

Moultonborough
2023/2024 Town Budget
Recommendations and Comments



Advisory Budget Committee

April 4, 2023

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To the Members of the Select Board, Town Administrator
Moultonborough Town Hall
Moultonborough, New Hampshire 03254

Moultonborough's Advisory Budget Committee (ABC), established in July 2008, is an appointed volunteer body whose mission is to provide the community and governing bodies with independent review and objective analysis of the annual budget. At the time of this writing, the Town operating and capital budgets are still in process. The Committee does believe that the 2023/2024 budgets as reported herein are substantially complete. We will continue to monitor all additions or deletions. Please be aware that the views in this report are not always unanimous.

Budget Summary:

At the time of this report, the proposed total Town Operating Budget for Fiscal Year 2023-2024 is \$10,045,976 versus \$9,097,696 for the prior year. The 2023/2024 budget represents an increase of \$948,280 or 10.4 %.

This last year has seen cost increases and supply chain issues affect our own household budgets; the same holds true for our municipal expenditures. Regional CPI is up about 8.2% and even Social Security has recognized these increases by increasing 2023 payments by 8.7 %. Major drivers for the proposed increase include greatly increased cost for utilities, a 9.6 % rise in health insurance premiums, a 4% salary increase for non-union employees. Increased headcount includes the addition of a Human Resource professional, Land Use part time building clerk, DPW full time facilities maintenance employee and three additional full time fire fighters. In addition, the 2023/2024 budget includes the full year impact of the 2022/2033 unbudgeted staffing changes including addition of one full time position in the Town Clerk's office and the change from part time to full time for the Administrative Assistant in the Fire Department.

No other major operating initiatives are included in the 2023/2024 budget.

Please note that salary increases for the union members of the Department of Public Works are awaiting ratification and will be presented as a separate warrant article for vote at Town Meeting.

The Capital and Capital Reserve Fund Budget for 2023/2024 is \$2,617,152 of which \$2,471,152 is to be taxpayer funded (Primarily the annual Road Improvement Program of \$1,250,000, Lees Mills dock restoration of 200,000, construction of a Columbarium \$230,000, Fire Department communications equipment \$179,402, DPW dump truck \$160,000, other misc. equipment of \$301,750 and an increase in the capital reserve funding for fire equipment of \$150,000). Withdrawals from capital reserve funding for Life Safety building roof repairs of \$146,000 will be funded from existing capital reserves.

Requests for charitable contributions received to date amount to \$168,596. Pending a favorable vote at Town Meeting all requests will be taxpayer funded.

Estimated budget revenues for 2023/2024 are \$2,896,500. All revenue lines were reviewed and appear reasonable.

OBSERVATIONS & COMMENTS:

The ABC would like to provide observations and comments on the following issues, some of which are repetitive from prior reports.

- **Human Resource Professional:** The Town's Human Resource Director retired in 2020 and the position has not been filled. The ABC supports restoration of a Municipal Human Resource professional. Given the mix of union and non-union employees, the litigious society we live in and the increasing social and employee benefit program mandates coming from all levels of government, the Committee considers it a necessity to add a Municipal Human Resource professional who can assist with employee policy development, training, employee issues (contract and non-contract) and interpretation and implementation of ever-changing employee benefit regulations.
- **Fire Staffing:** The Committee has recognized in past reports that solutions are needed to supplement the volunteer fire fighter workforce as the local demographics change. The Fire Chief has requested six additional firefighters to enable 7 by 24 full time staffing of the department as an addition to maintaining the current volunteer program. The Committee agrees that additional staffing is required. We think a phased approach to increasing the staffing while opening discussions for regional cooperation and financial cost sharing (structured via an Inter Municipal Agreement) with our neighboring towns would be beneficial to the area. We propose hiring two additional Firefighters for 2023/2024 and taking the lead in establishing a regional solution with the surrounding Towns.
- **Health Benefits:** Although town retirees pay for their own insurance, many choose to remain on the Town's health plan. Generally, older enrollees have more health needs, and increased use translates into increased premium costs for the whole group. Retirees may be more comfortable remaining on town plans, but they may actually be paying more than they need to. An education session to explain other, less expensive health insurance options should be arranged for retirees. An independent third party, such as the state sponsored ServiceLink system could be used; this could possibly be expanded to the community at large. Now that the Town has moved to a fiscal year, the possibility of combining the town and school groups could also be explored, as it may yield some cost savings to both groups.
- **Recreation Revolving fund:** At Town Meeting in March of 2012 the Town established a Recreation Revolving Fund. The original intent of the fund was to find a way to expend donations previously received from the Friends of Recreation Group. The original Friends Fund was restricted, and a balance remained for several years unavailable for use. Converting the fund from a "Friends" fund to a Revolving Fund allowed the Recreation Department to identify certain recreation programs and record all revenue and expenses associated with the programs in a segregated fund outside of the general operating fund. It is the opinion of the ABC that the fund has now outlived its initial purpose. We request that over the coming year the fund be drawn to zero. A vote at the Town Meeting of 2023 will be made to officially dissolve the fund effective June 30, 2024, with any remaining balance liquidated to the General Fund. The fund is at a level that can be easily

drawn down this year. All funds and expenditures should be run through the Town's general operating accounts, which allows for full transparency and streamlined accounting.

- **Facilities Maintenance:** The current budget includes a second full time maintenance employee. While the Committee is in support of this added position, we believe that the Town should now be responsible for maintenance of the library building and grounds. This will alleviate the library from contracting for that function independently. The library is a Town building and should be maintained by the Town.
- **Misc. Revenue:** Given the current economic trends and rising inflation, the Committee suggests that the Town undergo a review of all miscellaneous revenue generating sources to include, but not limited to, transfer station fees, land use fees, building and code fees, dump and beach stickers, late fees, recreation program fees, cemetery fees, boat launch fees, library fees, Lions club rental fees, etc. The Town needs to adopt RSA 41:9 (a) in order to amend current fees. The Committee is in full support of this warrant article.
- **Future Capital Projects:** The Committee recommends that the Selectboard, Town Administrator and Department Heads undertake a detailed review of capital funding requirements anticipated for the next five-to-ten-year period and establish appropriate annual funding to the CRF's. An in-depth forward-looking review should be undertaken every few years.
- **Library Accounting:** Currently, the Town performs all of the accounting for Library salaries and benefits, while payments for books, media, materials, supplies, utilities, and maintenance contracts are made via the Trustee's account, resulting in two different accounting systems. This makes it difficult to present a single unified set of books for budgeting, reporting, and auditing purposes. We strongly recommend that the library use the town's accounting system for payment of operating expenses going forward. The library would still maintain control over approval of all expenditures and invoices. The Town would provide the accounts payable/ bookkeeping function.
- **Financial Audit Firm:** The Town of Moultonborough has engaged the audit firm of Vachon Clukay & Company PC out of Manchester NH for the past 23years. Generally Accepted Auditing Standards and general business practice recommend that entities rotate audit firms or at a bare minimum the Audit Partner and Manager every five – seven years. Public entities are required to do so. The main focus of the annual audit is to insure an independent review of financial data as well as internal control procedures. It is the strong belief of the ABC, that after 23 years this audit should be put out to bid and a 'fresh' set of professional eyes review both internal procedures and controls in addition to performing the Annual Audit Review.
- **Fund Balance:** The DRA recommends that local communities maintain an unassigned fund balance in the range of 7.5% -17%. The Town has historically maintained a targeted 12.5% Fund Balance Reserve level. The unassigned fund balance as defined per the Audit Statement is "calculated by dividing the unassigned fund balance at the end of the fiscal year by the total of the annual gross appropriations on levies upon the Community to

include the Town, County, School District, and State-Wide Education Property for the current fiscal year". At the end of F/Y 2022, the audited unassigned fund balance represented \$6,301,837. At the 12.5% level the Town's estimated unassigned fund balance approximated (\$3,725,000). During 2022/2023 The Town did apply \$2,654,000 to reduce the 2022 Tax Rate. The projected Fund Balance on June 30, 2023 is approximately \$3,647,837 slightly below the 12.5 % targeted level. This balance will be adjusted up at the close of the Fiscal year to account for any unspent budgeted dollars or increase in revenue above originally anticipated amounts. While the ABC appreciates the concern for taxpayers struggling in the current inflationary environment, we are concerned with the depletion of full value of the excess fund balance.

- **Tax Rate/Town, School and Library Spending:** This year's significant reduction in the property tax rate was made possible, in part, by the \$1.7 million in non-recurring revenues received by the Town from Federal Covid education relief funds. In addition, the Town applied excess fund balance in the amount of \$2,654,000 to offset the tax rate. As both items represent one-time events, they are not available next year or succeeding years to offset the rate. The ABC is concerned that the proposed increases in spending for the coming fiscal year for the School (up 9.5% to \$17,402,067) the Town (up 10.4% to \$10,045,956 + 2,471,152 in capital) and the Library (up 2.7% to \$646,360), combined with the artificially low 2022 rate could require a significant increase in next year's tax rate. Taxpayers need to be aware of that possibility.

Conclusion: We believe the departmental operating budgets as presented represent a fair assessment of the cost to operate the Town under its current organization based on needs rather than wants.

Both Municipal and School budgets seem to be ever increasing. We need to work together to balance the needs and resources to ensure that the Town continues to be a vibrant and prosperous Community for all our residents.

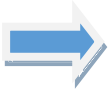
Respectfully submitted,

Kay Peranelli – ABC Chair

Moultonborough Budget Advisory Committee

Members:

Joe Adams	(Member at Large)
Mary Philips	(Member at Large)
Kay Peranelli	(Member at Large)
Linda Murray	(Alternate at Large)
Jean Beadle	(Select Board Representative)
Kathy Garry	(School Board Representative)



Additional comments/ recommendations from ABC members that are not strictly related to our budgetary review:

- **Town Administrator:** The Committee believes that the Select Board is in a position to take full advantage of the expertise that the current Town Administrator has demonstrated he brings to the position. It is our opinion that the Select Board members should focus on policy and on how to oversee and support the administrative responsibility within the Administrator position. The Select Board members should continue to delegate authority to the Town Administrator for the town's business at the detail level of staff and project administration. The Select Board should focus on high level direction and on measuring progress of project efforts and operational efficiencies, for improving communication and refining the goals and active programs with the town's business and residential communities. Our Committee is confident that within the constraints of the wishes of the Town and the organizational oversight of the Select Board, the Town Administrator should be given the responsibility for administering the municipal work effort, the staff, and for preparation, presentation and refinement of tactical and strategic development plans to effectively move the town in the direction outlined by the Select Board on behalf of the Town's residential and business communities

The Committee further believes that the position should be reclassified as Town Manager versus Town Administrator. The Town has oversight for approximately \$30,000,000 in revenue due to its high property valuation. The Town further maintains a population of over 20,000 residents in full season. Most all Communities of this size and valuation have a Town Manager at the helm of operations

- **Recreation, Adult Programing:** The Committee continues to encourage the Recreation Staff to develop programing for adults within the Community. Recreation and leisure activities can and should cover a broad spectrum of activities of interest to all ages and interests.

- **Future Capital Projects:** Capital project planning is done to estimate what needs replacing when and generally uses an industry standard schedule for replacement, with estimated costs adjusted annually for inflation. When performing this long range planning, department heads have no way of knowing what the condition of the items will be at the end of their normal life cycle. As the scheduled replacement date moves closer for any given capital item, we would encourage department heads to consider performance criteria and condition each year and not recommend replacement simply on the basis of a replacement schedule.