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**City & Town** is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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## Excel Upload or Even One-Button Schedule A in Your Future?

**Dave Davies, Information Technology Unit**

The Annual City and Town Financial Report, Schedule A, is a year-end statement of revenues and expenditures by fund. The Division of Local Services (DLS) works with the United States Census Bureau to collect this financial data annually. The Schedule A represents one of the core data sets stored in the Municipal Databank and is used to compare like communities' spending, revenue, and fund balance trends. DLS has endeavored over the years to make submission as easy as possible, working with local finance officials on ideas and approaches. The Division's Excel-based Automated Schedule A was a highly popular program for entering and submitting required data, but required additional steps from DLS staff i.e. uploading Excel files and interacting with local officials when data errors complicated submission. The Excel version continues as a user aide, but changes in technology resulted in a decision to rely on DLS Gateway data entry for Schedule A submission. Local accountants and auditors expressed opinions on the ease of entering data into Gateway to their Bureau of Accounts representatives, and these opinions were an important agenda item at a recent

division-wide staff meeting.

The Division's strategic plan for FY2012-13 already contains a task to investigate methods of allowing Schedule A uploads from Excel. The complicating factor continues to be the DOR's network security. Any upload process has to ensure malicious code cannot be hidden in any files.

Concurrently, the Community Software Consortium (CSC) was actively engaged in building the first parts of a cloud-based integrated municipal financial system. The CSC with the town of Royalston secured a state Community Innovation Challenge grant for programming cloud-based assessing and collection, now nearing completion. The CSC with the town of Washington and other supporting communities has applied for a second round of funds to program the accounting and related payroll and treasury modules. The accounting proposal specifies the intention to build "one-button" Schedule A file generation for upload to DLS based on a standard specification that any other software vendor could build into their accounting application.

When the CSC became aware of DLS efforts to improve the functionality of Gateway for Schedule A submission, they voted to seek proposals for building a small program that any community could download to extract Schedule A data from the Excel-based program. The proposed program would put the data in an XML format that could be accepted for one-step upload in Gateway. That file could later be the standard for direct generation of a Schedule A upload file from accounting systems. Before committing the expenditure of funds for this purpose, the CSC needed to know that such a program would 1.) meet an important need in the majority of communities, and 2.) was a feasible approach for submission of data into the DOR network.

The CSC was keenly interested to learn the results of DLS's survey of Schedule A submitters. In a meeting last week, state programmers and DLS representatives established that all Schedule A-related plans are technically feasible. Despite limited programming resources and what will be a time-consuming process, a plan for the upcoming fiscal year is emerging.

What did the survey reveal?

DLS sent a Schedule A survey to 405 local officials on November 15<sup>th</sup>. 105 officials responded (26% of survey recipients or 30% of cities and towns).

- The majority of users found all parts of the Schedule A, with the notable exception of Part 3 Special Revenues, to be either "very easy" or "relatively easy" to enter into Gateway.
- 64% of users utilize the Excel Auto Schedule A in the annual process because it allows them to use formulas in cells, immediately recalculates, and is easier to review in total. Use of Excel beforehand, some point out, results in easier entry into Gateway as previously noted.
- Part 3 - "Special Revenues" is difficult because of the many sub-parts and the different Gateway format. The latter was dictated by programming constraints five years ago.
- Users report taking from two hours to three months to complete the Schedule A. The average number of days is five while the median number of work days is three.
- In comments, a wide range of opinions are expressed. The majority focus on maintaining the Excel version, allowing for an upload from Excel, and doing something about Part 3.

Our current strategies are:

1. To re-visit the Gateway format of Part 3 and seek to mimic the Excel and paper format with more horizontal scrolling. Re-formatting of Parts 2, 4, 5, and 6 would follow. We are also considering giving users a choice of either format at time of data entry.
2. To re-visit allowing external users to upload extracted data from Excel directly into Gateway. This will require complex new programs both on the user side and within Gateway. Understanding the importance of such an approach for local finance officials, the Community Software Consortium has contracted for a user-side program (downloadable off their website when all

other pieces are ready) that would extract a standard XML file from Excel. Accountant/auditors would then upload that file in one step to DLS Gateway, i.e. browse for the file in the Excel folder, select it, and click Upload. Users would then edit in Gateway as necessary, sign, and submit.

The CSC will provide the program to all communities at no cost. This published file standard could then be used by accounting system vendors for direct file generation from accounting software later on, cutting out the Excel step altogether. (It should be noted that the popular Excel feature of allowing local accountants to write formulas into our Excel program cells will still be forbidden for upload purposes. Upload programs cannot interpret formulas or functions. They need actual numbers.)

#### Cost/Benefit Analysis:

The survey results allow us to estimate the annual cost for communities in complying with the Schedule A submission. If the number of local hours involved are within the average (40) or median (24), then, depending on the hourly salary number you select, the annual analysis, data entry, and submission costs for all communities under the current approach are somewhere between \$250,000 and \$500,000. Arguably, eliminating triple data entry by re-enabling uploads from Excel-derived files would sharply reduce these costs, while eventual one-button upload files from the most popular accounting systems would virtually eliminate such time and expense.

#### Updates:

Because of the widespread interest in this subject among accountant/auditors and finance directors, DLS will endeavor to provide status updates as our plans progress through *City & Town* and at relevant conferences.

## **DOR Commissioner Pitter Discusses Potential Surge in December Revenues**

**Department of Revenue Commissioner Amy Pitter**

*(The following is an excerpt from Commissioner Pitter's December 11<sup>th</sup>*

*Consensus Revenue Hearing testimony. For her full remarks, please use the following link: <http://www.mass.gov/dor/docs/dor/stats/briefing-book/fy2014/fy14-testimony.pdf>*

**Question:** Are there any risks to your FY13 and FY14 estimates?

**Commissioner Pitter:** Yes, there are always risks to the estimates. We are hearing from the general news media that many large companies have been announcing and/or in the process of moving dividend distributions to this year in order to partially protect their shareholders from the impact of a possible rate increase next year. If the companies move dividends that they had originally planned to distribute from early next year to this year (2012), then we would probably not have a net revenue impact on FY13 revenue estimates (assuming an increase in 2012 payments with an equal decline in tax payments early next year). However, if the companies not only move ahead and distribute their originally planned dividends in 2012, but also increase the distribution amounts above what they were originally planning, then this could be considered an upside risk to the FY13 revenue estimates.

Although we have not heard much about the bonus related incomeshift in general news media, similar shift in bonus related activities could also have similar impact on FY13 revenues. These changes could affect our income estimated payments and/or withholding collections.

With respect to the capital gains related income, it is unknown at this time how investors are reacting to the possible rate increase that could occur as of January, 2013. If many more individuals, especially those who have been holding ten appreciated assets for quite some time, decide to sell those assets now (or before January 1st), we could see a surge in income estimated payments in December and January. This could potentially result in FY13 capital gains related tax collections to increase above and beyond what is assumed in our forecasts, and therefore it is an upside risk to the FY13 estimates. However, such response could potentially be considered a downside risk to the FY14 estimates, too (e.g., individuals would have fewer appreciated assets in the future and therefore less realized gains, which would mean less capital gains tax collections in FY14). Quantifying the impacts of such behavioral responses on revenues with a great degree of accuracy is almost

impossible. Those changes could affect income estimated payments in December and January; estimated payments and payments with returns and extensions during the filing season.

## **Average Single-Family Tax Bill Rose \$174 or 3.8 Percent in FY12**

**Bob Bliss - Director of Strategic Planning and Worcester and Springfield Office Manager**

The average single-family tax bill in FY12 increased \$174 or 3.8 percent in FY12, an increase in line with recent average increases of less than 4 percent, according to the Municipal Data Bank. The increase in average single-family tax bills is largely a reflection of Proposition 2 1/2, which allows for an overall annual tax levy increase of 2.5 percent plus new growth.

The average value of a single-family home in Massachusetts in FY12 was \$358,687, and the average property tax paid was \$4,711. For FY11, the average value was \$361,629, and the average property tax paid was \$4,537. For FY10, the average value was \$373,702 and the average property tax paid was \$4,390. For FY09, the average value was \$391,762 and the average property tax paid was \$4,250. For FY08, the average value was \$403,705 and the average property tax paid was \$4,110. For FY07, the average value was \$406,673 and the average property tax paid was \$3,962.

The decline in the average property value of single-family homes in Massachusetts since 2007 is due to the decline in home values resulting from the 2008 banking industry crisis and the ensuing Great Recession. Since FY2007, the average value of a single-family home in Massachusetts has declined 12 percent. During that same period, the average single-family home property tax has risen 19 percent.

Despite the decline in the average single-family home property value since FY2007, for the 10 years between FY2002 and FY2012, the average value has increased 52 percent, from \$236,229 in FY02 to \$358,687 in FY12. In that same period, the average single-family tax bill has increased

56 percent from \$3,015 in FY02 to \$4,711 in FY12.

The drop in the average value of a single-family home of \$2,942 from FY11 to FY12 is the smallest since values began their decline in FY2007, indicating that home values have started to stabilize.

## **New App, Commonwealth Connect, Will Empower Residents and Municipal Staff to Report Quality of Life Issues**

### **Executive Office for Administration and Finance**

On Monday, December 17<sup>th</sup>, the Patrick-Murray Administration and the City of Boston launched the Commonwealth Connect smart phone application based on the Citizens Connect app developed for use in the City of Boston by Mayor Menino's Office of New Urban Mechanics. The expanded App allows residents to report quality of life problems, such as graffiti and potholes, directly to the appropriate local government for resolution. Secretary of Administration and Finance Jay Gonzalez joined local officials at City Hall to announce details about this new application, available to thirty-five participating municipalities.

"As a Commonwealth, it is in our shared interest to provide communities with tools and resources to implement or improve regional services," said Lieutenant Governor Timothy Murray. "Commonwealth Connect is an innovative opportunity to collaborate, regionalize and help maintain local services that will be delivered more effectively and efficiently."

Funded by the Community Innovation Challenge Grant Program, the Commonwealth Connect app was inspired by the success of Citizens Connect, a mobile app launched in 2009 by Mayor Menino's Office of New Urban Mechanics. Today, 20 percent of all quality of life requests the City of Boston receives from its residents comes from Citizens Connect, resulting in more than 35,000 improvements in Boston neighborhoods. To use Commonwealth Connect, residents with smart phones will simply download the app

and launch it. They will snap a photo of the problem, note its location and submit it; the corresponding participating municipality will receive the request. The residents then get a tracking number for their case and can see when their issue is resolved.

"I am a strong believer that government is here to help people," Boston Mayor Thomas M. Menino said. "Through the success of Citizens Connect app, we have seen technology empower our residents, improve our neighborhoods, and help us deliver services that are not only more efficient but also more engaging."

The City of Boston is able to share Commonwealth Connect with other communities through funding from the Community Innovation Challenge grant program. Launched in the FY12 budget and administered by the Executive Office for Administration & Finance, this program invests in innovations that have the potential to lower costs and improve critical services through regionalization, new uses of technology, and improved management practices. In the first round of this program, 100 applications were received from 285 cities & towns, and 27 grants for a total of \$4 million were awarded. 138 communities are participating in the 27 projects.

"The Patrick-Murray Administration is committed to providing key resources and tools to support our cities and towns in managing through this fiscal crisis and beyond," said Secretary of Administration and Finance Jay Gonzalez. "Through regionalization of services, we are creating innovative opportunities for neighboring communities to build partnerships to deliver local services more effectively and efficiently."

Commonwealth Connect works seamlessly across participating municipalities. Residents can report issues using the same app in any of the 35 municipalities. In addition to a mobile app, participating municipalities, if interested, will also be provided with a web-based app that can be used on desktop computers and a work order management system to handle the requests. Through the grant, these products will all be provided to each municipality for three years for free. The app is expected to launch by the spring of 2013.

"In the last five years, the opportunities for government to engage citizens have radically changed, fueled by a

revolution in consumer electronics, social media, and smart phones," Boston Chief Information Officer Bill Oates said. "Commonwealth Connect is the next generation for these tools, an app that is not limited by municipal boundaries but one that is as dynamic as our residents."

Participating municipalities include Ayer, Barnstable, Braintree, Brookfield, Chicopee, Clarksburg, Easton, Everett, Fall River, Fitchburg, Framingham, Halifax, Haverhill, Holliston, Lexington, Malden, Medway, Melrose, Middleborough, Nantucket, New Bedford, Newton, North Adams, Northampton, Orange, Revere, Somerville, Taunton, Wakefield, Watertown, West Boylston, Westborough, Whitman, and Woburn. Fifty-eight municipalities applied to be part of the program; these municipalities were selected in this round based on geography and the strength of their applications.

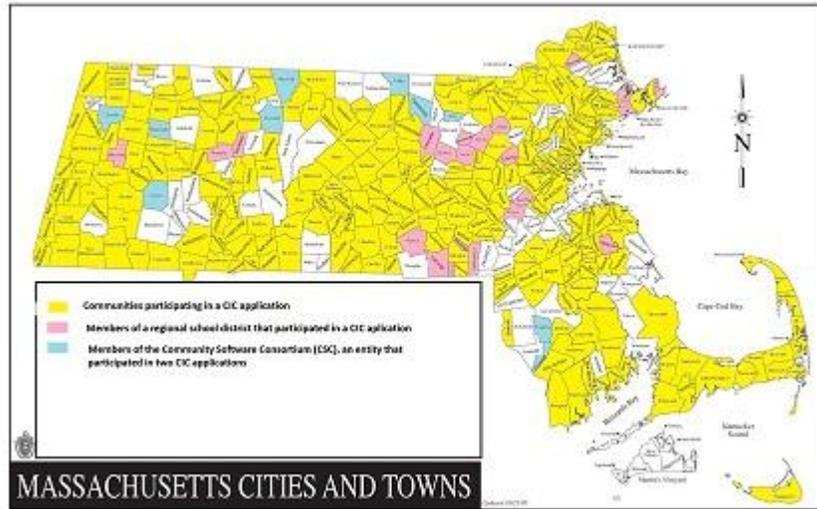
Commonwealth Connect is being developed in partnership between the City of Boston & See Click Fix. Based in New Haven, CT, See Click Fix is one of the pioneers of apps and services that allow residents to act on issues they see in their neighborhoods.

## **Catching Up with the Community Innovation Challenge Grants**

### **Executive Office for Administration and Finance**

In the FY12 budget, Governor Patrick proposed the development of the CIC grant program to encourage and incentivize regionalization and other innovative efficiency initiatives. The CIC grant program was supported by the Legislature, providing \$4 million for regionalization and other initiatives that will improve the effectiveness and efficiency in the delivery of local services. An additional \$2.25 million in funding for the program was provided in the FY13 budget.

Applications for the second round of this program, due November 30<sup>th</sup>, 2012, are currently under review and recipients will be announced in January 2013. In the second round of this program, 118 applications were received from 287 cities & towns. Below please find a map of communities participating in CIC grant applications:



## **December Municipal Calendar**

### **15 - Taxpayer - Deadline for Applying for Property Tax Exemptions for Persons**

If tax bills are mailed after September 15th, taxpayers have three months from the mailing date to file applications for exemptions.

### **15 - Accountant/ Superintendent/ School Committee - Submit Amendments to End of School Year Report to DESE**

Last filing date to impact next year's Chapter 70 State Aid.

### **31 - State Treasurer - Notification of Quarterly Local Aid Payments on or Before December 31st**

### **31 - Water/Sewer Commissioners - Deadline for Betterments to be Included on Next Year's Tax Bill (MGL Ch. 80, Sect. 13; Ch. 40, Sect. 42I and Ch. 83, Sect. 27)**

### **31 - Selectmen - Begin to Finalize Budget Recommendation for Review by Finance Committee**

### **31 - Assessors - Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners**

### **31 - Collector - Deadline for Mailing Actual Tax Bills**

For communities using the annual preliminary billing system on a quarterly or semi-annual basis, the actual tax bills should be mailed by this date.