Town of Uxbridge

Financial Management Review

Division of Local Services / Technical Assistance Bureau

May 2008

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 Uxbridge.

We have based our findings and recommendations on site visits by a technical assistance team consisting of staff from the Division's Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management & Technical Assistance Bureau. During these visits and by telephone, the team interviewed and received information from the selectmen, members of the finance committee, town manager, finance director, town accountant, town clerk, assessor, as well as other staff members, as available, in each office.

DLS staff examined such documents as the tax recapitulation sheet, warrants, annual budgets, balance sheets, cash reconciliation reports, statements of indebtedness, the town charter and by-laws as well as other assorted financial records. Other documents reviewed included the town's outside audits for fiscal years 2005 and 2006 completed by Melanson, Heath & Company.

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

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

Overview

Uxbridge, with an estimated 2006 population of 12,613, is on the southern boundary of Massachusetts in the center of the Blackstone Valley in Worcester County. It is bounded by Northbridge on the north, Mendon and Millville on the east, Burrillville and North Smithfield, Rhode Island on the south, and Sutton and Douglas on the west. Primary transportation arteries include Routes 146 and 16 which provide easy access to Worcester, Providence, the Massachusetts Turnpike and I-495.

Uxbridge was prominent in the nation's industrial beginnings because of its abundant water resources. Once a notable mill town, it was known especially for its cashmere woolen mills and for manufacturing fabric for military uniforms. The Bernat Mill, where water-driven power looms were first introduced, was the third-largest US yarn mill in 1968. While the buildings remain, most of the mills began to close in the 1970s. On July 21, 2007, a fire erupted at the historic Bernat mill, nearly destroying the complex. At the time of the fire, the structure had ceased operating as a mill and had been converted into space containing 65 small businesses.

Uxbridge has a FY2008 budget of $34.8 million funded largely by local property taxes (50.9 percent); state aid accounts for another $11.1 million or 31.9 percent. The town's average single-family tax bill is $3,578 in FY2008, 13.0 percent below the average of $4,115 for the 328 cities and towns reporting so far; Uxbridge's average single-family property values are 17.9 percent less than the state average. And, while the average tax bill is significantly lower than the state-wide average, it has increased at virtually the same rate as the state average since FY2000 (46.3 percent increase in Uxbridge compared to a 47.9 percent increase statewide). With a single tax rate of $10.47 per $1,000 in FY2008, Uxbridge's residential tax rate is at about the average of its immediate 12 neighbors.[1]

The legal framework for local government and fiscal management is established by the town's charter, adopted in May 2002. A five-member board of selectmen collectively acts as the executive branch of government and appoints a town manager to run day-to-day operations. The town manager is responsible for appointing all non-school department heads, including the members of the town's financial team (finance director, town accountant and assessor). She serves as the town's personnel director and is responsible for presenting an annual budget and capital improvement plan to the selectmen and finance committee each year. To provide policy direction to the manager, Uxbridge has initiated the use of "Budget Summits," when the selectmen, finance committee and school committee meet to develop budget options or reach consensus on issues in advance of town meeting. A capital planning committee provides the manager with a five-year capital proposal which form the basis for her own recommendation to

[1] We compared Uxbridge's tax rate to those of its closest Massachusetts neighbors: Blackstone, Douglas, Grafton, Hopedale, Mendon, Millbury, Millville, Northbridge, Oxford, Sutton, Upton and Webster.

selectmen. However, the capital plan has lacked any significant funding source for the last several years which has prompted growing concern about the condition of town buildings, equipment and roads.

Like many cities and town's Uxbridge's fiscal situation is strained. Revenues are growing more slowly than recurring costs. The $34.7 million FY2008 budget was initially balanced only through the use of $1 million in stabilization reserves after an advisory vote to place an override on the ballot failed at the 2007 Annual Town Meeting. Another $820,000 was transferred from stabilization at a special town meeting to eliminate additional deficits for FY2008[2]; stabilization reserves provided 5.2 percent of total spending in the current year. The town was fortunate to have sizable reserves to fall back on during the last couple of years, but they are now nearly exhausted. The town's $34.4 million FY2009 budget is $337,724 or .97 percent less than the FY2008 budget and is balanced without an override or the use of reserves. To balance the budget, the town manager eliminated four part-time positions in town hall, another three full-time positions (two DPW and one library position), reduced police overtime, eliminated an annual $200,000 School/Town Building Maintenance account, and did not include any funding for capital spending or for three of four collective bargaining agreements. The town's deteriorating fiscal condition, i.e. its dependence on free cash and reserves and slower projected revenue growth, recently caused Moody's Investor Service to assign a "negative outlook" to Uxbridge's current A2 bond rating.

Conclusion –Overall, town government is well run and our recommendations are few. In fact, the management structure in Uxbridge contains many of the features that DOR would typically recommend to a town – a town charter, a strong professional manager, appointed financial positions, a financial management team, early and thoughtful focus on the annual budget, and revenue forecasts. Managers and staff are capable and committed. The town manager provides the centralized management structure to guide decision making. Financial checks and balances are in place. Finance-related committee members are engaged and committed. Communication and cooperation between and among officials is good.

At the same time, the town's fiscal condition is frayed. The strategies employed to balance the municipal budget have included the use of stabilization funds and the deferral of capital spending. While they may be expedient in the short run, these strategies cannot be continued for long before reserve funds are exhausted and capital demands escalate. The town has been able to find some one-time strategies to reduce spending or generate additional revenues in the last couple of years without cutting services or raising taxes until FY2009 balancing the budget did require service cuts, but without the usual reliance on reserves.

[2] The $820,000 includes $340,528 to fund the snow and ice deficit, another $250,000 for health insurance due to open enrollment changes, and the balance to close two prior year deficits in the school lunch and child care revolving funds.

Looking forward, the town is likely to be perennially forced to decide between reducing services, generating additional tax revenues through an override, or a combination of both. From a financial management perspective, the town's primary needs are to rebuild reserves and build capacity for a capital plan, and we recommend as much.

Table of Report Recommendations

Overall Financial Management (page 5)

1) Adopt Reserve Policies
2) Consider Special Purpose Stabilization Funds
3) Formulate Other Post-Employment Benefit (OPEB) Liability Policy
4) Evaluate Participation in the State's Group Insurance Commission
5) Require Retirees to Enroll in Medicare

Computers and Technology (page 11)

6) Have Employees Sign E-mail and Internet Policies
7) Expand GIS Use

Finance Director and Treasurer/Collector (page 13)

8) Eliminate Redundancies
9) Adopt MGL Chapter 60, §23B
10) Improve Collection Control
11) Schedule Billings
12) Consider a Lockbox Service
13) Require Direct Deposit
14) Institute a Bi-Weekly Payroll System

Accountant (page 17)

Assessor (page 18)

15) Consider Hiring a Data Collector
16) Make Forms Available on Town Website
17) Close Office to the Public

Overall Financial Management

A review of the town's overall financial management practices focuses on the procedures in place to accomplish tasks that typically cross over various municipal departments, as well as those that tend to impact town government on a global basis. Accordingly, we examined the budget process and the payroll and vendor warrant processes. We looked at long-term planning, financial monitoring practices and financial policies, as well as the effect of the town's organizational structure on the operation of government. We examined the purchasing system and personnel administration. We considered the roles and relationships among individuals together with the level of communication and cooperation that exists among offices. Finally, we reviewed local compliance with state laws and regulations relating to finance issues, adherence to acceptable form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

There have been significant changes in the town's management structure since the adoption of a new charter in 2002 as well as turnover in several key positions. The charter change created a town manager position with great authority to run the day-to day business of the town including a prominent role in its fiscal management. The charter gives the manager responsibility to formulate an annual budget and a capital improvement plan, appoints her as the personnel administrator and makes her responsible for purchasing. She and most of the town's financial officers are relatively new to town service; the town manager and finance director/treasurer/collector took office in early 2006; the accountant started last April; the exception is the principal assessor who has served the town since 2004. Only the town accountant joined the town without previous municipal experience, but he seems to have made the adjustment from the private sector well and has been instrumental in improving financial controls and in centralizing the town's purchasing system.

The annual budget process in Uxbridge is systematic, inclusive and responsive. While primarily the responsibility of the town manager, she has delegated much of the background work for the annual budget to the finance director. He begins the process with three-year forecasts of revenues and expenditures; he distributes budget guidelines and solicits spending requests from departments. For the FY2009 budget the town has convened four so-called "Budget Summits"—joint meetings of the board of selectmen, the finance committee and the school committee—to communicate priorities and provide policy direction to the town manager as she develops her budget recommendation for selectmen and annual town meeting.

The manager's goal at the start of the process this year was to propose a revenue-based balanced budget for FY2009 instead of the usual maintenance of effort budget with a projected structural deficit which would be eliminated by means of a Proposition 2½ override or budget reductions. In the first iteration of the budget she rounded up the "usual suspects"—the senior

center, parks and recreation programs and the library— for elimination and reduced several town hall positions in order to balance revenues and expenditures. At the Budget Summits, the selectmen directed her to restore spending for the senior center and the library. Reluctant to suggest an override after the town failed to pass one last spring, the proposed budget is balanced by budget cuts.

On balance, the finance-related offices of the finance director and accountant are effective in the execution of the tasks required in the collection and deposit of receipts, and in producing vendor and payroll warrants for review and approval by the manager. The assessor is timely in delivering the commitments of taxes to the treasurer/collector and a regular exchange of information between offices typically takes place.

Conclusion – What one could say about overall financial management in Uxbridge could also be said of many communities in Massachusetts – stressed fiscal conditions lead to short term crisis management instead of long term strategizing. In Uxbridge this is manifested in procrastination on reserve policies and capital spending. Day-to-day operations are generally sound but more focus is needed on long-term issues. Formal statements on debt and reserve policies are missing. Better planning for the funding of capital improvements, health insurance and retirement benefits are needed.

In order to avoid tax increases, budgets have been cut from less visible areas, and non-recurring revenue such as free cash or stabilization has been used to fund operating expenses of town departments. Although the police and fire departments and the school system typically received budget increases until FY2009, town leaders cut back on capital improvements, road maintenance, vehicle replacement and town hall personnel, and eliminated the School/Town Building Maintenance account for FY2009. This is a miscalculation, for as buildings, roads and bridges deteriorate, the cost to improve them escalates exponentially; and as town hall personnel are reduced, important duties such as cash management and property valuation programs falter.

A long-term plan helps guide a town as it makes budgetary decisions, for it dictates what must be continually funded, even in times of tight finances. As is typical in most communities, tight fiscal conditions are used as an excuse when the town fails to pay attention to long-term needs. This is a mistake for it is even more important to have and follow a long-term plan when finances are tight so that personnel needs, reserves and capital infrastructure are not ignored. Decision makers must take a forward-looking, big-picture perspective.

These decisions are difficult and increasingly common among Massachusetts municipalities under the constraints of Proposition 2½. Accordingly, our recommendations are intended to provide local leaders with the tools to better anticipate, explain and plan for future fiscal conditions.

Recommendation 1: Adopt Reserve Policies

We recommend that the selectmen formally adopt reserve policies. The combination of competing spending priorities and limited revenue options make building reserves a challenging task. Often, depending on the fiscal circumstances facing town meeting, it can be difficult to preserve a sizable reserve balance. Policies to contribute additional revenues to reserves and to restrict spending of reserve funds should be formally adopted.

Formal written policies that establish guidelines for funding and maintaining reserves can help a community sustain operations during difficult economic periods. Reserves can be used to finance unforeseen or emergency needs, to hold money for specific future purposes, or in limited instances, to serve as a revenue source for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and as a consequence, its long-term cost to fund major projects. A prudent reserve policy will:

- Establish target balances for the stabilization fund, annual free cash and other reserves in a total dollar amount or as a percentage of the total annual budget. It will develop a schedule of annual appropriations, i.e., to stabilization, or limitations on use, i.e., of free cash, designed to reach and sustain target balances gradually over time;

- Direct the use of all or a portion of free cash as a funding source for stabilization, or as an outlay for one-time capital projects. It will use revenue from a specific recurring income source (i.e., rental income) for similar purposes;

- If free cash must be used for operations, restrict its use as a general revenue source for the ensuing year's budget and to a maximum percentage of total free cash available;

- Restrict the use of unexpected, non-recurring revenue, or surplus revenue, to one-time costs, to tax levy relief, etc.;

- Restrict the use of the stabilization fund to non-recurring expenditures and only in an amount above a certain dollar threshold. It will set similar guidelines on use of free cash.

Recommendation 2: Consider Special Purpose Stabilization Funds for Capital Needs

We recommend that the town consider establishing multiple purpose stabilization funds. A fund might be established to solely pay for the maintenance and repair of municipal buildings. Another might be created to supplement state highway funds, received under Chapter 90, to cover the cost of an on-going street improvement fund. A stabilization fund might be set up to finance a vehicle replacement program. In order to budget on a prospective basis, multiple

purpose stabilization funds are an excellent tool for establishing a consistent, annual funding source, or expenditure level, for capital improvements.

A special purpose stabilization fund:

- Encourages a community to think long-term. Programs to replace vehicles, maintain buildings and improve roads require evaluations of each asset, formulation of a replacement or repair schedule, and calculation of projected costs over time.

- Helps a community save money. Rather than pay cash, if the $400,000 purchase of a fire truck were borrowed over 15 years, interest payments could add $150,000 to $200,000 to the total cost. Even if this interest cost would have a nominal tax rate impact, it can instead be a savings or expended elsewhere.

- Helps a community manage debt. A plan to accumulate cash over time and pay outright for a capital expenditure avoids borrowing and helps control overall debt levels. It is a practice viewed in a positive light by credit rating agencies.

- Builds resident confidence in government. Special purpose stabilization funds directly address resident concerns and provide assurance that money intended for a particular purpose will be used for that purpose and will not be diverted.

There are two options for building balances in a special purpose stabilization fund. One is the traditional budget line-item appropriation. In the past this was accomplished by a majority vote of town meeting, but, under the new law, a two-thirds vote is required to put aside money into a special purpose fund. A second, new funding option is referred to as an override, but, in fact, has characteristics of both a Proposition 2 ½ override and exclusion.

With town meeting approval, by two-thirds vote, and subsequent voter approval in a referendum, by majority vote, additional tax revenue can be raised above Proposition 2 ½ limits to fund a special purpose stabilization fund. In the years after the initial approval, the same or a lower amount can be raised again, if “appropriated” by two-thirds vote solely by the board of selectmen. After the first year, a referendum is not required, except to change the purpose of a stabilization fund, to divert a balance to another fund, or to increase the amount to be raised.

So, like an override, the additional tax revenue can be raised year-after-year without further town-wide referendum votes. However, like an exclusion under Proposition 2 ½, the levy limit increase need not be permanent. It can be continued, lowered, or removed through action by the selectmen, which must make this decision every year.

Ultimately, special purpose stabilization funds are most efficient as a revenue source, or savings account, for anticipated expenditures. Special purpose stabilization funds work best when they are intended to help pay for expenditures that the community will eventually have to make, i.e., building maintenance, road repairs and vehicle purchases. As important, special

purpose stabilization funds provide a response to resident concerns about the absence of long term planning. For more information on multiple purpose stabilization funds, see IGR 04-201 at the Massachusetts Department of Revenue website.

Recommendation 3: Formulate Other Post-Employment Benefits (OPEB) Liability Policy

We recommend the town formulate a policy in response to its Other Post-Employment Benefits (OPEB) liability. The OPEB unfunded liability is the cost assigned to benefits other than pensions already earned by public employees and to be distributed upon retirement. Post-employment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as Other Post-Employment Benefits, or OPEB. While there is no requirement to fund the OPEB liability thus far, the Governmental Accounting Standards Board (GASB) Statement 45 requires that the dollar value of the unfunded OPEB liability be determined every two years for governments with 200 or more participants. After it completes its evaluation, which is required in FY2009 under GASB 45, the town should define an OPEB policy. It may be as simple as confirming that costs will be covered on a "pay-as-you-go" basis, working toward the establishment of a reserve through special legislation, or a combination of the two.

For additional information regarding OPEB, and steps to reduce the size of the liability, see resources available on the Department of Revenue, Division of Local Services website. In addition, the Government Finance Officers Association (GFOA) has published a request for proposal checklist for OPEB actuarial valuations, see OPEB RFP checklist for details.

Recommendation 4: Evaluate Participation in the State's Group Insurance Commission

We recommend that Uxbridge 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 Uxbridge. The town's spending on employee health insurance increased by 76 percent from FY2001 to FY2006, compared to the GIC increase of 48 percent. In total, the cost of health insurance to Uxbridge is roughly 5 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, Uxbridge 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 Uxbridge 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.

Recommendation 5: Require Retirees to Enroll in Medicare

We recommend that the town accept M.G.L. c. 32B, §18 that requires retired employees and their spouses, who are eligible for Medicare, to join at age 65. Once accepted, a community would be able to continue to provide the same level of health care services to its retirees, but shift a considerable portion of the cost to the federal Medicare program, thereby saving the town $100,000 annually, according to the town's Insurance Advisory Committee. The town would be responsible for the cost of a supplemental insurance policy so that retirees receive the same level of care as they currently get. In fact, Section 18 states explicitly that the actuarial value of the coverage under the Section 18 plans must be comparable to the retiree's existing coverage. To the extent that it reduces future health care costs, the change also will reduce the town's Other Post Employment Benefits (OPEB) liability. A town meeting vote is required to accept M.G.L c. 32B, §18 and must be impact bargained with active employees.

Computers and Technology

Computers and technology play a vital role in municipal financial management today. On the revenue side, computers are used by the assessor to maintain property values, establish tax rates and generate the property tax and motor vehicle excise commitments. The collector receives the assessor's commitments electronically, generates the tax bills, and posts receipts and manages receivables in financial software. The treasurer records departmental turnovers of town receipts to track the town's cash position electronically. On the expenditure side, data from vendor invoices and employees' time sheets are entered into the computer system so that the accountant can generate the vendor and payroll warrants for the town manager's approval; the treasurer signs the computer-generated checks and tracks receipts and disbursements in an electronic cash book. Cash balances and receivables are all reconciled on electronically generated reports. Debt schedules, monthly revenue and expenditure reports, annual budgets, and balance sheets are all maintained in electronic files. E-mail is used regularly to communicate and to provide internal access to information. A town website provides e-mail links to town offices, access to town documents and forms, and a link to pay taxes on-line.

A survey of town finance-related offices revealed a series of about 15 networked desktop and laptop computers of less than two years in use. Operating systems include a variety of Windows versions and Microsoft office products. All computers have e-mail capacity and internet access. Otherwise, the accountant and the finance director/treasurer/ collector both use VADAR software and rely heavily on Excel spreadsheets. The assessor's office uses the Community Software Consortium (CSC) CAMA software and has GIS capability. All the town's servers are backed up daily to tape internally, and off-site with the town's software vendors. Regular training opportunities for VADAR and Excel are available for staff.

The town manager is the point person on technology matters. There is a centralized technology budget under her control. She hires a consultant, WorldBand, for trouble shooting and to advise her on computer-related topics, trends and issues as they relate to the town, including the development of a long-term replacement schedule for town government's technology needs. Unfortunately, the long-term plan has been suspended in the last couple of years because of a lack of funding. The town web-site is managed by the Town Web Site Committee which recommends policy and sets procedures to keep the site secure. It manages site content and insures that information is kept current. In addition, the town has policies on e-mail and internet use for employees.

Conclusion—Overall, the technology needs of the town are adequately met. The biggest challenge will be to maintain capital spending on technology in a time of tight budgets. In addition, we recommend that town employees sign the town's internet and e-mail policies to

acknowledge their notification. Also, we suggest that the town expand GIS capability to departments beyond the assessor's office.

Recommendation 6: Have Employees Sign E-mail and Internet Policies

We recommend that the town require employees to sign copies of the town's e-mail and internet policies. Uxbridge maintains written guidelines outlining the proper and allowable use of e-mail and internet applications by employees. The town should require each employee to sign a form acknowledging that they have read the policies and understand the penalties for non-compliance. A copy of the signed form should be held in the employee's personnel folder.

Recommendation 7: Expand GIS Use

We recommend that the town expand the use of its Geographical Information System (GIS). Currently, the town's GIS system data base only includes resident property information originating from the assessors' office. However, at full utilization, a GIS system typically incorporates overlay information of value to the water and sewer operation, the highway department, the conservation commission and any other town office that works with real property, infrastructure or natural characteristics of the town. Therefore, we recommend the town explore expanding its utilization of GIS. One course of action is to meet with counterparts in other communities to learn of potential benefits and costs.

Finance Director and Treasurer/Collector

The finance director is responsible for coordinating, supervising and directing the financial activities of Uxbridge. He oversees the accountant and principle assessor, and simultaneously serves as the town's treasurer/collector. The finance director executes the financial policies issued by the board of selectmen and finance committee, and reports periodically on the financial condition of the town. He develops three-year revenue projections, formulates the annual budget, oversees the completion of the annual Tax Recap Sheet, as well as leading the process necessary to the certification of free cash.

The current finance director was appointed by the town manager in March 2006. He has two full-time collections assistants, one full-time payroll/benefits administrator, and one part-time treasurer's clerk. The four staff persons share one room in Town Hall in full view of a collection window.

As the day-to-day manager of the town's financial activities, the finance director ensures that all other finance departments effectively carry-out their respective responsibilities and that all other financial services and tasks are accomplished. The finance director chairs regular financial management team meetings, and keeps fully informed about the status of accounts, cash flow and debt. He ensures that all reporting requirements to DOR are fulfilled on a timely basis.

As treasurer, he is the community's cash manager and, as such, has custody of all municipal monies. Under current practices, town receipts are deposited into appropriate bank accounts and balances are monitored to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds and manages debt to maximize investment income and meet cash flow needs. He maintains a cash book in an Excel spreadsheet, which tracks the cash position in the town's nearly 20 checking and investment accounts. It records turnovers from departments, and disbursements through vendor and payroll warrants. The treasurer reconciles his cash book, internally against bank statements and externally against the accountant's general ledger, on a monthly basis. He maintains check registers and various other logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. The treasurer maintains tax title accounts, conducts sales of land and prepares documents to petition for foreclosure. Finally, he also maintains an up-to-date debt schedule.

In Uxbridge, the treasurer's office is also responsible for payroll and benefits administration. A payroll/benefits administrator enters the detail from employee time sheets submitted by departments into payroll software to generate the warrant and payroll checks. The town currently contracts out to Harpers payroll service but plans to switch to a new VADAR payroll module in FY2009. The new software will track sick and vacation time earned and used

by employees, which is currently maintained separately in Excel spreadsheets. As regards benefits administration, this office is responsible for enrollment, correspondence and payments to the various vendors that provide benefits for town employees. Town employees are currently paid weekly, and three-quarters use direct deposit.

As town collector, the finance director collects real and personal property taxes, excises, betterments as well as other charges and payments due the town. The collector's office contracts out for the printing and mailing of all bills, including approximately 5,600 real estate tax bills and 300 personal property tax bills quarterly, and roughly 15,000 motor vehicle excise tax bills annually. A deputy collector, Kelly & Ryan, receives the motor vehicle excise information directly from the Registry of Motor Vehicles, presents the commitment to the assessor for review and conversion to VADAR. The office also accepts payments from 3,300 water customers and 2,500 sewer customers quarterly, and reconciles the water department's and sewer department's postings with the treasurer's deposits regularly.

Collections are counted and posted to taxpayer accounts as they are received, and are deposited daily. More than half of all real estate collections are received by one of the two collection assistants over the counter. All of taxpayer payments received at the collection window are receipted and placed in a single cash drawer until the afternoon deposit. As collector, the finance director maintains an up-to-date receivable control that is reconciled with the accountant's general ledger every quarter. In accordance with state law, the office responds to requests for municipal lien certificates promptly. Real estate demand letters on delinquent accounts are sent immediately and moved into tax title in December.

Conclusion—Overall, the finance director's office works well and fulfills all of its usual responsibilities associated with the roles of finance director, treasurer and collector. Our recommendations include ways to modestly improve the efficiency and accountability of the office.

Recommendation 8: Eliminate Redundancies

We recommend that collection, posting and deposit procedures be modified to eliminate redundancies. We noticed two procedures in the collector's operation that are a duplication of effort. First, in posting a batch of daily collections, the assistant collector posts a payment into the VADAR software from the bills, then runs an adding machine tape on the same bills, and a separate adding machine tape on the checks and cash. She compares the totals on the two tapes to a VADAR report to see if she has made any errors. To reconcile receipts, the VADAR report need only be compared to the adding machine tape on the money. The VADAR report should be identical to the adding machine tape on the bills since they are from the same source, so the adding machine total is redundant.

Second, in preparing deposits at the end of the day, the assistant runs a second adding machine tape on the payments from bills or cash so that one tape can be kept with the bills for the treasurer/collector's records and one tape can be attached to the deposit. This practice is another duplication of effort and could be eliminated by purchasing an adding machine that creates a carbon, or by photocopying the original tape. Alternatively, an Excel spreadsheet could be used to properly record receipts and the preparation of deposits. Copies could be printed as needed.

Recommendation 9: Adopt Chapter 60, §23B

We recommend that the town adopt MGL c. 60, §23B, a local option which allows the town to charge more than the standard $25 for municipal lien certificates (MLCs). Communities that adopt this local option provision may charge more than $25 to issue an MLC in the following cases: for residential properties of four or more families, $100; for commercial, industrial and public utility properties, $150; and, for farms and forests, $50. Local acceptance of this provision would require a town meeting vote.

Recommendation 10: Improve Collection Control

We recommend that the office establish separate cash drawers in the office for each person scheduled for the collector's window duty. This measure would serve as a control measure in the collection procedures. Separate cash drawers will make it easier to account for collections by each person as they cash out and will better enable the office to identify when, or if, discrepancies exist.

Recommendation 11: Schedule Billings

We recommend that the finance director schedule billings on a staggered basis so that the volume of work in the office is more even. While we were conducting our visits to Uxbridge Town Hall, the due dates for the first of the motor vehicle excise commitments and a quarterly water bill fell during the same week. With the bulk of the collections coming into the office through the mail or over the counter, this volume of payments placed an undue burden on staff. If the due dates could be scheduled to fall in different weeks, the workload for the collections staff would have been dramatically improved without affecting the town's cash flow significantly. We suggest that the finance director look at the due dates for all types of collections (real estate, motor vehicle and water and sewer) and devise a staggered schedule of due dates where possible.

Recommendation 12: Consider a Lock Box Service

We recommend the town consider contracting for a lockbox service. In our experience, communities have generally had good results when utilizing a lock box service. As an immediate benefit, staff time would be freed-up if all payments were directed to the lock box without a stop at town hall. Under typical arrangements, payments are deposited by the service, and a record of the day's activity is delivered to the town daily on computer disk and in hard copy. For some communities, between the lock box payments and tax escrow services, manual posting has decreased significantly. We encourage the finance director to complete a review of lock box proposals with the town manager so that costs and benefits can be weighed and a decision made. Decision-makers should weigh the tradeoffs and assess the potential role of the lock box service in the context of long term personnel plans and system-wide technology upgrades.

Recommendation 13: Require Direct Deposit

We recommend that the town move toward direct deposit of payroll for all employees. For the town, this would reduce the cost of issuing checks, prevent the need to reissue checks when lost, and simplify the reconciliation of the payroll bank accounts because there would be no outstanding checks. The employee benefits when the money is deposited in the bank account overnight and is available immediately. This proposed change will require revisions to the town's collective bargaining agreements.

Recommendation 14: Institute a Bi-Weekly Pay Schedule

We recommend that all employees be on a bi-weekly pay schedule. Cost savings are also possible if all employees were moved to a bi-weekly pay period. As a start, the number of checks issued annually would be cut in half. Efficiencies in the use of staff time would also be gained. Currently, teachers in all communities are paid every two weeks, with options for summer pay. Moving town-side employees to a bi-weekly pay schedule would also require collective bargaining. To ease the transition, the town could schedule the move to a bi-weekly pay schedule gradually over a certain period.

Accountant

The 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, debt and receivables with the finance director monthly. He produces monthly expenditure reports and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also tracks revenue, is required to maintain a detailed record of the town debt, and provides support to town departments during the annual budget process. Among required submissions to DOR, the accountant is responsible for producing the town's annual Schedule A by October 31 and its year-end Balance Sheet (for free cash certification). Finally, the accountant works with the assessor and town clerk in the preparation of the town's Tax Recap Sheet.

The Uxbridge town accountant is appointed by and reports to the town manager. He has been employed by the town as accountant for one year, and has no previous municipal experience. He is assisted by a full-time assistant who has been in the office more than three years.

In terms of fulfilling his primary duties, the accountant's office functions well. The assistant enters data from invoices for the town's departments so that vendor warrants can be prepared for the town manager's weekly approval. He maintains detailed records to track sick and vacation time by employee. The current accountant inherited a backlog of work, particularly in the area of reconciliations. Early in his tenure he focused on bringing journal entries current. Reconciliations of cash, receivables and debt with the treasurer/collector are now up-to-date and take place regularly, and monthly revenue and expenditure reports are prepared and distributed to departments electronically.

Conclusion—The accounting function is competently performed by the accountant as fundamental responsibilities relative to the general ledger, the payroll and vendor warrant process, as well as reporting requirements are fulfilled. Not only has the accountant made the transition from private sector to municipal accounting well, but he has been instrumental in improving financial controls and streamlining operations. He has restructured the town's chart of accounts to correspond to the Schedule A, initiated internal audits of departments, and instituted a new centralized purchasing system intended to realize savings, reduce errors and improve processing. In addition to his accounting duties, he is also developing detailed procedure manuals, coordinates software training for town hall staff, and assists the town manager with trouble shooting and monitoring the technology needs of the town. As a result, we have no recommendations for the accounting office.

Assessor

The assessor's office is responsible for valuing all the town's real and personal property, assigning tax payments to owners, and generating the commitments authorizing the collector to collect real estate tax, personal property tax and motor vehicle excise payments. In Uxbridge there is a one person board of assessors, who is also the chief assessor. He is appointed by the town manager to a three-year term. The assessor sets property values and the overlay. He oversees all the administrative and clerical functions of the assessing office with the help of a full-time assistant and a half-time assistant. The half-time assistant's position, which is responsible for most of the data entry and administration of the motor vehicle excise, is scheduled for elimination in the town manager's proposed FY2009 town budget.

To ensure that residents are taxed equitably and accurately, an assessing office maintains and updates property records with information received in response to mailings, from deeds and through the on-site inspection of sale properties and properties where a building permit has been issued. Additional information is gathered during an on-going property measure and list program. Upon resident application, the assessor acts on and tracks exemptions and abatements. He estimates new growth and conducts classification hearings. The assessor recommends the annual overlay and provides levy information for use in the Tax Recap Sheet submitted to DOR. The office is required by DOR to document an annual property value adjustment analysis and to prepare for state certification of property values every three years. FY2010 is the next scheduled recertification year.

The volume of work in the Uxbridge assessing department in FY2008 involves 5,173 residential real estate parcels including more than 800 condominium units, 248 commercial/industrial parcels, 42 parcels of mixed use and 115 parcels in agricultural, forestry or recreational use. There are an additional 284 personal property accounts. All are billed on a quarterly basis. All properties are inspected every nine years as part of a cyclical re-inspection program, although there are about 1,500 properties in town that have not been inspected since 2000. The assessor also accompanies the building inspector on final inspections. Over the course of one year, motor vehicle commitments total between 15,000 and 16,000 accounts.

Most office functions are performed in-house by the assessor and his assistants. Residential property inspections as part of a cyclical re-inspection program, building permit inspections and inspections of sales properties for the calculation of new growth are completed. The assessor conducts 600 to 700 building permit and sales inspections in an average year. Commercial/industrial/personal property valuations and new growth calculations are performed by an outside contractor, Real Estate Research Consultants (RRC). The assessing department uses the Community Software Consortium's computer assisted mass appraisal (CAMA) software

package to store property data and aid in property valuation analyses. The assessor is very satisfied with the quality of the consulting services and the performance of the software.

Property tax records and assessor's maps are maintained on-line, saving staff time. They are kept up-to-date with deed changes from the registry of deeds and electronic versions of plans from the town's Planning Board. The assessor's office is the only office in town that has any GIS capability.

The assessor receives an average of 75 abatement applications (90 in recertification years) annually; one in three is approved. In FY2007, the office issued 158 personal exemptions, including two tax deferrals. The assessor also determines the overlay, a reserve to offset any abatements and exemptions. The Uxbridge assessor has maintained a sufficient overlay to cover normal abatements and exemptions plus an amount to cover the cost of potential abatements from the appeals of three recent court decisions on telephone equipment valuation. Uxbridge also benefited from a special act[3] to change the assessment date for the properties affected by the Bernat mill fire to the day after the fire to avoid abatement requests from the $2 million loss in property value and elimination of 35 personal property accounts.

Conclusion – Overall, the assessing office performs well and our recommendations are minor. The town is fortunate to have experienced and knowledgeable staff in its assessing office who are capable of performing most of the assessing work in-house. Still, there is a concern that the performance of the office will suffer with the scheduled loss of the part-time assistant. It is likely to lack the capacity to complete a sufficient number of inspections in time for the next scheduled revaluation when the assessor's office responsibilities increase as a result of the reduction in support staff. Our recommendations address these issues.

Recommendation 15: Consider Hiring a Data Collector

We recommend that the town consider hiring a data collector to conduct property inspections. For communities that fall behind in their cyclical program, there is the option of contracting with an appraiser, or appraisal firm, to perform a full measure and list. The purpose is to complete visits to all remaining uninspected properties over a brief period of time, but this option is typically very expensive. It is possible that, over the long term, greater efficiencies and benefits can be gained instead by hiring or contracting with a data collector. The town should also consider contacting its neighbors to explore the opportunity of sharing a full-time data collector.

[3] Chapter 171 of the Acts of 2007

Recommendation 16: Make Forms Available on the Town Website

We recommend that the assessor make common forms available to the public via the town's website. Other communities are finding that user-friendly and informative websites are successful in reducing the amount of time that staff spend fielding questions in person or on the phone. A reciprocal time-savings is also experienced by residents and taxpayers. The town website in Uxbridge, specifically, can enhance citizen convenience by making available commonly used forms (e.g. forms of list, exemption forms, income and expense forms), as other town offices are already doing. We suggest that links to these forms should be copied to the assessor's main page and also to the "Forms" page. On-line access to forms has the potential to reduce potential traffic into the office, which should be helpful especially in light of the probable reduction in office hours and personnel cuts proposed for FY2009.

Recommendation 17: Close Office to Public

We recommend that the assessor consider closing the office to the public one day a week, or parts of each day. To help handle workloads, some towns are beginning to close offices to the public for a limited time during the week. Undisturbed time allows the completion of tasks that occur on a regular, recurring basis, and tasks that require greater attention to detail which are better performed without interruption. It also allows the assessor to be out of the office conducting critical property inspections even when his staff is out of the office. This will be especially important given the reduction in staff budgeted for FY2009. As a change in town hall office hours, approval of the Town Manager and Selectmen would be necessary.

Acknowledgements

This report was prepared by

The Department of Revenue, Division of Local Services

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

Frederick E. Kingsley, Bureau Chief
Municipal Data Management and Technical Assistance Bureau

Joseph Markarian, Jr., Supervisor, Technical Assistance Section

Scot Keefe, Project Manager/Financial Analyst, Technical Assistance Section

Melinda J. Ordway, Senior Project Manager/Financial Analyst,
Technical Assistance Section

Kathy Reed, Field Representative, Bureau of Accounts

Stephen Sullivan, Community Advisor, Bureau of Local Assessment

In preparing this review, DLS interviewed the following persons:

Town of Uxbridge:
Michael Potaski, Board of Selectman
Julie Woods, Board of Selectmen
Jill Myers, Town Manager
Edward Maharay, Chairman, Finance Committee
David Utakis, Assessor
Barbara Harris, Assessor's Assistant
David Genereux, Finance Director/Treasurer/Collector
Kelly Poulin, Payroll Clerk
Laura Robbins, Administrative Assistant to Collector
Ellen Mayo, Administrative Assistant to Collector
Justin Cole, Town Accountant
Nora Raymond, Assistant Town Accountant
Lawrence Bombara, Department of Public Works Superintendent