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**Board of Selectmen**  
**Minutes of Joint Meeting w/Finance Committee**  
**February 12, 2015**

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

Chairman Kowalski called the Joint Meeting of the Board of Selectmen and Finance Committee to order at 7:18 P.M. in the Selectmen's Conference Room at the Town Offices. Roll call: B. Major-Y, A. Vispoli-Y, Mary O'Donoghue, and D. Kowalski-Y. Also present Town Manager Buzz Stapczynski, Assistant Town Manager Steve Bucuzzo, and Finance Director Donna Walsh. The meeting was duly posted and cable-cast live.

Finance Committee Chair S. Jon Stumpf opened the meeting for the Finance Committee at 7:08 P.M. Present from the Finance Committee: J. Marden-Y, M. Kruse-Y, L. Anderson-Y, E. Moffitt-Y, P. Fortier-Y, G. Serrao-Y, J. Barry-Y, and S. Jon Stumpf-Y.

**II. Opening Ceremonies**

Chairman Kowalski asked for a Moment of followed by the Pledge of Allegiance.

**III. FY-2016 Town Manager's Recommended Budget**

The Town Manager distributed copies of his presentation to the Board of Selectmen, Finance Committee, and other attendees. The Town Manager's Recommend Budget was published on Friday, February 5<sup>th</sup> and available on-line at the Town website at [www.andoverma.gov](http://www.andoverma.gov). Town Manager Stapczynski thanked his staff and all department heads from the Town and School for their hard work in putting the budget together. The theme for this year's budget is "Honor the Past, Capture the Present, and Shape the Future" credited to John Nalbandian.

The Town Manager began with comments about Massachusetts new administration team. Governor Baker and Lt. Governor Polito, both with background in municipal government, attended the Massachusetts Municipal Association Annual Meeting and announced the formation of a new Community Compact Cabinet to be chaired by the Lt. Governor with the intention to elevate the administrations partnership with cities and towns. Mr. Stapczynski has been asked to be on a focus group to provide information on what municipalities want help with - which are all of the things the MMA has been talking about and listed in their position paper "10 Partnership Policies to Build a Strong Community" (OPEB, Education Aid-Chapter 70, Pension reform, etc.). Governor Baker is filling positions with both democratic and republican advocates that will further benefit municipalities. Unfortunately, the previous Administration left behind a \$768M deficit in the State budget; but not to be discouraged, the new Administration announced they will hold local municipalities harmless from cuts in local aid. The State Budget will be out early in March and we hope to see some reforms. The Town Manager is excited about the new Administration and thinks everyone should be too.

The Town Manager's Recommended Budget for FY-16 is \$171,931,079, an increase of approximately \$7.5M or 4.6% over last year. The Budget includes the Selectmen's request that \$1.1M in unused Tax Levy Capacity be included into the property calculation for FY-2016. The budget numbers will be reviewed and revised over the next few months. The details were listed as follows:

Recommended Budget Amounts:

School Department	\$73.3M an increase of 2.8%
Town Departments	\$37.3M an increase of 2.8%
Health Insurance	\$17.5M an increase of 10.2%
Debt Service	\$5.4M and increase of 3.0%
Retirement	\$7.9M an increase of 23.9%
Water and Sewer	\$7.2M an increase of 4.0%
Other Obligations	\$3.5M a decrease of -5.9%
Capital Projects (CIP)	\$2.4M an increase of 34%
Offset Expenditures	\$2.3M a decrease of 0.4%
Warrant Articles	\$5.3M an increase of 18.0%

The Town Manager reviewed a chart from the budget book showing the 10 year Proportional Change to Major General Fund Expenditures from 2005 through FY2015.

Budget Highlights:

- The increase in the budget is mainly due to contractual obligations and utility costs, with a total of 355.6 FTE's – an increase of 2.2 FTE's
- Notable expense budget increases of 2.57%
- Information Technology increase of \$40,000 for voice-over IP phone systems to be paid out of one budget (IT)
- Youth Services /Youth Center \$41,900 for utility costs with offsets of \$30,000 from the Youth Foundation
- Engineering - \$45,000 for EPA Storm Water Compliance and increases of \$38,200 for Solid Waste and Recycling Contracts.
- Increases in the Water and Sewer Budgets to cover increased expenses of \$187,848 and \$92,802 respectively.

Revenue

Property Tax	*\$123,492,069	Change of \$ 5,696,715
*includes \$1.1million in unused levy capacity		
Debt Exclusions (decreasing)	\$ 4,298,263	Change of (\$140,143)
State Aid	\$ 12,928,459	Change of \$310,692
General Local Revenues	\$ 10,155,050	Change of \$128,050
Water & Sewer Enterprises	\$ 12,615,100	Change of \$ 547,101
Offset Dept. Revenues- decreased	\$ 2,113,000	Change of ( \$18,500)
Other Available Funds-Budget	\$ 1,690,700	Change of \$ 34,800

Other Available Funds – Articles	\$ 1,470,421	Change of \$ 220,279
Free Cash	<u>\$ 4,042,000</u>	<u>Change of \$ 742,000</u>
Total	\$171,931,079	\$7,520,994 or 4.6%

Free Cash: Andover has been very fortunate to have experienced a high level of free cash and not underestimating expenses. This year’s free cash, the highest in six years although not yet certified, is \$5.7M. The Town Manager is recommending \$1M of Free Cash be used towards the OPEB trust fund along with \$500,000 from General Fund Revenues and \$290,000 from Water and Sewer Funds, bringing balance in the OPEB Trust Fund to \$5.2M.

Other uses of Free Cash include: \$1M for the Ledge Road Stabilization Fund bringing that balance to \$3.0M; adding \$768,000 to the Bond Premium Stabilization Fund; \$232,000 to the General Stabilization Fund; and using \$1,042,000 for the CIP to fund five large capital requests so we don’t have to incur additional cost of interest rates which in turn reduces our borrowing expenses. He is recommending \$1.6M be used towards for the FY-15 Supplemental Appropriations to cover unknown expenses such as snow removal for this year.

CIP Program has been revised as follows:

Capital Projects	\$2,450,000
Free Cash Funded Projects	\$1,042,000
Gen’l Fund Borrowing Projects	\$4,937,000
SDF Projects (Chapter 90, IT-1)	\$1,682,000
Water & Sewer Capital Projects	<u>\$2,255,000</u>
Total	\$12,366,000

Andover is a Green Community which the Town Manager is very proud of. The Energy Conservation Program includes obvious and not so obvious changes which include some of the following items:

- Downtown Main Street lights (town-owned) will be changed to LED lights while fixtures at Town buildings will be retrofitted to LEDs.
- Variable frequency drive pumps have been installed at Fish Brook and other locations.
- New heating system and windows installed at the Water Treatment Plant.
- Preparation of an RFP in process for a solar array at the Water Treatment Plant.
- Energy efficient boilers installed at Memorial Hall Library, West Middle School, and the garage at Grove Cemetery.
- Andover is applying for a third Green Community Grant in the amount of \$250,000 to be used for improvements at the Water Treatment Plant, SMART Lighting, and to bring in automated controls for buildings that don’t have them.
- A hydro-power feasibility study will be conducted to determine how we can take water, pumped up from the Merrimack River to Haggetts Pond, and generate electricity by installing a turbine engine. These are some of the innovative ideas our Energy Team is looking at.

- Andover continues to pursue Net Metering credits and hope to bring an agreement to the Selectmen in a month or so.

Several municipalities have purchased their street lighting from National Grid; we did not pursue that this year but it is on the agenda to be reviewed and budgeted for 2017. By purchasing our street lights, we are not restricted by the tariffs National Grid has and can install LED lighting. There are several school projects and street lighting projects included in this year's CIP.

The Budget Schedule begins on Monday, February 23<sup>rd</sup> and includes two Saturday meetings that will be held at the Memorial Hall Library. The goal is to have final votes on all items by Monday, April 6<sup>th</sup> so the Finance Committee Book can be prepared in time for Town Meeting on Monday, May 4, 2015 and Tuesday, May 5, 2015.

**Questions from the Boards:**

John Stumpf – asked about the Revenue and Expense slide. He thought the numbers would be broken down into more detail to show the reality of the funds available to the Town and School Budgets, after subtracting obligations for debt service, retirement, and health insurance the budget is significantly less at 2.8%.

Alex Vispoli - expected to see two pieces to the budget, the \$1.1M to establish the excess levy capacity, and the other to decide what to do with the \$2.5M from last year. He is disappointed that the \$2.5M is not included in the budget presentation and that there wasn't a conscious discussion on this. The intent was to start the budget process early this year beginning with a set amount of budget dollars and work expenses from that point; the way to do it is to establish the amount of budget we have and work to that end.

Selectman Vispoli understands there are variable items that will become clearer before we get to Town Meeting. Mary O'Donoghue - does not see a change in direction of the health insurance which is budgeted for a 10% increase, and the Compensation Fund increased by \$400,000.

The Town Manager said we have two years of salary increases in the Compensation Fund for contracts to be signed. They have not reached settlement with any of the 7 unions – they are in negotiations now. He also said it is not that easy to estimate what the impact would be to the average tax paper because there are a lot of unknowns within this budget and thought there was a discussion that took place about the \$1.1M. Mary O'Donoghue said the Board asked for the budget to be broken out to show what the 2% would be; their expectation was that it would change this year, we can afford to do it. Now we have to make cuts which to her, is not fair to community. Dan Kowalski stated that in essence the Town Manager chose the 2.5%.

Max Ari, Finance Committee, said the Town Budgets are directly at \$3M in the chart shown, but there is more than \$3M in health insurance and retirement. It should be pointed out to Department Heads that health and retirement are separate from compensation. The numbers merely reflect cash flow on a yearly basis, health care and retirement numbers are not under control. Unfortunately those are part of the negotiations with the Town employees but treated like they are off the balance sheet. Retirement is the most expensive liability in the town. Dan Kowalski noted that they asked that the health insurance be broken up in the budget book to be looked at in a different vein. Mary O'Donoghue said the Board recommended health insurance to be separated to show amount for active employees' vs retirees and to include the ARC for OPEB. The Town Manager pointed out that Pages 142 and 145 in Budget Book shows the information by subscribers/retirees. Dan Kowalski requested the information be broken out by active and retired teachers – from Town Employees

Going forward it was suggested information for new employees show the allocated salary and benefits by department and once allocated, moved into the benefit line which decreases the percentage but at least you can see the cost of hiring a new employee and they should show the anticipated future obligations as well.

Chairman Kowalski said there is a lot of opportunity ahead to get into the details of the budget. Brian Major said some ideas were floated on ways to present the data and it may behoove us to put together a subcommittee from the boards to sit with Donna Walsh to create some templates. Alex Vispoli said we need to discuss the tax levy as soon as possible.

**V. Adjournment**

At 8:24 P.M. on a motion by Alex Vispoli and seconded by Mary O'Donoghue, the Board of Selectmen voted to adjourn from the Joint Meeting and move to Regular Session. Roll call: B. Major-Y, A. Vispoli-Y, Mary O'Donoghue, and D. Kowalski-Y.

The Finance Committee adjourned on a motion by Jon Stumpf and seconded by Linn Anderson the Finance Committee voted to adjourn. Roll call: J. Marden-Y, M. Kruse-Y, L. Anderson-Y, E. Moffitt-Y, P. Fortier-Y, G. Serrao-Y, J. Barry-Y, and S. Jon Stumpf-Y.

Respectfully submitted,

Dee DeLorenzo  
Recording Secretary

Documents: Town Manager's Recommended Budget FY-2016

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**Board of Selectmen  
Regular Meeting  
Minutes of February 12, 2015**

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**I. Call to Order**

Chairman Kowalski reconvened the Board of Selectmen to order at 8:25 P.M. in the Board of Selectmen's Conference Room located in the Town Offices. Present from the Board of Selectmen: Brian Major-Y, Alex Vispoli-Y, Paul Salafia-Y, Mary O'Donoghue-Y, and Dan Kowalski-Y. Also present: Town Manager Buzz Stapczynski. The meeting was duly posted and cablecast live.

**II. Executive Session**

At 6:33 P.M. Selectman Major called the meeting of the Board of Selectmen to order in the Board of Selectmen's Meeting Room. Alex Vispoli moved for the Board of Selectmen go into Executive Session for consultation with Town Counsel for confidential legal advice; and to discuss the purchase, exchange, lease or value of real property and the Chair declare that an open meeting would be detrimental to the Town's negotiating position and to discuss litigation strategy in Clemente v. Boyer; and the Chair declare that an open meeting would be detrimental to the Town's litigation strategy and return to open session. The motion was seconded by Mary O'Donoghue. Roll call: A. Vispoli-Y, B. Major-Y, M. O'Donoghue-Y.

**III. Communications/Announcements/Liaison Reports**

**The Town Manager**

~The Snow budget is expensed at \$1.2M and the request to overspend the snow budget has been approved by the Finance Committee.

~National Grid held their Reliability Open Meeting at the Town House on February 11<sup>th</sup>, from 6-8 pm for neighbors to talk about the liability project and how it will affect them.

~Tennessee Gas hearing is scheduled for Tuesday, February 17, 2015 from 6-8 P.M. at the Wyndham Hotel. Requests to Kinder-Morgan to move the meeting to a date after School Vacation Week were denied.

~The Zoning Board of Appeals is seeking new members. Interested parties should complete a Talent Bank Form as soon as possible.

Alex Vispoli reminded residents to use the online See-Click-Fix application as a means of communication with the DPW to report problems with roads.

Dan Kowalski reported that National Grids presentation tonight has been canceled. He also reported that the time for the Town Manager Search meeting this Friday has been changed from 7:30 A.M. to 5:00 P.M. at which time the Board will review responses received from Executive Search Companies and determine the next step in the process.

**IV. CITIZENS PPOSITIONS : NONE**

**V. Public Hearing:**

**A. 1320 South Street, Chapter 61A Section 14**

The Board is considering whether or not to exercise the Town's first refusal option under M.G.L. 61A, Section 14 to purchase the land (approx. 20 acres) with buildings thereon at 1320 South Street. Notice of this hearing was published in the Eagle Tribune. The property is being taxed at a reduced rate under General Law 61A because it is classified as agriculture land.

Owner, Jean Tisbert has informed the Town that a Purchase and Sales Agreement has been signed with developer Alvin Teh. As a result of property being taxed at a reduced rate, the Town has the right to purchase property for price listed in Purchase and Sales Agreement of \$637,684.00; property taxes for FY-2014 were \$5,750.00. The perspective purchaser has indicated possible intent to develop the property for a single family or multifamily development.

Tonight's hearing is for the Board of Selectmen to consider whether to pursue the right to purchase the property or not to purchase property, or to assign the right to purchase or not to a conservation organization or to the Commonwealth. No decision has to be made tonight.

Susan Tisbert, Realtor from REMAX and niece of property owner Jean Tisbert, said they do have a Purchase and Sales Agreement as indicated and they understand Town has first right of refusal and are waiting for the Board of Selectmen to decide how they plan to proceed.

John Hess, 145 Chestnut, said the property is on a list of properties for the Conservation Committee to purchase and approved at the 2014 Town Meeting. Mr. Hess believes it is in the Town's interest to purchase the property; it is zoned as industrial property and would be difficult for development of housing, and is adjacent to another property owned by the Town. The property is close to the river and the land can be developed up to 100 ft. of the river which he feels would be disastrous. The Board of Selectmen should be very cautious in their decision. If the developer builds a 40B development the Town could have the potential of an additional 100-200 housing units that would have a big impact on Town – especially if children had to be bussed to school from a very isolated area - Think about long term costs.

Norman Tisbert, son of the original owner, believes the property and house should be sold as one unit, please try not to separate the house from the property and possibly the Town could use the house for something respectable instead of selling it.

Anthony Bruno, buyer's agent, said his client is interested in buying the property and developing it for residential use and asked what the start date for right of first refusal is. Dan Kowalski said the 120 days began on December 23, 2014. Mr. Bruno asked if the right of first refusal is transferred to a non-profit is the right of first refusal transferred

### **Public Hearing (Cont'd)**

over or does the clock start over. Town Counsel, Tom Urbelis will prepare a letter with clients' questions about the time line.

Chairman Kowalski said the funds are part of last year's warrant article and will require a joint meeting of the Conservation Commission and Board of Selectmen in Executive Session to discuss the next steps. The Board will schedule a meeting for February 23<sup>rd</sup> with the Conservation Commission.

On a motion by Alex Vispoli and seconded by Mary O'Donoghue the Board voted 4-0 to close the Public Hearing on 1321 South Street.

## **VI. Regular Business of the Board**

### **A. National Grid – Canceled**

National Grid to make a presentation on their Merrimack Valley Reliability Project.

### **B. Health Insurance**

Ken Lombardi gave an update on the Health Insurance Renewal Process distributing copies of his power-point presentation to those in attendance noting they tried to start the process earlier than normal publishing a request for proposals in November, and directly submitting proposals to Blue Cross, Harvard Pilgrim, and Tufts the insurance carriers those most used by Massachusetts municipalities. Given the breadth of our network and to provide robust coverage for Andover employees, these are the carriers that would have significant coverage. The RFP asked for price proposal for the status quo plans, plans that match the GIC style, and those with deductibles and co-pays similar to mass municipalities. Each carrier was asked to provide general ideas on how to reduce costs. When bidding for medical care, companies ask for information on our benefit plan utilization, census data, and monthly and large claim history and rate history over last several years.

Quotes from carriers were requested by December 15<sup>th</sup>; based on that deadline, some companies did not provide a proposal. Fallon declined, Tufts did not decline to quote but will instead wait until renewal rates are received as they are concerned with our live claims. BCBS has proposed only a self-funded arrangement for the Town and are not willing to insure the Town's risk but will administer the Town's Plan. HPHC has also proposed a self-funded option and are also interested in administering benefits but will not provide a competitive fully insured rate at this time. MIAA proposed an alternative response to the bid specs deadline. They will wait until the MIAA Board sets their rates and work off that parameter (was expected Jan 20) but they have decided to hold off on setting those rates.

MIAA Health Care Trust is a large insurance organization made up of @ 120 cities and towns who annually sets a rate increase based on how entire block is performing. They

#### IV. Regular Business of the Board (Cont'd)

are not comfortable giving a proposal based on most recent claims history unique to just the Town of Andover; rather they want to wait until they see how the range is set by the entire board. They have not shared the entire range at this time due in part to the State's deficit problem of \$760M. No one has received a rate adjustment. The Legislative requirement of handling health insurance, bargaining with various unions, and having the flexibility to address cost benefits opposition, the self-funding option might be the right direction for the Town this year. Andover has about 4,000 members covered under their plan and the intensity of our claims were significant this year driving a negative trend, this information on claimants is not disclosed per HIPPA laws; therefore, not providing competing companies enough information. GIC is the biggest reason the market place dynamic has stopped. GIC is contemplating some large rate increases of 9.5% and looking at a deficit of \$160-190M. Many factors affecting the cost of health care.

Mr. Lombardi reviewed the data that carriers look at. What is driving the numbers is the loss ratio or the percentage of claims vs premiums which we are exceeding. In this 12 month period they measured there were 15 claimants in excess of \$100,000 totaling \$3.2M and we were unfortunate to have almost a \$700,000 claim come up at the end of last year affecting our status. Carriers want to see what the actual premium adjustment is before they decide to offer their options. They have been working with PEC to explain our options are if we don't get competitive bids. The consideration of self-funding might work this time because we are probably going to come into a period where claims will improve and if we can do that. a flexible plan design is important. Savings opportunities exist with self- funding and flexibility. Think about proposing holding the cost and moving to a front-end deductible style plan avoiding the cost increase, and to help fund some of the deductible. The Town will still see an increase of about 6% and employees might not see any adjustment. If employees go over their share of deductible reimbursed, they will see a cost increase.

Renewal rates from MIAA are expected to be received by the 20<sup>th</sup> of February and hopefully Andover's renewal will be favorable. We owe the employees their cost assumptions and to get them engaged in the recommendations made. We will continue to work with other competing carriers, but in their favor there is a renewal rate guarantee with MIAA. Employees have to be notified by May 1 on status of renewal. The Affordable Care Act costs the town 2.5% off the top.

#### Public Comment:

Chris Cook, North Street, cutting benefits and splitting premiums have to be bargained and it needs to be done.

Bob Pokress, Cherrywood Circle, the only way to avoid being overwhelmed with health care costs is to shift some of the burden onto the employees through higher co-pays and higher deductibles.

Dan Kowalski asked if the last plan was designed to match the Tufts Navigator costs, and if they look at the aggregate or at a specific plan? Ken Lombardi explained the Indemnity Plan Blue Care Elect PPO and Managed Care Plan. For employees in these plans, their cauterly is similar to what Tufts Navigator is. They don't benchmark the rate but benchmark the benefit design the employees have access to.

**VI. All Other Business**

A. Consent Agenda

On a motion by Alex Vispoli and seconded by Brian Major the Board of Selectmen voted 4-0 to approve the following appointments by the Town Manager.

DEPARTMENT	POSITION	RATE	EFF. DATE
<u>DEPARTMENT OF COMMUNITY SERVICES</u>			
Kathryne Beagan	CSA Dance Instructor-PT	Flat Rate: \$1000.00	1/28/15
<u>DEPARTMENT OF INFORMATION TECHNOLOGY</u>			
Rob Harhen (new position)	Network Admin. II	I-26-8/\$87,170	3/2/15
Joseph Piazza (new position)	Enterprise Platform Architect	I-28-6/\$90,326	3/2/15

**VII. Approval of Minutes from Previous Board of Selectmen Meetings**

On a motion by Alex Vispoli and seconded by Mary O'Donoghue, the Board of Selectmen voted 4-0 to approve the January 20, 2015 Minutes of the Joint Meeting with the School Committee, and the Special Meeting Minutes of January 29, 2015.

**XI. Adjournment**

At 10:00 P.M. on a motion by Brian Major and seconded by Alex Vispoli, the Board voted 4-0 to adjourn the meeting of February 12, 2015. Roll call: Brian Major-Y, Alex Vispoli-Y, Mary O'Donoghue-Y, and Dan Kowalski-Y.

Respectfully submitted,  
Dee DeLorenzo, Recording Secretary

Documents: FY-16 Health Care Report