

Triboard Meeting
Board of Selectmen/School Committee/Finance Committee
Minutes of October 4, 2017

I. **Call to Order/Roll Call**

Chairman Salafia called the Triboard Meeting to order at 7:00 P.M. in the School Committee Meeting Room in the School Administration Building. Present from the Board of Selectmen: A. Vispoli-Y, D. Kowalski-Y, R. Landry-Y, L. Gregory, and P. Salafia-Y. Alex Vispoli was teleconferenced in due to illness.

Finance Committee Chair Eugenie (Janie) Moffit opened the meeting for the Finance Committee. Members present from the Finance Committee: L. Anderson-Y, M. Kruse-Y, B. Zahorik-Y, B. Taylor-Y, P. Monticciollo, S. Christopulos-Y, and P. Russo-Y.

School Committee Chairman Susan McCready opened the meeting for the School Committee. Present from the School Committee: J. Blumstein-Y, T. Teichert-Y, P. Murphy-Y, S. Scully-Y, and S. McCready-Y.

Also present: Town Manager Andrew Flanagan, Superintendent Dr. Sheldon Berman, Assistant Superintendent Dr. Nancy Duclos, Deputy Town Manager John Mangiaratti, and Finance Director Donna Walsh. The meeting was duly posted and cablecast live.

II. **Opening Ceremonies/Moment of Silence/Pledge of Allegiance**

The meeting began with a moment of silence followed by a salute to the flag.

III. **Financial Summit**

The focus of the meeting is long-range financial planning. The Town Manager and his team have been deciding on what to model and what the base line will be. Budget numbers discussed at this meeting are in the aggregate. The Triboard will convene again on December 8th to guide what will drive the budget process. The Town of Andover Budget Model has three major revenue sources; State Aid, Property Taxes and Local Receipts that are available revenue for operating budgets. The Town Manager hopes to establish a set annual increase for the town and school.

A 5-Year Financial Forecast, based on a series of assumptions and schedules, is a dynamic document and a tool to establish predictability and a framework to sustain competitive and responsive budgets. The first assumption has two models that include a 2.5% levy increase. Model 1 shows a 5-year average for new growth, while Model 2 shows a 3-year average for new growth. Both models have \$300K excess levy. State Aid: Model 1 has a 1% annual increase and Model 2 shows a 2% increase. The 5-year average for local receipts for both models is \$12,250,042. The FY-19 Tax Levy breakdown for FY-2018 and FY-2019 shows the 3 and 5-year change average and was explained by the Town Manager.

New Growth History: 5-Year average is \$2.19M and 3-Year average is \$2.35M. Personal property receipts were at an historical high in FY17 (tax on equipment, technology, not on the property).

Revenue Assumptions Model 1 and Model 2 shows an overall delta between the two models of \$275,553, a difference of +0.17%.

Former vs Current Retirement Funding Schedule: The plan is to maintain the funding schedule that increases the annual appropriation by 10% per year. Last year the 5-Year budget impact of the 10% annual increase was \$3.2M; this year it is \$4.8M.

Assumptions for Health Insurance: Chart assumes an 8% increase every year for a total increase of \$6M for the next five years.

OPEB: Other Post-Employment Benefits: Policy is to increase funding by 2.5 % each year. The four-year phase of the shift in retiree contributions ends in 2021.

Obligations as a percent of the Budget show as 16.93% for FY-2017, 17.91% for FY-2018, 18.57% for FY-2019, 19.19% for FY-2020, 19.92% for FY-2021, and for FY-2022, the percentage is 20.68%. The State requires the Retirement system be fully-funded by 2040 and the Town's current plan is to fund by 2032.

Appropriations: Capital Capacity, Non-Exempt Debt, and Exempt Debt. The CIP will be released at the end of October. The Town Manager's goal is to expand the Town's Capital Capacity and to fund capital projects within the limitations of Prop.2 1/2 . Starting in FY-2018, the percent of funding will be 5.73%, and from FY-2019 through FY-2022 it will be 5.72%. The debt analysis tool was used throughout the entire process to project the assumptions. General Fund non-exempt debt service includes the new Municipal Building. The groundbreaking ceremony for the new building will be at 1:00 P.M. on November 8th. The non-exempt debt service model aligns well with the exempt debt schedule which includes two major projects, the replacement of West Elementary School and renovation of AHS. We expect to hear from the Massachusetts School Building Authority by December 13th on our acceptance into the program for West Elementary.

Town and School Operations Revenue: Model 1 shows a 3.5% annual increase for School Operations and a 2.75% annual increase for Town Operations. Model 2 shows a 4% annual increase for School Operations and 2.75% for Town Operations.

FY-2019 Deficit: Models 1 and 2 are based on projection models and shown through FY-2023. The Operating Budget, per Mass General Law, must be balanced annually. The cumulative deficits shown in the presentation are for illustrative purposes only.

Director of Planning and Development, Paul Materazzo provided a review of the economic development projects in process and those being proposed that will bring additional revenue to the Town. Those in process include: Riverside Woods Independent Living Development at 459 River Road, Bridges, a memory care assisted living at 254 Lowell Street, Capital Senior Housing at 139-143 Elm Street, and the River Road Development of 1, 2, and 3 bedroom apartments that will directly affect the student population at High Plain Elementary/Wood Hill Middle School. There is also a project in process for 27 Main Street that is both residential and commercial and of course, the new Municipal Services Facility. Other areas of development include projects at Raytheon, Phillips Academy, Andover Medical Center, Merrimack College,

Oak and Iron Brewing Company, and the Primrose School. They have established nine design guidelines for the Historical Mill District and the area of Old Town Yard.

Questions/Comments:

Is it possible to do an analysis of the impact of the Economic Development Projection on New Growth revenue over last three years and of the expected contribution of the forecasted projects? Andrew Flanagan reported there has been \$2.3M of new growth in total. Breaking down actual value of project would be difficult but a basic analysis could be done.

Is this a typical variation of projects or proportionally high number? Projects are more aggressive this year, but we have had other large projects, and there are a lot more to come, many of the projects are in various stages of development.

Joel Blumstein noted that even since Jan 2017 the model has been refined; previously, FY-19 showed a deficit and it is now positive based on known numbers.

Is it possible to show health insurance costs savings from changes in employee health care premium splits, in much the same way OPEB savings were illustrated in the presentation? Mr. Flanagan said information is being collected around employee enrollment that would assist that analysis.

The Dascomb Road project is not included in the presentation of growth projections. Mr. Materazzo and Mr. Flanagan said the presentation included only projects that have been permitted by the town.

There are often also costs associated with major new projects. Could an assumption for costs also be incorporated into the planning?

The Town Manager asked members of the Triboard to send him their feedback of tonight's presentation. He repeated that today's presentation is based on assumptions and more analysis will be done to refine the number presented.

Bob Landry spoke about contractual obligations which is the bulk of the expenses, and to include the effects on the school budget and discuss how the increase will affect the growth of capital projects. Revenue should be forecasted on a conservative basis.

The Town Manager and School Superintendent have been meeting regularly to discuss the budget process and will continue to meet with the goal to have a resolution to be considered well before the budget season. Dr. Berman said they have done a lot of work around assessments of Out-of-District placements, and are in process of looking at changes in salary increases, retirees, etc. There are larger policy issues to be resolved (i.e. textbooks): should they continue to be funded in the CIP or should the cost of textbooks move into the school budget while increasing the school budget appropriately.

IV. Adjournment

At 8:00 P.M. on a motion by Dan Kowalski and seconded by Bob Landry, the Board of Selectmen voted 5-0 to adjourn from the Triboard Meeting of October 4, 2017. Roll call: A. Vispoli-Y, R. Landry-Y, D. Kowalski, L. Gregory-Y, and P. Salafia-Y.

On a motion by Joel Blumstein and seconded by Paul Murphy, the Andover School Committee voted 5-0 to adjourn. Roll call: J. Blumstein-Y, S. Scully-Y, T. Teichert-Y, P. Murphy-Y, S. McCready-Y.

On a motion by Linn Anderson and seconded by Blackwell Taylor, the Finance Committee voted 8-0 to adjourn. Roll call: M. Kruse-Y, E. Moffitt-Y, L. Anderson-Y, B. Zahorik-Y, B. Taylor-Y, P. Monticiollo-Y, S. Christopoulos-Y, and P. Russo-Y.

Respectfully submitted,

Dee DeLorenzo, Recording Secretary

Documents: Town Managers Long Range Financial Plan