

TOWN OF PHILLIPSTON

FINANCIAL MANAGEMENT STRUCTURE | A COMMUNITY COMPACT CABINET INITIATIVE

MARCH 2018



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

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MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

March 26, 2018

Board of Selectmen
Town Hall
50 The Common
Phillipston, MA 01331

Dear Board Members,

I am pleased to present the enclosed financial management structure review for the Town of Phillipston as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

INTRODUCTION

Under the Community Compact Cabinet program encouraging best practices in local governance, the Division of Local Services Technical Assistance Bureau (TAB) reviewed the Town of Phillipston's financial management structure. As a best practice, a community should periodically reassess, and when appropriate, modify its governmental organization to ensure it promotes accountability, enhances service delivery, safeguards assets, and maximizes resources.

This project represents the second time TAB has formally assessed operations at the request of Phillipston's board of selectmen. In 2006, pursuant to a comprehensive financial management review, the bureau presented the town with a broad series of recommendations across a spectrum ranging from organizational concerns to day-to-day procedures and information technology. Among these, we can credit local leaders with accomplishing the following:

- Converting the treasurer position from elected status to appointed
- Appointing staff to the assessing department to reduce reliance on private contractors
- Assigning the town accountant with annual financial reporting duties previously done by a private accounting firm
- Completing a town-wide update of job descriptions
- Converting disparate financial databases to a single integrated solution
- Expanding professional training opportunities
- Implementing greater use of technology to modernize procedures and communications

This constitutes progress, to be sure, though we note that nearly all these actions were taken within the past year. All the same, this small town of 1,746 residents has been experiencing broad disruptions in its governmental operations over the last two years. With one exception, all the personnel responsible for managing financial operations or central administration in Phillipston are new. It is therefore altogether fitting that local officials seize on this transitional period to take a fresh look at how the town should operate going forward.

BACKGROUND

As opposed to the wide-scope review TAB conducted in 2006, the narrow focus of this project was to assess the effectiveness and viability of Phillipston's financial management framework and propose appropriate enhancements. This encompasses the functions of its accounting, treasury,

collections, and assessing departments. Given the select board's ultimate responsibility for assuring the town's overall fiscal stability and statutory compliance, our review also examined the role of its day-to-day town hall proxy, the administrative assistant.

Any analysis of a town's structure must naturally be done within the constraints of its socioeconomics, and Phillipston is a modest community by most any measurement. In population terms, it is smaller than 85 percent of Massachusetts municipalities. Similarly, 89 percent of other communities in the state have budgets larger than Phillipston's, which was \$4.5 million in FY2017. As for relative property wealth, its FY2016 per capita equalized valuation (EQV), \$111,029, represented about 68 percent of the state's \$163,847 average, while its 2014 per capita income of \$24,827 amounted to 79 percent of the \$31,265 average statewide. Deriving 94 percent of its tax base from residential property, the town's average single-family tax bill last year was \$3,336, which is the 10th lowest of Worcester County's 60 communities and roughly 60 percent of the \$5,620 average statewide.

Within this context, the town relies mostly on part-time staff to provide its services. One exception is the administrative assistant, who works 40 hours per week. The incumbent was hired in August 2017 and has many years of experience in municipal affairs, primarily as a planner. With no administrative assistant mentioned in town bylaws, the position is defined only by a job description, which reads something like an office manager. Beyond the description's text, the board has voted in meetings to delegate additional responsibilities to the position, including acting as records access agent, central procurement officer, and human resources director. Notably, the post lacks any formal supervisory authority and is only marginally involved in developing the annual budget process or coordinating other town activities. In the short time the incumbent has worked in town, however, he has earned respect for his professional skills and established good working relationships with the select board and various town departments.

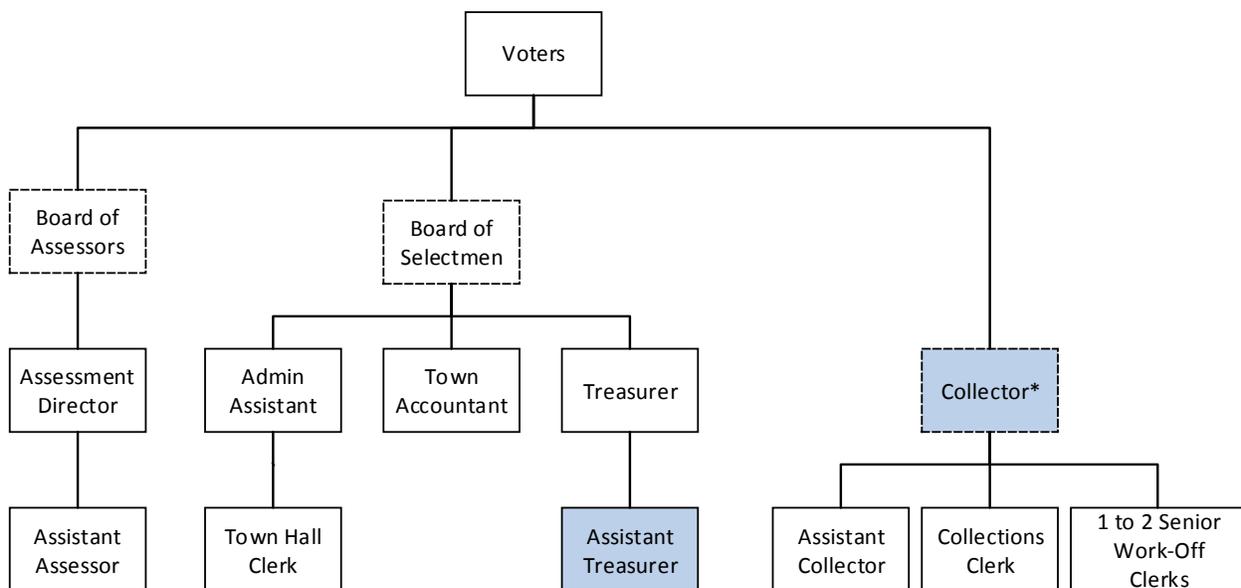
In addition to the administrative assistant, the selectmen appoint the town accountant, treasurer, police chief, fire chief, highway superintendent, and building inspector. In contrast, separately elected individuals or boards head up the tax collector, assessing, town clerk, library, cemetery, planning, and health departments.

For most of its history, the assessing department had no appointed town hall employees. Instead, responsibilities were administered by an elected, three-member board of assessors relying heavily on contracted help for much of the day-to-day work. This changed in FY2017, when the board appointed a part-time assessment director and a part-time assistant assessor. Although vendors still fulfill some functions, a substantial range of duties have been effectively moved in-house.

Also in FY2017, the select board received resignation notices from Phillipston’s treasurer and town accountant. The new part-time treasurer, whom the board hired in April 2017, has an accounting background but no prior municipal experience and faced a steep learning curve. Fortunately, the new town accountant, appointed in July 2017, has requisite knowledge and a strong skill set to help in this regard. For the last three years, she has served effectively as Templeton’s town accountant and continues in that office while she also works each Friday for Phillipston.

In contrast to the town’s other finance managers, the collector is an elected, long-serving, and insurance-benefitted official, now completing her 18th continuous year in the office. She intends to run for reelection this May but has given indications of retiring in the near future. In addition to working 20 hours per week as the collector, she also works a few hours weekly as the assistant treasurer and as a clerk for the police and cemetery departments. To assist her in collection duties she has a part-time staff that includes an assistant collector, a clerk, and one or two seniors doing the tax work-off program. Collectively, their work hours add up to roughly two days a week.

Below is a chart depicting the town’s current financial management structure.



**The collector is also the assistant treasurer and performs clerical duties for the police and cemetery departments.*

When making the accountant hiring decision, the select board recognized the value of converting to a single, integrated financial system and selected VADAR, which Templeton also uses. Over a gradual conversion period unfolding this fiscal year, the town successfully implemented VADAR’s

general ledger, treasurer's receipts, cashbook, and tax title modules. The board of selectmen's proposed FY2018 budget includes a sum for converting the collector's Point receivable control over to VADAR early in the new fiscal year. For its computer-assisted mass appraisal system, the assessing department uses a Vision database, which easily integrates with VADAR.

Based on our observations, numerous opportunities exist to cost-effectively enhance town services through certain structural modifications and operational adjustments. The recommendations below are offered as guidance to help Phillipston evolve to a more forward-looking, efficient, effective, and accountable model of governance.

RECOMMENDATIONS

Elevate the Position of the Selectmen's Administrator

Phillipston is at a point in its history where its performance results in resource management, service provision, asset stewardship, and regulatory compliance are at risk of deteriorating. This is because the requisites for managing contemporary local government, in terms of the knowledge, skill sets and hands-on oversight needed, have grown so complex as to tax the capacity of a typical part-time, volunteer select board. In addition to helping the select board anticipate and manage evolving services demands, capital issues, and state mandates, a well-qualified town administrator can help the town proactively develop and maximize its resources.

Ever-increasing numbers of towns similar to Phillipston have been making the shift to a professional town administrator. The appendix includes a table of 10 communities we judge to be Phillipston's peers based on population size and density, budget, EQV, and average single-family tax bill. Of these peers, six (60 percent) currently have a town administrator position or the equivalent (i.e., town coordinator, executive secretary). Likewise, we recommend the board of selectmen consider changing the administrative assistant to a town administrator position assigned appropriate supervisory authority and given responsibility for coordinating the town's financial management.

To implement this recommendation, the selectmen should start by creating a job description, and in doing so, consider all the responsibilities they have the authority to assign. Also to be determined are the position's minimum qualifications, including education level, work history, and professional experience. A well-defined position helps to attract well-qualified job candidates, but a town administrator bylaw would further solidify that goal while also elevating the office's importance and assuring long-term institutional continuity. Accordingly, we advise the selectmen to draft a bylaw

that assigns the position sufficient authority to effectively coordinate operations and execute town-wide goals. Bylaws of other communities may serve as models. Among duties typically assigned to a town administrator are:

- Appoint and manage all department heads reporting under the selectmen, subject to the select board's approval.
- Oversee day-to-day operations and coordinate interdepartmental activities, particularly the financial tasks that cut across multiple departments.
- Develop financial policies for approval by the select board and finance committee.
- Complete and maintain multiyear revenue and expenditure projections.
- Coordinate the annual budget process and capital improvement program.
- Act as chief procurement officer.
- Administer the town's personnel policies and negotiate contracts.
- Manage information technology operations.
- Represent the board of selectmen to other town boards and external parties.
- Facilitate the flow of information between elected officials, employees, and citizens.
- Develop and monitor corrective actions for citations in the independent auditor's annual management letters.
- Research, advance and manage special projects at the direction of the selectmen and report on them at designated meetings.

Establish an Appointed Treasurer/Collector Position

More and more Massachusetts communities have been converting their finance officers from elected positions to appointed posts. The reasons are various and compelling, and many were laid out in TAB's 2006 report. The overarching theme is that these positions' job functions are not policy-related since they are dictated by statute and to perform them well requires professional skill sets that should be properly vetted. Phillipston already joined the trend by converting the treasurer to an appointed position. We recommend the town continue on this modernizing path and also convert the collector before the office's forthcoming three-year term expires. Additionally, we encourage the town to combine the title with the treasurer's in order to achieve operational economies and efficiencies.

Across the state's 351 municipalities, 77 percent of collectors are appointed, as are 79 percent of treasurers. When looking at only the 308 communities with 1,500 or more residents, those numbers rise to 82 and 84 percent, respectively. The move to appointed positions is essentially one of many markers that indicate a progressive community. In the pursuit of streamlining operations

and achieving cost savings, most cities and towns (74 percent of them) have also seen value in combining the two offices. Both titles are highly specialized and require specific professional aptitudes, but the cash management tasks that comprise the bulk of their day-to-day workloads closely mirror each other, or at least they should. Combining them thus not only increases efficiency but also strengthens internal controls, because universal cash management procedures can be implemented and centrally overseen as all the town's receipts are collected, counted, posted, and deposited by one department only.

Making this change is of crucial importance for a small town like Phillipston because a full-time, benefited treasurer/collector is more attractive to job seekers and therefore increases the town's odds of drawing a qualified field of prospective hires for future vacancies. Furthermore, an appointed treasurer/collector would have equal footing with other department heads and be more capable of being reviewed for performance and held accountable. With an appointed position, the select board can also set minimum employment qualifications and subject candidates to thorough background checks and job interviews.

The office structure we propose would have at least three employees to cover the workload. This would also allow for strong segregation of duties, provide adequate back-ups, and potentially groom a successor department head for the future. To definitively determine the appropriate number of employees needed, the town administrator should work with the new treasurer/collector to itemize all the tasks performed in the department and the time and skill level needed to complete them. We can envision an office that would consist of a full-time treasurer/collector, part-time assistant collector, and part-time treasury/payroll clerk. New job descriptions should be created for each, with specialized task assignments, but the department should also actively provide on-the-job cross-training to ensure good functional coverage.

Under [M.G.L. c. 41, § 1B](#), the town can combine and appoint the treasurer/collector position without the need for a special act. This is done by the question winning majority votes at an annual or special town meeting and at an annual town election. In the case of a special town meeting, the meeting must be scheduled at least 60 days before the election. If the current collector is reelected but retires from the post in only a year or two, the board of selectmen can appoint a collector to serve until the expiration of the position's three-year term. The board has the discretion to potentially make that appointee be the sitting treasurer. If that is desired by both parties, the town must be willing to initially budget a modest amount to provide additional training to the treasurer.

Expand the Job Duties of the Town Hall Clerk as Part of a Long-term Plan

The town recently posted a one-day-per-week position to help the administrative assistant with clerical tasks. When the collector retires, the town should assess how many hours per week are needed to cover the duties she has been doing for the cemetery and police departments. Rather than transferring these tasks over to a combined treasurer/collector office, the town might consider offering more hours per week to the new town hall clerk.

Form a Financial Management Team

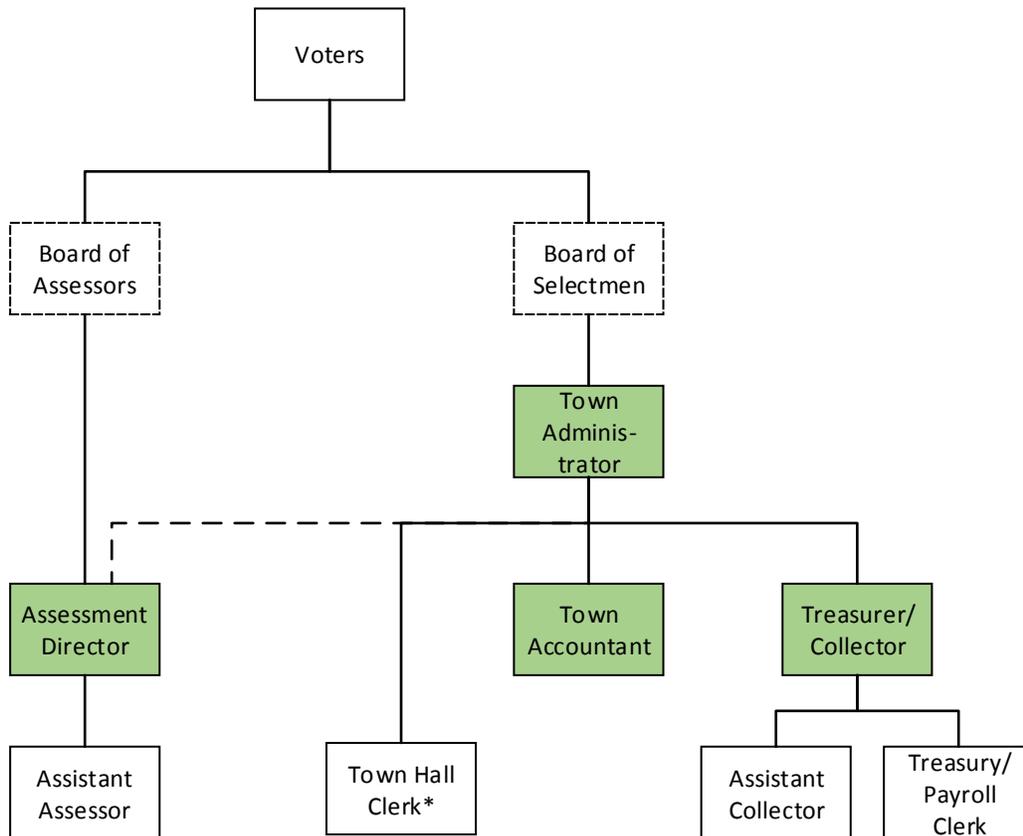
We reiterate here TAB's 2006 recommendation that the town create a financial management team. In that report, we suggested the administrative assistant organize regular meetings of a finance team consisting of the accountant, treasurer, collector, and an assessing board member. Now, the assessing department should be represented by the assessment director. And, if the town replaced the administrative assistant with a town administrator, that position's inherent authority and managerial capacity would serve to considerably enhance the financial team's effectiveness. The town might even consider adopting a bylaw to formalize the team.

The team should meet at least quarterly, if not monthly, with the town administrator chairing the meetings and providing agendas in advance. These meetings would provide a forum to coordinate intersecting objectives and discuss progress on finance-related deadlines. Appropriate discussion topics would include:

- Reviewing revenue and expenditure reports and analyzing cash flow
- Preparing financial forecasts based on discussions of new growth, fees, etc.
- Analyzing capital funding sources
- Creating and reporting on corrective action plans in response to management letter citations by the independent auditor
- Examining the effectiveness of internal controls and proposing appropriate modifications
- Coordinating submissions to the Division of Local Services
- Updating the status of projects requested by the board of selectmen or finance committee

The organizational chart on the next page depicts the financial management structure that would result if Phillipston implemented all the recommendations in this report.

Proposed Financial Management Structure
(with the Financial Management Team highlighted)



**The town hall clerk's job duties support the town administrator, police, and cemetery departments.*

Establish a Compatible Town Hall Business Schedule for All Finance Department Heads

We recommend that when the financial management team meets for the first time, the participants discuss establishing a town hall schedule that includes some set hours that all can agree to work at the same time. Although the administrative assistant's schedule covers town hall's full weekly business hours, the finance officers' work hours, whether posted or unspecified, do not line up well with each other. The treasurer works a few randomly set hours most days of the week and always works on Fridays during the accountant's set hours. The assessing office's posted hours are 9:00 to 3:00 every Monday and Thursday. The collector has posted hours Mondays from 1:00 to 4:00 and 6:00 to 8:00 and then works other random hours during the week.

All the town's financial officials, whether elected or appointed, should be committed to cooperatively and transparently achieving mutual objectives. Many important tasks, such as

reconciliations, budget analysis, and tax rate setting, cross multiple departments and are most effectively completed in real-time exchanges, but the department heads' divergent schedules are not conducive to good coordination. Establishing a set, publicized schedule would go far to address this and also to provide better customer service to fellow town employees, residents, and policymaking officials.

Continue Pursuing Outstanding Receivables

We recommend the collector take full advantage of the wide range of legal means allowed for enforcing collection on outstanding property taxes. As the chart below shows, outstanding tax receivable balances had built up in the recent past, though the collector has lately made some progress in reducing them. This trend needs to progress further to lessen the liability to the town's fiscal health posed by these outstanding balances.

Fiscal Year	Total Levy Net of Overlay	Cumulative Unpaid Property Taxes	Unpaid Property Taxes as % of Net Levy
2013	2,845,831	359,377	12.63%
2014	2,977,382	391,728	13.16%
2015	2,888,413	328,930	11.39%
2016	3,049,623	217,256	7.12%
2017	3,073,603	220,294	7.17%

As a best practice, every community should set a minimum annual collection rate of 97 percent, and it is concerning whenever TAB observes consistent uncollected rates over five percent of the local net levy (i.e., tax levy minus overlay). While a deficient collection rate can reflect trends in the greater local economy, it is also generally indicative of inadequate enforcement procedures. In addition to impacting free cash certification, uncollected receivables, when they remain high over the years, can impair a town's ability to pay debt and other obligations on time or force it to defer necessary purchases.

To prevent growth in outstanding receivables, we recommend the collector get more aggressive with the delinquent accounts early on, since collection rates are typically higher at the start of the process and diminish over time. Not only that, the town can assess higher interest rates once receivables are put into tax title. Swift action sends the message that as a policy matter, the town pursues its tax delinquents. For guidance on systematic ways to pursue accumulated debts, the report appendix contains an exhaustive list of available enforcement remedies, some of which apply

to the treasurer's statutory purview. Taken as a whole, the list points up yet another advantage of a combined treasure/collector office, under which all these activities could be managed without any gaps for reviewing information received from a different department.

Various enforcement measures have associated costs to the town (e.g., advertising fees, filing fees, etc.), which the select board and finance committee must take into account when proposing budgets if the town wants to make serious inroads in addressing the delinquencies. One way to offset these costs is through local adoption of [M.G.L. c. 60, § 15B](#). For more information, see Informational Guideline Release 16-101: [Tax Title Collection Revolving Funds](#).

Adopt Formal Financial Policies

Since the current administrative assistant starting working in Phillipston, he has created and proposed some policies that have been adopted by the select board, including documents on vehicle use, public records access, and town counsel access. To strengthen and bring continuity to long-term fiscal planning, we consistently recommend that communities develop and formalize financial policies. As models, Phillipston could look to policies that TAB has created for various towns under the Community Compact Cabinet program, which can be found on this [webpage](#).

APPENDIX A

Government Structure in Comparable Communities

Municipality	County	2014 Pop	2014 PC Income	2016 EQV Per Capita	2017 Avg SF Tax Bill	Total FY 2017 Budget	Administration	Treasurer Status	Collector Status	Combined Treas/Coll?
Ashfield	FRANKLIN	1,729	27,237	139,826	4,094	4,902,888	Town Administrator	Appointed	Appointed	No
Bernardston	FRANKLIN	2,111	27,369	102,788	4,036	5,114,736	Town Coordinator	Elected	Elected	No
Charlemont	FRANKLIN	1,245	22,061	110,154	3,994	3,543,408	Town Administrator	Appointed	Appointed	Yes
Chester	HAMPDEN	1,365	21,642	89,560	3,221	3,475,910	Town Administrator	Elected	Elected	No
Chesterfield	HAMPSHIRE	1,249	19,844	125,839	4,270	3,500,565	Town Administrator	Elected	Elected	No
Huntington	HAMPSHIRE	2,181	28,742	90,147	3,470	4,900,937	Administrative Asst	Appointed	Appointed	Yes
Oakham	WORCESTER	1,922	33,640	105,985	3,436	3,693,351	Administrative Asst	Elected	Elected	Yes
Petersham	WORCESTER	1,246	29,715	125,043	3,855	4,416,236	Admin Coordinator	Elected	Elected	No
Wales	HAMPDEN	1,878	21,183	88,319	3,044	4,621,574	Executive Secretary	Elected	Elected	No
Worthington	HAMPSHIRE	1,180	29,675	142,357	3,941	4,285,921	Executive Assistant	Appointed	Appointed	Yes
Phillipston	WORCESTER	1,734	24,827	111,029	3,336	4,496,664	Administrative Asst	Appointed	Elected	No
	Averages	1,622	25,994	111,913	3,700	4,268,381				

APPENDIX B

Tools for Municipal Collections

Sample Tax Taking Timetable

Enforcement Actions	Sample Dates	Statutory Time Frames
Mail Demand Letter	May 10	Earliest May 2 (at least 1 day after May 1 due date)
Post Notice of Intent to Take	May 28	Earliest May 25 (at least 14 days after May 10 demand)
Publish Notice of Intent to Take	May 30	Earliest May 25 (at least 14 days after May 10 demand)
Take the Property	June 20	Earliest June 14 (at least 14 days after May 30, the latter of publication and posting)
Record Instrument of Taking	June 20	Latest August 19 (no later than 60 days after June 20 taking)

License and Permit Denial/Revocation (M.G.L. c. 40, § 57) – Having accepted c. 40, § 57 and adopted a related bylaw, Phillipston has the authority to deny, revoke or suspend any local license or permit to any person delinquent in the payment of taxes, fees, assessments, betterments, or other municipal charges. Per the bylaw, the collector distributes an annual list of delinquent taxpayers to the license- or permit-granting departments, which then carry out the denial, revocation or suspension actions. However, a 2016 revision to the statute allows the collector to report outstanding charges existing for less than 12 months and to do so more often than annually, provided that the town’s bylaw is updated accordingly.

Local Intercept Program (c. 60, § 93) – This statute allows the treasurer to withhold the payment of money due from the town to any individual owing taxes, assessments, rates, or other charges committed to the collector, as a means to offset the delinquency. This may include the wages of delinquent town employees, provided that, in any given week, the amount withheld does not exceed 15 percent of the person’s gross wages or 50 times the Massachusetts minimum hourly wage, whichever is greater (c. 246, § 28).

Seizure and Sale (c. 60, §§ 24-28) - The collector may seize tangible personal property for nonpayment of real or personal property tax, with certain limitations restricting what constitutes seizable property. For the collector, there is a personal liability risk for damages to holders of any

security interest or other form of lien on the property seized and sold. The collector must follow specific procedures and sell the property at a public auction within 30 days of the seizure.

Civil Suit (c. 60, § 35 and c. 218, § 21) – The town may bring a small claims civil action in district court within six years of the tax due date if the delinquent is personally liable for the tax. This is an appropriate option when no lien exists (excise, personal property) or when the tax taking process is not otherwise available. It can be undertaken for all personal property claims, regardless of amount, and for any other claim up to \$15,000.

Payment Agreements (c. 60, § 62A) – The town may, by bylaw, authorize the treasurer to enter into payment agreements with persons entitled to redeem parcels in tax title. The bylaw must specify the amount of accrued interest that may be waived (up to 50 percent) and the allowable term length for the agreement (up to five years). At the agreement’s inception, the person with redemption rights must pay at least 25 percent of the amount needed to redeem the property. (See: Informational Guideline Release 05-208.)

Assignment of Tax Titles (c. 60, § 52) - The treasurer may assign the tax title on one or more parcels at auction to the highest bidder. The price must at least equal the redemption amount, plus the interest that accrues up to when the assignment is recorded and a premium cost, if any. Interest on an assigned tax title accrues at 16 percent and represents the incentive for a potential purchaser. However, the assignee’s position is subordinate to the town’s interest in any new tax taking completed for subsequently delinquent taxes. (See IGR 05-208.)

Bulk Assignment (Sales) of Tax Receivables and Liens (c. 60, § 2C) - The collector may assign tax receivables or liens in bulk. The assignment of a property’s receivables for any year must also include all of its receivables for any preceding years. Further, the treasurer or collector may bundle receivables according to particular criteria including: parcel value, owners unknown, owner occupancy, delinquency age, receivable value, parcel characteristics, etc. The receivables must be sold at public auction and awarded based on specified evaluation criteria, including minimum price requirements. Interest accrued may be discounted up to 50 percent. (See: IGR 05-208.)

Collector’s Sale (c. 60, §§ 40-50) - These sections of the General Laws involve the sale of land by auction. The purchaser’s title is subject to the prior owner’s right of redemption, and the purchaser has no right of possession until the right of redemption is foreclosed under Land Court rules. The price must at least equal the taxes, interest, and any intervening charges due on the property.

Deeds in Lieu of (c. 60, § 77C) - The town may accept a deed as an alternative to a tax taking or foreclosure provided that all those with an interest in the property join as grantors. Town meeting must accept the deed, after which the property is treated as a tax possession. Taxes, charges and fees are regarded as if paid and as if a foreclosure had been completed. Recording the deed permanently bars the grantors from reacquiring the property.

Land of Low Value and Abandoned Properties (c. 60, §§ 79-81A) - With approval of the Commissioner of Revenue, the treasurer can foreclose a tax title by auction instead of a Land Court proceeding. This administrative foreclosure procedure is restricted only to land where the property's value is insufficient to cover the taxes, interest, fees, and charges due; the value is less than \$21,370 (calendar year 2017); and a lawful tax taking has occurred. With the Commissioner's approval, the treasurer may also place abandoned properties on fast tracks to foreclosure.

Owners Unknown (c. 59. § 11) - If, after diligent efforts, the assessors cannot find a property's owner of record, they may make an assessment to persons unknown. If the taxes remain unpaid after demand, the property is moved through the tax title and Land Court foreclosure processes.

Tax Collection Service (c. 60, § 2B) - Through a request for proposals process, the town can engage the services of a collection agency to collect taxes where a demand has been made, with the exception of property taxes. Compensation for the collection service is limited to the larger of the fees that would otherwise be due the collector or one-third of the taxes collected, and this charge is added to the amount due.