

FINANCIAL MANAGEMENT STRUCTURE | TOWN OF AVON

A COMMUNITY COMPACT CABINET INITIATIVE

MARCH 2018



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114-9569

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

March 30, 2018

Board of Selectmen
65 East Main Street
Avon, MA 02322

Dear Board Members,

I am pleased to present the enclosed financial management structure review for the Town of Avon as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the select board's request, the Division of Local Services (DLS) Technical Assistance Bureau (TAB) reviewed the Town of Avon's financial management structure. This project was the result of the Community Compact Cabinet initiative, whose goal is to encourage municipal best practices promoting efficiency, accountability, and transparency. At the time of applying for this review in May 2016, new appointments had been made for all of Avon's financial department heads, and the select board sought advice on how to enhance the effectiveness of the new team. Since then, the board has hired a new town accountant and very recently received notice that the town administrator is moving on from Avon. Against this backdrop, this report offers recommendations designed to help the town to effectively coordinate financial operations, increase efficiencies, plan for successions, and improve financial planning practices.

BACKGROUND

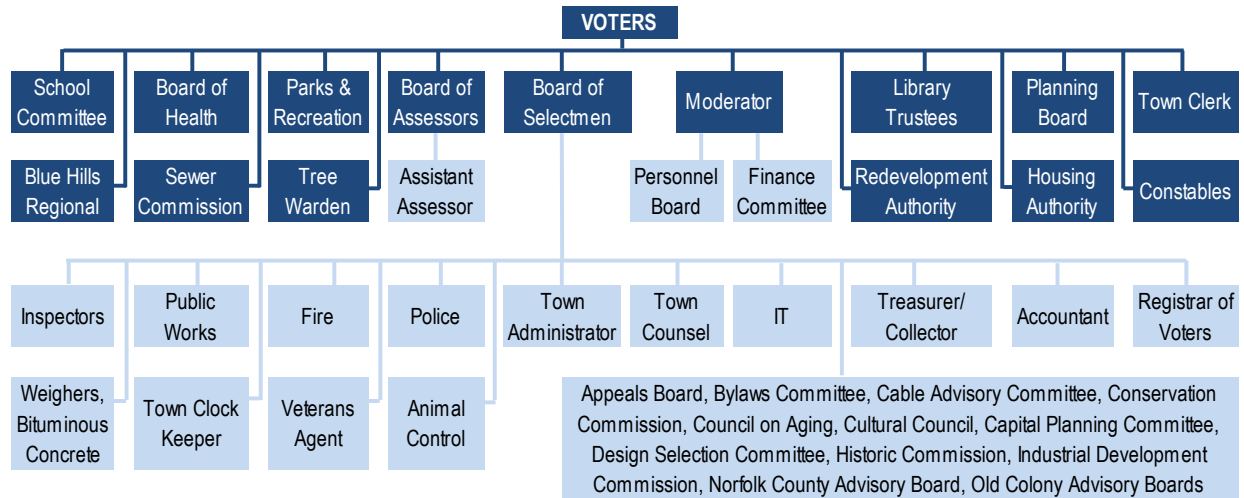
A suburban Boston community of 4,498 residents, Avon is well situated along Route 24, which has helped in developing a commercial and industrial sector that contributes nearly 62 percent of its property tax levy. With a \$27.3 million operating budget for FY2018, the town provides a wide range of municipal services, including a full-time police force, fire department, ambulance service, public works department, library, and council on aging. Avon provides water service to the majority of the community, but lacks a sewer system that impacts future economic development. In addition to supporting its own K-12 school system, Avon is a member of the Blue Hills Regional Technical School and Norfolk County Agricultural High School Districts.

Having no home rule charter, Avon operates according to Massachusetts General Laws, supplemented by special acts of the state legislature, locally accepted legislation, bylaws adopted by town meeting, and policies approved by the select board. A three-member select board serves as the town's chief executive authority with overall responsibility for general operations. Town meeting functions as Avon's legislative, appropriating body, enacting bylaws, approving annual budgets and specific expenditures, and authorizing debt.

As depicted in the organizational chart on the following page, Avon has many separately elected boards and officials with no reporting relationship to the select board. Recognizing that a decentralized structure inhibits coordination and accountability, the town has made incremental organizational changes in recent years. In 2012, the last elected treasurer retired, and with the elected collector's support, Avon obtained special legislation to appoint and combine the positions

(c. 317 Acts of 2012). A special act in 2013 (c. 133 Acts of 2013) consolidated the highway and water departments into a department of public works and dissolved the elected water commission.

TOWN OF AVON ORGANIZATIONAL STRUCTURE



The select board appoints a town administrator to oversee daily operations according to responsibilities delegated to the position in a job description. The town administrator supervises all select board-appointed department heads (except the police and fire chiefs), serves as chief procurement officer, prepares the annual operating and capital budgets, conducts monthly department head meetings, and coordinates activities with the separately elected departments. The town administrator’s office includes an executive assistant/human resources coordinator, hired in 2014, to assist with managing various projects. The town administrator who had been serving Avon for the last 3½ years resigned in February 2018. The select board hired an interim administrator and contracted with a professional search firm for help in finding a permanent replacement.

Among Avon’s central financial officers is a treasurer/collector, who has served in that role since 2014 after being the town accountant since 1999. Her two full-time staff are an assistant treasurer, who has worked in the department for 17 years, and a new assistant collector position. The town accountant, who was hired in August 2017, previously worked for a certified public accounting firm and other municipalities. The accounting office includes a new part-time assistant position. An elected, three-member board of assessors oversees the assessing department. The board employs a

full-time assistant assessor, and the assessing office shares a clerk part-time with the building department.

Both within and among their departments, this group of financial managers and employees has not been together for very long, and they are still developing the dynamics of their working relationships. Whomever the select board hires to replace the town administrator should understand this and be ready to take a proactive role in fostering good coordination among them. Also complicating matters in the near-term is the town's implementation of a financial software conversion. It is our hope that the recommendations offered on the following pages provide useful guidance for the town as it navigates these challenges.

RECOMMENDATIONS

Formalize the Town Administrator Position

To ensure operational and financial management responsibilities are performed effectively and to promote institutional continuity, the town should formalize the town administrator's role and responsibilities in a bylaw or special act.

The bylaw should assign the select board the authority to appoint the position, detail a screening and selection process for filling vacancies, provide a process for removal, and require the select board to annually evaluate the administrator's performance. It should enumerate in clear language the position's powers and duties, specify its reporting departments, and charge the officeholder with ensuring that services are provided in a coordinated manner and as cost effectively as possible. The administrator's role should encompass the budget process, capital planning, policy research and analysis, personnel administration, contract negotiations, and procurement. A special act would be needed if the town desired to grant a broader degree of authority to the administrator, such as management and appointment responsibilities over all non-school departments, staff, and activities, not just those under the jurisdiction of the select board.

The absence of a clear bylaw can create confusion as to the extent of the town administrator's responsibilities and legal authorizations. As the town searches for a new town administrator, it should be noted that professionals who seek employment as administrators are most attracted to communities that have bylaws, special acts, or charters with well-defined duties and powers for the position.

Establish a Financial Management Team

Although the town administrator holds monthly department head meetings, there are no regular meetings of the smaller subset of financial officers. When a financial management team meets at least monthly, the town administrator is better able to disseminate important information, monitor ongoing financial operations, and oversee adherence to key procedures. Financial teams also reinforce institutional continuity during times when officers leave their positions.

We recommend the town establish a financial management team through a bylaw that identifies the team members as the town administrator (serving as chair), accountant, treasurer/collector, and assistant assessor. During the budget process, the team would help develop revenue and fixed cost estimates and ensure they are reliable and updated as new information becomes available.

They would also provide input on capital requests and financing strategies. Beyond the budget process, the financial management team would assist the administrator in compiling information on the prior year's performance, year-to-date activities, and other fiscal issues as they come up. They would collectively complete the tax recap and prepare financial analyses requested by the select board, finance committee, or school committee. They would also discuss technology issues, research new ideas, explore the financial impact of policies, and offer early strategies to deal with anticipated problems.

Codify the Budget Process in Bylaw

Avon's current budget practices are not completely documented in its bylaws, which only spell out the finance committee's role and specify certain deadlines (Article II, Sections 5 and 6). To ensure a lastingly effective model, the select board, finance committee, and town administrator should develop a bylaw that codifies the entire process. As a template for the bylaw, Avon could look to similar examples from other communities, such as Granby (Chapter 6, Section 4). The bylaw should establish a budget timeline, clearly define the responsibilities of various town officers, set out the order of tasks to be completed, and assign the town administrator with responsibility for managing the process

Consider Moving the Date of Annual Town Meeting

Per town bylaw, annual town meeting begins on the first Tuesday in May. This necessitates that departments submit budget and capital requests by December 1, so that the town administrator has adequate time to develop proposals for the select board. The select board must then hold department budget workshops during January in order to meet the February 1 deadline for submitting the operating and capital budgets to the finance committee. Upon receipt of these, the finance committee must initiate its hearings immediately, so that its members can develop budget recommendations in time for the posting and delivery of the committee's report to all residents a week prior to town meeting.

Not only does an early town meeting date put undue pressure on the town administrator, select board, and finance committee, it can also sometimes deny the town of relevant information concerning state aid, which funds about 12 percent of the town's annual budget. Absent an early House-Senate joint resolution, the town may only have the Governor's proposed state aid estimate to guide revenue projections. If the House Ways and Means releases its proposed budget later, town officials might have to scramble to update figures and present alternate figures at town

meeting. Some towns have recognized there is little justification for an early town meeting and gained valuable time by moving the date toward the end of May and even into June.

Comprehensively Review the Town Bylaws and Rescind the Town Code

When Avon revised its town bylaws in 2016, an opportunity was missed to improve governmental clarity and transparency. Existing separately from the 55-page bylaws is a 47-page document called Code of the Town of Avon (1989), whose main purpose appears to be providing citations of the state laws that generally govern Massachusetts towns. It also has an appendix of Avon's special acts and locally accepted optional statutes up through 1989. The bylaws cover many of the same topics as the code but also add specifics for the town – which is the purpose of having bylaws. For example, bylaw Article II, Section 6 has eight paragraphs providing specific details about Avon's finance committee, including its name, number and appointment of members, budget process deadlines, and reporting requirements. In contrast, code section 2-8 simply paraphrases the statute that allows communities to have finance committees ([M.G.L. c. 39, § 16](#)).

Although Avon's bylaws are well organized, fairly extensive, and well written, having two large, coexisting documents covering different aspects of the same territory is unhelpful and confusing. There should only be one, clear set of bylaws. Accordingly, we recommend the select board charge a reactivated bylaw committee with reviewing the code to determine if there are any significant, nongeneric sections of text that should be incorporated into the bylaws. The committee should also incorporate the 1989 code's appendix and work with the town clerk to expand it, ensuring the inclusion of every special act and accepted statute up to the present. Once this work is completed, the selectmen should put forth articles to town meeting to rescind the code and adopt the new set of bylaws, which will require subsequent approval by the state attorney general.

In addition to new bylaw sections on the town administrator, financial team, and budget process already recommended, we also advise the committee to codify the town's authority for denying and revoking licenses and permits as required by [M.G.L. c. 40, § 57](#), which town meeting accepted in 2007.

Implement Corrective Action Plans

In compliance with the Single Audit Act of 1983 (as amended), Avon submits to annual external audits, which the audit firm presents to the select board at exit conferences. As a part of these audits, the auditor reviews the community's financial procedures and comments on weaknesses in management letters. The town should attempt to correct any cited improper or inadequate

procedures soon as possible. However, the most recent management letter indicates that some problems have been raised annually, which means that the town has not been formulating plans to address them.

For every citation, the town should develop a corrective action plan that identifies what actions will be taken, who will be responsible, and when the actions will be completed. The town administrator should monitor the implementation of plans and periodically inform the select board of the progress. Effective use of the audit report's recommendations can assist the community in improving its financial controls and practices.

Review Job Descriptions

This is something Avon should plan to do as the town proceeds with upgrading its accounting system from Fundware to Abila MIP and making improvements to its Harper's Payroll system. After these changes, departments will be responsible for directly entering time sheets and submitting summary reports signed by the department head to the town accountant. The accountant will review the signed submissions against the electronic entries, the treasurer will process withholding and deductions, and the two offices will reconcile their figures. After the payroll is finalized, the accountant will receive an electronic file from Harpers to upload into Abila MIP and thereby eliminate manual entries into the general ledger. These advances will streamline this process, by eliminating manual, redundant and time-consuming procedures, and free up staff time to perform other activities.

Once staff is trained on the efficiency changes afforded by these upgrade, the town administrator and human resources coordinator should meet with each financial department head to discuss current duties, skills, and processes; potentially revise or eliminate old practices; and explore other opportunities to streamline operations. These interviews should include discussion of whether there should be changes in job duties or office functions. This review should result in updated job descriptions to document the skill sets, experience, and qualifications necessary.

Consider Biweekly Payroll

The current payroll system is a combination of weekly and biweekly for town employees and the school department. An increasing number of employers in both the public and private sectors, including the Commonwealth, compensate employees on a biweekly basis. Although this will require collective bargaining and a 90-day notice to employees, paying employees every two weeks,

or 26 times per year, reduces the processing time, saves money, simplifies reconciliations, and further frees up staff time.

Establish Formal Financial Policies and Procedures

Avon does not maintain a complete set of documented policies and procedures to provide important guidance and consistency around local fiscal policy decisions and financial operations. We recommend the town develop policies on:

- capital planning and financing, including debt management
- disbursements
- financial planning and forecasting
- investments
- other postemployment benefits
- reconciliation of cash and accounts receivable
- reserves, including use of free cash
- tax enforcement

With input from the select board and finance committee, we recommend the town administrator draft the policies and submit them for formal adoption by both boards. Guidance on financial policies can be found on TAB's [webpage](#) under "Community Compact Reports."

Appoint a Government Study Committee

Although Avon has made incremental organizational changes, its government remains fairly decentralized. At this point, the town should consider a complete review of its structure with a focus on improving overall accountability, coordination, and efficiency in government. To do this, we suggest the select board appoint a government study committee to evaluate the current structure with the goal of developing a home rule charter by special act of the legislature or [M.G.L. c. 43B](#).

As a matter of best practice, the committee should be made up of individuals with varying backgrounds, who will approach the study as an open fact-finding mission without any predetermined agenda. They should interview committees and departments, survey residents, and investigate other communities' charters and organizational structures and the means by which they were constructed and adopted. Through this process, the committee would find what works well, what is worth preserving, and where changes should occur. At the completion of its review, the

committee would report its findings to the select board and propose a charter for adoption, if recommended.

Increasingly, communities have been adopting home rule charters to organize their local governments in the ways that best meet the needs of their citizens. A good charter clearly defines the structure under which a town operates, documents all its positions, boards, and committees, addresses issues of elected versus appointed officers and boards, establishes the distribution of power, and provides lines of authority. The charter should include the authority and responsibilities of a town administrator/manager and delineate financial management procedures. Throughout Massachusetts, a charter is the preferred vehicle, over bylaws, to strengthen accountability and institute structural changes. Establishing a charter would help Avon meet its long-term goals of better communication, improved management, and efficient operations.

Reaccept the Other Postemployment Benefits Fund

In May 2010, Avon created a trust fund for other postemployment benefits (OPEB) under [M.G.L. c. 32B, § 20](#), which allowed the town to create a reserve to finance its OPEB liability. However, the statute at that time did not meet OPEB trust fund guidelines established by the Governmental Accounting Standards Board (GASB), and it was therefore modified by the Municipal Modernization Act. To establish a GASB-compliant OPEB trust, town meeting must reaccept § 20. To make available the options required to meet the investment goals of an OPEB trust, town meeting must also authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#). Further information may be found in the [Municipal Modernization Act FAQs](#) located on the DLS website.