

March 3rd, 2022



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Important Dates & Information

Last Chance to Register for the DLS Property Tax Takings Webinar

Does your community have a plan to address uncollected

PERAC's January 1, 2022 List of Retirement Boards by Funded Ratio

Amy Handfield - BOA Field Representative

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The [Public Employee Retirement Administration Commission](#)

(PERAC) 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 inclusive of the system for Boston teachers. It publishes a quarterly [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 January 1, 2022. The Governmental Accounting Standards Board (GASB) requires a new valuation at least every two years, if not more frequently. PERAC's report 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 (IRA), commonly referred to as Assumed Rate of Return, and Funding Schedule ([G.L. c. 32, §22F](#)) for amortizing the system's unfunded actuarial liability (UAL). This article will review the latest list for the 99 municipal systems only and determine how their metrics have changed from one year ago.

Funded Ratio

property tax receivables? Join us Wednesday, March 9th at 10am for a free, interactive webinar where DLS staff will discuss the tax title process, best practices to follow, and how uncollected receivables affect free cash. Specific topics also include:

- Perfecting a lien and issuing demand letters
- Publishing a public notice
- Entering into partial payment agreements
- Roles of the treasurer, collector, assessor, and accountant/auditor offices in this process

Following the presentation, our staff will be able to answer questions from attendees. To register, click [here](#). We look forward to seeing you then! Please email dlsregistration@dor.state.ma.us with any questions.

Recent DLS IGRs

The Division of Local Services Bureau of Accounts has issued the following Informational Guideline Releases (IGRs).

[IGR-2022-1: PREMIUMS AND](#)

PERAC lists each system’s funded ratio, 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 Shrewsbury at 101.4%, with Springfield at the end of the list at 28.9%. The group median is 65.6%, up from last year’s 63.9%. The following two tables list the five highest and six lowest (two are tied) funded ratios along with their valuation dates.

<u>System</u>	<u>Funded Ratio</u>	<u>Valuation Date</u>
Shrewsbury	101.4%	January 1, 2021
Leominster	100.9%	January 1, 2020
Greater Lawrence Sanitary	97.0%	January 1, 2021
Minuteman Regional	94.2%	January 1, 2021
Watertown	91.7%	January 1, 2020

Source: PERAC, January 1, 2022

<u>System</u>	<u>Funded Ratio</u>	<u>Valuation Date</u>
New Bedford	46.9%	January 1, 2020
Andover	46.9%	January 1, 2021
Worcester Regional	46.4%	January 1, 2020
Quincy	45.9%	January 1, 2020
Fall River	44.5%	January 1, 2021
Springfield	28.9%	January 1, 2020

Source: PERAC, January 1, 2022

Investment Return Assumption

A system’s IRA is a major component in a retirement system’s projected asset growth because of the importance of investment earnings to the system. The IRA 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 IRA greater than Plymouth County at 7.88%, with the lowest in Leominster at 5.5%. Sixty-one systems reported an IRA of 7.0% to 7.25%. The group median is 7.25%.

[SURPLUS PROCEEDS FOR PROPOSITION 2½ EXCLUDED DEBT](#)

IGR No. 22-01 informs local officials about the adjustments made to a Proposition 2½ debt exclusion when premiums are received in connection with the sale of the bonds or notes for the excluded borrowing and when surplus loan proceeds remain after the project or purpose of the borrowing is completed.

[IGR-2022-2: BORROWING](#)

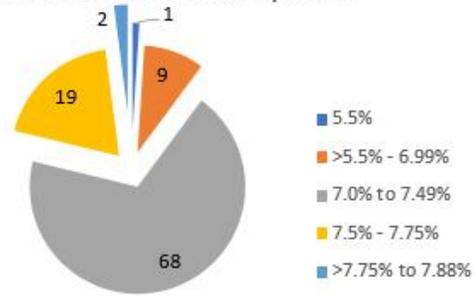
IGR No. 22-02 informs local officials about borrowing purposes and debt issuance procedures, including changes made by the Municipal Modernization Act and by An Act Relative to Immediate COVID-19 Recovery Needs.

[IGR 2022-3: CALENDAR YEAR 2022 ADJUSTMENT IN LAND OF LOW VALUE FORECLOSURE VALUATION LIMIT](#)

IGR 2022-3 informs local officials of a calendar 2022 7.0% increase in the maximum valuation for parcels qualifying for land of low value foreclosure procedure to a new maximum of \$24,804.

[IGR 2022-4: OPTIONAL COST](#)

Investment Return Assumptions



Source: PERAC, January 1, 2022

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 FY2020 Annual Report, its most current annual report, shows the unfunded liability for the 99 municipal systems at about \$18 billion (over \$62 billion when including all 105 systems within PERAC’s oversight).

The following graph illustrates when all 99 systems reportedly will reach full funding. Note that as of January 1, 2022, only one system was considered fully funded (Leominster) and two systems (Shrewsbury and Watertown) are expected to be fully funded in FY2023. FY2033 is the most common date for expected full funding. Andover’s is the last municipal system scheduled for full funding in FY2040.

[OF LIVING ADJUSTMENT FOR FISCAL YEAR 2023 EXEMPTIONS](#)

IGR 2022-4 informs local officials that 7.0% is the (1) maximum local option cost-of-living-adjustment (COLA) increase in Cl. 17 (surviving spouse/minor & elderly) exemption amount; (2) optional COLA applied to increased asset limit of Cl. 17s exemptions; (3) optional COLA applied to increase income & asset limits of Cl. 41s senior exemptions.

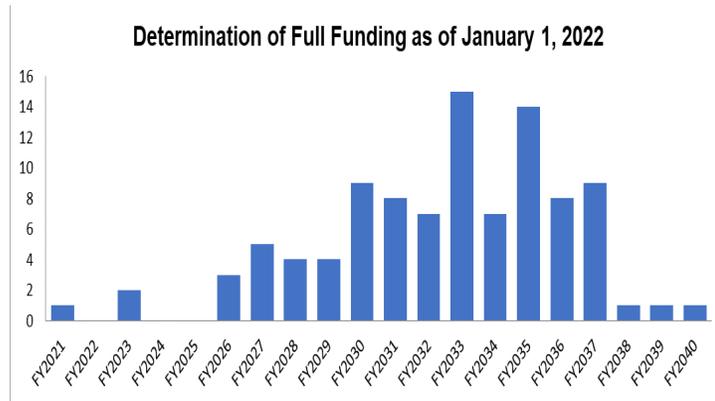
[IGR 2022-5: SOCIAL SECURITY DEDUCTION FOR FISCAL YEAR 2023](#)

IGR 2022-5 informs local officials that FY2023 deductions from gross receipts for Clause 41s senior personal exemption increased by 5.9% over FY2022.

[IGR 2022-6: FISCAL YEAR 2023 TAX BILLS QUARTERLY PAYMENT SYSTEM](#)

[IGR 2022-7: FISCAL YEAR 2023 TAX BILLS SEMI-ANNUAL PAYMENT SYSTEM](#)

[IGR 2022-8: FISCAL YEAR 2023 TAX BILLS SEMI-ANNUAL PAYMENT SYSTEM – OPTIONAL PRELIMINARY BILLS](#)



Source: PERAC, January 1, 2022

Change from One Year Ago

When comparing PERAC’s most recent list to its January 1, 2021 list, 37 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 reviews the 37 systems reporting new information. Of these 37 systems, 31 updated their valuations to January 1, 2021, (five from January 1, 2020, 26 from January 1, 2019). Of the remaining six systems, all six updated their valuations to January 1, 2020, one from January 1, 2019 and five from January 1, 2018. For comparison, this analysis will review these systems by their consistent valuation date.

Valuations as of January 1, 2021

Seen as a group, funded ratios increased in all but one system and IRAs decreased in most cases, but no IRA was increased. There was no change to funding schedules in most systems, but eight systems did move their schedules sooner (decrease) while four moved theirs into the future (increase).

[IGR 2022-9: FISCAL YEAR 2023](#)

[TAX BILLS SEMI-ANNUAL](#)

[PAYMENT SYSTEM – ANNUAL](#)

[PRELIMINARY BILLS](#)

IGRs 2022-6 through 2022-9, respectively, explain the procedures and tax billing requirements for quarterly tax billing and payment systems, regular semi-annual payment systems, semi-annual tax billing and payment systems with optional preliminary bills and semi-annual tax billing and payment systems with annual preliminary bills.

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

Latest Issue of *Buy the Way* Now Available

Don't miss Issue #14 of [Buy the Way](#), the monthly magazine of the Operational Services Division (OSD).

Register Now! FY23 MVP Planning and Action Grant Pre-Request for Responses Webinars

The Executive Office of Energy and Environmental Affairs' (EEA) Municipal Vulnerability

January 1, 2020 - January 1, 2021				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	4	1	0	5
Change in Investment Return Assumption	0	2	3	5
Change in Funding Schedule	1	2	2	5
January 1, 2019 - January 1, 2021				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	26	0	0	26
Change in Investment Return Assumption	0	20	6	26
Change in Funding Schedule	3	6	17	26

Source: PERAC, January 1, 2022

Individually, the Greater Lawrence Sanitary District increased its funded ratio the most from 87.6% to 97.0%. Wellesley decreased its IRA the most from 6.63% to 6.0%. Andover extended its funding schedule the most from FY2037 to FY2040. Minuteman Regional School reduced its funding schedule the most by eight years from FY2035 to FY2027.

Valuations as of January 1, 2020

Viewed as a group, four funded ratios increased and two decreased and IRAs decreased in five out of six cases. Two funding schedules were moved sooner, (decrease) three moved into the future (increase) and one remained the same (no change).

January 1, 2018 - January 1, 2020				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	4	2	0	6
Change in Investment Return Assumption	0	5	1	6
Change in Funding Schedule	3	2	1	6

Source: PERAC, January 1, 2022

Individually, Leominster increased its funded ratio percentage the highest from 90.4% to 100.9%. Newburyport, Quincy and Weymouth decreased their IRAs the most each from 7.5% to 7.25%.

Final Thoughts

Retirement board information shown in PERAC's January 1,

Preparedness (MVP) Program team is anticipating the release of its next Request for Responses (RFRs) for both MVP Planning and Action Grants in mid-March 2022. To prepare for this release, the MVP team will be hosting two informational sessions to give an overview of the program, review anticipated changes to this round's applications, and answer questions.

In order to register, you will need to follow the link to the session you would like to attend. Please only register for one session, as the sessions will review exactly the same content.

- Monday, March 7, 2022, 11am-12pm – [Register here](#)
- Tuesday, March 8, 2022, 2pm-3pm – [Register here](#)

If you cannot make it to either webinar or you would just like to watch on your own time, the recording will be posted to resilientma.org/mvp in the "stay up-to-date" section after the events. If you have any questions, please reach out to your MVP [regional coordinator](#) or kara.runsten@mass.gov.

2022 listing only reflects system performance as of the valuation date shown. New figures will be reflected when systems are next revalued.

This listing does reflect some positive signs despite pandemic effects upon the economy. All systems that updated their valuation showed an increase in their funded ratio. All systems are scheduled to amortize their unfunded liability before the legal deadline of FY2040. Investment Return Assumptions remain conservative

Communities should be mindful of the following:

- 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.
- 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, the funding status can change. Actuarial and investment losses, changes in plan provisions, and/or assumption changes can increase UAL, or even return a fully funded system to a less than fully funded status
- In a near future local budget, systems with low funded ratios could experience their annual fixed cost assessment consuming a far greater portion of their annual operating budget.

We hope you found this article helpful. We'll continue to review and update this information in future editions of *City & Town*.

Massachusetts Dredging Program Grants

In February, the Executive Office of Housing and Economic Development (EOHED) will open the 2022 grant round of the [Massachusetts Dredging Program](#).

One-year construction grants for saltwater dredging will be competitively awarded with a focus on shovel-ready projects that contribute to the economic vitality, recreational value, public safety, and/or environmental resilience of the Commonwealth's coastal harbors.

All municipalities in the Massachusetts [coastal zone](#) are eligible to apply. Applications will be due April 15, 2022.

Full details are available at mass.gov/how-to/apply-for-a-massachusetts-dredging-grant.

Homeowner Assistance Fund

The Massachusetts Homeowner Assistance Fund (Mass HAF) is now available to homeowners that are at least

Ask DLS: Snow and Ice Removal

How do communities budget for snow and ice removal during a particularly snowy winter?

[G.L. c. 44, § 31D](#) authorizes a city or town, under certain conditions, to spend in excess of its available appropriation for the costs of snow and ice removal. The rationale for the exception to the general rule of [G.L. c. 44, § 31](#) that departments cannot incur liabilities in excess of appropriation is that some of the costs of snow and ice removal are extremely variable from one year to the next, depending upon the weather, and are impossible to budget for accurately. Typically, the sorts of costs that would vary unpredictably with the weather would be overtime costs for internal plowing crews, the cost of sand and chemicals to be spread on the roads, and the cost of hiring plows and drivers during storms. On the other hand, expenses for regular, recurring departmental activities that are predictable and do not vary with the weather in any given winter cannot be paid for by deficit spending. Municipalities must budget for such planned and regular expenses. Authority to deficit spend on snow and ice removal is contingent on the amount of the current year's appropriation equaling or exceeding the prior year's appropriation.

What are examples of expenditures that vary with the weather?

The repair or replacement of a snowplow blade, or the repair of a transmission on a snowplow truck could qualify as costs of snow and ice removal if the blade were damaged or the transmission failed during the snow-plowing season. Another allowable expenditure would be the cost of fuel for snow and ice removal. The deficit spending must be *directly* related to the removal of the snow and ice, and it must be an expense that the municipality could not have realistically budgeted for.

Would the regular maintenance of DPW equipment or other municipal vehicles be an allowable expenditure

three months behind on their mortgage payments because of the COVID-19 pandemic.

Mass HAF provides mortgage relief is a grant, not a loan. Homeowners do not have to pay it back. If a homeowner's application is approved, funds are provided to their mortgage servicer (the company that collects their mortgage payments). For more information, review the attached HAF flyer (available in Spanish, Portuguese, Vietnamese, Chinese, Russian, Khmer, and Haitian Creole [here](#).)

Who is Eligible for Mass HAF?

Massachusetts homeowners who:

- Own AND live in live in a single-family home, condominium or 2- 3- or 4-family home located in Massachusetts
- Lost income or their living expenses went up on or after January 21, 2020, because of the COVID-19 pandemic
- Have missed at least 3 mortgage payments since January 21, 2020

under [G.L. c. 44, § 31D](#)?

No. The cost of snow tires for police and fire vehicles, or regular maintenance of DPW vehicles that are used year-round cannot properly be charged as costs of snow removal. The same is true for the purchase of radios for the trucks used in plowing; their acquisition is a fixed one-time cost that does not vary with the amount of snow that falls in a winter. Scheduled maintenance or repair of such equipment, or even the emergency repair or replacement of equipment damaged in operations having nothing to do with snow plowing, could not be funded as a deficit in the snow and ice account.

Street and drain cleaning activities regularly and typically performed every year must be paid for with budgeted funds, but if unusual weather conditions result in extraordinary cleaning activities, those costs could also possibly qualify for deficit spending. [G.L. c. 44, § 31D](#) authorizes, under certain conditions, deficit spending only for those expenses *directly* related to the removal of snow and ice that are variable from year to year depending on the severity of the winter.

What are some of the allowable expenditures of a particular snow and ice removal line-item if a municipality is not deficit spending under [G.L. c. 44, § 31D](#)?

The scope of the appropriation is for local officials to determine. Municipalities are entitled to expend from the appropriation for purposes within the scope of that appropriation.

- Meet income requirements (150% of the AMI or below)

Homeowners can check if they are eligible by completing a [short online pre-screener](#), and they can register and apply for assistance at www.massmortgagehelp.org.

If a homeowner cannot complete the online application on their own, they can contact a housing counseling agency (HCA) partner, who are trained to assist them. A homeowner can input their zip code [here](#) and find the HCA serving their area.

The Massachusetts HAF Program administered by the Massachusetts Housing Partnership and the Massachusetts Housing Finance Agency, in collaboration with the Massachusetts Executive Office for Administration and Finance, the Massachusetts Executive Office of Housing and Economic Development, the Massachusetts Department of Housing and Community Development, and the Massachusetts Division of Banks.

2022 Housing Choice Designation Application

The 2022 application for Housing Choice designation is now live at [2022 Housing Choice Designation Application](#).

The Housing Choice Initiative rewards municipalities that have produced certain rates or amounts of new housing units in the last five years and that adopted best practices related to housing production that will sustain a 21st century workforce and increase access to opportunity for Massachusetts residents. Communities that achieve the Housing Choice Community designation have exclusive access to apply for the Housing Choice Grant Program and receive bonus points or other considerations to certain state grant programs.

Details, recent changes, and application can be found at [2022 Housing Choice Designation Application](#).

MCPPO ARPA Training

The Office of the Inspector General through its Massachusetts Certified Public Purchasing Official Program

will be presenting an American Rescue Plan Act (ARPA) training on March 24th, 2022.

This 90-minute webinar will provide an overview of eligibility rules for fiscal recovery funds and limits on the use of ARPA funds and reporting requirements.

Participants will also learn how ARPA applies to Chapter 30B and cooperative and collaborative contracts, and federal single audit compliance.

To learn more, please [click here](#).

Office of the Inspector General ARPA Resources

Under the American Rescue Plan Act (ARPA), Massachusetts state, county, tribal and local entities are receiving millions of dollars in federal aid to respond to the public health and economic impacts of the public health emergency created by the COVID-19 pandemic.

The Office of the Inspector General has compiled the following rules and resources related to the ARPA from our Office, the federal

government, other state agencies and private organizations. Our Office also has compiled [Bulletin articles](#) related to: using ARPA funds, including articles about:

- paying for supplies and services with federal funds
- reviewing invoices
- analyzing data
- auditing vendors
- applying Chapter 30B
- preventing bid manipulation

Cybersecurity Health Check Program

The Office of Municipal and School Technology provides the following program available to Massachusetts municipalities and schools. If you have any questions, please contact

Catherine.Marques@mass.gov

[Cybersecurity Health Check](#)

The Cybersecurity Health Check Program provides opportunities for local government to access basic cyber security services at no cost.

These services can be a good

first step in discovering,
assessing and identifying
cybersecurity gaps that could
impact IT systems that support
essential business functions.
This is a rolling application.

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](#)





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