
Board of Selectmen/School Committee/Finance Committee
Minutes of Triboard Meeting of August 24, 2016

I. Call to Order/Roll Call

Chairman Salafia called the Triboard Meeting of the Board of Selectmen, Finance Committee, and School Committee to order at 7:08 P.M. in the Meeting Room at the Memorial Hall Library. Present from the Board of Selectmen: A. Vispoli-Y, R. Landry-Y, D. Kowalski-Y, M. O'Donoghue-Y, and P. Salafia-Y.

Finance Committee Chair S. Jon Stumpf opened the meeting for the Finance Committee. Members present from the Finance Committee: J. Barry-Y, J. Marden-Y, E. Moffitt-Y, Anderson-Y, B. Zahorik-Y, B. Taylor-Y, and S. Jon Stumpf-Y.

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

Also present: Town Manager Andrew Flanagan, Deputy Town Manager John Mangiaratti, Superintendent Dr. Sheldon Berman, Assistant Superintendent Paul Szymanski, Assistant Superintendent Dr. Nancy Duclos, Finance Director Donna Walsh, and Human Resource Director Candace Hall. 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 the Pledge of Allegiance.

III. Financial Round Table

The Town Manager recognized the Department Heads present this evening along with new managers, John Mangiaratti, Deputy Town Manager, and Joseph Connelly, Director of Community Services, who are here to participate in the discussion on the financial framework for the future of Andover.

Mr. Flanagan introduced guest speaker, Charlie Lyon and provided a brief background of Mr. Lyon's career. Mr. Lyon is an expert in municipal finance and modeling and possesses a deep understanding of the importance of fiscal stability.

Mr. Lyon talked about the value of long-range municipal financing. Departments need to come together to be part of a joint process to develop the financial requirements of a community. He spoke about the rising costs of health care, and the yearly new mandates proposed on health care related costs that do not take into effect the cost to municipalities. There has been a shifting of the burden from the employer to the employee, which will continue. He spoke about the importance of developing a five-year financial model, capital planning, and a commitment to allot a percentage for capital debt. Andover deserves and needs a long-term financial model, to be fiscally responsible to address competing interests for available revenue sources such as state aid, property taxes, and local receipts. The objective is to increase the foundation assumptions, engage in a process of planning that is realistic and to be honest with each other.

Andrew Flanagan began the financial presentation, which is based on a series of assumptions and schedules, showing where Andover's available revenue comes from, where the funds are spent, and what remains for the Town and School Operating Budgets. The document is a tool to establish predictability and to identify structural impacts as well as a framework to sustain competitive and responsive community services.

Andover's largest revenue source is from property taxes, and revenue assumptions includes a 2.5% tax levy increase, new growth using a 5-year average of \$2,039,798, and \$300K of excess levy capacity (per the Board of Selectmen). Revenue from State Aid includes a 1% yearly increase, and local receipts of \$11,447,300. The Town Manger reviewed a projected FY-18 Tax Levy breakdown for FY-2017 through FY-2018, and a chart showing New Growth History (Residential/Open Space, Commercial /Industrial, and Personal Property) from 2008 through 2017, with a five-year average of \$2.04M.

Revenue Assumptions for FY17-18 from Taxes, State Aid, and Local Receipts, shows a total revenue growth of 4.3% from the Tax Levy, State Aid, and Local Receipts of \$6,556,568.

Appropriations: Obligations include Retirement, Health Insurance and OPEB. The Town Manager explained the chart on the former vs the current retirement funding schedule which shows an increase of \$3.28M over the first five years (2018-2022). The bar chart on Health insurance shows a yearly increase of 8%.

On April 25, 2016 the Board of Selectmen voted to adopt the OPEB Reform Plan to increase retiree contributions, resulting in a significant savings that will be phased in over four years. The last column of the OPEB chart shows the Total Appropriations from FY-2018 through FY-2027. The Project Obligations bar chart (Health Insurance, Retirement, and OPEB) shows the percentage of rate increases for obligations and as a percent of the budget from FY-2017 through FY-2022.

The Capital and Debt Chart shown includes, capital capacity, non-exempt and exempt debt. The non-exempt capital as a percentage of the Adjusted Budget Chart includes total revenue less exempt debt, and Water & Sewer Enterprise and Reserves for an adjusted five year operating budget from FY-2018 (\$161,804,646) through FY-2022 (\$184,730,060). Capital Projects from Taxation and Non-Exempt Debt for the five-year period ranges from \$9,268,318 for FY-2018 to \$10,565,564 for FY-2022. The presentation included a General Fund (non-exempt) Debt Service chart and the General Fund (Non Exempt) Debt Service from FY-2018 through FY-2049.

Town and School Operations Model

The Town and School Operations Model, based on the plan provided shows School operations with an annual increase of 4.5% from FY-18 to FY-22 and the Town Operations with an annual increase of 2.75%.

Projected Deficit Based on Assumptions

The chart on structural impacts includes revenues, appropriations, and deficit numbers from FY-2017 through FY-2022. In FY-2018 the deficit is \$ -827,453; FY-2019 \$ -2,720,941; FY -2020 \$ -5,298,646; FY-2021 \$ -7,549,924; and in FY-22 a deficit of \$ -10,382,190. The Town Manager said there will be opportunities for the School Committee, Finance Committee and the Town to work collaboratively to mitigate this deficit over time.

Questions/Discussion

2.75% on the Town side includes cost of living, step increases, etc. and 30% to expense line items. The 4.5% for the Schools includes cost of living increases, and step increases for the past 5 years, but future contracts have not yet been negotiated or contractual increases including out-of-district costs.

When will there be dialogues on overrides, assumptions, other future revenue streams?

Sub-groups will be formed to discuss various areas of the finances and who will then report back

to the larger board. Models will be created to exchange ideas and for budget developments.

More than 10% of the deficit is caused by the new pension funding schedule. We need more levers to reduce obligations for OPEB, health insurance, and retirement costs. What is the plan for contract negotiations and will it include total benefits (retirement, health care, etc.) not just salaries.

It is important to understand the trends as there are many variables; how do we control our costs, assumptions of new growth, managing variables and the budget so we don't end up with high debt; weighing services being provided against the cost. The structural deficit would/could change based on things that are not available/known to us now. This presentation is just a starting point.

Will the target change our process; will we fit the plan to the target? The process starts with the target number and backing into that target number. Specific targets will be discussed in sub-groups and then with larger groups.

Next steps include robust discussions with subcommittee/groups and working off of the assumptions. It will be important moving forward that targets are developed with the understanding that there will be changes. Updates should be included on the agenda for every Triboard meeting. Communicating our needs to the community is crucial to our credibility.

IV. Adjournment

At 8:40 PM. on a motion by Mary O'Donoghue and seconded by Bob Landry, the Board of Selectman moved to adjourn from the August 24, 2016 Triboard Meeting. Roll call: P. Salafia-Y, A. Vispoli-Y, R. Landry-Y, D. Kowalski-Y, and M. O'Donoghue-Y.

On a motion by John Barry seconded by B. Taylor, the Finance Committee moved to adjourn... Roll call: J. Marden-Y, M. Kruse-Y, L. Anderson-Y, E. Moffitt-Y, B. Zahorik-Y, J. Barry-Y, G-Serrao-Y, B. Taylor-Y, and S. Jon Stumpf- Y.

On a motion by Susan McCready and seconded by Shannon Scully, the School Committee moved to adjourn from the Triboard Meeting. Roll call: J. Blumstein-Y, T. Teichert-Y, S. McCready-Y, and S. Scully-Y.

Respectfully submitted,

Dee DeLorenzo
Recording Secretary

Documents: Town Manager's Five Year Financial Forecast