

Millis Municipal Finance / Budget Glossary

Appropriation

An authorization granted by Town Meeting to expend money and incur obligations for specific purposes. An appropriation is usually limited in amount and the time period within which it may be expended.

ARPA Funds (American Rescue Plan Act)

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law and provided \$350 billion of funding to states, territories, tribal and local governments to respond to the COVID-19 public health emergency and its economic impacts. Eligible uses of the funds are as follows: water and sewer infrastructure, broadband infrastructure, public sector revenue loss, premium pay for essential workers, assistance to impacted workers, families, and businesses, and to support public health responses to COVID-19. Millis was allocated \$869,795.68 in ARPA funds from the Federal government and \$1,614,120 from Norfolk County.

Available Funds

Balances in the various fund types that represent non-recurring revenue sources. Examples of available funds are free cash, stabilization fund, and overlay surplus (all defined herein).

Bond

A written promise to pay a specified sum of money, called the face value or principal amount, at specified dates in the future, called the maturity date(s), together with periodic interest at a specified rate. Bond Anticipation Notes (BANs) are executed by the Select Board. The difference between notes (usually one year or two years in length) and a bond is that a bond runs for a longer period of time. Examples of projects Millis has recently bonded include: Clyde Brown School and Dover Road Water Main reconstruction.

Bond Rating (Municipal)

A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the city or town to make timely debt service payments. A bond rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Higher ratings usually mean lower interest rates are available to the town when it needs to borrow funds.

Capital Assets

All tangible property used in the operation of government which is not easily converted into cash and has an initial useful life extending beyond a year. Capital assets include land and land improvements, buildings and building improvements, machinery and equipment.

CARES Act Funds (FY20 and FY21)

The federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) provides federal funding to cities and towns to be directed towards helping alleviate pressure from COVID-19 related costs, including funding for first responders, PPE procurement, social distance learning, field hospitals, food assistance, and other related costs. Eligible Uses under federal law, eligible uses must meet three conditions. They must be:

1. “Necessary expenditures incurred due to the public health emergency with respect to COVID-19.” Funds may not be used to substitute for lost revenue
2. Not budgeted as of March 27, 2020 when the CARES Act was enacted and may not supplant state or municipal spending
3. Incurred on or after March 1, 2020, up to December 30, 2020

Chapter 70 School Funds

Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which state aid is distributed to Massachusetts towns through the Cherry Sheet (definition follows).

Chapter 90 Highway Funds

State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects based on a formula under the provisions of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage as certified by the Massachusetts Highway Department (MHD), local employment level derived the Department of Employment and Training (DET), and population estimates from the US Census Bureau.

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Local highway projects are approved in advance. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant.

Cherry Sheet

Named for the cherry colored paper on which they were originally printed, the Cherry Sheet is the official notification to cities, towns and regional school districts of the next fiscal year's state aid and assessments.

Collective Bargaining

The process of negotiating workers' wages, hours, benefits, working conditions, etc., who are represented by a recognized labor union.

Consent Agenda

Articles on the Consent Agenda are exceptions to the general process of Town Meeting. In every Town Meeting warrant the Select Board, in consultation with Town Counsel, the Moderator and the Finance Committee, identify those articles they feel should generate no controversy and can be properly voted without debate. These articles are put on the Consent Agenda to allow motions under these articles to be acted upon as one unit and to be passed without debate. At the call of the Consent Agenda, the Moderator will read out the numbers of the articles, one by one. If one or more voters object to any particular article being included in the Consent Agenda, they say "Hold" in a loud voice when the number is called. The article will then be removed automatically from the Consent Agenda and restored to its original place in the warrant, to be debated and voted upon in the usual manner. After the calling of the individual items in the Consent Agenda, the Moderator will ask for a motion that the voters pass all items remaining AS A UNIT on one vote. Use of the Consent Agenda process makes the Town Meeting more efficient by speeding up the handling of what are typically non-controversial items.

Debt Exclusion

An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from property taxes above the limits under Prop 2 ½.

Debt Service

The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any outstanding bonds payable by the Town of Millis and its departments.

DESE (Massachusetts Dept. of Elementary and Secondary Education)

Often pronounced as "Desi," this state agency governs strategic policy, professional licensing, Ch. 70 state funding, standardized testing and quality standards for public school education. In a fiscal budget context, DESE's compliance requirements and budgetary decisions greatly impact the Millis School District and decisions brought to Town Meeting by the Millis School Committee.

Deficit

The excess of expenditures over revenues during an accounting period.

Enterprise Funds

A separate accounting and financial mechanism for municipal services for which a fee is charged for goods or services. Enterprise funds allow surpluses to be used to reduce fees for the services or to pay for capital improvements. Millis has three Enterprise Funds: Water, Sewer and Stormwater.

Elementary School Building Committee (ESBC)

The Massachusetts School Building Authority (MSBA) as our State school funding partner, requires all districts in the funding pipeline for a new or renovated school to form a School Building Committee. Millis formed the Elementary School Building Committee (ESBC) on 7/29/14, which includes all member of the Permanent Building Committee (PBC), representatives from the School Committee, Board of Selectmen (or Select Board), Finance Committee, school officials, and one community member with a building construction background.

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Fiscal Year (FY)

Since 1974, Massachusetts has operated on a budget cycle that begins July 1 and ends June 30.

Fixed Costs

Costs that are legally or contractually mandated such as retirement, payroll taxes, insurance, and debt service.

Foundation Budget

The local town spending target imposed by the Education Reform Act of 1993 for each school district as the level necessary to provide an adequate education for all students.

Free Cash

Remaining, unrestricted funds from operations of the previous fiscal year. Unpaid property taxes reduce the amount that can be certified as free cash. Free cash must be certified by the State Bureau of Accounts and is not available for appropriation (use) until this is complete and communicated to the town. Free cash is offset by property tax receivables and certain deficits, and thus can be a negative number.

GAAP (Generally Accepted Accounting Principles)

These describe financial reporting practices that provide accountability between a government and its citizens, legislative, auditing, creditor and oversight bodies.

GASB (Governmental Accounting Standards Board)

This is independent organization establishes accounting and financial reporting standards that are recognized as authoritative and state and local governments. These standards are intended to provide transparent, useful financial reporting information to taxpayers, public officials and lenders.

Level Funded Budget

A "level funded" fiscal budget appropriates the same amount of money to each municipal department as the prior fiscal year. This is tantamount to a budget cut from the prior year due to increases in mandated annual fixed costs that are subject to inflation or contract negotiations (health insurance, special education, union/executive contracts with increases). A level funded budget usually results in cuts in personnel and services as well as cuts to the general municipal operating budget.

Levy

The amount a municipal government raises through the property tax. The new levy cannot exceed an annual increase of 2.5% in order to comply with "Prop 2 ½" (definition follows).

Local Aid

Revenue allocated by the Commonwealth to cities, towns, and regional school districts.

Local Receipts

Locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise tax, investment income, fees, rentals and charges

Minimum Local Contribution

The minimum that a city or town must appropriate from property taxes for the support of schools.

MS4 (Municipal Separate Storm Sewer Systems)

The U.S. Environmental Protection Agency (EPA) and the Massachusetts Department of Environmental Protection (DEP) regulate how small Municipal Separate Storm Sewer Systems (MS4s) obtain coverage under National Pollutant Discharge Elimination System (NPDES) general permits. The NPDES program controls water pollution by regulating sources that discharge pollutants to surface waters. These rules constitute an unfunded mandate from the federal and state government with which Millis is required to comply to "reduce the discharge of pollutants from the MS4 to the maximum extent practicable, to protect water quality, and to satisfy the appropriate water quality requirements of the Clean Water Act," referred to as the "MS4 permit standard".

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MSBA (Massachusetts School Building Authority)

This quasi-independent government authority whose mission is to partner with Massachusetts communities to support the design and construction of public school facilities. The MSBA, which has a dedicated revenue stream of one penny of the State's 6.25-percent sales tax, collaborates with municipalities to equitably invest in finding the right-sized, most fiscally responsible and educationally appropriate solutions to create safe, sound, and sustainable learning environments.

MUNIS Software

Munis is an Enterprise Resource Planning (ERP) software system designed to handle public sector needs. The software is designed to integrate different areas of administering Town departments and resources and is used by government agencies and schools. The MUNIS system manages financials, procurement, human resources, payroll, and revenues.

Net School Spending

School budget and municipal budget amounts attributable to education, excluding long-term debt service, student transportation, school lunches and certain other specified school expenditures. A community's net school spending must equal or exceed the requirement established annually by the DOE.

Non-Recurring Revenue Source

A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year.

OPEB (Other Post-Employment Benefits)

In addition to a salary, many town employees earn benefits over their years of service that will not be received until after their employment with the town ends. The most common type of these post-employment benefits is a pension. Post-employment benefits other than pensions generally take the form of medical insurance and other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as OPEB. Each public entity must account for and report OPEB in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.

OPEB Trust Fund

Massachusetts law allows a city or town to set up a special trust fund, the OPEB (Other Post-Employment Benefits) Liability Trust Fund, to function like a pension fund for town employees. The OPEB Trust Fund in Millis is managed by the town Treasurer and this outstanding liability by the town is reviewed annually. Once money is deposited into the OPEB account, it cannot be withdrawn for any other purpose. Based on analysis by the state and other auditors, the OPEB Trust Fund in Millis is significantly underfunded on the order of over \$30 million. Therefore, we are funding OPEB requirements for retired town workers on an as-you-go basis each year.

Overlay

An account established annually to fund anticipated tax abatements, exemptions and uncollected taxes. The overlay is not established by the normal appropriation process, but rather is raised on the tax recap sheet.

Overlay Surplus

Any balance in the overlay account of a given year in excess of the amount remaining to be collected or abated can be transferred into this account. At the end of each fiscal year, unused overlay surplus is "closed" to surplus revenue; in other words, it becomes a part of free cash.

Override

A vote by the community at an election to permanently increase the levy limit to support a specific capital initiative, e.g., the new Clyde Brown School. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

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Prop 2½ (Proposition 2 ½, MGL Ch. 59 §21C)

A state law enacted in 1980, Proposition 2½ limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations when compared to the prior fiscal year.

- The amount raised by property taxes cannot exceed 2½% of the value of all taxable property in the town
- The tax rate cannot be higher than \$25.00 per \$1,000 of valuation
- The property tax levy limit cannot be increase more than the 2½% over the prior year's levy limit, plus new growth and any overrides or exclusions, unless an override is approved by voters.

Quorum

The Millis Town Charter, effectively the constitution of our town, establishes that a quorum, or a percentage of registered resident voters, is required to conduct town business as Town Meeting. These percentages for a Quorum and required voting percentages for approval of Articles are defined in the Town By-Laws.

Reserve Fund

An amount set aside annually to provide a funding source for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from the reserve fund.

Recurring Revenue

A source of money used to support town expenses, which can be relied upon, at some level, in future years.

Revolving Fund

This is analogous to having separate savings accounts to collect inbound revenue in order that it be earmarked and/or reinvested by the sponsor committee or department, without the need for formal appropriation proceedings. For departmental revolving funds, MGL Ch. 44 §53E½ stipulates that each fund must be reauthorized each year at annual town meeting. The State establishes balance and spending restrictions.

Special Town Meeting

When an important decision must be brought to the voters, a Special Town Meeting may be called by the Select Board, by a signed petition by two-hundred registered voters, or as otherwise provided by MGL. All prevailing open meeting laws apply for advance notification. According to Millis Town By-Laws, 4% of then legal resident voters shall constitute a quorum for any business at Special Town Meeting, except that a number less than that may adjourn.

Stabilization Fund

A fund designed to accumulate amounts for capital and other future spending purposes, or for unforeseen and emergency purposes, although it may be appropriated for any lawful purpose. Millis' current Stabilization Fund Policy requires having at least 5% of General Fund Budget Expenditures in the Stabilization reserve as of June 30.

- If the Town does not meet the 5% goal, then funds shall be appropriated in subsequent Town Meetings to replenish the Stabilization Reserve to the 5% level. A minimum of \$50,000 per annual Fall town meeting shall be appropriated to the Stabilization Reserve to reach the 5% goal.
- If the 5% goal is met, then a minimum of \$50,000 shall be appropriated to the OPEB Trust Fund. If only a portion of the \$50,000 is needed for the Stabilization Fund, then the balance of the funds will be appropriated to the OPEB Trust fund.
- If use of the Stabilization Fund drops the fund balance below the 5% goal, then the town shall develop a funding schedule to re-attain the 5% goal within three years or less.

Stormwater Utility

In November 2017, Millis approved the creation of a stormwater utility fee in order to help the town pay for compliance with EPA and MassDEP clean water regulations. Like water and sewer utility fees, the stormwater fee pays into a separate stormwater enterprise fund. The funding in the stormwater enterprise fund may only be used for stormwater programs and administration. The Stormwater Utility Fee rates are assessed by square footage of impervious area on each property in Millis.

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Surplus Revenue

The total amount of cash, accounts receivable, and other assets that exceed liabilities and reserves, computed at the end of a fiscal year.

Town Meeting

This is both an event and an entity. As an event, attending "the Town Meeting" is to join a scheduled gathering of our town's eligible registered voters. When assembled, as "Town Meeting," these voters serve as the town's legislative authority to act upon, deliberate and vote on financial and bylaw decisions as the corporate decision stewards of the town. The State offers a downloadable handbook, *The Citizen's Guide to Town Meetings*, via the Secretary of State's web page: http://www.sec.state.ma.us/cis/cispdf/Guide_to_Town_Meetings.pdf

Voting

Open Town Meeting empowers *each* eligible voter to have an *equal* vote for each Warrant Article. These votes occur as directed by the Moderator and as described in *Town Meeting Time: A Handbook of Parliamentary Law*. The majority as renders each decision varies between: a) simple majority (budgeted spending); b) 2/3 majority (bylaws, borrowing, zoning, etc.); and c) 4/5 majority to authorize the payment of any bills unpaid from prior periods.

Warrant

An authorization for an action. A Town Meeting Warrant establishes the matters that may be acted on by that Town Meeting, the legislative branch of the town.

The Massachusetts Department of Revenue's expanded glossary can be found at

https://www.mass.gov/doc/municipal-finance-glossary/download?_ga=2.130041803.592443920.1592231586-1102096423.1557337561