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**Board of Selectmen/School Committee/Finance Committee**

**Minutes of Triboard Meeting**

**November 24, 2014**

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

Chairman Kowalski called the Triboard Meeting of the Board of Selectmen, Finance Committee, and School Committee to order at 7:03 P.M. in the School Committee Room in the School Administration Building. Present from the Board of Selectmen: B. Major-Y, P. Salafia -Y, A. Vispoli-Y, M. O'Donoghue-Y, and D. Kowalski-Y,

Finance Committee Chair S. Jon Stumpf opened the meeting for the Finance Committee. Present from the Finance Committee: J. Marden-Y, M. Kruse-Y, L. Anderson-Y, G. Serrao-Y, E. Moffitt-Y, J. Barry, Jr.-Y, M. Arai, Y, B. Zahorik-Y, and S. Jon Stumpf-Y.

School Committee Chair Annie Gilbert reconvened the School Committee to order . Present from the School Committee: P. Colby-Clements-Y, A. Gilbert-Y, J. Blumstein-Y, D. Birnbach-Y, and B. L'Italien-Y.

Also present: Town Manager Reginald S. Stapczynski, Superintendent Marinel McGrath, Assistant Superintendent Paul Szymanski, Assistant Town Manager Steve Bucuzzo, and Finance Director Donna Walsh. The meeting was duly posted and cablecast live.

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

Chairman Kowalski led the members in a moment of silence followed by the Pledge of Allegiance.

**III. Budget Overview**

Town Manager Buzz Stapczynski distributed a broad overview of the budget model, revenue drivers, and contractual and capital appropriation expenses, as part of his explanation of the budget model and process.

**A. Local Receipts**

The main drivers behind the 2014 local receipts budgeted and actuals are as follows:

Motor Vehicle Tax:	budget \$4,550,000	actual \$5,081,181
License/Permits:	budget \$1,675,000	actual \$1,985,573
Penalties	budget \$400,000	actual \$553,900
Hotel/Motel receipts	budget \$1,407,000	actual \$1,496,945

Total of receipts over the projected budget amount is \$2,276,803. Actual Non-Recurring revenue included Bond Premiums of \$738,062 and \$323,430 from FEMA. The estimated receipts for FY-15 is listed at \$10,027,000 and the amount projected for FY-16 to be \$10,155,050.

**B. Tax Levy 0-2.5%**

The Tax Levy Chart showed the 2016 allowable tax levy amount of \$119,797, 971 and what increases of 1%, 1.5%, 2% and 2.5% would look like, as well as what the same percentages would be if tax levy amount were increased under a 2.5% tax levy.

<u>Increase:</u>	<u>1.0%</u>	<u>1.5%</u>	<u>2.0%</u>	<u>2.5%</u>
<u>\$119,797,140</u>	\$1,197,971	\$1,796,957	\$2,395,943	\$2,994,929
<u>Under 2.5%</u>	(\$1,796,958)	(\$1,197,972)	(\$598,986)	

The tax levy amount at the end of the 2014 Town Meeting was estimated to be \$117,844,997. New growth came in higher than anticipated at \$2.3M bringing the unused tax levy to \$1,952,143. New growth has been trending at \$1.5M every year but in 2014 they aggressively pursued reevaluation of personal property yielding additional growth dollars and increasing the levy capacity. For FY-16 the traditional growth amount of \$1.5M will be used.

Available Tax Levy (prior years)

A chart of the Tax Levy History showed the tax levy, allowable increases, new growth, and unused levy amounts from FY-11 through FY-15 (estimated) and included the FY-16 revised amounts.

Free Cash (including 2014)

The Town Manager said free cash has averaged approximately \$3.2M per year for the last twenty years, and he noted that rating agencies like Moody’s view balances in free cash as a positive. Unanticipated expenditures that would otherwise come out of the operating budget can quickly deplete free cash.

Finance Director Donna Walsh reviewed the chart showing the components of the Free Cash Account for FY-13 and estimated for FY-14. The chart includes the amount of free cash at the beginning of the FY-14 of \$3,963,320, less the appropriations of free cash (\$3,300,000), excess local receipts of \$2,276,803, and a tax title amount of \$472,660, additional State Aid of \$47,549, and unexpended appropriations in the amount of \$1,947,639 due to unfilled positions (\$1.2M), legal counsel funds not spent (\$89K), debt service (\$212K) and reserve fund (\$125K), changes in receivables of \$219,181 and Other (\$135,000) leaving a Free Cash Total of \$5,762,394.

New Growth

A review of the New Growth Chart from FY-11 to FY-15 showed the changes in residential, commercial, and personal property amounts.

	<u>FY-11</u>	<u>FY-12</u>	<u>FY-13</u>	<u>FY-14</u>	<u>FY-15</u>
Residential	\$305,829	\$470,623	\$714,153	\$593,070	\$692,776
Commercial	\$57,071	\$71,868	\$14,767	\$107,515	\$122,869
Pers. Property	\$734,640	\$1,170,123	\$749,742	\$863,155	\$1,536,599

The Board of Selectmen will meet December 1<sup>st</sup> to discuss and vote on the direction of the tax levy and to provide direction to the Town Manager to prepare a recommended budget(s) based on the tax levy.

Joel Blumstein asked that budget models be provided and that everything be put on the table including major projects and liabilities such as retirement, OPEB, etc., identifying needs, so they will know what the starting point is in order to make good decisions. Paula Colby-Clements asked how decisions can be made if they don't have a discussion on requests. The Town Manager replied that his recommendations would be vetted before changes made.

#### General Fund Exempt Projects

The Town Manager reported on the General Fund Exempt Projects which include the Town Yard/Municipal Services Facility, Ballardvale Fire Station, Early Childhood Education Center, and renovations/expansion of Andover High School. They expect to bring the Town Yard and Ballardvale Fire Station to the 2015 Town Meeting.

Annie Gilbert reported that the ECC-preschool for the fall of 2015 will be housed at Shawsheen School. The Pre-K Feasibility Study explored two options; renovating the current Shawsheen School and building an addition onto Sanborn School. It was determined that the most practical solution would be to add on to Sanborn for \$5-6M and less if modular units were used. They are exploring other alternatives such as partnerships with the YMCA, and Merrimack College to avoid construction costs.

Andover High School needs additional classroom space, additional cafeteria space, and additional space in the library. Options were vetted through the feasibility study (do all at once or in separate components). They have since stepped back on how to address the space needs at AHS and arrived at two pathways to consider. 1. Submit a warrant article to renovate the AHS Library which would provide the biggest return on the investment of \$500K to \$1M. 2) Create a satellite program for 200+ students through leased space (Dundee Park), and to partnership with area universities and non-profits avoiding the need for Andover to take on another large capital project and not increase the size of AHS.

The Town Manager said they have not had a complete discussion on the future of Shawsheen School but are looking at what their office needs are, the costs to renovate the school for office use and/or storage of documents that can't be digitized; \$130,000 has been budgeted to start the process.

#### General Fund Non-Exempt Projects (Large Future)

The Town Manager reported on the status of the General Non-Exempt Projects.

Ledge Road Landfill Capping: CDM Smith will be presenting a report in January 2015.

The estimated start date is FY-17 and estimated cost \$9M

Shawsheen School Renovations for Offices – no start date determined, estimated cost is \$4M

#### School Site Improvements:

West Elementary:	Est Start Date FY-16	Estimated Cost	\$3,519,000
South Elementary:	Est Start Date FY-17	Estimated Cost	\$3,100,000
Andover High School:	Est Start Date-2018 or 2019		TBD

High School Library Renovations – Estimated Start Date and cost to be determined

#### **IV. OPEB**

Mary O'Donoghue distributed a copy of the OPEB Sub-Committee Report Summary which focused on education- becoming informed to further educate the Boards and community. Mary thanked all members of the OPEB Sub-Committee for their hard work. Highlights of information from the report included:

Definition of OPEB: refers to the set of employee benefits other than pensions; most significantly health insurance which is the most costly as it is offered to employees and their spouses who are eligible for lifetime retiree health care, currently mandated under State Law after 10 years of service and as early as age 55. Employees need only work a minimum of 20 hours per week for 10 years to qualify for full benefits and spouses retain lifetime coverage upon death of retiree.

Findings of Sub-Committee: OPEB expenses growing at an unsustainable rate, benefits are significantly underfunded, there is a major disconnect between our growth in OPEB expenses and revenue, the cost is a continued strain on municipal budgets to maintain current level of services and jobs and will continue to escalate.

Recommendations:

- Include the OPEB total liability for every department in operating budget.
- Separate out retiree expense from current employee expense in health insurance expense line.
- Selectmen to adopt a more realistic OPEB policy as part of the town's financial policies and implement meaningful measures to reduce the liability.
- Move OPEB Trust Fund to a higher yielding fund with proven track record.
- Increase part-time employee eligibility requirements for health care benefits.
- Explore outsourcing jobs not critical to delivery of services for town and school
- Create new framework for collective bargaining to use going forward.
- Reduce town's share of health care contribution.
- Understand Retirement Board's decision and effect on Town's Operating Budget.
- Encourage State Legislatures to support House Bill 59.

Paula Colby-Clements suggested establishing an on-going OPEB Sub-Committee to include residents knowledgeable and those with expertise in this area (similar to Bancroft Building Committee) along with liaisons from the three boards, to bring information back to the Boards. Anyone interested should email the Town Manager.

#### **V. Retirement Fund Scheduling Update**

The Town Manager reported on the Funding Schedule for the Retirement Fund and said if we stay with the current 2040 funding date it will cost \$6,937,700. To reduce the funding year, he recommends applying an additional \$1M towards the Retirement Fund Liability. The Retirement Board is scheduled to meet on December 5<sup>th</sup> and will have at that time the actuarial reports available to look at funding options. Mr. Stapczynski will be attending the meeting and he encourages Board members to attend as well.

**VI. Public Comment**

Bob Landry of Seminole Circle said the process is too important to cram into the middle of a Triboard Meeting and said the next phase should be more robust now that the items have been identified. Look at the Home Rule Petition that Harvard, Mass instituted to adjust premium rates in order to control OPEB costs outside of collective bargaining.

John Pasquale of 47B Whittier Street is concerned about the OPEB liability but glad to hear the Town is taking a position and stated that we need a Town Audit Committee that reports to the Finance Committee. Dan Kowalski said the Board of Selectmen chartered an audit function within the Town.

**VII. Adjournment**

At 9:13 P.M. on a motion by Paul Salafia and seconded by Alex Vispoli, the Board of Selectmen voted 5-0 to adjourn from the Triboard Meeting. Roll call: A. Vispoli-Y, D. Kowalski-Y, B. Major-Y, P. Salafia-Y, and M. O'Donoghue-Y.

On a motion by Paula Colby-Clements, and seconded by Barbara L'Italien, the School Committee voted 5-0 to adjourn from the Triboard Meeting. Roll call: A. Gilbert-Y, D. Birnbach-Y, P. Colby-Clements-Y, J. Blumstein-Y, and B. L'Italien-Y.

On a motion by Margaret Kruse and seconded by Greg Serrao, the Finance Committee voted to adjourn the Triboard Meeting: J. Marden-Y, , M. Kruse-Y, L. Anderson-Y, G. Serrao-Y, E. Moffitt-Y, J. Barry, Jr.-Y, M. Arai-Y, B. Zahorik-Y, and S. Jon Stumpf-Y.

Respectfully submitted,

Dee DeLorenzo  
Recording Secretary

Documents: Town Manager's Budget Process Report  
OPEB Sub-Committee Summary Report