

TOWN OF SOUTHWICK

FINANCIAL MANAGEMENT REVIEW

FEBRUARY 2026



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Financial Management Resource Bureau

www.mass.gov/dls

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

February 3, 2026

Select Board

Southwick Town Hall
454 College Highway
Southwick, MA 01077

Dear Board Members,

I am pleased to present the enclosed Financial Management Review of the Town of Southwick. The Division of Local Services is committed to assisting municipalities in achieving effective fiscal stewardship, and it is my belief the recommendations presented here will help the community become better positioned for the future.

If you have any questions regarding this report, please contact Zack Blake, Financial Management Resources Bureau Chief, at blakez@dor.state.ma.us.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the Select Board's request, the Division of Local Services (DLS) completed a financial management review (FMR) for the Town of Southwick. A team from the Financial Management Resource Bureau (FMRB) conducted the review in collaboration with staff from the Bureaus of Accounts (BOA), Local Assessment (BLA), and Municipal Finance Law (MFLB). The review coincides with changes in the town's administrative and financial offices, along with discussions to incorporate remote entry processes and expand training to better utilize financial software. In recent years, Southwick has appointed a new Chief Administrative Officer, established a combined Treasurer/Collector position and created a separate department for the Town Clerk, which was previously housed in the Treasurer/Collector's office. The offices continue to navigate these transitions while creating the best workflows for each department.

With a new Chief Administrative Officer at the helm following decades of long-tenured service, this review provides an opportunity to take a fresh look at the town's financial management practices. It is also noteworthy that Southwick's last financial management review was conducted in 1990. Since then, changes in leadership, increased service needs, and evolving state-level requirements and best practices in municipal finance emphasize the importance of an updated review to provide guidance and recommendations that reflect current operational challenges, technological opportunities, and expectations for transparency and accountability. This review emphasizes the importance of long-term financial planning, documented guidance and procedures to ensure consistency, transparency, and continuity moving forward.

Southwick's local officials should look at how the town's financial structure and budget procedures might be modified to enhance effectiveness in future budget years. Southwick benefits from a tradition of stable governance and long-serving financial staff, but at the same time faces the challenge of modernizing systems and ensuring cross-departmental coordination. In recent months, progress in creating efficiencies includes providing staff training on the full functions and capabilities of Munis across the finance departments, establishing regularly scheduled finance department meetings, and the restructuring of the Treasurer/Collector office that was previously combined with the Town Clerk's office.

These actions represent important steps forward; however, while regular meetings have improved communication, the town has not yet formalized a financial management team with defined roles, authority, and accountability. In addition, the lack of long-term financial planning tools, the absence of a definitive budget calendar, and the continued reliance on manual processes highlight areas in need of improvement to ensure long-term consistency, accountability, and efficiency.

BACKGROUND

The Town of Southwick is part of Hampden County, which lies along the Connecticut border and is part of the greater Springfield region. The community is known for its agricultural heritage and recreational amenities while also functioning as a mixed-use municipality with residential, commercial, and light industrial development. In addition, the Congamond Lakes serve as a significant seasonal draw, contributing to tourism and recreational activity that supports the local economy, particularly during the summer months.

Southwick operates under an open town meeting form of government. Town voters elect several boards and commissions, including the Board of Assessors, while a three-member Select Board serves as the Town's chief policy-making body and appointing authority for department heads. The Select Board appoints the Chief Administrative Officer (CAO), who oversees the Town's day-to-day administrative operations.

The CAO coordinates municipal operations across departments, while an Assistant CAO manages human resources responsibilities. Together, they support the administration of the Town's organizational, personnel, and operational functions. The CAO also plays a central role in coordinating financial management among the Accounting Office, Treasurer/Collector's Office, and Assessing Department. These offices work collaboratively to support budgeting, accounting, payroll, revenue administration, and financial reporting.

The Town Accountant has served in the position for approximately eight years and holds certification through the Massachusetts Municipal Auditors' and Accountants' Association (MMAAA). The prior Town Accountant trained the current Town Accountant, with a primary focus on long-standing manual processes. The Accounting Department consists of the Town Accountant, an Assistant Accountant, and two clerical staff members who support daily accounting functions. The department currently processes payroll and accounts payable, manually, on a bi-weekly basis.

The Treasurer, Collector and Town Clerk functions were previously combined, but have since been split into two positions. The Treasurer/Collector returned to Southwick in December 2023 after briefly serving another community and supported the transition with separating the Town Clerk role and reestablishing the Treasurer/Collector's office structure. The Treasurer/Collector has worked for the Town since July 2013, beginning her career in the former Treasurer-Collector-Clerk's office before the Town appointed her as Department of

Public Works Office Manager in 2014. In addition to the Treasurer/Collector, the office has two full-time Assistant positions, with a cross-trained clerical position shared with the Town Clerk’s office.

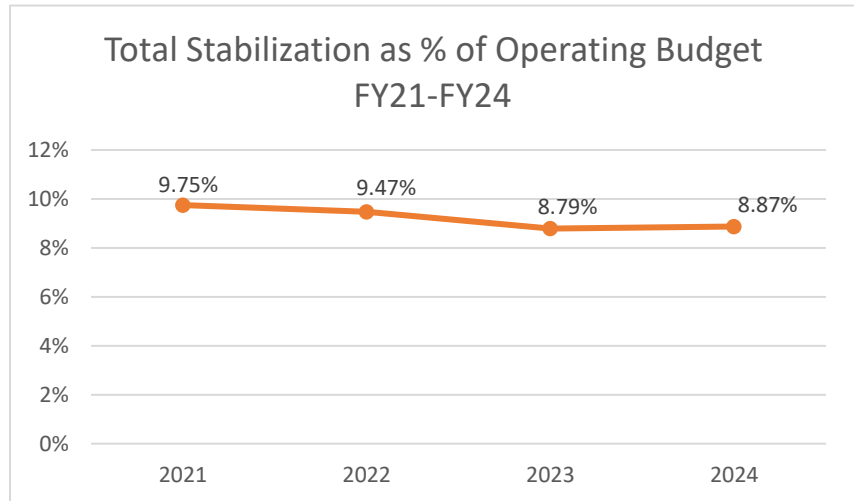
During the initial interviews for this review, the Assessing Department experienced staffing turnover. Since that time, the Select Board appointed a new Director of Assessment following the retirement of a long-tenured employee who had served the Town for approximately 30 years. The Assessing Department employs two clerical staff and relies on Bishop & Associates as its assessing consultant. The timing of this review coincided with a property revaluation and recertification cycle. During this period, the Assessing Department addressed several statutory and operational requirements that required additional coordination and focus with the Bureau of Local Assessment (BLA).

A review of Southwick’s financial indicators offers important context for understanding recent budget decisions and the framework for long-term financial planning. These indicators illustrate how the Town has relied on a mix of recurring revenues, one-time resources, and available capacity to support annual operations, and they help distinguish between sustainable revenue sources and those intended for limited or strategic use.

Peer data helps illustrate the range of financial conditions and practices among comparable municipalities and support a broader understanding of Southwick’s fiscal capacity, revenue mix, and financial flexibility. When considered alongside local trends and operational context, this information assists in evaluating financial indicators and informs discussions related to forecasting, reserve use, and long-term financial planning. The peer communities shown below are decided based on factors related to population, budget size, geographical location, average single family tax bill.

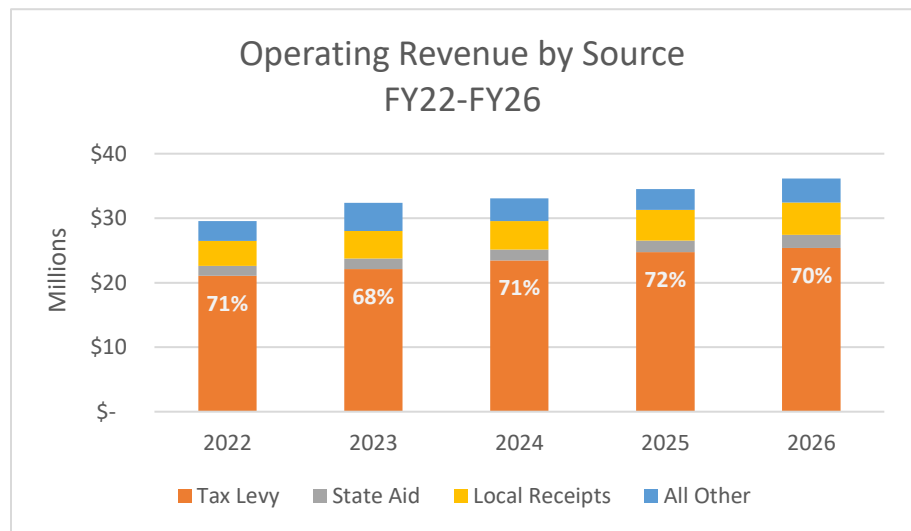
Municipality	County	2023 Pop.	2023 Income Per Capita	2024 EQV Per Capita	FY2025 Omnibus Budget	Free Cash Amount as of 7/1/2024	FY 2024 Stabilization Fund	FY25 Avg Single-Family Tax Bill	Moody's Rating	S&P Rating
Blackstone	WORCESTER	9,210	39,339	161,343	31,570,086	3,070,447	3,705,004	6,409		AA+
Lancaster	WORCESTER	8,802	45,231	170,123	29,810,870	2,437,362	1,938,256	8,454	Aa3	
Monson	HAMPDEN	8,104	40,622	144,083	30,634,971	2,157,530	1,582,639	5,163		AA
Montague	FRANKLIN	8,444	28,195	151,599	28,093,324	1,388,324	1,288,748	4,491		AA
Pepperell	MIDDLESEX	11,710	49,847	180,573	36,018,034	1,086,185	492,750	7,535	Aa3	
Rutland	WORCESTER	9,422	46,453	164,683	29,639,569	997,314	1,269,196	6,478		AA
Southwick	HAMPDEN	9,195	48,321	171,525	34,490,431	4,236,350	2,934,443	6,085	Aa2	AA
Spencer	WORCESTER	11,920	35,138	147,388	28,606,253	2,051,612	1,725,596	4,622	Aa3	
Townsend	MIDDLESEX	9,004	42,197	166,485	27,794,064	628,955	1,303,967	6,279	Aa3	
Ware	HAMPSHIRE	10,067	28,224	113,078	39,705,060	3,140,689	1,422,375	4,629		AA
Westminster	WORCESTER	8,377	50,824	209,581	33,257,374	4,140,642	5,750,782	5,776		AAA
Winchendon	WORCESTER	10,441	28,079	122,042	36,231,744		1,444,644	4,006		AA

Southwick maintains a healthy stabilization fund balance in comparison to its peer communities. Several years ago, the town made a one-time appropriation into the stabilization fund that has positioned the Town with a healthy and stable reserve balance relative to its operating budget. Since the Town does not make regular appropriations to or from the stabilization fund, the balance has remained stable over time, but as the budget grows, the



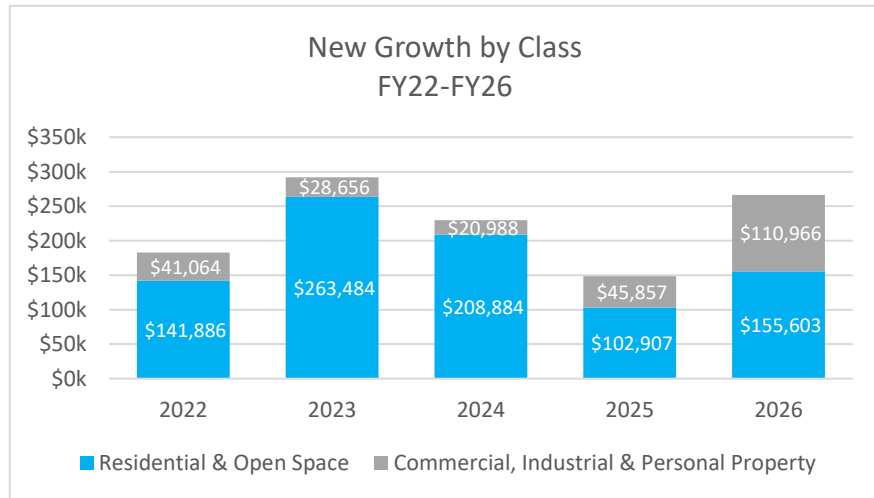
stabilization fund balance as a percentage of the operating budget has declined. As part of long-term financial planning, local officials should review and formalize a reserve policy that clearly defines a funding strategy and goals as well as appropriate uses of stabilization funds.

Southwick’s operating budget relies primarily on the tax levy as its most stable and recurring revenue source, while state aid and local receipts represent smaller and more variable components. “All other” revenues, which include one-time and non-recurring funds, have contributed to total available funding in recent years. This composition highlights the importance of distinguishing between recurring revenues that

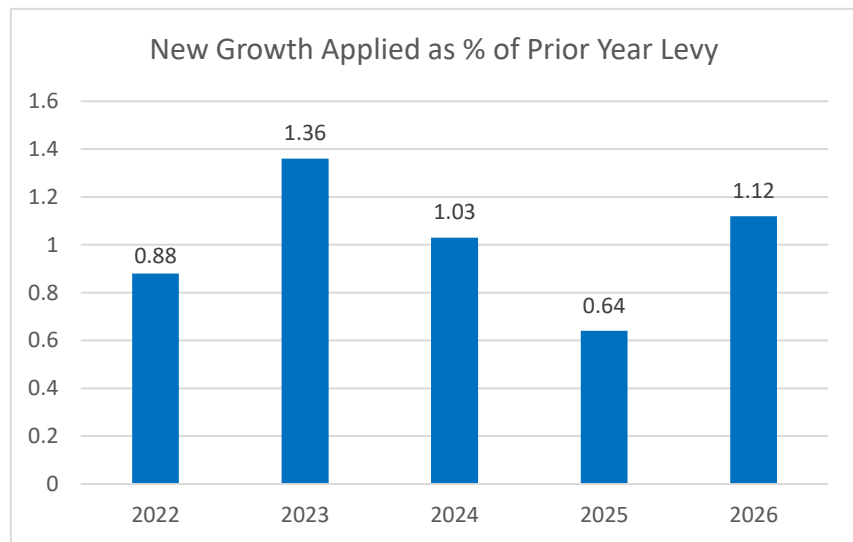


can reliably support ongoing services and one-time revenues that impact budget balances in the short term but do not provide sustained funding. Understanding the impacts of each revenue source and how they could change on an annual basis is an important part of forecasting from year to year. Especially during times of economic volatility as budgeting practices should be driven by revenue assumptions and not by expenditures. This underscores the importance of regularly reviewing expenditures against revenue reports, particularly given statutory levy limits and the variability of local receipts.

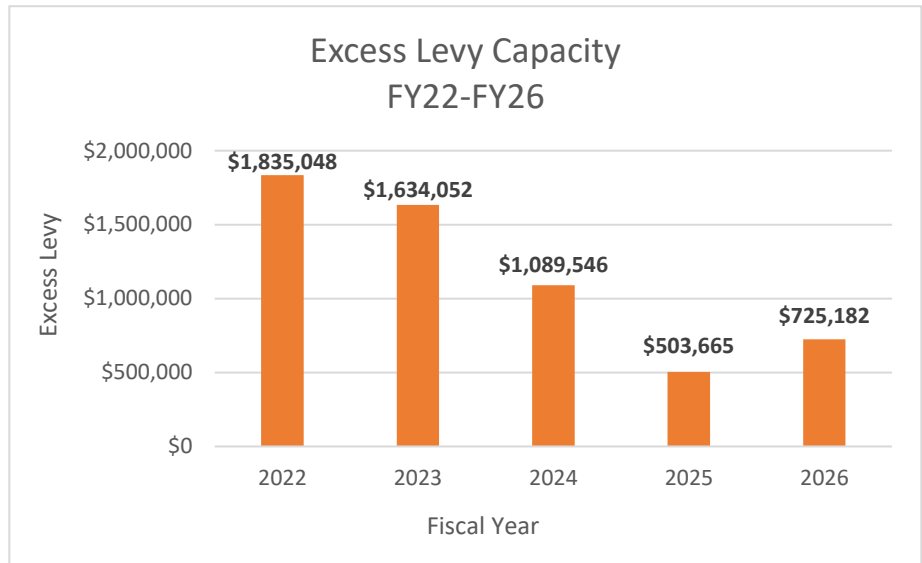
New growth has provided a consistent but modest contribution to Southwick’s annual levy capacity over the past five fiscal years. The composition of new growth has been driven primarily by residential development, which accounted for majority of the growth in most years. Commercial, industrial, and personal property growth has been more variable. As a result, the Town’s tax base expansion continues to be influenced more by residential development than by sustained commercial or industrial investment.



Between FY22 and FY26, new growth ranged from approximately 0.6 percent to 1.4 percent of the prior year levy limit, adding between \$150,000 and \$300,000 annually to the tax base. While this growth supports incremental budget capacity, it represents a relatively small share of total levy and does not, by itself, materially change the Town’s long-term revenue outlook or ability to accommodate major expenditure growth.

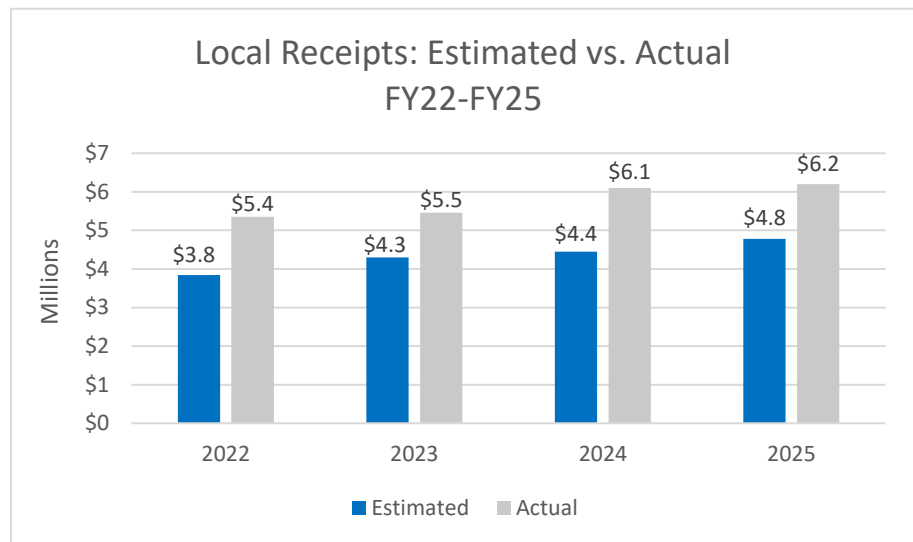


Excess levy capacity is the amount of property tax the Town is legally allowed to levy under Proposition 2 ½ but chooses not to levy in a given year. The Town’s excess levy capacity has declined by roughly 60 percent over the past five years, indicating that the



Town has gradually utilized more of its available levy capacity to support the operating budget. While excess capacity provides flexibility in individual years, it does impact the Town’s ability to respond to future cost pressures, revenue shortfalls, or unforeseen events. Monitoring excess levy capacity alongside multi-year revenue and expenditure forecasts helps inform decisions about the pace and sustainability of budget growth.

Local Receipts consist of revenues generated locally by the Town, including motor vehicle excise taxes, departmental fees, charges, licenses and permits, and other miscellaneous revenues. In reviewing local receipts data, actual receipts have consistently exceeded budgeted estimates in recent years. While this pattern reflects prudent budgeting practices, it also highlights the importance of formal forecasting

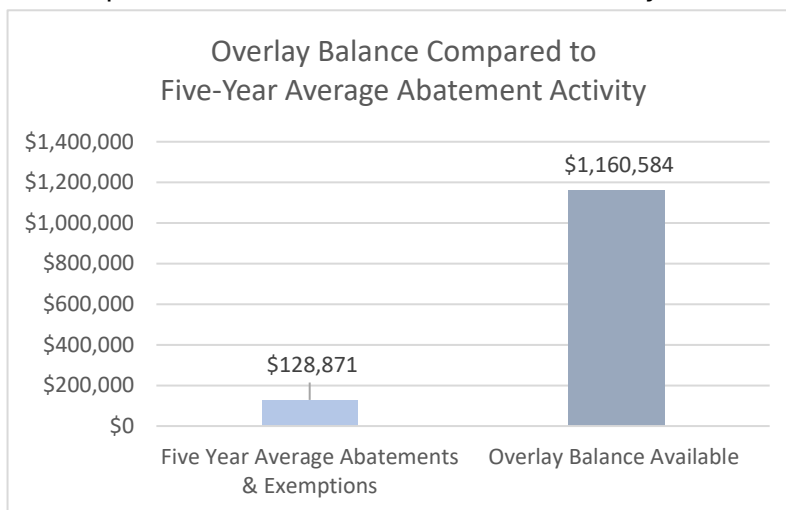


assumptions and

consistent estimation methodologies. Local receipts should be estimated at no more than 90 percent of the prior year’s actual receipts, helping mitigate the risk of overestimating revenues that may fluctuate based on economic conditions, enforcement activity, or one-time factors.

Despite the town formally adopting enterprise funds for water and sewer, they have not addressed how they report the revenue on the tax rate recap. Revenues are currently included within the local receipts for charges generated by the Water and Sewer funds. In FY2025, total actual local receipts totaled approximately \$6.2 million, of which approximately \$1.5 million was attributable to Water charges and \$900,000 to Sewer charges. Together, enterprise fund charges represented approximately 39 percent of total local receipts.

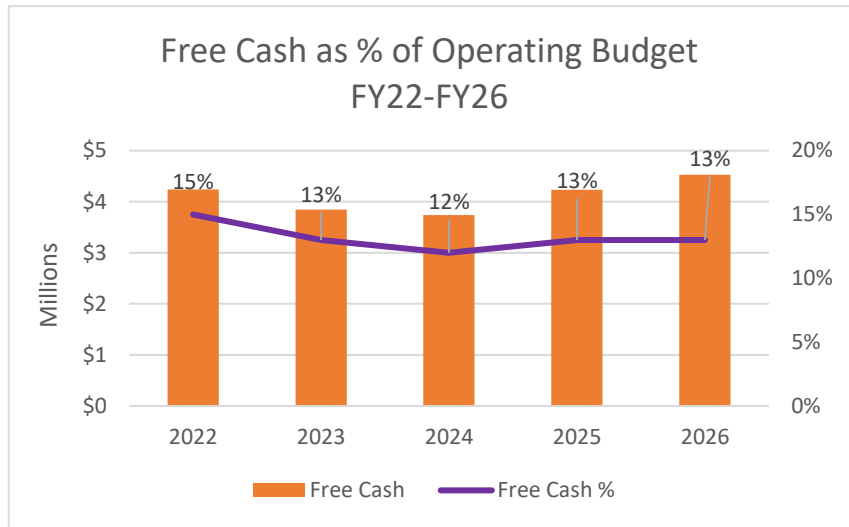
The overlay reserve is a dedicated account established through the tax rate process to fund property tax abatements and exemptions. The amount raised for overlay is based on historical abatement activity and anticipated liabilities, and any balance remaining after abatements and exemptions are paid may be reviewed by the Board of Assessors and, if deemed excess, transferred to overlay surplus for other municipal purposes with appropriate approvals.



Southwick’s current overlay balance is higher than recent abatement experience when compared to the five-year average of abatements and exemptions. As part of future financial policy development, the Town may benefit from periodically reviewing its overlay practices to ensure the amount raised remains proportionate to actual liabilities while continuing to provide adequate protection against unforeseen future liabilities.

Free cash represents the portion of a municipality’s prior year operating surplus that is certified by the Bureau of Accounts (BOA) after the close of the fiscal year. It is calculated based on the reconciliation of revenues and expenditures, adjusted for encumbrances, deficits, and other balance sheet items, and reflects the net result of year-end financial operations. As such, free cash is commonly viewed as a key indicator of a community’s short-term financial health and the effectiveness of its financial management practices.

As shown in the chart to the right, Southwick’s annual free cash balance have remained relatively strong and stable over the last five fiscal years, ranging from 12 to 15 percent of the annual operating budget. Maintaining free cash within this range is generally consistent with best practices and provides



important flexibility to address one-time expenditures, capital investments, or transfers to reserves.

Southwick regularly appropriates approximately \$3.0 million of free cash annually to support their operating budget. While the use of free cash for budgetary support may provide short-term relief in individual years, reliance on this non-recurring funding source to finance ongoing operations is not generally recommended. Free cash is intended to be used primarily for one-time purposes, capital projects, or reserve funding, rather than to offset structural operating costs, as continued reliance can mask underlying revenue or expenditure imbalances and reduce financial flexibility over time.

The chart also illustrates the importance of monitoring free cash as a percentage of the operating budget within the Town’s greater financial policy framework. Establishing a target range and formal methodology for the use of free cash would support long-term sustainability by reinforcing the distinction between free cash as a measure of financial health and free cash as a funding source. Southwick’s free cash levels are driven largely by conservative revenue estimates and positive year-end operating results. Continued adherence to this methodology, coupled with a formal free cash policy, will help ensure that variances strengthen reserves and long-term financial stability rather than supporting recurring operating commitments.

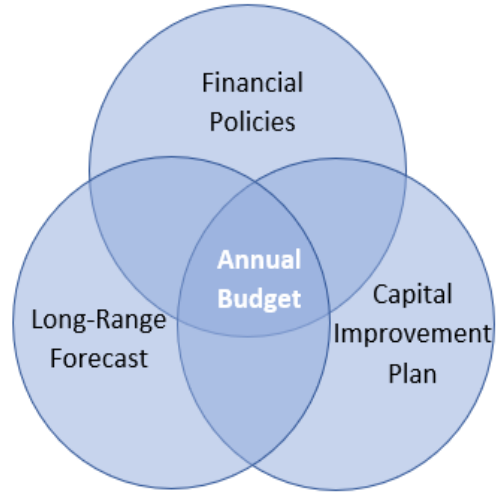
The financial indicators presented above provide important context for understanding the Town’s revenue structure, financial flexibility, and use of one-time resources. Trends in local receipts and state aid demonstrate the variability inherent in revenue sources that depend on economic conditions, collection activity, and annual state appropriations, reinforcing the

importance of consistent and conservative forecasting practices. Excess levy capacity and overlay balances offer insight into the Town's available fiscal flexibility and its ability to manage risk within the property tax levy. At the same time, the free cash data demonstrates the role that one-time resources have played in supporting the operating budget, highlighting the distinction between recurring revenues and non-recurring funding sources. Considered together, these indicators frame the need for a sustainable financial approach that aligns recurring expenditures with reliable revenues and reserves with one-time or strategic purposes, which informs the recommendations that follow.

RECOMMENDATIONS

1. Develop a Multi-Year Financial Plan

To establish a sustainable financial strategy, we recommend that Southwick develop an integrated multi-year financial plan. This plan should bring together formal financial policies, the analysis informed by the long-range financial forecast, and the capital improvement plan, resulting in the presentation of the annual budget. By connecting these foundational elements, the budget can adequately deliver on the town’s needs and priorities and support community planning while mirroring the town’s values. This effort should be driven by the town administrator with supporting efforts from the financial team.



Financial Policies

Establishing and maintaining written financial policies provides the Town with a consistent framework for decision-making, regardless of changes in personnel or leadership. Clear policies help ensure that annual budget development, long-term planning, and daily financial operations follow a repeatable and transparent process grounded in data, statute, and local priorities. When policies are documented and consistently applied, they reduce institutional risk by establishing shared expectations for staff, administration, and elected officials, promote accountability across departments, and support continuity during periods of staff turnover while serving as a reference point when evaluating financial decisions. The policies we recommend Southwick explore include:

Financial Planning	Financial Operations
Annual Budget Process	Anti- Fraud
Capital Planning	Disbursements
Debt Management	Financial Management Team
Financial Reserves	Grants Management
Forecasting	Reconciliations
Overlay	Revenue Turnover
Special Purpose Appropriations	Year-End Closing

The absence of a comprehensive, formally adopted policy framework increases reliance on institutional knowledge and informal practices. Over time, this can lead to inconsistent application of financial standards, particularly during periods of fiscal stress or leadership transition.

- Financial Planning Policies - Financial indicators, including trends in free cash, excess levy capacity, new growth, and revenue composition, underscore the importance of formal financial planning policies that guide how one-time and recurring revenues are used and how long-term financial decisions are made. Key planning policies include the annual budget process, capital planning, debt management, financial reserves, forecasting, overlay, and special purpose appropriations, all of which provide the framework for aligning resources with long-term fiscal sustainability. A clearly defined financial reserves policy distinguishes between appropriate one-time uses, such as capital investment or debt reduction, and recurring operating expenditures, reinforcing the practice of avoiding structural imbalances.

A formal forecasting policy establishes standard assumptions, timelines, and roles for evaluating how changes in local receipts, state aid, and growth affect future operating capacity, which is particularly important given variability in certain revenue sources and the Town's limited flexibility under Proposition 2½.

Capital planning and debt management policies further strengthen the Town's ability to plan for long-term infrastructure needs while balancing affordability and taxpayer impact. Together, these planning policies support disciplined financial decision-making and help ensure that budget development, capital investment, and reserve management remain aligned with the Town's long-term financial capacity.

- Financial Operations Policies - Strong financial operations policies support effective internal controls, accurate financial reporting, and consistent execution of day-to-day financial activities. Core operational policies include anti-fraud, disbursements, grants management, reconciliations, revenue turnover, and year-end closing, each of which contributes to sound financial administration and accountability across departments.

Formalizing operating procedures through these policies clarifies roles and responsibilities, establishes consistent workflows and timelines, and reinforces the importance of data integrity in financial decision-making. Strong reconciliation and year-end closing policies are foundational to accurate reporting and timely certification of free cash. Regular, documented reconciliations between the general ledger, the Treasurer's cashbook, and the Collector's receivable records help ensure that financial information used for decision-making is complete and reliable. Clear operational policies also reinforce shared accountability across departments and support the Town's ability to demonstrate sound financial management practices to auditors, rating agencies, and other stakeholders.

Collectively, these policies support not only internal consistency but also external credibility. Credit rating agencies place value the presence and consistent application of formal financial policies when evaluating a community's fiscal management practices. Clearly articulated policies signal discipline, foresight, and commitment to long-term planning, all of which contribute positively to a municipality's bond rating and borrowing costs.

When developing and adopting these policies, the Town should ensure coordination with existing bylaws, local regulations, and governance structures so that policies reinforce, rather than conflict with, established authority and processes. Policies should also be developed collaboratively, with input from finance staff, administration, the Select Board, and the Finance Committee, to ensure they are practical, understood, and supported across the organization. Southwick is encouraged to inquire about attending a future financial policy training where the Financial Management Resource Bureau will offer hands-on guidance in building effective financial policies.

Long-Range Forecast

As part of the overall financial plan and annual budget process, we recommend that the Chief Administrative Officer (CAO) work with Southwick's finance team to create a multi-year revenue and expenditure forecast. A regularly updated forecast provides decision-makers with an early view of emerging structural deficits, long-term impacts of policy decisions, and the sustainability of current service levels.

As an essential long-term planning tool, the forecast should be updated routinely as new information becomes available. At a minimum, updates should occur after the annual budget is approved in the spring, so that the forecast reflects the final, balanced budget approved by Town Meeting and the certified tax rate, and again at the close of the fiscal year, when

budgeted amounts are replaced with actual results. This practice ensures that future projections are grounded in the most current and accurate financial data.

The forecast should include all sources of revenue, collective bargaining agreements, debt service, capital outlay, and known expenditure pressures. Maintaining this information in a single, consolidated forecast allows Town officials to evaluate how current decisions affect future budgets and supports more transparent discussions about tradeoffs, timing, and priorities. A comprehensive forecast provides a practical framework for evaluating potential changes in services, departmental reorganizations, or salary and benefit adjustments. By adjusting assumptions within the forecast, Town officials can assess the long-term financial impacts of alternative scenarios and better understand how individual decisions fit within the broader fiscal picture.

We encourage an updated forecast to be presented at a joint meeting of the Select Board and Finance Committee at the beginning of the budget process, to inform guidance included in the budget memo. Doing so ensures that preliminary revenue assumptions and projected challenges in the upcoming or immediate out-years are understood before budget decisions are made. Maintaining a multi-year forecast will also support the Town's efforts to gradually discontinue the use of free cash in the operating budget. By displaying revenues, expenditures, reserve use, and assumptions together, decision-makers can more clearly visualize how reductions in free cash appropriations affect future budgets and identify the timing and scale of adjustments needed to eliminate the structural deficit.

Southwick is encouraged to inquire about attending a future policy and forecasting training workshops where the Financial Management Resource Bureau (FMRB) will offer hands-on guidance in building these tools.

Capital Improvement Plan

The Town should develop, maintain, and formally adopt a multi-year Capital Improvement Plan (CIP) that identifies, prioritizes, and schedules capital investments over a defined planning horizon. While Southwick has an established Capital Expenditures Committee and bylaws that outline capital budgeting, debt, and planning guidelines, the Town's current approach to capital spending is largely reactive, addressing needs as they arise, rather than guided by a documented, forward-looking plan.

As reflected in the Town's bylaws, the intent of the capital planning framework is to coordinate capital investments with the annual operating budget, project future operating impacts of capital projects, protect the Town's capital assets, and identify appropriate funding sources in advance. However, without a formal, consistently updated five-year CIP, these objectives are difficult to fully realize. A written CIP provides the structure needed to translate policy goals into an actionable strategy.

A comprehensive CIP should inventory the Town's major assets, identify capital needs across departments, estimate project costs, and establish priorities using clear evaluation criteria, such as those already outlined in the Town's capital planning guidelines. The plan should distinguish between capital projects and routine capital maintenance, ensuring that ongoing maintenance costs are incorporated into departmental operating budgets while true long-term investments are evaluated through the capital planning process. Developing a formal CIP will also play a critical role in strategic financial decision-making, particularly with respect to reserves and debt. The Town's heavy reliance on free cash to support the operating budget has limited its ability to use it to fund capital and reserves. A clearly articulated CIP creates a framework for redirecting free cash toward pay-as-you-go capital investments, reducing pressure on future borrowing and reserving debt capacity for large or mandated projects.

2. Create a Budget Process and Codify in in Bylaw

We recommend the Town formally document and codify in bylaw an annual budget process. The budget process should include a clearly defined calendar that aligns financial analysis, forecasting, and decision-making across departments, administration, and boards. The budget process is currently largely informal, begins in December and is heavily reliant on individual meetings with department heads rather than a coordinated, data-driven workflow. This limits the Town's ability to evaluate fiscal capacity, assess long-term impacts, and make strategic budget decisions grounded in consistent financial information.

Currently, departments are provided with approximately one month to develop budget requests, followed by departmental hearings in late March before the Finance Committee. These hearings occur with limited coordination among departments, minimal integration of revenue forecasting or certified free cash data, and without a consolidated financial narrative prepared in advance. As a result, budget discussions tend to focus on isolated line-item

reductions, including ad hoc requests for across-the-board percentage cuts, rather than on an evaluation of overall fiscal conditions, service priorities, or structural balance.

The absence of a formalized budget calendar further complicates the process. Free cash is not certified until January, limiting its usefulness during early budget development, while capital and operating decisions are made without a clearly articulated forecast of recurring revenues, fixed cost drivers, or reserve impacts. This makes it difficult for the Select Board and Finance Committee to assess tradeoffs between maintaining services, funding capital needs, and preserving reserves.

A formal process would also strengthen the advisory role of the Finance Committee by providing a consistent financial framework within which to evaluate budget proposals. Rather than reacting to individual requests or percentage reductions, the Committee would be better positioned to assess how proposed budgets align with forecasted revenues, reserve policies, and long-term sustainability.

Consistent with the Town's Budget Monitoring policy, which requires ongoing financial oversight and corrective action when projections indicate potential deficits, a codified budget process would allow fiscal challenges to be identified earlier and addressed more thoughtfully. Regular monitoring, coupled with clearly defined checkpoints in the budget calendar, would enable the Town to adjust course before structural imbalances emerge, rather than relying on late-stage reductions.

Codifying the budget process through policy or bylaw would clarify expectations, roles, and timing for all participants, while reinforcing the CAO's responsibility for coordinating budget development and analysis. A documented process would establish a structured sequence that includes early revenue and expenditure forecasting, development of a preliminary financial outlook, coordinated departmental submissions, and the preparation of a comprehensive budget document with narrative for context. This approach supports more meaningful deliberation and reduces reliance on arbitrary reductions late in the process.

3. Adopt a Government Study Committee

The Town should consider establishing a Government Study Committee to conduct a comprehensive review of its governance structure, roles, and reporting relationships. While Southwick has already taken important steps by codifying its CAO in bylaw, periodically

reassessing the overall governmental framework—including titles, authorities, and organizational alignment—is considered a best practice as communities grow operationally more complex.

A formal government study provides the Town with an opportunity to holistically evaluate whether its current structure continues to support efficient service delivery, clear accountability, and effective coordination between elected officials, boards, and professional staff. This approach contrasts with incremental or piecemeal bylaw changes by allowing the community to assess governance comprehensively and deliberately. There are several bylaws that currently discuss policy, capital planning and committees that are not consistent with current processes and should be reviewed to determine effectiveness.

As part of this process, the Select Board should appoint a Government Study Committee charged with conducting a comprehensive and unbiased review of the Town’s governance structure. The committee should be composed primarily of appointed community members, representing a broad range of perspectives and expertise, and may include select appointed officials or staff in an advisory capacity. To preserve objectivity and avoid perceived conflicts, elected officials should generally not serve as voting members of the committee.

The committee’s charge would include examining the role of the Town’s CAO, including whether the current job title, authorities, and reporting relationships accurately reflect the responsibilities already vested in the position. The committee should also review existing bylaws, organizational alignment, and reporting structures to determine whether they continue to support effective service delivery, accountability, and coordination between boards, elected officials, and professional staff.

In conducting its work, the committee should meet with department heads and local officials, solicit public input through surveys or forums, and establish a clear timeline for progress updates and the presentation of a final report to the Select Board. Based on the committee’s recommendations, the Select Board may consider sponsoring town meeting articles proposing targeted bylaw amendments or, if appropriate, charging the committee with drafting a town charter proposal to address governance comprehensively rather than through incremental or piecemeal changes.

It is generally considered best practice for municipalities to review their governmental framework every eight to ten years to assess whether structural or procedural adjustments could improve effectiveness or efficiency. Peer community data indicate that towns of

similar size and budget profile have increasingly undertaken such reviews, with many adopting charters and clarifying executive authority as part of broader governance modernization efforts. Establishing a Government Study Committee would allow Southwick to engage in a similar evaluative process, grounded in local priorities and informed by public input.

4. Create a Consolidated Finance Department and codify in Bylaw

We recommend that the Town establish a consolidated finance department, codified in bylaw, under the supervision of a finance director. A consolidated finance structure would enhance internal communication, improve consistency in financial practices, and better support the Town's administrative and policy-making functions. Southwick does not currently have a finance department or a formally designated finance director; instead, financial responsibilities are distributed across multiple offices without centralized managerial oversight. The Finance Director role can be combined with the Treasurer/Collector, Accountant or Assessor. As municipalities grow in operational and financial complexity, it becomes increasingly common to consolidate core financial functions to improve coordination, internal controls, and decision support.

A consolidated finance department would bring together accounting, assessing, and treasury/collections functions under a unified management structure while preserving the statutory authority of elected boards and officers. This structure would improve coordination of activities that involve multiple departments, including tax commitments, abatements and exemptions, billing and collections, warrant processing and disbursements, debt management, new growth analysis, long-range forecasting, and the regular reconciliation of cash and receivables.

As the day-to-day manager of fiscal activities, a finance director would be responsible for ensuring that finance staff carry out their respective duties effectively; chairing regular finance team meetings; maintaining awareness of cash flow, receivables, and liabilities; and, ensuring the timely completion of reconciliations, internal control procedures, and required filings with the Department of Revenue's Division of Local Services (DLS). The finance director would also advise the CAO, Select Board, and Finance Committee, supporting budget development, capital planning, and policy implementation. Recently, the CAO has encouraged the finance department heads to meet on a regular basis to discuss timelines, projects and the municipal calendar to help improve communication. Codifying this

structure in bylaw would clarify roles and reporting relationships, provide continuity across personnel changes, and ensure long-term stability in the Town's financial management framework. It would also help Southwick to strengthen financial planning and support informed decision-making by Town boards and committees.

Massachusetts law authorizes cities and towns to establish a consolidated municipal finance department by ordinance or bylaw, most commonly including the assessing function within the consolidated department while retaining the Board of Assessors' advisory and statutory roles. [M.G.L Ch. 43C, §11](#) provides communities with the flexibility to organize finance functions in a manner that promotes operational efficiency, clear communication, and accountability.

5. Correct Enterprise Fund Structure and Reporting

The Town should correct and align the structure and reporting of its Water and Sewer enterprise funds to ensure that enterprise revenues, expenditures, and funding sources are fully and consistently reported as enterprise activity across all financial documents, including the tax rate recap.

Southwick has formally adopted enterprise funds for its Water and Sewer operations, and these funds are appropriately reported as separate funds on the Town's balance sheet. However, enterprise revenues are currently included within local receipts on page 3 of the tax rate recap rather than being reported within the enterprise sections (A-2) of the recap. As a result, enterprise activity appears to be reported as enterprise funds and as general fund local receipts, creating confusion regarding the Town's revenue structure and enterprise fund sustainability. When a community accepts an enterprise fund, the operation should be fully reported as an enterprise, including the proper classification of revenues, expenditures, and retained earnings. Enterprise funds are intended to identify the total cost of providing a service, determine whether user charges are sufficient to support operations, and ensure that revenues generated by the enterprise are retained within the fund to support operating, capital, and debt service needs. Consistent enterprise reporting also allows for appropriate reimbursement of indirect costs to the general fund and improves understanding for decision-makers.

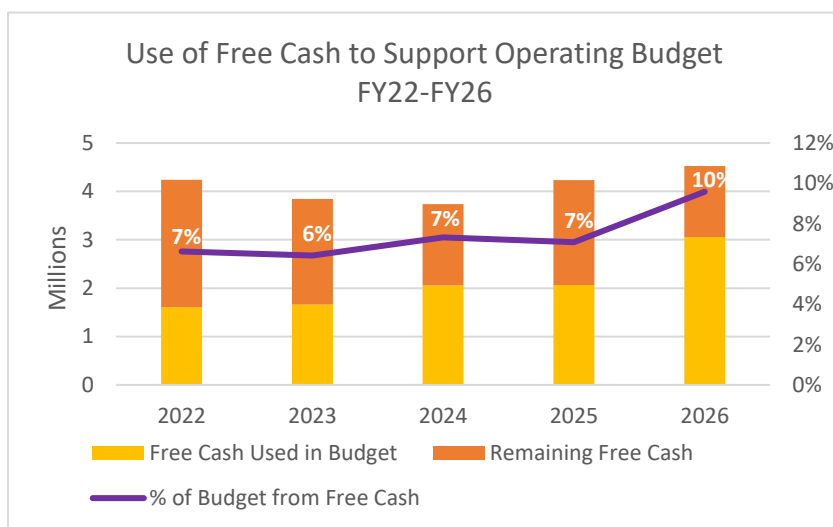
Correcting the enterprise reporting structure will provide a clearer distinction between enterprise and general fund revenues, improve the accuracy of the Town's financial presentation, and strengthen rate-setting decisions.

6. Limit Use of Free Cash to One-Time Expenditures

The Town should work to gradually eliminate the use of free cash to support recurring operating expenditures and redirect those funds toward one-time capital investments and its stabilization funds. Continued use of free cash for recurring expenditures during periods of economic volatility can set up a fiscal cliff if it can no longer be generated or replaced.

Southwick currently uses approximately \$3 million in free cash annually to offset the operating budget. Over time, this approach creates a structural imbalance, as operating costs outpace revenue growth. When budgeting, recurring costs should not exceed the revenues collected from the tax levy, local receipts, and state aid. Other available funds,

such as free cash, stabilization, overlay surplus, and additional reserve accounts, should be appropriated primarily for one-time expenditures. As shown in chart, the Town has relied on free cash to fund between 6 percent and 10 percent of the operating budget over the past five



years. While this practice has helped balance annual budgets, it has reduced remaining free cash balances and increased the Town's exposure to structural deficits if one-time revenues are not replaced with recurring sources.

The Town should adopt a phased, multi-year strategy to gradually reduce the use of free cash for operating purposes. Each year, a smaller share of free cash should be appropriated for the operating budget. This deliberate approach provides flexibility, allows time for budget adjustments, and avoids sudden impacts on services or taxpayers. When reviewing revenue projections, the Town should periodically examine its free cash methodology and revenue assumptions, including the approach of local receipt estimates and the extent to which year-end closeouts contribute to free cash generation. As part of this strategy, the Town should continue reviewing service delivery, staffing models, shared service opportunities, and operational practices to identify efficiencies and cost-containment opportunities that support long-term financial sustainability and reduce reliance on non-recurring revenues.

As the Town develops and formalizes a CIP and adopts a Financial Reserves Policy, these tools can be used together to prioritize and strategize the use of free cash. A clear capital plan provides a framework for selecting and sequencing projects, while reserve policies establish target levels and define appropriate uses for various reserve types. In combination, these practices enable decision-makers to transition free cash away from operating support and toward intentional, policy-driven investments that strengthen the Town’s financial position.

Over time, this approach will improve transparency in budget decisions, preserve reserves for their intended purposes, and support a more structurally balanced operating budget, while continuing to invest in the infrastructure and assets that residents rely on.

7. Adjust Free Cash Certification Timeline

The Town should evaluate its free cash certification timeline to ensure that year-end processes are completed efficiently and in coordination with audit and balance sheet requirements. Timely free cash certification supports informed decision-making, particularly when free cash is considered for appropriation at Town Meeting, capital funding, or reserve planning. The table below summarizes the Town’s free cash submission dates for the past five fiscal years relative to the commonly used October 31st deadline.

Fiscal Year	Target Date	Southwick Submission
FY2021	October 31st	January 19th
FY2022	October 31st	February 15th
FY2023	October 31st	February 10th
FY2024	October 31st	February 12th
FY2025	October 31st	January 31st

Delays in certification can limit the Town’s ability to evaluate available one-time resources during the budget development process and may contribute to uncertainty when making financial policy decisions. Adjusting the timeline may involve establishing earlier internal deadlines for year-end departmental submissions, completing balance sheet reconciliations on a more consistent basis throughout the fiscal year, and strengthening coordination among the Treasurer/Collector, Accountant, auditors, and other departments involved in year-end closeout.

Improving the predictability of the free cash certification timeline will also support other long-term planning efforts. Earlier certification allows Town officials to better distinguish between recurring and non-recurring revenues, reinforces the gradual reduction of free cash use in the operating budget, and facilitates more strategic use of free cash for capital investments or stabilization funding. In addition, timely certification improves the Town's ability to incorporate accurate assumptions into multi-year revenue and expenditure forecasts and to align free cash decisions with adopted financial policies.

While free cash certification is ultimately dependent on audit completion and DLS' review, the Town can improve outcomes by proactively managing internal processes and expectations. Regular communication with the Town's auditors, advance planning for year-end entries, and clearly defined responsibilities can help ensure that certification occurs as early as practicable within the statutory framework.

8. Review Job Descriptions and Establish a Compensation Plan

We recommend that the Town undertake a comprehensive, town-wide review of employee job descriptions and conduct a compensation and classification study to establish a structured and equitable compensation framework. Taken together, these actions will strengthen organizational clarity, promote fairness and transparency, and provide Town officials with the information needed to make informed, fiscally responsible personnel decisions in future budget cycles.

Based on our review, many of the Town's job descriptions have not been formally updated in several years. In addition, the Town does not currently maintain a standardized compensation structure, such as a grade and step system, to consistently align wages with job responsibilities, qualifications, internal equity, and market conditions. The absence of updated job descriptions and a formal compensation framework limit the Town's ability to assess workload distribution, address recruitment and retention challenges, and plan for compensation adjustments in a systematic and transparent manner.

A job description review should be conducted as a foundational step. This process should ensure that all positions have current, accurate descriptions that clearly define essential duties and responsibilities, required qualifications, supervisory relationships, and working conditions. As part of this effort, the Town can also identify overlapping duties, gaps in

responsibilities, and incompatible functions that may pose operational or internal control risks.

Once job descriptions are updated, the Town should conduct a compensation and classification study, ideally with assistance from an independent consultant to ensure objectivity and regional benchmarking. This study would evaluate internal equity among positions, compare compensation levels to peer communities, and provide recommendations for establishing job grades, salary ranges, and potential step structures. The results would give Town officials a clear framework for managing compensation decisions and provide reliable data to support future labor negotiations and personnel planning.

When implementing a compensation plan, it is important that it be integrated into a multi-year financial forecast to understand the budgetary impacts of salary adjustments. A forecast will allow the Town to model phased-in strategies and potential staffing changes, ensuring that compensation decisions are aligned with sustainable revenue growth and broader fiscal goals.

9. Implement Enhancements in Personnel and Payroll Management

The Town currently processes payroll through a largely manual system that relies on department-submitted paper timesheets, manual data entry, manual calculation of payroll taxes and withholdings, and the printing of payroll checks, despite all employees being enrolled in direct deposit. While the Town's use of a biweekly payroll cycle is consistent with best practices, the manual nature of the overall process creates inefficiencies, increases the risk of human error, and limits the Town's ability to fully leverage existing financial software capabilities.

The Town's financial software Munis has the functionality to streamline time and attendance reporting, automate payroll calculations, apply contractual pay rates and deductions consistently, and integrate payroll directly with the general ledger. Transitioning to a remote entry-based payroll processing would reduce duplicative effort, improve accuracy, and strengthen internal controls by standardizing workflows across departments.

As part of this modernization effort, departments should submit employee time and attendance data electronically through the payroll system rather than via paper timesheets. Automated calculations would replace manual computation of earnings, deductions, and taxes, reducing the likelihood of calculation errors and the need for after-the-fact corrections. In addition, employee leave accruals can be maintained directly within the system, eliminating the need for separate manual tracking and reconciliation.

In evaluating payroll structure, the Town should also ensure that payroll responsibilities align with statutory requirements. Under Massachusetts General Law, municipal treasurers are responsible for the custody and disbursement of municipal funds, including payroll. Given that the Treasurer/Collector is already responsible for benefit reconciliations, maintaining the payroll system under the Treasurer/Collector's office is appropriate and consistent with statutory intent. The Treasurer/Collector would be responsible for processing payroll, issuing payments, and ensuring the accurate disbursement of wages and withholdings.

At the same time, the accounting department should continue to serve as the reconciling and oversight agent. Accounting should be responsible for reviewing payroll registers, reconciling payroll postings to the general ledger, and serving as the custodian of labor contracts, pay schedules, and approved timesheets to confirm that totals processed by the Treasurer/Collector align with department submissions and contractual obligations. This division of responsibilities strengthens internal controls by separating payroll processing from accounting review and posting functions. Implementing a system-based payroll process and clarifying functional roles will not only improve efficiency and accuracy but also support compliance, transparency, and audit readiness.

While this transition represents a significant operational change, phasing in payroll system functionality and updating procedures accordingly will position the Town for more effective personnel and financial management over the long term. Initial steps may include configuring payroll and time-and-attendance modules, establishing standardized department procedures, and providing training for staff responsible for data entry, review, and approval. The Town may also benefit from running parallel payroll cycles for a limited period to validate system calculations and ensure accuracy before fully discontinuing manual processes. Clearly documenting revised roles, responsibilities, and workflows will be critical to a successful transition and to maintaining continuity of payroll operations throughout the implementation period.

10. Expand Munis Data Entry

We recommend that the Town initiate a phased effort to expand the use of Munis by decentralizing certain data entry functions—specifically accounts payable and receipt entry—to the department level. At present, Southwick does not have any departments entering financial data directly into Munis. Instead, invoice and receipt information is submitted to central finance offices for entry, resulting in duplicated effort, delays in processing, and an increased risk of data entry errors.

Munis is designed to support distributed workflows that allow transaction data to originate at the department level while maintaining appropriate review, approval, and internal control functions within the finance offices. Communities that successfully decentralize data entry typically experience improved efficiency, timelier processing, clearer accountability at the point of origin, and better use of staff time across departments.

Under a remote entry model, departments would be responsible for entering invoice and receipt data into Munis, while finance staff would retain oversight, review, and posting authority. This structure preserves statutory responsibilities and internal controls while eliminating redundant data entry.

- Entry of Accounts Payable - Departments should be trained to enter vendor invoice data into Munis after receiving goods or services. Once a departmental employee enters an invoice batch, the department head reviews the batch alongside the supporting documentation and approves it electronically. Departments would still submit original invoices to accounting in accordance with records retention requirements or scan and attach invoices directly to the Munis transaction. The Accounting office would continue to review invoice entries and support documentation for accuracy, proper account coding, compliance with procurement requirements, and availability of appropriations before including transactions in a vendor warrant. This process maintains the accountant's statutory role while improving overall workflow efficiency.
- Entry of Receipts - Designated staff in departments that receive payments could similarly be trained to enter receipt data into Munis. Departments would submit physical receipts (checks and cash), along with the related Munis reports, to the Treasurer/Collector's office. Treasurer/Collector staff would verify that the physical

receipts match the system entries before accepting the turnover and releasing the batch in Munis for accounting review. The accounting office would continue to reconcile departmental receipt activity and ensure proper posting to the general ledger in accordance with statutory requirements.

Because Southwick does not currently utilize departmental Munis data entry, this transition should be implemented gradually, department by department. Initial efforts may focus on departments with higher transaction volume or simpler workflows. Clear written procedures, defined approval paths, and targeted training will be critical to minimizing errors during the transition. While remote entry may initially require additional oversight by finance staff, overtime can result in more efficient processing, improved data accuracy, and better use of Munis system capabilities.

ACKNOWLEDGMENTS

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