

*Moultonborough*  
*2011 Town Budget*  
*Recommendations and Comments*



Advisory Budget Committee

*Thursday, January 27, 2011*

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

The Moultonborough Advisory Budget Committee (ABC) would like to thank the Moultonborough Select Board and the Town Administrator for their professionalism, cooperation and responsiveness during our budget review. The following report represents our independent opinions and suggestions. 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 or Town Administrative Staff. Moultonborough is one Town with "One Consolidated Tax Rate". The ABC will continue to stress the concept of One Town / One Tax Rate and consolidated services where we believe redundancies exist.

#### **Budget Summary:**

The ABC has completed its review of the 2011 Proposed Town Budget. The proposed Town Budget for 2011 (including capital, net of Highway Block Grant, \$143 K and \$55 K of reserve withdrawals) represents \$9,158,768 as compared to \$9,158,768 for the prior year 2010. The committee commends the Board of Selectmen and Town Administrative staff for delivering a level funded year-over-year budget (zero increase). The budget was delivered at a zero increase without compromise to long term investment plans in plant and equipment and ongoing maintenance programs. The proposed level funded budget does include increases to cover step raises for approximately half the staff (\$60,000) and an across the board COLA of 1.5 % ( \$30,000), Increased pension costs (\$50,000), increased rates for private contractors for snow and ice treatments of \$20,000 and increased assessments for Ambulance and Fire Dispatch Services of approximately \$15,000. The increases were offset approximately \$100,000 by addressing the benefit contribution structure and renegotiating the Waste Management contract at the Transfer Station. In addition, one full time open Police Officer position was placed on hold for the 2011 budget year. All Departmental Budgets were scrutinized and within each, non-critical spending eliminated or deferred.

The ABC notes that the 2011 budget is compared against the 2010 budget with 2010 Library dollars removed. In 2011, the Library budget will be voted as a separate warrant article.

#### **OBSERVATIONS & COMMENTS:**

The ABC would like to take the opportunity to recognize many initiatives undertaken in the past year in response to items identified in last years' ABC Town Budget report. Specific actions initiated by the Town included a comprehensive analysis and restructuring of employee benefits including but not limited to health insurance. The Committee is encouraged by the Board's migration to a platform of employer/employee cost sharing for the employee insurance plans. Operating efficiencies were gained by consolidating town payrolls and moving from weekly to biweekly processing. In addition, accounts payable processing has migrated from weekly to biweekly processing. The Town has moved forward with the procurement of a stand by generator for the town offices as recommended in our 2009 report. Prior recommendations the town is currently considering include a comprehensive merit pay program

and analysis for converting the fiscal year from December to June. We look forward to the completion of these initiatives.

The 1.5% COLA adjustment is in line with New Hampshire's cost of living for the past year. The Town grants step increases to its employees on a staggered two year rotation. The committee concurs that employees scheduled for their respective two year step increase should be granted such increase for 2011.

The ABC believes the following observations and comments should be addressed by the Select Board and Town Administrator.

- **Salary & Benefits** - The Administration completed a comprehensive analysis of employee benefits and has initiated a program of employer/employee cost sharing. The current cost sharing plan is to be implemented in steps over the ensuing few years. The Committee strongly supports this measure and requests the Administration continue to monitor, adjust and keep pace with current market practices.

The committee strongly believes that Employee Benefits should be granted only to those employees who work a full work-week. The current town policy is to provide full benefits for any employee who completes twenty seven hours of employment each week. The ABC notes that the Town has worked to minimize the number of situations where staff is employed less than a full work-week yet receives full benefits. With the continued increase in cost of benefit programs the Committee firmly believes that no benefit packages should be granted without a full work-week schedule. The Town should strongly consider revising its current policy and practices related to granting of full time benefits for less than full time employment.

- **Merit Pay** - The committee continues to encourage the Town to eliminate the current COLA mindset. In its place the wage and grade tables should be adjusted annually to reflect current changes in the Consumer Price Index. The committee firmly believes in pay-for-performance and recommends the town adopt an annual appraisal process to facilitate "Pay for Performance".

The Committee understands that the Administration and Board of Selectmen, over the past year, have done significant analysis and work related to a proposed "Pay for Performance" policy. We look forward to the completion and implementation of this initiative.

- **Payroll** - The ABC is pleased that the Town has accepted its recommendation to consolidate its various payrolls and move from a weekly to a biweekly pay structure. We continue to believe that outsourcing the payroll and the related tax preparation process to a professional source would result in better use of town employee time and talent. We understand that prior to committing to an outsourced payroll the staff first needed to consolidate payrolls and move to a biweekly cycle.
- **Cash Management** - The Committee recommends that a formal long term cash management and investment policy be developed and refined to maximize the opportunity for investment return for excess Operating and Reserve Funds. The policy should include the School, Library, Town Treasurer, and Trustees of the Trust funds.

The Committee further notes that interaction between the Treasurer and the Town Administrative Staff is minimal. The Committee strongly believes that a closer collaboration between the Treasurer and Staff would facilitate an opportunity to improve efficiencies of operation and maximize return on investment. The Committee believes that the Town Treasurer should be present on a weekly basis during normal business hours rather than the current practice of “after hours”.

The Committee notes the current procedure is to have town bank statements and any returned check deposits mailed directly to the home of the Town Treasurer. The Committee strongly believes this policy should be discontinued immediately. All bank statements, returned deposits and banking correspondence should be mailed to the Town at the Town Hall address; Attn: Moultonborough Town Treasurer.

A formal policy for deposit of miscellaneous receipts does not exist. Checks and Cash Receipts are collected by the various departments. Deposits are not made on a routine basis. The Committee recommends a formal policy be established that requires all receipts be deposited routinely once a week.

The committee notes that several small bank accounts exist, many of which have had minimal to no activity in recent years. We recommend that all bank accounts be reviewed and accounts that are inactive or have outlived their original purpose be closed.

- **Tax bills** - The Town currently prepares and issues tax bills twice a year. The ABC continues to believe that if the town went to a quarterly tax collection the town would significantly increase and improve its cash flow and be able to better control its finances. One of the objections we have heard to quarterly tax billing is that the collectors would have to follow up on delinquencies four times a year rather than twice therefore adding additional workload. It is the opinion of this committee that issuing quarterly tax billing does not have to equate to quarterly delinquent collection efforts. Follow up on delinquent accounts could remain on the current schedule. Should the Town vote to change its calendar year to a fiscal year, this would be an attractive alternative to fund the transition.
- **Changing Fiscal Year** - The Town continues its’ analysis of changing from a calendar 12/31 Fiscal Year End (FYE) to a 6/30 FYE. There are many benefits to Moultonborough changing the annual budget year from a calendar year to a fiscal year but the transition will be challenging for taxpayers and administration. One significant challenge facing the Town includes identifying a funding mechanism to cover the initial 18 month transition year.

When converting from a traditional calendar year budget to the optional July 1 fiscal year, the first budget represents an 18 month cycle requiring an additional six months of funding. Current discussions with Towns that have successfully made the transition and discussions with the Towns’ auditors indicate that the most successful conversions have been accomplished by bonding the initial additional six month spending. The Administration along with the ABC continues to explore alternatives and anticipate bringing forth a planned proposal during the upcoming year to identify and resolve implementation issues and funding alternatives.

- **Consolidation of Shared Services** - During the past two 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, 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. The Committee would like to see the three groups continue their efforts to consolidate and collaborate where feasible.
- **Town Recreation:** The committee supports the collaborative effort recently announced by the Town Administration and School Board to jointly explore the feasibility of combining the current Town Recreation program with the School Athletic program. This recommendation is further supported by the current Master Plan. We believe there are cost savings and certainly operational efficiencies to be gained by combining the programs. Currently the Town Recreation program services the elementary after school activities. Much of the equipment purchased and many of the programs offered are duplicative of those offered by the School. The Town Administrator has identified a Graduate Program at University of New Hampshire that would be available to independently provide analysis and recommendation. The ABC supports this initiative and strongly recommends the School Board and Town Administration work together to accomplish this research.
- **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. The Committee believes 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, Visiting Nurse, Senior Services, Welfare, Police Dispatch and Waste Disposal. We encourage the Town to explore the 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.

- **Work Flow Study** – The Committee believes that additional operational efficiencies can be obtained by performing departmental work flow analysis. The Public Works group has seen measurable cost savings and man power reductions by undergoing a similar evaluation over the past year. While all departments would benefit from such analysis it is the Committees recommendation that next areas to realize measurable benefits might include the Developmental Services Group, Town Clerks Office, Recreation Department, and Public Safety. The ABC would be willing to offer its assistance in future studies.

**Conclusion:**

As stated above, the budget for 2011 as presented by the Town is level funded with zero increase over the 2010 budget. We believe the opportunities outlined above can produce significant cost savings and operational efficiencies. Other longer term opportunities might include consolidation of Town and School District business offices and human resource offices. The ABC continues to stress the concept of One Town / One Tax Rate and consolidated services where we believe redundancies exist.

Respectfully submitted,

Moultonborough Budget Advisory Committee

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