



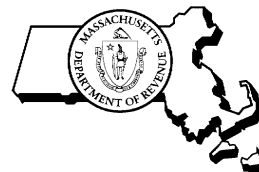
Town of Nantucket

# Financial Management Review

---

Division of Local Services / Technical Assistance Section

July 2012



July 16, 2012

Board of Selectmen  
Town Hall  
16 Broad Street  
Nantucket, MA 02554

Dear Board Members:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the Town of Nantucket. It is our hope that the information presented in this report will assist the town in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

As a routine practice, we will post the completed report on the DLS website, [www.mass.gov/dls](http://www.mass.gov/dls), and forward a copy of the report to the town's state senator and representative.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at [kingsleyf@dor.state.ma.us](mailto:kingsleyf@dor.state.ma.us).

Sincerely,

Robert G. Nunes  
Deputy Commissioner &  
Director of Municipal Affairs

cc: Senator Daniel A. Wolf  
Representative Timothy R. Madden

Table of Contents

Introduction..... 1

Overview..... 2

Overall Financial Management Practices ..... 5

- 1. Review Nantucket town charter ..... 8
- 2. Realign finance committee responsibilities..... 9
- 3. Align local action with adopted financial management policies..... 9
- 4. Develop comprehensive capital improvement program and long-range funding plan ..... 10
- 5. Clarify general fund operating budget warrant article ..... 12
- 6. Merge information technology functions under the town manager ..... 12
- 7. Consolidate water departments ..... 12
- 8. Unite all finance department offices under one roof ..... 13
- 9. Establish annual department goals ..... 14
- 10. Reevaluate use of public funds for private purposes ..... 14
- 11. Reduce number of town meeting warrant articles ..... 15
- 12. Post town meeting warrant online..... 15
- 13. Allow town manager to sign vendor and payroll warrants ..... 16
- 14. Move to bi-weekly selectmen’s meetings..... 16
- 15. Accept town collector local option statute..... 16
- 16. Complete implementation of the contract management module ..... 16
- 17. Adopt biweekly payroll..... 17
- 18. Implement records retention and disposition schedule ..... 17
- 19. Streamline land schedules..... 18
- 20. Review overlay policy ..... 18
- 21. Consider the use of a field tablet..... 19
- 22. Implement electronic billing..... 19
- 23. Consider helpdesk software application ..... 19
- 24. Evaluate expansion of website services ..... 20

Appendix..... 21

Acknowledgements..... 23

## Introduction

At the request of the Nantucket Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of municipal operations.

We have based our findings and recommendations on a site visit and telephone conversations by staff members of the Division's Municipal Data Management & Technical Assistance Bureau. The town's DLS Bureau of Accounts field representative and its Bureau of Local Assessment community advisor were also consulted. The staff interviewed the chairs of the board of selectmen, finance committee, and capital program committee, as well as the town manager, assistant town manager, chief procurement officer, finance director, assistant town accountant, collector, treasurer, assessor, and information technology director. Their names are listed in the Acknowledgements.

As part of our review, DLS staff examined the town's annual budget documents, tax rate recapitulation sheets, balance sheets, audits and other outside reports. The town also provided us with warrants, job descriptions, revenue and expenditure reports, the outside audit reports and management letters completed by Powers & Sullivan, as well as reports on the airport by Marcum Advisory Group and Financial Advisory Associates.

The purpose of this assessment is to assist Nantucket officials as they evaluate government operations and the overall efficiency and effectiveness of financial management practices and procedures. In reviewing the existing operations, we have focused on the duties and responsibilities of financial officers; the degree of coordination and communication that exists between and among local officials; and opportunities for process improvements.

## Overview

Nantucket lies approximately 30 miles off the southern coast of Cape Cod and encompasses nearly 48 square miles. Similar to what DLS described almost 20 years ago when we first completed a financial management review for the town, Nantucket is subject to a unique set of pressures and challenges. The town's isolated location, historical need for self-reliance, and the seasonal influx of nearly 60,000 summer tourists require it to provide a breadth of services that are not typical in most communities. At the same time, the island has experienced tremendous population growth over the last 30 years. According to U.S. Census figures, its year-round population has doubled during that period, growing from 5,087 in 1980 to 6,012 in 1990, to 9,520 in 2000, and to an estimated 10,172 today. As a result, there continues to be significant upward pressure on town budgets and service levels to meet this growing demand and expansion.

In adapting to this more complex environment, local officials have continually fine-tuned or tweaked Nantucket's government structure in an effort to achieve modern business and administrative efficiencies. Dating as far back as the mid-nineties, we reported on the town's desire to consolidate offices and align financial management functions to better direct the affairs of the community. At that time, this involved consolidating elected and appointed finance officers into a single municipal finance department and establishing a position of town manager. Today, it is reflected in management's desire to winnow down the number of direct reports to the town manager by consolidating offices to a more manageable number and forming a more streamlined administrative reporting structure. It is the hope that this will save money. It may also allow the town manager to focus her attention more meaningfully on essential issues and impose greater accountability on top-level administrators.

This approach has had success within the consolidated finance department, where the town manager and new finance director have a sharper focus on resolving long-standing problems. Particularly under the leadership of the finance director, finance department managers and staff have a greater sense of direction and are working more collaboratively to ensure necessary financial controls and essential checks and balances are in place. Examples of their efforts include the timely reconciliation of cash and receivables, and the documentation of financial policies and procedures.

The town has also implemented a strategy to address its structural budget issues, which has led to the adoption of the local meals tax and an increase in the local room occupancy tax, a hiring freeze, more productive negotiations with collective bargaining units, and the further consolidation of town departments. And, new revolving funds have effectively removed volatile expenditures from the general fund budget.

Until recently, however, the improvements made on the town side of government were being undermined by problems at the municipal airport. The airport, which operates as an enterprise fund, is under the supervision of a separate board of commissioners. Commissioners are appointed by the selectmen and, in turn, appoint an airport manager and chief financial officer.

The airport's problems were primarily the result of capital expenditures that were made but never financed appropriately. As a result, the town has been forced to subsidize the airport enterprise fund by authorizing a series of transfers from unspent bond proceeds and from general fund revenue to cover the deficits. The deficits not only point to shortcomings, including accounting and financial controls that were overlooked or ignored, but demonstrate the absence of communication between airport and town personnel which exacerbated the problem.

In response, the DLS Director of Accounts is requiring local officials to submit a series of documents by November 1, 2012 before he will approve the town's FY2013 tax rate. The Director's letter (included in the Appendix) specifies that local officials must submit the following: (1) the financial audit and management letter for the close of FY2012; (2) the balance sheet for FY2012 to approve free cash; and (3) the forensic audit regarding the airport.

In addition, a forensic audit by Marcum Advisory Group and a review of the airport's financial management practices by Financial Advisory Associates have also been issued, and local officials have assured DLS of the timely submission of their FY2012 audit, management letter and balance sheet. The board of selectmen and airport commission will also enter into a memorandum of understanding describing how the airport will reimburse town subsidies; the board of selectmen will request that the airport provide additional quarterly financial reports; and the finance department will implement additional internal controls to prevent these problems from occurring in the future.

Conclusion – After years of struggling to establish and maintain sound financial management practices, the Town of Nantucket has demonstrated significant forward strides. Stronger leadership, a re-energized staff, better defined goals and new approaches have combined to help local government address issues head-on and function more effectively. However, all the progress and the positives earned to date have been overshadowed by the fallout from the financial problems at the airport.

Acting without regard for municipal finance laws, the actions of airport management in the past several years have imposed a significant financial burden on town government. Arguably, town officials should have done more to compel the airport, which is just another town department, to conform to established financial rules and procedures. On the other hand, that is difficult in a relationship when one side lacks an interest in cooperation and communication. With a recent change in airport management and more forceful demands made by selectmen, there is reason to believe that greater accountability will result.

With so much already said about the airport, our recommendations address other aspects of municipal government. Our report provides local officials with a series of general financial management recommendations that are designed to address structural or financial management deficiencies that we feel prevent Nantucket from moving forward. Others speak to basic accountability and oversight, while still others highlight long-standing financial management issues that have been left unresolved.

Current problems can be resolved with renewed determination on the part of local leaders and officials in town hall. Whether Nantucket is successful depends largely on the priorities set by the board of selectmen and town manager, and on the voters who hold elected officials responsible. Instrumental in overcoming these challenges is the political will of leaders to change the culture in town government to one where rules are respected and all departments and staff are held equally accountable. Achieving desired results will not be easy or come overnight, but with an everyday commitment and focus from local officials, we are confident Nantucket is headed in the right direction.

## Overall Financial Management Practices

During the course of our review, we examined Nantucket's overall financial management operations, as well as the practices and procedures that take place within the consolidated finance department. Below is a brief description of the town's administrative and financial operations along with a summary of our observations and recommendations.

Local governance and municipal operations on Nantucket are directed by town charter, Chapter 289 of the Acts of 1996. The charter vests legislative powers in open town meeting, while establishing a five-member board of selectmen. Selectmen provide general oversight and set priorities, goals and policies for the town. They also function as the county commissioners, board of health, regional transit authority, fire and police commissioners, board of public works, and sewer commissioners. Their mission statement reads that the "board is to serve the community by providing clear, concise goals and policies that ensure quality in the delivery of town services, long-term planning, and improved efficiencies in operating town government." Among others, the board appoints the nine-member finance committee and the town manager.

The finance committee, working on behalf of town meeting, reviews the annual budget and makes recommendations at annual or special town meetings on all articles presented in the warrant. The committee meets on an as-needed basis, except during the months running up to annual town meeting, when they convene as often as two to three times a week to discuss departmental budgets and warrant articles. In total, the committee meets as much as 45 times per year. They receive staff support from the town manager's office and finance director.

The town manager is the chief administrative officer for the town. Appointed in 1995, she administers the day-to-day activities of the municipality and supervises and directs all municipal departments except the schools, airport and water departments, which are controlled by independently elected or appointed boards or commissions. Among her core responsibilities, the town manager prepares the annual operating and capital budgets; negotiates and signs all contracts; reviews, analyzes and forecasts trends of town services and programs; and generally supports and makes recommendations to the board of selectmen. To carry out these duties, the town manager's office support includes an assistant town manager, project manager/chief procurement officer, office administrator/licensing agent, executive assistant and minute taker.

Nantucket's consolidated finance department includes the functions of accounting, treasury, collections, and assessing. Under the supervision of a finance director, these offices are involved with assessing real and personal property taxes, billing and collecting taxes and other fees, processing payroll and invoices, managing cash and investments, monitoring revenues and expenditures, and generally coordinating the



financial and accounting activities of the town. Overall supervision of these offices falls to the town's finance director.

The finance director, who also functions as town accountant, is appointed by and reports to the town manager. She was recently promoted to the finance director position in August 2011, after previously serving as the town's budget analyst and then as assistant finance director. She has been with Nantucket for five years. In her obligation to oversee the finance department, she evaluates, develops and recommends fiscal policy and management systems; analyzes, interprets and communicates financial operating results; provides technical support to various departments, boards and commissions; and, assists the town manager in the preparation and presentation of the annual and capital budgets, as well as long-range strategic financial planning. The finance director appoints, subject to approval by the town manager, all staff in the finance department, including the treasurer, collector and assessor.

Nantucket's treasurer is certified by the Massachusetts Collectors and Treasurers Association, and has been in office for about 13 years. She receives support from an assistant treasurer, payroll administrator and a part-time (20hrs/wk.) administrative assistant. As the community's cash manager, her office maintains custody and is responsible for depositing, investing and dispersing municipal funds. To do this, she maintains a cashbook detailing daily receipts, disbursements and transfers; reconciles all bank accounts to the cash book; and reviews daily cash activities to ensure adequate cash flow. She also is responsible for the issuance of all short and long-term debt and maintaining corresponding debt schedules. The office also oversees payroll for about 600 staff, which includes the town, county, land bank, regional transit, airport, school and skilled nursing facility. The cash book is maintained with QuickBooks, while the MUNIS financial software package is used to process payroll.

The tax collector, also certified by the Massachusetts Collectors and Treasurers Association has been with Nantucket for 10 years. Her office, which is shifting from a semi-annual to quarterly tax billing cycle, coordinates billing and collections for all real and personal property taxes. They also handle motor vehicle and boat excises, as well as billing for the landfill and public safety details. In carrying out these responsibilities, the collector receives commitments from the assessor that are converted from the Vision appraisal database to MUNIS, which is used to post payments. Payments are received over-the-counter, by mail, lockbox, or online. The office also maintains a receivable control, which is reconciled monthly with the assistant accountant, where all monies received and abated are recorded for all real estate, personal property and motor vehicle excise payments. For delinquent accounts, tax demands are issued and tax takings are completed on a more or less timely basis. Municipal Lien Certificates, which list all taxes owed on a parcel at the time of refinancing or sale of a property, are also completed by the office.

The assessor, who is accredited by the Massachusetts Associate of Assessing Officers (MAAO), started working for Nantucket in 1982. She is supported by four full-time staff, including an assistant assessor, administrative assistant, clerk, and field assessor. The town has a single member board of assessors, although there is a three-member advisory committee appointed by the assessor that reviews abatement applications for real and personal property. The office uses the Vision Appraisal software for appraisal purposes and maintaining the town's property record database. Prior to 2007, the assessor completed all valuation work in-house, until new requirements were put in place by DLS. They now consult with Vision to complete certification reviews, although the assessor will continue to do interim year adjustments. She also determines new growth, in collaboration with the finance director, and estimates the annual overlay, which is \$1,022,718, or about 1.64 percent of the levy, for FY2012.

Outside this administrative framework, there is a capital program committee comprised of seven members—five appointed by selectmen, one by the finance committee, and one by the Nantucket Planning and Economic Development Commission. The committee maintains a 10-year capital plan, and annually reviews and organizes department capital requests based on what they deem to be the highest priorities. The committee then reports recommendations to the board of selectmen and finance committee for consideration as part of the budget process. For Nantucket, a capital item is defined as a nonrecurring expenditure of \$50,000 or more for land, buildings and/or building improvements having a useful life equaling or exceeding ten years, or an expenditure for municipal infrastructure and equipment having a useful life equaling or exceeding five years. Any proposed expenditure that fails to meet these criteria must be funded in the department's line item budget.

Additionally, the board of selectmen has established an annual audit committee comprised of the chairman of the board of selectmen, the chairman of the finance committee, and a selectboard appointee. The committee appoints the independent audit firm and reviews recommendations related to implementing proper internal accounting procedures and controls. Selectmen may also establish, from time to time, various other advisory and/or ad hoc committees to investigate issues or make planning, policy or other recommendations for the town. A recent example is the fiscal committee established in response to the recession, and charged with examining options for addressing the town's financial challenges and their impact on services provided by the town and schools.

Conclusion – Despite the recent problems associated with the municipal airport, local officials appear to be on the right track. As stated in the overview, this is especially true of the consolidated finance department that has worked hard to address long-standing issues and reporting challenges. Under the leadership of the town manager and finance director, the town continues to work hard to build necessary financial controls, and essential checks and balances.

Within this context, our recommendations center on various opportunities to enhance the town's overall operations and financial management practices. Local officials should begin by reviewing Nantucket's town charter. During the course of our visit, we found several opportunities to streamline operations, clarify lines of accountability, and improve workflow. Additionally, we feel Nantucket could benefit by streamlining finance committee responsibilities and by aligning local action with adopted financial management policies. Nantucket should also work to develop a comprehensive capital improvement program that includes a long-range funding plan. There is also a need to clarify the general fund operating budget article as part of the town meeting warrant. Beyond these specific recommendations, we outline additional goals that are more or less specific to the finance related offices.

## **1. Review Nantucket town charter**

A charter is the preferred vehicle to achieve long-term continuity and stability in government. It provides a structure under which the town government operates, and serves as the blueprint to define the authority and responsibilities of local officials, their lines of accountability, and the appointment of officers and boards. To be most effective, however, the charter should be periodically reviewed and updated to reflect how the town wishes to be governed. Local officials should also commit themselves to abide by the structure and rules it lays out.

The last substantive review of Nantucket's town charter took place in 2007. At that time, a town government study committee was formed by vote of annual town meeting to examine all relevant aspects of town government, including its organizational structure, operation and management. In doing so, the committee solicited constructive suggestions from the public and local officials, reported their findings, and proposed changes. Among charter amendments successfully implemented were provisions to establish a three-member audit committee and to require periodic reviews of the town charter every five years beginning in 2010.

Since 2007, however, the board of selectmen is only now taking steps to appoint a town government study committee. Accordingly, we encourage selectmen to finalize the formation of the committee, so that it can get back on cycle and in compliance with the town charter. Once formed, the committee should explore opportunities to improve government operations and management by soliciting input from the public and local officials as it did in 2007. The committee should also carefully read Nantucket's charter with the intent to correct, clarify and improve its language and to ensure consistency among its provisions with bylaws and with state statutes. Any vagueness of language or lack of consistency create confusion and undermines confidence in government.

With this in mind, our suggested areas of focus, some of which are elaborated on further within the report, include: (1) converting elected boards to appointed, as proposed by the government study committee in 2007; (2) consolidating the town's two water commissions; (3) forming a permanent budget committee made up of the town manager, school superintendent and the chairs of the board of selectmen and finance committee; (4) posting town meeting warrants online rather than by mail; (5) realigning the finance committee's responsibilities; and (6) transferring authority for signing vendor and payroll warrants from the board of selectmen to the town manager.

## **2. Realign finance committee responsibilities**

The finance committee works on behalf of town meeting to review the annual budget and make recommendations on articles presented in the warrant. The committee meets on an as-needed basis, except during the months running up to annual town meeting, when they assemble as often as two to three times a week. However, since the finance committee meets as much as 45 times per year, it raises questions about the level of budget review it performs and whether their deliberations are excessive or go beyond the traditional role of a finance committee. Digging further, for example, we found that the committee routinely consults and provides advice on citizen petitions and zoning articles, whether or not they are related to municipal finance. And although we view this as positive "customer service", it requires members to devote a significant amount of time and energy that might otherwise be dedicated to their real mission. In the future it might also be harder to attract volunteers to serve on the committee given the current time commitment.

Therefore, we recommend that the finance committee reassess the nature of the work they do. With an experienced town manager in place, the committee need only provide an active consultative role in the annual budget process and other finance-related policy matters. Members should be less concerned about citizen petitions and zoning bylaws, for example. In our view, the finance committee should strive to function more in a higher level policymaking role, including the development of fiscal policies, review of spending priorities, use of free cash and other reserves.

## **3. Align local action with adopted financial management policies**

In the course of completing financial management reviews for cities and towns, DLS routinely recommends the adoption of local financial management policies. A comprehensive set of policies, in addition to bolstering a municipality's credit rating, helps to ensure that practices are in place to promote fiscal stability and stewardship of local finances. Beyond enhancing the probability of financial stability for the community going forward, formal policies reinforce internal controls and provide guidance to local officials on effective and responsible management. Financial policies also guide management in decisions related to the budget, debt, capital planning, forecasting, and reporting activities.

To this end, Nantucket adopted a series of financial management policies to reinforce practices in September 2011. These include documents entitled, “Budget Policy & Process”, “Long Range Financial Planning Policy”, and “Financial Reserve Policy.” While we commend local officials for developing these policy documents, we question their consistency to town bylaw and with local practice. For instance, Section III of the “Budget Policy & Process” reads that the town will “contribute up to 1% of prior year local receipts toward capital improvements.” But under Article II, §11-12.1 of the town code, it states that the town “shall spend on capital projects a minimum of 1% of the total local receipts collected in the prior fiscal year, plus 1% of the total real estate and personal property taxes collected in the prior fiscal year.”

This inconsistency is also evident in local practice. For example, the “Long Range Financial Planning Policy” states that as a “general practice, the goal is to ensure that Town of Nantucket debt service payments will not exceed 12% of the total municipal budget (General fund combined with Enterprise Fund). However, after review, Nantucket’s debt service as reported to DOR for FY2011 amounted to about 17 percent of the total operating budget, exceeding this documented goal.

For these two reasons, we encourage local officials to review existing guidelines to ensure that policies and practices achieve alignment. Despite Nantucket’s considerable fiscal capacity, a debt burden approaching 17 percent of the total operating budget is somewhat high. And although significant portions of the town’s debt are excluded from the limits of Proposition 2 ½ or are attributed to capital intensive operations such as the airport and water enterprise, it is worthwhile to align with local policy.

#### **4. Develop comprehensive capital improvement program and long-range funding plan**

Nantucket’s capital program committee develops and maintains a 10-year capital plan, and annually reviews and prioritizes department capital requests based on what they deem to be in the highest of four tiers: 1) essential; 2) necessary, but postponable; 3) desirable; and 4) appropriate. The committee then reports its recommendations to the town manager, board of selectmen and finance committee as part of the annual budget process.

Historically, however, the committee does not tie specific methods of financing to its list of prioritized projects. In fact, it completes its entire analysis without any information about whether money will be available to spend. Some on the committee see merit in this division of function. We do not. Without the ability to allocate available money to specific projects, the committee effectively abdicates decision making to someone else. And, that seems to be what has happened. It is our understanding that, once submitted, the committee’s recommendations have been ignored or re-ordered by the board of selectmen or finance committee, unilaterally.

Well run communities recognize the need to invest in town assets and manage to dedicate funds for capital improvements. Some commit to a fixed amount each year, while for others the amount varies. The funds might be bond proceeds, direct dollar outlays or a combination of each. Most important is that the amount of money available to spend is known at the start of the capital budget process. Even with established criteria for prioritizing requests, this information helps the capital program committee with its final recommendations.

The work of the capital program committee should be respected, but it should not play out in isolation. We would expect the committee to meet with the town manager early and late in the process to discuss priorities. For her part, we would expect the town manager to have discussed capital needs with all department heads before requests were sent to the capital program committee. And, we have seen finance committees assign a member as liaison to the capital program committee. With communication, consensus will result and the integrity of the process can be preserved.

Therefore, we recommend that the committee work with budget formulators during the initial revenue forecasting phase to determine what funding might be carved out of the annual operating budget specifically for capital planning purposes. With a set dollar amount in place, the committee can then begin its process of identifying capital investment priorities. Long-term, working with the town manager, the committee should also start linking various financing sources to the 10-year capital plan (e.g., grant, debt exclusion, override, budget outlay, etc.).

On a related topic, we recommend that the capital program committee report directly to town meeting and that the authority to appoint its members be shifted to the town moderator. Nantucket's capital program committee is presently comprised of seven members: five appointed by selectmen; one by the finance committee; and one by the Nantucket Planning and Economic Development Commission (Town Code: Article II, §11-6A).

Like the finance committee, town meeting relies on the work and opinion of the capital program committee. To be credible, committee members must demonstrate objectivity in their analyses and independence in their decisions. Because selectmen and committee members have and will disagree on issues, sometimes sharply, shifting the appointing authority helps remove the risk of politics entering the appointment process. In addition, when a committee's charge is to report to town meeting, it is appropriate that the moderator, who protects the interest of town meeting, appoint its members. Lastly, while we can understand the passing interest a planning and economic development commission might have in capital projects, we have not seen anywhere, nor can we find any reason why an independent commission would have a role in appointing a town capital program committee.

## **5. Clarify general fund operating budget warrant article**

We recommend that local officials clarify what town meeting is voting for in its general fund budget article. Article 8 of the 2012 Annual Town Meeting asks residents to appropriate funds for the purpose of supporting town operations for upcoming fiscal year. The article (Appendix, Exhibit II) presents the FY2013 payroll, operating and total budgets for various offices, departments and commissions. Although this is an acceptable form, it is somewhat vague as to what it means from a management perspective. Budget format determines what level of flexibility managers have to transfer money between line items and to where it is needed most.

Next year, local officials might consider presenting a budget article that numbers individual line item under each department subgroup. Residents would then be asked to vote in favor of each numbered line item. In doing so, the town is providing a greater level of detail, but managers would still retain some flexibility to transfer funds within each line item. Exhibit II in the Appendix includes a sample of this approach, which is used in many different communities.

## **6. Merge information technology functions under the town manager**

The town manager is currently in the midst of reorganizing local government in an effort to contain costs and generate efficiencies. Previous efforts include the consolidation of parks and recreation within the department of public works and combining coastal and other waterways-related activities into the town's marine department. Additionally, she plans to merge the town's various school, public safety and municipal IT operations into a consolidated department sometime this summer. Reporting to the police chief, this new IT department will no doubt streamline operations and improve service delivery.

While we encourage the move to consolidate redundant or overlapping responsibilities across town offices, we feel IT has a global influence and a reach that goes beyond public safety. Therefore, we recommend that the town manager reconsider her decision to consolidate IT services under the chief of police and instead establish a cabinet-level position that reports directly to her. In this way, IT is in a better position to communicate issues and carryout administrative goals and objectives.

## **7. Consolidate water departments**

To our knowledge, local officials are actively considering the consolidation of the town's two water departments. While they both operate as enterprise funds, each is governed by a separately elected three-member board of water commissioners. The commissioners are responsible for the administrative, operational and fiduciary oversight of their departments. They establish all rates and fees, and submit budgets for town meeting approval. There is, however, a memorandum of understanding between the

two wherein the Wannacomet Water Company provides certified operators, and all technical and administrative support to the Siasconset Water Department—an agreement that has been in place since 2006. All told, the Wannacomet Water Company has approximately 8,000 accounts, while the Siasconset Water Department is substantially smaller, with only about 800 accounts.

Because of their current operational relationship and the nature of their business, Nantucket should take the necessary steps to combine the Wannacomet Water Company and Siasconset Water Departments. Formally combined through special legislation or charter change, there are long-standing arguments to support the consolidation of these services in order to bring efficiency and reduce costs. And while questions remain about the handling of outstanding debt and any potential impact on rates, these issues can be studied and resolved through a fair and equitable process. In moving to combine the two departments, however, we suggest that local officials carefully consider the department's ongoing reporting relationship to the town, and accountability as a whole. To this end, we recommend that selectmen serve as water commissioners, with the department head reporting directly to the town manager.

We also recommend that the consolidated water department separate itself from collections. As a matter of sound financial practice, those persons responsible for determining amounts due the town from water customers should not also be responsible for collecting the payments. For example, the assessing department creates and then transfers the real estate tax commitment to the collector to receive payments. Water billing should be treated similarly. The water department can continue to read meters and generate bills but shift the responsibility for collection to the collector's office. While this transfer will create additional work in the collector's office, it should not be overly burdensome given that a large percentage of bills are processed electronically or through the lockbox. Moving the water bill collection will also require the conversion of the tax collector's position to a town collector by a vote of town meeting under M.G.L. c. 41, §38A (see Recommendation 15).

## **8. Unite all finance department offices under one roof**

Nantucket's 2009 Master Plan calls for the consolidation of town services, which are currently scattered across multiple buildings throughout downtown and the island. The plan states that this "lack of consolidation is inefficient to both staff and the public, who must travel to different locations to conduct business." To this end, Nantucket's municipal permitting and code enforcement agencies, including the building and health departments, were relocated from Washington Street to the Fairgrounds Road Building. The town also proposed the renovation of buildings at South Water Street and East Chestnut Street in an attempt to consolidate finance, human resources and other services into a central location. While this effort was not adopted at town meeting, it does not diminish the fact that the finance-related offices of the treasurer, collector, accountant and assessor should be located under one roof. At the same



time, the Moody street building, which houses some of these functions, looks tired, requires significant investment, according to many, and needs to be repurposed or sold.

## **9. Establish annual department goals**

We recommend that the town manager engage department heads to develop a comprehensive list of clearly defined annual goals. With guidance, a series of specific and reasonable benchmarks can be developed for each department to accomplish that would be consistent with the long-term strategy outlined for the town. During the year, performance would be measured to ensure that goals are being implemented successfully. Opportunities will arise to discuss improvement and, if necessary, bring additional focus to bear on areas where shortcomings are identified. By year-end, departmental performance can be assessed and feedback provided, with appropriate adjustments being made for the ensuing year. Results can be published in the annual town report, which will better inform residents of the continued progress being made by departments in town. This system not only fosters a clarity of purpose for departments, but builds a culture of expectations and accountability. It can also become the basis for allocating scarce resources when formulating the annual budget.

## **10. Reevaluate use of public funds for private purposes**

Under the so called “anti-aid amendment” to the Massachusetts Constitution, municipalities may not grant public funds to private charitable, educational, religious or other organizations, no matter how worthy, for the purpose of supporting or assisting their operations. However, the anti-aid amendment does not preclude a city or town from purchasing specific services from a non-profit organization in the same way it purchases services from any other private organization in order to carry out a public purpose.

In our review, we discovered several instances which raised questions about certain perennial town meeting appropriations. For example, the Nantucket Athenaeum, a private non-profit organization providing public library services, is scheduled to receive \$667,900 from the town in financial support for FY2013. This amount is less than de minimis, accounting for about 34 percent of the organization’s total annual revenues.

We recommend that local officials consult with legal counsel to determine if any of the town’s appropriations to private organizations violate the anti-aid amendment rules. If so, they should be resolved quickly. In the case of the Athenaeum, the nature of the town’s charitable contribution could be adjusted to meet anti-aid funding guidelines by drawing up a contract that denotes the town’s purchase of library services from the organization. Any additional questions can be referred to the

Attorney General's Municipal Law Unit, <http://www.mass.gov/ago/government-resources/municipal-law/>.

## **11. Reduce number of town meeting warrant articles**

We recommend that the board of selectmen and finance committee seek ways to reduce the number of town meeting warrant 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 and meetings can be shorter. At this year's annual town meeting residents gathered together to debate 98 separate articles. Last year, 117 total articles were placed before annual town meeting. In April 2010, the total was 95, while in April 2009 it was 102.

To help reduce the number of warrant articles, we suggest that the town call a spring annual town meeting and a fall special town meeting. While budget and finance-related articles could be debated during the spring annual town meeting, Nantucket could move its slate of zoning, home rule petitions, local acceptances, bylaw changes, real estate conveyances and other articles to a fall special town meeting. Additionally, town meeting has the ability to combine similar articles into a single vote. Like those done for revolving funds and various capital items, the same can be true for real estate acceptances, conveyances, dispositions, for example. When separate items are combined in a single article, discussion of each individual item is not foreclosed or stifled. Full debate and amendments are still possible. Additional explanations or descriptions can still be included as back-up documentation. Also, selectmen might consider parameters to cull out those articles that are ill-timed, frivolous or where there is an alternative means for achieving the purpose of the article.

By splitting the number of official town meetings, local leaders can reduce the number of warrant articles heard, give structure to the way town business is handled, and improve resident interaction with government. It will also impose order on decision-making and improve the planning process. Pressure too would be eased on local officials who could devote additional time and thoroughness in developing articles for town meeting. The town manager, finance director and their staff will be relieved of the often difficult and tedious process of preparing such an extended town meeting warrant.

## **12. Post town meeting warrant online**

Article II, Section 2.5 (c) of Nantucket's town charter requires the board of selectmen to mail a copy of the town meeting warrant to every registered voter. To publish and deliver the roughly 8,000 copies not only costs a considerable amount of money, but it is less than environmentally friendly. Therefore, we encourage a charter amendment which allows town meeting warrants to be posted to the town's website. In this way, the majority of residents would be directed to view the warrant online, while a limited batch

of hardcopies can be published and made available at town hall. With this change, the town clerk might publish a notice in the local paper or mail a postcard explaining the warrant's availability online.

### **13. Allow town manager to sign vendor and payroll warrants**

We recommend that the town manger be granted the authority to sign payroll and vendor warrants. Absent a special act or town charter language, the board of selectmen are solely authorized to approve bills under M.G.L. 41, §52. As a matter of convenience, we recommend that Nantucket file special legislation or amend the town charter to authorize the town manager to approve bills. Model language for the special act can be as simple as "the board of selectmen delegates the responsibility for signing the warrants for payment of town obligations to the town manager."

### **14. Move to bi-weekly selectmen's meetings**

We recommend that the selectmen consider moving to bi-weekly meetings. With a competent manager in town hall every day, there is less reason for selectmen to meet on a weekly basis. In fact, we have seen where weekly meetings actually stifle or obstruct productivity. This happens when the town manager spends the days immediately after a meeting following through on selectmen requests and then devoting time just prior to the next meeting assembling a selectmen's information package. When meetings are seven days apart, little time is available to accomplish other goals. With fewer meetings, the selectmen and town manager can prioritize agenda items and divert those that can easily be addressed by the town manager outside of selectmen's meetings.

### **15. Accept town collector local option statute**

A tax collector only possesses the authority to collect real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes. In order for the collector to receive or collect any other monies owed to the town, such as water charges, landfill and public safety detail fees, the town must adopt a bylaw under M.G.L. c. 41 §38A designating the tax collector as a town collector.

### **16. Complete implementation of the contract management module**

The town's financial management software package offers a contract management module, which would allow the town to create and approve contracts for purchases and to encumber the appropriate funds in advance. It also links to future contract-associated requisitions, purchases orders and invoices to avoid re-encumbering the same funds down the road. Moreover, the module is fully integrated with the

general ledger and with the accounts payable package, which, among other things, will ease the reporting requirements for the year end audit.

Based on our conversations with local officials, the finance department, in partnership with the chief procurement officer (CPO), is ready to roll out the new package. All internal testing and staff training within the finance department and CPO office has taken place. However, they have yet to coordinate training with other outside departments who will be data entering the contracts on a day-to-day basis. We encourage the CPO to coordinate with members of the finance team to organize trainings for these individual departments. Once complete, the new module should be ready to launch in early FY2013.

### **17. Adopt biweekly payroll**

We recommend the conversion of all employees to a biweekly payroll schedule. Although this will require collective bargaining, paying employees biweekly reduces the processing time, saves money, eliminates additional paperwork and simplifies reconciliations. By compensating employees every two weeks, or 26 times per year, the town will spend less time processing payroll, so staff can focus on other office activities. It also reduces the likelihood of errors and the shuffling of paperwork between and among offices. Processing fees and the cost of check stock will go down too with fewer payroll periods. Lastly, it simplifies the reconciliation process because fewer checks are left outstanding for staff to track down or reissue. At the same time, the town should bargain that all employees be enrolled in direct deposit, as it prevents the need to reissue lost or stolen checks, further reduces the cost of issuing checks, and prevents the need to reconcile outstanding checks.

### **18. Implement records retention and disposition schedule**

The administration of municipal government is largely a paper driven process. And while local officials have done their part to move to electronic recordkeeping, hardcopy records still accumulate and storage becomes an issue. To alleviate storage limitations and in anticipation of an eventual move of the town's finance-related offices into one building, we recommend that local officials implement a record disposal and storage campaign throughout town offices. This process should produce a neat and organized work place, which reflects positively upon town government when residents visit town hall to conduct business.

As a starting point, the town manager, or her designee, should review public records laws and the municipal disposal schedules for the treasurer, collector, accountant and assessors located on the Secretary of State's website, [www.sec.state.ma.us](http://www.sec.state.ma.us), under Records Management Unit. Once complete, the town manager would be in a good position to develop timetables and coordinate the disposal of unnecessary records with department heads. Local officials should also note that Community

Preservation Act (CPA) funds can be used to survey and preserve historic records, including voter registers, maps, and other recordings.

## **19. Streamline land schedules**

As part of the triennial certification of the town's real and personal property values, the DOR's Bureau of Local Assessment (BLA) makes recommendations which, if implemented, will improve the accuracy of property valuations and the effectiveness of assessing operations. Included as part of their FY2013 directives to Nantucket, BLA recommended that the town "review and analyze market influences of certain characteristics on the value of land, paying particular attention to those such as water influences and neighborhood location." We encourage the assessor to work with their outside appraisal firm and their BLA community advisor to develop a plan to adjust the land valuation system as needed in a uniform and equitable manner.

## **20. Review overlay policy**

The overlay is an annual account to cover anticipated abatements and exemptions of committed real and personal property taxes for the ensuing fiscal year. In subsequent years, the remaining overlay is used to cover receivables and potential liabilities associated with pending Appellate Tax Board cases. Any excess, or surplus, at the close of the year can be certified by the assessor for appropriation or closed to free cash. Conversely, any deficit must be raised in the next annual tax rate unless otherwise funded.

For Nantucket, determining the amount the town must budget to adequately fund anticipated property tax abatements and exemptions each fiscal year can be difficult. The assessor works with the finance director to arrive at a realistic figure, which involves a judgment based on a three-year average of granted abatements and exemptions, whether the town is scheduled for certification by the DOR, any potential Appellate Tax Board (ATB) liabilities, or other assessment factors.

As a result, the amount set aside is not always enough to cover the total liability. For example, between FY2008 and FY2010, Nantucket raised an additional \$760,000 to cover prior year overlay deficits. If local officials expect this trend to continue, it might be better to set aside a modest increase each year rather than incurring a significant deficit in any one year. While this removes available funds in the current fiscal year, it gives policymakers greater control over the budget. Plus, any remaining amounts can be certified as surplus and be made available for appropriation or close to free cash. See DOR's overlay IGR, <http://www.mass.gov/dor/docs/dls/publ/igr/2011/igr11-101.pdf>, for additional information.

## 21. Consider the use of a field tablet

The bulk of the field assessor's responsibilities involve being on the road conducting inspections and otherwise updating property record card data. To do this, he prints hard copies of the cards of properties that will be inspected or reviewed for that day. During a given inspection the field assessor takes notes or marks the card with various changes, including a new measure and list. Once complete, the assessor returns to the office where the information marked on the property record card is data entered into the town's property record database.

To avoid the need to take detailed handwritten notes, which must be transcribed and entered into the property record database, the field assessor could use a tablet PC, iPad, or other similar device to data enter information in the field. Not only will this streamline a time consuming process of updating property record cards, it eliminates unnecessary duplication of effort and allows information to be backed up securely. It also demonstrates that the town is forward thinking, innovative, and always looking to adopt technology in order to achieve efficiencies and improve local practices. A small savings will also be captured by using less paper and printer toner, which over time adds up to be expensive. We anticipate that there will be costs associated with setting up the system, but given the magnitude of the town's assessed values it is minimal.

## 22. Implement electronic billing

With the approval of the board of selectmen, Nantucket can establish an electronic billing, or e-billing, program. E-billing is simply a paperless billing system whereby residents voluntarily elect to receive their property tax and other municipal-related bills electronically rather than through the mail. Replacing paper tax bills with e-bills is not only a cost effective alternative to traditional first-classing mailings done by the town, it offers residents a convenient and flexible method for receiving local charges. By allowing residents to opt into the program, Nantucket can streamline the billing process for its second homeowners who live off-island for the majority of the year. E-billing can be setup through a vendor or self-administered. See, <http://www.mass.gov/dor/docs/dls/mdmstuf/technical-assistance/faq/ebills.pdf> and [http://mcta.virtualtownhall.net/pages/MCTA\\_Presentations/2011-04/e-billing.pdf](http://mcta.virtualtownhall.net/pages/MCTA_Presentations/2011-04/e-billing.pdf), for additional information.

## 23. Consider helpdesk software application

Nantucket's IT department currently receives technical support requests via email, which are prioritized and resolved accordingly. While this process appears to be working, it may not be ideal for a large, dynamic organization. With a proposed consolidation to a town-wide IT department, we suggest that local officials explore the use of a helpdesk software program to better track and manage requests for

technical support. In a basic system, requests would be logged into the software program, which identifies when an issue was received, who it was assigned to, what action has occurred to date, and when it was resolved or closed.

The advantages of implementing helpdesk software include the confidence that a particular issue is being logged and prioritized through a standardized reporting and tracking mechanism, or workflow. It also serves as a valuable tool in identifying potential problem areas and where staff training is needed. In this way, the IT department can generate management reports, which can be useful during capital planning or when requesting additional resources. Because there are a number of systems available for use, we encourage the IT director to meet with colleagues to evaluate which system would best suit Nantucket.

#### **24. Evaluate expansion of website services**

Communities today are finding it increasingly important to build and promote a municipal website. When routinely updated and improved, a town's website provides a rapid and convenient way to engage the community. Nantucket does a good job of including valuable content for residents and visitors alike. Among others, there are links to town departments, bylaws, online billing and annual reports. The website also provides links to a monthly newsletter produced by the town manager and notices of upcoming events and meetings. There is a search tool too that can help navigate and find information quickly.

In an effort to keep the website fresh and up-to-date, local officials should continually look for ways to enhance content and improve design. One way is to solicit opinions from the public on expectations for a municipal website. By forming a small working group of 3-5 members appointed by the town manager, the town can reach out to various stakeholders and survey other community websites. Recommended improvements or changes can then be forward to the town manager and IT personnel.

In forming a working group, we suggest that local officials weigh the advantages of developing a "311" or citizens service center on the town's website. A handful of communities in Massachusetts are beginning to provide this quick, one stop constituent center to access non-emergency municipal services. Not only does it centralize access to municipal services, but it provides an outlet for residents and visitors to make requests, ask questions, read frequently asked questions, review upcoming events, and pay bills. Examples include the [City of Newton](#), [City of Somerville](#), and [Town of Wellesley](#).

## Appendix

### Exhibit I.

**Massachusetts Department of Revenue** *Division of Local Services*

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



March 28, 2012

Board of Selectmen  
Town of Nantucket  
16 Broad Street  
Nantucket, MA. 02554

Dear Members of the Board of Selectmen:

On October 4, 2011, your FY12 tax rate was approved by this office. I want to compliment Nantucket for getting the rate approved this early in the tax rate process. On March 28, 2012, the Department of Revenue approved your free cash and retained earnings for various enterprise funds. As a result of these approvals, I wish to bring to your attention certain matters as it relates to your FY13 tax rate setting process.

This office certified a negative -\$3,356,201 in retained earnings associated with your airport enterprise fund. During a conference call with your Town Manager and other financial officials on March 28, 2012, we learned that the airport has had financial problems for several years. Further, we learned that Nantucket is in the process of conducting a forensic audit regarding the airport.

Given this information, I will need to require, prior to the approval of the FY13 tax rate, that the following reports be submitted to this office: (1) the financial audit and management letter for the close of FY12; (2) the balance sheet for the close of FY12 be submitted, and free cash be approved; and, (3) the forensic audit regarding the airport. Please submit these reports on or before November 1, 2012, so that we can review these matters in a timely fashion in order to set your tax rate. It is my understanding that Nantucket can meet this deadline, per discussions with staff and your outside auditor.

If you have any questions, feel free to contact me or your field representative Jared Curtis.

Sincerely,

A handwritten signature in cursive script that reads "Gerard D. Perry".

Gerard D. Perry  
Director of Accounts  
Massachusetts Department of Revenue



**Exhibit II.**

**Snapshot of Nantucket's FY2013 General Fund Warrant Article**

| DEPARTMENT                | Fiscal Year 2013 |                  |                  | FY2012           |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | Payroll          | Operating        | Total Budget     | Article 8 TOTAL  |
| <b>GENERAL GOVERNMENT</b> |                  |                  |                  |                  |
| Finance Committee         | 0                | 19,400           | 19,400           | 19,900           |
| Finance & Operations      | 1,422,600        | 509,260          | 1,931,860        | 1,866,600        |
| Human Resources           | 146,560          | 32,130           | 178,690          | 198,520          |
| Information Systems / GIS | 391,140          | 248,100          | 639,240          | 586,410          |
| Legal                     | 0                | 335,000          | 335,000          | 335,000          |
| Moderator                 | 175              | 650              | 825              | 825              |
| Nantucket Planning Office | 398,350          | 218,200          | 616,550          | 467,470          |
| Natural Resources         | 113,290          | 3,550            | 116,840          | \$0              |
| Town Administration       | 499,980          | 185,750          | 685,730          | 697,720          |
| Town Clerk                | 216,690          | 59,200           | 275,890          | 259,710          |
| <b>Subtotal</b>           | <b>3,188,785</b> | <b>1,611,240</b> | <b>4,800,025</b> | <b>4,432,155</b> |

**Sample Format of Proposed Changes to the General Fund Warrant Article\***

|                                 |                | Fiscal 2011<br><u>Expended</u> | Fiscal 2012<br><u>Appropriated</u> | Fiscal 2013<br><u>Recommended</u> |
|---------------------------------|----------------|--------------------------------|------------------------------------|-----------------------------------|
| <b>GENERAL GOVERNMENT</b>       |                |                                |                                    |                                   |
| TOWN ACCOUNTANT                 |                |                                |                                    |                                   |
| 1                               | Payroll        | 362,921                        | 384,872                            | 321,887                           |
| 2                               | Expenses       | 55,853                         | 11,905                             | 12,555                            |
| 3                               | Capital Outlay | 0                              | 150,325                            | 108,500                           |
| 4                               | Audit          | 50,691                         | 72,000                             | 55,000                            |
|                                 | Total          | 469,465                        | 619,102                            | 497,942                           |
| ASSESSORS                       |                |                                |                                    |                                   |
| 5                               | Payroll        | 280,953                        | 275,129                            | 277,888                           |
| 6                               | Expenses       | 9,261                          | 11,587                             | 11,587                            |
| 7                               | Capital Outlay | 0                              | 0                                  | 0                                 |
| 8                               | Consulting     | 8,000                          | 32,500                             | 7,500                             |
|                                 | Total          | 298,214                        | 319,216                            | 296,975                           |
| TREASURER/COLLECTOR             |                |                                |                                    |                                   |
| 9                               | Payroll        | 281,283                        | 286,201                            | 286,441                           |
| 10                              | Expenses       | 36,289                         | 43,867                             | 47,808                            |
| 11                              | Capital Outlay | 0                              | 0                                  | 0                                 |
| 12                              | Tax Titles     | 10,502                         | 10,000                             | 10,000                            |
|                                 | Total          | 328,074                        | 340,068                            | 344,249                           |
| TOWN CLERK                      |                |                                |                                    |                                   |
| 13                              | Payroll        | 160,315                        | 158,739                            | 163,368                           |
| 14                              | Expenses       | 6,077                          | 6,957                              | 6,957                             |
|                                 | Total          | 166,392                        | 165,696                            | 170,325                           |
| <b>TOTAL GENERAL GOVERNMENT</b> |                | <b>1,262,145</b>               | <b>1,444,082</b>                   | <b>1,309,491</b>                  |

\*Does not reflect actual town appropriations

## Acknowledgements

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

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

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

Joe Markarian, Director, Technical Assistance Section

Zack Blake, Project Manager, Technical Assistance Section

Jared Curtis, Field Representative, Bureau of Accounts

Grace Sandell, Community Advisor, Bureau of Local Assessment

In preparing this review,  
DLS staff interviewed and/or received information from the following local officials:

Patricia Roggeveen, Chair, Board of Selectmen

Matthew Mulcahy, Chair, Finance Committee

Peter Hoey, Chair, Capital Program Committee

C. Elizabeth Gibson, Town Manager

Greg Tivnan, Assistant Town Manager

Diane O'Neil, Chief Procurement Officer

Irene Larivee, Finance Director

Bob Dickinson, Assistant Town Accountant

Deborah Dilworth, Assessor

Elizabeth Brown, Tax Collector

Deborah Weiner, Treasurer

Linda Rhodes, IT Director