

Moultonborough

2021 Town Budget

Recommendations and Comments



Advisory Budget Committee

January 27, 2021

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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. The Committee completed its comprehensive review of the 2020 Budget. The views in this report are not always unanimous to the committee members.

Budget Summary:

As voted in the affirmative; Article 24 at last year's Town Meeting, the Voters approved to change the Towns fiscal year from a calendar year (January 1 - December 31) to an alternative fiscal year (July 1 - June 31) and instructed the Select Board to prepare and present to the Voters this year, an eighteen (18) month budget to complete the transition.

At the time of this writing the proposed 18-month Town Operating Budget for 2021/2022 (January 1, 2021 through June 30, 2022) is \$ 12,514,913. The budget was prepared in both a twelve month increment and an additional six-month increment. The budget was prepared on the basis of level services comparable to 2020. No additional head count or programs have been initiated in the proposed eighteen-month budget. The eighteen-month budget does include the elimination of the Town's Human Resource Director position. The twelve-month portion of the proposed budget approximates \$8,378,182 as compared to the prior year 2020 twelve-month Operating Budget of \$ 8,270,683. The increase represents \$107,499 or 1.3 % of the prior year budget. The increase is primarily attributable to salary and wage-based fringe benefit increases. The remaining six-month budget approximates \$4,138,220. The budget was derived by detailed scrutiny of the timing of expenditures typically paid during the January through June time period of a typical year. The six-month budget represents approximately 50 % of the total prior year 2020 budget and 49 % of the total eighteen-month budget for 2021/2022.

The Capital Budget for 2021/2022 is \$1,624,169 of which \$1,570,750 to be withdrawn from Capital Reserves and \$ 53,419 withdrawn from Fund Balance. Existing Capital Reserves will be increased \$996,000 with \$1,006,000 transferred from existing Fund Balance.

Estimated budget revenues for 2021/2022 eighteen-month budget are \$5,360,250 including \$1,570,750 transfer from Capital Reserve Funds.—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.

Capital Budget:

- The ABC reviewed, and continues to support, the funding of the town roads project as requested in the warrant.
- Capital spending in this budget cycle has been considered carefully as we approach the 18-month budget. Utilizing unexpended funds from past
- Fire vehicles and apparatus, police vehicle and equipment, and town DPW vehicles and machines link to the Town Master Plan and are important in providing an adequate level of service to the members of community. We reviewed and support these purchases as contained in the capital budget
- Town owned waterfront access at Lee's Mill, should be maintained and brought back to a safe condition. We support the retaining wall and area repairs as requested.
- We reviewed and support creation of the Library CRF for building maintenance purposes.

Operating and General Budget:

- **Proposed change to a July-June fiscal year:** The current warrant article for an eighteen-month budget and the resulting change of the Town's fiscal year to July 1 through June 30, is strongly supported by the ABC. The ABC recognizes the value and advantage of making this change.
- **Human Resource Professional** – With the retirement of the Towns Human Resource Director this past year the ABC is concerned that a replacement has not been considered in the 2021 budget. We continue to advocate that the combined Community, (Town School, Library) should hire a Municipal Human Resource professional. Combined Municipal (School, Town, Library) employees approximate over 200 full time employees and 400 including seasonal, part time, coaches, substitute teachers, etc. In most organizations of this magnitude, you would find at least one 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 Washington as well as State & Local governments; the Committee suggests that it is a necessity add a Municipal Human Resource professional that could assist with employee policy development, training, employee issues (Contact and non-contract) and interpretation and implementation of ever-changing employee benefit regulations. We believe that the benefits generated by the expertise of this position over the course of a

few years would outweigh the added cost of the position. At a minimum, the Town should consider a part time contract arrangement for professional services.

- **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 12.5% Fund Balance Reserve level. At the end of F/Y 2020, the estimated unassigned fund balance will approximate \$6,272,000. The increase is primarily due to Increased 2020 revenue collections of approximately \$400,000 related to a substantial increase in motor vehicle registrations and unspent operating budget levels of approximately 1,200,000 which resulted from unfilled staff positions and program cancellations related to the Covid 19 pandemic. At the 12.5% level the Town's estimated unassigned fund balance should approximate (\$3,700,000). The 2021/2022 is withdrawing \$1,049,149 from Fund balance to fund proposed capital purchases and will apply \$2,275,000 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 \$2,947,000. Please note that all projections of future fund balance reserves have been calculated utilizing ***unaudited 2020*** financial data.
- **Health Benefits:** There is a new, high-deductible plan now available. 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, HSA's, and other mechanisms can help control costs. All new hires effective April 1, 2020 will be required to participate in the new high deductible plan. Existing employees will be given the option to move to the high deductible plan or remain on the existing plan. The experience 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.
- **Regionalization of Shared Services:** We support current BOS dialogue with surrounding towns in searching for ways to share services. Some opportunities may be found in transfer station use, fixed administration, milfoil and seasonal public safety, volunteer Fire Fighters and DPW equipment.
- **Town infrastructure, internet:** At this date and time there are still many unserved and underserved areas in Moultonborough without adequate broadband connectivity. The Committee urges the Town to utilize resources to eliminate this situation. Lack of adequate Broadband has increasingly negatively impacted many residents during his past year related to the Covid pandemic. In this day and age adequate broadband should be considered a necessary utility. The Town needs to work with appropriate outside consultants and put a definitive action plan in place to ensure all residents have access to adequate broadband.

- **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 2020 *unaudited* Financial Statements. Projections are the best estimates based upon the current information available.

Conclusion: The ABC recognizes that the budget cycle this year has been challenging with the absence of a Town Administrator for several months and the transition from a calendar year budget (January 1-December 31) to a transitional eighteen-month budget to bring the Town in compliance with the Article 24 vote at last year's Town Meeting changing the fiscal year to July 1 – June 30. We thank all involved for their dedicated work. We welcome and look forward to working with our new Town Administrator, Charlie Smith, to ensure that next year's budget cycle will return to the organized and efficient process we have experienced in past years.

Respectfully submitted,

Cody Gray – ABC Chair

Moultonborough Budget Advisory Committee

Members:

Cody Gray	(Member at Large)
Kay Peranelli	(Member at Large)
Linda Murray	(Alternate at Large)
Jean Beadle	(Select Board Representative)
Kathy Garry	(School Board Representative)