

Triboard Meeting
Board of Selectmen/School Committee/Finance Committee
Minutes of December 6, 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, R. Landry, D. Kowalski, and P. Salafia.

Finance Committee Chair Eugenie (Janie) Moffitt called the Finance Committee to order. Members present from the Finance Committee: L. Anderson, M. Kruse, B. Zahorik, B. Taylor, and P. Russo.

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

Also present: Town Manager Andrew Flanagan, Superintendent Dr. Sheldon Berman, Deputy Town Manager John Mangiaratti, Finance Director Donna Walsh, Assistant Superintendent Dr. Nancy Duclos, and Assistant Superintendent Paul Szymanski.

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. FY2018 Budget

The Town Manager said the CIP for 2019 has been filed and tonight's presentation is the first in a long budget process. Copies of the presentation were distributed to attendees.

Budget Model:

Revenue: Property Taxes, Local Receipts and State Aid

Available Revenue to support Obligations includes: Debt Service, Contractual/capital appropriations, Health Insurance, Retirement Fund, OPEB, State Assessments/Other, and CIP. The remaining balance for the Operating Budgets for Town and School.

The Town Manager explained the five-year financial forecast was designed to provide predictability and to identify structural impacts. Everything was prepared to establish a structural framework to sustain competitive and responsive community services.

Revenue Assumptions:

The Town is predicting a 2.5% Levy increase in property taxes; New Growth at a 5-year average of \$2,229,752, with an Excess Levy Capacity of \$300K (per vote of the Board of Selectmen). State Aid: 2% Annual Increase in Chapter 70 funds and Unrestricted General Government Aid in the amount of \$237,038. Local Receipts: 5-year average is \$2.25M which the majority coming from Excise Tax and License & Permit Fees.

Andrew explained the FY-19 Tax Levy Breakdown which begins with the prior year levy limit and new growth, and then apply the annual 2.5% increase and use of new growth, backing out the \$300K to maintain excess levy for a total Tax Levy of \$5,833,387.

Additional Taxes –Debt Exclusion: Decreasing by -3.41% (\$137,958) this year because MSBA’s reimbursement schedule did not align with our exempt debt. It is important to note that this is a one-time event (final payment for building High Plain/Wood Hill schools) and will not happen again because of the new MSBA funding methodology.

New Growth History: Personal Property for 2018 is less than what it was for 2017.
Revenue Assumptions Chart for 2018/2019:

	FY-2018	FY-2019	% Change
Tax Levy Projections:	\$139,827,282	\$145,660,669	4.17%
State Aid Projections:	\$ 12,207,377	\$ 12,444,415	1.95%
Local Receipts Projections:	\$ 11,492,300	\$ 12,250,042	6.59%
Total Revenue Assumptions:	\$163,526,959	\$170,355,126	4.18%

They are anticipating an increase in the single family residence tax bill from the prior year in the amount of \$371.00. The estimated percentage of tax increase for single family homes is 3.86%.

Alex Vispoli asked for a commitment from Town and School to work in the confines of the budget model to set the expectation for planning purposes early which will remove a lot of the drama and make the process go more simply, keep the budget within the confines of available funds. The Town Manager thinks that based on the information today they will operate to build their budget on the 4.0% increase. Dr. Berman said the School Committee has a strategy that hopefully keeps us within the budget guidelines. There are a few circumstances that are impacting the school department this year (i.e. moving textbooks into the general fund from the CIP, reduction of Circuit Breaker Funds, effect of changing the model for the circuit breaker etc.) but the Superintendent plans to attempt to have a budget that stays within those guidelines. Available budget funds projected for the Town is \$40,721,986 and available funds for the School \$82,510,658. Joel said there is a real commitment to avoid the drama that has occurred in prior years.

FY-19 Tax Rate Projection:

Property Taxes:	\$145,660,669
State Aid:	\$12,444,415
Local Receipts:	\$12,250,042
Other Available Funds	\$ 2,068,087
Total Available Revenue	\$172,423,213
Contractual/Capital Approp.	\$ 49,190,568
Balance available for Town	\$ 82,510,658
Balance available for Schools	\$ 40,721,986

Estimated % Increase for Single Family Tax Bill from Prior Year is \$371.00; increase of 3.86%.

Appropriations: Obligations

Chart shown is reflective of existing funding schedule from FY2015-2030. Retirement Board determines the funding schedule. From FY19-FY23 there has been an increase of \$4.7M. The State requires they be funded by 2040, but we are on schedule to be fully funded by 2032; funding \$4.7M over the next 5 years to mitigate serious financial concerns over the next several years.

Health Costs: \$20,550,513 for 2019 and \$21,954,321 for 2020.

OPEB: The Chart for General Fund OPEB Appropriation (Trust Fund only), shows Savings from OPEB Reform, and Total OPEB Appropriations from FY-2018 through FY-2027.

Health Insurance includes the Retirees (between \$5M and \$6M now).

Obligations (Health Insurance, Retirement, and OPEB) as a percent of the budget shows 16.93% for FY-17, 17.91% for FY-18, 18.57% for FY-19, 19.19% for FY-20, 19.92% for FY-21 and FY-2022 lists as 20.68%.

Capital and Debt:

The Town Manager is presenting a balanced CIP which is thoughtful and reflective of a lot of hard work. The new approach is to have a non-exempt budget target set at 5.72%. The FY-19 recommended CIP is balanced and supports investments in all functions of the Town and came in at 5.35% and is balanced in the out years at 5.72%. The Town Manager explained the five-year plan showing how they funded the CIP (assumes the use of free cash), the document is dynamic and could change over five years and does not include exempt debt.

Recommended funding amounts for the FY-19 CIP all within the confines of 2.5%:

General Fund Revenue	\$ 3,265,077
General Fund	\$10,427,000
Use of Free Cash	\$ 4,200,000
General Fund Exempt Borrowing	\$ -0-
Special Dedicated Funds	\$ 1,639,279
Water & Sewer Enterprise Funds	\$ <u>8,805,000</u>
Total	\$28,336,806

The Town Manager said we are spending an historic amount on capital investments. Bob Landry said the CIP is being reduced at the expense of the operating budget. The Triboard members had a discussion on the CIP, textbooks, and operating budget expenditures and allocations.

List of items to be funded by the General Fund Revenue totals \$3,265,077 (Article 5).

Free Cash is projected at \$6M and Town Manager recommending use for four projects:

West Elementary Feasibility Study	\$1,200,000
Ballardvale Fire Land Acquisition & Construction	\$1,000,000
Downtown Improvements – public amenities	\$1,000,000
Town Offices Customer Service Building Improvements	<u>\$1,000,000</u>
Total:	\$4,200,000

Revenue exceeding budget projections and remaining expenditures remaining created the increase in free cash. A suggestion was made to create a Capital Fund Savings Account to use as a reserve for items needed in the future.

Renovating the Town Offices: Town Offices have not been renovated since 1973. The renovations recommended will improve customer service, and redesign the existing offices since a portion of the departments will be moving to the Municipal Maintenance Facility and the Technology Department has moved to the School Administration Building. This project is consistent with the goals and objectives of the community.

General Fund Borrowing Total	:	\$10,427,000
Center at Punchard:	\$	160,000
Ballardvale Fire Land Acquisition/Constructions:	\$	7,000,000
IT Platform and Infrastructure	\$	350,000
Public Works- Large Vehicles	\$	555,000
Minor Storm Drain Improvements	\$	300,000
Major Town Projects	\$	775,000
Town & School Energy Initiatives	\$	565,000
Major School Projects	\$	722,000

Review of the Major Projects and Future CIP Considerations

Ballardvale Fire Station

School Buildings

Future CIP Funding Mechanisms: Expand Capacity within limitations of Prop 2.5% and Building Borrowing Capacity

Review of the Existing Debt Service (Exempt) – mainly roofs.

<u>Special Revenue Funds in the amount of:</u>		<u>\$1,639,729</u>
Parking Study Implementation	\$	75,000
Student Device Refresh	\$	200,000
Major Annual Road Maintenance – Chapter 90	\$	1,364,729

Water /Sewer Enterprise Fund Total: \$8,805,000

Andover High School and West Elementary Exempt Debt Scenarios

Both projects will require a Debt Exclusion: \$50M AHS Renovation Project and \$45M for West Elementary Replacement Project (our share).

Discussion/Comments

Ted Teichert is concerned about the tax impact on the residents and what they will not be able to afford to pay in lieu of paying their tax increases. Are we concerned about the impact on the residents and commercial business?

Alex Vispoli quoted property tax rates listed in the Realtor MLS for \$800,000 homes in various towns throughout Massachusetts. Shannon Scully asked Andrew Flanagan if there

was a municipal database that tracks property tax from which the town could do a true analysis of how Andover compares to other municipalities. Andrew said the state has such a database and he would look at conducting that analysis.

Level Debt Funding Schedule – when you layer the costs on we are above the levy limit.
Discussion on level debt vs level principal for the two school projects and effects of both and on the budget and taxes.

Total Deficit of \$21,702,453 from FY19-FY23, we will need to have a conversation to close the gap by FY-2020 and consider service reductions across departments, reduction in force, and tax overrides. Consider addressing the deficit by reducing the rate of growth in departments starting now.

Bob Landry wants to see the cost of contractual increases (COLA) for school bargaining units. Shelley will send Bob Landry the documents to review. All school contracts should be settled by early January.

The Town Manager asked that ideas to address the anticipated deficit by 2020 be sent to Town and School Officials, Committees and Boards.

IV. **Adjournment**

At 8:58 P.M. on a motion by Alex Vispoli and seconded by Laura Gregory, the Board of Selectmen voted 5-0 to adjourn from the Triboard Meeting of December 6, 2017.

On a motion by Joel Blumstein and seconded by Ted Teichert, the Andover School Committee voted 5-0 to adjourn.

On a motion by Bonnie Zahorik and seconded by John Barry, the Finance Committee voted 8-0 to adjourn.

Respectfully submitted,

Dee DeLorenzo, Recording Secretary

Documents: Budget Presentation