



# Bulletin

---

2008-04B

## **FY2009 BUDGET ISSUES AND PROCEDURES**

TO:            Mayors and Selectmen      City and Town Managers  
                 Boards of Assessors        Exec. Secretaries and Finance Directors  
                 Auditors and Accountants    City Solicitors and Town Counsel  
                 Collectors                        Reg. School District Committees  
                 Treasurers                        Reg. School District Superintendents

FROM:        Gerard D. Perry, Director of Accounts

DATE:        March, 2008

SUBJECT:    FY2009 Budget Issues

---

This *Bulletin* addresses several issues that cities, towns, regional school and other districts may consider for FY2009 budget and accounting purposes.

### **Enterprise Fund Rule Changes and Clarifications**

The Bureau is preparing to release an update to its Enterprise Funds Manual. It will include changes and clarifications to Bureau guidance provided since last released in July of 2002. The Manual includes the Bureau's policies on the proper use of retained earnings, budgeting for indirect costs, how to adopt an enterprise fund, how enterprise funds are balanced and how to report events to the Bureau. At the end of the Manual are Frequently Asked Questions that I believe will be helpful to the reader. The release date is expected prior to June 30, 2008.

---

The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management. The Division regularly publishes IGRs (Informational Guideline Releases) detailing legal and administrative procedures) and the Bulletin (announcements and useful information) for local officials and others interested in municipal finance.

---

Post Office Box 9569, Boston, Mass. 02114--9569; Tel: 617-626-2300; Fax: 617-626-2330 <http://www.dls.state.ma.us>

## **FY2009 Motor Vehicle Excise and Investment Income Estimated Receipts**

The Bureau cautions local financial officials against over-estimating FY2009 receipts from Motor Vehicle Excise and Investment Income. For FY2009 tax rate certification purposes, the Bureau will review these estimates against FY2008 actuals and will reject any estimate deemed unreasonable.

## **Community Preservation Fund**

There are 127 cities and towns that have adopted the Community Preservation Act and are eligible for state matching grants in FY09. As a result of decreasing collections of fees at the Registry of Deeds and the increased number of communities participating in the program, the Division estimates that the balance in the state trust fund will be sufficient to provide a first round match of approximately 65 percent of the surcharge levied by each city and town. This will trigger a second round or equity distribution for those communities that have adopted the maximum three percent surcharge. With the equity distribution, the total state reimbursement for qualifying communities will increase to between roughly 66 percent and 100 percent, depending on the community's decile and total surcharge amount (See [www.mass.gov/dls](http://www.mass.gov/dls) for applicable decile). Please note that these estimates are subject to change if Registry collections decline further between now and September.

The state matching grants for FY2010 are projected to be considerably lower than the FY09 forecasted percentage given the downward trend in Registry fees and the expected balance in the state fund after the FY09 state match and equity distributions are paid in October of 2008.

## **Massachusetts School Building Authority (MSBA) Reimbursements**

Please refer to MSBA's website for a listing of FY2009 estimated payments. MSBA intends to post this information on its web page as in prior years. For FY2009 tax rate setting purposes, the Bureau will allow as an estimated receipt an amount (a) that is reported on MSBA's website, and/or (b) that is indicated via separate correspondence from MSBA in excess of the website amount. Be sure not to duplicate any estimated payment.

City, town and regional school district financial managers should review Division of Local Services IGR 06-101 for instructions on the receipt of payments and should be reminded to properly reserve/apply these payments if a debt exclusion has already been voted by the city or town.

## **Medicare Part D**

As a reminder, Medicare Part D payments, per the Governmental Accounting Standards Board (GASB), belong to the General Fund whether or not the city or town has a Claims Trust Fund. For FY2009 tax rate setting purposes, any city or town may estimate an amount for use on page 3 of the Tax Rate Recap. The estimated receipt should be reported as "Miscellaneous Non-Recurring", and will be reviewed by the Bureau using the same standard as other estimated receipts.

## **Self-Insurance Plans for Employee Health Insurance**

FY2009 is the final year for amortization of incurred but not reported claims (IBNR) for cities, towns and regional school districts in Claims Trust Fund deficit as of June 30, 2005. M.G.L. Chapter 32B §3A must be adopted to properly operate such a Fund accounted for in accordance with generally accepted accounting principles as established by GASB.

If the June 30, 2008 fund balance is not in deficit, no further amortization amount need be provided for in FY2009. If the June 30, 2008 fund balance is negative, the fund balance deficit amount only must be provided for.

## **Video Camera Monitoring of Motor Vehicle Violations**

The Bureau is aware that several communities are still considering use of video camera monitoring systems to identify motor vehicle violations. The Bureau is not aware of any state agency's final decision on the proper procedure for identifying and reporting these violations.

For FY2009 tax rate setting purposes as in FY2008, the Bureau will not allow an estimated receipt from this source until final decisions have been ruled upon and until the local government can document that it has properly employed them.

## **Sale of Real Estate (M.G.L. Chapter 44 §63)**

M.G.L. Chapter 44 §63 allows for the proceeds from the sale of real estate acquired by other than tax title foreclosure to be placed into an available fund for appropriation toward certain restricted purposes. In FY2008 as in prior fiscal years, the Bureau noted several communities using this revenue source as an estimated receipt on the Tax Rate Recap. These communities were required to remove the estimate from the Recap and in some cases to return to its local appropriating authority for corrective action.

As in prior fiscal years, the Bureau will not allow the Sale of Real Estate as an estimated receipt without special legislation.

## **Certification of City, Town, District and Regional School District Notes and Receipt of Audit Reports**

Audit Reports of cities, towns and districts are required if receipt of federal funds exceed threshold amounts promulgated by the federal Office of Management and Budget. Audits of regional school districts are required under provisions of M.G.L. Chapter 71 § 16A. Again for FY2009, the Bureau of Accounts will not certify revenue notes of a city, town, district or regional school district if a required audit for the period ended June 30, 2007 has not been submitted.

### **Other Amounts to be Raised – Appropriated**

During the tax rate approval process, the Bureau has noted several communities attempting to raise in the tax levy prior and current fiscal year deficit amounts. Please be reminded that State law allows for only certain deficits to be raised on the Tax Rate Recap without appropriation. Any other amounts being so raised must be supported by special legislation.

### **Free Cash Update and Non-Recurrent Distributions to Cities and Towns**

The Bureau will continue its policy to allow cities and towns an opportunity to request from the Director authority to reserve and appropriate non-recurrent distributions over a certain period of time through the free cash update process.

For cities and towns, State law permits inclusion of receipts attributable to prior years, principally collection of property taxes, up to March 31. This update to the amount previously certified provides additional spending authority based on such items, but must first be certified by the Director prior to appropriation. The Director will not certify an additional amount if use of such funds could, in the Director's opinion, result in a negative free cash as of the following June 30. Only one request may be made by a city, town or regional school district per fiscal year. If an amount is certified by the Director and a negative free cash as of the following June 30 results, the city or town may not request a similar update for the following fiscal year.

### **Regional School District Balance Sheet Required**

School districts must submit a Balance Sheet to the Bureau for certification of excess and deficiency as of June 30. Board of Education regulations indicate that if a Balance Sheet is not filed timely, the Commissioner of Education may request of the Commissioner of Revenue to withhold all or some part of the quarterly distribution of state aid for that school district until a Balance Sheet is submitted.

Please be reminded that State law and the Board's regulation require such a Balance Sheet to be submitted to the Bureau on or before October 31 of each year. Annual Bureau instructions indicate the submission requirements. Audited Balance Sheets are not required, but the submission must be in a format that will allow the Bureau to calculate an excess and deficiency amount.

### **Levy Limits on the Website**

FY2009 levy limits for budget planning purposes are available on the Division of Local Services' website. The levy limit calculation is the same as in prior fiscal years. Detailed instructions are available on the website. The instructions are updated to FY2009, but are in all other respects the same as in FY2008, except where noted on the cover page.

## **Budgeting for OPEBs**

The Bureau is aware that several cities and towns have been granted special legislation to create an account for OPEBs (Other Post-Employment Benefits). The Bureau, however, has not taken a position on any special legislation. Please be reminded of GASB's guidance that such an OPEB account be irrevocable in nature. Currently, there is no general law allowing the creation of such an account.

## **Gateway: FY2009 Tax Rates and FY2008 Schedule A's**

For Tax Rate and Schedule A form completion during FY2009, forms will be on-line for direct data entry, review, retrieval, signing and submission by authorized local officials. The data may then be entered once with immediate feedback on potential problems. At the same time, Gateway has an internal tracking system to more efficiently move workflow through the people involved in form approval.

Gateway was pilot-tested successfully in FY2008 and full implementation is scheduled for FY2009. For now, the Excel-based Recap and Schedule A programs will remain available.

## **Budgeting in Full Prior to Tax Rate Recap Certification**

The Bureau has received several questions as to whether a city or town budget has to be fully funded prior to Tax Rate Recap submission. In the Bureau's opinion, although events may occur after tax rate certification that require additional budget action, the city or town budget as reported on the Tax Rate Recap should represent final spending authority as budgeted and appropriated. Cities and towns should not submit the Tax Rate Recap for certification with the intention of funding the remainder of the budget as funds become available.

## **Pension Reserve Transfers and PERAC Approval**

Any city or town with a Pension Reserve Fund pursuant to M.G.L. Chapter 40 §5D and is considering a transfer from this fund pursuant to M.G.L. Chapter 32, §22 part 6A(b) must first receive permission from PERAC, the Massachusetts Public Employee Retirement Administration Commission. Any transfer reported on Schedule B-2 submitted with the FY2009 Tax Rate Recap indicating Pension Reserve as the transfer source must be accompanied by PERAC's written approval prior to tax rate certification.