

ASSESSING DEPARTMENT REVIEW

TOWN OF BEDFORD

OCTOBER 2018



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

October 15, 2018

Town of Bedford
10 Mudge Way
Bedford, MA 01730

Dear Board Members,

I am pleased to present the enclosed Assessing Department Review for the Town of Bedford. It is my hope that the information presented here provides a clear backdrop of the department's issues and recommendations to work more efficiently and effectively. I truly believe that if the community follows the guidance presented here, it will be better positioned for the future.

If you have any questions regarding the report, please contact Zack Blake, Chief of the Division's Technical Assistance Bureau, at 617-626-2358 or at 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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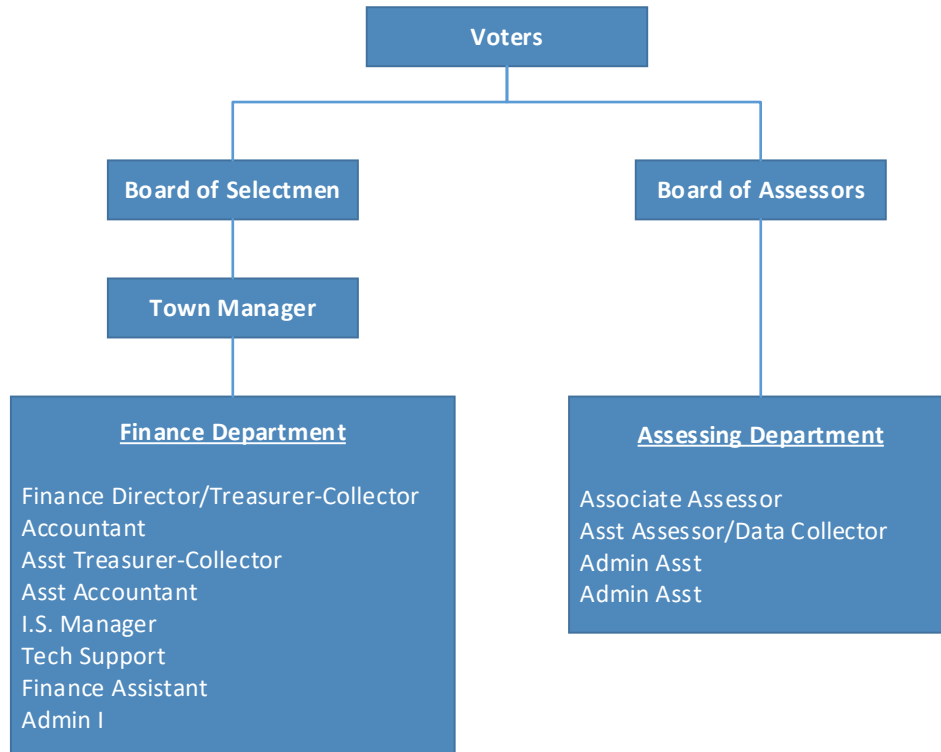
OVERVIEW

The Division of Local Services (DLS) completed this review of the Town of Bedford's assessing operations at the request of its board of assessors and agreed to by the board of selectmen. The request was prompted by the town's failure to timely set its FY2018 tax rate. Rather than presenting a forensic summary of the circumstances behind the missed deadline, our intention here is to provide guidance for establishing clearer reporting relationships and holding personnel accountable for carrying out their statutory responsibilities and best practices. Chief among our proposals is a merger of the assessing operations into the finance department.

Structure

Bedford is a thriving suburban community of about 14,000 residents located 15 miles northwest of Boston. Surrounded by Lexington, Concord, Carlisle, Burlington, Billerica, and Lincoln, the town is characterized by a classic New England village atmosphere of historic sites and open spaces. It consistently ranks among the state's most livable communities for its quality schools, active lifestyle, and innovative business sector. The town's many accolades also extend to its proud civic reputation of professional staff and prudent financial management practices. In addition to its top-level, AAA rating from Standard & Poor's, Bedford has annually received a certificate of achievement for excellence in financial reporting from the Government Finance Officers Association.

The community operates under an elected board of selectmen-open town meeting form of government. The five-member select board appoints a full-time town manager to function as chief administrative officer. Subject to the board's approval, the town manager appoints all department heads under its jurisdiction, including the finance director, human resources manager, town clerk, public works director, police and fire chiefs, and facilities director. Separately elected boards (such as assessing, health and planning) appoint and supervise their own department heads, although this authority derives only from longstanding precedent and are not specified in the town's charter. As a result of this structure, Bedford's financial management functions are bifurcated between the finance and assessing departments, as depicted on the next page.



*** The Appendix includes a town-wide organization chart for Bedford**

According to town bylaw, the town manager appoints the finance director, who oversees treasury, collections, and accounting functions. The current officeholder has been with the town for nearly 15 years and supervises a staff that includes the town accountant, assistant accountant, assistant treasurer-collector, and information technology personnel.

Bedford’s Board of Assessors, established under M.G.L. c. 41, § 24, is composed of three members elected to staggered three-year terms. The board typically meets biweekly and delegates day-to-day management responsibilities to an appointed, full-time associate assessor. The incumbent, who has held the position for about three years, supervises an assistant assessor/data collector and two administrative assistants who have almost 50 years of combined work experience in Bedford.

As part of the assessing board’s efforts to address the operational deficiencies exposed in 2017, it has contracted since March 2018 with Dick Finnegan of Finnegan Appraisal and Consulting, LLC to provide a work plan and related support services for the department.

Operations

Overall, the assessing office is responsible for valuing all real and personal property in town and generating the commitments that authorize the finance director as treasurer-collector to collect real estate taxes, betterments, and motor vehicle excises. The assessors annually review property assessments to ensure they reflect full and fair cash value. Subject to the approval of the board, the associate assessor sets the annual overlay amount and makes decisions on all abatement applications and property tax exemptions. Other duties of the office include updating tax maps and deeds, responding to public inquiries, and soliciting information from taxpayers through forms of list and income and expense statements.

The assessing office maintains and updates property records and ensures that property assessed values reflect the full and fair cash value on January 1 each year. This is accomplished through various inspection procedures largely delegated to the assistant assessor/data collector and by analysis of sales trends as part of town-wide property revaluations.

The associate assessor directs Patriot Properties, Inc. to complete cyclical revaluations of residential, commercial and industrial properties but handles interim adjustments himself in house. Another firm, RRC, does revaluations of personal property. The office uses Patriot's computer assisted mass appraisal (CAMA) system to maintain residential, commercial and industrial property record data while maintaining personal property separately in RRC's CAMA database. The Patriot system provides the property data used to generate tax commitments and complete the tax recapitulation sheet (the "recap") submitted to DLS.

As the basis for setting the annual tax rate, the associate assessor coordinates with the finance department to complete the recap for submission to DLS. Under the provisions of Proposition 2½, the board of assessors annually identifies all additional value and tax revenue associated with new growth that occurred in the town over the prior 12-month period. This requires the office to coordinate with the building department to receive and complete property inspections. As the recap process continues, the associate assessor estimates the annual overlay reserve and prepares information for the annual classification hearing, during which the select board decides whether to shift a portion of the tax burden from residential to commercial and industrial properties.

Once DLS approves the tax rate, the assessing office's interaction with the finance department begins when the assessors generates a commitment authorizing the finance department to produce bills and accept payments. Under the town's billing cycle, the first and second quarter bills (August 1 and November 1) are estimated based on the previous year's tax, while those of the third and

fourth quarters (February 1 and May 1) are based on the current year's actual tax and can only be sent after DLS has approved the tax rate submitted by the town in the recap sometime in December.

Setting the tax rate and mailing tax bills in a timely manner are key to successful financial operations. Late billing can jeopardize Bedford's cash flow, cause losses in investment income on tax collections, and necessitate short-term borrowings. It also disrupts regularly performed financial activities, particularly for the assessors and collector, and often creates delays in next year's schedule of activities.

In the Appendix, we provide an overview of the assessor's core responsibilities, including those tasks related to assessing values, certification, updating new growth, and others.

Synopsis of FY2018 Issues

Before Bedford can assess and bill property taxes, relevant financial officers must submit a tax recapitulation report (the recap) to DLS for certification of its annual tax rate. For cash flow sufficiency purposes, bills must get mailed out by December 31, and therefore DLS should receive the recap for review no later than the end of November. Compiling the recap requires collaboration between Bedford's finance and assessing departments. One major component of the recap is property valuation data, and in Bedford, it is associate assessor's responsibility to supply this information, which he did not do timely in FY2018.

The tax levy is the most crucial source of revenue underpinning Bedford's town-wide operations. Given this, it is the associate assessor's duty to ensure that any annual departmental work plan he devises will have adequate resources and work hours available without interfering with this paramount objective. Additionally, if a new manager concludes that his staff are undertrained or had been previously misdirected, appropriate time needs to be carved out of the work plan to address this in a constructive manner.

It is our conclusion that the associate assessor was overly ambitious in his FY2018 work plan. Since the onset of his appointment a year before, he attempted to do too many projects at once rather than take a more measured, systematic approach to reviewing data quality and implementing changes in departmental processes. However worthy his aims may have been, this aggressive stance towards transforming office operations negatively impacted his ability focus on the tasks at hand, meet deadlines, and build good staff rapport. His management style also worked counter to achieving objectives and further soured employee morale. Undefined goals and objectives and a

lack of employee buy-in resulted in disruptions that eventually culminated in the associate assessor's inability to meet tax rate submission deadlines.

Furthermore, the assessing board members' overconfidence in the associate assessor prevented them from expeditiously identifying and attempting to correct deficiencies as they arose. Board members cited the associate assessor's strong analytical skills as a key factor in appointing him to the post and also felt he was qualified to run a department because of his prior work experience. Given this combination, the board did not feel the need to be as proactive in monitoring ongoing operations as it had been in the past. Because of this, the board was apparently not aware, at least early on, that the associate assessor was having difficulty juggling his projects and prioritizing tasks. But ultimately, despite the board's ostensible status as department head, its elected, volunteer nature means that it has no day-to-day town hall presence and therefore cannot realistically enforce the associate assessor's accountability.

During this period the office was also in the midst of a five-year certification review conducted by the DLS Bureau of Local Assessment (BLA). BLA's field advisor and supervisor were in regular contact with the board and held numerous conference calls to discuss progress reports about what and when various data needed to be submitted to complete their assessment of Bedford's practices. For whatever reason, however, these conversations and the red flags raised by BLA about meeting certain deadlines did not translate into meaningful movement by the associate assessor. Additionally, the finance director was also left largely in the dark by the board and associate assessor regarding the department's progress.

Also factoring into the communication breakdown was the associate assessor's sense that he and the BLA field advisor did not have a healthy working relationship because of the advisor previously worked in Bedford in that role. The BLA field advisor, however, had not worked in the role in more than five years, and the associate assessor did not communicate his sentiments to his board, town manager, finance director, BLA field advisor, or the advisor's supervisors. Once BLA management was aware of this dynamic they revised their policies to prevent the possibility of field advisor assignment biases going forward.

Conclusion

The associate assessor's inability to set priorities, manage time effectively and escalate issues, in combination with the siloed nature of operations between the assessing office and the rest in town hall, lack of oversight, and ineffective communication all contributed to the issues and need to be corrected. On the following pages, we provide recommendations for the review of local officials,

including the board of selectmen, board of assessors, town manager, finance director, and others deemed appropriate.

RECOMMENDATIONS

Merge the Assessing Office into the Finance Department

We recommend Bedford bring the assessing function under the finance director's administration because the existing financial management structure, with its absence of higher level interaction between the assessing and finance department leadership, is counterproductive. For maximum efficiency and accountability, the finance director should have comprehensive oversight of the town's finance operations and long-term financial planning efforts. To do this effectively requires the finance director to have direct appointment and management control over Bedford's core financial operations, including treasury/collections, accounting, purchasing, budgeting, and assessing. Although the town's charter and bylaws already position many of these functions under the finance director, assessing is noticeably missing.

Under the town's existing charter provisions, the board of selectman can initiate the process of merging the assessing operations into the finance department. Section 9-14 of the town charter, the select board simply needs to put forth an article spelling out the proposed changes for town meeting approval. Following a two-thirds vote by town meeting, the proposed amendment is placed on ballot for the whole town at a regular or special election. At its core, a town charter is designed to clearly define the government structure under which the town operates. Ideally, it documents all positions, boards, and committees, establish the distribution of power, and provide lines of authority. A charter should also enable the town to institute structural changes or redefine reporting relationships which would help meet the town's long-term goal of improved management and efficient operations.

Establish Annual Goals and Objectives

The board of assessors should identify a clear set of goals and objectives for the department to accomplish each year. A comprehensive list of defined priorities will give explicit direction to the associate assessor and bring focus to the issues of primary importance. In simplest terms, goals are broad statements of purpose, while objectives are the strategies to attain those stated results. By year-end, the board can assess the associate assessor's performance and provide feedback. The

board should also publish a narrative of the department's performance in the annual town report to inform residents of progress being made in town. This system provides clarity of purpose and fosters an environment of accountability.

Hold Regular Financial Team Meetings

We recommend the associate assessor attend the finance director's financial team meetings. Financial management team meetings provide the opportunity to discuss the town's fiscal issues and review progress toward financial goals and objectives. This is particularly true for achieving milestones in the town's budget calendar. An expanded team is best able to fully analyze proposed policies and procedures and to formulate strategies for averting potential problems. These meetings also enhance the lines of communication, providing a forum to raise and resolve interdepartmental issues and underscoring the finance offices' mutual dependency for achieving key objectives.

Maintain an Assessing Department Calendar

We recommend the assessing board and consolidated finance department adopt a formal calendar that imposes deadlines for completing the various steps required to timely meet Division of Local Services reporting due dates. The assessment updates, tax rate, and annual certification work plan developed by the outside consultant should be widely shared and agreed to by the finance team, town manager, and others. Such a calendar will help the assessors ensure that major tasks and procedures are not missed. It will also allow the select board, finance committee, and the public to have a better understanding of what the assessors' office does, when important deadlines are approaching, and how to better coordinate overlapping tasks.

Define all Office Staff Responsibilities

It is our understanding that about a year ago, Bedford engaged an outside consultant to conduct a town-wide classification and compensation study, and that as part of this, draft job descriptions were created for every position in the assessor's office. To clearly spell out expectations for each employee, they included the position's purpose, supervision, job environment, essential functions, and qualifications.

Before the town manager adopts these job descriptions, they should be reviewed by the finance director, board of assessors, and assessing staff to verify that they include all the responsibilities necessary to achieve departmental objectives. Given the recent issues and desire to improve

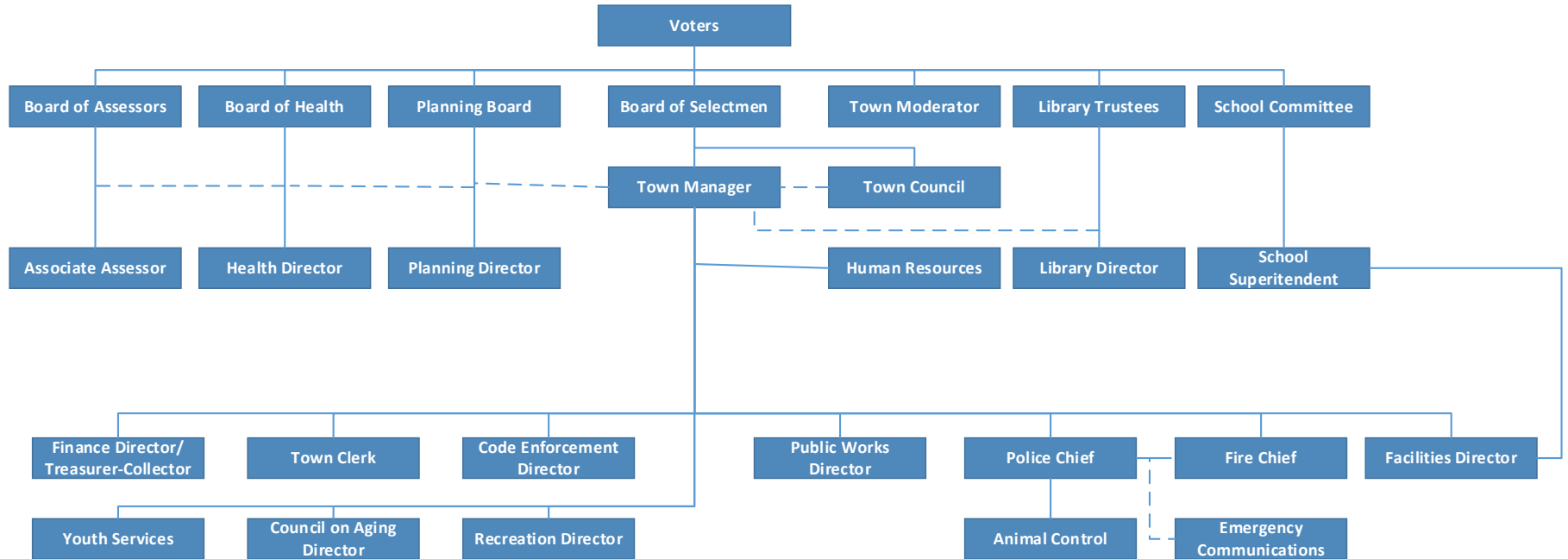
operations, it is an opportune time for Bedford to ensure that all necessary assessing department duties are being performed and to specifically assign the responsibility for completing the tasks among the board, associate assessor, assistant assessor/data collector, and two administrative assistants.

In the Appendix, we offer a high-level overview of the assessor's role and the tax rate process. As the town considers delineating office responsibilities in the future, it must be certain to account for the following tasks at minimum:

- Maintain public records in compliance with state law and Bureau of Local Assessment regulations
- Inspect sale, building permit and abatement properties, and conduct cyclical property reinspection program
- Mail forms of list, sale questionnaires, and income/expense statements
- Data enter new property information from inspections, mailings, and recorded deeds
- Conduct annual property adjustment analysis and finalize assessments
- Set property values and prepare commitment list
- Conduct analysis for the new growth estimate
- Assess and administer motor vehicle and other excises
- Establish annual overlay
- Prepare information for the Tax Recap Sheet
- Prepare information for the classification hearing presentation
- Process abatement and exemption information
- Prepare for five year state certification of property values

APPENDIX

Bedford Town-wide Organizational Chart



Role of an Assessor

Annually assess the real and personal property values as of January 1st

- Maintain database for each parcel and account.
- Maintain Legal Ownership
- Classify all property in community according to its property use.
- Update Building improvements and land changes
- Update assessors maps
- Manage the Interim Year Review program
- Maintain annual program of proper Sales Review methods and coding in town data
- Annually Review Sales and maintain a sales database and measure statistical performance
- Manage and update valuation tables on Computer Mass Appraisal System (CAMA)

Five Year Certification

- Manage the revaluation program (develop work plan)
- Ensure adequate funding for revaluation program
- Seek professional assistance ad hoc
- Communicate with financial team and selectmen
- Monitor timelines
- Maintain good public relations with taxpayers

Annually review and process Chapter Land

Applications from taxpayers

- Properly apply valuation per recommended values by FVAC
- Record liens of property at the registry
- Maintain records and files
- Calculate rollback taxes if removed

Update Use code 505 and 506 accounts with local assessments to the Central value issued by DLS

- Monitor ATB appeals by companies for overlay issues.
- Community has right to appeal

Update New Growth

- Estimate new growth for the finance committee during the budget process
- Calculate annual new growth increase.
- Submit required forms and documentation to BLA for approval.

Set the Tax Rate

- Produce required reports for DLS and submit timely for approval
- LA3 – Sales Report
- LA15 – Interim Year Review
- LA4 – Classification Report
- Omitted and Revised
- LA13 – Tax Base Levy New Growth
- LA13 A – Amended Growth
- Submit the LA5 and Tax rate RECAP

Present Classification Hearing and MRF to Selectman

- Ensure majority of BOA are Qualified to classify by passing required training within two years following election or appointment

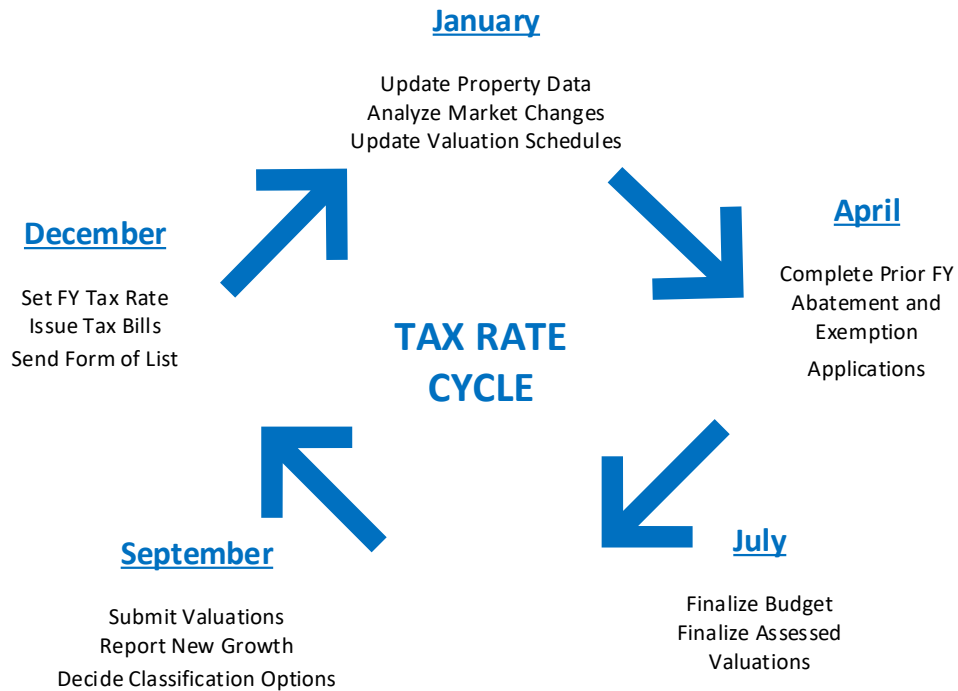
Prepare tax roll and commit the list to the collector

Act on Abatements and Exemptions, Oversee Overlay

Administer local excise – Boats, cars

Tax Rate Cycle

The formulation of the tax rate is an essential part of the budgeting process. The tax levy is the largest source of revenue for many Massachusetts municipalities and is an integral part of a municipality's overall financial picture. The tax rate setting process relies on the efforts and contributions of many municipal officials.



Workload Profile

The tables below provide a relative measure of the volume of work within Bedford's assessing office. The first compares the town's population, total assessed value, EQV per capita, and parcel counts, while the second highlights three years of abatement application, building permit, and arm's-length sales totals.

Bedford	
Population	14,171
2018 Total EQV	\$3,957,585,000
EQV per Capita	\$247,247
Parcels	
Single-Family	3,450
Multi-Family	202
Condos	556
Apartments	9
Misc.	17
Vacant Land	158
Commercial	122
Industrial	67
Other	32

	FY2018	FY2017	FY2016	3 Yr Avg.
Real Estate Abatement Applications	54	30	31	38
Personal Property Abatement Applications	9	4	9	7
Motor Vehicle Abatements	872	918	783	858
Motor Vehicle Write offs	110	240	0	117
Building Permits (Cal Yr, up to Jun 20, 2018)	189	434	458	446
All sales > \$1,000 (Calendar Year)	243	224	279	249

ACKNOWLEDGEMENTS

In preparing this review, DLS spoke with the following persons:

Bruce Murphy, Chair, Board of Assessors

Zoe Pierce, Board of Assessors

Ronald Cordes, Board of Assessors

Rick Reed, Former Town Manager

Victor Garofalo, Finance Director

Alan Ferguson, Associate Assessor

Sue Macaluso, Assistant Assessor/Data Collector

Cheryl Draper, Administrative Assistant

Mary Morris, Administrative Assistant

Dick Finnegan, Finnegan Appraisal and Consulting, LLC