



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

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

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 DLS' [Municipal Finance Training and Resource Center](#).

#### *Forecasting Assumptions*

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.

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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 the treasurer/collector.

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

City and town 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*

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 3<sup>rd</sup> 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 3<sup>rd</sup> 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. Recent news stories report that remote school classes and other meetings have been disrupted by “video hackers.” 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 page](#), which includes current information on our services, guidance on issues and new legislation. Sign up for Alerts by using the [Contact Us link](#) on our website.

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.