

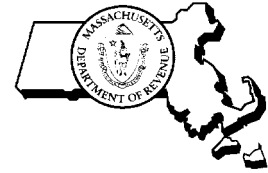
Town of Needham

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

July 2003





INTRODUCTION

At the request of the Board of Selectmen, the Department of Revenue's Division of Local Services (DLS) has completed a financial management review of the Town of Needham.

We have based our findings and recommendations on site visits, telephone interviews and materials reviewed by a Technical Assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, the town administrator, finance director; town comptroller and town clerk, treasurer/collector, principle assessor, personnel director, finance committee members, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, town charter and by-laws as well as other assorted financial records. Internal memoranda and other materials were also provided to us by the town.

In reviewing the town's financial management practices, we have focused on: (1) town government structure in the context of the duties and responsibilities of financial officers; (2) the town's budget and capital planning processes; (3) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; and 4) the general efficiency of financial operations measured by the town's success in maximizing resources and minimizing costs.

We encourage the members of the board of selectmen and others, when formulating overall strategies for improving the town's financial management, to consider the observations, analyses and recommendations contained in this report. These are recommendations only and can be implemented, at the town's option, provided there is consensus among the various town boards, committees and officials on changes to be made, and in some cases, a willingness to pursue amendments to the town charter.

EXECUTIVE SUMMARY

It was quickly apparent in the process of conducting this financial management review that town hall functions well. This is not only due to the knowledge and experience of the people who are there on a day-to-day basis, but also because of their willingness and desire to make a decentralized government structure work. Characterized by a collection of independent boards, a disjointed budget process and a horizontal leadership scheme, the success of town operations is tenuously dependent on what is repeatedly described as "the informal government," i.e., peoples' willingness to communicate, cooperate and make things work.

Perpetuation of the current structure runs counter to the direction taken by many Massachusetts municipalities in the last ten years. Well run communities have embraced strong, every day central management to oversee and take primary responsibility for town-wide fiscal and administrative business.

This is not new information to town officials or residents of Needham. The town has a long history of study committees and proposals to reorganize government. In 1931, establishment of a representative town meeting was recommended and accepted two years later. In 1940, a proposal failed which would have made members of six elected boards, appointed by the selectmen. Between 1970 and 1975, a Town Government Review Committee was formed and the town approved a new charter under Home Rule provisions as a result of its work. During that period, the town also changed the elected treasurer and collector to appointed positions, but rejected the same change relative to the board of health. By 1981, the Human Service Study Committee was formed, but after four years, failed to file any report on improving government.

It was in May 1990 that a second Town Government Review Committee recommended creating the office of town administrator. It also addressed the preparation and submission of the operating and capital improvement budgets, and reorganization of the personnel board. The town administrator position was created in November. The committee mandate expired in 1991, but in 1997, another study committee was created and proposed bringing the assessing function within the finance department. Its recommendations were not adopted by town meeting. In 2001, the committee reported to town meeting on its examination of a strong manager form of government. However, the committee could not reach a consensus, so no recommendation was offered and the committee was dissolved.

Even with the creation of the town administrator position in 1990, the town expressed a weak vision of and lack of commitment to centralized government. The position oversees a limited administrative process and finds its authority founded in more easily amended by-laws, rather than entrenched more firmly in charter provisions. But for the competent individuals occupying the position, the town administrator experiment may not have proven worthwhile.

Now, 70 years after its first action to reorganize, the town continues to question and debate how local government should operate. However, circumstances have changed dramatically.

Today, Needham is an \$86 million enterprise and is regarded as one of the more desirable communities in eastern Massachusetts. According to DOR statistical reports, median income (1999) among its residents ranks 25th in the commonwealth. The average assessed value of a single family home - \$518, 508 in FY03 - has increased 9.1 percent annually in the last ten years and 46.5 percent in the last two years alone. It is 22nd highest among Massachusetts cities and towns. The town's 2002 equalized valuation (EQV) per capita, which is a measure of relative community wealth based on overall property values ranks 54th among 351 cities and towns. In the face of increasing annual expenditures, Needham has managed to maintain ample reserves in the form of free cash, stabilization balance and overlay reserves. Historically, outstanding debt per capita and as a percent of total assessed valuation have remained low when measured against industry thresholds.

As a result of all these factors, Standard and Poor's assigned its highest rating to the town's most recent issuance of general obligation bonds in May 2003.

Despite these positives, Needham lags behind comparable towns in terms of how local government operates. In a survey of towns rated highest by Moody's and Standard and Poor's (see Appendix A), we first focused on the budget process and learned the following:

- All communities surveyed complete revenue projections early in the budget process and incorporate results into budget guidelines for department managers.
- A majority of the towns engage in consensus building early in the budget process through joint meetings involving the town administrator/manager, finance director, selectmen, finance committee and school committee members, or others.
- In every instance, the initial budget document is created by the town administrator/town manager.
- In almost all cases, the town administrator/town manager's budget is submitted to the selectmen for approval and then to the finance committee for review and final approval.
- In almost all cases, town meeting is asked to vote on the budget, as amended, which is approved and presented by the finance committee.

In contrast, the annual budget process in Needham tends to be compartmentalized as the town administrator and board of selectmen have early responsibilities that give way to the finance committee's charge to create the final budget document. There is some overlapping involvement, but the participation often appears more form than substance. Under the town's by-laws and in practice, the finance committee fulfills the primary role in the budget process. An exception occurred in the FY04 budget cycle, when the town administrator and finance director worked with departments to prioritize spending so that potential budget cuts could be identified

and passed to the finance committee. Whether or not this level of participation continues is uncertain.

In terms of the organizational structure, the experience of the towns surveyed is more varied. There were essentially equal instances of elected versus appointed boards, and a split where the authority to appoint department managers resides with a board or town administrator/town manager/board of selectmen. In some cases, the town administrator/town manager had budget control over departments, but not appointing authority.

Significantly, those interviewed from towns where boards and committees appoint managers, spoke in common terms of inefficiencies of operations resulting from this organizational structure and the inordinate use of management time on consensus building among department heads. They noted that directives cannot be issued nor can goals be implemented on the strength of line authority, because it doesn't exist. To succeed, the town administrator/town manager must instead rely on his or her ability to persuade, finesse or otherwise gain the acceptance and cooperation of department managers.

In the end, this burden consumes an administrator's time and causes an expenditure of substantial energy unnecessarily. It is also an aspect of government that is typically hidden from public view, and largely unknown to part-time officials whose daytime visits to town hall are rare.

In Needham, the town administrator possesses neither the full empowerment of budget responsibility nor complete management authority. Absent town-wide accountability to a single authority, coordination of departmental activity and implementation of town-wide goals are similarly dependent on the town administrator's ability to persuade, and on the willingness of department managers and staff to cooperate. Needham has historically been fortunate to have willing and cooperative administrators and managers in town hall, but this may not always be the case.

The Government Review Study Committee in 2001 recognized these weaknesses in the organization of town government, but lacked the consensus to recommend the creation of a strong town manager position. We agree with the "general observations" presented in the study committee's report. Where the study committee could not find consensus, we unequivocally advocate stronger central management in the town of Needham. As a long term goal, we endorse charter changes as the preferred vehicle to ensure organizational stability.

Conclusion - In no instance do we conclude that the town's financial management practices are deficient in any significant way. We note areas, in sections of this report, where checks and balances might improve. Overall, however, it's apparent that experienced managers and competent staff follow well-established procedures and work at sustaining lines of communication.

Despite the efforts of managers and staff, the decentralized structure of government in Needham breeds and perpetuates inefficiencies, and should prompt Needham toward change.

Ultimately, centralized government has traveled far from the status of experiment among Massachusetts municipalities. It has become the proven norm and successor to the time when government was simple and small enough to be left in the hands of part time, volunteers - no matter how caring and competent. Today, Needham is an \$86 million enterprise and requires a full-time, professional to manage all of town government.

Therefore, our primary recommendations seek to enhance and expand the responsibilities of the town administrator to establish a person-in-charge where there currently is none, to consolidate decision making where it is now disbursed and to create town-wide accountability where it is now lacking.

SUMMARY OF PRIMARY REPORT RECOMMENDATIONS

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- 7 1) Modify the Budget Process
- Present revenue projections at start of budget process
 - Make the town administrator responsible for budget development
 - Modify the budget calendar
- 8 2) Strengthen the town administrator management responsibilities
- 9 3) Eliminate the Municipal Building Maintenance Board.
- 9 4) Modify Capital Improvement Decision-Making and Presentation in the Warrant.
- 10 5) Eliminate the Certificate of Necessity
- 10 6) Schedule joint meetings on field use and maintenance
- 10 7) Establish fee review schedule and consolidate approval process
- 11 8) Review status of town committees and reporting requirements
- 13 9) *Assessing:* Upgrade assessors' clerk position to data collector
- 13 10) *Assessing:* Incorporate building permit inspections into cyclical re-inspection program
- 15 11) *Comptroller:* Communicate regularly with DOR Bureau of Accounts
- 15 12) *Comptroller:* Reconciliations with treasurer/collector
- 19 13) *Treasurer/collector:* Mail tax bills directly to lock box
- 20 14) *Treasurer/collector:* Reconciliation of Cash and Receivables
- 21 Appendix A: Summary - Survey of Towns

OVERALL FINANCIAL MANAGEMENT

A review of the town's overall financial management practice focuses on procedures in place to accomplish tasks that typically require cooperation among departments and that tend to impact town government on a more global basis. It examines the delineation of responsibilities within functional areas and lines of accountability in the town-wide operation of government.

Accordingly, we examined the annual budget process, long-term capital planning, financial monitoring practices and financial policies. We looked at regular procedures necessary to payroll and vendor warrant approval, the purchasing system and personnel/benefits related functions. We considered the level of communication and cooperation that exists among offices, including relations with the school department. We noted the effect of the town's organizational structure on the every day administration of town business. Finally, we reviewed the town's compliance with state law relating to finance matters and its adherence to DOR timetables and reporting standards.

It is clear that Needham town government functions well. Managers are experienced and capable. Staff are uniformly competent in carrying-out clearly delineated responsibilities. Established procedures in the day-to-day administration of municipal business have evolved over time, in part, due to continuity in both management and staff positions. In particular, town business is accomplished by personnel whose demonstrated willingness to work together has led to a high level of inter-office cooperation.

At issue, however, is how long the town can function as well as it does given its government structure. Despite the presence of a full-time, professional town administrator and a full-time finance director, Needham government operates as an \$86 million enterprise with no one person in charge. Under a decentralized organization, elected boards and commissions hire managers and independently direct the activities of departments. The town administrator's management control extends only to those departments that report to the board of selectmen. Although the selectmen, town administrator and finance director are involved, the budget process centers around the part-time, volunteer finance committee.

In the past, the finance committee has relied heavily on a part-time executive secretary. At the time of his recent retirement, the executive secretary of many years had wide-ranging responsibilities and significant input into committee activities. He was representing the members on other town boards and committees; organizing and presenting financial data; creating budget templates; conducting trend analyses; educating new members; participating in revenue forecasting; assisting with budget presentations, and otherwise advising the finance committee on town fiscal matters.

It is our understanding that as the newly hired executive secretary assumes the position, the role will change. We view this as appropriate. In a collaborative environment, the finance committee and town administrator should look for ways to eliminate redundancies particularly concerning requests for and development of financial data and analysis.

Overall, however, the circumstances in Needham are not optimum for dealing with the increasing complexity of and demands on municipal governments. Consequently, they have drawn us to conclusions and recommendations concerning the town's organizational structure, the allocation of responsibilities in government, and in particular, the role of the town administrator in municipal management.

In the short term, we recommend by-law changes that more specifically detail an annual budget process, budget responsibilities and a sample timetable. In the long term, we recommend the town consider charter changes that address not only the budget process, but the structure of government with an intent to more clearly define roles and relationships between and among town officers, boards, committees and commissions.

RECOMMENDATION 1: MODIFY THE BUDGET PROCESS

The following three recommendations can be implemented, in the short term, through the adoption of new policies, or through changes to the town's by-law.

We recommend that the town administrator, with assistance of the finance director, develop annual revenue projections, and present them to a joint meeting of the Board of Selectmen, School Committee and Finance Committee to start the budget process. Under current practice, revenue projections developed by the town administrator/finance director and appropriation requests prepared by departments are both presented to the finance committee by December 1. Armed with revenue projections, the finance committee conducts budget hearings with departments in the formulation of the budget.

In Massachusetts, municipal budgets are revenue driven. Therefore, an estimate of projected revenues should be the first step in the budget process. With the presentation of revenue estimates early in the budget year by the town administrator to a joint meeting of the selectmen, school committee and finance committee, a consensus can be reached on expenditure levels, the use of reserves, and the allocation of resources in general. These and other policy decisions can then be agreed on, and distributed as budget guidelines for department managers as they begin to prepare their appropriation requests.

We recommend that the town administrator initiate the budget process and formulate a town-wide budget document. As full-time, professionals hired at significant compensation to manage town government, the town administrator, together with the finance director, should be

responsible for developing the town's annual budget. By their experience, knowledge and day-to-day presence in town hall, each is equipped to know and understand the budgetary needs and priorities of town departments. Rather than pass judgement on nominal departmental expense line items, policy makers should focus on larger budgetary issues and on the advancement of overall town goals.

Therefore, upon receipt of appropriation requests from all town departments, the town administrator, together with the finance director, should meet with all department heads to discuss budget parameters and arrive at expenditure levels for the upcoming year. Requests would be assembled and a draft budget for all town departments would be presented to the selectmen for approval, and then forwarded to the finance committee.

The finance committee will still conduct hearings with departments, make further investigations during the budget process and effect changes before presenting its final budget recommendations to town meeting. However, throughout the budget process, communication between the town administrator, or finance director, and the finance committee should be ongoing. The finance committee must continue to be a part of discussions involving adjustments to revenue projections, compliance with pre-established fiscal policies, changes in the use of reserves, re-ordering of priorities and deviations from agreed upon guidelines.

We recommend that the town adjust its budget calendar to reflect changes in the budget process. Beginning with the likely annual town meeting date in May and tracking backwards, the town can establish a budget schedule to reflect changes to the process. For example:

October 15	Town Administrator (TA) presents revenue projections
November 1	TA distributes budget guidelines and requests to departments
January 1	Department deadline to submit appropriation request
February 1	TA completes hearings and creates draft budget
February 15	Selectmen approve budget and submit to Finance Committee
April 15	Finance Committee completes hearings and creates final budget
May 8+/-	Town Meeting votes on Finance Committee budget recommendations

RECOMMENDATION 2: STRENGTHEN THE TOWN ADMINISTRATOR POSITION

We recommend charter changes that firmly establish a town administrator or town manager as the singular management authority in town hall. The town administrator position, as empowered in Needham, represents a thin layer of centralized management that only partially covers town government. Missing is the essential ability of one person to coordinate the execution of town goals, as set by policy makers, and effect initiatives to improve operations through line authority over all those responsible for the day-to-day administration of town business.

These are management elements that forward looking communities throughout Massachusetts have turned to, in some meaningful form, as making the most sense in this era of complex government and turbulent economics. They reflect an increased focus on accountability not only in government structure, but in financial management practices as well. The most recent example is in the adoption of GASB 34 which imposes accounting procedures that openly identify and track town assets.

Therefore, whether the town selects to enhance the responsibilities of the town administrator position, or create a strong town manager position, we strongly recommend that changes be implemented through a charter change. Different models for increasing the participation of a town administrator or town manager in appointments can be drawn from the survey of highly rated communities in Appendix A.

At the very least, whatever course of action the town chooses, it should consolidate appointing authority in a way that clearly establishes a line of accountability that converges in the town administrator or town manager. Under this structure, part-time boards and commissions will continue to provide expert guidance, make customary decisions, and formulate policy. However, the responsibility to oversee town government will be more squarely placed in the hands of a full-time professional hired for that purpose.

RECOMMENDATION 3: ELIMINATE THE MUNICIPAL BUILDING MAINTENANCE BOARD

We recommend the town disband the Municipal Building Maintenance Board and have the director report directly to the town administrator as a department head. A building maintenance line item already exists in the town budget under the heading of "Department Budgets" with detail for salaries, purchase of services, expenses and capital. There is a director, who works closely with the town administrator. He also reports to a board comprised of the town administrator, library director, DPW superintendent, park and recreation director and school superintendent.

This is one instance where the board is an unnecessary layer of bureaucracy. The building maintenance function should exist as a department and the director should report directly to the town administrator.

RECOMMENDATION 4: MODIFY CAPITAL IMPROVEMENT DECISION-MAKING AND PRESENTATION IN THE WARRANT

We recommend a shift in the timetable for making capital improvement decisions. To accommodate the requirement that warrants be mailed to residents 45 days prior to the town meeting date, all capital improvement requests, whether or not approved for funding by the selectmen and finance committee, are included in the warrant as articles. Often in excess of 30

capital improvement articles are listed, and those not withdrawn on the floor, are separately debated.

We suggest that final decisions to fund capital improvement projects be made early enough in the budget process to accommodate the 45 day mailing requirement. Alternatively, the town should consider amending the charter.

Most communities find it sufficient to mail the warrant to town meeting members anywhere from a week to three weeks prior to the town meeting date. By making earlier capital improvement decisions, or by keeping the warrant open until a date closer to town meeting in May, advances a more thoughtful and orderly decision-making process. Debate would not continue to minutes before town meeting begins. The impression of disagreement associated with withdrawing articles on town meeting floor can be avoided. And, the warrant would be shorter.

We recommend that the town consolidate capital improvement funding requests into a single warrant article. By listing multiple capital improvement requests in one article, town meeting members still have the opportunity to view, debate or amend any individual item. The detail, now included in each article, can be inserted as an appendix to the warrant. Town meeting will be better able to see and compare capital expenditures and can be provided with a total expenditure amount at the end of the list. Articles not recommended for funding can be included in a similar format as part of an appendix as well. In each case, town meeting would see what projects were approved, what projects were deferred and the dollar amounts associated with each.

RECOMMENDATION 5: ELIMINATE CERTIFICATE OF NECESSITY PROVISION

Eliminate the requirement for a "Certificate of Necessity" from the finance committee. Under the town by-laws, to fill an existing and vacant position, or a new position, requires sign-off of the finance committee through the approval of a "Certificate of Necessity." As a deviation from the past, the finance committee chair, rather than the entire committee, has begun to approve the certificates even when an existing or new position has been fully funded by town meeting. The authority to approve hiring also moves the finance committee inappropriately close to involvement in the day-to-day administration of government. If the personnel by-law, collective bargaining agreements, or other provisions which set out procedures for hiring of new employees are followed, the interests of the town are sufficiently protected and the Certificate of Necessity is not needed.

RECOMMENDATION 6: ANNUAL MEETING BETWEEN PARK AND RECREATION COMMISSION MEMBERS AND MEMORIAL PARK TRUSTEES

We recommend members of the park and recreation commission, the trustees of Memorial Park and the department of public works meet jointly at least once annually. Like most eastern Massachusetts communities, there is competition for playing fields in Needham and the need to carefully schedule, plan maintenance and permit field use. Toward that end, the town would benefit if the groups responsible for managing and maintaining the various fields - the park and recreation commission, the trustees of Memorial Park and the department of public works - met at least once each year, or at the start of each "season", to craft an overall schedule of play, and general understanding as to upkeep. Through regular communication, more efficient scheduling can result and potential conflicts in field use can be averted.

RECOMMENDATION 7: ESTABLISH FEE REVIEW SCHEDULE AND CONSOLIDATE FINAL APPROVAL IN BOARD OF SELECTMEN

We recommend that the town implement a coordinated procedure for the review of all fees and for the systematic approval of all fee increases. Under current practice, the various town boards and commissions act independently and unilaterally to review and approve fees and fee increases related to the services they provide. This ad hoc process sometimes means that fees are not reviewed for years and, at other times, brings town officials into conflict over broader issues. Alternatively, a systematic approach, administered by the town administrator and with direct involvement of the town boards and commissions, can provide for the periodic review of fees on a town-wide basis. Fees would be measured against pre-established parameters and, if warranted, increases would be approved by the board of selectmen, or by town meeting on the recommendation of the selectmen.

RECOMMENDATION 8: REVIEW TOWN COMMITTEES AND REPORTING REQUIREMENTS

We recommend the town review the purpose and productivity of committees. Town meeting warrants include a section that creates or continues the existence of volunteer committees. Some of these committees have been continued for 10 years or more. As a routine matter, committees established by town meeting should be required to report on their activity annually to town meeting. Stated goals should be reviewed and if purposes are fulfilled, on-going or moot, appropriate decisions should be made to continue or terminate a committee's existence. Similar action should be considered if a committee is dormant, i.e., failed to meet over a six month period.

ASSESSING DEPARTMENT

The assessors' office is responsible for valuing all the town's real and personal property and for transmitting the tax commitment to the collector so that tax revenue can be collected. To ensure that tax bills are accurate, the office continually inspects properties, updates property records and tracks exemptions and abatements that it issues. The assessors estimate new growth, recommend the annual overlay, and provide other assessed value information for use in the recap sheet which is submitted to DOR to receive approval of the local tax rate.

In Needham, these responsibilities involve maintaining current records on approximately 10,000 real estate parcels, 94% of which are improved residential, and about 1,500 personal property parcels. The office commits excise taxes for over 30,000 motor vehicles. Assessing department staff inspect properties involved in approximately 400 arms-length real estate transactions per year, about 600 properties that are subject to building permits each year, and other properties essential to the on-going program to measure and list all town properties every nine years. In addition to providing over-the-counter service, office personnel process over 300 exemptions annually and 150 to 200 real estate abatements in non-revaluation years.

The work of the office is managed by a full-time administrative assessor, who has held the position for 14½ years. He is assisted by an assistant administrative assessor with 10 years experience who focuses on data collection, an administrative assistant who will soon retire and two, full-time clerks with 20 and six years in the office. To guide and direct the overall policies of the assessing department the town of Needham elects a three-member, part-time board of assessors. As an added benefit is the professional experience on the board which includes two appraisers and a mortgage banker. The board members serve three year terms and appoint the administrative assessor, and he, in turn, is accountable to the board.

Since FY94, the entire triennial revaluation process has been completed in-house. The sales data collected by the assistant administrative assessor through inspections is enhanced by sale questionnaires to new residential owners and rental income and expense (I/E) surveys to commercial and industrial property owners. In each instance, the assessors department enjoys a return rate of 60-70 percent and in excess of what most other communities experience. In the case of I/E surveys, the program has been enhanced measurably by the development of an inventory or listing of businesses operating in the town. Analysis of sale trends and rental data is completed by the administrative assessor. Similar work is completed during interim years to determine whether or not annual property adjustments are necessary, further inspections are required as part of the on-going measure and list program. Only in the case of personal property is this work out-sourced.

The assistant administrative assessor also has a system for inspecting building permit properties, year round, which fuels new growth estimates. The staff is proficient in processing

exemption and abatement applications, updates records with deed information and map changes, provides counter access to property information for residents and generally communicates information on a timely basis to other offices as required. In addition to analyzing property value trends, the administrative assessor is instrumental in assembling the town's recap sheet and in establishing the annual overlay reserve.

Conclusion - The Needham assessors' office performs many functions, in-house, that other communities contract out, often at a higher cost. The office is generally well organized, computer-sophisticated and, according to the DOR Bureau of Local Assessment, has shown improvement in operations from year-to-year. We offer only three recommendations.

RECOMMENDATION 9: UPGRADE THIRD CLERK POSITION TO DATA COLLECTOR

We recommend that the third clerk position, now vacant, be upgraded and filled with a data collector. Completing annual property value adjustments and triennial revaluations in house puts pressure on the assessors to produce accurate and up-to-date property descriptions and annual market trend information. It requires that data be collected through sale and building permit inspections, as well as the cyclical re-inspection program. With reliable information in-hand, the administrative assessor can analyze data, develop trends and draw conclusions necessary to annual value adjustments and state certifications every three years. These are tasks that many other communities contract-out a higher cost than when performed in-house. Now, the assessors are exploring the possibilities of managing personal property accounts in-house as well. Two clerks should be sufficient to handle requisite office responsibilities, and two data collectors would ensure the accomplishment of valuable field work.

RECOMMENDATION 10: INCORPORATE BUILDING PERMIT INSPECTIONS INTO CYCLICAL RE-INSPECTION PROGRAM

We recommend that the administrative assessor use building permit inspections to augment the town's cyclical re-inspection program. While a building permit inspection is frequently less involved than the interior and exterior inspection associated with the cyclical program, there are efficiencies to be gained by pursuing a dual purpose on site visits. The additional steps will by necessity slow down the building permit inspection process, but will also advance the cyclical re-inspection program and increase the number of up-to-date property files. With the addition of a second data collector, the benefits should be achieved without the delays.

COMPTROLLER

The comptroller is appointed by and reports to the Finance Director. Subject to the approval of the Finance Director, she appoints her own staff which currently includes two full-time positions and one, part-time position.

The current town comptroller arrived in Needham in December 2002 after having served as an accountant in Londonderry and later in Newmarket, New Hampshire. At the time, the Needham comptroller position had been vacant for five months resulting in a backlog of work, and was the subject of attention from the Department of Revenue concerning deficiencies in Balance Sheet submissions and free cash calculations.

Having no exposure to Massachusetts municipal accounting concepts such as free cash, revolving funds, overlay accounts, Tax Recap Sheets and Schedule As, the comptroller's efforts to reduce the backlog of work were slowed by a significant learning curve. However, in the last six months, progress has been measurable.

- Working with the town's Field Representative from the DLS Bureau of Accounts, the comptroller better understands the documentation needed and methodology associated with DOR submissions.

- The comptroller posts to the general ledger on a daily basis. The office processes the town and school payroll and, through the purchase order system, prepares vendor warrants for Selectmen approval every two weeks. By the 15th of each month, the comptroller runs a trial balance reflecting the prior month's financial activity.

- The comptroller has instituted a practice of internally reconciling cash and receivables on a monthly basis. Reconciliations with the treasurer/collector occur less frequently. Appropriately, they meet to reconcile debt twice during the fiscal year.

- The comptroller produces expenditure and revenue reports each month for the Finance Department. All other departments have full-time access to individual expenditure reports through the HTE software.

- The comptroller has become proficient with the HTE financial software which is used for the general ledger, payroll, accounts payable and the purchase order system. She is considering modifications to allow longer account numbers, to reduce the overall number of account numbers and to structurally alter the general ledger to more closely match the DOR Schedule A format.

- In other areas of responsibility, the comptroller has established policies and procedures relating to line-item transfers within departments, police details receipts, unexpended debt, revolving funds, enterprise funds, parking receipts and student activity funds.

Conclusion - Despite her short tenure in office, the comptroller appears to have made steady progress in her understanding Massachusetts municipal accounting practices. Even though the office effectively fulfills its responsibilities, the comptroller looks to further improve the way it functions. Communication with other departments appears to be open and productive. Consequently, our recommendations are few.

RECOMMENDATION 11: CONTACT WITH THE DLS BUREAU OF ACCOUNTS

We recommend that the comptroller continue to work closely with the BOA Field Representative. While the Comptroller has made progress in her understanding of Massachusetts municipal finances, the true test comes with submission of the FY03 balance sheet and certification of free cash by BOA later this year. To further ensure that the correct documentation and methodology is used, the Comptroller should avail herself of BOA resources and regularly communicate with the town's BOA field representative.

RECOMMENDATION 12: RECONCILIATIONS WITH TREASURER/COLLECTOR

We recommend the comptroller more regularly reconcile cash and receivables with the treasurer/collector's office. The reconciliation of cash and receivables represents a necessary and important independent check on town financial records. The comptroller's office reconciles its internal cash and receivables records on a monthly basis, but meets less frequently to reconcile records with the treasurer/collector's office. We encourage the comptroller to meet with the treasurer/collector to arrange monthly reconciliations of cash and receivables between the two offices.

MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems (MIS) Division is organizationally located within the Finance Department and its director is appointed by and reports to the Town Finance Director. Among a staff of five, the MIS director, network administrator and computer operator/programmer have occupied their respective positions for 34, 23 and 19 years. The GIS administrator and the technical support person each have three years in the office.

The MIS division oversees and maintains a town-wide fiber optic network which is mated to multiple servers and AS400 units that link 130 computer terminals in various municipal building locations. Served by a T-1 line, all town and school administration offices have internet access and email capability.

The MIS Division maintains all hardware in use at town offices and in school department buildings. It updates and supports software including Microsoft word processing, spreadsheet, scheduling and database applications, and also to the extent possible, supports the HTE financial management software package which the town has operated for 10 years. Software versions are up-to-date and plans are in place to move toward a graphic user interface (GUI) version of HTE. Assistance with more technical issues involving HTE as well as the Geographic Information System (GIS) program is available through vendor contracts. The State Division of Local Services provides support for its Computer Assisted Mass Appraisal software (CAMA) used by the assessors' department. As a deviation from past practice, the school department will take on increased responsibility for software applications where student information is maintained and coordination with the State Department of Education is required.

Depending on its annual appropriation, the MIS division carries out a long-term program to replace and rotate computer terminals on a ten-year cycle. A computer lab with six terminals is located in town hall to provide on-going training for staff and until the most recent budget, \$10,000 per year was typically available to bring in instructors for in-house training. System wide tape back-ups are created nightly, then accumulated on a weekly basis for storage in a fire-proof safe located in the school administration building. The MIS division also maintains the town website.

Among other tasks, the MIS Division provides data processing support and routinely prints and stuffs town real estate, motor vehicle excise and water and sewer bills. It converts the assessors' commitment to HTE format and a registry of motor vehicles tape with excise information for use by the collector. The division updates real and personal property file information twice a year and updates the GIS files for use by the town engineer, building department, planning office and assessors.

A five-member technology advisory committee was reactivated by a town meeting warrant article in May 2002, when its role was expanded beyond hardware acquisition matters to a more global focus. Now, in monthly meetings, the committee examines security and privacy issues, the impact of policy decisions on service, computer efficiency in the town and school settings, and capital needs. With the input of town officers, the committee has begun to formulate a strategic plan to identify and address long-term technology goals. The committee chair has expressed particular interest in identifying what the town is trying to accomplish with technology.

Conclusion - The Management Information Systems (MIS) Division is a mature operation organizationally with experienced staff. As a result, it is able to oversee and manage a wide ranging technology program.

We offer no formal recommendations, but support current directions and initiatives in technology management. For instance, as part of its town hall support program, we encourage the MIS division to actively and regularly survey department directors and staff on software use and training needs, to note proficiency and explore how technology might be used to improve operations. We support the technology advisory committee's goal to develop a five-year strategic plan, and suggest that it dovetail with the town's long-term capital improvement plan. We also encourage movement on efforts to make the GIS system available in the assessors' office.

TREASURER/COLLECTOR

Under the town charter, the board of selectmen appoint only a town treasurer, but that person must also serve as tax collector and collector of accounts. Consequently, in practice, it is a single appointment to a combined treasurer-collection position, which is common and generally recommended for communities. The current treasurer/collector is in her 6th, three-year term and directs four, full-time and two, part-time staff, none of whom has less than five years experience in the office. One staff position is currently vacant.

On the collector's side, the office is responsible for collecting approximately 10,000 real property tax bills, 1,500 personal property bills and 10,000 combined water and sewer bills quarterly, as well as 30,000 motor vehicle excise bills annually. Parking ticket fines, police detail receipts, MBTA parking lot collections and payments for transfer station stickers are also received at the collector's office.

Payments are physically received at the collector's office by mail and over-the-counter. Mail is separated by payment type and then forwarded to the town's lock box at Century Bank. The lock box processes all payments where the amount on the check matches the amount on the tax bill, and returns to the collector, partial payments, payments for prior years or any other out-of-the ordinary payments. Each day during the collection period, Century sends a tape with hardcopy back-up of the days activity for uploading into the town's receivable record.

Receipts are systematically organized by type, prepared for deposit and posted on a daily basis. Over-the-counter payments, and returns from the lockbox, are also segregated and passed along to the appropriate staff person for time stamping, posting, batching and preparing deposits. At the end of the day, a procedure exists for the transfer of funds from the accounts of the collector to those of the treasurer. The collector's staff run annual credit reports to identify and return overpayments, and have assigned responsibilities to produce municipal lien certificates from the computer software package.

In terms of checks and balances, the collector maintains a control record of real estate commitments, and adjustments for payments, refunds, abatements and exemptions. Consequently, as designed, the level of outstanding receivables can be easily determined. Through reference to primary source information, the receivable control balance should be regularly confirmed internally, and periodically reconciled with the comptroller's records - preferably on a monthly basis.

On the treasurer's side, the office receives departmental turnovers, as well as other payments to the town, and ensures that deposits are made daily and that the treasurer's schedule of receipts is turned over to the comptroller on an equally regular basis. A cash book and debt schedules are maintained allowing the treasurer and staff to monitor the town's cash standing and manage

the investment, disbursement and borrowing of cash. Staff reconcile cash internally to bank statements and somewhat regularly with the comptroller. The treasurer and comptroller reconcile debt twice a year, which is standard practice.

A staff person also fulfills responsibilities to pursue and move delinquent properties into tax title. By a procedure increasingly adopted by communities, telephone calls follow annual demand notices and letters are sent informing delinquent property owners of pending actions. The effectiveness of the program is reflected in tax title accounts which currently number only about 300.

The collector's office has a contractual arrangement with a Deputy Collector to pursue motor vehicle, personal property and parking ticket delinquencies. Consistent with prevailing regulations, a town-deputy collector joint bank account is set up as a repository of payments received, and regular reports from the deputy collector accompany transfers of receipts to the town each month.

HTE financial management software, installed throughout town hall, is used in both collector and treasurer functions including modules for the commitment, cash book, receivables control and municipal lien certificates. Because tax title software is not yet available from HTE, the office uses an Excel spreadsheet application. Otherwise, the office is limited in its use of computer applications. The MIS office converts and uploads the assessors' commitment into the collector's software, and prints, stuffs and mails all town tax bills.

Conclusion - On a day-to-day basis, the treasurer/collector's office is effective in accomplishing requisite responsibilities of collecting town receipts and managing town money. Although cross-trained, duties are clearly delineated among staff. Office procedures are established, and controls are in place. We have only two recommendations.

RECOMMENDATION 13: MAIL ALL TAX AND OTHER BILL PAYMENTS TO THE LOCKBOX

We recommend that all resident payments of taxes and other charges go directly to the lock box. Currently, all resident payments of taxes and other charges are received by mail at town hall. Payments intended for the town's lock box are then forwarded to the Century Bank location in Medford. Payments that are outside the acceptance parameters established between the town and bank are then returned to the treasurer/collector office for manual processing.

All return envelopes included with tax and other bills should be pre-addressed and mailed directly to the lock box location. This is the process in communities throughout Massachusetts. Over time, residents will get comfortable with the out-of-town destination, particularly if an

explanatory note is inserted in the first couple of mailings. Any other procedure is inefficient and unjustified.

RECOMMENDATION 14: RECONCILIATIONS OF CASH AND RECEIVABLES

We recommend that the treasurer/collector reconcile cash and receivables on a monthly basis.

Working from a receivables control and a cash book, the treasurer/collector's office should reconcile its internal records of outstanding receivables and cash balances on a regular monthly basis. Once completed, a similar reconciliation should to place with the comptroller to ensure that records of the two town offices match. This is an important check and balance, as well as a fiduciary obligation. Although acceptable to complete on a quarterly basis, we suggest that it is more prudent to reconcile cash and receivables on a monthly basis both internally and externally with the comptroller.

APPENDIX A

Summary - Survey of Towns

Towns	Bond Ratings*	TM/TA/Ex	Population	FY03 Budget	FY03 Budget per capita	02 EQV per capita	99 Income per capita
Andover	Aaa	TM	31,247	\$110,625,297	\$3,540	178,886	41,133
Bedford	Aa1	TA	12,595	\$54,060,134	\$4,292	180,288	39,212
Belmont	Aaa	TA	24,194	\$73,161,159	\$3,024	160,313	42,485
Concord	Aaa	TM	16,993	\$48,730,172	\$2,868	248,646	51,477
Hingham	Aa1	TA	19,882	\$61,080,684	\$3,072	173,518	41,703
Lexington	Aaa	TM	30,355	\$92,951,276	\$3,062	200,804	46,119
Sudbury	Aa1	TM	16,841	\$63,612,885	\$3,777	182,191	53,285
Wayland	Aaa	Ex Sec	13,100	\$42,189,484	\$3,221	185,416	52,717
Westwood	Aa1	TA	14,117	\$51,230,424	\$3,629	197,989	41,553
Winchester	Aaa	TM	20,810	\$66,845,798	\$3,212	190,904	50,414
Needham	AAA	TA	28,911	\$89,285,787	\$3,088	177,781	44,549

* Source: Moody's and Standard and Poor's

Andover

Budget Process - (Town manager-finance director-finance department). Although revenue and budget monitoring is on-going, the formal budget process begins in September with a meeting of the Strategic Planning Task Force. Task force members include the board of selectmen (BOS), school committee (SC) members, finance committee (FC) members and senior staff. The goals of the task force are to arrive at consensus on revenue projections and budget guidelines. The finance director works with the town manager to formulate the budget which is simultaneously presented to the BOS and FC. After the BOS review and sign-off on the budget, the FC conducts its review, including hearings with department managers, and produces the final budget which is presented town meeting.

Organizational Structure - Virtually all boards and commissioners are appointed by the town manager with ratification of the BOS. The exception is the zoning board of appeals which is appointed by the BOS. In practice, the town manager relies on the various boards to recruit candidates and offer input on appointments. Department heads are accountable to the town manager.

Bedford

Budget Process - (Town administrator-finance director-finance department). Revenues are projected and updated during the budget cycle, but also tracked throughout the year. The budget process begins by October 15 in preparation for a Town Meeting held on the 4th Monday of March. Budget request forms are distributed to town departments together with finance department generated salary projections based on collective bargaining agreements and non-

union classifications. Budget requests are returned to the finance director by November 1 and meetings with department managers begin for departments under the BOS jurisdiction. The town manager, working with the finance director, assembles the budget for the departments and advises on other department budgets. His budget recommendation is presented to the BOS for approval and then sent to the FC in early January. Further hearings are held and the FC budget is ultimately presented to town meeting.

Organizational Structure - There is a mix of appointed and elected boards and commissions, and determining the actual appointing authority is a gray area. Elected boards recruit and accept the town administrator's advice and counsel primarily because, as personnel director, he signs-off on all hiring. He also approves changes in compensation and oversees the merit pay system. Lines of accountability are equally gray and impacted by the independence board members feel they possess.

Belmont

Budget Process - (Town administrator-finance director/town accountant). Early in September, a "Warrant Committee" with members from the BOS, FC, SC, and including the accountant and school superintendent review five-year revenue projections and map out the upcoming budget schedule. Projections are completed by the town administrator working with the accountant. Budget guidelines are distributed to department managers and requests are returned to the town administrator who, with the accountant, formulates the budget. The document is presented to the BOS who conduct hearings with departments, as warranted, and formally approve the budget. The budget is then submitted to the FC which conducts its own meetings with department managers. The final budget is prepared by the FC and presented to town meeting.

Organizational Structure - There is a mix of appointed and elected boards and commissions. Only the assessors and board of health are elected and have appointing authority. Other appointments by the town administrator are made with varying levels of involvement by a board or commission. There are many instances when blurred lines of accountability create conflict. It becomes part of the administrator's job to coach, cajole, and persuade to get things done.

Concord

Budget Process - (Town manager-finance director/treasurer-collector). Around September, revenues are projected for the upcoming year. With input from the town manager, who solicits input from department managers, and from the school superintendent, the FC develops budget guidelines and sets up the budget schedule. The town manager forwards guidelines and requests to department managers. Following hearings with department managers and attended by the town manager, assistant town manager, and finance director, the finance director creates the budget. The town manager submits the budget to the BOS for review and approval, and to the FC for review and concurrence. The town manager's budget is presented to town meeting.

Organizational Structure - All boards and commissions are appointed and the majority are appointed by the BOS. The town manager makes some appointments independently and others subject to the approval of the BOS. Department managers are accountable to the town manager.

Hingham

Budget Process - (Town administrator-accountant/finance director). Finance director generates long-term revenue projections in September. The town administrator formulates the budget message with guidelines for the upcoming year and sends it to all departments. All department appropriation requests are returned to the finance director and incorporated into a budget book reflecting the town administrator's recommendations. By December, the budget book is simultaneously delivered to the BOS and advisory committee. By January, a BOS approved budget is forwarded to the advisory committee for its review. The advisory committee budget is presented to town meeting. In the last ten years, departments have been requested to submit a level funded budget, with requests for increases on a separate form. The purpose is to prevent policy makers from spending time reviewing salary and expense items in detail that tend not to change from year to year. Instead, policy makers can focus on more global allocation of resources.

Organizational Structure - All boards are elected and possess the authority to appoint managers who are accountable to their board. However, the system prevents the town administrator from issuing directives he views as in the best interest of the town. To get managers to agree requires finesse, the backing of local leaders, and an emphasis on consensus building.

Lexington

Budget Process - (Town manager-finance director/comptroller-finance department). Goal setting begins in July with a meeting of the town manager, finance director and senior management. Beginning in September, focus is placed on revenue projections, anticipated growth potential, economic trends, etc.. Priorities are established and the BOS engage in setting policy. By October, appropriation requests are sent to department managers. As information is gathered concerning departmental requests, further meetings involve the BOS, town manager, finance director, the SC, FC and capital planning committee for the purpose of reaching budget consensus. (This group continues to meet about every two months throughout the year). The town manager, working with the finance director, prepares the budget and by February 15 presents it to the BOS for approval. The BOS budget is put before town meeting. The FC has opportunity to review and advises town meeting of its recommendations.

Organizational Structure - With the exception of the planning board, all boards and commissions are appointed. Appointing authority is granted to the BOS and the town manager subject to approval of the BOS. Department managers are appointed by and report to the town manager.

Sudbury

Budget Process - (Town Manager/Assistant Town Manager/Finance Director-Treasurer-Collector). Budget process begins in October with the development of revenue projections and budget guidelines by the town manager, working closely with the finance director. Projections and guidelines are presented in an open meeting where BOS, FC, department heads and general public are invited. The town manager is responsible for formulating the budget, but works closely with the finance director throughout the process. Meetings are held with department heads, and once created, the town manager's budget is given to the BOS for approval, and then to the FC. Town meeting votes on the FC recommendations.

Organizational Structure - All but the zoning board of appeals are elected boards, but with exception of the health agent, the town manager appoints managers. With a management team that includes the town manager, assistant town manager and finance director, the system of works very efficiently. There are no accountability issues.

Wayland

Budget Process - (Executive Secretary-accountant/finance director). Revenue projections and budget guidelines are completed prior to Thanksgiving by the finance director with assistance from the finance committee. Department appropriation requests are returned to the BOS from departments under its jurisdiction, otherwise to the finance committee. Approved BOS budgets are assembled with other requests into a budget document by the finance director, and presented to the FC for its review, including hearings with departments. The FC budget is presented to town meeting.

Organizational Structure - With the exception of the zoning board of appeals, boards and commissions are elected and have appointing authority. Managers work for the board or commission. However, the power to hire and fire is centralized in the executive secretary and personnel director and gives them a role in the appointing process.

Westwood

Budget Process - (Town administrator-finance director). Revenue projections are initiated around September by the finance director, and reviewed and reworked by a budget steering committee comprised of BOS, FC and SC members, the school superintendent, town administrator and finance director. Recently, the assessor, collector and treasurer were also added to this group. The steering committee develops budget guidelines for distribution to department managers. Appropriation requests are returned to the finance director who creates the budget document. The town administrator receives and approves the budget, then forwards it to the BOS for approval. Finally, the budget goes to the FC. The FC budget is presented to town meeting. Because the budget steering committee participate early and throughout the budget process, all policy making boards are informed and in agreement with guidelines.

Organizational Structure - There is a mix of appointed and elected boards and commissions. Managers are accountable to the town administrator, but there is a team approach to appointments. As a rule, the town administrator and BOS make appointments, but work with the boards to get a consensus on a particular appointment. Five or six people (including town administrator, finance director, boards member, selectman) may be involved in interviews and will bring a recommendation forward to the appointing authority.

Winchester

Budget Process - (Town manager/assistant town manager). The budget process begins in September with the preparation of preliminary revenue projections by the town manager. Based on these estimates and discussions with the BOS, budget guidelines are established in November and a budget package including worksheets and a calendar of significant dates is distributed to department heads. Budget worksheets are returned to the town manager in December. By February 15, the town manager presents a budget to the BOS and subsequently the FC. Once received, the FC begins its review and departmental hearings. Its final budget recommendation is presented to town meeting.

Organizational Structure - Winchester operates under a strong town manager form of government, where the town manager makes all appointments. With the exception of the Assessors, planning board and board of health, all boards and commissions are appointed. All department heads are appointed by and report to the town manager.

ACKNOWLEDGEMENTS

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