



Town of Granby

Financial Management Review

Municipal Data Management and Technical Assistance Bureau

June 2005



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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 of the Town of Granby.

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, Municipal Data Management & Technical Assistance Bureau, and the Bureau of Local Assessment. During these visits and by telephone, the team interviewed and received information from the members of the board of selectmen, the finance committee, the town accountant, treasurer, collector, board of assessors, 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, town bylaws as well as other assorted financial records. As needed, the town provided us additional internal records.

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 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 members of the board 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 town boards, committees and officials. A few recommendations would require special legislation or other legal action.

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Executive Summary

In its letter to the state Division of Local Services, the Granby Board of Selectmen requested a financial management review of all of town government. The request followed months of negative newspaper attention chronicling a town hall conflict between the board and the town treasurer. With the start of our review, it was clear that an underlying expectation was that our report would focus, almost exclusively, on the performance of the town treasurer.

It also became apparent early on that many people in town government believed that the treasurer's office was, if not the only, then certainly the most significant problem confronting town government. However, this is not the case. In fact, we believe that a singular focus on the treasurer has distracted the voting population from other entrenched, and potentially more debilitating, issues facing Granby that are discussed throughout our report.

Nevertheless, the immediate problem facing town financial operations is the failed cash reconciliations between the treasurer and the accountant. In addition to verifying the available cash to pay bills, cash reconciliations are essential to adequate financial controls and a prerequisite to certifying free cash. In the last three years that free cash was certified, it averaged \$839,613, with the last year (based on the balance sheet for June 30, 2002) totaling \$1,194,013. These are not insignificant amounts for a 6,000-person town with a FY05 budget of \$13.2 million. Therefore, the failure to reconcile has placed the cash standing of the town in doubt, the primary reason behind the town's inability to have certified free cash.

During the course of this financial management review, we have made the effort to understand the evolution of circumstances from the time the treasurer took office in 2003 to the present day. We are not convinced that the town hall environment was free of resentment that she, with no prior municipal experience, had won election over the interim treasurer, whose accomplishments were measurable and appreciated during his short tenure. We also view it as unreasonable to place an expectation on the treasurer that she should devote 32-plus hours a week to a job that is classified and compensated for 10 hours per week.

At the same time, in the face of a steep learning curve, it appears that the treasurer rejected offers of help and opportunities to help herself understand requirements of the job. She could have made a better effort to work with the accountant. She could, with available funding, have hired an assistant. From the start, her inability to produce financial records drew criticism. In an unfortunate response, the treasurer became less visible at town hall and worked more in isolation.

Now, two years later, little communication exists between the treasurer and accountant, and the pertinent present day facts are as follows:

- The reconciliation of the town's cash between the treasurer's records and the accountant's general ledger last occurred in November 2003 when the variance reportedly exceeded \$1 million.
- Absent cash reconciliations, the town has not completed a year-end balance sheet and has not submitted free cash for certification in the last two years.

- The action of the accountant, at the direction of the selectmen, to reconcile the general ledger to copies of the treasurer's bank statements is not a check and balance.

In the last few weeks, though, the treasurer has made a solid attempt to rectify her past mistakes. Communication with the accountant is increasing and she is working on a suitable cashbook from source documents, dating back to July 2003. However, this is a recent phenomenon and there is no guarantee that it will continue. Therefore we are compelled to recommend that the treasurer and accountant make it a priority to reconcile cash. If there is any reason to suggest that the treasurer may be faltering in her duties, she must agree to hire a consultant to address the backlog of financial record keeping and reconciliations. If it reaches a point where the town must incur substantial costs for this outside assistance, the treasurer should submit her resignation.

A secondary, but equally important, immediate concern is the failure to collect receivables dating back to 1976, and the neglect of tax title accounts dating back to 1974. Between the two, almost \$2 million is owed to the town by delinquent taxpayers. These failed collections predate the current treasurer and collector, but that does not absolve the offices of the responsibility to collect money owed to the town. Therefore, a second recommendation involves the generation of a funded plan to reduce those outstanding accounts.

Once the cash reconciliation is achieved and a plan is in motion to reduce tax titles and receivables, the town must then seek to improve on the causes behind these highly visible crises.

The primary concerns facing Granby town government are three-fold: the lack of a long-term plan, unrealistic budgeting, and entrenched failures in government structure. 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. Town leaders in Granby must consider at least two areas in their plan: the use of landfill revenue and capital improvements. Because it has a limited life span, a policy must be implemented for the use of revenue generated from the landfill. We suggest that it be categorized as non-recurring, and therefore only be spent on capital improvements, which have been ignored for too long. The Capital Improvement Planning Committee requires changes so that it has the intention and funding to generate a plan for the long-term rehabilitation, construction, and maintenance of town infrastructure.

The impact of unrealistic budgeting is already being felt by Granby. In order to avoid tax increases, budgets have been cut from less visible areas, and non-recurring revenue such as free cash or stabilization is being used to fund operating expenses of town departments and the ambulance service. Although the police and fire departments and the school system continually receive increases, town leaders cut back on capital improvements and town hall personnel. This is a miscalculation, for as buildings deteriorate, the cost to improve them escalates exponentially; and as town hall personnel is reduced, important duties such as cash management and tax collections falter.

The offices that are in charge of Granby's \$13.2 million budget – the treasurer, accountant, collector and staff assessor – are equally important duties and must be treated that way for a town government to function smoothly. In Granby, they are not. The assessors have a 34-hour per week director and a 29-hour clerk (both are being reduced by two hours for FY06). The collector works

for 32 hours per week and her clerk is budgeted for 20 hours. The accountant is budgeted for 20 hours, and the treasurer for 10 hours. This uneven treatment of equally important offices has contributed to the failed cash reconciliations and tax collections.

Typically, it is the responsibility of the board of selectmen, and other local leaders to inform and advise residents on these looming issues. However, the selectmen are a part-time board, and, in fairness, turnover in key municipal offices has created a lack of continuity in town hall. Two of the three part-time selectmen are relatively new to government.

Granby has grown to the point where part-time, volunteer government is no longer enough.

Hence the third major concern facing Granby today: an outdated government structure. Currently, no one in town hall has the full-time authority to execute town goals or administer personnel. The executive assistant is the only link between the part-time selectmen and the full-time administrative staff, but his role is complicated by the fact that he has no managerial authority over finance officers and half of his time is spent on his duties as acting town accountant.

Empowering a town administrator can consolidate management authority and establish uniform accountability in town hall. Therefore, we recommend that the current executive assistant position be elevated to a full-time town administrator who would be separate from and oversee the town accountant. To give the office the tools it needs to perform at a high level, the treasurer and collector must be made full-time, appointed offices and then combined into one streamlined treasurer/collector's office that also reports to the town administrator. On a day-to-day basis, employees need to report to and know they are accountable to a full-time, professional manager. With this oversight, and appropriate staffing in each office, Granby's financial team should be able to produce an efficient, successful operation.

Conclusion – Although the original request for our presence was to examine the treasurer's office, we discovered that the main concern facing Granby is not the inability of the treasurer and accountant to reconcile the town's cash balances. Neither is it the lack of a program to reduce tax titles and receivables. The more fundamental problem is the absence of a fully empowered, central authority that can demand that the job get done. Additionally, it is not enough that the town simply elevate the current executive assistant to a town administrator. If the position is not given basic and essential management powers by the voters, as well as support from the board of selectmen, the town will not right its fiscal practices.

Those in government who manage the financial affairs of the town and protect community assets have to know with certainty that they will be held accountable for the performance of their fiduciary duties on a day-to-day basis. This management role is not one the voters can fill. Nor is it a role an executive assistant could fill if line authority does not exist and when there is no accountability in town hall.

Granby has reached the point where it needs to examine government structure and financing as it relates to the end product. Government is a service industry, and without the tools to produce a superior product, it will ultimately fail. Therefore, Granby should thrive once there is effective leadership, foresight, and appropriate staffing and budgeting practices in place.

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 among 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 governmental operations. We examined the purchasing system and personnel administration. We considered the roles of and relationships among individuals together with the level of communication and cooperation that exists between offices. Finally, we reviewed compliance with state law relating to finance issues, adherence to form, and to timetables for the submission of periodic reports to the State Department of Revenue (DOR).

A three-member, part-time board of selectmen runs Granby town government. They appoint an executive assistant, selectmen's secretary, and town accountant, among others. An independently elected board of assessors appoints their director of assessing and assessing clerk, and the collector and treasurer are both elected. The finance committee, a five-member board appointed by the moderator and confirmed by the board of selectmen, has longevity with its chairman and secretary (both at least 15 years on the board). The finance committee spearheads the budget process with the help of the accountant and the executive assistant, both positions currently held by the same person. The budget process seems to run smoothly, although Granby, like all municipalities, is facing an era of tight finances.

There is no one in town hall with the authority or time to actively manage all financial offices and boards involved in departmental budget decisions. As a result, the finance committee has been expected to take on a large role in dictating budget expenditures. Outside the budget process, no one manages the town's fiscal affairs, monitors performance, or enforces the statutory duties of the assessors, treasurer, collector, or Capital Improvement Planning Committee. This continued lack of oversight has, over the last twenty years, caused a crisis in the collection of tax bills, a neglect of tax title accounts, and a failure in reconciliations that has prevented Granby from certifying free cash in FY04 and FY05. As a parallel trend and despite substantial landfill revenues, capital expenditures are poorly funded, causing municipal buildings and equipment to deteriorate.

More immediate public focus has been on the performance of the treasurer who was elected to office in 2003 with no prior municipal experience. Whether one believes that the treasurer is solely responsible for her shortcomings in office, or that she was unfairly expected to perform a 32-plus hour a week job for a 10-hour per week salary, the entire episode has had the effect of diverting public attention away from more profound issues that face Granby.

Conclusion – Granby, with over 6,000 citizens, has reached the point in its evolution where it needs to examine how to monitor and fund basic government activities. Most concerns raised in various interviews at town hall pointed to the failure of town leaders to either recognize long-term repercussions of current systems or adequately explain long-term solutions to the voter population.

Of major concern to DOR is the level of outstanding receivables and tax title accounts. For a town with a FY2004 levy of \$5.79 million, receivables total in the neighborhood of \$900,000 (15.54%), and tax titles are in the range of \$1 million (17.26%). To compare, at the time the Commonwealth imposed a Financial Oversight Board on the City of Springfield, its outstanding receivables were 13.5% of its levy and tax titles were 24.1%.

In Granby, receivables and tax titles are serious problems that pre-date the current collector and treasurer. For at least a decade, there has been no obvious effort to implement a program to research their quantity or validity, resulting in few collections. The responsibility for receivables technically falls on the shoulders of the collector and on the treasurer for tax titles, but without appropriate training, oversight, support or budgets, those offices are hamstrung.

To solve this concern, to realize free cash, to improve performance of town hall staff, and, most importantly, to plan for the future, Granby requires structural changes to its financial offices.

Recommendation 1: Reconcile Cash

We strongly recommend that the treasurer and accountant make it a priority to reconcile cash in order to submit a balance sheet as soon as possible. The treasurer, when elected, walked into a situation set up to fail. She had no municipal experience, and her position, which should take at least 32 hours per week, given the backlog of work, was funded for ten. Although we address this matter further later in this report, the end result is that she has been inconsistent in providing records for reconciliation. On the other side, the accountant has found himself in an awkward position. The selectmen, who have lost faith in the treasurer, have instructed him to maintain his own cash book in order to make sure that warrants are funded. This, among other actions fueling mistrust, has created a situation where two important finance officers have, historically, not communicated or exchanged information.

The impact from a broader perspective is that Granby has not submitted a balance sheet to DOR as of June 30, 2003 or June 30, 2004. At stake is a substantial amount of free cash. In the last month, the treasurer has taken advantage of a new cashbook format, and has begun transferring her records. Communication between the accountant and the treasurer is increasing. The hope exists that, with more time and hard work, records will be accurate and reconciled, the FY2004 audit will be successful, and an accurate balance sheet will be submitted to DOR for free cash certification.

However, this work by the treasurer and communication between the two officers is a recent phenomenon with no guarantee that it will continue. Therefore, if, in a couple months, it is determined that the treasurer has faltered in her duties, the office must agree to hire a consultant to maintain the integrity of financial records. If the level of assistance required incurs substantial costs to the town, the treasurer must submit her resignation.

Once past and present records are reconciled and a balance sheet has been submitted, the treasurer's office must keep records current and meet with the accountant monthly to reconcile cash.

Recommendation 2: Reduce Receivables and Tax Titles

We recommend that Granby take the necessary steps to reduce receivables and tax titles. Although discussed in greater detail in the collector and treasurer sections of this report, the tax dollars tied up in receivables and tax titles makes this a town-wide problem. Its resolution extends beyond the ability of a single collector or a single treasurer. Therefore, the selectmen, finance committee and finance officers must meet to determine how the problem can be approached and what resources, in time and money, are available.

It is important to recognize that when residents fail to pay taxes, a financial burden is placed on all other residents to make up the shortfall. The issue of fairness is reason enough to expend money to collect taxes due to the town. However, it is equally compelling to recognize that with clarification of receivables and tax titles, the town will be in a position to present an acceptable Balance sheet to DOR, which is necessary to receive certification of free cash. In this instance, any successful expenditure on reducing receivables and tax titles will pay dividends to the town.

Recommendation 3: Centralize Authority in a Town Administrator

We recommend changes that firmly establish a town administrator as the central authority figure in town hall. The present executive assistant position is effectively a clerical position that reports to the board of selectmen and otherwise serves as a liaison to town departments. The fact that the person who is also the part-time town accountant holds the position has generated a conflict in duties and caused tension among the financial officers.

Currently missing in Granby town government is the essential ability of one, full-time person to execute town goals, to take initiatives to improve operations, and to establish equal accountability over all those responsible for the day-to-day administration of town business. Therefore, the current executive assistant position needs to be elevated to a full-time town administrator, who would oversee a part-time accountant in addition to the other department heads. With these and other responsibilities, the town administrator should have a central role, on a substantive level, in the development of budget guidelines and the annual budget process. He or she should lead a financial management team and orchestrate analyses of financial data, coordinate long-range revenue and expenditure forecasting, and oversee fiscal procedures. Additionally, the town administrator should enforce compliance with bylaws and other procedures, among which are the reduction of outstanding receivables and tax title accounts, as well as the duties of the Capital Improvement Planning Committee.

Granby should also consolidate appointing authority over all department managers in a way that clearly establishes a line of accountability that converges in the town administrator. Under this structure, part-time boards and commissions can continue to provide expert guidance, make customary decisions, and formulate policy. However, the responsibility to oversee town government will be more squarely placed in the hands of a full-time professional hired by the selectmen for that purpose. Ultimately, the position and its specific duties should be codified in a charter.

Recommendation 4: Appoint and Combine the Treasurer and Collector

We recommend that the town convert the treasurer and collector to appointed positions. A clear trend has emerged among Massachusetts' communities in favor of appointed positions. Most act under a prevailing theory of government practice that policy makers should be elected, but operational positions, where a certain skill set is required, such as the treasurer, collector, accountant, assistant assessor, etc., should be appointed. By requiring potential candidates to go through a background check and an extensive interview process, the town would attract a person with the strongest credentials and/or most relevant professional experience. As appointed positions in town hall, the treasurer and collector would be placed on equal footing with other finance officers and department managers who have similar level responsibilities. Each would be accountable, report to the appointing authority, and be subject to annual performance reviews. Under the provisions of MGL Ch. 41 §1B, the treasurer and collector can be made appointed positions by majority vote of town meeting and subsequent acceptance by the voters at a town election.

We further recommend that the town combine the offices of treasurer and collector.

The town also has the option through a special act, or a charter provision when it chooses to adopt a charter, to combine the offices of treasurer and collector. Because of parallels in responsibility for each office, many communities find that having the duties combined into one department generates long-term cost savings. Granby's current set-up with a 32-hour collector, 20-hour collector's clerk, and 10-hour treasurer has created a situation where not a single one of them has enough time to perform requisite duties. We suggest that the town might be greater served with a full-time (35-40 hour) treasurer/collector, a full-time assistant treasurer/collector, and a part-time clerk.

Recommendation 5: Implement a Policy for the Use of Landfill Revenue

We recommend that the board of selectmen and the finance committee work together to establish a policy for the use of landfill revenue. The privately owned landfill in Granby has been a steady and lucrative revenue source for the town for years. However, because of Department of Environmental Protection (DEP) concerns, the fate of the landfill, and the corresponding revenue, is in jeopardy. In the past, landfill revenue has not been included in budgeted receipts and has therefore filtered to free cash. This free cash is used to fund both one-time and recurring expenses, with the rest voted into stabilization. Because the town had no free cash for its FY05 budget, \$830,000 was appropriated out of stabilization (at the time, a healthy \$2.3 million). \$426,000 was for recurring expenses including, but not limited to, portions of every finance officer's, police, fire, and highway department's, and board of health's budgets. The entire budget for the planning board, dog officer, tree warden, public library, and recreation commission was also funded by stabilization. This shows how dependent the town budget is on the free cash generated by the landfill revenue.

We suggest that the town immediately classify and treat landfill revenue as a non-recurring revenue and abide by a strict policy for its use. Selectmen and the finance committee need to make this policy, and the reasoning for it, clear at town meeting in order to avoid the possibility that it will be used to support ongoing operations or payroll. We support the view of many that this

money be set aside to fund a long-term plan to improve public buildings. The revenue can be placed in a “targeted” stabilization fund, authorized by the Municipal Relief Act effective July 30, 2003 (see IGR 04-201 at <http://www.dls.state.ma.us> for more information).

Additionally, once the landfill closes, a need for trash removal will exist. A new town administrator should create a plan for the funding and execution of the new municipal service.

Recommendation 6: Generate a Long-Term Plan for Town Government

We recommend the selectmen direct the new town administrator to draft a long-term plan for town government. 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 miscalculation, for it is even more important to have and follow a long-term plan when finances are tight so that personnel needs and capital infrastructure are not ignored. Whether or not the town accepts a town administrator form of government, decision makers must take a forward-looking, big-picture perspective. A more careful examination of town needs and revenue streams may result in creative thinking concerning funding of town needs. Although it may appear ironic, sometimes it takes money to save or earn money.

Town Hall Personnel. Currently, officials in Granby town hall are budgeted for any number of hours, with varying definitions of full-time vs. part-time. The sporadic nature of these hours does not seem to be based upon what the position actually needs in order to attract a qualified candidate or on what is realistically required to complete responsibilities. On the contrary, the assignment of hours seems to be a holdover from a prior time when government was smaller and less demanding. Now, decisions to hold hours steady seem to be driven more by reluctance to spend money.

In any town hall, the treatment of staff, whether elected or appointed, needs to be uniform to keep productivity and morale at a high level. Toward this end, the Personnel Board has done a successful job of recommending wage increases according to a salary schedule, but the finance committee has in the past offset raises by reducing hours. This has pressed employees into a situation where they either work uncompensated hours, take longer to complete tasks than they should, or are forced to set aside less pressing, but important, responsibilities. Over time, the choice to not fully fund personnel will be tantamount to a decision to dismantle departmental operations.

Capital Improvement Planning Committee (CIPC) – Bylaw V Section 4. Granby’s CIPC is a five-member committee comprised of a selectman; a member of the finance committee; a member of the planning board; the school superintendent or a designee, and an additional member appointed by the selectmen to serve as chairman. The committee is charged in bylaw with generating a five-year program for needs that have a useful life longer than five years and cost over \$25,000. They have no permanent funding structure.

In practice, the committee meets once or twice per year, entertains requests of all amounts and useful lives, and has a total budget of approximately \$150,000. However, it has no five-year plan or an active building and infrastructure replacement plan. As a result, town buildings are not annually maintained, and public safety and highway vehicles are aging.

Therefore, we suggest that the capital improvement bylaw should be changed so that there is a stipulated funding mechanism for the committee. Five percent (5%) of the annual budget or an amount equal to the total annual depreciation of fixed assets are good starting points. Finally, the committee should abide by its own bylaw, and generate a five-to-ten year plan for the entire capital needs of the town. It should immediately cease accepting and funding projects that have a useful life of fewer than five years or under \$25,000. For more information, the town should consult Developing a Capital Improvements Program: A Manual for Massachusetts Communities, found at www.dls.state.ma.us/publics.htm.

Town Buildings. Except for the brand new highway building, municipal structures in Granby are decaying. In Town Hall, staff work in cramped conditions, and there is no area for organized and fireproof record storage. Therefore, the first order of business for a newly restructured CIPC should be to generate a master plan for the repair or replacement of town buildings, starting with Town Hall. We support the use of one-time, non-recurring revenues, such as landfill revenue or free cash, as appropriate funding sources for building improvements. However, annual maintenance should be treated as an on-going operating expense.

Town Charter. Cities and towns create stability; establish relationships among officials, boards and commissions; and more clearly define financial procedures through charters. The public discussion generated by the work of charter commissions or during the development of a home rule petition brings critical local issues to light. Through the adoption of a charter, rather than the use of bylaws, the town can avoid arbitrary or premature reversals or changes, and can firmly establish a well-formed, carefully thought-out government structure.

The townspeople can elect a charter commission as the start of a two-year process, or produce a home rule petition for submission to the State Legislature. Both procedures are outlined in MGL Ch 43B and would involve a process for community input into the development of charter language. In either event, a town committee could research each path to charter creation and also provide a framework of charter issues. Its members or a separate study committee can be established to formulate and present a new charter to town meeting and the voters.

Recommendation 7: Reexamine Enterprise Fund Budget Structure

We recommend that indirect costs be specifically identified as an expense of the enterprise fund. One of the primary purposes for creating an enterprise fund is to gain a clear picture of the costs to provide a particular service and a clear indication of whether or not user fees are sufficient to cover those costs. Accordingly, the dollar value placed on the time that town employees expend on enterprise business is a real and legitimate cost to the enterprise. However, under present practice indirect costs are not being reported. Considering that the sewer system serves a limited portion of Granby, taxpayers should know that general fund receipts are being used to offset the rates, which are too low to cover the costs associated with the sewer. The ambulance, which serves the entire town, does not have rates that cover its costs; in FY05, the rates only paid for \$60,000 of the service. Town meeting supported the finance committee recommendation to fund the remaining

\$175,870 from non-recurring revenues out of the stabilization fund. Taxpayers need to know that the ambulance is not only a subsidized service, but also that the cost is offset by one-time funds.

We further recommend that enterprise revenue sources and line item expenditures be included in separate warrant articles. Although given to town meeting in the reading of the verbal motion, and thus included in the official meeting minutes, it is appropriate to include enterprise revenue and expenditure detail in the advance warrant publication. This way, town meeting will see in advance exactly how the enterprise is to be funded.

Recommendation 8: Adopt a Budget Process Bylaw

We recommend that the town administrator take a lead role in the initial budget development. We recognize that the current budget process seems to work well for Granby. However, we suggest that the finance committee is perhaps overly involved in administrative personnel decisions, and should consider spending more time on overall financial policies and concerns. We offer the following suggestions in order to secure a sound budget policy that needs to be incorporated into the town's bylaws:

- The town administrator should initiate the budget process by providing revenue projections to a joint meeting of the board of selectmen, finance and school committees. These estimates will guide the budget setting process and should be updated as new information becomes available.
- The town administrator should develop a balanced budget proposal. Upon receipt of appropriation requests from town departments, the accountant should enter requests into budget software. The town administrator should then meet with department heads in order to discuss their needs. After updating the revenue estimates and making any changes to department requests, the town administrator would prepare a balanced budget proposal for selectmen approval, which would then be forwarded to the finance committee.
- The finance committee now controls the budget and can amend the town administrator's proposal in any way. They should review revenue estimates and meet with department heads, while considering the town finances objectively and without external pressure.
- The overall budget calendar should allow finalization of the budget in time to include appropriation detail in the town meeting warrant.
- The town should formalize its budget calendar to reflect changes in the process. Beginning with the annual town meeting date in mid-May and tracking backwards, the town can establish a budget schedule similar to the example below:

November 15 Town administrator (TA) presents revenue projections.

December 1 TA distributes budget guidelines and requests to departments.

January 1 Department deadline to submit appropriation request.

February 15 TA completes hearings and creates draft budget.

March 1 Selectmen approve budget and submit to finance committee.

April 15 Finance committee completes hearings and creates final budget; at this point, revenue projections are locked; warrant goes to print and is distributed.

May/June Town meeting votes on finance committee budget recommendations.

Recommendation 9: Adopt Formal Debt and Reserve Policies

We recommend that the selectmen, in consultation with the finance committee and town administrator, formalize a reserve policy that establishes guidelines for funding and maintaining reserves, as well as a debt policy that guides future borrowing decisions and works to establish a solid credit rating for the town. Until the recent failure to submit a balance sheet, Granby has a history of large free cash balances, most of which is funneled into stabilization. However, in the last few years, town meeting has used stabilization fund money to make up for the loss of free cash for both one-time and recurring expenses. To help maintain fund balances and ensure sound practices, town officials need to implement a reserve policy that, among other things,

- 1) Identifies target levels for the stabilization fund, free cash and other reserves in a total dollar amount or as a percentage of the total annual budget;
- 2) Directs the use of excess free cash, that is, the amount that exceeds the free cash target level, as a funding source for stabilization or one-time capital projects;
- 3) Directs the use of unexpected, non-recurring revenue sources (such as the landfill);
- 4) Restricts the use of the stabilization fund to non-recurring expenditures subject to a certain dollar threshold. Set similar guidelines on the use of free cash, with the expectation that free cash should not be depleted upon certification;
- 5) Establishes guidelines for the use of surplus revenue which is available after reserves are funded, i.e., restrict its use to non-recurring expenditures, to tax levy relief, etc.

An effective debt policy is vitally important for any town that issues debt, and should provide guidelines that, among other factors:

- Specify purposes for which long- and short-term borrowing will be permitted;
- Set goals for the average maturity (i.e., less than ten years) of long-term debt;
- Set limits on non-enterprise fund debt service payments as a percent of operating revenues;
- Dedicate anticipated special assessment or betterment revenues to support long-term debt;
- Dedicate revenue from identifiable, recurring sources to capital projects.

Granby has never gone to the public markets for borrowing and has therefore never been examined by the rating agencies (Moody's, Standard & Poor's, Fitch Investment Services). However, as debt needs become larger as the town grows, Granby should know what the agencies consider when establishing a town's credit rating. The factors under the town's control that may generate a good bond rating include:

- Revenue forecasting and a community's ability to anticipate future events;
- Interim financial reporting and monitoring;
- Contingency planning policies (stabilization and other reserves);
- Policies on the use of non-recurring revenues;
- Debt management policies;
- Capital planning.

Computers and Technology

A survey of town finance-related offices revealed that each is, for the most part, sufficiently equipped with computers for staff. All are networked to a single town server that stores all programs and documents. The executive assistant backs up the server nightly, and weekly tapes are stored off-site. Because of a very tight budget for technology, computer hardware is only replaced or serviced when it fails.

All thirteen computers in town hall run on Windows 2000, are password protected, and have access to Microsoft Office 2000 software. The accountant uses software provided by Lawrence Braverman Associates (LBA), and is happy with both the general ledger and payroll packages. The collector's office switched to Point Software from KVS for fiscal year 2003. Point seems to be user-friendly and an asset to the office, but the information stored on KVS seems to be less accessible and is proving to be a hindrance to the clearing of past receivables. The assessors' office utilizes Vision, Version 4. Although functional, one criticism is the time-consuming nature of posting commitments. The information has to be exported to Vision in order to build a *.dmp file that is then manually uploaded into Point.

The executive assistant to the selectmen coordinates technology in Granby town hall. An active citizen, who has been on various volunteer committees in addition to a few paid positions in town hall, acts as the town technology consultant for network, hardware and software support. The consultant charges the town at half his usual private consulting rate, and for only about half of the time he spends working for the town. He has no formal contract. Together, he and the executive assistant installed the local network, and connected it to the Internet and email via a DSL. The consultant is working on policies for their use, as well as a plan for virus protection and the installation of a firewall in town hall.

Conclusion – Technology in Granby town hall is reasonably coordinated and advanced for a town of its size. However, there are a few areas of concern.

Perhaps because the executive assistant and the consultant have been creative in finding less costly ways to build and service a network and hardware in town hall, the technology budget, a line item under the selectmen, does not have consistent funding. For a professional government to function properly, hardware needs to be maintained and replaced regularly, and staff requires training on software. Currently, neither process occurs. To move forward, the selectmen and finance committee must expect to make a greater financial commitment to upgrades. With a more coordinated program and consistent funding, the status of technology in Town Hall should improve.

Recommendation 10: Establish a Technology Committee

We recommend that the board of selectmen establish a technology committee. A technology committee can be a meaningful and objective contributor of information, analysis and insight for decision-makers as they grapple with computer and software issues. Its members can

help produce a periodic report of the town's technology status. It would serve as a useful tool to evaluate the performance of hardware and software, to identify and prioritize the need for upgrades, and to recommend the adoption of new technologies. It could also explore the possibility of procuring state surplus computer equipment (for more information, see DLS Bulletin 2004-15B at http://www.dls.state.ma.us/publ/bull/2004/2004_15b.pdf). The recommendations made or accepted from the report would then be incorporated into a long-term capital-planning program.

A technology committee might comprise three-to-five members who have appropriate knowledge or work experience. The town might recruit members from the general voting population, but the committee could also be a mix of residents and town officials. Absent other bylaw provisions, the selectmen would appoint the committee members.

Recommendation 11: Formalize Relationship with Technology Consultant

We recommend that the town negotiate a contract with the technology consultant. The town has no formal agreement with the technology consultant. Currently, the consultant comes to town hall on an as-needed basis for crisis management or necessary upgrades. He charges the town at half his private-sector rate and for approximately half of the time that he is in town hall. Although this practice is generous on the part of the consultant, it understates the true cost of competent technology service. We suggest that a formal contract, with stated rates and hours, be negotiated. Should circumstances change, the town will then be prepared to budget appropriately for the value of the service it receives.

Recommendation 12: Create a Training Program for Town Hall Staff

We recommend that the executive assistant, in coordination with the technology committee, set up a training program for town hall staff. Town hall staff is comprised of people at various levels of computer literacy. The executive assistant or technology committee should take the initiative to identify computer proficiency levels among staff, and then develop a coordinated program to enhance hardware and software knowledge in town hall. Short-term goals might explore how technology can eliminate manual data entry and reduce paper records and redundancies through interviews with various office staff. In the long run, the town might look to develop an on-going training program to encourage computer usage, maintain proficiency among users, more effectively familiarize people with the software they use, and create efficiencies in time and money.

Treasurer

The treasurer is a community's cash manager and, as such, has custody of all municipal money. Included is the responsibility to make certain that town receipts are deposited into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations as they become due. The treasurer invests town funds to maximize interest income and meet cash flow needs. The office also manages town debt. To fulfill these responsibilities, the treasurer maintains a cashbook, debt schedule, check registers, and various logs to track balances for grants, trusts and revolving funds as well as other special revenue funds. As a financial control, the treasurer is obligated to reconcile cash balances and debt, internally, and then externally with the accountant on a regular basis. Finally, the treasurer maintains tax title accounts, organizes land of low value auctions, and forecloses on delinquent accounts.

Granby elected its current treasurer in May 2003 to a three-year term. Her previous relevant experience was as a bookkeeper for a private business. The finance committee has budgeted the position at 10 hours a week, and although they have also budgeted for a part-time assistant, the current treasurer has chosen not to hire one.

The previous elected treasurer was in the position for at least ten years, and chose early retirement in December 2002. The selectmen then appointed an interim treasurer who spent a significant amount of time (25-30 hours per week) in town hall organizing and computerizing the cashbook, tax title information and general record keeping of the office onto an Access database. When the interim treasurer lost the election to the current office-holder, he left his electronic data on the server and in hard copy, and bank statements filed in the small, second floor office.

Town hall and the current treasurer have had difficulty working together since her first day in office. The selectmen seemed immediately disappointed with her lack of municipal experience, and from the start, she faced hurdles. Her computer was never mapped to the drive on the server where the treasurer's electronic records are stored, so she could not access them. She appropriately requested a cash audit as of her first day in office, but the request was denied. Her ten-hour workweek was immediately found to be insufficient to complete her duties, but her hours were not increased.

Because of these initial delays, the outside auditor had a difficult time collecting information for the FY2003 independent audit. For whatever reason, he responded in his Management Letter by singling out the treasurer as the only finance area of major concern in town hall. The result of this action was to focus attention on her office, and divert scrutiny from other areas of equal concern discussed earlier in this report. The Management Letter, and the negative newspaper attention that followed, caused increased friction in town hall. The board of selectmen responded by directing the accountant/executive assistant to keep a separate cashbook in order to monitor bank accounts. This action put the accountant in an awkward position and did little to help foster a successful working relationship between the two finance officers.

Currently, we understand that the treasurer is in town hall for ten hours a week on Monday and Wednesday afternoons. She has begun the process of converting her records to a cashbook format suggested by DLS, and has made progress on tax title accounts. However, tax titles have been languishing for at least ten years, becoming an enormous project.

Conclusion – It is evident that the current treasurer entered office with no direct municipal experience. This is a common risk among communities who still elect their treasurer. What is less common, though, is the complete breakdown in communication between the treasurer and the accountant, the selectmen, and the finance committee.

Overall government structure as it applies to the treasurer's office is discussed earlier in this report. Below are recommendations designed to increase the accountability and productivity of the office as it is currently structured and funded. Foremost, however, for a successful cash management program is increased communication among finance officers, something that could be enforced by a town administrator with broad authority.

Recommendation 13: Assign all Tax Title Collections to the Tax Title Attorney

We recommend that the treasurer turn over the pursuit of tax title accounts to the town's tax title attorney. Prior to the election of the current treasurer, it became clear that the reduction of tax title accounts had not been a priority of the office for at least ten years. The interim treasurer collated records and documents into one large database, dating back to 1974 and containing at least 69 accounts. His information, based on turnovers from the collector's office as of FY2002, totals tax title accounts at just under \$800,000, or 15.4% of its FY2002 levy. The collector has been continuing to place subsequent delinquent accounts into tax title, but has initiated no new ones.

Additional concerns focus on the method created to calculate interest in the database. A test case showed a miscalculation in interest, causing overcharges for some years and undercharges for other years. Also, for a tax taking to be perfected, it must be recorded at the Registry of Deeds. Research needs to be performed to verify that all accounts in tax title have been perfected. If not, the account needs to be backed out of tax title and reinstated as an outstanding receivable.

Allowing tax titles to languish predates the current treasurer, and with only ten hours per week, her priorities need to be focused instead on cash management. Therefore, we suggest that the treasurer use her FY05 \$30,000 appropriation for the pursuit of tax titles and turn over the entire backlog of accounts to the tax title attorney. His office can perform all relevant research, including interest calculation, pursue delinquents, and begin to close out the accounts.

Recommendation 14: Hold Daily Office Hours

We recommend that the treasurer be in her office for a consistent, specific time period every day of the week. Whether she chooses to be in the office for two hours per day in the morning or afternoon, the office must make its reliable presence known in town hall. Once these new hours are established, departments will have the ability to make turnovers five days a week, and communication in general will improve.

Recommendation 15: Create and Maintain a Debt and Debt Service Schedule

We recommend that the treasurer create and maintain a debt record and debt service schedule on Excel spreadsheets. The treasurer has statutory obligations to report annually to the town accountant and periodically to the State Bureau of Accounts (BOA) information relative to the issuance and payment of debt. Currently, the accountant maintains a debt schedule. The treasurer needs to create and maintain her own schedules in accordance with the following guidelines:

Debt Service/Long Term. A projection of principle and interest payments, carried to the longest term outstanding, should be maintained and updated annually. This chart should identify the date of issue, the purpose of the bonds and whether or not payments are self-supporting (covered by rates or by taxes). As the chart extends left-to-right into the future, it would display overall principle and interest obligations by year, and when debt service begins or ends for individual projects.

Debt Service/Monthly. The treasurer should maintain a similar chart of debt service obligations on a per month basis for the current fiscal year. Used in tandem with monthly revenue and expenditure estimates, this information is important to forecasting the cash flow needs of the town through the course of the year.

Debt Schedule (also referred to as the “Statement of Indebtedness”). The debt schedule would be a list of long term debt by project inside the debt limit, the same for outside the limit and of short term debt (by type and project). For each project listed, the chart would show the amount outstanding as of July 1, additional amounts issued during the fiscal year, amounts retired, outstanding balance as of June 30, and the total interest paid during the fiscal year. A final chart entitled “Authorized and Unissued Debt” would include the date of the authorizing vote, the town meeting article number, purpose, amount authorized, amounts issued or retired, and the remaining unissued amount as of June 30.

Although the town clerk has a statutory obligation to certify to the assessors and the accountant any town meeting order or vote appropriating money (MGL Ch 41 §15A), the treasurer should take the initiative to meet with the clerk as well. She should also communicate with department heads to learn when capital projects are likely to begin (i.e., to learn when she will need to provide financing). She should review her file of notes outstanding and look to the town’s most recent prospectus for additional information. Finally, the treasurer should reconcile her debt records with the accountant to ensure that their debt statements agree.

Accountant

The accountant has a legal obligation to record and verify 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 maintains a general ledger where receipts, expenditures and all other town financial activity is recorded; prepares warrants; reconciles cash and debt with the treasurer and receivables with the collector monthly; produces a monthly expenditure report; and reports annually on the town's liability for accrued sick leave and vacation time. The accountant also keeps all town contracts on file, tracks revenue, and is typically involved in 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 assessors and town clerk in the preparation of the town's Tax Recap Sheet.

The current Granby accountant has been on the job for about three years. Hired as the executive assistant to the board of selectmen in July 2001, he was appointed as acting part-time accountant in May 2002 upon the retirement of the previous office-holder. His prior experience includes employment as the business manager for the Gill-Montague regional school system and as town accountant in Montague.

As accountant, he fulfills the requirements of the office with the help of the selectmen's secretary and software provided by Lawrence Braverman Associates (LBA). Granby has used LBA since 1989 for its general ledger and payroll modules, and the current accountant is happy with the support and format. He generates the biweekly payroll and vendor warrants, prints checks, creates the check register, maintains the general ledger, and keeps all town contracts. As part of the vendor warrant process, he reviews invoices before approving payment. Although LBA is capable of accounting for sick and vacation time, the accountant does not currently maintain that information and instead leaves it in the hands of department heads. As accountant and executive assistant, he has a primary role in the development of the budget for selectmen-controlled departments, and helps the finance committee with the final process.

As for reports required by DOR, the accountant submits the Schedule A on time, but neither the Balance sheet as of June 30, 2003 or June 30, 2004 has been submitted, resulting in no free cash certification in almost two years. This is the direct result of the fact that the treasurer and the accountant have not reconciled cash successfully since the treasurer's election in May 2003.

The rest of his full-time workweek is spent on his duties as executive assistant and as the technology point person in town hall.

Conclusion – The current accountant successfully completes the duties of the office. As such, our recommendations are few. Major among them is the critical task of reconciliations. Therefore, it is vital that the accountant achieve a working relationship with the treasurer.

Recommendation 16: Schedule and Complete Reconciliations of Cash and Receivables

We strongly recommend that the accountant schedule and complete monthly reconciliations of cash and receivables. The failure to reconcile cash with the treasurer has prevented the submission of a balance sheet. As a result, the town has not realized free cash for two years in a row. Although a shared responsibility with the treasurer and collector, the initiative to reconcile the town's cash and receivables should originate with the accountant.

Individual, internal reconciliations by the collector and treasurer do not satisfy DOR requirements unless and until they are measured against the accountant's general ledger and adjusted for variances, if necessary. Toward this end, the accountant should speak separately with the collector and treasurer, as soon as practical, to agree on a specific day each month when they will meet to complete reconciliations. Each should complete an internal reconciliation in advance of the monthly meetings.

Recommendation 17: Centralize Records for Sick Leave and Vacation Time

We recommend that the accountant transfer all sick and vacation time to the payroll software as soon as possible, and that he create a process for receiving and maintaining data in the future. Among his duties, the accountant must annually report, for the purposes of GAAP accounting for financial statements, the not-yet-used, but accrued, employee sick and vacation time. This reflects the obligation of the town under contracts to compensate employees, upon retirement, for all or a portion of their sick and vacation time earned, but not taken. For many communities, this represents a future, and oftentimes unfunded liability. In Granby, no uniform information collection procedure is in place and the liability is unknown.

Under current town practices, sick time and accrued vacation is accounted for and maintained at the department level. The maintenance of records at the department level represents good practice only if the practice is uniform, and if corresponding information is also retained in a centralized location, i.e., with the accountant. Otherwise, checks and balances do not exist. The absence of a systematic procedure for maintaining these records can give rise to circumstances where an employee's claim of accrued sick leave and vacation time cannot be corroborated or challenged with credibility. The payroll module of the LBA software used by the accountant has the ability to store this information. We suggest that the accountant request the information from department heads and maintain it at a town-wide level.

Recommendation 18: Comply with GASB 34

We recommend that the town come into compliance with the requirements of GASB 34. The Governmental Accounting Standards Board (GASB) Statement 34 is an accounting and reporting standard that requires all governments to maintain a capital asset and infrastructure inventory, which is then reported on the entity's financial statements. It also imposes new financial and audit reporting requirements. As a so-called "tier two" community, Granby should have been in compliance with GASB 34 when it prepared its financial statements for FY03.

The town recently hired a new audit firm. The town accountant should begin working immediately with them to determine what steps must be taken to comply with GASB 34. While Granby has never had to work with credit rating agencies, it will have to work in the public bond market eventually, and compliance with GASB 34 is not only expected, but will become a factor in determining Granby's credit status.

Tax Collector

A municipality's tax collector possesses the authority to collect real and personal property taxes, excises, betterments and certain other charges added to and committed as taxes. If a town accepts MGL Ch 41 §38A, the position becomes a town collector, which then has the authority to collect all monies due to the community. In either case, collections need to be counted, posted to taxpayer accounts, and either turned-over to the treasurer or deposited. Delinquent accounts need to be pursued and then moved efficiently into the treasurer's tax title accounts. To be successful, a collector must maintain an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly. Refund reports should be run periodically and research needs to be completed to confirm legitimate refunds due to residents. In accordance with state law, the office should respond to requests for municipal lien certificates within ten days.

Granby's current tax collector was elected in May 2003 to a three-year term. The previous office-holder had been in town hall for at least 25 years, and opted for early retirement when it was offered effective December 31, 2002. She stayed in office until the May election, and she remained for another month in order to train her replacement. The collector's salary is based on 32 hours a week, though she often finds herself staying for 35-to-40 hours, and a part-time clerk is budgeted for 20 hours a week. She also uses the services of a deputy collector who prints and stuffs motor vehicle excise bills in addition to pursuing delinquent accounts turned-over on a warrant.

Her billing and collection software has been provided by Point Software since the beginning of FY2003, and KVS previously. She has had success with Point and their service contract, and prefers it to KVS. The town hall computer consultant helps her with any problems outside of Point's jurisdiction. All files and data are stored on the town server, which is backed-up nightly by the selectmen's executive assistant. Because there is only one computer system in her office, her clerk cannot help post payments during busy collection periods, and therefore helps by opening mail and providing customer service over the counter.

The office collects taxes for approximately 3,000 real estate parcels and 50 personal property accounts on a quarterly basis. Motor vehicle excise bills total about 6,000 annually in seven-to-nine commitments. Approximately 100 fire district bills, committed by the assessors, and 200 sewer bills, committed by the selectmen, are mailed and received by the collector, who posts information to manual ledgers. Payments are received by mail and over-the-counter, with under half of the real estate tax payments paid by escrow services. She deposits all payments into a bank account; writes the treasurer a check for her turnover, herself a check for demand fees collected, and the fire district a check for payments collected. Subsequent tax titles are turned over to the treasurer annually, yet the current collector has never created a new account.

Conclusion – The collector has been steadily improving on the collection rate and general operations of the office since she won the election in May 2003. She inherited an office saddled with approximately \$1.3 million worth of outstanding real and personal property tax receivables dating back to 1976 (of which about half originated in FY2003 and FY2002), scattered records with

which to verify the information, and a three-year average 93% collection rate. Her collection rate for FY2004 improved to 98%, and similar numbers are expected for FY2005. However, she is still hampered with the old receivables, and little time with which to work on them. Therefore, she performs research as time allows, but has prioritized her focus on current year collections.

The following recommendations are designed to help the collector further her upgrade of operations as she continues to better the collection rate and modernize office procedures.

Recommendation 19: Adopt a Town Collector Bylaw (MGL Ch 41 §38A)

We recommend that the town adopt MGL Ch 41 §38A and create a bylaw converting the office of tax collector to that of a town collector. As a tax collector, the office possesses the authority to collect only real and personal property taxes, excises, betterments, and certain other charges added to and committed as taxes. In order to receive resident payments for any other monies owed to the town, a town must take specific action to designate its collector a town collector through local acceptance of MGL Ch 41 §38A. Currently, the collector's office receives payment for sewer use in addition to taxes, but there is no apparent bylaw language creating a town collector. On the contrary, reference is only made to a tax collector in a variety of different bylaws. Therefore, we suggest the selectmen place local acceptance of Ch 41 §38A on the next regular or special town meeting warrant.

Recommendation 20: Resolve Outstanding Receivables

We recommend that the collector work with the executive assistant, treasurer, assessors and finance committee to resolve all outstanding receivables. There are outstanding real estate bills from 1979, personal property bills from 1976 and motor vehicle excise payments from 1984. The dollar amount, number of accounts and length of time collections have lagged is of major concern. Every year that these receivables are not collected or, in the case of real estate accounts, turned over to the treasurer as a tax taking, the town has spent money that it has not received. Although Granby is still due for its FY2004 audit, it is estimated that current outstanding real and personal property tax receivables are in the range of \$900,000, or 15.5% of its 2004 levy. By comparison, at the time the Commonwealth of Massachusetts took over the general operations of the City of Springfield, its outstanding receivables were 13.5% of its levy. The magnitude of Granby's receivables is smaller, but the percentage is higher. Despite mentioning this enormous problem in both his 2001 and 2002 management letter, the former auditor ignored it in 2003, which contributed to the movement of town attention away from the collection of almost a million dollars of outstanding taxes.

The collector is not in a position where she can rectify this problem on her own. At 32 hours a week, she has chosen to focus her time on current receivables. Her part-time assistant has a small workspace and no computer, and thus is only able to help keep the office current. Office hours are addressed earlier in this report, and any change should help. However, in the meantime, the town needs to prioritize the reduction of these receivables by outsourcing collections or by funding a temporary position for the sole purpose of researching past due taxes.

Motor Vehicle Excise (MGL Ch 60A §7). Fourteen days after the collector sends out demands for unpaid motor vehicle excises, she issues a warrant to her deputy collector for all remaining delinquent bills. In order to increase payment compliance, the deputy marks those accounts at the Registry of Motor Vehicles. The collector and her deputy need to work on an aggressive program to collect on those that continue to remain delinquent. If any are deemed uncollectible, the collector should identify a course to remove them from the books.

Personal Property Taxes (MGL Ch 59 §§18 & 71). Upon sufficient inquiry, the collector can determine a tax to be uncollectible because of death, absence, poverty, insolvency, bankruptcy or other inability of the assessed party to pay. The collector can then complete a notice of uncollectible taxes and forward it to the board of assessors who have the authority to abate the tax. The return of a certification of abatement of uncollectible taxes to the collector discharges her from any further obligation to collect the tax. To begin the process, we suggest the collector prioritize taxes over five years old or over \$1,000 for the first sweep of the books, and adopt procedures to stay current and aggressive with uncollected taxes in the future.

Real Estate Taxes (MGL Ch 58 §8). The bulk of Granby's receivables are real estate taxes. However, because of poor records, the current collector has had a difficult time prioritizing and researching old accounts. Despite this, timing is such that the collector's office needs to place a priority on moving receivables into tax title. If a lien has expired and the delinquent taxpayer has moved or is otherwise no longer responsible for the tax, the collector can submit the receivable to the Commissioner of Revenue for abatement under MGL Ch 58 §8. Priority should be placed on moving accounts into tax title that are almost five years old in order to perfect the lien within the legally allowed time frame. Then older accounts can be researched and pursued.

In addition to the past due taxes, the collector needs to commit to a process for aggressively moving receivables into tax title immediately at the end of the current fiscal year. If a taxpayer's entire fiscal year taxes have not been paid by May 1, the collector should start the tax title process with a demand letter on or around May 14. This is followed four weeks later with a notice of tax taking, and then moved efficiently over to the treasurer and off of the collector's books by June 30. If the taxpayer does not already have a tax title account, the collector should take the time to verify all information before moving the property into tax title.

As taxpayers learn the repercussions of delinquency, and the gravity with which the town is treating the problem, current collections will improve.

Recommendation 21: Adopt a Process to Reduce Sewer Receivables

We recommend that the collector work with the executive assistant to determine a way to resolve the outstanding sewer receivables. Currently, the selectmen, through the executive assistant, commit the sewer bills to the collector twice per year. The executive assistant keeps all sewer information on a Lotus database. The collector then collects and posts the payments to a manual ledger. Outstanding receivables are not pursued, do not accrue interest, and are not liened to property tax bills. Essentially, there are no penalties for not paying a sewer bill.

The town has options available to pursue outstanding sewer receivables. In order to charge interest on outstanding fees and charges, Granby must adopt MGL Ch 40 §21E as a bylaw. The bylaw must establish due dates and set an overdue interest rate not to exceed the rate that applies to overdue taxes (currently 14 percent annually). Additionally, the town should adopt MGL Ch 83 §§16A-16F in order to add outstanding sewer charges to a property tax bill. Once the statute is accepted by town meeting, a notice of acceptance must be recorded at the Registry of Deeds.

The adoption of these bylaws will help with future collections, but the collector must identify a course to collect all past receivables. We acknowledge that the office has limited time to work on this; therefore we suggest that the town merge the collection of sewer receivables into a plan to collect all other outstanding receivables.

Recommendation 22: Pay Fees to Town Treasury – MGL Ch 40 §21 cl (13)

We recommend that the town adopt MGL Ch 40 §21 clause (13), which would require all town officers to pay all fees into the town treasury. Massachusetts' general law requires that the collector shall provide an accounting to the treasurer of all interest, charges and fees collected (MGL Ch 60 §15), which she does. Legally, the collector currently retains those fees. However, to increase supervision and accounting for all funds due to the town, we suggest that the collector, and all other officers who currently retain fees paid to them by residents in the course of their duties, relinquish them to the town treasury as a general fund receipt. Because these fees have augmented the officers' earnings, we would expect that the finance committee make a corresponding adjustment to their annual salaries.

Recommendation 23: Rework Current Office Space

We recommend that the collector reorganize her current office space and request an additional computer in order to improve operations. Currently, the collector has a counter where she and her assistant work with the public. The back-office area has a desk with a computer for the collector. Her assistant works at a narrow counter along the wall without a computer, and therefore cannot help post receipts. We suggest that, in addition to changes that make the office more functional for two people, the collector request an additional computer terminal so that both women can work at once.

Recommendation 24: Discontinue Use of Manual Records

We recommend that the collector discontinue her manual records. To her credit, the collector has built an electronic receivable control on Excel for real and personal property taxes as well as motor vehicle excise, and uses Point extensively. However, her ledgers for sewer and fire district receivables are still kept manually. We suggest that she build additional versions of her receivable control for these collections, in addition to working with the executive assistant on the use of the Lotus database for sewer receivables.

Assessors

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

To ensure that residents are taxed equitably and accurately, the 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, assessors act on and track exemptions and abatements. They estimate new growth and conduct classification hearings. The assessors set the tax rate, recommend the annual overlay and provide levy information for use in the Tax Recap Sheet submitted to DOR. The office is also required by DOR to conduct an annual property value adjustment analysis and to prepare for State certification of property values every three years.

The volume of work in the Granby assessing department involves approximately 3,000 real estate parcels, of which 73 are commercial/industrial and 670 are vacant land. Granby adopted MGL Ch 54 §5(54) effective FY2005, which allows communities to exempt personal property accounts valued at less than ten thousand dollars. Hence the personal property accounts fell from 151 in FY2004 to 34 in FY2005, and both farm and animal excise accounts fell from the taxable roles. All property taxes are billed on a quarterly basis. Over the course of one year, the office issues seven-to-nine motor vehicle commitments totaling about 6,000 accounts. The town issued approximately 200 building permits in FY04, of which twenty to twenty-five were for new construction. The assessing board has approved twenty of the thirty-four abatement applications received this year, and they have granted about 120 personal exemptions. They regularly inspect all properties with active building permits, and are on a Bureau of Local Assessment (BLA) approved ten-year cyclical inspection program. There are no cases pending before the Appellate Tax Board.

The Granby assessing department is under the guidance of a three-member, part-time board elected to three-year, staggered terms. The Board meets biweekly to oversee the director of assessing, the assessors' clerk, and the hired consultant. The director was hired for 34 hours per week and has been in town hall since late October 2004. Her hours will drop to 32 in FY2006. She has 12 years of assessing experience in two other towns. The clerk works for 29 hours per week, 27 in FY2006, and has been in the office for eight years. The two of them enter deeds, administer the maintenance of maps, answer questions from taxpayers, consult with BLA, work with the motor vehicle commitments, and enter data that the board and consultant collect.

Two members of the board perform all building permit inspections and are in charge of the cyclical measure and list. The consultant, hired for interim year adjustments, the triennial revaluation (due in FY2006), commercial/industrial valuations, and the personal property recollection, also sends out sales questionnaires, but no one actively inspects sales properties.

The office utilizes Vision Software, Version 4, to maintain property records, and has a contract with Cartographics for map maintenance. Granby has used Vision for at least eight years, however the new director is still learning the software. The contract with Vision is complicated by the fact that Version 4 is being discontinued, and Vision is gradually eliminating support services, presumably to prompt their clients to move to the updated Version 6.

Conclusion – The assessors’ office in Granby functions well. Although their cyclical inspection program is delayed, BLA has confidence in their data and action plan, and otherwise has no major concerns about operations. Our few recommendations for the office focus on the software package and various other improvements of which the office is already aware.

Recommendation 25: Include Sales Properties in the Measure and List

We recommend that the assessing office include sales properties in the measure and list. Whether the sales inspections are performed by the two active members of the board of assessors or by the director of assessing, they need to be done. Currently, the consultant sends out sales questionnaires and performs field reviews. However, these properties are the ones that determine the value for all the parcels in town, so if there are errors in the data, the mistakes will be widespread. Therefore, BLA would like to see measure and list data for these properties.

Recommendation 26: Upgrade to Vision 6

We recommend that the assessors’ office, in consultation with Vision, determine the timeline for the discontinuance of Vision 4, and work out an upgrade plan with the finance committee and technology consultant. Vision is phasing out support of Vision 4 and encouraging all clients to move to Vision 6. Although there is nothing wrong with the current package, the assessors’ office has expressed concern over the possible lack of support, and believes it would be able to improve operations with the updated software. The upgrade will require the assessors’ office to move all of its software to an independent server, which assessors usually prefer because it ensures the safety of their data. Additionally, Vision 6 will allow for digital pictures of properties, the eventual upload of property information to a town website, and a platform for the use of geographic information system (GIS) data.

Recommendation 27: Maintain Current Data

We recommend that the assessors’ office staff keep up with data entry. Because of the recent turn-over in the director of assessing position, data entry into Vision has lagged. The office is aware of the importance of maintaining current data, however we encourage the staff to make daily updates in order to avoid a backlog.

Acknowledgments

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