

Town of Hopkinton

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

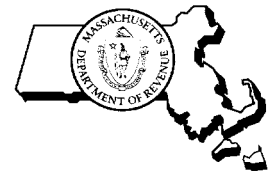
September 2005



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Introduction

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 Hopkinton.

We have based our findings and recommendations on site visits by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, finance committee and capital improvement committee, the executive secretary, town accountant, treasurer/collector, chief assessor, as well as other staff members, as available, in each office. The town's technology consultant was also contacted.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash and receivable reconciliation reports, statements of indebtedness, the town by-laws as well as other assorted financial records. On-line information including the 2004 City of Hopkinton Housing Report and accounts of the Voices for Vision forum were reviewed.

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.

Overview

The last 15 years in Massachusetts has been a period of dramatic economic swings for cities and towns. The deep recession of the early 1990s gave way to ten successive years of unprecedented economic growth, followed by another round of recessionary conditions earlier this decade. Although the region appears to have rebounded, municipal revenues have not returned to prior levels and services previously cut have not been fully restored.

For cities and towns, there were hard lessons. Those that looked ahead built reserves from revenues, especially when state aid and local receipts were increasing at a rate of ten percent annually on average. Still, even for the most well-prepared, budgets were severely cut and municipal services were reduced to minimum levels. Over time, reserves were substantially depleted as well. Circumstances were not dire enough, however, to temper demands placed on local governments. High expectations originated in large part from new residents who, with robust incomes and greater mobility, were flooding into many eastern Massachusetts communities.

The Hopkinton experience follows this pattern, except that the impact, in some ways, has been more amplified. For reasons rooted in the emergence of employment centers along I-495, Hopkinton has become a community with a particular appeal among young families. The demand for housing has spurred residential development, driven up real estate values and nurtured an expanding appetite for spending. As evidenced by the construction of a new high school and an increasing rate of annual school spending, education is at the forefront in Hopkinton - as it is in most communities.

An informative narrative of the changes taking place was included in a March 2004 comprehensive report entitled the Town Hopkinton Housing Plan completed by the Community Opportunities Group, Inc. (Boston, MA). Drawing statistics from the town, state and U. S. Census bureau, the report presents demographic data which substantiate local observations about town-wide growth. For example, the report points out that:

-30 percent of the homes in Hopkinton were built in the last ten years, placing the town fifth highest in this category among 351 Massachusetts cities and towns.

-Between the 1990 and 2000 U. S. Census, Hopkinton's population increased 45.2 percent from 9,191 to 13,346 people, reflecting a faster rate of growth than all but six other Massachusetts communities.

-Since 1990, the town's under 18 population increased 71 percent, compared to the average state-wide increase of 10.9 percent.

-State-wide over the same period, the pre-school age population declined 3.7 percent, but it increased 60 percent in Hopkinton. Often quoted locally is that more than 20 percent of the current town population is under the age of ten.

-58 percent of the over 25 population has a college or advanced degree, compared to 31 percent state-wide. The median household income is \$89,281 compared to the state-wide median of \$36,952.

-Since 1990, the number of four person households in Hopkinton increased by 61 percent, and from 20 to 24 percent of total households. The number of households with three, four and five members now represents 56.3 percent of all households in the town.

Statistics maintained by the DOR's Municipal Data Bank show similar trends.

-There are over 900 more single family parcels in Hopkinton today, than ten years ago.

-In Hopkinton, residential assessed values increased 183.1 percent between FY96 and FY05 compared to 149.2 statewide.

-The average single family tax bill rose 8.1 percent per year and 100.9 percent overall since FY96, compared to 5.2 percent and 58 percent overall statewide.

-The town's equalized valuation (EQV), a measure of community wealth based on property values, increased 159.8 percent between FY96 and FY04, compared to the increase among all cities and towns of 116.3 percent.

These demographic trends seem to have prompted a heightened interest, and even a sense of urgency, among residents and town officials, about the future. As a result, new government committees and volunteer planning groups, each with a forward looking agenda, have taken shape. While standing committees in municipal government also place emphasis on financial projections and fiscal planning, there appears to be little coordination of all entities.

Land development and overall planning issues are, or have been, the primary focus of the Fruit Street Development Committee, the (Weston Nurseries) Land Use Committee, the master plan committee, the Voices for Vision Civic Engagement committee, the open space preservation committee, and the community preservation committee. As a function of local government, the capital improvement committee, the revenue enhancement committee, the three-year planning group, and a capital asset management program concentrate on financial planning.

These are positive developments and represent the kind of long-term, introspective view we would encourage every community to take.

Now, local leaders have further expanded this self-examination by directing it inward toward municipal government. With this financial management review, the town gains a measure of town hall operations and guidance on how it might function more efficiently and effectively. The next logical step requires an understanding of how the structure of town government influences operations and a willingness to make the decisions necessary for improvement.

Sixteen years ago, the town created an executive secretary position to provide full-time assistance to the part-time board of selectmen as they oversee government. The position has evolved over time into a meaningful role in day-to-day operations and in the budget process, but

it still falls short of a fully empowered management presence. Missing today is the essential ability of one person to take charge, make decisions and push the governmental process when necessary. Lacking is the ability of one person to coordinate the execution of town goals, as set by policy makers, and to effect initiatives to improve operations through line authority over all those responsible for the administration of town business. As the town escalates into a \$50 million enterprise, municipal government and local finances become increasingly complex. Invariably, these needs will become more acute.

Today, by way of comparison to Hopkinton, 66 of 74 communities with populations ranging from 10,000 to 17,500 people have a town manager or town administrator form of government. Of those 66 communities, 56 had a FY05 budget lower than that of Hopkinton. To some extent, responsibilities vary from position to position, and from town to town. However, for this town, we advocate a fully empowered town manager who, at a minimum, would orchestrate the budget process, oversee all town departments (with the exception of schools) and have line authority over all town staff through wide-ranging appointing powers.

We also offer recommendations for the various finance offices and in the area of technology. However, they are relatively few and minor. It is our overall observation that individual finance departments are staffed by capable individuals and function well.

Conclusion - The demographic changes and fiscal pressures in Hopkinton are dramatic, but not unique. Nonetheless, the mere addition of new people into the community increases demand on existing municipal services and stress on infrastructure. With the influx of new taxpayers comes divergent views on the role of local government and competing interests on how money should be spent. Combined with the constraints of Proposition 2½ and the expanding complexity of local government administration, these factors invariably prompt debate on how a community might optimize its limited resources of time, money and personnel.

For Hopkinton, these circumstances have brought mounting pressure to bear on local government to maintain levels of service, improve town infrastructure, control new development and preserve the town's rural character, all in a cost effective manner.

Part of the solution is to place day-to-day government in the hands of a full-time professional who by training and experience is qualified to coordinate, manage and oversee town operations. With the election of the charter commission, and formulation of a draft charter, the town has taken a step in this direction. Moving forward, the charter debate will coincidentally focus on a finance director, the budget process and the capital improvement committee among other topics.

These represent some of the fundamental components of a charter that forward looking communities see as essential to integrating accountability into the government structure, organizing relationships, and firmly establishing financial management practices. In this era of complex government and turbulent economics, Hopkinton has reached the tipping point in its evolution where the adoption of a charter can enhance its prospects for long-term stability.

Summary of Report Recommendations

Charter Commission (page 5)

- 1) *Adopt a Town Charter*

Overall Financial Management (page 6)

- 2) *Create A Town Manager Position*
- 3) *Reconsider the Finance Director Role*
- 4) *Formalize the Budget Process*
- 5) *Reconstitute the Capital Improvement Committee*
- 6) *Subject All Capital Requests to a Single Ranking System*
- 7) *Reconsider Increasing Assessors from Three to Five*
- 8) *Formally Adopt Debt and Reserve Policies*
- 9) *Consolidate/Monitor Committees with Planning Focus*
- 10) *Review Job Responsibilities*
- 11) *Reduce Number of Town Meeting Warrant Articles*
- 12) *Include Text of All Articles in Town Meeting Minutes*

Computers and Technology (page 14)

- 13) *Fund a Technology Support Position and Technology Plan*
- 14) *Create a Technology Committee*

Treasurer/Collector (page 16)

- 15) *Schedule More Frequent Receivable Reconciliations*
- 16) *Maintain Debt and Debt Service Schedules*
- 17) *Review Relationship with Deputy Collector*
- 18) *Establish Security Policy*

Accountant (page 19)

- 19) *Schedule More Frequent Receivable Reconciliations*
- 20) *Work with Payroll Department to Reduce Paper Exchange*

Assessors (page 21)

- 21) *Report Property Information Changes to Collector*
- 22) *Treat Overlay with Greater Certainty*

Charter Commission

On May 17, 2004, Hopkinton voters approved the formation of a Charter Commission together with the election of nine members. In bi-weekly meetings since that time, the Commission set the parameters of a charter discussion, solicited input from municipal leaders, town hall managers and staff, sought outside guidance from the Massachusetts Department of Housing and Community Development (DHCD), and reviewed charters from other towns. It produced a preliminary charter, which was filed with the State Attorney General by September 19, 2005 for review. The draft was also submitted to town counsel and to DHCD for comment. Two hearings have been conducted as part of the public debate process, and in May 2006, the final Charter proposal will appear on the official town ballot for voter approval or rejection.

As part of a financial management review, DLS routinely examines the organization of town government with a focus on the impact of structure on the effectiveness and long-term stability of municipal operations. Accordingly, we have expanded our involvement here to include a technical review of the draft preliminary charter. Toward this end, we met with the Charter Commission on August 30, 2005 to offer our observations.

Now, in the Overall Financial Management section of this report, we offer comments on more substantive matters within the draft preliminary charter, and raise other considerations fundamental to municipal charters that the town may choose to address. Because some are viewed as worthwhile recommendations for Hopkinton, with or without a charter, they are included as recommendations in the Overall Financial Management section of this report.

Recommendation 1: Adopt a Charter

We recommend that the town adopt its first charter. As the town of Hopkinton makes decisions on how it wishes to be governed in the future, it should look to the current charter proposal to create an organizational structure, define relationships among officials, boards and commissions, and more clearly set out financial procedures. Charter provisions should outline the authority and responsibilities of a town manager, grant appointing authority in government and establish lines of accountability. The annual budget and capital planning process, the elements of employee performance evaluations, as well as the role of elected and appointed officers and boards are also subjects appropriately addressed in charter provisions.

A charter has become the preferred vehicle, over by-laws, to accomplish these goals and to achieve long-term continuity and stability in government. Because it is the product of a comprehensive and thought-provoking formulation and approval process, a local charter acts to discourage frequent, premature or frivolous amendments.

In the months ahead, we therefore encourage town residents and officials to review and modify, where warranted, the charter proposal to produce a viable document in form and substance that will have the highest prospects for acceptance by the voters.

Overall Financial Management

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 examined the purchasing system and personnel administration. 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 the State Department of Revenue (DOR).

It is clear that Hopkinton town government functions well. Managers are experienced and capable. Staff are uniformly competent in carrying-out clearly delineated responsibilities. Procedures have evolved over time and are effectively carried out due, in part, to continuity in both management and staff positions. Inter-office cooperation and a general willingness to work together is the town hall norm and contribute to the completion of everyday, as well as periodic tasks. As a result, the Tax Recap, Balance Sheet and Schedule A are submitted to DOR on time. Warrants are produced and approved. The budget process is consistent from year-to-year, though it places particular reliance on the appropriations committee. The executive secretary is involved. The selectmen are fully engaged and informed. Department heads and committee chairs are scheduled to meet each quarter to review goals and objectives.

A central administrative office at the core of operations helps. Although a position of limited management authority, the executive secretary has had a meaningful role in serving the board of selectmen and in advancing town interests. Valuable central office support is provided by the administrative assistant, who with nine years experience, attends to the details that routinely arise from the interaction of departments, boards and committees.

Municipal government is otherwise decentralized. Elected boards and commissions hire managers and independently direct the activities of departments. The executive secretary oversees only those departments reporting to the board of selectmen. Even here, there are inconsistencies. For example, the treasurer/collector reports to the executive secretary, while the accountant reports to the selectmen.

Conclusion - While the impact of the present government structure on operations may not be immediately apparent, percolating below the surface is the question of how long the town as a \$50 million enterprise can continue to function as well as it does. The creation of a charter commission demonstrates an awareness that a government updating is warranted. We endorse, in principle, many but not all of the charter recommendations and recognize that differences of

opinions exist locally. However, we challenge residents and municipal leaders to find accord on contested matters and follow through with charter approval in the Spring of 2006.

Recommendation 2: Create a Town Manager Position

We recommend that the role of the town manager be clearly defined. We endorse the proposal to create a town manager position through a charter provision. While other options exist, a charter remains the most effective vehicle for establishing a stable government structure over the long term.

In a town manager, the town of Hopkinton should expect a person with the experience, knowledge and capability to manage people and to oversee all municipal operations on a day-to-day basis. The town should expect him or her to be instrumental in the budget process by playing a prominent role in the formulation, defense and administration of the annual town budget and capital improvement program. The town manager would seek out and develop initiatives to improve operations and work with the selectmen, boards and committees to develop and implement financial and administrative policies.

Essential, however, is a supervisory relationship which is often established through appointing authority. In this regard, the preliminary charter is tentative. To clarify and strengthen the position, we also recommend that the town manager have appointing authority over all department heads, including the police chief, fire chief, and managers who are currently hired by elected or appointed boards. Alternatively, he or she would make recommendations to the selectmen, who would have appointing authority. In this way, all town employees have equal standing with their counterparts. Clear lines of accountability run through department heads to a single management authority who is ultimately responsible, to the selectmen, for the day-to-day administration of government. Elected or appointed boards can continue to have meaningful input into the selection process by screening candidates and making recommendations, or through veto power.

A professional manager to coordinate and oversee all of government is justified for any town approaching the size, in population and budget, of Hopkinton. However, in the face of revenue constraints, the town's demographic trends, service level expectations, and the major land use decisions ahead all add pressure on government. Despite competence, commitment and good intentions, navigating the town through these uncertain waters is beyond the reach of part-time, volunteer boards and committees. The town needs to adapt and take the necessary steps toward establishing a fully empowered town manager position in town hall.

Recommendation 3: Reconsider the Finance Director Role

We recommend that the finance director position be redefined or eliminated. At the time we reviewed the charter proposal, the finance director was a "free-standing" position organizationally placed between the town manager and the finance departments. Regardless of responsibilities assigned to the position, we do not endorse this structure for a town the size of

Hopkinton. It creates an additional layer of bureaucracy, at a high cost, to perform ill-defined tasks. Instead, we offer two alternatives for consideration.

Experienced, high quality town manager candidates will have the knowledge and ability to manage town government and direct its fiscal affairs. This should be the expectation of the town. He or she would initiate the budget process with revenue projections, issue budget guidelines, meet with department heads and formulate the draft budget. He or she would monitor town finances during the year, oversee the completion of required reports and guide all fiscal activity.

Alternatively, a finance director can oversee a finance department while also serving simultaneously as the accountant or treasurer/collector. In this case, the finance director would take on some, but not all, the tasks involved in the budget process. He or she would probably oversee completion of the Tax Recap Sheet, Schedule A and balance sheet for free cash certification, as well as generally monitor the financial departments and town finances.

In either instance, the language of the charter must be clear, which it currently is not.

Recommendation 4: Formalize the Budget Process

We recommend that the town consider shifting roles in the budget process. We endorse the intent of the Charter Commission to delineate responsibilities and formalize the budget process. The charter proposal should be clear in assigning the responsibility to initiate the budget process and develop the draft budget to the town manager. He would work within the budget policies and guidelines established at the start of the process by the selectmen in consensus with the appropriations committee and school committee.

Because the town manager, in part, acts on behalf of the selectmen and reports directly to the selectmen, the board need not require the two months of budget review time allotted in the charter proposal. Conversely, very little review time is allocated to the appropriations committee which has in the past been most instrumental in budget development, and continues to have a statutory-based role in the review of finance-related town meeting articles. Consequently, we recommend that review time be shortened for the selectmen and lengthened for the appropriations committee, so that this committee can continue in its watchdog capacity.

We also recommend that the budget developed by the town manager be submitted to the selectmen for review, in large part, to ensure that it reflects fiscal policies. Once approved by the selectmen, the budget would then be submitted to the appropriations committee. We would expect and encourage communications between the town manager and the appropriations committee to be ongoing during the committee's review period with the intent to resolve areas of disagreement before town meeting. Although it is common practice for both an appropriations committee, as well as a town manager, to make a report to town meeting, we would recommend that, as in the past, town meeting act on the budget approved by the appropriations committee.

Recommendation 5: Reconstitute the Capital Improvement Committee

We recommend that the charter reconstitute the capital improvement committee. In addition to the development of long-term capital plans, the annual appropriation request, and completion of other related activities, the capital improvement committee is required, under the town's by-laws, to "prepare and maintain a community resource profile which should include, but not be limited to:"

- (1) A ten-year record and ten-year projection of the town's growth in population.
- (2) A ten-year record and ten-year projection of the number of public, residential, commercial, industrial and other buildings, structures and facilities.
- (3) The estimated value, floor space and/or land areas of public, residential, commercial, industrial and other buildings, structures and facilities.
- (4) The school student population, and the total, per student and per taxpayer costs for the current fiscal year.
- (5) A five-year projection of school student population.
- (6) The total acreage of each zoning district, with a classification, by percentage, of developed, developable and undevelopable acreage in each zoning district.
- (7) A ten-year record of Town expenditures, in total and by department, board, committee or other functional group or unit.
- (8) A ten-year record of tax rates.
- (9) A ten-year record of total assessments.
- (10) A list of capital improvement commitments for the current year, and the prior and subsequent five fiscal years.

We question whether it is reasonable to expect a part-time board, with no paid administrative assistance, to prepare and maintain such an extraordinary range of information. We question whether board members would have the time to adequately review, analyze and draw conclusions, if any are possible, from the data if it were collected.

Therefore, we recommend that the charter provision supercede the capital improvement committee by-law, eliminate the requirements listed above and refocus the committee on prioritizing and recommending requests for funding. Toward that end, we recommend that among its duties, the capital improvements committee be directed to develop a system for objectively ranking proposed capital expenditures. In this way, all proposed capital projects will be assessed on the same criteria, and depending on how they are scored, fall into a ranking where the highest priority is assigned to the highest score.

Recommendation 6: Subject all Capital Requests to a Single Ranking System

We recommend that requests for funding from the facilities department be subject to the capital improvement committee ranking process. It is our understanding that the role of the town facilities director was expanded. He is now charged with developing a capital asset management program which would, in part, be a maintenance and repair schedule for town buildings. He will also provide full time oversight of projects involving capital expenditures to improve town buildings. As such, he would be a resource for the capital improvements committee and it would function in an advisory capacity to the facilities department.

Notwithstanding this new relationship, we encourage the capital improvement committee to give all department capital requests equal standing at the start of its deliberations. Over the time that this new relationship is evolving, we encourage the town to resist establishing a separate capital improvement budget for the facilities department which would be funded outside the capital improvement process for evaluating requests from all other departments. Facilities Department requests for funding should be formally submitted, pass through the same ranking process and be measured against the same criteria as the capital requests from all other municipal departments.

Recommendation 7: Reconsider Increasing Assessors from Three to Five

We recommend that the charter provision increasing the number of assessors from three to five be reconsidered. The clear trend among assessing offices in Massachusetts has been toward enhancing staff professionalism so that more of the data collection, analysis and/or property valuations can be completed in-house. Contracts with outside vendors still exist, but to varying degrees. Over time, the part-time, elected or appointed boards of assessors have been required to do less and even the most active boards today function adequately with no more than three members. In this context, we would not recommend increasing the board from three to five members.

Recommendation 8: Formally Adopt Debt and Reserve Policies

We recommend that the selectmen and appropriations committee formalize a policy that establishes guidelines for funding and maintaining reserves. In recent history, the town has done well in maintaining its stabilization fund and generating healthy free cash levels. To help ensure the continuation of sound practices, the town should formalize reserve policies that, among other things,

- 1) Identify target levels and a funding source for the stabilization fund, free cash and other reserves in a total dollar amount or as a percentage of the total annual budget.
- 2) Direct and limit what percent, if any, of free cash can be used for current year operations, as a revenue source for the ensuing year's budget, and what percent must be retained as a balance to start the subsequent year's free cash calculation.

- 3) Restrict the use of free cash to outlays for one-time capital projects, or as a funding source for stabilization. Restrict the use of stabilization funds to outlays for one-time capital projects.
- 3) Restrict the use of unexpected, non-recurring revenues to non-recurring expenditures;
- 4) Restrict the use of stabilization funds to non-recurring expenditures and in an amount above a certain dollar threshold. Or, if necessary, set limits on how much stabilization, or free cash can be used for operations, or other recurring expenses.

An effective capital improvement program should be consistently funded from year-to-year, backed by policies that guide the use of debt, dollar outlays and capital exclusions as funding mechanisms. Among options:

- 1) Identify a percent of free cash to use toward capital outlays;
- 2) Specify amount to be available for debt service for capital improvements as a percent of recurring general revenues;
- 3) Establish guidelines to determine when a capital improvement qualifies for funding through a capital exclusion;
- 4) Define capital needs as a function of annual asset depreciation which should be calculated under the requirements of GASB 34.

In regard to general debt management, policies should:

- 1) Specify purposes for which long and short-term borrowing will be permitted;
- 2) Set goals for the average maturity (i.e., less than ten years) of long-term debt;
- 3) Set limits on debt service payments as a percent of operating revenues;
- 4) Dedicate special assessment or betterment revenues to support long term debt.

In considering factors that influence the town's credit rating and are within control of town management, policy makers should recognize that rating agencies (Moody's, Standard & Poor's, Fitch Investment Services) look positively on the following:

- 1) Revenue forecasting and a community's ability to anticipate future events;
- 2) Interim financial reporting and monitoring;
- 3) Contingency planning policies (reserves);
- 4) Policies on the use of non-recurring revenues;
- 5) Debt management policies; and
- 6) Long-term capital planning.

Recommendation 9: Consolidate/Monitor Committees with Planning Focus

We recommend that the town explore how to coordinate the work of various committees. We noted ten different entities with forward looking purposes. They include the Fruit Street Development Committee, the (Weston Nurseries) Land Use Committee, the capital improvement committee, the revenue enhancement committee, the three-year planning group, the master plan committee, the Voices for Vision Civic Engagement committee, open space preservation

committee, and the community preservation committee. In addition, the Facilities Director is now charged with developing a capital asset management program.

All of these committees pursue specific goals, some are more active, others are dormant, and some have overlapping purposes. It is likely that conclusions drawn and recommendations presented have or will dovetail with each other. All are likely to involve or necessitate the expenditure of town funds.

Some level of coordination, or some point where information relative to a each of these groups can converge, would be worthwhile. Rather than initiate new committees, a particular subject matter or purpose might be better assigned to an existing one. To help sort these issues out, a town manager can serve as a natural information clearinghouse or he could conduct periodic meetings of committee chairs to identify areas of potential conflict or collaboration.

Recommendation 10: Review Job Responsibilities

We recommend that that job descriptions of finance officers be measured against actual job responsibilities. On review of the job description of the executive secretary, it was noted that among his essential functions is the responsibility “to prepare and administer bids...regarding the procurement of services, capital items and supplies.” However, in practice, the accountant actually comes closer to fulfilling the role of a chief procurement officer even though it is not part of her job description. Although the human resources department routinely updates job descriptions as vacancies occur, discussions on the role of a town manager may also present an opportunity to revisit the job descriptions of the finance officers. As municipal operations become more complex and demanding, it is not uncommon for new tasks to naturally fall to certain department managers and staff. A review of responsibilities and day-to-day activities would help town hall staff better understand the role of counterparts and lead to a thoughtful and logical delineation of responsibilities.

Recommendation 11: Reduce the Number of Town Meeting Warrant Articles

We recommend the selectmen and appropriations committee seek ways to reduce the number of town meeting warrant articles. In May, 2005, the town held a regular town meeting with 60 articles and a special town meeting with an additional 22 articles. In May 2004, articles placed before the regular and special town meetings totaled 80. The total in May 2003 was 56 articles.

Fewer articles, or consolidated requests, can go far to help town meeting voters sort out overall town priorities and funding purposes. Attention spans are less likely to wane, meetings can be shorter and modest cost savings might be realized. In general, when separate items are combined in a single article, like the town’s current practice relative to revolving funds, discussion of each individual item is not foreclosed or stifled. Full debate and amendments are still possible. Additional explanations or descriptions, particularly in regard to capital improvement or community preservation requests, can be included as back-up documentation.

We suggest the following ways to help reduce the number of town meeting articles:

-Unless financial institutions specifically require separate approval of a bonding authorization, recommendations for capital expenditures requiring two-thirds vote can be presented in a single article. A separate article may be preferred for capital recommendations with a different funding source, i.e., user fees or rates.

-Appropriation of community preservation funds can be consolidated and listed into a single article.

-The budget handout presented to the annual town meeting is a line-item format that lists individual appropriation requests for the all town departments, for the school department and for the regional technical vocational school. However, town meeting votes town department budgets, the local school budget and the regional school budget in three separate warrant articles. By combining the two school-related articles into the omnibus budget article, debate is not curtailed, but approval of only one article is required.

-There have been instances where separate articles were used to transfer funds out of the appropriations committee reserve and into department line items. If the reasons for these reallocations are due to exigent or unforeseen circumstances, then they can be accomplished by the appropriations committee simply through the approval of a transfer request.

-Year-end, line-item transfers appear to be the bulk of articles on the May special town meeting warrant. This is an other instance where listing the transfers in a single article is acceptable. Often times, a consolidated article will include a chart showing one list of "from" line-items and a second list of "to" line-items. While line-items from each need not be matched up, the bottom line total from one list must equal the other. The chart may or may not include some explanatory language. The article is subject to the same debate as would separate articles for each transfer.

-In May 2004, 13 articles were dismissed by town meeting. In May 2005, 15 articles were either dismissed or withdrawn by town meeting vote. Because the text of the articles were not part of the minutes, its not possible to conclude whether or not these were substantive. Although it is common practice among boards of selectmen to accommodate all duly presented articles for the warrant, the selectmen might consider parameters to cull out those that are ill-timed, frivolous or where there is an alternative means for achieving the purpose of the article.

Recommendation 12: Include Text of All Articles in Minutes

We recommend that the town clerk include the text of all articles in the town meeting meetings no matter what action is taken. The minutes we reviewed are clear and concise in reporting the action of town meetings. However, when town meeting acts to dismiss or withdraw an article, the vote is noted, but the text of the article is not included in the minutes. This gap leaves the reader uninformed. Therefore, a simple solution would be to merely include the text of all articles in the minutes.

Computers and Technology

Town-wide, four servers support approximately 80 free-standing desktop computers of various age. All town hall computers are part of a network which extends to the police and fire department buildings by way of fiber optic cable. Desktops computers have Windows operating systems and are installed with Microsoft word processing and spreadsheet applications. All offices have email capacity and internet access.

Offices also utilize more specialized financial management software that are not compatible, that is, the town does not have the ability to seamlessly transfer information between and among departments. The accountant's office uses a web-based software developed by Informational Marketing Group (IMG) which is located in nearby Framingham. The treasurer/collector has used Point software since 1989 to track collections, and relies primarily on Excel spreadsheets for treasurer functions. A recently upgraded version of Patriot Property's Assess Pro software is installed in the assessors' office.

Support contracts are in place with IMG, Point and Patriot. The town also has an arrangement with Mike McCann, d/b/a Advent Consulting (Upton, MA) to provide 15, unspecified hours per week of support which typically ranges from simple to highly technical tasks. Otherwise, the town has no in-house technology staff to oversee the network, hardware or software systems.

Although the line-item is not immediately identifiable, it is our understanding that technology needs are funded through the selectmen's budget. If, toward the end of the fiscal year, a remaining balance is projected, the excess funds are typically used to replace older desktop units. However, because the amount varies from year-to-year, long-term planning is difficult and age-based prioritizing denies new equipment to some offices. In response, departments independently make technology purchases from their general expense appropriation. Donations have also helped. Most recently, the assessors' office received new computers and software upgrades financed by a local, private foundation.

Conclusion - On balance, computers and software in town hall are sufficient and aid departments in meeting office responsibilities. Software support is purchased from specific vendors and the town contracts with an outside consultant for general technology support. However, although the town's consultant gets high marks for the quality of work provided, due to the nature of the arrangement, he is not always able to immediately respond to calls. Because many involve relatively minor technology issues, he has suggested the town create a "junior" staff position to address basic day-to-day needs. The town could also benefit from a technology committee.

Recommendation 13: Fund a Support Position and Technology Plan

We recommend that the town create an in-house technology position. We agree with the town consultant's suggestion that municipal operations would benefit from the presence of an in-

house technology person. In almost all communities, technology is an area of expanding demand and competing interests. Because technology also has global impact where advances and problems can simultaneously cross over multiple town departments, coordination and centralized decision making can be pivotal. Through the creation of an in-house position, the town can be proactive in providing a structure through which all decisions can be filtered and where needs can be ranked and priorities assigned. An in-house person could also provide centralized coordination of a more comprehensive technology program funded under a single technology budget. He or she could take the lead in prioritizing and scheduling a long-term plan for software and hardware replacements and upgrades as part of the town's capital improvement program.

Recommendation 14: Create a Technology Committee

We recommend the town form a technology committee. A technology committee can be a meaningful and objective contributor of information, analysis and insight for the town decision-makers as they consider ways to enhance the town's computer capabilities. Depending on its level of involvement, a technology committee can assist in the production of periodic reports, or assessments, of the town's technology status. Its members can help evaluate the performance of hardware and software in town departments, identify and prioritize the need for upgrades, and recommend the adoption of new technologies.

A technology committee might comprise only three or four members who have appropriate knowledge or work experience. To the extent possible, the town should recruit members from the town population, but the committee could be a mix of residents and town officials. In any event, once hired, an on-staff technology support person should be involved. Absent other by-law provisions, the selectmen or a town manager would appoint the committee members.

Treasurer/Collector

The treasurer is a community's cash manager and, as such, maintains town bank accounts, invests and disburses town money, and generally has custody of all municipal funds.

In fulfilling requisite responsibilities, the Hopkinton treasurer/collector has systems in place to make certain that town receipts are deposited into appropriate bank accounts each day. She accurately monitors account balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer/collector invests town funds and manages debt to maximize investment income and meet cash flow needs. She maintains a debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. Together with a receipts log, these records are used to regularly reconcile cash balances, internally, and then with the accountant. Finally, the treasurer maintains tax title accounts and prepares documents to petition for foreclosure.

As town collector, the treasurer/collector possesses the authority to collect and responsibility to track real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. In Hopkinton, the office also collects water and sewer payments.

Under current practices, the office staff count receipts, post payments to taxpayer accounts, as well as prepare and make bank deposits each day. Receipt logs are available to the accountant, but formal turnovers to the treasurer occur at the end of each month. The treasurer/collector pursues delinquent accounts and moves them into tax title in a timely and efficient manner. She maintains an up-to-date receivable control that is reconciled internally, but only annually with the accountant. Credit reports are run and, when necessary, research is completed to confirm legitimate refunds due to residents. In accordance with state law, the office responds to requests for municipal lien certificates within ten days. Finally, the collector manages a contractual relationship with the deputy collector.

The current treasurer/collector was initially elected to the combined position in 1989, and became the first appointed treasurer/collector in 2000 when the position was converted. Staff includes two administrative assistants who work 40 and 30-hours per week and who have served in the office since 1999 and 1997. Staff are cross-trained and help to complete whatever task requires attention.

The treasurer/collector and staff share space in an open office which is set up with desktop computers connected to the town hall network. Point is installed for collector functions, while treasury records and activity are maintained on Excel spreadsheets. Point was originally installed in the office around 1989 when the town agreed to serve as a beta site. It is updated, staff are satisfied with software performance and with the support received. In addition, the office is equipped with state-of-the-art machinery that can print, stuff and stamp mailings. As a result, virtually all billings and other town hall mass mailings pass through the office.

Although the office does not contract with a lock box service, residents are able to pay property taxes, water/sewer bills and motor vehicles excises on-line with electronic checks. The service is accessed from the town's web site where a link connects the taxpayer to town specific web pages at the Unibank website. Approximately one third of the payments are currently received on-line which is expected to increase when the ability to pay by credit card is added in September.

Conclusion - Overall, the treasurer/collector and her staff effectively fulfill the responsibilities of the office. The recommendations we offer are relatively minor suggestions intended to improve record keeping and procedures, as well as to provide some guidance on where priorities might be placed.

Recommendation 15: Schedule More Frequent Receivable Reconciliations

We recommend that the treasurer/collector meet with the accountant to schedule more frequent reconciliations of receivables. Reconciliations are part of a system of financial checks and balances, contribute to an accurate balance sheet and serve as important prerequisites to the certification of free cash. In meeting these standards and satisfying these requirements, we recommend that the reconciliation process take place at least on a quarterly basis. In this way, variances between the two sets of records are more easily tracked and resolved. With more frequent reconciliations, officials can be more confident that records are up-to-date and accurate.

Recommendation 16: Maintain Debt and Debt Service Schedules

We recommend that the treasurer/collector update and reconcile her debt schedule. Total outstanding debt as of June 30, 2004 and June 30, 2005 listed on the treasurer/collector's debt schedule provided to us does not match total outstanding debt reported on the year-end Statement of Indebtedness filed with DOR. Debt totals submitted to DOR exceed the debt schedule amounts by \$1,142,941 in FY04 and \$1,567,078 in FY05. Because debt schedules are an important source of information for annual budgeting and long-term planning purposes, we encourage the treasurer/collector to update and accurately record her information. She should continue to reconcile her records with those of the accountant at least once per year, and both should continue to meet with the clerk following town meetings to confirm approval of borrowing related articles.

Recommendation 17: Review Relationship with Deputy Collector

We recommend that the treasurer/collector review the present relationship with the deputy collector to ensure compliance with state requirements. Under DOR regulations, deputy collectors are held to standards and requirements relative to the custodial care and turnover of town funds (DOR Informational Guideline Release 90-219 at www.dls.state.ma.us under IGRs). Specifically, delinquent payments, including fees and charges received by the deputy collector

must be deposited in a bank account held jointly with the town or tax collector, or immediately turned-over to the town treasurer. The deputy collector receives fees in the first instance by way of a check drawn on the account and co-signed by both parties. Where collections are turned over to the town treasurer, the deputy collector is paid through the warrant process. In any event, the deputy collector is required to make frequent turnovers and detailed reports to the town, as well as conform to other requirements. For instance, the town collector should also verify that interest payments continue to accrue on delinquent accounts after they have been "marked" at the registry of motor vehicles.

Recommendation 18: Establish Security Policy

We recommend that the treasurer/collector establish security procedures for departments that take in money. It is common that various municipal departments take-in money over the counter or by mail as payment of fees or in exchange for services. Departments are generally in compliance with the current policy directing that receipts be turned-over to the treasurer within three days. However, because departments can hold money for three days, and may for a longer period, the treasurer/collector should establish, as policy, security measures for retaining funds over time. At a minimum, a policy should require that departments store funds in a lock box which should be placed in a secure location overnight, such as a locked desk draw, file cabinet, safe or vault. In addition the treasurer/collector should ensure that any town employee receiving money is bonded.

Accountant

The accountant has a legal obligation to oversee all financial activity of a municipality. Toward this end, she maintains required independent records and follows well-defined procedures that document the flow of money into and out of municipal accounts. Intact are the systems of checks and balances established by statute to monitor and protect local assets. The office is timely in the preparation of warrants and maintenance of the general ledger where receipts, expenditures and all other town financial activity are recorded. Cash and debt are regularly reconciled with the treasurer and, though less regularly, receivables are reconciled with the collector. The office produces a monthly expenditure report and records employee accrued sick leave and vacation time. The accountant also tracks revenue and is typically involved in the annual budget process. The accountant also serves as the town's chief procurement officer.

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

The Hopkinton town accountant serves full-time and was first appointed six and a half years ago. She previously served five years in a similar position for a Connecticut town. The assistant accountant has six years of experience in the office, and works a full-time, 40-hour week. Previously, she was employed in town hall as a 19-hour per week "floater."

The accountant and assistant accountant are in adjacent offices where each works on a desktop computer which is connected to the town hall network. The general ledger is maintained on web-based software developed by the Informational Marketing Group (IMG), a company located nearby in Framingham. The software, which is fully updated, predates the accountant and assistant accountant, both of whom are satisfied with its performance and, on balance, with the support they receive. Microsoft word processing and spreadsheet applications are also installed on computers. In addition to the general ledger, an IMG module will be used to manage the town's fixed assets in order to gain greater flexibility over Excel spreadsheets.

Conclusion - The accountant, together with the assistant accountant, is capable, diligent and effective in fulfilling the role of neutral observer, recorder of financial activity and a protector of town assets. Information is electronically maintained in a format conducive to good record keeping. As a result, we offer only two recommendations.

Recommendation 19: Schedule More Frequent Receivable Reconciliations

We recommend that the accountant schedule more frequent reconciliations of receivables with the treasurer/collector. Reconciliations are part of a system of financial checks and balances, contribute to an accurate balance sheet and serve as important prerequisites to the certification of free cash. In meeting these standards and satisfying these requirements, the practice of the accountant has been to annually reconcile receivables with the treasurer/collector.

We recommend that the reconciliation process take place at least on a quarterly basis. In this way, variances between the two sets of records are more easily tracked and resolved. With more frequent reconciliations, officials can be more confident that records are up-to-date and accurate.

Recommendation 20: Work With Personnel to Reduce Paper Exchange

We recommend that the accountant's office and personnel office reduce the amount of payroll information that flows between them. For each pay period, the personnel department sends a series of payroll-related reports to the accountant so that warrants can be generated and required information can be posted to the general ledger. However, all the information provided is not of use to the accountant. Therefore, to reduce the flow of paper, we recommend that the accountant and human resources director review meet to determine what payroll information should pass between their offices, and what can be eliminated.

Assessors

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

The Hopkinton assessing office has the procedures and practices in place to ensure that residents are taxed equitably and accurately. The office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program. The assessors act on and track exemptions and abatements filed by residents.

Among other responsibilities, the assessors estimate new growth and conduct classification hearings. They set the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office also fulfills DOR requirements to document the annual property value adjustment analysis and to prepare for State certification of property values every three years. The next value certification occurs in FY07.

The volume of work in the Hopkinton assessing department involved, in FY05, 5,776 total parcels, of which 4,641 were improved residential, 178 were commercial/industrial, 724 were vacant and 69 were open space. Miscellaneous/other categories totaled 208 and personal property accounts numbered around 370. Commitments are issued twice each year and bills are mailed on a **quarterly** basis. Over the course of one year, motor vehicle commitments exceed 15,000 accounts. Also, the office annually receives 25-to-35 residential abatement applications and issues 100-to-120 personal exemptions.

The assessing office is managed by a full-time principal assessor, who has held the position for six years. Staff includes an administrative assistant with just under three years experience and a deputy assessor who began early in 2005. The office is well organized and responsibilities are clearly delineated. To direct the overall policies of the assessing department the town of Hopkinton elects a three-member, part-time board of assessors which meets twice each month. In addition to general guidance, the board reviews and approves real estate exemption and abatement applications, as well as exemptions associated with the Community Preservation Act. The board members serve three year terms and appoint the principal assessor and he, in turn, is accountable to the board.

As a result of a private donation, the assessors' office recently received three new desktop computers, and a laptop computer updated with the most recent version of Patriot Properties' appraisal software, Assess Pro. As is typical, the assessors' computers are on an intra-office network and supported by a free-standing server. In addition to software support, the office contracts with Patriot for personal property data collection for new accounts and commercial/industrial property valuation services. All other field work is completed primarily

by the deputy assessor, while valuation analysis for residential and personal property, and open space is completed by the principal assessor.

Conclusion - The assessing office is under the direction of an experienced manager, staffed by capable employees and guided by a knowledgeable board. Staff understand their responsibilities, the office communicates well with other town finance related departments. Overall, the assessing office effectively meets the requirements of the DOR Bureau of Local Assessment. One area of concern relates to formulation of the overlay, otherwise we offer a recommendation that additional information pass between the assessors and the collector.

Recommendation 21: Report Property Information Changes to the Collector

We recommend that the assessors office periodically provide lot-split and ownership change information to the collector's office. When the assessors' office receives notice of new subdivisions from the planning board, it assigns map and lot designations to the new lots. The office also receives an electronic list of deeds recorded from the Registry which serves as notice of property ownership changes. We recommend that the assessors' office explore whether information related to lot splits and changes in property ownership can be produced in a report and forwarded to the collector.

Recommendation 22: Treat Overlay with Greater Certainty

We recommend that that the assessors formally develop a process for projecting the annual overlay. The overlay reserve, as it appears on the annual Tax Recap Sheet, is intended to cover anticipated abatements and exemptions, as well as the town's financial exposure associated with cases pending before the State Appellate Tax Board (ATB). It is the sole responsibility of the board of assessors, working with the principal assessor, to arrive at the annual overlay estimate. Toward this end, the annual overlay projection should not be arbitrary or fluid. Nor is it a number that is influenced by projected revenues or town-wide expenditures in any given year. The assessors should develop the annual overlay estimate based on the abatement and exemption history of the town, plus the potential impact of any cases pending before the ATB.

Acknowledgements

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