

Finance Advisory Committee Meeting Minutes: August 15, 2022

Present were:

Shawn Talbot: Chair, Board of Selectmen

Debbie Deaton: Town Administrator

Dennis Howe: Chair, Finance Advisory Committee

Mitch Gluck: FAC

Luke Moran: FAC

Joe Woodworth: FAC

Discussions

Selectmen Guidance

General Guidance

- Flat budget desired. Prefer budgets come in lower than in 2022 in order to offset inflation.
- No tax rate increase; focus annual budgets to ensure no tax rate increases.
- It was noted that departments need to be operational, and budgets should reflect only what is required.
- We need to reset the mindset, and expect BOS approval of the Departments as coordinated with the FAC.
 - In the past, Department Heads may have submitted higher than needed budgets with the expectation that it will be cut.
 - It is fine that unused accounting line items go away for one year, and come back in another year. Department Heads may have been reluctant to eliminate line items.

Cost of Living Adjustments (COLA)

- Target COLA was shared with the FAC; nothing final at this time.
- The BOS hopes to stabilize the departments in terms of retention, and will focus on:
 - Employee review process. May have stalled over the past couple years
 - Prior COLA adjustments. May not have been consistent across Departments
 - Wage scales, with tiered pay scales, need to be developed by the Department Heads and the BOS. Possibly 5 year pay scales (as an example).
 - COLA adjustments typically run from April to April, which does not fully cover a full spectrum of a January to December fiscal year's budget.

Inflation

- Unknown inflation variable at this point
- FAC plans to work with Department Heads to identify line items that will be subject to inflation
- FAC will add a variable across all Department Heads to model the impact of inflation
- Preliminary Department budgets will reflect 0% inflation; FAC and BOS, with input from Department Heads, will determine the optimal inflation rate and adjust budgets accordingly.
- A few more notes:
 - Town currently purchases diesel fuel from state under bulk purchase program (State Rate fuel purchases). Plans to continue

- Town seeks annual price caps from vendors for heating oil, propane, etc. Debbie working this.

Budget Variants

- Department Heads have done a great job and staying in their overall budget.
- In a few cases, line items within the budget vary more than preferred, and would prefer to see actuals under each line item (even if negative) to understand variations.
- Accounting lines should be used consistently across Departments, with backup information. BOS would like to see the budgets simplified for easy review, with backup in case more details is needed.

Deliverables from BOS to FAC

- Details on revenue will be shared as it becomes available
- Debbie will share the budget form (latest actuals report) with the FAC
- Action: Debbie & Dennis to review the DOS-based output to determine if they can import it into Excel

Deliverables from FAC to BOS

- The FAC plans to provide the Department Budgets in Excel form
- Narratives, if necessary, will be included to provide explanation for each line item
- PowerPoint summaries will be created throughout the process to communicate status, as well as for use during deliberations.
- Fund Balance.
 - Unspent budget is maintained by the Town in a Fund Balance for an emergency fund.
 - This floating balance is generally between the range of 7 to 15% of the total budget.
 - NH RSA sets the maximum of 15%; excess is returned to the tax payers in the form of a reduced tax rate
 - The BOS is targeting 10% of the total budget to remain in the Fund Balance.
 - The BOS has requested the FAC determine the amount of money in this Fund Balance.

Audits

- The State of NH performs annual audits on the budget, and provides a summary of deficiencies and recommendations.
- The FAC has been requested to review prior year reports to ensure we have plans in place to correct deficiencies
- Mitch volunteered to be our focal point for the Department of Revenue Administration.

Deliberations

- The BOS requested that the FAC attend the deliberations, occurring in March, and be available to answer specific questions on the budget. The Department Heads, BOS, and FAC should sit together to present the budget as a team.

Quarterly Budget Reviews

- For FY23, the FAC and Department Heads will work together to build quarterly reviews of the budget. This will ensure adherence to the plans, as well as highlights any area of concern.

Arbitrary 2023 Budget Submission Milestones

- Initial engagement with FAC and Department Heads – introductions (on-going)
- All Department Heads meeting with FAC (group or individual?) (Sep 13?)
- Guidance will need to be formalized (Standardization needed for all FAC members is essential)
- Q&A
- Draft Department Head Pre-Inflation budget estimates (Sep 27?)
- Finalize Pre-Inflation Department Head budget submissions (Oct 4?)
- Will need advance Resource Level expectations to determine what gets funded
- Committee application of inflationary values to Budget (Oct 18?)
- Coordinate with Department Heads on updated inflation numbers (Nov 1?)
- Final submission to Selectmen (Nov 15?)
- Other milestones and dates (BER)
- “Drop Dead” date o/a 15 Dec should milestones slip unexpectedly

Department Head engagement

Input from the BOS:

- Budget process should not be a negotiation; ask for what you want/need
- Department Heads should document budget plans (with backup) for review, understanding by BOS, and ultimately approval by the Town
- The FAC is available to help. They will help prepare the budget, help build justification for the requested purchase, and help prepare the Department Heads for review by BOS.

The FAC will:

- Provide guidance for creating the budget, to include:
 - Individual line items that contribute to the budget submission.
 - Prioritization of each line item from 1 to “n” to convey importance of funding.
 - Identify line items susceptible to inflation or COLA from items that are not.
 - Provide narrative / detailed identification of what each budgeted accounting line purchases.
- Convey Department Head submission due dates (milestones)
- Provide resources available to Departments
- Explain the separating of warrant from operational expenses
- Integrate Manual Forms to Excel worksheet
- Document budget lines that are susceptible to inflation
- Create variable within impacted budget items to model impact of inflation