

2011 Annual Report of the Budget Advisory Committee

Budget & Advisory Committee Report 2011 Operating Budget

NOTE: The following report was submitted approved by the Budget & Advisory Committee at a public meeting January 24, 2011 based on proposed Selectmen's Budget as of that date. Subsequently, the Selectmen met and increased several additional line items. These items were considered and discussed with the Budget & Advisory Committee on February 1, 2011 and are reflected in the Committee's votes on the Warrant Article for the Operating Budget. Please see the end of this report for a brief discussion of those additional items.

INTRODUCTION

The Budget & Advisory Committee (BAC) and the Board of Selectmen (BOS) met periodically during the year to review operations and discuss the budget. The initial goal was to draft a 2011 operating budget equal to the 2010 operating budget as voted at the 2010 Town Meeting. Starting in October the BAC and Selectmen held several public meetings to hear testimony by the various Department Heads to develop the 2011 operating budget. In addition the BAC met separately to discuss and review various budget proposals. All meetings of the BAC are open to the public and held in the meeting room at Town Offices; notices are posted at the Post Office and Town Offices.

OVERVIEW

The Budget & Advisory Committee recommends a 2011 operating budget, excluding bond payments, of \$1,311,121, which represents an increase of \$8,631 or 0.66% over last year's appropriations as approved at the 2010 Town Meeting. Statement 1 shows 2010 appropriations, 2010 actual expenditures and the 2011 BAC proposed appropriations.

This year's budget reflects on-going efforts to keep the budget as "flat" as possible. For comparison, appropriations for recent operating budget have been \$1,294,870 (2007), 1,347,079 (2008), \$1,296,336 (2009) and \$1,302,490 (2010).

BUDGET REVIEW

The following are comments on some, but not all, departments. Departments not listed have little or no change from their 2010 appropriations.

Salary Increases: A majority of the BAC recommends a 2% salary increase for part-time employees. This would be an approximate \$4,847 increase to the operating budget. Statement 2 compares the Town's wage increases from 2000 through 2010 with other identifiable COLA increases. Historically wage increases have approximated the annual CPI increase as published by the Bureau of Labor Statistics. The average annual CPI increase from 2000 to 2011 is 2.70%; Francestown's average annual wage increase from 2000 to 2011 is 2.29%. The Town lags behind its measurement for salary increases. Statement 3 is a detailed analysis of various Social Security, Federal Pension and Federal Civil Service COLA pay increases from 2000 through 2011.

A pay increase is recommended only for part-time employees in the belief by a majority of the Committee that full-time employees have been receiving a significant increase to their total compensation over the past few years by virtue of the Town paying 100% of the employee's health insurance premiums.

A minority of the BAC believes that due to the current economic climate there should be no pay increases for either full or part-time employees for 2011.

Executive: Following a lengthy, spirited discussion a majority of the BAC agrees with the Selectmen's proposed hours and staffing of the Selectmen's Office. The current proposed budget represents an increase in hours for both the Administrative and Clerical positions.

The BAC discussed the allocation of staff hours and believed that better utilization of clerical hours would provide office coverage at less cost to the operating budget. Some members further believe that hours should be increased for the Clerical position, rather than the administrative position.

Despite the difference of opinions over hours and staff for the Selectmen's Office, the consensus of the BAC was the necessity for implementation of a plan for staffing the Office. The BAC received and considered the 2002 staffing study from the Selectmen, which should be the starting point both immediate and long-range planning.

Legal: The proposed 2011 budget is \$12,000, same as 2010. Actual 2010 expenses were \$18,695. The BAC cautions everyone that pending law suits and other legal actions may again cause increases to this budget line item.

Revaluations: Last year, following the Town-wide revaluation this budget was significantly reduced. This budget increases this year to return to the annual review of properties. The BAC recommends that the Selectmen continue to monitor appraisal updates and related expenses.

Personnel Administration: The BAC's proposed budget does not include health benefits for a fifth employee, but otherwise agrees with the Selectmen's proposal. Existing health insurance costs are anticipated to increase approximately 15% in 2011.

The BAC heard from the Benefits Committee on its analysis of benefits and wages for towns of similar size to Francestown. The BAC was disappointed that the Committee was not asked to provide conclusions and/or recommendations to the Selectmen.

The BAC remains frustrated that no alternative has been adopted by the Selectmen for reducing the budgetary impact of continued increases for employee health insurance. This committee has repeatedly called for the Selectmen to implement a plan.

The BAC recognizes that initiation of an employee contribution would reduce total compensation to the employee and has previously discussed the possibility of pay increases to offset new contributions. Attached Statement 4 and Exhibits A through E show the effect of various pay increases combined with difference contribution percentages. Alternately, the Selectmen could provide a one-time salary "bump" to offset an employee's contribution.

Changes to Town's personnel policies will need to be considered and a mechanism found for even current employees to share the burden of increasing health insurance costs. However, at a minimum, a change requiring all newly eligible employees (whether new hires or existing part-time employees converted to full-time status) to contribute should be instituted immediately.

The State retirement and its unfunded liabilities may also be an increased budgetary concern. The Benefits Committee made representations that there are other options available. The BAC recommends that the Selectmen review these options.

General Government Building: The BAC recommends that the Selectmen's proposed budget of \$41,712 be further reduced by \$2,500. Specifically the BAC proposes a reduction in the building repair budget line item from \$10,000 to \$7,500 and suggests that certain proposed repairs are actually capital in nature. These capital expenses should be paid from reserves via a separate warrant article.

The BAC endorses the proposal of reducing the custodial budget for some Town Buildings.

Other adjustments to this account are an increase to the IT contract, which include the purchase of a PC dedicated for use by all Town Boards, consolidation of the grounds keeping budget and an increase to the building alarm service.

Police: The Francestown Police Chief met with the BAC and BOS twice to discuss the Police Department's 2011 operating budget. The Police Chief was the only department head to appear officially at the Budget Hearings more than once. The Selectmen's proposed police budget is an increase of \$6,121 from the 2010 appropriation. The most significant changes are: increases for telephone and dispatch service, and a decrease for heating fuel.

The BAC proposes that the 2011 police operating budget remain at the 2010 appropriation of \$136,420 and believes that the Chief has several choices to further reduce his budget. Many proposed line items remained the same for 2011 in spite of minimal year-to-year expenditures in prior years. The BAC is also very concerned that communications (telephone and dispatch) are rising rapidly and suggests that alternatives should be investigated. Communications now represent 10% of the Police Department's operating budget and are the second largest item after salary.

The BAC does understand that the allocation of resources within his budget should be the Chief's prerogative. While strongly suggesting reductions could be made within the operating police budget, the BAC also acknowledges that staffing reductions may be a necessary alternative. The BAC is aware that, when Francestown police are not on duty, the State Police will be on call and believe this is a viable alternative.

Since 2006 actual expenses for the Police Department have ranged between \$128,519 (2009) and \$135,543 (2007). By the Chief's own testimony there has been no increase in criminal activity over the past few years and with a stable population, the BAC believes that a fair budget would be \$136,420 (same as 2010 appropriation).

Highway and Streets: This budget has been reduced by \$7,180 through a decrease in budgeting overtime. For the past several years budgeted overtime hours have remained at the same level. This followed several severe weather events: ice storms and floods. The BAC commends the Road Agent for examining his budget and reducing his overtime hours.

Ambulance: In prior years the Town contributed a portion of the purchase/lease payments to the Town of Peterborough. Final payment was made in 2010 and the budget has been reduced to reflect no lease payment for 2011. The Selectmen should be concerned over the ambulance expenses in future years and make alternate plans should the Peterborough Ambulance Service be no longer an available option. The BAC suggests that the Selectmen review any plan with the Fire Chief for emergency services.

Fire Department: The Department reported a modest increase in its overall budget. Following an initial budget presentation the Chief and Fire Wards reviewed and reduced certain budget line items. The BAC commends the Fire Department for its efforts.

Solid Waste: The Solid Waste Committee has provided a budget of \$111,837, a reduction of \$7,070 from the 2010 appropriations. This represents holding staff hours at approximately the same level as 2010 and reducing many individual line items. Based on actual 2010 expenses and the continued recycling efforts of the Town, the BAC agrees with these budget reductions. The BAC commends the Solid Waste Committee for its budget adjustments and town residents for their efforts to recycle and save money.

Health Department: The BAC agrees with the Selectmen's proposal that the budget line for the Grapevine (\$3,000) should be zeroed in the operating budget and the expense be placed in a separate warrant article subject to a vote at Town Meeting. This does not change the budget and tax implication of the expense, but places the expense before the voters as a separate item to be discussed at Town Meeting. The BAC heard testimony from individuals involved in the running of the Grapevine.

Welfare: Following testimony by the Welfare Officer and a review of actual welfare eligibility payments (an increase of \$13,200 over appropriations) the BAC agrees that this budget should be significantly increased. These are mandated obligations of the Town and everyone should be aware that the proposed budget is \$6,000 less than 2010 actual expenses. Continued economic problems will put a strain on this budget line item.

Recreation: Though this budget shows a modest \$110 increase from 2010 appropriations, significant changes have been made to the Recreation budget. Payroll has been reduced by over \$2,000 to match anticipated 2011 programs. The field maintenance line was reduced to reflect the consolidation of the entire Town's lawn maintenance under General Government Building.

Little League and Summer Programs were increased to reflect hoped for passage of a separate warrant article concerning program fees. Last year recreation budget was reduced to reflect fees deposited in Recreation's revolving account, rather than the Town's general account. The result was over the matching of fees and program expenses between the two accounts (Town's general ledger and the Recreation Committee's revolving account). The BAC endorses the separate warrant article for program fees to be deposited into the Town general fund and program expenses to be paid from the operating budget. The BAC commends the Recreation Committee for their dedication and the hard work of its volunteers on behalf of the residents and especially children of Francestown.

As of the date of this report the BAC understands that questions exist over the legality of changes to the Recreation Revolving account. The BAC supports the Selectmen and Recreation Committee in their efforts to resolve any questions.

Library: Following testimony by the Library Trustees at the Budget Hearings, the BAC asked if the Library could hold their budget equal to 2010 appropriations. Library Trustees submitted a revised budget slightly down from the 2010 appropriations. The BAC commends the Library Trustees for their on-going efforts regarding their budget.

Heritage: The BAC agrees with the Selectmen's proposed budget decreases to reflect anticipated actual expenses. The BAC is aware that should the Heritage Commission be successful in its pursuit of grant monies it may need some additional funds to support grant applications.

Bond: Bond payments will decrease \$2,000 for 2011 and will decrease between \$2,000 and \$2,500 for each of the next 15 (fifteen) years. The BAC views the Bond as an extraordinary item. Analysis of year-to-year changes in the operating budget should be considered before bond expenses.

CONCLUSION

The proposed 2011 BAC budget permits Town-wide services to remain at current levels. No significant reductions in services are anticipated at this time. However, this budget does not permit a great deal of latitude should an emergency arise. A sudden act of nature (ice storm, flood, fire or hurricane) or an unanticipated expense (increased welfare requests or legal fees) would severely impact the budget and the Selectmen's ability to pay an associated expense. Furthermore, State budget issues may mean less revenue to the Town. Should one of these events occur the BAC acknowledges that the Selectmen may need to look at reducing services (reduced hours for the Town Office or Transfer Station, for example). The BAC recommends that the Selectmen have contingency plans in place and discuss such options with the various Departments.

Given that actual expenses were about \$20,000 less than the 2010 appropriations there is very little latitude or discretion within the budget. The BAC recommends that the Selectmen continue to pursue prudent management of the budget and related expenses. Unless significant reductions occur in the budget, the Selectmen should prepare the Town for future budget increases and/or reductions in services.

MISSION STATEMENT

The responsibility of the Francestown Budget & Advisory Committee is to formulate and recommend an annual operating budget that will best meet the present and future needs of the Town of Francestown. The Committee will review all warrant articles requesting an appropriation of money and provide guidance to the Selectmen thereon. The committee will also advise the Selectmen on financial and other issues as requested.

Respectfully Submitted,

Charles M. Pyle, Chairman
for the Francestown Budget & Advisory Committee
January 28, 2011

ADDENDUM

Initially the BAC proposed budget was approximately \$19,000 less than the budget proposed by the BOS. The primary differences were Police (BAC budget was \$3,762 less) and Personnel Administration (\$14,949 less).

At the February 2, 2011 meeting of the BAC and BOS several budgets were increased:

Treasurer – Increase budget by \$3,000 to reflect anticipated additional required audit services.

General Government Building – Increase to repair line by \$2,500 for additional repairs needed in 2011.

*Legal – Increase by \$5,000 in response to concerns over pending legal actions (see comment above under **LEGAL**).*

Fuels – Increases to various fuel budget (Police, Highway and Fire) totaling \$12,600. Concerns were raised over the current cost of fuels, increase in the number of 2011 winter weather events and future fuel price uncertainties.

*Welfare – Increase general assistance by an additional \$12,000 (see comment above under **WELFARE**).*

Charles M. Pyle
Chairman, Francestown Budget & Advisory Committee
February 2, 2011