

City of Newburyport

Financial Policies Manual

November 2023



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Financial Planning

Policies

Annual Budget Process

Applies to	<ul style="list-style-type: none">▪ Mayor and Finance Director in budget decision making▪ Board of Assessors job duties▪ All department heads and the boards and committees with spending authority (all referred to here as “department heads”) in their budget planning duties
Scope	Annual budget development, documentation, and adoption processes

PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy creates guidelines for developing, documenting, proposing, and adopting the City’s annual budget. As the City’s central policy document, the budget focuses on annual and longer-range goals and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the City and its residents, explaining how funds are to be raised and allocated for the delivery of services.

POLICY

By May 15 of each year, the Mayor will present for the City Council’s vote a balanced budget proposal for the fiscal year that begins on July 1. City Council has the sole authority to approve all budget appropriations, excluding any expenditures where appropriation is not required by statute (such as grants, gifts, and offset receipts). The City Council also has the sole authority to approve any amendments to approved appropriations, after recommendation by the Mayor.

Under the Mayor’s vision, goals, and strategic plans, the Finance Director is responsible for coordinating the development of an annual budget proposal for the Mayor’s approval followed by the City Council’s adoption. The budget’s creation will be guided by and reflect all the other financial planning policies adopted by the City and in its policy manual.

All parties applicable under this policy are expected to follow the milestone deadlines in the annual budget calendar when set each year. As part of this, department heads will timely provide the Finance Director with all the information needed for the creation of an informative budget proposal document for submission to City Council.

A. Budget Goals

At minimum each year, the City’s budget goals will include:

General fund – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unexpected issues that could affect the City’s fiscal health.

Enterprise funds – For the budgets of the water, sewer and harbormaster operations, the City will attempt to set user fees and charges sufficient to cover all of their associated direct and indirect costs to avoid or reduce any general fund subsidies. The City’s general fund purposely supports a substantial amount of the annual solid waste budget.

Capital investment — To pay for items in the capital plan, the City will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the City will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.

B. Principles for Balanced, Sustainable Budgets

Under the Mayor's direction, the Finance Director will prepare the annual budget proposal. Once the Mayor has reviewed and finalized the proposal, it will be presented to the City Council to vote on adopting it.

To assure the creation of a budget that is both balanced and sustainable for future years, these principles will apply:

1. Recurring revenues (e.g., property taxes, vehicle excises, service fees and charges, state aid) will be sufficient to support recurring spending (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
2. The City will avoid using any one-time revenue source to fund ongoing services unless required by exceptional circumstances, and any usage like this will require the Finance Director to document a plan to replace this source in future years.
3. The Finance Director will review fee schedules every year, with the associated department heads, and propose increases when necessary to ensure coverage of service costs.
4. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual allocations of full-time-equivalent employees.
5. The Finance Director will evaluate all contractual obligations, requests, and strategic priorities to determine annual pay increases for employees who are not covered by collective bargaining agreements.
6. The Mayor's final budget proposal will not underfund any fixed, recurring costs in the annual operating budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amounts necessary to complete the year.
7. When a forecast predicts annual revenues to exceed annual spending, these options should be considered for the excess revenue:
 - Building up reserve fund target levels
 - Reducing debt
 - Advancing deferred capital expenditures
 - Funding the other postemployment benefits liability
 - Accelerating payments on other long-term obligations
 - Restoring services reduced from prior years
 - Considering new initiatives
 - Exploring tax relief
8. The Board of Assessors will vote to allow a contribution to the overlay account to offset the City's liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:
 - Current balance in the overlay account
 - Three-year average of granted abatements and exemptions
 - Cases pending before, or on appeal from, the Appellate Tax Board

- Timing of the next five-year certification review by the Division of Local Services (DLS)

C. Budget Calendar

The Finance Director will coordinate a budget process that enables early identification and review of major policy issues and analysis of options; this is presented at a joint meeting, called by the Mayor, of the City Council and School Committee. Subsequently, the Finance Director will create and distribute an annual budget calendar that, at minimum, specifies dates for estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal. The Mayor will deliver the budget proposal by May 15, and the City Council will vote to adopt the fiscal year budget within 45 days of receipt from the Mayor, with a target date by mid-June.

D. Budget Document

The Finance Director will produce a transparent and reader-friendly budget document that presents the City's short- and long-term strategic objectives and explains its fiscal challenges. As a model for the budget document, the Finance Director will use standards established by the Government Finance Officers Association (GFOA) in its *Distinguished Budget Presentation* program. In addition to presenting the annual goals and objectives of City departments, it will include analyses of revenues, expenses, and outstanding debt; graphical information about available finances; and estimations of tax bill affordability, such as the average single-family tax bill relative to local per capita income. It will also include a summary of the City's five-year capital plan.

NEWBURYPORT REFERENCES

Charter	<ul style="list-style-type: none"> ▪ Article 6: Finance and Fiscal Procedures, Sections 6-2, 6-3, 6-4 ▪ Article 4: School Committee, Section 4-5
Ordinances	<ul style="list-style-type: none"> ▪ Chapter 2, Article 5, Division 5: Department of Public Services, Section 2-367, 2-368 ▪ Chapter 2, Article 5, Division 6: Department of Finance, Section 2-370 ▪ Chapter 4, Article 2, Division 2: Harbor Commission, Section 4-46
Policies	<ul style="list-style-type: none"> ▪ Appropriation Transfers & Supplements ▪ Capital Planning ▪ Debt Management ▪ Financial Reserves ▪ Forecasting ▪ Indirect Cost Allocation ▪ Other Postemployment Benefits Liability

EXTERNAL REFERENCES

[M.G.L. c. 44, §§ 32, 33, 33A, 33B](#) and [53F½](#)

DLS FAQs: [City Budget Process FAQs](#)

Government Finance Officers Association Best Practices: [Achieving a Structurally Balanced Budget](#), [Working Capital Targets for Enterprise Funds](#), and [Distinguished Budget Presentation Criteria](#)

Annual Audit

Applies to	<ul style="list-style-type: none">▪ Mayor in the overall responsibility to safeguard the City's fiscal health▪ Finance Director's role as the chief financial officer▪ Finance Department managers and any other City employees whose activities are subject to being audited
Scope	Goals and objectives for the City's annual engagement with an independent audit firm

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that appropriate internal controls are in place to protect public assets, this policy sets guidelines for the City's annual engagement with an external audit firm.

POLICY

The City's financial statements will be audited yearly by a certified public accounting firm ("independent auditor"). Because the City typically spends more than \$750,000 in federal grant funds each year, the contracted audit services will encompass the examinations called for in a "single audit," as outlined in the federal Omni Circular. In addition, every annual audit contract will include a requirement to review the City's financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the City will solicit competitive bids from audit firms at six-year intervals. In compliance with state statute, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the City selects its incumbent auditor, the firm must rotate audit managers.

B. Audit Engagement

The Finance Director will coordinate the independent auditor's access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any request like this timely and make themselves available to answer the independent auditor's questions. Under the vendor contract, the independent auditor must provide the Finance Director with preliminary findings and may have to present final audit and management letter results to the Mayor and City Council.

C. Corrective Action Plan

Whenever the independent auditor identifies a procedural weakness or deficiency, the independent auditor will describe it in a management letter citation. After receiving the management letter, the Finance Director will work with Finance Department managers, and any other relevant City employees, to compose a written response to each citation, explaining the City's corrective action plan (CAP) for the identified issue. This will typically require them to identify the citation's root cause(s) and then determine what controls must be implemented to correct the cause(s), consulting further with the independent auditor when necessary.

The Finance Director will separately provide the Mayor with a CAP report that explains the plans in more

detail, including the responsible parties and expected time frames for implementing the controls. The Mayor will hold the Finance Director and applicable employees accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the Reconciliations policy, it is the City's goal to ensure the independent auditor can complete the audit and management letter by March of the year following the fiscal year-end closing. The independent auditor shall have to provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt via upload to the *DLS Gateway* platform.

NEWBURYPORT REFERENCES

Charter	▪ Article 6: Finance and Fiscal Procedures , Section 6-6
Policies	▪ Procurement Conflict of Interest ▪ Reconciliations
Other	▪ Procurement Manual

EXTERNAL REFERENCES

U.S. Office of Management and Budget: [Omni Circular](#)

MA Office of the Inspector General guidance: [A Local Official's Guide to Procuring and Administering Audit Services](#)

Division of Local Services Best Practice: [Annual External Audits](#)

Government Finance Officers Association Guidance: [Audit Procurement](#)

Appropriation Transfers & Supplements

Applies to	<ul style="list-style-type: none"> ▪ Mayor's budget proposal authority and general oversight of the Citywide budget ▪ Finance Director in monitoring and accounting for the Citywide budget ▪ School Committee in its School budget authority ▪ All department heads in managing their departmental budgets
Scope	<ul style="list-style-type: none"> ▪ Requests, approvals, and tracking of: <ul style="list-style-type: none"> ○ Transfers of funds from one budget line item to another ○ Supplemental appropriations to adopted departmental budgets

PURPOSE

To help ensure the City can properly amend its annual omnibus budget when necessary to cover any appropriation deficit or other cause for adjustment, this policy sets guidelines for transferring budget appropriations and for supplementing them with available funds.

POLICY SUMMARY

Appropriation Transfers		
Objective	Required Approvals	Required Documents
At any time: Transfer funds from one budget line item to another line item within the same <u>non-school</u> dept's budget	<ul style="list-style-type: none"> ▪ Mayor recommendation ▪ Council order by majority vote 	<ul style="list-style-type: none"> ▪ Letter to Mayor explaining the need for transfer ▪ Transfer/Appropriation Request Form
Between July 1 and April 30 (for the same fiscal year): Transfer funds from a budget line item in one dept's budget to that of another dept	<ul style="list-style-type: none"> ▪ Mayor recommendation ▪ Council order by 2/3rds vote ▪ Written permission of the dept head of the transferring-out dept ▪ Majority vote of School Committee if School is the transferring-out dept 	
Between May 1 and July 15 (for the FY just ending/ended): Transfer funds from a budget line item of any <u>non-school</u> dept to that of another dept	<ul style="list-style-type: none"> ▪ Mayor recommendation ▪ Council order by majority vote 	
At any time: Within the School Dept budget, transfer funds between the Dept's Orgs and/or Objects	<ul style="list-style-type: none"> ▪ Majority vote of School Committee 	<ul style="list-style-type: none"> ▪ School Budget Transfer Form

Appropriation Supplements		
Objective	Required Approvals	Required Documents / Prerequisites
Supplement a dept budget with a levy appropriation or transfer from a special revenue fund or free cash (or retained earnings for enterprise funds only)	<ul style="list-style-type: none"> ▪ Mayor recommendation ▪ Council order by majority vote 	<ul style="list-style-type: none"> ▪ Letter to Mayor explaining the need for transfer ▪ Transfer/Appropriation Request Form
Supplement a dept budget with a stabilization fund transfer	<ul style="list-style-type: none"> ▪ Mayor recommendation ▪ Council order by 2/3rds vote 	<ul style="list-style-type: none"> ▪ If using reserve funds, the spending purpose must align with the Financial Reserves policy or the Mayor specifies a justification for deviation

POLICY TEXT

The City Council has sole authority for approving all budget appropriations, after proposals by the Mayor. Likewise, to revise or supplement any adopted appropriation requires a recommendation from the Mayor and a City Council order. Any revision that would transfer money away from the School Department must also be approved by the School Committee.

Under the Annual Budget Policy, appropriations in the Mayor's annual budget proposal will be set at amounts realistically projected to provide adequate coverage for the fiscal year's spending. Department heads must carefully manage their budgets to guard against potential deficits and should have no expectations of supplements during the year. However, deficits may result from unexpected negative events, or there may be unanticipated, time-delimited, beneficial opportunities that would justify budget supplements as well. Any supplementation of an appropriation through a transfer from reserves should follow the City's Financial Reserves policy, or the Mayor should explain the policy deviation when making the recommendation to City Council.

Departmental budget appropriations are adopted in broad line-item classifications (i.e. budget categories), such as personnel and expenses. These are called Orgs, from the terminology used in the Munis general ledger. To facilitate accounting for the line items, these Orgs have subline items, or subaccounts, such as part-time salaries, overtime, etc. within a Personnel Org. In Munis, these are called Objects. Transfers of funds between Objects within the same Org are not required. Objects can show negative balances if the Org containing the Object remains positive.

Expenditures in excess of appropriation are strictly prohibited. Any department head anticipating a deficit at the Org level (i.e. budget category), must notify the Finance Department who will help to coordinate the submission of a line-item transfer or supplemental budget request. The department head must include a reasoning for why the additional funding is needed.

Any transfers of funds among the School Department's Orgs or Objects only require the approval of a majority of School Committee members. The School Superintendent must submit a School Budget Transfer Form to the Finance Department, however, so the relevant changes can be made in the general ledger.

NEWBURYPORT REFERENCES

Charter	▪ Article 6: Finance and Fiscal Procedures , Section 6-7
Ordinances	▪ Chapter 2, Article 6: Finance , Section 2-372
Policies	▪ Annual Budget ▪ Financial Reserves ▪ Reconciliations ▪ Year-end Closing

EXTERNAL REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 71, § 34](#)

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

Capital Planning

Applies to	<ul style="list-style-type: none"> ▪ Mayor and Finance Director when developing the annual capital budget proposal and updating the capital improvement plan ▪ Special Projects Manager in assembling and updating the Facilities Master Plan ▪ All department heads in planning for and requesting capital projects
Scope	<ul style="list-style-type: none"> ▪ All current and proposed capital projects for assets owned by the City ▪ Included are projects for which the City may seek Community Preservation Act (CPA) financing. However, this policy does not govern the procedures and decision making of the CPA Committee, which has sole authority for recommending the expenditure of CPA funds.

PURPOSE

To ensure that City can cost-effectively acquire, expand, or enhance the capital assets necessary to achieve its service provision goals, this policy outlines guidance for planning, reviewing, and coordinating capital improvements.

POLICY SUMMARY

Capital Process Component	Policy Guidance
Capital project definition	<ul style="list-style-type: none"> ▪ Costs \$25,000 or more, <u>and</u> ▪ Has (or extends) useful life of five years
Annual capital budget	<ul style="list-style-type: none"> ▪ Developed by Finance Director, with assistance of Special Projects Manager based on departmental submissions ▪ Finalized by Mayor for proposal to City Council
Multiyear capital improvement plan (CIP)	<ul style="list-style-type: none"> ▪ First year is the capital budget proposed for the next fiscal year ▪ Four subsequent years of capital project projections ▪ Updated and maintained by Finance Director ▪ Finalized by Mayor for acceptance vote by City Council
Facilities master plan	<ul style="list-style-type: none"> ▪ Assembled and updated annually ▪ Responsibility of the Special Projects Manager with the Department of Public Services
Prioritization criteria	<p>Projects will be prioritized using the below criteria, in descending order:</p> <ol style="list-style-type: none"> 1. Eliminates public health or safety hazard 2. Required by state or federal laws or regulations 3. Uses outside financing sources, such as grants 4. Supports adopted plans, goals, objectives, and policies 5. Stabilizes or reduces operating costs 6. Better uses a facility or replaces an obsolete one 7. Maintains or improves productivity or existing standards of service 8. Directly benefits City's economic base by increasing property values 9. Provides new programs having social, cultural, historic, economic, or aesthetic value

Capital Financing	Policy Guidance
Funding targets	<ul style="list-style-type: none"> ▪ Overall capital spending: 5.0% of the general fund budget <ul style="list-style-type: none"> ○ Non-debt, “cash capital” spending: 2.5% of GF budget ○ Annual capital within-levy debt service: 2.5% of GF budget ▪ Above targets are net of excluded debt, which will be considered for large projects under Debt Management policies
Debt usage	<ul style="list-style-type: none"> ▪ Short-term debt: Useful life < 10 years ▪ Long-term debt: Useful life > 10 years and cost > \$100,000
Cash capital	<ul style="list-style-type: none"> ▪ Appropriate funding sources: levy, free cash, prior year capital surplus balances, revolving funds, overlay surplus, certain receipts reserved funds, grants

POLICY TEXT

To acquire or extend the useful life of the equipment and infrastructure needed to achieve the highest possible levels of public services and quality of life affordable with available financial resources, the City will maintain an annually updated, five-year capital improvement plan (CIP). To protect the City’s existing capital assets, the annual budget will include appropriate funding for capital maintenance costs by department. The City will emphasize preventive maintenance as a cost-effective approach to capital investment and replace exhausted goods as necessary.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$25,000 and to have or to extend five or more years of useful life. These include:

- Real property acquisitions, construction, and 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, such as streets and stormwater drains
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding \$25,000

B. Evaluation of Capital Projects

As part of the annual budget process, the Finance Director will solicit capital project requests from department heads, assemble the responses, may hold meetings with department heads to discuss them. When evaluating and deciding on project proposals, the Mayor will prioritize them using the criteria below:

- 1) Eliminates a hazard to public health and safety
- 2) Required by state or federal laws or regulations
- 3) Uses outside financing sources, such as grants
- 4) Supports adopted plans, goals, objectives, and policies

- 5) Stabilizes or reduces operating costs
- 6) Better uses a facility or replaces an obsolete one
- 7) Maintains or improves productivity or existing standards of service
- 8) Directly benefits the City's economic base by increasing property values
- 9) Provides new programs having social, cultural, historic, economic, or aesthetic value

C. Multiyear Capital Improvement Plan

The Finance Director will provide the Mayor with a report of recommendations for the forthcoming's year's capital budget and for updates to the CIP. The CIP will include the capital budget for the upcoming fiscal year and a four-year projection of capital needs and spending, detailing their estimated costs, descriptions, and anticipated funding sources. The Mayor may change the CIP before presenting the finalized capital budget and CIP to the City Council for a vote.

D. Capital Financing

Yearly, the City will strive to maintain 5.0% of the general fund operating budget, net of excluded debt, on capital investment allocations, including non-debt "cash capital" and annual capital debt service. The CIP shall be prepared and financed under these principles:

- Short-term debt may fully finance purchases with useful lifespans under 10 years.
- Under the Debt Management policy, the City will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding \$100,000.
- 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.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the extent possible, all capital projects associated with the water and sewer operations shall be financed from user fees.

NEWBURYPORT REFERENCES

Charter	▪ Article 6: Finance and Fiscal Procedures , Section 6-5
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Process ▪ Debt Management ▪ Forecasting ▪ Financial Reserves

EXTERNAL REFERENCES

[M.G.L. c. 39, § 10](#)

[M.G.L. c. 41, § 106B](#)

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#)

DLS Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide](#)

Debt Management

Applies to	<ul style="list-style-type: none"> Mayor and Finance Director in their budget decision-making roles Treasurer's debt management responsibilities
Scope	All short- and long-term debt obligations allowed to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements

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 City to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing costs, and sustain capital investment capacity. It can also help the City to maintain or enhance a favorable bond rating to achieve long-term interest savings.

Long-term debt criteria	<ul style="list-style-type: none"> For purposes allowed by statute (MGL 44:8) and are tax-exempt For nonrecurring purposes only Cost \$100,000+ and have 10+ years of useful life Financing sources have been identified
Lessen impact on general fund	<u>Options include:</u> <ul style="list-style-type: none"> Revenue bonds, special assessment, and other self-supporting bonds Special assessments and betterments
Debt parameters	<ul style="list-style-type: none"> Total debt limited to 5% of City's total equalized valuation Total debt limited to 10% of annual general fund revenues (ceiling) Maintain year-to-year within-levy debt service funding at a minimum of 2.5% of general fund revenues (floor) Maintain within-levy debt capacity by replacing retiring debt with new issuance(s) or appropriating an amount equivalent to the retiring debt service to the capital stabilization fund each year until new debt is issued in order to maintain the minimum 2.5% of GF revenue target
Structure & terms	<ul style="list-style-type: none"> Retire at least 50% of the principal within 10 years Debt schedule not to exceed the asset's useful life Limit bond maturities to 10 years, except for major buildings, land, and other purposes detailed by DLS in its guidelines for useful life borrowing limits Any debt authorization vote will also authorize reducing the borrowed amount by the amount of the net premium and accrued interest Pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues Avoid arbitrage by spending borrowed funds according to federally required time frames [See Section C (6) below.]
Pursue bond refunding	<ul style="list-style-type: none"> Issue debt with optional call dates within 10 years of issue Analyze potential refunding opportunities on outstanding debt as interest rates change Use any net premium and accrued interest to reduce the amount of the

	refunding <ul style="list-style-type: none"> ▪ Work with the City’s financial advisor to determine the optimal time and structure for bond refunding
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POLICY TEXT

Under the requirements of federal and state laws, the City may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to meet short-term cash flow needs. The City may also refinance existing debt. For any given, highly expensive capital project, a debt issuance may present the most appropriate financing strategy. Not only does it provide funds not otherwise available upfront, but the amortizing of the debt over multiple years equitably distributes the project’s cost among the taxpayers, who may settle in or move out of the City.

The City will issue and manage debt obligations to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. The City will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The City may issue short-term debt (by BAN, RAN or GAN) when needed to fund immediate cash requirements, as bridge financing before receiving the anticipated funding. Short-term debt also makes sense when it lets the City take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater part of a project’s cost may be a prudent option.

A. Debt Financing

In financing with debt, the City will:

1. Issue long-term debt only for purposes authorized by state law and qualify for tax- exempt bonds and only when the financing sources have been identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Limit long-term borrowing to capital projects that cost at least \$100,000 and have at least 10 years of useful life or whose useful lifespans will be prolonged by at least 10 years.
4. Do not use 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.
6. Consider using special assessments, betterment assessments, and similar dedicated revenues to fund long-term debt.
7. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the City will make annual reductions to the outstanding principal as if the permanent debt had been issued. This will prevent the City from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the City will face, and help ensure the timely close out of capital projects.

B. Debt Limits

The City will adhere to these debt parameters:

1. Total annual debt service, including any debt exclusions and any self-supporting debt (but excluding enterprise funds), shall be limited to 10% of general fund revenues (ceiling).
2. The City will seek to replace maturing, non-excluded debt obligations with new issuances, so that year-to-year debt service spending is maintained at a target level representing at least 2.5% of general fund revenues (floor). If the City does not replace the rolled-off debt service with a new issuance(s), the amount of the service on the matured debt should be appropriated to the capital stabilization fund yearly until a new issuance with an equivalent amount of debt service occurs.
3. As dictated by state statute, the City's debt limit shall be 5% of its most recent equalized valuation.

C. Structure and Term of Debt

The following shall be the City's guidelines on debt terms and structure:

1. The City will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and never shall it exceed the maximum allowed by law.
3. The City will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
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. For new long-term debt, the City will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
6. The City 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. City must follow certain time frames for spending borrowed funds to avoid having to pay a rebate to the federal government on investment income earned on the funds. All funds must be used according to these schedules or sooner:

Construction debt:

▪ First six months	10%
▪ First year	45%
▪ 18 months	75%
▪ Two years	100%

Capital Debt for non-construction projects:

▪ First six months	15%
▪ First year	60%
▪ 18 months	100%

All other municipal purpose debt:

▪ First six months	100%
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D. Bond Refunding

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

1. Issue debt with optional call dates within 10 years of 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 City's financial advisor to determine the optimal time and structure for bond refunding.

E. Debt Affordability Analysis

To help mitigate any risks to long-term fiscal health and stability from new debt issuances, the City's decision makers require contextual analysis on debt affordability. Therefore, whenever an expensive capital improvement is under consideration, the Finance Director will provide the Mayor with a report of certain ratios estimated to result from debt service projections. To do this, the Finance Director will combine the proposed project's total estimated principal and interest costs (i.e., its projected annual debt service) with existing annual debt service obligations and then calculate that total relative to:

- percentage of annual City revenue
- percentage of total assessed property value
- amount per capita population
- percentage of per capita personal income

F. Disposition of Surplus Bond Proceeds

Whenever a completed or discontinued project has a surplus balance from bond proceeds, the Finance Director will make a report of the information to the Mayor with a recommendation(s) on how the money should be repurposed. When the balance for a completed project is less than \$50,000, the Mayor will approve transferring the funds to an outstanding debt service obligation(s). If another circumstance applies, the Mayor will submit a proposal to the City Council to vote an appropriation(s) under these statutory provisions:

- For a completed project with a balance of \$50,000 or greater: Vote to appropriate the balance for another purpose(s).
- For a project that was discontinued regardless of the surplus amount: Vote to abandon the project (by a two-thirds majority) and to appropriate the balance for a new purpose(s).

In the latter two circumstances above, the expenditure being offset by the surplus must have a purpose for which the City may authorize a loan for an equal or longer period than that for which the original loan was issued.

G. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the City 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.

H. Reporting

1. The Treasurer will report to the City Council, Mayor, and Finance Director on the City's debt status at least annually.
2. The Finance Director, with the City's financial advisor, will file an annual audit report and official disclosure statement within 270 days of the end of the fiscal year.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> ▪ Chapter 2, Article IV, Division 4: City Auditor, Section 2-176
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Policy ▪ Capital Planning ▪ Forecasting

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

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

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

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

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

Financial Reserves

Applies to	<ul style="list-style-type: none"> ▪ Mayor's budget decision making ▪ Finance Director and Board of Assessors job duties ▪ Director of Public Services, Business Manager and Harbormaster in rate-setting analysis ▪ Water/Sewer Commission and Harbor Commission in rate-setting recommendation and City Council in rate-setting approval
Scope	Goals for and appropriate use of financial reserves, including free cash, stabilization funds, retained earnings, and overlay surplus

PURPOSE

To help the City stabilize finances for maintaining operations during difficult economic periods and to save funds for capital investment, this policy establishes prudent practices for appropriating to and spending reserve funds. With well-planned sustainability, the City can use its reserves to finance emergencies and other unforeseen needs, to hold money for future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively affect the City's credit rating and its long-term borrowing costs.

POLICY SUMMARY

General Fund Reserve Name	Funding Target (% of PY general fund revenues)	Appropriate Usage
Free cash	3-5%	<ul style="list-style-type: none"> ▪ One-time costs only, including cash capital ▪ Transfers to reserve funds
General SF	5%	<ul style="list-style-type: none"> ▪ Emergencies and unexpected events ▪ Usage generally limited to times when: <ul style="list-style-type: none"> ○ State aid decreases more than avg, and/or ○ Recurring local receipts increase < 3%
Short-term Capital SF	To meet targets in Capital Planning policy	<ul style="list-style-type: none"> ▪ Smaller capital improvement projects that do not require debt
Compensated Absences Reserve	Based on annual budget projection	<ul style="list-style-type: none"> ▪ Accrued leave time balances payable to retiring employees
OPEB Trust Fund	1%	<ul style="list-style-type: none"> ▪ Other post-employment benefits
Overlay	Based on annual analysis of levy shortfall risk and the cumulative balance from prior years	<ul style="list-style-type: none"> ▪ Any purpose, including reductions to the tax rate on the tax recap

Special Purpose Reserve Name	Dedicated Ongoing Revenue (if applicable)	Appropriate Usage
Opioid Settlement SF	Opioid Settlement Abatement funds	<ul style="list-style-type: none"> Costs of implementing abatement programs and strategies related to areas such as prevention, harm reduction, community, treatment and recovery under the statewide settlement agreements with opioid industry participants
Health Insurance SF ¹	none	<ul style="list-style-type: none"> Used as a temporary fund to defray large decreases or increases in health insurance costs from year-to-year
Brown School Improvement SF	none	<ul style="list-style-type: none"> Costs of improving the former Brown School for future general public use, including, but not limited to, the section of the current building that contains the gymnasium, locker room and bathroom space
Bresnahan & Nock/Molin Technology SF	none	<ul style="list-style-type: none"> Costs of maintaining new technology installed during the school building projects at the Bresnahan Elementary School and the Nock/Molin Upper Elementary School
Intermodal Transportation Improvement SF	Unmet parking need credits per Zoning Ordinance	<ul style="list-style-type: none"> Provide for necessary funding to support transportation related improvements necessitated by municipal parking lots and structures by residential and non-residential uses
Plum Island Utility SF	none	<ul style="list-style-type: none"> Costs and expenses arising from or related to the Plum Island Water/Sewer Utility Project, including but not limited to the repair, modification, improvements, or optimization of the project, and reimbursement of the City of Newburyport's insurers
Plum Island Beach SF	10% of parking fees collected at the Plum Island Parking Lot	<ul style="list-style-type: none"> Costs and expenses arising from or related to the beach, including, but not limited to, the maintenance of the beach, river, including, but not limited to, beach nourishments, beach planting, constructing soft or hard structures, dredging operations and sand placement, maintaining and cleaning the beach
Parklet Maintenance SF	Parklet permit fees	<ul style="list-style-type: none"> Cost of ongoing maintenance and operations of city parklets and future replacement of said parklets

¹ This fund was created in 2021 following the "premium holidays" that were offered by the City's health insurance provider related to the COVID-19 pandemic

Downtown Paid Parking Fund	Meter revenue, parking permit fees, revenue from tickets and fines ²	<ul style="list-style-type: none"> Costs of acquisition, installation, maintenance and operation of parking meters and other parking payment and enforcement technology, regulating parking, salaries of parking management personnel, improvements to the public realm, and transportation improvements
Waterfront Parking Fund	Meter revenue on former Newburyport Redevelopment Authority (NRA) lands	<ul style="list-style-type: none"> Costs of design, construction, maintenance or operation of an extended waterfront park and related infrastructure

Enterprise Fund Name	Retained Earnings Target (% PY EF budget)	Appropriate Usage
Water	25%	<ul style="list-style-type: none"> Capital improvements Emergencies and unexpected events Transfers to OPEB Trust Fund Water/sewer rate stabilization (generally limited to prevent combined total rate from increasing over 5% in any given year)
Sewer	25%	
Harbormaster	25%	

POLICY TEXT

The City will build and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of funds for future capital spending. Adherence to this policy will help the City withstand periods of decreased revenues and control spending during periods of increased revenues. In total for the general fund reserves under this policy, the City will strive to maintain a minimum funding level of 9-13 percent of its past year general fund 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 unexpended free cash from the previous year.” DLS must certify free cash before the City can appropriate it.

The City will strive to realize year-to-year free cash certifications equal to three to five percent of the annual general fund budget. To achieve this, the Mayor will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as possible, the City will limit its use of free cash to building reserves, funding nonrecurring costs (i.e. one-time spending, such as capital projects and emergencies), and offsetting the City’s unfunded liabilities. Avoided will be the application of free cash to reduce the tax rate on the annual tax recapitalization sheet, since this is the same as using it to fund recurring costs.

Yearly, City will plan to appropriate amounts from free cash to maintain policy targets for both capital spending and reserve fund balances. Remaining free cash may be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed

² Excluding handicapped parking fines, which go into the Commission on Disabilities Revolving Fund

by the department head with the affected budget.

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, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The City has one primary General stabilization fund and several special purposes stabilization funds described.

The City will endeavor to maintain a balance in the General stabilization fund at least 5% of the general fund revenues. The stabilization fund should be used only in these circumstances:

- When net state aid (receipts less assessments) is reduced by an amount that is less than the average of the prior two years.
- When local receipts (excluding nonrecurring receipts) are projected to be below a three percent (3%) increase of the prior two years' actual receipts, as reported on Page 3 of the Tax Rate Recapitulation Sheet submitted to the Division of Local Services (DLS).
- To pay expenditures related to a catastrophic or emergency event(s) that cannot be supported by current general fund appropriations.

When possible, withdrawals of funds should be limited to the amount available above the five percent minimum target level. Further, the Finance Director will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

C. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized tax revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. So, unlike the other previous two categories of reserves, this policy does not set a 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 analytical factors outlined in the Annual Budget Process policy.

At the end of each fiscal year, the Board of Assessors will submit to the Mayor and Finance Director 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 potential liabilities, the Mayor may ask for the Board of Assessors to vote to declare it as surplus and available for use in the City's capital improvement plan, any other one-time expense, and reduction to the tax rate on the tax recap.

D. Retained Earnings

The finances of the water, sewer and harbormaster operations are managed under individual enterprise funds, separately from the general fund, which allows the City to effectively identify each operation's true costs—direct, indirect, and capital— and set user fees at levels sufficient to recover them. Under this accounting, the City may reserve each enterprise fund's generated surplus (called retained earnings) rather than closing the surplus to the general fund at year-end. The City generally uses retained earnings to fund capital improvements that may come up during the fiscal year and emergency repairs due to water or sewer main breaks or other urgencies. Some capital equipment may be funded during the year from this surplus as well.

The City's minimum targets for retained earnings is 25% of each enterprise fund's prior year budget. Whenever any major infrastructure improvement is being planned, it may be necessary to revise the minimum targets upward. To maintain the target reserve level for each enterprise fund, the Director of Public Services, Business Manager and Harbormaster must annually review, and when necessary, propose rate adjustments to the Finance Director for submittal alongside the annual budget proposal. Retained earnings may supplement rate increases from year-to-year to prevent the combined water/sewer rate by increasing over 5% in any given year.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> Chapter 2, Article VI: Finance, Sections 2-393, 2-395 Zoning Ordinance, Section VII: Parking, Sub-section A
Policies	<ul style="list-style-type: none"> Annual Budget Process Capital Planning Debt Management Forecasting OPEB Liability

EXTERNAL REFERENCES

[M.G.L. c. 40, § 5B](#) [M.G.L. c. 59, § 25](#) [M.G.L. c. 44, § 53F½](#)

[M.G.L. c. 40, § 22A](#) [M.G.L. c. 40, § 22B](#) [M.G.L. c. 40 § 22C](#)

[Ch. 96 § 4, Acts of 2020](#)

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

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

Forecasting

Applies to	<ul style="list-style-type: none">▪ Finance Director and Assessor job duties▪ Mayor's budget analysis and decision-making responsibilities
Scope	<ul style="list-style-type: none">▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process▪ Guidelines for formulating the assumptions that support forecast projections

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy creates guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps local officials to make strategic plans for lasting fiscal sustainability and future investment.

POLICY

To determine the City's operating capacity for future fiscal years, the Finance Director will annually create a detailed forecast with five-year projections of revenues and expenditures. The Mayor will use the forecast to support decision making for the upcoming year's operating and capital budgets and the long-range capital improvement plan. To guard against potential deficits, as a general rule, the Finance Director will purposely estimate revenues on the low end of possibility.

Early in the annual budget process, the Finance Director will present the initial forecast to the Mayor. Throughout the budget development process, the Finance Director will update the forecast whenever there are changes in circumstances that would materially affect forecast projections and provide the Mayor with these updates.

With each new budget year, the Finance Director 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, City goals, and policy decisions.

A. Guidelines for Revenue Assumptions

These principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and consider consensus decisions about the City's level of excess levy capacity.
- New growth projections will consider the City's three-, five- and 10-year averages by property class and advice from the Assessor.
- The levy limit's relationship to the levy ceiling (which is 2.5 percent of the City's real and personal property total value) will be annually assessed to identify potential override capacity and guard against the levy limit approaching or hitting the ceiling, which would affect future levy growth.
- 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.
- No one-time revenues will be applied in the projections to support recurring operating expenditures.
- Revenues from grant programs will be reviewed yearly to determine their sustainability.
- The City will build and maintain reserves in compliance with its Financial Reserves policy.

B. Guidelines for Expenditure Assumptions

Yearly, the Mayor, with the Finance Director's analytical advice, will determine a particular budget approach for forecasting spending, either maintenance (level service), level funded, or one that adjusts spending 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 inflation in mandated costs and other fixed expenses still must be covered.

These principles shall guide the formulation of spending assumptions:

- The City's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Trends in enrollments, school choice, tuition, and charter assessments will be factored.
- Known increases in employee compensation plans will be factored into the projections when possible.
- Unknown future increases in employee compensation plans will assume to increase in line with inflation measured using the forecasted growth to the Consumer Price Index (CPI).
- The City will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits (OPEB) liability.
- The forecast will integrate projected capital spending data in the City's five-year capital improvement plan.
- The City will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

NEWBURYPORT REFERENCES

Charter	▪ Article 6: Finance and Fiscal Procedures , Section 6-2
Ordinances	▪ Chapter 2, Article V, Division 6: Department of Finance , Section 2-370.3
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Process ▪ Capital Planning ▪ Debt Management ▪ Financial Reserves ▪ Grants Management ▪ OPEB Liability

EXTERNAL REFERENCES

[M.G.L. c. 44, §§ 20, 53A, 53A½, 63 and 63A](#)

DLS Informational Guideline Release 17-21: [Borrowing](#)

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

Government Finance Officers Association: [Financial Forecasting in the Budget Preparation Process](#) and [Effective Budgeting of Salary and Wages](#)

Congressional Budget Office: [10-Year Economic Projections](#)

Shared Cost Allocations

Applies to	<ul style="list-style-type: none">▪ Mayor and Finance Director in their budget analysis and decision making▪ Finance Director, Public Services Director, Health Director, and City Solicitor job duties
Scope	Allocation of shared costs between the City's general fund and enterprise funds

PURPOSE

To allocate interdepartmental and shared costs equitably among the City's general fund and enterprise funds.

BACKGROUND

The City has enterprise funds for: water, sewer and harbormaster operations. Under authority established in [M.G.L. c. 44 § 53F½](#), the accounting transactions for these enterprise funds are recorded and managed separately from the general fund. Their revenues and expenses are not commingled with those of any other governmental activity, and consequently there are separate financial statements for each. Consolidating each enterprise fund's operating costs, debt service, and capital spending into its own distinct, segregated fund allows the City to demonstrate to the public the true, total cost of providing the service.

POLICY

Where practical, all interdepartmental and shared expenses will be budgeted and charged directly in the enterprise funds. As part of the annual budget process, the Finance Director will provide allocations of shared costs and calculation methodologies with the respective department heads and collectively with the Mayor. Shared costs will be allocated only when a systematic and rational methodology can be devised.

These costs will be budgeted and charged directly to the enterprise funds:

- Personnel costs for active and retired employees of the water, sewer and harbormaster departments, including retirement assessment, insurance premiums, Medicare taxes, unemployment, and workers' compensation
- Information technology costs
- Vehicle and property insurance premiums
- Legal services
- Independent audit services
- Actuarial services related to other postemployment benefits (OPEB)
- Other costs that may be agreed to and documented

These costs will not be budgeted or charged to the enterprise funds:

- Administrative services performed on behalf of all departments that are not attributable to one specific function (e.g. legal, finance, human resources, facilities, technology).
- Payments in lieu of taxes to reflect the tax exempt status of properties used in support of the enterprise funds.

- Services provided to City, such as water turn on/shut offs, building repairs, compost provided, vacor/jetter service in clearing drains and assistance to the Health Department in providing transportation for water testing and assistance in monitoring and enforcing compliance with the City's Fats, Oils and Grease (FOG) program.
- Water and sewer usage by City departments.
- Cost of maintaining fire hydrants by the DPS Water Division.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> ▪ Chapter 2, Article 5, Division 5: Department of Public Services, Section 2-367, 2-368 ▪ Chapter 4, Article 2, Division 2: Harbor Commission, Section 4-46
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Process ▪ Forecasting

EXTERNAL REFERENCES

[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 22-16: [Enterprise Funds](#)

Government Finance Officers Association Best Practice: [Indirect Cost Allocation](#)

Investments

Applies to	<ul style="list-style-type: none"> ▪ Treasurer’s statutory duty to invest City funds, under the Finance Director’s oversight ▪ Any investment advisor(s) with whom the Treasurer contracts
Scope	<ul style="list-style-type: none"> ▪ Goals, objectives, and allowable practices related to the City’s short-term operating funds and its long-term reserve, investment, and trust funds ▪ Excluded are City funds invested by the Newburyport Retirement System

PURPOSE

To ensure the City’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 creates investment guidelines and responsibilities. In addition, the policy follows the Governmental Accounting Standards Board’s requirement that every community define and disclose its investment risk management strategy.

POLICY

The Treasurer will invest funds in a manner that meets the City’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 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 to preserve capital in the overall portfolio.
- **Credit risk:** The risk of loss due to the failure of the security issuer or backer.
- **Interest rate risk:** The risk that the market value of the security will fall due to changes in general interest rates.
- **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 to attain a fair market average rate of return throughout budgetary and economic cycles, under the City’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., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is generally less important than growth. The Treasurer will pool any individual funds invested in the same institution while also maintaining each fund in its own account 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).

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 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 Mayor and Finance Director any large personal financial investment positions or loans that could be related to the performance of the City's investments. Further, when contracting for any investment services, the Treasurer will adhere to requirements under [M.G.L. c. 30B](#) and the City'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.

Instrument Type	Short-term Funds	Long-term Funds
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 Massachusetts Municipal Depository Trust (MMDT) , 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
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are short-term and not appropriate for the growth objective of long-term funds.

Instrument Type	Short-term Funds	Long-term Funds
Money market mutual funds	<ul style="list-style-type: none"> ▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable 	<ul style="list-style-type: none"> ▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
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"> ▪ The City's aggregate amount of long-term funds must exceed \$250,000 to invest in these ▪ Investment in mortgages, collateral loans, and international obligations is prohibited ▪ Cannot invest over 1.5% of a particular fund in the stock of any single banking or insurance company ▪ Cannot invest over 15% of total aggregated funds in banking or insurance company stocks

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 & Treasurers Association's sample investment policy statement. The reason is that the MA-chartered banks' depository accounts are fully insured through 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 under other applicable provisions of this policy.

D. Risk Tolerance Guidelines

The Treasurer will use these strategies to mitigate the range of investment risks:

Type of Risk	Mitigation Strategy
<p>Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.</p>	<ul style="list-style-type: none"> Investments in 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. For any other investments, the Treasurer will only purchase investment grade securities highly concentrated in those rated A or better.
<p>Concentration of credit risk 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>Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City could not 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>Custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City could not 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"> 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). 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 City's name and tax ID number, as shown by its CUSIP (Committee on Uniform Security Identification Procedures) code.
<p>Interest rate risk is the risk that interest rate changes will hurt an investment's fair market value.</p>	<p>The Treasurer will negotiate for competitive interest rates locked in for long terms.</p>
<p>Foreign currency risk 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 City's long-term funds with a single financial institution. In addition, the Treasurer will ensure compliance with the allowable percentage

thresholds for specific investment instruments and issuers 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 City to provide:

- 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 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 follow this policy

The Treasurer will also consult the [Veribanc](#) rating 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. Yearly, the Treasurer will also send letters to banks in the local region requesting them to report all usage of the City's tax identification number to ensure the number is used only by the Treasurer and no outside entities.

G. Standards of Care

The Treasurer must review, understand and follow 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 under the Act and this policy.

H. Reporting Requirements

The Treasurer will assess investment activity and keep the Mayor and Finance Director informed of any major changes by providing a report of investment activity yearly or more often as needed. The investment activity report shall incorporate the City'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 City's cash position
- Statements on compliance with this policy

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> ▪ Chapter 2, Article IV, Division 8: City Treasurer/Collector, Sections 2-274, 2-275, 2-276
Policies	<ul style="list-style-type: none"> ▪ OPEB Liability ▪ Procurement Conflict of Interest

EXTERNAL REFERENCES

[M.G.L. c. 30B](#) [M.G.L. c. 29, § 38A](#) [M.G.L. c. 44, §§ 54, 55, 55A](#) and [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 webpages: [List of Legal Investments](#) and [Find Banks and Credit Unions](#)
 Massachusetts Depositors Insurance Fund webpage: [FAQs](#)
 MA Secretary of State webpage: [Registration Inspections, Compliance and Examinations Section](#)
 U.S. Securities and Exchange Commission webpage [Form ADV Information](#)

Other Post-Employment Benefits Liability

Applies to	<ul style="list-style-type: none">▪ Mayor and Finance Director in their budget decision-making duties▪ Treasurer and Human Resources Director job duties
Scope	<ul style="list-style-type: none">▪ Budget decisions related to the City's OPEB liability▪ Liability mitigation

PURPOSE

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

BACKGROUND

In addition to salaries, the City compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which are collectively called other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the City that must be properly measured, reported, and planned for financially.

POLICY

The City will fund the long-term cost of the benefits promised its employees. To do so, the City will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The City will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers, as well as conducting periodic audits of the City's insurance rolls.

A. Accounting for and Reporting the OPEB Liability

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

B. Trust Management and Investment

The City established an OPEB Trust Fund³ and designated the Treasurer as its trustee. As fund custodian, the Treasurer will manage the OPEB Trust Fund in conformance with the City's Investment policy and the state's prudent investor laws.

C. Mitigation

³ The trust fund was established pursuant to the City's acceptance of M.G.L. c. 32B, § 20 in 2014.

On an ongoing basis, the City will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director and Human Resource Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Human Resource Director 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 implement them with the intention of fully funding the obligation. The City will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form. To ensure that the City's enterprise operation remains self-supporting, allocations from the enterprise funds will be made based on their pro rata share of the total liability.

Achieving full funding of the liability requires the City to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- Under the Financial Reserves policy, appropriate an annual portion of the certified free cash amount.
- Appropriate annually increasing dollar amounts or percentages of yearly revenues for the general fund and enterprise fund operation.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the City's Medicare Part D reimbursements.
- 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.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> ▪ Chapter 2, Article V, Division 7: Department of Human Resources, Section 2-370.4
Policies	<ul style="list-style-type: none"> ▪ Annual Budget Process ▪ Financial Reserves ▪ Investments

EXTERNAL 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](#)

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

Government Finance Officers Association Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

Financial Operations

Policies

Disbursements

Applies to	<ul style="list-style-type: none"> ▪ Finance Director and Mayor in approving disbursements in warrants ▪ Treasurer in disbursing funds ▪ Human Resources Director in maintaining employee master file ▪ All department heads and elected or appointed officials with spending authority (all referred to here as “department heads”) in submitting requests for expense and payroll disbursements ▪ All employees in recording time and attendance
Scope	Submitting and processing requests for and disbursements of City funds to pay accounts payable (“vendor”) liabilities and to compensate employees through payroll

PURPOSE

To mitigate the risk of fraud and ensure the City disburses cash only for legally valid liabilities, this policy creates guidelines for the expenditure of City funds.

POLICY

No disbursement for any payroll or vendor expense shall occur without prior warrant approvals by the Finance Director and Mayor.

A. Payroll Disbursements

Every submission for an individual payroll disbursement must be based on an approved employee time sheet retained in the department and accurately summarized in the departmental time and attendance report turned over to the Treasurer. Every payroll submission must also follow applicable personal service contracts or classification schedules and the City’s personnel ordinances and policies. No employee may submit overtime hours (i.e., hours exceeding 40 hours in a week) or hours for any special detail work without the supervisor’s prior approval.

All changes to employee payroll information must be made online via the employee self-service portal (Employee Forward) or in person at City Hall (or Central Office for school personnel). Following submission, all changes will be reviewed and processed within 48 hours. Changes requested on the phone, via email, in writing or any other means will not be accepted under any circumstances.

B. Accounts Payables Disbursements

Procedures for submitting departments:

- All invoices should be stamped and submitted to Finance Department within 30 days of receipt.
- All invoices must be signed by the department head (or by an authorized designee in their absence).
- By signing each invoice, the department attests that all purchasing laws and procurement policies were followed.
- As a tax-exempt organization, the City will not pay sales tax on any expense.
- All outstanding invoices as of June 30 for the General and Enterprise funds must have a valid purchase order to be paid in the subsequent fiscal year. No prior fiscal year invoices will be paid

in the current fiscal year if the invoice had not been properly encumbered. Any prior year bills without an encumbrance will require the Department Head to submit the invoice to the City Council for approval under MGL.

- Any requests to pay a new vendor should include a signed W-9 Form.
- Accounts Payable checks will be mailed out by the Treasurer. Any exceptions must be made in writing and approved by the Finance Director.

Procedures for the Finance Department:

- Any invoices received after the warrant deadline will automatically go on the next warrant, without exception.
- The Finance Department will review all invoices for:
 - Invoice date is within 30 days.
 - Original invoice is authorized by the department head.
 - W-9 is on file.
 - Invoice is dated in the current fiscal year, unless a valid encumbrance exists from the prior fiscal year.
 - Budget category or fund is not in a deficit.
- The Finance Department will send back each invoice to the submitting department that does not meet the above requirements.
- Checks will be cut by the Finance Department each Friday for invoices that were submitted on Tuesday.
- Once signed by the Finance Director and Mayor, the Treasurer will fund the warrant.
- Physical checks will be mailed by close of business on the following Tuesday (i.e. payments for invoices turned in this week will be mailed out next week).

C. Roles/Responsibilities

All disbursement activity is subject to audit by the City's independent auditor. The following are the roles and responsibilities for disbursement-related processes and procedures:

Role/Position	Disbursement-Related Responsibilities
Every employee	<ul style="list-style-type: none"> ▪ Record time and attendance (T&A) on a time sheet
Dept payroll clerk	<ul style="list-style-type: none"> ▪ Submit every other week T&A report to Finance Department
Department heads	<ul style="list-style-type: none"> ▪ Ensure all purchases of goods & services conform to procurement laws ▪ Verify that the dept received the goods/services being submitted for payment ▪ Verify adequate funds exist in dept's budget for every disbursement request ▪ Attest to accuracy of payroll and vendor submissions ▪ Transmit vendor payment requests and payroll reports timely

Role/Position	Disbursement-Related Responsibilities
HR Director	<ul style="list-style-type: none"> Create new employee profile in human resources information system (HRIS) Maintain employee master file in HRIS
Treasurer	<ul style="list-style-type: none"> Verify all payroll payment tables follow collective bargaining agreements or any other compensation schedules Process every other week payroll data Upon receipt of approved payroll and vendor warrants, fund the gross payroll warrant, City's portion of Medicare tax, and gross vendor warrant in the associated bank accounts Initiate electronic funds transfers for applicable payees Ensure every issued check is imprinted with the accurate disbursement data and "Void if not cashed within one year of issuance" on its front Mail checks to vendors Update the cashbook to document the disbursement activity
Finance Director	<ul style="list-style-type: none"> Review all departmental submissions and approve items for inclusion on the vendor or payroll warrant only after validating: <ul style="list-style-type: none"> Procurement laws were adhered to The submission is legal (i.e. it follows the intent of the appropriation) Adequate funds exist No fraud is evident Finalize and sign vendor & payroll warrants and provide them to the Mayor Update the general ledger with all vendor and payroll warrant expenditures
Mayor	<ul style="list-style-type: none"> Review each warrant and direct any inquiries to the Finance Director Approve the warrants by signing them

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none"> Chapter 2, Article IV, Division 4: City Auditor, Section 2-175 Chapter 2, Article IV, Division 8: City Treasurer/Collector, Section 2-277 Chapter 2, Article VI: Finance, Section 2-373 to 2-380
Policies	<ul style="list-style-type: none"> Fraud Reconciliations Gifts of Funds

EXTERNAL REFERENCES

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

[M.G.L. c. 44, §§ 56, 58, 64](#)

[M.G.L. c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56](#)

[M.G.L. c. 200A, § 9A](#)

Fraud

Applies to	<ul style="list-style-type: none"> ▪ All elected and appointed City officials and employees ▪ All other people acting on behalf of the City⁴, such as vendors, contractors, volunteers, casual employees, and grant subrecipients ▪ The City's Independent Auditing Firm when hired to investigate fraud
Scope	Any suspected fraud, abuse, or similar irregularity against the City

PURPOSE

To protect the City's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities and any appearances thereof. The policy's objectives include:

- To communicate the City's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To create an environment in which employees and citizens can report any suspicion of fraud
- To provide management with guidelines and responsibilities regarding appropriate actions in investigating alleged fraud and similar improprieties

POLICY

The City will protect its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. City officials, employees and other people acting on behalf of the City⁴ must, always comply with all applicable policies, laws, and regulations.

The City 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. This policy sets out specific guidelines and responsibilities regarding the proper actions that must be followed for the investigation of fraud and other similar irregularities.

A. Definitions

Occupational fraud is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud.

1. **Asset Misappropriations** – Theft or misuse of an organization's assets.

- Cash
 - Fraudulent Disbursements – Perpetrator causes City to disburse funds through some trick or device (e.g., submitting false invoice/time card, expense reimbursement schemes, check tampering, etc.)

⁴ "Person acting on behalf of the City" refers to any individual responsible for or to Newburyport's government placed in that position by some official relationship with the City.

- Skimming – Cash is stolen from the City before it is recorded on the City’s books and records.
 - Cash Larceny – Cash is stolen after it has been recorded on the City’s books and records.
 - Inventory and all other assets
 - Misuse – Use of the City’s inventory or assets for personal use (e.g., vehicles, computers, supplies, etc.)
 - Larceny – Theft of City assets, such as equipment or supply inventory
2. **Corruption** – Wrongfully using influence in a business transaction to get benefit for themselves or another person, contrary to duty to the City or the rights of another.
- Conflicts of Interest – An undisclosed economic or personal interest in a transaction that hurts the employer.
 - Bribery – The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision.
 - Illegal Gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof.
 - Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
3. **Fraudulent Statements** – Falsification of the City’s financial statements.

Other similar irregularities is defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents, or City employees, that puts the City’s revenue, property, information and other assets at risk of waste or abuse.

B. Antifraud Responsibilities

1. The City intends to investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted no matter the position, title, and length of service, or relationship with the government of any party who might be or becomes involved in or becomes/is the subject of such investigation.
2. Each elected official, department head, commissioner and manager is responsible for instituting and maintaining a system of internal control to reasonably assure the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.
3. The Finance Director has the primary responsibility for the investigation of all activity defined in this policy.
4. To the extent practical the Finance Director will notify the City’s Independent Auditing Firm and the Mayor of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation. Throughout the investigation the Mayor will be informed of pertinent investigative findings.

5. In all circumstance where there are reasonable grounds to indicate a fraud may have occurred, the Finance Department and/or Independent Auditor, subject to the advice of the Mayor and City Solicitor, will contact the office of the District Attorney and/or the Newburyport Police.
6. After conclusion of the investigation, the results will be reported to the Mayor and others as determined necessary.
7. Within 30 days of the discovery of credible evidence of fraud, misuse, misdirection, embezzlement, loss, misappropriation, or otherwise illegal use of any public funds, the Finance Director, in consultation with the City Solicitor, shall submit to the City Council, via the City Clerk, a letter stating:
 - a. The nature of the alleged or confirmed actions.
 - b. The individual or individual(s) to have participated in the actions.
 - c. The date or date range of such actions.
 - d. Actions taken to remedy the actions.
 - e. Actions taken to inhibit the actions in the future.
8. The City Solicitor will pursue every reasonable effort, including court-ordered restitution, to obtain recovery of the City's losses from the offender, or other appropriate source.

C. Procedures

1. All Employees

Any employee who knows of an occurrence of irregular conduct or who has reason to suspect that a fraud has occurred shall immediately notify his/her supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Finance Director. Employees must cooperate during an investigation. Employees who knowingly make false allegations will be subject to discipline and possible termination of employment.

2. City Management/Elected Officials/Board Members

After notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Finance Director.

3. Office of the Mayor

After notification or discovery of a suspected fraud, the Finance Director and/or Independent Auditor will promptly investigate the suspected fraud. In all circumstances, where there are reasonable grounds to indicate that a fraud may have occurred, the Finance Director or Independent Auditor will inform the Mayor. Subject to the advice of the City Solicitor, the Finance Director or Independent Auditor will contact the Office of the District Attorney and/or the Newburyport Police.

4. Contacts/Protocols

After an initial review and a determination that the suspected fraud justifies more investigation, the Finance Director or Independent Auditor will notify the Mayor. The Finance Director or Independent

Auditor will coordinate the investigation with the Mayor and appropriate law enforcement officials.

5. Security of Evidence

Once a suspected fraud is reported, the Finance Director or Independent Auditor, in consultation with the City Solicitor, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately secured until the Finance Director or Independent Auditor obtains the records to begin the audit investigation.

6. Personnel Actions

If a suspicion of fraud is substantiated by the investigation, disciplinary action shall be taken by the Mayor, in consultation with the Human Resources Director and the Finance Director or Independent Auditor.

7. Whistle-Blower Protection

Under Massachusetts General Law Chapter 149, paragraphs 148A, 185 and 187, no employer or person acting on behalf of an employer shall:

- Dismiss or threaten to dismiss an employee;
- Discipline or suspend, or threaten to discipline or suspend, an employee;
- Impose any penalty upon an employee; or
- Intimidate or coerce an employee

because the employee has acted under the requirements of this policy. Violating this section will result in discipline up to and including dismissal under the applicable federal, state, and local administrative laws.

8. Media Requests

Any City employee or elected official contacted by the media with respect to an audit investigation shall refer the media to the Mayor's Office. The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the Mayor's Office.

If the Finance Director or Independent Auditor is contacted by the media regarding an alleged fraud or audit investigation, they will consult the Mayor, before responding to a media request. Neither the Finance Director nor Independent Auditor will discuss the details of any ongoing fraud investigation with the media that may compromise the integrity of the investigation.

9. Documentation

When the investigation ends, the results will be reported to the Mayor and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the

Office of the District Attorney and/or the Newburyport Police.

10. Completion of the Investigation

After completion of the investigation, including all legal and personnel action, any records, documents and other evidentiary material will be returned by the Finance Director or Independent Auditor to the appropriate department.

11. Training

New employees are trained at the time of hiring about the City's Code of Conduct and Fraud Policy. This training explicitly covers expectations of all employees regarding:

- (1) Their duty to communicate certain matters;
- (2) List of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and
- (3) Information on how to communicate those matters.

NEWBURYPORT REFERENCES

Ordinances	▪ Chapter 2, Article IV, Division 4: City Auditor , Section 2-177
Policies	▪ Employee Handbook

EXTERNAL REFERENCES

U.S. Office of Management and Budget: [Omni Circular](#)

[M.G.L. c. 12, §§ 5A, 5B, 5C, 5D, 5E, 5F, 5J](#) [M.G.L. c. 268A](#)

MA Office of the Inspector General webpage: [What is Fraud?](#)

MA Ethics Commission webpage [Summary of the Conflict of Interest Law for Municipal Employees](#) and required training [FAQs](#)

Gifts & Donations

Applies to	<ul style="list-style-type: none"> ▪ Mayor, City Council, and School Committee in their responsibilities related to approving the expenditure of gift funds ▪ Department heads⁵ in their responsibilities related to accepting and spending gifts ▪ Treasurer and Finance Director in their job duties related to managing, accounting for, and reporting on gift funds
Scope	<ul style="list-style-type: none"> ▪ All receipts of gifts to the City ▪ Managing, spending, and accounting of gift funds ▪ Not in the scope of this policy: <ul style="list-style-type: none"> • Monetary gifts to trust funds governed by specific statutes, such as scholarship or cemetery perpetual care funds • Federal, state, or private grants⁶

PURPOSE

The guidance and directives in this policy are intended to:

- Enable the receipt of gifts that align with the City's goals
- Make sure no gift funds are comingled with any other monies and that they are only spent for the purposes intended by donors
- Mitigate against the potential for any violations of the state's Ethics Code in relation to gift donations and fundraising

BACKGROUND

[M.G.L. c. 44, § 53A](#) allows any department head or City official accept gifts for the benefit of municipal services, which funds may be spent without appropriation. However, the statute also requires the expenditure of the gift's funds be approved by the Mayor and City Council (or the School Committee for school gifts). This approval process allows the Mayor and City Council (or School Committee) to ensure that the circumstances of the donation do not compromise the City/School and to assess whether the particular purpose of the gift aligns with City/School goals without also creating any substantially offsetting financial or administrative burdens. Thus, this policy calls for departments to obtain the approvals of the Mayor and City Council (or School Committee) before the gift may be formally accepted, deposited, and spent.

POLICY

Gifts make valuable contributions the City's goals and fiscal well-being, and the offers of such are greatly appreciated by City officials. Gifts typically are monetary funds, but also can be tangible property or in-kind goods and services. Gifts to the City must be voluntary and not received from any party in lieu of payments, fees, or services otherwise due the City. In addition, the City's acceptance of a gift does not constitute or imply its recommendation or endorsement of any service, product, or business of the

⁵ In this policy, department head refers to any City employee or official with spending authority.

⁶ Although gifts and grants are governed by the same statute (44:53A), grants are addressed in a separate Grants Management policy.

donor.

All gift funds shall be treated as one-time revenues, even those that may be offered to the City on a repetitive basis (e.g. from a “Friends” organization). In other words, the City shall in no way rely on any gift revenues to support ongoing operational costs.

Whenever a department receives a gift, the department head must submit it for the approval of the Mayor and City Council (or School Committee) before the funds may be spent. If a department receives multiple gifts donated for the same purpose (such as from a private fundraising event), they shall be accumulated and submitted as a single amount.

All decisions about gift approval shall be based on the gift’s compatibility with City/School Department policies and goals, as well as an assessment of any risks the gift may pose to the City in maintaining its reputation, mission, or values.

Without appropriation, departments may expend the funds from an accepted donation according to the purpose specified by the donor and only after the gift has been approved by the Mayor and City Council (or School Committee).

A. Accepting a Gift

- Gifts less than \$500:
 - After receiving a gift or set of related gifts with a total value less \$500, the department head will complete a Gift Acceptance Form and submit to the Mayor for approval.
 - If approved, the department head will submit the gift receipt on a 9-10 Form (or via the Zobrio Cash Management system) to the Treasurer designating the appropriate gift account (if a new gift account is needed, the department head shall contact the Finance Department to create a new account). If rejected by the Mayor, the department head shall return the gift promptly to the donor.
- 2. Gifts greater than or equal to \$500:
 - After receiving a gift or set of related gifts, with a value greater than or equal to \$500, the department head will complete a Gift Acceptance Form and turn it over with the receipt(s) to the Finance Department (accompanied by any related supporting documentation). The Finance Department will deposit the funds into the suspense account until they are accepted or rejected. The Finance Director will coordinate with the Mayor’s and City Clerk’s Offices (or School Superintendent) to present the Mayor and City Council (or School Committee) with the offered gift.
 - Once the gift is approved or rejected, the City Clerk will notify the originating department, Treasurer, and Finance Director. If a gift is approved for expenditure, the Finance Department will book a journal entry moving the funds to the appropriate destination/gift account. If a gift is not approved for expenditure, the Finance Department will issue a refund back to the donor. Approved gifts will be processed under Section B below.

B. Managing and spending gift funds

Through the City’s standard payroll and vendor warrant procedures, a department head may, without appropriation, spend the funds of a gift, accepted under Section A above, for its designated purpose.

Gifts donated without a specific purpose shall be spent in accordance with the overall intent (i.e. for the general operation of the gifted department). Under the Disbursements policy, the Finance Director shall approve a gift expenditure for inclusion in a warrant only after verifying:

1. It is legal, which in this case means:
 - a. The gift had received the proper approval(s);
 - b. The expenditure's purpose follows the intent of the donor; and
 - c. Applicable procurement laws were adhered to.
2. Adequate funds exist in the gift account.
3. No fraud is evident.

When the purpose of the gift no longer exists or if the revenue is not spent by a time specified by the donor, the department head will submit a request to the Treasurer to refund the money to the donor and copying the Finance Director.

C. Prohibitions on Fundraising

This policy prohibits any fundraising activities by City employees and officials. An example of prohibited activity would be a department selling items, such as t-shirts or calendars, to raise money. In addition, the Massachusetts Constitution's Anti-aid Amendment prohibits the use of public funds to assist a private organization's fundraising, even when it would directly benefit the municipality. To further assure compliance with the Amendment, there shall be no City co-sponsorships with any private organizations of any community events or fundraisers.

The City may accept as gifts the funds raised and offered by private entities, including "Friends" organizations. All such entities are separate from the City and therefore not subject to City policies or any form of municipal oversight. Furthermore, the State Conflict of Interest Law bars the use of municipal resources, including staff time, to assist any private sector initiatives. Therefore, no City personnel may participate in the activities of "Friends" and other similar organizations during their work hours.

NEWBURYPORT REFERENCES

Policies	<ul style="list-style-type: none"> ▪ Disbursements ▪ Fraud ▪ Revenue Turnover
Forms	<ul style="list-style-type: none"> ▪ Gift Acceptance Form

EXTERNAL REFERENCES

MA Constitution Anti-Aid Amendment: [Article XVIII, as amended by Articles XLVI and CIII](#)
[M.G.L. c. 44, § 53A, § 53A½](#) [M.G.L. c. 71, § 37A](#) [M.G.L. c. 268A](#)
 State Ethics Commission's Advisory Opinion on gift solicitation, [EC-COI-12-1](#)
 Division of Local Services *City & Town* article, [Ask DLS: Public Purpose Expenditures](#)

Grants Management

Applies to	<ul style="list-style-type: none">▪ Grant administrators within City departments▪ Mayor, School Superintendent, School Committee, Finance Director, and Treasurer in their related responsibilities▪ Grant Developer in their coordination of grant applications▪ Department heads and City officials that accept the grants obtained for their departments, in their budget management and operational oversight roles
Scope	<ul style="list-style-type: none">▪ Evaluating grant opportunities▪ Tracking grant activity▪ Processing revenues and expenditures

PURPOSE

To leverage the external revenues attainable through grants that serve the City's best interests, this policy sets a framework for evaluating grant opportunities, tracking their activities, and processing their revenues and expenditures. Effective grant management helps optimize cash flow through timely reimbursements and guards against year-end account deficits.

BACKGROUND

[M.G.L. c. 44, § 53A](#) allows any department head or City official to accept a grant from a state, federal or other grantor, which funds may then be spent without appropriation. However, the statute also requires that the expenditure of the grant funds be approved by the Mayor and City Council (or the School Committee for school grants). This approval process allows the Mayor and City Council (or the School Committee) to assess whether the details of the grant program align with City/School goals without also creating any substantially offsetting financial or administrative burdens. Thus, for practical reasons, this policy calls for departments to obtain preapproval(s) before applying for any grants and then obtain spending approval once a grant is awarded.

As a legal contract, every grant agreement must be fulfilled under its prescribed terms, and all applicable federal, state, and local regulations. Failure exposes the City to legal and financial liabilities and compromises future grant funding.

POLICY

All departments are encouraged to pursue grant funding for projects and programs consistent with the City's goals. Anyone interested in applying for grants on behalf of their department/project, must adhere to the following process. All City grants (including those applied for by other entities but in which the City has an interest), must go through the Grant Developer who is responsible for coordinating and tracking the submission of all grant applications.

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

Operating departments through their designated grant administrator(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Finance

Director is responsible for consulting with grant administrators on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The Finance Director will assist the Grant Developer in maintaining a database of all grants opportunities, including those awarded, rejected or withdrawn.

A. Funding Need Assessment

Grant funding exists for a multitude of purposes, projects and causes. If a department, board member, volunteer or any other City stakeholder feels that a potential expenditure could be offset or supplemented by a grant opportunity, whether or not an opportunity actually exists or not, the first step is contacting the Grant Developer to discuss the funding need and any applicable timeframe that exists. The Grant Developer will research funding opportunities that may fit the identified need and report findings back to the respective party or department.

B. Grant Opportunity Assessment

If a grant opportunity is identified, well before the application deadline, the Grant Developer will consult with the Mayor and department to assess whether the opportunity is one that the City wishes to pursue. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the grant's purpose with the City'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 City's

Financial:

- Total anticipated project cost
- Spending 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 responsible department 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.

C. Grant Application and Award Acceptance

If the decision is made to apply for a grant, the Grant Developer will meet with applicable staff and consultants (if applicable) to determine what needs to be completed (e.g. cost/benefit analysis, certifications, letters of support, vote of council), responsible parties for each task and establish a timeline. Once all of the information and components have been compiled, the Grant Developer,

assigned staff member or consultant (if applicable) will submit the application to the funding agency. If someone other than the Grant Developer submits the application, the submitting party shall make sure an electronic copy is sent to the Grant Developer. The Grant Developer shall provide the Mayor, Finance Director and City Council with monthly report of all grant applications submitted and, status updates, as applicable on previously submitted applications.

When the City receives notice of any grant award, the recipient party shall forward the notification to the Grant Developer, Mayor and Finance Director. The responsible department shall then prepare a Grant Acceptance Form and submit the completed form with any relevant support documentation to the Finance Director who will review and submit to the City Clerk as an agenda item for the next City Council (or School Committee) meeting. Once/if the City Council accepts the grant, the City Clerk shall notify relevant staff of the vote.

The Mayor shall be requested to sign the grant agreement for the assigned staff or Grant Developer to return to the grantor. A copy of the signed contract is sent to the Finance Department who will set up the applicable grant accounts on the general ledger to record the grant's activity. When notified of any amendment or adjustment by the grantor, the grant administrator will immediately forward the information to the Finance Department, who will make adjustment(s) to the grant's budget in the general ledger.

D. Grant Financial Management

At the start of a new grant, the Finance Department and respective staff will meet (or communicate via other means) to review the grant requirements and the timing of reimbursement requests (e.g. at the time of expenditure, monthly or quarterly). As part of this process, the head of the recipient department will assign a staff person to be the designated grant administrator.

The grant administrator will ensure all expenditures made are allowable and consistent with each grant award's requirements. The grant administrator will submit project invoices to the Finance Department consistent with the City's Disbursements policy and will also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer, as applicable, as part the regular payroll process.

To minimize the use of advance City funds, the grant administrator will request reimbursements as often as the grant's guidelines allow and always by June 30. In doing so, the grant administrator will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Right after each submittal, the grant administrator will email notification of the reimbursement request to the Finance Director and Treasurer.

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

E. Grant Closeout

After completion of the project work or grant period, whichever comes first, the grant administrator will verify that all grant requirements have been met and will send to the Finance Director 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, if applicable.

Upon receipt of the closeout package, the Finance Director will put the general ledger's grant account into inactive status and will reconcile the grant administrator's report with the general ledger's record of grant activity. The grant administrator will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Finance Director 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 Finance Director will determine if the grant account has been over-expended and will either apply the expense to the operating budget or request an appropriation from other available funds.

F. Audit

All grant activities are subject to audit by the particular grantors, the Finance Director, and Newburyport's independent auditor. The Finance Director 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.

NEWBURYPORT REFERENCES

Ordinances	▪ Chapter 2, Article II: City Council , Section 2-44
Policies	▪ Disbursements ▪ Year-end Closing
Forms	▪ Grant Acceptance Form

EXTERNAL 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](#)

Procurement – Conflict of Interest

Applies to	<ul style="list-style-type: none">▪ Business Manager as the designated chief procurement officer (CPO), under the Finance Director's supervision▪ All City employees, officials, and others working on the City's behalf who are involved with procurements▪ Prospective contractors
Scope	Guidelines for vetting conflicts of interest related to all procurements

PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

POLICY

The City is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. The City will provide fair opportunities to participants in competitive processes for the award of 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 City will investigate all allegations of conflict of interest or misconduct brought to the attention of City staff.

A. Confidentiality during the Bid Evaluation Process

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

The departmental purchasing employee will:

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 these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the CPO.

The CPO will:

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. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, City employees and officials are expected to avoid any conflicts of interest and 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 expect having, an ownership interest, a significant executive position, or other remunerative

relationship with a prospective supplier of goods or services to the City or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, 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."*

And it 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 City 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 City 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 preparing 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 City may expect from that individual.

Department heads and other officials must determine and disclose to the CPO any potential conflict of interest affecting procurement transactions before a contract is signed, commitment made, or order placed. The CPO will then notify the Finance Director, who will verify the availability of funds before any order is placed with a vendor.

These measures will be taken to ensure the City avoids any conflicts of interest in procuring City contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the City must disclose relevant financial interests as required by state and federal laws and to annually review those statements with this policy and other ethical standards.
2. Other people involved in procurements must review this policy and other ethical standards and provide information to determine if there is a conflict of interest. Such people 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 City Solicitor.

The departmental purchasing employee will:

1. Identify employees, consultants, outside uncompensated parties, and any other people 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 CPO before beginning any procurement or contract activity.

The CPO will:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the Finance Director, who may also consult with the City Solicitor as needed.
3. Document the resulting determinations and provide the Mayor with a notice of the 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.

C. Compliance Reviews

The Finance Director will conduct random reviews of compliance with this policy. All procurement activities are also subject to audit by the City's independent Auditor.

NEWBURYPORT REFERENCES

Ordinances	▪ Chapter 2, Article VI: Finance , Section 2-374
Other	▪ Employee Handbook

EXTERNAL REFERENCES

U.S. Office of Management and Budget: [Omni Circular](#)
[M.G.L. c. 30B](#) [M.G.L. c. 41, § 57](#) [M.G.L. c. 268A](#)
MA State Ethics Commission webpage: [Disclosure Forms for Municipal Employees](#)
MA Inspector General webpage: [Procurement Assistance](#)

Purchasing Card Usage

Applies to	<ul style="list-style-type: none">▪ Mayor, Treasurer and Finance Director in monitoring and approval▪ City department heads, officials and employees with spending authority
Scope	Guidelines for the issuance and use of City purchasing cards

PURPOSE

To ensure all purchasing card (P-Card) usage complies with the City's Disbursements policy, this policy sets standards for proper card use when conducting City business.

POLICY

Department heads may request one P-Card for use by their department. If a department head believes that their department requires the use of a P-Card, he or she must obtain written approval from the Mayor and Finance Director before a card can be issued by the Treasurer. The City may revoke or suspend a P-Card at any time. If a P-Card is only needed for a single purchase, or on a limited basis, the head of the department may request the temporary use of a card held by the Treasurer or Finance Director.

Except in extraordinary circumstances, a participating department should significantly restrict the number on staff with access to the P-Card and purchases should always be pre-approved by the head of the department. At all times, cardholders must know their use of City-issued credit cards results in the spending of public funds, and the cardholders' use of such cards must be consistent with this awareness.

A. Allowable Use

Even when issued, the P-Card is to be used by a department only as a "payment of last resort." Its usage shall not be a routine alternative to payment under the normal warrant approval procedures, unless pre-authorized by the Finance Director, but is intended for transactions that are only possible by, or are most cost-effective by, credit card, including those connected to public safety emergencies. The City is a tax-exempt entity; therefore, sales tax shall not be included with the cost of any debit card purchases, if sales tax is charged, it is up to the employee to coordinate with the vendor to waive those charges.

City P-Cards SHALL NOT BE USED for these purchases:

1. Personal expenses
2. Cash advances (ATMs)
3. Gift cards or gifts of any kind
4. Services (e.g. consultant fees, repair work, temporary help)
5. Gasoline for personal vehicle
6. Use for paying other invoices
7. Alcoholic beverages, tobacco, gambling
8. Entertainment

B. Purchases

Only an authorized cardholder may use a procurement card, unless another staff member is given explicit authority to use it by the cardholder for a specific purchase. The card shall be returned to the cardholder right after the purchase.

At the time of a transaction, the cardholder shall advise the vendor of the City's tax exempt status and provide the vendor with the City's tax ID number.

At the time of transaction or right after the transaction, the P-Card user must obtain a detailed transaction receipt that indicates that the payment was made. The receipt should include the following information: vendor's name, date of transaction, description of each item bought and breakdown of costs.

C. Administration

The Treasurer is responsible for administration of the P-Card, including but not limited to selecting the card issuer, setting the total account balance, ensuring proper use, and replenishing the bank account.

Under the Reconciliations policy, the Treasurer will reconcile the P-Card account monthly and verify all outstanding invoices, gathering assigned GL # charges and receipts from each department to be processed on the next accounts payable warrant.

D. Audit

The City Auditor will conduct random audits of the P-Card activity, receipt retention, and statements. All debit card activity is subject to audit by Newburyport's independent auditor.

NEWBURYPORT REFERENCES

Policies	<ul style="list-style-type: none">▪ Disbursements▪ Reconciliations
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EXTERNAL REFERENCES

Government Finance Officers Association: [Using Purchasing Cards to Streamline the Purchasing Process](#)

Government Finance Officers Association: [Purchasing Card Policies in Action](#)

Division of Local Services: [Municipal Procurement or Purchase Cards](#)

Commonwealth of Massachusetts: [Credit Card Use Policy and Procedures](#)

Reconciliations

Applies to	<ul style="list-style-type: none"> ▪ Finance Director in keeping the general ledger up to date ▪ Treasurer in maintaining a cashbook ▪ Collector and all other personnel within the City with responsibility for managing either a receivable account and/or special revenue fund ▪ Payroll Coordinator in managing payroll withholdings ▪ Human Resources Director in managing insurance benefits
Scope	Periodic reconciliations of departmental cash, receivables, payroll, and special revenue fund records and of those departmental records with the general ledger

PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, financial officers must regularly reconcile their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of their own office's transactions, they are also collectively accountable for the overall accuracy of the City's financial records.

POLICY SUMMARY

Records of Account to be Reconciled	Whose Records	Reconciliation Time Frames
Cashbook	Treasurer	With online bank data daily Month-end close by the 10th of the following month To the general ledger by 15th of each month
Payroll withholdings	Treasurer and HR Director	Internally, by the 10th of the following month To the general ledger by 15th of each month
Collector's receivables	Collector	Month-end close by the 10th of the following month To the general ledger by 15th of each month
Other departments' receivables	Departmental record-keepers	Internally, within 10 days of the end of each fiscal year quarter To the general ledger by the end of the month following each quarter-end
Special revenue funds	Departmental record-keepers	Internally, within 10 days of the end of each fiscal year quarter To the general ledger by the end of the month following each quarter-end

POLICY TEXT

The Treasurer/Collector and every department head responsible for managing a receivable account and/or special revenue fund will internally reconcile their respective accounting records and subsequently reconcile them with the Finance Director according to the guidelines and periodic time frames outlined in this policy. 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 the City's financial records.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook in the (Zobrio) cash management program that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within 5 business days of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts weekly and finalize the monthly reconciliation within fifteen days of month-end. Bank accounts will include zero-balance vendor and payroll, 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 a reconciled cashbook balances report to the Finance Director and, when necessary, forward an additional receipt report or 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.

At the end of each pay cycle, the Payroll Coordinator will forward a summary report of withholdings subject to vendor invoices (i.e., insurances, deductions) to the Auditor's office to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process.

To reduce the risk to the City for liabilities in excess of withholdings, the Finance Director will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any discrepancies, and provide the results to the Treasurer to make any necessary payroll changes or adjustments. The Payroll Coordinator will verify and reconcile payments for all other withholdings and deductions that are automatically issued and paid directly through the payroll system via electronic funds transfer or check.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the City, whether from committed bills (i.e., taxes, excises, trash charges, permits) 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 timely, maintain a control record for each receivable type and levy year if applicable, 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 processed collections, abatements, and exemptions and increases it by issued refunds. 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 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 Auditor's office. For the Collector, this is the *Schedule of Outstanding Receivables*.

D. Special Revenue Fund 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 Finance Director, and properly authorized transfers are recorded for the period. These department heads will subsequently provide the Finance Director with quarterly reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger's integrity, the Finance Director must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D above. In addition, it is the Finance Director'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 Finance Director 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 Finance Director identifies a discrepancy between the general ledger and the cashbook, these 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 the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month 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 Finance Director must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the Finance Director's general ledger. If a given

receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Finance Director must:

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

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

The Finance Director will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Finance Director 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 subsequent reconciliations to the general ledger take place by the 15th of the month following the one being reconciled. At each quarter-ending month, the Finance Director 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 any variance has not yet been resolved, this must be noted, along with a work plan and timetable for resolution. The Finance Director may submit the collective set of reconciliation worksheets to the Mayor quarterly.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none">▪ Chapter 2, Article VI, Division 8: City Treasurer/Collector, Sections 2-275, 2-276, 2-279▪ Chapter 2, Article IV, Division 4: City Auditor, Section 2-175
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EXTERNAL REFERENCES

Division of Local Services Best Practice: [Reconciling Cash and Receivables](#)

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

Revenue Turnover

Applies to	<ul style="list-style-type: none">▪ Treasurer, as the City's cash manager▪ All individuals and department heads with responsibility for handling payments▪ Finance Director/City Auditor in the duty to keep the general ledger up to date
Scope	Guidelines for managing all cash, check, credit card, and other forms of payment received by all City departments for taxes, excises, fees, charges, and intergovernmental receipts, from the departmental level through Treasury and Accounting duties

PURPOSE

To safeguard City 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 City's revenues are properly and timely secured, recorded, and deposited in City bank accounts.

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. All employees who handle the receipt of money must be trained in this policy by a representative of the Finance Department.

To indemnify the City from potential loss or theft, the Finance Director will ensure that surety bonds are maintained for all individuals responsible for handling payments. Each department will turn over at least weekly and must do so by the end of the day when receipts total \$250 or more. At month-end, departmental staff will turn over all revenues on the last business day of the month.

E. Receiving Payments

Using pre-numbered receipt books or similar document, assigned departmental staff must issue the first (original) copy as a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify the forms of payment (check, cash, or credit card) in their receipt books, and if payment is for a permit, the permit number. Checks received by mail will be recorded in the receipt book noted "received by mail". As the exception, the Collector when receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately stamp the check front with their departmental stamp. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with: 1) receiving and endorsing payments, 2) recording payments in the departmental log, and 3) turning receipts over to the Treasurer.

F. Turning Over Revenues

Departmental staff will fill out a 9-10 turnover form, print two copies, and obtain the department head's signatures on them. 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 never may leave any unattended turnovers in the Treasurer's office or elsewhere in City Hall.

No less than weekly and at month-end, the Collector will complete an internal turnover of all collections processed during that period for taxes and other committed receivables. This shall consist of a turnover report listing, spreadsheet or other reconciling method, of all processed collections summarized by receipt type, which must reconcile to the bank deposits made for the same period.

When the Treasurer has accepted the turnover, the department employee will receive back two copies of the turnover form signed and dated by the Treasurer. The department employee will retain one turnover copy on file and is responsible for delivering the other to the City Auditor. The City Auditor may refuse to accept any turnover that is not signed by the Treasurer.

The head of every department that receives payments will review the City Auditor'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 City Auditor.

G. Receiving Turnovers

When presented with the turnover, the Treasurer will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasurer will then sign the turnover copies and return two to the departmental employee.

Within 24 hours of receiving the turnover, the Treasurer will post the receipt data in the Munis Treasury Receipts module. At the close of business each day, the Treasurer will review the Munis postings, turnover documents, and receipts, update the cashbook, and scan checks for deposit and/or create a deposit package to be deposited daily at the bank. Until the deposit is completed, the Treasurer will make sure all receipts are always secured, either in a cash drawer or, if being held overnight, in a safe.

At least weekly, the Treasurer will forward a Schedule of Receipts report to the City Auditor. The City Auditor will compare the turnovers received directly from departments with the Schedule of Receipts reports received from the Treasurer and contact the Treasurer or appropriate departmental employee about any discrepancies. The City Auditor will then post the receipt data to the general ledger.

H. Insufficient Funds

After 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 and bank accounts in Munis and notify the department responsible for the turnover and the City Auditor.

The Treasurer will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a \$25.00 NSF fee 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 may 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.

I. Cash Drawers

On a limited basis, the City Auditor may authorize funds for a department cash drawer for the exclusive purpose of making change. The department head must complete a Petty Cash Drawer Authorization Form to request this funding. The City Auditor will maintain records of cash drawer balances in the general ledger as cash accounts.

Use of these cash drawers shall be restricted only to departmental staff whose job duty assignments specify cashier functions. The department head is responsible for making sure each cash drawer is counted daily and will immediately investigate and correct any discrepancies. Cash drawers shall be stored in locked cabinets or safes; and reconciled at least at end of fiscal year for reporting to the Treasurer.

J. Reconciliation

Under the City's Reconciliations policy, the Treasurer will reconcile the cashbook with bank statements and summarize cashbook balances to the City Auditor monthly.

K. Audit

All cash management activity is subject to review by the City Auditor and the City's independent auditor. Further, the City Auditor will conduct periodic, random audits of departments' payment processing and turnover procedures to ensure adherence to this policy.

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none">▪ Chapter 2, Article VI, Division 8: City Treasurer/Collector, Sections 2-275, 2-276, 2-279▪ Chapter 2, Article IV, Division 4: City Auditor, Section 2-175
Policies	<ul style="list-style-type: none">▪ Gifts of Funds▪ Reconciliations▪ Returned Checks

EXTERNAL REFERENCES

[M.G.L. c. 41, §§ 35 and 54](#) [M.G.L. c. 44, § 53](#) [M.G.L. c. 60, § 2](#)
Massachusetts Collectors & Treasurers Association's [Treasurer's Manual](#) and [Collector's Manual](#)

Tailings

Applies to	<ul style="list-style-type: none">▪ Treasurer, Finance Director, and all department heads▪ Payees of City disbursements
Scope	<ul style="list-style-type: none">▪ Managing uncashed checks, including notifying payees, handling claims, and escheating unclaimed funds to the general fund

PURPOSE

To minimize the negative impact of uncashed checks on cash position certainty, to provide opportunities for payees to claim uncashed checks, and to properly recover unclaimed funds for the City's general fund, this policy sets guidelines for resolving tailings.

BACKGROUND

A tailing is a form of unclaimed property that results from a disbursed but uncashed check, and it represents a debit liability on the City's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Having accepted M.G.L. c. 200A § 9A, the City can expedite tailing resolutions and escheat to the City's general fund the funds that remain unclaimed at the completion of the process rather than surrendering the money to the state, as required otherwise. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

POLICY

Every check issued by the Treasurer will have imprinted: "Void if not cashed within one year of issuance." Monthly, the Treasurer will identify all uncashed checks older than 60 days and attempt to resolve them using the procedures outlined below. At the start of each calendar year, the Treasurer and City Auditor will work together to resolve accumulated tailings, either by prompting the actual pay out or through escheatment to the City.

A. Monthly Management of Tailings

Once a month, as part of the bank reconciliation, the Treasurer will identify all the uncashed checks in the bank statements and enter them into an Excel spreadsheet log of outstanding checks. The Treasurer will then determine which checks in the cumulative log are outstanding 30 days or more after issuance. The Treasurer will work with the department head associated with each such check to follow up with the employee or vendor payee. The Treasurer or department head will attempt to contact the payee by best method to determine why the check has not been cashed. For all checks still outstanding two weeks after notifying the departments, the Treasurer will send an uncashed check notice to each payee at his or her last known address.

The Treasurer will identify once a month all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them. After this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer will provide a report of the stop-paid checks to the City Auditor who will then record the funds as abandoned property liability in the general ledger.

B. Yearly Review

On or around December 31st each year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

1. List the unclaimed checks on the City's website for at least 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the City and deemed abandoned." Along with payee names, this notice will detail the process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish a notice of the checks in *The Daily News*. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
3. After 60 days lapse from the newspaper publication, send a notice of all unclaimed funds under \$100 to the City Auditor. For those \$100 or greater, publish a second notice in *The Daily News* with the same language as the previous except that it provides a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review the checks and notify the City Auditor of all those that are still unclaimed.

C. Escheatment

Upon receipt of either notice from the Treasurer described in Section B above, the City Auditor will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

D. Check Claiming

At any point before escheatment, if a payee contacts the Treasurer to claim a check, the Treasurer will review the claim for validity and timeliness. If deemed appropriate, the Treasurer shall submit the claimed amount to the City Auditor for inclusion on the next disbursement warrant.

E. Audit

All activity related to tailings is subject to audit by the City Auditor and Newburyport's independent auditor.

NEWBURYPORT REFERENCES

Policies	<ul style="list-style-type: none">▪ Disbursements▪ Reconciliations
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EXTERNAL REFERENCES

[M.G.L. c. 200A, § 9A](#)

Tax Enforcement

Applies to	<ul style="list-style-type: none">▪ Treasurer and Collector job duties▪ Finance Director oversight▪ City's contracted tax title attorney
Scope	<ul style="list-style-type: none">▪ Enforcement of delinquent property taxes▪ Resolution of tax title accounts

PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the City and taxpayers, this policy defines when and how the City will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the City and its residents that property taxes be paid when due. The City budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The City recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

POLICY

The City intends to timely pursue all legal methods to collect taxes from delinquent property owners to achieve a minimum collection rate target of above 95 percent 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 City will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Taxpayers are responsible for notifying the City in writing of any mailing address changes.

A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the fourth quarter tax bill). On or around June 15, the Collector will issue demand notices to all assessed property owners who have not paid in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

B. Tax Taking

State law allows the tax taking process to begin as soon as 15 days after the demand, 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 will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making regular scheduled payments of at least 10% of the outstanding tax.

The Collector will establish an annual tax taking schedule for all delinquent taxpayers who have not responded to the demand notices or meet their partial payment requirements. 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 September 30, the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient,

public places. The Collector customarily publishes notices in *The Daily News* and posts them on bulletin boards at City Hall and the Library and on the City's website. From this point forward only cash, certified check, or cashier's check are preferred forms of payment.

Within 60 days of the tax taking announcements, the Collector will prepare an Instrument of Taking form for each delinquent property and record them at the Registry of Deeds to perfect the tax liens.

C. Subsequent Taxes

After the demand bill and before June 30 of 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 City Auditor 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 list all the individuals delinquent in paying taxes or other charges and provide it to the City departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

E. Redemption

The taxpayer may redeem the tax title by paying off the debt, either in a lump sum or in partial payments.⁷ Redemption can only be done prior to the property being foreclosed. Under this policy, if the taxpayer has paid at least 25 percent of the total amount owed (taxes, interest, and fees), the Treasurer will give them a statement that the time to fully redeem the tax title has been extended two years from the statutory deadline for redemption (i.e., six months after the original taking). If the debt, including interest and fees, is not fully paid by the end of that extended period, the Treasurer will initiate foreclosure activities. When a taxpayer pays the full 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.

F. Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. On a quarterly basis, the Treasurer will review all tax title properties for all unpaid balances that are not subject to bankruptcy recordings and that are older than six months (or older than two years and six months if a statement granting a partial payment extension was issued). From these, the Treasurer will

⁷ To promote equity, transparency, and long-term consistency, the City could consider adopting a tax title payment agreement ordinance pursuant to [M.G.L. c 60, § 62A](#). This statute also permits the City to decide whether or not to incorporate a provision in the ordinance to waive a portion of the interest owed when a taxpayer fulfills the agreement. For more information, see Informational Guideline Release [2005-208](#). To see samples, review the ordinances of Boston, Springfield, Holyoke, and Westfield.

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 debt 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 mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action by filing a Petition to Foreclose Rights of Redemption 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).

NEWBURYPORT REFERENCES

Ordinances	<ul style="list-style-type: none">Chapter 9, Article I: In General, Section 9-4Chapter 2, Article IV, Division 8: City Treasurer/Collector, Section 2-272
Policies	<ul style="list-style-type: none">Reconciliations

EXTERNAL REFERENCES

[M.G.L. c. 40, §§ 57, 42A, 42B, 42C, 42D, 42E, 42F](#)

[M.G.L. c. 60, §§ 6, 16, 22, 37, 40, 50, 53, 54, 57, 61, 62, 63, 76, 77, 79, 80](#)

DLS Informational Guideline Releases (annually updated): [Land of Low Value Foreclosure Valuation Limit](#)

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

DLS Best Practice: [Enforcing Collections](#)

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

Travel/Employee Reimbursement

Applies to	<ul style="list-style-type: none"> All City employees and elected or appointed officials (all referred to here as “employees”)
Scope	<ul style="list-style-type: none"> Guidelines for determining reasonable travel-related expenses Procedures, forms, and documentation required for reimbursement

PURPOSE

To mitigate opportunities for fraud, waste, and abuse, the City must properly monitor and control travel costs and reimbursements to employees. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reimbursable expenses and details the procedures, forms, and documents required to receive reimbursement.

POLICY SUMMARY

Categories	Rules & Criteria	Required Documents ⁸
Professional development	<ul style="list-style-type: none"> Applicable only for any training, workshop, or conference that does not accept purchase orders 	<ul style="list-style-type: none"> Brochure (or if online info only: detailed screenshots with dates, hours, included expenses) Proof of attendance: such as certificate, name badge, screenshots of virtual sessions
Personal car transport	<ul style="list-style-type: none"> Destination must be outside the City of Newburyport Mileage calculated from employee’s residence or work location, whichever is closer to the destination Mileage reimbursed at IRS rate May submit for parking and tolls; no receipt needed for cash parking meters 	
Other transport	<ul style="list-style-type: none"> Airplanes, trains, buses, ferries Taxi fares only between home and airport/station and between airport/station and lodging City-owned vehicle: fuel is reimbursable 	<ul style="list-style-type: none"> Proof of travel: boarding pass or ticket
Lodging	<ul style="list-style-type: none"> Travel is longer than 24 hours One night before the event is reimbursable Must book at govt/group rate or most comparable when not available 	

⁸ These are the required documents **in addition to** a Reimbursement Request Form and proof(s) of purchase(s) (e.g., itemized receipts, credit card statement, etc.)

Categories	Rules & Criteria	Required Documents ⁹
Meals	<ul style="list-style-type: none"> ▪ If gone for >6 hours, reimbursed at GSA rate unless the meal is included in the fee ▪ 20% tip max 	<ul style="list-style-type: none"> ▪ Write each employee's name with their charges on any receipt with multiple employees
Supplies	<ul style="list-style-type: none"> ▪ Out-of-pocket only allowed as a last resort and with the department head's approval 	<ul style="list-style-type: none"> ▪ Department head attestation that the supplies were received by the department
Timeframes <ul style="list-style-type: none"> ▪ All requests for reimbursement should be submitted within 15 days of incurring the expense and no later than 30 days. Submissions received by the Finance Department beyond 30 days may not be reimbursed. ▪ Once the request is received the estimated time to reimbursement is two weeks. 		

POLICY TEXT

The City will reimburse employees for reasonable expenses for travel on the City's behalf as authorized by their department heads. With the department head's preapproval, also reimbursable are non-travel-related, employee out-of-pocket expenses for any purchases that cannot otherwise be made through the purchase order (PO)/invoice process. When this policy is not followed, there is no guarantee that all employee spending will be reimbursed.

Employee travel shall be restricted to necessary activities that provide a public benefit, such as trainings, professional conferences, and other municipal-related activities. All travel on City business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees should determine estimates for their travel costs, discuss any extraordinary travel circumstances and expenses with their department heads, and obtain their authorizations in advance of travel. Employees will travel using government and group rates when available.

The City will not reimburse any sales taxes but will, however, pay meals and room excise taxes.

A. Unauthorized Expenses

These expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Hotel minibar
- Costs associated with any political or charitable event
- Expenses for the sole benefit of the traveler, such as internet access, gym fees, valet service, entertainment, laundry services, etc.
- Expenses incurred by or on behalf of any person who is not a City employee who goes along with the employee on official business
- Theft, loss, or damage to personal property while on City business

⁹ These are the required documents **in addition to** a Reimbursement Request Form and proof(s) of purchase(s) (e.g., itemized receipts, credit card statement, etc.)

- Non-mileage-related personal car expenses, including repairs, insurance, gasoline, and traffic citations

The Finance Director may refuse to approve for payment any claim deemed fraudulent, unlawful, or excessive. In that instance, the Finance Director will file a written statement of the reason for refusal with the Treasurer and forward copies to the Mayor and the originating department head.

B. Travel/Training Pre-Approval

To monitor costs and personnel time, related to travel and training expenses, pre-approval by the Mayor may be required. Approval should be requested by submitting a completed Travel/Training Request Form to the Mayor's Office (with the required documentation indicated on the form). *When in doubt, employees should always complete and submit a Travel/Training Request Form.*

Categories	Pre-Approval Needed
Professional development	<ul style="list-style-type: none"> ▪ When registration fee exceeds \$50, ▪ Will cause overtime or coverage costs to be incurred, or ▪ Requires a department head to be out of the office for greater than 4 hours.
Transportation	<ul style="list-style-type: none"> ▪ When cost of travel for one round-trip will exceed \$100, ▪ Will cause overtime or coverage costs to be incurred, or ▪ Requires a department head to be out of the office for greater than 4 hours.
Lodging	<ul style="list-style-type: none"> ▪ Always
Meals	<ul style="list-style-type: none"> ▪ When the meals or refreshments are unrelated to business travel
Supplies	<ul style="list-style-type: none"> ▪ Not required

C. Reimbursable Expenses by Category

Professional Development Events

- Whenever possible, registration fees for any conference or workshop should be submitted as a PO requisition in Munis. If the training/conference does not accept POs, the employee may pay out-of-pocket and then submit for reimbursement.
- The employee must provide documentation of attendance at the training/conference, such as a certificate of completion, name badge, or screenshot of virtual trainings.

Personal Car and Other Transportation

- Employees authorized to travel using their personal vehicle will be reimbursed at the Internal Revenue Service (IRS) mileage reimbursement rate in effect on the dates the travel occurred.
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
- Transportation costs between the employee's residence and any office or meeting location within the City are not reimbursable.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, taxi fares, and, when using a City-owned vehicle, fuel charges.
- Taxi fares may only be for routes between the employee's home and the airport/station and between the airport/station and place of lodging.
- If not traveling by car, the employee must include proof of travel, such as a train ticket or

boarding pass.

Lodging

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
- Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor's group rate is not available when booking, the City will reimburse for lodging costs comparable in location and quality and reserved at the lodging's government or group rate, whenever that is available.
- The City will reimburse for the overnights between the days of a multiday professional development event. One night before any single or multiday day event is also reimbursable.

Meals

- If travel requires an employee to be away from their work location for more than six hours, he or she will be reimbursed for meal(s) up to the United States General Services Administration (GSA) [daily per diem guidelines](#) for the selected (nearest) county or city in which the expense was incurred, unless the meal(s) was included in the cost of the professional event.
- Meals included in registration costs cannot be claimed for reimbursement or advance.
- Meal costs, including tips and taxes, incurred during approved travel will be reimbursed only upon presentation of original itemized receipts. The City will not reimburse tips larger than 20 percent. If any receipt is for multiple employees, they should be listed on the receipt.
- Meals or refreshments, unrelated to travel, are sometimes provided to encourage attendance at all-day meetings or in conjunction with professional development and team building activities.

Business and Office Supplies

- Employees must obtain department head approval before incurring expenses for any business or office supplies, and all purchases made on behalf of the City must be necessary, reasonable, and appropriate.
- The department head must verify that the department received the supplies for which an employee requests reimbursement before approving the Expense Reimbursement Form.
- Business-related special postal services or delivery services that are not available through the City will be reimbursed.

D. Reimbursement Submission

Every claim for reimbursement must be documented using an Expense Reimbursement Form and/or Mileage Reimbursement Form signed by the employee and their department head. For department heads only, the forms must also be signed by the Mayor. Required information includes (as applicable): travel or purchase date(s), purpose, amount(s), and total business-related mileage. Except for mileage and cash parking meter expenses, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement as soon as the travel concludes, and at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Expense or Mileage Reimbursement Form with the related receipts or other documentation within that time, he or she may be personally responsible for the expenses.

E. Violations

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud, waste, or abuse and may result in similar consequences. Misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

F. Audit

All expenses are subject to verification of compliance with this policy and to audit by the City's independent auditor.

NEWBURYPORT REFERENCES

Policies	<ul style="list-style-type: none">▪ Disbursements▪ Fraud
Forms	<ul style="list-style-type: none">▪ Expense Reimbursement Form▪ Mileage Reimbursement Form

EXTERNAL REFERENCES

[M.G.L. c. 41, § 52](#) [M.G.L. c. 44, § 58](#) [M.G.L. c. 64H § 6\(d\)](#)

IRS webpage: [Standard Mileage Rates](#)

Division of Local Services *City & Town* article, [Ask DLS: Public Purpose Expenditures](#)

Year-End Closing

Applies to	<ul style="list-style-type: none">▪ Mayor, Finance Director, Treasurer, and Collector job duties▪ All department heads in managing and reporting on their budgets and assets
Scope	Tasks necessary to close the fiscal year's books and complete required annual reports

PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the City 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. Furthermore, completing these tasks must take place before the City can submit the combined balance sheet to the Division of Local Services (DLS) for the annual certification of free cash.

POLICY

The Mayor will hold all department heads accountable for timely and accurately completing the year-end tasks applicable to them as outlined in this policy. All facets of the year-end closing will be done by September 30.

Yearly by May 15, the Finance Director will transmit a year-end instruction memo to department heads and provide them with the following submission deadlines:

- June 1: Status reports or updates on capital projects, capital assets, and borrowings
- June 10: Requests for budget line-item transfers
- June 15: Verification of open purchase orders
- June 30: All available invoices
- June 30: Status reports on grants, special appropriations, and special revenue accounts
- July 10: Invoices related to the fiscal year just ended

Along with the year-end memo, the Finance Director will distribute year-to-date reports of all grant, special appropriation, and special revenue funds to the responsible department heads.

A. Year-end Encumbrances

The Finance Director will encumber funds when proper documentation confirms the funds have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts). Any current fiscal year budget amounts committed by an active purchase order that is still open in Munis at the end of June will automatically carry over to the next year.

B. Review of Grants, Special Revenue Funds, and Special Appropriations

By June 30, every department head with responsibility for a grant, special revenue fund, and/or special appropriation will send the Finance Director a spreadsheet providing status update(s) on the account(s). In the spreadsheet, the department head will report whether or not the grant/project has been completed or discontinued. Additionally, if an account has a deficit balance, the department head will

state whether revenue is expected to be received sufficient to cover the deficit by September 30 and include relevant back-up documentation. If the deficit will not be covered by September 30, the department head will notify the Finance Director who will help to coordinate the submission of a Transfer/Appropriation Request.

Depending on the status reported and documents received from the department head, the Finance Director will:

- Complete the Transfer/Appropriation Request and coordinate with the Mayor and City Council to obtain the suitable transfer or appropriation to cover the deficit.
- Close each account that has been verified as completed, transferring any residual balance to general fund balance or to the original special revenue source.
- Carry forward into the new fiscal year's chart of accounts the verified balances for each grant, special revenue fund, and special appropriation confirmed to be ongoing.

C. Review, Resolution, and Update of Capital Projects and Borrowings

As of March 1, the Finance Director 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 or anticipated deficits:

- Had debt been authorized, the Finance Director will notify the Treasurer to initiate a short- term borrowing in an amount sufficient to cover the deficit by June 30.
- If debt had not been authorized, the Finance Director, in conjunction with the responsible department head, will coordinate with the Mayor in requesting an appropriation.

D. Year-end Transfers

The Finance Director and department heads will pay close attention to any pending appropriation deficit and pursue timely authorizations for same under the City's Appropriation Transfers & Supplements policy.

E. Closing the Books

By August 31, the Finance Director will do the following to close the books:

- Reconcile each fund type (including transfers between funds) and, when completed, close each fund in the general ledger.
- Confirm that all open purchase orders from the prior fiscal year are have been closed.
- Verify the opening balances of all special revenue funds, grants, and continuing special appropriations.
- Calculate the general fund's unreserved fund balance.

F. Submissions to DLS

Annual submissions to DLS will follow the time frames listed below.

Finance Director:

- Snow and ice data sheet September 15
- Community preservation surcharge report (CP-1) September 15 (with the Chief Assessor)
- Balance sheet checklist September 30
- Combined balance sheet and supporting documents September 30
- Community preservation fund report (CP-2) September 30
- Schedule A November 30

Finance Director and Treasurer:

- Statement of indebtedness September 30
- Treasurer's year-end cash report September 30
- Cash reconciliation September 30

Finance Director, Treasurer, and Collector:

- Schedule of outstanding receivables September 30

NEWBURYPORT REFERENCES

Policies	<ul style="list-style-type: none"> ▪ Appropriation Transfers & Supplements ▪ Capital Planning ▪ Grants Management ▪ Reconciliations
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EXTERNAL REFERENCES

[M.G.L. c. 44, § 33B](#) and [56A](#)

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

DLS guidance: [Annual Year-End Letters](#) and [Municipal Calendar](#)

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

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