



Town of North Brookfield

Financial Management Review

Division of Local Services / Technical Assistance Section

October 2007

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 for the Town of North Brookfield.

We based our findings and recommendations on site visits by a technical assistance team consisting of staff from the DLS Municipal Data Management & Technical Assistance Bureau (MDM/TAB), Bureau of Local Assessment (BLA), and Bureau of Accounts (BOA). During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, town administrative assistant, accountant, treasurer, collector, and the board of assessors as well as other department staff members, as available.

DLS staff examined such documents as the Tax Recapitulation Sheet, Schedule A, town meeting warrants, annual municipal budgets, balance sheets, cash reconciliation reports, statements of indebtedness, vendor and payroll warrants, as well as other assorted financial records. Other documents reviewed included the town bylaws, Town of North Brookfield employee handbook, and the outside audit report and management letter for FY05 and FY06 completed by Hirbour & Haynes. In reviewing the town's financial management practices, we focused on:

1. The town's budget, warrant and capital planning processes;
2. The degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function;
3. Town government structure in the context of the duties and responsibilities of financial officers; 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 North Brookfield's financial management, to consider the observations, analysis, and recommendations contained within this report. These are recommendations only, which can be implemented, provided there is sufficient cooperation and political will among the various town boards, committees, and officials.

Overview

Located in Worcester County in central Massachusetts, North Brookfield is a small picturesque community of approximately 4,800 people. Incorporated in 1812, North Brookfield was formerly part of neighboring Brookfield, and was settled in 1660 in what were the Quabaug Plantation lands. The landscape encompassing the town is characterized by rounded hilltops, rolling glacial drumlins, and numerous ponds. The town has a rich history that extends to residents' participation in the Battle of Lexington and Concord, and involvement in Shay's Rebellion. Landmarks include Bates Observatory and the town house, which previously served as the town hall.

The town retains much of its historic nature as it is still home to farms, orchards, and woodlands. The community's roots as a rubber manufacturing center are still evident with the presence of Quabaug Corporation, the town's largest employer and taxpayer. Originally founded in 1916 and employing over 300 people, the company is most notable as the exclusive manufacturer of Vibram soling products. Other noteworthy businesses include Chase Precast, a building materials supply company, and Long View Farm, an internationally recognized recording studio.

Over the past 18 years, the town's population has remained relatively constant, up from 4,708 in 1990 to an estimated 4,829 today. Despite the relatively flat population growth over this period, the number of single-family parcels has increased from 969 to 1,256, indicating that some new development has occurred in town.

A review of the most common measures of community wealth reveals that North Brookfield's 2006 equalized property valuation (EQV) per capita was \$85,989, somewhat below the Worcester County average of \$107,209. Income per capita in FY99 was \$20,205, about 82 percent of the county average of \$24,563. Generally, major local aid formulas award more aid to communities with relatively low property wealth and income levels.

In FY07, the town's two major sources of revenue came from the tax levy and state aid, representing approximately 30 percent and 41 percent of the total budget respectively. As state aid has declined as a percent of total revenue in recent years, the tax levy has become more prominent. In this context, the average single-family tax bill has increased from \$1,423 in FY00 to \$2,310 in FY07, a 62 percent increase, while the town's budget has grown from \$8.9 million to \$13.8 million, a 53 percent increase. By comparison, the statewide average single-family tax bill increased by about 48 percent from \$2,679 to \$3,962, and budgets increased by about 40 percent. In FY07, the average single-family tax bill for Worcester County was \$3,336.

While town voters have rejected two recent operating overrides for the school department by substantial margins, their decision in April of 2002 to approve a debt exclusion to build a new junior/senior high school contributed to the growth in the average tax bills. Education costs, excluding debt service for school construction, represent the town's largest expenditure, totaling \$7,034,305, or about 67 percent of total general fund spending (excluding water and sewer) in FY06.

Of particular note, the town maintains one of the Commonwealth's smallest kindergarten through grade 12 (K-12) school districts, with a K-12 enrollment of about 800 students. The vast majority of communities of comparable size provide education through a regional school district. The difficulty this presents is that the town must provide a full array of school services in a highly complex environment, yet cannot realize the economies of scale in areas such as administration (e.g., superintendent, business and information technology) that a larger district might. This, along with the failed operating overrides, has contributed to financial pressures for the town and school system.

The need to compete for pupils with larger districts that may offer a rich array of academic programs, extracurricular activities, and sports has exacerbated the situation. Under the state's school choice program, parents can send their children to neighboring districts that accept choice pupils. The sending community pays tuition costs to the receiving district in the form of deductions to the sending community's Chapter 70 education aid. In FY07, the district lost 115 students, or about 14 percent of foundation enrollment to school choice, at a cost of \$590,000. The number of outgoing pupils and tuition paid has also more than doubled over the last six years. Although the school district has been successful in attracting about 50 pupils and about \$330,000 in tuition from area communities, on balance, school choice has been a source of fiscal stress.

Other costs have escalated as well. Employee health insurance costs have grown on average 15 percent per year over the past five years, and are projected to cost about \$1.8 million for FY08. Essentially, these costs have doubled from about \$914,000 in FY03 to the \$1.8 million needed for FY08.

The FY06 debt service costs equaled \$1,384,498 or about 10 percent of total budget. For FY08, debt service equaled roughly 16 percent of the total appropriations made at the June 22, 2007 annual town meeting. The increase reflects the issuance of permanent financing for the recently completed junior-senior high school (the town's share was \$5.6 million of the total cost of about \$17.5 million) and the expected first year impact of issuing long-term financing for the library renovation and addition.

The town has several significant capital projects under consideration as well, including potential renovations to the town hall/Town House (projected cost of about \$3.5 million), the construction of a police station (estimated at \$3.2 million), as well as potential renovations to the fire station, and a possible relocation of highway facilities.

Given this convergence of budgetary pressures, it is not surprising that the town has recently resorted to some risky financial practices. For example, it is our understanding that the group health insurance appropriation for FY08 was under-funded at annual town meeting by about \$500,000. The town intends to use most or all of its soon to be certified July 1, 2007 free cash to supplement this appropriation. Significant use of one-time reserves such as free cash to fund operating costs, especially in the year certified rather than the subsequent year, is a dangerous practice. Maintaining operating budgets in future years will likely require the appropriation of an equal or greater amount of reserves. Eventually, this practice becomes unsustainable.

Much of the responsibility for managing town operations and finances rests with a three-member board of selectmen, while day-to-day financial responsibilities fall to part-time department managers. Consequently, the selectmen must devote a considerable amount of time and attention to the daily affairs of town government, including the budget process, evaluating policy options and generally moving town business forward. Absent is a professional town administrator to provide analytical support and assist the board in coordinating the town's financial management. Recognizing the shortcomings of the current town government, the selectmen have established a study committee to explore the adoption of a professional town administrator position.

Beyond the limited coordination of day-to-day financial management, town finance departments have been scattered across town in temporary office space for the past six years. As a result, communication and collaboration are difficult, and efforts to network and integrate information technology have suffered. Efficiencies experienced by other communities because of a central location do not exist in North Brookfield, as there is no equivalent town hall environment. Staff, however, appear capable and committed to operating more effectively, and may be open to possible changes.

Conclusion – We do not expect that the financial pressures facing North Brookfield will abate in the near future. Efforts to balance the budget and maintain services in the face of limited revenues, escalating debt service and health insurance costs, and one of Massachusetts' smallest school districts are likely then to be a perennial struggle. Given the major capital projects under consideration, including the proposed renovation of the Town House, managing town finances in a coordinated, cost efficient and thoughtful manner will be of paramount importance to charting a course toward long-term fiscal stability.

The most important recommendation we offer to address the town's fiscal planning needs is to hire a professional town administrator to coordinate financial management and provide policymakers with the support they need to make well-informed decisions.

We believe that a town administrator, with assistance from the town's finance officers, should play a lead role in areas such as developing initial revenue estimates, preparing the draft budget, and monitoring the town's financial condition during the budget year. The administrator will also provide cost/benefit analysis for proposed policies and analyze the long-term impacts of town contracts and debt issues through multi-year revenue and expenditure forecasting. We also think that the administrator, using the proposed financial team as the vehicle, should coordinate financial operations, perform an initial assessment of the town's technology functionality and shore up the town's personnel management.

Finally, to weave the town administrator's responsibilities more permanently into the town's governance, we recommend that the town adopt a bylaw codifying these responsibilities. Short of adopting a town charter, this is the most effective way to ensure that these changes become an institutional part of government that is not easily subject to change.

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Overall Financial Management

A review of North Brookfield's overall financial management practices centers on the fiscal policies and procedures in place that typically involve finance related departments, but impact town government as a whole. Accordingly, we examined the budget process, financial forecasting, capital planning, and the payroll and vendor warrant process. We looked at financial monitoring, as well as the town's organizational structure and its impact on the operation of government. We also reviewed the condition of technology and whether the IT infrastructure promotes operational efficiencies. Lastly, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and timetables for the submission of periodic reports to the Massachusetts Department of Revenue (DOR).

In North Brookfield, a three-member board of selectmen manages town operations with day-to-day financial management responsibilities falling to part-time department managers and an administrative assistant who serves as a liaison to the board of selectmen. Department managers in the finance related offices of accountant, treasurer, and collector carry out routine procedures and execute tasks required in the collection, deposit, and posting of receipts, and for producing vendor and payroll warrants. The assessing operation functions equally well with respect to routine procedures. Checks and balances appear to be in place and offices comply with finance-related state laws and regulations. Officials are also timely in submitting to DOR the balance sheet for free cash certification, the tax recapitulation sheet, and Schedule A. Financial management offices, however, including the accountant, treasurer, collector, and assessors have been scattered throughout town in temporary office space for the past six years as decisions to renovate town hall are considered.

The budget process in North Brookfield, facilitated by a combined effort of the board of selectmen and finance committee, begins in January with the town accountant's distribution of budget memos, which establish submission timeframes for departments. Accompanying the memo are both expense and revenue templates for the ensuing fiscal year. Not included within the budget memo to department managers are formal budget guidelines providing instructions on the development of expenditure requests for the ensuing fiscal year. Department managers requesting any increase in their budget meet with the selectmen and finance committee to provide an explanation of the increase. Once reviewed by the selectmen and further evaluated by the finance committee, the budget is presented at town meeting.

In FY06, the described budget process broke down as participation from the finance committee abruptly ended. Largely the consequence of significant turnover and the limited number of volunteers, the finance committee has now reinstated itself productively into the budget process. Concerns remain though as the town contemplates using large amounts of free cash to supplement the under-funded FY08 group health insurance appropriation.

Conclusion - The day-to-day financial business of government functions under capable, albeit part-time management and staff. The physical layout of offices and absence of a full-time management authority has limited collaboration and communication, and has negatively affected the ability of officials to comprehensively plan and manage.

Given the financial challenges facing this small town, there is an acute need for long-term planning and efficient financial management. The employment of a town administrator should serve to synchronize such critical financial management processes as the annual budget, and work toward building a long-term financial plan. In this context, our recommendations are directed at strengthening the structure of government to provide for central administration, and to help guide the development of effective management approaches. We encourage town officials to act on the recommendations provided below.

Recommendation 1: Create Town Administrator Position

We recommend hiring a town administrator to coordinate financial management and long-term planning efforts. We envision the town administrator taking an immediate and lead role in providing the type of financial coordination and analysis needed by town policy-makers to make informed decisions. In the context of the town's limited revenues and ongoing cost pressures, there is a heightened need to operate in a forward looking and cost-effective manner. Among assigned responsibilities, the town administrator should:

- Coordinate day-to-day financial operations, such as setting the tax rate, preparation and submission of periodic state reports, and other responsibilities that cut across more than one department. The administrator will also ensure that the town addresses the findings contained in its annual audit.
- Prepare the initial draft of the annual budget by working with department heads to insure that budget priorities are met and that the budget is balanced. He will also review monthly financial reports and monitor the status of the budget throughout the year.
- Develop a multi-year revenue and expenditure forecast to assist the town in analyzing the affordability of the numerous proposed capital projects, to assess the impact of additional debt service, and evaluate other long-term obligations.
- Prepare financial and cost/benefit analyses to examine potential cost saving measures such as providing health insurance through the state's Group Insurance Commission and consolidating school and municipal financial and IT functions.
- Develop formal financial policies on target levels and allowable uses of reserves, parameters for the issuance of debt and funding guidelines for capital needs.

Additional responsibilities for the town administrator will include an assessment of the town's technology status and the development of uniform personnel policies. An evaluation of IT will involve an inventory of hardware and software and a survey of department staff in order to develop a prioritized list of necessary improvements. The development of uniform personnel policies will ensure that rules governing employee conduct are adequate and that policies relating

to vacation and sick accrual are equitable. The administrator will further ensure that the town maintains its personal employee information in a secure, central location.

To assist the town administrator in these responsibilities, we recommend that the town form a financial management team. The town administrator, serving as chairperson, will convene meetings on a monthly basis that will include the accountant, treasurer, collector, chief assessor, and superintendent of schools. The meetings will serve as a forum to coordinate critical financial functions and discuss progress on other finance-related deadlines. The team will identify critical junctures and offer strategies to deal with anticipated areas of concern to the town's policymaking bodies. This will include proposals on debt limits, reserve fund levels, revenue and expense estimates, and annual budget guidelines. The team will also aid in the town administrator's review of the functionality of the town's IT systems, and in the creation of uniform personnel policies.

Once the town administrator has served in the new role for a period of three to five years, officials may want to reevaluate the position to determine the appropriateness of transferring additional authority to it. Such responsibilities may include the power to appoint, supervise, and evaluate various employees.

We recommend that the town codify the responsibilities of the town administrator, and the role of the financial management team, in town bylaws. The adoption of a bylaw outlining the role of town administrator and the financial management team indicates a firm commitment to centralized management. Codifying the town administrator's responsibilities ensures that these changes become a more lasting improvement to the town's governance, one that is likely to endure as elected and appointed officials change. At some future date, it may be practical to evaluate the appropriateness of adopting a town charter. Additional guidance on the adopting a town charter is at: [City and Town Charters - Adoption, Revision and Amendments](#).

Recommendation 2: Adopt a Formal Budget Process

We recommend that town officials adopt a formal budget process. The budget is a key element of municipal finance, and is the means by which decisions on the allocation of scarce resources are made. Incorporating an outline of the roles and responsibilities of individuals involved, a clearly defined budget process begins with projections of revenues and fixed costs, and follows a formal calendar specifying when milestone events will occur.

The town administrator should coordinate the annual budget in North Brookfield. Selectmen and finance committee would focus on larger budgetary issues and on advancing overall town goals. Throughout the budget process, communication between the town administrator, board of selectmen, finance committee, and school committee would be on going. Discussions would typically involve adjustments to revenue projections, compliance with pre-established fiscal policies, changes in the use of reserves, re-ordering of priorities, and any deviations from agreed upon guidelines.

Initiated by the town administrator, the budget process should begin with projections of revenues and fixed costs, such as healthcare, pension, and debt service. With the presentation of projections early in the budget year to a joint meeting of the selectmen, school committee and finance committee, consensus can be reached to generate budget guidelines to department managers. Overall, revenue projections should be conservative, with state aid projections initially based on current year amounts. Established financial policies would dictate what percentage of free cash, stabilization, or other one-time revenues would be used, if any.

As a means to guide the budget process, the town administrator should establish a formal budget calendar that begins in the fall with a deadline for the upcoming fiscal year revenue projections, and ends with finance committee hearings and final changes before presentation at town meeting. To establish a budget calendar, we recommend working backwards from the annual town meeting with consideration for when each event will occur. To assist town officials, a budget calendar is outlined below:

November 15 th	Town administrator presents revenue and fixed cost projections
December 1 st	Budget guidelines and request forms are submitted to departments
January 1 st	Department deadline to submit appropriation request
February 1 st	Town administrator completes hearings and creates draft budget
February 15 th	Selectmen approve budget and submit to finance committee
April 15 th	Finance committee holds hearings and formulates the final budget
May 11 th	Town Meeting votes on finance committee budget recommendations

Recommendation 3: Formalize Reserve and Debt Policies

We recommend that the town adopt a formal reserve policy. Generally, the town has been successful in producing free cash and funding the stabilization fund according to an informal plan. The town maintains a healthy stabilization fund balance (approximately \$848,000) However, facing ever-increasing pressure to maintain current service levels, the town has been using free cash to fund operating expenses more frequently. This is a dangerous practice, as free cash is not a recurring revenue source and using it for recurring operating costs merely postpones difficult decisions. If similar or higher levels of free cash do not materialize the next year, budget cuts or a drawdown of the stabilization fund will likely be necessary to balance the budget.

The recent use of free cash in the year it is certified is cause for concern. For example, in FY06, the town used nearly all of its certified free cash of \$697,996 to fund FY06 operating costs. In FY07, free cash totaled \$612,338 and \$442,000 or 78 percent was appropriated for capital expenses, while \$123,386 was appropriated for operating costs. It is our understanding that the FY08 budget under funded group insurance by approximately \$500,000 with the intent that a significant percentage, if not all, of the July 1, 2007 free cash would be utilized to supplement the appropriation sometime in the fall. This practice of under-funding the budget in

the spring with the expectation that reserves will be available for use in the fall is not advisable or sustainable.

A formal reserve policy should create target levels for free cash and stabilization that each range between three and five percent of annual general revenue. The policy should specify that reserves should be used only for one-time expenditures, not recurring expenses. While we recommend that the town not use free cash to finance current year operations, if the town chooses to direct a portion of free cash to a recurring spending purpose, then an equal amount should be retained as unexpended so that it might carry forward into the subsequent year's free cash calculation. As a non-recurring revenue source, a prudent use of free cash would be to fund one-time expenditures, to replenish reserves, or for a capital purpose.

We recommend the adoption of a formal policy to guide decisions on debt issuance. In North Brookfield, a formal debt policy will become increasingly important as officials deliberate on necessary infrastructure and capital improvements. A debt policy directly related to a town's capital improvement program typically controls the amount of debt issued, often times by tying debt service levels to a percentage of total general fund revenues. A policy may specify what spending purposes would qualify for bonding, for a direct dollar outlay or for a capital exclusion. Furthermore, a policy would direct an annual review of previously authorized or issued debt, with the purpose of redirecting any remaining capacity where projects are completed, abandoned, or have yet to begin after a certain period has passed since authorization.

The town's recent issuance of a 40-year bond with the USDA for \$900,000 is evidence of the need for a formal debt policy. The total interest payout over 40 years would be considered excessive by many compared to costs on a shorter amortization schedule with a higher monthly principal. A formal debt policy might assure residents that there is appropriate planning when issuing debt, and that such borrowings, as illustrated above, may be avoided in the future.

Recommendation 4: Institute a Capital Improvement Planning Program

We recommend that town officials commit to the development of a capital improvement program. Over the course of the next few years, North Brookfield will be facing significant capital improvement projects including the renovation of town hall, the construction of a police station, as well as renovations to the fire station and the potential relocation of highway facilities.

In May of 2007, as an effort to improve future planning, a capital improvement planning committee (CIPC) was established and charged with "maintaining project improvement information." Although the five member CIPC will comprise a mix of town officials and residents, we advocate that the proposed town administrator play a strong role in this process. The CIPC will rank proposals from departments, compare sources of available funding, and sequence recommended projects over a five-year time horizon. The committee will be guided by a calendar that outlines a schedule for project list delivery and presentation. As a means to assist the newly formed CIPC in addressing existing and future capital needs, we advise the following steps in developing a plan:

- Determine the status of previously approved capital projects;
- Prepare an inventory of existing town facilities, real estate and other assets (condition, life span, utility, maintenance schedule);
- Assess the town's financial capacity (available reserves, borrowing limits);
- Solicit, complete and evaluate project requests;
- List projects in order of priority;
- Develop a financing plan and adopt a long-term capital improvement program;
- Monitor approved projects; and,
- Update the capital improvement plan annually.

An effective program might also include a policy statement committing to a recurring funding source (i.e., a portion of free cash, rental income, etc.) or expenditure level for capital improvements. Many communities base capital expenditures on a percentage of total projected general revenue (excluding free cash, stabilization, and other one-time income). Policies would also set out which projects qualify for bonding (i.e., threshold dollar amount and useful life) and which are to be accomplished through direct capital outlay.

Recommendation 5: Develop a Financial Forecast

We recommend that town officials develop a financial forecast for the next three-to-five fiscal years. Analysis of the ongoing relationship between North Brookfield's revenue and expenditure trends will help policymakers outline the financial future of the town in an informed and thoughtful way. A forecast allows officials to quantify the long-range fiscal impact of proposed policies and initiatives before final action is taken.

To assist in developing multi-year financial forecasts, we direct town officials to the Department of Revenue's [Revenue and Expenditure Forecasting Tool](#). It contains detailed information and pre-set calculation tables that can help communities customize revenue and expenditure assumptions to produce multi-year financial projections. The tool is a powerful resource that is easy to use and comes complete with an online user's guide.

Recommendation 6: Create Uniform Personnel Policies

We recommend that the town administrator take a lead role in establishing uniform personnel policies. In North Brookfield, the duties normally associated with a personnel function are delegated to department managers and town officials, including the administrative assistant, treasurer, and accountant. In this context, there is a need to create uniform personnel policies and effectively coordinate the dissemination and administration of these policies.

As a solution, we envision the town administrator strengthening personnel management by establishing standards related to employee conduct and job performance, and developing policies that confirm employee rights and obligations. At a minimum, the town administrator will:

- Ensure that current employee conduct policies including sexual harassment, internet usage, confidentiality, etc. are clearly stated and uniformly enforced;
- Verify that employee vacation and sick accrual is equitable and consistently applied across all departments. These balances should be tracked in a central location as part of the payroll process;
- Confirm that a suitable classification plan is in place, that job descriptions are accurate, and that personal employee information is maintained in a central secure location; and
- Monitor, evaluate, and recommend changes concerning municipal policies and practices that affect personnel and employee benefits;

Once a more fully functioning personnel system has been established, town officials may wish to consider instituting a performance evaluation program for employees. Such a program will identify goals and objectives for each employee and outline a process for monitoring progress in achieving those goals.

Recommendation 7: Adopt Enterprise Fund for Water Department

We recommend the town adopt an enterprise fund for its water operation by accepting M.G.L. c. 44 §53F½. North Brookfield's water department operates under M.G.L. c. 41 §69B, while sewer operations are accounted for in an enterprise fund. If adopted for water, enterprise fund accounting will enable the town to separately account for all water related revenues and expenditures. By fully identifying all direct, indirect, and capital costs associated with providing the service, enterprise fund accounting will allow the town to demonstrate the true cost of the operation and will provide information necessary to establish user rates. The town would continue to retain any surplus (certified by the Director of Accounts) in the enterprise which would be used to cover operating, capital or debt service costs associated with the water services. Because the enterprise budget includes both revenue sources and expenditure estimates, town meeting should approve the budget as a separate article. Additional information on enterprise funds may be found in the Division of Local Services' [Enterprise Fund Manual](#).

Recommendation 8: Bill Water and Sewer Quarterly

We recommend that the town bill water and sewer users on a quarterly basis. In North Brookfield, water and sewer function as stand-alone departments with separate commissioners, managers and staff. Although department IT systems are networked and billing processed through BMSI software, bills for water and sewer are mailed separately on a bi-annual basis.

To improve the efficiency of water and sewer billing, the town should consider combining water and sewer charges into one quarterly bill. Once merged, total bills will equal

about 1,260, rather than the present 2,160 bills. Quarterly billing will improve cash flow and more closely align the revenue stream for these services with the associated departmental expenditures.

Prior to implementing this recommendation, however, we advise the town to explore ways to expedite the posting of payments in the collector's office (see recommendation on collector's office). Other issues to address include whether the collector can scan these payments and program software to allocate partial payments automatically between the two departments.

At some future date, it may be beneficial to merge the water and sewer operations into a single department. A combined water and sewer operation eliminates duplication of effort, avoids departments working at cross-purposes, and provides a more effective management model. Officials might also realize efficiencies in the assignment of personnel and in the use of equipment, if a single manager were to oversee the duties of all the functional areas.

Recommendation 9: Explore Merger of Town and School Financial and IT Management

We recommend that the town explore the merger of financial and IT management between the town and school district. North Brookfield officials appeared receptive to streamlining financial and IT operations through a consolidated approach. An organization structure where town and school operations could collaborate and share resources through a merger of financial management and IT operations may improve service levels and coordination, and reduce expenses.

In the few communities that have consolidated municipal and school financial, IT, and maintenance services, there appears to be four characteristics that most contributed to success. These were leadership, trust, competence, and position vacancies. Leadership, especially by the town administrator and school superintendent, was critical to acquiring necessary buy-in from all parties and for moving the process forward. Also fundamental, was the ability of the board of selectmen and the school committee, as well as management and staff, to trust one another and to work together toward unified goals. This collaborative spirit facilitated a broader, town-wide perspective for decision-making. Also, beyond individuals possessing the necessary skills to be competent in their new roles, key position vacancies facilitated the merger process.

Recommendation 10: Consider Centralization of Town Offices

We recommend that local officials take action to centralize town offices. It is our understanding that department offices including the administrative assistant, treasurer, collector, accountant, and assessors have been displaced from the existing town hall for about the past six years. Currently, the treasurer and accountant are housed in temporary surplus Massachusetts Turnpike trailers, which are cramped, offer limited office and storage space, and are without restrooms. The administrative assistant and collector are based about a half mile away in a Main

Street storefront with inadequate restrooms or office space, while the assessors are located in a basement of an adjacent building. Because town officials are dispersed, technology is not integrated, nor is collaboration or face-to-face communication routinely possible.

All together, it appears to be a challenging work environment for conducting and coordinating day-to-day municipal business. As a solution, the selectmen have outlined a \$3.5 million proposal to renovate the historic Town House on Main Street. The building renovations would include space on the lower and street level for town offices, an elevator, and accessible restrooms.

Although we do not endorse any particular solution, we do encourage a centralized town office structure, be it the Town House or an alternative location. Current office space is not conducive to retaining good employees, puts the town at a disadvantage in comparison to peer communities for acquiring qualified talent, and may reflect poorly on town government in the eyes of taxpayers.

Recommendation 11: Provide Continuing Education and Professional Development Opportunities

We recommend that resources be committed for continuing education, training, and professional development for all department managers and staff. The administration of municipal government is constantly changing as new laws and regulations are developed within Massachusetts and nationally. Participation in professional organizations offers opportunities for employees keep up with these changes. They provide a vehicle for finance staff to interact, exchange information and trade experiences with peers within their respective professional field. In addition, to the extent possible, as there are several offices staffed by only one individual, officials should strive to cross-train employees and enhance skill sets in order to provide routine office coverage or back up. When considering cross-training opportunities officials must avoid any possible violation of required checks and balances. For example, those that handle cash should not have access to the town's accounting records.

Numerous professional organizations offer such educational opportunities throughout the year. The Massachusetts Municipal Association offers a list of municipal associations at www.mma.org. The organizations listed offer regular meetings complete with workshops and other training opportunities.

Recommendation 12: Evaluate Participation in the State's Group Insurance Commission

We recommend that North Brookfield explore providing employee health insurance through the State's Group Insurance Commission. As part of the Municipal Partnership Act [Chapter 67 of the Acts of 2007](#), cities and towns are now permitted to join the state's Group Insurance Commission (GIC). GIC rate increases have been significantly lower and less volatile than the rate increases experienced in North Brookfield. The percent increase in health insurance

expenditures for the past six years in North Brookfield was about 102 percent compared to the GIC increase of 47 percent. In total, the cost of health insurance to North Brookfield is roughly 10 percent of the annual budget.

Although plans offered by GIC may not be identical to those provided through the town, they offer comparable health coverage with a greater variety of cost and coverage options for enrollees. Available options include indemnity, preferred provider-type organizations (PPO), and HMO plans. In addition, North Brookfield will benefit from participation in an extremely large risk pool of about 286,000 subscribers, which allows for significant purchasing power in the health care market.

In order for North Brookfield to join the GIC, local officials must negotiate the conditions for acceptance with union and retiree representatives. Under this coalition bargaining process, union votes are weighted based on enrollment, with retirees having ten percent of the vote. An agreement to join GIC must be approved by at least 70 percent of the weighted votes. Additional information regarding participation in GIC is available on the [Commonwealth of Massachusetts Group Insurance Commission](#) website.

Information Technology (IT)

The management of day-to-day IT operations varies widely in communities across Massachusetts. In larger communities, a technology department is managed by a professional IT administrator with support from a technology committee and outside professional consultants. This structure ensures that town server(s) are running properly and that critical town data is backed up on a regular schedule. An IT operation also maintains a secure infrastructure that protects sensitive data and prohibits intruders; maintains and monitors system performance so users can connect; and investigates, purchases, and installs new software and/or upgrades to existing applications. Additional responsibilities commonly include assisting network users with connection or general IT-related issues or problems; acting as a liaison between software vendors and town officials; supporting the town's website; and coordinating the development of town-wide technology related policies and procedures.

Due in part to its size, North Brookfield does not function under a typical IT structure, as all technology related issues are handled at the department level and on an ad hoc basis. Departments rely largely on their own knowledge and expertise or on volunteers to assist in resolving IT problems. The school department, however, does employ a part-time technology support technician.

With no real centralized networked computer system in town, IT resources are scattered throughout various offices. For example, computers in the departments of water, sewer and collector are networked, while those of the assessors, treasurer and accountant are each on separate office networks. A technology committee, whose membership consisted of a mix of residents and town officials, was recently disbanded because of a lack of support and interest. As a result, no real integrated approach to IT exists. Offices maintain separate financial management software systems that include Budget Sense by Unifund, Point Software, BMSI, Quicken, and Excel.

Conclusion - A self-reliant, department level style of IT management has led to inefficient, cumbersome, and ineffective systems. This lack of management and the need to consolidate and coordinate the IT infrastructure, requires an assessment to determine how best to proceed. An assessment will assist officials in developing formal goals and objectives for improving IT. Experience in other communities has shown that demand for technology will increase across all facets of government. Therefore, North Brookfield should begin to seek operational efficiencies through a coordinated IT infrastructure in order to prepare itself effectively for the future.

Recommendation 13: Assess IT Infrastructure

We recommend that the town administrator conduct a preliminary evaluation of IT in North Brookfield. From our interviews and analysis, we determined that North Brookfield has no real town-wide IT function, and that each department is responsible for the day-to-day management of technology. This is in large part due to department offices being scattered

throughout town rather than in a central location, such as a town hall. It was further demonstrated that the design of individual department IT networks results in substantial delays and problems, e.g. documents from the collector and water department routinely take hours or even days to print, and in isolated instances departments are able to receive, but not transmit email. Obviously, these deficiencies make it difficult for offices to communicate, share resources, or collaborate.

Officials have tried to address IT issues in the past with the formation of a technology committee and part-time volunteers, but there has been a recent loss in momentum. As a means to resolve this situation, we advise the town administrator to conduct a thorough assessment of the town's IT infrastructure and functionality to determine its current state. The town administrator would begin such a review by interviewing department staff to document the town's most pressing IT needs. Such an assessment would conclude with a list of priorities to serve as the starting point for a plan of action for improving technology. The ultimate purpose of such an assessment is to outline how technology can support the delivery of services and streamline internal processes.

Reinstituting the technology committee could serve to support the town administrator in such an assessment. We advise that the assessment begin prior to any move to a central office location. Additional information and resources related to municipal IT may be found at the [Division of Local Services, Information Technology Unit](#).

Assessors

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

Work is generally performed through a combination of staff and professional appraisal firms. A review that town assessments represent full and fair cash value occurs annually, and certification of values is conducted by the Department of Revenue every third years. In addition to these duties, the assessors calculate annual "new growth" increases in the community's levy limit; set the annual tax rate each year by submitting the Tax Recapitulation Sheet to DLS for approval; and prepare the annual property tax commitment for the collector. The department also handles all abatement applications, property tax exemptions allowed under state law, and sets the overlay.

A three-member elected board of assessors in North Brookfield manages all day-to-day responsibilities of the assessing department. As a part-time working board, each member averages between 22 to 23 hours per week on assessing duties. The chair, who also serves part-time as town clerk, has over 30 years of town service. The two remaining members have 25 years and 12 years of experience respectively. Board member duties and responsibilities are delegated based on knowledge and expertise, as each member oversees various aspects of day-to-day operations within the department.

All three members inspect building permit and sale properties. Any changes to property records are made accordingly in the state's Computer Assisted Mass Appraisal software (CAMA). The state CAMA system in North Brookfield is installed on an Oracle based server with three client computers, one for each member. A professional consultant, Roy Bishop, completes all commercial and industrial analysis and verifies sales analyses completed by the board. Otherwise, the board creates, maintains, and updates property records with information received from deeds and plans, and processes abatements and exemptions. Members also mail sale questionnaires, as well as income and expense request forms.

The volume of work in the assessors' office involves valuing roughly 1,500 residential real estate parcels, 57 commercial/industrial accounts, and 423 vacant or developable parcels. There are an additional 93 personal property accounts. All are billed on a quarterly basis. In addition, total motor vehicle excise bills equaled about 5,700. In fiscal year 2006, the office issued approximately 23 residential and commercial abatements, and issued about 79 personal exemptions. Over the last three years, the liability to North Brookfield for abatements and exemptions averaged about \$30,000.

Conclusion - The office structure, where board members serve as part-time day-to-day department staff, is seen less frequently in Massachusetts than it once was. In North Brookfield, however, the system works primarily because of the limited size of the town, and the experience of each board member. Should the town fail to elect equally qualified individuals when board vacancies occur, we would advise the town to transition to a structure where a full-time staff person rather than board members are relied upon to complete the work of the office.

Recommendation 14: Transition to Policymaking Board of Assessors

In the long-term, we recommend that the town move away from a working board of assessors through a restructuring of the office. Although this structure is effective currently, a shift from a part-time working board to a full-time in-house professional is encouraged. Under the proposed structure, a professional assessor would be hired by and report to a part-time board of assessors. The board would otherwise continue to function in an advisory and policymaking capacity on all assessing matters.

Under the direction of the board of assessors, the professional assessor would perform the full range of technical duties involved in providing assessing services, as well as manage the assessing office operation. The addition of a professional assessor may also reduce the town's reliance on outside vendors for technical and assessing services. The board would remain ultimately responsible for the full and fair market valuation of real and personal property for the purposes of levying taxes, and would continue act on abatements and exemptions.

Recommendation 15: Review Overlay Balances

We recommend that the assessors annually review prior years' overlay accounts to determine if they can declare any of these balances as overlay surplus. Each year, the assessing office estimates the overlay amount needed to cover anticipated property tax abatements and exemptions. Unused account balances that accumulate from year-to-year are retained in an amount necessary to cover any uncollected taxes for that fiscal year, plus potential liabilities that arise from Appellate Tax Board (ATB) cases. When the overlay balance in a particular year exceeds the total estimated liability, the board of assessors can certify all or some of the excess as surplus, which makes it available in the general fund for appropriation. The cumulative prior years' overlay balances total about \$200,000 and the board has not declared any overlay surplus since FY99.

Reviewing these balances on a regular basis will give town policymakers and the financial management team a more complete picture of the town's fiscal condition. This will assist town policymakers in making informed decisions about whether to appropriate any surplus to the stabilization fund or to use it for one-time or capital spending purposes. Although the assessors have the authority under Massachusetts General Law c.59, §25 to determine the overlay, we think that the town will benefit from discussing the annual determination of the overlay, as well as estimates of new growth and local receipts for the tax rate, within the context of the proposed financial management team.

Collector

Under M.G.L. c. 41, §38A, a town collector possesses authority to collect all monies due to the community in addition to taxes, excises, betterments and certain other charges. Collections need to be counted, posted to taxpayer accounts and either turned over to the treasurer or deposited daily. Delinquent accounts need to be pursued, and moved into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the town accountant monthly. Credit reports should be run as appropriate, and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, a town with a population under 5,000 should respond to requests for municipal lien certificates within 20 days. In most communities, the collector manages the contractual agreement with the deputy collector.

The town collector has served in North Brookfield since being appointed by the board of selectmen in 1994. The position was converted from an elected to an appointed town collector in 1989. Both the collector and an assistant are part-time, serving 33 hours per week and 19 hours per week respectively. The assistant is largely responsible for water and sewer collections.

The office collects approximately 2,100 property tax bills, 5,700 motor vehicle excise bills, 90 personal property bills, and 1,240 water bills and 920 sewer bills. Collections for real estate are on a quarterly basis. Two separate bi-annual collection schedules exist for water and sewer. Of the real estate collections, roughly 25% are handled by mail and over-the-counter and 75% through escrow. About 90% of payments are made by check.

The commitment, delivered by compact disc from the assessors, is converted by Point Software for use in their application. The collector's office utilizes the Point application to manage all real estate, motor vehicle, and personal property collections. All real estate and personal property bills are printed by the Collector's office, while the deputy collector prints motor vehicle bills. The deputy collector, Jeffrey and Jeffrey, is responsible for collecting delinquent motor vehicle bills. The water and sewer departments print bills separately utilizing BMSI software. North Brookfield does not have a lockbox, internet payment capability, or scan wands.

Conclusion - Although the collector is proficient in her duties and performs all statutory responsibilities, the office could benefit from improvements to IT and by making use of scan wands. In addition, at some future date, it may be advantageous for the town to combine the part-time collector and treasurer positions.

Recommendation 16: Evaluate the Process for Posting Collections

We recommend that the collector's office review current posting procedures to determine how to streamline the process. For a variety of technology related reasons, many of the modern collection and posting methods commonly used in collectors' offices across the state are not available to the collector in North Brookfield. For example, the office does not have the capability to upload electronic payment information from mortgage escrow services into

taxpayer accounts. Even though the escrow service has already prepared a file containing taxpayer names and payments, without the upload capability the collector must manually input each payment.

Another collection method available to collectors is a lockbox service where a third party rapidly processes payments and deposits receipts into town accounts. While this clearly expedites the deposit of funds to town accounts, the full advantage of a lockbox is somewhat diminished when the collector must manually post each payment. Other possible efficiencies include exploring the use of scan wands to post payments, though this method is not likely to address the issue with the volume of payments the town receives from escrow firms.

Treasurer

The treasurer is a community's cash manager and as such, has custody of all municipal funds. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and that balances are monitored to ensure sufficient funds are available to cover town obligations as they become due. The treasurer invests town monies and manages debt to maximize investment income and meet cash flow needs. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, as well as various logs to track balances for grants, trusts and revolving funds and other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt internally, and then with the town accountant on a regular basis. Lastly, the treasurer maintains tax title accounts, conducts sales of land, and prepares documents to petition for foreclosure.

The North Brookfield treasurer is an appointed, part-time official with no support staff. The treasurer has served in this role since 1997 when, in the prior year, the position was converted from elected to appointed. The office is located in a surplus Massachusetts Turnpike trailer and has shared space with the town accountant for the past six years. The treasurer's office is a small, cramped space offering little storage and no restroom facilities. Lavatories are located separately in the senior center over 50 yards away. Networked with the town accountant only, the treasurer's computer is installed with Budget Sense, a Unifund software product, to manage the treasury functions. Additional records are kept manually and on Excel spreadsheets.

The treasurer, who is also responsible for managing payroll, utilizes Harpers Payroll Service. Approximately 176 checks are issued bi-weekly to town and school employees. There is no direct deposit option. Department managers submit signed summary timesheets on an exception basis, which are manually re-keying into Harpers. Vacation and sick accrual are tracked at the department level.

Conclusion - The recommendations we offer are intended to provide guidance for the department toward improving the effectiveness and efficiency of the office. Although the treasurer is knowledgeable and capable, efficiencies related to the management and reporting of cash, as well as payroll, can be achieved through the recommendations identified.

Recommendation 17: Adopt an Electronic Cash Book

We recommend the treasurer abandon her combination manual and electronic cash book and transition to a computer-based application. The cash book details departmental turnovers of revenue, internal transfers, bank deposits, and disbursements through warrant authorizations. The treasurer is currently utilizing a manual journal and an Excel spreadsheet as the cash book. Although the treasurer has become proficient in the combined approach, it is still more time consuming than an electronic application. Under a manual approach, information may not be as readily available, totals are not automatically calculated and the capacity to generate and organize data for effective financial analysis is lacking.

Recommendation 18: Implement Direct Deposit

We recommend that North Brookfield implement a payroll direct deposit program. Bi-weekly payroll checks are currently processed through Harpers Payroll Service. Once printed, checks are couriered by the treasurer from Harpers' Worcester office and hand delivered to departments for distribution to employees. It should be noted that payroll checks should always be in the custody of a bonded municipal employee or an appropriate representative from Harpers.

As an alternative, we advise the treasurer to encourage the migration of employee payroll to a direct deposit system. Direct deposit is an automated electronic deposit of wages into an employee's bank account. The primary benefits of direct deposit over standard payroll checks include speed, as funds are available in employee accounts on payday; convenience, as employees do not have to visit a bank to make deposits; and safety, as there is no concern that checks will be lost or stolen. Direct deposit also eases cash reconciliations, as there are fewer checks in transit.

Recommendation 19: Centrally Track Vacation and Sick Accrual

We recommend that the town centralize record keeping for accrued employee sick leave and vacation time. For the purposes of GAAP accounting, the accountant must annually report employee sick and vacation time vested and accrued. This accounting reflects the obligation of the town under contracts to compensate employees upon retirement for all or a portion of their sick and vacation time earned, but not taken. For North Brookfield, this represents a future unfunded liability that can only be determined and planned for with a proper procedure for the collection and maintenance of employee information.

The maintenance of records at the departmental level represents good practice only if the practice is uniform, and if corresponding data is retained in a centralized location, i.e. with the accountant. Checks and balances do not otherwise exist. The absence of a systematic procedure for maintaining these records can give rise to circumstances where an employee(s) claim of accrued sick leave and vacation time cannot be corroborated or challenged with credibility.

Therefore, as a matter of establishing internal controls, a system should be installed where running balances of all employee sick and vacation is administered centrally. In addition, payroll software applications are generally capable of automatically tracking balances for employees.

Accountant

The town accountant has a legal obligation to oversee all financial activity of a municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts, and plays a role in the system of checks and balances established by statute to monitor and protect local assets. To fulfill this responsibility, the office prepares warrants; maintains a general ledger where receipts, expenditures and all other town financial activity are recorded; and reconciles cash and debt with the treasurer and receivables with the collector monthly.

The town accountant also tracks revenue and expenditures, and is typically involved in the annual budget process. Among required submissions to the Department of Revenue, the town accountant is responsible for producing the town's annual Schedule A and year-end balance sheet (for Free Cash certification). Finally, the town accountant works with the board of assessors and town clerk in the preparation of the town's Tax Recap Sheet.

Located in a surplus Massachusetts Turnpike trailer alongside the treasurer, the accountant is an appointed, part-time office of one. The accountant's computer is only networked with the treasurer, and is installed with the Budget Sense financial management software package. The office recently converted from a DOS based financial management system two years ago. The town accountant in North Brookfield is largely responsible for coordinating the municipal budget. She distributes budget submission guidelines annually to department managers, and routinely tracks budget revenue and expense data. Other budget responsibilities are completed at the department level or by the board of selectmen or finance committee.

Conclusion – The accountant in North Brookfield does a commendable job in fulfilling the fundamental responsibilities of the office including the management of the general ledger, processing vendor and payroll warrants, and distributing various reports to town officials. Our recommendations are offered as guidance for the town accountant to enhance record keeping, and to comply with GASB 45.

Recommendation 20: Conduct Actuarial Analysis

We recommend the town conduct an actuarial analysis of its non-pension retiree benefits liability. The Government Accounting Standards Board recently issued Statement 45 (GASB 45) that requires all local governments to begin accounting for post-retirement health and disclosing these liabilities in their financial statements. Based on the GASB's implementation schedule, North Brookfield will need to conform to GASB 45 for fiscal year 2009.

North Brookfield's first step is to perform an actuarial analysis to understand its OPEB obligations. Future discussions of cost containment and benefit changes will logically follow from the information contained in the valuation. From these discussions, officials should develop an OPEB plan identifying how the town will manage liability costs. Although there is

no current funding requirement, bond-rating agencies may look unfavorably on communities that have not developed an action plan.

GFOA provides a helpful [RFP Checklist for OPEB Actuarial Valuation](#) through its website. [GASB](#) provides useful information, as well as exposure documents, questions and answers, and summaries of standards. Additional information on OPEB, including a number of steps to reduce the size of the municipal liability, is available on the [Department of Revenue, Division of Local Services website](#).

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