

# TOWN OF SWAMPSCOTT MASSACHUSETTS

## FINANCIAL POLICIES MANUAL



Adopted June 2, 2021



## PREFACE

The Town of Swampscott is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, these financial policies provide guidance for local planning and decision making. The policies are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated as necessary.

With these policies, the Town of Swampscott, through its Select Board, Finance Committee, School Committee, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents and businesses
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- Promoting transparency, communication, and public disclosure
- Assuring accurate and timely reporting

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## FINANCIAL PLANNING

### ANTIFRAUD/RISK ASSESSMENT

#### PURPOSE

To protect the Town's assets and reputation from loss, misappropriation and abuse, this policy provides guidelines to provide for adequate insurance, risk management, and safeguards against fraudulent activities or any appearance thereof. Policy objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud;
- To communicate the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities;
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties;
- To provide guidelines for appropriate levels of insurance coverage designed to protect against risk of loss; and
- To provide regular risk assessment and monitoring procedures designed to target areas in which risk of loss is present and develop procedures designed to mitigate risk.

#### APPLICABILITY

This policy pertains to risk of loss through accident, fraud, abuse, or similar irregularity against the Town. It applies to all elected and appointed Town officials and employees and to any other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

#### POLICY

The Town is committed to protecting its revenue, property, information, and other assets from unacceptable loss, whether by accident or through negligence or willful actions of parties at the expense of the town. Town officials, employees and other persons acting on behalf of the Town must always comply with applicable policies, laws, and regulations. The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

Regardless of the vigilance of Town officials, occasions may arise where losses occur due to malicious intent, inadvertence, accident, or so called, acts of God. In these instances, it is necessary for the Town to provide for appropriate levels of insurance coverage at taxpayer expense to insure against such loss.

#### A. Definitions

**Any person acting on behalf of the Town** shall mean any person responsible for or to Swampscott's government and placed in that position by some official relationship with the Town.

**Abuse** can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records, or other resources
- Waste of public funds

**Fraud or other irregularity** refers but is not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

Every employee has the responsibility to assist the Town in complying with policies and laws and in reporting violations. The Town encourages the support and cooperation of all employees in meeting the Town's commitment and responsibility to such compliance.

Town officials and department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud, misappropriations, and similar irregularities. Management should be familiar with the types of improprieties that could occur within their areas of responsibility and be alert for any indications of such conduct.

The Town Administrator has primary responsibility for investigating all activity defined in this policy and will, to the extent practical, notify the Select Board of reported allegations of fraudulent or irregular conduct upon commencing the investigation. In all circumstances where there are reasonable grounds to indicate fraud may have occurred, the Town Administrator, subject to the advice of Town Counsel, will contact the Swampscott Police Department and/or the District Attorney's office. Upon concluding the investigation, the Town Administrator will report results to the Select Board and others as determined necessary.

#### C. Disclosure

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the Town Administrator will disclose such in writing to the federal awarding agency in compliance with the Office of Management and

Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Town Administrator will disclose this in writing to the bondholders.

#### D. Risk Assessment and Monitoring

When internal controls are initially implemented, they are designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and services, can add risks that previously did not exist. As a result, the Town must periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset loss. Risk Assessment (which includes Fraud Risk Assessment) is one element of internal control.

The Town Administrator shall bi-annually, at a minimum, identify certain management-level town officials who have extensive knowledge of the town's operations as a Risk Assessment Team. This Team should conduct interviews and lead group discussions with personnel and town volunteers who have knowledge of the town's operations, its environment, and its processes. The Risk Assessment Team shall consider the Town's vulnerability to loss and should address operations that involve heightened levels of risk. The Risk Assessment Team shall also conduct periodic assessments that should consider the following:

- What assets are susceptible to loss or misappropriation?
- What departments, activities or programs receive cash receipts?
- What departments, activities or programs have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow loss to occur and remain undetected?
- How could potential misappropriation of assets be concealed?
- What prior internal control issues could continue to be problematic?
- What existential threats to public assets exist, such as environmental threats, exposure, or other threats exists to public assets that could lead to losses?
- What level of insurance against such losses is appropriate?

Once the areas vulnerable to risks have been identified, a review of the Town's systems, procedures, and existing controls related to these areas should be conducted. The Town should consider what controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of identified risk areas must be performed in order to evaluate the controls that have been implemented.

#### E. "Whistleblower" Protection Procedures

The Town Administrator will create a set of procedures to be appended to this policy or incorporated by reference. The procedures should cover all the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities
2. Assignment of responsibilities in response to reported suspicions

3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

**REFERENCES**

[M.G.L. c. 149 § 185](#)

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## ASSESSING POLICIES

### PURPOSE

To ensure the Town timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (“tax recap”) process. A timely and accurate annual tax recap helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

### APPLICABILITY

This policy applies to the Select Board in its policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the tax recap process. It also applies to the related job duties of the Town Administrator, Town Accountant, Assessing Director/Assistant Assessor, Treasurer/Collector, and Town Clerk.

### BACKGROUND

The property tax levy is Swampscott’s largest source of revenue, which therefore makes the tax recap a vital component of the Town’s fiscal operations. The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with town meeting, involves many other local officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules present the Town’s annual budget plan for the fiscal year. They summarize all appropriations made by town meeting since the previous year’s tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves. The difference between these sources and the total budgeted appropriations must be raised through the property tax levy.

By completing the tax recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

### POLICY

At the Town Administrator’s direction, Swampscott’s financial team will annually complete the tax recap process no later than [November 30]. The Town Administrator will develop a realistic plan and timetable to meet these deadlines and keep the Select Board and Finance Committee apprised of progress.

#### A. Preparation and Town Meeting

A successful tax recap process starts with a balanced annual budget, valid funding sources, and proper town meeting actions, which will be accomplished as follows:

- The Select Board, in coordination with Town Counsel, will assure the production of a properly written town meeting warrant that will allow town meeting voters, under the Town Moderator’s oversight, to properly authorize annual budget appropriations funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization, etc.).
- The Select Board will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.

- The Town Accountant and Select Board will verify that the proposed budget is balanced.
- The Town Accountant will prepare a schedule of funds available for appropriation by town meeting.
- The Finance Committee will then conduct a comprehensive review of the budget as presented and approve said budget before presentation at town meeting.
- The Treasurer and Bond Counsel will ensure any debt issuance authorizations are proper.
- The Select Board will ensure that any proposal for a general override or a debt, capital, or special purpose stabilization fund exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

Whereas the budget is typically adopted at the spring annual town meeting, all appropriations and borrowings approved at this and any special town meetings not recorded in the previous tax rate must be included in the current tax recap process.

#### B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within two weeks after town meeting:

- The Town Clerk will record and certify the voting minutes of all town meetings held since the last tax rate was set.
- The Town Accountant will review the Town Clerk's certified town meeting minutes to ascertain all the voter-authorized appropriation amounts for the tax recap period.
- When the Town Clerk and Town Accountant are in agreement on the summarized appropriation totals by revenue category, the Town Clerk will enter the amounts into the DLS Gateway system (page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
  - enterprise estimated revenues and appropriations (Schedule A-2)
  - enterprise receipts and appropriations (Schedule A-2)
  - free cash used (Form B-1)
  - available funds used (Form B-2)
- When applicable, the Town Accountant will include free cash voted to reduce the current tax rate on page 2 of the tax recap.
- When applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

#### C. Tax Recap Entries done after the Fiscal Year-end Closing

Within two weeks of closing the books for the fiscal year, the Town Accountant will do the following to complete the tax recap:

- Report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap).
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap).
- Enter estimated local receipts using the revenue projections from the budget approved at annual town meeting (page 3, column (b) of the recap).

- Enter the actual enterprise revenues for the prior fiscal year (Schedule A-2)

#### D. Property Value Certification

Assessors must value all taxable real and personal properties and classify them into one of four classes (residential, open space, commercial/industrial, or personal) based on their use as of January 1. To do this, the Assistant Assessor will:

- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuations for real and personal properties by class in Form LA-4 (which Gateway then automatically imports into page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ in Form LA-13 (automatically imported into the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth in Form LA-13A (automatically imported into the Levy Limit Worksheet).

The Assistant Assessor will submit the above forms to DLS for review and certification.

#### E. Tax Rate Setting

After DLS has certified property values, the Select Board will hold a public hearing to decide tax policy. At this classification hearing, the Select Board may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading to this hearing, the following must be done:

- The Assistant Assessor and Town Accountant prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Town Clerk publishes an advance notice of the hearing and reports this on Form LA-5.
- The Select Board votes on residential, small commercial, and open space exemptions.
- The Select Board acknowledges excess levy capacity (Form LA-5).

#### F. Review and Submittal to DLS

The Board of Assessors, working through the Assistant Assessor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval. To do this:

- The Assistant Assessor and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Town Accountant will ensure that all budget authorizations are represented and accurately reconcile to the amounts reported in the tax recap schedules.

#### G. Tax Commitment Creation

After DLS notifies the Town that the tax rate has been approved, the Assistant Assessor will create a tax commitment list and warrant duly signed by the Assessing Board members and refer it to the Collector to generate the actual tax bills.

#### H. Excise Tax Assessment

Assessment of Excise Taxes are also administered by the Assessing Department of the Town of Swampscott. Excise tax data is received periodically from the Mass. Registry of Motor Vehicles based on vehicle registration data. When data files are received from the Mass. RMV, the Assessing Department shall upload the data into the Town's Excise Tax Billing & Collection System as soon as practicable and bills will be issued to taxpayers shortly thereafter.

Many individuals are eligible for certain statutory exemptions, and the Assessing Department will receive applications for such exemptions. Also, taxpayers are entitled to either partial or full abatements when they sell or dispose of vehicles once the registration is canceled with the Mass. RMV. The Assessing Department will administer such abatement requests and process them on a timely basis to ensure that taxpayers' excise tax bills accurately reflect registration data maintained with the Mass. RMV.

#### **REFERENCES**

[M.G.L. c. 40, § 56](#)

[M.G.L. c 40A, § 11](#)

[M.G.L. c 41, § 115A](#)

[M.G.L. c. 59 § 5C](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 59, § 25](#)

[M.G.L. c. 60A § 1](#)

DLS Training Publication: [New Officials Financial Handbook](#) and [Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate](#)

## **BUDGET DEVELOPMENT / FINANCIAL FORECASTING**

### **PURPOSE**

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating multiyear projections of revenues and expenditures as part of the annual budget process and long-term fiscal planning. This policy also provides a framework within which the development of the annual operating budget will take place.

Forecasting helps local officials understand the long-range implications of pending near-term decisions. In so doing, a multiyear forecast helps guide forward-looking budget processes that enable the community to avert potential deficits, promote long-term financial health, and strategize for capital investment and community development.

### **APPLICABILITY**

This policy applies to the Select Board, Town Administrator, and Finance Committee in their budget analysis and decision-making responsibilities.

### **POLICY**

To determine the Town's operating capacity for the immediate and future fiscal years, the Town Administrator or his designee will annually create a detailed forecast with ten-year projections of revenues and expenditures. The Finance Committee, Select Board, Capital Improvement Committee, and School Committee will use the forecast to support their decision making for the upcoming year's operating and capital budgets and for the Town's multiyear capital improvement plan. When preparing forecasts, the Town Administrator will analyze historical revenue and expenditure trends, develop a set of assumptions tailored to each revenue and expense category, and then use those assumptions to formulate the projections.

The Town Administrator will review the initial forecast and then provide it to the Select Board and Finance Committee for their review and comment. In addition, the Town Administrator will promptly revise the forecast projections whenever circumstances change and provide updated forecasts to the Select Board and Finance Committee.

Before creating an initial forecast as part of a new budget process year, the Town Administrator will review the performance accuracy of prior-year forecasts and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, town goals, and policy decisions.

#### **A. General Fund Budget Development**

##### **a. Guidelines for Revenue Assumptions**

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy for budget purposes shall be confined to increases of 2.0% per year, plus the mean average of the past five years' actuals of new growth revenue, but in no instance shall projected new growth exceed \$425,000.

- The above policy that is clearly below the provisions governing the levy limit, what should the policy be as it pertains to the excess levy capacity that inevitable results?
- In the event the Town Administrator determines the aforementioned constraint is insufficient to meet the budgetary needs of the town in any given fiscal year, the Town Administrator may request the Select Board vote to authorize a budget that exceeds the above constraints, provided the tax levy is computed within the expected Proposition 2 ½ limitations.
- Local aid projections will correspond with economic cycles, while Chapter 70 educational aid will reflect trends in school choice, enrollments, tuition, and charter assessments.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- Grant revenues will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

b. Guidelines for Expenditure Assumptions

Annually, the Town Administrator, will determine a particular budget approach for forecasting expenditures, either a zero-based budget, maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department).

- A maintenance budget (level service) projects the costs needed to maintain the current staffing level and mix of services into the future.
- A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because of inflationary pressure on prices as well as increases in mandated costs and other fixed expenses.
- A zero-bases budget is a method of budgeting in which all expenses must be justified for each new fiscal year. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming fiscal year regardless of whether each budget is higher or lower than the previous year.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will be evaluated annually to determine the approach to budget development.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Projections will factor cost-of-living adjustments for the salaries/wages of regular employees.
- The Town will annually meet or exceed the Department of Elementary and Secondary Education's net school spending requirements.
- The Town will pay its annual pension contributions.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

B. Guidelines for FTE Review

Annually, the Town Administrator, will determine the staffing needs of the town for the upcoming fiscal year through a Full-Time Equivalency (FTE) Analysis. This analysis will analyze existing staffing

levels, review anticipated retirements or other expected position vacancies, and determine whether the projected staffing levels will be sufficient to service the needs of the town.

The Financial Forecast will include a reference to the FTE Analysis.

In the event projected staffing levels are, in the opinion of the Town Administrator, insufficient to service the town's needs, the Town Administrator will notify the Select Board and the Finance Committee of the need for additional staff and a plan for covering the salary and benefit expenses associated with such additional staff.

### C. Annual Operating Budget Timeline

There is a summarized annual operating budget calendar provided in Appendix B that illustrates in sufficient detail the expected timeline that the Town Administrator will be expected to comply with in developing the annual operating budget.

The key dates that are expected to be met are as follows:

- 4<sup>th</sup> Friday of January each year:
  - Preliminary Town Administrator's Budget to be released to Select Board and Finance Committee members for comment to be returned to the Town Administrator.
- 1<sup>st</sup> Select Board Meeting in February each year:
  - Town Administrator will be expected to present the recommended operating budget for the upcoming fiscal year and should be available for questions/comments.
- Last Select Board meeting in February each year:
  - Town Administrator will be expected to present the final recommended operating budget for the upcoming fiscal year.
- Finance Committee budget review; March – April each year:
  - Town Administrator should expect to be available to the Finance Committee for its annual review of the recommended operating budget
  - All other financial warrant articles should be shared with the Finance Committee on a timely basis to allow for adequate review prior to town meeting.
- 3<sup>rd</sup> Monday/Tuesday in May; Annual Town Meeting each year:
  - Town Administrator should expect to be able to answer questions/provide comments at town meeting each year on the operating budget.

### D. Revolving Funds

See Revolving Funds section under Operations.

### E. Enterprise Funds

#### a. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of enterprise fund revenue shall be conducted at least annually and shall be developed to ensure that each enterprise fund operates on at least a break-even basis.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

b. Guidelines for Expenditure Assumptions

Annually for the Enterprise Funds, the Town Administrator, will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because of inflationary pressure on prices as well as increases in mandated costs and other fixed expenses.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will be evaluated annually to determine the approach to budget development.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Projections will factor cost-of-living adjustments for the salaries/wages of regular employees.
- The Town will annually meet or exceed the Department of Elementary and Secondary Education's net school spending requirements.
- The Town will pay its annual pension contributions.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

**REFERENCES**

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

DLS Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

## CAPITAL PLANNING

### PURPOSE

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

### APPLICABILITY

This policy establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Select Board, Finance Committee and Capital Improvement Committee (CIC). It also applies to related job duties of the Town Administrator and other officials charged with development of the capital plan.

### POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

In accordance with the Town Charter and Bylaws, the CIC is charged to oversee the Town's capital improvement program. This involves identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations. The CIC is appointed by the Town Moderator and consists of 5 registered voters of the Town. The Town Administrator, Director of Public Work, and at the discretion of the Town Moderator one other 1 additional town employee serve as ex-officio, nonvoting, members of the CIC.

#### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$20,000 and to have or to extend three or more years of useful life. These include:

- Real property acquisitions and construction
- Long-life capital equipment
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Major improvements to physical infrastructure, including streets, sidewalks, sewer systems, and stormwater drains
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under long-term capital leases
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years and aggregated cost exceeding the \$20,000 capital threshold.

### B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator, or his designee, will maintain and annually update a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates. To do this, Department Heads will provide, on an annual basis, an inventory of capital assets of each department for comparison to the fixed asset listing provided by the town's auditors. These submissions will then be used to update the capital asset inventory and submit a copy to the CIC, Finance Committee, Select Board, and Town Administrator.

### C. Evaluation of Annual Capital Project Requests

The Town Administrator or his designee will solicit new capital project requests from all department heads, boards, and committees at a point prior to the annual operating budget process. These capital project requests will then be compiled, along with capital projects planned from prior year capital planning, into a recommended Capital Plan.

This recommended plan will be submitted to the CIC, which shall conduct a public process to review the projects submitted. The CIC shall prioritize the project requests by applying the scoring methodology spreadsheet recommended by The Collins Center. The following criteria, as outlined in the scoring spreadsheet, therefore provides the objective framework upon which the CIC shall base its analysis of the project requests:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports adopted plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Makes better use of a facility or replaces a clearly obsolete one
6. Maintains or improves productivity or existing standards of service
7. Uses outside financing sources, such as grants
8. Directly benefits the Town's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

### D. Multiyear Capital Improvement Plan

The capital improvement plan (CIP), including the upcoming fiscal year's capital budget and a minimum of a five-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources will be updated annually. The CIC will then submit a report of the plan to the Select Board for consideration and approval. Subsequently, the Board will submit its approved recommended capital budget for the upcoming fiscal year to the annual town meeting for adoption by the Town. The CIC's report and the Selectmen's recommended capital budget will be published and made available in a manner consistent with the distribution of the Finance Committee report. The CIC will deposit its original report with the Town Clerk.

### E. Capital Financing

To aid the CIC in making its final decisions, the Town Treasurer will annually prepare and submit to the committee a fund utilization forecast detailing the funds available for financing capital projects over the course of the time covered by the CIP.

The CIP shall be prepared and financed in accordance with the following principles:

- Short-term debt may be used to fully finance purchases with useful lifespans of 3-5 years.
- In accordance with Swampscott's debt policy, the Town will restrict long-term debt funding to projects with lifespans greater than 5 years.
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent feasible, all capital projects associated with the Town's enterprise funds operations (i.e., Sewer, Water & Cable TV) shall be financed from user fees and other enterprise fund revenue.

### REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

Division of Local Services (DLS) Best Practices: [Presenting and Funding Major Capital Projects](#) and [Special Purpose Stabilization Funds](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

## DEBT MANAGEMENT

### PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, sustain capital investment capacity, and maintain or enhance the Town's bond rating so as to achieve long-term interest savings.

### APPLICABILITY

This policy applies to the budget decision-making duties of the Select Board, Town Administrator, Finance Committee, Capital Improvement Committee. Further, it applies to the debt management responsibilities and budget analysis and reporting duties of the Town.

### POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law.

#### A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law ~~and qualify for tax-exempt bonds~~ and only when the financing sources have been clearly identified.
2. Use unexpended bond proceeds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that have at least 5 years of useful life or whose useful lifespans will be prolonged by at least 5 years.
4. Consistent with state law, refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.

#### B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to no more than 10 percent of general fund revenues, with a target balance of 5 to 7 percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

### C. Structure and Terms of Debt

The following shall be the Town's guidelines on the structure and terms of all debt:

1. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than 20 years, except for major buildings, land acquisitions, and other such purposes where the useful life of the capital asset will exceed 20 years.
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
5. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

### D. Bond Refunding

To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding the Town will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

### E. Bond Credit Rating

To obtain and maintain a favorable bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

### F. Reporting

1. The Town Treasurer will report to the Select Board, Finance Committee, and Town Administrator on the Town's debt status at least annually.
2. The Town will include an indebtedness summary as part of a report on receipts and expenditures in Swampscott's Annual Town Report.
3. The Town will file the annual audit and official disclosure statement within 180 days of the end of the fiscal year.

**REFERENCES**[M.G.L. c. 41, § 59](#)[M.G.L. c. 41, § 61](#)[M.G.L. c. 44, § 4](#)[M.G.L. c. 44, § 6](#)[M.G.L. c. 44, § 6A](#)[M.G.L. c. 44, § 7](#)[M.G.L. c. 44, § 8](#)[M.G.L. c. 44, § 17](#)[M.G.L. c. 44, § 19](#)[M.G.L. c. 44, § 20](#)[M.G.L. c. 44, § 21A](#)[26 USC § 148](#)

DLS Best Practice: [Understanding Municipal Debt](#)

DLS Borrowing Guidelines: [Asset Useful Life - Borrowing Limits](#)

DLS Informational Guideline Releases 17-21: [Borrowing](#) and 17-22: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

Government Finance Officers Association Best Practice: [Refunding Municipal Bonds](#)

Internal Revenue Service Guidance: [Arbitrage Guidance for Tax-Exempt Bonds](#)

## FINANCIAL RESERVES

### PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Swampscott can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in extreme circumstances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

### APPLICABILITY

This policy pertains to the short- and long-range budget decision-making duties of the Select Board, Town Administrator, and Finance Committee.

### POLICY

The Town is committed to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues.

In total for the two general fund categories of reserves under this policy, the Town will strive to maintain a minimum funding level of 12 to 15 percent of the annual operating budget.

#### A. Free Cash

The Division of Local Services (DLS) defines free cash as the remaining, unrestricted funds from operations of the previous fiscal year, including any unexpended free cash. DLS must certify free cash before the Town can appropriate it, and it must be appropriated before June 30.

As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies), as opposed to recurring operating costs.

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of 3 - 5 percent of the annual general fund budget. The Town may appropriate any excess above this target range to build reserves, offset unfunded liabilities, or make capital purchases. Further, the Town will carefully and critically analyze using free cash as a revenue source "to reduce the tax rate," since this is equivalent to it being used to fund current operations.

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes. Although [M.G.L. c. 40, § 5B](#) allows a community to establish one or more stabilization funds to accumulate funds for specific purposes, Swampscott currently has a general stabilization fund and a capital stabilization fund.

The Town will endeavor to maintain a minimum balance of 9 to 10 percent of the current operating budget in the general stabilization fund. Appropriations from the general stabilization fund should only be used to mitigate emergencies, or for other unanticipated events that cannot be supported by current general fund appropriations. Whenever possible, withdrawals of funds should be limited to the amount available above the 9 percent minimum reserve target level.

The Town will endeavor to maintain a minimum balance of 2 to 4 percent of the current operating budget in the capital stabilization fund. Withdrawals from the capital stabilization fund should only be used to make emergency repairs or to replace capital assets that are unexpectedly damaged or destroyed when insurance proceeds are insufficient to provide adequate emergency repairs or replacement. Whenever possible, withdrawals of funds should be limited to the amount available above the 2 percent minimum reserve target level.

If any necessary withdrawal drives the balances below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

#### C. Enterprise Fund Retained Earnings and Receipts Reserved Surplus

The Sewer, Water and Cable TV finances are managed under enterprise funds. Accounting for the revenues and expenditures of these operations separately from the general fund allows the Town to effectively identify each operation's true service delivery costs—direct, indirect, and capital—and set user fees at a level sufficient to recover them. Under this accounting, the Town may reserve each department's generated surplus (referred to as retained earnings), rather than closing the amount to the general fund at year-end.

For the enterprise funds, the Town will maintain reserve amounts at 20 percent of total budget at a minimum, but this reserve target may be significantly higher if major infrastructure improvements are necessary. These reserves will be used primarily to fund major, future capital projects, but may also be used to provide rate stabilization. To maintain the target reserve levels for each enterprise requires the Select Board and Town Administrator to periodically review, and when necessary, adjust user rates.

#### D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of reserves, this policy does not set a consistent, specific funding target for it. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Select Board an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the overlay balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare it as surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

**REFERENCES**

[M.G.L. c. 40 §5B](#)      [M.G.L. c. 59 §25](#)

DLS Best Practices: [Free Cash](#) and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 17-20: [Stabilization Funds](#) and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#)

## INDIRECT COST ALLOCATION/ENTERPRISE FUNDS

### PURPOSE

To apportion all the indirect costs associated with the Town's enterprise funds in an equitable manner that reflects their true shared costs, this policy provides guidelines for calculating and allocating those costs.

Under authority established in [M.G.L. c. 44 §53F½](#), the sewer, water and cable tv enterprises are managed and accounted for separately from the general fund, and each has its own financial statements. Consolidating these programs' direct and indirect costs, debt service, and capital expenditures into segregated funds allows the Town to demonstrate to the public the true, total cost of providing these utilities.

### APPLICABILITY

This policy applies to the budgetary functions of the Town Accountant, Director of Public Works, and Cable TV Coordinator. Further, it encompasses the enterprise-related administrative functions of the Town Accountant, Treasurer/Collector, Human Resources and Town Administrator Departments.

### POLICY

As part of the annual budget process, the Town Accountant will calculate the indirect costs to the general fund of the enterprise fund operations and review the calculations with the DPW Director, Cable TV Coordinator and Town Administrator, who will provide them to the Select Board for approval. Based on the results, the Town Accountant will record transfers between the relevant funds by June 15 each year. The Town Accountant will maintain written procedures detailing the costs and calculation methodologies.

#### A. Cost Categories

The calculation of indirect costs will consider each enterprise's personnel expenses budgeted in the general fund. Also accounted for will be certain administrative services performed on behalf of the enterprises by other departments, namely:

- Accounts payable and general ledger services provided by the Accounting Department
- Receipt processing, banking, investment, tax title, and payroll services provided by the Treasurer/Collector Department
- Human Resources and benefits administration services provided by the Human Resources Department
- Executive Administration, procurement and risk management services provided by the Town Administrator department

For these expenses and those listed below, the Town Accountant will calculate indirect costs based on the most recent fiscal year's appropriations and using either the actual, proportional, estimated support, or transactional methodology, as each is outlined below:

The following expenses will be included (as appropriate) in the calculations for each enterprise:

- Benefits for active and retired employees, including insurances, Medicare tax, unemployment, and workers’ compensation
- Pensions
- Vehicle insurance
- Property insurance
- Independent audit services
- Actuarial services
- Legal services
- Information technology expenses
- Other costs that may be considered, agreed to, and documented

B. Explanation of Calculation Methodologies

1. **Actual cost**, as the term implies, involves the identification of specific costs attributable to the enterprise based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of each enterprise’s net-of-debt budget as percentage of the total combined net-of-debt budget of that enterprise and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each town department that provides support to that given enterprise or against the total cost of the specific type of expenditure.
3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the average time spent to support a particular service). For example, the Town Accountant is estimated to spend an average of two hours weekly, or 10 percent of work time, on enterprise-related activities (e.g., creating warrants, bookkeeping). This percentage is applied against the department’s or official’s salary and benefits, including health and life insurance, Medicare, retirement and any workers’ compensation.

$$\frac{\text{Hours worked on enterprise activities per year by individual(s)}}{\text{Total hours worked per year by individual(s)}} \times \text{Salary and benefits of individual(s) working on enterprise activities} = \text{Indirect Departmental Salaries}$$

Any department’s or official’s expenses related to enterprise activities are charged directly to the enterprise budgets.

4. The **transaction-based** method is calculated based on the number of transactions attributed to a service as a percentage of the whole. An example would be the enterprise’s total number of receipts processed by the treasurer/collector’s office as a percentage of the total number of town-wide turnovers received. This percentage is applied against the Treasurer/Collector’s total budget, including health and life insurance, Medicare, retirement, and any workers’ compensation attributable to the department.

$$\frac{\text{Number of Enterprise transactions}}{\text{Total number of transactions processed by the department}} \times \text{Total budget plus benefits of the department processing the} = \text{Indirect Departmental Salaries}$$

enterprise  
transactions

C. Calculations by Cost Category [This section should be expanded when calculation methodologies are established for other categories.]

**1. Health and Life Insurances**

Indirect costs for health and life insurances will be calculated using the actual cost method by adding up the actual amounts paid by the Town for the participating Enterprise employees during the current fiscal year.

**2. Medicare**

The Town's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual method and based on employee W-2s, the indirect costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of each eligible Enterprise employee during the preceding calendar (not fiscal) year.

**3. Retirement**

Indirect pension costs will be calculated using the actual method. The Town's total annual contributory retirement assessment payable to the Swampscott Retirement Board is multiplied by the respective proportion of actuarially determined retirement costs per each enterprise operation's biennially calculated valuation for the current fiscal year.

**4. Debt Service**

Debt Service costs will be based on the actual method. Each enterprise will be directly charged for the actual cost of that year's principal and interest payments associated with the enterprise and based on the town's debt management schedule.

**5. Administrative Services**

The indirect costs for enterprise-related administrative services performed by the Accounting, Treasurer/Collector, Town Administrator, and DPW Departments will be calculated using the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for the enterprise department. Postage costs associated with mailing enterprise bills will be based on the transaction method and will be based on a percentage of the Treasurer/Collector's total postage costs in cases where postage is not directly charged to the enterprise.

**6. Shared Facilities**

The building upkeep costs incurred by general fund departments will be calculated by the estimate of support method. It will be based on an estimate of the percentage of total building costs that enterprise fund operations incur on the general fund facilities and personnel costs.

**REFERENCES**

DLS Informational Guideline Release 08-101: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Full Cost Accounting for Government Services](#)

## INVESTMENTS – GENERAL POLICY

### PURPOSE

To ensure the Town's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

This Investment Policy shall not apply to the Other Post-Employment Benefits Trust Fund, which is governed under a separate Investment Policy (see next section below).

### APPLICABILITY

This policy applies to the Treasurer's duties to manage and invest Town funds. If the Town contracts with any investment advisor(s), the Treasurer will provide this policy to them and verify compliance. The policy's scope pertains to all short-term operating funds and to all long-term reserve, investment, and trust funds, with the exception of the Town's retirement fund, which is managed and invested by the Swampscott Retirement Board.

### POLICY

The Treasurer will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer will manage all investments so as to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

#### A. Investment Objectives

In priority order, the Treasurer's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the Town's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., OPEB Trusts, stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer may pool any individual funds that are invested in the same institution while also maintaining each fund in its own account so as to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer’s control unless otherwise directed by their particular donor(s). The Treasurer, with the approval of the Town Administrator and the Select Board may adopt an investment policy statement separate and apart from this policy that applies to such trusts or other long-term funds, and such investment policy statement shall apply to such investment portfolios.

#### B. Conflict of Interest

The Treasurer is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Select Board any large personal financial investment positions or loans that could be related to the performance of the Town's investments. Further, when contracting for any investment services, the Treasurer will adhere to requirements under [M.G.L. c. 30B](#) and the Town’s Procurement Conflict of Interest policy.

#### C. Investment Instruments

Under this policy, and in compliance with state statutes, the table below defines allowable investment instruments and guidelines.

<b>Instrument Type</b>	<b>Short-term Funds</b>	<b>Long-term Funds</b>
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The <a href="#">Massachusetts Municipal Depository Trust (MMDT)</a> , the State Treasurer’s investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations

Instrument Type	Short-term Funds	Long-term Funds
Bank-issued repurchase agreements (“repos”) secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.
Money market mutual funds	<ul style="list-style-type: none"> <li>▪ Must be registered with the Securities and Exchange Commission (SEC)</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> <li>▪ These are liquid investments, so maturity term is not applicable</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must be registered with the SEC</li> <li>▪ Must have the highest possible rating from at least one rating organization</li> </ul>
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> <li>▪ The Town’s aggregate amount of long-term funds must exceed \$250,000 to invest in these.</li> <li>▪ Investment in mortgages, collateral loans, and international obligations is prohibited</li> <li>▪ Cannot invest more than 1.5% of a particular fund in the stock of any single banking or insurance company</li> <li>▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks</li> </ul>

**Note:** This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors and Treasurers Association’s sample investment policy statement. The reason is that the MA-chartered banks’ depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state’s Depositors Insurance Fund. However, funds placed in these banks’ mutual funds or annuity products are not covered by either insurance, and the Treasurer must manage those and any other type of investments in accordance with other applicable provisions of this policy.

D. Risk Tolerance Guidelines

The Treasurer will employ the following strategies to mitigate the range of investment risks:

Type of Risk	Mitigation Strategy
<p><b>Credit risk</b> is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.</p>	<ul style="list-style-type: none"> <li>▪ Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT.</li> <li>▪ For any other investments, the Treasurer will only purchase investment grade securities highly concentrated in those rated A or better.</li> </ul>
<p><b>Concentration of credit risk</b> is the risk arising from all funds being invested in a single issuer.</p>	<p>The Treasurer will diversify the portfolio among multiple issuers/institutions (see Section E).</p>
<p><b>Custodial risk for deposits</b> is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party.</p>	<p>The Treasurer will negate this risk by only making deposits at MA-chartered banks.</p>
<p><b>Custodial risk for investments</b> is the risk that, in the event of a failure of the counterparty to a transaction, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.</p>	<ul style="list-style-type: none"> <li>▪ The Treasurer will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F).</li> <li>▪ If a security is to be held by a third party custodian, the Treasurer must approve that party and verify that the security is held in the Town's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.</li> </ul>
<p><b>Interest rate risk</b> is the risk that interest rate changes will adversely affect an investment's fair market value.</p>	<p>The Treasurer will negotiate for competitive interest rates that are locked in for long terms.</p>
<p><b>Foreign currency risk</b> is the risk that an investment will lose value as the result of an unfavorable exchange rate.</p>	<p>The Treasurer will negate this risk by not investing in any instruments with foreign currency exposures.</p>

#### E. Diversification

The Treasurer will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government agencies, the Treasurer will invest no more than 25 percent the Town's long-term funds with a single financial institution. In addition, the Treasurer will ensure compliance with the various allowable percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

#### F. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the Town to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer will also consult the [Veribanc](#) rating service (or other similar service) to select and monitor financial institutions. The Treasurer may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer will remove the money from the banking institution.

The Treasurer will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. The Treasurer will also send letters to banks in the local region requesting them to report all usage of the Town's tax identification number as a measure to ensure the number is used only by the Treasurer and no outside entities.

#### G. Standards of Care

The Treasurer must review, understand and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). The Treasurer shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale have been carried out in accordance with the Act and the provisions of this policy.

#### H. Reporting Requirements

The Treasurer will assess investment activity and keep the Select Board apprised of any major changes by providing a report of investment activity annually or more often as needed. The investment activity report shall incorporate all of the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund

- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statements on the degree of compliance with the provisions of this policy

**REFERENCES**

[M.G.L. c. 30B](#)

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 110A, § 201](#)

[M.G.L. c. 167, § 15A](#)

[M.G.L. c. 203C](#)

Governmental Accounting Standards Board Statement 40: [Deposit and Investment Risk Disclosures](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Registration Inspections, Compliance and Examinations Section](#)

SEC webpage [Form ADV Information](#)

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## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

### APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Select Board, Town Administrator, and Finance Committee in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer and Town Accountant.

### BACKGROUND

In addition to salaries, the Town compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

### POLICY

The Town will periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

#### A. Accounting for and Reporting the OPEB Liability

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board. The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and reports on these to the Select Board.

#### B. Trust Management and Investment Policy Statement

The purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town of Swampscott, (Town) and the Investment Manager regarding the objectives, goals, risk tolerance, and investment guidelines established for the OPEB (Other Post-Employment Benefits) Liability Trust Fund.

##### i. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional contributions to the account will be maintained in the same manner.

The Town may, at its sole option, add to the investment portfolio governed under this Policy Statement any other trust or scholarship funds held by the Town that may lawfully be invested in a

manner similar to the OPEB Trust, in which case any such other investments shall be invested and accounted for separately from the OPEB Trust.

#### ii. Introduction

Creating an investment policy is the most critical phase of the entire investment process. The effects of a properly drafted vs. ineffective investment policy statement can be more important than the effects of good or poor investment management. To be successful, an investment policy needs to be appropriate for its setting and intended purpose.

Under GASB 45, the discount rate should be the long-term expected yield on the investments to be used to pay benefits as they come due. These would be plan investments for a funded plan or a weighted average of expected plan and employer investments for a plan that is partially funded. Investments within an OPEB Trust will closely approximate pension fund-type investment securities.

The policy statement is also designed to withstand "trustee risk" - the possibility that, at some stress point (most frequently an extreme decline in the stock or bond markets), those who oversee the funds may react in a manner detrimental to the long-term health of the Trust Fund.

#### iii. Authority

Massachusetts General Law Chapter 32B, section 20 allows the town to set up a special trust fund, the Other Post-Employment Benefits (OPEB) Liability Trust Fund. The governmental unit's treasurer is the custodian of the fund. The Town of Swampscott accepted the provisions of the said Section 20 at the Annual Town Meeting held on May 15, 2017 (Warrant Article No. 9) and thereby designated the said treasurer to be both custodian and trustee of said OPEB Trust. Also, in accordance with said vote of Town Meeting, investment of fund monies by the treasurer must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Income earned on the investment of fund monies belongs to the fund.

#### iv. Objective

OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables the Town to invest in assets that tend to have higher returns over many years but whose price volatility precludes their use by those with shorter time horizons. By keeping a long-term focus in mind always, we hope to weather the periodic downturns in the economy. However, with this focus in mind, the Town wishes to minimize investment risk to the extent it is prudent to do so.

The Town expects this long-term view to provide better results than will be earned by investment in short-term investments or by liquidation of securities during turbulent times. We also expect that investments will be managed to serve as a hedge against eroding trust fund values due to long-term inflationary trends.

#### v. Strategy

The investment allocation will be determined by the Treasurer in consultation with the Investment Manager and pursuant to the most recently executed investment portfolio strategy form to be retained herewith.

M.G.L. Chapter 203C, known as the Massachusetts Prudent Investor Act, generally states that a trustee shall invest and manage trust assets as a prudent investor would, considering the purposes,

terms, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

As stated in Section 3, “among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries: 1) general economic conditions; 2) the possible effect of inflation or deflation; 3) the expected tax consequences of investment decisions or strategies; 4) the role that each investment or course of action plays within the overall trust portfolio; 5) the expected total return from income and appreciation of capital; 6) other resources of the beneficiaries; 7) needs for liquidity, regularity of income, and preservation or appreciation of capital; and 8) an asset's special relationship or special value, if any, to the purposes of the trust or to one of the beneficiaries.”

Also, as stated in Section 4, “a trustee shall reasonably diversify the investments of the trust unless, under the circumstances, it is prudent not to do so.”

#### vi. Specific Risks

- Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Investment Manager will purchase investment grade securities with a high concentration in securities rated “A” or better at time of purchase. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

- Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Treasurer will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

- Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a town’s investment in a single issuer. The Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (except for the United States Government and its Agencies) will not exceed 5% of the portfolio value.

- Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Investment Manager will manage interest rate risk by managing duration in the account.

#### vii. Standards of Care

The standard of prudence to be used shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

viii. Diversification

• Equity

The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation. Individual equity holdings in any one company should not exceed 5% of the market value of the portfolio.

• Fixed Income

Investments in fixed income securities will be made principally for income and capital preservation. Selection should be made from liquid, investment grade corporate debt, convertible debt and obligations of the United States Government and its agencies. Lower-quality investments may only be held through diversified vehicles such as mutual funds or exchange-traded funds.

Securities of a single corporate issuer (excluding the United States Government and its Agencies) will not exceed 5% of the portfolio market value.

No more than 20% of the portfolio's total market value will be invested in convertible securities.

Individual corporate debt and preferred stock issues must be rated BBB or better, as defined by Moody's and/or Standard & Poor's Rating Agency.

There shall be no investments in fixed income or interest rate futures, and no engagement in any other specialized fixed income ventures. The manager of a specific mutual fund and exchange-traded fund, however, may engage in fixed income and interest rate futures as part of an overall investment strategy.

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

ix. Performance Measurement and Evaluation

The Treasurer will meet with the Investment Manager at least annually to monitor the performance of the Fund and the compliance with these guidelines.

The Investment Manager will provide brokerage statements on a monthly basis and comprehensive investment performance reports on at least a quarterly basis, and the treasurer will share copies of said periodic statements and reports with the Town Administrator, Select board and Finance Committee upon receipt.

The Fund's performance will be measured by comparison with the stated objectives in comparison to respective benchmarks. To monitor the intermediate term performance of the Fund, the Treasurer will compare the Investment Manager's results to a blended benchmark to be determined in conjunction with the Investment Manager.

Rebalancing of the portfolios should happen at least annually or more frequently if appropriate.

The Investment Policy Statement will be reviewed at least every 3 years to ensure that it remains appropriate and complete

#### C. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Town Administrator will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts and will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.

#### D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form. To ensure that the Town's enterprise operations remain self-supporting the Select Board and Town Administrator will factor their department's proportional OPEB contributions into the setting of user fees.

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ADC:

- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash.
- Appropriate an annually increasing percentage of yearly revenues.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

#### **REFERENCES**

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

[M.G.L. c. 203C](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practices: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#) and [Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits \(OPEB\)](#)



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## **FINANCIAL OPERATIONS**

### **ACCOUNTS RECEIVABLE**

#### **PURPOSE**

To provide guidance for equitably enforcing collection of all receivables and set expectations for local taxpayers and applicable Town employees, this policy clearly defines when and how the Town will collect accounts receivables that are due to the town. It is in the best interest of the Town and its residents that bills be paid when due. The Town budget is set in anticipation of the collection of receivables, and bills that are not paid by some shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any person who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

#### **APPLICABILITY**

This policy applies to the Collector's and Treasurer's relevant job duties, including the Treasurer's responsibility for managing collection of tax title receivables.

#### **PROPERTY TAX RECEIVABLES POLICY**

The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a property tax collection rate of ninety-eight percent (98%) by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one year and one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due.

##### **A. Demands**

Final taxes are due to be paid as of May 1 each year (the due date for the second, semiannual tax bill). No later than June 1, the Collector will issue reminder notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings, and shall send monthly reminder notices until tax taking procedures as outlined below begin. Taxpayers are responsible for notifying the Town in writing of any mailing address changes. The Town will add, pursuant to M.G.L. c. 60, § 15, a Demand Fee in the amount of \$10.00 to the amount due upon issuance of a Demand Notice.

##### **B. Tax Taking**

The Collector will begin the tax taking process within 180 days of the issuance of the 1<sup>st</sup> reminder notice with the issuance of a demand notice. State law allows the process to begin as soon as 15 days after the issuance of the demand notice, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Collector shall carefully document the taking process to preserve the Town's rights for future actions.

The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by February 1<sup>st</sup> following the end of the fiscal year, the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. From this point forward

only cash, certified check, or cashier's check are acceptable forms of payment until a tax taking is completed and a properly executed Instrument of Taking is properly recorded in the Registry of Deeds.

Within 60 days of the tax taking announcements, the Collector will prepare an Instrument of Taking form for each delinquent property and record it at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Collector will notify the affected property owners of the liens by sending each of them a letter and a photocopy of the Instrument. The Collector will provide copies of the List of Recorded Takings to the Treasurer and Town Accountant.

C. Subsequent Taxes

After the 1<sup>st</sup> reminder notice and before June 15 each year, the Collector will certify all unpaid taxes for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings report. The Collector will provide copies of the report to the Treasurer and Town Accountant and retain one on file.

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Collector will add to their accounts and tax bills. These include interest accrued to the date of tax taking, advertising fees, certified mailing costs, legal fees, and all recording fees.

The Collector will maintain a database of all individuals who are delinquent in paying taxes or other charges and provide it to the Town departments, boards, and committees that issue licenses and permits. These authorities will review this database to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

E. Tax Title Payment Agreements

The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer will actively monitor compliance with all such agreements, which will have the following features in common:

- Signed agreement between the Treasurer and taxpayer
- Upfront payment of at least 25 percent of the full balance owed
- Specific amount to be paid each month
- Incorporation of payments for the current tax bill
- Agreement term not exceeding five years
- Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town

F. Redemption or Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those with the largest amounts of taxes owed.

As manager of the service contract, the Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer is responsible for completing foreclosures on any properties below the “Land of Low Value” threshold, which is annually updated each spring by the Division of Local Services (DLS).

#### G. Other Collection Remedies

In the event it is not legally possible to enforce a lien on real estate as provided above to collect any property taxes duly committed, the Collector may, in its discretion, initiate an action of contract in district or superior court subject to G.L. c. 60 §35, but in no case shall the Collector initiate any actions against taxpayers pursuant to G.L. c. 60 §§24 – 34A, inclusive.

#### **WATER/SEWER UTILITY RECEIVABLES POLICY**

Water/Sewer Utility Bills will be issued by the Town quarterly, including a flat base rate that represents the cost of providing the utility service, and a consumption rate for both water and sewer utilization based on the hundreds of cubic feet of water consumed at the property location as determined by the water meter installed at the property location. The amount of the flat base rate and the consumption rate to be used will be determined periodically by vote of the Select Board.

The Town intends to timely pursue all legal methods to collect water/sewer utility charges from delinquent property owners with the aim of achieving a collection rate of eight five percent (85%) by fiscal year-end. A delinquency is defined as a bill outstanding one day after its issuance. Overdue Water/Sewer charges will accrue interest at an annual rate of fourteen percent (14%) on overdue balances from the day following the due date until the balance is paid in full.

Pursuant to G.L. c. 40 § 42B-42C, unpaid water/sewer utility charges and accrued interest represent a lien on the property. If such amounts remains unpaid more than 270 days at the time the Board of Assessors is preparing the actual real estate tax list and warrant, such amounts shall be committed to the Board of Assessors to be added to the property tax bill as a special assessment and collected with the property tax as a part of such tax.

#### **MOTOR VEHICLE EXCISE TAX RECEIVABLES POLICY**

The Town intends to timely pursue all legal methods to collect excise taxes from delinquent vehicle owners with the aim of achieving a tax collection rate of eight five percent (85%) by fiscal year-end. A tax delinquency is defined as a bill outstanding thirty days after its issuance.

**A. Demands**

Under Massachusetts Law, Excise Taxes are to be paid within 30 days of the date bills are mailed. Within 2 weeks of the due date on an excise tax bills, the Collector will issue demand notices to all assessed vehicle property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings. Taxpayers are responsible for notifying the Town in writing of any mailing address changes. The Town will add, pursuant to M.G.L. c. 60, § 15, a Demand Fee in the amount of \$5.00 to the amount due upon issuance of a Demand Notice.

**B. Warrants to Deputy Tax Collector**

The Town will employ the services of a Deputy Tax Collector to collect taxes from taxpayers that do not satisfy their obligation to pay their excise taxes upon issuance of a demand notice, in accordance with the provisions of G.L. c. 60A, §2A, adding the fees provided for each step in the collection process as outlined in said §2A.

**C. Taxpayers to be marked for nonrenewal of Driver's License and Registration for nonpayment**

The Town will arrange with the Massachusetts Registry of Motor Vehicles for the nonrenewal of drivers licenses and automobile registrations for all taxpayers that have not paid their excise tax bill upon the proper notifications from the Deputy Tax Collector of the amount of the outstanding and past due excise tax obligation. The nonrenewal status will be cleared by the Collector only upon receipt of the outstanding tax obligation in full.

**PARKING VIOLATION RECEIVABLES POLICY**

The Town intends to timely pursue all legal methods to collect fees for parking violations from vehicle owners with the aim of achieving a parking violation collection rate of eight five percent (85%) by fiscal year-end. A delinquency is defined as a violation outstanding at least twenty-one days after its issuance.

**A. Notices of Unpaid Parking Tickets**

Parking Violations must be paid within 21 days or appealed to the Parking Clerk for a final determination of liability. Once this 21-day period has passed, the Town will send a notice to the vehicle's owner of record notifying them that the violation remains outstanding. If the balance remains unpaid more than 30 days from the issuance of this notice, the Town will arrange with the Massachusetts Registry of Motor Vehicles for the nonrenewal of driver's licenses and automobile registrations until the parking violation is paid in full.

**OTHER GENERAL ACCOUNTS RECEIVABLE**

All other general receivables that are owed to any department of the town shall be committed to the Treasurer/Collector for billing and collection. The Treasurer/Collector will maintain a central invoicing system into which all receivables of all town departments will be entered for tracking purposes. The Treasurer/Collector will determine, under the guidance of the Town Administrator, appropriate collection remedies for ensuring collection of all such general receivables.

**REFERENCES**[M.G.L. c. 60, § 6](#)[M.G.L. c. 60, § 16](#)[M.G.L. c. 60, § 50](#)[M.G.L. c. 60, § 53](#)[M.G.L. c. 60, § 54](#)[M.G.L. c. 40, § 57](#)[M.G.L. c. 60, § 61](#)[M.G.L. c. 60, § 62](#)[M.G.L. c. 60, § 62A](#)[M.G.L. c. 60, § 63](#)[M.G.L. c. 60, § 76](#)[M.G.L. c. 60, § 77](#)[M.G.L. c. 60, § 79](#)[M.G.L. c. 60, § 80](#)[M.G.L. c. 60A §2A](#)

Swampscott Bylaws, Article XVI: Denial, Revocation, Suspension of Local Licenses and Permits

DLS Best Practice: [Enforcing Collections](#)

DLS Guidance: [Local Tax Collection FAQs](#)

DLS Informational Guideline Releases 03-210: [Collection Costs and Procedures](#), 05-208: [Payment Agreements and Tax Receivable Assignments](#) and [Land of Low Value Foreclosure Valuation Limit](#) (updated annually)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

## **AMBULANCE SERVICES**

### **PURPOSE**

To clarify the Town's policy respecting procurement of and invoicing for Ambulance Services.

### **APPLICABILITY**

The Town currently provides Basic Life Support (BLS) and Advanced Life Support (ALS) Ambulance Services through a contractual arrangement with a professional Ambulance Service provider. Due to the nature of this contractual arrangement, these services are provided at no charge to the Town because the contracted service provider invoices patients, or their provider of medical insurance. The amounts charged to patients are determined by the Ambulance Service provider subject to the terms of the agreement between said service provider and the Town.

These contracted services are exempt from the provisions of usual procurement laws due to statutory exemptions. However, it is in the best interest of the Town and the community as a whole that this contract be properly managed and reviewed on a periodic basis to ensure that high quality paramedical and emergency medical (EMT) services are provided to the community at a reasonable cost.

Should the Town decide at some future point to purchase an ambulance and hire the appropriate personnel to provide these services directly, it will need to review this policy to determine appropriate billing policies, including the management of such accounts receivable.

### **PROCEDURES**

Notwithstanding the exemption of these services from regular procurement laws, the Town should ensure that these services are contracted at terms of no longer than five (5) year terms to ensure periodic assessment of the quality of services being provided, and the cost being charged for said services by the contracted service provider. The Town should also endeavor to procure such services on a competitive basis to the extent practicable using Request for Proposal (RFP) procedures and/or competitive bidding processes.

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## **CREDIT CARD USE POLICY**

### **PURPOSE**

The Municipal Credit Card Use Policy has been established permitting the use of Town-issued Municipal Credit Cards to authorized Town Personnel as determined by the Town of Swampscott. The purpose of this policy is to establish the proper Policy and Procedures for use of the Town credit cards by department heads or their designee. These procedures intend to accomplish the following :

- To ensure that procurement with credit cards is accomplished pursuant to the policy and procedures established by the Town of Swampscott.
- To enhance productivity, significantly reduce paperwork, improve internal controls, and reduce the overall cost associated with approved purchases as listed below
- To ensure appropriate internal controls are established within each department procuring with credit cards so that they are used for authorized purposes only
- To ensure that the Town bears no legal liability from inappropriate use of credit cards

The issuance of town credit cards is subject to approval by the Town Administrator, and the limit on each card shall be determined on a case by case basis based on operational needs as approved by the Town Administrator.

The Town-issued credit cards should only be used in instances where items cannot be procured and paid through the normal accounts payable warrant process as authorized by the Town Administrator.

### **POLICY**

- a) The credit card will not be used for personal purchases of any kind. Use of credit cards for personal purchases or expenses with the intention of reimbursing the Town is prohibited and will result in disciplinary action.
- b) No cash advances (ATM, traveler's checks, money orders, etc.) are allowed using the credit card.
- c) The credit card is not to be used to pay invoices or statements of any kind.
- d) All purchases made with credit cards shall be paid for within the grace period so that no interest charges or penalties will accrue.
- e) Any incentive program benefits derived by the use of Town credit cards will be the property of the town. Any such benefits shall be utilized solely for the benefit of the Town, in the discretion of the Town Administrator .
- f) All cardholders shall take all measures necessary to ensure the security of the credit card and the card number. Cardholders shall only give their card or their card number to other personnel to use on specifically authorized procurements by staff.
- g) Misuse of a Town credit card by an authorized employee may result disciplinary action against the employee, up to and including termination of employment.
- h) The cardholder will provide all information required by the financial institution issuing the card in order to receive a Town credit card, including social security information as required under applicable state and federal law.
- i) When using the credit card, the Town employee must ensure that the goods or services to be purchased are allowable expenditures. The Town reserves the right to collect payment for unauthorized expenditures from the employee.

- j) The credit card is not to be used for personal purchases with the intent of reimbursement afterwards. Random audits may be conducted for credit card activity and receipt retention as well as other internal accounting controls.
- k) It is the responsibility of the employee to immediately notify the Town Administrator or his designee of any lost or stolen credit card.
- l) The Town of Swampscott is a municipal government exempt from sales tax. Sales tax shall not be included with the cost of any purchase. Please be sure to have a copy of the Town's tax exempt certificate with you when making a purchase. Sales tax costs cannot be paid with Town funds. The individual making the purchase may be personally responsible for payment of sales tax.
- m) No individual credit card transaction shall exceed \$5,000 without the express approval of the Town Administrator, and charges may not be separated so as to avoid compliance with this requirement.

**PROCEDURE**

- a) Employees who need to use the credit card account must request permission from authorized Town Personnel. Employees must sign out the credit card (See Appendix C) and maintain physical possession of the card at all times. At no point should the credit card information be saved online or retained by an employee for future use.
- b) Itemized receipts must be returned to the authorized cardholder with the credit card within 24 hours of the purchase. If receipts are submitted late causing finance charges, the responsible party may be subject to disciplinary action.
- c) The credit card will be reconciled monthly for unauthorized charges and other discrepancies.
- d) Each authorized cardholder must sign an Agreement to Accept Town Credit Card prior to issuance of the credit card. Forms will be kept on file in the Town Accountant's Office.
- e) When using the Town credit card, the authorized cardholder shall:
  - i. Determine if the intended purchase is within the cardholder's credit card limits.
  - ii. Inform the merchant that the purchase is tax exempt. The tax exempt number is 04-6001318. Review the receipt before leaving the store and request a credit if taxes were charged in error.
  - iii. Obtain an itemized receipt for all purchases
- f) Upon separation of employment, cardholders shall surrender their Town credit card to the Town Administrator on or before their last day of work and prior to issuance of final compensation to the cardholder.

**AUDIT**

Random audits will be conducted for both card activity and receipt retention as well as statement review by the Accounting Department. The detailed activity is also reviewed annually by the town's independent auditing firm.

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## **EXPENSE REIMBURSEMENT POLICY**

### **PURPOSE**

To establish a policy that sets out procedures for a uniform method for approval, payment and accounting of reimbursements to employees for legitimate business-related expenses.

### **SCOPE**

This policy covers all employees, elected officials, and appointed officials, of the Town of Swampscott. The term employee will be used throughout the policy for all covered under the policy.

### **PROCEDURES**

Town employees are encouraged to identify and have the Town prepay all expenses (e.g. plane tickets, hotel accommodations, conference fees). In addition, Town employees are encouraged to have expenses (e.g. office supplies) directly billed to the Town. The Town has accounts set up with multiple vendors in order to minimize out of pocket expenses incurred by employees.

Employees are expected to secure approval from their department manager and/or the Superintendent of Schools for school employees or the Town Administrator for town employees prior to incurring business-related reimbursable expenses.

For certain town non-union employees, they may receive approval to use their discretion before incurring business-related expenses and may not be required by management to secure pre-approval for each expense. These approvals must be made in writing by the Town Administrator for town employees and be filed with the Town Accountant's Office.

### **Procedures for requesting and receiving reimbursement are as follows:**

- 1) The employee completes the employee expense reimbursement form
  - a. Name: Enter your name
  - b. Occurrence Date: Enter the date(s) when the expenses were incurred
  - c. Purpose: Enter purpose for incurring expense
  - d. Expenses – Complete the expense portion of the form. (Refer to the "Covered Expenses" portion of this policy, for reimbursement specifics)
  - e. Mileage – Complete this section by listing the total business-related mileage; Cents/Mile IRS/ Union Agreement allowable amount multiply the number of miles times the cents per mile to equal total amount due.
- 2) The employee attaches all original receipts to the employee expense reimbursement form. When an employee pays by personal check, a copy of the canceled check must also be attached to the reimbursement form. When the employee uses his/her credit card, the customer copy of the credit card receipt and a copy of the credit card statement showing the charge must also accompany the employee expense reimbursement form.
- 3) Employee signs and dates the employee expense reimbursement form and submits it to department manager or assigned representative for approval. Preference is that expenses are submitted no later than one month after the expenses have been incurred.
- 4) The department manager reviews the employee expense reimbursement form and the attachments to ensure that the expenses are business-related, and fall within the policies set forth by the Town prior to signing the form. If questionable expenses are included on the form, the department manager should ask the employee for clarification, gaining mutual agreement whether or not the expense falls within Town definition or reasonable,

reimbursable expenses. Approval is deemed given once the department manager signs and dates the form.

- 5) The department manager submits the employee expense reimbursement form to the town accountant with the Schedule of Bills Payable so that the employee can receive reimbursement of the business-related expenses in a timely manner. All Town employees expense reimbursements will be paid through regular payroll.

#### **COVERED EXPENSES**

The following expenses are considered reasonable employee reimbursable expenses:

- 1) **Business Mileage**  
Mileage incurred with a personal vehicle as part of business travel from town offices to an outside destination. Travel must be listed from the town offices, not from the person's home. If the person is traveling from their home to an outside business location, only the mileage incurred in excess of their normal commute to the town office may be reimbursable. Reimbursement will be made for the actual business travel at the current IRS rate per mile less \$0.10 or the amount set in the collective bargaining agreement of your union. Employees must log their origination point and destination point on the reimbursement form.
- 2) **In-State Travel expenses**  
Employees will be reimbursed for in-state travel related expenses only when the travel has been approved in advance by the department manager.
- 3) **Out-of-State Travel expenses**  
All out-of-state travel must be approved in advance by Town Administrator or the Superintendent of Schools.
- 4) **Business travel requiring overnight accommodations**  
Prior approval must be secured by the Superintendent of Schools for school employees and the Town Administrator for town employees before any travel outside of the normal business area is incurred. Expenses incurred for hotel/motel/etc. accommodations whenever overnight travel is required will be reimbursed for actual expenses incurred. Employees are expected to stay at "average rate" facilities utilizing a conference rate or a group rate when available. Employees will not be reimbursed for "wet-bar" expenses incurred in their room. An itemized hotel/motel receipt is required as documentation for all overnight accommodation reimbursement requests.
- 5) **Air Transportation**  
Employees are expected to secure the lowest available fares for airplane, train, or other vehicle transportation. Airplane travel should be at economy, coach, or other lower travel rates. The employee will be reimbursed for actual out-of-pocket expense and receipts must be attached to the expense reimbursement form. Airport parking and/or shuttle fees are reimbursable as long as receipts are submitted.
- 6) **Rental Cars**  
Employees are expected to use the most reasonable transportation services available to them. Rental cars should be limited to mid-class or smaller vehicles, unless the number of persons attending requires a larger vehicle. Receipts must be attached to the employee reimbursement form.
- 7) **Business Meals/ Luncheons**

The Town will reimburse employees for approved business meals. Approval must be received by department manager for in-state travel and by the Superintendent of Schools for school employees and the Town Administrator for town employees for out-of-state travel. Reimbursement will not be made for alcoholic beverages. Employees are expected to limit meals to a reasonable expense amount and should not include “high priced specialty meals”. Reimbursement will be based on actual expense incurred but not to exceed \$35 per day or the amount set in the collective bargaining agreement of your union. Employees are expected to use reasonable discretion in their selection of menu items, whether via room service or in other dining facilities. Itemized receipts must be attached to the expense reimbursement form.

8) Business and Office Supplies

The employee must have department manager approval to incur expenses of this nature, BEFORE any expenses are incurred. Itemized receipts must be attached to the employee expense reimbursement form for all purchases of this nature. The Town has accounts at a variety of businesses and office supply vendors (Amazon, Staples, and W.B. Mason) and encourages staff to use these vendors first, if possible. No expenses will be reimbursed to the employee from these vendors, they must utilize the Town accounts.

9) Training

Approved training that is not prepaid by the Town will be considered a reimbursable business expense. Receipts must be attached to the employee expense reimbursement form.

10) Postage

All postage expenses must be handled by the Town. If special postal services or delivery services not available at the Town or which require immediate off site service that is business-related, they will need prior approval before they will be reimbursed to the employee. Receipts must be attached to the employee expense reimbursement form.

11) Business-Related Expenses for Other Miscellaneous Items

From time to time other business-related expenses may be incurred that are not listed in this policy, such as parking, road tolls or fees, use of rental equipment, or use of a taxi service. The employee must secure prior approval from his/her department manager before incurring such an expense. The employee will be reimbursed for actual business-related expenses. Receipts must be attached to the employee expense reimbursement form.

### **NON-REIMBURSABLE EXPENSES**

The following expenditures incurred by an employee in the course and scope of their duties shall not be reimbursed:

- a. Massachusetts sales tax
- b. Alcoholic beverages including liquor, beer, and wine
- c. Flowers, spirituals and gifts for employees or others
- d. Charitable contributions
- e. Political contributions
- f. The personal portion of any trip
- g. Family expenses, including those of a partner when accompanying employee on Town business, child, or pet care

- h. Entertainment expenses, including theatre, shows, movies, sporting events, sightseeing tours, golf, spa treatments, etc.
- i. Non-mileage personal automobile expenses including repairs, insurance, gasoline, traffic citations
- j. Personal losses incurred while on Town business
- k. Expenses paid for by any other organization
- l. Valet services
- m. Mileage while traveling as a passenger in a privately owned car
- n. Personal travel insurance
- o. Medical or hospital expenses
- p. Theft, loss, or damage to personal property while on Town business
- q. Personal toilet articles, postage, reading material, personal telephone calls while on Town business

**Employee Misconduct**

Disciplinary or corrective action should be taken whenever it is determined that an employee falsified an employee expense reimbursement form, or failed to pay their bill after the Town reimbursement.

When it has been determined that an employee has knowingly and purposefully falsified an employee expense reimbursement form, the Town may take disciplinary action up to and including termination.

If the employee has violated a local, state, or federal law, proper authorities will be contacted.

**EXCEPTIONS**

Exceptions to this policy may be approved by the Select Board, Town Administrator, or the Superintendent of Schools. Exceptions should be made in writing and attached to the employee expense reimbursement form.

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## GRANT/GIFT ACCOUNT MANAGEMENT

### PURPOSE

To ensure Swampscott efficiently and appropriately manages its gift and grant-funded programs, this policy sets a framework for evaluating gift/grant opportunities, tracking gift/grant activity, and processing gift/grant revenues and expenditures. Effective gift/grant management helps promote the pursuit of gifts and grants that are in the Town's best interest, assure timely reimbursements to optimize cash flow, and guard against year-end account deficits. As a legal contract, every gift and grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

### APPLICABILITY

This town-wide policy applies to the grant project managers in each department applying for or receiving gift or grant funding.

### POLICY

All departments are encouraged to solicit gift or grant funding for projects and programs consistent with the Town's goals. All municipal applications for grants exceeding \$5,000 must receive preapproval by the Select Board and all educational applications by the School Committee. To be eligible for preapproval, there must be sufficient staff available to effectively administer the grant program and perform its required work scope, along with adequate matching requirements (both cash and in-kind).

No department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Select Board (or the School Committee, when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

These same general principles shall be applied when soliciting and receiving gifts.

Operating departments through their department heads or designated grant project manager(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Town Accountant is responsible for consulting with project managers on gift and grant budgetary matters, accounting for gifts and grants in the general ledger, monitoring gift and grant expenditures for consistency with applicable donor restrictions, award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of expenditures to departments. The Town Accountant will also maintain a database of all gifts, grants and grant activity from inception to closure.

#### A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental project manager will assess the opportunity in consultation with the Town Administrator or the School Superintendent (or designee) as the case may be. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the gift/grant's purpose with the Town's and department's strategic priorities
- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

- Total anticipated project cost
- Expenditure requirements and anticipated cash flow schedule
- Required cost matching shares and sources, including cash and in-kind
- Staffing requirements, including salary and benefit increases for multiyear grants
- Administration and indirect recapture amounts
- Program income potential

In this stage, the project manager will also develop a continuation plan to address the potential future loss of grant funding, which may include alternative funding proposals or plans for reducing or terminating program positions or components after grant closeout.

**B. Grant Application and Award Acceptance**

Prior to filing any grant application, or agreeing to accept any gift, that is greater than \$5,000, the project manager will submit a meeting agenda item requesting preapproval from the Select Board with a report summarizing the grant and how it complies with this policy with a copy to the Finance Committee, and Capital Improvement Committee for capital projects, if applicable. The Town Administrator will then make a determination as to whether any preapproved application should be submitted to the Town Counsel for a legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Town Administrator.

When a project manager receives notice of any gift or grant award, he or she will submit it as a meeting agenda item for the Select Board to formally accept by signatures and thereby approve the expending of gift or grant funds. The project manager will then send copies of the signed agreement to the grantor.

Upon formal approval of the expense budget of and gift or grant, the Town Accountant will create a new general ledger account to record the grant activity separately from regular expenses. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Town Accountant, who will adjust the grant's budget in the general ledger.

**C. Grant Financial Management**

At the start of a new grant, the Town Accountant and project manager will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The project manager will ensure all expenditures made are allowable and consistent with each grant award's requirements. The project manager will submit project invoices to the Accounting Department in accordance with usual accounts payable procedures, and includes accurate general ledger expense codes for the grant and the department head's signature. The project manager will

also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer as part the regular payroll process.

Because required retirement system remittances and/or general fund benefit reimbursements vary by grant, the Town Accountant will calculate these for each grant and notify project managers of the resulting amounts to include on the AP submissions.

To minimize the use of advance town funds, every project manager will request reimbursements as often as the grant's guidelines allow and always no later than June 30th. In doing so, the project manager will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the project manager will send an email notification of the reimbursement request to the Town Accountant and Treasurer.

The Town Accountant will monitor each grant's deficit balance to assure it is temporary and receives reimbursement within the grant's allowable timeline and always prior to year-end. The Treasurer will match reimbursements received electronically or by check with their requests and credit the proper revenue lines.

#### D. Grant Closeout

Upon completion of the project work or grant period, whichever comes first, the project manager will verify that all grant requirements have been met and will send to the Town Accountant a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and will reconcile the project manager's report with the general ledger's record of grant activity. The project manager will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Town Accountant will add the refund amount to the AP warrant.

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Town Accountant will determine if the grant account has been over-expended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

#### E. Audit

All gift and grant activities are subject to audit by the grantors, the Town Accountant, and Swampscott's independent auditor. The Town Accountant will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

#### **REFERENCES**

[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 53A](#)

Public Employee Retirement Administration Commission: [Memo #12/2003](#)

Mass.gov webpage: [Municipal Grant Finder](#)

US grant search website: [grants.gov](#)

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## PROCUREMENT CONFLICT OF INTEREST

### PURPOSE

To ensure integrity in the procurement and contract processes, to educate Town employees, consultants, uncompensated outside parties, and any other person involved in decisions to award contracts about potential conflicts of interests, and to establish a process for the screening of conflicts of interest.

### APPLICABILITY

The policy pertains to all the Town's procurement and contract processes governed under the provisions of the state's Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to Town contract awards. The policy applies to the Town Administrator's duties as the Town's chief procurement officer. It further applies to all Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process and to the prospective contractors.

### POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Swampscott will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

#### A. Confidentiality during the Bid Evaluation Process

Town staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the Town issues a Notice of Intended Award.

The departmental purchasing employee must:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including any non-evaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the Town Administrator.

The Town Administrator (or designated Chief Procurement Officer) must:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including non-evaluating observers, are submitted.
2. Maintain signed confidentiality agreements on file.

#### B. Conflicts of Interest Defined

To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the

Town or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

In reference to any federal grants, the federal Office of Management and Budget's Omni Circular states that a conflict of interest arises when: *"the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*

It further states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the Town must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the Town is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any person with a conflict as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the [State Ethics Commission](#) that the interest is not so substantial as to be deemed likely to affect the integrity of the services the Town may expect from that individual.

#### C. Disclosure and Review

Department heads and other officials are required to ascertain and disclose to the Town Administrator any potential conflict of interest affecting procurement transactions before any contract is signed, commitment made, or order placed. The following measures will be taken to ensure the Town avoids any conflicts of interest in procuring Town contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant, personal financial interests as required by state and federal laws and to annually review those statements in conjunction with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

The departmental purchasing employee must:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations that will lead to an award of contract.
2. Provide conflict of interest forms to the identified participants.
3. Submit the completed forms to the Town Administrator prior to commencing any procurement or contract activity.

The Town Administrator must:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the Town Counsel and document the resulting determinations.
3. Provide the Select Board with the documented result.
4. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement activity or cancelation of the solicitation.
5. Notify the Town Accountant of the review results.

#### D. Compliance Reviews

The Town Accountant may conduct random reviews of compliance with this policy.

#### **§200.318 General procurement standards.**

(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization,

the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See also §200.213 Suspension and debarment.

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(j)(1) The non-Federal entity may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight

in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014; 80 FR 43309, July 22, 2015

#### **REFERENCES**

[M.G.L. c. 30B](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 268A](#)

[2 CFR § 200.318](#)

State Ethics Commission's webpage [Disclosure Forms for Municipal Employees](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

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## PROCUREMENT POLICY

### PURPOSE

The objective of this policy is to ensure that all procurements and dispositions made by Town Departments are made in compliance with state law and town by-laws and that the Town is procuring supplies, services and real property at the best value and as efficiently as possible.

### APPLICABILITY

The policy pertains to all the Town's procurement and contract processes governed under the provisions of the state's Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to Town contract awards. The policy applies to the Town Administrator's duties as the Town's chief procurement officer. It further applies to all Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process and to the prospective contractors.

### AIMS AND OBJECTIVES

This Procurement Policy was developed in order to outline the procurement process for all Town employees under the jurisdiction of the Select Board, define the roles of the Chief Procurement Officer and the Town Departments, and ensure that purchases and contracts are solicited, awarded and administered properly and uniformly, efficiently and cost effectively.

### PERIODIC REGIONALIZATION REVIEW

Whenever a contract or service is pending renewal, the appropriate Department Head or Project Manager shall conduct an analysis as to whether or not regionalization is the more advantageous alternative at that time.

#### A. CHIEF PROCUREMENT OFFICER/CONTRACT SIGNING AUTHORITY

##### 1. Chief Procurement Officer

Pursuant to the Swampscott Town Charter (Ch. 106 of the Acts of 2016, Section 6, Ch. 6, §6-1 (xii)) "the town administrator, or the town administrator's designee, shall be the chief procurement officer for the town." However, it is noted that this authority granted to the Town Administrator does "not include[e] food for schools, schoolbooks and other instructional materials, supplies and equipment unless otherwise specifically requested by the school committee."

Subject to such authority, the Assistant Town Administrator for Administration & Finance is hereby designated as the Chief Procurement Officer of the Town as that office is defined by state law, including the provisions of G.L. Ch. 30B and other such procurement laws as they may be amended from time to time. The Chief Procurement Officer shall be responsible to administer a Purchasing Office within the Office of the Town Administrator and systems for managing procurement of goods and services for all departments of the Town (except the School Department) in accordance with applicable state laws, and these policies and procedures.

When requested in writing by the School Committee, or the Superintendent of Schools; and with the express written consent of the Town Administrator, the Chief Procurement Officer may also provide any procurement related services to the School Department to the extent requested by the School Committee, or the Superintendent of Schools, and agreed to by the Town Administrator.

## **2. Contract Signing Authority – all Municipal (non-School) Departments**

In accordance with the Swampscott Town Charter (Ch. 106 of the Acts of 2016, Section 6, Ch. 5, §5-1(e)) “The [select board] shall be the signatory authority for all contracts within its jurisdiction as provided for in the General Laws, town by-laws, by vote of the town meeting or otherwise.” However, in accordance with the General By-Laws of the Town of Swampscott (Swampscott General By-Laws, Article IV, Section 10 (b)) “A contract in proper form shall thereupon be prepared and, with the specifications, submitted to the [Select board], *or, upon delegation by the [Select board], to the Town Administrator*, and shall not be valid until countersigned by said Board *or Administrator*.” (emphasis added)

Pursuant to the above cited authority, the authority to execute contracts or issue purchase orders under the jurisdiction of the Select Board pursuant to these policies and procedures is hereby delegated to the Town Administrator for all contracts or purchase orders with a value of \$500,000 or less, provided the Town Administrator provides a report to the Select Board advising the Board of any such contracts executed or purchase orders issued that exceed \$100,000.

The Town Administrator shall also sign such contracts or purchase orders that exceed a value of \$500,000, but only with the express approval of the Select Board given in open meeting by majority vote. Once a contract or purchase order is signed by the Town Administrator, such contract or purchase order shall be deemed binding on the Town of Swampscott. In the event of a vacancy in the office of Town Administrator, or any other instance where it is deemed by the Board to be advisable, the Select Board may by majority vote in open meeting temporarily delegate this authority to another town officer, or may execute any contract or purchase order that may otherwise be executed by the Town Administrator in accordance with this Section by voting in open session to authorize a majority of the members of the Board to execute such contract or purchase order, and when a majority of the members of the Board so sign, the contract or purchase order shall be deemed binding on the Town of Swampscott.

## **3. Contract Signing authority – School Department**

In accordance with G.L. Ch. 71, §59 “A superintendent employed...shall manage the system in a fashion consistent with state law and the policy determinations of that school committee.” Consistent with the broad authority granted a Superintendent of Schools under state law to manage the affairs of the School Department, the Superintendent shall be deemed by town officials under the jurisdiction of the Select board to be the contract signing authority for all contracts or purchase orders binding on the School Department for the procurement of goods and services for the benefits of the public schools. However, also consistent with that broad authority to manage the affairs of the School Department, the Superintendent may delegate such contract signing authority to another officer of the School Department by an instrument in writing signed by the Superintendent. Any contracts or purchase orders signed by the Superintendent (or the Superintendent’s designee), and any invoices approved in writing by the Superintendent (or the Superintendent’s designee) and submitted for payment shall be deemed a valid procurement by the School Department and invoices submitted shall be paid forthwith unless there is clear and convincing evidence that the procurement is inconsistent with state law or exceeds appropriation.

**B. PROCUREMENT LAWS: APPLICABILITY AND THRESHOLDS**

Most procurement will fall into one of two categories: (1) Supplies, Services and Real Property or (2) Public Construction. Below please find an outline of each applicable law:

**1. Supplies, Services and Real Property**

Massachusetts General Law, Chapter 30B applies to the procurement (purchase, lease or lease-purchase, or other means of acquiring) of all supplies and services, disposition of surplus supplies, and acquisition and disposition of real property, unless an exemption applies (*see Section a*).

**Supplies**

Supplies are defined as, “all property, other than real property, including equipment, materials and printing and services incidental to delivery, conveyance and installation of such property.”

**Surplus Supplies**

In order to dispose of unwanted items a Department must first offer the item(s) to all other Town Departments via email. If no other Department has a need for the item(s), a written request to dispose of the item(s) must be submitted to the Town Administrator for approval. After approval is received from the Town Administrator, a written request to dispose of the items shall be made to the Purchasing Department.

For supplies with a resale or salvage value greater than \$5,000 either a sealed bid or public auction process must be used.

**Services**

Services are defined as, “the furnishing labor, time or effort by a contractor.” The following are excluded from the definition of services:

- Collective bargaining agreements
- Employment agreements (*where the Town withholds payroll taxes*)
- Grant agreements (*meaning the procurement of grant agreements, not procurements using grant money*)

**Real Property**

Any agreement to rent, convey or otherwise acquire or dispose of an interest in real property is subject to Chapter 30B.

**M.G.L. c. 30B:**

Dollar Thresholds	Statutory Requirements
\$0-9,999	<ul style="list-style-type: none"> <li>• Sound business practices</li> <li>o Ensuring the receipt of a favorable price by periodically soliciting price lists or quotes</li> </ul>
\$10,000-49,999	<ul style="list-style-type: none"> <li>• Solicit 3 quotes</li> <li>• Award to lowest that meets requirements</li> <li>• Written Contract</li> </ul>

\$50,000+	<ul style="list-style-type: none"> <li>• Sealed competitive bidding (IFB/RFP/Approved Alternative)</li> <li>• Advertisement/Public Notice</li> <li>• Award to responsive and responsible vendor offering best price, or most advantageous proposal</li> <li>• Written Contract</li> </ul>
\$100,000+	<ul style="list-style-type: none"> <li>• Advertise in <i>Goods and Services Bulletin</i></li> </ul>

**a. Chapter 30B Exemptions**

Chapter 30B carves out several exceptions. If a department feels that a procurement intended to be made is exempt from Chapter 30B, **that Department must contact the Chief Procurement Officer IN ADVANCE** of the procurement to ensure that the exemption applies.

The following supply and service contracts are currently exempt from the requirements of Chapter 30B:

- (1) Public Construction contracts subject to the provisions of section thirty-nine M of chapter thirty, section 11C or section 11I of chapter 25A or sections forty-four A to forty-four J, inclusive, of chapter one hundred and forty-nine;
- (2) Public Building Design contracts subject to the provisions of sections thirty-eight A1/2 to thirty-eight O, inclusive, of chapter seven;
- (3) Intergovernmental agreement subject to the provisions of section four A of chapter forty;
- (4) Agreements with the commonwealth, except as pertains to subsection (i) of section 16;
- (5) Contracts for the purchase of materials, under specifications of the state department of highways (Mass. Dept. of Transportation, highway Division), and at prices established by the department, pursuant to advertising and bidding for such purpose, in connection with work to be performed under the provisions of chapter eighty-one or chapter ninety;
- (6) Contracts for the advertising of required notices;
- (7) An agreement between agencies, boards, commissions, authorities, departments or public instrumentalities of one city or town;
- (8) An agreement for the provision of special education pursuant to chapter seventy-one B and regulations promulgated pursuant thereto (*This exemption applies to direct student services delivered to children with special needs, such as transportation, counseling or education under an individual education program, as well as to any supplies used by children with special needs as part of an individual educational program. Other supplies and services, however, are not exempt simply because they are procured by the special education department. For example, office supplies or computers to be used for office administration would not fall under this exemption*);
- (9) A contract to purchase supplies or services from, or to dispose of supplies to, any agency or instrumentality of the federal government, the commonwealth or any of its political subdivisions or any other state or political subdivision thereof;
- (10) The issuance of bonds, notes or securities in accordance with procedures established by law;
- (11) Contracts and investments made in connection with deferred compensation programs for employees in accordance sections fifty-seven or fifty-seven A of chapter thirty-five or sections sixty-seven or sixty-seven A of chapter forty-four;
- (12) A contract for the procurement of insurance or surety bonds, including an agreement subject to the provisions of sections one to sixteen, inclusive, of chapter forty M or the provisions of

sections twenty-five E to twenty-five U, inclusive, of chapter one hundred and fifty-two; *(The procurement of an insurance contract is exempt from Chapter 30B. However, contracts to for insurance-related services, such as insurance consulting, claims administration, or third-party billing services, are not exempt.)*

(13) Contracts for the services of expert witnesses for use in an adjudicatory proceeding or litigation or in anticipation thereof;

(14) Any contracts or agreements entered into by a municipal gas or electric department governed by a municipal light board, as defined by section fifty-five of chapter one hundred and sixty-four or by a municipal light commission, as defined by section fifty-six A of said chapter one hundred and sixty-four; provided, however, that any such board or commission may accept the provisions of this chapter by a majority vote of its members;

(15) Contracts with labor relations representatives, lawyers, or certified public accountants; *(This exemption applies only to services that could reasonably be restricted exclusively to labor relations representatives, lawyers, or certified public accountants. Service contracts are not exempt simply because you select a labor relations representative, lawyer or certified public accountant to perform a service. For example, a contract to computerize an accounting system is subject to Chapter 30B even if the service contract is with a certified public accountant).*

(16) contracts with physicians, dentists, and other health care individuals or persons including nurses, nurses' assistants, medical and laboratory technicians, health care providers including diagnosticians, social workers, psychiatric workers, and veterinarians; *(Similar to (15) above, this exemption applies only to services that could reasonably be restricted exclusively to physicians, dentists, and other health care individuals or persons including nurses, nurses' assistants, medical and laboratory technicians, health care providers including diagnosticians, social workers, psychiatric workers, and veterinarians. Service contracts are not exempt simply because you select one of these professionals to perform a service.)*

(17) A contract for snow plowing by a governmental body;

(18) A contract or lease by a governmental body of its boat slips, berths, or moorings;

(19) A contract for retirement board services; provided, however, that the procurements shall take place under section 23B of chapter 32;

(20) A contract which is funded by proceeds derived from a gift to a governmental body or a trust established for the benefit of a governmental body;

(21) A contract for the towing and storage for motor vehicles;

(22) A contract to provide job-related training, educational or career development services to the employees of a governmental body;

(23) Deleted by 2016, 218, Sec. 5.

(24) A contract for ambulance services by a governmental body; *(However, the procurement of Ambulances is subject to Chapter 30B)*

(25) A contract to sell lease or acquire residential, institutional, industrial or commercial real property by a public or quasi-public economic development agency or urban renewal agency engaged in the development and disposition of said real property in accordance with a plan approved by the appropriate authorizing authority;

(26) A contract for the collection of delinquent taxes or for the services of a deputy tax collector;

(27) Contracts or agreements entered into by a municipal hospital or a municipal department of health;

(28) Contracts entered into by a governmental body on behalf of a hospital owned by such governmental body where such contract is funded by expenditures from an operations account, so-

called, or a special account, established pursuant to a special act that is maintained for the benefit of and designated with the name of such hospital;

(29) Contracts, agreements or leases entered into by a municipal airport commission established under the provisions of section fifty-one E of chapter ninety; provided, however, that such contracts, agreements or leases apply to aviation uses or the sale of aviation fuel;

(30) A contract for the collection, transportation, receipt, processing or disposal of solid waste, recyclable or compostable materials;

(31) An agreement for the purchase of photography services entered into by a public school;

(32) Energy aggregation contracts entered into by a political subdivision of the commonwealth for energy or energy related services arranged or negotiated by such subdivision on behalf of its residents;

(32A) Contracts with architects, engineers and related professionals;

(33) Energy contracts entered into by a city or town or group of cities or towns or political subdivisions of the commonwealth, for energy or energy related services; provided, however, that within 15 days of the signing of a contract for energy or energy related services by a city, town, political subdivision, or group of cities, towns or political subdivisions said city, town, political subdivision, or group of cities, towns or political subdivisions shall submit to the department of public utilities, the department of energy resources, and the office of the inspector general a copy of the contract and a report of the process used to execute the contract; provided, further, that for any such contract determined to contain confidential information under sub clause (r) of section 7 of chapter 4, the governmental body shall instead maintain a record of the procurement processes and awards for 6 years after the date of the final payment. The governmental body shall make such records available to the inspector general upon request; provided, however, that the inspector general shall not disclose said information; or

(34) A contract entered into between the state Department of Public Health and regional emergency medical services councils made in accordance with section 5 of chapter 111C.

### **b. Collective Purchasing**

Chapter 30B permits local jurisdictions to purchase goods and services under certain collective purchasing contracts.

#### **i. Statewide Contract Purchases**

The Operational Services Division (OSD) awards a variety of statewide contracts that local jurisdictions may use without conducting a separate Chapter 30B procurement process. If a department wishes to make use of a statewide contract that Department must provide the Chief Procurement Officer with a valid statewide contract number prior to entering a requisition, and the Department must ensure that the terms of the statewide contract are adhered to.

#### **ii. Cooperative Purchases**

Departments may only purchase goods or services from cooperative purchase associations with the direct prior approval of the Chief Procurement Officer and the Town Administrator.

### **c. Sole-Source Procurements**

A “sole-source” procurement is a procurement conducted without advertising or competition. In order to make a sole-source procurement, the Department must conduct a reasonable investigation showing that there is only one practicable source for the required supply or service. The Department must provide the Chief Procurement Officer with documentation explaining this determination prior to entering a contract.

Sole-source procurements for supplies and services valued at over \$50,000 are **not allowed unless** the Department is procuring:

- Software maintenance, library books or educational materials
- Utilities

**2. Public Construction**

Public construction procurements fall into one of two subcategories (a) Building Construction and (b) Public Works (non-building) construction.

**a. Building Construction**

Massachusetts General Law Chapter 149 governs all contracts for the construction, reconstruction, installation, demolition, maintenance, or repair of a building, unless the work falls under one of the following exceptions:

- A sewer or water supply building, whose sole function is to house pumps and related equipment (*instead subject to Chapter 30, Section 39M*)
- Energy-saving improvements to public buildings (*instead subject to Chapter 25A*)

Though the law does not define the word “building,” case law has indicated that it should be interpreted as “a structure with walls and a roof.” Building maintenance and repair includes painting, plumbing repair, elevator maintenance, boiler maintenance and security system maintenance.

**M.G.L. c.149:**

Dollar Threshold	Statutory Requirements
\$0-9,999	<ul style="list-style-type: none"> <li>• Sound business practices</li> <li>• Prevailing Wage</li> </ul>
\$10,000-49,999	<ul style="list-style-type: none"> <li>• Solicit written responses</li> <li>• Advertisement/Public notice</li> <li>• OSHA Training</li> <li>• Prevailing Wage</li> </ul>
\$50,000-150,000	<ul style="list-style-type: none"> <li>• Sealed Bids</li> <li>• Advertisement/Public Notice</li> <li>• OSHA Training</li> <li>• 5% Bid Deposit</li> <li>• 50% Payment Bond</li> <li>• Prevailing Wage</li> </ul>

Over \$150,000	<ul style="list-style-type: none"> <li>• Sealed Bids</li> <li>• Advertisement/Public Notice</li> <li>• DCAM certification for general bidders and filed sub-bidders</li> <li>• Filed sub-bidding (for work \$25,000 and over)</li> <li>• OSHA Training</li> <li>• Optional Prequalification</li> <li>• Filed sub-bidding (work \$25,000 and over)</li> <li>• 5% Bid Deposit (of total bid or sub-bid)</li> <li>• 100% Payment Bond</li> <li>• 100% Performance Bond</li> <li>• Prevailing Wage</li> <li>• Contractor Evaluation</li> </ul>
Over \$10,000,000	<ul style="list-style-type: none"> <li>• Solicit statements of qualification prior to soliciting sealed bids</li> <li>• Advertise the request for qualifications</li> <li>• DCAM certification for general bidders and filed sub-bidders</li> <li>• Filed sub-bidding (for work \$25,000 and over)</li> <li>• 5% Bid Deposit (of total bid or sub-bid)</li> <li>• 100% Payment Bond</li> <li>• 100% Performance Bond</li> <li>• Prevailing Wage</li> <li>• Contractor Evaluation</li> </ul>

**b. Public Works (non-building) Construction**

Massachusetts General Law Chapter 30, Section 39M governs all contracts for construction reconstruction, alteration, remodeling, or repair that do not include work on a public building. This type of work is generally called “horizontal construction” and includes: construction and repair of roads, bridges, water mains and sewers, and improvement to public land such as public parks, outdoor swimming pools and parking lots.

**M.G.L. c.30, §39M:**

Dollar Threshold	Statutory Requirements
\$10,000 and under	<ul style="list-style-type: none"> <li>• Prevailing Wage</li> </ul>
\$10,000-49,999	<ul style="list-style-type: none"> <li>• Sealed bids</li> <li>• Advertisement/Public Notice</li> <li>• OSHA Training</li> <li>• 5% Bid Deposit</li> <li>• Prevailing Wage</li> </ul>

<p>\$50,000+</p>	<ul style="list-style-type: none"> <li>● Sealed Bids</li> <li>● Advertisement/Public Notice</li> <li>● OSHA Training</li> <li>● 5% Bid Deposit</li> <li>● 50% Payment Bond</li> <li>● Prevailing Wage</li> </ul>
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**PART II. COMPETITIVE PROCUREMENT**

When a supply, service or parcel of real property valued at over \$50,000 or a public construction project valued at over \$10,000 must be competitively procured, the Chief Procurement Officer and Department shall work together to develop a formal solicitation for the contract.

The following section outlines the procedures and responsibilities of the Chief Procurement Officer and interested Department in regard to preparing, issuing, receiving, awarding and administering competitively procured contracts.

**A. PREPARING THE SOLICITATION**

**1 Department Responsibilities**

To initiate a competitive bidding process, the requesting Department shall provide the following to the Chief Procurement Officer in Microsoft Word, along with a general description of the procurement.

\*Note: Select board approval is required for any contract with a term of longer than three (3) years.

**a Request for Proposals Justification (if applicable)**

If the Department wishes to make use of the Request for Proposal process rather than an Invitation for Bids process for supply or service contracts, that Department must provide the Chief Procurement Officer with written documentation outlining specific reasons why an Invitation for Bids is not being used.

**b Estimated Value**

The three main Massachusetts procurement laws are broken down into sections based on dollar thresholds. The Department must provide the Chief Procurement Officer with an estimated value of the total procurement so that the Chief Procurement Officer may determine what procedures apply.

**c Minimum Requirements**

This document would contain any requirements that a bidder or proposer would absolutely have to meet in order to be considered. For example, certain licenses, access to equipment or a minimum amount of experience in would be considered minimum requirements.

**d Product Description/Scope of Services**

**Product Description**

Purchase Descriptions are typically used for the procurement of supplies. List or describe any supply in sufficient detail for vendors to understand what is being requested. Depending on the complexity of the item this may require particulars regarding size, dimension, quality, performance and warranties.

**Scope of Services**

A Scope of Services is a comprehensive description of any services required. This should include the details of the task, the personnel, material and resources required. An example would be, "All floors must be swept to remove visible dirt and debris."

**e Terms and Conditions**

This should include any delivery terms, a schedule for performance, the term of the contract (and any option to renew), or any other terms or conditions the Department would like to include.

**2 Purchasing Responsibilities**

The Chief Procurement Officer will review the documentation provided by the Department and request any further information.

The Chief Procurement Officer will prepare the complete solicitation documents, incorporating the information provided by the Department and ensuring compliance with applicable Massachusetts procurement laws. The Chief Procurement Officer will then provide a draft of the solicitation to the Department for review and comment.

If necessary, the Chief Procurement Officer will request a prevailing wage rate sheet to attach to the solicitation. The prevailing wage law requires contractors performing work for any public construction project to pay prevailing wages, which are special minimum wages established by the Department of Labor Standards (DOLS)

**B. ISSUING THE SOLICITATION****1 Department Responsibilities**

Once the solicitation is complete, the Department may wish to reach out vendors it knows can provide the supply, service or work required and alert that vendor as to when the solicitation will be available.

Once the solicitation has been made available, vendors often ask questions. Questions must be submitted to the Chief Procurement Officer in writing. The Chief Procurement Officer will then contact the Department and request a written response which the Chief Procurement Officer will convert into addenda issued to all vendors on record.

**2 Purchasing Responsibilities**

The Chief Procurement Officer will be responsible for ensuring that proper public notice of the solicitation is made. The Chief Procurement Officer will also post the solicitation on the Town of Swampscott's website, make hard copies available as requested and maintain a record of all vendors who have downloaded or picked up the solicitation. Any questions from potential contractors must be directed to the Chief Procurement Officer. The Chief Procurement Officer will forward the questions to the Department for answers. If necessary, the Chief Procurement Officer will prepare and issue addenda to potential contractors.

**C. RECEIVING AND EVALUATING RESPONSES****1 Department Responsibilities**

**Invitation for Bids**

If the solicitation conducted was an Invitation for Bids, the Department will be responsible for reviewing the submitted bids and determining if the bid is responsive to the Invitation for Bids. Any deviation from the Invitation for Bids must be noted as it may disqualify a bid.

**Requests for Proposals**

The Department shall be responsible for forming an evaluation committee. The evaluation committee shall be responsible for reviewing and ranking the non-price proposals. The Chief Procurement Officer may assist or be a member of the evaluation committee if necessary. The evaluation committee must prepare a written explanation of its ranking and why the selected proposer is the most advantageous.

**2 Purchasing Responsibilities****Invitation for Bids**

The Chief Procurement Officer shall receive all bids in response to an Invitation for Bids. At the time and date scheduled for bid opening, the Chief Procurement Officer shall open, read aloud and prepare a bid tabulation sheet, of the results. The Chief Procurement Officer will then turn the bids over to the Department for evaluation as described above.

**Requests for Proposals**

The Chief Procurement Officer shall receive all proposals in response to a Request for Proposals. At the time and date scheduled, the Chief Procurement Officer shall open the non-price proposals and create a register of proposals. The Chief Procurement Officer will then turn over the non-price proposals to the Department for the evaluation described above. Once the Chief Procurement Officer receives the written description of the ranking, the Chief Procurement Officer shall open the price proposals.

**D. LATE AND TIED BIDS**

A late bid or proposal is one that is delivered after the due date and time. If a bid or proposal is late, it must be rejected as non-responsive. Similarly, a correction or modification delivered after the due date and time may not be accepted and the bid should be evaluated as it was at the due date and time. If bids are tied, the Town must use a tie-breaking procedure that is simple, fair and objective, such as a coin toss. In the alternative, the Town may elect to conduct a "second heat" where vendors are informed of the tie and asked to submit a second price by a certain date and time.

**PART III. AWARDING AND EXECUTING CONTRACTS**

- 1 The Department must ensure that funds are properly appropriated before a contract is executed.
- 2 Once the Vendor/Contractor (lowest responsive and responsible bidder, most advantageous proposer, lowest quote etc....) has been identified the Chief Procurement Officer shall draft the contract. The contract number shall coincide with the applicable Bid or Proposal, or if no Bids or Proposals were solicited, the contract shall be the number of the Purchase Order created to pay the vendor.

If the Vendor/Contractor is supplying the contract, the Department shall arrange for the vendor to email the contract to the Chief Procurement Officer in Microsoft Word so that it may be adapted to the Town format.

- 3 The contract will then be turned over to Town Counsel for review of its form. Town Counsel will return the four (4) copies of the contract to the Chief Procurement Officer.
- 4 The Chief Procurement Officer will prepare a 'Notice of Intent to Award' and send it along with the four (4) copies of the contract to the chosen Vendor/Contractor.
- 5 When the contracts are returned to the Chief Procurement Officer, along with any applicable Certificates or Bonds required, the Chief Procurement Officer will then route the contract for the remaining Town officials to sign.
- 6 One copy of the fully executed contract shall be returned to the Vendor/Contractor along with a 'Notice to Proceed.' One copy shall remain on file with the Office of the Chief Procurement Officer, one copy will be provided to the Department and one copy will be placed on file at the Office of the Town Accountant.
- 7 Once the contract has been executed, the Department shall enter a requisition for a purchase order in the Contract amount, prior to the selected vendor beginning work (unless a Requisition was already entered as part of step 2).
- 8 The Department is responsible for monitoring the progress of the contract.
- 9 Any amendments, change orders, or extensions must be initiated by the Department and approved by the Chief Procurement Officer (as discussed in Part V).
- 10 The Purchasing Department shall maintain a record of current contracts and notify the Department when the Contract is set to expire.

#### **PART IV. REQUISITIONS AND PURCHASE ORDERS**

##### **A. REQUIREMENT TO PROCESS REQUISITIONS/PURCHASE ORDERS**

###### **1. General Rule**

A Purchase Order shall be required prior to purchasing and goods and services that exceed \$500.00. The process for obtaining a Purchase Order is to submit a Requisition to the Purchasing Department. Processing a Purchase Order will encumber the purchase in the line item identified as the funding source for the Purchase until an invoice is submitted and payment is processed. The method of processing a Requisition, and for converting a requisition into a Purchase Order, is outlined below; but the following are the general guidelines for what approvals must be sought in order to obtain a purchase order:

- Individual, separate, orders purchasing goods or services costing \$500 or less do not require a Purchase Order. However, it is not permitted to intentionally purchase items separately in order to circumvent obtaining a Purchase Order, and if it is clear to the Chief Procurement Officer that that such a practice is being utilized, then invoices will be returned until a Purchase Order is properly issued. Invoices for such goods and services can simply be submitted to

Accounting upon receipt with any other proper documentation required to effectuate payment to the vendor.

- Individual, separate, orders purchasing goods or services costing more than \$500 and less than \$10,000 require submitting a Requisition to the Purchasing Dept. and the Requisition will be converted to a Purchase Order upon approval by the Department Head. Goods and Services may NOT be purchased, nor can delivery be accepted, until a Purchase Order is issued. Invoices for such goods and services must reference the Purchase Order when they are submitted to Accounting for payment, along with any other proper documentation required to effectuate payment to the vendor. Invoices submitted to accounting that are more than \$500, without referencing a Purchase Order, will be returned to the Department and not paid until a Purchase Order is processed.
- Individual, separate, orders purchasing goods or services, as well as procurement contracts costing more than \$10,000 require submitting a Requisition to the Purchasing Dept. **with supporting documentation, including a proposed written contract.** All written quotes, bid documents, copies of advertisements, etc. shall be attached to the requisition at the time the requisition is submitted for approval. If a requisition is submitted without the proper procurement documentation it will be returned to the Department and a Purchase Order will not be issued, nor will invoices be paid, until a completed requisition with supporting documentation is submitted and an approved Purchase Order is issued.

## **B. REQUISITIONS**

Before a Requisition can be entered, the vendor's information must be added to the MUNIS system. The Purchasing Department is responsible for adding vendors to the system. In order to do so the Purchasing Department must have a copy of the vendor's W-9 form. Before requesting that a vendor be added, please ensure that their information is not already in the system, in order to avoid duplications. Vendors **WILL NOT** be added without a valid Social Security or Federal Tax Identification Number.

### **1. Requisition Entry**

Before a purchase can be made, the Department must enter a Requisition into the MUNIS system to be approved by the Chief Procurement Officer. In order for the Chief Procurement Officer to approve the Requisition there is certain information that must be included, as discussed below.

In the 'Main' tab of 'Requisition Entry' please use the 'General Description' box to enter a basic one- or two-word description of the item of service to be purchased, for example, "Landscaping Services" or "Office Supplies."

If the Requisition is being made pursuant to a contract already in place, please follow that description with a dash and the Contract Number. If the Contract was awarded based on a bid or proposal the number will look like this "O-23." If the Requisition is being made pursuant to a statewide contract, (Comm-Pass) please enter the statewide contract number, for example, FAC59. Use a similar procedure for purchases from any cooperative purchasing groups such as MHEC.

"OFFICE SUPPLIES-O-23"

If the Requisition is being made pursuant to a quotes process, follow the description with a dash and the word "QUOTES". When quotes were solicited, please attach either PDF copies of the Quotes or a Microsoft Word or Microsoft Excel document with the names of the three quoters and the amounts of the quotes. This can be accomplished by clicking the 'Attachments' link at the bottom of the 'Main' tab or the paper clip icon at the top. (Note: all information must be filled in before "Attachments" becomes clickable.)

#### "LANDSCAPING SERVICES-QUOTES"

Below the 'General Description' box you will find a button labeled 'General Notes'. In this window, please provide a more detailed account of the procurement, elaborating on the one or two word 'General Description' line. For example, if the 'General Description' was LANDSCAPING SERVICES-QUOTES," an adequate description would be, "The Department requires services to trim several trees. If the 'General Description' was "OFFICE SUPPLIES-O-23," then an adequate entry would be, "The Department will be purchasing 10 office chairs pursuant to contract 0-23." This section should also include the name of the individual who, if contacted by the Chief Procurement Officer, would be able to answer any questions about the procurement.

### **2. Requisition Approval**

A Requisition must be released by the authorized user before it may be approved. All requisition approvals shall be made by the Chief Procurement Officer, unless the Chief Procurement Officer has delegated that authority to another Town employee. If the Requisition is in the proper form, it should be approved within two (2) business days of the entry. If information is missing, the Department may be contacted by the Chief Procurement Officer, or the Requisition may be rejected and an explanation shall be provided to the Department.

### **C. PURCHASE ORDERS**

Once a Requisition has been approved, it can then be converted into a Purchase Order. The Purchasing Department is primarily responsible for converting approved Requisitions into Purchase Orders and Printing Purchase Orders to be distributed back to the Department. Invoices from vendors should be addressed to the Department for verification that the supply or service was delivered to the Department's satisfaction.

A Vendor **SHALL NOT** furnish any work or supplies prior to the receipt of a valid Purchase Order. Any service or supply provided without a valid Purchase Order may be deemed unlawful and may preclude payment.

## **PART V. TASK ORDERS, CHANGE ORDERS, AMENDMENTS AND EXTENTIONS**

### **A. TASK ORDERS**

The Town may have several on-call contracts for various services. In order to make use of such a contract, the requesting Department must complete a 'Task Order Form' which is available upon request from the Purchasing Department. A fully executed (signed by all original signatories of the contract) 'Task Order Form' must be completed for any work in excess of \$5,000. For work between \$500 and \$5,000 a 'Task Order Form' must be executed between the Department and the Contractor. For work less than \$500 no 'Task Order Form' is required.

### **B. CHANGE ORDERS**

### 1. Change Orders Pursuant to Chapters 149 and 30, § 39M

There is no statutory limit on change orders for public construction projects. However, relevant case law suggests that change order(s) for any given project should not exceed 20-30% of the original contract price. 'Change Order Forms' are also available from the Purchasing Department.

The contractor requesting the change order must supply the department with a written explanation of why the change is necessary, along with a detailed cost breakdown of the proposed change.

Before submitting the change order to the Chief Procurement Officer, the Department must ensure that:

- The change order is necessary;
- The requested increase in value or time extension is accurate; and
- The work or supplies proposed in the change order were not already covered by the initial agreement

The Department shall be responsible for entering a Requisition for the changed amount.

### 2. Contract Increases Pursuant to Chapter 30B

Change orders for contracts relating to supplies and services are not permitted under M.G.L. Chapter 30B. Chapter 30B does allow for an increase in the quantity of a supply or service provided if the following conditions are met:

- The unit prices remain the same or less
- The procurement officer documents in writing that an increase is necessary to fulfill the actual needs of the local jurisdiction and is more economical and practical than awarding another contract
- The parties agree to the increase in writing
- The cost of the increase does not exceed 25% of the total contract price.

Contracts for the purchase of gasoline, fuel, fuel oil, road salt and other snow control supplies are not subject to the 25% limit but are subject to the first three conditions.

### C. AMENDMENTS

Should a Department seek to amend a current contract, the Department must send a request to the Chief Procurement Officer via email, explaining the need for the Amendment. The Chief Procurement Officer shall prepare the Amendment documents and send them to the Town Solicitor for review. The Amendment will then be sent to the contractor for signatures. Once returned, the Amendment will be signed by the remaining Town officials. One copy of the fully executed amendment shall be returned to the contractor, one shall remain in the Office of the Chief Procurement Officer, one shall be returned to the Department and one shall be placed on file at the Office of the Town Accountant. If the Amendment involves an increase in payment, the Department **must** secure funding prior to requesting the Amendment.

### D. EXTENSIONS

If a department seeks to extend a current contract, the Department must send a request to the Chief Procurement Officer via email. The Chief Procurement Officer will ensure that an extension is

allowed pursuant to the terms of the original contract, and then prepare a 'Notice of Extension'. The 'Notice of Extension' shall be mailed to the contractor for approval and signatures.

## **PART VI. EMERGENCY PROCUREMENTS**

### **A. SUPPLIES AND SERVICES PROCUREMENTS UNDER M.G.L. CHAPTER 30B**

If the time required to fully comply with a Chapter 30B requirement would *"endanger the health or safety of the people or their property,"* the Chief Procurement Officer may make an emergency procurement. The procurement must comply with the law to the extent possible. For example, if the supply or service is between \$10,000 and \$49,999, the department may solicit two quotes instead of three or for a supply or service over \$50,000 solicit quotes instead of issuing a bid, or shorten the advertising period. However, it is important to note that this only applies to the procurement of services or supplies needed to meet the emergency.

When a department must make an emergency procurement, they must submit a record to the Chief Procurement Officer which (1) documents the basis for determine that an emergency exists, (2) names the vendor, (3) states the amount of the contract and (4) lists supplies or services purchased.

Departments may not artificially create an emergency by postponing normal purchases. Invoking the emergency procedures in the absence of a genuine emergency could invalidate the contract.

### **B. BUILDING CONSTRUCTION PROCUREMENTS UNDER M.G.L. CHAPTER 149**

For M.G.L. Chapter 149 projects, a department may dispense with the normal bidding process for work needed to, *"preserve the health or safety of people or property, or to alleviate an imminent security threat."*

The prior approval of DCAMM ('Division of Capital Asset Management and Maintenance) is required. DCAMM may waive the public notice or public bidding requirements for the work. If the nature of emergency prevents prior approval, the Town may contract for the necessary work and seek subsequent approval from DCAMM, but if the request is denied the work must stop. Note that even if the waiver is granted, other requirements such as the payment of prevailing wages are still in force.

Although formal bidding may not be required, you should solicit as many informal quotations as possible under the circumstances.

### **C. PUBLIC WORK CONSTRUCTION PROCUREMENTS UNDER M.G.L. CHAPTER 30, SECTION 39M**

For M.G.L. Chapter 30, Section 30M projects you may only dispense with the normal bidding process in cases of, *"extreme emergency cause by enemy attack, sabotage, other such hostile actions or resulting from an imminent security threat, explosion, fire, flood, earthquake, hurricane, tornado or other such catastrophe."* Only the work necessary for "temporary repair and restoration to services of any and all public work in order to preserve health and safety of person and property" may be performed under an emergency contract. The Town may do only what is necessary to for temporary repair and restoration in order to preserve health and safety of persons or property. This exception does not apply to making permanent reconstruction, alteration, remodeling or repair.

As with Chapter 149, although formal bidding may not be required, you should still solicit as many informal quotes as possible under the circumstances.

If the item of service being procured falls under \$10,000, please do not label the procurement and Requisition as an "Emergency". If a procurement does exceed those thresholds, and is a true emergency, please proceed as outlined above.

#### **PART VII. DESIGNER SELECTION PROCEDURES**

- A. These procedures govern the selection of designers for any Town of Swampscott building project subject to the state designer selection law, M.G.L. c. 7C, §§ 44-58. Any other local laws or procedures governing the procurement of services will be inapplicable to these procurements.
- B. The Select board ("Approving Body") has the authority to conduct the designer selection process for the Town of Swampscott. The Approving Body may delegate any duties described herein to the extent such delegation is permissible by law.
- C. The Approving Body shall designate the individual or group of individuals (hereinafter referred to as "the <insert project name> Design Selection Committee") who will conduct the designer selection process. No member of the Committee shall participate in the selection of a designer for any project if the member, or any of the member's immediate family:
  - a. has a direct or indirect financial interest in the award of the design contract to any applicant;
  - b. is currently employed by, or is a consultant to or under contract to, any applicant;
  - c. is negotiating or has an arrangement concerning future employment or contracting with any applicant; or
  - d. has an ownership interest in, or is an officer or director of, any applicant.
- D. A Request for Qualifications (RFQ) for each contract subject to these procedures shall be advertised in a newspaper of general circulation in the locality of the building project, on the official website of the Town of Swampscott, in the *Central Register* published by the Secretary of the Commonwealth, on the COMMBUYS System maintained by the Operational Services Division, and in any other place required by the Approving Body, at least two weeks before the deadline for filing applications.
- E. The advertisement shall contain the following information:
  - a. a description of the project, including the specific designer services sought, the time period within which the project is to be completed, and, if available, the estimated construction cost;
  - b. if there is a program for the building project, a statement of when and where the program will be available for inspection by applicants;
  - c. when and where a briefing session (if any) will be held;
  - d. the qualifications required of applicants;
  - e. the categories of designers' consultants, if any, for which applicants must list names of consultants they may use;
  - f. whether the fee has been set or will be negotiated; if the fee has been set, the amount of the fee must be listed in the advertisement;
  - g. when and where the RFQ can be obtained and the applications must be delivered.

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- F. The RFQ shall include the current "Standard Designer Application Form for Municipalities and Public Agencies not within DSB Jurisdiction," which is available for download from the Massachusetts Designer Selection Board website at **Procedures for Municipalities and Public Agencies not within DSB Jurisdiction**. The Application Form may be amended to include additional information on a project-specific basis.
- G. The Committee shall evaluate applicants based on the following criteria:
- a. prior similar experience;
  - b. past performance on public and private projects;
  - c. financial stability;
  - d. identity and qualifications of the consultants who will work with the applicants on the project; and
  - e. any other criteria that the Committee considers relevant to the project.
- H. The Committee shall select at least three finalists. Finalists may be required to appear for an interview or provide additional information to the Committee, provided that all finalists are afforded an equal opportunity to do so.
- I. The Committee shall rank the finalists in order of qualification and transmit the list of ranked finalists to the Approving Body. No person or firm, including applicants' listed consultants, debarred pursuant to M.G.L. c. 149, § 44C, shall be included as a finalist on the list. The list must be accompanied by a written explanation of the reasons for selection including the recorded vote, if any. The written explanation and recorded vote, if any, shall be public records and shall be maintained in the contract file.
- J. If the fee was set prior to the selection process, the Approving Body shall select a designer from the list of finalists. If the Approving Body selects a designer other than the one ranked first by the Committee, the Approving Body shall file a written justification for the selection with the Committee and maintain a copy in the contract file.
- K. If the fee is to be negotiated, the Approving Body shall review the list of finalists and may exclude any designer from the list if a written explanation of the exclusion is filed with the Committee and maintained in the contract file. The Approving Body shall request a fee proposal from the first ranked designer remaining on the list and begin contract negotiations. If the Approving Body is unable to negotiate a satisfactory fee with the first ranked designer, negotiations shall be terminated and undertaken with the remaining designers, one at a time, in the order in which they were ranked by the Committee until agreement is reached. In no event may a fee be negotiated which is higher than the maximum fee set by the Approving Body prior to selection of finalists.
- L. If the Approving Body is unable to negotiate a satisfactory fee with any of the finalists, the Approving Body shall recommend that the Committee select additional finalists.
- M. The Approving Authority may allow a designer who conducted a feasibility study to continue with the design of a project. However, the Approving Authority may commission, at its discretion, an independent review, by a knowledgeable and competent individual or business doing such work, of the feasibility of the designer's work to insure its reasonableness and its adequacy before allowing the designer to continue on the project, provided the Approving Authority otherwise complies with the statutory requirements for selecting a designer under Chapter 7C of the General Laws, including those set forth in M.G.L. c. 7C, § 54(a)(i).
- N. Every contract for design services shall include the following:
- a. certification that the designer or construction manager has not given, offered, or agreed to give any person, corporation, or other entity any gift, contribution, or

- offer of employment as an inducement for, or in connection with, the award of the contract for design services;
- b. certification that no consultant to, or subcontractor for, the designer or construction manager has given, offered, or agreed to give any gift, contribution, or offer of employment to the designer or construction manager, or to any other person, corporation, or entity as an inducement for, or in connection with, the award to the consultant or subcontractor of a contract by the designer or construction manager;
  - c. certification that no person, corporation, or other entity, other than a bona-fide full-time employee of the designer or construction manager, has been retained or hired by the designer or construction manager to solicit for or in any way assist the designer or construction manager in obtaining the contract for design services upon an agreement or understanding that such person, corporation, or other entity be paid a fee or other consideration contingent upon the award of the contract to the designer; and
  - d. certification that the designer has internal accounting controls as required by M.G.L. c. 30, § 39R(c), and that the designer has filed and will continue to file an audited financial statement as required by M.G.L. c. 30, § 39R(d).

All fees shall be stated in design contracts, and in any subsequent amendments thereto, as a total dollar amount. Contracts may provide for equitable adjustments in the event of changes in scope or services.

- O. The Awarding Authority shall not enter into a contract for design services unless the Awarding Authority or the designer has obtained professional liability insurance covering negligent errors, omissions, and acts of the designer or of any person or business entity for whose performance the designer is legally liable arising out of the performance of the contract. The total amount of such insurance shall at a minimum equal the lesser of one million dollars or ten percent of the project's estimated cost of construction, or such larger amounts as the Awarding Authority may require, for the applicable period of limitations. A designer required by the Awarding Authority to obtain all or a portion of such insurance coverage at its own expense shall furnish a certificate or certificates of insurance coverage to the Awarding Authority prior to the award of the contract.
- P. Every contract for design services shall include a provision that the designer or its consultants shall not be compensated for any services involved in preparing changes that are required for additional work that should have been anticipated by the designer in the preparation of the bid documents, as reasonably determined by the individual responsible for administering the design contract.
- Q. In the event of an emergency that precludes the normal use of these designer selection procedures, the Approving Body may elect to authorize expedited procedures to address the emergency. The Approving Body shall document in writing the reasons for the emergency declaration, the proposed scope of work, the estimated cost of construction, the established fee for the needed design services, and any other relevant information. The Approving Body may select three finalists from any standing list of designers who have applied for projects of a similar nature or may otherwise select three designers to be considered as finalists for the project. The Approving Body shall rank the finalists in order of qualification and select the designer for the emergency work.
- R. The Awarding Authority shall publish the name of any designer awarded a contract in the Central Register.
- S. The following records shall be kept by the Awarding Authority:

- a. all information supplied by or obtained about each applicant;
- b. all actions taken relating to the project; and
- c. any other records related to designer selection.

All records shall be available for inspection by the state Designer Selection Board and other authorized agencies.

- T. The Awarding Authority shall evaluate designers' performance in contracts using the Designer Selection Board evaluation form(s) in accordance with M.G.L. c. 7C, § 48(h).
- U. Nothing in these Procedures shall be interpreted to require the establishment of a board or waive or reduce the requirement of any other applicable law or regulation.
- V. For any municipal design or construction project that includes funding provided by the Commonwealth, in whole or in part, (such as reimbursements, grants and the like), cities and towns must incorporate minority-owned business enterprise and women-owned business enterprise participation goals. If applicable the Awarding Authority shall take steps to assure that it complies with all Supplied Diversity Office Requirements.

#### **FEDERAL GRANTS**

All federal grant funds must adhere to the Federal Acquisition Micro-Purchase Policy for grants greater than \$1,000. The Federal policy is most stringent than the Commonwealth Procurement Policy.

#### **REFERENCES**

[M.G.L. c. 30B](#) [M.G.L. c. 149](#) [M.G.L. c. 39, s. 39M](#) [M.G.L. c. 7C, s. 44-58](#)  
[2 CFR 200.320](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

## REVOLVING FUNDS

### POLICY

Revolving funds allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For departmental revolving funds, MGL Ch. 44 §53E½ stipulates that each fund must be established by bylaw or ordinance and that a limit on the total amount that may be spent from each fund for a fiscal year must be established by legislative body vote. Wages or salaries for full-time employees may be paid from the revolving fund only if the fund is also charged for all associated fringe benefits.

PROGRAM	AUTHORIZED REPRESENTATIVE OR BOARD TO SPEND	DEPARTMENT RECEIPTS	PURPOSE
Council on Aging	Council on Aging	User fees or charges from COA programs	To pay for salaries, supplies, equipment, and COA programs
Recycling – Blue Bins	Health Department	Fees or charges received in connection with sale of recycling blue bins	To purchase supplies and equipment
Recreation	Town Administrator	Fees or charges received from Recreation Department programs	To pay for supplies, salaries, and equipment
Public Library	Town Administrator	Fees or charges for use of Library public copier and computer printers	To purchase supplies and paper for the copier and computer printer
Athletic Field Maintenance	Town Administrator	Fees or charges received for rental or use of Town athletic fields	To pay for salaries, supplies, and equipment of the Town's athletic fields

### LIMITATIONS

Expenditures from each revolving fund set forth herein shall be subject to the limitation established by Town Meeting or any increase therein as may be authorized in accordance with M.G.L. c.44, §53E½

PROGRAM OR PURPOSE	FISCAL YEAR SPENDING LIMIT
Council on Aging	\$50,000
Recycling – Blue Bins	\$5,000
Recreation	\$275,000
Public Library	\$3,500
Athletic Field Maintenance	\$20,000

### REFERENCES

[M.G.L. c.44, s. 53 E1/2](#)

[Swampscott General By-Laws](#)

[Dept of Revenue - Revolving Funds](#)

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## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Swampscott's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services (DLS), and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### APPLICABILITY

This policy applies to the Town Accountant, Treasurer/Collector, their designees (if any), and all departments that use special revenue funds or have accounts receivable responsibilities (e.g., Water, Police, etc.).

### POLICY

At minimum on a quarterly basis, the Treasurer/Collector, and department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant according to the guidelines and periodic time frames outlined in this policy.

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within [five business days] of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts within [five days] of receiving monthly bank statements. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer will then forward the reconciled cashbook balances in an Excel report to the Town Accountant and, when necessary, forward an additional [Schedule of Receipts] for any adjustments made.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. The Treasurer must verify and reconcile all withholdings recorded in Munis to the actual disbursements.

The Treasurer will report specific payroll deductions subject to vendor invoices, such as health insurance, to the Town Accountant for recording in the general ledger. To reduce the risk to the Town

for liabilities in excess of deductions, the Treasurer will conduct monthly reconciliations of those deductions and identify any discrepancies prior to remitting invoices for payment. The Treasurer will make any necessary payroll changes or adjustments and provide the details of these activities to the Town Accountant.

#### C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, water charges) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Collector and any department head with accounts receivable duties (each referred to here as “record-keeper”) will make certain that all cash receipts are recorded daily, maintain a control record for each receivable type and levy year, and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the record-keeper reduces a commitment according to collections, abatements, and exemptions and increases it by refunds issued. To maintain accuracy, the record-keeper must review the detailed list of receivables, identify credit balances as prepaid amounts or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant. For the Collector, this is the Schedule of Outstanding Receivables.

#### D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are specific revenues segregated from the general fund and earmarked for specific purposes. They include gifts and grants from governmental entities, individuals, and organizations; revolving funds; and receipts reserved for appropriation. To ensure these funds are balanced, department heads with responsibility for special revenue funds will verify that all revenues turned over to the Treasurer, expenditures authorized for payment by the Town Accountant, and properly authorized transfers are recorded for the period. These department heads will subsequently provide the Town Accountant with quarterly reconciliation reports on the funds.

#### E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger’s integrity, the Town Accountant must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Town Accountant’s responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Town Accountant identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer must verify that his monthly Schedule of Receipts reports agree by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the months of the quarter as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer and Town Accountant must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled monthly to the Town Accountant's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Town Accountant must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for the control.
- Verify whether receipts are recorded to the correct type and levy year.
- Verify the dates that activities were recorded.

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by each record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must trace each ledger entry until they determine the reason for variance.

The Town Accountant will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Town Accountant must research any discrepancy and correct the record(s) as appropriate.

#### F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than [the 15<sup>th</sup>] of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented by a worksheet cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will submit the collective set of reconciliation worksheets to the Town Administrator at each month's end.

**G. Audit**

All reconciliation activities are subject to audit by Swampscott's independent auditor.

**REFERENCES**

DLS Best Practice: [Reconciling Cash and Receivables](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

## RECEIPT TURNOVER

### PURPOSE

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

### APPLICABILITY

This policy applies to the Treasurer, as the Town's cash manager, as well as to all individuals within each department assigned responsibility for handling payments. It further applies to the Town Accountant's duty to keep the general ledger up to date. It pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts.

### POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. The Select Board will ensure that surety bonds are maintained for all individuals responsible for handling payments to indemnify the Town from potential lost revenue. Each department will turn over at least weekly and sooner than that when receipts total [\$300] or more. At month-end, departmental staff will turn over all revenues no later than [11:00 am] on the last business day of the month. All cash management activity is subject to review by the Town Accountant and independent auditor.

#### A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must also identify the forms of payment (check, cash, or credit card) in their receipt books. As the exception, employees in the Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments.

#### B. Turning Over Revenues

Departmental staff will fill out a Schedule of Payments to the Treasurer form (i.e., the turnover form) and obtain the department head's signature on it. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer's office or elsewhere in Town Hall.

When the Treasurer has accepted the turnover, the department employee will receive a copy of the turnover form with the Treasurer's signature. The employee will retain this copy on file. On a daily basis, the Treasurer will scan and deliver electronically to the Town Accountant copies of the day's turnover forms. The Town Accountant will refuse to accept any turnover that does not have the Treasurer's signature.

The head of every department that receives payments will review the Town Accountant's monthly revenue reports to verify all turned over receipts have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

#### C. Receiving Turnovers

When presented with the turnover, the Treasurer will count the receipts in the presence of the employee doing the turnover. Any inaccuracies will be corrected on the form at that time and initialed by both parties. The Treasurer will then sign the form, scan it, make a copy, retain the original, and return the copy to the departmental employee.

Within 24 hours of accepting a turnover, the Treasurer will post the receipt data in the appropriate Munis module. At the close of each business day, the Treasurer will review the Munis postings, turnover documents, and receipts, update the cashbook, and create a deposit package. No less than weekly, the revenues will be deposited at the bank. Until the deposit is completed, the Treasurer will ensure that all receipts are secured at all times, either in a cash drawer, or, if being held overnight, in a safe.

Monthly, the Treasurer will generate a Schedule of Receipts report in Munis and submit it to the Town Accountant. After receiving this report, the Town Accountant will compare the turnover forms received from departments with the receipt data posted by the Treasurer in Munis and contact the Treasurer or appropriate departmental employee about any discrepancies. After verifying the information by this process, the Town Accountant then posts the receipt data to the general ledger.

#### D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer will enter a negative deposit to the original revenue account in Munis and notify the department responsible for the turnover. The Treasurer will also make a reversal entry in the cashbook, assigning it to the appropriate bank account.

The Treasurer will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a [\$25.00] penalty is due in [10] days and must be in the form of cash, money order, or certified check.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department will suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

#### E. Reconciliation

In accordance with the Town's Reconciliations policy, the Treasurer will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Town Accountant monthly.

#### F. Audit

All cash management activity is subject to review by the Town Accountant and Swampscott's independent auditor.

**REFERENCES**

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

Swampscott Reconciliations policy

Massachusetts Collectors & Treasurers Association's [Treasurer's Manual](#) and [Collector's Manual](#)

## REPORTING

### PURPOSE

To ensure the Town is accountable to its citizens for the use of public dollars and transparency related to the usage of those dollars in a uniform format and frequency.

Report	Provided To	Frequency of Reporting	Department Responsible
Capital Project Status Update	Select Board, Finance Comm, Capital Improvement Comm, Town Administrator, Dept Heads	Bi-Weekly	Town Accountant
Budget-to-Actuals	Select Board, Finance Comm, Town Administrator, Dept Heads	Quarterly	Town Accountant
Form 941	IRS	Quarterly	Payroll
Employment Wage Details	Dept of Unemployment	Quarterly	Payroll
Multiple Worksite Report	Bureau of Labor Statistics	Quarterly	Payroll
Property Tax Collection Survey	Census Bureau	Quarterly	Treasurer
Treasurer's Year-End Report	DOR - Gateway	Annual	Treasurer
Cash Reconciliation Report	DOR - Gateway	Annual	Town Accountant
Outstanding Receivables	DOR - Gateway	Annual	Town Accountant
Statement of Indebtedness	DOR - Gateway	Annual	Treasurer
Snow and Ice Data Sheet	DOR - Gateway	Annual	Town Accountant
Balance Sheet	DOR - Gateway	Annual	Town Accountant
Schedule A	DOR - Gateway	Annual	Town Accountant
A-1 Offset Receipts	DOR - Gateway	Annual	Assessor
A-2 Enterprise Funds	DOR - Gateway	Annual	Town Accountant
A-4 Community Preservation Fund	DOR - Gateway	Annual	Town Accountant
B-1 Free Cash	DOR - Gateway	Annual	Town Accountant
B-2 Other Funds	DOR - Gateway	Annual	Town Accountant
OL-1 Overlay	DOR - Gateway	Annual	Assessor
DE-1	DOR - Gateway	Annual	Treasurer
Tax Title	DOR - Gateway	Annual	Treasurer
Levy Limit	DOR - Gateway	Annual	Assessor
LA-5 Options & Certification	DOR - Gateway	Annual	Town Clerk, Board of Assessors, Select Board
Tax Rate Recap	DOR - Gateway	Annual	Board of Assessors
W-2	IRS	Annual	Payroll
1099 Forms	IRS	Annual	Town Accountant
Annual Provider Information Form	Dept of Revenue	Annual	Town Accountant

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## YEAR-END CLOSING

### PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the Town's annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the tasks that must be completed, their associated deadlines, and the parties responsible.

### APPLICABILITY

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Administrator, Town Accountant, Treasurer, and Collector. Additionally, it pertains to the budget transfer authority of the Select Board and Finance Committee.

### POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. Annually no later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. The Town Administrator will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined below. All facets of the year-end closing detailed here will be accomplished no later than October 31 each year.

#### A. Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each such department head will notify the Town Accountant in writing of any completed project with an unexpended balance so that she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

The Town Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

#### B. Year-end Encumbrances

By June 1, the Town Accountant will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), projects (by contracts), or salary as of June 30.

### C. Capital Project Reviews, Capital Asset Updates, and Borrowings

As of March 1, the Town Accountant will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered. For any identified deficits:

- If debt had been authorized, the Town Accountant will notify the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Town Accountant will refer the shortfall to the Town Administrator to either submit it for a debt authorization or appropriation from available funds by town meeting or for a line-item transfer by the Select Board and Finance Committee (see section D below).

By June 15, the Town Accountant will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1, each department head with capital assets will respond by forwarding to the Town Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Town Accountant will update the Town's capital asset inventory based on the returned information.

### D. Year-end Transfers

The Town Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Town Administrator. No earlier than May 1 and no later than July 15, the Town Administrator will put any necessary transfer request on the Finance Committee's meeting agenda, followed by the Select Board's meeting agenda, for their authorizations by majority votes.

### E. Closing the Books

No later than August 31, the Town Accountant will do the following to close the books:

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

### F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the time frames listed below.

Town Accountant:

- |   |              |
|---|--------------|
| ▪ Snow and ice data sheet                         | September 15 |
| ▪ Combined balance sheet and supporting documents | September 30 |
| ▪ Schedule A                                      | October 31   |

Town Accountant, Treasurer, and Collector:

- |                                       |              |
|---------------------------------------|--------------|
| ▪ Statement of indebtedness           | September 30 |
| ▪ Treasurer's year-end cash report    | September 30 |
| ▪ Cash reconciliation                 | September 30 |
| ▪ Schedule of outstanding receivables | September 30 |

#### **REFERENCES**

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Swampscott policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#)

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)

Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

**SIGNATURE PAGE**

These policies are hereby adopted as of \_\_ day of \_\_\_\_\_, 2021.

**TOWN ADMINISTRATOR**

\_\_\_\_\_

**SELECT BOARD**

\_\_\_\_\_

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**FINANCE COMMITTEE**

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**CAPITAL IMPROVEMENT COMMITTEE**

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## APPENDIX A - GENERAL MUNICIPAL CALENDAR

### Abbreviations Defined

<b>DLS</b>	Division of Local Services
<b>BLA</b>	DLS Bureau of Local Assessment
<b>BOA</b>	DLS Bureau of Accounts
<b>CPA</b>	Community Preservation Act
<b>DESE</b>	Department of Elementary and Secondary Education
<b>EQV</b>	Equalized Valuation
<b>NSS</b>	Net School Spending

### July

1	Collector	<b>Mail Annual Preliminary Tax Bills</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , mail annual preliminary tax bills by this date. The Collector may include the 1 <sup>st</sup> and 2 <sup>nd</sup> quarter bills in a single mailing.
1	Assessors and Accountant	<b>Begin Compiling Data for the Tax Rate Recapitulation Sheet (the recap)</b>
15	Accountant and Treasurer	<b>Deadline to Process all Prior-Year Unencumbered Expenditures</b> Per <a href="#">M.G.L. c. 44, § 56</a> , this is the deadline to record and pay all unencumbered expenditures incurred as of June 30.
15	<b>Pipeline Company; Telephone / Telegraph Co.</b>	<b>Deadline for a Pipeline Company or a Telephone/Telegraph Company to Appeal the Commissioner's Valuations</b>
20	BLA	<b>Notification of Changes in Proposed EQVs (even years only)</b>

### August

1	Taxpayer	<b>Deadline for Paying 1st Quarter Tax Bill</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 1st quarter preliminary tax payment without interest for bills that were mailed by July 1. If the bills were mailed between July 2 and August 1, this payment is due 30 days after the mailing date, and the 2nd quarter payment is due November 1. If the bills were mailed after August 1, the preliminary tax is due as a single installment on November 1 or 30 days after the bills were mailed, whichever is later.
1	Taxpayer	<b>Deadline for Submitting Annual Boat Excise Return</b>
10	Assessors	<b>Deadline for Appealing EQVs to the Appellate Tax Board (even years only)</b>

31 Accountant **Close Prior-Year Books by this Date**

## September

15 Accountant **Submit Snow & Ice Data Sheet**

15 Assessors **Submit Property Sales Report (recommended date)**

30 Accountant and Treasurer **Submit Balance Sheet and other Reports for Free Cash Certification**  
The Accountant, Treasurer, and Collector coordinate to submit a balance sheet to BOA, along with:

- Statement of Indebtedness
- Treasurer’s Year-end Cash Report
- Cash Reconciliation Form
- Schedule of Outstanding Receivables

## October

1 Collector **Mail Preliminary Tax Bills for 2<sup>nd</sup> Quarter**  
The Collector mails these bills if the 2<sup>nd</sup> quarter bills were not included in the July 1 mailings.

1 Taxpayer **Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land**  
Under [M.G.L. c. 61A, §§ 6 and 8](#) and [c. 61B, §§ 3 and 5](#), this is the deadline to apply to the Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year. Taxpayers who miss this deadline have until 30 days after the mailing of the actual tax bills to apply to the Assessors.

1 Taxpayer **Deadline for Submitting Forest Land Certification and Management Plan**  
As set by [M.G.L. c. 61, § 2](#), this is the deadline to submit to the Assessors the State Forester’s certification and approved management plan to have land classified as forest land for 10 years beginning in the next fiscal year.

15 Assessors **Submit New Growth, Amended Tax Base Levy Growth, and Final Valuations Reports to BLA (recommended date)**

## November

1 Taxpayer **Deadline for Paying 2nd Quarter Tax Bill**  
Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 2nd quarter tax payment without interest.

1 Selectmen and Assessors **Hold Classification Hearing (recommended date)**  
At this public hearing, the Select Board decides whether to apply uniform or different tax rates to the various classes of real and personal property after considering information presented by the Assessors.

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|----|------------|--|
| 30 | Assessors  | <b>Submit Tax Recap and all Schedules to BOA</b>   |
| 30 | Accountant | <b>Submit Schedule A to BOA</b><br>Failure to file Schedule A by this date may result in the withholding or forfeiture of state aid. |

## December

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|----|---------------------|--|
| 31 | Water Commissioners | <b>Deadline for Betterments to be included on Next Year's Tax Bill</b> ( <a href="#">M.G.L. c. 80, § 13</a> , <a href="#">c. 40, § 42I</a> and <a href="#">c. 83, § 27</a> )             |
| 31 | Assessors           | <b>Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners</b>   |
| 31 | Collector           | <b>Deadline for Mailing Actual Tax Bills</b><br>Mail actual tax bills by this date. The Collector may include the 3 <sup>rd</sup> and 4 <sup>th</sup> quarter bills in a single mailing. |

## January

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|----|------------------|--|
| 31 | Pipeline Company | <b>Deadline for Pipeline Company to File Form of List with BLA</b> |
|----|------------------|--|

## February

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|---|----------|--|
| 1 | Taxpayer | <b>Deadline to Pay 3<sup>rd</sup> Quarter Tax Bill</b><br>Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later. |
| 1 | Taxpayer | <b>Deadline to Apply for Property Tax Abatement</b><br>According to <a href="#">M.G.L. c. 59, § 59</a> , abatement applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later.  |

## March

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|---|---------------------------|--|
| 1 | Personal Property Owner   | <b>Deadline to Submit Personal Property Form of List</b><br>The Assessors may extend this deadline to a date no later than the date abatement applications are due.  |
| 1 | Telephone / Telegraph Co. | <b>Deadline for Telephone / Telegraph Company to File Form of List</b><br>BLA may extend this deadline to a date no later than April 1.  |
| 1 | Charitable Organization   | <b>Deadline to Apply for Property Tax Exemption using Form 3ABC</b><br>The Assessors may extend this deadline to a date no later than the date that abatement applications are due.                              |
| 1 | Select Board              | <b>Request Determination of Overlay Surplus (recommended date)</b><br>Within 10 days of this request, the Assessors must determine if a surplus exists, and if so, vote to certify the surplus amount and notify |

the Accountant of the vote so that the amount can be transferred to the overlay surplus account.

Fourth Monday Town Clerk and Registered Voters

**Annual Town Election**

Per Town bylaws, Chapter I: Section 6, Swampscott holds its annual election of town officers on the fourth Monday in March.

## April

1 Collector

**Mail 4<sup>th</sup> Quarter Tax Bills**

The Treasurer/Collector mails these bills if the 4th quarter bills were not included in the December mailings.

1 Taxpayer

**Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions**

This is the deadline to apply to the Assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have three months from the mailing date to file exemption applications.

14 Days before Town Meeting Constable

**Post Warrants for Annual Town Meeting**

Per Town bylaws, Chapter XX, the Town posts the warrant at the Town Hall, Town Office Building, G.A.R. Memorial Library, Post Office, and Laurel Grange at least 14 days prior to the annual town meeting.

## May

Second Monday Town Meeting

**Annual Town Meeting**

Per Town bylaws, Chapter I: Section 1, Swampscott holds its annual town meeting on the second Monday in May.

1 Accountant or Treasurer

**Notification of Amount of Debt Due in Next Fiscal Year**

As required by [M.G.L. c. 44, § 16](#), the Accountant or Treasurer/Collector must notify the Assessors of all debt due in the next fiscal year.

1 Town Clerk

**Certify Appropriations**

The Town Clerk should certify appropriations as soon as possible after town meeting (and no later than July 1, [M.G.L. c. 41, § 15A](#)) so that the Accountant can set up accounts for every department for the forthcoming fiscal year.

## June

1 Town Clerk

**Update the Local Officials Directory (LOD) in Gateway**

The Town Clerk annually updates the LOD with the names, position titles, and email addresses of local officials.

1 Assessors

**Notification of State-owned Land Valuations (even years only)**

1 Assessors

**Determine Valuation of Other Municipal or District Land and Notify Owner(s)**

In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send the property owner a notice of the valuation in the year following a revaluation year.

1	BLA	<b>Notification of Proposed EQVs (even years only)</b>
10	BLA	<b>Conclude Public Hearings on Proposed EQVs (even years only)</b>
15	BLA	<b>Determine and Certify Pipeline and Telephone/Telegraph Valuations</b>
15	Assessors	<b>Make Annual Preliminary Tax Commitment</b> Assessors should make the annual preliminary tax commitment by this date to ensure the ability to mail tax bills by July 1.
20	Assessors	<b>Final Date to Make Omitted or Revised Assessments</b> As required by <a href="#">M.G.L. c. 59, §§ 75</a> and <a href="#">76</a> , if any property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it is the Assessor's duty to fix the mistake and assess the property correctly. The new assessment must be made by June 20 of the taxable year or by the 90th day after the date the tax bills are mailed, whichever is later.
30	Assessors	<b>Submit Annual Report of Omitted or Revised Assessments to BLA</b>
30	Taxpayer	<b>Deadline to Apply to Have Land Classified as Forest Land</b> Per <a href="#">M.G.L. c. 61, § 2</a> , this is the deadline to apply to the State Forester to have land certified as forest land.
30	Assessors	<b>Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of <a href="#">M.G.L. c. 59, § 5</a></b> Assessors have until this date to submit a request to the DLS Databank for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the submission deadline is extended to August 20.

## Additional Information

<b>Cherry Sheet Estimates</b>	Beginning with the Governor's budget proposal in January and at subsequent stages in the state's budget development, the DLS Databank posts on its <a href="#">website</a> estimates of 1) local reimbursement and assistance program appropriations and 2) state and county assessments and charges for the forthcoming year.
<b>Estimated and Finalized NSS Requirements</b>	In January, DESE notifies school districts of NSS estimates for the forthcoming year based on the Governor's budget proposal. DESE notifies

districts of the final NSS requirements in July. Both notices are posted on DESE's [website](#).

**Local Aid Distributions**

The Office of the State Treasurer distributes local aid to communities on the last calendar day each month and posts the data on its [website](#).

**Due Date Exceptions**

According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next business day. This rule also applies to any actions required by or payments due on a Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day.

The due dates for any local property tax payment, abatement application, or exemption application are also extended to the next business day by [M.G.L. c. 59, §§ 57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.

## APPENDIX B – OPERATING BUDGET DEVELOPMENT/ANNUAL TOWN MEETING TIMELINE

Last Wednesday of November:	Budget Memo (non-payroll line items only) is sent to Departments, Board, and Committees (except School Dept.)
2 <sup>nd</sup> Friday of December:	Non-School Dept. requested budgets due to Budget Development Team (non-payroll line items only, plus business plan requesting added programs/staff)
3 <sup>rd</sup> Friday of December:	Budgets reviewed and returned (w/ payroll line items added by Budget Development Team), plus any requested added programs/staff high-lighted
2 <sup>nd</sup> – 3 <sup>rd</sup> Week of January:	Town Administrator/Department Head Budget Meetings
4 <sup>th</sup> Friday of January:	End of Budget Development – Preliminary Recommended Budget to be released
1 <sup>st</sup> Wednesday of February:	Town Administrator presents Preliminary (Draft) Town Budget to Select Board (not incl. School Dept.)
1 <sup>st</sup> Thursday of February:	Deadline for residents to submit petitioned articles for Annual Town Meeting to Town Clerk
2 <sup>nd</sup> Wednesday of February:	School Committee Finalizes School Dept. Budget
3 <sup>rd</sup> Wednesday of February:	Town Administrator presents final recommended budget to Select Board and Finance Committee
March – April:	Finance Committee conducts review of budget, capital, and other financial articles
3 <sup>rd</sup> Wednesday of March:	Deadline for Departments, Boards & Committees to submit department sponsored warrant articles (including capital articles) for consideration by Select Board
1 <sup>st</sup> Wednesday of April:	Select Board opens warrant for public comment – Draft Warrant is released
3 <sup>rd</sup> Wednesday of April:	Select Board receives and considers public comments - Closes warrant
Last Monday of April:	Deadline for Planning Board to hold final public hearing on zoning articles
Last Friday of April:	Finance Committee completes its recommendations and files its report on operating budget to be included with warrant booklet
2 <sup>nd</sup> Monday of May:	Deadline to post annual town meeting warrant and mail warrant booklets to town meeting members
3 <sup>rd</sup> Monday of May:	Town Meeting convenes at 7:15pm

**APPENDIX C – AGREEMENT TO ACCEPT TOWN CREDIT CARD**

**AGREEMENT TO ACCEPT TOWN CREDIT CARD**

I, \_\_\_\_\_, hereby acknowledge receipt of a Town of Swampscott credit card,  
*(First and Last Name)*  
number \_\_\_\_\_.  
*(Last 4 Digits of Credit Card)*

As a cardholder, I agree to comply with the terms and conditions of this Agreement and the provisions of the Town of Swampscott Credit Card Use Policy, as may be subsequently revised. I acknowledge receipt of the Policy and I have read and understand its terms and conditions. I understand the Town of Swampscott is liable to the financial institution for all charges made by me. As the holder of this credit card, I agree to accept responsibility for the protection and proper use of this card as outlined in the regulations. I understand the Town will audit the use of this credit card. I understand that I am responsible for retaining all receipts for processing to the Accounting Department and that failure to provide receipts may result in personal liability. I understand that I cannot use the credit card for personal use even if the intent is to reimburse the Town. I understand the use of the card does not circumvent the Town’s purchasing policy.

I further understand that improper use of this credit card may result in disciplinary action, up to and including termination of employment in accordance with applicable Town Personnel Policy. I agree to allow the Town of Swampscott to collect any amounts owed by me even if I am no longer employed by the Town.

If the Town initiates legal proceedings to recover amounts owed by me under this Agreement, I agree to pay all legal fees incurred by the Town in such proceedings.

I understand the Town may terminate my rights to use this credit card at any time for any reason. I agree to return the credit card to the Town of Swampscott immediately upon request or upon termination of employment.

\_\_\_\_\_  
Cardholder

\_\_\_\_\_  
Date

\_\_\_\_\_  
Town Administrator

\_\_\_\_\_  
Date

\_\_\_\_\_  
Town Accountant

\_\_\_\_\_  
Date

**APPENDIX D – EXPENSE REIMBURSEMENT POLICY ACKNOWLEDGEMENT**

I have read and been informed about the content, requirements, and expectations of the Expense Reimbursement Policy (the “Policy”) for employees and elected officials of the Town of Swampscott. I have received a copy of the Policy or I have been told where I can access the Policy. I understand that the Policy may be updated from time to time for business reasons and that I will be informed of changes to the Policy.

I agree to abide by the Policy guidelines as a condition of my employment and my continuing employment with the Town of Swampscott. I understand that I may be subject to discipline for violations of the Policy.

If I have questions, at any time, regarding the Policy, I will consult with my immediate supervisor, the Town Accountant, or another member of the Finance Department.

By signing below, I acknowledge that I understand and agree with the above representations.

Please read the Policy carefully to ensure that you understand the Policy before signing this acknowledgment.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX E – DEPARTMENT HEAD POLICY ACKNOWLEDGEMENT**

I have read and been informed about the content, requirements, and expectations of the Swampscott Financial Policy Manual (the “Policy”) for employees and elected officials of the Town of Swampscott. I have received a copy of the Policy or I have been told where I can access the Policy. I understand that the Policy may be updated from time to time for business reasons and that I will be informed of changes to the Policy.

I agree to abide by the Policy guidelines as a condition of my employment and my continuing employment with the Town of Swampscott. I understand that I may be subject to discipline for violations of the Policy.

If I have questions, at any time, regarding the Policy, I will consult with my immediate supervisor, the Town Accountant, or another member of the Finance Department.

By signing below, I acknowledge that I understand and agree with the above representations.

Please read the Policy carefully to ensure that you understand the Policy before signing this acknowledgment.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_