



City of Holyoke

Review of Financial Management Structure

Division of Local Services / Technical Assistance Section

March 2015



March 2015

The Honorable Alex B. Morse
536 Dwight Street
Mayor's Office
Holyoke, MA 01040-5019

Dear Mayor Morse,

It is with pleasure that I transmit to you the enclosed "Review of Financial Management Structure" for the City of Holyoke. I truly believe that if the City follows the recommendations presented here, Holyoke will realize financial management improvements and be better positioned for the future.

As a routine practice, we will post the report on the Division's website, www.mass.gov/dls, and forward a copy to the city's state senator and representative.

If you have any questions regarding the report, please feel free to contact Rick Kingsley, Bureau Chief of the Division's Municipal Data Management and Technical Assistance Bureau, at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sean R. Cronin', written over a white background.

Sean R. Cronin
Senior Deputy Commissioner

cc: Senator Donald F. Humason, Jr.
Representative Aaron Vega

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Introduction

At the request of the Mayor of the City of Holyoke, the Division of Local Services (DLS) completed a review of the city's financial management structure. The scope of our review focused specifically on the reporting relationship between the mayor and Holyoke's key financial management personnel and the overall impact of the structure on the city's financial operations. Based on interviews with local officials, a review of the city charter and ordinances, and consultations with staff in the Bureau of Accounts and Local Assessment at DLS, our Technical Assistance team developed an outline of the current roles and responsibilities within the city's finance-related offices, including how auxiliary functions such as information technology, procurement, and personnel administration fit into the overall picture.

It is within this framework that we found that Holyoke's financial management operations continue to be hampered by a disjointed finance structure and a lack of coordination. The city's existing reporting structure hinders communication and prevents the everyday business of government from being carried out effectively. Although incremental progress towards improving Holyoke's overall financial practices has been made since our 2007 [Financial Management Review](#), the city's 119 year old organizational structure continues to restrict its ability to deal with stubborn financial management shortcomings. This report uses several recent examples to show how Holyoke's structure impacts operations and proposes changes that will create a more effective and accountable financial management organization.

Background

The City of Holyoke has a population of 40,135 and a total FY2015 operating budget of \$153 million. Its [city charter and ordinances](#) define the government structure and the distribution of powers and certain duties and procedures. Although there have been numerous amendments since the charter was originally adopted in 1896, reporting relationships and appointment authority over certain finance-related personnel remains largely the same. A revised charter proposed in 2011 was designed to address the shortcomings of the current structure, but it was ultimately defeated by voters in a city-wide referendum. Today, there is renewed momentum among city officials seeking to improve Holyoke's financial operations. At the mayor's recent state of the city address he outlined a joint proposal with the council president to reorganize the city's financial management

structure. While we agree with the general direction of their plan in principle, we provide direction and more detail on how finance-related responsibilities might be structured.

Today, Holyoke operates under a council–mayor form of government where the mayor and council members are popularly elected every two years. The council consists of 15 members, seven of whom represent residential wards within the city and the remaining eight are elected at large. By charter, the council appoints the tax collector, assessors, and certain other municipal officials as well as confirms most mayoral appointments. The mayor appoints the chief procurement officer, personnel director and remaining department heads, except for the city clerk and city treasurer who are elected to four-year terms.

Although the charter defines the appointment of certain city officials and the election of others, authority over the city auditor’s appointment is noticeably missing. The original 1896 charter clearly delegates the auditor’s appointment to the then board of alderman. However, that language was struck at some point without redistributing the power elsewhere. This lack of clarity regarding the position’s appointment caused confusion earlier this year when the city auditor retired after more than 25 years with the city. Absent any formal procedure, the mayor agreed with the council that its historical appointment powers provide some level of precedent, but formal clarification is necessary. An organizational chart depicting Holyoke’s current financial management structure and related departments is included in the Appendix.

The city’s governing structure, which is organized under a “Plan B” Charter ([M.G.L. c. 43](#)), is often characterized as a “strong mayor” form of government. This characterization is misleading, however, with respect to city finance officers. In fact, Holyoke’s mayor is neither fully empowered to direct operations nor able to hold department heads universally accountable. Whether directed by charter or indirectly born out of an institutional culture that developed over time, the mayor’s authority is limited exclusively to his appointees—none of whom are finance officers. A city ordinance ([Section 2-66](#)) exists that speaks to the mayor’s general management and supervisory responsibilities over daily operations and his authority to discipline employees appointed by city council, but in practice this authority has been narrowly defined in Holyoke. As a result, the observations made in our 2007 review describing the mayor’s “limited ability to execute sound financial management practices, to coordinate activities of city departments, or to implement city-wide initiatives and goals effectively,” still hold true.

Absent the mayor’s ability to directly oversee the city’s financial operations, the prior city auditor served as a stabilizing presence. In many ways, he worked as Holyoke’s de facto finance director by

coordinating the annual budget, maintaining tight spending controls, and advocating for the maintenance of healthy reserves. Over his tenure, he garnered a tremendous amount of respect and influence among a broad range of city officials, which provided some level of stability over Holyoke's finances. Nevertheless, his retirement early last summer and the council's inability to timely appoint a permanent successor have left a vacuum. Despite the presence of an interim appointment, the lack of stability in this critical office represents a key vulnerability that creates yet another obstacle to executing a coherent financial strategy for the city.

Instituting sound fiscal strategies is all the more difficult when certain operational positions, such as the city treasurer, are not placed on equal footing with others in city hall. At the time of our review, the former city treasurer was in the second year of his second four-year term. During his tenure he introduced a series of positive changes, including a number of the recommendations outlined in our 2007 review. However, last fall he accepted an outside job with a private company, while still retaining his elected city position. What he initially described as a temporary arrangement that would only last until the city's 2014 outside audit was completed, threatened by late January to extend out a year or more. This raised questions about his salary and office hours, and was a source of frustration for many city officials. By mid-February he resigned after reaching consensus with city council to appoint his assistant as acting treasurer. Unfortunately, the prior city treasurer's "part-time" status only served to undermine the positive progress made by the office, and strengthens our overall conviction that professional positions, such as the city treasurer, are better suited to appointment than election.

The mayor's inability to achieve some level of coordination among the city's finance offices is also evident in the interdepartmental relationship between the city treasurer and tax collector. Based on our observations, there is a clear communications gap that exists between the two. For instance, the timeliness of regularly weekly turnovers and the pursuit of delinquents through the tax title process continue to be problematic. Normally we expect more cooperation between these two parallel functions to resolve any issues. However, because this does not occur, matters are left to fester, which further erodes interdepartmental relationships. The lack of cooperation present also hinders the implementation of initiatives to streamline operations or otherwise improve practices.

Lastly, Massachusetts General Law ([c. 41, §24](#)) requires municipal boards of assessors to have an odd number of members to avoid conflicts involving the manner in which real and personal property is assessed. Despite repeated directives from our Division and citations issued by Holyoke's outside auditor, the city council has neglected to appoint a third member or otherwise adjust the size of the board to comply with state statute. In this instance, the composition of the

board of assessors not only conflicts with Massachusetts General Law ([c. 41, §24](#)), but also city ordinance ([Section 82-36](#)), which requires the council to appoint a three-member board. This situation demonstrates long-standing inaction to bring the composition of the board into legal compliance.

It is based on these observations that we feel the current charter offers the mayor little authority to oversee city finance operations on a daily basis. These challenges not only unnecessarily disrupt the mayor's ability to govern, but also prevent Holyoke from executing a plan to tackle more stubborn, long-standing financial management challenges. We therefore introduce a new financial management structure designed to inject accountability and line authority over the city's financial management operations.

Proposed Structure

In proposing a new financial management structure for the City of Holyoke, our primary objective is to build a more effective operation while remaining cost-neutral. In doing so, we propose granting the mayor, as the city's chief executive officer, the authority to appoint and supervise department heads and to assume responsibility for the city's overall financial condition. By extension, we recommend the formation of a consolidated finance department in which all finance offices (e.g. treasury, collections, assessing and auditing) report to a finance director/auditor. In our experience, this centralized management approach facilitates better communication and collaboration, and represents the city's best opportunity to deal with its longstanding financial management issues.

To validate this approach, we analyzed similarly sized Massachusetts communities with city forms of government with populations between 30,000 and 50,000. In evaluating the finance structure in these comparable communities, we found that about 65 percent, or 11 of the 17, have created a finance director's position. Of these communities, the majority (6 of 11) have designated the accounting officer to serve as the finance director or budget director. A lesser number have designated the treasurer as the finance director and one community has established a separate finance director's position. Additionally, we found that 59 percent, or 10 of the 17 comparable communities, merged their treasurer and collector functions. The vast majority also delegate appointment authority over finance department heads to the mayor or manager. In the Appendix, we include a chart of these comparable cities and their finance structure.

To create a consolidated finance department, we recommend that the mayor file special legislation. The act would identify a combined finance director/auditor as the city's chief finance officer who would be appointed by the mayor and confirmed by city council. The new finance director would oversee and supervise the consolidated finance department, which would include procurement and a newly merged treasurer/collector's office. The act would also specify the finance director's responsibilities as outlined in [M.G.L. 43C](#) and described below:

- Assist and advise the mayor in the development of the city's annual budget and capital plan.
- Conduct financial analysis including developing revenue estimates for the budget, preparing long-term forecasts, and analyzing city contracts and obligations.
- Coordinate critical finance functions that involve multiple departments such as setting the annual tax rate, issuing tax bills, completing reconciliations, and determining financing strategies for capital projects.
- Draft/update financial policies, including guidance on the accumulation and use of reserves such as free cash, stabilization, and OPEB reserves.
- Develop uniform, written operating procedures for departments that receive revenue to minimize risk across city departments and to protect against disruption of key financial operations.

Our recommendation to consolidate the treasurer and tax collector functions stems from the belief that because of parallel responsibilities, a combined office generates long-term efficiencies and cost savings. Having receipts collected, counted, posted, deposited, and managed by the same office makes organizational sense. The subsequent appointment of the treasurer/collector also allows the city to establish minimum job qualifications, conduct an extensive interview process, and complete background checks of potential candidates. With access to a broader pool of candidates, the city can attract a person with the strongest credentials and most relevant professional experience. In addition, various efficiencies, such as contracting with an outside lockbox service, can be more easily studied and implemented to streamline operations.

Within the consolidated finance department, we also recommend establishing a three-member board of assessors by elevating the existing assistant assessor's position to that of an assessor. The appointment of a third member to the board can help resolve disagreements that might occur

within an even-numbered board and would put it in compliance with state statute and city ordinance. Alternatively, city officials could choose to reduce the size of the board to one member.

We recommend that the city's procurement department be included in the consolidated finance department as well because of its natural relationship to the city auditor. Procurement is a vital financial function that monitors department purchasing practices and oversees bidding. As a part of a consolidated finance operation, the procurement department would continue to work with the city auditor's staff on compliance issues and ensure that the city takes advantage of the most beneficial purchasing opportunities.

We further recommend rebuilding Holyoke's information technology (IT) department. The city currently outsources the management of its IT to Holyoke Gas & Electric (HG&E) for about \$200,000 a year. Through this arrangement, which has been in place since 2006, HG&E supports and maintains Holyoke's computer network and troubleshoots any desktop or other related hardware issues. It does not include annual software licensing fees, hardware purchases, or training-related expenses. While this agreement seems to have worked adequately for the city over the years, the existing setup appears fragmented and lacks a central management component with a global long-term strategic vision. Establishing a department head level chief information officer and staff under the mayor's authority will enable the city to better identify the true costs and long-term capital requirements associated with running a modern-day IT operations.

Lastly, we encourage city officials to rollout a plan to address the recommendations outlined in the Collins Center's [Human Resources Compliance Audit and Personnel Review](#). Released last year, the report analyzes the city's human resource operations, including its service levels, organizational structure, and staffing. The review identifies a series of compliance-related issues that result from a fragmented, decentralized approach to human resources management and an overworked department. While the scope of our review did not include discussion about the city's personnel administration, it nevertheless represents a core management component. Moving forward, our proposed reorganization shifts generated savings to hire an additional personnel clerk who would alleviate some of the department's workload and reintegrate decentralized responsibilities.

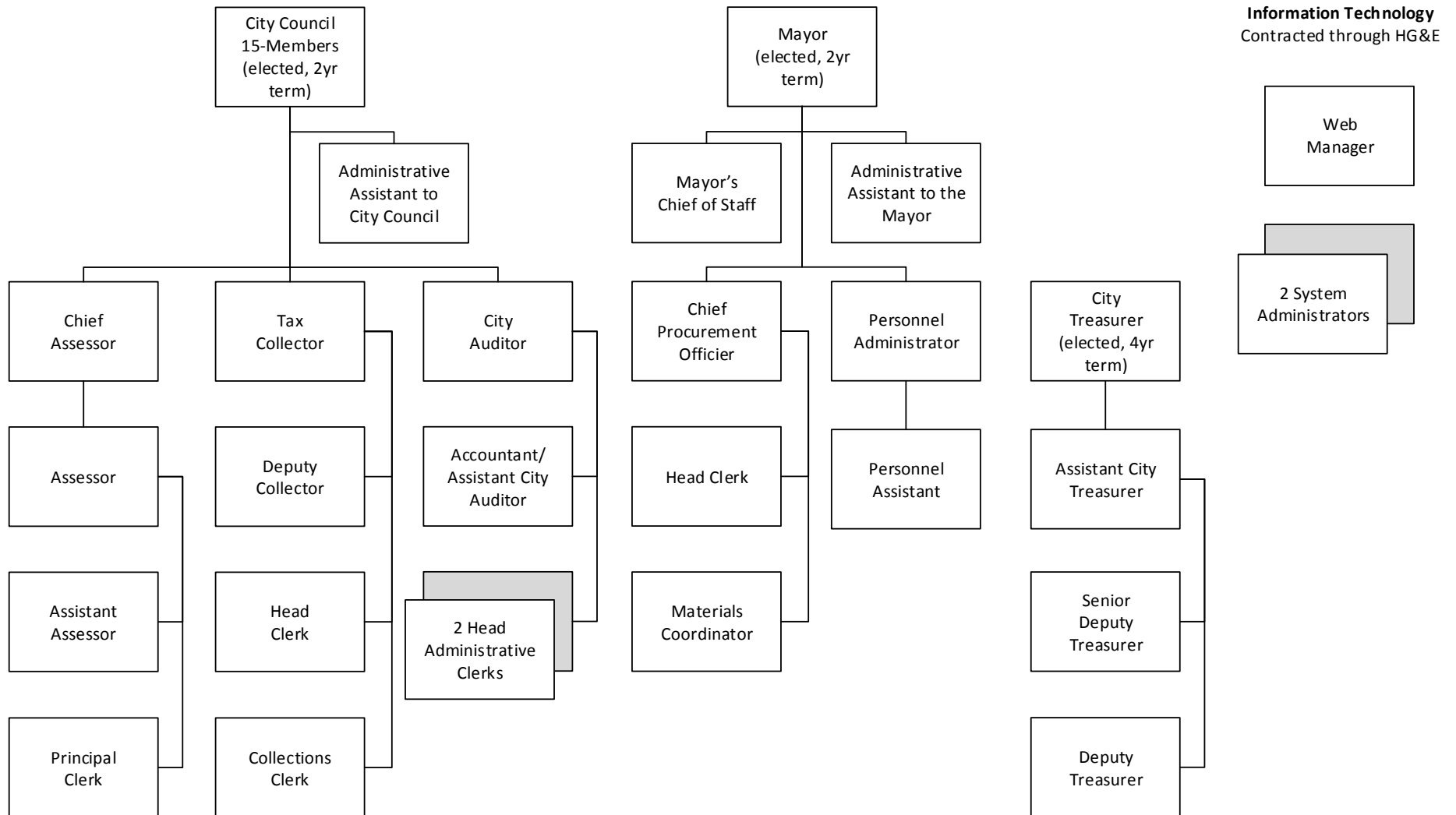
In the Appendix, we include an organizational chart of our proposed changes, including how information technology, procurement, and personnel administration fit into the overall framework. Our primary change is a new finance director/auditor appointed by the mayor who will serve as the city's chief financial officer. As finance director, this position would oversee and direct the assistant auditor, chief assessor, chief procurement officer, and a newly combined treasurer/collector. In

consolidating the treasurer and collector functions there are some savings generated from the elimination of a department head. We suggest directing these savings towards the salary of the new finance director/auditor and to adding a clerk in the personnel department to address the Collins Center's findings. We also bring procurement under the direction of the finance department and establish a three-member board of assessors. Finally, we recommend reintegrating information technology into a city department by proposing a new chief information officer and bringing over HG&E's two current system administrators. This new department could likely be supported by the city's existing IT budget.

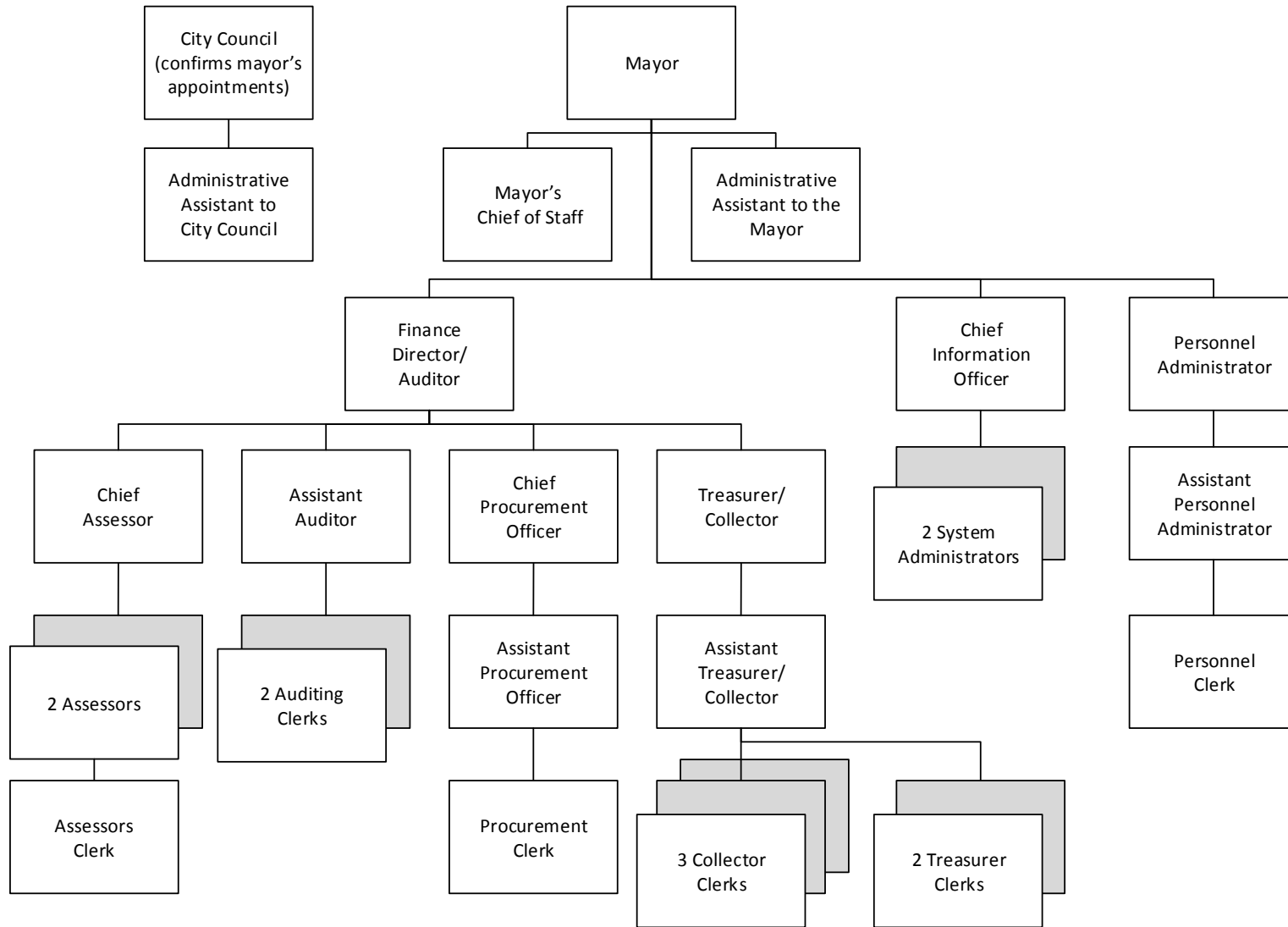
In our view, a consolidated finance department led by a finance director will better equip the city to ensure its resources are used efficiently, activities are conducted timely, and department personnel are held accountable. It will also create a synergy between finance and information technology that does not otherwise exist today, so that the city might realize long-term savings through improved management and capital planning. In this way, the finance director, serving as chief financial officer, can formulate a long-term strategic plan to enable better decision-making—something that is particularly important for a city trying to reestablish itself as a center for innovation and opportunity. Moreover, it represents an opportunity for city officials to set politics aside and acknowledge the importance of these long-undervalued financial management functions. Formally incorporating these changes through special legislation will also cement these responsibilities as a part Holyoke's government for the future, ensuring stability and consistency in its financial management operations.

Appendix

Current Management Structure (Includes: Finance, Personnel, and Information Technology)



Proposed Management Structure (Includes: Finance, Personnel, and Information Technology)



Appointment Authority for Key Financial Management Positions
(Cities with Populations between 30,000 and 50,000)

Municipality	2013	Form of Government	Term of Mayor (yrs)	Council Members	Finance Director	Auditor/ Accountant	Treasurer	Collector	Assessor	Combined	Charter Adopted
	Population									Treasurer/ Collector	
Holyoke	40,135	Mayor/Council	2	15	No	Council	Elected	Council	Council	No	1896
Attleboro	43,886	Mayor/Council	2	11	No	Council	Elected	Elected	Mayor	No	1973
Barnstable	44,641	Manager/Council		13	Yes, FD/Accountant	Manager	Manager	Elected	Manager	No	1989
Beverly	40,664	Mayor/Council	2	9	Yes, FD/Treasurer	Mayor	Mayor	Mayor	Mayor	No	1995
Braintree	36,727	Mayor/Council	4	9	Yes, separate FD	Mayor	Mayor	Mayor	Mayor	Yes	2005
Chelsea	37,670	Manager/Council		11	Yes, Budget Director/Auditor	Manager	Manager	Manager	Manager	Yes	1995
Everett	42,935	Mayor/Council	4	11	Yes, CFO/Auditor	Mayor	Mayor	Mayor	Mayor	Yes	2011
Fitchburg	40,383	Mayor/Council	2	11	Yes, FD/T/C	Mayor	Mayor	Mayor	Mayor	Yes	1916
Franklin	32,581	Administrator/Council		9	No	Administrator	Administrator	Administrator	Elected	Yes	1978
Leominster	41,002	Mayor/Council	2	9	Yes, FD/Comptroller	Mayor	Mayor	Mayor	Mayor	Yes	1983
Marlborough	39,414	Mayor/Council	2	11	Yes, FD/Treasurer	Mayor	Mayor	Mayor	Mayor	No	1922
Methuen	48,514	Mayor/Council	2	9	No	Council	Mayor	Mayor	Mayor	Yes	1978
Pittsfield	44,057	Mayor/Council	4	11	Yes, FD/Treasurer	Mayor	Mayor	Mayor	Mayor	No	2013
Randolph	33,456	Manager/Council		9	Yes, FD/Accountant	Council	Manager	Manager	Manager	Yes	2009
Salem	42,544	Mayor/Council	4	11	Yes, FD/Auditor	Mayor	Mayor	Mayor	Mayor	No	1915
Watertown	32,996	Manager/Council		9	No	Council	Manager	Manager	Manager	Yes	1980
Westfield	41,301	Mayor/Council	2	13	No	Council	Council	Council	Mayor	No	1920
Woburn	39,083	Mayor/Council	2	15	No	Council	Council	Council	Mayor	Yes	1898
Number of Executive Branch Appointments:					11/17	11/17	14/17	13/17	16/17	10/17	
Percentage of Executive Branch Appointments:					65%	65%	82%	76%	94%	59%	

Acknowledgments

This report was prepared by the Department of Revenue's Division of Local Services:

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

Zack Blake, Director, Technical Assistance Services

Theodore D. Kalivas, Financial Management Analyst, Technical Assistance Services

In preparing this review, DLS interviewed the following individuals:

Alex B. Morse, Mayor

Rory Casey, Mayor's Chief of Staff

Bellamy Schmidt, Acting City Auditor

Jon D. Lumbra, Former City Treasurer

Sandy A. Smith, Acting Treasurer and Former Assistant Treasurer

David Guzman, Tax Collector

Anthony Dulude, Chief Assessor

Robert Judge, Personnel Administrator

Kirk D. Jonah, Operations Manager, Holyoke Gas & Electric

Eileen Pooler, Web Manager