



Town of Gill

Financial Management Review

Division of Local Services / Technical Assistance Section

February 2009

Introduction

At the request of the board of selectmen, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review for the Town of Gill.

We based our findings and recommendations on site visits by a technical assistance team consisting of staff from the DLS Municipal Data Management & Technical Assistance Bureau, Bureau of Local Assessment (BLA) and Bureau of Accounts (BOA). During these visits and by telephone, the team interviewed and received information from the board of selectmen, finance committee, board of assessors, administrative assistant, accountant, treasurer/collector and assessors' clerk/town clerk.

DLS staff examined such documents as the Tax Recapitulation Sheet, Schedule A, annual town budgets, trial balance reports, debt schedules, sample department turnover reports, and vendor and payroll warrants. Other documents reviewed included town bylaws, job descriptions and the independent audit report last completed for FY2005.

In reviewing the town's financial management policies and practices, we focused on:

1. Town government structure in the context of the duties and responsibilities of financial officers;
2. The degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function;
3. The town's budget, warrant and capital planning processes; and,
4. The general efficiency of financial operations as measured by the town's success in maximizing resources and minimizing costs.

We encourage the board of selectmen and others, when formulating overall strategies for improving Gill's financial management, to consider the observations, analysis and recommendations contained within this report. These are recommendations only, which can be implemented, provided there is sufficient cooperation and political will among the various town boards, committees and officials.

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Overview

In November 2008 the Division of Local Services (DLS) began this financial management review at the request of the board of selectmen. In their written request, the board was particularly interested in an assessment of the division of labor and workflow amongst town hall personnel, as well as capital planning efforts and cash management procedures. This report comments on and makes recommendations pursuant to these initial goals, but also delves more directly into Gill's current financial circumstances.

The analysis includes the town's recent financial history and steeply increasing expenses, stagnant revenue streams, existing economic conditions and the unique challenges facing Franklin County. Then our report offers a series of recommendations designed to introduce financial management policies and practices that should serve as tools for town leaders as they act to stabilize the budget, build confidence in government and consider the important discussions that lie ahead.

The Town of Gill is a bucolic community of rolling hills and extensive open space located in Franklin County on the Connecticut River. With an estimated population of 1,379, Gill is governed by open town meeting and a three member board of selectmen who manage local affairs. Departments are largely autonomous with little direct accountability or coordination. Although a small community, the town does offer a range of municipal services, and is a member of the Gill-Montague Regional School District and sends students to the Franklin County Technical School. The town also participates as a member of the Franklin Regional Council of Governments (FRCOG), which provides a series of professional service programs to the town.

For FY2009 town meeting appropriated a total operating budget of \$2,741,382, which is funded through a combination of property taxes, state aid, local receipts and other available funds. The residential class shoulders the largest percentage of the tax levy at approximately 79 percent, while commercial, industrial and personal property combine for the remaining 21 percent.

Gill's demographics are reflective of its rural character. DOR's estimated per capita income among residents in FY2005 was \$20,639, which is 67 percent of the state average and ranks 283rd out of Massachusetts' 351 cities and towns. It also places the town 12th among the 26 communities in Franklin County. Gill's FY2006 Equalized Valuation (EQV) per capita, a measure of relative property wealth, was \$82,956, 54 percent of the state average, ranking it 315th in the state and 21st in Franklin County. For FY2008, the average single family tax bill was \$2,433, which is 59 percent of the state average of \$4,110, ranking it 306th in Massachusetts and 23rd in Franklin County. See Table 1 of Appendix A.

The data suggests that while Gill has relatively low property wealth in comparison to the State and Franklin County averages and has a comparatively low average single family tax bill, per capita income is on par with peer communities across Franklin County.

Nevertheless, Gill is operating under the same fiscal constraints as many other municipalities across the state. With a limited property tax and revenue base town officials will continue to struggle as they attempt to balance the budget while simultaneously preserving service levels. The town's circumstances, however, are particularly difficult given not only the financial and demographic challenges it faces as a small rural community, but the broader entrenched economic conditions of Franklin County. Located in the northwest section of the Massachusetts, Franklin County is among the most rural and economically depressed regions of the state.

Residents of Gill were asked on January 6th to authorize two separate Proposition 2½ overrides to avoid further service cuts and balance the budget for FY2009. The smaller of the two overrides of \$13,631 was intended to fund the building inspector stabilization fund but failed (134-116). The second more critical override of \$35,013 was successful (130-118) and will fund a clerical assistant, repairs to the town's fire truck and the unemployment insurance fund contribution, as well as secure monies for the library and senior center. It should be noted however, that outside the current revenue constraints which precipitated the override, the town needed to correct a budget calculation error which occurred at annual town meeting and resulted in a \$154,000 budget deficit.

Beyond the recent override however, the town's current budget challenges are a more recent manifestation which materialized because of a combination of cost pressures and limited revenue. Although officials through a combination of budget cuts and the override authorization forestalled further service reductions for FY2009, the larger fiscal issues remain unresolved. Depicted below is an analysis of Gill's recent revenue and expenditure history.

Revenue History

Property Tax - As the single largest source of revenue for the town - about 67 percent in FY2008 - the property tax levy has grown from \$1,234,584 in FY2001 to \$1,913,590 in FY2009, reflecting an average growth rate of \$98,034 or 7 percent per year. Included in this calculation is the value of new growth which has had a significant impact, providing an average of \$37,989 in new tax revenue per year.

Beyond the passage of the most recent override, the only other override town voters approved occurred in 2000, when \$100,000 was provided for educational and general government expenses. More unique is the fact that Gill is only one of 16 communities to have ever passed an underride, which occurred in 2004 and totaled \$10,833.

Furthermore, while the town enjoyed some excess levy capacity in the past (\$64,385 in FY2000), it has since declined to a capacity of just \$901 in FY2009.

State Aid - State aid to Gill represents about 11 percent of total revenues. Due to the current economic environment, officials must anticipate a cut in state aid. Lottery revenues, which the state is currently subsidizing and on which Gill relies, appear vulnerable.

Local Receipts - About 11 percent of budgeted revenues, local receipts are derived from motor vehicle, boat and farm animal excise, as well as investment income and locally

administered fees, rentals and other charges. For Gill, local receipts have fluctuated yearly from a low in FY2003 of \$135,500 to a peak in FY2007 of \$312,832.

Reserves – Table 2 included in Appendix A depicts town trends in both free cash and the stabilization fund. Since FY2001 Gill has generated an average free cash balance of \$210,258 or 9 percent of the total operating budget, while the stabilization fund has averaged \$116,360 or 5 percent of the budget. Although officials have been successful in generating free cash, town meeting has continually authorized its use to reduce the tax rate. During the period between FY2001 and FY2009, the town appropriated between \$100,000 and \$210,000 per year to offset the tax levy.

As depicted above, multiple factors are impacting Gill's fiscal sustainability and relative financial flexibility. Specifically, the town is taxing to its levy limit, local receipts are flat, most if not all of free cash is used to reduce the tax rate, and the town is vulnerable to state aid cuts. Collectively, this illustrates that Gill is in a difficult position as measured against the increasing cost of local government.

Expenditure History

As represented in Table 3 included in Appendix A, the town's operating budget has increased 45 percent since FY2001. Of particular interest are the cost increase associated with providing employee health insurance, and the assessment increase for the Gill-Montague Regional School and the Franklin County Technical School.

Health Insurance – An examination of benefits in Gill reveals that the cost of health insurance has increased dramatically since FY2001. In fact, in just the past eight years the cost of providing health insurance has increased 279 percent, or an average annual increase of 23 percent as depicted in Table 4 of Appendix A. Although this is reflective of a broader problem facing local government, Gill has been hit particularly hard. The town has fared better more recently, but because of a desire by providers to be more competitive with State offered plans.

Education – Gill is a member of the Gill-Montague Regional School District (G-M) and the Franklin County Technical School. Between FY2001 and FY2009 Gill's total educational assessment increased from \$938,467 to \$1,474,265, or about 57 percent. Since FY2001, school costs have consumed 79 percent of total tax levy growth.

In a letter dated December 3, 2008 the State Commissioner of Elementary and Secondary Education (ESE) assumed oversight of the regional school district's finances pursuant to M.G.L. c.71, §16B and 603 CMR 41.07(1) because of the district's failure to reach agreement with member towns on an operating budget for FY2009. Under this authority, the commissioner established a final operating budget for FY2009 of \$16,625,875, and authorized a total assessment to member towns of \$8,566,426. For Gill, this results in an assessment of \$1,375,580 for FY2009, a 5.5 percent increase over last year. As town meeting originally appropriated \$1,339,362, additional state assistance through the foundation reserve ("pothole" money) in the amount of \$10,000 and budget cuts were used to bridge the \$36,218 gap.

Beyond the inability of the district to reach local resolution on its operating budget, the school system faces significant challenges as identified in the letter by the commissioner of ESE. He observed, “The district’s small size and declining enrollment, and the limited tax base in the member towns, will make it increasingly difficult to provide the quality of education that your children need and deserve.”

According to ESE, foundation enrollment in the G-M regional school district has declined from 1,480 to 1,156 between FY2001 and FY2009. Although this decline of 324 students is representative of the shift in local demographics within Franklin County, of equal concern, is the loss of an additional 197 students to other public school districts through school choice or to charter schools. As portrayed in Appendix B, when students leave the district through school choice or to attend a charter school, state aid money initially intended for G-M is redirected to the receiving school districts. Projected for FY2009, outgoing tuition amounts to \$1,327,477.

To stem this tide, district leadership must improve the educational product and raise outcomes necessary to build a successful school system that will attract students, or find other solutions. To this end, selectmen and the finance committee jointly formed a 12-member “Commission for Education in Gill” and charged it with studying all possible configurations of public education for the community. Research will include, but is not limited to: staying with the Gill Montague Regional School District, leaving the district, joining another district, or tuitioning students to other schools. Currently underway, a final report will be presented to the Annual Town Meeting in May.

Beyond this local effort, other more broad initiatives include improving the on-going and future prospects of education in the region:

- A 39-member panel of school administrators, legislators and municipal and regional officers, referred to as the Franklin County Public School Project, is exploring sustainable approaches to education for the county through consultants. Once complete, the project’s report will provide a series of recommendations to build a more effective educational system throughout the county.
- Under orders from the ESE, the communities of Greenfield, Montague and Gill are in talks to discuss possible collaboration. Although the meetings are a condition for Greenfield to receive additional foundation reserve funds, the goal is to pursue opportunities that cut costs through cooperative services.

Conclusion – Despite the recent override success that prevented additional mid-year budget cuts, numerous fiscal challenges remain for the town. And although we can not offer town leaders a comprehensive solution to resolve Gill’s collective fiscal issues, we do provide a series of thoughtful recommendations. When implemented, officials will be better equipped to prepare necessary analysis, articulate concerns and provide the leadership necessary to foster sound decision making. Our primary recommendations therefore focus on those policies and practices that should be implemented expeditiously, while our general recommendations which

follow will serve to further strengthen municipal operations. It is our intention that, once put into practice, Gill will function more effectively and residents will perceive that, despite the challenges the town faces, government is taking positive action. Although it can be difficult for officials to summon the political will necessary to implement change, it is imperative that the community continually explore and execute institutional changes that make government more effective and cost efficient.

Primary Recommendations

We provide the following primary recommendations to help focus the efforts of town officials as they move government forward. Admittedly, the town's fiscal situation will not likely be resolved in the near future because of the various challenges outlined in the overview. However, a strategy that incorporates residents' priorities, well defined departmental goals and objectives, along with sound financial policies and practices can begin to stabilize the municipality. Regardless, the board of selectmen, finance committee and department managers, among others, need to muster the political will and commit themselves to implementing these recommendations, reviewing progress and delineating areas in need of greater attention.

Recommendation 1: Form a Financial Management Team

We recommend the formation of a financial management team. As outlined in the overview, Gill is in a difficult financial position. Large revenue sources such as state aid are vulnerable to cuts while other historically stable income streams are stagnant or declining. At the same time, the cost of doing business is escalating precipitously as represented by the rise in educational and fixed costs. As a result, Gill's operating budget has become increasingly strained. Although town officials have actively sought to stabilize the budget by employing various institutional efficiencies, more needs to be done. Gill could benefit from a broad, coordinated planning effort that produces a clear vision for the community.

To this end, selectmen should direct the administrative assistant to establish a financial management team. Chaired by the administrative assistant, the team would include the town accountant, treasurer/collector and an assessor, together with a representative from the school business office when necessary. For Gill, financial team meetings can be an important communication device and a forum to coordinate financial planning. Specifically, the financial management team can serve as a vehicle to:

- Complete analyses of the town's financial situation and potential cost saving options;
- Prepare financial information and policy options for dissemination to town policy-makers so that they can engage residents in setting service priorities and establish "buy-in" on recommended solutions and institutional changes; and,
- Encourage and enlist support from intelligent, well-respected and objective residents who can help develop analysis and facilitate communication;

In addition to identifying and developing strategies that deal with Gill's significant fiscal issues and challenges, a financial management team can also:

- Provide financial information for the budget and review drafts to avoid future budget calculation errors (see Recommendation 4); and,
- Assist in the development of a three-to-five year revenue and expenditure forecast which can provide guidance on town spending and allow officials to quantify the long-range impact of proposed policies and initiatives.

As described, a financial management team can contribute toward a coordinated planning effort that produces a clear vision for the community. A willingness on behalf of residents to invest in government can emerge with trust and confidence that government is doing all in its power to identify and implement greater efficiencies. The logical outgrowth of such a planning effort should be a well thought-out and comprehensive series of goals and objectives as suggested in Recommendation 2.

Recommendation 2: Outline Town and Department Goals & Objectives

We recommend that selectmen develop a set of town-wide goals and objectives. In conjunction with the planning effort described above, officials should produce a set of clearly defined goals and objectives for the town and departments which link directly to the town's strategy to build fiscal sustainability – balancing revenues and expenditures with the level of services desired.

We envision a process led by the board of selectmen, with the support of the finance committee, that establishes a clearly defined list of comprehensive goals and objectives which gives departments direction and focuses their efforts on those issues that are of primary importance to the town. With guidance and assistance from the administrative assistant, a series of specific and reasonable benchmarks can be developed for each department to accomplish which are consistent with the mission of the town. 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 and objectives fosters an environment of expectations for departments and provides clarity of purpose, which becomes the basis for formulating the annual budget.

Recommendation 3: Strengthen Role of Administrative Assistant

We recommend that the town establish formal financial management responsibilities for the administrative assistant. Town bylaws make no reference to the responsibilities of the administrative assistant which are wide ranging. Although the selectmen have approved a job description for the administrative assistant and generally charge her with coordinating financial management activities, a bylaw should be adopted that firmly establishes the position's

responsibilities. In Gill, we envision the duties of the administrative assistant to include, but not be limited to, the following:

- Conduct regular meetings of the financial management team to coordinate financial planning and facilitate communication (see Recommendation 1);
- Assist in the development of town-wide and departmental goals and objectives along with specific benchmarks (see Recommendation 2); and,
- Coordinate the town's budget process and develop a revenue and expenditure forecast by analyzing department operating budgets, monitoring financial targets and recommending financial strategies to the selectmen and finance committee (see Recommendation 4).

Recommendation 4: Establish a Formal Budget Process

We recommend that the town adopt a formal budget process. We recognize the efforts of the board of selectmen and finance committee to establish a collaborative budget process in FY2009 that centered on developing consensus between the two bodies. We also acknowledge that the finance committee, under the guidance of a new chair, is beginning to insert itself into financial planning, when it previously did not. Although we feel broader participation is helpful and would bring more insight and accountability to the process, we caution the finance committee on becoming overly involved in administrative or management decisions. The finance committee should strive to raise the level of debate, focusing their time on overall financial policies and higher-level issues.

We offer the following that can serve as the basis for establishing a sound budget policy that can be incorporated into a town bylaw:

1. *Budget Calendar:* As a first step, the chair of the board of selectmen, the chair of the finance committee and a representative of the school committee should meet to plot out and agree upon a defined budget calendar. Working back from town meeting, dates should be established for the milestones described below.
2. *Revenue Projections and Budget Guidelines:* The budget process should begin with revenue projections developed by the administrative assistant in collaboration with the financial management team (see Recommendation 1 & 3). Based on revenue projections, the selectmen and finance committee would jointly develop and agree upon budget guidelines to be distributed to departments so they can begin to prepare their appropriation requests. In addition, the board of selectmen and finance committee should meet together with their counterparts in Montague in order to establish budget expectations for the regional school district.
3. *Departmental Appropriation Requests:* Based on the distributed budget guidelines, department heads would submit their appropriation requests that would be assembled by the administrative assistant into a draft budget along with revenue assumptions, which the

accountant should review. We expect the selectmen and finance committee to hold joint hearings with department managers to review requests.

4. *First Adjustment to Revenue Projections:* After the Governor's proposed state aid distributions are submitted to the House in late January, an adjustment can be made to revenue projections. The change should be agreed to by the selectmen and finance committee, and any new revenues should be dispersed according to an accepted allocation formula.
5. *Selectmen and Finance Committee Budget Reconciliation:* Once the selectmen and finance committee have held hearings and reviewed their respective budget recommendations, a second joint meeting should be held to reconcile the two.
6. *Second Adjustment to Revenue projections:* In early April, revenue projections can be adjusted again based on House/Senate joint local aid resolution, if adopted, or on state aid recommended by the House Ways and Means Committee at the end of the month. Any additional revenues would again be dispersed according to the previously prescribed allocation formula.
7. *Budget Recommendation:* Once final consensus has been reached by the board of selectmen and finance committee, a final budget recommendation should be prepared for presentation at the annual town meeting.

Throughout the budget's development it is necessary that officials maintain a strong commitment to the process, to a high level of communication and to reaching consensus. The exchange of information should be on-going among officials and finance officers, particularly as they get deeper into the process.

Recommendation 5: Create a Capital Improvement Planning Committee

We recommend that town meeting establish a capital improvement planning committee (CIPC). At the February 2008 special town meeting a motion passed to indefinitely table Article 6 which, if passed, would have adopted a town bylaw creating a CIPC. The proposed bylaw called for a five member CIPC composed of members from the board of selectmen, finance committee, planning board and school, which would be charged with developing a process to identify, study and rank proposed capital items, and preparing a spending plan for consideration at annual town meeting.

Regardless of the reason for tabling the article, we recommend the adoption of a CIPC. Although it can be difficult to justify forming such a committee when available resources are scarce, a formal annual planning process serves as a tool to continually inform policy makers and identify deferred capital investments that may be financed as funds become available. To assist in addressing capital needs, we direct officials to our "Developing a Capital Improvement Program" manual which is available at www.mass.gov/dls under the financial management assistance, publications and other useful links.

Recommendation 6: Commit to Reserve Policies

We recommend the adoption of guidelines that direct the use of free cash. Although officials in Gill have been successful at generating free cash because of their conservative budgeting practices and avoidance of year-end deficits, it is an annual practice at town meeting to appropriate a significant portion of free cash to reduce the tax levy. Between FY2001 to FY2009, town meeting appropriated an average of \$158,152 per year, or 76 percent, of certified free cash to mitigate any tax rate impact. As a result, there is an expectation that a significant portion of free cash, a one-time revenue source, will be used towards this purpose each year.

In order to achieve a sound and sustainable annual spending plan, we recommend that the town adopt a formal policy that discourages such practices as using non-recurring revenue for recurring purposes. The town should instead implement a policy that limits the use of reserves to one-time expenditures, such as contributing to the stabilization fund or as an outlay for one-time capital projects or purchases. If free cash is used to stabilize the tax levy, we suggest that the town retain an incrementally larger portion of free cash as unexpended to either serve as a beginning point in the subsequent year's free cash calculation, or to fund one-time capital purchases or the stabilization fund.

Similarly, and although we recognize that current fiscal circumstances make it difficult to build a sizable stabilization fund balance, the town should adopt a formal policy that encourages the creation of reserves. Toward this end, the town should establish a target balance for the fund in a total dollar amount or as a percentage of the total annual budget. It should commit, over time, to raise and maintain that balance by appropriating non-recurring revenue, or surplus revenue, to the fund. In addition, stabilization funds should be restricted to non-recurring expenditures and not be used to finance on-going operations.

General Recommendations

These general recommendations address the overall financial management practices in Gill and the policies and procedures that typically impact town government as a whole. They also offer suggestions for improvements specific to the departments of the treasurer/collector, assessor and accountant, as well as technology. Accordingly, we examined Gill's financial and administrative operations which include financial monitoring, the warrant process, the purchasing and payroll systems, as well as information technology. We further considered the roles and relationships among individuals, together with the level of communication and cooperation that exists between offices and throughout municipal government. Finally, we reviewed local compliance with state laws and regulations relating to municipal finance and adherence to DOR submission timetables.

In Gill a three-member board of selectmen is primarily responsible for managing local affairs and setting policies and direction for the town. Appointed by the board, and working under its direction, a full-time administrative assistant provides professional support and guidance to selectmen, departments and committees, and generally facilitates the effective operation of day-to-day business. Although the administrative assistant serves as a central management presence, she lacks any formal management authority over departments and works in the absence of any formal hierarchy. Beyond the full-time role of the administrative assistant, the elected treasurer/collector and assessing clerk/town clerk are more or less a full-time presence in town hall, while the town accountant, through a contract with the Franklin Regional Council of Governments (FRCOG), functions on a part-time basis. Lastly, in conjunction with FRCOG's accounting program, Gill uses the FundWare accounting services software package, which combined with the treasurer/collector's Muniware software package, records and tracks the financial activity of the town.

Accountant – The town accountant, retained by contract with the FRCOG on a fee-for-service basis, oversees all financial activity for the town. Through the maintenance of independent records and by following well-defined procedures, the town accountant protects the fiduciary interests of the town. This is accomplished by documenting the flow of money, monitoring the expenditure of town funds, and implementing a system of checks and balances. To fulfill these responsibilities, the accountant prepares warrants that are signed by the selectmen, and maintains a general ledger in the FundWare accounting system. In addition, the accountant reconciles cash, debt and receivables with the treasurer/collector on a routine monthly basis. The accountant also produces the town's Schedule A, works with the assessors to prepare the Tax Recapitulation Sheet for submission to DOR, and prepares the year-end balance sheet that DOR uses to certify free cash. She also prepares an assortment of other financial statements and documents as needed. However, the town has not requested an outside audit since FY2005.

Assessors – The assessing office is directed by a three member elected board of assessors with administrative and customer service support provided by a part-time assessors' clerk, who

also serves as town clerk part-time. Of the three member board, two members serve as co-chairs, one of whom also serves as the chair of the board of selectmen. Because of the challenges associated with attracting people to serve on the board and subsequent turnover, the longest serving member has been on the board for two years. One member has also yet to meet the state's minimum requirements for assessors by successfully completing Course 101: Assessment Administration: Law, Procedure, and Valuation. Certification requirements must be met within two years of the election.

The board of assessors is responsible for valuing all real and personal property in town in order to generate the commitment authorizing the collection of property taxes by the treasurer/collector. In Gill, assessing responsibilities are largely completed by the professional appraisal firm, Mayflower Valuation, which also had a contract to complete the town's revaluation in FY2008. The town utilizes the computer-assisted mass appraisal (CAMA) services provided by Patriot Properties. CAMA is an automated system for maintaining property data, valuing property and ensuring tax equity.

The assessing office also handles all abatement requests, property tax exemptions and sets the annual overlay, which is \$40,000 for FY2009, or about 2 percent of the tax levy. As of this report, the office had one abatement appeal pending with the Appellate Tax Board for telecommunication personal property. Lastly, in FY2008 DLS conducted the triennial certification and was able to verify that town assessments represent full and fair cash value.

Our primary concern is that the board of assessors and the assessing clerk are new, inexperienced and rely heavily on on-the-job training because of a lack of any formal assessing background. The board and clerk are however, enthusiastic and committed to overcoming the learning curve.

Treasurer/Collector – The treasurer and collector are separately elected positions held by the same individual. She has served as collector since 2002 and as treasurer since 2006. As treasurer, she is the custodian of all town funds. She makes certain that town receipts are deposited into appropriate bank accounts and monitors balances to ensure that sufficient funds are available to cover town obligations. As treasurer, she also invests town funds, manages long-term debt and is responsible for short-term borrowing in anticipation of revenue when necessary. She also responsible for employee benefits and manages payroll through Chittenden Bank's payroll services. In addition, she is responsible for maintaining tax title accounts and preparing petitions to foreclose on properties that have unpaid taxes, which she does. Necessary to these duties, the treasurer maintains check registers, various logs to track fund account balances and the components of a cashbook. As a financial control, the treasurer reconciles cash balances between bank statements and her records and then with the accountant's general ledger on a monthly basis, but with assistance from an outside volunteer and the accountant.

As the town's collector, she ensures that town receipts are counted, posted to appropriate accounts and deposited to a collector's bank account weekly. Once checks clear, funds are transferred to a general depository fund along with a turnover sheet. Delinquent accounts are

pursued in accordance with a timely tax title process. As collector, she maintains a receivable control which is reconciled monthly with the accountant's general ledger. Her office issues approximately 900 real estate bills and 100 personal property bills on a preliminary semi-annual basis, and 6 farm animal and 62 boat excise bills. Motor vehicle bills are issued throughout the year by the deputy collector, Art Jones and Associates. Collections are handled either over-the-counter or through the town's P.O. Box, as Gill does not employ a lockbox service or an online payment service.

Conclusion – Collectively, town hall finance department personnel are committed and collaborate towards the fulfillment of their collective municipal responsibilities. Proper measures appear to be in place to account for town money, but various policies and procedures, as identified in the following recommendations, could be implemented to further strengthen financial management practices. The recommendations that follow offer such suggestions, and also identify areas where efficiencies could be gained and where overall effectiveness could be improved.

Recommendation 7: Conduct Independent Audit

We recommend that town engage an independent auditor to conduct audits of Gill's basic financial statements on an annual basis. Gill has not had an independent audit since the one performed by Thomas J. Scanlon, CPA & Associates for FY2005. Annual audits ensure the quality of a town's financial health by providing an independent view on the accuracy and reliability of financial statements. The management letters that accompany the financial statements are also particularly useful to identify and correct systematic weaknesses.

By conducting audits periodically, the town is at a disadvantage because the audit firm must verify the trial balances not only for the year in question, but also for those years in which an audit was not performed. If there were a situation in which a reportable condition or material weakness existed (a significant deficiency in internal controls which could adversely affect the ability to record, process, summarize and report financial data), the problem could persist for several years before being identified.

We understand that the engagement of an audit firm is an additional expense for a town. However, independent confirmation that town financial records are being maintained in accordance with the law reassures residents and builds public confidence. Furthermore, officials that represent the town deserve to have the information that a comprehensive and rigorous audit provides.

Recommendation 8: Combine and Appoint Treasurer/Collector

We recommend that the town combine the position of treasurer and collector and then make the position appointed. Although the office of treasurer and collector are currently held by

the same individual, they are separately elected positions on staggered terms– the treasurer’s term expires in 2010, while the collector’s term expires in 2011. As such, we recommend that the town file a special act with the state legislature to formally combine the part-time positions of treasurer and collector into a single full-time position which is appointed by the selectmen. As an appointed position, the town can establish minimum job qualifications, conduct an extensive interview process and complete a background check of potential candidates. With access to a broader pool of candidates the town can attract a person with the strongest credentials and/or most relevant professional experience.

Recommendation 9: Create a Monthly Cash Flow Budget

We recommend that the treasurer/collector create a monthly cash flow budget projection. The key responsibility of the treasurer is cash management and one of the more effective cash management tools is a cash flow budget. A cash flow budget tracks income and expense trends and, in particular, reports the resulting available cash at any given point during the fiscal year. Generally, income is received in large batches during specific brief periods, while expenses with certain exceptions are more consistent throughout the year. By charting estimated revenues and expenditures on a monthly basis, a resulting cash flow budget would reflect whether the town will have a surplus of cash that can be invested to earn interest, or whether it will have a cash deficit that would require temporary borrowing to cover town obligations.

By applying past patterns of monthly spending and collections (as evidenced by warrants and bank deposits) to current year appropriations, and overlaying projected debt service obligations, a reasonable forecast of the town’s cash flow will emerge. Through the course of the year, the cash flow forecast can be adjusted for unexpected circumstances, and actual monthly costs or revenues should replace estimates.

During our interview the treasurer/collector requested and we provided an example monthly cash flow budget, which is included in Appendix C.

Recommendation 10: Develop Multi-Year Debt Schedule

We recommend the treasurer/collector create and maintain a multi-year debt record and debt service schedule. The treasurer has a statutory obligation to report annually to the town accountant and periodically to the Bureau of Accounts (BOA) and others information relative to the authorization, issuance and payment of debt. Therefore, she should use consolidated spreadsheets that track debt information. In an effort to direct the adoption of multi-year debt schedules we offer the following:

1. *Monthly Debt Service Schedule:* The treasurer should maintain a debt schedule that charts debt service obligations on a per month basis for the current fiscal year. Used in tandem

with monthly revenue and expenditure estimates, this information is critical to forecasting the cash flow needs of the town throughout the course of the year.

2. *Long-Term Debt Service Schedule:* In addition to the monthly debt service schedule, the treasurer should maintain and annually update a chart of scheduled principal and interest payments over a long-term period. This debt chart should identify the date of authorization and of issuances, the purpose of the bonds, whether or not payments are self-supporting (covered by rates or by taxes), as well as whether the debt is excluded or not. As the schedule extends into the future, it should display overall principal payments and interest obligations by year, and when debt service begins and ends for individual projects. By further identifying borrowing that is inside and outside the debt limit, the information needed to complete the DOR "Statement of Indebtedness" will be readily available.

Recommendation 11: Appoint the Board of Assessors

We recommend a conversion from an elected to an appointed board of assessors. Small towns such as Gill often find it difficult to recruit and retain a skilled board of assessors because of the commitment required to carry out the fundamental duties of the office. This is evident in Gill where the longest serving assessor has been on the board only two years. In addition, two members share the responsibility of chairman, one of whom is also the chair of the board of selectmen. Despite her dedication to the town, this arrangement makes it difficult to devote adequate time to assessing duties because of the time demands of her dual offices.

For these reasons, and because of the significant investment necessary to train and educate members, we recommend that the town, under [M.G.L. 41, §1B](#), convert the assessors from an elected board to one appointed by the selectmen. We also recommend that the board abandon the practice of appointing co-chairs and appoint a single chairman.

Recommendation 12: Encourage Professional Development

We recommend that the assessing department actively seek out professional development opportunities. Educational courses designed specifically for municipal assessors and staff are essential to professional growth. In the case of Gill, access to educational opportunities will only accelerate the current process of on-the-job training for board members and the assessing clerk, and better prepare them to fulfill their complex responsibilities.

We also recommend that department staff develop professional relationships with peers in other communities. More often than not, a counterpart with experience in another community can provide practical insights into municipal practices that supplement what courses have to offer. To benefit in this regard, board members and the assessing clerk should not wait for a scheduled professional association meeting, but initiate contact with other departments as questions arise.

Lastly, we encourage all members of the board of assessors to fulfill the state's minimum requirements of the office by successfully completing Course 101, Assessment Administration: Law, Procedure and Valuation. The course will next be offered this coming spring and the assessors should check DLS's training and seminars webpage at www.mass.gov/dls for scheduling.

Recommendation 13: Implement BLA Recommendations

We recommend that the board of assessors outline a strategy to implement the Bureau of Local Assessment's (BLA) certification recommendations. In FY2008, BLA completed a certification review to ensure full and fair market value in Gill. As part of their review and certification process, BLA makes recommendations which, if implemented, will improve the accuracy of valuations and effectiveness of assessing operations. Therefore, we recommend that the board of assessors work with their BLA community advisor and outside consultant to develop a plan for addressing the following recommendations prior to their FY2011 certification:

1. *Real Estate* – Implement a systematic, annual property database maintenance program. The board should also develop a plan for a cyclical property inspection program so that each parcel is inspected at least once in every nine-year cycle;
2. *Personal Property* – Conduct a study of all second-home personal property;
3. *Income & Expense* – Implement a program to ensure a better return of income & expense data from commercial, apartment and mixed-use property owners;
4. *Land Schedule* – Continue to review, analyze and document current market data, and adjust or revise the overall land schedule as necessary to reflect any changes in market conditions; continue to monitor the market for any potential changes to the current land schedule; and, carefully monitor sales activity along the Connecticut River and adjust the land schedule for the water front neighborhoods as needed; and,
5. *Condominium Valuation* – Continue to review, analyze and document current market data with specific regard to the valuation of condominium units, and adjust the building price schedule as necessary to reflect any changes in market conditions.

Recommendation 14: Adopt Solid Waste and Sewer Enterprise Funds

We recommend that town meeting adopt a solid waste enterprise fund by accepting M.G.L. c. 44 §53F½. The town's solid waste collection is currently managed through the Franklin County Solid Waste Management District on a pay-as-you-throw basis. Stickers, which are affixed to bags for collection, are purchased at town hall or at several local retail outlets for \$3 each. The solid waste program functions through a general fund appropriation totaling \$84,018 for FY2009. If accounted for in an enterprise fund all revenues and all direct and

indirect costs associated with rubbish services can be more clearly identified and recovered through realistic user fees, which can avoid a subsidy from the general fund.

We also recommend that town meeting adopt enterprise fund accounting for its sewer operation. Identical to the benefits for solid waste, enterprise fund accounting allows the town to separately account for all sewer related revenues and expenditures, and further enables the town to retain any surplus (certified by the Director of Accounts) as retained earnings which can be used to cover operating, capital or debt service costs associated with sewer services.

Officials should also note that it can be particularly helpful during times of fiscal stress for fee-for-service operations, such as solid waste and sewer, to recover their full cost through user fees in order to reduce the town's reliance on the tax levy. Additional information on enterprise funds may be found in DLS's [Enterprise Fund Manual](#).

Recommendation 15: Pursue Regional Assessing

We recommend that officials take the initiative to pursue regional assessing opportunities. Through FRCOG, officials in Gill have implemented shared cooperative services including a town accountant, health agent and building, wiring and plumbing inspectors. From what we understand FRCOG is also exploring possible regional assessing opportunities with a number of communities in need of the service. To this end, we encourage officials in Gill to initiate conversations with neighboring communities on the potential to regionalize assessing services. The town can then express its interest in regional assessing opportunities through its FRCOG representative. As part of this effort, officials should review the recently signed legislation enabling selectmen to enter into inter-municipal agreements (Chapter 188 of the Acts of 2008), as well as the "Cooperative Assessing Agreements" report provided by DLS at www.mass.gov/dls under DLS Newsroom, Informational Guideline Releases.

Recommendation 16: Implement IT Risk Mitigation Practices

We recommend that the administrative assistant in Gill, with support from the board of selectmen, put into practice various information technology (IT) safeguards. As evidenced by the recent theft in the Town of Sandwich in which almost \$50,000 was stolen from bank accounts using usernames and passwords acquired through malicious software installed on the treasurer's computer that captured bank account credentials. It is vitally important that communities institute basic prevention tactics and maintain high security standards. To this end, the elements of an effective program typically include:

- Develop, implement and enforce internet and email acceptable use policies;
- Provide required training in safe computing practices;
- Establish complex passwords and keep passwords safe;

- Install and maintain up-to-date firewall and antivirus, spam and malware protection;
- Remove administration privileges from computers; and,
- Design and implement town-wide back-up and disaster recovery procedures;

Ultimately, such computer related policies and procedures are designed and intended to protect both the town and employees in instances of a security breach. For additional guidance on the policy content, neighboring communities might be contacted.

Recommendation 17: Close Collector's Account

We recommend that the treasurer/collector close the collector's account and deposit receipts directly into a general depository account. Most likely a remnant of when the treasurer and collector positions were held by separate individuals, a collector's account is designed to hold receipts until checks clear so that the amount reported to the treasurer in the turnover is final. However, the occasional bounced check is not worth delaying all tax payments. Moving forward, we advise that when the treasurer/collector receives tax dollars that those funds be deposited and become part of the town's general cash flow.

Recommendation 18: Consolidate Trust Accounts and Apportion Interest

We recommend that the treasurer/collector work with the town's bank to establish a single account with sub-accounts for the purpose of applying interest to trust funds. Trust fund accounts hold money donated or transferred to the town with specific instructions for use. As the custodian of trust funds, the treasurer/collector invests and expends funds as stipulated by trust agreements, as directed by the commissioners of the trust or by town meeting. The treasurer in Gill currently maintains 12 individual trust fund accounts.

To better organize and account for interest due to multiple trusts funds, communities are more frequently establishing general municipal trust accounts with sub-accounts. Instead of calculating the interest earned for the month or quarter and allocating the same to the individual trust accounts, the bank automatically performs this function. The treasurer needs only to report the amounts to the accountant. Monthly statements will still provide details on monthly deposits, withdrawals, transfers and earnings for each separate trust. The sub-account approach may also reduce the time required to reconcile cash with the accountant at the end of the month.

Recommendation 19: Evaluate Expanded Bill Payment Options

We recommend that the town consider a lockbox bill payment service. As a one-person operation, the treasurer/collector's office should evaluate the use of a lockbox service. A lockbox, administered by a financial institution, receives tax and/or other payments, deposits checks, and

returns daily receipt reports to the town for a given billing period. A contract between Gill and a lockbox company would specify the scope of provided services and the calculation of costs.

However, at the present time, it is our understanding that the town's Muniware collection software is unable to post electronic data files automatically from the lockbox service. The town should seek to resolve this issue by contacting their vendor before moving forward with a lockbox service.

We recommend that the town also consider the merits of a web-based bill payment system. An online payment method offers similar advantages to a lockbox service by reducing foot traffic and mail volume, accelerating deposits, and providing a convenient and flexible service for taxpayers. Online billing further sends a message that the community is progressive about enhancing customer service and the use of technology. For additional information on electronic online billing, see "Online Bill Payment" under the Best Practices section of Financial Management Assistance link at www.mass.gov/dls.

We recommend that the treasurer/collector consider the use of deputy collector (DC) bill printing services. As a means to enhance administrative efficiencies in her office, the treasurer/collector should evaluate whether it is cost effective to use the bill printing services of the DC. Currently the treasurer/collector prints, stuffs and mails over 1000 real estate and personal property bills twice a year at the standard postage rate of 42 cents. However, it may be beneficial to use the town's DC, which advertises the ability to print, stuff and mail bills. The DC's printing services run 20 cents per piece and because of his ability to stuff bills for taxpayers with multiple accounts and take advantage of bulk mailing; the town can be afforded an additional savings of approximately 20 percent on standard postage costs.

Recommendation 20: Review Overlay Allowance

We recommend that the board of assessors adjust the overlay allowance to mitigate any potential telecommunication liability. The overlay is an amount raised on the Tax Recap Sheet annually to compensate the general fund for abatements, exemptions and uncollected taxes and excises. In 2008, the ATB ruled that Verizon NE is subject to personal property taxation by cities and towns on poles and wires over public ways. The ATB subsequently issued a ruling in a case involving MCI that valuations also include any construction work in progress and all other property in place, but not in service, and that partnerships, trusts and LLCs are subject to central valuation and assessment on all telephone machinery.

At stake is millions of dollars in potential personal property tax revenue for cities and towns. However, until the central or local valuation appeal process is complete, the DOR requires that cities and towns place and retain sufficient amounts in their overlay accounts to cover the new tax revenue as potential abatements or refunds may result in the event that the rulings are not upheld. To assist assessors in making adequate provisions in their overlay for the potential

liability, BLA has provided information on these telecommunication issues and valuation data specific to each community at www.mass.gov/dls.

Recommendation 21: Reconsider Stipends for Part-time Boards

We recommend that the town evaluate the stipends granted to part-time, elected and appointed board members. Stipends totaling \$9,179 are currently granted to members of the boards of selectmen, assessors and health. In an effort to contain costs, the town should evaluate the merits, as well as the potential liability and the long-term impact, of providing stipends to officials of part-time appointed or elected boards. According to M.G.L. c. 32B, §2(d), an employee eligible for healthcare benefits is one that receives either a salary or stipend and works at least 20 hours per week. Paid elected officials, however, have no minimum hourly requirement to qualify. In addition, once vested in the retirement system, that official is eligible for retirement benefits, including health care, at a potentially significant cost to the municipality.

Recommendation 22: Consider Options to Reduce Healthcare Costs

We recommend, as a cost saving measure, that the town evaluate the merits of purchasing its health insurance through the State Group Insurance Commission (GIC). We encourage officials to hold discussions on an annual basis to consider all options to reduce overall costs of healthcare. Specifically, officials should consider the following:

- Review each town-offered plan and make reasonable benefit assumptions when comparing the costs of alternative, competing plans;
- Evaluate plan deductibles and other employee out-of-pocket expenses;
- Negotiate a larger percentage contribution from employees in more expensive plans; and,
- Consider the Group Insurance Commission (GIC) option.

Besides offering an array of top rated health plans that correlate well to Gill's current options, GIC benefits include participation in a large risk pool of over 294,000 subscribers which allows for significant purchasing power in the health care market. The GIC also dictates plan design to further drive cost savings. As a result, GIC rate increases have been significantly lower and less volatile than the rate increases in Gill. From FY2001 through FY2007 overall GIC costs increased approximately 55 percent or 8 percent annually, while during the same period Gill experienced a 279 percent increase or about a 23 percent annually.

Recommendation 23: Negotiate Formal PILOT Agreements

We recommend that town officials negotiate a multi-year payment-in-lieu-of-taxes (PILOT) agreement with Northfield Mount Hermon. It is our understanding that the selectmen recently initiated negotiations with Northfield Mount Hermon, an exclusive private secondary

school (estimated enrollment 600), on the purchase of a new ladder truck for the fire department. We recommend that as a part of these negotiations that officials from Gill and Northfield Mount Hermon mutually agree on a formula that would serve as the basis for determining an annual PILOT to the town. The formula should have long-term applicability in a way that produces a fair and consistent annual payment. Relevant factors might include, among others, direct service costs for public safety, building permit history which portrays growth and expansion, benefits provided by the school to the town or residents, plus the school's ability to pay.

For further insight, we encourage the board of selectmen and administrative assistant to communicate with other municipalities including Greenfield, Deerfield and Groton which have developed PILOT programs or negotiated formal agreements with similar institutions.

Recommendation 24: Consider Services of a Financial Advisor

We recommend that the town consider the services of a financial advisor. Although Gill historically does not issue a lot of debt, we suggest at a minimum that the board of selectmen, treasurer/collector and accountant meet with firms to decide whether or not it would be in the town's best interest to have a financial advisor. Because the intricacies and nuances of borrowing options available to cities and towns can give rise to numerous questions and decisions for municipal officials, especially the treasurer/collector, it makes sense for communities to utilize the services of a Massachusetts-based financial advisor. While helpful at any phase of the borrowing process, the expertise of a financial advisor is most useful in considering the various options available when structuring debt and navigating procedures associated with the sale. In addition to the number of specialized firms that provide financial advisory services, the Public Finance Section of DLS can provide guidance when issuing debt.

Recommendation 25: Review Bylaws

We recommend that the town complete a substantive review and recodification of the town's bylaws. A strong set of bylaws typically establish a formal framework under which town government operates, sets-out certain financial procedures to be followed and describes the role of departments and the responsibilities of managers, as well as those of appointed and elected officials. For Gill, town bylaws could be more comprehensive and informative. For example, the bylaws presently offer no information on the structure of government, the authority and duties of town offices, or the budget or capital planning processes. When officials next schedule a review of town bylaws we advise an update that addresses these substantive gaps.

Appendix A

Table 1: Gill Comparison to State and Franklin County Averages

	FY2005 Per Capita Income	FY2006 EQV per Capita	FY2008 Average Single Family Value	FY2008 Average Single Family Tax Bill
Massachusetts	\$30,680	\$153,679	*\$403,687	*\$4,110
Franklin County	20,770	102,877	218,718	2,931
Gill	20,639	82,956	212,500	2,433

*Excludes communities which have adopted the residential exemption

Table 2: Free Cash and Stabilization Fund Balance

Fiscal Year	Certified Free Cash Balance	Free Cash as % of Total Budget	Appropriated to Reduce the Tax Rate*	Stabilization Fund	Stabilization Fund as % of Total Budget
2001	\$212,841	11.1	\$100,000	\$103,225	5.4
2002	272,987	14.2	130,000	115,564	6.0
2003	162,374	7.8	210,000	123,753	6.0
2004	253,002	11.2	120,000	124,574	5.5
2005	234,220	10.0	190,000	119,843	5.1
2006	241,629	9.3	170,000	144,536	5.6
2007	200,268	7.2	190,000	116,394	4.2
2008	132,732	4.9	194,268	94,076	3.5
2009	182,267	6.3	119,101	105,277	3.7

*As indicated in the minutes for annual town meeting

Appendix A: Continued

Table 3: Town of Gill Historic Operating Expenses*

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
General Gov. & Fixed Costs:	\$266,248	\$254,918	\$281,311	\$302,225	\$334,705	\$382,570	\$428,498	\$452,091	\$384,491
Public Safety & Public Works:	546,287	541,486	565,369	503,934	580,383	648,054	672,901	653,635	614,462
Health & Culture:	38,382	31,942	34,256	35,929	40,192	39,577	41,357	43,900	41,491
FRCOG Assessment:	13,993	13,993	12,515	23,896	13,801	13,302	18,508	81,761	91,464
Educational Assessment:	938,467	1,011,569	1,075,256	1,315,802	1,269,917	1,316,272	1,453,552	1,381,280	1,474,265
Other:	73,308	59,814	103,811	77,164	94,416	169,378	157,667	85,007	57,470
TOTAL EXPENSES	1,876,685	1,913,722	2,072,518	2,258,950	2,333,414	2,569,153	2,772,484	2,697,674	2,728,372

*As provided in the Town of Gill Budget Comparison

Table 4: Gill Health Insurance Costs

Fiscal Year	Health Insurance Expenditures*	Annual % Change
2001	\$21,712	
2002	28,293	30.31
2003	38,318	35.43
2004	47,142	23.03
2005	58,977	25.11
2006	77,936	32.15
2007	82,294	5.59
2008	88,801	7.91
Percent Change FY2001 - FY 2007		279.03

*Local Health Insurance expenditures as reported on the Schedule A

Appendix B

Table 1: Gill-Montague Total Outgoing Students

Fiscal Year	# of Outgoing School Choice Students	# of Outgoing Charter School Students	Total # of Outgoing Students
2001	38	5	43
2002	57	5	62
2003	77	5	82
2004	108	13	121
2005	110	23	132
2006	135	25	160
2007	150	27	177
2008	159	30	188
*2009	171	26	197

*FY2009 rates as of December 2008

Table 2: Gill-Montague Total Outgoing Tuition

Fiscal Year	School Choice Outgoing Tuition	Charter School Outgoing Tuition	Total Outgoing Tuition
2001	256,972	34,534	291,506
2002	356,825	31,948	388,773
2003	450,736	31,948	482,684
2004	613,980	77,087	691,067
2005	669,987	167,381	837,368
2006	807,732	223,032	1,030,764
2007	899,284	242,819	1,142,103
2008	916,887	313,659	1,230,546
*2009	995,025	332,452	1,327,477

*FY2009 rates as of December 2008

Appendix C

Example Monthly Cash Flow Budget

	Anytown, MA Office of the Treasurer Cash Flow Forecast General Fund FY2009											
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1 BEGINNING BALANCE		0	0	0	0	0	0	0	0	0	0	0
<u>RECEIPTS</u>												
Tax levy												
State aid distribution												
Motor vehicle excise												
Other local receipts												
Other/misc												
2 Total receipts	0	0	0	0	0	0	0	0	0	0	0	0
<u>EXPENSES</u>												
Municipal payroll												
School payroll												
Debt service payments												
Employee benefits												
Vendor warrants												
Misc/capital												
3 Total expenses	0	0	0	0	0	0	0	0	0	0	0	0
4 Cash forecast (1+2-3)	0	0	0	0	0	0	0	0	0	0	0	0
5 Short term borrowing (+)												
6 interest repayment (-)												
7 principal repayment (-)												
8 Cash balance (4+5-6-7)	0	0	0	0	0	0	0	0	0	0	0	0

Acknowledgements

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In preparing this review,
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Ann H. Banash, Selectmen and FRCOG Executive Committee Member

Leland E. Stevens, Selectmen

Tracy Rogers, Administrative Assistant

Allen Tupper Brown, Chairman, Finance Committee

Ray Purington, Assessor

Lynda Hodsdon Mayo, Assessors Clerk/Town Clerk

Joyce Muka, Town Accountant (FRCOG)

Veronica A. LaChance, Treasurer/Collector