

2014 Town Budget

Recommendations and Comments



Advisory Budget Committee

Friday, January 17, 2014

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

The ABC has completed its review of the 2014 proposed Town Budget. The Committee began its comprehensive review of the 2014 budgets again this year constrained by the absence of both a full time at large member and an alternate member at large. We continue to support and review opportunities to enhance services and consolidate operational efficiencies for the Town of Moultonborough as a whole. Demographics in Moultonborough have changed significantly over the past ten years. School enrollment has declined from 710 in 2005 to 548 (23%) at present. The percentage of elderly population is increasing. The overall population has declined from approximately 4,500 in 2000 to approximately 4000 today. Change is inevitable and never easy.

The ABC would like to draw attention to the effort undertaken this year by the Select Board, Visiting Nurse Board of Trustees, Director of Visiting Nurses, and Town Administrator to address the issue of the long term viability of the Visiting Nurse Program that over the past few years has experienced declining revenues and a declining case load. Decisions related to future employment opportunities for long standing staff members are difficult and not made without serious deliberation and exploration of viable alternatives. This Committee commends all those involved in the decision to merge the Moultonborough VNA with the Meredith/ Center Harbor operation for their professionalism, seriousness and sensitivity demonstrated throughout the process.

The following report represents our independent opinions and suggestions of the majority of the Advisory Budget Committee Members. We note that selected opinions expressed in this report do not carry 100 % Committee support. Any opinions and suggestions offered by the ABC represent our best efforts to maximize efficiencies, spending power and to consolidate redundancies between the various elements of Town-wide Administration (Town, Library, and School). Our suggestions and opinions should not be viewed as a negative reflection of the dedicated work done by the Select Board Members, Town Administrator and Town Administrative Staff.

Budget Summary:

The proposed Town Budget for 2014 (including capital, net of Highway Block Grant, \$130,000 and \$215,000 of reserve withdrawals and application of \$300,000 fund balance) represents \$9,536,854 as compared to \$9,574,620 for the prior year 2013. The committee commends the Board of Selectmen and Town Administrative staff for delivering a responsible year-over-year budget with a nominal decrease of approximately \$38,000, (.4% decrease). Excluding the application of the fund balance of 300,000 for purchase of the Taylor Property and improvements to States Landing Beach the tax levy budget is down 3.5% or approximately \$338,000. The ABC further notes that this is the *sixth* consecutive year that the Town budget has experienced a zero to nominal increase without compromise to long term investment plans in plant and equipment and ongoing maintenance programs. This proposed budget does include expense increases to cover step raises and salary adjustments for approximately half the staff (+\$25,000) or approximately 3% for employees receiving step raises and an across the board COLA of 2.0 % (+\$50,000), election costs of (+\$10,750), increase of (+\$28,000) to the contingency fund in the town officers budget and capital outlays and contributions of 4.83% (+\$75,000). The increases were offset by eliminating one police officer position (-\$75,000), continued transfer of recreation related expenses traditionally funded via "Tax Levy" to be paid from the Recreation Revolving Fund (-\$10,000), reduction of approximately (-\$92,000) in the assessing budget due to timing of the five year revaluation, elimination of the Visiting Nurse Service (-\$340,000 gross), reduced benefit costs from higher employee contributions (-\$10,000). All Departmental Budgets were scrutinized and within each, non-critical spending eliminated or deferred.

OBSERVATIONS & COMMENTS:

This Town continues to struggle to collectively define a vision for the future and in many ways is polarized by the various demographic interests. Of concern to this committee is the number and potential dollar impact of the various programs currently being promoted throughout the community. Currently under discussion are the following capital projects: Purchase of the Adele Taylor Property, revitalization of States Landing Beach, construction of a community gymnasium, sidewalks for the Village District (brought forth by citizens petition), immediate completion of the Neck Pathway project (proposed warrant article to be brought forth by citizens petition), alteration of the old 109 intersection with Rt 25 and traffic calming alternatives for the Village District. The potential cost to collectively implement all of these projects could be well in excess of \$5,000,000. While each project on its own merits may be nice to have; the Leaders within the community need to come together and address the long term vision for Moultonborough and prioritize incremental steps for achieving such vision before committing the taxpayers to a series of tax increases for services that ultimately may or may not be practical or economically sustainable given the current and projected demographics and population trends.

The ABC provides additional observations and comments on the following issues:

- **Public Safety** – We support the Chief’s efforts to further analyze future staffing levels and organizational structure for his department and his related decision this year to eliminate the unfilled twelfth officer position from the 2014 budget at a cost savings of approximately \$75,000.

Of continued concern to the ABC is the ongoing cost of the current K 9 program versus benefits derived by the Town. Currently, the cost for this program includes \$25,000 annually for maintenance of the dog plus approximately 200 salary hours and related benefits for officer training. It is our understanding that the current dog is within 12 months of “retirement”. Chief Wetherbee, during budget discussions, indicated that he felt the dog would be fully retired by the end of 2014. The Chief further indicated the future may be different but as of now he cannot justify the cost to continue the program. This Committee supports that position. We do not believe the program is cost effective. Future Canine requirements should be sought from the County, State Police or another Jurisdiction on a contracted, as needed basis.

- **Technology Communications Fund** – In 2007 a petition warrant article was favorably voted by the taxpayers to establish a Technology Communication fund “to promote development of communications infrastructure to underdeveloped parts of Town”. The fund has approximately \$160,000 as of December 31, 2013. There has been significant discussion over the past two years as to whether the most effective use of the dollars would be to build out Cable TV or provide Broadband service to the underdeveloped sections of Town. Broadband (Internet) availability is considered by many segments of the population a necessary “utility” in the 21st century. Broadband connectivity throughout the entire community is critical to attracting new business opportunities and work at home alternatives. Lack of Broadband connectivity is a significant deterrent to both business and population growth for the community. This committee feels strongly that the Select Board should proceed with broadband expansion and do so in an expedient manner.
- **Health Benefits:** The increasing cost of health related benefits continues to be a nationwide concern for many. Implementation of the Affordable Care Act has caused uncertainty over the future cost of health insurance premiums and related employer Cadillac Taxes which will soon be assessed on programs such as the most prevalent one(s) available to the current staff. The ABC requests that the Town undergo competitive analysis of its current “Benefits” package that covers both contractual and non-contractual positions. The ABC requests the Town specifically focus on employee/employer benefit contribution rates and seek alternatives for reducing the overall cost of health benefits while continuing to provide competitive coverage to its employees. Please keep in focus, many in the taxpaying public, have lost or will lose their employer based Health Plan Coverage’s during the current year and are facing increased out

of pocket costs in the form of significantly higher deductibles and premiums. Expecting taxpayers to fund a “Cadillac Tax” in addition to the Towns robust existing health plan will be a financial burden that may be viewed as extreme in light of their own health insurance consequences.

- **Human Resource Professional** – Combined Municipal (School, Town, Library) employees approximate 210 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 professional 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 may be time to evaluate the feasibility to 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.
- **Total Compensation Package Review** - Administration has suggested that given the current economic environment and significant changes in Health Care benefits it would be beneficial to update the Total Compensation survey done by the Thornton Group in 2009. The Committee supports this recommendation and strongly believes this analysis should be performed periodically especially during times of economic fluctuation. We also note that the Municipal Association is another source of data that could be utilized as a source to benchmark salary and benefits information.
- **Succession Planning and Career Development** – The Committee notes that in the ensuing years several of the Town’s senior managers (elected and appointed) may choose to retire. We believe that the Board needs to put together a succession plan to fill positions as they become vacant with qualified replacements. Attrition is also an opportunity to reassess the positions to ensure that staffing, duties and direction are appropriate to meet current goals, objectives and direction.

Also, we recommend that the Board revisit the idea of changing selected elected positions to appointed positions. This would necessitate a Town Vote. We would propose such change only as the positions become vacant through attrition. If the Board were to adopt this suggestion we recommend that the plans and related votes be put in place prior to any anticipated retirements.

- **Tax Collector** – The Committee notes that that current RSA’s have been amended to allow Tax Collectors to email tax bills. The ABC supports the Tax Collectors efforts to streamline the Tax office operations by insuring new tax software enables the process.
- **Outsourcing of Department of Public Works Services** – The ABC continues to believe there is an opportunity for cost savings in outsourcing labor intensive DPW projects. We were encouraged to hear the DPW Director indicate in his budget presentation that one of his goals through attrition is to explore the outsourcing of select projects and the potential for renting large equipment not continually in day to day use. We encourage continued emphasis and analysis where ever feasible. Currently, private road snow plowing and select summer maintenance projects have been successfully outsourced. We are encouraged by the proposed program for “Adopt a Building” where local landscapers will be offered the opportunity to perform grounds maintenance in return for “Advertising”.

The committee cautions that “outsourcing “requires very strict contract specifications and increased over-site of the ongoing work projects. Outsourcing eliminates costly benefit programs that the town must incur with fulltime employees and at the same time offers work to our local resident contractors.

- **Reserves for Potential New Capital Projects** – As noted earlier there are several large dollar “nice to have” items that will come before the taxpayers at Town Meeting this year. This Committee, as recommended above, would like the Town Leaders to come together to endorse a “vision” for the Community and define a timeline and incremental steps for achieving the vision before embarking on a campaign to proceed, in piecemeal fashion, implementation of various capital projects promoted by individual “Petition Warrant Articles”.

Considerable work has been done on this subject by the Capital Improvements Committee (CIPC) which was created to review capital expenditures over a five year period. The CIPC report with an analysis and recommendations of capital projects was presented to the Selectmen in December 2013. This report shows the amount and timeline for all town and school capital expenditures starting in 2014 and the reserves or new funding required to pay for the numerous projects submitted by the town and school managers. The report does not include projects that were presented by “Petition Warrant articles” which would only be funded by additional tax levies. We strongly recommend that the Selectmen provide leadership in analyzing projects and establishing the necessary Capital Reserves to start funding some of the more viable requests.

- **Recreation Revolving Fund** – We are in strong support of the efforts made during the last two budget cycles to implement a viable business model for the utilization of the recreation revolving fund. Although this year’s efforts again fell short of expectations, we look forward to continued progress in the upcoming year. We need to collectively work to identify additional costs and programs that can utilize this fund. The Fund currently has a balance of approximately 185,000. A reasonable ongoing balance for this fund should be in the range of \$50,000. It is unfortunate that the constraints placed on this fund will not allow excess funds be returned to the General Fund for productive use elsewhere in the community.
- **Merit Pay** – We have consistently been strong advocates for Merit Pay and have strongly encouraged the Town to eliminate the COLA mindset. This past year the Town Administration and Board of Selectmen did again review and discuss our previous request for “Pay for Performance” or “Merit Pay “. Merit Pay plans were developed by the Town Administrator and the ABC and presented and discussed by the Select Board. It was determined that implementation of such a plan would require significant changes in current culture, policies and procedures. It was also clear that the subject of “Merit Pay” is difficult and polarizing for both the employees and members of the Board. A decision was made to not pursue this issue at this time. Although we disagree, we respect the Boards decision.

We are pleased that the Board of Selectmen did authorize the Town administrator to upgrade and strengthen the performance review process. Included in the process, we recommend that all job descriptions be reviewed and updated. A robust Performance review program is essential to any future Pay for Performance program. We understand that decisions related to compensation and benefits are difficult and not made without serious deliberation and exploration of viable alternatives. We support the current efforts to strengthen the current Performance Review Process and anticipate that once implemented and operational it could become the initial foundation for a future revisit of “Pay for Performance”.

- **Consolidation of Shared Services** - During the past three years several town departments along with the school have taken steps to consolidate and coordinate various functions. Specifically, the Road Agent, the Department of Public Works, the Transfer Station, Library and the School have worked together to achieve more efficient use of personnel and equipment. The town is beginning to see savings related to cross training of personnel and more efficient use of equipment. The ABC recommends that continued efforts, both on a short and medium term basis, be made to find additional savings. The Committee believes that there are economies of scale that could be gained by consolidating efforts for grounds and building maintenance, janitorial services, bulk purchasing of common supplies and consolidated contracts for utilities and Insurance. Other longer term opportunities might include consolidation of Town and

School District business offices and human resource offices. The Committee would like to see the three groups continue their efforts to consolidate and collaborate where feasible.

- **Regionalization of Shared Services** – The ABC is encouraged and strongly supports the recent effort to share the Town Code Enforcement Officer with Holderness. The Town has successfully regionalized its ambulance service over the past several years. More recently, the town has entered into a joint effort to eradicate Milfoil with Tuftonboro and Wolfeboro. This past year the Town has merged its' Visiting Nurse program with Meredith/Center Harbor. The Committee continues to believe that there are other opportunities that could jointly benefit both the Town of Moultonborough and its neighboring communities (economically and through expanded service offerings). Other disciplines that may lend themselves to regionalization might include Town Prosecutor, Recreation, Senior Services, Welfare, Legal Services, Assessing, Police Dispatch and Waste Disposal. We encourage the Town to explore such opportunities.

Additionally, the town should continue to explore opportunities to combine services with County Administration and Operations where feasible. Moultonborough funds approximately 25% of the total County budget and should look to receive commensurate services.

Conclusion:

As stated above, the budget for 2014 as presented by the Town represents a nominal decrease of .6% over the 2013 budget. We believe the departmental operating budgets as presented represent a fair assessment of the cost to operate the Town under its current organization.

As stated throughout this report we continue to see the Town struggle to collectively define a vision for the future. Of notable concern to this committee is the number and potential dollar impact of the various programs currently being promoted throughout the community. While we understand the Taxpayers right to bring select projects forth for vote via the "Petition Warrant Article," we note that potentially large dollar projects are bypassing the existing review and ranking procedures previously established by the Town.

The Leaders within the community need to come together with representatives of the taxpaying public to seriously establish the long term vision for Moultonborough prioritize incremental steps for achieving such vision and commence an action plan to achieve the desired vision. The Vision should be long term (20 + years) realistic, fluid, and should address the needs of the entire Community in a manner that draw our school, retirement, business and summer lakefront communities together.

Respectfully submitted,

Jean Beadle, Chair – ABC

Moultonborough Budget Advisory Committee

Alan Ballard

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