



Town of Hamilton

# **Financial Management Review**

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Division of Local Services/Technical Assistance Section

November 2008



## ***Introduction***

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

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) and Municipal Data Management & Technical Assistance Bureau (MDM/TAB). During these visits and by telephone, the team interviewed and received information from members of the board of selectmen, finance advisory committee and town government study committee as well as the town administrator, finance director/town accountant, treasurer/collector, director of assessing, and other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town charter and by-laws as well as other assorted financial records. Other documents reviewed included the town's September 2005 rating report from Moody's Investors Service and the independent audit for FY2007 completed by Sullivan, Rogers & Company, LLC.

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

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

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## Overview

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The Division of Local Services (DLS) typically conducts financial management reviews in instances where help is sought to resolve a particular problem, or where an overall evaluation of government operations is desired. In Hamilton, the board of selectmen made a formal request that DLS review the town's fiscal practices in search of ways to improve financial planning, policies and practices.

Incorporated in 1793, Hamilton enjoys a country setting on Massachusetts' North Shore. The town is primarily accessible via Route 1A, which provides a connection to Route 128 in Beverly, approximately 4.5 miles south of the town hall. An MBTA commuter rail station, providing access south to Boston and north to Gloucester is located in the town's commercial center along Route 1A straddling the border with Wenham.

The town had an estimated population of 8,188 residents in 2007, is 14.9 square miles in geographic area, and has a sparse density of 550 people per square mile. Accordingly, Hamilton is characterized by parks, forest and recreational spaces. It is also widely known for its equestrian heritage which is still in evidence by numerous horse farms, equestrian events and polo at the 126-year old Myopia Hunt Club. The town is home, as well, to Gordon-Conwell Theological Seminary which is the third largest employer behind the town government and regional school system. The overall appeal of Hamilton as a place of residence is reflected in the average assessed value of a single family home which was \$538,750 in FY2008 - 50<sup>th</sup> highest among 337 cities and towns reporting that year.

According to DLS records, the town's FY2008 budget was \$24.6 million. Among sources of revenue, \$19.8 million was derived from real and personal property taxes while state aid only accounted for \$1 million. Local receipts (\$3.4 million) and miscellaneous revenue (\$0.35 million) made up the remainder. Fueling this imbalance has been the town's long-term track record in passing Proposition 2½ overrides to support town and school operations. State support for education, (\$4.65 million primarily in the form of Chapter 70 aid) is paid directly to the regional school district and, thus, does not constitute a source of revenue for the town. Since 1981, the town has approved 20 out of 37 override questions, which at 54 percent, exceeds the statewide average approval rate of 40 percent. The cumulative result is \$6.7 million in revenue added to the tax base. When debt exclusions (\$1.8 million) are included, the portion of the total tax levy attributable to voter approved spending in excess of Proposition 2½ limits is \$8.5 million, or 45 percent of the entire FY2008 levy.

This increase in spending has caused the average single family tax bill in Hamilton to climb to \$7,215 in FY2008 which was 28<sup>th</sup> highest in among 336 Massachusetts cities and towns that reported. Since approximately 95 percent of all tax revenue collected in Hamilton is attributable to residential property and only about five percent to commercial/industrial and

personal property, it is clear that municipal services and educational programs are supported heavily by home owners.

As in most communities, these circumstances give rise to concerns about local spending trends, and how best to allocate scarce resources of time, money and personnel. In Hamilton, competing citizen groups are each focused on the spending practices of the Hamilton-Wenham Regional School District. On the municipal side of government, the town has a history of collaboration with Wenham in an effort to reduce mutual costs or enhance services. Today, Hamilton and Wenham taxpayers share the expense of a library, a recreational director, an emergency center and a senior van. A joint capital management committee is taking shape to communicate on major building projects, since the financial situation in one community impacts the decision-making of the other. Other potential collaborations (e.g., planning coordinator, facilities director) are also the subject of discussion, all of which underscores the willingness of selectmen from each town to consider every reasonable cost sharing possibility.

This financial management review represents a further positive step by the Hamilton selectmen. While not directly focused on immediate dollar savings, our observations, conclusions and recommendations are intended to help the town improve financial operations and create internal efficiencies. We hope to provide insight into how higher level decision making can be made more effective and far reaching, and to offer alternative approaches to address areas of interest identified by the town.

Based on interviews with town hall personnel and a review of town documents, we can say that finance-related department managers and staff are knowledgeable, diligent and effective at fulfilling the day-to-day legal responsibilities of their respective jobs. For the most part, procedures are well thought out and understood, checks and balances are in place, and documentation exists to track the town's financial activity. Overall, the routine business of town government moves forward with little disruption.

Increased attention is being devoted to long-term planning and financial forecasts. Revenue and expenditure projections are an early step in a budget process that seems to work well. Roles are clear and cooperation exists. Increased attention is being directed toward capital planning, but technology might be better managed.

Notwithstanding these advances, the greater challenges that we see in Hamilton relate to the allocation of responsibilities, priority-setting and decision-making at higher levels of government. The observation below, which was included in a 1995 the Government Study Committee information flyer, and refers to a similar study 10 years earlier, is equally relevant today.

“A lack of clear lines of authority and responsibility characterized Hamilton's town government in 1985 and continues to be a weakness in 1995. Too many town officers and boards, whose collective budgets comprise 80% of the town government's budget, fall outside the purview of the selectmen, making coordination of personnel, budgets and policy more difficult than it needs to be. The Town Government Study Committee agrees with the two previous studies

that the town would benefit from a stronger board of selectmen to coordinate all aspects of town government not subject to state laws specific to the board or office.”

Since this statement was issued, a new job description was written for the town administrator, the town converted the treasurer, collector and town clerk positions from elected to appointed, and it created a finance director position to oversee a new finance department. The board of public works was also eliminated and its function passed to the board of selectmen. However, although the structural changes recommended by the 1995 town government study committee were intended to bolster the lines of authority and accountability of departments, it has not occurred.

With this in mind, we would deviate from the conclusion of prior reports that greater authority to manage municipal government should be entrusted to the board of selectmen. Shifting responsibilities toward the selectmen runs contrary to what has been conventional wisdom and counter to practical experience. Favored, instead, is a strong management structure to effectively oversee the day-to-day administration of government.

It is our understanding that the town intended to achieve this goal by shifting from an executive secretary to a town administrator in the early 1990s. It was hoped that the new role would naturally evolve into a strong position over time. The creation of a new job description for the town administrator in 1998 was expected to help move that process forward. But, again, it has not occurred.

While the current town administrator has been steadily dedicated, diligent and competent, the position itself lacks clear management authority. The town administrator often assumes the role of a coordinator or a conveyer of information rather than a director of activity. Consequently, she must devote an inordinate amount of time and energy to develop consensus among boards, committees and department heads in order to advance town goals. Today, a willingness to cooperate generally exists among town hall staff, but this may not always be the case.

Simultaneously, the slow consolidation of authority in the town administrator has seemingly provided the selectmen with little cause to relinquish their traditional role in government. Today, rather than streamlining decision-making as originally contemplated, the selectmen have embarked on an aggressive agenda that is forward looking, but bogged down. Central to their effort is the proliferation of goals, objectives and other initiatives embodied in 175 tasks that are being tracked on two separate lists depending on their priority. Among these various projects, the selectmen have proposed the development of a performance-based or zero-based budget as well as the implementation of a data-driven performance management program, known as CitiStat.

The lists are a wide mix of lofty, practical and well-intentioned pursuits. However, the structure necessary to implement them is not in place, or not allowed to operate. It is our understanding that the selectmen regularly rework priorities and on the lists we examined, a few

initiatives seem to be moving forward. In other instances, where tasks have been assigned, the effect has been additional demands placed on their membership and on town hall staff. Delegating some projects to other boards, or to new committees, has alleviated some of the burden, but created other pressures on staff to provide information and support.

Conclusion - There are relatively few department-specific recommendations in our report, which reflects our finding that finance-related managers and staff perform their respective duties in a professional and competent manner. Overall, town government does a good job executing financial functions as they relate to day-to-day operations and internal controls over money. It does so with a staffing complement that is, more or less, typical of communities with similar populations and budgets. However, Hamilton's ambitions are not typical. With its vision of multi-jurisdictional capital and financial planning, implementation of a CitiStat-style management program, more sophisticated budget models and other initiatives, it seems that there is too little staff time available to provide the professional support necessary to do all of the things that the various town board and committee members want to do.

As time goes on, there is the prospect that, as an unintended consequence, there will develop a further expectation that full-time managers take on more and more work. When considering the pursuit of new programs and ideas, we encourage the selectmen and others to exercise restraint, being mindful of workload circumstances and staff availability to take on new projects. We also encourage the town to consider ways to concentrate the authority to manage town government within the town administrator's position while moving elected boards and committees into a more policy-focused role. Therefore, the recommendations in this report are primarily designed to provide guidance on how to enhance decision-making in government.

2008 Government Study Committee - Sensing a need to make improvements to local governance, town meeting recently authorized the creation of a town government study committee. The committee has set-about gathering information from peer communities throughout the Commonwealth as they perform their study. We are encouraged by their efforts and share their views on a range of issues. We hope our report offers both the town and the committee useful insight toward enhancing the structure of government and its various decision-making processes.

Hamilton and Wenham Merger Analysis - In the course of conducting this financial management review for the Town of Hamilton, local officials consistently noted steps the town has taken with the Town of Wenham to share costs. Almost universally, opinions were that further opportunities need to be pursued to combat ongoing increases in operating costs, and included was the possible corporate merger of the two towns. It is our understanding, as well, that the subject of a merger, though lacking consensus, is today more widely and openly discussed among local officials and residents of each town than in the past. These circumstances prompted us to make the option of a merger analysis by DOR available to the Towns of Hamilton and Wenham, at no cost to either community. The selectmen in each town have

accepted this offer. Neither the DOR offer, nor its acceptance by the selectmen represents an endorsement of a Hamilton and Wenham merger.

The merger analysis has not begun in earnest and will not be completed until next spring. In the meantime, the merger analysis and this financial management review should be regarded as two, stand alone reports. The recommendations we offer here reflect those we believe the town should address immediately irrespective of whether or not a merger is contemplated or pursued. Conversely, advances made in the implementation of our recommendations presented in this report will not create obstacles in a merger discussion and should, in fact, strengthen the town's financial operation in a way that advances future cost sharing considerations.

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## Overall Financial Management

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A review of the town'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 town 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 town's organizational structure on the operation of government. We scrutinized the town'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.

In Hamilton, the board of selectmen functions as the executive and town meeting is the legislative branch of government. Town by-laws provide for the appointment of most department heads by the selectmen (Chapter III, §§10, 12) and for the establishment of a municipal finance department under M.G.L. c. 43C, §11 (Chapter III, §15). There is a finance and advisory committee which is responsible for proposing the budget at annual town meeting under M.G.L. c. 39, §16. The town has a three member, elected board of assessors. In addition to the fore mentioned financial bodies and structures, there are inter-jurisdictional committees on long-range planning, capital management and the budget process that include membership from Hamilton, Wenham and the regional school district.

A town administrator monitors the day-to-day functions of municipal offices. A finance director oversees the accounting and treasurer/collector offices. She also serves as the town accountant. A treasurer/collector is appointed by the selectmen and reports to the finance director on all cash management and collection activities. The board of assessors appoints a full-time director of assessing to manage operations at town hall.

Currently, the town is examining its government structure and has commissioned a town government study committee for this purpose. Simultaneously, the board of selectmen has pursued an exhaustive number of initiatives related to planning and research. For example, a blue ribbon committee has been appointed to research ways for the regional school district to save money and/or increase revenue. The selectmen have also asked the department of public works to serve as a test-department for the CitiStat-style performance management program, with the intent to bring additional departments onboard over time.

Conclusion – Everyday administration of essential functions is run by skilled and knowledgeable professionals. Financial personnel have put adequate checks and balances in place to ensure the proper handling of town funds. However, there is an absence of formal authority to direct initiatives that cross departmental lines.

While noble in their intent, the proliferation of town initiatives has a tendency to create a burden on the board of selectmen and departmental staff. Furthermore, the ability of staff to act decisively on management objectives is limited by both time constraints and the authority of the positions themselves as presently constituted. Therefore, our recommendations call for a more linear approach to management. We recommend structural changes such as increasing the capacity of the town administrator's position and reducing the number of town committees. We also recommend procedural improvements related to board meetings as well as the budget process. Finally, we suggest alternative methods to achieving the goals outlined by the board in a way that hastens their completion while reducing the workload of professional staff.

### ***Recommendation 1: Enhance Authority of the Town Administrator***

We recommend that the town restructure the town administrator's position to give it more authority. The selectmen, with approval of town meeting, have appointed a town government study committee. One of the areas that the committee is examining involves the capacity and structure of the town administrator's position. We agree that the town's management structure warrants attention. While the incumbent is able to function well as a result of years of experience and personal reputation, the position itself lacks formal authority. In reconsidering the role of the office, the town should reflect on the most effective way to bring focus to bear on financial management and centralized decision-making.

This recommendation reflects the bias of DOR, favoring a more centralized organizational structure and a point of view derived from observing the collective experience of Massachusetts municipalities. Over time, a single management presence has emerged as an important way to promote clear lines of authority and accountability in government. Toward this end, listed below is a sample of steps that can be taken to help strengthen the town administrator's position.

- Delegate appointing authority so that department managers are appointed by and report to the town administrator;
- Assign the town administrator responsibility to complete regular performance evaluations of all department heads and require all department heads to routinely evaluate their staff (See Recommendation 5);
- Assign the town administrator responsibility to complete multi-year revenue and expenditure projections, and to develop the town operating and capital budgets;
- Assign the town administrator the responsibility to perform impact analysis on proposed labor agreements and incorporate assumptions into a budget forecast;
- Assign the town administrator responsibility for overseeing the CitiStat program.

Under the Home Rule Amendment to the Massachusetts Constitution (Amendment Article 89) and the Home Rule Procedures Act (M.G.L. Ch. 43B), cities and towns can form a charter commission to adopt a new charter; entirely revise an existing charter, or amend selected charter provisions. As an alternative to the Home Rule Charter process under Ch. 43B, communities can also adopt, revise or amend a charter by a special act of the State Legislature with approval by the Governor. The Division of Local Services (DLS) has published guidance for communities seeking charter modifications and other types of government restructuring. This information is available through the DLS website at [www.mass.gov/dls](http://www.mass.gov/dls). Once on the website, click on Financial Management Assistance.

### ***Recommendation 2: Reduce Number of Goals and Objectives***

We recommend that the board of selectmen reduce goals and objectives to a more manageable number. Currently, the board of selectmen has two lists of various projects and tasks in an effort to organize and bring closure to multiple items. The list we were presented with at the time of our site visits was 127 items long. We were also made aware of a second list of 48 goals and objectives that are intended to represent higher priorities. We suggest that the combined number of tasks is unwieldy. Furthermore, continually raising these issues in public meetings gives the appearance that government is stagnant and ineffective. With an understanding of board objectives, we suggest the town administrator meet with the appropriate departments to identify and prioritize a short list of projects to be completed over the next 12 months. A realistic time frame for reports to the selectmen and for completion of each task should also be developed. To succeed, the board needs to accept the modified list and resist making mid-year changes while relinquishing control to the town administrator.

### ***Recommendation 3: Improve Workflow***

We recommend that the selectmen consider options to lighten their workload. The selectmen meet every week. Meetings frequently last three hours or longer, with the selectmen dedicating substantial time to various projects during the remainder of the week, as well. As a result, their weekly activities not only consume time, they also place time constraints on staff who must prepare information packages and on the town administrator who is pressured to complete and report on tasks.

Compared to our experience with other towns, this is an unusually heavy schedule. As such, we recommend the following as ways the selectmen might more effectively allocate their time.

- 1) *Meet every two weeks* - The only compelling justification for weekly meetings would be to sign payroll warrants. Instead, selectmen can individually sign

- payroll warrants on off-weeks, or they can explore moving all employees to bi-weekly payrolls. Over time, the workload will adjust smoothly to the schedule.
- 2) *Place time limits on discussion of each agenda item* - Time allowed for discussion should be assigned to each agenda item. The chair must be committed to enforcing the time limits. Board members must be willing to accept limits and recognize that good decisions are less likely to be made late into the night toward the end of a marathon meeting.
  - 3) *Incorporate a consent agenda* - A consent agenda allows the board to move a large amount of routine items, which are not contentious, into a single agenda line. This applies to all items requiring a formal board vote under the law, but which do not warrant lengthy discussion before the board takes action. Consent agendas are usually prepared in advance of the meeting by the town administrator, then presented and voted at the beginning of meetings. The selectmen will review the material prepared for each item on the agenda in advance of the meeting. As the term “consent” implies, if even a single member of the board believes that an item on the consent agenda warrants further discussion, the item must be removed and taken up separately.
  - 4) *Articulate expectations* - The chair should meet with the town administrator to agree on what level of reporting, if any, will be made on agenda items. In this way, preferences of the board, as expressed through the chair, should also be specific about what information is needed in order for the selectmen to feel comfortable making a decision. The town administrator would then know to make that information available so that decisions can be advanced.

#### ***Recommendation 4: Establish Formal Budget Calendar***

We recommend that town officials adopt a formal budget calendar and adhere to the roles established therein. There seems to be a consensus among town officials that greater attention toward the budget process is warranted. We agree. However, with many inter-jurisdictional bodies, such as the capital management committee and the budget process committee, creating multiple moving parts, arriving at the final budget number seems laborious. We advocate a more linear approach. Therefore, we recommend that the town formally modify, and establish in writing, a budget calendar accordingly. A model that we typically advocate consists of the following steps:

*Early November* – As a first step, revenue and fixed cost projections for the upcoming fiscal year should be completed and presented to the selectmen, finance and advisory committee and regional school representatives for consensus. The combined group should resolve to make no adjustments to the revenue projections after a certain date or event in the spring. Furthermore, decisions should be made on how to allocate any new revenue that is identified when projections are updated (e.g. percent schools/town split or other method). Multi-year revenue and expenditure projections should also be developed by the town administrator and presented at this time.

*Early December* – Based on projections, budget guidelines should be developed by the finance and advisory committee, in consultation with the town administrator, and distributed to department managers as they begin to prepare their appropriation requests.

*Early January* – A deadline should be set for the submission of departmental requests and the town administrator should assemble a working, or draft, budget document.

*End of January* – By the end of January, the town administrator should complete budget meetings with department managers. An adjustment can be made to revenue projections based on proposed state aid distributions in the Governor’s budget (House 1 or 1A). The change should be presented to the selectmen and the finance and advisory committee for consensus and agreement to apply any previously accepted allocation formula.

*Mid-February* – The town administrator’s budget recommendation should be presented to the selectmen and on their approval to the finance and advisory committee for its review.

*Late April* – Revenue projections can be adjusted again based on a House/Senate joint local aid resolution which may be passed in the first week of April, or on state aid in the House Ways and Means budget at the end of the month. Again, the selectmen, finance and advisory committee and school district representatives should be advised and agree on the allocation of any changes in state aid.

*By May* – The finance and advisory committee should complete its review and prepare its budget recommendation for presentation to the annual town meeting.

### ***Recommendation 5: Conduct Performance Evaluations***

We recommend that the town conduct performance reviews for all employees. Reviews of staff performance are most effective when deliberately and consistently linked to the mission and goals of their respective departments. Starting from the top with the board of selectmen evaluating the town administrator and cascading down throughout the government, 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 town 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 town should also be aware that instituting performance reviews is subject to collective bargaining for union employees.

### ***Recommendation 6: Reduce the Number of Committees***

We recommend the board of selectmen review the status of all volunteer committees and make a recommendation to town meeting concerning their retention or dissolution. The assistant to the town administrator lists 27 committees with a total of 133 members appointed by the board of selectmen. There are also a number of boards and committees that are elected or appointed by other officials. State law requires some committees, but the selectmen appoint most. The selectmen and the town administrator also participate on several of the committees appointed by the board. Consequently, the selectmen and the town administrator are expending additional hours attending committee meetings, and responding to demands for information during the work day.

We recommend that the selectmen review the status of all volunteer committees to determine whether they advance town interests and contribute positively to the decision-making process. Committees that are dormant, which have achieved their purpose, or whose purpose is no longer relevant should be disbanded. Committees whose existence is justified should be reconstituted with a renewed mandate. A reporting requirement and a deadline for action should be established. For some committees, a sunset clause is appropriate.

Moving forward, we suggest that selectmen set ground rules, expectations, and reporting mandates for new committees. Although compelling reasons do arise, if a committee reports to the board, placing a selectman among its members seems counter-productive, and not the best use of the selectman's time. When information from town departments is relevant to committee work, a process for obtaining it should be made clear. Circumventing that process by committee members should be discouraged. We would expect cooperation from town employees, but selectmen can make it clear to committee members that town hall staff have full-time responsibilities, and that their first obligation is to fulfill the requirements of their job.

### ***Recommendation 7: Enhance Capital Budgeting***

We recommend that the town establish formal policies on capital spending. While Hamilton, Wenham and the regional school district have a very progressive inter-jurisdictional model for capital budgeting (i.e. the capital management committee) there is limited long-term planning and consideration taking place at the town-level in Hamilton, itself. It is our understanding that the town evaluates capital needs in terms of projects and equipment purchases exceeding \$25,000, though it is not formally established in any written policy or by-laws. We recommend adding those assets whose useful life exceeds five years to the list of items considered for capital spending. Moving forward, the town should also agree upon policies that add clarity to capital spending by establishing:

- Uniform criteria for determining what qualifies as a capital expenditure. Typically distinctive characteristics include a minimum useful life threshold (e.g., five years)

and a minimum dollar amount threshold (e.g., \$25,000). If a project fails to meet a minimum life-span requirement and minimum cost threshold, it must per the policy be funded through a line-item in the department's budget.

- Objective criteria for prioritizing capital projects. To arrive at an objective means to compare the urgency of proposed projects and to formulate a priority listing, each requested capital project or purchase might be given a score based on answers to questions such as those listed below. Once all are scored, a ranking will emerge.

- Is the project necessary to address public safety issues?
- Is the project legally required, i.e., to satisfy ADA standards, or a court judgment?
- Are there timing issues, i.e., will the town face extra-ordinary costs if a capital project does not move forward, or an on-going project is over budget?
- Does the proposed project have future operating cost impacts?
- Is the cost necessary to address deferred maintenance?

Criteria need not be limited to the above, and scoring is more meaningful if weighted. As a matter of process, we would typically expect the town administrator to prioritize requests received from those departments that report to him/her and submit his rankings to the capital improvement committee for consideration. The committee should then evaluate the proposals, together with town-wide requests, applying criteria similar to that outlined above to arrive at its final recommendation.

We further recommend that Hamilton develop a capital improvement plan for the next three to five years. It is our understanding that Hamilton accepts capital requests annually as part of the budget process for the ensuing fiscal year. We recommend a multi-year planning approach. All department heads should annually submit capital needs to the town administrator extending three to five years into the future. Such submissions should be made in early fall. The town administrator should evaluate departmental requests and present a recommendation to the selectmen for deliberation, 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 plan for the town, a proposal should be submitted to the finance and advisory committee. We advise the town 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 town'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.

***Recommendation 8: Develop Reserve Policy; Avoid RAN Borrowing***

We recommend that the town develop a policy to address the community's reserve and cash flow needs. Hamilton's financial reserves are narrow in comparison to general DLS benchmarks. According to the latest data available to the municipal databank, the town's combined total of free cash (\$131,887) and general purpose stabilization fund (\$598,722) combined for 2.97 percent of the FY2008 general fund budget (\$24.6 million). Unclear at this point is how the town might choose to spend-down these reserve amounts during FY2009, as well as what additional free cash (if any) might be generated through surplus revenue or departmental turn-backs. The finance and advisory committee also maintains a reserve fund for unanticipated expenses under M.G.L. c. 40, §6, the appropriation for which is \$120,000 in FY2009.

In 2005, Hamilton received a downgrade in its credit rating (Aa3 to A1) from Moody's Investor Services, which is their most recent bond rating report for the town. In its report, Moody's cited diminishing available reserves in prior years as a chief factor in its decision. In addition, given the lack of stabilization funds from which to borrow internally, Hamilton had to issue Revenue Anticipation Notes (RANs) in 2007 and 2008 in order to meet cash flow needs around monthly payments to the Hamilton-Wenham Regional School District. In FY2009 alone, the town has borrowed \$1 million, for which it will pay \$18,688 in interest. On the other hand, if the town had adequate stabilization balances, some or all of these funds could be borrowed internally, thus forgoing interest payments in the first place.

Moving forward, to avoid downgrades, short-term borrowing, further erosion in reserve levels and subsequent financial exposure, a formal reserve policy should be adopted and adhered to. Such a policy would represent a conscious decision about, and define in specific language, the amount of available funds to be retained in any given year, as well as the circumstances under which these reserves will be spent.

Reserves in a municipal context typically include free cash and stabilization fund balances. A formal reserve policy should reflect a consensus among board of selectmen and finance and advisory committee members that defines target reserve levels as part of a broader financial plan. Toward this end, we would expect policy-making boards to act on the recommendations of the town administrator and finance director. The town's financial advisor (First Southwest Company) can also be of assistance in developing a policy specifically for Hamilton.



In general, healthy free cash reserves should be in the 3-5 percent range of annual general fund revenue. As a rule, free cash should be treated as one-time revenue and, therefore, only be put toward one-time expenses or stabilization. However, when municipalities fund operating budgets with free cash, it is sound policy to retain as unexpended an amount of free cash equal to that used in the operating budget. This unexpended amount then serves as a starting point for the next year's free cash calculation. There should also be balances in stabilization to bring the total reserve up to the 5-7 percent level or beyond.

***Recommendation 9: Develop a Manual of Uniform Administrative Procedures***

We recommend that department heads develop procedures for all routine internal functions. The town administrator has expressed an interest in documenting certain department-specific processes. We agree with her that this is a worthwhile pursuit. As a means of bolstering internal controls, documented procedures provide instructions to help maintain vital and routine processes in the absence of those staff who normally perform them. To assist the town, we have provided a simple framework below. There are five key elements that should be addressed by a procedure in addition to a general statement of the subject matter:

- Purpose:* Usually a brief sentence stating what the procedure is intended to accomplish. (For example: To provide information on legal requirements and internal controls for the accounts payable process.)
- Authority:* A list of references to all Massachusetts General Laws, town charter sections, by-laws or contracts that govern the activity being performed.
- Distribution:* A list of those positions that are affected by the requirements of the procedure. (For example: treasurer/collector, clerk, etc.)
- Policy:* A concise statement or list of any management directives that influence the procedure. (For example: with respect to accounts payable – “Every department shall adhere to uniform procedures when purchasing any item and when paying for items received by, or services rendered to, the town.”)
- Procedure:* The actual step-by-step tasks that are to be followed in order to complete a given process. This is a detailed, technical narrative that can also include schematic models that illustrate and explain workflow.

Often, routine procedures will remain in place simply “because it is the way it has always been done.” Articulating a procedure in the context of its purpose, the governing authority, those responsible for performing the activity, and the policy behind it, makes it easier to identify when

a particular practice no longer meets its goals as intended. All procedures should be reviewed and approved by the town administrator in consultation with the financial team.

### ***Recommendation 10: Consider Insurance Options***

We recommend that, as part of the budget process, the town annually evaluate options regarding employee and retiree health insurance. Currently, the town offers a number of health insurance plans for both active and retired employees and covers 75 percent of premiums for the same. In FY2009, the cost for these benefits is budgeted at \$697,229. We understand that the town is beginning to consider a number of healthcare alternatives to reduce overall costs. We encourage officials to hold these discussions on an annual basis. As part of these annual evaluations, we think town officials ought to consider the following:

- Review each town-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 or regional purchasing consortium.
- Negotiate a larger percentage contribution from employees in more expensive plans.
- Consider the Group Insurance Commission (GIC) option – see below.

All town officials should be aware that legislation approved last year (Chapter 67 of the Acts of 2007) offers communities the option of joining GIC. Therefore, the town should review the GIC offerings independently on an annual basis in order to gain an up-to-date analysis.

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. As of July 1, 2008, 12 municipalities and regional school districts are participating. The town should be aware that the new law currently requires coalition bargaining, in accordance with M.G.L. c.32B, §19, with representatives of local unions before joining GIC. More information on plans, rates and administration can be obtained via the internet at:

[www.mass.gov/gic/municipalities/municipalityresources.htm](http://www.mass.gov/gic/municipalities/municipalityresources.htm).

### ***Recommendation 11: Limit Use of Personal Service Contracts***

We recommend that the town limit personal service contracts to those positions specifically authorized by statute or special act. The town has currently entered six employment contracts with department head or management-level employees. However, there was some

discussion among individuals we interviewed that the town may be inclined to move additional employees to such personal service contracts. This is not a common practice, nor is it one that DLS encourages.

As a rule, individual employment contracts are limited to one year and cannot include any special fringe benefits not otherwise available to other employees. The reason is that appropriations for these operating expenses are made annually and no binding contracts can be made in excess of available appropriations. Consequently, under state law, all employees have employment contracts with the municipality for the wages, benefits and leave package provided as a result of budget appropriations, benefits provided in general laws and in by-laws, and through the lawful establishment of a salary or a wage.

There are, however, limited circumstances where multi-year employment contracts are expressly authorized by state law. As pertains to Hamilton, they include multi-year agreements for the finance director/town accountant and the police and fire chiefs. There is provision in the general laws for the town administrator. However, records provided to us indicate that Hamilton does not contract for her services. Special acts may also create additional exceptions.

As a practical matter, the proliferation of contracts has the potential to make for cumbersome and inconsistent personnel administration. With numerous contracts to manage, problems can easily emerge. The town needs to administratively plan for the funding of costs for these contracts. Entering into contracts with individual employees, yet across departments, creates the opportunity for an uneven playing field to emerge between similar positions.

Developing a separate classification schedule for department heads and managers, on the other hand, eliminates the time consuming demands of on-going negotiations and the potential for unanticipated cost increases. To the extent that inequality is either occurring or is perceived, individual employment contracts could also give rise to suspicions between and among town personnel and otherwise impact morale. By contrast, a classification schedule would help reassure employees, town residents and taxpayers that the process for setting salaries is both impartial and transparent.

### ***Recommendation 12: Convert to Bi-Weekly Payroll***

We recommend that Hamilton negotiate to move town personnel from a weekly to bi-weekly payroll schedule. Most employers in both the public and private sectors, including the Commonwealth, compensate employees on a bi-weekly basis. Furthermore, the Hamilton-Wenham Regional School District is already on a bi-weekly pay schedule. Paying employees bi-weekly would create an advantage on non-paycheck weeks by freeing up staff time enabling them to focus on other tasks. To move employees to a bi-weekly pay period will require collective bargaining.

***Recommendation 13: Budget for Compensated Absences***

We recommend that the town annually appropriate, in a single budget line-item, a sufficient amount to fund compensated leave obligations. When employees leave town service, they are entitled to payment for varying amounts of unused vacation and sick time accrued based on contracts and pay rates.

The payment due a retiree is charged to the balance remaining in the department salary slot he or she vacated. Using this money to cover compensated absences means it is not available to hire a new person. As a result, departments may be short-staffed and operations negatively affected. Furthermore, there is no guarantee that the department's appropriation balance will be sufficient to cover the obligation.

Compensated absences are viewed as a liability of the town for financial reporting purposes, as opposed to a liability of individual departments. Therefore, a more appropriate funding mechanism is to budget for them aggregately in a free-standing budget line-item. Since leave balances are already tracked centrally, the finance director and town administrator should be able to provide a reasonable estimate for the appropriation. Having an understanding of who is eligible, and likely to file, for retirement will help serve as a guide when budgeting for compensated absences, as well.

We further recommend that the town adopt a uniform policy regarding vacation carryover. It is our understanding that different departments have different arrangements regarding leave time. While some employees may carryover time from year-to-year, others are required to "use or lose" by year-end. The manner in which leave is accrued also differs. We suggest that such inconsistencies create both real and perceived inequality in personnel administration that could impact employee morale and, therefore, should be addressed in a thoughtful, uniform way.

***Recommendation 14: Restrict CPA Debt Service to Local Surcharge Revenue***

We recommend that the town avoid reliance on the state matching portion of Community Preservation Act (CPA) funds when planning debt payment schedules. While this is not currently an issue in Hamilton, it was contemplated by some town officials that CPA funds might eventually be leveraged to fund eligible projects through the issuance of municipal bonds. As the number of communities approving the CPA program has grown statewide, the percentage match from the state for individual communities is declining. Therefore, should Hamilton seek to use CPA funds to meet debt service obligations, we urge the town to rely only on those funds collected through the property tax surcharge and *not* those funds distributed by the Commonwealth.

## Technology

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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, financial and operational systems' heavy reliance on technology necessitates that knowledgeable, system-savvy individuals be involved in the purchase and support of equipment and software. To facilitate this need, communities often employ one or more full-time professionals as part of an IT department or unit.

IT resources in Hamilton include 25 desktop computers, three laptops and 20 printers. Data on the town's servers is backed-up on tape daily and stored in a vault. The town is also in the process of developing a fiber loop linking Hamilton with the Town of Wenham and the regional schools.

The town has an outside contractor (Andrew Wood) who manages the network and systems remotely from Scottsdale, Arizona. The contractor is onsite for one week each month and, in his absence, performs troubleshooting functions via a virtual private network (VPN) connection. In instances where the contractor is not available and the town requires onsite assistance, an arrangement exists between the contractor and personnel from the regional school district, who respond to needs at no cost to the town.

The contract, effective for July 1, 2008 – June 30, 2009, states that the contractor must provide IT support to all municipal and public safety departments. These services include anti-virus protection (using Symantec software), trouble-shooting and repairs, hardware/software purchasing as well as upgrades to the MUNIS, Vision, Harper's and Microsoft Office applications. Hamilton is also in the process of contracting with Virtual Town Hall to upgrade and maintain the official town website.

Conclusion – While we are skeptical about the IT contractor being headquartered in Arizona, the arrangement seems to work to the satisfaction of most staff we spoke with. Beyond that we have modest additional guidance for the town, which spends a relatively small amount in order to maintain a secure IT network at multiple facilities. However, development of a disaster recovery plan is strongly advised in order to provide for the continuity of operations and records in the event of extreme emergencies. Furthermore, the town should also be advised that there are several recommendations elsewhere in this report which will require IT solutions in order to implement.

### ***Recommendation 15: Develop a Disaster Recovery Plan***

We recommend that officials commit to a written information technology (IT) recovery plan. Although the town has taken precautionary steps to protect critical data, including

performing routine backups, we suggest that officials work toward finalizing and committing to a written recovery plan. Such a plan addresses the following issues:

1. Identify the maximum acceptable down-time for municipal operations and the maximum acceptable data loss (in terms of days);
2. Ensure that the routine backup and storage of data allows you to meet the requirements set;
3. Build and implement a well-documented, written plan that sets-out the steps to be taken in the event of a minor or major data loss event. Test and update the plan regularly;
4. Train staff so that their individual and collective response is immediate and confident in the case of an event. Assign responsibilities and identify outside people or consultants to be contacted; and,
5. Analyze the cost of the recovery program and allocate the resources necessary to implement it. Balance the value of data with the cost of recovery.

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## Finance Director/Town Accountant

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The accountant has a legal obligation to oversee all financial activity of a municipality. 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 local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue and is typically involved in the annual budget process.

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

In Hamilton, a finance director is also appointed to the position of town accountant. The finance director has been with the town for approximately two years following a career in corporate finance. She maintains a general ledger that, at an aggregate level, conforms to the Uniform Massachusetts Accounting System (UMAS), which is the universally accepted standard for municipalities. The assistant town accountant, who has been with the town for eight years, is a full-time staff person. The finance director has a private office while the desk of the assistant town accountant is in a shared space with staff from other town departments. Both have a desktop computer with Microsoft Office installed. Also installed on both computers is the MUNIS financial software, which includes the town's general ledger.

Reconciliations occur monthly, as recommended, and departments are receiving monthly budget reports, as required by statute. The finance director works with the administrator of assessing on the annual Tax Recap sheet and provides financial data to boards and committees as part of the budget process. She also performs multi-year financial forecasting for the purpose of informing board and committee members as to the ongoing relationship between revenue and expenses. She maintains a debt schedule and uses departmental turnover sheets to confirm receipts as reported by the treasurer.

Conclusion – The finance director performs her duties in conformance with professional standards and Massachusetts General Laws. Additional demands are placed on her in light of her responsibilities to board and committee members interested in pursuing higher-level projects and analyses. Our recommendations are designed to further improve financial reporting and internal controls.

***Recommendation 16: Establish New Chart of Accounts According to a Reasonable Timetable***

We recommend that the town support the finance director's plans for a new chart of accounts. The Uniform Massachusetts Accounting System (UMAS) is the preferred method of municipal accounting in the Commonwealth. The finance director/town accountant in Hamilton is currently using a chart of accounts that is less specific than that of a typical UMAS format. The chart, which predates her employment as town accountant, uses typical function and organizational codes - i.e. codes that identify functional areas such as general government, public safety, education, etc as well as organizational units such as departments. However, Hamilton only makes use of a limited number of expenditure objects, which distinguish expense activity such as payments for energy or non-energy utilities, repairs and maintenance, and office supplies. Furthermore, the UMAS system has a number of unassigned expenditure objects which provides the opportunity for communities to track spending with even greater specificity – which is also not being taken advantage of in Hamilton.

Using the police department as an example, appropriations for salaries and expenses totaled nearly \$1.4 million in FY2008. To manage and track spending in this department, the current chart of accounts provides just two account codes, i.e. 15210:510010 for \$1,327,013 in salaries and 15210:540008 for \$65,225 in expenses. A similar pattern of accounting is repeated in other town departments. In our judgment, it is unreasonable at present to expect that the finance director, or any other town official, can track town spending in a specific enough manner to accommodate the performance based budgeting ideals espoused by the board of selectmen. Noble as the selectmen's intentions are, the two systems are incompatible. Furthermore, developing and implementing a UMAS chart of accounts, in-and-of-itself, is a substantial undertaking. Therefore, the new chart of accounts should be implemented on an agreed-upon timetable established by the selectmen and the finance director.

A broader description of UMAS accounting is offered in the UMAS Manual published by the Division of Local Services. Chapter 7, in particular, describes the various expenditure accounts that comprise a UMAS chart.

***Recommendation 17: Move All Worker's Compensation Administration into the Accounting Office***

We recommend that the finance director move all management of worker's compensation into her office. Claims administration is a disjointed process. The finance director oversees administration of the worker's compensation program, including estimating budgets and managing claims. However, for reasons that are not clear, claims and other documentation are run through the town clerk's office. Because of the need to maintain confidentiality in such cases, it makes sense to limit access to files and other material to as few individuals as possible.



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## Treasurer/Collector

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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 town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town 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 accountant 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 collector possesses the authority to collect all monies 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 daily. 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 accountant 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.

In Hamilton, the treasurer and collector roles have been functionally combined. Furthermore, Chapter V, Section 1 of the town by-laws establishes the collector's position as that of a "town collector" and, thus empowers the incumbent to collect all monies due the town even though the by-laws and other official town documents make frequent reference to a "tax collector." The treasurer/collector has served in her current position for the past nine years with prior experience in the private sector. She is a Certified Massachusetts Municipal Collector and Treasurer (CMMC, CMMT).

The treasurer/collector oversees a staff of one full-time assistant treasurer/collector as well as a part-time administrative assistant. However, at one time the administrative assistant's position was full-time prior to eliminating hours due to budget constraints. Nevertheless, work in the treasurer/collector's office, located near the front door of town hall, has not declined. Payroll is processed on a weekly basis using a custom-designed Excel file uploaded to an outside payroll vendor's system (Harper's Payroll Services).

Staff are each equipped with computer terminals where financial software and web-based applications are used to perform daily work. However, the workspace is cramped and no private office exists in order to speak discretely or confidentially with those who come to the office with

concerns about tax bills, payroll deductions and other sensitive issues. Customers are able to make payments at a window near the front of the office. In addition to counter service at town hall, payments are taken via US mail, lockbox (Century Bank) and online (Unipay). A deputy collector (Kelley and Ryan) has a contract with the office to pursue delinquent motor vehicle excise accounts.

Conclusion – The treasurer/collector’s office appears to run very well. The treasurer/collector is an experienced professional who is knowledgeable and credentialed. There are adequate checks and balances in place to ensure the proper handling of money. The payroll process uses technology to streamline the transmittal of hours and distributions to the payroll vender. While we are encouraged by the ability of the office to perform well in spite of a recent staffing reduction, we did find two areas related to internal controls that warrant attention.

***Recommendation 18: Conduct Reconciliations of Receivables on a Monthly Basis***

We recommend that the treasurer/collector meet monthly with the finance director/town accountant to reconcile the receivables control with the general ledger. Currently, the two perform this process approximately once per quarter. While reconciliations of cash remain on a monthly schedule, the treasurer/collector reports reduction in staff hours as the cause of less frequent examination of receivables.

While the treasurer/collector is diligent in maintaining her receivable accounts, it is important that monthly balances also match those of the accountant. For her part, the accountant, under M.G.L. c. 41, §57 is the chief financial record keeper of the town and, as such, it is necessary that her books be current. Frequent reconciliations are an important internal control that make it easier to locate and correct any posting or reporting errors and will help ensure that the town’s financial records are accurate.

***Recommendation 19: Require Administrative Sign-Off for Changes in Employee Status***

We recommend that the town administrator review and sign uniform personnel action forms for employee status changes and payroll deductions. The assistant treasurer/collector is currently responsible for entering all changes in employee status or deductions into the payroll system (Harper’s). While it is acceptable for the assistant treasurer/collector to continue entering such information into the Harper’s system, we feel that without written authorization from a management-level individual, an unfair burden of responsibility is placed on her, or on any administrative personnel.

Therefore, as part of further centralizing the personnel function, we recommend that the town develop a uniform personnel action form to track changes in employee status. We further

recommend that the form include signature lines for the town administrator and the department head. No person, including the assistant treasurer/collector, would be permitted to key-in changes in employee records without a duly authorized personnel action form.

***Recommendation 20: Develop Written Policies on Personnel and Payroll Records***

We recommend that the treasurer/collector develop a written policy to separate and restrict access to personnel files. To the knowledge of staff we spoke with, Hamilton has no specific policies or rules concerning personnel files. Therefore, officials should prepare and commit to a policy that sets standards for file maintenance and storage, and that restricts file access. Personnel files for each employee should contain information regarding their relationship with the municipality and should be maintained in a way consistent with state and federal laws, regulations, and town policies. There are three specific types of employee information that can be maintained in the same location, but must be filed in separate folders.

1. Personnel data, including all documents kept by an employer that have been used or may affect qualifications for employment, promotion, transfer, additional compensation, or disciplinary action, as outlined under M.G.L. c. 149, §52C;
2. Personal information, protected under M.G.L. c. 214 §1(b); and
3. Medical records including Workers' Compensation and Family and Medical Leave, protected by the Americans with Disabilities Act.

In addition, it is recommended that the Form I-9 required of all employers by the federal Immigration Reform and Control Act of 1986 be kept in a fourth separate folder. While a separate folder is not required by the law, anyone authorized to examine the I-9 is, by definition, granted access to any other materials in the same folder. It is the responsibility of the town to authorize (restrict), through a written policy, access to employee files.

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## Assessors

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The assessors' office is responsible for valuing all real and personal property in the town, assigning tax payments to owners, and generating the commitment authorizing the treasurer/collector to collect real and personal property 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 selectmen 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 Hamilton, the volume of work in the assessing department involves 2,475 residential real estate parcels, 60 commercial/industrial accounts and 258 vacant and other parcels. The town bills on a quarterly basis and has single tax rate (\$13.39 per \$1,000 of assessed value). There are approximately 8,000 motor vehicle accounts yielding \$966,435 in excise revenue in FY2007.

Day-to-day activities in the assessing office are directed by the full-time director of assessing, who is appointed by a three-member elected board. There is one full-time administrative assistant who primarily handles abatements and maintaining the records of the department. The department also has a contract with a part-time valuation consultant who performs mass appraisal and triennial and interim year valuation work for the town. The Vision software package is used to track real estate and personal property accounts.

In FY2008, the department budgeted an overlay account of \$98,873 for exemptions and abatements. There are no overlay deficits reported in prior years. The office has worked to make additional information available through the town's website and has a computer terminal at the counter to accommodate customers coming into town hall.

Conclusion – The board of assessors is active and engaged in understanding town real and personal property values and applying that knowledge toward approval of abatements and exemptions. The director of assessing is experienced and professional and, along with the valuation consultant and administrative assistant, ensures that values are kept up-to-date and accurate. Indeed, 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. The recommendations that we offer below are intended to further improve the flow of information between the assessing office and other town departments.

***Recommendation 21: Require Electronic Submission of Plans***

We recommend that the assessing office work with the planning board to require that all subdivision and other plans submitted to the planning board be in an electronic format. The planning board has it within its authority to require all applicants to submit plans in an electronic format. If this were the case, plans could be forwarded to the assessing office electronically for record keeping and map updating purposes. The electronic submission of plans is becoming a more frequent practice in municipalities. It is also a cost saving measure. The town will not have to pay for a hard copy conversion of plans to an electronic format in order to update assessing maps.

***Recommendation 22: Receive Copies of Permits from Building Department***

We recommend that the assessing office receive copies of the actual building permit from the building department. Currently, the assessing office receives an Excel file of information taken from building permits issued by the building department. Staff from the building department key the permit information into Excel. Once the assessing office receives the file, the administrative assistant subsequently keys the same information into the Vision software.

A photocopy of the actual building permit would be of greater value to the assessors. Staff in the assessing office can enter the permit information once, and the data will be available to both departments electronically. With more information, the ability of the assessor to capture all new growth and the potential to generate new revenue for the town increases. Therefore, we recommend that the director of assessing and the building inspector explore how copies of permits might be provided. Looking ahead, the town should consider purchasing permitting software that will allow building permits to be electronically transferred to, or accessed by, the assessing office.

***Recommendation 23: Add Pro Rata Portion of Overrides to First and Second Quarter Tax Bills***

We recommend that the assessing office include a pro rata share of any approved Proposition 2 ½ override on the first and second quarter tax bills. Hamilton has approved Proposition 2½ overrides in both FY2008 and FY2009. However, the additional amounts attributable to the overrides have not been raised until the third and fourth quarters. By not raising the approved funds in the preliminary tax bills, as permitted under M.G.L. c. 59, §57C and outlined in IGR No. 08-204, the town's cash flow is hindered during the first six months of the fiscal year. In the future, raising the additional amounts earlier will improve cash flow and make the town less dependent on revenue anticipation notes to maintain positive cash balances.

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## Acknowledgements

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This report was prepared by

The Department of Revenue, Division of Local Services

Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Frederick E. Kingsley, Bureau Chief  
Municipal Data Management and Technical Assistance Bureau

Joseph Markarian, Jr., Director of Technical Assistance

Christopher J. Ketchen, Project Manager, Technical Assistance

Everett Griffiths, Field Representative, Bureau of Accounts

Thomas Dawley, Community Advisor, Bureau of Local Assessment

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

Richard Low, Chair, Board of Selectmen

David Carey, Board of Selectmen

William Bowler, Board of Selectmen

Arthur Oberheim, Chair, Finance and Advisory Committee

Susan Wiltshire, Co-chair, Town Government Study Committee

Jack Lawrence, Co-chair, Town Government Study Committee

Carin Kale, Town Government Study Committee

Bill Shields, Town Government Study Committee

Barbara Lawrence, Town Government Study Committee

William Friend, Town Government Study Committee

Susan Rothchild, Town Government Study Committee

Candace Wheeler, Town Administrator

Allison Jenkins, Assistant to the Town Administrator

Deborah Nippes-Mena, Finance Director/Town Accountant

Dyan Katz, Assistant Accountant

Cheryl Booth, Treasurer/Collector

Peggy McLoughlin, Assistant Treasurer/Collector

Robin Nolan, Director of Assessing

Peggy Donovan, Administrative Assistant

John Tomasz, DPW Director