May 18, 2016

The Honorable Richard J. Kos
Mayor’s Office
17 Springfield Street
Chicopee, MA 01013

Dear Mayor Kos,

I am pleased to present the enclosed set of financial policies for the City of Chicopee. As part of the Baker-Polito Administration’s commitment to cities and towns, the Community Compact Cabinet initiative strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is our hope that these policies provide useful guidance and consistency in Chicopee’s fiscal decisions, as together we seek to build better government for our citizens.

Sincerely,

Sean R. Cronin
Senior Deputy Commissioner
**INTRODUCTION**

At the mayor’s request, the Division of Local Services - Technical Assistance Bureau has created a set of financial policies for the City of Chicopee. This project was a result of the Community Compact initiative (www.mass.gov/ccc), whose goal is to encourage best practices that promote efficiency, accountability, and transparency in municipal government. The adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

To develop policies for Chicopee, we interviewed local officials and examined the city’s charter, ordinances, and finance-related documents. We also surveyed comparable communities and reviewed professional association guidance to gauge standards and validate recommended practices. The policies provided here represent this cumulative effort and are presented for local review and acceptance.

**Background**

With a population of 55,717, Chicopee is the second-largest city in western Massachusetts after Springfield, from which it was partitioned to be incorporated as a separate town in 1848. Since establishing a charter in 1890, it has had a city form of government characterized by a strong mayor-city council structure.

The city has not been immune to the economic stagnancy that in recent decades has been regionally common as communities struggle to realize their development potential in the new economy. In fact, the community meets the state’s Gateway City criteria under M.G.L. c. 23A §3A based on its size in combination with lower-than-state-average metrics for median household income and residents’ educational attainment. This designation provides opportunities for these communities to share practical experiences and potentially qualify for certain development grants.

But although the Gateway Cities form somewhat of a peer group, Chicopee is a standout based on the strength of its fiscal management. Through conservative budget practices, the city has been able to sustain sound levels of reserves year to year, even during the Great Recession. As of July 1, 2015, certified free cash was $6.3 million, and there was $15.6 million in stabilization. Combined, these reserves comprise 11.17 percent of the FY2016 total operating budget totaling $196.8 million. However, in most years that ratio tends to be about 8.5, which still a notably strong figure.
This long-time trend of healthy reserves owes much to an historically ingrained fiscally conservative culture and continues thanks to an admirable working rapport between the current mayor and city council. Nonetheless, relying only on informal fiscal policies that may or may not endure from one administration to another maintains an unnecessarily higher risk environment, which can be viewed as such by credit rating agencies and other entities.

The need to mitigate this has been communicated to the city in past management letters by its independent auditor, Scanlon & Assoc. Additionally, the federal government, through its Office of Budget and Management’s Omni Circular issued in December 2013, has expanded its requirements for the local policies needed by entities receiving federal grant money, like the City of Chicopee. Local leaders, in particular the mayor and city auditor, are to be commended in recognizing the importance of formal, written policies and addressing it through the Community Compact.

Before now, the city has only had a minimal number of formal financial policies. We reviewed Chicopee’s policies on travel reimbursement and purchasing, as well as procedural materials related to the budget process, capital planning, and indirect cost allocation. We were also provided with Scanlon’s audit and management letter for fiscal year 2014. After reading these and talking with local officials, we came to a consensus on the set of policies to be created.

From the treasurer, we also received an investment policy that she created in 2015 during her first year in office. It appears to have much boilerplate language promoted by the Massachusetts Collectors and Treasurers Association, and we therefore decided against attempting to rewrite it for the manual. It should be noted, however, that Scanlon’s management letter cited it for having inadequate risk disclosure. The Government Accounting Standard Board’s (GASB) Statement 40, *Deposit and Investment Risk Disclosures*, requires investment policies to state the community’s tolerance for various risks. Although the treasurer’s policy covers custodial credit, concentration of credit, and interest rate risks, it does not mention foreign currency risk as required by GASB 40.

Also in 2015, the city established a trust fund to accumulate and invest funds to finance its liability for other postemployment benefits (OPEBs), actuarially calculated to be $213.5 million as of January 1, 2014. As of this writing, one appropriation has been made to the trust’s subaccount for the OPEBs of the Chicopee Electric Light Company, a business-type operation managed like an enterprise fund. Local leaders have begun deliberating on strategies to address OPEBs, including liability mitigation, and our policy draft includes a provision speaking to that.

All the policies in this manual are presented for the review and approval of the mayor, city council, school committee, and other local officials as applicable. Each policy should be considered a living
document to be periodically reassessed, modified, and agreed to as conditions change. As large as the manual is, it still does not cover all areas suitable for policies, and the City should contemplate building further on this foundation. Additionally, some financial management areas, such as payroll or accounts payable processing, call out for detailed procedures to complement formal policies.

Finally, note that many of the policies contain specific provisions that local leaders need to consider and decide upon. An example taken from the policy on reserves is: “The City will endeavor to maintain a minimum balance of [five] percent of the current operating budget in its general stabilization fund.” In each case, the draft policy has brackets around the decision point with the word(s) in the bracket representing the Technical Assistance Bureau’s suggestion based on research of best practices.
CITY OF CHICOPEE

FINANCIAL POLICIES MANUAL
INTRODUCTION

The City of Chicopee is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide formal direction, and define authority to help ensure sound fiscal stewardship and management practices. Each policy is a living document that should be reviewed and updated as necessary.

Through these policies, the City commits to the following objectives:

- Sustaining a consistent level of service and value for residents
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the city’s credit rating
- Promoting transparency and public disclosure
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REVENUES AND FORECASTING

PURPOSE
A key component of budget development is the identification of revenue assumptions and projections to determine the range of choices the Mayor, School Committee, and City Council can make in allocating resources. This policy is intended to set guidelines for regular evaluation of revenue sources as part of the annual budget process and longer range fiscal planning.

APPLICABILITY
This policy applies to Mayor and City Council as Chicopee’s budget decision makers. It also applies to the job responsibilities of the City Auditor, Treasurer, School Superintendent, School Business Manager, and all the managers of revenue-generating departments and the City’s business-type operations.

POLICY

A. Revenue Guidelines

The City will continuously seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the City will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

This policy further entails the following expectations:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- City departments that charge fees shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The City’s business-type operations shall set rates to cover all their direct, indirect, and capital improvement costs on a self-supporting basis.
- The Building Department will notify the City Auditor of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.

B. Financial Forecast Guidelines

To determine the City’s operating capacity for each forthcoming fiscal year, the City Auditor will annually create and provide the Mayor with a detailed budget forecast. The City Auditor shall also annually prepare a [five]-year financial projection of revenues and expenditures for all operating funds. To do so, the City Auditor will review trending financial factors and consult with the Board of
Assessors, the Treasurer, other department heads, and other officials with knowledge of state and local finance. These forecasts shall be used as planning tools in developing the following year’s operating budget as well as the five-year capital improvement plan.

To ensure the City’s revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90% percent of the prior year’s actual collections without firm evidence that higher revenues are achievable.

Additionally, the forecast model should assume that:

- The City will maintain its current level of services.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the City’s three-year average by property class.
- The City will be in compliance with Net School Spending and continue to contribute above its minimum contribution level.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses will prevail.
- The City will pay the debt service on existing debt, and follow its capital planning and debt management policies.
- The City will make its annual pension contributions and will begin making annual appropriations to amortize its other postemployment benefit liabilities.
- The City will strive to build and maintain reserve funds in compliance with its policy.

REFERENCES
Division of Local Services Best Practice: Revenue and Expenditure Forecasting

Government Finance Officers Association article: Structuring the Revenue Forecasting Process

Standard & Poor’s article: The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
TREATMENT OF ONE-TIME REVENUES

PURPOSE
The City of Chicopee establishes this policy to set guidelines for the use of one-time revenues. It is fiscally prudent to avoid using any one-time revenue source to fund ongoing operations since that funding source cannot be expected to reoccur. Doing so without identifying future available offsets effectively postpones difficult decisions necessary to achieve structurally sound and sustainable spending plans.

APPLICABILITY
This policy pertains to any source of revenue that occurs in isolation in a given year (i.e., not repetitively, either year to year or over a limited period of years). It applies to the Mayor, City Auditor, School Committee, and City Council in their budget analysis and decision-making responsibilities.

POLICY
The City will generally avoid using one-time revenues to fund ongoing or recurring operating expenditures. Instead, the City will use the revenue to finance documented capital improvements, pay one-time expenditures, help reduce unfunded liabilities, or meet stated reserve goals before considering using any portion for operational needs.

The City Auditor will inform the Mayor of the anticipated receipt of any sizable or extraordinary one-time revenues, which can include free cash, bond premiums, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. The City will thoroughly analyze any unexpected or unusual one-time revenue source before appropriation. In adopting this policy, the City should have a priority order when appropriating one-time revenues, such as:

1. Cash capital budget
2. Capital stabilization fund
3. General stabilization fund
4. OPEB trust fund

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to this policy. In such cases, the Mayor, in consultation with the City Auditor, can recommend to City Council the use of one-time revenues for operational appropriations. Such use will trigger the Mayor to develop an action plan with the City Auditor to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The City will consult the following General Laws when the revenue source is:

- Sale of real estate: M.G.L. c. 44, §63 and M.G.L. c. 44, §63A
- Gifts and grants: M.G.L. c. 44, §53A and M.G.L. c. 53A½
- Bond proceeds: M.G.L. c. 44, §20
REFERENCES
M.G.L. c. 44, §53

Division of Local Services Bulletin 2013-01B: Bond Premiums and Debt Exclusions

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
FINANCIAL RESERVES

PURPOSE
The City of Chicopee’s reserves provide resources that help the municipality to stabilize finances and to sustain operations during difficult economic periods. It is therefore important to have a policy that establishes prudent and consistent practices for appropriating to and expending these funds. With well-planned sustainability, the City can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the City’s credit rating and consequently its long-term cost to fund major projects.

APPLICABILITY
This policy pertains to short- and long-range budget decision making and applies to the Mayor, School Committee, and City Council in those duties.

POLICY
The City of Chicopee commits to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the City withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

A. Free Cash

The Division of Local Services (DLS) must certify a community’s free cash before it can be appropriated. DLS defines free cash as “the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line items.”

The City shall set a year-to-year goal of maintaining its free cash in the range of three to five percent of the annual budget. To achieve this, the City Auditor shall assist the Mayor in proposing budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the City’s free cash in any year, so that the succeeding year’s calculation can begin with a positive balance. Moreover, as much practicable, the City will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures) and any excess above five percent of the annual budget will be appropriated to reserves or used to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be
appropriated for any lawful purpose. Prior to the adoption of this policy, the City established and appropriated to a general stabilization fund and a capital stabilization fund.

**General Stabilization:** The City will endeavor to maintain a minimum balance of [five] percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Mayor shall develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

**Capital Stabilization:** The City will appropriate annually to the capital stabilization fund so that over time it achieves a target balance sufficient to cover the City’s cash outlay for capital. Doing so enables the City to pay outright for moderate-range capital expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs.

C. Retained Earnings

The City has three business-type operations, whose accounting is done in the manner of enterprise funds: the Water Department, Water Pollution Control Department, and Chicopee Electric Light Company. By accounting for the revenues and expenditures of each of these operations in individual funds segregated from the general fund, the City can effectively identify their true service delivery costs—direct, indirect, and capital—and to recover them through user fees. Under this accounting, the City may reserve each operation’s generated surplus (referred to as retained earnings or, alternatively, as net assets unrestricted) rather than closing the amount out to the general fund at year-end.

For each of the three business-type operations, the City will maintain a reserve amount at [20] percent of the operation’s total budget, at minimum, but any reserve may be significantly higher if major infrastructure improvements are necessary. These reserves will be used to provide rate stabilization and to fund major, future capital projects.

D. Overlay Surplus

The overlay is a reserve that is used to offset unrealized revenues resulting from property tax abatements and exemptions. The City will prudently manage the overlay to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Mayor and City Auditor an update of the overlay reserve broken out by fiscal year, including but not limited to, current balances, potential abatement liabilities, and any transfers to surplus. The Board will vote to use excess overlay to fund potential overlay deficits in other fiscal years before making it available for spending, which should be limited to onetime expenses. If the balance of any fiscal year overlay exceeds the amount of potential liabilities, the Mayor may request the Board to vote to declare
those balances surplus available for use in the City’s capital improvement plan or for any other one-time expense.

REFERENCES
M.G.L. c. 40 §5B
M.G.L. c. 59 §25
M.G.L. c. 44 §53F½

DLS Best Practice: Free Cash
DLS Best Practice: Reserve Policies
DLS Best Practice: Special Purpose Stabilization Funds
DLS Informational Guideline Release 08-101: Enterprise Funds
DLS Informational Guideline Release 11-101: Overlay and Overlay Surplus
DLS Informational Guideline Release 04-201: Creation of Multiple Stabilization Funds

Government Finance Officers Association Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund

Standard & Poor’s article: The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE
The City of Chicopee establishes this policy to provide the basis for a responsible plan for meeting its obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees. These guidelines are designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding the transference of costs into the future.

APPLICABILITY
This policy encompasses OPEB-related budget decisions, personnel management, accounting, financial reporting, and investment. It applies to the Mayor and City Council in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the City Auditor, Human Resources Director, Treasurer, and Trustees of the City’s OPEB Trust Fund.

BACKGROUND
In addition to salaries, the City of Chicopee compensates employees in a variety of other forms. Many employees earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits or OPEBs.

OPEBs represent a significant liability for the City that must be properly measured, reported, and planned for financially. To limit the liability, the City will evaluate the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the City an uncompetitive employer. As important, the City has a fiscal responsibility to make systematic, long-range plans to fund its OPEB obligation.

POLICY
The City is committed to funding the long-term cost of the benefits promised its employees. To do so, the City will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The City will also periodically assess strategies to mitigate its OPEB liability.

A. Accounting and Reporting

The City Auditor will obtain actuarial analyses of the City’s OPEB liability every two years and will annually report the City’s OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Trustees of the OPEB Trust Fund, as fund custodians, will delegate to the Treasurer the responsibility for investing the fund’s assets and for managing its associated bank account and subaccounts. The Treasurer will manage the OPEB Trust Fund in conformance with the City’s investment policy and the state’s prudent investor laws. The Trustees will maintain oversight of the fund by reviewing the banking and investment activity. On an annual basis the City will analyze its
option to invest its OPEB trust with the state Pension Reserve Investment Trust (PRIT) or local retirement board.

The Mayor shall ensure that the City’s independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and will report on these to the City Council.

B. Mitigation

On an ongoing basis, the City will evaluate strategies for mitigating its OPEB liability and assess cost containment measures. The Human Resources Director shall monitor proposed laws affecting OPEBs and Medicare and analyze their impacts.

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. In November 2015, the City established an OPEB Trust Fund as a means to provide for long-term asset investment at higher rates of return than those of general operating funds. The City shall derive funding to invest in this trust from taxation, free cash, retained earnings, and any other legal form.

Achieving full funding of the liability requires the City to commit to funding its annual required contribution (ARC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ARC:

- Transfer unexpended funds from insurance line items to the OPEB trust.
- Appropriate amounts equal to the City’s Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash and retained earnings.
- Appropriate a percentage of ongoing revenues that is increased incrementally each year.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust amounts equivalent to the former pension-funding payment.

REFERENCES

M.G.L. c. 32B, §20
M.G.L. c. 44, §54
M.G.L. c. 44, §55
M.G.L. c. 203C, §3

GASB Statement 43: Reporting for Postemployment Benefit Plans Other Than Pension Plans, May 2004. This statement will be replaced by Statement 74 effective July 1, 2016.

GASB Statement 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, June 2004. This statement will be replaced by Statement 75 effective July 1, 2017.
GFOA Best Practice: Ensuring Other Postemployment Benefits (OPEB) Sustainability
GFOA Best Practice: Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
CAPITAL PLANNING

PURPOSE
The goal of this policy is to provide a means for planning the maintenance and improvement of Chicopee’s capital assets and infrastructure, whose upkeep is vitally important to the delivery of quality services. It outlines guidance for reviewing, planning, and coordinating capital improvements so as to promote a systematic acquisition and replacement schedule and to ensure that, given limited resources, the City’s capital needs are met.

APPLICABILITY
This policy establishes a framework for the charge of the Capital Planning Committee, sets guidelines and expectations for all City departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Mayor and City Council.

POLICY
The City shall maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. The City sustains a capital improvement program (CIP) overseen by the Capital Planning Committee to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the City’s budget limitations. The City shall sustain a five-year plan for capital improvements, which will be updated annually. Included in the CIP shall be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources. The City will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

A. Definition of a CIP Project

A capital improvement is a tangible asset or project estimated to cost over $25,000 and estimated to have, or to extend, five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, water distribution systems, and sanitary sewer systems
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

B. Evaluation of CIP Projects

The Capital Planning Committee orchestrates the CIP, and its membership consists of the City Auditor, Treasurer, Maintenance Garage Supervisor, Department of Public Works Superintendent, and either the Fire Chief or the Police Chief. Only projects that have gone through the Committee’s
review process shall be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Mayor and City Council.

The Committee will evaluate and prioritize capital projects using the below criteria:

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Replaces a clearly obsolete facility or makes better use of an existing facility
- Maintains or improves productivity or existing standards of service
- Directly benefits the City's economic base by increasing property values
- Provides new programs having social, cultural, historic, economic, or aesthetic value
- Uses outside financing sources, such as grants

C. Multiyear Capital Plan

The Capital Planning Committee will annually update and propose for adoption by the Mayor and City Council a five-year capital improvement plan, including the upcoming fiscal year’s capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

D. Capital Financing

Long-term debt is an appropriate funding source for certain types of projects, while current revenues should be used for assets with short useful lifespans. The City will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. Funding will be derived from a combination of property taxes and the capital stabilization fund.

The CIP shall be prepared and financed in accordance with the following policies:

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- Capital projects for any business-type operation shall be financed solely from the operation’s revenues.
- The annual operating costs of each proposed capital project, as well its debt service costs, will be identified before any long-term, bonded capital project is recommended.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

E. Capital Project Closeouts

The City will endeavor to close out all capital projects within six months of completion. As these projects are closed out, the City Auditor will do the following:
• For bonded projects with residual balances, the City Auditor will propose reallocating any balances for other capital projects.
• For projects funded with available revenue (tax levy or reserves) having residual balances, the City Auditor will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus.

REFERENCES
M.G.L. c. 44, §20
M.G.L. c. 44, §33B

Division of Local Services Guidance: Presenting and Funding Major Capital Projects

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
DEBT MANAGEMENT

PURPOSE
The City of Chicopee establishes this policy to provide for the appropriate issuance and responsible use of debt. By defining the parameters and provisions governing debt management, this policy will help to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the city’s bond rating so as to achieve long-term interest savings.

APPLICABILITY
This policy applies to the Mayor, School Committee, and City Council in their budget decision making and in the City Council’s debt reporting. It also applies to the Treasurer in her statutory responsibilities associated with debt management and to the City Auditor’s budget analysis duties.

POLICY
Under the requirements of federal and state laws, the City may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. The City will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to purchase capital assets that cannot be acquired with current revenues.

A. Debt Financing

In financing with debt, the City will:

1. Issue long-term debt only for objects or purposes authorized by state law and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least $25,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Use revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. For the business-type operations, to the extent practicable set user fees to cover capital costs.

B. Debt Limits

The City will adhere to these debt parameters:
1. Total debt service, including debt exclusions and self-supporting debt, will be limited to [10] percent of general fund revenues, with a target balance of [5 – 7] percent.

C. Structure and Term of Debt

The following shall be the City’s guidelines on debt terms and structure:

1. The City will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within ten years.
2. The term of long-term debt shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed thirty years.
3. Except for major buildings, water and sewer projects, and land acquisitions, the City will limit bond maturities to no more than [10] years.

D. Protection of Bond Rating

To protect its bond rating, the City will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus.
3. Limit annual increases in debt service to levels that will not materially jeopardize the City’s credit rating.

E. Reporting

1. [The Treasurer or the Treasurer’s financial advisor] will report to the Mayor and City Council on the City’s debt status at least annually.
2. The City Council will include a statement of debt in its annual report of appropriations, receipts, and expenditures.

REFERENCES

M.G.L. c. 44 §4
M.G.L. c. 44 §6
M.G.L. c. 44 §6A
M.G.L. c. 44 §7
M.G.L. c. 44 §8

City of Chicopee Charter: Article III §18

Division of Local Services Guidance: Understanding Municipal Debt

Standard & Poor’s article: The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers

EFFECTIVE DATE

This policy was adopted on [May 31, 2016]
INDIRECT COST ALLOCATION

PURPOSE
This policy is established to provide guidelines for the calculation, allocation, and review of indirect costs for all the business-type services maintained by the City of Chicopee. The City has [three] such operations: the Water Department, Water Pollution Control Department, [and the Chicopee Electric Light Company].

The City accounts for these business-type operations in the manner of enterprise funds by recording and managing them as separate funds with their own financial statements rather than commingling them with the revenues and expenses of all other governmental activities. By consolidating all these programs’ direct and indirect costs, debt service, and capital expenditures into segregated funds, the City can demonstrate to the public the true, total cost of providing the particular utility. To achieve this most effectively, the goal of this policy is to ensure that all indirect costs associated with these utilities are allocated to each fund in a manner that is reasonable and equitable, reflects the true shared costs, and is easily replicable from year to year.

APPLICABILITY
This policy applies to the Mayor, the City Auditor, the Supervisor of the Water Department, the Chief Operator of the Water Pollution Control Department, and the General Manager of the Chicopee Electric Light Company.

POLICY
As part of the annual budget process, the Mayor and City Auditor will calculate the indirect costs to the general fund of the City’s three business-type operations and will review the calculations with the above-named department managers until there is mutual agreement on the resultant totals. The calculation will take into account all related expenses to the City departments that provide administrative services to the business-type operations. These include the Mayor, City Auditor, Treasurer, Collector, Law, and Information Technology departments.

The City Auditor will calculate indirect costs using the most recent fiscal year’s appropriations and based on one or more of the following methodologies: actual, transactional, estimated support, and proportional. The following expenses shall be included in the calculations:

- Health insurance
- Vehicle insurance
- Property insurance
- [other] insurance
- Medicare tax
- Pension
- [Other postemployment benefits]
- Administrative costs
- Other costs that may be considered and agreed to, such as: materials, supplies, software, infrastructure, and fuel
For each enterprise-related activity, the City Auditor will maintain written instructions detailing the calculation methodology. The City Auditor will also track and record operating transfers between the relevant funds.

REFERENCES
Government Finance Officers Association (GFOA) Best Practice: *Taking Advantage of Indirect Cost Allocations*

GFOA Best Practice: *Measuring the Full Cost of Government Service*

Division of Local Services Guidance: *Costing Municipal Services: Workbook and Case Study*

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
TAX ENFORCEMENT

PURPOSE
It is in the best interest of the City of Chicopee and its residents that property taxes be paid when due. City and School budgets are set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The City recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible. To provide guidelines for equitably enforcing tax obligations and set expectations for both the City and taxpayers, this policy clearly defines when and how the City will transition unpaid property taxes into tax title status and subsequently through the foreclosure process.

APPLICABILITY
The implementation of this policy applies to the statutory duties of the Collector and Treasurer as well as to related responsibilities of the Law Department. Tax enforcement applies to all owners of real or personal property in the City of Chicopee whose taxes are not exempt.

POLICY
The City of Chicopee intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a target [97 percent] property tax collection rate by fiscal year-end. Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full. The costs of collection methods accrue against the taxpayer and may add to the property lien.

A. Demands

Final taxes are due to be paid as of May 1st each year (the due date for the second, semiannual tax bill). Fifteen days later, the Collector shall issue demand notices to all assessed property owners who have failed to pay in full and who have not been granted full exemptions. Taxpayers are responsible for notifying the City in writing of any mailing address changes.

B. Tax Taking

The Collector will begin the tax taking process within no more than [60 days] of the demand notice. State law allows the process to begin as soon as 14 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens.

The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by [October 31st], the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The City customarily publishes in [X newspaper] and posts on the Collector webpage and on bulletin boards in City Hall and [the Library]. From this point onward only cash, certified check, or cashier’s check are acceptable forms of payment.
Within 60 days of the tax taking announcements, the Collector shall prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Collector will notify affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Collector will also prepare a triplicate list of Recorded Takings, retain one copy, and provide one each to the Treasurer and City Auditor.

C. **Subsequent Taxes**

Before June 30th each year, the Collector will certify all unpaid taxes and assessments for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings list. The Collector will provide copies of the list to the Treasurer and City Auditor and retain one on file.

D. **Interest, Fees, and License Revocation**

All delinquent taxpayers are subject to charges, which will be added to their accounts by the Collector, Treasurer, or Law Department depending on processing stage. These include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

The Collector will provide a listing of all individuals who are at least one-year delinquent in paying taxes or other charges to the City departments, boards, and committees that issue licenses and permits. These authorities shall review the list to deny, suspend, or revoke delinquent taxpayers’ licenses and permits.

E. **Payment Plans**

The Treasurer will consider payment plans for parcels in tax title to allow delinquents to pay off their tax liens over a specified number of months. The Treasurer will actively monitor compliance with all payment plans, which shall have the following features in common:

- Good faith payment of 25 percent of taxes owed
- Signed agreement between the Treasurer and taxpayer
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Statement that defaulting on the plan will immediately trigger foreclosure action by the City

F. **Redemption or Foreclosure**

After a property has been in tax title for 180 days, the City may choose to initiate foreclosure through the Land Court with the intention of eventually scheduling every tax title parcel for foreclosure. The Treasurer will work with the Law Department to prepare parcels in tax title status for foreclosure, beginning by providing the department with each Instrument of Taking. Law Department staff will review and research the tax title properties. The department will also mail
new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

If a taxpayer pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the registry of deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the Law Department will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

REFERENCES

M.G.L. c. 60 §6  M.G.L. c. 40 §57  M.G.L. c. 60 §77
M.G.L. c. 60 §16  M.G.L. c. 60 §61  M.G.L. c. 60 §79
M.G.L. c. 60 §50  M.G.L. c. 60 §62  M.G.L. c. 60 §80
M.G.L. c. 60 §53  M.G.L. c. 60 §63
M.G.L. c. 60 §54  M.G.L. c. 60 §76

City of Chicopee Ordinances: Chapter 189

Division of Local Service Guidance: Enforcing Collections

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
REVENUE TURNOVER

PURPOSE
To safeguard City assets and maximize cash flow, the City of Chicopee establishes this policy that provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the City’s revenues are timely and properly secured, recorded, and deposited in City bank accounts.

APPLICABILITY
This policy pertains to all cash, check, credit card, and other forms of payment received by all City departments for taxes, excise, fees, and charges, and it applies to the individuals within each department assigned responsibility for handling payments.

POLICY
Each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. Each department must turn over weekly and sooner than that when receipts total [$1,000] or more. All current-year turnovers must be completed at fiscal year-end by no later than the [second-to-] last business day in June.

PROCEDURES

A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer, department staff must issue a receipt for every collection received, even when the payer attempts to refuse it. The Collector only needs to issue receipts for cash payments, and all departments must identify cash payments as such in their receipt books. All staff must immediately endorse each check with a “For Deposit Only” stamp provided by the Treasurer or, whenever that is not available, write “For Deposit Only” on it. Every collecting department shall secure all payments in a locked cashbox or safe until completing a turnover to the Treasurer.

The School Department (for Lunch and Student Activity programs) and the Golf Course deposit their own receipts into a City bank account. These deposits shall take place the same day as receipt whenever receipts total $100 or more. Copies of the bank deposit slips shall be included with the turnover to the Treasurer.

Each department head shall be responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with 1) receiving payments, 2) recording payments in Munis, 3) depositing money in the bank (when applicable) and 4) turning receipts over to the Treasurer.

B. Turning Over Revenues

Each department will turn over its receipts on a weekly basis and will do so immediately when they total [$1,000] or more. Departmental staff will enter receipt data into Munis. Staff will then create a
turnover package by printing out a receipts summary report from Munis, filling out a standard Schedule of Departmental Payments (i.e., Turnover form), making three copies of the Turnover form, and obtaining the signature of the department head on the two copies that will go separately to the Treasurer and the City Auditor. All receipts should tie back to the numbered receipt book and to the Munis summary report.

When the Treasurer’s office has accepted the Turnover, the department employee will receive two copies of the Turnover signed by Treasury staff. The department employee will retain one Turnover copy on file and is responsible for delivering the other to the City Auditor. The City Auditor shall refuse to accept any Turnover that does not have the signature of a Treasury staff member.

Every department that receives payments should review its monthly Munis revenue report to verify that all cash receipts turned over to the Treasurer are accurately recorded in the appropriate general ledger accounts and report any discrepancies to the City Auditor.

C. Receiving Turnovers

When presented with a Turnover, Treasury staff will count the receipts in the presence of the department turning over. Any inaccuracies on the Turnover will be corrected then and initialed by both parties. Treasury staff will then sign two Turnover copies and give these back to the departmental employee. Within 24 hours, Treasury staff will review and accept or adjust the Munis postings, notify departments of any Munis adjustments, and deposit the receipts in the bank, securing them in a safe until deposit.

To the extent practicable, separate individuals should be tasked with 1) receiving the turnovers, 2) recording the revenues in the Treasurer’s cashbook, and 3) depositing the money in the bank.

The Treasurer will also:

1) Provide the City Auditor with a weekly report of all turnovers processed.
2) Reconcile the cashbook with bank statements monthly.
3) Reconcile the cashbook with the City Auditor’s general ledger monthly.

D. Audit

All cash management activity is subject to review by the City Auditor and the independent auditor.

REFERENCES
M.G.L. c. 41, §35
M.G.L. c. 41, §41
M.G.L. c. 41, §57
Massachusetts Collectors Treasurers Association, 2009: Treasurer’s Manual
Massachusetts Collectors Treasurers Association, 2008: Collector’s Manual

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
CONFLICT OF INTEREST

PURPOSE
The purpose of this policy is to ensure integrity in the procurement and contract process, to educate City employees, consultants, uncompensated outside parties, and any person involved in decisions to award contracts about potential conflicts of interests, and to establish a process for the screening of conflicts of interests.

APPLICABILITY
The policy pertains to all the City’s procurement and contract processes governed under the provisions of the state’s Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to City contract awards. The policy applies to the job responsibilities of the Purchasing Agent and related functions of the Law Department and City Auditor. It further applies to all City employees, officials, and others working on the City’s behalf who are involved with any procurement and contract process and to the prospective contractors.

POLICY
The City is committed ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Chicopee will provide fair opportunities to participants in competitive processes for the award of City contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The City shall investigate all allegations of conflict of interest or misconduct brought to the attention of City staff.

To comply with the state’s Uniform Procurement Act, any purchase for supplies or services (with certain exceptions) costing more than $10,000 requires solicitation of three quotes for contracts and those over $35,000 require competitive sealed bids or proposals for contracts.

A. Confidentiality during the Bid Evaluation Process

City staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the City issues a Notice of Intended Award.

Departments must:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including any nonevaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the Purchasing Agent.
The Purchasing Agent must:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including nonevaluating observers, are submitted.

B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, City employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the City or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises when: “the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.”

And it states that: “The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.”

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the City must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the City is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any persons with conflicts as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests.

Since the Purchasing Department must issue an authorizing purchase order before funds can be committed or orders placed with a vendor, department heads and other officials are required to ascertain and disclose to the Purchasing Agent any potential conflict of interest affecting procurement transactions before a contract is signed, a commitment made, or an order placed.

The following measures shall be taken to ensure the City avoids any conflict of interests in procuring City contracts:
1. Employees, officials, and others who regularly participate in contract activities on behalf of the City must disclose relevant financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.

2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.

3. If a possible conflict of interest is identified, it must be documented and reviewed with the Law Department.

Departments must:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations, that will lead to an award of contract.

2. Provide conflict of interest forms to the identified participants.

3. Submit the completed forms to the Purchasing Department prior to commencing any procurement or contract activity.

The Purchasing Agent must:

1. Review the submitted forms for potential conflicts of interest.

2. Discuss any potential conflicts of interest with the Law Department and document the resulting determinations.

3. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement or contract activity or cancelation of the solicitation.

C. Audit

The City Auditor shall conduct random audits of compliance with this policy. All practices associated with the City’s procurement are also subject to audit by the City’s independent auditor.

REFERENCES
M.G.L. c. 30B
M.G.L. c.268A

U.S. Office of Management and Budget’s Omni Circular issued December 2013

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
ANTIFRAUD

PURPOSE
The City of Chicopee establishes this policy to protect its assets and reputation from misappropriation and abuse. Objectives of this policy include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the City’s intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

APPLICABILITY
This policy pertains to any suspected fraud, abuse, or similar irregularity against the City. It applies to all elected and appointed City officials and employees and to any other persons acting on behalf of the City, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

POLICY
The City of Chicopee is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. City officials, employees, and other persons acting on behalf of the city must, at all times, comply with all applicable policies, laws, and regulations. The City will not condone any violation of law or ethical business practices and will not permit any activity that fails to stand the closest possible public scrutiny. The City intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

A. Definitions

Any person acting on behalf of the City shall mean any person responsible for or to Chicopee’s government placed in that position by some official relationship with the City.

Abuse can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of City property, equipment, materials, records, or other resources
- Waste of public funds

Fraud or other irregularity refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
• Impropriety in the handling or reporting of money or financial transactions
• Profiteering as a result of insider knowledge of City activities
• Disclosing confidential or proprietary information to outside parties
• Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the City
• Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
• Any claim for reimbursement of expenses not made for the exclusive benefit of the City
• Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes

B. Antifraud Responsibilities

Every employee has the responsibility to assist the City in complying with policies and laws and in reporting violations. The City encourages the support and cooperation of all employees in meeting the City’s commitment and responsibility to such compliance.

City managers and officials are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud, misappropriations, and similar irregularities. Management should be familiar with the types of improprieties that could occur within their areas of responsibility and be alert for any indications of such conduct.

The City Auditor has primary responsibility for investigating all activity defined in this policy and will, to the extent practical, notify the Mayor of reported allegations of fraudulent or irregular conduct upon commencing the investigation. In all circumstances where there are reasonable grounds to indicate a fraud may have occurred, the City Auditor, subject to the advice of the Law Department, will contact the District Attorney’s office and/or the Chicopee Police Department. Upon concluding the investigation, the City Auditor will report results to the Mayor, City Council, and others as determined necessary.

C. Disclosure

If the City’s investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the City Auditor will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget’s Omni Circular.

PROCEDURES

In accordance with this policy, the City Auditor will create a detailed set of antifraud procedures. These procedures should cover all of the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities
2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

REFERENCES
M.G.L. c. 149 §185

U.S. Office of Management and Budget’s Omni Circular issued December 2013

EFFECTIVE DATE
This policy was adopted on [May 31, 2016]
TRAVEL REIMBURSEMENT

PURPOSE
This policy establishes rules governing reimbursement to City officials and employees for necessary travel expenses incurred in performing official duties. By properly monitoring and controlling travel costs, the City can mitigate opportunities for fraud, waste, and abuse. This policy provides employees with guidelines for determining reasonable travel-related expenses and details the procedures, forms and documentation necessary to receive reimbursement.

APPLICABILITY
To ensure uniformity in processing reimbursement requests, this travel policy applies to all personnel (City, School, Water, Sewer, and Electric Light).

POLICY
The City of Chicopee will reimburse employees and officials (all referred to here as “employees”) for reasonable expenses incurred for travel on the City’s behalf as authorized by their department heads, City Council, or the Mayor. Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other work-related activities.

All travel on City business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Officials and employees shall travel using government and group rates when available. The City will not reimburse or pay sales tax but will, however, pay meals and room excise taxes.

When this travel policy is not followed, there is no guarantee that all expenditures will be reimbursed. Employees should determine estimates for their travel costs, discuss any extraordinary travel circumstances and expenses with their department heads, and obtain their authorizations in advance of travel.

A. Travel Forms

All travel expenditures are to be documented using the Travel Expense Reimbursement Sheet signed by the traveler and the authorizing department head. Separate sheets must be completed for each traveler, and the sheets must be retained by the department until the travel is finalized unless advance payments are required.

B. Unauthorized Expenses

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Costs associated with any political or charitable event
- Expenses incurred by or on behalf of any person who is not a City employee who accompanies the employee on official business
• Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.

The City Auditor may refuse to approve for payment any claim found to be fraudulent, unlawful, or excessive. In that instance, the City Auditor will file a written statement of the reason for refusal with the Treasurer and forward copies to the Mayor and the originating department head. Resolution of all disputes shall reside with the Mayor.

C. Travel Expense Categories

Transportation

• Employees authorized to travel using their personal vehicle will be reimbursed at the [City's established] mileage rate of [$0.45 per mile] or, for union employees, the rate established in their particular contractual agreement.
• Mileage shall be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
• Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a city-owned vehicle, fuel charges.
• An email or screenshot confirmation of an airfare purchase is not an acceptable receipt since a confirmation can be canceled with no payment ever being made. Only a valid proof of payment, such as charge card receipt or statement, will be accepted.
• The City will only reimburse economy class airfare.

Lodging

• If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
• Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor’s group rate is not available when booking, the City will reimburse for lodging costs comparable in location and quality and reserved at the lodging’s government or group rate whenever that is available.
• The City will reimburse for only one night preceding any conference. Booking an additional night due to airline reservations must be substantiated to show the cost benefit to the City.

Meals

• If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
• Meal costs, including tips and taxes, incurred during the course of approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
• Meals included in registration costs cannot be claimed for reimbursement or advance.
• Under no circumstance will the total reimbursement exceed the following per diem rates:
  o In-state travel per diem: $40
Out-of-state travel per diem: $50

Registrations
- Whenever possible, registration fees for any conference or workshop should be paid in advance through the City’s accounts payable warrant process. To pay advance registrations timely, the registration bill must be received in the Auditing Department no later than two full weeks prior to the registration deadline.
- If registration is not paid in advance, the employee must pay out-of-pocket and then submit for reimbursement.

Incidentals
- Incidentals must be paid by the traveler and submitted for reimbursement when finalizing the Travel Expense Reimbursement Sheet. Receipts are required whenever possible for all miscellaneous, unanticipated expenses.

D. Reimbursement Submission

Employees should submit for travel reimbursement as soon as travel concludes, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Travel Expense Reimbursement Sheet, accompanying receipts, and other documentation within that time, he or she may be personally responsible for the expenses.

E. Violations

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud, waste, or abuse and may result in similar consequences. Moreover, misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

F. Audit

All expenses are subject to verification that they comply with this policy.

REFERENCES
M.G.L. c. 41, §52
M.G.L. c. 44, §58
M.G.L. c. 268A, sec. 3

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
CREDIT CARD USAGE

PURPOSE
The purpose of this policy is to establish standards for proper credit card use when conducting City business. The City has only one credit card, on an account opened and controlled by the Treasurer.

APPLICABILITY
This policy applies to the job responsibilities of the Treasurer, City Auditor, and Purchasing Agent. It also applies to all City department heads, officials, and employees with spending authority (all referred to below as “employees”).

POLICY

A. Allowable Use

City employees may request to make a purchase using the Treasurer’s credit card on a limited, exceptional basis. The credit card is intended for transactions that are only possible by, or are most cost-effective by, credit card. Use of the Treasurer’s credit card to make payments shall not be a routine alternative to payment under the normal warrant approval procedures.

The following are prohibited uses of the credit card:

1. Personal expenses
2. Cash advances
3. Gift cards
4. Services (e.g., consultant fees, repair work, temporary help, etc.) with the exception of payment for trainings or seminars
5. Use for paying other invoices
6. Alcoholic beverages and tobacco

Employees requesting a credit card purchase must fill out a purchase requisition in accordance with the City’s purchasing procedures. This requisition must have an authorizing signature by the department head or official attesting to the purchase being made within the proper appropriation. Because payment in this circumstance is effectively made in advance of a warrant, the requisition also requires the signature of the City Auditor, permitting the exercise of that position’s statutory duty to verify that the purchase is consistent with the appropriation’s intent, sufficient funds are available to cover the cost, and no fraud is evident.

The purchaser shall inform the vendor that the City is a tax exempt entity and instruct the vendor to charge no taxes on the purchase.

B. Administration

The Treasurer is responsible for administration of the credit card, including but not limited to: selecting the card issuer, setting the total purchase limit, ensuring proper use, paying the credit
card bill timely, and disputing any false charges. The credit card issuer’s terms must not include any incentive programs.

The Treasurer will keep a log of credit card purchases, and employees may be held personally liable for any purchases appearing on the credit card bill that do not appear on the credit card log. If the purchase must be made at a brick-and-mortar merchant, a Treasurer’s office staff member will travel with the requesting employee to make the purchase. If this is impractical, the employee making the purchase must return the credit card to Treasurer within no more than 24 hours. Any employee in custody of the card must immediately report to the Treasurer if it is lost or stolen.

C. Warrant Process

Treasurer office staff will provide two copies of the credit card statement to the purchasing employee. The employee will retain one copy and submit one to the City Auditor along with a detailed vendor receipt and a purchase order as part of the accounts payable warrant submissions. When the check for the purchase is printed in the Treasurer’s office, staff there will mail it to the credit card issuer.

All items purchased with the credit card must be received by the department prior to the end of the credit card’s monthly billing cycle and never delivered later than June 30th of any fiscal year for payments to be made for that fiscal year. No backordering of merchandise is allowed.

D. Exceptions

Exceptions to this policy must be approved by the Mayor, Treasurer, and City Auditor in advance.

E. Audit

The City Auditor may conduct random audits of the credit card activity, receipt retention, and statements. The activity is also subject to review by the City’s independent auditing firm.

PROCEDURES

In accordance with this policy, the Treasurer, as administrator for the credit card, will create a detailed set of procedures for its use, stipulating each step in the process and all required documentation. The State Comptroller’s Office has good guidance for this (see References below). Important details to include are:

- Step-by-step description of the purchase, approval, and reconciliation processes
- Guidelines for appropriate use and employee discipline for misuse
- Dollar limits per transaction and per month
- Description of required documents and their necessary details
- Procedures for dispute resolution and for lost/stolen cards
- Segregation of duties
- Audits
REFERENCES
New Hampshire Municipal Association Guidance: Credit Card and Purchasing Card Policies

Massachusetts Comptroller’s Office Policy: Commonwealth Procurement Card Program

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
FINANCIAL MANAGEMENT TEAM

PURPOSE
A formal, financial management team provides an operational framework that can maximize effectiveness of financial practices by promoting optimal coordination of interdepartmental activities and long-term planning. Regular team meetings serve to enhance the Mayor’s ongoing insight into progress on fiscal objectives and provide a valuable analytical resource for budget decision making. Another important benefit of the financial management team approach is institutional continuity during times of turnover in financial offices.

Team meetings open lines of communication among finance officers and reinforce awareness of their interdependence. These meetings help team members identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual’s role in meeting common objectives.

APPLICABILITY
This policy applies to the Mayor, [Mayor’s Chief of Staff], City Auditor, Treasurer, Collector, Assessing Board Chair, School Business Manager, Information Technology Director, and Human Resource Director.

POLICY
The City establishes a financial management team consisting of the Mayor [or Mayor’s Chief of Staff], City Auditor, Treasurer, Collector, and Assessing Board Chair. Adjunct members of the team include the School Business Manager, Information Technology Director, and Human Resource Director, who will be included in meetings depending on relevant agenda.

Meetings of the financial team will be scheduled at a consistent time each month and more frequently when necessary. Agenda topics will include:

a. Status of projects requested by the Mayor, City Council, or School Committee
b. Review of revenue and expenditure reports and analysis of cash flow
c. Financial forecasting (e.g., discussion of new growth, fees, etc.)
d. Analysis of capital funding sources
e. Creating and reporting on corrective action plans in response to management letter citations by the independent auditor
f. Reviewing the effectiveness of internal controls and proposing internal audits
g. Analysis for collective bargaining negotiations
h. Coordinating submissions to the Division of Local Services

REFERENCES
Division of Local Services Best Practice: Financial Management Team

Standard & Poor’s article: The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers, 2012

EFFECTIVE DATE
This policy was adopted on [May 31, 2016.]
**Advance Refunding of Debt** – This occurs when new debt is issued to replace or redeem old debt before the maturity or call date of the old debt. Under these circumstances, the proceeds of the new debt must be placed in escrow and used to pay interest on old, outstanding debt as it becomes due and to pay the principal on the old debt, either as it matures or at an earlier call date. (See Refunding of Debt, Current Refunding of Debt)

**Agency Fund** – This is one of four types of fiduciary funds. It is used to report resources in a purely custodial capacity by a governmental unit. Agency funds generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and forwarded to the federal government, healthcare provider, and so forth.

**Amortization** – The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

**Appropriation** – An authorization granted by city council to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

**Arbitrage** – As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

**Assessed Valuation** – A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the assessors.

**Assessment date** – The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of January 1st prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value, and usage classification as of that date. By local option (MGL c. 59 §2D), the physical status of real property on June 30th is deemed to be its condition on the previous January 1st.

**Audit** – An examination of a community’s financial systems, procedures, and data by a certified public accountant (independent auditor) and a report on the fairness of financial statements and on local compliance with statutes and regulations. The audit serves as a valuable management tool for evaluating a community’s fiscal performance.

**Audit Management Letter** – An independent auditor’s written communication to government officials, separate from the community’s audit. It generally details any identified areas of deficiency and presents recommendations for improvements in accounting procedures, internal controls, and other matters.

**Available Funds** – Balances in the various fund types that represent nonrecurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, capital expenditures, or other one-time costs. Examples of available funds include free cash, stabilization funds, overlay surplus, water surplus, and enterprise net assets unrestricted (formerly retained earnings).

**Bank Qualified** – When a municipality issues $10,000,000 or less in bonds or notes in a calendar year, the bonds or notes issued are designated as bank qualified. The bank that purchases the security receives a tax deduction (80 percent of the interest cost) for this type of purchase. This deduction makes bank qualified bonds and notes attractive purchases.

**Bond** – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value, or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note)

**Bond and Interest Record** (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

**Bond Anticipation Note** (BAN) – Short-term debt instrument used to generate cash for initial project costs with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to five years,
provided that principal repayment begins after two years (MGL c. 44 §17). Principal payments on school-related BANs may be deferred up to seven years if the community has an approved project on the Massachusetts School Building Authority priority list. BANs are full faith and credit obligations.

**Bond Authorization** – The action of city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor or selectmen. (See Bond Issue)

**Bond Counsel** – An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

**Bond Issue** – The actual sale of the entire, or a portion of, the bond amount authorized by city council.

**Bond Premium** – The difference between the market price of a bond and its face value (when the market price is higher). A premium will occur when the bond’s stated interest rate is set higher than the true interest cost (the market rate).

**Bond Rating** (Municipal) – A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody’s and Standard & Poor’s, use rating systems consisting of a letter or a combination of letters and numerals, where AAA is the highest rating and C1 is very low.

**Bonds Authorized and Unissued** – The balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes but must be rescinded by city council to be removed from the community’s books.

**Bulk Sale of Tax Receivables** – A community may make bulk assignments of its delinquent property tax receivables and liens (MGL c. 60 §2C) to third parties. (See DLS IGR 05-208)

**Business-type Activities** – One of two classes of activities reported in the GASB 34 government-wide financial statements. These activities are financed in whole or in part by fees charged to users for goods or services. Some examples are enterprise funds, special revenue, water, and municipal electric funds.

**Capital Assets** – All tangible property used in the operation of government that is not easily converted into cash and has an initial useful life extending beyond a single financial reporting period.

**Capital Budget** – An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method for financing each recommended expenditure (e.g., tax levy, rates) and identify the items that were not recommended.

**Capital Improvement Program** – A blueprint for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital plan. It coordinates community planning, fiscal capacity, and physical development. While all of the community’s needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

**Capital Outlay** – The exchange of one asset (cash) for another (capital asset) with no ultimate effect on net assets. Also known as “pay as you go,” it is the appropriation and use of available cash to fund a capital improvement as opposed to incurring debt for it.

**Capital Outlay Expenditure Exclusion** – A temporary increase in the tax levy to fund a capital project or make a capital acquisition. Exclusions require two-thirds vote of city council and majority vote in a citywide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

**Capital Projects Fund** – Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Cashbook** – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and disbursements through warrants.

**Cash Management** – The process of monitoring the ebb and flow of money in and out of municipal accounts to ensure cash availability to pay bills and facilitate decisions on the need for short-term borrowing and investment of idle cash.

**Categorical Grant** – A type of intergovernmental payment characterized by extensive restrictions on the uses to which the funds may be “spent” by the recipient government.
Certification – Verification of authenticity. It can refer to the action of a bank, trust company, or DLS’s Bureau of Accounts in the issuance of State House Notes to confirm the genuineness of the municipal signatures and seal on bond issues. The certifying agency may also supervise the printing of bonds and otherwise safeguard their preparation against fraud, counterfeiting, or overissuance. Also refers to the Bureau of Local Assessment’s certification that a community’s assessed values represent full and fair cash value.

Code of Ethics – The provisions and requirements of MGL c. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held.

Contingent Debt – Debt that is not in the first instance payable as a direct obligation of the governmental unit but has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. An industrial revenue bond guaranteed by a municipality would constitute contingent debt.

Contingent Liabilities – Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts.

Current Refunding of Debt – When proceeds of refunding debt are immediately applied to redeem the old debt. That is, the maturity date on the old debt coincides with the issuance date of the new borrowing obligation. (See Refunding of Debt and Advance Refunding of Debt)

Debt Authorization – Formal approval by a two-thirds vote of city council to incur debt in accordance with procedures stated in MGL c. 44 §§1, 2, 3, and 4a, 6-15.

Debt Burden – The amount of debt carried by an issuer usually expressed as a measure of value (e.g., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Exclusion – An action taken by a community through a referendum vote to raise the funds needed to pay debt service costs for a particular project from the property tax levy but outside the limits of Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

Debt Limit – The maximum amount of debt a municipality may authorize for qualified purposes under state law. Under MGL c. 44 §10, debt limits are set at 5 percent of a community’s equalized valuation. By petition to the Municipal Finance Oversight Board, cities can receive approval to increase their debt limit to 10 percent of EQV.

Debt Service – The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Debt Service Fund – Governmental fund type used to account for the accumulation or resources for, and payment of, general long-term debt principal and interest. In Massachusetts, these are only allowed by special legislation.

Debt Statement – A report that local treasurers must file with the DLS showing authorized and issued debt, retired debt, and interest paid by the community during the prior fiscal year, as well as authorized but unissued debt at year-end. Also known as the "Statement of Indebtedness."

Deficit – The excess of expenditures over revenues during an accounting period. Also refers to the excess of the liabilities of a fund over its assets.

Deficit Bonds – Long-term borrowing vehicle intended to fund operating deficits and available to the city only through special legislation.

Dunning Letter – Notice to a delinquent taxpayer of overdue taxes or charges typically mailed soon after the payment period has ended. While this is a courtesy, there is no requirement to issue correspondence of this type.

Demand Notice – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

Deputy Collector – If full payment is not received 14 days after the mailing of a demand, the collector may issue warrants to one or more deputy collectors authorizing them to collect delinquent taxes, most commonly motor vehicle excise. For outstanding excise, the deputy may mark licenses/registrations or provide evidence that the accounts are uncollectable (e.g., due to death, insolvency, or other inability of the assessed persons to pay). (See DLS IGR 90-219)

Encumbrance – A reservation of funds to cover obligations arising from purchase orders, contracts, or
salary commitments that is chargeable to, but not yet paid from, a specific appropriation account.

**Estimated Receipts** – A term that typically refers to anticipated local revenues listed on Page 3 of the Tax Recapitulation Sheet. Projections of local revenues are often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget. (See Local Receipts)

**Excess Levy Capacity** – The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year.

**Exemption** – A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

**Federal Aid Anticipation Note (FAAN)** – Short-term debt instrument used to generate cash with the expectation that the debt will be paid from anticipated federal aid. As a note, FAANs are typically issued for a term of less than one year and are full faith and credit obligations.

**Fiduciary Funds** – Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Financial Advisor** – An individual or institution that assists municipalities in the issuance of tax exempt bonds and notes. The public finance department of a commercial bank or a non-bank advisor usually provides this service.

**Financial Disclosure Law** – MGL c. 268B requires certain individuals, officials and candidates for elected office to file statements of financial interests with the State Ethics Commission.

**Financial Statement** – A presentation of the assets and liabilities of a community as of a particular date and most often prepared after the close of the fiscal year.

**Fiscal Year (FY)** – Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1st and ends June 30th. The designation of the fiscal year is that of the calendar year in which the fiscal year ends.

**Fixed Assets** – Long-lived, tangible assets such as buildings, equipment, and land obtained or controlled as a result of past transactions or circumstances.

**Fixed Costs** – Costs that are legally or contractually mandated, such as retirement, FICA/Social Security, insurance, debt service costs, or interest on loans.

**Free Cash** (Also known as Budgetary Fund Balance) – Remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30th, which is submitted by the city auditor. Free cash is not available for appropriation until certified by the Director of Accounts.

**Full Faith and Credit Obligations** – A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full-faith-and-credit bonds.

**General Fund** – The fund used to account for most financial resources and activities governed by the normal city council appropriation process.

**General Ledger** – The city auditor's record of original entry, which is instrumental in forming an audit trail of all government financial activity.

**General Obligation Bonds** – Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

**Government Finance Officers Association (GFOA)** – A nationwide association of public finance professionals.

**Governmental Accounting Standards Board (GASB)** – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

**Governmental External Investment Pool** – An arrangement that commingles money of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. A pool can be sponsored by an individual government, jointly by multiple governments, or by a nongovernmental entity.
An example is the Massachusetts Municipal Depository Trust.

**Governmental Funds** – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, capital project funds, debt service funds, and permanent funds.

**Grant Anticipation Note** (GAN) – Short-term, interest-bearing note issued by a government to raise capital to be repaid by grant proceeds anticipated at a later date. GANs allow the recipient of the grant to begin carrying out the purpose of the grant immediately.

**Indirect Cost** – Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water-department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery.

**Informational Guideline Release** (IGR) – A DLS publication that outlines a policy or administrative procedure or that provides a law update related to municipal finance.

**Inside Debt** – Municipal debt incurred for purposes enumerated in MGL c. 44, §7 and measured against the community’s debt limit as set under c. 10. Consequently, the borrowing is inside the debt limit and referred to as inside debt. (See Outside Debt)

**Interest** – Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis but are paid every six months.

**Investments** – Securities and real estate held for the production of income in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

**Land Court** – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

**Land of Low Value** (MGL c. 60 §79) – After 90 days from the date of taking, the treasurer may work with the assessors to pursue land of low value foreclosure through DLS, an alternative foreclosure procedure to seeking a decree from Land Court. Annually, DLS publishes the maximum valuation of parcels qualifying for the land of low value foreclosure procedure.

**Late Interest** – When taxes and excise are overdue, late interest accrues automatically. For fees and charges, a community may establish an ordinance to charge interest on overdue accounts (MGL c. 40 §21E). In the ordinance, the community must establish due dates and set an overdue interest rate not to exceed the rate that applies to overdue taxes (currently 14 percent annually).

**Levy** – The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is reestablished every year in accordance with Proposition 2½ provisions.

**Levy Ceiling** – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL c. 59 §21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, debt exclusion, or special exclusion.

**Levy Limit** – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a community may only grow each year by 2½ percent of the prior year’s levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.

**Lien** – A legal claim against real or personal property to protect the interest of a party (e.g., the city) to whom a debt is owed (e.g., taxes). In the case of real property, the lien in favor of the city automatically arises each January 1st but must be secured through other action.

**Lien Date** – The date a lien arises on real property to protect the municipality’s right to payment of taxes. Property tax liens arise by law on the January 1st assessment date. The lien is secured when the collector makes a tax taking and places the property in tax title. Unless the lien is secured, it expires if five years elapse from the January 1st assessment date and the property is transferred in the meantime. Securing a lien on a motor vehicle excise, boat excise, or personal property tax requires civil court action.

**Line-item Budget** – A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

**Local Aid** – Revenue allocated by the Commonwealth to municipalities and regional school districts. Estimates of
local aid are transmitted to municipalities and districts annually by the "Cherry Sheets." Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

**Local Receipts** – Locally generated revenues other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel taxes, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet. (See Estimated Receipts)

**Long-term Debt** – A community borrowing, or outstanding balance at any given time, involving a loan with a maturity date of 12 months or more. (See Permanent Debt)

**Massachusetts Municipal Depository Trust (MMDT)** – An investment program, founded in 1977 under the supervision of the State Treasurer, in which municipalities may pool excess cash for investment.

**Material Weakness** – A term used in connection with financial auditing, this is a significant deficiency in a community’s internal financial control. It is a reportable condition (internal control weakness) of such magnitude that it could potentially result in material misstatements of financial condition.

**Maturity Date** – The date that the principal of a bond becomes due and payable in full.

**Municipal Bond Insurance** – An insurance policy that guarantees the interest and principal on a bond issue will become due and payable in full. Municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

**Municipal Charges Lien** – For delinquent water (MGL c. 40 §42A-F), sewer (MGL c. 83 §§16A-F), and trash (MGL c. 44 §28C(f)) charges, a community may lien these amounts on the property tax provided it accepts the enabling legislation and files a certificate of acceptance at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL c. 40 §58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

**Net Assets Unrestricted** (formerly Retained Earnings) – An equity account reflecting the accumulated earnings of an enterprise fund that may be used to fund capital improvements, reimburse the general fund for prior-year subsidies, reduce user charges, or provide for enterprise revenue deficits (operating loss).

**New Growth** – The additional tax revenue generated by new construction, renovations, and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations, and other increases by the prior-year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit.

**Note** – A short-term loan, typically with a maturity date of a year or less.

**Official Statement** – A document prepared for potential investors containing information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale. It is sometimes called an offering circular or prospectus.

**One-time (Nonrecurring) Revenue** – Unrestricted, undesignated revenue streams that occur on a one-time basis, as opposed to a continuous basis each fiscal year.

**Other Amounts to be Raised** (As referenced on the Tax Recapitulation Sheet) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (e.g., overlay, teacher pay deferral, deficits) as well as state, county and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing the budget recommendations to city council.

**Outside Debt** – Municipal borrowing for purposes enumerated in MGL c. 44, §8. Debt incurred that is not measured against the community's debt limit per c. 10. Consequently, the borrowing is outside the debt limit and referred to as outside debt. (See Inside Debt)

**Overlapping Debt** – A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

**Overlay** (Also called Overlay Reserve or Allowance for Abatements and Exemptions) – An account established annually to fund anticipated property tax abatements, exemptions, and uncollected taxes in that year. The overlay reserve need not be funded by the normal appropriation process but rather is raised on the tax rate recapitulation sheet.

**Overlay Deficit** – A deficit that occurs when the amount of overlay raised in a given year is insufficient to cover abatements, statutory exemptions, and uncollected taxes...
for that year. Overlay deficits must be provided for in the next fiscal year.

Overlay Surplus – Any balance in the overlay account of a given year in excess of the amount remaining to be collected or abated can be transferred into this account. Within ten days of a written request by the mayor, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is "closed" to surplus revenue; in other words, it becomes a part of free cash.

Override – A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

Override Capacity – The difference between a community’s levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

Payments in Lieu of Taxes – An agreement between a municipality and an entity not subject to taxation, such as a charitable or educational organization, in which the payer agrees to make a voluntary payment to the municipality. By law, a municipality must make such a payment to any other community in which it owns land used for public purposes.

Pension (or other employee benefit) Trust Fund – A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit (OPEB) plans, or other employee benefit plans.

Performance Audit – Audits that examine the implicit assertion of management that it meets its responsibilities efficiently and effectively. Performance audits typically focus on individual departments, agencies, activities, or functions within a government.

Permanent Debt – Borrowing by a community typically involving a debt service amortization period of greater than one year. (See Long-Term Debt)

Principal – The face amount of a bond, exclusive of accrued interest.

Private-purpose Trust Fund – A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

Proposition 2½ – A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue the city may raise from local property taxes each year to fund municipal operations.

Proprietary Funds – Funds that account for government’s business-type activities (i.e., activities that receive a significant portion of their funding through user charges). These include enterprise funds and internal service funds.

Purchase Order – An official document or form authorizing the purchase of products and services.

Qualified Bond – A program, unique to Massachusetts, for municipalities with marginal credit ratings in which the State Treasurer pays the debt service directly from a community’s local aid, which reinforces the security of the bond and improves its marketability. Issuers of qualified bonds have been able to obtain bond insurance, and these credit enhancements have reduced the cost of borrowing in recent years. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

Reconciliation of Cash – A periodic process whereby the city auditor and treasurer compare records to confirm available cash in the city’s accounts. DLS requires an annual reconciliation of cash without variances to be submitted with a balance sheet as a prerequisite to certifying a community’s free cash.

Reconciliation of Receivables – A periodic process whereby the city auditor and collector compare records to confirm the amount of taxes outstanding. DLS requires an annual reconciliation of receivables without variances to be submitted with a balance sheet as a prerequisite to certifying a community’s free cash.

Refunding of Debt – Transaction whereby one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer. (See Current and Advance Refunding of Debt)

Requisition – Form used by a requesting department when ordering products or services from external vendors. This document generates a Purchase Order.

Reserve Fund – An amount set aside annually within the budget of a city (not to exceed 3 percent of the tax levy for the preceding year) to provide a funding source for
extraordinary or unforeseen expenditures. Transfers from this fund may be voted by the city council upon recommendation of the mayor.

Revenue Anticipation Borrowing – Cities may issue temporary notes in anticipation of taxes (TANs) or other revenue (RANs). The amount of the borrowing is limited to the total of the prior year’s tax levy, the net amount collected in motor vehicle and trailer excise in the prior year, and payments made by the Commonwealth in lieu of taxes in the prior year. According to MGL c. 44 §4, cities districts may borrow for up to one year in anticipation of such revenue.

Revenue Anticipation Note (RAN) – A short-term loan issued to be paid off by revenues, such as tax collections or state aid. RANs are full faith and credit obligations. (See Tax Anticipation Notes, Bond Anticipation Notes)

Revenue Bond – A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revenue Deficit – The amount by which actual revenues at year-end fall short of projected revenues and are insufficient to fund the amount appropriated. In such a case, and unless otherwise funded, the revenue deficit must be raised in the following year’s tax rate.

Revenues – All monies received by a governmental unit from any source.

Room Occupancy (or Hotel/Motel) Excise – A local option that allows a community to assess a tax on short-term room occupancy. The community may levy up to 6 percent (6.5 percent for Boston) of the charge for stays of less than 90 days at hotels, motels, and lodging houses.

Sale of Real Estate Fund – A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL c. 44 §63 states that such proceeds shall be applied first to the retirement of the debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the municipality is authorized to borrow for a period of five years or more.

Schedule A – A statement of revenues, expenditures, and other financing sources, uses, changes in fund balance, and certain balance sheet account information prepared annually by the city auditor at the end of the fiscal year.

Security – For Massachusetts municipalities, these are bonds or notes evidencing a legal debt on the part of the issuer.

Short-term Debt – Outstanding balance at any given time on amounts borrowed with a maturity date of 12 months or less. (See Note)

Single Audit Act – For any community that expends $750,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

Special Revenue Fund – Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities, and gifts from private individuals or organizations.

Stabilization Fund – A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL c. 40 §5B). Communities may establish one or more stabilization fund for different purposes and may appropriate into them in any year an amount not to exceed 10 percent of the prior year’s tax levy. The total of all stabilization fund balances shall not exceed 10 percent of the community’s equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DLS IGR 04-201)

State Aid Anticipation Note (SAAN) – A short-term loan issued in anticipation of a state grant or aid (MGL c. 44 §6A).

State Ethics Commission – This state agency was established to foster integrity in government and promote public trust. The Commission enforces a Code of Ethics and the Financial Disclosure Law.

State House Notes – Debt instruments for municipalities certified by the Director of Accounts. The notes are attractive, particularly to smaller communities, because certification fees are low, neither an official statement nor full disclosure is required, and they are issued in a short period of time.

Surety Bond – A performance bond that protects a municipality against any financial loss arising from a
breach of public trust by an employee who collects money on the community’s behalf.

**Tax Anticipation Notes (TAN)** – A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

**Tax Possession** – Once a tax title has been foreclosed in Land Court, the treasurer records the decree at the Registry of Deeds as a municipally owned property, hence becoming a tax possession. For a property issued a Land of Low Value affidavit, the municipality must hold an auction prior to it becoming a tax possession.

**Tax Rate Recapitulation Sheet** (Recap Sheet) – A document submitted by a municipality to DLS in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate.

**Tax Title (or Tax Taking)** – A collection procedure that secures a municipality’s lien on real property and protects its right to payment of overdue property taxes. Otherwise, the lien expires if five years elapse from the January 1st assessment date and the property has been transferred to another owner. If amounts remain outstanding on the property after issuing a demand for overdue property taxes and after publishing a notice of tax taking, the collector may take the property for the city. After properly recording the instrument of taking, the collector transfers responsibility for collecting the overdue amounts to the treasurer. After six months, the treasurer may initiate foreclosure proceedings.

**Tax Title Foreclosure** – The procedure initiated by the treasurer in Land Court or through the land of low value process to obtain legal title to real property already in tax title and on which property taxes are overdue. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL c. 60 §65).

**Tax Title Redemption** – The act of a property owner to pay overdue taxes, plus any fees, charges, other costs and interest, on real property that the community had placed in tax title to secure its lien. The taxpayer’s right to redeem terminates when the treasurer receives a Land Court Decree or Land of Low Value affidavit, records it at the registry of deeds, and holds an auction.

**Temporary Debt** – Borrowing by a community in the form of notes and for a term of one year or less. (See Short-Term Debt)

**Trust Fund** – In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements or as directed by the commissioners of trust funds. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

**Turnover Sheet** – A form completed by municipal departments that accompanies the physical transfer of departmental revenues, or bank deposit slips reflecting revenues, to the treasurer.

**Uncollected Funds** – Recently deposited checks included in an account's balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. These funds may not be loaned or used as part of the bank's reserves, and they are not available for disbursement.

**Undesignated Fund Balance** – Monies in the various government funds as of June 30th that are neither encumbered nor reserved and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance)

**Unfunded OPEB Liability** – This is the difference between the value assigned to the benefits (other than retirement) already earned by a municipality’s employees and the assets the local government will have on hand to meet these obligations.

**Uniform Procurement Act** – Enacted in 1990, MGL c. 30B establishes uniform procedures for local governments to use when contracting for supplies, equipment, services, and real estate. The act is implemented through the Office of the Inspector General.

**Unreserved Fund Balance** (Surplus Revenue Account) – The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a “stockholders’ equity” account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as “accounts receivable” may be taxes receivable and uncollected. (See Free Cash)

**User Charges/Fees** – A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Note that any fee increase must satisfy the three tests set forth in the so-called *Emerson case*. (See Emerson College v. Boston, 391 Mass. 415 (1984))