



City of Fitchburg

Financial Management Review

Division of Local Services/Technical Assistance Section

May 2008



Introduction

At the request of the mayor, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the City of Fitchburg.

We have based our findings and recommendations on site visits by a team consisting of staff from the Division's Bureau of Accounts (BOA), Bureau of Local Assessment (BLA), Information Technology Unit and Municipal Data Management & Technical Assistance Bureau (MDM/TAB). During these visits and by telephone, the team interviewed and received information from the mayor, members of the city council, the finance director/city auditor, treasurer/collector, assessors, as well as other department heads and staff members, as available.

DLS staff examined such documents as the tax recapitulation sheet, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the city charter and ordinances as well as other assorted financial records. Other documents reviewed included the city's rating reports from Moody's Investors Service and Standard and Poor's for the period between May 2006 and June 2007. We also reviewed the independent audits for FY2005 and FY2006 completed by Melanson Heath & Company, PC.

In reviewing the city's financial management practices, we have focused on: (1) city government structure in the context of the duties and responsibilities of financial officers; (2) the city's operating budget and capital planning processes; (3) the degree of coordination and communication that exists between and among officials and staff involved in the financial management function; and (4) the general efficiency of financial operations measured by the city's success in maximizing resources and minimizing costs.

We encourage the mayor, city council and others, when formulating overall strategies for improving the city's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the city's option, provided there is sufficient cooperation among the various officials.

Overview

This financial review of Fitchburg was preceded by a series of communications from the Department of Revenue's Director of Accounts to the previous mayor expressing alarm over the fiscal health of the city. In several detailed letters dating back to May 2007, the Director raised issues related to "extremely small reserve accounts", current and projected budget deficits, and the recent downgrade of the city's bond rating. The severity of the city's situation prompted the Director to require that Fitchburg submit a pro forma tax recapitulation sheet for FY2008. This requirement was instituted due to concern about the city's ability to balance its budget with realistic revenue estimates. As a result of these fiscal issues, the former mayor requested that the Division of Local Services (DLS) perform a review of city policies and practices in search of ways to improve financial management. This request was subsequently supported by the current mayor.

The DLS team began this review in late January, performing internal analysis on community data and making several site visits to interview numerous city officials and other staff members. We attempted to understand Fitchburg's current fiscal challenges in the context of its location, economy, recent financial history, and government structure in order to develop recommendations to help the city move forward.

With a population of 40,050 (2006 estimate), Fitchburg is located along the Nashua River, in northern central Massachusetts. It is home to Fitchburg State College and the annual Longsjo Classic bicycle race. Encompassing 27.8 square miles, the city is approximately 27 miles north of Worcester and 47 miles northwest of Boston. Major components of Fitchburg's transportation network include Route 2, which provides access to Boston and Worcester (via I-190), and the MBTA commuter rail station located downtown. According to the tax recap sheet submitted by the city to DLS, Fitchburg has a \$118 million budget for FY2008.

In recent years, finances in Fitchburg have suffered a series of debilitating, and in many ways demoralizing, setbacks. For much of the real estate boom in the early part of the decade the city benefited from residential new growth driven by condominium development, which has since tapered-off. The simultaneous erosion of commercial, industrial and personal (CIP) property values also forced the residential class to bear more of the property tax burden. CIP values, which accounted for a third of total property value in 1983, now total less than half that amount (15.7 percent). Whereas Fitchburg was once regarded as a major commercial and industrial center, its CIP values as a percentage of total property value now hover at about the average for Massachusetts communities.

According to DLS comparative data, per capita income in Fitchburg is in the bottom five percent among Massachusetts cities and towns (338th out of 351) while equalized valuation per capita is slightly lower (340th out of 351). The number of school children identified as living in low income families is more than twice the state average. The recent downturn in the real estate

market has also resulted in an up-tick in foreclosures that have disproportionately affected Fitchburg, presenting additional economic hurdles for city leaders to overcome. The city's unemployment rate annually tracks well above the statewide rate. Manufacturing in the region as a whole has been hit particularly hard in recent decades, with the number of jobs in that sector declining by 37 percent since 1990 according to Labor and Workforce Development statistics.

Adding to these difficult circumstances, in April 2007, the city's independent audit firm (Melanson Heath & Company), following extended audit procedures, reported to the city council that the previous treasurer/collector had altered turnover reports and removed important checks and balances from the process for handling money. The auditor's report summarizes a potential loss to the city of \$41,176.44. Pending the final report of a police investigation, the city expects to recover any lost funds from the previous treasurer/collector's surety bond. Though procedural weaknesses have been addressed, skepticism toward city hall remains. Beyond the incident in the treasurer/collector's office, there is also an ongoing investigation into missing funds at the Fitchburg Municipal Airport, adding to feelings of distrust among members of the public.

On top of the adverse economic conditions and damage to the public's confidence in government, the city has suffered further from the effects of poor budgetary choices. In recent years, as community own-source revenue became strained, the city ceased investing in capital assets. When savings from deferring maintenance were no longer sufficient, the city relied on reserves such as free cash to fund the budget. Whereas in FY2002, Fitchburg appropriated \$3.8 million from available free cash, that amount shrunk to \$345,750 in FY2007 only because reserves were depleted. As a result, the city has also resorted to inflating revenue estimates as a means to fund the budget. While local receipts (excluding property tax and enterprise revenue) were once estimated conservatively and surpluses were the norm, in FY2007 actual receipts fell short of budgeted amounts by \$868,809. Simultaneously, city leaders failed to make difficult decisions surrounding enterprise fund rates, either by choosing to implement rate increases too late to balance budgets or simply avoiding increases entirely.

The urgency of Fitchburg's financial problems is further illustrated by the city's credit rating, which contributes to its interest rate on municipal debt and also serves as a barometer of fiscal health. As of the date of this report, the city's bond rating is barely clinging to investment-grade status. The latest long-term rating affirmed by Moody's (June 2007) is Baa1 while the most recent Standard & Poor's rating (March 2007) is BBB-. Both agencies assigned a negative outlook, indicating the possibility of further downgrades in the future.

Today, the fallout from economic decline and poor financial decisions is marked by compounding capital needs, year-end revenue deficits, dangerously low reserves and a projected budget shortfall approaching \$5 million in FY2009. Moreover, the lack of transparency, evident in the prior mayor's withholding of important DOR letters from city council members and his reluctance to fully disclose the city's fiscal position, serves to further erode the public's faith in municipal government. In short, without a change in course, beginning with the FY2009 budget, Fitchburg's prospects for a stable, let alone improved, financial position are bleak.

In response to these circumstances, the city has taken a number of positive steps in an attempt to address long-standing problems. With regard to solving the present budget crisis, the new mayor has stated that “everything is on the table.” She has convened regular meetings of her financial management team – i.e. the city auditor, chairman of the board of assessors and treasurer/collector – and focused their efforts on addressing the projected budget shortfall. She has prepared a multi-year financial forecast and appeared before city council to call attention to the fiscal situation in advance of submitting her proposed budget in mid-May. In April, city council approved wastewater rate increases designed to address capital needs and fund prior year deficits. A reorganization of departments has been proposed by the mayor to streamline government and she is attempting to use financial analyses to generate consensus on the city’s fiscal condition in an effort to move toward solutions.

As for the members of the financial team, we think they are capable of providing the mayor with the data and analysis needed to make informed decisions. Furthermore, we do not believe the day-to-day financial operations are the source of the present fiscal predicament. On the contrary, the management-level staff we met with universally possess both the will and the capacity to affect constructive change. We also found that the internal controls currently in place should give outside observers confidence that audited statements and other records accurately reflect the city’s true financial position. The unfortunate reality is that the true financial position is weak.

Looking ahead, for city leaders to reach consensus on difficult, but necessary, decisions will require open communication and transparency in concert with a rigorous financial planning effort. A simple, yet meaningful step toward building credibility in this area is to formalize, and make permanent, actions taken by the mayor since coming to office – i.e. codifying the role of the financial team, development of budget forecasts and regular presentations to city council on the city’s financial status. The next step should be to develop a financial plan. Regardless of what form such a plan takes, it should contain certain core elements – many of which are discussed in our recommendations. A financial plan should reflect a thorough analysis of city finances presented in a format that will facilitate meaningful communication to the public. Incorporating a multi-year outlook (3-5 fiscal years) that captures all revenue sources and projected expenditures is fundamental. The plan should also attempt to quantify the impacts of agreed upon goals and policies, particularly with respect to reserves and capital reinvestment.

An important component of the financial plan will be the quality of the analysis upon which it is based. To perform such analysis, most communities rely on their auditor or accountant, who is typically assisted by multiple professional staff to help manage the workload. However, this is not the case in Fitchburg. For this reason, our report recommends the hiring of an assistant auditor to serve as a back-up to the city auditor, on whom the city is far too reliant. This will free-up the auditor’s time to focus attention on higher-level projects and planning.

Additional opportunities to improve government exist in the area of technology. In our opinion there are some very skilled and dedicated individuals in city government who do a good

job maintaining the resources currently available. Our recommendations, mostly contained within the technology section of the report, encourage the city to take a more coordinated approach to managing networks and equipment while also leveraging technology to improve work processes. We further suggest that such coordination is best centralized in a single person or department reporting directly to the mayor. In addition to those contained in the technology section, there are several recommendations elsewhere in the report that will require some sort of technology solution.

Finally, we found opportunities to improve or streamline procedures in various finance-related departments. Some procedures are currently manual while certain internal controls are redundant. Still other long-standing practices could be reengineered with the goal of reducing demands on staff time and, possibly, saving money. However, opportunities for such improvements exist on an issue-by-issue basis and do not represent a unifying thread that runs through one office or another. Therefore, these recommendations are presented as a series of specific enhancements.

Conclusion – To improve financial management in Fitchburg will require progress on numerous fronts. While our report presents specific ways to enhance planning and operations, success in addressing some of Fitchburg’s most pressing needs – such as economic development and restoring credibility and transparency in government – will be measured in more qualitative terms. There is a need for meaningful economic development to take hold in the city in order to bolster the tax base and provide employment opportunities. Some of this development may come from improved mobility and access via road and rail service – which appears to be happening with the state Executive Office of Transportation’s recent announcement of anticipated state and federal funding for commuter rail improvements. Improving educational outcomes will also be key to reducing the outgoing school choice and charter costs, which together cost the school department over \$3.4 million in FY2008.

As the process to turn the city’s finances around begins, there will be a need for more accountability in government. Toward this end, the mayor has proposed a reorganization plan and has begun to develop department goals. Maintaining full disclosure to the city council, citizens and stakeholders regarding the financial condition of the city and potential solutions to fiscal challenges will be crucial. This openness will require more emphasis on fiscal analysis and long-term planning in order to give decision-makers the tools needed to formulate an effective action plan. Under the circumstances, city leaders, and residents generally, should expect that the process toward restoring fiscal health will be difficult and measured in years, not months. However, starting this process is both necessary and urgent.

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Overall Financial Management

A review of the city's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact city government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the city's organizational structure on the operation of government. We scrutinized the city's current operations in contrast with best practices recommended by the Department of Revenue (DOR) and observed in other communities. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to DOR.

The legal framework for financial management in Fitchburg is established in the city code. As a city organized under the Plan B form, the mayor acts as head of the executive branch of government and the city council acts as the legislative branch. A chief of staff supports the mayor in all her official capacities while the city auditor advises the mayor on all fiscal matters. Both the chief of staff and the city auditor are appointed by the mayor. The treasurer/collector is appointed by the mayor with consent of the city council and oversees all cash and collection activities of city government. There is a working board of assessors appointed by the mayor with the consent of city council. Council usually receives the mayor's proposed budget in mid-May with the obligation to finalize appropriations by the beginning of the fiscal year (July 1st). The council's finance committee, comprised of five councilors, reviews the transfer and supplemental requests of municipal departments during the fiscal year. The city code establishes a capital improvement commission (Chapter 9), though it has not been active since 1989. Other financial activities not dictated by the General Laws are governed by relevant provisions contained within the city code.

According to the tax recap sheet submitted to DLS, Fitchburg has a \$118 million budget for FY2008. Of this amount to be raised, 47.6 percent comes from state aid (\$56.1 million) while 29.7 percent is supported by the property tax levy (\$35 million). Additional sources of revenue include local and enterprise fund receipts (\$25.7 million) as well as available funds and free cash (\$1 million). The city assesses property taxes based on a split rate - \$11.75 per \$1,000 of assessed value for residential property; \$17.29 for commercial, industrial and personal property. The average single family home is assessed at \$219,934 with a corresponding tax bill of \$2,584. Taxes on residential property comprise 78.5 percent of the total real and personal property levy.

The city's budget is tight. Spending and staffing have been cut and, consequently, service levels are not keeping pace with demand. Capital improvements are forestalled by the

ongoing fiscal pressure. Facing budgetary stress, the city compounded its problems in recent years through the use of one-time revenues, which depleted reserve accounts (free cash and stabilization) from just under \$2 million in FY2005 to \$243,113 at the beginning of FY2008. When reserves were no longer sufficient as a funding source, the prior administration became more aggressive with revenue estimates in order to portray a legally mandated balanced budget. When optimistic revenue numbers did not materialize, deficits resulted. Finally, bond rating agencies, taking note of these actions, responded by downgrading the city's credit, thus making it more expensive to borrow funds needed to improve already deteriorated capital assets such as buildings, roads and equipment.

Conclusion – Historically, multi-year forecasts were not presented; no linkages were made between departments' operational goals and the resources needed to fund them; and no formal apparatus has been in place to monitor the overall financial condition of the city for any given fiscal year. This situation appears to be changing with steps taken by the new mayor, who came into office in January. She has assembled a financial team and completed a multi-year financial forecast for presentation to city council. While these measures, in-and-of themselves, will not improve the city's bottom line, they nevertheless represent an improvement over past practice.

Now the city has the unpleasant task of digging out from past mistakes even as the economy in Fitchburg and the nation has not improved and, in some ways, experienced decline. Progress will require commitment and discipline from current and future city leaders. Despite these circumstances, we find the approach taken by the new mayor, financial team and city council to be a positive sign that errors made in the past will not be repeated. The recommendations in this section of our report are intended to provide guidance on how to avoid making a difficult situation worse through open dialogue, proper fiscal planning and continuous monitoring of the financial operation.

Recommendation 1: Codify Role of Financial Team

We recommend that the city formalize the role of the financial team in the city code and require regular fiscal briefings before city council. Since her inauguration, the mayor has made a number of departures from the management practices of her predecessors. Convening of a financial management team, consisting of the city auditor, treasurer/collector and the chair of the board of assessors, represents one of these positive steps. Furthermore, she has made frequent appearances before the city council and finance committee on fiscal matters, including full disclosure of the FY2009 budget deficit. This approach and the resulting actions should continue and, to the extent practicable, be codified in city code. To be successful, government must operate collaboratively and transparently. Open and regular communication on city finances among officials, at least on a quarterly basis, should help restore credibility and public trust.

City hall must demonstrate, and citizens must see, that resources are used prudently and that management and policymakers are working together toward community goals.

Recommendation 2: Develop Financial Plan

We recommend that the mayor, in consultation with the financial team, annually build a 3-5 year revenue and expenditure forecast and review it with the city council in the fall. We are pleased that the mayor and her financial team have set about preparing multi-year forecasts amidst the short-fall facing the city for FY2009. It is a process that should be updated annually. City officials report that, although revenue estimates have been done as part of budgeting for the ensuing fiscal year, there has been no analysis of long-term trends. This lack of analysis has placed Fitchburg at a disadvantage since, under the tax levy constraints of Proposition 2 ½, local budgeting is an inherently revenue-driven process. Consequently, financial forecasting is a valuable tool that provides guidance for government spending.

Traditionally, projections for revenue and fixed costs in Fitchburg are prepared by the mayor's financial staff in tandem with development of the annual budget. Revenue information is subsequently communicated to the city council through the budget proposal. Alternatively, we are suggesting that both revenue and expenditure projections be presented first, before budget instructions are distributed, so that there can be an understanding about available funds, the use of reserves, and the allocation of resources in general with an eye toward future fiscal years. These and other policy decisions can then form the basis of budget guidelines for department managers as they begin to prepare their appropriation requests.

We further recommend that the city develop a multi-year financial plan. Implicit in many of our recommendations contained in this report is the larger concept of financial planning. While "forecasting" and "planning" are often used synonymously, we regard a revenue and expenditure forecast as an informative tool that is merely the first step of a long-range planning process. Building upon the forecast, a city-wide financial plan would integrate many of the other recommendations made in this report including the adoption of policies (such as reserve policies) and analyses of community goals, capital investment and their long-term impact on spending. The purpose of this plan is to call attention to the city's current and anticipated fiscal condition and to prompt discussion of the alternatives available to manage it.

It is important to keep in mind that forecasting and planning alone do not lead to increased revenue or enhanced savings. On the contrary, most forecasts project budget deficits, not surpluses. What a long-term approach offers the city is an *opportunity* to be proactive rather than reactive in the face of fiscal stress. As a next step, we recommend that the mayor collaborate with the city auditor, assessors, treasurer/collector, school committee and the city council to develop consensus on the plan's content.

Recommendation 3: Establish City-wide Goals and Objectives

We recommend that the mayor annually review goals and objectives for city departments. We acknowledge that the mayor has started to develop goals and performance measures with departments as part of her FY2009 budget instructions. It is also our understanding that their establishment remains a work-in-progress. We encourage her to make this process an annual component of budget development and continually improve upon the content. By working with department heads, the mayor can develop a series of specific and reasonable benchmarks for each to accomplish, consistent with the mission of government. During the year, opportunities will arise to discuss progress and, if necessary, bring additional focus to bear on areas where shortcomings are identified. By year-end, departmental performance can be assessed and feedback provided, with appropriate adjustments being made for the ensuing year. Having a system of formal goals fosters clarity of purpose and expectations for departments and creates a clear relationship between the budget and service priorities.

We further recommend that the city conduct performance reviews for department heads and staff. Reviews of staff performance are most effective when deliberately and logically linked to the mission and goals of their respective departments. Employee evaluations reinforce responsibilities and clarify job expectations for managers and staff. Reviews present an opportunity to update and ensure that job descriptions reflect what people actually do on a daily basis. The process provides employees with constructive feedback on their job performance, as well as outlines future objectives and goals. Performance evaluations also serve as a mechanism for employees to express their opinions and provide management with insight into the morale of city departments. If implemented in a methodical, even-handed way, regular job performance evaluations can reinforce accountability, bolster employee morale and elevate resident confidence in government. The city should also be aware that instituting performance reviews is subject to collective bargaining for certain employees.

Recommendation 4: Reinstate Capital Improvements Commission

We recommend that the capital improvements commission be reestablished and that the city develop a five-year capital investment plan. A capital improvement commission is created under Chapter 9 of city code. Membership on the commission includes the city auditor (as ex officio), four residents appointed by the mayor with city council's consent and two members of the city council (president and chair of the city property committee). The commission is supposed to evaluate project requests which, if approved, are recommended to the mayor for inclusion in the proposed budget to council. However, the commission has not been functional for nearly two decades.

For Fitchburg, we recommend that all department heads annually submit capital needs to the commission extending five years into the future. We further recommend that such submissions be made in early fall. The commission should establish a timeframe within the budget process to deliberate over the content of each plan, with special attention given to the budgetary implications for the ensuing fiscal year. After proper investigation and thought has been given to the content of an overall five-year plan for the city, a proposal should be submitted to the mayor by late January. We advise the commission to include the following in developing a plan:

- Work with department heads to prepare an inventory of existing facilities, real estate and other assets (condition, life span, utility, maintenance schedule);
- Determine the status of previously approved capital projects;
- Assess the city's financial capacity (available reserves, borrowing limits);
- Solicit, compile and evaluate project requests;
- List projects in order of priority;
- Develop a financing plan and adopt a long-term capital improvement program.
- Monitor approved projects; update the capital improvement plan annually.

(Source: Developing A Capital Improvements Program, prepared by the Municipal Data Management / Technical Assistance Bureau, Department of Revenue www.dls.state.ma.us/pibl/msc/cip.pdf)

Recommendation 5: Submit Budget to City Council Earlier

We recommend that the mayor submit a proposed budget to the city council in April. This recommendation will require the mayor to communicate budget information sooner than has traditionally been practiced. Historically, the mayor submits the budget document to council in mid-May. Council then holds hearings with department heads in advance of passing the final budget before July 1st. We propose that the mayor submit the budget at least a month earlier, in mid-April. There seems to be a consensus among city officials that greater attention toward the budget is warranted, requiring a longer process of consideration. In light of the city's financial problems and the need for collaboration in budgetary decision-making, we agree. While we recognize that the publication of this report comes too late to change the process for the FY2009 budget, it is our hope that Fitchburg would make implementing this recommendation a priority for FY2010. Additionally, the council should hold budget hearings with the mayor, city auditor and department heads present. In this way, important policy questions can be addressed in addition to the operational questions fielded by department heads.

Recommendation 6: Develop Formal Reserve and Debt Policies

We recommend that the mayor adopt a formal policy that defines adequate reserve levels based on the city's needs. According to DLS municipal data bank statistics, as of July 1, 2007, free cash was certified at \$211,840 while the stabilization fund had only \$31,273. These reserve levels are exceptionally thin, amounting to 0.3 percent of the city's budget. Such low balances are a result of aggressive revenue projections and appropriations from reserves made in prior years. The mayor and council should develop a program to rebuild reserve levels over time as part of the budget plan.

Generally, combined free cash and general stabilization balances should be in the 5-7 percent range of total budget. We understand that the financial condition of the city makes reserve levels within this range unrealistic for Fitchburg. However, even under present circumstances, reserves are far too low and threaten the city's already fragile financial position. Moving forward, both sources should be treated as one-time revenue and, therefore, only be put toward one-time expenses. Even in those years when the city must fund operating budgets with free cash, it is sound policy to retain, as unexpended, an equal amount to serve as a starting point for the next year's free cash calculation. While politically challenging to build in a time of budget cuts, reserves are a necessary contributor to sound financial stewardship and provide insurance against unexpected fiscal emergencies. Maintaining moderate reserve levels will also help mitigate the financial industry's view of the city as a credit risk and, possibly, improve interest rates on borrowing. Furthermore, to the extent that financial reserves contribute to a positive balance for cash flow purposes, the city may be able to avoid short-term borrowing to meet ongoing payment obligations (see Recommendation 21).

We recommend that the city adopt a formal policy to guide decisions on debt issuance. The importance of having a debt policy will become more relevant as the capital improvement commission reorganizes and deliberates on ways to meet the city's equipment, building and infrastructure needs. The city's financial advisor (First Southwest Company) can be of assistance in developing a policy specifically for Fitchburg which should, among other considerations:

- Specify purposes for which long and short-term borrowing will be permitted, in accordance with state law.
- Set parameters for amortization of long-term debt (i.e., how long to borrow money above or below a certain amount).
- Set limits on the debt service payments as a percent of general fund operating budget and separately for enterprise funds.

- Consider utilization of the state’s qualified bond program

Once debt policies are established, the city can use the guidelines and thresholds to fully develop their capital improvement plan. Developing a more comprehensive and accurate funding plan will, in turn, improve the precision of the mayor’s revenue and expenditure forecast.

Recommendation 7: Conduct Quarterly Budget Projections

We recommend that the financial team begin the practice of conducting quarterly budget projections. Once the fiscal year has begun, it is important to have systems in place to monitor the budget throughout the year. Quarterly projections are a tool used to benchmark year-to-date income and spending against the approved budget. Performing such analysis is also viewed favorably by bond rating agencies. Once all financial activity for the last month in a quarter is closed (September, December, March), new projections to year-end can be developed, usually by the city auditor, based on expenditure and payroll information contained within the financial system. It is also important to obtain information from department heads on remaining expenditures to complete the projection. It is the analysis through year-end that differentiates quarterly projections from the monthly expenditure reports generated by the city auditor, i.e. Fitchburg’s “Status E” report. Narrative analysis of the fiscal picture should also accompany projections in order to highlight the specific issues in a given department that may cause a budget deviance.

Regular budget-to-actual reporting and analysis gives decision makers greater insight into cash flow demands and enhances the number of options available to meet financial challenges. Opportunities are created to adjust spending behavior if revenue is not hitting expectations or if departments are spending more than expected. When revenue trends are strong and expenditures are incurred at a slower pace than anticipated, quarterly projections can, by the end of the 3rd quarter, bring into focus possibilities for larger than expected positive balances. Understanding the breadth and depth of outstanding balances, in turn, enables decision makers to prioritize and manage 4th quarter spending and increase end-of-year departmental turn backs. This last point can aid the city’s efforts to build reserves through the generation of free cash.

Recommendation 8: Annually Review Management Letter Findings

We recommend that the finance committee meet annually to review the management letter submitted by the independent auditor. The management letter is the independent auditor's written communication to city officials, separate from the audit report. It generally identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters. To be most effective, the city should require the audit firm’s managers to appear before members of the council to answer questions regarding

their findings. This approach presents an opportune forum to assess the city's financial position and hold financial team members accountable for their performance.

Prior to the commencement of our review, members of the city council requested that DLS look into the appointment of a new independent auditor. The concern was raised because the current firm (Melanson Heath & Company) has performed the city's independent audit for at least the last eight years. The Government Accountability Office (GAO), the Government Finance Officers Association (GFOA) and the Massachusetts Office of the Inspector General all recommend periodic review and/or turnover of audit contracts in order to help maintain audit independence. We think periodic change in audit firms is good. However, in our view, of greater concern for Fitchburg than the length of the independent auditor's tenure is the lack of attention given to the findings that have already been published. Furthermore, hiring a new audit firm places additional workload demands on the financial staff, who have to provide information to, meet with, and answer the questions posed by an audit team that is not familiar with the city's finances. We have suggested to the city's leadership that, in light of more pressing financial issues facing Fitchburg, hiring a new firm may not lend itself to the best use of staff time and resources in the months ahead.

Recommendation 9: Institute a Sustainable Enterprise Rate Structure and Avoid Deficits

We recommend that the city adopt water and waste water rate structures that adequately fund enterprise operations. Prior to FY2008, Fitchburg had chosen not to increase rates and, subsequently, had failed to set rates sufficient to cover the cost of operations. As a result, deficits occurred at the close of the fiscal year. While the city council has approved two rate increases for wastewater in the past (from \$1.75 to \$3.95/unit), the department is anticipating a negative fund balance at the close of FY2008.

In FY2007, both the water and wastewater enterprise funds sustained revenue deficits of \$1 million and \$1.2 million, respectively. Fitchburg was not required to raise these deficits on the FY2008 tax rate. However, for FY2009, the Commonwealth's Director of Accounts will require the city to fund any residual fund balance deficit that is reported on the June 30, 2008 balance sheet. The Director has indicated that there are two options for funding such a deficit. The first is by raising rates or reducing expenditures in the enterprise fund sufficient to close the fund balance gap. The second is through a general fund subsidy. Both options will require a defensible funding source sufficient to cover the deficit.

Recommendation 10: Annually Evaluate Insurance Options

We recommend that the city evaluate its options regarding employee and retiree health insurance on an annual basis. Currently, the city offers a number of health insurance plans for

both active and retired employees and covers 75 percent of premiums for the same. In FY2008, the cost for these benefits was budgeted at \$11.4 million. We understand that the city is beginning to consider a number of alternatives to reduce overall costs. We encourage officials to hold similar discussions on an annual basis. As part of these annual evaluations, we think city officials ought to consider the following:

- Review each city-offered plan and make reasonable benefit assumptions when comparing the costs of alternative, competing plans.
- Consider joining with other communities or districts in a joint purchasing consortium.
- Negotiate a larger percentage contribution from employees in more expensive plans.
- Consider the Group Insurance Commission (GIC) option – see below.

The city should be aware that legislation approved last year (Chapter 67 of the Acts of 2007) offers communities the option of joining GIC. Because it is a larger pool of subscribers, GIC can offer a greater number of plan options to subscribers, some of which are significantly less expensive than comparable plans offered by either joint purchasing groups or individual municipal employers. To date, 12 municipalities and regional school districts have joined. More information on plans, rates and administration can be obtained via the internet at: www.mass.gov/gic/municipalities/municipalityresources.htm. The city should be aware that the new law currently requires coalition bargaining with representatives of local unions before joining GIC.

Recommendation 11: Make Greater Use of Purchasing Function

We recommend that the city seek opportunities to make greater use of the purchasing function. We encourage the mayor, financial staff and departments to focus on ways to lower the costs for commonly purchased items and services. Currently, the acquisition of cell phones, maintenance supplies and equipment repair services is decentralized. We think that the city can save money by awarding a cell phone bid to a single vender and buying other items and services in bulk or as part of a purchasing consortium. The potential for savings in other areas may be identified once these opportunities are fully explored.

Recommendation 12: Use Electronic Purchase Order System and Encumber Funds for Large Purchases

We recommend that the city take advantage of the MUNIS system's purchase order module. Currently, purchase orders (PO's) are produced in hard-copy. Under a more efficient

model, a department head would enter a PO requisition directly into the MUNIS system. The auditor and the purchasing agent would receive and review electronically transferred PO requisitions. With approval, a signed PO with requisite multiple copies would be returned to the department head and an encumbrance would be placed in the account from which the expense would later be paid. This last step ensures that departmental appropriations are not over-committed for expenses incurred through other POs or payment obligations.

Technology

Information Technology (IT) is a vital component of contemporary municipal government. Whereas financial processes are data intensive, IT utilization and support is all the more relevant. Budgets, ledgers, cash books and other financial records are typically maintained electronically. Electronic transactions between governments and banking institutions have also become the norm. As a practical matter, heavy reliance on technology necessitates that knowledgeable, system-savvy individuals be involved in the purchase and support of equipment and software. To facilitate this, communities often employ one or more full-time professionals as part of an IT department or unit.

In Fitchburg, the IT function is decentralized. There is no individual or department responsible for managing the mission-critical elements of city technology. The lack of a unified approach manifests itself in several ways including patch-work departmental websites, inconsistent funding patterns and disjointed purchasing of equipment and software. However, a small group of engaged and skilled employees from various departments have taken it upon themselves to compensate for the management deficit. Staff from the board of assessors and planning department handle various components of city hall's technology needs while staff in both the fire and police departments control public safety-specific applications. The school department also has staff either dedicated or partially assigned to their IT function. An arrangement exists with the purchasing agent in which she flags departmental technology purchases and forwards them to the GIS/MIS manager in the planning department for review. This action helps to optimize purchasing decisions on equipment and software compatible with other applications and networks, though problems still occur on occasion. However, in the absence of a city-wide department or IT person, there is no formal inventory of equipment nor is there any control over the acquisition or use of certain licensing agreements.

Funding for technology equipment and expenses is provided through individual departments' expense budgets. There is group licensing for Windows XP Professional and MS Office Suite. The MUNIS application is managed by a member of the board of assessors. System-wide security is provided through the use of Symantec anti-virus software. System data is backed-up daily on tape and stored off-site on a weekly basis.

Conclusion – Staff in Fitchburg assigned to technology issues are dedicated to making the system function under less than ideal circumstances. However, a substantial barrier to efficiency exists when no person or entity is responsible for managing services. Similarly, the IT structure is devoid of accountability, which creates unnecessary risks that mission-critical functions will fail. This situation needs to change. The recommendations below call for the establishment of a formal, central IT function in city government to enhance accountability, efficiency and internal control. We also recommend a program be implemented to bolster the financial processing capabilities of end-users.

Recommendation 13: Centralize Information Technology Functions

We recommend that the city establish a central information technology (IT) department. Centralizing IT brings with it certain advantages that the current model lacks. Most importantly, a single department or individual clarifies who is accountable for maintaining the mission-critical functions of city hall's technology infrastructure. Furthermore, a central authority overseeing technology for general government and other, smaller departments can assist technology staff in the schools and public safety departments when opportunities occur to improve operations. While the individuals currently engaged in IT-related activities all serve the city well, we do not regard staff willingness alone to be a sustainable management model. Beyond issues of accountability, an IT department could better assess and initiate city-wide policies in areas such as training, records retention, internet use and workflow process improvement. A better defined management structure will also foster adherence to a technology plan (see Recommendation 14).

We further recommend that, once a centralized department is established, departments work with IT to identify data that is repetitively entered or shared with other offices. Working together, employees can identify information that is repetitively entered that could be automated, streamlined, or developed into a shared database available to more than one office. We would also recommend that IT survey staff on their knowledge and use of available computer applications. Based on the survey results, department staff should make the time to participate in training to better understand how the computerized systems can be useful to them. Given the limited personnel and resources, exploring ways to operate more efficiently can free up valuable staff time.

Recommendation 14: Develop Technology Plan

We recommend that a newly formed city-wide IT department, with the participation of department heads, immediately develop a multi-year plan for utilizing technology in government. The lack of in-house IT management in Fitchburg makes solutions to technology challenges cumbersome. However, we also understand that the city's financial vulnerability may make certain options cost prohibitive. As a step toward managing priorities in a way that mitigates funding pressures, some communities have found success in developing formal, coordinated technology plans. The components of an effective technology program might typically include:

- An evaluation of troubleshooting capabilities
- An inventory of hardware and software
- Development of a replacement and upgrade schedule

- A long-term financing plan
- An analysis of system capacity to handle current and future demands
- The design and implementation of a back-up policy and disaster recovery plan
- A survey of employees to assess training and software needs
- The development of Internet and email policies
- A single technology budget line item to consolidate decisions and purchases

While the schools have a three-year plan in place, there is no similar plan for city government. The last IT plan was developed in 1998 and is no longer applicable to the city's current infrastructure or needs. At the very least, the city should develop and fund a long-term hardware replacement schedule, set-out a process for technology purchases that flows through a technology coordinator, and agree on a means for evaluating the effectiveness of software.

Recommendation 15: Develop Plan to Enhance Utilization and Integration of Financial System

We recommend that all departments be granted remote entry capability to enter departmental receipts, vendor bills, and annual budget requests into the MUNIS system. With proper training, all financial information would be entered by designated staff at the department level. This would enable the appropriate financial office (e.g., treasurer/collector's or auditor's) to review an electronic submission against backup documentation before accepting and posting it to the appropriate system (e.g., cash receipt, warrant, general ledger, PO, budget proposal). Once established, even though hardcopy information is exchanged, the electronic transmission of financial data will greatly reduce the amount of manual entries the financial offices are performing, thereby freeing up staff to conduct other management and analysis activities.

Auditor

The city auditor has a legal obligation to oversee all financial activity of city government. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts and plays a role in the system of checks and balances established by statute to monitor and protect city assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector monthly; and reports annually on the city's liability for accrued sick leave and vacation time. The auditor also tracks revenue and is typically involved in the annual budget process.

Among required submissions to DOR, the auditor is responsible for producing the city's annual Schedule A by October 31 and its year-end Balance Sheet (for Free Cash certification). Finally, the auditor works with the assessors and city clerk in the preparation of the city's Tax Recap Sheet.

To meet the various obligations described above, Fitchburg employs an auditor and a head clerk. The city auditor, who is a certified public accountant, is appointed by the mayor. He maintains the general ledger using the Uniform Massachusetts Accounting System (UMAS) which is the universally accepted standard for municipalities. In addition to the auditor, there is a head clerk who manages office administration and inputs payroll and accounts payable warrant information. Both have a desktop computer with Microsoft Office installed. Also installed on both computers is the MUNIS financial software, which includes the city's electronic general ledger.

Reconciliation of cash occurs monthly, as recommended. While receivable reconciliations are also done monthly, these have fallen behind in FY2008 due to late reporting from the treasurer/collector's office. Departments are receiving monthly budget reports. The auditor works with the assessors on the annual Tax Recap sheet and provides financial data to departments as part of the budget process. In addition to his responsibilities for accounting and financial records, the auditor provides substantial support to the mayor when formulating the city's budget as well as subsequent updates, analyses and presentations to city council throughout the year.

Conclusion – Despite a very small staff compared to Fitchburg's peers, the auditor's office runs well and completes required tasks in a timely manner. However, at the present staffing level, it is imprudent to continually expect that the office will perform duties as effectively. Furthermore, if there is an expectation that this office take on more work, they are ill-prepared to do so. When considering the recommendations written here and in other sections of our report, we encourage the city to be mindful of workload circumstances in the auditor's

office as well as staff availability to take on new projects.

Recommendation 16: Hire an Assistant Auditor

We recommend that the city hire an assistant auditor with municipal finance experience. The city auditor's office has the lowest staffing complement of any comparable city in the entire Commonwealth. The current auditor is hardworking, diligent and knowledgeable. He is also overextended. The city is overly dependent on him for vital government functions, which he carries-out in the absence of back-up. Hiring an assistant would provide support while freeing-up the auditor's time to develop needed analysis and expand the capacity of the department to perform the type of financial work recommended elsewhere in this report.

Prior to our first visit to the city, the auditor had prepared a proposal for an "assistant to the city auditor/budget analyst". In making this recommendation, we agree with his proposal to add a new position. However, while we recognize that the office could benefit from additional staff support in any form, hiring an individual with municipal accounting experience would be the most appropriate course of action. As a matter of principle, an assistant should be fully trained to assume the responsibilities of the department head for brief or extended absences, thereby avoiding potential disruptions in activity or the need to hire outside assistance. To be worthwhile, the city must also commit to fund the new position at a level that will attract candidates with the skills and experience requisite to the job.

Recommendation 17: Track Leave Balances Centrally

We recommend that the city auditor centrally track employee vacation and sick leave balances. When employees leave city service they are entitled to compensation for varying amounts of unused vacation and sick time based on contract terms and pay rates. Currently, leave balances are maintained at the department level, but as a matter of internal control, the city auditor should keep a separate record of the same information. Also, since the total liability for unused leave (known as "compensated absences") must be reported in the city's financial statements, it is important that the auditor track the ongoing changes in leave balances. This can be accomplished by utilizing the time and attendance module within the MUNIS financial system. Therefore, we recommend the city explore this option.

Recommendation 18: Eliminate Department Telephone Charges

We recommend that the city cease the practice of cross-charging departments for telephone bills. Currently, each department has a line item for telephone charges from which the city pays bills to Verizon and AT&T. The auditor's office is responsible for allocating the charges from a single bill to departments based on usage. To complete the breakdown of charges

involves work that takes approximately five hours between the auditor and head clerk. The net result of this practice is that the city is administratively complicating what should be a fairly simple payables process. The only purpose for such an accounting measure is to alter abusive use practices. To resolve this, the mayor should pool those departmental appropriations related to telephone charges, consolidating them within a single line item in her budget. As an internal control against employee abuse, department heads should continue to receive copies of bills reporting the amount of time spent on the phone.

Treasurer/Collector

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that city receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover obligations as they become due. The treasurer invests city funds and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then with the auditor on a regular basis. Finally, the treasurer maintains tax title accounts, conducts sales of land and prepares documents to petition for foreclosure.

A municipality's tax collector possesses the authority to receive all payments due the community including taxes, excises, betterments and certain other charges under M.G.L. c. 41, §38A. Collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the auditor monthly. Credit reports should be run as appropriate and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days. In most communities, the collector manages the contractual agreement with the deputy collector.

The Fitchburg city code, Chapter 3-3(B)(1), consolidates the treasurer and collector into a single position. The current treasurer/collector transitioned to city government from a career in private sector finance less than a year ago. Likewise, his assistant, a certified public accountant, came to the city in December from a position with a private accounting firm. They are assisted by a staff of six, which consists of a bookkeeper, a payroll/benefits administrator, a workers compensation clerk and three clerk/tellers. The treasurer/collector also contracts for the services of a deputy collector (Kelley and Ryan).

Staff are each equipped with desktop computers with Microsoft Office installed. MUNIS is used to record real estate, water and sewer payments. The K2 (Kelley and Ryan) software is used to process parking and motor vehicle excise payments. The bookkeeper manages the cashbook using the Quickbooks software program and the treasurer/collector keeps a cash flow budget in Excel. Computer terminals are utilized by staff at the counter where customers make payments. Staff each keep separate drawers that are proved every morning for the preceding day's work. In addition to counter service at city hall, payments are taken via US mail, lockbox (Century Bank) and online (MCC, Kelley and Ryan). Cash and receivables are normally reconciled with the auditor on a monthly basis. However, while cash reconciliations are current,

reconciling receivables has fallen behind in FY2008 as a result of bringing on a new department head and assistant. The process is expected to be brought up to date by year-end.

Conclusion – Our review found that both the treasurer and assistant treasurer appear to be acclimating well to their recent appointments in city government. Furthermore, the staffing level in the office is adequate and experience is sufficient to facilitate a smooth transition. However, we do present findings below related to property tax collections and cash management that warrant the treasurer/collector's attention.

Recommendation 19: Resolve Backlog in Tax Titles

We recommend that the treasurer/collector work with the city solicitor to reduce the number of properties in tax title. As of March 21, 2008, there were 681 accounts on the treasurer's records totaling \$3,502,356 in outstanding taxes, charges and fees due the city. However, of that total, amounts due on 24 properties exceeded \$50,000, totaling \$1,907,846 combined, which accounted for over half the balance (54.5 percent).

As part of a tax title program, the treasurer should communicate with taxpayers prior to important dates. For instance, letters should be sent informing delinquent owners of his intent to file a petition for foreclosure in Land Court which leads to selling the property at auction to recover back taxes. We recommend that the treasurer place a priority on moving properties with the largest balances due through the Land Court foreclosure process. The remaining accounts should be organized into groupings based on land of low value, parcels under single ownership, accounts with bad addresses and deceased property owners, existing partial payment agreements and all remaining accounts. He should then tailor a program to pursue each group by the most efficient means available. Once delinquent property owners have evidence of the city's seriousness to pursue back taxes, collections should improve. We have discussed this issue with the treasurer, city solicitor and assistant solicitor. We are confident that each understands the problem and are capable of addressing the backlog.

Recommendation 20: Fully Utilize All Available Means to Collect Property Taxes

We recommend that the city utilize an interdepartmental approach to collect delinquent property taxes. In addition to the tax taking process, there are other alternatives to compel delinquent property owners to pay taxes owed without resorting to the long, more costly process of foreclosure. Increasingly effective are those actions that impose an immediate and direct impact on the delinquent taxpayer, require a straightforward administrative process and apply without restriction. Most notably, with local acceptance of c. 40, §57, a municipality has the authority to deny, revoke or suspend any local license or permit to any person delinquent in the payment of taxes, fees, assessments, betterments, etc. Typically, a system is set up where, each

year, the treasurer/collector and other offices where payments are received, circulate a list of delinquents. The action to deny, revoke or suspend is carried out by the license or permit granting department. Fitchburg once had such a system in place, but has failed to utilize it in recent years.

Still other alternatives exist. Some are listed below with applicable Massachusetts General Laws referenced by chapter and section:

- Seizure and Sale of Personal Property (MGL c. 60, §24-28, inclusive)
- Civil Suit (MGL c. 60, §35)
- Bulk Assignment (Sale) of Tax Receivables and Liens (MGL c. 60, §2C)
- Assignment of Tax Titles (MGL c. 60, §52)
- Collector's Sale (MGL c. 60, §40-50, inclusive)
- Deeds in Lieu of (MGL c. 60, §77C)
- Land of Low Value (MGL c. 60, §79 and §80)
- Owners Unknown (MGL c. 59, §11)
- Payment Agreements (MGL c. 60, §22)
- Accelerated Abatement Process (MGL c. 58, §8)

Recommendation 21: Stagger Short-term Borrowing

We recommend that the treasurer/collector use information in his cash flow budget to better time short-term borrowing and minimize interest payments. For a number of years, the city has borrowed a large, lump-sum amount early in the fiscal year. In September 2007, the city borrowed \$7 million in revenue anticipation notes (RANs). While the administrative cost of structuring, bidding and processing RANs is relatively low, interest on the \$7 million carried through the end of the fiscal year will cost \$218,033.

To protect against the possibility that cash balances might be insufficient to fund payroll and other expenses, during his first year in office the new treasurer chose not to deviate from past practice. However, as an alternative moving forward, we suggest that the city could save money on interest charges by staggering its borrowing in a way that mirrors short-term cash needs around quarterly state aid payments, rather than carrying a large principle for a longer duration.

Using the treasurer's projected cash flow budget from March 21, 2008, DLS staff created a "staggered" borrowing scenario consistent with our recommendation. We were able to maintain a positive cash balance by hypothetically bidding four separate RANs of \$5.1 million, \$2.1 million, \$4 million and \$2.3 million for periods of 4 months, 1½ months, 2 months and 15 days, respectively. Assuming a 4 percent short-term interest rate, the result was a total interest payment of \$109,000, or less than half the current cost to Fitchburg in FY2008. When assuming

a 3.1 percent rate (the rate Fitchburg received for the September RANs), the interest cost drops to \$84,877.

While part of the problem stems from insufficient reserves, which ordinarily could be drawn upon as an alternative to borrowing, the illustration above demonstrates how the city could still save by managing short-term borrowing more closely.

Recommendation 22: Improve Turnover and Deposit Procedures

We recommend that the treasurer/collector reduce the time between when departmental turnovers are received and deposited. Currently, the office makes deposits on a weekly basis. Turnovers are held in the treasurer/collector's vault between trips to the bank. However, exceptions are made when large payments are taken in over the counter. Such payments will be deposited the same day at the treasurer/collector's discretion. Regardless, for a city the size of Fitchburg, we feel that all deposits should be made more frequently than once per week. During peak collection periods, we would expect the treasurer/collector's office to be making bank deposits on a daily basis. At other times, deposits might be somewhat less numerous, but never as infrequent as once per week.

Assessors

The assessors' office is responsible for valuing all real and personal property in the city, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect real estate tax and motor vehicle excise payments.

To ensure that residents are taxed equitably and accurately, the office maintains and updates property records with information received from deeds and through the on-site inspection of sale properties, data from properties where a building permit has been issued, and in response to mailings. Additional information is gathered during an on-going property measure and list program. Assessors act on and track exemption and property tax abatement applications. They estimate new growth and make recommendations to the city council at the annual classification hearing. The assessors calculate the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to document an annual interim year adjustment analysis and to prepare for State certification of property values every three years.

In Fitchburg, the assessing department is managed by a three member working board of assessors. The chairman functions as the department head while performing inspections and data collection for commercial and industrial properties. A second member is responsible for inspections and data collection for residential properties and supports departmental technology. He also serves as an in-house resource supporting city-wide users of the MUNIS financial system. The third member acts as the head office clerk, inputting data and providing customer service. In addition to the three board members, there is also a full-time clerk who performs administrative functions in the office and a part-time data collector who assists with cyclical inspections. There is a contract with Patriot Properties for valuing personal property accounts. All revaluation work is done in-house. The department manages a \$700,000 overlay account for exemptions and abatements in FY2008 and there are no overlay deficits reported in prior years. The Patriot software package is used to track real estate and personal property accounts. ArcGIS is used for abutter's lists and other forms of property data displays.

The volume of work in the assessing department involves 10,136 residential real estate parcels, 963 commercial/industrial accounts and 1,606 vacant and other parcels. In addition, there are 758 personal property accounts. The city bills on a quarterly basis. There are over 32,000 motor vehicle excise accounts yielding \$2.9 million in revenue for FY2007.

Conclusion – Current staff in the assessing office are highly capable. DLS submission records indicate that work is completed timely and the quality of data for the purpose of verifying values and ensuring equitable taxation meets state prescribed standards. Furthermore, because the office performs the vast majority of duties in-house with relatively few employees, the operation is very efficient. Our main concern with the office is, should staff leave city service, it is questionable as to whether the city would be able to recruit the same caliber of

experienced applicants capable of performing the jobs as well.

Recommendation 23: Develop Department Succession Plan

We recommend that the city develop a long-term plan for the assessing office. In making this recommendation we acknowledge that the department runs well and our report can offer little in the way of short- or intermediate-term improvements. However, because Fitchburg is so reliant on the dedication and skills of so few staff, we are concerned that the city will not be prepared if either assessor assigned to real and personal property chooses to leave city service. Our concern is amplified by the chairman's possible retirement in the coming years. The duties of the office will not diminish in his absence and it is likely that new personnel will lack intimate knowledge of the city's properties. That being said, it seems appropriate to plan ahead for the eventual transition by developing a succession plan in advance for continuing operations.

Among possible changes, we suggest the city consider a new structure for the office, one in which a non-salaried board is appointed for the purpose of holding formal meetings to render decisions on exemption and abatement applications, budgets and department purchases. To maintain day-to-day operations in the office, the city could appoint a chief assessor as a full-time employee and department head. An appropriate structure and staffing-level for the office should be evaluated based on consideration of day-to-day and cyclical responsibilities.

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