



Town of Charlemont

Financial Offices Review

Division of Local Services / Technical Assistance Section

April 2014



April 16, 2014

Board of Selectmen
P. O. Box 667
157 Main Street
Charlemont, MA 01339

Dear Members of the Board:

Please find attached a financial offices review completed by members of the Division of Local Services' Technical Assistance Section for the Town of Charlemont. It is our hope that the information presented in this report will further assist the town as officials seek to address areas of concern and improve department operations.

As a routine practice, a copy of the report has been forwarded to the town's state senator and representative and will be posted to the DLS website.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Benjamin B. Downing
Representative Paul W. Mark

Overview

General

Charlemont is a rural community of 26.1 square miles with a population of approximately 1,260 making it the 37th smallest of 304 Massachusetts towns. About 88.5 percent of the town's total assessed value is attributed to residential uses and 12.5 percent is associated with commercial and industrial properties. A striking 45 percent of the town's land area is reportedly classified as chapter land.¹ As a result, more than any other revenue source, the town relies on the taxes paid by residential property owners to fund the annual budget. Other sources combined - state aid, local receipts and miscellaneous sources (mostly free cash) - represent only 26 percent of total town revenues.

In FY2014, the town's annual budget at \$3.1 million was the 27th lowest among all Massachusetts towns. Its average single family residence tax bill of \$3,156 is 49th lowest and only 62 percent of the FY2014 statewide average of \$5,030. Ten years ago, the town's average residential tax bill was 76 percent of the statewide average suggesting that over time the town has managed its budget and service levels well. However, facing a proposed six percent increase in its Hawlemont regional school assessment and a potential nine percent increase in its Mohawk regional school district assessment in FY2015, the ability of the town to control spending may become more difficult.

It helps that the town has strong reserves. The town began the fiscal year with \$178,731 in its general stabilization fund; \$292,863 in certified free cash; and \$346,184 in excess levy capacity. Together, these reserves represent a healthy 26 percent of the FY2014 annual town budget, which is consistent with recent trends. The town has grown its excess levy capacity in each of the last five years, while free cash and stabilization balances have averaged \$266,000 and \$270,000 respectively over the same period.

Government Structure

Town government in Charlemont operates under an open town meeting/board of selectmen organizational structure and in accordance with a mix of local bylaws and state statutes. As of this report, the three board members have tenures of one, two and three years. The selectmen are assisted by an executive secretary, who they appoint. She has held the position for eight years and also serves as the town clerk, which has been an office appointed by the selectmen since 2010. She is scheduled to work 40 hours per week, of which 31 are assigned to the executive secretary position and nine are devoted to the town clerk's office.

¹ Agricultural, farm and recreation land taxed at 25 percent of its assessed value under M.G.L. Chapter 61, 61A or 61B.

Selectmen meetings occur on Monday nights every two weeks. The agenda content and order of each meeting item is determined by the executive secretary, who confers with the board chair and incorporates requests received from selectmen. She also prepares and makes information packages available on Thursday prior to a meeting, which more recently have been distributed electronically. Despite an established agenda and some assigned times for topics, selectmen's meetings routinely run four hours long. Sometimes they are shorter, but other times they are also longer.

The town's treasurer/collector is appointed by the selectmen and has held the combined, 27-hour a week position for eight years. She has been town collector for 21 years. For accounting services, the town contracts with the Franklin Regional Council of Governments (FRCOG). The 18-20 hour per week contract accountant is a CPA by training and took the position in February 2013. She happens to be a town resident and is also an elected assessor in Charlemont. Both the treasurer/collector and accountant are in town hall only on Mondays. The accountant uses a FRCOG required Fundware software application which is cloud-based and accessible from town hall as well as from remote locations. The treasurer/collector uses Excel spreadsheets for treasury functions and Point software for collections, which is installed on her home computer.

A full-time assistant assessor is appointed by the board of assessors. In addition to her assessing office responsibilities, she serves as secretary to town boards, including the finance committee, conservation commission, zoning board of appeals and board of health. The five-member town finance committee is appointed by the town moderator. However, at present, two of the seats are vacant.

Town hall offices and the town library each occupy one half of the first floor in a former school building. Although most town employees working out of town hall are part-time, space for staff and storage is an issue. In particular, the executive secretary, treasurer-collector and accountant share an office and when all are present, the work environment is crowded and public. Second and third floor spaces are not handicapped accessible and are otherwise occupied in part by the historical commission's town museum.

Financial Practices and Procedures

Financial procedures essential to the operation of municipal government are effectively carried out in Charlemont. The treasurer/collector and accountant receive timely information from departments so that weekly payroll and bi-weekly vendor warrants are ready for selectmen's approval each Monday night. They are each diligent in tracking financial activity and in reconciling cash and receivables on a monthly basis. The treasurer/collector receives property tax payments at her home (reportedly not many) and has a home office, with a safe, where she conducts collector business. Space issues at town hall apparently contribute to this decision.

Up-to-date record keeping has allowed the accountant to close the town's books and submit a balance sheet to DOR soon after the fiscal year end. As a result, the town historically receives DOR certification of free cash in the fall and is able to submit its Schedule A² timely. Through the collaboration of the accountant, assistant assessor and town clerk, the town consistently submits its Tax Recap Sheet DOR early and receives approval of its tax rate in sufficient time to prepare and mail tax bills by December 31.

The annual budget is developed by the board of selectmen and the finance committee in a process that has evolved in recent years. As in the past, the assistant assessor receives and assembles departmental appropriation requests into a budget format. The board of selectmen and the finance committee then meet jointly on consecutive Saturdays (typically three) to review appropriation requests and meet with department heads before arriving at a consensus budget. During this period, the finance committee chair initiates the development of revenue projections. The overall process begins in earnest in January and ends with the presentation of the annual budget by the finance committee to town meeting in late May. The finance committee focuses on capital improvement requests during this process and makes the effort to produce a five-year capital needs forecast.

While it is common for accounting, treasury, collections and assessing functions to be carried out using different software applications, none in use in Charlemont are compatible to the extent that information can be electronically exchanged and repetitive data entry can be avoided. Even if compatible, there is no town hall computer network that would allow all offices to communicate with each other. Town hall offices have email and Internet access, which should see improvement when the Massachusetts Broadband Initiative reaches Charlemont. All finance officers confirmed that data is regularly backed-up primarily to thumb drives, which is an acceptable practice given the low volume of work in town.

Conclusion

The Division of Local Services began this financial management review with a focus on the town's financial operation. In that regard, the town treasurer/collector, assistant assessor and contracted accountant are capable and work well together. Every day financial activity is tracked and recorded; checks and balances are in place; and required submissions to DOR are timely. Similarly, the selectmen and the finance committee now collaborate effectively on producing the annual budget and have sustained reserves and protected the town's strong financial position.

² Schedule A is a required year-end report to DOR of town revenues, expenditures and fund balances. The information is retained in a municipal data base and is available to the public online.

Greater concern revolves around whether the town's current administrative structure provides selectmen with the support needed to effectively guide and manage all the other, non-financial aspects of municipal government. The degree to which the selectmen are bogged down is evident by the length of their meetings. Some of this is attributable to the constraints of the state open meeting law, which prohibits any two selectmen (a majority) from discussing town business outside of an open session.

We offer "Primary Recommendations" that are intended to make selectmen meetings more efficient and also address other more global issues in government. In the first instance, however, we comment on how the town might provide support for the board of selectmen through a stronger town hall presence. We describe the role of a town administrator, distinguish it from the executive secretary, and then suggest a course that might best serve the town's needs.

Our "Other Recommendations" concerning departmental financial practices are, in a larger picture, relatively minor and are intended to help tighten operations.

Comment on Role of Town Administrator

The powers, duties and functions assigned to a town administrator can be wide-ranging in scope and authority. Responsibilities typically involve, among others, the management of departments, budget development and financial oversight, personnel administration and procurement. The town administrator not only serves the selectmen and advances their directives, he or she has the standing to act on behalf of the board.

These areas of responsibility are not in the job description of the town's executive secretary. In general, the executive secretary in Charlemont provides administrative and clerical support to the board of selectmen, but does not act for the board in a substantive way. She makes agenda related decisions for selectmen's meetings, organizes mail, prepares correspondence and handles constituent needs. She oversees licensing for the selectmen and is involved in the preparation of town meeting warrants and annual town reports.

We are persuaded that the administration of town government in Charlemont and the achievement of town goals would improve significantly with stronger management support. We are not convinced, given the size and part-time nature of municipal government that the town requires the services of a fully empowered town administrator. Therefore, we recommend that the town consider a town administrator, who would work under the direction of the board of selectmen, in a more limited role.

As a full-time presence in town hall, a town administrator would gain valuable insight into town operations and be well positioned to help coordinate cross government activities. He could:

- take an early, pivotal part in the budget process, allowing the volunteer finance committee to transition to a more contemporary watchdog role.
- monitor financial activity, address staff issues and serve as the selectmen's liaison to boards, committees and department heads.
- research and advance special projects on his own initiative or at the direction of the selectmen, and manage those projects to ensure progress.
- follow-up on topics or matters raised during selectmen's meetings and report back at designated subsequent meetings.
- possess the standing and authority to hear and resolve issues that need not rise to the level of a selectmen's meeting.
- accomplish during the business day tasks that the selectmen who, because of their own daytime jobs, cannot get to quickly or at all.

To move forward, the selectmen must set minimum qualifications requirements related to the education level, work history and professional experience of candidates for the position. They must develop a corresponding job description as well. Thereafter, the town administrator position should be created in a bylaw approved by town meeting and funded in the town budget.

If competent and capable, a town administrator can help free up selectmen's time and allow them to focus on critical issues and decisions. With professional management support, the selectmen will be more efficient and productive. They will be better able to move the town's agenda forward and achieve short and long-term goals.

Primary Recommendations

Take Greater Control over the Meeting Agenda. While the executive secretary receives requests and assembles each meeting agenda, the selectboard chair should review and make the final agenda decisions. He would determine items to include and those which should be addressed outside of a formal meeting; the order of business; and, the time allotted to each item. These decisions should occur prior to generating selectmen information packages and in time to satisfy open meeting notice requirements. In meetings, the chair needs to control discussion and, to the extent possible, adhere to the agenda schedule.

Include Same Content in All Selectmen's Meeting Information Packages. Hardcopy information provided to the selectboard chair sometimes includes more information or materials than those provided to selectboard members. Package content should be identical so that all three selectmen have access to the same information at the same time as a reference for discussion and decisions.

Fewer questions among selectmen will arise; the agenda will move faster; and the possible inference that board members are not treated equally is removed.

Consider a Consent Agenda. A consent agenda groups together multiple decisions that are not expected to prompt discussion and would otherwise be acted-on in a separate and affirmative perfunctory vote. Grouped in a consent agenda, they can all be approved in a single vote. At any time, however, a selectman can request that an item be set apart for individual consideration and vote.

Formalize Budget Process. The selectmen and the finance committee members have reportedly responded well to the collaborative budget process adopted this year. To build consistency and predictability going forward, we recommend that the current process be codified in a bylaw or at least as a formally accepted policy adopted by both the board of selectmen and finance committee. The procedure need not be excessively detailed. A starting and ending point can be set, as well general deadlines for accomplishing major tasks in between. Where warranted, responsibilities might be assigned and how the board of selectmen and finance committee interact might be described.

Complete Revenue Projections Earlier. Establishing an early benchmark for municipal revenue is a useful exercise in the annual budget process. When compared to prior year actual revenues, projections help local officials determine what guidance to provide department heads as they prepare their appropriations requests. Even when budget flexibility is lacking and adjustments are expected, early revenue projections should be part of a formal budget process.

Projections might be in a format that mirrors the Tax Recapitulation sheet. The tax levy should be calculated using conservative new growth figures and initial state aid estimates should reflect current year amounts, and then adjusted as the state budget process unfolds. Local receipt estimates should be conservative and town policy should dictate the use of free cash, stabilization or other one-time revenue, if any.

Meet with Regional School District Member Towns; Meet with Regional School Administration. We understand that significant issues have arisen among member towns in the Mohawk regional school district and with the district administration. While at this point the towns may have difficulty identifying common interests, no resolution to any issue is possible unless communication takes place on some level.

One reason for developing early revenue projections is that it provides local officials with an emerging picture of finances for the next fiscal year. With this information, a growing number of local officials have contacted their regional school district counterparts to meet and discuss their relative capacity to support school assessment increases. Once some consensus is reached, they

would reach out, as a group, to the school administration. The goal is to enhance communications. It is useful for the regional school administration to understand the fiscal conditions facing member communities. It is also valuable for the communities to have earlier indications of assessment trends to help with local budgeting, which is often a bi-product of the effort.

Address Space Issues. A town hall work environment affects employee relationships and individuals' ability to do their job. It impacts the town's appeal as an employer and its ability to attract and retain good staff. With this in mind, we encourage the selectmen to continue their deliberations toward a plan that addresses space issues in town hall.

Reconfiguring the meeting room in town hall to accommodate two work stations is one option. The appeal of keeping all finance related office in town hall makes outside space a less desirable option. In any event, we suggest goals to provide people with defined space free from persistent interruption. We also emphasize the importance of creating enclosed space where the collector or assessor can speak privately with residents on sensitive topics and the accountant can meet with staff.

Once space issues are addressed, selectmen should open conversations with the treasurer/collector about increasing her town hall hours where she would conduct collector as well as treasurer business.

Secure Access to Town Records. As with any single person department, the town needs a backup plan should the accountant, assistant assessor or treasurer/collector be unavailable or incapacitated for a prolonged period. The selectmen should, if they have not already, learn from FRCOG how the accounting function will continue and even how a non-FRCOG accountant would gain access to the town's financial records. They should confirm that a member of the board of assessors (except the town accountant) can back-fill for the assistant assessor in the case of her absence. And, the selectmen and treasurer/collector should reach agreement on how the town officials will gain access to town records - electronic and hardcopy - maintained at the treasurer/collector's home and at her town hall office.

Limit Fall Town Meetings to Non-Finance related articles. We recommend that the town restrict special town meetings in the fall to non-finance related articles. All spending, including for capital appropriations, for the fiscal year would therefore appear on the spring annual town meeting warrant and be approved when attendance is historically higher. Implicit in this approach is that actual state aid in excess of estimates and certified free cash will not be tapped in the fall to backfill departmental budgets approved in the spring. With the understanding that their annual appropriations request sets their spending limit for the year, department heads' budget analyses

will take a longer view. Also, the friction that sometimes occurs when departments are forced to compete for limited funds in the fall can be avoided.

Through this approach, free cash once certified becomes a true reserve for the current fiscal year and can be available, in part, as a funding source for the next year's budget. These are positive outcomes that do not occur when supplemental appropriations are approved in the fall. There are exceptions, but if the town commits to this approach, it will stabilize departmental spending, protect reserves and experience greater financial certainty through the year.

Other Recommendations

Set-up System to Forward Emails. Due to the part-time nature of government, the executive secretary routinely receives emails destined for various officers, boards and committees. To ensure that intended recipients receive communications that are important to their work as quickly as possible, we recommend that the executive secretary set-up her email program to automatically forward incoming emails. This can be done by associating a "forward command" to emails that arrive with specifically identified names, words or phrases in the "To" box, subject line or in message content. Even if not effective for all incoming emails, the forwarding commands will relieve the executive secretary of the burden of monitoring every email, which can be disruptive to her own work. She can also seek help from the town's outside technology consultant to set-up the email program.

Send Email Notice When Volunteer Term Expires. The executive secretary logs in hardcopy and electronically information about persons appointed to town committees by the selectmen. As required by state law she also forwards what they need to know about state ethics and open meeting laws. It is our understanding that residents who volunteer are expected to keep track of their terms and submit a request for re-appointment as the expiration date approaches. Inevitably, more people forget than remember. Therefore, we recommend that the executive secretary monitor the list and send email reminders to volunteers whose terms are set to expire. This represents a reasonable courtesy to residents who volunteer their time to serve the town and avoid the confusion when people forget to request re-appointment.

Establish Tax Payment Options. In small Massachusetts communities where collector office hours are few, providing residents with payment alternatives makes sense. Acceptance of online credit card payments and payments through an electronic funds transfer, which involves only a nominal fee, have become expected options among a growing number of residents who use a computer to pay bills. The financial institution which receives payments immediately deposits receipts into town accounts and sends the town financial reports in hardcopy and electronic formats. If the payment information can be automatically uploaded to taxpayer accounts in the

Point software, the on-line process becomes an efficiency for the collector and a convenience to town residents as well to those who owe the town money, but reside elsewhere.

We also suggest that the town consider placing a drop box, secured to the town hall building or a concrete pad, where residents can leave payment envelopes. The box would then only be emptied by the treasurer/collector. Preferably, she would process payment in town hall.

It is not a desirable option to allow the town clerk, assistant assessor or another town employee to accept payments when the treasurer/collector's office is closed, especially if they are not bonded.

Implement Tax Title Program Sooner. The treasurer/collector follows the requisite steps to move tax receivables into tax title and to also apply subsequent payments or receivables to tax title accounts. However, we recommend that she complete the process sooner. Currently, in March 2014, she is processing FY2012 receivables. We understand why, particularly in small towns, collectors are receptive to allowing people time to pay. Often they offer reassurances that payments are ultimately received, but many times, it is the same property owners who choose not to pay taxes year-after-year. Even though interest on tax titles accrues at 16 percent a year, it is a nominal revenue source. If people ultimately pay, the town should act in a way that encourages them to pay sooner rather than later. As a start, we encourage the treasurer/collector to complete the tax title process for each fiscal year within twelve months. We also recommend she more aggressively pursue existing tax titles, looking particularly if any accounts qualify as land of low value or have potential owner unknown status.

Reduce Hardcopy Reports during Reconciliations. It is our understanding that the accountant does not need all the backup documentation that the treasurer/collector provides to complete the reconciliations of cash and receivables. For example, the treasurer/collector may not have to provide deposit slips and bank statements. We recommend that the treasurer/collector and accountant meet to agree on initial records to exchange.

Explore Report Capability of Peoples' United Payroll Software. The treasurer/collector and accountant might also meet to discuss what payroll reports meet the accountant's needs. For instance, the payroll process might be simpler for the accountant if the treasurer/collector could generate a report from Peoples' United by account number to be charged, rather than by employee. Greater efficiency could be achieved if the report could be emailed to the accountant in a format that allows electronic uploading to Fundware. Therefore, we encourage the treasurer/collector and accountant to discuss the issue and how best to pose the question to Peoples' United software vendor. In any event, we recommend that the treasurer/collector forward only the payroll report to the accountant and retain timesheets in her files.

Secure Accountant's Records. The general ledger and subsidiary ledgers and journals maintained by the accountant are the official financial records of the town. Much of the information is retained electronically and protected by regular data backups. However, state document retention rules require other data and materials in hard copy to be maintained. We recommend the town provide the funds to equip the accountant's office with a file cabinet that can safeguard these records.

Transfer Station Cash Management. At the town's transfer station, where cash, as well as checks, are accepted, each transaction should be documented by the completion of a numbered receipt. The town employee should keep the town's copy with the money collected and turnover both to the treasurer/collector at least on a weekly basis. A receipt should be completed whether or not the resident making the payment wants a copy. This represents a standard cash control and a protection for both the town and its employees, who should also be bonded.

Create Standardized Timesheets. Department heads have shown a willingness to use a standardized turnover sheet when they transfer receipts to the treasurer/collector. We recommend that the treasurer/collector seek the same cooperation by asking individuals and departments to use a standardized timesheet. Examples can be seen on the DLS website.³ As an Excel spreadsheet, the timesheet can be filled out electronically or printed and manually completed. As an added benefit, the timesheets will provide a record of the type of time used (e.g., regular, sick, vacation, etc.) by employee, will facilitate its tracking and year-end reporting.

³ www.mass.gov/dls >Technical Assistance Services-->Financial Calculators and Sample Forms