

HILLTOWN COLLABORATIVE

IMPLEMENTATION PLAN FOR A SHARED FINANCE OPERATION

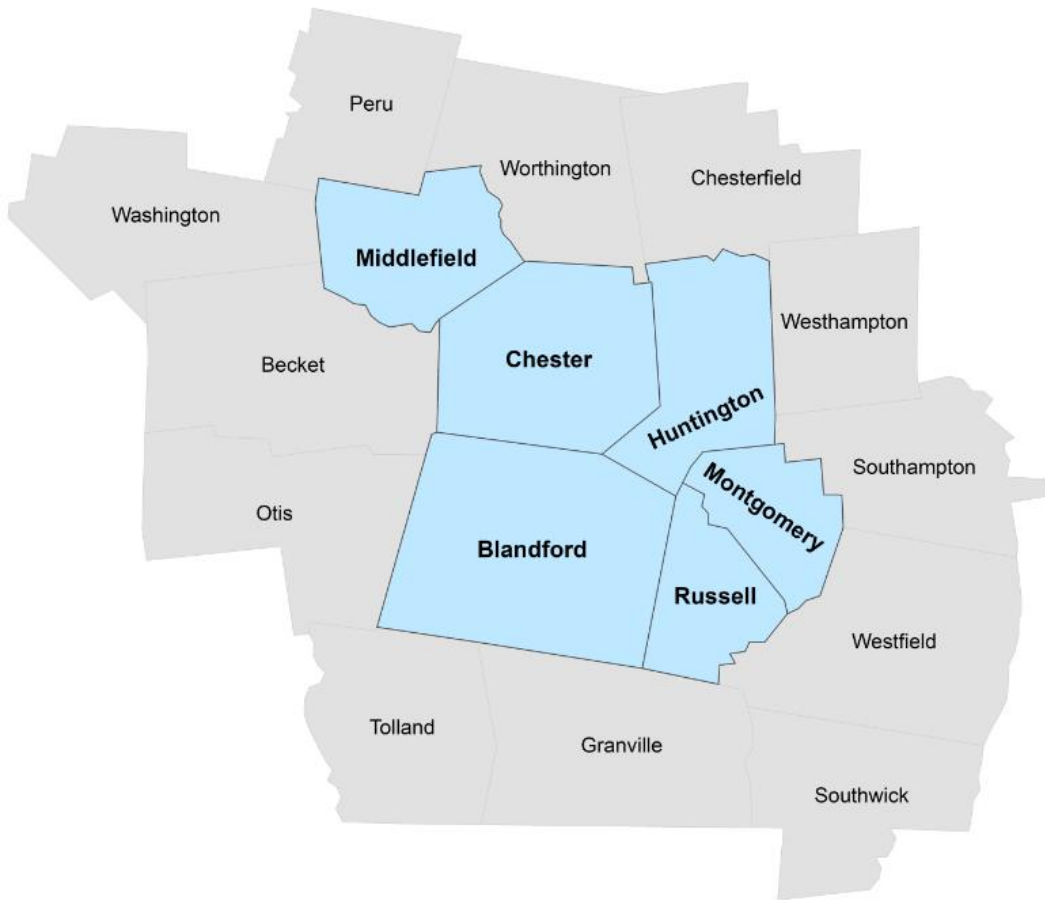
A COMMUNITY COMPACT CABINET INITIATIVE

JUNE 2017



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE



PREPARED BY:

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

June 7, 2017

Hilltown Collaborative:

Town of Blandford
1 Russell Stage Road
Blandford, MA 01008

Town of Huntington
25 Russell Road
Huntington, MA 01050

Town of Montgomery
161 Main Road
Montgomery, MA 01085

Town of Chester
15 Middlefield Road
Chester, MA 01011

Town of Middlefield
188 Skyline Trail
Middlefield, MA 01243

Town of Russell
65 Main Street
Russell, MA 01071

Dear Members,

I am pleased to present the enclosed Implementation Plan for a Shared Finance Operation. It is my hope that the information presented here provides a clear backdrop of the regional issues broadly impacting the Hilltowns and how these six communities can work together to improve their financial management operations. I truly believe that if these communities follow the guidance presented here, they will each be better positioned for the future.

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

Sincerely,

Sean R. Cronin
Senior Deputy Commissioner

cc: Senator Adam Hinds
Senator Donald F. Humason, Jr.
Representative William Smitty Pignatelli
Representative Stephen Kulick
Representative Peter V. Kocot

Supporting a Commonwealth of Communities

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EXECUTIVE SUMMARY

In July 2016, the select boards of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell formed a unique partnership known as the Hilltown Collaborative. This representative body originated from an informal group of community leaders, who met periodically to discuss financial strains between the Gateway Regional School District and its member towns. Today, these six communities have committed themselves through an intermunicipal agreement to pursue the streamlining and enhancement of local government operations through shared services and to explore mutually beneficial economic development opportunities.

The Collaborative's desire to pursue efficiencies was born from the recognition that the current model of maintaining independent but analogous operations across all six relatively small, rural communities was no longer sustainable due to mounting costs and socioeconomic challenges. Similar to many of their peers in the central and western regions of Massachusetts, the Hilltowns have declining populations, increasing budgets, and growing service demands. They also confront the need for greater professional expertise to adequately avoid risk and effectively manage their towns.

These challenges, along with the gradually more difficult task of finding well-qualified staff, are beginning to force communities to fundamentally rethink the way they operate. Recent examples include the movement of multiple communities toward sharing a town administrator and the rise of outside service providers fulfilling traditional town hall financial management roles. For the Hilltowns, the Collaborative is focused on exploring what opportunities exist for these six towns to reorganize themselves in a more efficient and sustainable manner that is less burdensome on taxpayers. Beyond cost savings, a shared approach to financial management also offers a greater capacity to deliver professional, best practice levels of service.

Building a shared finance operation among neighbors will be difficult and complex, and it will also require substantial investments in time, energy and resources. However, implementing a single, shared financial operation managed through an outside service provider, as we propose, will save money, elevate standards, improve policymaking, and enable each community to preserve its individual identity, which may be threatened if current circumstances continue.

We strongly encourage the select boards, finance committees, and other local officials from across the six Hilltown communities to seriously consider the observations, analyses, and recommendations contained in this report when formulating overall strategies for developing a path forward.

OVERVIEW

At the request of the Hilltown Collaborative, and with the support of the Boards of Selectmen from the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell, a team from the Division of Local Services (DLS) developed an implementation plan for a shared finance operation. This project was sponsored through the Community Compact Cabinet, whose goal is to encourage the adoption of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government.

This report begins by briefly describing the Hilltowns' current financial management structures, as well as the looming demographic, socioeconomic, and finance challenges that will impact their overall ability to continue to operate as they do today. We then introduce our proposed structure and outline a step-by-step implementation plan for these six communities to build a more proficient and cost-effective shared financial operation. Lastly, the report's appendix includes a detailed community comparison of statistical and other surveyed information, maps showing statewide projected population and property value changes, a shared finance operation implementation timeline, and a sample home rule petition to establish a shared finance operation.

Risks Related to Current Financial Management Structures

The basic form of government in each Hilltown is identical, with executive power vested in an elected, three-member board of selectmen and legislative functions fulfilled by open town meeting. Also common to each is an elected, three-member board of assessors. Divergence begins with central administration. The select boards in three communities (Blandford, Chester, and Middlefield) delegate the day-to-day coordination of town activities to town administrators. Montgomery's and Russell's select boards receive administrative support from employees designated as administrative secretaries. Only in Huntington is there a central administrator (the administrative assistant) assigned to work more than 20 hours per week as a standalone position.

As part of this review, DLS staff met with financial officers in each of the six towns to document their descriptions of departmental operations. Based on these conversations, we identified some risks that cannot be readily mitigated due to insufficiencies in staffing and other resources. In this context, a risk is a circumstance that poses a potential threat to the achievement of town-wide or departmental goals. Internal controls are tools and practices designed to provide reasonable assurance that risks will be prevented or detected, and they include written policies and procedures, duty segregation, approvals, authorizations, verifications, physical asset security, reconciliations, inventories, and data backups.

Accounting, treasury, collections, and assessing comprise the four main areas of financial management that must be carried out in every community. In addition to the specific state statutes

governing the responsibilities of each office, local residents have vested interests in the officeholders' compliance with sound financial management principles, good efficiency practices, and appropriate internal controls. These standards are designed to minimize the risks of errors or fraud, maximize resources, and ensure that town decision makers and other interested parties can rely on the accuracy of financial statements.

Various factors have combined to handicap the individual towns' present ability to meet the objectives outlined above. With the exception of Russell, which operates four utilities, the volume of work for most of the financial officers is rather limited, and therefore their weekly work hours range from three to 20. Regardless of the minimal work hours, many of these communities do not have set hours when all the finance officers work simultaneously, along with the central administrator, despite the highly interdependent nature of the departments' operational objectives. This is counterproductive to efficiency and accountability.

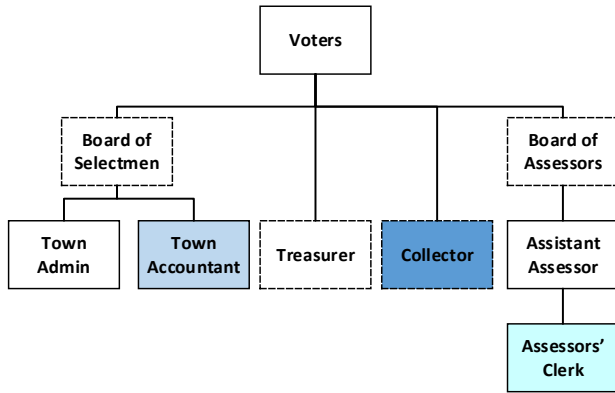
The limited hours and salaries have also created a common situation of individuals holding several financial management positions within the same community, as well as people working these jobs in multiple communities. The holding of multiple titles within a town undermines best practice controls because it does not allow the departments to provide checks and balances on each other and thus increases the risks that errors or fraud may go undetected. The prevalence of multirole employees also magnifies the risk to service continuity when these individuals leave public service. Moreover, these towns have limited resources to employ and train potential in-house successors for existing financial officers.

Then there is also the matter of elected financial positions, which are gradually and justifiably becoming obsolete in the state. Greater oversight and accountability are achieved when all a community's financial officials are appointed positions answerable to an executive body (i.e., the select board) or its day-to-day administrator. The notion that there is any real check-and-balance value to having these positions be independent of the select board is illusory, since their responsibilities are governed by statutes, and their procedures ought to adhere to well-established professional standards. Furthermore, voters have little way of assessing the quality of the officeholders' work. Finally, the small population of each community greatly limits the talent pool for choosing professionally qualified officeholders in any given election cycle.

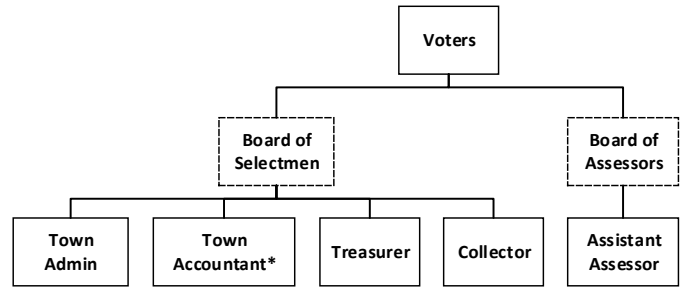
Beyond the risks imposed by a heavy reliance on part-time employees, who in many instances hold multiple positions, we observed several challenges related to the loose organizational structures and weak procedures within the Hilltowns. Issuing guidance on these conditions fell outside the scope of our review, and the presence, absence, and degree of these challenges varied among the towns. However, every town exhibited signs of financial stress associated with common factors including high levels of uncollected taxes, weak cash management procedures, outdated forms of accounting, low assessing service capacity, and an absence of annual external audits.

In the following organizational charts, we used color to highlight the roles being performed by the same individuals within and among the Hilltowns. The chart also indicates the existing elected positions using dashed-lined boxes.

Chester

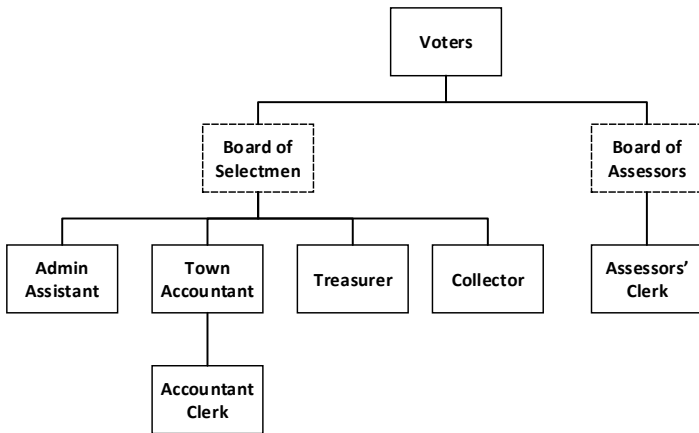


Blandford

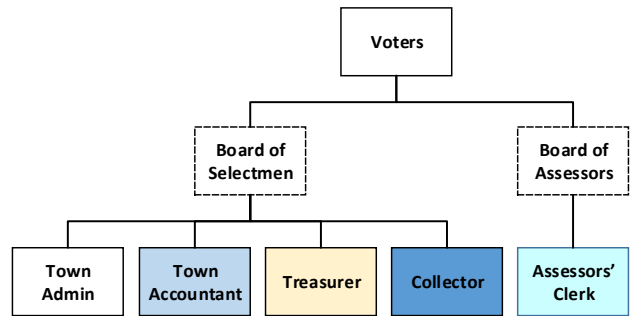


*Also the Library Director

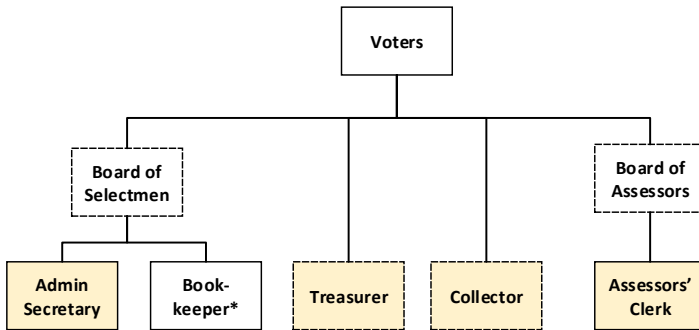
Huntington



Middlefield

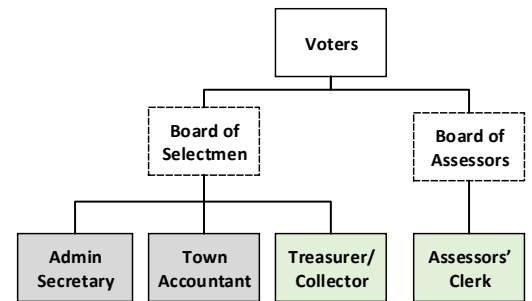


Montgomery



*Also the Town Clerk

Russell

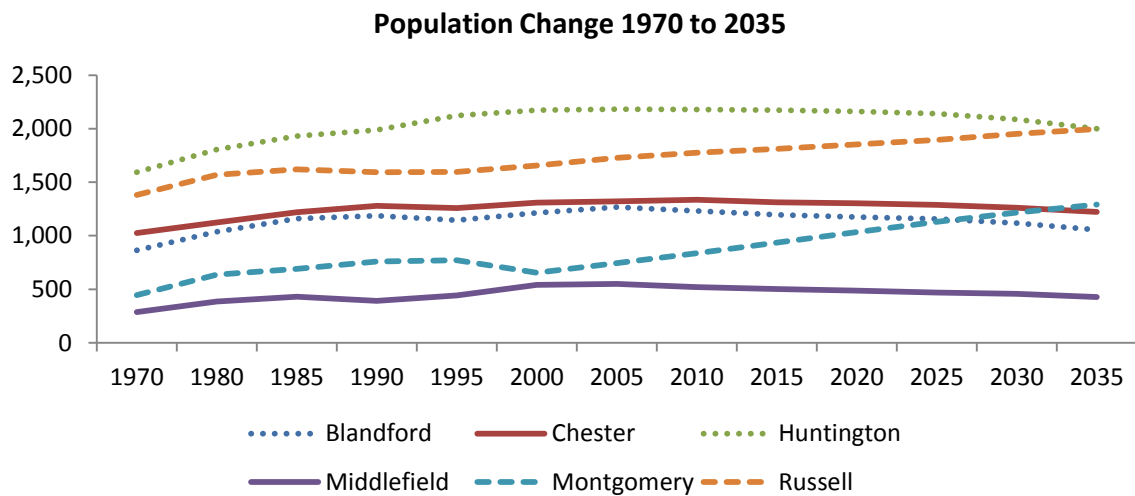


Risks Related to Demographic, Socioeconomic, and Financial Trends

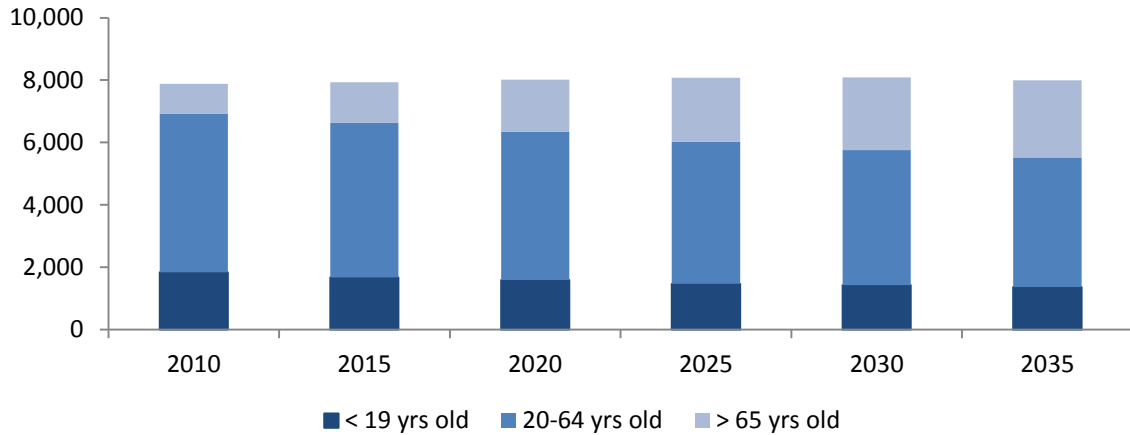
Apart from the day-to-day operational risks affecting the Hilltowns, it is also important to understand, at least on the surface, how the combination of stagnant, aging populations, shrinking tax bases, and limited economic growth impacts taxpayers while the overall cost of delivering municipal services continues to rise.

Since 1970, the Hilltowns' combined population grew by 41.7 percent, from 5,597 to 7,928 residents, more or less keeping pace with the state's overall trend. This growth has already begun to stall, however, and is expected to wane further as individuals, particularly young people, flow to more urban settings seeking professional opportunities and more diverse, thriving lifestyles. This urban migration has left small, rural communities, like the Hilltowns, with ever-dwindling and disproportionately aged populations. Furthermore, although the movement toward cities is forecasted to stall long term, people are expected to migrate instead to the suburbs and not to the bucolic environments offered by the Hilltowns.

Using widely accepted assumptions from the UMass Donahue Institute, the combined population of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell is projected to grow by less than one percent over the next 20 years to a total population of just 7,996 by 2035. In addition, the overall demographic makeup of these communities is expected to shift as residents grow older. This "aging in place" factor will significantly swing the average resident age, such that by 2035 the population of those 65 and older will rise by over 157 percent. At the same time, the total population of those under age 19 will drop by more than 26 percent, and working adults between ages 20 to 64 years old will decline by at least 18 percent. These trends will no doubt influence matters of affordable housing, senior services, and economic development over the coming years.

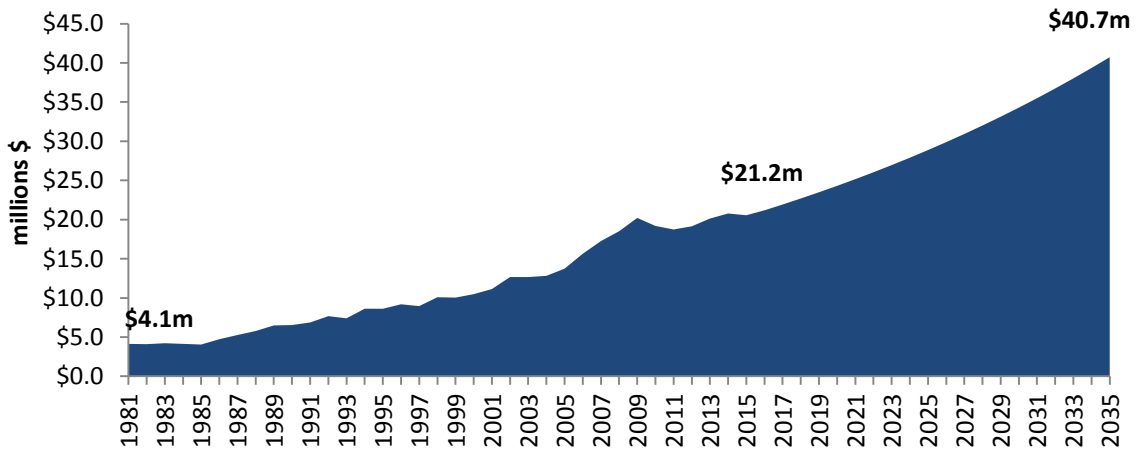


Age Distribution Change 2010 to 2035



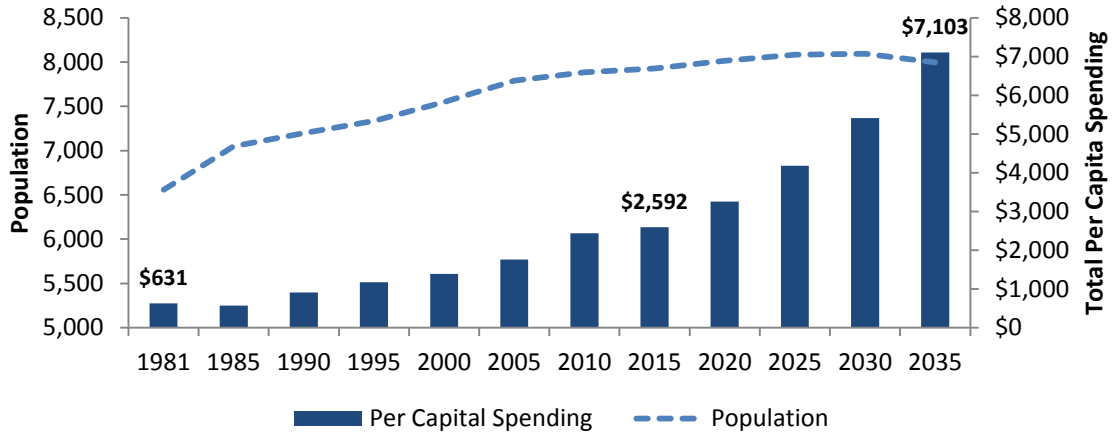
In contrast to the projected population changes, municipal spending across all six communities is expected to rise steadily over the next 20 years. Since 1982, the aggregated town-wide operating budget for Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell has risen by over 417 percent, from \$4.1 million to \$21.2 million. Using a relatively sustainable 3.5 percent annual growth rate, which is far less than the average 4.95 percent growth rate experienced since the 1980's, the six towns' combined operating budget is projected to grow to \$40.7 million by 2035. Despite the limits imposed by Proposition 2½ and other factors that would likely cap expenditures over time, this illustrates the ongoing pressure the Hilltowns are under to contain costs.

Total Operating Budget 1981 to 2035



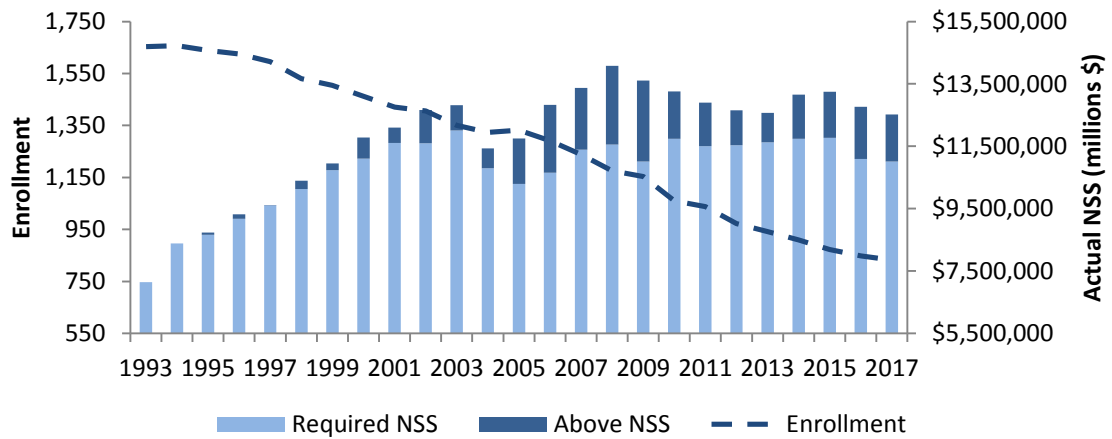
As a result of this dynamic, the spending burden on a per capita basis is expected to rise from \$2,592 today to over \$7,100 by 2035. By any measure, this illustrates a significant financial strain on an increasingly older population with fixed incomes.

Total Per Capita Spending vs. Population 1981 to 2035



A significant contributor to the Hilltowns’ overall fiscal pressure is the percentage share earmarked for education-related spending. Today, educational spending, of which the Gateway Regional School District comprises the single largest share, represents about 55 percent of the combined total operating budget for Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell. As a relative spending share, however, educational spending varies significantly among them, depending on each town’s overall budget size and school age population. Huntington, Montgomery and Russell, for instance, spend nearly two-thirds of their operating budgets on education, while Middlefield and Blandford contribute less than half. In addition, student enrollment trends provide valuable insight into changing demographics and the movement of people into and out of the region. Since 1993, Gateway has lost 821 of its students, or 49.67 percent. By 2026, its enrollment is projected to decline a further 17.17 percent, or by 152 students.

Required vs. Actual Net School Spending & Student Enrollment



PROPOSED STRUCTURE

The primary goal of this report is to provide Hilltown local officials with a straightforward solution to restructuring their individual town financial management operations into a more effective and less costly shared model. As a concept, merging services in this way has been gaining traction among smaller, rural communities that are struggling under various internal and external pressures.

The reliance of some Hilltowns on part-time employees holding financial positions in multiple communities represents a fractured and informal form of regionalization, which has nonetheless served them reasonably well for many years. Unfortunately, administering local government in this way is growing increasingly difficult as officials try to keep pace with evolving state and federal regulations, mandates, and legislation. At the same time, these communities face higher risks associated with staff turnovers, lack functional backups, and employ less-than-optimal practices, all of this in the context of broader socioeconomic challenges and ever-tightening budgets.

For communities seeking to address these types of challenges through shared services, an intermunicipal agreement (IMA) is, generally speaking, the most common avenue. Under this type of arrangement, one town serves as a host to provide services or staff to another community. The host town accounts for the full costs of providing the services and is reimbursed for a portion of those costs based on an agreed-upon formula. Generally governed by M.G.L. c. 40, § 4A, an IMA offers significant advantages because of its flexibility to define and amend the arrangement's terms and for its ease of acceptance, which requires a simple majority vote by the associated select boards.

For the Hilltowns, however, the presence of elected finance officials greatly limits the services that might otherwise be provided through an IMA. Both Chester and Montgomery have elected treasurer and collector positions, and all six towns have elected boards of assessors. Elected finance officials must fulfill their statutory responsibilities for the community in which they were elected, but they are not obligated to provide those services to any another community that might be negotiated as part of an IMA. Therefore, each community would need to convert its elected finance officials to appointed, which requires a majority vote of annual or special town meeting and subsequent acceptance by the voters during the annual town election (M.G.L. c. 41, § 1B).

The inherent risk of the IMA approach is that if any one town fails to convert its elected officials to appointed, the effort falls apart. These required conversions would only be the first step in a multiphase approach to developing a shared service model. The six communities would also need to agree on which town would serve as host community and what complement of staff would manage the financial operations. Such decisions would likely stall any forward momentum.

Given the drawbacks of an IMA, we recommend the Hilltowns pursue special legislation that would both address the need to convert elected officials to appointed and establish a shared financial operation. Establishing a special act allows local officials to organize their government structure in a way that meets the evolving needs, responsibilities, and demands of their community or group of communities. This approach does not eliminate town boundaries or otherwise alter individual community identities, as each town would remain a legally separate entity. Additionally, state law does not mandate or prescribe any particular procedure for arriving at proposed provisions when drafting a special act.

A special act therefore offers local officials the same level of flexibility as an IMA to organize financial operations in a way that best suits their collective needs, but it also creates a long-term solution less subject to political whims that can otherwise derail a sensible working arrangement. Although the notion of adopting a more permanent shared service model may seem daunting to some, we feel it is the best means to thoughtfully construct a more effective and less expensive solution.

REPRESENTATIVE STUDY COMMITTEE

With the decision to adopted special legislation, we recommend the six select boards appoint a representative shared services study committee and consider mirroring it with the Hilltown Collaborative's membership. The Collaborative has built a positive relationship with the member towns and continues to successfully orchestrate several high-profile projects that have brought in significant grant dollars and outside resources.

In establishing the representative body, the select boards, as appointing authority, should collectively define the committee's charge to encompass all aspects of local government they view as appropriate and direct its work to be completed within a specific time frame. In the scenario we propose, the committee would draft special legislation defining a shared financial operation for the six towns by some time between late summer and early fall of 2017. The committee's draft special legislation would then be presented to each town meeting for approval and authorization for submission to the General Court.

Proposed Shared Structure

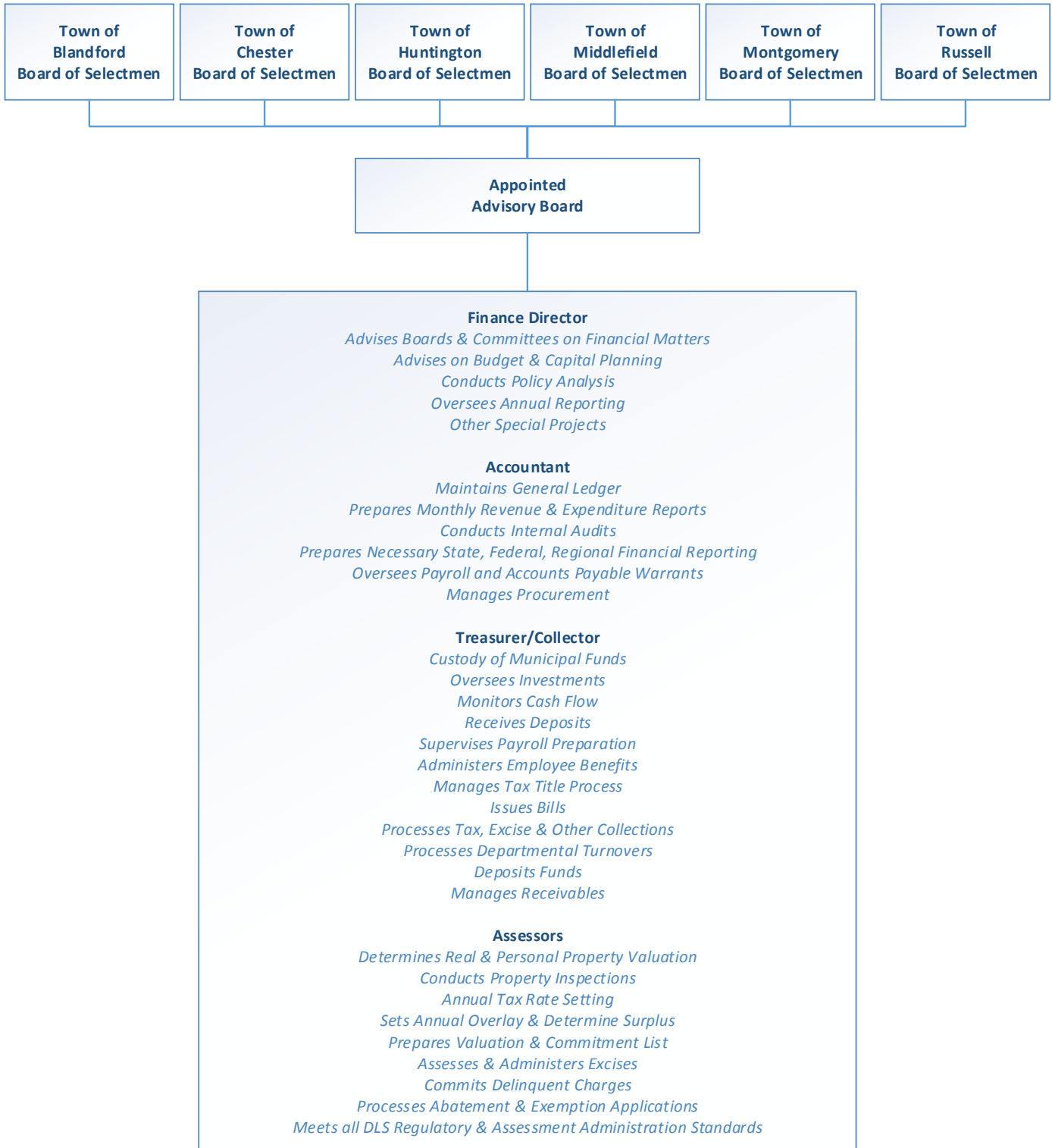
We recommend the shared services study committee consolidate the six individual town finance operations into a single, shared department managed through an outside service provider. Illustrated on the following page, our turnkey structure is directed by an appointed advisory board representing each participating town. This model will not only reduce current administrative overhead but also alleviate many of the Hilltowns' operational challenges by enhancing the level of service expertise and providing redundancies to address single-point-of-failure risks.

The select board chairs from the six Hilltowns would comprise the joint advisory board that we propose to oversee the shared operation. This team would function as a direct link between each individual town and the shared financial operation. Its role would include discussing and resolving administrative matters that arise outside of the normal, day-to-day scope of activities, adopting policies and procedures related to scheduling, advising and reporting standards, and evaluating performance. We would also expect the joint advisory board members to hold regular monthly meetings and to report on any actions to their respective select boards.

The streamlined operation we propose would include those services traditionally provided by a finance director, town accountant, treasurer, collector, and assessors, as well as information technology (IT) services. In our opinion, the best approach to delivering these is through an outside service provider. This decision was not made lightly and was based in part on the fact that forming a team of shared, full-time employees would be next to impossible because it is cost prohibitive and the limited availability of talent would not resolve many of the earlier highlighted risks.

Our recommended approach, therefore, is to form a strategic sourcing team to develop and carry out a procurement strategy for hiring an outside service provider to administer financial management tasks on behalf of the Hilltowns. Outlined in more detail in the implementation plan section of this report, this team would draft and issue a request for quotations, evaluate proposals based on established criteria, and ultimately negotiate a contract for the six select boards to sign. As a best practice, a strategic sourcing team is a strong control for assuring the quality and cost value of the procured service.

PROPOSED FINANCIAL MANAGEMENT ORGANIZATIONAL STRUCTURE



Note: This chart does not include IT-related services, which we also recommend incorporating into the shared finance operation.

Operating Costs of the Proposed Structure

With any conversion, it is inherently difficult to accurately determine the full range of potential costs involved. We therefore did not calculate these expenses nor any state assistance that could potentially be available to offset one-time start-up or transition-related costs. Instead, we focused on reasonably identifying the long-term operating costs of our proposed shared structure to provide an accurate, year-over-year financial picture of what the Hilltowns can expect to save.

To determine these costs, we first surveyed communities that currently use outside service providers to deliver accounting, treasury, collections, or assessing services. We then contacted several of these service providers to gain a better sense of what they can deliver and at what cost. Based on this research, we propose the strategic sourcing team pursue a turnkey approach, using a full-service vendor that could subcontract for certain aspects of the operation that the vendor itself may not otherwise provide. This approach is the most cost-effective and allows the Hilltowns to hold a single service provider accountable rather than multiple vendors that may not work effectively together.

Based on projected operating costs, we estimate that Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell would collectively save nearly \$250k annually by implementing our proposed structure compared to what currently exists. Today, the combined financial operating cost for all six towns is about \$785k, while our proposed structure would total \$536k. Our projected costs not only include built-in service-related expenses for each functional area (accountant, treasurer, collector, and assessor) but also many peripheral costs that may not be provided to the Hilltowns today. Examples include full-service technology support and related capital replacement costs, routine outside audits, and actuarial evaluations.

On the following page, we provide an outline of the projected cost savings to be generated by implementing our proposed shared financial management operation. Although money available through the state's *Community Compact Cabinet Efficiency & Regionalization, Information Technology, or Best Practice Grant Programs* is not guaranteed to be awarded, such an innovative approach to municipal management would likely be a strong contender when compared with other submissions. In the second table, our estimated total costs were allocated to the communities in proportion to what each currently expends.

CURRENT AND PROPOSED FINANCIAL MANAGEMENT ANNUAL OPERATING COSTS

Current Annual Operating Costs	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell	Total
Accountant Salary	\$17,937	\$14,613	\$19,156	\$9,360	\$11,275	\$23,376	\$95,717
Accountant Expenses	20,600	15,000	10,500	13,700	140	29,750	89,690
Total Accountant	38,537	29,613	29,656	23,060	11,415	53,126	185,407
Assessors Salary	19,713	36,104	18,365	14,400	7,870	24,585	121,037
Assessors Expenses	21,495	10,200	8,200	5,410	4,200	16,200	65,705
Total Assessors	41,208	46,304	26,565	19,810	12,070	40,785	186,742
Treasurer Salary	17,180	10,560	17,798	9,360	8,710	11,042	74,650
Treasurer Expenses	21,150	19,000	10,600	15,500	6,150	4,000	76,400
Total Treasurer	38,330	29,560	28,398	24,860	14,860	15,042	151,050
Collector Salary	14,366	17,665	22,629	10,200	11,024	16,434	92,318
Collector Expenses	22,526	6,500	5,500	5,100	2,200	3,500	45,326
Total Collector	36,892	24,165	28,129	15,300	13,224	19,934	137,644
Technology	39,000	7,460	25,695	7,550	16,406	27,400	123,511
Total Technology	39,000	7,460	25,695	7,550	16,406	27,400	123,511
Total Current Operating Costs	\$193,967	\$137,102	\$138,443	\$90,580	\$67,975	\$156,287	\$784,354

Proposed Annual Operating Costs	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell	Total
Accounting, Procurement & Finance Director Services	\$21,020	\$14,858	\$15,003	\$9,816	\$7,366	\$16,937	\$85,000
Annual Audits	8,655	6,118	6,178	4,042	3,033	6,974	35,000
Actuarial Valuations	1,236	874	883	577	433	996	5,000
AP/Payroll Services	14,838	10,488	10,590	6,929	5,200	11,955	60,000
Total Accounting	45,750	32,337	32,654	21,364	16,033	36,862	185,000
Assessing Services	19,784	13,984	14,120	9,239	6,933	15,940	80,000
Total Assessing	19,784	13,984	14,120	9,239	6,933	15,940	80,000
Treasurer/Collector Services	17,311	12,236	12,355	8,084	6,066	13,948	70,000
Tax Title/Deputy Collector	6,182	4,370	4,413	2,887	2,167	4,981	25,000
Billing	2,473	1,748	1,765	1,155	867	1,993	10,000
Total Treasurer/Collector	25,966	18,354	18,533	12,126	9,100	20,922	105,000
Technology Services	12,365	8,740	8,825	5,774	4,333	9,963	50,000
Computerize Mass Appraisal Software	1,484	1,049	1,059	693	520	1,196	6,000
Financial Management Software	12,365	8,740	8,825	5,774	4,333	9,963	50,000
Payroll Software	3,709	2,622	2,648	1,732	1,300	2,989	15,000
Lifecycle Capital Replacement	3,709	2,622	2,648	1,732	1,300	2,989	15,000
Total Technology	33,632	23,772	24,005	15,706	11,786	27,099	136,000
Total Legal Services	2,473	1,748	1,765	1,155	867	1,993	10,000
Total Contingency	7,419	5,244	5,295	3,465	2,600	5,978	30,000
Total Proposed Operating Costs	\$132,550	\$93,691	\$94,607	\$61,899	\$46,452	\$106,801	\$536,000

Total Projected Savings	\$61,417	\$43,411	\$43,836	\$28,681	\$21,523	\$49,486	\$248,354
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Notes: Very few, if any, Hilltown financial staff receive health insurance or related benefits, so these expenses are not included in the current operating costs or projected savings.
 Russell's four enterprise funds annually reimburse the general fund \$20k for services provided by the town accountant, treasurer, and collector.

Implementation Plan

Our implementation plan below outlines the steps necessary for Blandford, Chester, Huntington, Montgomery, and Russell to create a shared finance operation. This effort will require a carefully coordinated, thoughtful process and significant public outreach to gain necessary buy-in for the goal of restructuring financial operations into a single shared service structure. *Stage A* of the plan lays out the required milestones to adopt a shared financial operation among the six communities, while *Stage B* identifies the sourcing and eventual conversion phases necessary to implement it.

Our timeline is fairly aggressive, with a July 1st launch date, but it can accommodate a schedule well suited to local community decision-making timelines. For example, as the process unfolds, it might be necessary to assess how things are working and address any issues or unforeseen matters that arise. Furthermore, our proposed structure does not preclude any one or more of the communities from exploring or participating in other shared service opportunities outside of an implemented shared finance department.

Stage A: Restructuring Operations



Step 1

July
2017

• Appoint Shared Study Committee

To begin, the select boards of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell appoint a representative Shared Study Committee under [M.G.L., c. 43B](#) to draft special legislation adopting a shared finance department. A study committee is the most frequently used method for developing a special act's proposed government structure in the absence of any state law prescribing this procedure. The appointing authority is not restricted in the number of committee members, can define the committee's charge to cover a specific scope of work, and can direct it to complete its work within a defined time frame. The Appendix includes a sample special act detailing the roles and responsibilities expected to be in a shared finance department. Because our proposed structure focuses on the overarching duties of a shared finance operation, local policymakers will need to decide how particular responsibilities, appointment authority, and reporting relationships are constructed.



Step 2

Sept - Oct
2017

• Authorize Special Legislation

Once a draft special act for a shared finance department is in place, the select boards in Blandford, Chester, Huntington, Middlefield, Montgomery and Russell each call a special town meeting to petition the General Court to enact the proposed legislation.

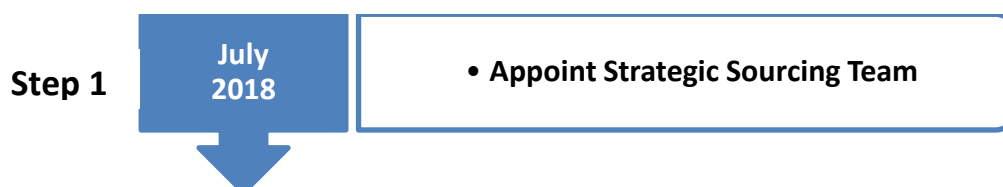


Legislators representing the Hilltowns petition the General Court to enact the proposed legislation to form a shared finance department. Once filed with the General Court, the bill is given a docket number and referred to an appropriate committee for consideration, which is likely to be the Joint Committee on Municipalities and Regional Government. The committee will hold a public hearing on the bill and, if received favorably, it will move through the legislative process before final passage and signing by the Governor.



Although it is not legally required, we recommend that each town subsequently hold a voter referendum on the special act to thereby achieve a greater degree of transparency and buy-in, which will help solidify implementation. Therefore, Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell each hold a special election where voters cast ballots to adopt or reject the shared finance department special act. The ballot’s language would include the question of whether or not the special act should be adopted, along with a summary describing the proposed structure.

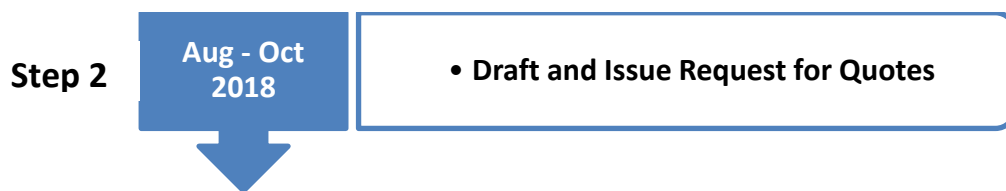
Stage B: Sourcing Services and Conversion



Upon passage of the special act, the Hilltown select boards appoint a Strategic Sourcing Team (SST). Composed of one member from each community, along with representatives from the Pioneer Valley Planning Commission, MassIT, and DLS, the SST will function as a working group whose goal

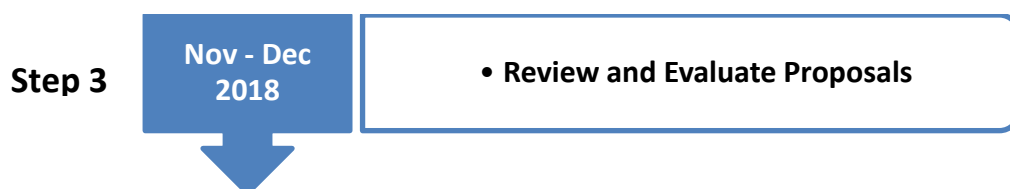
is to develop and implement a procurement strategy for delivering shared financial management services to the Hilltowns.

SST members should have diverse backgrounds and be strongly committed to the process, which could take up to year to carry out effectively. To the extent possible, members should represent a cross-section of experience and expertise, such as those with technical and nontechnical backgrounds. Equally important, one or more members should have strong working knowledge of local government operations. Members should also expect to sign a participation agreement to cover conflicts of interest, confidentiality, and nondisclosure.

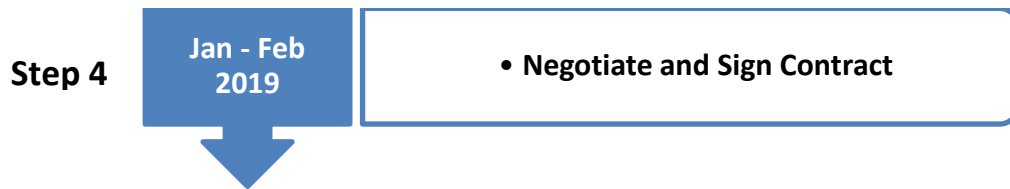


Once appointed, the SST would strategize about how to accomplish its task of acquiring shared financial management services. This typically begins by defining the desired outcomes and step-by-step milestones to carry out a successful bid process. The team would then develop the procurement’s scope, specifications, and evaluation criteria, conduct the solicitation, negotiate the contract, and facilitate the eventual signing of a shared service agreement among the Hilltown select boards. The team should also prepare a communications plan for conveying progress reports and other updates to Hilltown policymakers and the public.

The request for quotation (RFQ) must contain all necessary information for contractors to prepare quality responses. These components include a description of the scope of services, plan for providing the service, evaluation criteria, rule of award, contract terms and conditions, and proposal submission requirements. To craft a well-written RFQ, the team should also include a few probing questions to ascertain the business practices and capacity of potential providers to effectively perform the service. For example, bidders could be required to define how they will maintain segregation of duties between the town accountant and treasurer/collector. After drafting the RFQ, the SST would distribute it and track all those who receive it. The SST should also review guidance from the State’s Inspector General’s Office to ensure that all aspects of the bid process conform with the Uniform Procurement Act, [M.G.L., c. 30B](#).



At this stage in the process, the SST receives and evaluates proposals. Evaluation scoring might judge applicants as highly desirable, desirable, or optional based on how close their proposals meet the RFQ's requirements. The evaluation process would also likely involve two scoring rounds: first, the SST would conduct an initial scoring session to weed out vendors that did not meet basic, predetermined criteria and then move forward with service demonstrations before scoring them for a second, final time.



After identifying the most advantageous proposal, the SST gathers to negotiate any changes and award the contract. As a condition of awarding the contract, the SST can negotiate revisions identified during the evaluation phase, although they are limited to the RFQ's specifications only, not the scope of services or contract terms and conditions. Both parties can mutually agree to extend the time for contract acceptance. Furthermore, SST is not required to award a contract but may instead reject all proposals or cancel the RFQ.



Once the contract is signed, the conversion kicks off, and this transitional phase begins by dissolving the SST and transferring ongoing contract management responsibilities to the appointed Advisory Board. Its duties would include monthly monitoring and reviewing of contractor performance by measuring progress and overall client satisfaction. The conversion timetable outlined in the contract should be well defined, with specific milestones for each required deliverable. Upon completion, the contractor will be effectively positioned to assume ongoing management of Hilltown financial operations.

APPENDIX

COMMUNITY COMPARISONS

Overall Comparison	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell
Population (2013)	1,246	1,360	2,168	528	862	1,789
Land Area (sq. miles)	51.7	36.7	26.6	24.2	15.1	17.6
Population Density	24	37	81	22	57	102
Total Road Miles (2013)	87.8	66.1	54.3	38.4	30.7	36.3
# of Single-Family Residences	511	489	746	192	328	521
Second Homes	56	55	63	41	7	3
Second Homes as % of Single-Family	11.0	11.2	8.4	21.4	2.1	0.6
# of Commercial & Industrial Parcels	7	27	25	7	5	42
Total # of Parcels	1,027	1,040	1,340	485	499	763
Total Assessed Value	\$171,908,687	\$116,822,944	\$189,746,785	\$65,495,063	\$105,899,992	\$130,146,427
DOR Income Per Capita (2011)	\$28,281	\$21,141	\$28,645	\$17,153	\$39,608	\$23,380
EQV Per Capita (2014)	\$138,458	\$90,361	\$92,305	\$125,966	\$124,755	\$80,569
Tax Rate (2016)	\$16.41	\$20.16	\$18.50	\$17.85	\$14.19	\$20.88
Average Single-Family Tax Bill (2016)	\$3,476	\$3,178	\$3,541	\$3,381	\$3,668	\$3,830
Average Single-Family Home Value	\$211,641	\$158,523	\$192,259	\$192,278	\$257,988	\$183,911
Unemployment Rate	5.2	4.8	3.8	4.0	3.6	4.0

Municipal Finances Comparison	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell
Total Budget (2016)	\$4,735,888	\$3,282,814	\$4,815,836	\$1,476,010	\$2,052,817	\$4,819,485
Tax Levy as a % of Budget	59.6	71.7	72.9	79.2	73.2	57.5
State Aid as a % of Budget	4.4	10.1	13.6	8.2	5.4	8.8
R/O % of Total Value	80.0	90.4	93.7	91.6	95.9	86.5
CIP as a % of Total Value	20.0	9.6	6.3	8.4	4.1	13.5
3-yr Avg New Growth Applied to Levy Limit	\$16,339	\$18,950	\$15,002	\$4,892	\$15,252	\$16,161
Meals & Room Occupancy Excise	Meals: \$0.75	n/a	n/a	n/a	n/a	n/a
Outstanding Tax Receivables (2015)	\$582,446	\$307,470	\$260,300	\$58,847	\$92,683	\$63,662
% Uncollected	21.0	13.2	7.5	5.1	6.2	2.3
Excess Levy Capacity	\$3,468	\$360,416	\$112,752	\$219,256	\$205,954	\$266,808
Free Cash (2016)		\$578,517	\$353,953	\$302,662	\$145,840	\$436,479
Stabilization Fund (2015)	\$283,010	\$165,913	\$982,079	\$172,904	\$233,000	\$922,074
Debt Service as % of Budget	11.8	2.6	1.9	3.0	1.4	2.2
Tax Billing Cycle	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Semiannual
Bond Rating	n/a	n/a	n/a	n/a	n/a	n/a

General Fund Spending Per Capita Comparison	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell
General Government	\$303	\$143	\$169	\$336	\$168	\$218
Public Safety (Incl. Police, Fire, Other)	\$92	\$88	\$125	\$111	\$58	\$120
Education	\$1,307	\$1,197	\$1,280	\$1,025	\$1,338	\$1,271
Public Works	\$382	\$376	\$193	\$654	\$276	\$189
Human Service	\$30	\$35	\$32	\$15	\$2	\$13
Culture and Recreation	\$32	\$26	\$34	\$24	\$24	\$29
Debt Service	\$156	\$58	\$36	\$81	\$32	\$0
Fixed Costs	\$138	\$81	\$78	\$219	\$126	\$122
Other (Includes Intergovernmental)	\$589	\$34	\$8	\$2	\$1	\$0

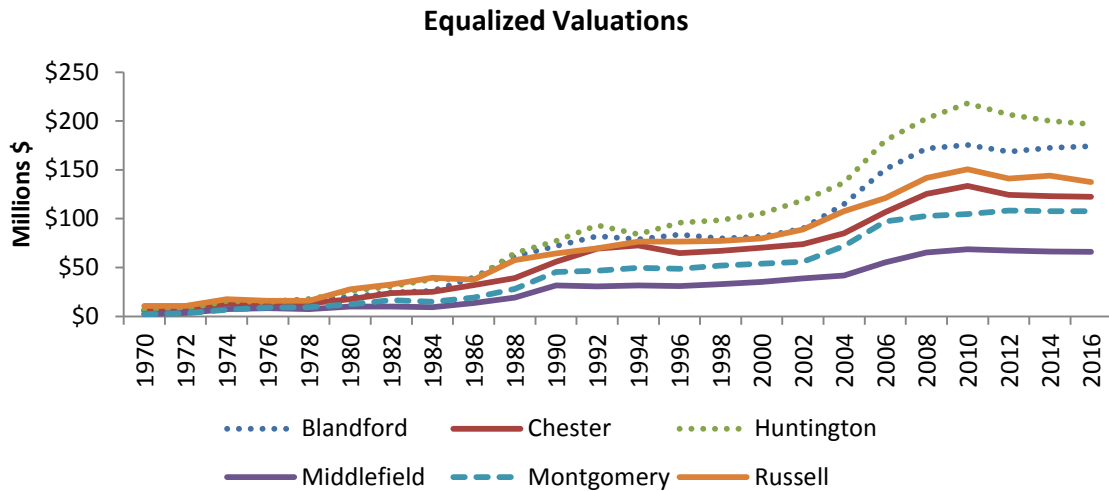
Among the Hilltowns, only Russell contracts for an external audit every year. Any entity expending \$750,000 or more of federal funds in a fiscal year is required to submit to an independent audit. Although only one Hilltown meets this threshold, we routinely recommend annual external audits for any community for whom the cost would not be prohibitive. This is because an audit by a well-qualified accounting firm can provide good management feedback and a degree of compensating control for towns lacking the resources to otherwise maintain the full range of recommended best practice controls on an ongoing basis. The table below summarizes the recent external audit history for each community.

Audit Comparison	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell
Most Recently Audit Year	2011	2012	2016	2014	2011	2016
Most Recent Firm	Melanson	Scanlon	Scanlon	Scanlon	Melanson	Bagge

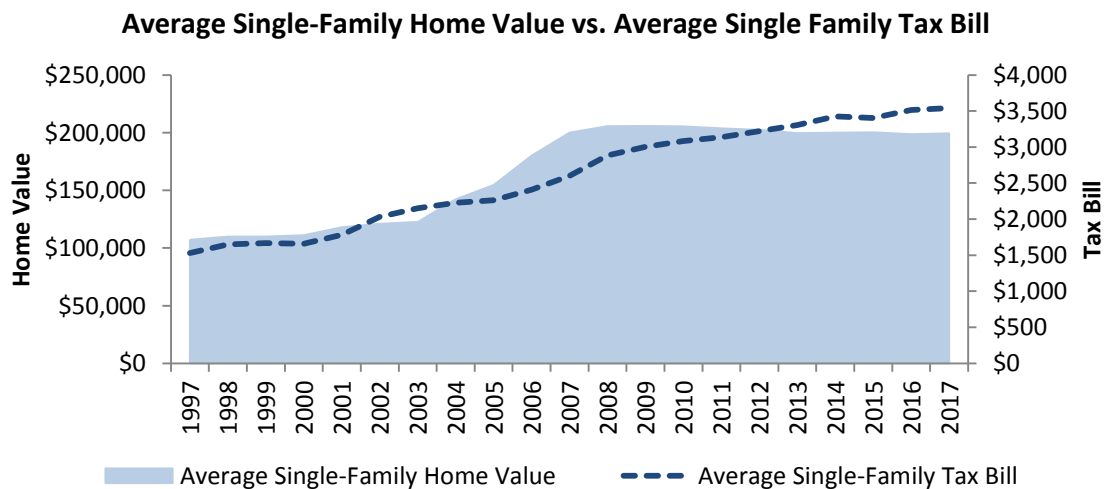
There is a good deal of commonality among the towns in their choice of software applications. As part of the conversion, the six Hilltowns can reduce their overhead costs by agreeing to shared software solutions. The chart below depicts the current financial management software applications in use across the towns today.

Financial Management Software Comparison	Blandford	Chester	Huntington	Middlefield	Montgomery	Russell
General Ledger	Accela	Accela	Accela	Accela	Accela	Peachtree
Treasury Receipts	Accela	Accela	Accela	Accela	Accela	Excel
Cashbook	Excel	Excel	Excel	Excel	Excel	n/a
Payroll	Harpers	Universal	Sage	Universal	Accela	Checkwriters
Collections	Accela	CSC	Accela	CSC	Point (taxes) Taxman (excise)	Point
Computer Assisted Mass Appraisal	Patriot	CSC	Patriot	CSC	Patriot	Vision

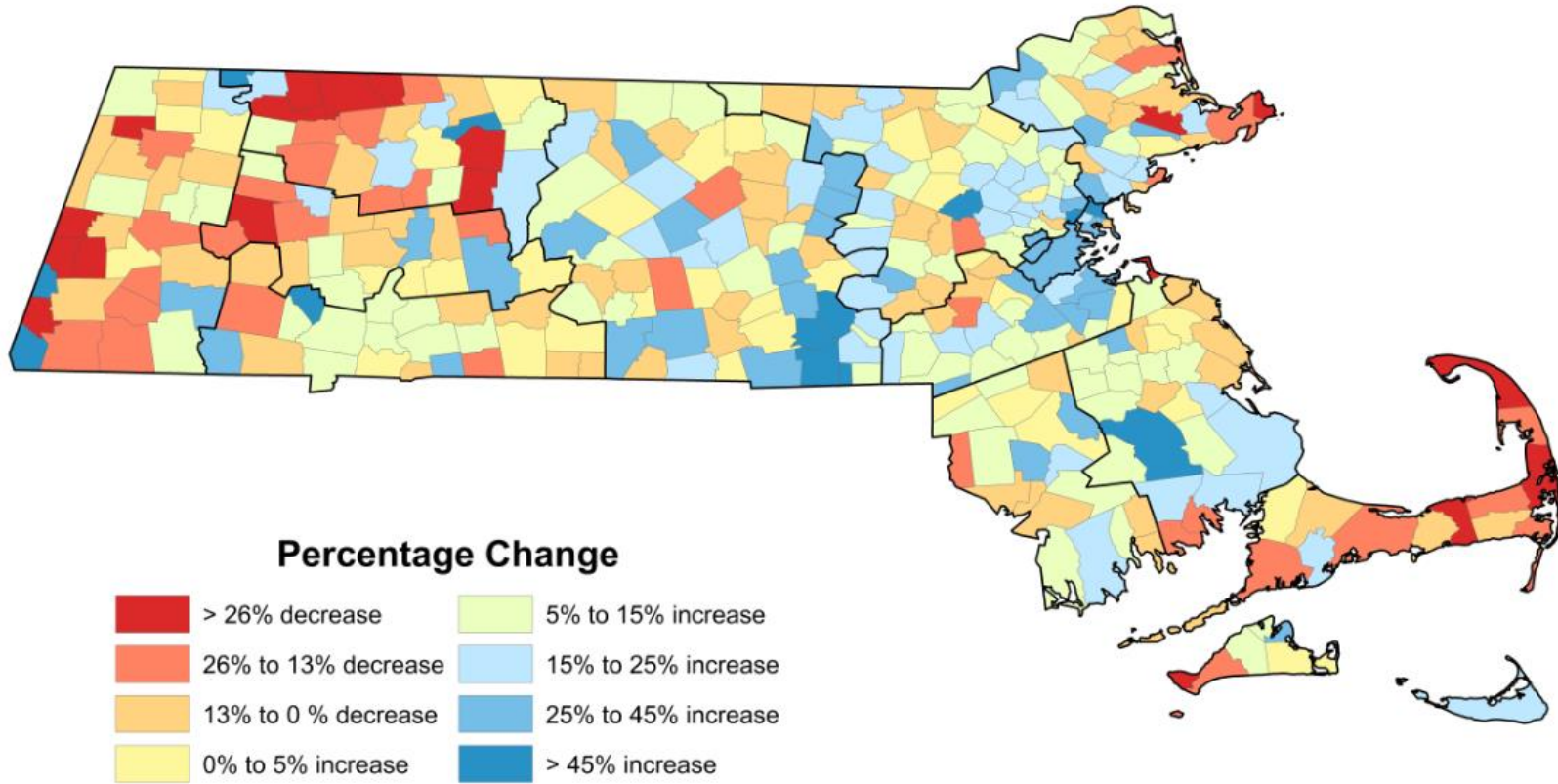
Equalized Valuation (EQV) is the estimate of the full and fair cash value of all property in the Commonwealth as of a certain taxable date. EQV speaks to a given region’s overall property wealth and is historically used as a variable in distributing some state aid accounts and for determining county assessments and other costs. Since 2010, statewide EQV increased 8.02 percent, but the Hilltowns’ collective EQV declined -5.55 percent.



A comparison of trends in average single-family home values and average single-family tax bills can be used to determine a taxpayer’s return on investment within a given area. Between 2010 and 2016, the average single-family home value across the Hilltowns declined by 2.32 percent, while the average single-family tax bill increased an average of 15.21 percent.

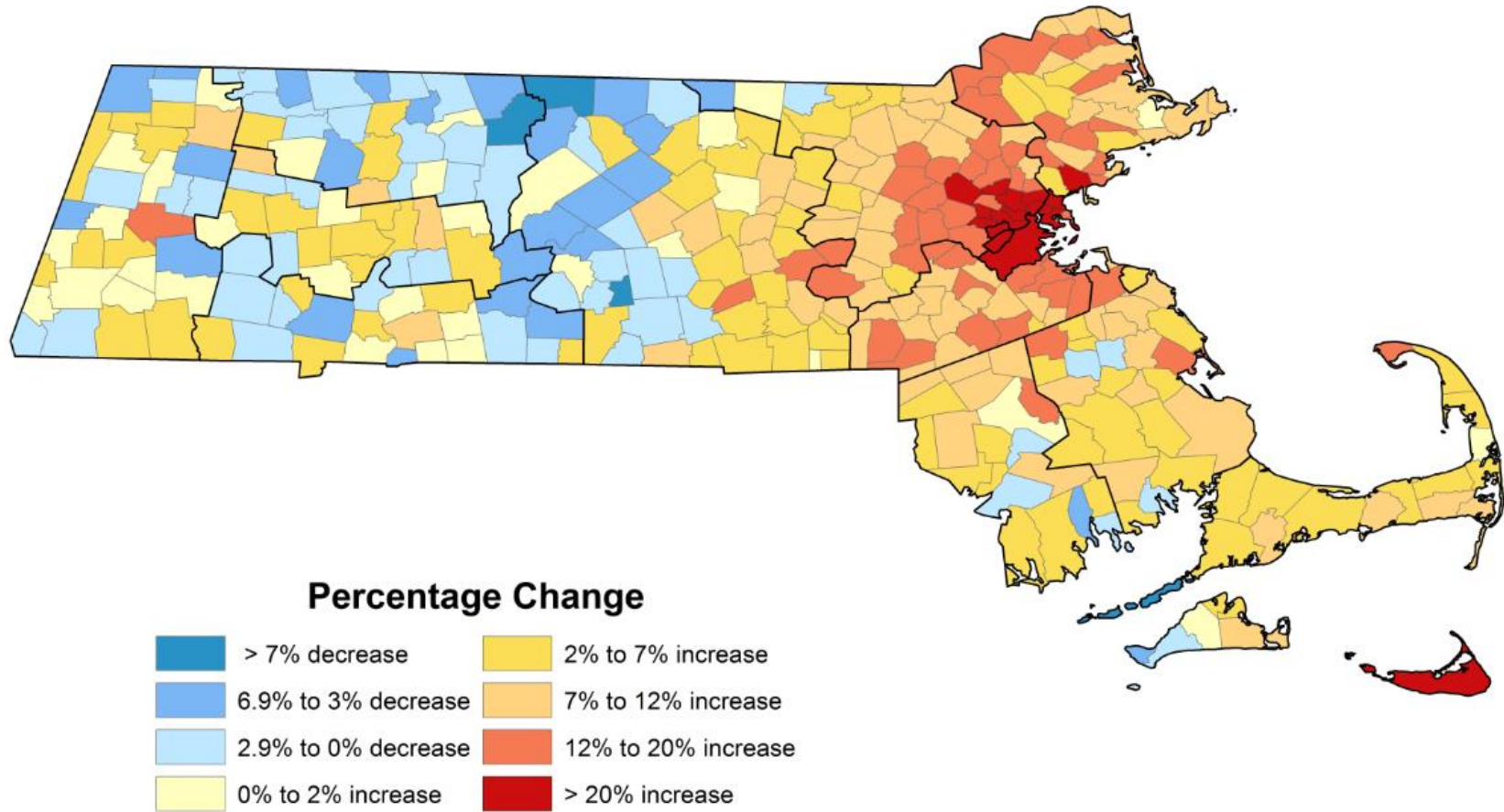


STATEWIDE PROJECTED POPULATION CHANGE 2010 TO 2035



Note: Population projections are based on estimates provided by the UMass Donahue Institute.

STATEWIDE VALUATION CHANGE 2013 TO 2016



Note: Statewide valuation changes are based on data provided by Division of Local Services.

IMPLEMENTATION TIMELINE FOR SHARED FINANCE OPERATION

Task	Start Date	End Date	Assigned To	% Complete	FY2018				FY2019				FY2020					
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
↓ Restructuring Operations																		
Appoint Shared Service Study Committee	1-Jul-2017	31-Jul-17	Select Boards	0%	■													
Authorize Special Legislation	1-Sep-2017	31-Oct-2017	Special Town Meeting	0%		■	■											
File Petition to Form Shared Service	15-Nov-2017	15-Apr-2018	Legislative Delegation	0%			■	■										
Ratify Shared Service	1-Apr-2018	30-Jun-2018	Annual Town Meeting	0%				■										
↓ Sourcing Services & Conversion																		
Appoint Strategic Sourcing Team	1-Jul-2018	31-Jul-18	Select Boards	0%					■									
Draft & Issue Request for Quotations	1-Aug-2018	1-Oct-2018	SST	0%					■	■								
Review and Evaluate Proposals	1-Nov-2018	31-Dec-18	SST	0%						■								
Negotiate and Sign Contract	1-Jan-2019	15-Feb-19	Select Boards & SST	0%							■							
Conversion to the New Structure	1-Jul-2019	TBD	Vendor & Town Officials	0%														■

AN ACT CREATING A DEPARTMENT OF MUNICIPAL FINANCE FOR THE TOWNS OF BLANDFORD, CHESTER, HUNTINGTON, MIDDLEFIELD, MONTGOMERY, AND RUSSELL.

SECTION 1. Creation of Department of Municipal Finance. Notwithstanding the provisions of any general or special law to the contrary, there shall be a single department of municipal finance responsible for the coordination of all financial functions and activities of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell, including but not limited to: maintenance of all accounting records and other financial statements; payment of all obligations on behalf of the towns; investment of all funds of the towns and management of their debt; receipt and collection of all taxes and other monies due the towns; maintenance of a system of valuation of all property within the towns for purposes of taxation; all procurement related activities of the towns; rendering of advice, guidance, and recommendations to departments, offices, and boards of the towns in matters related to their financial or fiscal affairs; and routine monitoring and reporting of revenues and expenditures by departments, offices, and boards of the towns. The department shall include the offices and functions of the town accountant, treasurer-collector, and assessor. The department shall have such additional powers, duties, and responsibilities with respect to municipal finance-related functions and activities as the towns may from time to time provide through the Hilltown finance advisory board established in section 7.

SECTION 2. Director of Municipal Finance. Notwithstanding the provisions of any general or special law to the contrary, the department of municipal finance for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell shall be under the direct control and supervision of a director of municipal finance who shall be appointed by and report to the Hilltown financial advisory board. The director of municipal finance may also serve as the town accountant or the treasurer-collector, provided, however, that no director of municipal finance shall serve as both town accountant and treasurer-collector. The director of municipal finance shall be a person or entity, especially fitted by education, experience, and training and possessing requisite credentials and certifications to perform the duties of the office. The salary, fringe benefits, and other considerations of employment of the director of municipal finance may be established by contract, subject to appropriation, for a period of up to five years, including but not limited to reimbursement for expenses incurred in the performance of the duties of the office, liability insurance, termination, reappointment, and performances standards.

SECTION 3. Director of Municipal Finance Duties and Responsibilities. The director of municipal finance shall be responsible for coordinating the fiscal management procedures of the offices of the town accountant, treasurer-collector and assessor and shall be the administrator of budgeting, encompassing financial reporting, accountability and control, as well as an advisor to the select boards, town administrators, finance committees and all other departments of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell concerning financial and programmatic implications of current and future financial policies, including standards for the preparation of the annual budget and capital plan. The director of municipal finance shall, in consultation with the Hilltown financial advisory board, be responsible for the supervision and coordination of all personnel, tasks, and activities of the department. The director of municipal finance shall provide the Hilltown financial advisory board and select boards with reports concerning the matters under their supervision as often as requested but in no event less than twice a year. The director of municipal finance shall have such additional duties and responsibilities as may be determined from time-to-time by the Hilltown financial advisory board.

SECTION 4. Town Accountant. Notwithstanding the provisions of any general or special law to the contrary, there shall be for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell a single office of town accountant, which shall have all the powers, duties, and responsibilities of and be subject to the liabilities and penalties conferred and imposed by law on the office of town accountant under the General Laws, except as provided herein. The director of municipal finance in consultation with the Hilltown financial advisory board shall appoint the town accountant, except where the director also serves as the town accountant. The town accountant shall be a person or entity, especially fitted by education, experience, and training and possessing requisite credentials and certifications to perform the duties of the office.

SECTION 5. Treasurer-Collector. Notwithstanding the provisions of any general or special law to the contrary, there shall be for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell a single office of treasurer-collector, which shall each have all the powers, duties, and responsibilities of and be subject to the liabilities and penalties conferred and imposed by law on the offices of treasurer, tax collector and town collector under the General Laws, except as provided herein. The director of municipal finance in consultation with the Hilltown financial advisory board shall appoint the treasurer-collector, except where the director also serves as the treasurer-collector. The treasurer-collector shall each be a person or entity, especially fitted by education, experience, and training and possessing requisite credentials and certifications to perform the duties of the office.

SECTION 6. Assessor. Notwithstanding the provisions of any general or special law to the contrary, there shall be the single office of assessor for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell, which shall have all the powers, duties, and responsibilities of and be subject to the liabilities and penalties conferred and imposed by law on boards of assessors under the General Laws, except as provided herein. The assessor shall be appointed by the director of municipal finance in consultation with the Hilltown financial advisory board. The assessor shall be a person or entity, especially fitted by education, experience, and training and possessing requisite credentials and certifications to perform the duties of the office.

SECTION 7. Hilltown Financial Advisory Board. There is hereby established a Hilltown financial advisory board, which shall be charged with providing policy and administrative guidance and direction to the director of municipal finance. The members of the board shall be the chairs of the select boards of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell. The members shall report on the actions of the board at the meetings of their respective select boards as often as requested but in no event less than twice a year. The board shall meet on a regular basis with the director of municipal finance to review progress to date, assess any issues of mutual concern and implement improvements. The board shall adopt policies and procedures with respect to the department of municipal finance and director of municipal finance, including but not limited to:

- (i) the designation of the town that shall be the employer of the director of municipal finance and officers and employees of the department of municipal finance for purposes of compliance with tax, retirement, health insurance or other employment related state and federal laws;
- (ii) the appointment of the director of municipal finance to serve as the town accountant or treasurer-collector and in the absence of the director, an acting director of municipal finance;

- (iii) the indemnification of the director of finance and officers and employees of the department of municipal finance under chapter 258 for acts within the scope of their employment;
- (iv) the payment of any fidelity or other bonds required by law for the exercise of the duties of the director of municipal finance and officers of the department of municipal finance;
- (v) the assessment of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell for the compensation, including salary, benefits and all other expenses, of the director of municipal finance and the officers and employees of the department of municipal finance;
- (vi) the schedule for the appointment of the director of municipal finance and other offices of the department of municipal finance;
- (vii) the process for advising and reporting to the select boards of each town on the activities of the director of municipal finance;
- (viii) the process for hiring or methods of selection of the director of municipal finance or financial services under chapter 30B;
- (ix) the process for conducting an annual evaluation of the performance of the director of municipal finance;
- (x) the procedure for removing the director of municipal finance;
- (xi) the procedure and reasons for service of formal notices to the director of municipal finance.

SECTION 8. Notwithstanding Section 17 of chapter 268A or any other general or special law to the contrary, the director of municipal finance or any other officer or employee of the department of municipal finance for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery and Russell shall not be prohibited from receiving or requesting compensation from, or from acting as an agent or attorney for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell; provided that the director, officer or employee is acting within the scope of the official duties of the director, officer or employee under this act.

SECTION 9. Acceptance and Effective Date. The select boards of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell shall submit this act for acceptance by the voters of their respective towns at the next regular town or state election in the form of the following question: "Shall this town accept an act passed by the General Court in the year 20__ entitled: An Act Creating a Department of Municipal Finance for the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell, a summary of which appears below?"

The Town Counsel of each town shall prepare a fair and concise summary of the act, which summary shall appear below the question on the ballot of that town.

The final date for notifying or filing a written petition with the Town Clerk or the State Secretary to place the question on the ballot shall be 35 days before the town election or 60 days before the state biennial election.

A town shall have accepted this act if a majority of the votes cast in that town is in the affirmative. This act shall take effect upon acceptance by all six towns.

SECTION 10. Transition. Notwithstanding sections 1 through 7, inclusive of this act , the positions of assessor, collector, treasurer or town accountant in each of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, and Russell shall be terminated on the effective date of this act; provided, however, that the incumbents shall continue to perform the duties of their offices until the director of municipal finance shall be appointed and the director of municipal finance shall appoint their successors in the manner set forth in this act.