

### Call to Order

The meeting was called to order by Mr. Stumpf at 7:01 p.m. in the Third Floor Selectmen's Conference Room at Town Offices. The meeting was not live cablecast.

In attendance were Chairman S. Jon Stumpf, John Barry, Margaret (Peggy) Kruse, Joanne Marden, Linn Anderson, Bonnie Zahorik, Max Arai and Eugenie (Janie) Moffitt. Also present was Donna Walsh, Finance Director. Absent was Greg Serrao.

### Approval of Minutes

#### Finance Committee Meeting of September 10, 2014

Upon motion duly made by Ms. Kruse and seconded by Ms. Anderson, it was voted to approve above minutes with the following amendments. Motion passed 7-0-1 with Ms. Zahorik abstaining.

*Page 1, Fiscal Year End, second paragraph, first sentence*

*Strike "and the need to determine as accurate a tax rate as possible in FY15."*

*Retirement Board, first paragraph, replace the second sentence with "The date, 2040, is set by state law."*

*Third sentence, add "annual" before "appropriation."*

*Replace last (d) with "(e) the impact of increasing appropriations to the funding of present services."*

#### Fiscal Year End June 30, 2014 – Second Reading

Mr. Stumpf asked Ms. Walsh to review the attached FY14 budget vs. actual report. She pointed out the following increases in actual revenues of the following line items: a) Bond Premiums, in the amount of \$768K, due to end-of-year allocation of funds from non-exempt debt; she noted that these additional monies would go to free cash and then be voted at town meeting to be allocated to the bond stabilization fund next year; b) Investment Income, which is allocated \$11K each to water and sewer reserve funds; c) School Medicare, which is a reimbursement for services provided for qualified students; and d) Other Department Revenues, representing consolidation of various funds. Ms. Walsh added that free cash must first be certified by the state, and therefore a final number would probably be available in November.

Discussion ensued with regard to best practices for the budgeting process for FY16.

#### Retirement Fund

Mr. Stumpf asked Mr. Arai to review the attached PERAC annual report of municipalities with regard to their retirement systems' funded ratios. He pointed out the following: a) Andover went from well above the median (4/13 pre-2007) to well below the median (11/13 post-2007); b) although there were costs involved in switching from private advisors to PRIT, this was not the only contributing factor; c) an additional cause was continued decline relative to the ARC; and d) Andover is one of a few communities going to the maximum date of 2040 for full funding.

Discussion ensued with regard to some of the factors responsible for a decrease in contribution, not the least of which were necessary recessionary cutbacks from 8% contribution to around 4% in order to maintain level of services during the recession. Also discussed were the drivers of being 76% funded in 2007 to 50% currently funded, and the financial impact as well as benefit of shortening the maximum time limit. It was agreed that a long range plan of action needed to be developed and a dialogue begun with the residents to educate them on pension law.

**Tax Levy Limit – Informational Discussion**

Mr. Stumpf framed the discussion on tax levy limit with three things the Town Manager needed to consider when putting together his FY2016 budget: a) what to do with excess levy capacity from last year in the amount of \$1.1M; b) will there be a 2.5% increase over and above that amount; and c) what is new growth amount.

Discussion ensued with the following highlights:

- a) Residents would not expect last year's tax relief to be added back into this year's levy, and if it were to be, the need for this addition would have to be clearly communicated before town meeting;
- b) Board of Selectmen needs to determine budget policy early in the budgeting process and not after Town Manager's recommended budget is issued; and to that end
- c) Informational discussions have already begun, with Mr. Stumpf having met last Friday with Ms. Gilbert and Mr. Kowalski. The three were also scheduled to meet this Friday with the Town Manager and Superintendent of Schools to continue the discussion;
- d) Retirement Board input vis-à-vis OPEB obligations needs to be part of the discussion; and
- e) There is a need for long-term five-year financial plan with eye toward what is best for the town.

Mr. Stumpf reported that he and Mr. Kowalski had a discussion about including Board and Committee votes on warrant articles in the Finance Committee Report. Notwithstanding time constraints of submission of the report to the printer, all votes included would have to be true, recorded votes at public meetings. There was discussion about the process of drafting the Finance Committee letter.

**FY2016 Budget – Informational Discussion****Exempt Debt**

Mr. Stumpf opened the discussion on what the priorities will be for FY16. The CIP Report contains relevant information, and it is anticipated that the Town Yard and the Ballardvale Fire Station will be main projects.

**Non-Exempt Debt**

Mr. Stumpf opened the discussion on the need to establish a model for non-exempt debt. This line item has typically been level funded, and questions were raised whether the CIP budget should be indexed to growth of revenue.

Discussion ensued regarding these policies documented on pages in the CIP book and the potential need to review and possibly revise some of them. It was agreed that members would submit their suggestions to Ms. Zahorik for topics to be discussed and she would bring them to our next Finance Committee.

Ms. Marden presented the attached Finance Committee Goals statement, and it was agreed that she would expand on these goals and present at next meeting for the Committee's consideration.

**Other Post Employment Benefits (OPEB) Sub-Committee**

Mr. Barry reported that his subcommittee is prepared to make a presentation of an eight-point plan at the next Triboard Meeting, October 22<sup>nd</sup>. Ms. Walsh pointed out that at the last meeting of the subcommittee, which Mr. Barry had missed, it was decided that the presentation would be at a stand-alone meeting on November 5<sup>th</sup>. This presentation was to be informational and educational only. The separate boards would meet afterwards to discuss the plan.

Mr. Stumpf suggested the OPEB plan would be discussed in context of the “big bucket” items: a) long range financial plan; b) levy limit; c) excess levy capacity; d) exempt debt; e) non-exempt debt; and f) salaries and benefits.

**Other Items****Town Email**

Mr. Stumpf inquired if all members were receiving email through their town accounts, and reiterated that this was the only account to be used in communicating Committee business.

**School Full Time Equivalent (FTE) Report**

Mr. Stumpf reported that he had reiterated to Ms. Gilbert that insofar as the information is readily available from HR Change of Status form (revised in June, 2014), there is no reason why the Committee could not receive monthly, rather than quarterly, FTE reports. In point of fact, this Friday he will receive the quarterly report for period ending June 30<sup>th</sup>, and not September 30<sup>th</sup>. At his meeting with the Superintendent this coming Friday, he will reiterate his request for monthly reports.

Ms. Moffitt reported that so far this year, three new FTE teachers and 6.8 FTE instructional assistants have been added. Ms. Zahorik also reported that if the new high school proposed schedule is approved, it would have a financial impact, including \$120K for textbooks, professional development costs, and an anticipated 5 new FTE's.

**Old Town Hall Exterior Improvements**

Mr. Stumpf expressed concern that Town Meeting approved \$150K for this project, and the final cost was \$312K. He expressed this concern in an email to the Town Manager, and even though he responded with cogent reasons for the overrun, Mr. Stumpf felt that, in the name of credibility and trust, the Board of Selectmen and Finance Committee should have been given a heads-up on an overrun of this size.

**Berberian Case**

Mr. Barry expressed concern over the high legal fees on this case, representing 26% of overall cost. Discussion ensued with regard to whether best practice could be determined on gauging liability on cases. Ms. Walsh said Town Manager and Board of Selectmen determine strategy on handling lawsuits on case-by-case basis. Mr. Stumpf added that because of federal compliance issues on water, this case was very complicated.

**Future Meetings**

Mr. Stumpf will confirm this Friday if Triboard Meeting is October 22<sup>nd</sup>, and if not, Finance Committee will have its regular meeting.

**Liaison Updates**

*School Dept* – Ms. Moffitt reported that K and pre-K classes remain at the Shawhseen School, but it is anticipated that next September it will house pre-school only. Future disposition of the property is yet undetermined, but capital requests are to be expected in the meanwhile.

Municipal Services/CDP – Ms. Kruse reported that the Board of Selectmen at its Monday meeting voted to not use the Greenwood Rd. site for a new town yard. There is a meeting of the Economic Development Council tomorrow night to further discuss sites, including moving Town Yard out of downtown location and develop that area residentially and commercially.

Police and Fire - Mr. Barry reported that the emergency notification system “Code Red” had been launched on the website; the first meeting of the Ballardvale Building Committee had met. A lot more homework needs to be done before next meeting.

Library/IT - Ms. Zahorik reported that she will be meeting with Ms. Mazin in a few weeks and also Ms. Anderson on IT matters.

**Adjournment**

Upon motion duly made by Mr. Barry and seconded by Mr. Arai, the Committee unanimously voted to adjourn. The motion passed 8-0.

The meeting was adjourned at 9:40 p.m.

Respectfully submitted,

Christine Martin Barraford  
Recording Secretary

*Finance Committee Minutes of September 10th Meeting*  
*FY2014 Budget vs. Actual Report*  
*FY2014 Final Profit vs. Loss Report*  
*Retirement Systems Funded Ratio PERAC Report*  
*Memorandum (February 12, 2007) - Review of Andover Contributory Retirement Fund*  
*Draft Finance Committee Goals*  
*Draft Timeline for Budget Process*  
*Town Hall Renovation Project*  
*Berberian Case Expenses*