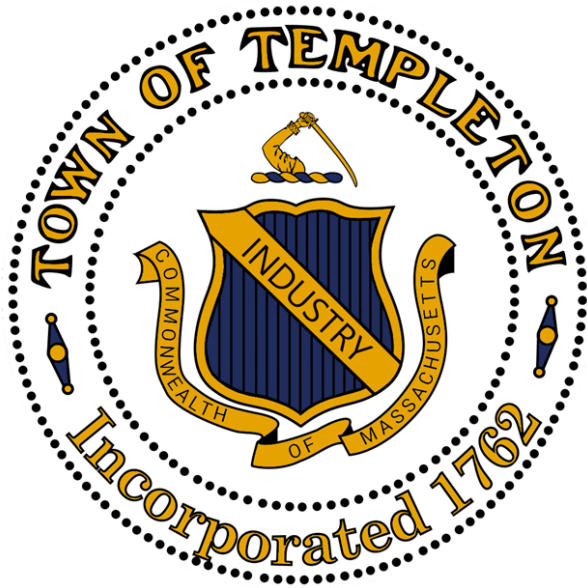


Municipal Finance 101



October 3, 2019

Common Terms of Municipal Finance

[As presented in the Voter's Guide.](#)

Fiscal Year:

Free Cash:

Retained Earnings:

Other Post-Employment Benefits (OPEB):

Stabilization Fund:

Capital Expense (CAPEX):

Operating (OPEX):

To be added: **Overlay**
 Recap Sheet

Others?

Budget Planning Philosophy

Budget is more than a spending plan:

It is the largest policy decision of the year answering ?s like:

What we shall provide for services?

How will we organize ourselves to do that?

What resources shall we allot to each unit?

Oft needs implementation policies/by-laws

Oft has a forward look pointing out things that need consideration during coming FY

So...

Titled:

Budget & Legislative Package

Budget Planning Outline (Varies a bit each year)

- BoS Retreat: Solicit Goals – [Changes to FMPs](#) September 4
- Draft out to Dep'ts for \$s and Timeline October 1
- Return from Dept's October 15
- Revenue and Budget Projections to BoS & AC October 23
- BoS Workshop Review Draft Rev/Exp & Goals November 6
- Input from AC Re: Rev/Exp November 18
- BoS Action Re: Projections; Goals; FMPs & Direction November 26
- Budget Guidance & Countdown to ATM December 1+/-
- Department Budgets Due In January 1+/-
- My Review - Three Rounds: General Discussion w/Questions and requests for Back-Up
Review Round of Info
Last Call
- Finalize and Present February 26
- BoS Action by 04/10

Municipal Finance 101

The Inverted Pyramid of a Town's Organization



Balanced Upon

Assessing Property Uniformly for Equalized Values
Assessors

Collecting Monies & Caring for Them
Treasurer/Collector

Accounting For the Monies We Spend
Town Accountant

Viewing these functions along w/budgeting & policy is municipal finance

Assessing

Three member board – elected for 3 yrs.

Must pass [Course 101 – Introduction to Assessment Administration](#)
w/in 2 years or can't act officially (Available to AC)

Assessing – Con't.

Assessing Property:

- Full Revaluation of Real Estate (R.E.) – every 5 yrs
- Interim Statistical Updates every yr w/only “Arms Length” Sales
- Must visit every property at least once every 10 years (Cyclical)

Full revaluation of Personal Property (P.P.) – every 10 yrs

P.P is taxable w/\$5k exemption

- Inventory, Furnishings, Equipment of Unincorporated Business
- Furnishings of 2nd home

Assessing – Con't.

CAMA – Computer Assisted Mass Appraisal

We have eight assessing districts or neighborhoods across which we deploy our various sales data and evaluation factors.

The purpose of a revaluation is to develop a set of property values that is uniform across the system within certain acceptable ranges

It is NOT a market value appraisal of each individual property as might be done for home sales, mortgages and the like.

Assessing – Con't.

LA-3: Sales Analysis must be approved by state as basis of our valuation

THIS CREATES OUR TAX BASE & BASIS OF TAX RATE SETTING

Next Comes:

LA-4: Classification is all Property Types of Real Estate, total parcel count of each class, the value of each and the Town's total for all R.E. (taxable or exempt) and P.P. Personal Property.

The total of Real and Personal Taxable Property is the figure that is used to calculate what \$1 raises on the tax

The LA4 must be approved by DOR DLS

Assessing – Con't.

LA13 New Growth – An element of Prop 2 1/2

The value of new construction or improvements to existing properties, splits in land and the like between January 1 of one year and December 30 of the current fiscal year times the tax rate of the current fiscal year which can then be used in the following fiscal year.

This also must be approved by the DOR.

Assessing – Con't.

Once all done comes the Classification Hearing (November)

- This is a hearing where the Assessor present their reason for a single or split tax rate in the town
- The Board of Selectmen vote for this classification & Town Clerk certifies it was published, a public hearing took place, etc
- LA-5 signed by BoS along with the Board of Assessors & submitted for approval to DOR

- **Tax Rate Recap Sheet** – A multi-department process

Board of Assessor - Town Accountant - Town Clerk

- When complete, submitted to DOR for approval of the Tax Rate
As little as a couple of days to several weeks for approval

Assessing – Con't.

Recap Sheet Includes Overlay:

- Overlay is monies raised to cover Exemptions, Abatements and Appellate Tax Board (ATB) cases that may be settled.
- The money for the Overlay Account is raised on the Tax Rate Recap Sheet, page 3, Section II, IId. Final amount per FMPs and a policy to maximize it following the straightforward math of the recap sheet maximizing
- Money can only be taken from this account for the above reasons only and with voted approval of the Board of Assessors. If at the end of the year there is an excess in the account, less any potential future liabilities, the Board of Assessors can vote to move the funds to an Overlay Surplus Account. **BEST PRACTICE is to cover one time costs**
- Any balance in this account stays in Overlay Excess. Yearly, at the Tax Rate Setting time, the OL1 (Overlay Worksheet) Report is submitted to the DOR DLS for review and approval.

Assessing – Con’t.

Miscellaneous:

- **PILOTS** (Payment in Lieu of Taxes) - Currently the Town of Templeton has 2 PILOT’s (Templeton Housing Authority (Baldwinville Road & City of Gardner (Various properties used by their Sewer Plant, Highway and Airport)
- **Solar Agreements** - Sunny Templeton LLC, a solar field on Farnsworth Road; increased yearly according to the . Started in January of 2017 w/ last billing in January 2036.
- **Exemptions:** The town offers the following for residents to be applied to their Real Estate Bills, once approved (Annual Process)
 - 17D Widow/Widower, Senior \$311.00
 - 41C Elderly \$500.00
 - 37 Blind \$437.50
 - Veteran 22 & 22E \$400.00 or \$1,000.00
 - Senior Work Off \$500.00

Limited reimbursement from state towards some of these

Assessing – Con't.

Finally:

CHAPTER 61 PROGRAMS (Often called Chapter Lands): Gives landowners an opportunity to reduce their property taxes in exchange for providing public benefits such as clean water, wildlife habitat, rural character, wood products, food and other outdoor recreational uses for specified periods of time.

Chapter 61 Forestry	(Minimum of 10 years with a Forestry Cutting Plan)
Chapter 61A Agricultural	(Minimum of 5 years)
Chapter 61B Open Space/Recreational	(Minimum of 5 years)

All Chapters have specific guidelines that must be followed. Failure to follow standards will result in the removal from chapter. As with all chapter lands, the town has the right of first refusal and/or receives a substantial penalty of rollback or conveyance taxes.

Assessing – Con't.

END RESULT:

W/Tax Rate in Hand and all values and exemptions set:

Assessors create a tax bill: December for Quarters 3 & 4 Truing Up the estimated bill sent out in June

AND

Commit it to the Tax Collector for Collection...

Assessing – Con’t.

Prop. 2 ½ DOES NOT limit what the tax rate will be & it DOES NOT limit what the individual tax bill will be

Proposition 2 ½ DOES limits the total amount of taxes you can levy upon property owners

As An increase over the prior FY

Plus

Any new growth

Plus

Over-Rides (Restricted to a purpose in Yr 1; after that – w/ certain exceptions – not restricted to that use)

Plus

Capital Exclusions as voted in a specific dollar amount

Plus

Debt Exclusions as voted as the amount “needed to service the debt” by language and not by a specific dollar

Less

Any Under-Ride

THERE IS A CEILING when 2 1/2 % of valuation is the actual amount levied. If under the spread is called excess levy capacity. Our excess levy capacity for FY ‘20 – or how much more we could raise if the Voters were to authorize it – is \$5.15M+/-.

Treasurer/Collector

Receives (by actual collection or by turnover from other Dept's) all monies owed to the Town

Upon receipt of commitment a "proof" is prepared and compared w/the Assessors to verify accuracy.

We collect quarterly but only mail 2 bills/year (2 coupons on the bill)

The second mailing for Q3 and Q4 goes out by the end of December: It includes additional information that is not available for the preliminaries, such as, new the assessed value, betterments or liens and exemptions if there are any.

Overdues accrue demand fees and interest at a rate of 14% (no grace periods)

Failure to receive a bill does not negate the tax.

Treasurer/Collector – Con't

Tax Liens: By Fall overdues are published w/time to pay; Those remaining overdue have a tax lien (a “taking”) placed upon them at \$75/per and the advertising costs.

Tax Taking: (Once 6 months passes can go to Land Court to foreclose the right of redemption (Think \$2k+/- and 12+ months)

(Then a one year period in which the owner can ask the court to vacate the judgment)

OR

Land Of Low Value Process (Cheaper but heavily regulated through DOR as well)

OR

An assignment sale of the liens (We've sold off all people were interested in back in '14)

THIS IS AN EXPENSIVE PROCESS BUT NOT FOLLOWING IT PILES UP PROPERTIES

Treasurer/Collector – Con’t

Collector Rate Chart:

Real Estate		FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Committed Balances		11,178,070	10,249,663	9,477,237	9,008,526	9,035,681
Payments collected		10,802,861	9,848,997	9,070,038	8,593,995	8,550,025
		0.966	0.961	0.957	0.954	0.946

Target is 98% by September 1 of each year of most recent FY and delinquents

Treasurer/Collector – Con't

Other Tasks:

- Process checks for payables monthly reconciling all checkbook and other accounts;
- Invest cash for maximum yields;
- Track and manage debt and related reporting (TA as CFO usually makes decision on when and how to place, State House Notes, BANs, General Obligation Bonds)
- Trust Funds: Awaiting action by the AG's Office to consolidate and simplify

Town Accountant

We follow

GAAP - Generally Accepted Accounting Practices

[UMAS](#) – Uniform Massachusetts Accounting Standards (w/variation centered around account numbers and budget structure)

And

[GASB](#) – Governmental Accounting Standards Board

Not a government agency and not obligatory but you ignore it at your peril and won't get clean audits.

Town Accountant – Con't

We use fund accounting – That is our monies are separated by the source or use:

General Fund - All financial resources except those required to be accounted for in another fund.

Enterprise Fund – For UMAS, accounts voted by Town Meeting under MGL Ch. 44, §53F½ or special legislation

Special Revenue Fund - Proceeds of specific revenue sources (other than major capital projects) restricted legally to expenditure for specified purposes such as Donation & Revolving Funds and Grants [See Narrative for GAAP AND GASB rules]

Capital Projects Fund - Financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Pension (and OPEB) Trust Fund - Assets of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans held by a government in a trustee capacity.

Private-Purpose Trust Fund - Trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.

Agency fund - Accounts for assets held by a government in a purely custodial capacity (bonds, PB peer review funds).

Town Accountant – Con't

- **Monthly Reconciliations**

- TA reviews financials and to questions or sign off
- Treasurer/Collector & Accountant reconcile 4 key areas
 - Sewer Receivables
 - Cash Book to Back Statements
 - Cash Book to General Ledger
 - GF Receivables w/T/C
- Report is reviewed and signed by BoS and sent to DOR.

Town Accountant – Con't

- **Quarterly Reports to BoS**

Finance Team prepares quarterly report of accounts and narrative

Draws attention to burn rates not trending w/calendar time elapsed

WE ARE CASH ACCOUNTING: MUST BE VIEWED THROUGH THAT LENS

Town Accountant – Con't

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Finance Team prepares quarterly report of accounts and narrative

Draws attention to burn rates not trending w/calendar time elapsed

WE ARE CASH ACCOUNTING: MUST BE VIEWED THROUGH THAT LENS

Town Accountant – Con't

- **Certified Free Cash** - Very time-consuming for T/C & Accountant.

Requires reporting:

Year End Cash on bank statements

Cash balances on general ledger

All balances owed for taxes in each levy and type.

Balances of the receivables on the general ledger.

Statement of Indebtedness

Snow and Ice Budget for the fiscal year

(**Critical** - Can't deficit spend if appropriation is lower than prior FY)

Remember – Free Cash spent in one FY is always product of prior FY

Town Accountant – Cont'd

Certified Free Cash - Very time-consuming for T/C & Accountant.

Requires reporting:

Year End Cash on bank statements

Cash balances on general ledger

All balances owed for taxes in each levy and type.

Balances of the receivables on the general ledger.

Statement of Indebtedness

Snow and Ice Budget for the fiscal year

Town Accountant – Cont’d

Once all discrepancies explained to and approved by DOR - the Balance Sheet

One for each of the 4 enterprise funds. Our target is 5% of the omnibus budget (less school debt).

	FY13 - FY17	FY 18	FY 19
Certified Free Cash	\$ 1,042,588.00	\$ 1,572,732.00	\$ 1,455,158.00
Deficits Settled 13/14/15		\$ (223,396.00)	
Snow & Ice Deficits 13/14		\$ (10,931.00)	
Recoup General Fund Betterment			\$ (107,500.00)
Balance Rolled Forward		\$ (181,692.00)	\$ (135,982.00)
School Building Permit		\$ (150,000.00)	
Normal & Ordinary Free Cash	\$ 1,042,588.00	\$ 1,006,713.00	\$ 1,211,676.00
Total Town Budget	\$ 13,697,536.00	\$ 14,945,873.00	\$ 15,268,589.00
Free Cash Percentage of Budget	7.61%	6.74%	7.94%

Town Accountant – Cont'd

Schedule A – A DOR requirement to report each year about the details of the towns financials.

- General Fund Revenues & Expenses
- Federal Grants Revenue & Expense
- State Grants Revenue & Expense
- Receipts Reserved for Appropriation Revenue & Expense
- Revolving Funds Revenue & Expense
- Other Special Revenue & Expense
- Capital Project Revenue & Expense
- Enterprise Funds Revenue & Expense
- Non-Expendable Trusts Revenue
- Agency Funds Transfers In and Transfers Out
- Cash and Investments
- Debt

Must tie out to balance sheet provided to the DOR for your Free Cash Certification balances. State can cut off local aid if not filed timely.

Other Things the Team Does

HR Functions of benefits

Supporting the Insurance Advisory Committee

Property, Liability and Worker's Compensation Insurance Packages

Fixed Assets Inventory

OPEB Valuations

As an FYI we believe this work realignment will continue to yield results while still being below prior staffing levels:

	FY '12	FY '20
	Hours	Hours
BoS - FT	2080	1976
BoS - FT	2080	-
PT	1566	1000
OT	416	130
Assessing - FT	2080	1976
PT	1014	1114
Accounting (1)	1040	3432
Treasurer	2080	1976
Collector	2080	1014
Collector	1060	1014
Total	15496	13632

Miscellaneous...

Other Resources...

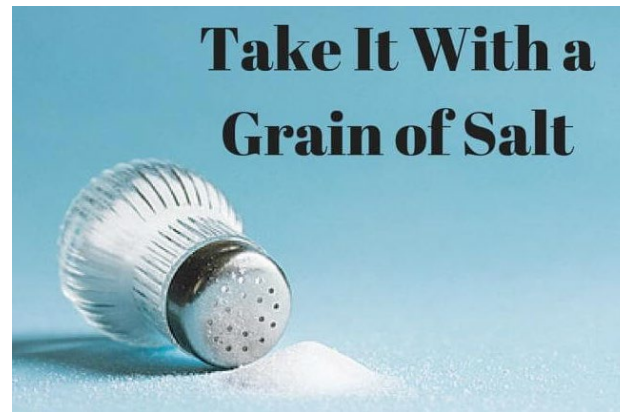
Massachusetts Department of Revenue (DOR) through its Division of Local Resources

[Informational Guidance Releases \(IGR\)](#)

AND

Association of Town & Finance Committees [Handbook](#) & Training

But...



Because these are general statewide comments and are oft localized by local policy or the Finance Team of that community based upon their professional judgment

In closing...

This was the proverbial Tip of the Iceberg but hopefully helpful

But...



Whether it's a term you think we should define and include in the voter's guide;

A provision on the Financial Management Policies; or a

A new practice or procedure you think we should look into...

Please let us know so we can consider it and advise you of our thoughts and actions.