

Moultonborough

2022/2023 Town Budget

Recommendations and Comments



Advisory Budget Committee

March 25, 2022

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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 2022/2023 budgets as reported herein are substantially complete. We will continue to monitor all final additions or deletions.

Budget Summary:

At the time of this report, the proposed total Town Operating Budget for Fiscal Year 2022-2023 is \$9,203,434. This figure is somewhat difficult to compare to the prior year because the prior year budget was for an 18-month period representing \$12,514,913 to accommodate the switch from a calendar to a fiscal year. The budget was prepared in both a twelve-month increment (\$8,378,182) and an additional six-month increment of (\$4,138,220). Utilizing the first twelve-month period for comparative purposes the proposed, 2022/2023 budget represents an increase of \$825,252 or 9.85 %.

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 5.3% and even social security has recognized these increases by increasing 2022 payments by 5.9 %.

Major drivers for the proposed increase include a 12.6 % rise in health insurance premiums, a 4% salary increase for 2022/2033, plus the impact of an average 2.8 % increase for the employees whose prior salary review took place in the last six months of the eighteen-month cycle. Increased headcount includes the addition of a Code Enforcement Technician, promotion of a Firefighter to Fire Lieutenant, a full-time Planner versus the previous part- time Planner and an addition of a Police Lieutenant during the last six months of the eighteen-month cycle. A proposed Planning and Zoning technical clerk, DPW mechanic and a summer Park Ranger have been added to the 2022/2023 budget. No other major operating initiatives are included in the 2022/2023 budget.

Please note that salary increases for the union members of the Police Department are currently under negotiation and will be reported as a separate warrant article for vote at Town Meeting in May.

The Capital Budget for 2022/2023 is \$3,289,919 of which \$1,949,310 is to be taxpayer funded (Primarily, the annual Road Improvement and pavement preservation Program of \$1,360,000, States Landing \$230,000, IT hardware \$22,000, Milfoil \$40,000 and an increase in the capital reserve funding for fire equipment of \$297,310). Withdrawals from capital reserve funding for various equipment purchases of \$590,609 will be funded from existing capital reserves.

Additionally, \$750,000 is being withdrawn from Unassigned Fund Balance to be placed in a capital reserve for funding for a Community Center. Please note that a proposal for the future Community Center will be put forth for vote at the 2023 Annual meeting by a private group of citizens. Should the warrant article fail to pass, the funds will be returned to the Town's Unassigned Fund Balance.

Augmenting the traditional Capital Budget, approximately \$419,418 of qualifying capital related infrastructure / safety projects are being funded through government grants.

Requests for charitable contributions from local service agencies received to date amount to \$47,425. Pending a favorable vote at Town Meeting all requests will be tax payer funded.

Estimated budget revenues for 2022/2023 are \$2,932,810. 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.

- **Local Fiscal Recovery Funds (LFRF):** The Town was fortunate to receive an award of approximately \$419,418. The Board of Selectmen who are agents to expend these funds plan on utilizing the funds for the following capital items that normally would have been withdrawn from either Capital Reserves or tax payer funding:

Fire Dept UTV
Two Police Cruisers
Police Department Radio Repeater & Radio enhancement equipment
Fire Department Safety Equipment
DPW Chipper
DPW Generator
Lions Club Renovations

- **Health Benefits:** The Town instituted an additional high deductible health plan in 2020. The ABC recommends continued work toward savings, including changes like this new plan. Alternatives to the current arrangement should align with the market and other towns. For example, employee co-share in premiums and deductibles, HSAs, and other mechanisms can help control costs.

Now that the Town and School fiscal years are aligned, the possibility of combining both groups should be explored, as it may yield premium savings to both groups.

The experience rating of retirees who choose to continue on the Town's health insurance plan is factored into the health insurance use of the entire group and is reflected in the continuing premium increases. It's likely that most retirees stay with the Town's plan out of a sense of comfort and security. The reality is that those retirees may actually be paying more than they would with coverage elsewhere. An education session for retirees

using an independent third party to explain options could result in a win-win: The Town's experience could be reduced and the retirees could save money. The school had explored offering this training session pre covid and was anticipating including Town retirees. We suggest that both groups combine efforts and try to reschedule.

- **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 track more closely 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 required to officially dissolve the 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, this will allow for full transparency and streamlined accounting.
- **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, miscellaneous building and code fees, dump and beach stickers, late fees, recreation program fees, cemetery fees, boat launch fees, Lions Club rental fees, dock rental fees, etc.
- **Financial Audit Firm:** The Town of Moultonborough has engaged the audit firm of Vachon Clukay & Company PC out of Manchester NH for the past 22 years. 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 ensure an independent review of financial data as well as internal control procedures. It is the strong belief of the ABC, that after 22 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.
- **Budget Schedule:** The ABC understands that as this was the first year preparing the budget for a May Town Meeting, the schedule for doing so was a bit uncertain. We suggest that the Town review this year's schedule and adjust next year's to ensure that final budget figures are available for compiling this report.

Fund Balance: The New Hampshire Department of Revenue Administration (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 Fiscal Year 2020, the

audited unassigned fund balance represented \$5,307,051. At the 12.5% level the Town's estimated unassigned fund balance has historically approximated (\$3,700,000). During 2021/2022 The Town withdrew \$1,049,419 from Fund balance to fund proposed capital purchases and did apply \$1,000,000 to lower the tax rate which was a source of funds to cover the transition from a 12-month budget to an eighteen-month budget avoiding any significant increase in tax rates due to the change in fiscal year. The projected Fund Balance at June 30 2022 is approximately \$3,257,632. 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.

Disclosure: The Committee would like the reader to be aware that all projected financial information in this report especially as it relates to Fund Balance have been based on the 2021/2022 *unaudited* Financial Statements. Projections are the best estimates based upon the current information available.

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. We understand that 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,

Moultonborough Budget Advisory Committee

Members:

Kay Peranelli	(ABC Chair)
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)