

FINANCIAL MANAGEMENT REVIEW

TOWN OF MENDON

FEBRUARY 2023



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

Financial Management Resource Bureau | DLS
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Zack Blake, FMRB Chief



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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

February 6, 2023

Town of Mendon
20 Main Street
Mendon, MA 01756

Dear Select Board Members,

I am pleased to present the enclosed financial management review for the Town of Mendon. It is my hope that our guidance provides direction and serves as a resource for local officials as we work together to build better government for our citizens.

If you have any questions regarding this report, please contact Zack Blake, Financial Management Resource Bureau Chief, at 617-626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

TABLE OF CONTENTS

INTRODUCTION	2
COMMUNITY PROFILE.....	3
RECOMMENDATIONS	11
1. Develop Town-wide Goals and Objectives	11
2. Codify Town Administrator Role in Bylaw	12
3. Empower Finance Director-Treasurer/Collector	12
4. Develop Succession Plan for the Principal Assessor.....	13
5. Consolidate Finance Management Operations	14
6. Form Government Study Committee to Review Bylaws and Consider Town Charter.....	16
7. Clarify Finance Committee's Mission	17
8. Develop a Financial Plan	18
9. Enhance Oversight of Procurement and Purchasing.....	20
10. Institute Monthly Department Head and Financial Management Team Meetings.....	21
11. Hold Quarterly Financial Briefings.....	22
12. Develop Performance Review Protocols for all Employees	22
13. Consolidate Personnel Files.....	23
14. Adopt Personnel Bylaw and Revised Personnel Policies	24
16. Review Town Fee Schedules.....	24
17. Review Tax Taking Accounts.....	25
18. Develop Procedures Manuals for Financial Management Operations	25
ACKNOWLEDGEMENTS	26

INTRODUCTION

At the select board's request, the Financial Management Resource Bureau for the Division of Local Services (DLS) completed this Financial Management Review (FMR) for the Town of Mendon.

The scope of our review focuses on the town's administrative structure, financial management operations and its overall financial condition. In doing so, we study how operations are organized in the context of the duties and responsibilities of financial officers. We review the budget, capital planning and financial forecasting practices and policies that govern financial matters. We assess the degree of coordination and communication that exists among the various boards, officials and staff involved in managing financial management operations. Additionally, we evaluate the general efficiency of financial operations measured by Mendon's success in maximizing resources and minimizing costs.

The observations and recommendations made in this report are based on interviews with policymakers, department heads and staff, including the select board, finance committee, town administrator, finance director-treasurer/collector, principal assessor, accountant, and others. We also gathered and examined information and historical financial data from various documents, including the tax recapitulation sheet, balance sheet, annual budget, independent audit, and credit rating reports. Lastly, we reviewed any formal or informal financial management policies and the town's bylaws and locally accepted statutes.

We believe this report will offer Mendon a blueprint and continued momentum as it seeks to modernize and strengthen its overall financial management operations.

COMMUNITY PROFILE

The Town of Mendon (pop. 6,228) is located approximately 20 miles south of Worcester and eight miles north of Woonsocket, RI. Incorporated in 1667, Mendon is part of the Blackstone Valley National Heritage Corridor, which has a rich history dating back to the original Nipmuc inhabitants through the early pioneer, colonial, and industrial revolutionary periods. Today, Mendon is characterized as a safe, family friendly community with a rural ambiance and quality schools. Its limited commercial development is largely concentrated just outside of town center, along the Route 16 corridor that bisects the community.

Mendon, like many of its peer communities, experienced relatively explosive growth from the early-to mid-1970's through the mid-2000's when its population nearly tripled. During this period municipal services also expanded to what they are present day, including police, fire, highway, public library, council on aging, parks and recreation, and other departments. Mendon also partnered with the neighboring community of Upton to form the Mendon-Upton Regional School District, which is home to two elementary, a middle, and high school with a total enrollment of about 2,100 students.

Local leaders have made significant strides to modernize municipal operations. Within the last decade the town hired it's first town administrator and more recently converted its elected highway surveyor to appointed. The town then created a new finance director-treasurer/collector position that combines the treasurer/collector functions under a finance director position. Mendon also created a part-time human resources position, outsourced its accounting, and regionalized or establish shared services with an eye towards greater efficiency and effectiveness.

Despite these reform efforts, community leaders also recognize that Mendon is at somewhat of a crossroads. Ever-growing pressure on town finances as a result of limited revenue growth, high inflation, growing capital needs, and the cost of education continues to put considerable constraints on the operation budget. At the same time, several vacancies over the last few months within key finance roles and anticipated retirements in the not so distant future need to be considered. It is among these challenges, and with a continued desire by local leaders to implement best practices, which motivated the select board's request for this report.

In the pages that follow, this review outlines Mendon's administrative structure, financial operations, and fiscal condition. It then offers specific recommendations to streamline and improve municipal operations by codifying certain administrative and financial roles and responsibilities and strengthening long-term financial planning practices.

Administrative Structure & Financial Management Operations

Mendon's open town meeting-elected five-member select board form of government is organized under a combination of state statutes and locally adopted bylaws. The select board serves as the chief executive body to oversee town operations. The select board appoints a full-time town administrator to coordinate day-to-day general government activities, supervise personnel under the direction of the board, and orchestrate the budget process. Lacking any formal authorities or duties through town bylaws or charter, the town administrator's responsibilities are articulated only by job description and employee contract. Mendon's town administrator has been in this role with the community since 2014. Overall, Mendon is considered to have a relatively flat organizational structure with several separately elected boards and positions, some of whom appoint their own staff.

Mendon's senior financial management team includes the finance director-treasurer/collector, town accountant, and principal assessor.

The role of finance director-treasurer/collector was created in 2021 and combines the functions of the treasurer and collector offices. Outlined in job description, the position "coordinates, plans, organizes and oversees all financial services and activities of the town government (excluding those under the jurisdiction of the school committee) and oversees the daily operations of the finance department." The finance director also assists the town administrator with developing the town's budget, oversees the development of a long-term strategic financial plan, and supervises the preparation of the Annual Comprehensive Financial Report (ACFR).

Additionally, as a combined treasurer/collector office, the department is responsible for managing and directing the tax and utility billing and collection process and functions as the community's custodian of town funds as cash manager. These duties include the investment and disbursement of town funds, management of debt, monitoring of cash flow, and maintaining internal financial control procedures including the reconciliation of all town funds, receivables, trust funds and state/federal grants in coordination with the town accountant.

The office issues property tax bills quarterly, mailing bills two times per year with a coupon for two quarters. In total, the office issues approximately 5,600 real estate and 400 personal property tax bills, 10,000 motor vehicle excise bills, and collects 150 water bills per quarter and 1,850 trash bills semiannually. The tax collector's office uses Unibank's UniPay application for real estate, personal property, excise, water, and trash online payments.

The finance director-treasurer/collector in Mendon reports to the town administrator but is appointed by the select board. She has been with the community since the position was created in 2021 and is working toward her certification by the Massachusetts Collectors and Treasurers

Association (MCTA). The treasurer/collector is supported by an assistant treasurer/collector with four years of experience, and a finance clerk who started on February 6th. The assistant treasurer/collector and finance clerk oversee a variety of office tasks, including providing customer service at the window, managing departmental turnovers, assisting with data entry for bank reconciliations, stop payments, etc. Weekly banking, reconciliations, and weekly billing is handled by the finance director-treasurer/collector. The KVS software application is used for the receivable control, while the town's cashbook is in Excel.

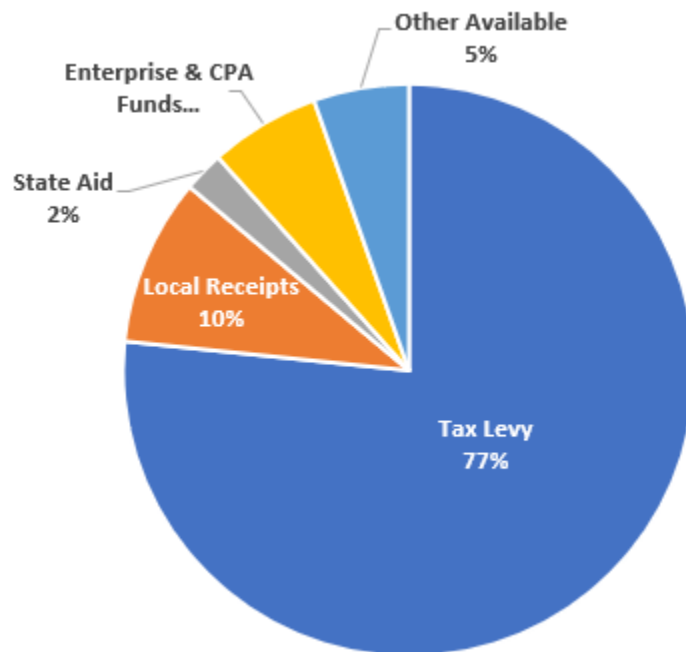
The accountant's office has a legal obligation to maintain the town's financial books and ensure compliance with policies and procedures. In doing so, the department plays a critical role in the system of internal controls and statutory checks and balances established to safeguard local assets. To fulfill these responsibilities, the staff prepare payroll and vendor warrants, maintain a general ledger (in which receipts, expenditures, and other town financial activity are recorded), and reconcile cash, receivables, and debt with the treasurer/collector.

The town accountant is a contracted service through Eric A. Kinshurf, CPA. Work is done remotely with onsite visits limited to six per year, according to contract. The town accountant maintains scanned copies of contracts, reviews the warrant and supporting documentation, and posts to the general ledger. Additionally, the office receives copies of department turnovers, review, and post receipts, and reconciles cash and receivable activity. The accountant also completes designated accounting reports for the tax recapitulation sheet in coordination with the finance director-treasurer/collector, principal assessor, and town clerk, and compiles the Schedule A data and prepares year-end balance sheet and associated reports required for annual free cash certification. Mendon uses the Springbrook cloud based financial software application for accounting.

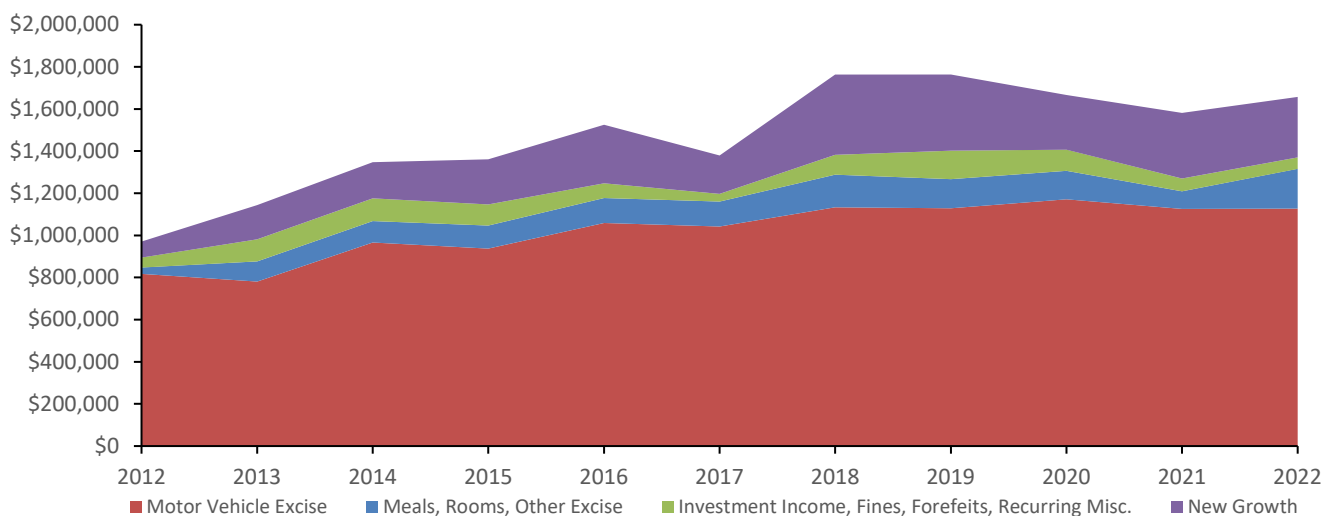
The assessing office is responsible for valuing all real and personal property in Mendon and generating the commitments authorizing the finance director-treasurer/collector to issue and collect real estate taxes and motor vehicle excises. The assessors annually review property assessments to ensure they reflect full and fair cash value, so that residents are taxed equitably and accurately. Subject to the approval of the board of assessors, the principal assessor sets the annual overlay amount, provides information and analysis for tax classification hearings and the tax recapitulation, and makes recommendations on all abatement applications and property tax exemptions. Other duties of the office include determining new growth amounts, reviewing land use tax incentives, updating tax maps and deed transfer information, maintaining property records, cyclical inspections, other appraisal fieldwork, and responding to public inquiries. Mendon's assessing office is a single-person operation managed by the principal assessor and overseen by an elected three-member board of assessors. The office outsources certain valuation and fieldwork to PK Valuation Group who also provides Mendon's computer assisted mass appraisal (CAMA) software application.

Financial Condition

Based on the 2023 Tax Recapitulation certified by DLS, Mendon's total operating budget for FY2023, including enterprise funds, was \$25,344,483. Of that total, \$19.4M was funded through the tax levy, \$579K from state aid, \$2.4M from local receipts (e.g., motor vehicle excise, property rentals, and licensing and permitting fees), \$1.5M from enterprise and CPA, and \$1.3M from other available sources.

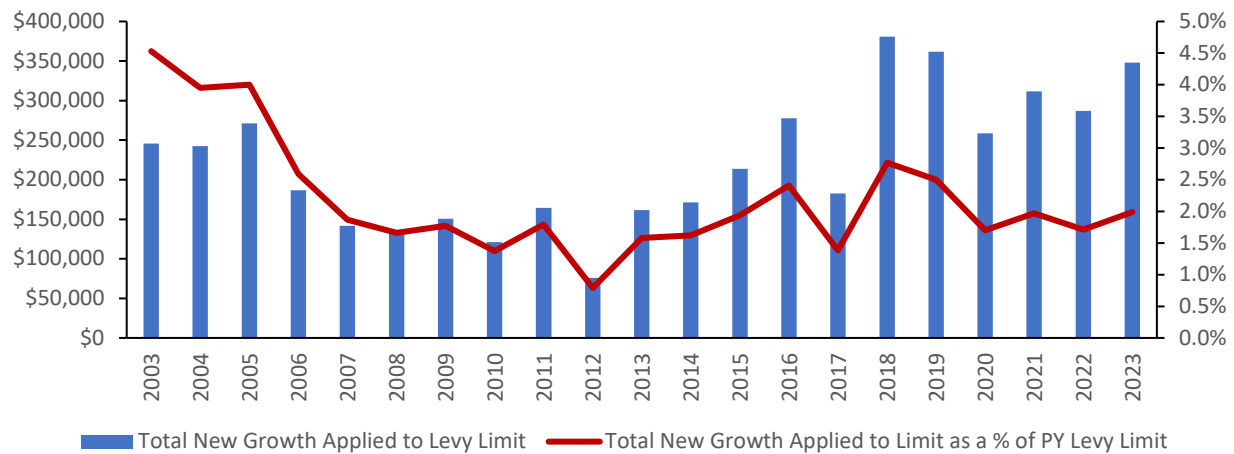


Revenues from new growth¹ and certain local receipts are generally responsive to changes in the local economy. Periods of healthy economic activity are often linked to an increase in local economic development, which creates new growth for the property tax levy while also generating increases in permit fees related to new construction and an acquisition of business-related personal property. Additionally, periods of prosperity generally affect the meals and rooms taxes and make it more likely that residents will purchase vehicles. Conversely, a downturn in the economy may lead to a decrease in these revenue-generating factors.

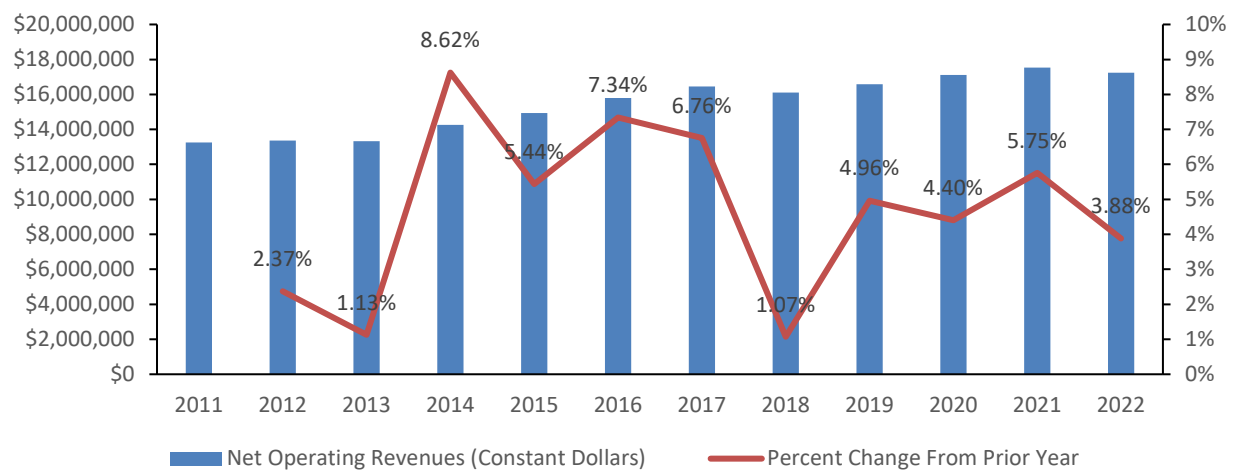


¹ New Growth is defined as the additional tax revenue generated by new construction, renovations, and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or revaluations.

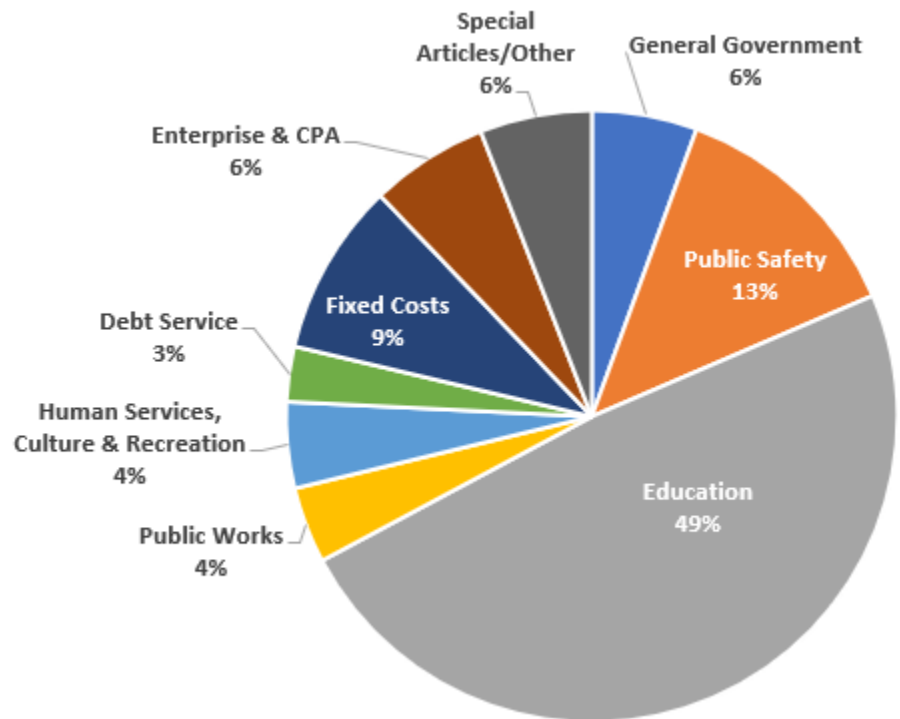
As illustrated in the chart on the previous page, Mendon's revenues tied to economic activity have remained largely flat with only a very modest dip as a result of the recent pandemic. It's clear, however, that Mendon benefited in the early 2000's, when it's population last boomed, from healthy economic activity tied to the construction of new single family homes, which created new growth for the property tax levy while also generating increased fees, and excise tax collections. Conversely, the lack of readily developable land combined with periods of economic downturn can stall construction, which adversely impacted this revenue stream.



Consistent revenue growth is one measure of a town's ability to maintain existing service levels in the face of increasing costs. The below indicator shows the change in net operating revenues over time for Mendon, adjusted for inflation. Net operating revenues are calculated by using the total gross revenue available from all sources, less tax revenue raised from a debt exclusion. Ideally, the annual percentage increase from prior year revenues should be steady, positive, and predictable.

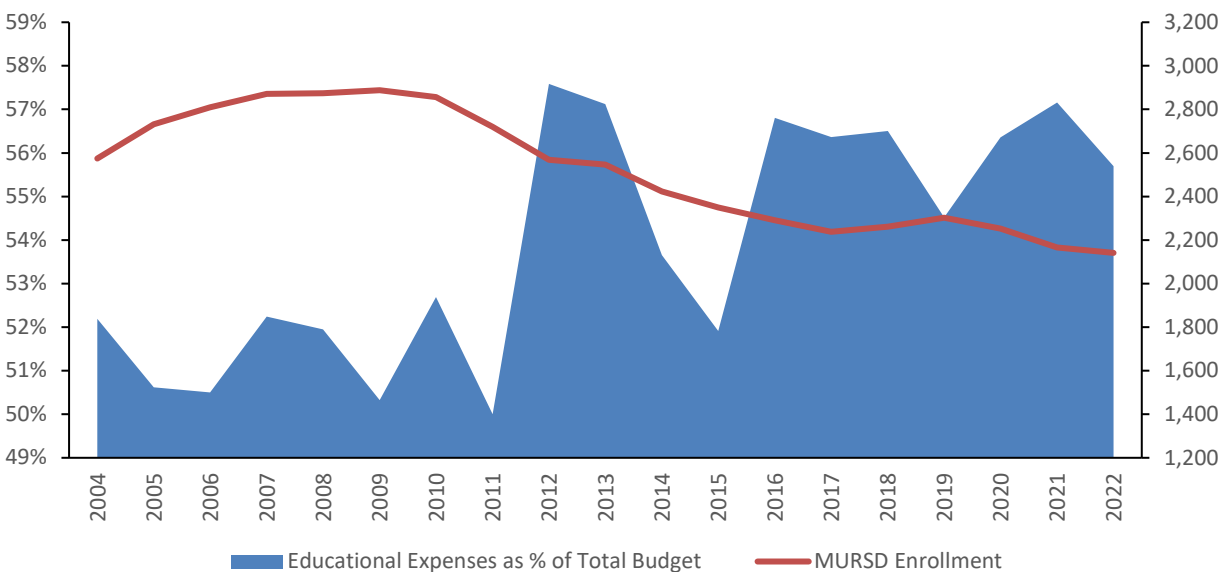


Mendon's budget funds the full range of municipal services customary for a community of its size, including full-time police and fire, public works, public library, senior center, and other operations. Education is by far Mendon's largest cost center representing 49% of the general fund budget at \$12.3M. Public safety (including police and fire) totals \$3.2M, with fix costs (including



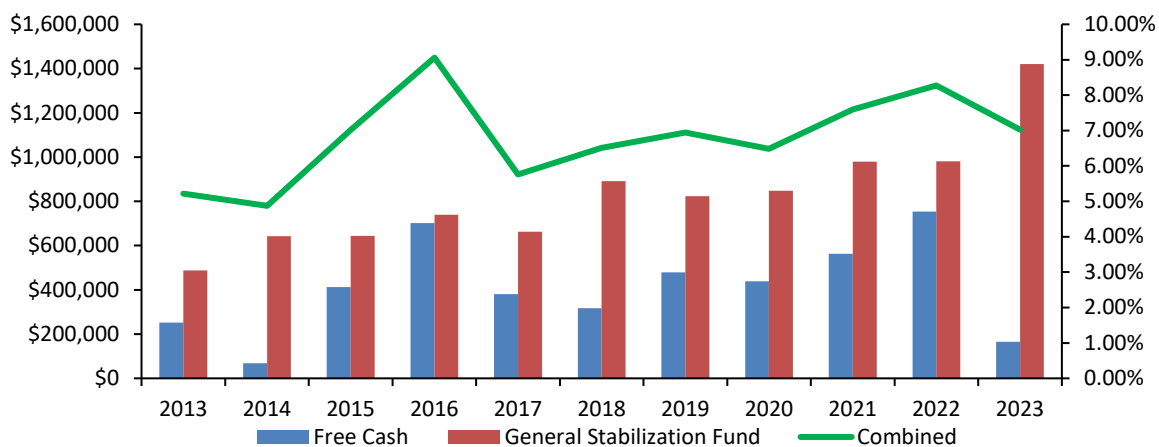
health insurance, retirement, and other employee benefits) at \$2.3M, general government at \$1.4M, public works at \$1.0M, debt service at \$738K, human services/culture/recreation at \$1.1M, enterprise and CPA at \$1.5M, and other expenditures at \$1.5M.

Mendon is known for its consistently high-ranking schools, which are regionalized with Upton through the Mendon-Upton Regional School District (MURSD). Vocational education is offered through Blackstone Valley Regional Vocational Technical High School located in Upton. Mendon's historic prioritization of public education is not surprising and represents its largest cost center at 49% of the general fund operating budget. However, since peaking in 2009, MURSD enrollments have steadily declined, while the percentage share of the budget tied to education has increased.

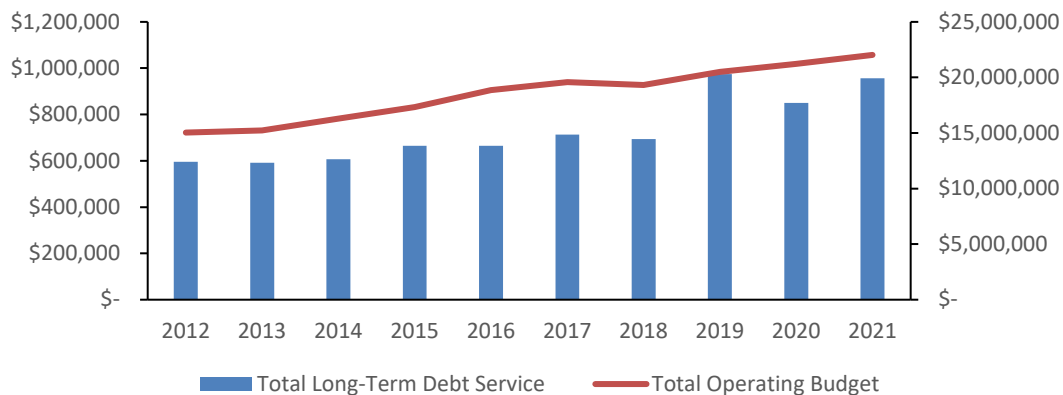


Mendon's reserves consist of a general "rainy day" stabilization fund and free cash. The free cash reserves represent the remaining, unrestricted funds from operations from the previous fiscal year including any unexpended prior year free cash, actual receipts in excess of revenue estimated on the tax recapitulation sheet, and unspent amounts in budget line items. Free cash must be certified annually by the Division of Local Services before it can be appropriated by town meeting.

It is recommended that combined stabilization and free cash reserves amount to 10-13% of the operating budget. Mendon's reserves over the last decade have remained relatively stable, but generally below the recommended benchmark. However, the town has been proactive more recently. Depicted in the chart below, over the past decade Mendon's reserves peaked in FY2022 at \$1.7M or 8.27% of the general fund budget.



In FY21 Mendon's annual debt service totaled \$956,520 or 4.34% of the total operating budget. While the town has a manageable debt load, officials should examine their future capital needs and determine whether increased investment will be necessary to avoid deferred maintenance. It is important to maintain a prudent, consistent debt level so that as debt is retired, new debt is issued. Otherwise, the capacity to cover debt obligations within the operating budget will be replaced by other costs.



Mendon has an AA+/Stable bond rating from S&P Global. According to the town's most recent profile, S&P Global's long-term rating further reflects their view of the following factors for the town: very

strong economy, adequate management, adequate budgetary performance, adequate budgetary flexibility, very strong liquidity, very strong debt and contingent liability position, strong institutional framework. One area of concern, however, is Mendon's limited OPEB investment of \$154K and the regional retirement through Worcester County is only funded at 50.9%. The valuation expectation is to be fully funded by 2028.

Our recommendations that follow focus on codifying and defining Mendon's administrative operations, succession planning due to anticipated retirements, and developing a financial strategy by enacting financial forecasting, capital planning, and financial policies to ensure long term stability.

RECOMMENDATIONS

1. Develop Town-wide Goals and Objectives

Establishing a comprehensive list of clearly defined annual goals and objectives gives Mendon direction and focuses local officials' efforts on issues that are of primary importance to the residents. To do so, we recommend that the select board annually develop a series of goals and objectives. The town administrator would then work with individual departments to develop a series of specific and reasonable benchmarks for each of their operations to accomplish, consistent with an overall mission set for the town. During the year, make opportunities to discuss progress and, if necessary, bring additional focus to bear on areas where shortcomings are identified. By year-end, departmental performance can be assessed by the town administrator who in turn would be evaluated by the select board and provided feedback, enabling appropriate adjustments to be made for the ensuing year. Having a system of formal goals fosters clarity of purpose and expectations for the board, town administrator, and departments and creates a clear relationship between the budget and service priorities.

Beyond simple goals and objectives, there are more sophisticated approaches that Mendon may consider in the future. These approaches link goals, objectives, and performance indicators to establish a comprehensive management system for the entire government operation. In the example below, the figure depicts a schematic model of a typical management by objectives (MBO) process:



Working with the town administrator and department heads, various objectives can be developed for each goal, which, if all are attained, will result in achieving that goal. Status and data related to performance indicators should be reviewed by the town administrator and department heads on a

regular basis and periodically shared with the select board at their meetings. Multi-year planning and/or strategic goals could also be required through budget instructions, which could be incorporated into a town-wide financial plan, which we discuss later.

2. Codify Town Administrator Role in Bylaw

To ensure operational and financial management responsibilities are performed effectively and to promote continuity, Mendon officials should seek to formalize the town administrator's role and responsibilities in a bylaw or special act.

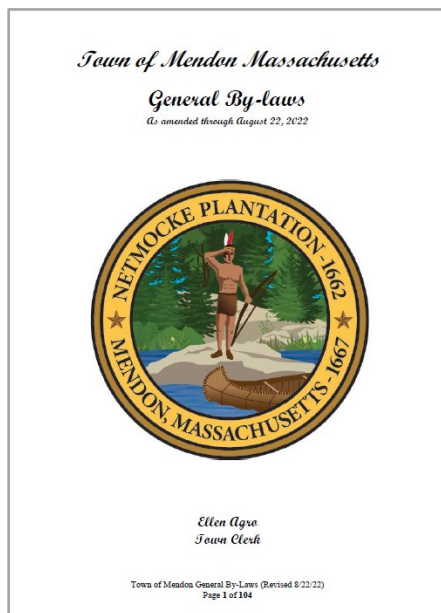
At a minimum, a bylaw would assign the select board the authority to appoint the position, detail a screening and selection process for filling vacancies, provide a process for removal, and require the select board to annually evaluate the town administrator's performance. It should enumerate in clear language the position's powers and duties, specify its reporting departments, and charge the officeholder with ensuring that services are provided in a coordinated manner and as cost effectively as possible. The town administrator's role should encompass the budget process, capital planning, policy research and analysis, personnel administration, contract negotiations, and procurement. A special act would be needed if the town desired to grant a broader degree of authority to the town administrator, such as management and appointment responsibilities over all non-school departments, staff, and activities, not just those under the jurisdiction of the select board.

In the absence of a clear bylaw and operating only through a job description, confusion can be created as to the extent of the town administrator's responsibilities, legal authorizations, and communication.

3. Empower Finance Director-Treasurer/Collector

Mendon is among a growing list of communities with similar sized budgets and populations that have chosen to appoint a full role finance director-treasurer/collector. Among other responsibilities, the position's essential functions as outlined in job description.

In establishing the position, the town should empower this individual to oversee the range of financial activities of the treasurer/collector, town accountant, and assessor, but also coordinate the annual



budget and capital planning processes and ensure the development and compliance with fiscal policies. The scope of the officeholder's responsibilities enhances her ability to formulate and advise on long-range economic plans and the delegation of these duties also helps distribute some of the town administrator's management workload.

Additionally, we encourage Mendon to codify the position in town bylaw. Appointed by and reporting to the town administrator, the overall mission of the finance director-treasurer/collector would be to coordinate financial management, monitor the town's fiscal health, and long-range financial strategic planning. Similar to her existing job description, the bylaw should include language spelling out the officeholder's responsibilities, which would include:

- Coordinating the work of the financial team.
- Managing the budget process.
- Ensuring timely compliance with internal and external reporting.
- Maximizing efficiencies and cost-saving opportunities.
- Facilitating the annual audit engagement and assure the development and implementation of corrective action plans.
- Preparing multiyear revenue and expenditure forecasts.
- Maintaining a long-term capital plan and monitor progress of capital projects.
- Overseeing the procurement process and make recommendations on all contracts.
- Participating in collective bargaining.

By formally defining and delegating these responsibilities, Mendon will better position itself long-term by enhancing accountability and tightening oversight of the town's finances, while at the same time reducing some of the town administrator's workload through delegation.

4. Develop Succession Plan for the Principal Assessor

While the principal assessor has no immediate plans to retirement, the town should start pulling together a plan to provide for a smooth and thoughtful transition when a vacancy occurs. We recommend as part of this effort that local officials also rethink how the position is structured knowing it will be difficult to replace the current principal assessor's skills in today's job market. To start, the town should catalog the role's core functions and legal responsibilities, along with the current of mix in-house and outsourced services. From this point, the board of assessors, select board and town administrator together can deliberate about how best to meet the town's needs going forward.

A vacancy presents an obvious opportunity to evaluate alternative options that might make more sense knowing how difficult and potentially expensive it might be to replicate the current model. To

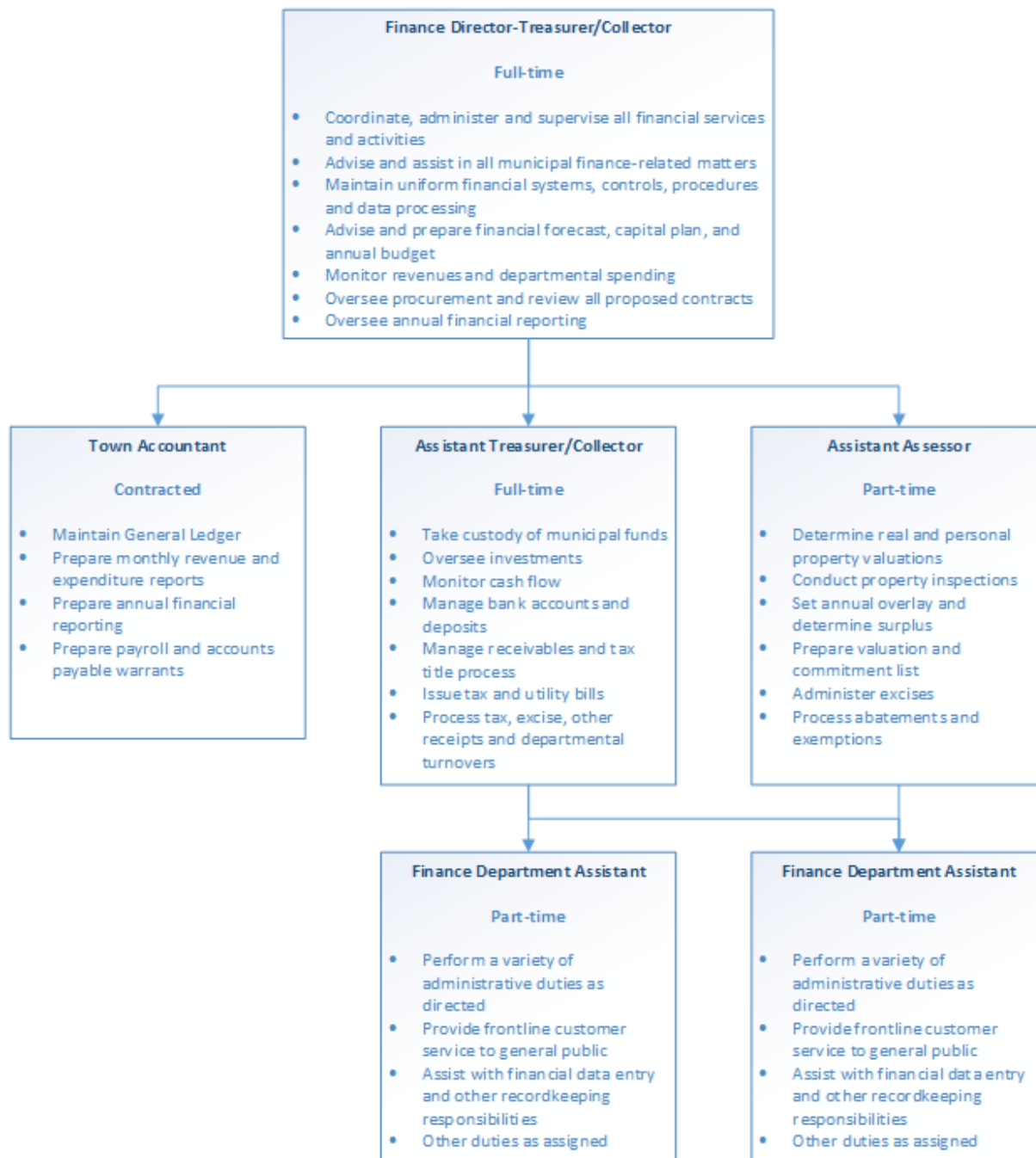
this end, Mendon might consider merging the role more formally into a consolidated finance department as is done successfully in many other similarly sized communities and discussed in the next recommendation. Alternatively, Mendon might outsource all but the necessary in-office administrative functions, regionalizing with a suitable, like-minded community, or some combination thereof.

5. Consolidate Finance Management Operations

In a period of ever-increasing complexity and growing financial challenges, Mendon should consider the merits of moving to a consolidated finance department under the supervision of a finance director-treasurer/collector. By bringing together the financial administration, planning, accounting, revenue collection, cash management, and procurement under one roof, the town is better positioned to administer its financial management activities more efficiently and effectively. This is achieved by streamlining reporting relationships between the town administrator, managers, and staff, enhancing communication and collaboration to support accountability and team cohesiveness, and improving policymaking and long-term planning. Based on our observations, it also offers Mendon the best opportunity to attract and retain strong employees in a competitive market.

Under our proposed structure, the finance director-treasurer/collector would oversee the functions of accounting, treasury, collections, and assessing. These office managers would be appointed by the finance director-treasurer/collector upon approval of the town administrator and select board. The finance director would also continue to serve as the treasurer/collector to avoid the expense of an additional position. We caution, however, that the role of finance director is very different from that of treasurer/collector. Although these positions require strong recordkeeping skills and attention to detail, a finance director must also possess leadership, teambuilding, and strategy setting abilities.

Collectively, our proposed reorganization (see diagram on next page) includes two fulltime, three parttime, and one contract position. Reporting to the finance director-treasurer/collector would be the contracted town accountant as exists today, the fulltime assistant treasurer/collector, and a parttime assistant assessor/office manager. In addition, the department would be supported by two parttime finance department assistants. We also explored, but ultimately veered away from an alternative structure with a finance director/treasurer with a separate collector or a finance director/accountant with a treasurer/collector as is done in other communities to align more closely with what already exists in Mendon.



Overall, this proposed structure increases the hours of the finance director-treasurer/collector to fulltime, establishes a parttime assistant assessor, and adds one parttime administrative support staffer to Mendon's existing financial team. This structure is largely achieved by outsourcing much of Mendon's assessing functions, which it currently already does. In doing so, we also recommend converting the town's elected board of assessors to appointed. Although Mendon is lucky to have a current slate of elected assessors who are all experienced professionals for other communities, this may not always be the case. Evolving convention suggests that the board's role is more technical requiring specific skills around monitoring valuation and fieldwork by the outside consultants, yearly reporting, and adjudicating abatements, and other matters dictated by state statute.

In the Appendix, we include sample special legislation to create a consolidated municipal finance department. This language is offered over the traditional process offered by [M.G.L 43C, §11](#) in order to shift the elected board of assessors to appointed. Alternatively, the town could choose to consolidate financial operations in stages by first changing the elected board of assessors to appointed using the special legislation process. Then, it could follow 43C, §11 to implement the consolidated municipal finance department (by ballot question and town meeting bylaw adoption).

6. Form Government Study Committee to Review Bylaws and Consider Town Charter

We recommend that the select board appoint a charter study committee to draft a special act charter. By establishing a charter, Mendon can succinctly and clearly define its government structure, establish the distribution of powers, delineate lines of authority, and codify budgeting, capital planning, and financial management protocols. Unlike the charter process allowed under [MGL c. 43B](#), which sets a specific timeframe, commission member elections, and other guidelines, petitioning the legislature for a special act charter has no specific requirements, thereby offering Mendon more flexibility to develop a tailored process.

The charter study committee should be charged with drafting a special act for presentation to the select board. The select board would then put the finalized draft in an article to be voted on at the annual town meeting in 2024. If approved there, the town would submit the proposed special act to the state legislature for review and approval. Local action to adopt a charter through a special law need not be approved by voters after the legislative branch's enactment to take effect. However, as a matter of practice, the legislative body or town meeting almost always make special laws to adopt or change a charter contingent on ballot vote approval.

In conducting its work, we suggest the charter study committee consider the following:

- Seek assistance from town counsel or an experienced consultant familiar with governmental organizations including drafting charters
- Set a timeline for key milestones and report progress to the select board
- Meet with department heads and other local stakeholders
- Encourage input from residents through surveys and public forums
- Research and review other Massachusetts town charters
- Speak with officials from other communities about their experiences establishing charters
- Approach the process without bias or predetermined outcomes

In parallel with the work of the charter study committee, Mendon should conduct a comprehensive review of its bylaws. The town's bylaws establish the codes, policies, and procedures under which the town operates (e.g., financial management protocols, personnel rules, and health codes). The process of establishing or amending bylaws requires only a majority vote of town meeting (and subsequent submission to the state attorney general's office).

Among the many decisions Mendon should deliberate as part of the town charter and bylaw review processes, local officials should consider merits of elevating the role of town administrator to town manager, establishing a consolidated department of public works, and appointing nonpolicy-related elected positions that require specific technical expertise (e.g. tree warden, water commission, board of health, board of assessors).

7. Clarify Finance Committee's Mission

Throughout Massachusetts and New England, town finance committees are traditionally viewed as the fiscal watchdog for town meeting. Their mission is to represent the interests of the local legislative branch of government (town meeting) by reviewing, having hearings, and making recommendations on matters that impact town finances. This is further reinforced in the mission of the statewide Association of Town Finance Committees (ATFC), which states, in part, that "local finance committee, by tradition and statute, is a select group of citizens that advise each town meeting on the probity, practicality and value of any of the matters before the meeting."

With a relatively new chair at the helm of Mendon's finance committee and some general questions between and amongst some select board and finance committee members as to the committee's ongoing mission, we thought it would be helpful to share where local bylaws might be amended to clarify their core responsibilities. Outlined in Chapter IV of the town's general bylaws, Mendon's finance committee consists of seven members appointed by the select board. The finance committee's charge is to "consider all articles in the warrants for town meetings that involve the expenditure of money...and make recommendations at [town] meetings in regard to the action that should be taken." The committee is also tasked, however, with making a report on its recommendations to the select board with "respect to the management of town affairs and the conduct of all departments." The committee has broad access to the town's books, accounts, and other information necessary to conduct its work.

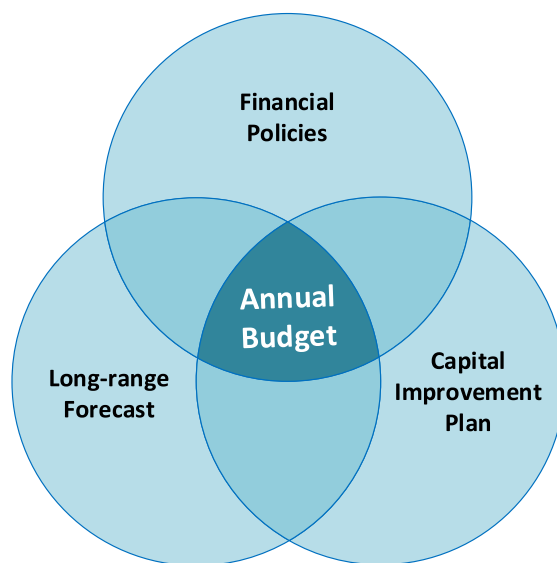
In some regards, Mendon's finance committee bylaw sows confusion. The appointment of finance committee members by the select board and their charge to report on the management of town affairs and the conduct of all departments to the board, in addition to reviewing warrant articles that expend money, deviates from the traditional appointment and scope of finance committees across the state. ATFC points out in its handbook that conflicts can arise when there is a lack of clarity in the

responsibilities of the select board and town administrator (representing the executive branch) and the finance committee (representing the legislative branch/town meeting).

We therefore recommend that the town consider amending the charge of its finance committee bylaw by stripping out language that involves them in reviewing the management of town affairs and department conduct. Instead, their role should be directly tied to analyzing and passing judgement on the balanced annual operating and capital budgets delivered to them by the select board and town administrator, or any other warrant article that would impact the town's finances. When operating in this way, the finance committee can positively contribute to town meeting by serving as a vital check and balance, or watch dog, through its judgement of broad budgetary initiatives rather than the minutia of town daily administrative operations.

8. Develop a Financial Plan

We recommend that the finance director-treasurer/collector, in consultation with the town administrator and other department heads as necessary, develop a multi-year financial plan for Mendon. It is our understanding that the town accountant develops an annual revenue and expenditure projection that could serve as the foundation for preparing a multi-year financial forecast. We regard a revenue and expenditure forecast as an informative first step in developing a long-range finance, town-wide financial plan that integrates the community's goals, together with a capital improvement plan and its formally adopted financial policies.



Financial Policies: As an initial starting point and to provide instructive guidance for promoting sound, consistent fiscal planning, and effective financial management, we encourage the select board to adopt a set of formal financial policies as its first step. At minimum, the topics we recommend include the following:

- Antifraud
- Capital Planning
- Disbursements
- Financial Reserves/Use of Free Cash
- Financial Management Team
- Forecasting
- Investments
- Procurement
- Reconciliations
- Revenue Turnover
- Tax Enforcement

As a model that could be converted for local adoption, local officials can review the manuals we have developed and posted to our website: www.mass.gov/consulting-reports. We suggest the finance director-treasurer/collector and town administrator review our policy manuals and seek input from the select board and finance committee on specific policy decision points, such as targets for reserve and debt levels, forecasting assumptions, and other specifics surrounding the town's financial management. The policies that relate to day-to-day operations should be discussed with the financial management team, as well as the select board. Once any operational policy has been adopted, ensure that it is distributed to all applicable parties, including all relevant department heads. Lastly, adopted policies should be reviewed periodically and updated as needed.

Capital Improvement Plan: Next, the finance director-treasurer/collector and town administrator should formulate a plan for developing an annual capital improvement planning program. As one of the more important responsibilities of local government, an effective capital plan serves as a tool to manage risk and maximize the value of town assets by maintaining service levels, protecting the health and safety of the community, supporting future development and growth, and enhancing the local quality of life.

Such a comprehensive capital planning program should be shaped by clear, consistent standards and spending priorities. In this way, the town can more effectively direct funds to identified needs and make strategic plans based on agreed to long-term goals. Although the town's borrowing capacity or direct capital outlay margins may only allow for a minimal program, the review and prioritization of town capital needs should be ongoing. For further guidance, our website provides a wealth of instructional material on capital planning, as well as a sample request form and manual here: www.mass.gov/info-details/municipal-financial-management-training-and-resources.

Long-Range Forecast: Lastly, we recommend that finance director-treasurer/collector, under the direction of the town administrator, build the town's current revenue and expenditure projection into a comprehensive multiyear forecast. A forecast will enable Mendon to promote long-term financial health and strategize about its capital investment needs by allowing for various budget scenarios. It also provides an opportunity to evaluate the impact of budget choices, including wage and benefit changes proposed during the collective bargaining process. Finally, a well-developed forecast has the potential to provide surety and stability even more so in times of economic uncertainty like we are currently experiencing.

9. Enhance Oversight of Procurement and Purchasing

Mendon's procurement practices have operated with little central oversight and no formal policies and procedures. By instituting our recommendations below, the town can assure compliance with state laws, limit the risk for overspending budgets, and potentially experience cost savings on purchases.

Designate a chief procurement officer (CPO): Although the town administrator's job description identifies her as the CPO, in practice, department heads have largely operated independently and have been responsible for adhering to state procurement laws. We propose that the finance director-treasurer/collector serve as CPO who is better positioned to ensure adequacy of funding and cash flow and to analyze opportunities for group purchases, potentially saving money for the town.

Most importantly, the CPO would be responsible to review all purchases for compliance with M.G.L. c. 30B and any locally adopted provisions, such as Chapter V of Mendon's general bylaws. The Chapter 30B statute outlines the steps a public official must take when purchasing goods or services within certain dollar parameters. Purchases under \$10,000 must be governed by good business practices; those between \$10,000 and \$50,000 necessitate solicitation of three quotes; and those \$50,000 and greater require requests for proposals (RFP) or sealed bids.

Mendon should also provide the resources necessary for the CPO or designee to obtain training to become a Massachusetts Certified Public Purchasing Official. Offered through the Office of the Inspector General, this course promotes ethical and cost-effective purchasing practices through the exchange of ideas and best practices, stewardship of resources, and compliance with Massachusetts contracting laws. Training is also available to department heads and staff involved in procurement related activities.

Issue procurement policies and procedures: The town administrator and finance director-treasurer/collector should issue a policy to department heads that explains the provisions of M.G.L. c. 30B and clearly states that the finance department will reject for payment any purchase that violates procurement laws. The policy should also require department heads to engage the CPO to oversee the RFP process for purchases meeting the threshold. Additionally, the policy should be accompanied by procedures that describe the required evidence for solicited quotes and a form for submitting quote information and attaching invoices.

We also advise the town to make the procurement policy applicable for certain otherwise exempt services. While state law exempts some professional services (e.g., certified public accountants) from bidding requirements, conducting an open process as a policy will help to foster competition for

quality services at favorable prices. To further protect the town's interest, these services should be formalized in contracts that clearly structure the business relationship and specify the engagement's price, timeline, parties' responsibilities, conditions for satisfactory task completion, and timing of payments. The Office of the Inspector General expresses this view also in its training sessions and on its website.

Institute a purchase order (PO) system: In a PO system, the accountant encumbers, or reserves, funds for preapproved purchases. Requiring POs for purchases allows for policy compliance review and guards against overspending of accounts. Encumbering funds also enables departments to have better information on the availability of appropriation balances, which improves controls over spending decisions and enhances planning opportunities.

The town administrator and finance director-treasurer/collector should issue formal policies and procedures laying out the details of the PO system. To avoid an overly cumbersome process, we suggest a minimum threshold for requiring a PO, such as \$5,000. The policy could also have a provision allowing department heads to make emergency purchases, but if so, we recommend that it require the town administrator to preapprove any emergency purchases.

Explore how Springbrook might enhance PO efficiency. The finance director-treasurer/collector and town accountant should investigate what tools this application can provide. The goal would be to develop an integrated workflow process that provides for attaching required documentation and electronic signatures so that it is completely paper-free.

10. Institute Monthly Department Head and Financial Management Team Meetings

We recommend that the town administrator hold monthly financial team meetings. It is our understanding that the town administrator recently initiated a standing weekly meeting of the finance team. Many communities find routine financial team meetings an effective vehicle for identifying critical junctures or milestone associated with the annual budget and capital planning processes, for example, and coordinating financial management activities like the submission of the tax recap to DLS. They can also serve as a useful forum



to socialize, develop strategies, and cement decisions around any number of issues surrounding the development of the town's financial policies, capital plan, multiyear forecast, or annual budget guidelines and process.

11. Hold Quarterly Financial Briefings

We recommend that the town administrator and finance director-treasurer/collector hold quarterly financial briefings at a joint meeting of the select board and finance committee. We often hear from members of the select board and finance committee how they sometimes feel left in the dark regarding the community's financial wellbeing, especially during periods outside the budget crunch ahead of town meeting. By holding periodic briefings tied specifically to Mendon's finances, both boards will be better informed as to where year-to-date budget to actuals stand, the town's overall fiscal health as measured by specific indicators, and any other issues or future matters that might impact the community's financials.

As an annual kickoff to these briefings in the fall, we suggest that the town administrator and finance director-treasurer/collector present Mendon's five-year revenue and expenditure forecast. The multiyear forecast, as discussed in an earlier recommendation, serves a useful management and policymaking tool that allows local officials to evaluate the impact of various government decisions and policy choices over time. By discussing and responding to questions about the relationship between town's projected revenues and expenditures for the upcoming year, the select board and finance committee can help inform the town administrator as to what her budget message to departments might look like for the ensuing year. Subsequent meetings might serve as a platform to measure metrics specifically tied to Mendon's overall financial health or to review and reinforce the town's formal financial policies and what might need to be amended.

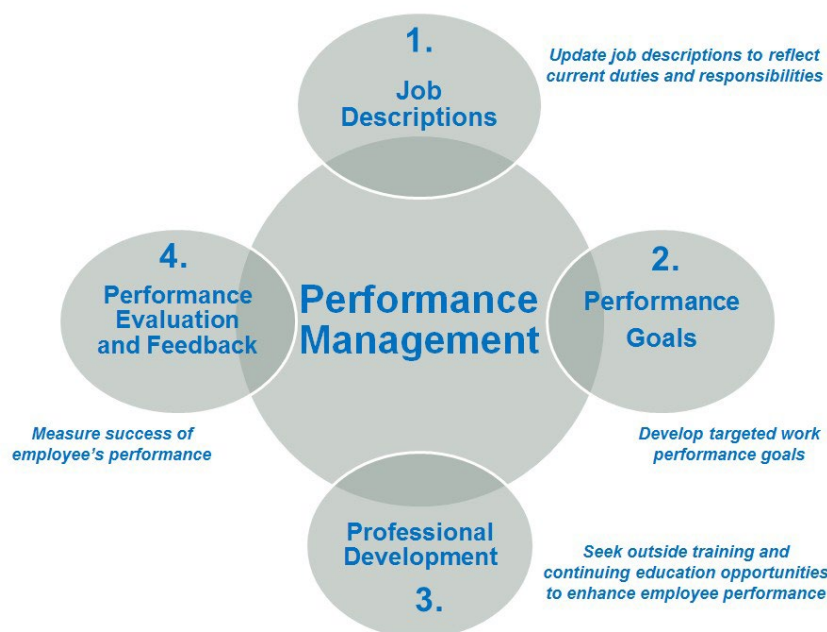
12. Develop Performance Review Protocols for all Employees

We recommend that the town administrator and human resources officer formulate a plan to reintroduce annual performance reviews for all employees as part of the overall strategy to develop goals and objectives for the town. With a set of current job descriptions in hand, the human resources officer should develop targeted work performance goals for department heads who, in turn, would develop them for their individual team staff. These goals would guide an employee's efforts toward achieving department objectives and should be measurable in a way that confirms whether performance expectations are being met.

An evaluation program works best when it is recognized as a two-way process. Employee performance is an obvious focus, but employee opinion and comment during the process can also

provide valuable insight to management. Ultimately, the evaluation process should evolve into a collaborative effort leading to improvements in job performance and the effectiveness of government operations. Funds should also be annually appropriated for staff to attend outside training and professional development opportunities at the discretion of management for those seeking to improve their skillsets and effectiveness.

The diagram below illustrates the four components within the program we describe.



13. Consolidate Personnel Files

We recommend that Mendon's human resources officer continue her efforts to consolidate the personnel documents of all employees, with the ultimate goal of storing them centrally within her office. Per state and federal regulations, there are three types of employment-related information that should be maintained apart from each other.

Under [M.G.L. c. 149, § 52C](#), an employer must maintain a personnel file containing all documents it has used for, or that may affect an employee's qualifications for employment, promotion, transfer, additional compensation, or disciplinary action. This personnel file should not contain any medical or personal data protected by the American Disabilities Act or [M.G.L. c. 214, § 1\(b\)](#) respectively. If the above information is stored in one secure location, such as a file cabinet, three folders should be used to separately maintain the personnel, medical, and personal documents.

Additionally, it is the town's responsibility to restrict access to employee files only to specific officials authorized in written policy. Subject to the approval of the select board, we recommend that the

human resources officer along with the town administrator formulate policy and procedures for the maintenance and protection of required employment information and ensure that the policy identifies the specific officials authorized to access it.

14. Adopt Personnel Bylaw and Revised Personnel Policies

We recommend that Mendon adopt a personnel bylaw to establish a uniform legal framework for its personnel system and to codify specific rules and regulations for administration. The growing complexities of personnel management make it incumbent on municipalities to stay current, consistent, and thorough in forming and applying a system of policies and procedures. The bylaw would identify its purpose, establish the personnel system, and the adoption and amendment of personnel policies. The description of the personnel system itself would be broadly outlined, but encompass the classification and compensation plans, uniform recruitment, selection and hiring practices, performance evaluations, disciplinary and grievance process, along with the maintenance of personnel records. It would identify the town administrator as the chief personnel officer and its applicability across all appointed employees, including those appointed by separately elected boards.

To complement this bylaw, the town should formally issue its revised employee personnel policies. Each employee would be provided a copy with written acknowledgement of receipt annually to confirm continued recognition or upon being hired. These policies should include, but not be limited to, sexual harassment, whistleblower, conflict of interest, ethics, and acceptable internet and email use. Local officials in Mendon should contact their counterparts in other communities that have established a personnel bylaw and written policies for examples.

15. Include Human Resources Officer in Collective Bargaining Negotiations

We recommend that the town administrator form a team composed of the finance director-treasurer/collector, human resources officer, and the pertinent department head when negotiating future collective bargaining agreements. Labor counsel should also be included. The purpose of this team is to not only expand the expertise to review and understand the context of the agreement, but also to conduct any financial analysis necessary to cost out various scenarios before agreements are signed.

16. Review Town Fee Schedules

We recommend the finance director-treasurer/collector review municipal fees schedules as part of the initial budget process to make sure they are sufficiently covering the cost of providing services. A quick review of other communities in the area suggests there is room to evaluate Mendon's fees as

currently structured. A fee review should involve an examination of the direct and indirect costs associated with providing the service and might include a survey of similar fees in other communities for benchmarking purposes.

In the absence of a statute or charter provision, the power to set fees would ordinarily lie with town meeting. If the town has accepted or accepts [M.G.L. c. 40, §22F](#), the power of town meeting to set charges for “any services rendered or work performed” is delegated to the board or officer heading the relevant department. If the board or officer is appointed by an elected board, then “the fixing of the fee shall be subject to the review and approval of such elected board.” Fees set under this provision of Massachusetts General Law must also be “reasonable”, meaning they generally must be related to the cost of performing the work or service.²

17. Review Tax Taking Accounts

We recommend the finance director-treasurer/collector develop a plan to systematically review all tax title accounts. For the properties in tax title, the finance director-treasurer/collector should verify that they agree with what is recorded at registry of deeds, that subsequent takings are up-to-date, and that the treasurer’s records reflect the updated balances. The treasurer must then verify with the town accountant that the general ledger accurately reflects the same outstanding taxes due (receivables). As part of this audit, the town accountant and finance director-treasurer/collector should document the tax title process to ensure both tax title takings (both initial and subsequent) and payments thereon are properly recorded.

18. Develop Procedures Manuals for Financial Management Operations

We recommend that the finance director-treasurer/collector develop a comprehensive procedures manual for each finance related department. To her credit, Mendon’s finance director-treasurer/collector has already started pulling together materials as a training and reference tool for her staff. We think this effort should be expanded to not only include the treasurer/collector, but also the assessor and accountant. By documenting the systems and routine procedures that must be followed on a day-to-day basis, each office will have a valuable resource and be better equipped to train new employees, especially in more nonroutine tasks. Also, outside auditors regularly recommend that communities develop procedures manuals as this reduces the risk of service disruptions in the event of staff turnover or absences.

² <http://masscases.com/cases/sjc/391/391mass415.html>

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