Massachusetts Department of Revenue *Division of Local Services*
Navjeet K. Bal, Commissioner *Robert G. Nunes, Deputy Commissioner and Director of Municipal Affairs*

New Officials Finance Forum Handbook

Prepared by the Division of Local Services
June 2011

Table of Contents

1. Overview of Municipal Government

1.1 Team Management

Most of the issues facing local governments today transcend the traditional boundaries and responsibilities of any one municipal department or board. Good financial management requires coordinating the expertise and individual efforts of numerous municipal boards, committees and officials. Today, even the smallest Massachusetts communities have operating budgets of at least a few hundred thousand dollars. It is important that both new and experienced officials appreciate and understand the varied roles of the participants in municipal finance. With a solid understanding of municipal finance, local officials are in a better position to make informed policy and budget decisions.

Because there is constant competition for budget dollars, it is essential that the various officials in municipal government work together to achieve good financial management. The changing nature of local government services and the increasing complexity of service delivery require that they work more closely than ever before. This includes sharing information and resources so joint solutions can be developed and implemented successfully. Each municipality needs to operate as a unit rather than as a collection of subunits.

1.2 Duties and Responsibilities of Local Officials

For a municipal government to operate smoothly and successfully, it is important for each official to understand the duties and responsibilities of the other officials with whom he/she is working. The following paragraphs describe the duties and responsibilities of these officials.

The chief executive body of a town is the *board of selectmen*. The board of selectmen coordinates the general operations of the town government. It monitors the financial performance of the town and participates in the budget process. The selectmen should assume an active role in any issue or policy that has broad financial implications for the town. Town employees are appointed and supervised by the selectmen and expenditures are approved by the selectmen through the warrant process. In addition, the selectmen issue warrants to call town meetings and elections and to sign debt issues for the town. Under Proposition 2½ the selectmen decide whether to seek voter approval of an override or exclusion to raise additional tax revenues for the budget. They also decide whether to accept the debt exclusion that shifts all or part of water and sewer debt service costs from user fees to tax levy. Allocation of the tax levy among property classes under the Classification Law is another decision made by the selectmen. Typically, the board of selectmen chooses an audit firm to conduct an annual audit of the town accounts.

The chief executive of a city is the *mayor or manager*. The mayor or manager acts as the city administrator. The mayor's responsibilities include submitting a budget to the city council, appointing personnel, negotiating collective bargaining and signing debt issues.

In addition to these duties, a major role of the selectmen and the mayor should be to coordinate the roles of all players in the financial management process and to promote a team approach for addressing the fiscal issues of the municipality.

Towns may establish the position of *town manager* or *town administrator* in a town charter or by a special act of the legislature. The responsibilities of such a role, and consequently its effect on the duties of the board of selectmen, vary according to the authorizing language.

The structure of the legislative body of the municipality is determined by the municipality's status as a city or town. The *city council* is the legislative body in a city and the *town meeting* is the town legislative body. In a few towns a town council is the legislative body. The basic functions of these bodies are the same. The city council and town meeting/town council make budget appropriations and authorize debt. The city council and town meeting/town council also enact ordinances, bylaws and regulations. The city council may reduce budget amounts submitted by the mayor and place Proposition 2½ questions on the ballot with the mayor's approval. In addition, the city council allocates the tax levy under classification with the mayor's approval.

Towns in Massachusetts have instituted *finance committees* to review departmental budgets and make recommendations to the town meeting. Another important function of the finance committee is its role in the transfer of money from a town's annual reserve fund. The finance committee's approval is required to transfer money from the town's reserve fund.

Assessors are responsible for maintaining a database of all of the properties in the municipality. The assessors also determine the property values and classify all of the property in the community. The annual Tax Rate Recapitulation Sheet and annual allowable levy growth report are prepared and submitted by the assessors. The assessors determine the amount of property taxes to be paid by each taxpayer and grant abatements and exemptions to taxpayers. The assessors are also responsible for administering motor vehicle, boat and farm excises.

The *accountant or auditor* maintains all of the municipality's financial records and reviews the bills and payrolls to ensure that they are within budget and are lawful expenditures. The accountant or auditor retains custody of all municipal contracts and prepares financial reports for the municipality. Additionally, the accountant or auditor issues monthly reports for each department on spending to date versus the budget.

The *collector* collects taxes and other receipts such as fees, licenses and permits in the community as authorized. Property taxes may be collected on a semiannual or quarterly cycle depending on local option.

The *treasurer* functions as the cash manager of all of the municipality's funds. The treasurer is responsible for the deposit, investment and disbursement of funds and can issue debt on behalf of the municipality. In addition the treasurer selects, procures and manages the banking services used by the municipality.

The *clerk* records appropriations and certifies them to the proper officers in the municipality. It is the clerk's duty to notify the Department of Revenue of the municipality's indebtedness. In a city the clerk also retains copies of contracts and municipal records.

The Department of Revenue’s (DOR) Division of Local Services (DLS) has created manuals that describe the duties and responsibilities of many of these local officials. Further information can be obtained by contacting DLS.

1.3 Ethics, Procurement, Open Meeting Law and Public Records

(1) Ethics

In 1962, the Massachusetts state legislature enacted M.G.L. c. 268A, commonly known as the Conflict of Interest Law. This law establishes a minimum standard of ethical conduct for state, municipal and county officials and employees.

Local officials should be aware that the Conflict of Interest Law applies to all Massachusetts public employees including employees of municipalities, municipal agencies, and regional organizations, whether elected or appointed, full or part-time, paid or unpaid. Certain employees who are unpaid or part-time can be designated special municipal employees, which means some provisions of the law apply less restrictively. The law restricts activities that occur "on the job" (bribes, gifts, etc.), "after hours" (prohibited municipal contracts and multiple jobs), and after an employee has left government services (misuse of government connections). There is also a general code of conduct provision.

The State Ethics Commission is responsible for the interpretation and enforcement of the Conflict of Interest Law. It publishes a summary of the law for state, county, and municipal employees on its website and provides it to public employees within 30 days of employment and on an annual basis. Employees must acknowledge receipt of these summaries. Municipal employees receive the summary from and return their acknowledgements to their city or town clerk. The Commission also provides on-line training for public employees that must be completed within 30 days of employment and again every two years.

Information regarding the law and its effect on municipal employees can be obtained by contacting the State Ethics Commission. Any community can request that the Commission present a seminar that explains methods for avoiding potential conflicts, provides the principles of the law and gives examples of compliance. Municipal employees should obtain formal opinions through their municipal counsel about whether a proposed activity would the law before engaging in that activity. An employee with a potential conflict has the responsibility to obtain an opinion and avoid the conflict.

More information on the Conflict of Interest Law can be obtained by writing the State Ethics Commission, 1 Ashburton Place, Rm. 619, Boston, MA 02108, by calling (617) 371-9500 or toll-free at (888) 485-4766 or by visiting the web at www.mass.gov/ethics.

(2) Procurement

Public procurement in Massachusetts is governed primarily by M.G.L. c. 30B, the Uniform Procurement Act, which was enacted in 1990. This act established uniform procedures for public officials to follow when contracting for supplies, equipment, services and property. It is based on three principles:

- larger contracts should receive more attention than smaller contracts.
- competing fairly for large contracts is cost effective.
- the use of uniform contracting procedures promotes competition and fairness.

Chapter 30B applies to many types of local government procurement contracts. The procedures outlined by the Uniform Procurement Act apply to agreements for acquiring supplies, equipment, and services, or disposing of unnecessary supplies, equipment or property. Generally speaking, the provisions of Ch. 30B cover contracts not governed by specific provisions in other statutes. For example, other laws govern contracts for public buildings and public works projects.

The Inspector General's Office provides a certification program for public purchasing officials. Please see the Massachusetts Certified Public Purchasing Official Program at www.mass.gov/ig/mcppo/igmcppo.htm for more information. Completion of the general program and one specialized program entitles the participant to the designation of Massachusetts Certified Public Purchasing Official (MCCPO).

Besides individual contracting, municipalities have additional procurement options allowed by M.G.L. c. 7, §§ 22A and B. The former provides for state collective purchasing, or "blanket" contracts. These are negotiated on an as-needed basis by the Commonwealth and offer substantial savings on a wide variety of goods and services. Section 22B allows two or more municipalities to join together for joint purchasing, and only one needs to process a contract. Still another mechanism for joint purchasing and joint operation of services is cooperative agreements permitted by M.G.L. c. 40, § 4A.

Local officials responsible for procurement contracts may find that the Ch. 30B procurement manual, published periodically by the Inspector General's Office, is an extremely useful reference tool. This manual includes descriptions of legislative changes, examples, frequently asked questions and sample forms. More information on procurement issues and Ch. 30B should be directed in writing to the Office of the Inspector General, 1 Ashburton Place, Rm. 1311, Boston, MA 02108, by calling (617) 727-9140 or visiting the web at www.mass.gov/ig . For information on state "blanket" contracts, contact the Massachusetts Operational Services Division (OSD), (617) 720-3300 or on the web at www.mass.gov/osd .

(3) Open Meeting Law

The Open Meeting Law provides public access to the decision-making processes of government and promotes accountability in public officials. On July 1, 2010, a consolidated Open Meeting Law (M.G.L. c. 30A, §§ 18-25) will replace the separate laws that apply to state, county and local governmental bodies. The new law revises some provisions of those laws, but key features remain the same.

The Open Meeting Law requires that all meetings of governmental bodies, except executive sessions, be open to the public. It is based on the premise that the public is entitled to see the process of government, not simply its result. Boards, commissions, committees or subcommittees of any city, town, district or regional entity, however elected, appointed or otherwise constituted, are considered governmental bodies and required to adhere to the law. A meeting includes any convening of a quorum to discuss or consider public business or policy over which the governmental body has some jurisdiction or advisory power. A meeting must be public even if there is no vote taken or decision reached. Except in emergencies, the officer in charge of calling a meeting must file a notice of every meeting with the municipal clerk at least 48 hours before the meeting takes place. (As of July 1, 2010, Saturdays, Sundays and legal holidays are excluded from the 48 hours. Until then, Sundays and legal holidays are excluded, but not Saturdays.). Notice of the meeting must be posted for the same amount of time.

A governmental body may meet privately, in executive session to discuss sensitive issues. Executive sessions are limited to the following purposes:

- *To discuss the reputation, character, physical condition or mental health,* rather than the professional competence, of an individual.
- *To consider the discipline or dismissal of,* or to hear complaints or charges brought against a public officer, employee, staff member or individual.
- *To discuss strategy with respect to collective bargaining or litigation* if an open meeting may have a detrimental effect on the government's bargaining or litigating position. Also, to conduct strategy sessions in preparation for negotiations with non-union personnel; to conduct collective bargaining sessions and contract negotiations with non-union personnel.
- *To discuss the deployment of security personnel or devices, e.g.*, a "sting operation."
- *To investigate charges of criminal misconduct* or to discuss the filing of criminal complaints.
- *To consider the purchase, exchange, taking, lease or value of real property* if a public discussion may have a detrimental effect on the negotiating position of the governmental body.
- *To comply with the provisions of any general or special law or federal grant-in-aid requirements* (general privacy).
- *To hold an initial screening (including interviews if they are part of the initial screening process) of candidates for employment* if an open meeting would have a detrimental effect in obtaining qualified candidates.
- *To meet with a mediator regarding any litigation or decision.*

- *To discuss trade secrets or confidential, competitively-sensitive or other proprietary information provided in the course of activities conducted by a governmental body* in connection with certain of its activities as an energy supplier or distributor.

Until July 1, 2010, the district attorney of the county is responsible for enforcing the local Open Meeting Law. On July 1, 2010, the Attorney General will enforce the new consolidated Open Meeting Law. Three or more voters may also bring a civil action in court.

For more information or opinions about the Open Meeting Law, local officials should consult their municipal counsel, their district attorney or after July 1, 2010, the Attorney General. The Office of the Attorney General has prepared guidelines on the law, which can be obtained by calling (617) 727-2200, or on the web at www.mass.gov/ago.

(4) Public Records

The Massachusetts Public Records Law provides that any person shall have access to public records. Public records are defined in M.G.L. c. 4, § 7(26) as, "All books, papers, maps, photographs, recorded tapes, financial statements, statistical tabulations or other documentary materials or data, regardless of physical form or characteristics..." made or received by state, county and municipal offices.

Access to and the distribution of public records is described in M.G.L. c. 66, § 10. Any person seeking access to public records may request orally or in writing to view the record or to be provided with a copy of it. If the requested information is not found by the records custodian to be exempt from the public records law, it must be provided without unreasonable delay. A custodian or keeper of public records has a legal responsibility, upon request, to make the records under his or her control accessible to the public. The records custodian may charge a reasonable fee to recover the costs of fulfilling the request. The Secretary of State and Supervisor of Public Records set maximum fees.

There are exceptions to the public records law. These exemptions are enumerated in M.G.L. c. 4, § 7(26). A requester who is denied access to any requested information may petition the Supervisor of Public Records for a review of the request.

The Supervisor of Public Records has prepared a guide about the law and will answer questions about access to and distribution of public records. To obtain this information, call (617) 727-2832, writing to the Supervisor of Public Records, Office of the Secretary of State, 1 Ashburton Place, Room 1719, Boston, MA 0210, or visit the web at www.mass.gov/sec.

2. Budgeting

2.1 Planning and Prioritizing for Current and Future Needs (The Budget Process)

The budget process is the foundation on which all other elements of municipal finance are built. The municipal budget is the means by which municipal officials and the legislative body decide how and where available municipal funds shall be spent. Included in the budget are estimated revenues and expenditures relevant to the daily workings of municipal government as well as capital expenditures. The daily expenses include municipal employees' salaries, debt service costs and ordinary community maintenance costs. Also appropriated in the budget is money for pensions, liability and health insurance and regional assessments.

The development of a community's budget is a continuous process. Each cycle of the budget process overlaps with the next cycle, from monitoring the current budget to planning for next year's budget. As a result of changing financial needs in the community it is critical to adjust the budget annually to ensure that municipal needs are met.

The budget is a major policy making tool for the community. As a policy instrument it should clearly define the service priorities and goals of the municipality. A good budget should indicate how the money spent on appropriations in the current year will enable the municipality to achieve its short and long range financial and policy goals. In addition, the budget is an important expenditure control document to ensure that funds are spent in accordance with town meeting or city council specifications. It is also an important communication and public information document.

Team management and cooperation among municipal officials are essential to creating a well defined, coordinated budget process in which the financial goals of the municipality are achieved. It is critical for all municipal officials involved in the budget process to work together to disseminate important information in a timely fashion so that thoughtful decisions can be made to prioritize among competing spending needs. Municipal officials must work together to effectively and objectively prioritize budget items.

Seven steps of the budget process:

1. **Planning --** Communities should clearly define the time frame for completing each step of the budget process. A written calendar or time-line distributed to all the individuals involved will inform them of when they are expected to fulfill their responsibilities.
2. **Selectmen and Finance Committee or the Mayor or Chief Financial Officer should develop budgetary guidelines for departmental requests based on preliminary revenue estimates** -- These guidelines should provide parameters to department heads that will help them prepare budgets that are compatible with the municipality’s financial goals and budget process time-line.

3. **Distribute forms to department heads so that they can prepare budget requests --** These forms should show a budget history and an estimate of anticipated revenues.
4. **Review preliminary estimates --** Review collections to date. Finalize revenue estimates based on current available year to date data.
5. **Review budget requests and revise revenue estimates --** Compare budget requests to the municipality's pre-established departmental guidelines. Those submitting the budget requests should be given the opportunity to explain their request in hearings with the finance committee, selectmen, city council or administrator.
6. **Finance committee/mayor presents budget to town meeting/city council --** The town meeting or city council votes on the budget and has the final say on the level of departmental spending.
7. **Continue to monitor the budget throughout the year** -- Municipal officials should review expenditures to make sure they are consistent with the vote of town meeting or city council, to ensure budgets are not overspent and to monitor receipts collected to date. Monitoring may be accomplished through monthly financial reports or periodic financial team meetings.

Further information on budgeting can be obtained from *A Guide to Financial Management for Town Officials* distributed by DLS, which is available on our website www.mass.gov/dls, under Publications and Forms.

2.2 Good Budget Planning and Financial Management Practices

Annual budgets should be developed within the framework of a sound long-range financial plan that addresses reserve, debt and capital policies as well as operating expenditures. Current year spending decisions can have future year implications and the affordability of recurring expenses over the long term makes budgeting difficult even during good economic times. In those years, a community may have to constrain spending growth in department budgets, while during economic downturns it may have to find the resources to balance the budget or make service level decisions that may affect the whole community. To weather changes in its financial position, communities should explore and implement good financial management practices. This section contains an outline of some of these practices.

Establish a financial team

Generally, a financial team is comprised of a municipal administrator, accounting official, assessing official, treasurer, collector, and school administrator. The purpose of the team would be to coordinate the fiscal operations and compile comprehensive financial information. At a minimum, the team may also provide the following.

- Establish clear lines of communication and cooperation among financial officials
- Conduct regular meetings of the financial team and prepare quarterly reports to policymakers
  1. Estimate revenues and fixed costs for the budget
  2. Track and analyze collections and expenditures
  3. Coordinate day-to-day financial operations
- Monitor the reconciliation of cash and receivables at least quarterly

Establish financial policies

While this topic is presented later in this publication (Chapter 4.1), it is essential that a community establish reserves that are available to be spent for emergencies or reserved for future years. A community should consider ways of developing its reserves and monitoring the uses of reserves by taking such actions as the following.

- Develop the community's reserves
  1. Free cash
     a. Use conservative estimates of local receipts
     b. Pursue collection of taxes and receivables
     c. Encourage departmental appropriation year-end turnbacks
  2. Stabilization funds
     a. Create funds for savings objectives
     b. Make annual appropriations to funds
     c. Monitor use of funds
- Use reserves and other non-recurring revenues prudently
  1. Purchase capital items or make one-time expenditures
  2. Reduce future debt service expenses
  3. Avoid use on operating or recurring expenditures

Implement a capital improvement program

This topic is also presented later in this publication (Chapter 4.2). With ongoing needs to acquire, build and/or replace capital assets and infrastructure, it is best to establish a plan that will operate within the community's resources. A capital plan should include the following.

- Define expenditures considered capital requests
- Prepare an inventory of capital needs and update annually
- Prioritize these capital needs using established criteria
- Present a comprehensive capital budget and multi-year capital program annually
  1. Inform the public about the community's capital needs
  2. Propose method of payment (current revenue, available reserves, debt or debt excluded from the limits of Proposition 2½)
  3. Identify deferred maintenance due to financial constraints

For more information on this topic, please refer to the DLS publication *Developing a Capital Improvements Program: A Manual for Massachusetts Communities* available on our website www.mass.gov/dls, under Publications and Forms.

Cost Municipal Services

Costing is a management and policymaking tool that assists a community to determine all the revenues and costs (i.e., direct costs, indirect costs and capital expenditures) of a given service. The purpose of costing a service is not simply to collect data, but to provide municipal managers and officials with information they can use to make management and budgetary decisions such as the following.

- Determine the full cost of providing a service
    1. Determine direct and indirect costs
    2. Determine operating subsidies from the tax levy
- Analyze the efficiency of a service
- Set fees and charges that will recover costs
- Establish process for annual review of revenues, costs and fees

For more information on this topic, please refer to the DLS publication *Costing Municipal Services: Workbook and Case Study* available on our website at www.mass.gov/dls, under Publications and Forms.

Forecast revenues and expenditures
A financial forecast is an essential management and policy making tool. Forecasting revenues and expenditures allows a community to evaluate the future capacity of government to provide services, as well as project the long-term impact of current budgetary decisions.

To assist communities and promote long-term planning, DLS has developed a Revenue and Expenditure Forecasting Tool utilizing Microsoft Excel and Visual Basic Macros.

For ease of use, the Forecasting Tool groups revenues in the Tax Recap Sheet format and expenditure items in a format consistent with the Schedule A. To help project into the future, the Forecasting Tool provides insight into historical trends by automatically extracting up to five years of past revenue and expenditure information specific to your community.

By utilizing this new tool, a community can analyze the long term impact of their policy choices. For example, it enables a community to:

- Develop consensus on revenue projections
- Develop annual budget guidelines and focus policymaker discussions
- Project long-term costs of proposed collective bargaining or other contracts
- Identify potential budgetary surplus or shortfall
- Project proposed debt service and/or other fixed costs.

The Forecasting Tool is available for downloading on our website at www.mass.gov/dls, under Municipal Data and Financial Management, then Financial Management Assistance.

Complete annual audits
Some communities are required to have an annual independent audit conducted under the guidelines of the federal single audit act while other chose to engage an audit. An audit is designed to help a community review its financial operations and recommend improvements.

- Determine financial position and adequacy of budget and financial controls
- Identify financial management issues, propose improvements and monitor progress

Conduct interim year property value adjustments
While a community is required to submit their values to DLS for certification every three years, assessors must also annually adjust valuations to reflect changes in the tax base due to new construction, alterations, demolitions, etc. Assessors must also analyze assessment data each year to determine if there has been a change in market conditions, and make interim year adjustments when warranted. Interim year valuation adjustments are important in both appreciating and declining markets because they can provide a community with the following.

- Improve equity among taxpayers
- Provide more current new growth data
- Minimize abatement exposure

Collect taxes and receivables
Generally, taxes provide a significant portion of the revenues to support the operating budget of a community. If this revenue source is budgeted at 100 percent and current year collections are less than that, the community is at risk of impacting its undesignated fund balance and ultimately its free cash certification (Chapter 4.3). To minimize the impact, a community should take the following actions.

- Issue demands and secure tax liens on same annual schedule
- Prioritize tax titles and initiate foreclosure proceedings promptly
- Institute timely collection action for receivables not secured by liens

2.3 Sources of Local Revenues

Municipal revenues are a fundamental part of local government's overall financial picture. In Massachusetts, municipal revenues that support local spending on education, public safety and other public services are obtained through one of four types of revenue sources. These revenue components are the property tax levy, state aid, local receipts and other sources.

Property Tax Levy
The property tax levy is the revenue a city or town raises through real and personal property taxes. In 1981, Massachusetts voters approved Proposition 2½, which caps a community's annual property tax levy. This cap is referred to as the levy limit, which increases annually by 2½ percent, plus allowable certified new growth. This limit cannot exceed an overall levy ceiling of 2½ percent of the full and fair cash value of taxable property in the community. A municipality can also permanently increase its levy limit through a successful override referendum. Municipalities can choose to temporarily levy above their levy limit through a successful debt or capital outlay expenditure exclusion referenda.

State Aid
The state aid portion of local revenues is aid allocated by the state directly to cities and towns. This aid is distributed through the Cherry Sheet programs. Cherry Sheet aid is made up of distributions, reimbursements and offset items. Distributions provide funds to each municipality

according to various formulas. Reimbursements provide funds to cities and towns for all or part of the costs incurred for certain programs or services. Offset items are amounts that constitute categorical aid, *i.e*., funds that must be spent for specific municipal programs.

Local Receipts
Local receipts are just that - revenue generated at the local level from a variety of sources other than property taxes. Some of the most common local receipts are excise taxes; regulatory fees (fines, licenses, and permits); user fees (charges for water, sewer and garbage services); departmental revenues and investment income. Local receipts are paid into the community's general fund unless earmarked for a specific departmental use in compliance with state statute.

Other Revenues
Other revenues include those that do not fall into one of the other three categories. Among the more common types of revenues in this category are: free cash, stabilization funds, overlay surplus and other reserves.

The implementation of Proposition 2½ in the early 1980's limited the amount of revenues that localities could generate from the property tax levy. In spite of this limitation, however, statewide the property tax continues to generate more than half of all local revenues. Generally, state aid represents slightly more than a quarter of all revenues, followed by local receipts and available funds (free cash and other reserves).

2.4 School Budgeting and Education Reform

Introduction
Since the passage of the Education Reform Act of 1993, municipalities have had to meet mandatory school spending requirements when preparing their budgets. The original policy goals of education reform were twofold:

- to achieve adequate funding for all local and regional school districts over a seven year period; and
- to bring equity to local taxation effort based on a community's ability to pay.

Foundation Budget
An adequate level of school spending is defined in the law as the "foundation budget." The foundation budget calculations allocate fixed amounts per pupil for teachers' salaries and benefits, support staff salaries and benefits, utilities, maintenance costs and books and equipment, among other things. These calculations are adjusted annually for inflation and also take into account the school district's pupil characteristics and the regional labor market. Totals of all the foundation budget components make up the overall foundation spending target for each town.

Now that all local and regional school districts are at or above the foundation budget level, future changes in school spending requirements will be based on a combination of a community's local revenue growth and changes in state aid. Only those districts that require additional Chapter 70 education aid to maintain foundation spending have received increased aid in recent years.

Municipal Revenue Growth Factor

The municipal revenue growth factor (MRGF) is an estimate of the total percentage increase in a municipality's general purpose revenues from one year to the next. Typically, a municipality must increase its minimum local contribution for education by at least this growth factor percentage, thus ensuring that the schools receive their fair share of increasing revenues. Consequently, the MRGF is critical to estimating required increases in school spending for budgetary purposes.

The MRGF calculation is based on the combined percentage increase of three separate revenue components:

1. **Tax Levy-**Increases are based on an automatic 2½ percent increase in the previous year's levy limit, plus an estimate of new levy growth based on a three year average of new growth as a percentage of the prior year's levy limit. Overrides occurring after FY93 and all debt exclusions are excluded from the tax levy calculations.
2. **General Revenue Sharing-**Increases are based on the annual change in general revenue sharing as calculated by the combined change in three Cherry Sheet programs: additional assistance, state owned land and lottery. Initial estimates for these revenues are based on the state aid figures appearing in the Governor's budget proposal, which is released in late January.
3. **Unrestricted Local Receipts-**The seven local receipt categories used in the MRGF calculation are: motor vehicle excise, other excise, penalties and interest on taxes and excise, payments in lieu of taxes, fines and forfeits, investment income and other recurring miscellaneous receipts. User fees such as water or sewer receipts are excluded since they are intended to offset the cost of providing particular municipal services. The growth in local receipts is measured by comparing the budgeted receipts in the prior year to those budgeted in the current year. For example, in the FY2009 MRGF calculation, the budgeted receipts for FY07 are compared to those budgeted for FY08, as this is the most current data available when the calculation is done.

State Aid

State education aid is allocated as Chapter 70 aid. The increases in Chapter 70 aid prescribed by the Education Reform Act expired at the end of FY2000. Since FY2000, changes in state aid for education are dictated in the annual state budget.

Net School Spending

The total education reform school spending requirement is called "net school spending." This figure is the combination of the minimum required contribution from local revenues plus state Chapter 70 education aid. Net school spending does not include school transportation or school construction costs. These costs vary significantly across the state and are not included in the foundation budget, although they are reimbursable through other state aid programs. Net school spending can be met through a combination of direct appropriation to the school department budget and indirect costs appearing in other municipal budgets. For example, school health and property insurance costs may appear in the municipal treasurer's budget, yet they should be included in the calculations to meet net school spending.

For those municipalities and regional school districts that fail to meet at least 95 percent of their net school spending requirement, state school aid may be reduced in the following year. If spending is above 95 percent of net school spending, but below 100 percent, the shortfall must be carried forward and spent in addition to the next year's required net school spending. Actual spending is usually well above required net school spending so these penalty provisions affect very few municipalities. Budgeted school spending in the current year and actual spending from the prior year are reported to DOE on the End-of-Year Pupil and Financial Report on Schedules 19 and 1, respectively.

School Building Maintenance
When preparing the school budget, communities must also consider the spending requirements for school building maintenance. School districts must spend at least 50 percent of their combined foundation budget allotments for ordinary and extraordinary maintenance each year. Districts that fail to meet the spending requirement may lose their eligibility for new or ongoing Massachusetts School Building Authority (MSBA) grants. These sanctions do not apply to any project whose first school building assistance payment was made before July 1, 2000.

2.5 Proposition 2½

Proposition 2½ was enacted in 1980. This law places constraints on the property tax levy raised by cities and towns. The property tax levy is the revenue a community can raise through real and personal property taxes and is the largest source of revenue for many Massachusetts municipalities. Proposition 2½ established two types of constraints or limits: the *levy limit* and the *levy ceiling*.

The *levy limit* is the maximum amount of property taxes that a community can raise in a given year. Each year the levy limit is calculated based on the previous year's levy limit, not the actual amount levied in the previous year. Therefore, choosing not to levy up to the levy limit in one year does not affect the following year's levy limit. The levy limit is calculated by adding the automatic 2½ percent increase and new growth to the previous year's levy limit. The levy limit is below, or at most, equal to the levy ceiling.

One way that the levy limit increases is by the addition of *new growth*. New growth reflects certain increases in the tax base and becomes a permanent part of the levy limit base. Assessors are required to submit information on new growth in the tax base for approval by the Department of Revenue as part of the tax rate setting process. There are three basic categories of new growth including (1) properties that have increased in assessed valuation since the prior year because of development or other changes, (2) exempt real property returned to the tax roll and new personal property, and (3) new subdivision parcels and condominium conversions. New growth does not include market value increases.

The *levy ceiling* places a constraint on the community's levy limit. The community's levy limit cannot exceed the levy ceiling. The levy ceiling equals 2½ percent of the full and fair cash value of all taxable real and personal property in the community as certified by the Commissioner of Revenue. The full and fair cash value of the property in a community usually changes each year. This change occurs as properties are added to or removed from the tax roll and market values change. It results in a change in the levy ceiling.

There are a couple of ways that a community can levy more than its limit. One way is to successfully vote an *override*. An override is a voted increase in the levy limit. The amount of the override becomes a permanent part of the levy limit base. An override cannot increase the levy limit beyond the levy ceiling. Override questions are placed on the ballot by a majority vote of the selectmen or city council with the mayor's approval (if required by law). Override referenda must specify the purpose of the override and list a dollar amount on the ballot. A majority vote of approval by the electorate is needed to successfully pass the override. Usually, overrides are used to fund operating and other recurring costs. Similarly, an underride is a voted permanent reduction in the levy limit base. A majority vote of approval by the electorate is needed to pass an *underride*.

A second way for a community to levy more than its levy limit is to successfully vote a *debt exclusion* or *capital outlay expenditure exclusion* for a capital project or acquisition. A debt exclusion creates a temporary increase in the levy limit to fund the payment of debt service costs for capital projects funded by borrowing. The additional amount for the debt service is added to the levy limit for the life of the debt. A capital outlay expenditure exclusion creates a temporary (one year) increase in the levy limit to fund capital projects. The exclusion is added to the levy limit only for the year during which the project is being funded. State reimbursements are subtracted from the amount of the exclusion. Exclusions do not become part of the base upon which the levy limit is calculated for future years. Exclusions may result in the levy temporarily exceeding the levy ceiling. Exclusion questions are placed on the ballot by a two-thirds vote of the selectmen or city council with the mayor's approval (if required by law). A majority vote of the electorate is required to implement an exclusion.

Proposition 2½ does not restrict the amount that a community's actual levy can be increased or decreased from year to year as long as the levy is within the bounds set by the levy limit. A community may choose not to levy up to its levy limit in a given year. The difference between the actual levy and the levy limit is called *excess levy capacity*. A community may have excess levy capacity in one year and, in the following year, levy up to the full amount of its new levy limit. The community does not loose its capacity to levy up to the levy limit in future years by choosing to levy less than the limit in any one given year.

Further information on Proposition 2½ can be found in the DLS pamphlets *Levy Limits: A Primer on Proposition 2½* *and* *Proposition 2½ Ballot Questions: Requirements and Procedures* available on our website at www.mass.gov/dls, under Publications and Forms.

3. Tax Recapitulation Process

3.1 Description of What the Tax Rate Represents

For most communities the property tax is the single largest source of local revenue. Consequently, the tax rate has a tremendous impact on the amount of revenue a community can generate from the assessment of property taxes. However, as we discussed previously, under the constraints of Proposition 2½, a municipality is limited in the amount it may increase its property tax levy annually.

Calculating and setting a community's tax rate is a component of a larger process we call the tax recapitulation process. At the end of this yearlong activity a community completes the *tax recapitulation sheet*. A municipality's entire budget plan for the fiscal year is laid out on this sheet. It lists all appropriations made by the legislative body since the previous year's tax rate was set. Anticipated and actual sources of revenue other than property taxes, such as Cherry Sheet aid and estimated local receipts, are also identified. The difference between the appropriations and revenue from these sources must be raised through property taxes. This difference is called the *tax levy*. The tax levy must be within the limits set by Proposition 2½.

The tax levy is distributed or allocated among taxpayers based on the assessed value of their properties. By law, assessed valuation is based on “fair cash value,” which is defined as the amount a willing buyer would pay a willing seller for the property on the open market. This valuation standard ensures each taxpayer’s constitutional right to pay a fair and proportional share of property taxes. Assessors estimate the fair cash valuation of properties by analyzing the real estate market to determine what buyers are paying for similar properties in the community.

DOR reviews a community’s values once every three years, checking that appropriate appraisal methods have been used and uniformly applied. This process is called triennial certification. A community’s values must be certified as representing current full and fair cash value, or market value, before the tax rate can be set in that third year. Although the state only reviews the values triennially, assessors must analyze the real estate market annually in order to determine if there has been a change in market conditions, and make interim year adjustments when warranted.

Municipalities have several options in setting the tax rate and distributing the tax levy. Under property tax classification, property is classified as one of four classes of real property: residential, open space, commercial or industrial, or as personal property. Some communities choose to have a single tax rate for all classes of property. A single tax rate allocates the tax levy proportionately. This means taxpayers individually and within each class pay the same percentage share of the tax levy that the fair cash valuation of their property or class bears to the total assessed valuation of the community for that year.

Others communities choose to use multiple tax rates for the different classes of property. Multiple rates shift some of the taxes that would be paid by certain classes of taxpayers under a single tax rate onto other taxpayers. The total tax levy remains the same. The shifts must be within parameters set by law, and are calculated by DOR. The allowable shift varies from community to community and from year to year because it is based on the assessed valuation of the different classes of property in the community.

The four options when setting a multiple tax rate are:

- a *tax shift* from residential and open space to business property owners.
- an *open space discount* that shifts taxes from open space to residential property owners.
- a *residential exemption* that shifts taxes on lower valued owner-occupied residential property to other residential property owners.
- a *small commercial exemption* that shifts taxes on small business property to other commercial and industrial property owners.

The decision whether to tax the property classes at the same or varied rates is made by the board of selectmen, or city council with the mayor's approval, annually after a public hearing. Officials should also be aware that the community may either send tax bills semi-annually or institute a quarterly property tax billing cycle by local option as voted by town meeting or city council.

The tax recapitulation process is an essential part of the municipality’s financial activity and budgeting. Moreover, setting the tax rate and completing the entire tax recapitulation process are not the responsibility of any one local official. Rather, these procedures require teamwork and cooperation among many of the community's local officials to ensure accurate, successful financial management.

3.2 Key Dates for Timely Tax Rate Setting

Setting the tax rate and mailing tax bills in a timely manner are key to successful financial operations. Late tax billing jeopardizes the municipality’s cash flow. It results in the added expense of borrowing in anticipation of revenue and the loss of investment income on property tax collections. It also disrupts regularly performed financial activities, particularly for the assessors and collector, and often creates delays in next year’s schedule of activities.

A realistic plan and timetable for completing the tax rate process should be developed and reviewed periodically by municipal officials involved in the process. A community completing a revaluation and undergoing triennial certification of its assessments must also incorporate adequate time in the plan for completing the certification process. The following are target dates for submitting accurate and complete key data to DOR:

Regular Semi-Annual Tax Billing[i]

Certification Target Dates	
Preliminary Certification	June 15
Public Disclosure	July 15
Final Certification	August 5
Tax Rate Target Dates	
Submit New Growth	August 15
Submit Tax Recap	September 1
Mail Tax Bills	September 30

Annual Preliminary Billing[ii]
(Semi-annual or Quarterly)

Certification Target Dates	
Preliminary Certification	September 15
Public Disclosure	October 15
Final Certification	November 5
Tax Rate Target Dates	
Submit New Growth	November 15
Submit Tax Recap	December 1
Mail Tax Bills	December 31

Communities unable to submit final tax rate data by these dates because of revaluation delays should plan on using preliminary bills to ensure adequate cash flow. Communities using a regular semi-annual payment system may issue a preliminary bill in the fall, and those using a quarterly payment system may issue a third quarter preliminary bill, with the approval of DOR. This option allows all communities, whether billing semi-annually or quarterly, to plan realistic timetables for recertification and tax rate setting.

Tax rate setting requires the written approval of DOR and tax bills cannot be mailed until DOR has signed the tax rate recap.

3.3 The Tax Rate Setting Process

The formulation of the tax rate is an essential part of the budgeting process. The tax levy is the largest source of revenue for many Massachusetts municipalities and is an integral part of a municipality's overall financial picture. The tax rate setting process relies on the efforts and contributions of many municipal officials. The following section contains a basic outline of the procedures and individuals involved in this process.

Prepare Budget
Estimate available revenues for the upcoming fiscal year.

- **DOR** notifies cities and towns of preliminary levy limits and Cherry Sheet estimates for the upcoming year.
- **Assessors** estimate new growth.
- **Finance Committee and Board of Selectmen, Mayor or Manager:**
  1. Project levy limit for next fiscal year.
  2. Consider if override/exclusion appropriate.
  3. Estimate total revenues.

[i] G.L. c. 59, § 57. Regular schedule with bill issued by October 1 and first half installment due November 1 (or 30 days after billing if later) and second half installment due May 1. If community is unable to issue actual bills on time due to revaluation delays, it may issue a preliminary bill in the fall with DOR approval. G.L. c. 59, § 23D. Preliminary bill based on prior year tax is due November 1 (or 30 days after billing if later). Actual bill for balance is issued in spring and is due May 1 (or 30 days after billing if later).
[ii] G.L. c. 59, § 57C. Local option requiring acceptance by legislative body. If accepted, preliminary bill issued by July 1 and actual bill issued by December 31. Bills may be payable on semi-annual or quarterly system.

Prepare budget plan.

- **Department of Education** notifies communities of net school spending requirements for upcoming year.
- **Finance Committee and the Board of Selectmen, Mayor or Manager:**
  1. Review department budget requests.
  2. Prepare budget plan for the upcoming fiscal year.
- **Departments** work to achieve a balanced budget.

Adopt the Budget

Present proposed budget for the upcoming year to the appropriating body.

- **Selectmen** call annual town meeting prior to June 30.
- **City Council/Town meeting** adopt budget for upcoming fiscal year.

Implement Budget

Monitor the current year's expenditures.

- **Clerk** certifies appropriations and sources of funding made at town or city council meetings.
- **Accountant/Auditor** sets up departmental appropriations from town meeting or city council report to monitor expenditures.

Review prior year's operation (after the close of the current fiscal year).

- **Accountant/Auditor** closes books.
  1. Certifies and documents actual local receipts for the year.
  2. Identifies deficits from prior year.
  3. Submits balance sheet to DOR for certification of free cash.

Determine assessed valuations.

- **Assessors** determine final valuations for all taxable property and submit information to DOR.
  1. Report total values by class and parcel count (form LA-4).
  2. Submit allowable tax base levy growth (form LA-13), and/or amended tax base levy growth for omitted and revised assessments (form LA-13A).
  3. Submit adjustment of valuations between certification and request for authorization to issue preliminary tax bills (communities with semiannual bills) if necessary.
- **DOR** certifies growth and tax classification options.

Decide tax policy.

- **Board of Selectmen/City Council** holds a public hearing on property tax classification.
  1. Decide various tax policy options under classification law.
  2. Acknowledge excess levy capacity.
- **Assessors** submit classification hearing and excess levy capacity (form LA-5), minimum residential factor computation (form LA-7) to DOR.

Prepare tax rate.

- **Assessors** oversee the completion of the tax recap sheet, including supporting documents and forms, and determine the amount to be raised through the property tax levy.
- **Clerk** certifies all appropriations since the last tax rate was set.
- **Accountant/Auditor** checks town meeting/city council documentation for accuracy.
  1. Checks for other expenditures that must be funded (deficits, court judgments, etc.).
  2. Checks for any debt service for the current fiscal year that has not been appropriated at town/city council meeting and must be raised in the tax rate.
  3. Certifies last year's actual receipts.
  4. Documents other available funds used, such as free cash, enterprise revenues etc. and prepares the free cash certification and appropriation (form B-1) and available funds sources/uses (form B-2).
  5. Assists the assessors in the preparation of state forms: offset receipts use and appropriation (form A-1), enterprise fund receipts/appropriations (form A-2), revolving fund use (form A-3), community preservation fund receipts/appropriations (form A-4).
- **Accountant/Auditor** and the **Assessors:**
  1. Estimate amount raised to fund expected abatements and exemptions (overlay) and prepare overlay analysis form (form OL-1).
  2. Review total revenues and make sure tax recapitulation balances
- **Treasurer** prepares the debt exclusion report (form DE-1).
- **Assessors** submit tax recap to DOR with completed forms, documentation and analyses.

Approve tax rate.

- **DOR** calculates actual levy limit.
- **DOR** certifies the tax rate(s).

Assess and collect property taxes.

- **Assessors** prepare a list of all property taxpayers, called the commitment, which lists the assessed value of their property and the amount of tax owed.
- **Tax collector**:
  1. Receives the commitment, sends out bills, and collects property taxes.
  2. Submits an affidavit to DOR as to time of sending tax bills (State Tax Form 214).
- **Taxpayers** pay bills as due.

Administer property tax abatements/exemptions.

- **Taxpayers** submit timely applications for abatements or exemptions following mailing of tax bills.
- **Assessors:**
  1. Act on applications for abatements and exemptions.
  2. Certify any balance in overlay accounts as overlay surplus, which may then be appropriated for any lawful purpose.
  3. Submit request to DOR for state reimbursements of current fiscal year property tax exemptions.

For further information on the forms required and dates that they are due please see the *Municipal Calendar* available on our website www.mass.gov/dls, under Publications and Forms.

More detailed information on the tax rate recapitulation process may be obtained from the *Tax Rate Recap, Pro Forma Recap & Supporting Forms* booklet published annually by DLS and available on our website www.mass.gov/dls, under Bureau of Accounts (or Accountant Information), then Automated Programs, then Recap.

4. Reserves and Capital Planning

4.1 The Components of a Community's Reserve and Debt Policies

Reserve Policy

In addition to appropriations for the daily functioning of municipal government, the budget may also include appropriations to funds to be spent for emergencies (reserve funds) or reserved for future years (stabilization funds). In addition, a community's budget policies will strongly influence whether or not it has free cash. Free cash serves as an important reserve that can be used for supplemental appropriations after the tax rate is set.

A *reserve fund* may be established for extraordinary or unforeseen expenditures during the year. The fund may not exceed 3 percent of the tax levy of the prior fiscal year in cities. It may not exceed 5 percent of the prior fiscal year's tax levy in towns. The finance committee or city council (upon recommendation of the mayor) must vote to transfer money from the reserve fund. If the town meeting or city council has rejected the funding of a particular item, the reserve fund cannot be used to fund that item. This fund closes out at the end of the year.

Stabilization funds may be created to save monies and minimize borrowing for capital projects, or other lawful spending purposes. A stabilization fund for a particular purpose is created by a two-thirds vote of town meeting or city council. Appropriations to and from a fund also require a two-thirds vote of town meeting or city council. Annual appropriations to all stabilization funds may not exceed 10 percent of the previous year's levy unless the Director of Accounts approves a higher limit. In addition, the balance of all funds at any time may not exceed 10 percent of the community’s equalized valuation. Interest earned by a fund is added to it and becomes a permanent part of the fund. A city or town may change the purpose of a fund at a later time by a two-third vote of town meeting or city council, unless a Proposition 2½ override was used to provide monies for the fund. If so, a majority of voters must approve a referendum.

Free cash is an unrestricted available fund that indicates positive operating results in relation to the budget. Free cash is derived from year-end receipts in excess of estimates and appropriation turnbacks (revenue and expenditures for the year just ended). It is reduced by illegal deficits, overdrawn grant accounts and deficits in other funds. A community's free cash level can affect its bond rating and provides a financial cushion to guard against economic downturn or to meet unforeseen expenses. Officials should note that the Bureau of Accounts must certify free cash before it can be appropriated.

Debt Management and Debt Policy

Debt management is the element of municipal finance that deals with the community's need and ability to borrow money. Municipalities can acquire both long-term and short-term debt. Long-term debt is issued for the acquisition of major pieces of capital equipment and facilities. Short-term debt will be paid off in a year or less and is generally issued in anticipation of a particular revenue. One key to good debt management is to repay long-term loans over the useful life of the item for which the debt was incurred. This goal can be achieved through the creation of a capital improvement plan (CIP) which will be discussed later in this handbook. Short-term debt can be managed effectively by ensuring that money borrowed does not exceed the revenue source used for repayment of the debt. Local officials should be aware that there are some limitations on the amount of debt municipalities can carry.

Developing a debt policy is an essential way to ensure that necessary projects are funded without financially overextending the municipality through excessive borrowing. A debt policy should provide guidance to municipal officials when evaluating possible expenditures and provide a method to project the impact of decisions on the budget. It should incorporate short-term needs with long-term community goals. A well developed debt policy (1) calculates the amount of debt that can be incurred without jeopardizing the municipality's credit standing and causing financial hardship in future years, (2) incorporates affordability guidelines for expenditures, (3) includes an annual review of the capital improvements plan and (4) incorporates guidelines stating appropriate uses for and acceptable amounts of short term debt to be acquired by the community. Due to changing needs in the municipality, a review of the CIP should reflect adjustments in project and financial goals of the community.

It is important for municipal officials to realize the long-term consequences of acquiring debt. A decision to borrow money means a stream of payments that could last up to twenty years. When considering incurring debt for a specific project or expenditure municipal officials should first consider all other sources of funds. These include grants, one-time revenues such as free cash and revenue from the sale of property, as well as stabilization funds. Officials need to evaluate the impact of borrowing on the budget and on the community's debt position, as well as the burden on the taxpayer.

Debt Financing Options

Municipalities have several options when considering methods of debt financing. The following list briefly explains some of these options. Municipalities should seek qualified financial advice when exploring debt-financing options.

General Obligation Bonds are by far the most common type of long term financing used by cities, towns and districts in Massachusetts. Issuers of these bonds make a “full faith and credit pledge” that the bond holders will be repaid with interest according to the terms of the official statement.

State Qualified Bonds are used by municipalities with unique financial situations who cannot borrow money at affordable rates in the traditional capital markets. This program allows the State Treasurer to make principal and interest payments directly to a municipality’s paying agent and then deduct that amount from the next installment of local aid.

State House Notes are notes certified by the Director of Accounts. State House notes are generally less costly and easier to issue than conventional issues for borrowings. Therefore, these notes are more commonly used for temporary loans and smaller long-term issues.

Serial Notes may be used for smaller capital projects that do not justify the cost of issuance associated with a bond sale. A serial issue is a series of notes issued on the same day that matures in consecutive years. Serial notes are usually issued for amounts up to $1,000,000 with a term of 10 years or less.

Refunding Notes are similar to serial notes except that the notes are issued for a one-year term and then "paid down" and renewed at the end of each year. The pay down of a Refunding note is functionally equivalent to making principal payments on a bond issue.

United States Department of Agriculture (USDA), Rural Development (Formerly Farmers Home Administration (FHA)) loans are most commonly used in rural and developing communities to finance water and sewer systems, road construction and other projects. USDA, Rural Development loans may be financed over a longer term that makes them attractive to municipalities with limited resources.

Massachusetts Water Pollution Abatement Trust (MWPAT) is a special program administered by the State Treasurer's Office. MWPAT offers interim and permanent financing for sewer projects mandated by the Federal Clean Water Act and water projects mandated by the Federal Safe Drinking Water Act. The Trust offers subsidized loans to help defray the cost of compliance with the act.

Other methods of financing such as revenue bonds, industrial development bonds, certificates of participation and lease financing are rarely used by Massachusetts municipality's and should only be considered after receiving qualified financial advice.

Further information on reserve and debt policy can be obtained from *A Guide to Financial Management for Town Officials* available on our website at www.mass.gov/dls, under Publications and Forms. Information on debt financing options can be obtained by contacting DLS at 617-626-2300.

4.2 Key Elements of Budgeting for Capital Projects

Most municipalities face difficult decisions regarding capital acquisitions and improvements. Capital needs must be balanced against operating budgets and ability to pay. A well-developed capital improvement policy is an important way to protect municipal assets and fund improvements on an ongoing basis.

Because of the expense and long economic life of capital projects, it is important to use multi-year forecasting and plan years in advance. An effective method to address capital projects comprehensively is to develop a capital improvements program (CIP). Through such a program all the capital needs of a municipality are identified, prioritized and scheduled for acquisition or improvement.

A town can create a capital planning committee through the adoption of a bylaw (M.G.L. c. 41, § 106B). In cities, the mayor (or city manager) is usually required by charter or ordinance to prepare a capital plan.

The committee should develop a multi-year capital plan and annual capital budget for all municipal departments. These documents should: (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (current revenue, available reserves, debt or debt excluded from the limits of Proposition 2½) for each project.

Regardless of funding ability, annual presentation of a capital budget to town meeting or city council has merit. It serves to inform citizens of the community's capital needs and makes them aware of essential projects that may be deferred due to financial constraints.

In addition to the capital plan, a community should develop a multi-year revenue and expenditure forecast. It should be used by the policy makers to evaluate budget requests with multi-year impacts and to develop long-range financial plans.

To help get you started here are ten guidelines for instituting an effective capital improvements plan.

Steps for Implementing a Capital Improvements Program

1. **Adopt a bylaw/ordinance and appoint a committee --** In order to establish a formal CIP, the municipality should consider adopting a bylaw/ordinance to create and empower a committee.
2. **Prepare an inventory of all municipal and school properties and assets --** The inventory should include all buildings and equipment as well as utilities, roads and sewers. Information should be provided on the year the facility was built or acquired, the date of last improvement, its condition, the extent of use, and the scheduled date for rebuilding or expansion if one exists.
3. **Determine the status of previously approved projects --** Identify the projects underway in the municipality, determine whether additional funds are required, and determine the amount of funds available from completed and discontinued projects.
4. **Assess the municipality's financial capacity --** With the assistance of the town accountant/city auditor, treasurer and chief administrative, financial officer, the committee should analyze the municipality's ability to afford major expenditures by examining recent and anticipated trends in revenues, expenditures and debt burden.
5. **Solicit, compile and evaluate project requests --** The committee should solicit project recommendations from each municipal department. The departmental recommendations should include a statement of the justification for the project.
6. **Establish project priority --** The committee should review each project recommendation using a consistent set of criteria. It should establish project priorities based on need, the community's goals and objective analysis.
7. **Develop a financing plan --** The committee should recommend a plan for financing each project. Both long term and short term financing options need to be considered.

8. **Adopt a capital improvements program --** The committee must submit the report including the capital budget to the board of selectmen. In a city the mayor submits the capital budget to the city council. The board of selectmen or city council may amend the CIP before the program is adopted at town/city council meeting.
9. **Monitor approved projects --** Periodic reports by the committee should indicate changes in the targeted completion dates, identify serious problems, and document the financial status of each project.
10. **Update capital program --** The committee should review and revise the entire program as necessary to reflect its recent determination of capital needs in the community, changes in the municipality's social and environmental conditions, the development or revision of financial policies, and the community's financial resources.

By instituting a capital improvements program the municipality will be able to more effectively avoid financial hardship and fund needed capital improvement projects.

More information on developing a capital improvements program can be found in *Developing a Capital Improvements Program: A Manual for Massachusetts Communities* available on our website at www.mass.gov/dls, under Publications and Forms.

4.3 Free Cash

Free cash is the amount of unrestricted funds available from operations that can be used as a funding source for appropriation after certification by the Director of Accounts. Free cash is certified for a community’s general fund and enterprise funds based upon the community’s balance sheet for the fiscal year ended on June 30. The town accountant/city auditor submits the balance sheet to the Bureau of Accounts after the accounts have been closed and reconciled. Also, the treasurer must submit the Quarterly Reconciliation of Treasurer’s Cash report, which reconciles with the balance of the accountant.

Free cash must be certified by the Director of Accounts as of July 1, and cannot be appropriated until it is certified. Once certified, free cash can be appropriated up until the following June 30 by town meeting or city council for any legal spending purpose. Free cash provides communities with flexibility in that it is the major source of funding for supplemental appropriations after the budget has been adopted and a tax rate has been set for the year. Free cash balances should be used for non-recurring expenses and not to balance operating budgets.

Free cash is generated when actual operations of the fiscal year compare favorably with budgeted revenues and expenditures. It results when actual revenue collections exceed the estimates used for budgeting and actual expenditures and encumbrances (committed funds not yet expended) are less than appropriations. Free cash is affected by uncollected property tax receivables, illegal deficits, overdrawn grant accounts and deficits in other funds (*e.g.*, special revenue funds, agency funds).

In addition to the annual certification, a community may have its free cash adjusted (updated) by the Director of Accounts once during the fiscal year. Updated free cash results from additional collections of prior years' property taxes, tax title redemptions and tax foreclosure sales from July 1 through March 31. Communities that request and appropriate adjusted free cash should be aware of the possibility of creating a free cash deficit in the following fiscal year.

A community will improve its free cash position through prudent financial planning and development of sound financial policies. It can increase free cash by conservatively estimating local receipts and aggressively pursuing the collection of receivables. A community may adopt policies to maintain a certain level of free cash in order to provide a financial cushion to guard against economic downturn or to meet unforeseen expenditures. Consistent generation of positive free cash usually signals sound financial management.

5. Internet Resources, Software Automation and Electronic Filing

5.1 The Internet as a Source of Information and Data from DLS, DOR, and MMA

The Internet is a valuable source of information for municipal officials on a wide range of topics, government agencies and departments. The Department of Revenue Division of Local Services and the Massachusetts Municipal Association all maintain websites that can be particularly helpful to municipal officials.

www.mass.gov/dls **- The Division of Local Services (DLS) website**
The DLS website provides users with access to information on the activities of and services provided by each bureau within the division. These bureaus include the Bureau of Local Assessment, the Bureau of Accounts, the Bureau of Municipal Finance Law, the Information Technology Section and the Municipal Data Management/Technical Assistance Bureau. Automated software designed specifically for municipal governments may be downloaded from MDM/TAB at this website. The Automated Recap and Automated Schedule A programs are available to be downloaded from the Bureau of Accounts. Users have access to spreadsheets and other files, including Cherry Sheets, from the Municipal Data Bank, which can be reached through this website. Other services and information available include the *Community Report Builder*, which allows web users to select specific communities or to specify socioeconomic, financial or property tax-related criteria (population, size of budget, tax rate etc.) to select communities for either *At a Glance* reports on individual communities or Community Comparison Reports. Several DLS publications can be found at the website including *City & Town*, seminar bulletins, Informational Guideline Releases (IGRs), *A Guide to Financial Management for Town Officials*, the *Municipal Calendar*, *Motor Vehicle & Trailer Excise Manual* and *In Our Opinion*, which is a collection of summaries of legal opinions issued by DLS.

In addition, DLS now distributes the *City & Town* newsletter, IGR's, Bulletins and Cherry Sheets, along with other informational documents exclusively by e-mail. Local officials, or anyone with an interest in municipal finance, can e-subscribe to these publications by going to the website. Subscribers will automatically be notified by e-mail of these informational updates.

www.mass.gov/dor **- The Massachusetts Department of Revenue (DOR) website**
DOR provides an *On-line Taxpayer Service Center* accessible through its website. Through this service the DOR provides users with information on DOR news, tax help and filing options and statistical data on Massachusetts communities. Tax forms and DOR publications, child support enforcement information, and tax rules and regulations can all be found at the DOR website.

www.mma.org - The Massachusetts Municipal Association (MMA) website
MMA defines itself on its website as a "nonprofit, nonpartisan organization [that] provides advocacy, research and other services to Massachusetts cities and towns." The MMA website is a valuable source of information for municipalities across the state. At the website the MMA provides state legislative updates, state budget information, information on education and economics as well as articles of special interest to Massachusetts municipal officials.

5.2 Automated Local Finance Software Available to Local Officials

DLS offers several automated software services to municipalities.

The Municipal Data Management/Technical Assistance Bureau has developed a *computer-based budgeting software application* for communities based on the popular Budget Workshops. With this program municipal officials can create a preliminary budget. By entering the current fiscal year budget and the tax recapitulation sheet the user can plan the proposed budget for next year. Every budget is based on preliminary or estimated information such as new growth and state aid. As new information becomes available to municipalities and figures are finalized the application is designed to automatically replace estimated data with finalized data. This budgeting software program is designed on a series of Excel spreadsheets. Therefore, the minimum requirement to run it is the Windows version of Excel 5.0 or better. The software disk is pre-loaded with the actual tax recapitulation sheet for the current year, the actual budget/expenditures for the current year, any city council/town meeting actions to date, and the actual Assessment/Classification Report (LA-4) for the current year.

DLS has also developed an *Automated Schedule A program* and an *Automated Tax Recap program*. These programs have been designed to provide municipalities with the opportunity to submit the forms on disk to DLS. Both are menu driven, Excel programs designed to automatically compute subtotals and totals. One program accurately completes the four page Tax Rate Recapitulation sheet with the form worksheets supplying documentation. A newly added Options Table in the Tax Rate Recapitulation program allows local officials to see the resulting tax rates given different assessed values, tax levies, and classification options designed specifically for development of “what if” scenarios. The other program completes the reconciliation sections of the Schedule A form. The DLS website leads users step by step through the program download and installation process. Communities must have Microsoft Excel Version 5.0 (or greater) installed.

The Bureau of Local Assessment has developed a *computer-based Classification Training (CBT) program*. This program has been designed as a tutorial for the Classification Workshop, a mandatory workshop for assessors. The program helps the user understand tax shift options. In addition, it provides the user with information about the public classification hearing. This program is available on disk from the Bureau of Local Assessment or can be downloaded from the DLS website.

Laws Relating to Municipal Finance and Taxation, Bulletin 36, is a compilation of the Massachusetts General Laws pertaining to local government (through June 2007). This publication is generally updated every two years and distributed to every city and town. Each community also receives one CD-ROM version. The CD-ROM is equipped with a search platform that will allow officials to search by a phrase or even by a single word, eliminating previous difficulties finding information.

For more information on available automated software or services please contact the Division of Local Services, PO Box 9569, Boston, MA 02114-9569 or call (617) 626-2300.

5.3 Submitting Information Electronically to DLS

DLS has developed a method for communities to submit information to DLS via the Internet. In the future, DLS expects to be able to offer communities more opportunities to submit various forms for certification electronically. It is also developing interactive applications that will make submission of form data easier and more efficient for both municipalities and DLS.

As discussed in the previous section, municipalities can now submit various data (previously forms) to DLS on disk though the use of available automated software. These include the Schedule A, Tax Recap and LA-3. Municipalities are encouraged to submit information to DLS on disk if they possess the electronic capabilities to do so. Automated software can be downloaded from the DLS website. Submitting data electronically minimizes paper waste and eliminates the need for DLS to re-enter information into the computer system thereby reducing data entry error and expediting approval processes.

Further information on electronic submissions to DLS can be obtained by contacting the Division of Local Services, PO Box 9569, Boston, MA 02114-9569 or by calling (617) 626-2300.

6. Frequently Asked Questions

6.1 Overview of Municipal Government

1. **How is a community's state aid calculated?**
   The *Cherry Sheet Manual* available from the Department of Revenue Division of Local Services provides a full explanation of the state aid calculation process. Municipal officials can obtain a copy of the manual from our website at www.mass.gov/dls, under Publications and Forms.

2. **What triggers the release of Cherry Sheets?**
   Cherry Sheets are distributed after the State Legislature agrees on a Local Aid Resolution, or after final enactment of the annual state budget.

3. **Why should we create a financial management team and who should be included?**
   Sound financial management requires coordination among municipal offices and departments with financial responsibilities. This includes sharing information and resources so that timely, informed policy and budgetary decisions can be made and implemented. Through regular meetings, financial officials can monitor current financial activities and operations, as well as plan for the future. It is recommended that the team include the mayor/board of selectmen chair, finance committee chair, chief financial officer/finance director, assessors, collector, treasurer, town accountant/city auditor and major department heads.

4. **Can town meeting/city council increase an item included in the annual budget?**
   In towns, town meeting makes the final decision on all annual budget items and can vote to increase the amount recommended for an item. In cities, however, the amount included by the mayor for a budget item cannot be increased by the city council. The council can only approve, disapprove or reduce the items.

5. **Do the assessors determine the estimated receipts used in setting the tax rate?**
   The tax rate recap reflects the community’s budget plan for the year. Therefore, the official or officials responsible for estimating receipts for budget purposes should determine the receipts used in setting the tax rate. The assessors are responsible for ensuring the tax rate recap is properly completed.

6. **Can the town accountant/city auditor refuse to process a bill for payment?**
   The accountant/auditor is responsible for monitoring municipal expenditures to ensure they are lawful and within budget. The accountant/auditor can refuse to authorize payment of “fraudulent, unlawful or excessive” bills. Examples of reasons the accountant/auditor could deny payment are that the department’s budget has already been spent or committed, proper bidding procedures were not used or communities are not permitted to spend funds for that particular purpose.

6.2 Budgeting

1. **What is the levy limit?**
   The levy limit is the maximum amount a community can raise through property taxes in any given year. The levy limit is based on the previous year's limit plus allowable increases. These allowable increases include the annual 2½ percent increase, new growth and overrides. The levy limit will always be below or at most equal to, the levy ceiling of 2½ percent of the total full and fair cash value of the community's taxable real and personal property. A community may also levy above the levy limit or ceiling through an exclusion.

2. **What is the difference between an override and a debt exclusion or capital outlay exclusion?**
   An override is a voted increase in the levy limit. An override cannot increase a community's levy limit above the community's levy ceiling. The levy ceiling is equal to 2½ percent of the full and fair cash value of all taxable property in the community. When an override is passed the levy limit for the year is calculated by including the amount of the override. The override results in a permanent increase in the levy limit of the community. Overrides require a majority vote of approval by the electorate. A community can also assess taxes in excess of its levy limit or levy ceiling for the payment of certain capital projects and for the payment of specified debt service costs called exclusions. An exclusion for the purpose of raising funds for debt service costs is referred to as a debt exclusion, and an exclusion for the purpose of raising funds for capital project costs is referred to as a capital outlay expenditure exclusion. Both exclusions require voter approval with very limited exceptions. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years.

3. **What types of expenditures can be made without an appropriation?**
   Expenditures that may be made without an appropriation by town meeting or city council include debt service payments, final court judgments, snow and ice removal deficits, overlay allowance for abatements and exemptions, prior years' overlay deficits, Cherry Sheet offset items and state and county charges. These expenditures are listed on page two of the tax recap under "Amounts to be Raised."

4. **How can a community plan for increases in education funding?**
   Planning for future increases in education funding requires clear communication among local officials and current information on the Education Reform Act of 1993 (as amended). As such, policy makers, financial officials and school committee members should meet periodically throughout the year. It is important that all officials keep abreast of the financial impacts of this law (*e.g.*, the foundation budget, school enrollment trends, municipal revenue growth factor, and net school spending). With adequate communication and financial planning, a community may be able to forecast the potential impacts of this law on the community's budget process.

5. **What are available funds?**
   Available funds include free cash, stabilization funds, overlay surplus, expendable trust funds and other reserves.

6.3 Tax Recapitulation Process

1. **What determines a community's tax rate?**
   A tax rate is set after three important factors are determined: the community's levy limit, the amount needed to be raised by taxation, and property assessments reflecting full and fair market value are finalized. The actual rate formula is the total levy divided by the total property value multiplied by 1,000.

2. **When and why do tax rates increase?**
   Tax Rates can increase when (1) there is an increase in the actual amount needed to be raised by taxes, (2) property assessments decrease (market values decline), (3) overrides or exclusions are passed, (4) new growth is added, (5) unused levy capacity from the previous year is used in the current year, (6) decreases are made in the prior year tax base through the abatement process.

3. **Why is setting a timely tax rate important?**
   Until a tax rate is "set" or finalized, the community cannot send an actual property tax bill. By setting a timely tax rate the municipality can generate timely bills and improve the cash flow in the community. Also, if the community does not send out tax bills in a timely fashion, it can jeopardize its cash flow position. It may be forced to borrow, resulting in unnecessary debt service. If it bills semiannually and elects to send out an estimated preliminary bill, there are extra expenses generated from such bill processing.

4. **Why and when do we hold a classification hearing?**
   A classification hearing is held annually to determine whether to shift some of the property tax burden from one class of property to another. A public hearing is called by the selectmen or city council. It must be held after the assessors have finalized assessments for the year and before the tax rate can be set. Options presented include reallocating some of the tax obligation (l) from the Residential and Open Space classes to the Commercial, Industrial, Personal Property classes; (2) from Open Space to Residential; (3) within the Residential class, to non-domiciled owners, and (4) within the Commercial and Industrial classes, to more expensive properties with larger commercial businesses. Adopting one or more of these choices results in multiple tax rate(s) for the community. Every three years, the assessments must also be certified by the Department of Revenue.

5. **Do the values have to be final before holding a classification hearing?**
   The Assessors must have finalized all assessments for the fiscal year before the selectmen or city council/mayor can vote on allocating the tax burden. This is required so that the minimum and maximum allowable shifts can be accurately calculated and the implication of the vote can be considered.

6. **What does it mean to have a split tax rate?**
   All taxable property is categorized by the assessors into one of five classes according to use. These are: Residential (R), Open Space (O), Commercial (C), Industrial (I), Personal Property (P). The term “split” tax rate usually is used to refer to having two tax rates that

shift some of the tax burden from Residential and Open Space to Commercial, Industrial and Personal Property classes.

Under a single tax rate system, if residential and open space property assessments are 80% of total value, then 80% of tax levy would come from the R and O classes (and 20% from the CIP). By "splitting" the tax rate, the law allows a city or town to increase the levy share raised from the CIP as much as 50% in order to reduce the tax burden on R and O. In this example then, the maximum shift allowed would result in 30% of the taxes being paid by the CIP classes, and 70% by R and O.

7. How does a municipality determine the amounts to be budgeted for the overlay and estimated receipts on the Tax Recap?

The Assessors are responsible for determining the amount to be budgeted on the Tax Recap for the overlay. The amount of estimated receipts is determined by the official(s) responsible for estimating receipts for budget purposes. Both amounts should be set with a great deal of input from the other members of the financial team.

The overlay is an amount raised to cover abatements and exemptions granted by the assessors. An overlay worksheet, the OL-1, must accompany the tax recap submission. This form summarizes a 3-year history of this account. A reasonable projection for next year can be based on this information. Additional issues to be addressed include such factors as changes in laws governing abatements and exemptions, changes in demographics, in the economy, in assessment systems, as well as the stability of real estate values. Money in the overlay account that is not/will not be needed may be declared surplus. The assessors would do this after reviewing the status of the account at the request of the chief financial officer. An overlay surplus is then available to be appropriated for any lawful purpose by town meeting or the city council.

Estimated receipts projections are usually based on the previous year's actual revenues as certified by the accountant. To this information is added the financial team's knowledge of relevant changes which may occur in the next year, such as one-time settlements, a change in fee structures, the rescheduling of data releases from the registry of motor vehicles, etc.

8. What are "other amounts to be raised"?

These are amounts that must be raised on the tax rate recap to fund expenditures that can be made without appropriation or to cover deficits. They are listed on page two of the recap and include debt service payments, final court judgments, snow and ice removal deficits, state and county charges, Cherry Sheet offset items, overlay allowance for abatement and exemptions, prior years' overlay deficits and revenue deficits.

9. If we do not levy to the limit do we lose that levy capacity?

No. If a community chooses not to levy to its capacity in one year, it does not lose the capacity to levy to the limit in future years. Before the tax rate is set, the full amount of the levy limit is always available to the community, regardless of how much it chose to use in previous years. Proposition 2½ allows a community to have excess levy capacity in one year (*i.e.*, not levy to its limit) and in the following year, to levy right up to the full amount of its new limit. This increase results in an overall levy increase greater than 2½ percent.

10. How is the average single-family residential tax bill calculated?

First, sum the assessed value of all the single-family property parcels in the municipality. Second, divide the result by the number of single-family parcels to obtain the average single-family value. Finally, multiply the average single-family value by the residential tax rate and divide the result by 1,000 to obtain the average single-family tax bill.

11. Why did my tax bill go up more than 2½ percent?

Once a community's levy limit has been established, the community then decides how much money to raise through taxation. Because Proposition 2½ regulates the levy limit rather than the actual amount levied, taxpayers' bills may increase more than 2½ percent in a given year. These increases often occur when in one year the community decides not to levy to its limit and then in the following year levies right up to its limit. Also, new growth, voted overrides and exclusions can all increase the amount levied.

In addition, an individual tax bill may increase more than 2½ percent as a result of property revaluation. This increase may reflect an increased assessment due to new construction or a change in the real estate market that results in some properties increasing in value while others decrease.

6.4 Reserves and Capital Planning

1. What is free cash and how is it generated?

A community's free cash is the amount of unrestricted funds available from the previous fiscal year's general fund operations that can be appropriated upon certification by the Director of Accounts. Free cash is certified based upon the June 30 balance sheet submitted by the town accountant/city auditor. The treasurer must also submit the Quarterly Reconciliation of Treasurer's cash report, which reconciles with the balance of the accountant, for free cash to be certified.

Free cash is generated when the actual operations of the fiscal year compare favorably with the budget. Simply put, it results when revenue collections are greater than estimated receipts, and expenditures and encumbrances (committed funds not yet expended) are less than appropriations. It is reduced by illegal deficits, overdrawn grant accounts and deficits in other funds.

2. How do we improve a free cash or reserves position?

A community may improve its free cash and financial reserves through prudent financial planning and development of sound financial policies. The community could also establish policies to build its free cash balance such as conservatively estimating local receipts and aggressively pursuing the collection of receivables. Since free cash is an available fund that might not be generated in the next fiscal year, it is usually not used to fund recurring operating expenses.

A formal reserve policy will allow the community to establish a practice of appropriating money to legal reserves for future needs. Appropriations to reserves should be considered annually as a part of the budget process and appropriations from reserves should be made for unanticipated or capital costs, not regular operating expenses.

3. **When can we appropriate free cash?**
Free cash must be certified by the Director of Accounts as of July 1 of each fiscal year upon submission of a community's balance sheet, and cannot be appropriated until certified. Once free cash is certified, it is available for appropriation by the town meeting or city council. It may be used for any legal purpose. However, depleting free cash to balance annual operating budgets may lead to tighter financial times.

   Free cash provides communities with a certain flexibility in that it is the major source of funding for any supplemental appropriations after the annual budget has been adopted and the tax rate has been set.

4. **Who should be involved in developing a capital improvement plan?**
A community’s capital planning committee (M.G.L. c. 41, § 106B) should develop a community’s capital improvements plan. It is recommended that the membership of the committee include: one member of the board of selectmen, one member of the finance committee, one member of the planning board and the school superintendent or his designee[1]. The accounting officer (or other administrative officer) may be an ex-officio committee staff member without the right to vote.

   A capital improvement plan (CIP) should include a multi-year capital plan and annual capital budget for all community departments. These documents should: (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (current revenue, debt or debt excluded from the limits of Proposition 2½) for each project. Regardless of funding ability, annual presentation of a capital budget to the legislative body has merit. It serves to inform citizens of the community's capital needs and makes them aware of essential projects that may be deferred due to financial constraints.

5. **Why would we want an enterprise fund?**
Enterprise accounting enables a community to operate a self-supported service and demonstrate to the public the true cost of providing a utility, health care, recreational or transportation services the service. Enterprise accounting allows a community to recover all direct (salaries, expenses, debt and capital) and indirect (insurance, fringe benefits, and support of other departments) costs. Enterprise accounting will also enable the community to legally retain a fund balance surplus from year to year, the use of which will be restricted to current operating or future capital/debt costs of the service.

   A community may choose to adopt an enterprise fund for two main reasons. One reason is that the community wants to demonstrate to the public which portion of the total costs of a service is recovered through user charges versus the tax levy.

---

[1] The size and membership of the Committee, length of terms, and the procedure for filling vacancies should be determined according to your community’s needs.

Another reason is that the community wants to allow the "surplus" or retained earnings generated by the operation of the enterprise to remain with that fund rather than closing out at year end to the general fund and becoming part of "free cash." A community can establish an enterprise fund by adopting G.L. c. 44, § 53F½ for the particular service.

6.5 Electronic Resources

1. **What is the difference between the Internet and the World Wide Web?**
The Internet is an international network of billions of computers. Users who are connected to the Internet have access to nearly unlimited information on a huge range of topics as well as e-mail and other electronic services. The World Wide Web is a part of the Internet that is particularly user friendly and fun to use. Users need an Internet account and browser software to access the World Wide Web.

2. **How can communities be assured that authorized officials in appropriate departments review, sign, and submit final versions of electronic forms?**
The DLS Gateway system works under formally developed policies that say that until a local official clicks the submit button to tell DLS that the data are final and official, all data in the form are considered preliminary and will not be disclosed to anyone outside of the community and DLS analysts. The community determines who should approve and sign the form, according to state law and local division of responsibilities. Signing can be electronic with secure passwords or manual on print outs, or a combination. The system allows local officials to restrict who has the ability to sign and/or submit. Prior to submission, after one or more officials sign a form indicating they have reviewed and approved the information therein, if any changes occur, all signers with valid email addresses in the system are automatically notified that form data have changed since they signed. Signers then have the opportunity to review the form again to determine if their signature is still appropriate and submission is authorized. After submission and DLS approval, a copy of that signed form is permanently stored in the central database, so that later formula changes in calculated fields will not affect the information that local officials approved on a given date.

3. **How can I retrieve DLS data files electronically?**
First access the DLS website at www.mass.gov/dls. From the website users can download programs and information from DLS. Instructions at the website will lead users through the installation/download process.

7. Additional Information and Assistance

The following is a list of organizations and publications that can assist in the search for more knowledge regarding municipal financial management. Many of these publications are updated frequently, and readers should check with the publisher to make sure they have the most recent version.

Organizations

Massachusetts Department of Revenue Division of Local Services, PO Box 9569, Boston, MA 02114
Telephone 617-626-2300
www.mass.gov/dls
This state agency exists to regulate and provide technical assistance to cities and towns regarding matters of municipal finance. The Division of Local Services also provides direct technical assistance to individual communities and provides a number of training workshops and seminars. The Division's Municipal Data Bank provides free financial and demographic reports to local officials on our website.

Massachusetts Department of Housing and Community Development
100 Cambridge Street, Suite 300, Boston, MA 02114
Telephone 617-573-1100
www.mass.gov/dhcd
This state agency provides technical assistance to cities and towns and sponsors a grant program to improve management capabilities.

Massachusetts Office of the Inspector General, John McCormack State Office Building, Room 1311, One Ashburton Place, Boston, MA 02108,
Telephone 617-727-9140
www.mass.gov/ig
This office oversees procurement regulations in the state and provides a certification program for public purchasing officials.

Municipal Affairs Coordinating Cabinet
The Municipal Affairs Coordinating Cabinet (MACC) seeks to coordinate the ways in which state government can provide better services and assistance to cities and towns. MACC's public meetings focus on technology, civil service, health insurance, procurement, capital asset management and human resources. The Municipal Cabinet will also analyze and implement recommendations coming from the Local Government Advisory Commission (LGAC) and the governor; coordinate the implementation of municipal impact statements on legislation and executive orders; and analyze home rule legislation provisions to see if they should be applied broadly to all cities and towns. For additional information regarding MACC please e-mail: portsj@dor.state.ma.us or call 617-626-2377.

Massachusetts State Auditor's Office, Division of Local Mandates, One Winter Street, 9th Floor, Boston, MA 02111, Telephone 617-727-0980 or 800-462-COST
www.mass.gov/sao/localmandate.htm
This state agency monitors state legislation that might have a financial impact upon municipal government.

Massachusetts State Ethics Commission, One Ashburton Place, Rm. 619
Boston, MA 02108
Telephone 617-371-9500
www.mass.gov/ethics
This commission provides information on the Conflict of Interest Law and other ethics regulations.

Massachusetts Supervisor of Public Records, One Ashburton Place, Room 1719, Boston, MA 02108, Telephone 617-727-2832
www.mass.gov/sec
The Supervisor of Public Records oversees state regulation of access to and distribution of public records.

Massachusetts Office of Public Collaboration (MOPC)
University of Massachusetts Boston
100 Morrissey Boulevard
McCormick Building, 1st Floor, Room 627
Boston, MA 02125, Telephone
Telephone 618-287-4040
www.mopc.umb.edu
This state agency provides conflict resolution services and assists public leaders in developing collaborative approaches and conflict management tools. MODR's services include conflict assessment, collaborative problem-solving, deliberative dialogue, dispute systems design, evaluation, facilitation, joint fact-finding, mediation, public participation, regulatory negotiation, training, and workplace climate assessment.

International City and County Management Association (ICMA), 777 N. Capitol Street NE, Suite 500, Washington, DC 20002-4201, Telephone 202-289-4262
www.icma.org
This is the organization of professional administrators in local government. It has an extensive selection of publications and opportunities for training.

Massachusetts Association of Assessing Officers, 241 Boston Post Rd West, First Floor, Suite 15, Marlborough, MA 01752
Telephone 774-249-8625
www.maao.org
An organization for individuals involved with assessment administration and appraisal. Its mission is to promote professionalism and encourage and provide education.

Massachusetts Collectors and Treasurers Association, 510 King St., Littleton, MA 01460-0006, Telephone 978-952-6644
www.masscta.com
This is the professional association for local treasurers and collectors. They conduct meetings throughout the year and have an annual conference. The group also sponsors training programs for its members.

Massachusetts Governmental Finance Officers Association (MGFOA), c/o Treasurer/Collector, 525 Washington Street, Wellesley, MA 02482. Telephone 781-431-1019 x 2260
www.mgfoa.org
This is the state chapter of the national GFOA. It is open to any municipal finance officer, and many directors of finance belong to this organization. They conduct meetings throughout the year and hold an annual conference. The parent organization conducts workshops across the country regarding municipal financial management.

Massachusetts Municipal Association (MMA), One Winthrop Square, Boston, MA 02110, Telephone 617-426-7272
www.mma.org
This non-profit special interest group lobbies on behalf of municipalities and provides technical assistance to cities and towns.

Massachusetts Municipal Auditors' and Accountants' Association, P.O. Box 982, Tewksbury, MA 01876 Telephone 978-841-8367
www.mmaaa.com
An organization that promotes professional accounting and financial management practices in Massachusetts.

Massachusetts Selectmen's Association, One Winthrop Square, Boston, MA 02110, Telephone 617-426-7272
www.mma.org
This association is under the MMA umbrella and provides assistance to selectmen through training, meetings and publications.

National Association of Towns and Townships, 1130 Connecticut Ave NW, Suite 300, Washington, DC 20036, Telephone 202-454-3954
www.natat.org
This association focuses on rural communities and small towns and provides technical assistance, educational services and policy support. Its research and training arm is called the National Center for Small Communities.

Association of Town Finance Committees, One Winthrop Square, Boston, MA 02110, Telephone 617-426-7272
www.mma.org
This association is under the MMA umbrella and provides assistance to finance committee members through training, meetings and publications.

Publications

Laws Relating to Municipal Finance and Taxation, DLS
This is a compilation of the most commonly referenced statutes for municipal finance into one book

Assessor's Handbook, DLS
This includes the instructional material for the DLS training course that assessors must complete within two years of election or appointment.

Manual for a Collector of Taxes, Massachusetts Collectors and Treasurers Association
This is a comprehensive description of the duties and responsibilities of tax collectors and includes relevant statutes and regulations.

Treasurer's Manual, Massachusetts Collectors and Treasurers Association
This manual is similar to the manual for collectors, but focuses on the position of the treasurer.

Informational Guideline Releases (IGRs), DLS
DLS publishes a series of releases regarding various topics of municipal finance law. Specific statutes or regulations are explained and sample forms are provided when appropriate.

Massachusetts Finance Committee Handbook, Association of Town Finance Committees
This manual explains in detail the role of the finance committee and is also a useful primer for municipal finance.

Finance Committee Primer, Edward Dlott and Patrick Hyland, Association of Town Finance Committees
A handbook and general primer regarding municipal financial issues written in a question and answer format.

In Our Opinion, DLS
DLS posts on its website a collection of legal opinions it has issued.

Levy Limits: A Primer on Proposition 2½, DLS
DLS has developed this primer to guide local officials through the mechanics of Proposition 2 ½.

Proposition 2½ Ballot Questions, DLS
This booklet explains Proposition 2½ referendum requirements and procedures.

Managing Small Towns, Brent Wilkes, Massachusetts Municipal Association
A basic primer for small town management with a chapter regarding municipal finance written in question and answer format.

Small Cities and Counties: A Guide to Managing Services, James Banovetz, ed., ICCMA
A practical and comprehensive text for small town management that contains a chapter regarding municipal finance.

Handbook for Massachusetts Selectmen, Jane Seagrave and Donald Levitan, Massachusetts Selectmen's Association
This manual describes the role of the selectmen and is a useful reference for local government management.

Developing a Capital Improvements Program, DLS
This manual has been prepared to assist Massachusetts municipalities in carrying out their responsibilities in planning, financing and implementing capital improvements.

Costing Municipal Services, DLS
This workbook presents the basic concepts and techniques of costing.

Municipal Calendar, DLS
The calendar is a quick reference tool for finance officials providing information for key dates in the municipal fiscal cycle.

Municipal Finance Glossary, DLS
This publication provides definition of common municipal finance terms.

Audit Primer, DLS

Audit Procurement Guide, DLS

CAMA Decision Kit, DLS

Cherry Sheet Manual, DLS
DLS developed this manual to guide individuals through the Cherry Sheet.

Implementing an Enterprise Fund, DLS

A Guide to Financial Management for Town Officials, DLS
DLS produced this guide to provide local officials with a general understanding of local government finance.

Municipal Data Bank, DLS
The Municipal Dank Bank colects, analyzes and distributes financial, demographic and economic data on Massachusetts cities and towns.

Note: This is a sampling of materials that are available for those who would like to pursue the topic of municipal finance.