



City of North Adams

Financial Management Review

Division of Local Services / Technical Assistance Section

August 2010

INTRODUCTION

At the request of the North Adams Mayor Richard Alcombright, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of the city.

We have based our findings and recommendations on a site visit and telephone conversations by Municipal Data Management & Technical Assistance Bureau (MDM/TAB) and Bureau of Accounts (BOA) staff members and consultations with the Bureau of Local Assessment (BLA). The staff interviewed the mayor, city council members, business manager, chief administrative officer, city auditor, treasurer/collector, assessor, management information systems director and other municipal office staff.

DLS staff examined such documents as the tax rate recapitulation sheet, annual budgets, cash and receivables reconciliation reports, and statements of indebtedness. The city also provided us with warrants, debt schedules, charter and ordinances, and other assorted financial documents.

The purpose of this review is to assist North Adams officials as they evaluate the city's financial management. In reviewing the existing financial management, we have focused on: (1) the city government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

We encourage the mayor and city council, when formulating overall strategies for improving the city's financial management, to consider the observations, analyses, and recommendations contained in this report. These are recommendations only and can be implemented, at the city's option, provided there is sufficient cooperation among the various boards, committees, and officials.

EXECUTIVE SUMMARY

North Adams is a small city located in the northwest corner of Massachusetts near the Vermont and New York borders. Originally a part of Adams, North Adams separated and was incorporated in 1878 as a town and shortly afterwards as a city in 1895. It occupies a land area of 20.44 square miles and has a population of 13,816 persons (2009 US Census)

Often, Massachusetts municipalities began as agricultural communities. However, this was not the case for North Adams. The city is set in a low flat central area prone to flooding from the local rivers and quickly rises up steep slopes into the surrounding hills of the Berkshire, Hoosac and Taconic ranges that include the two highest points in state, Mount Greylock (3,491 feet) and Mount Williams (2,951 feet). Because of the city's topography and rapidly flowing rivers, North Adams has historically hosted a variety of mill, textile, and manufacturing industries. However, the construction of the Hoosac Tunnel, opening a transportation corridor to Albany, New York, and the expansion of railroads to Pittsfield and eastern Massachusetts in the 1800s lead to further development of the community. North Adams State College was established in 1894 and the natural beauty of the surroundings became a destination point for tourists.

As a regional industrial and commercial center in the Berkshires, the community's population grew. By 1900, the city had an estimated population of over 24,000 persons. At about this time, the closure or relocation of mills in North Adams had begun, similar to the experience in other communities in the state. This left many people out of jobs, forcing some to move elsewhere. Those who remained observed the city's industrial development take a turn.

The Sprague Electric Works purchased a former print works mill in the city and went on to become a major research and development center for electricity and semi-conducting materials. Sprague designed and manufactured crucial pieces for weapons systems during World War II and launch systems for space exploration, employing over 4,000 workers by 1966. However, the competition from electronic components manufacturers abroad lead to the Sprague's decline and eventual closure in 1985.

The closure of Sprague Electric heavily impacted North Adams. The city's unemployment rate was 8.9 percent (3.9 percent statewide) in 1985 and grew to 11.7 percent (6.3 percent statewide) in 1990. Since the 1940s, the city's population had steadily declined. Prior to Sprague's closing, North Adams' population was down to 18,063 persons (1980 Census) from 22,213 persons (1940 Census), a decrease of almost 19 percent. After the facility closed, the population dropped further to 16,797 persons (1990 Census).

To mitigate potential economic devastation to the city and region, public and private support was marshaled to find a creative reuse of the 13 acre former Sprague Complex in downtown North Adams. The Massachusetts Museum of Contemporary Art (MASS MoCA) was the answer, which opened in 1999. It took over a decade to plan, design, get legislative and financial support and complete one of the largest centers for visual and performing arts in the country. To offset the

operating costs of the facility and help stimulate further growth in and around the community, MASS MoCA has developed and leased space to restaurants and a variety of commercial enterprises and has partnered with regional educational, museum and arts programs.

Despite this momentum, the city continues to experience economic issues. According to the 2009 Census, North Adams' population was 13,816 persons, making it the smallest city in the state. The city's 2008 equalized property values (EQV) per capita are \$57,156, or 34 percent of the state average of \$165,919, and second lowest in the state just above Springfield. Similarly well below the state average, the city's per capita income (2007 DOR income/2008 US Census used in the FY2011 state aid calculations) is \$14,668 or ninth lowest. Taken together, the fiscal indicators reflect the significant challenges the city faces as one of the poorest communities in the Commonwealth.

North Adams is governed by a mayor-council form of government, all of whom are elected to two-year terms. The mayor oversees departments (except the city clerk) and chairs the school committee. The mayor, as chief executive, also develops the city's annual budget that is adopted by the city council, as the legislative body.

Up until January of 2010, the city had been managed by the same mayor since 1984. During the initial years of his administration, it was recommended by at least two separate consulting reports that the city establish a professional financial administrator to coordinate and manage the city's financial operations. The intent was to relieve the mayor of these duties and other administrative details so that he could focus on policy development. A finance director/procurement officer position was created, but the job has been limited to purchasing responsibilities and other assigned duties. It was only three years ago that the former mayor hired a business manager. She oversees the school finances and monitors the city's financial activities but does not have supervisory authority over city personnel.

Upon taking office in January 2010, the new mayor was faced with two substantial fiscal issues. First, in a report issued by an independent certified public accounting firm, it was determined that North Adams underfunded its medical insurance trust by \$1.1 million over the last two years. While this did not place the trust fund in a deficit position, the city was still required to appropriate the shortfall. Because of limited resources to correct this situation, the city entered into a settlement agreement with the employees/retirees and got special legislation to fund the shortfall over multiple years.

In the settlement agreement, the city moved to a premium based insurance program beginning in FY2011, will pay all run-out claims from the self-insurance trust fund, will contribute 77 percent of premiums in FY2011 and then pay 75 percent through FY2013. Chapter 144 of the Acts of 2010 allows the city to borrow or amortize no more than \$880,000 for a term of not more than seven years to fund the settlement. City officials worked collectively to monitor claims and activity in the health insurance trust fund, thus reducing the amount amortized to \$680,000 as of the preliminary closing figures in early July.

The second issue was the budget. North Adams initially was facing a FY2011 budget gap of over \$3 million. The gap was due to a combination of reductions in state aid, fixed costs increases and

the use of non-recurring reserves (\$1.1 million from the sale of real estate proceeds and over \$287,600 from overlay surplus) to support FY2010 operating costs. To eliminate the gap, the city reduced spending and raised additional revenues. To raise the revenues, the city levied to its property tax limit, increased fees and used nearly all of the remaining balance from the sale of real estate proceeds.

In FY2010, North Adams levied about \$11.6 million in real and personal property taxes. The FY2011 budget increases the property tax levy by about \$1.2 million or ten percent greater than FY2010. This increase is a combination of the statutory 2.5 percent increase, \$58,000 in estimated new growth and previously unused excess levy capacity, bringing the city up to its maximum allowable levy limit under Proposition 2½ for the first time since FY1997.

North Adams raises revenues through its local receipts, which include motor vehicle and other excise, service charges and user fees, licenses and permits, departmental revenues, fines and forfeits, penalties and interest and investment income. In FY2010, local receipts brought in about \$6.55 million and, based on analysis and input from the financial officers, the city estimates that FY2011 receipts would bring in about the same level of revenues. Confronted with the need to close its budget gap, the city adopted the local option meals excise, raised water rates ten percent and implemented sewer service fees for city customers.

This still leaves the city roughly \$1.2 million short of balancing the budget. The city has a sale of real estate account with a current balance of \$1.3 million. The city has filed special legislation to allow the use of these one-time proceeds to balance the city's FY2011 budget. With this legislation, the city should be able to set its tax rate timely in December. However, the Director of Accounts at the Department of Revenue has concerns regarding the city's fiscal position. While he is aware of the fiscal stress all communities are under and he commended city officials in a July 2010 letter for making tough decisions, the city is facing a structural deficit in FY2012 after exhausting much of its one-time reserves.

To help evaluate the city operations and explore potential savings and improvements, the mayor requested that the Division of Local Services (DLS) conduct a comprehensive review of the city's financial offices. In meeting with the mayor and the financial departments, we found many of the department heads are relatively new, having been employed by North Adams for between six months and four years, and three departments have a staff of one. Each operation runs fairly well with dedicated staff and the departments work well with each other. Given the current economic times, the new mayor has instituted a team-oriented approach to budgeting. Through regular department head meetings, officials are working collectively to understand the city's fiscal challenges and to identify changes in operations to improve efficiency and potentially reduce costs. This has greatly improved communication among department heads and has kept the council and the public better informed.

The recommendations in this report are based on best management practices that comply with state laws and regulations. They are designed to further improve communication and establish fiscal planning and coordination. Chief among these recommendations is to formally combine the financial offices into one department. We also recommend that the city develop job descriptions, update the classification and compensation plans and review personnel policies and practices. The new budget

process should be adopted by ordinance and long-term financial planning practices should be established. With good financial practices in place, North Adams will be better able to plan for the future and position itself for whatever lies ahead.

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OVERALL MANAGEMENT, BUDGET AND FINANCIAL OPERATIONS

During the course of our review, we looked at the city's overall management, including its governmental structure, ordinances, budget and fiscal practices, personnel functions, as well as financial department operations. What follows is a summary of our observations and recommendations.

CITY CHARTER

Adopted in 1965, North Adams operates under a Plan A city charter in accordance with M.G.L. c. 43. The mayor is the chief executive officer and chair of the elected seven member school committee. A nine-member at-large city council serves as the legislative body. All department heads and boards (except the city clerk who is appointed by the city council) are appointed by the mayor without council confirmation.

The mayor, city council and school committee are elected biannually. A two-year term for a chief executive officer tends to work counter to the effective implementation of long-range financial strategies and goals. Often, acceptance of a new policy and the final form it takes may only be accomplished over time and after adjustment through a series of budget cycles. Even when the term of a mayor continues through re-election, the administration of the city's business suffers as a portion of his time and attention is invariably directed to concerns outside of city hall. Consequently, a two-year term for the chief executive officer of a city can disrupt the continuity necessary to implement long-range policies and practices.

To complement the charter, the city has enacted ordinances. These ordinances provide for the creation and reorganization of city departments with multiple divisions, identify appointed positions and assign job responsibilities, and set terms and the number of members on boards and commissions. In Chapter 2, there are a series of ordinances concerning employment of officers and staff, which set out hours of operation, holidays, vacations, and other allowed absences. There also is a provision that enables permanent employees to enroll in the city's health insurance after six months of employment. However, there is no definition for the term permanent or any other type of employment (e.g., part-time, seasonal, temporary or provisional). Furthermore, employees currently enroll in insurance plans at the time they are hired, complying with state statute, rather than waiting six months. Because the city lacks policies on sick leave and rules governing employee conduct, officials are drafting an employee handbook.

For non-school employees not covered by union contracts, there are job classification and compensation plans. The classification plan organizes positions with similar work responsibilities into grades while the compensation plans set the minimum and maximum salary with varying steps for each class (e.g., salaried, hourly, engineering and part-time). In reviewing the city's classification plan, we noted that the auditor's, city clerk's and treasurer/collector's assistant department heads were grouped together in grade 12 (\$26,753-\$34,354) with the junior building custodian while the financial

department heads were each classified separately. Despite similar work responsibilities, the auditor is a grade 22D (\$41,307-\$42,905), the city clerk is a grade 22 (\$45,347-\$47,135), a full-time assessor is a grade 22A (\$47,082-\$47,912) and the treasurer/collector is a grade 22C (\$50,164-\$51,952). We also were informed by city officials that the prior mayor approved multi-year personal service contracts for some department heads despite being included in the city's classification plan.

Generally, a compensation plan organizes the grades from the lowest to the highest, reflecting increased earnings as it progresses up through the table. In North Adams' plan, the grades lack organization and have between one and ten steps. The salary scales are numbered one through 37, but when re-sorted based on the annual maximum amount we found grade 36 (\$17,267) was the lowest figure and grade 26 (\$83,769) was the highest and both only had one step. Within the compensation plan, it states that step increases are not automatic, but are based on an employee's performance. Yet, we found that for financial department heads and staff, few job descriptions exist to measure employee performance against.

BUDGET PROCESS

Under the prior administration, the city's budget process was handled solely by the mayor. Annually, departments submitted their requests to the mayor, who would develop a spending plan and present it to the city council for review and adoption in mid to late June. It is our understanding that council requests for the breakdown of estimated revenues used to support the budget went unfulfilled.

Under the new administration, the preparation of the budget is now a more team-oriented process. With the assistance of the financial officers and business manager, the mayor developed preliminary revenue estimates upon which the FY2011 budget would be prepared and distributed operating and capital request forms with a cover memo to all departments and boards. Completed forms were submitted to the mayor, who then worked with the business manager, reviewing requests, meeting with department heads, and revising revenue estimates. Delivered to the city council the first week of June, the mayor's FY2011 budget was contingent upon an increase in water charges and a new sewer fee.

During this same timeframe, the mayor instituted staff meetings to discuss and brainstorm issues, identifying potential improvements in operations or cost savings. Throughout the budget process, the mayor also communicated with the city council so they were familiar with fiscal issues in the FY2011 budget (and outstanding items from FY2010) and potential resolutions to address them. The council enacted the budget, which reduced spending, levied to the city's property tax limit, increased water rates, instituted a sewer rate, adopted the local meals excise, and used one-time reserves of offset reductions in state aid and increases in fixed costs.

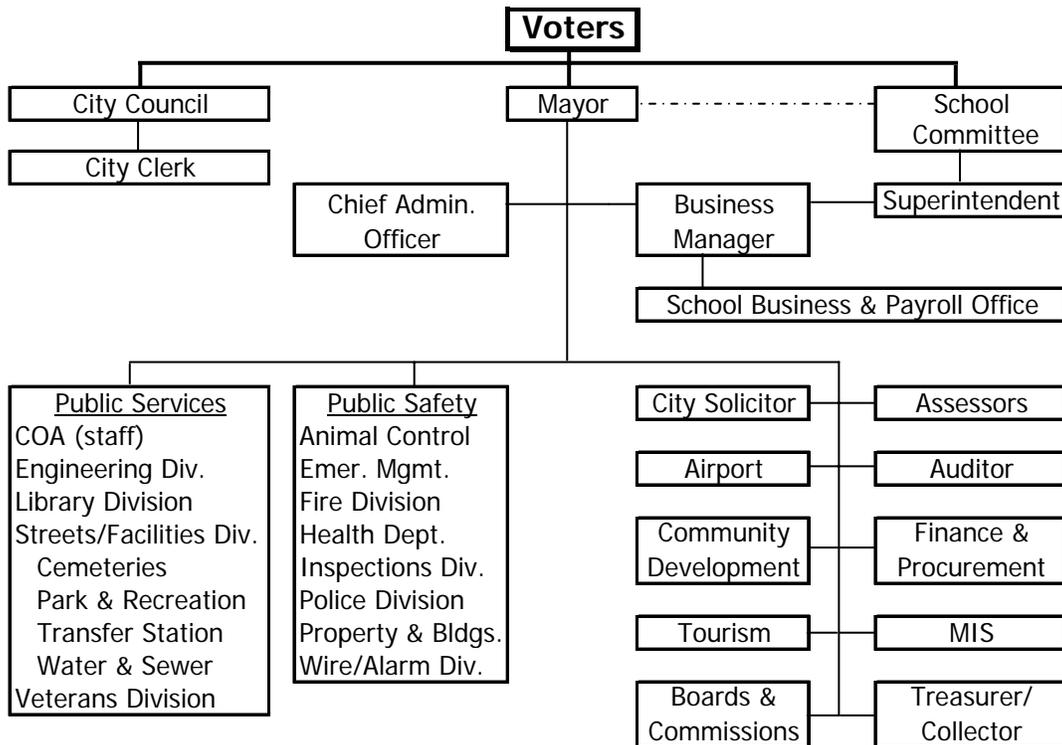
The city has no long-term revenue and expenditure forecasting. Despite an ordinance requiring the development of a six year capital plan (Article XXII), the city prepares the capital spending requests on a year-by-year basis when resources are available. North Adams' reserves (e.g., free cash, stabilization fund, overlay surplus and sale of real estate) have fluctuated with the economy and the need to use them to fund expenses. In the absence of fiscal policies, the city has used its non-recurring

revenue sources on capital and one-time expenditures as well as on operating expenses such as salaries and debt service. As of July 1, 2010, the city has about \$312,000 in the stabilization fund (after transferring in its prior year’s free cash balance), \$300,000 in sale of land (after using \$900,000 towards FY2011 debt service), and no overlay surplus. As for free cash, until the city closes its books and submits its balance sheet to DOR for certification, it is not known at this time how much, if any, the city will have.

ADMINISTRATION

Most department heads report directly to the mayor (Diagram 1). Years ago, the public services and public safety departments were organized to coordinate similar activities and reduce staff reporting to the mayor. The public services and public safety departments each are managed by a commissioner, who oversees multiple divisions. A similar restructuring of the financial offices was suggested in a mid-1980s consultant’s report, but was not acted upon by the city.

Diagram 1
City of North Adams
Current Organizational Structure



To assist the mayor in the day-to-day management of the city, there is a chief administrative officer and a business manager. The chief administrative officer assists in the daily administrative functions of the city. According to the job description, he provides guidance to departments, coordinates multi-department initiatives, and handles special projects assigned by the mayor. The

chief administrative officer works with the city's legal counsel, investigates and advises on issues that come up and, because there is no human resources department, performs disciplinary and some hiring functions. However, the only mention of this position in the city's charter and ordinances is in chapters on recycling and the enforcement of non-criminal local infractions.

The business manager provides input on financial matters. She was hired in May 2007 on the basis of a school business manager's job advertisement only to find out upon taking the position that she also would have responsibilities on the city side to monitor financial activities as well as help coordinate the tax rate recapitulation process. After less than a year on the job, she was appointed as the acting treasurer/collector, which lasted until February 2010, and for a few months in 2009 simultaneously performed the duties of the chief administrative officer due to a brief vacancy. In the transition under the new mayor, she now assists in the city's budget process, developing preliminary revenue estimates that are updated and reviewing city and school departmental requests to produce a balanced budget draft.

The business manager supervises a staff of four in the school business office that includes a payroll administrator, two accounting clerks and a receptionist. The payroll administrator manages the school's biweekly and the city's weekly payrolls. She reviews timesheet submissions for accuracy and completeness, data enters payroll on an exception basis to the city's financial system, and reconciles these entries to departments' independent spreadsheet calculations or her own worksheets. City departments must provide timesheets by Monday each week, but some are submitting them before the end of the work week. Because these timesheets are submitted before the actual workweek is complete, it is at best an estimate of hours worked. M.G.L. c. 41, §56 provides that employees must actually perform services before payment can be made. The clerks handle school department purchasing, accounts payable and grants as well as assist in payroll. Once school department payroll and accounts payable are processed, they are approved by the school committee and then forwarded to the city auditor.

Because the city does not have a human resources department, the mayor's office oversees the hiring process, sometimes delegating it to the chief administrative officer. The payroll administrator, in conjunction with the business manager, processes paperwork for new employees, handles enrollment and changes to the city and school employees' insurance and other benefit plans, and assists those contemplating retirement. While the payroll administrator's primary office is located in the school department, she is available in the treasurer's office at city hall one day a week and is always accessible by telephone. Personnel files are kept at the school department and city hall in secured locations.

MANAGEMENT INFORMATION SYSTEMS

The city's management information systems (MIS) department is staffed by a full-time director, who has been employed by the city since 1996. She manages non-school computer systems, including desktops (about 110), servers, networks, software applications, data storage, Internet access, electronic mail, security and virus protection, backups, and system maintenance. She has a full

inventory of all hardware and operating systems, which are upgraded or replaced as needed and when funding is available and, with the assistance of an independent consultant, has developed a disaster recovery plan. She also runs the city's website (www.northadams-ma.gov) that contains departmental listings, telephone numbers, emails, hours of operation, meeting notices, on-line bill payment options, forms, community links, city ordinances and other content supplied by departments or boards.

To provide some support for the MIS director, the city has engaged off-site services to help monitor the systems. While the school department has its own systems, the administrative offices are on the city's financial network and the MIS director occasionally collaborates with the schools' technology department. She can remotely monitor systems, otherwise the business manager serves as the MIS director's backup. Recognizing the critical nature of this department, an assistant director's position was proposed. This position would be trained to perform all the management activities of the director, provide user support and training, as well as maintain the geographical information system (GIS). Originally proposed at a salary of \$50,000 in the FY2011 budget, the funding was cut to \$30,000 due to limited city resources. Now, the city is weighing its options on how best to ensure coverage and assistance in this department.

The city financial offices and the school administrative offices use the standard version of KVS, an integrated financial system, and have access to Microsoft Office applications as well as other specialty software to conduct daily business and manage information. KVS modules used by various departments include the general ledger, purchase order system, accounts payable, payroll, personnel management, treasury management, and tax, excise, and utility billing, collections, and accounts receivable. KVS has remote entry features that departments currently use to data enter their bills for vendor payments. They could use the system to enter payroll on an exception basis and input requisitions for purchase orders but do not. While there are no plans by the vendor to discontinue the availability of the older standard version, the city is considering upgrading some of its modules to the newer enterprise version in order to take advantage of the increased database functionality due to better access to more than one fiscal year's information and improved report writing capability.

CITY AUDITOR

Hired in August 2007 from the private sector, the city auditor is a full-time position appointed by the mayor. He has been attending the Massachusetts Accountants' and Auditors' Association annual schools to familiarize himself with Massachusetts' financial practices. He has an assistant city auditor that is full-time and is trained to perform most duties of the office and sign the warrant in the auditor's absence.

The city auditor oversees financial activity of the municipality and maintains the city's general ledger. Typical financial activities of the office include reviewing invoices and payroll; preparing weekly warrants; producing trial balances and maintaining information on town debt. Monthly, he distributes revenue and expenditure reports and reconciles cash and receivables with the treasurer/collector and all accounts with the school department. At the close of each fiscal year, he prepares and

submits the balance sheet and year-end report of revenues, expenditures and fund balances (commonly referred to as the Schedule A) to DOR timely.

North Adams has annual outside audits conducted, which recently have not included a management letter. Normally, a management letter would identify potential shortcomings in operating procedures of the community. Concerns were raised when a problem in the city's health insurance trust fund was not identified. Charges that the city had not been paying its share of employee health insurance costs surfaced and North Adams hired a separate audit firm to investigate. This audit firm found that all health insurance claims were paid through the trust fund, but the city did not contribute its 70 percent share of the cost during the last two fiscal years. A subsequent settlement agreement was entered into by the city and the employees/retirees to rectify this situation going forward, but concerns lingered that this problem had not been brought to light earlier.

In addition, North Adams conducted an actuarial analysis of the city's other post employment benefits (OPEB) potential liability in compliance with GASB Statement 45. Based on an actuarial valuation (as of June 2008), North Adams had an accrued liability of between \$59 million (pre-funded) and \$94.8 million (pay-as-you-go). Annual required contribution (ARC) payments range between \$4.6 million and \$6.2 million, depending on the investment return assumptions. Currently, there is no requirement to fund this in Massachusetts and the city has not considered establishing an OPEB Trust Fund through the local adoption of M.G.L. c. 32B, §20.

In reviewing the city's general and special revenue accounts as well as the expenditure reports, we noted some concerns. North Adams has a series of revolving accounts. We found that some were misclassified special revenue accounts and others appear to be general fund revenues that should not be in special revenue funds. An example of the latter is the airport rental and other fees used to support airport operations in a revolving fund, which under the general laws is not allowable. To set off this revenue for a restricted purpose would require that the city council adopt an airport enterprise fund. In another example, we found that reimbursements for specific expenditures are being brought in as credits to appropriations, thereby increasing the spending authority set by council. That is not permissible. Many of the concerns we identified are inherited, past practices that have been in existence for many years and the city auditor is working on identifying and correcting them.

PROCUREMENT OFFICER

There is a finance director/procurement officer position. Despite the title, she does not perform typical coordination and management oversight of the city's financial offices. Her duties primarily focus on procurement such as advertising and bidding of contracts and central purchasing for supplies, copiers, equipment, and all city utilities. The finance director/procurement officer also performs some grants administration oversight (e.g., Brownfield sites, school construction, and recycling), supervises the skating rink staff and serves as the agent to the conservation and tree commissions. Historically, departments had their own line-items for utilities (i.e., telephone, gas, electric, oil and gas/diesel), but the city is consolidating these into one budget in FY2011 with the purchasing agent responsible for administering them going forward. Of particular interest is the telephone system that has a voice mail

function, which could be used during busy times to handle calls while staff are busy serving customers. However, this option has not been granted to all departments.

While the school department uses purchase orders for all expenditures, the city departments do limited bulk purchasing and/or purchase orders. According to the procurement officer, purchases under \$500 are made by departments based on sound business practice, \$500-\$5,000 purchases should have three telephone or written quotes, \$5,000-\$10,000 purchases must be written quotes and those over \$25,000 are completed as formal bids/contracts. For purchases under \$5,000, there is no requirement that departments go through the procurement officer, but most generally contact her in order to get the best price. However, at no time are the funds for non-school department purchases encumbered in the KVS system. The city auditor becomes aware of a potentially large purchase when a contract is transmitted to his office or the bill is submitted for payment.

TREASURER/COLLECTOR

The treasurer and collector responsibilities are combined in one office. A treasurer/collector, assistant treasurer/collector, and three clerks staff the office. As treasurer, she is responsible for employee benefits and cash management, including the investment, disbursement and borrowing of funds. Collector responsibilities include the authority to collect all monies due to the community.

The treasurer/collector was appointed to the position in February 2010. Because she has no prior Massachusetts municipal treasury and collection experience, she has been learning on the job and plans on attending the Massachusetts Collectors and Treasurers Association annual school at Amherst.

The assistant treasurer/collector works only on treasurer-related activities. She maintains a manual cash book, makes bank deposits and transfers, and reconciles to bank statements and with the auditor. She matches the employee/retiree enrollment with health insurance invoices, completes state and federal payroll report submissions and takes bid information on city borrowings.

The three clerks predominantly focus on collection activities. The office processes approximately 5,390 property tax bills quarterly, 12,270 motor vehicle excise bills annually, and prepares about 400 municipal lien certificates each year. The office issues quarterly water bills to over 3,900 city customer and an additional 200 users in the towns of Williamstown and Clarksburg. North Adams provides sewer service to some parcels in the towns of Adams and Clarksburg, which are charged for these services. There also are some residents and commercial businesses in the city that have sewer service. With the council's adoption of a sewer rate for city customers, these users will be billed for sewer service beginning in FY2011.

Each clerk's cash drawer is closed out daily and balanced to a KVS system generated report. Cash and checks are turned over to the assistant treasurer/collector for deposit. The receivable balances are tracked and internally reconciled to the KVS system reports monthly. Receivable balances are then entered into off-system or manual reports and submitted to the city auditor, who reconciles with them. While the treasurer/collector and assistant are bonded, the city does not have a general office bond for the clerks or staff in other departments, which leaves the city open to the possibility of an uninsured cash loss.

Historically, the treasurer/collector's office has printed and mailed all its bills. However, the city recently contracted with its deputy collector to print and mail the motor vehicle excise bills. Payments are received through lockbox, Internet and escrow (real estate taxes via mortgage companies) collection services, by mail or at the counter. All payments are posted upon receipt. The staff also takes in departmental turnovers. The funds are counted and reconciled to the turnover reports and then posted to KVS. The turnover reports vary in format and many are manual.

Once a real estate tax bill becomes past due, the treasurer/collector issues a demand notice. If the demand notice does not result in payment, the treasurer/collector contacts the property owner, which may result in payment or agreement to a payment plan for current year taxes only. For the remaining outstanding parcels, the treasurer/collector executes a tax taking. As of the end of FY2010, the city reports having over \$1.13 million in tax title. To address this growing balance, the city has turned over these accounts to outside counsel to pursue foreclosure options. In reviewing the city's tax title accounts, we noted a few parcels dated back many years and some had FY2010 property values of less than \$19,130. When property is less than the annually established DOR figure, a treasurer could foreclose under the land of low value provision (M.G.L. c. 60, §79) thereby avoiding the time and expense of Land Court. Upon further investigation, we found that almost a dozen had been presented to the Commissioner of Revenue a decade ago and the previous treasurer was granted the authority to foreclose under the land of low value statute. However, it appears the treasurer did not complete the process so the parcels continue to be taxed annually.

As of June 30, 2010, the city also has over \$240,000 in outstanding motor vehicle excise that dates back to 1995 and over 3,000 outstanding parking violations dating back to 1997, totaling over \$25,700. To help pursue these delinquent motor vehicle excise accounts, the treasurer/collector uses a deputy collector. Delinquent collections are deposited to the treasurer/collector's bank account and weekly turnover reports are provided. Fees for the outside services are then paid through the warrant. Parking violations, on the other hand, are handled in-house. Notices are issued by a parking control officer and the police department. Because the tickets are pre-printed stock, all violations are entered into KVS by the parking enforcement officer. Tickets may be paid on-line or at the treasurer/collector's office and, if payment is not received within 21 days of the violation, a second notice with a demand fee applied is sent out. If this second notice does not result in payment, the parking control officer marks the vehicle registration as time allows.

ASSESSORS

The assessing office is operated by an appointed, three-member board of assessors, one of whom is a working member (30 hours/week). The other two participate in the weekly meetings. The board determines the full and fair cash valuations and classification of all property, assigns tax payments to owners, generates the property tax and excise commitments for the treasurer/collector and acts on all abatement and exemption applications. The working board member conducts inspections, maintains the city's assessment records, and determines new growth and interim year value adjustments.

The office has two staff, a full-time office manager and a part-time clerk. They manage the motor vehicle excise accounts, maintain property record and index files, and respond to public inquiries. The assessors have all abatement and exemption forms posted on the city's website. Once the board has acted on them, the office manager or clerk prepare abatement and exemption certificates and/or denial letters on typewriters. Monthly, they reconcile abatements with the treasurer/collector and overlay balances with the city auditor. The office manager enters legal changes and building permit information into the computer assisted mass appraisal system and then prints out field cards and reports for the working assessor.

The assessing office maintains assessment data on approximately 5,390 real and personal properties and 12,270 motor vehicle excise accounts. The office processes approximately 390 building permits, 320 deed transfers, 260 exemptions and 70 abatements annually. In addition, the assessors request income and expense (I&E) information and forms of list annually, which help the assessors determine equitable values for assessment purposes and taxable contents of commercial, industrial and second-home properties, respectively. Reportedly, they receive nearly 70 percent of the I&Es and about 40 percent of the forms of list. Included in the mailed request for I&E data, the assessors inform each owner that failure to comply would result in the loss of any statutory appeal rights and that the city will impose a \$50 penalty on the ensuing fiscal year's property tax bill (M.G.L. c. 59 §38D).

The working member performs permit and abatement inspections. When a property sale occurs, the office sends a sales questionnaire to the new owners for which the office has about a 60 percent rate of return. Few inspections are done at the time of the sale.

In 2008, the Bureau of Local Assessment (BLA) changed the statewide property classification codes to comply with the Government Accounting Standards Board Statement 34. Specifically, the municipally owned parcel code 903 was replaced with ten more specific codes. In reviewing the city's database, the assessors have not updated the class codes as of this writing.

The office uses a variety of computerized systems. The staff value and maintain the real property database on the Patriot Property Assess Pro computer assisted mass appraisal (CAMA) system. Acquired in 2009, RRC system is used to maintain personal property accounts. North Adams also has a geographical information system (GIS) that was updated in August 2009. Within the GIS, the assessors' maps have been digitized. During the year, the clerks sketch in parcel splits and changes on paper maps in the office. However, because no one in-house has the skills or time to maintain the city's GIS system, the assessors' maps have not been updated formally based on actual deed information in compliance with the BLA guidelines.

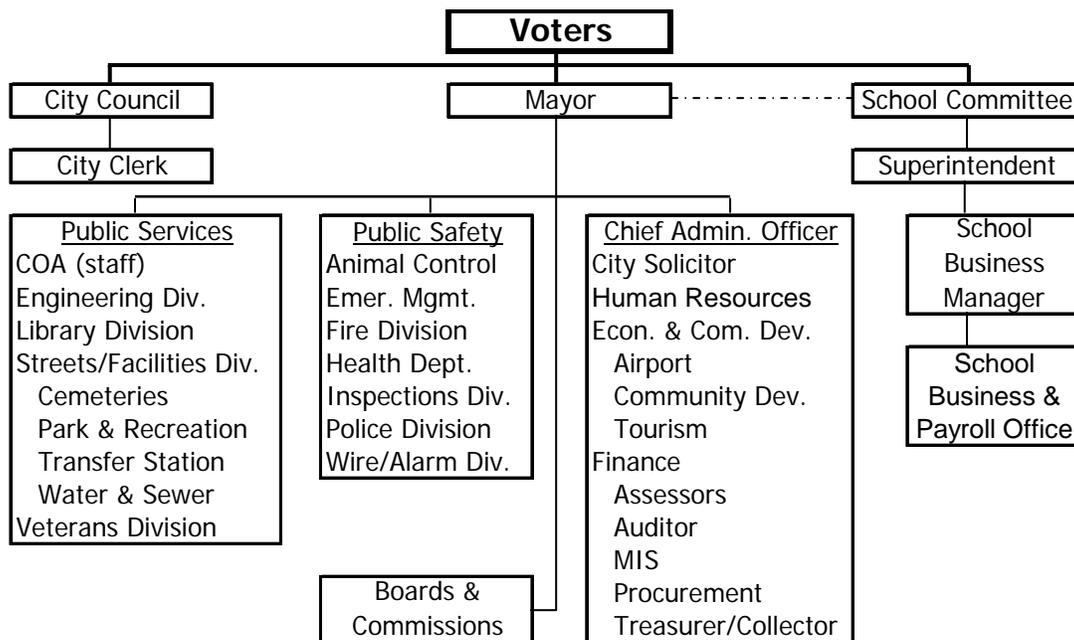
From time to time, the city uses consultants to assist the assessing office. The working assessor conducts revaluations in-house but uses a consultant to assist in updating the CAMA property tables. Because the assessors do not have a long-term cyclical re-inspection program, they complete a full measure and list of all property toward the end of every nine years based on DOR's guidelines. This was last completed in FY2007 at cost of about \$125,000. The city also hired a second appraisal consultant to perform a full recollection of personal accounts at a cost of \$20,000.

RECOMMENDATION 1: FURTHER CONSOLIDATE CITY OPERATIONS

We recommend that the chief administrative officer’s position be formalized and redefined in a city ordinance. The chief administrative officer should continue his current responsibilities, focusing on human resources duties, with oversight of the city’s financial offices as a new responsibility.

The chief administrative officer would be responsible for managing the city’s finances. In order to do this effectively, the city should create a consolidated finance department and codify the new department in the city’s ordinances. The chief administrative officer would have management control over the financial operations (e.g., assessing, auditing, MIS, procurement and treasury/collections), ensuring resources are used efficiently, activities are conducted timely, and division heads are held accountable. With input from the finance division heads, the chief administrative officer also would help the mayor generate the budget and develop long-term planning efforts for the city. In many respects, this proposed restructuring of the chief administrative officer’s position is akin to that of a town administrator.

Diagram 2
City of North Adams
Proposed Organizational Structure



As a school employee, the business manager might continue to participate in the mayor’s department head meetings and provide input on citywide fiscal matters. However, she would no longer have to divide her time between the city and school operations in this model.

We recommend that the existing finance director/procurement officer's title be changed to procurement officer. This would reflect the true nature of her job and would require changes in the city's ordinances.

We recommend that the payroll office remain in the school business office. While payroll operations typically would be included in a consolidated finance department, the current arrangement works well with the school department charging back the services to the city.

RECOMMENDATION 2: ESTABLISH FISCAL PLANNING PRACTICES

We recommend that the current budget procedures be adopted as an ordinance. In formulating the FY2011 budget as well as addressing outstanding items from FY2010, the mayor instituted a number of changes to improve the process. He involved the financial offices from the beginning, encouraged the development of preliminary estimates and presented guidelines to departments for them to construct their requests. With the business manager, he met with departments to discuss their requests, updated the revenues and then prepared a proposal that included both revenues and expenditures. Throughout the process, the mayor communicated with the city council, providing updates and new information when available. Furthermore, the budget was presented in the first week of June within the statutory requirement of 170 days after the government was organized at the beginning of the calendar year, giving ample time for the council members to review and hold hearings.

To ensure this process carries over and is replicated in future years, North Adams should adopt an ordinance that identifies roles and responsibilities in the budget process. It should establish a sequence for task completion and deadlines for the collection and analysis of information. The ordinance would formalize the process and ensure consistency from year to year. In doing so, it would inspire confidence among department heads, city councilors and residents that budget decisions are made pursuant to a thoughtful process over time as elected and appointed officials change.

We recommend that the chief administrative officer develop a multi-year revenue and expenditure forecast and a formal capital plan. With assistance from the city's financial offices, the chief administrative officer should produce a forecast for all operating funds. The forecast should span between three and five years and be updated routinely as new information becomes available. DOR has developed a [revenue and expenditure forecasting application](#) (see Financial Management Assistance at www.mass.gov/dls) available to municipalities, which North Adams should consider using to help in this matter. The chief administrative officer also should develop a multi-year capital plan for all city departments and present an annual capital budget to city council. These documents should: (1) prioritize the various proposed capital projects; (2) estimate project costs; and (3) list the proposed method of payment (e.g., current revenue, debt, or debt excluded from the limits of Proposition 2½) for each project. Used together, city officials will be able to evaluate budget requests

with multi-year impacts, identify programs that may not be funded or capital requests that will have to be deferred, and develop long-range financial plans.

We also recommend that the city establish a financial reserve policy. A formal reserve policy will allow the city to establish a practice of appropriating money to legal reserves for future needs. Appropriations to the reserves should be made annually as a part of the budget process. These reserves should be used to fund unanticipated costs and to make up any shortfalls in the city's projected revenue estimates. Reserves should not be used to regularly fund operating expenses unless provisions are made to replenish the reserves. Reserves are intended to allow a community the flexibility to review and address its problems over the long run.

RECOMMENDATION 3: ESTABLISH AN AUDIT COMMITTEE

We recommend that the mayor and city council jointly create and appoint an audit committee. An audit committee can help determine in advance the requirements and objectives of the city's outside audit and can be involved in the selection process. The committee can hold an exit conference at a public meeting to discuss all findings. The mayor and the city council each appoint members to an audit committee from the general public. Ideally, audit committee members, numbering five or so, would have some level of accounting knowledge and experience. Given the substance of an audit report, finance officers should not serve as members of the audit committee in order to avoid potential conflicts of interest.

RECOMMENDATION 4: LIMIT USE OF PERSONAL SERVICE CONTRACTS

We recommend that the city limit personal service contracts to those positions specifically authorized by statute or special act. Entering into a personal contract is not a common practice, nor is it one that DLS encourages. As a rule, individual employment contracts are limited to one year and cannot include any special fringe benefits not otherwise available to other employees. The reason is that appropriations for these operating expenses are made annually and no binding contracts can be made in excess of available appropriations. Consequently, under state law, all employees have employment contracts with the municipality for the wages, benefits and leave package provided as a result of budget appropriations, benefits provided in general laws and in by-laws, and through the lawful establishment of a salary or a wage.

There are, however, limited circumstances where multi-year employment contracts are expressly authorized by state law. These would include a city manager or administrator, city auditor, and finance director (M.G.L. c. 41 §108N), police chief and fire chief (M.G.L. c. 41 §108O) or the person performing these duties having a different title. Also, special acts may create additional exceptions.

The city should review current contracts to determine if they are enforceable. If so, they should be provided to the city auditor, so the office will be able to review them and verify that the terms of the contract are met when reviewing payment requests.

RECOMMENDATION 5: SUBMIT PAYROLL TIMESHEETS AT CLOSE OF WEEK

We recommend that department heads approve and submit payroll timesheets after the close of the work week. Under M.G.L. c. 41, §56, services must actually be rendered to, or for, the city before payment can be made. While North Adams employees are not being paid early, employee timesheets are completed, approved by a department head and submitted before the work week is complete. This can be problematic if an employee's schedule changes after submission to payroll because corrections would have to be made at the last minute or in the subsequent pay period. To correct this, department heads should be directed to submit approved timesheets after the close of the work week.

RECOMMENDATION 6: DEVELOP JOB DESCRIPTIONS

We recommend that the city develop job descriptions for all city positions. Every position should have a formal job description that spells out clearly what is expected of an employee. It should include major and minor duties and responsibilities; supervision received and given; education, qualifications, experience and special skills required; and conditions under which work is performed. These may be developed in-house by the chief administrative officer or by a consultant. Conformance with collective bargaining agreements should be considered and affected personnel and appropriate department heads should be consulted.

RECOMMENDATION 7: REVIEW AND REVISE CLASSIFICATION AND COMPENSATION PLANS

We recommend that the city review and revise its classification and compensation plans. Based on the written job descriptions, all city positions, other than those filled by election, doing similar work or having equal responsibilities should be grouped accordingly into separate classifications. The classification plan generally is arranged from entry level to supervisor and on to department head level, reflective of increasing responsibilities and knowledge. The compensation plan should have minimum salaries or wage rates and provide periodic step increases based on length of service up to the maximum compensation allowed. Again, these may be developed in-house by the chief administrative officer or by a consultant.

RECOMMENDATION 8: CONDUCT ANNUAL PERFORMANCE REVIEWS

We recommend that annual performance reviews be conducted for all employees. Increasingly, government is placing greater attention on written job descriptions with goals, performance

expectations, and provisions for annual employee evaluations. Based on each employee's duties and responsibilities and the evaluation standards established by the chief administrative officer, a department head or supervisor would develop benchmarks by which each employee's job performance may be measured. Based on the annual evaluation, an employee may be rewarded (i.e., step increase) for a job well done and/or given suggestions if performance improvement is warranted.

An evaluation program works best when it is recognized as a two-way process. Employee performance is an obvious focus, but employee opinion and comment during the process can provide valuable insight to management. Ultimately, the evaluation process can evolve into a collaborative effort leading to improvements in job performance, the operation of government and in work place conditions. For union members, implementation of performance evaluations is subject to labor negotiations.

RECOMMENDATION 9: ADOPT BIWEEKLY PAYROLL FOR CITY EMPLOYEES

We recommend that North Adams move city personnel from a weekly to a biweekly payroll schedule. An increasing number of employers in both the public and private sectors, including the Commonwealth, compensate employees on a biweekly basis. The school department is paying its employees on a biweekly pay schedule already. Moving the city employees to biweekly payroll would reduce the workload on the payroll administrator as well as in the treasurer/collector's office. Staff would then be freed up to perform other activities. To move union employees to a biweekly pay period will require collective bargaining.

RECOMMENDATION 10: REVIEW PERSONNEL ORDINANCES AND FINALIZE EMPLOYEES' HANDBOOK

We recommend that the chief administrative officer supervise a review of the city's personnel related ordinances. The city's ordinances on personnel matters provide the legal framework. The ordinances should define terms and types of employment (e.g., regular full-time, regular part-time, temporary, seasonal and exempt), require written job descriptions for all positions and specify hiring, performance evaluation, termination, and grievance procedures. They should identify employee benefits and available leave and specify who will maintain personal employee information in a secure, central location. These procedures should be reviewed periodically to make sure they are current and comply with state statutes.

We also recommend that the chief administrative officer take a lead role in finalizing the employees' handbook. An employee handbook that complies with city ordinances and provides additional detailed information on benefits, policies, procedures and resources is useful and informative. Each employee should be given the handbook and acknowledge receipt of it upon being hired and/or annually to confirm continued recognition of the policies and procedures contained

within. These policies should include, but not be limited to, issues of sexual harassment, Whistleblower Act, conflict of interest, ethics, and acceptable Internet and e-mail use.

RECOMMENDATION 11: EVALUATE HEALTH INSURANCE OPTIONS ANNUALLY

We recommend that city officials annually evaluate North Adams' options regarding employee and retiree health insurance. The employee coalition bargaining committee established under M.G.L. c. 32B, §19 should explore and discuss healthcare alternatives and other cost saving options on an annual basis. As part of these annual evaluations, the city ought to consider the following:

- Compare competing joint and regional programs – Officials should review the current health insurance program with other joint purchasing groups or regional health insurance consortiums. Using reasonable benefit assumptions, a comparison of competing program costs should be developed that could identify potential savings for the city.
- Consider the [Group Insurance Commission](http://www.mass.gov/gic) (GIC at www.mass.gov/gic) option – With a membership of more than 300,000 subscribers, GIC dictates plan design and the rate increases have been significantly lower and less volatile than the rate increases experienced in most municipalities.
- Review employee and retiree percentage share and co-payment amounts – Once the insurance settlement agreement terms regarding the prior year's underfunding are satisfied, city officials should review the percentage shares. Increasingly, communities are reviewing the percentage shares that employees and retirees are paying for health insurance programs as well as the co-pays for office visits and medication. Often, increases in co-payments for doctor appointments, medications and emergency room visits can significantly reduce premium costs.

RECOMMENDATION 12: RECONSIDER BENEFITS FOR PART-TIME BOARDS

We recommend that the city review all positions that receive health care benefits. According to M.G.L. c. 32B, §2(d), an “employee” eligible for health-care benefits is one that receives either a salary or stipend and works at least 20 hours per week. Paid elected officials, board and committee members, however, have no minimum hourly requirement to qualify. Once “vested” in the retirement system, that employee is eligible for retirement benefits, including health care, at a significant cost to the municipality. Therefore, the city should consider the potential liability and the long-term impact of providing health insurance to elected officials and appointed board and committee members. Currently, elected and appointed officials enrolled in the city's health insurance plan will cost the city almost \$50,000 in FY2011.

RECOMMENDATION 13: FORMULATE OTHER POST-EMPLOYMENT BENEFITS LIABILITY POLICY

We recommend that officials formulate a policy to manage the city's other post-employment benefits (OPEB) liability. While there currently is no state mandated requirement to fund the OPEB

liability, some communities have begun funding it through the creation of an OPEB liability reserve (M.G.L. c. 32B, §20). For additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Division of Local Services' (www.mass.gov/dls) and the Government Finance Officers Association's (www.gfoa.org) websites.

RECOMMENDATION 14: ADOPT FOUR-YEAR TERM FOR MAYOR

We recommend that the city consider increasing the current term of office for mayor from two to four years. With the longer term in office, the mayor will be able to focus his attention on city business and develop long-term policies and practices that often take a couple of budget cycles to implement and evaluate. M.G.L. c. 43, §17C describes the petition process for Plan A cities by which the question of a four-year term can be placed before the voters for approval. The change might also be accomplished through a home rule petition to the legislature under M.G.L. c. 43B.

RECOMMENDATION 15: EXPAND THE REMOTE ACCESS TO THE FINANCIAL SYSTEM

We recommend that remote entry access be given to departments to enter payroll into the KVS system. With proper planning and training, the city would be able to establish the underlying payroll information using KVS' 99 payroll code fields. Once enabled, the departments would be responsible for data entering payroll, ensuring the correct pay code and funding sources are being used. The payroll administrator would perform higher level examination of the entries against the backup documentation and, if acceptable, prepare the warrant for the school committee (school departments only) and city auditor's approval. The electronic transmission of financial data will reduce the amount of manual entries the payroll administrator is performing, thereby freeing up her time to perform other analyses and management activities. This would be best implemented in phases, working with one or more departments to set up the source tables and test the implementation before training others to use the system.

RECOMMENDATION 16: IMPLEMENT THE PURCHASING APPLICATION FOR CITY DEPARTMENTS

We recommend that the city grant departments access to input their own requisition information. Similar to the data entry of invoice information for the payment of bills, each department would enter requisition information. The requisition would be transmitted electronically to the procurement officer and backup documentation or written quotes would be forwarded through interoffice mail or attached as a portable document file (PDF). The procurement officer would review, make changes if necessary, and then approve a purchase order, which a department could print out. When the purchase order is approved in the KVS system, the funds are automatically encumbered, providing more accurate information on the status of each department's budget and preventing potential overspending.

We recommend that North Adams adopt a lower minimum purchase order amount. While the school department uses purchase orders for virtually all purchases, city departments use them primarily for purchases over \$5,000. The procurement officer should review spending patterns by vendor, type of purchase and department to determine if bids should have been used or if purchasing across departments may be aggregated and bid more effectively. Based on this analysis, she may determine an appropriate minimum purchase order amount. Communities of similar budget and population size have minimum purchase order amounts of about \$500. To change the current practice, the city would have to revise its ordinances.

RECOMMENDATION 17: GRANT FINANCIAL STAFF ACCESS TO VOICE MAIL

We recommend that voice mail be activated for staff in the financial departments. Denying voicemail access to staff hampers interoffice communication and places the city at a distinct operational disadvantage. Having voice mail to take inquiries during busy times or after normal business hours enables a caller to leave a message with the understanding it will be returned in a reasonable time. Staff also will avoid the disruptions of calls while attending to customers in the office.

RECOMMENDATION 18: EXPLORE OPTIONS TO PROVIDE ASSISTANCE TO THE MIS DIRECTOR

We recommend that the city explore all potential options to get the in-house support the MIS Director needs for this critical operation. In addition to management of the technological systems, there are training and user support needs that would help staff automate or streamline operations and improve their use of available computer applications. A full-time assistant director was proposed, but the funding has been reduced to \$30,000 due to the city's limited resources this year. This has caused the city to consider hiring outside contractual assistance or someone on a part-time basis. Alternatively, the city and school technology departments might merge. Understandably, each has its own operating systems and concerns about the security of their respective data. However, they have collaborated and complemented each other from time to time and personnel in both operations understand the critical need to maintain and support technology. It is an option that should be examined.

RECOMMENDATION 19: REVIEW SPECIAL REVENUE ACCOUNTS

We recommend the auditor continue to review all special revenue accounts to ensure each is legally established. While this process may be tedious, the city auditor should review all accounts and verify that each has been properly established by special or general enabling legislation. Any account determined to lack proper legal authorization should be properly adopted or closed to the general fund.

Once this task is complete, the city auditor will have a useful directory of all revenue sources for future reference.

RECOMMENDATION 20: OBTAIN FIDELITY BOND FOR GENERAL EMPLOYEES

We recommend that the city obtain a fidelity bond to cover all employees in the various departments that may handle cash or accept other forms of payment. While state statutes dictate that treasurers, collectors, and city/town clerks and their assistants be bonded, there is no requirement for other municipal employees. However, it is common business practice in the private and public sectors to get a fidelity bond, a form of insurance protection that protects the employer against fraud or losses.

RECOMMENDATION 21: TREASURER/COLLECTOR'S STAFF ATTEND PROFESSIONAL TRAINING

In addition to the treasurer/collector, we recommend that the assistant treasurer/collector attend professional training courses. For both, attending formal professional training (e.g., workshops and/or the four-day annual school provided by the Massachusetts Collectors and Treasurers Association) will provide useful information and opportunities to learn about alternative professional practices conducted in other municipalities. It will allow the treasurer/collector to interact with her counterparts from other communities and make sure the assistant is fully trained. This ensures that she can assume the role and responsibilities of the treasurer/collector in her absence.

RECOMMENDATION 22: AUTOMATE THE CASH BOOK

We recommend that the treasurer create and maintain a comprehensive cash book in an automated application (e.g., electronic spreadsheet, Quicken, or Quick Books). The city's current cash book is hand written and does not summarize the total cash position without the use of an adding machine. Creating an automated cash book, which has subsidiary ledgers to record activity in all city bank accounts, will provide useful management information and free up the time of the assistant.

RECOMMENDATION 23: CUSTOMIZE DEPARTMENTAL RECEIPT TURNOVER SHEETS

We recommend that the city customize its departmental turnover sheets. For each department that collects and turns over funds, a report should be created in a spreadsheet application, which clearly lists all the revenues handled by that department or board. It should include a brief description, operating fund, and the revenue account codes. Customized forms will assist the treasurer/collector's office to verify the total submission and to post the revenues efficiently.

RECOMMENDATION 24: USE DEPUTY COLLECTOR TO PURSUE OUTSTANDING PARKING VIOLATIONS

We recommend that the treasurer/collector use the services of the deputy collector to pursue outstanding parking violations. The deputy collector may be able to obtain money owed the city or provide evidence that the accounts are uncollectible. Once the treasurer/collector is reasonably sure that these accounts are uncollectible, she should have these charges abated.

RECOMMENDATION 25: REVIEW TAX TITLE ACCOUNTS

We recommend that the treasurer/collector's office complete the process of foreclosure by land of low value previously authorized by the Commissioner of Revenue. Properties where the treasurer/collector has land of low value affidavits will continue to be assessed until they are foreclosed and sold at public auction. A successful bidder pays for the purchase in full and the new deed is recorded by the treasurer/collector, clearing the tax title account in the process. For those parcels not sold, a deed to the municipality is prepared and recorded. The city becomes the new owner thereby removing it from the tax rolls and transferring the tax title amount into tax possessions on the city's records.

RECOMMENDATION 26: ABATE OLDER MOTOR VEHICLE EXCISE AMOUNTS

We recommend the treasurer/collector contact the assessing office about abating motor vehicle excises determined to be uncollectable. Abating the amounts older than five years will help clean up and reduce the city's receivables on its balance sheet. Having previously committed all outstanding amounts to the deputy collector, these accounts are marked at the Registry and may be collected when a license or registration is renewed. Any abated amount that eventually is collected may be easily recommitted by the assessors on a special warrant so the treasurer/collector may accept the payment.

RECOMMENDATION 27: MAINTAIN TAX MAPS

We recommend that the assessors' tax maps be kept current. Every Massachusetts community is required to maintain current and accurate tax maps. The current city practice of penciling in all changes represents an approximation and not a formal update. The city should annually appropriate funding to have the map updates done once a year by a contractor. The changes also should be incorporated into the GIS system.

RECOMMENDATION 28: COORDINATE INSPECTIONAL DEPARTMENT VISITS

We recommend that the assessing office work with the fire department and the building inspector to accompany them on inspections. Teaming up with the fire department when it schedules

an inspection because of a pending sale would ensure timely, interior inspections for the assessing database as well as for analyzing sales information. Similarly working with the building inspector to be present at the final scheduled inspection for occupancy, or better yet requiring the assessor's signature on the permit through the adoption of an ordinance, also will help ensure timely review of improvements. Furthermore, combining the various inspections would reduce the number of scheduled city visits to the same properties and would assist the assessors in establishing a cyclical inspection program.

RECOMMENDATION 29: ESTABLISH A CYCLICAL INSPECTION PROGRAM

We recommend that the assessors establish a formal cyclical inspection program. A cyclical inspection program encompasses a complete interior and exterior inspection of all real property over a multi-year period. The primary benefit of this program is that it will provide the assessors with current, accurate property descriptions. In addition to inspecting sale properties, improved parcels and abatement requests, the assessing office would annually schedule additional properties for inspection with a goal of completing a full re-inspection by FY2016. This program may be performed in-house with assistance from an appraisal consultant or fee appraiser. Given the city's limited resources, we propose an annual appropriation of about \$4,000-\$5,000 for this assistance.

Annually, the assessors should review the performance results and provide progress reports to the mayor. Because the above recommended annual funding amount may not be sufficient to complete the program before FY2016, the board should provide city officials with an estimated cost to complete the program.

RECOMMENDATION 30: RECODE MUNICIPAL PARCELS

We recommend that the assessors identify all municipally owned parcels and update the property type classification code in compliance with BLA guidelines. The assessors should refer to BLA's booklet, *Property Type Classification Codes Property Sales Report: Non-Arms Length Codes and Sales Report Spreadsheet Specifications*, for coding instructions.

ACKNOWLEDGEMENTS

This report was prepared by The Department of Revenue, Division of Local Services.

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

The project staff included:

Frederick E. Kingsley, Bureau Chief
Municipal Data Management and Technical Assistance Bureau (MDM/TAB)

Joe Markarian, Supervisor
Melinda J. Ordway, Senior Project Manager/Financial Analyst
Technical Assistance, MDM/TAB

Joseph Boudreau, Field Representative
Bureau of Accounts

Sandra Bruso, Field Advisor
Bureau of Local Assessment

In preparing this review, DLS interviewed or had contact with the following persons:

Richard Alcombright, Mayor

Michael Bloom, City Councilor

Nancy Ziter, Business Manager

Michael Boland, City Councilor

Traci Bourdon, Payroll Administrator

David Bond, City Councilor

Jay Green, Chief Administrative Officer

Alan Marden, City Councilor

Kathleen Wall, MIS Director

Audrey Dumas, Treasurer/Collector

David Fierro, City Auditor

Doris Burdick, Assistant Treasurer/Collector

Sheryl Chaput, Assistant Auditor

Jane Battersby, Clerk

Laura Wood, Finance Director/
Procurement Officer

Jeanne Bordeau, Clerk

Susan Sullivan, Clerk

Christopher Lamarre, Assessor

Mary Ann King, Traffic Control Officer

Karen Briggs, Office Manager

Rosemari Dickinson, Public Services Clerk

Teresa Macksey, Clerk

Thomas Scanlon Jr., CPA