals to the credit market of heightened credit risk.

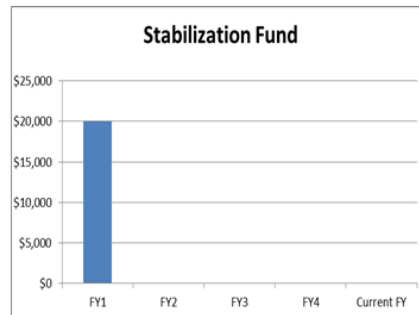
### Identifying Fiscal Stress Using the Dashboard

Monitoring fiscal activity within a fiscal year and trended over multiple fiscal years can determine whether a community is meeting its objectives. Our [Municipal Trend Dashboard](#) can be used to view indicators of fiscal stress including [operating position](#), [unfunded liabilities](#), [property taxes](#), [revenues and expenditures](#), [demographics](#), and [debt](#). Below please find some examples of Dashboard information revealing potentially problematic trends.

#### Operating Position



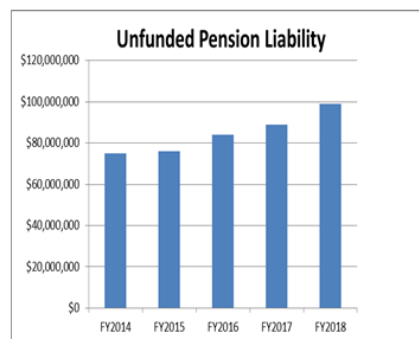
Free cash may be appropriated for any lawful purpose. Note that this community's free cash trended downward year-over-year and into negative position. This may be the result of poor revenue budget planning, overspending, or insufficient collection efforts.



The stabilization fund may be appropriated for any lawful purpose. Note that this community's stabilization fund was depleted some time ago and remains so.

Combining the above metrics, we see a community that has no available reserves. Obviously, this is a very precarious situation to be in financially. DLS recommends that the local government establish a sound reserve policy as outlined [here](#).

#### Unfunded Future Liabilities



The unfunded pension liability here is rising and must be funded according to Massachusetts General Law and the terms of the local pension system.

**Office of the Inspector General  
Presents Advanced Topics in  
Public Procurement**

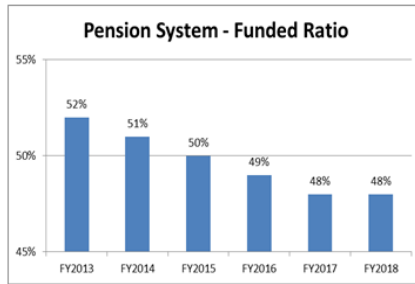
Don't miss out on the chance to learn about public procurement on Wednesday, May 23, 2018 from 9am to 4pm in Falmouth, MA! In this one-day class, you will learn about public procurement laws such as Chapter 30B and Chapter 149, best practices for contract administration, the prevention and detection of procurement and contract fraud, and the protection of personally identifiable information (PII).

Attendees are eligible for six continuing education credits (CPEs) or professional development points (PDPs). Lunch will be provided. The cost of this class is \$200 per person. To register, please complete the registration form [here](#).

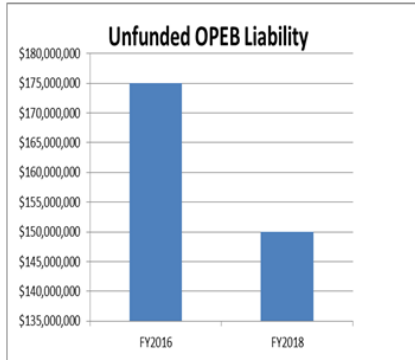


**Other DLS Links:**

[Local Officials Directory](#)



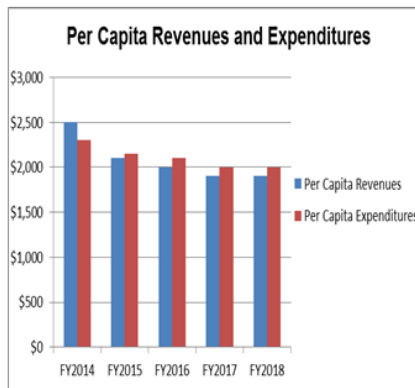
This system's funded ratio has been on a slight decline in recent fiscal years.



There is no legal requirement to fund the unfunded OPEB liability and this liability has reduced. However, there is still \$150 million in liability currently outstanding.

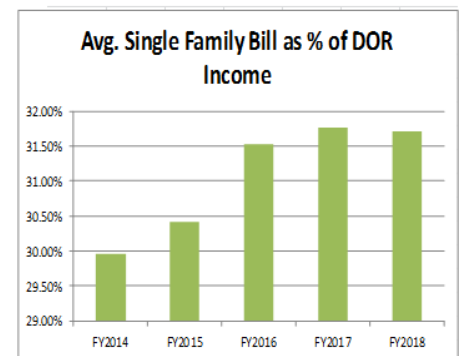
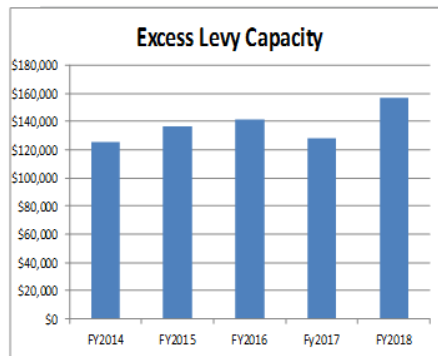
Taking the above three metrics together, we see \$250 million in unfunded liabilities. Such liabilities could put a strain on the community's future ability to provide core services to the public.

**Revenues and Expenditures**



In earlier fiscal years, per capita revenues exceeded per capita expenditures. This dynamic has changed in recent fiscal years.

**Property Taxes**



In the above combination, there is excess levy capacity to tackle additional expenditures inside the Proposition 2½ levy limit, but this

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial Calculators](#)

community's average single family tax bill as a percent of income is one of the highest in the Commonwealth. As a result, policymakers must reconcile the need for revenue with the demands of the overall tax burden on residents and businesses. Such challenges are faced every day by local officials across Massachusetts.

The above are just a few examples of how city, town, regional school or special purpose district officials can use the [DLS Municipal Trend Dashboard](#) to identify fiscal stress indicators. In coming issues, we will delve further into other areas of concern and establish a road map back to fiscal health for distressed communities.

## Data Highlight of the Month: [Assessed Value by Class](#)

Anthonia Bakare - Municipal Databank

There are two Assessed Value by Class reports available on the Municipal Databank website under "Reports Relating to Property Tax Data and Statistics". One report pertains to [municipalities](#); the other pertains to [special taxing districts](#). Both reports include: assessed values by major property classes: residential, open space, commercial, industrial, personal property and total assessed value information. This data is from FY2003 – 2018 for municipalities and 2008 – 2018 for districts. The tables can be exported to Excel.

In January, DLS announced its new [Municipal Finance Trend Dashboard](#) which includes Assessed Value by Class data under [Category Three](#) – Property Taxes. This data is presented in a chart that can be exported to PDF.

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

## April Municipal Calendar

- |   |           |  |
|---|-----------|--|
| 1 | Collector | <b>Mail 2nd Half Semiannual Tax Bills</b><br>By this date, collectors in communities using the regular semiannual billing system mail the 2 <sup>nd</sup> half actual tax bills or, if using optional preliminary bills, mail the actual tax bills.  |
| 1 | Collector | <b>Mail 4th Quarter Tax Bills</b><br>Collector mails these bills if the 4 <sup>th</sup> quarter bills were not included in the December mailings.  |
| 1 | Taxpayer  | <b>Deadline to Pay Semiannual Bill</b><br>M.G.L. c. 59, § 57C sets this as the deadline to pay the actual tax without interest in communities using the annual preliminary tax billing system on a semiannual basis, unless the bills were mailed after December 31. If mailed after December 31, payment is due either May 1 or 30 days from the date of the mailing, whichever is later. |
| 1 | Taxpayer  | <b>Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions</b>  |

This is the deadline to apply to the assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have 3 months from the mailing date to file exemption applications.

30 State Treasurer

**Notification of Monthly Local Aid Distributions**, see [IGR 17-17](#) for more cherry sheet payment information, monthly breakdown by program is available [here](#).

**Editor:** Dan Bertrand

**Editorial Board:** Sean Cronin, Anthonia Bakare, Linda Bradley, Deb Joyce, Theo Kalivas, Patricia Hunt and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us).

To unsubscribe to *City & Town* and all DLS alerts, email [dls\\_alerts@dor.state.ma.us](mailto:dls_alerts@dor.state.ma.us).