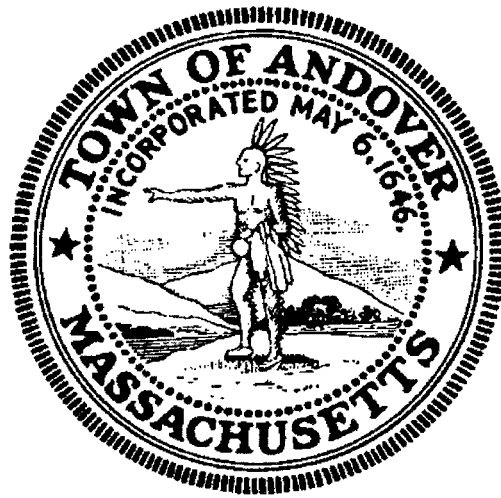


TOWN OF ANDOVER



TOWN MANAGER'S RECOMMENDED FISCAL 2013 BUDGET

TOWN OF ANDOVER
TOWN MANAGER'S RECOMMENDED
FISCAL YEAR 2013 BUDGET



“Building on Opportunities”

Reginald S. Stapczynski, Town Manager

February 3, 2012

Cover photo of the Andover Town House by local photographer Joe Frio



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**FY2013 BOARD OF SELECTMEN & FINANCE COMMITTEE
BUDGET MEETING SCHEDULE**

(As of 2/3/12)

February

- Mon. 6th Board of Selectmen Regular Meeting - Town Manager Presents
Recommended FY-2013 Budget
- Wed. 8th Joint Meeting – Police, Fire-Rescue and Capital Projects
- Mon. 13th Joint Meeting – Public Works, Plant & Facilities and Capital Projects
- Wed. 15th Joint Meeting – Library, Information Technology and Capital Projects
- Mon. 27th Board of Selectmen Regular Meeting – Sign Warrant, Street Acceptances
& Warrant Articles
- Wed. 29th Joint Meeting – General Government & Community Development & Planning

March

- Mon. 5th. Joint Meeting - Elder Services, Community Services and Youth Services
- Wed. 7th Tri-Board Meeting – School Budget – School Committee Room
- Mon. 12th Board of Selectmen’s Regular Meeting – Warrant Articles
- Wed. 14th Joint Meeting – Fixed Costs, Financial Articles
- Mon. 19th Joint Meeting – (if needed)
- Wed. 21st LWV Budget Forum – Memorial Hall Library
- Mon. 26th Board of Selectmen’s Regular Meeting – Warrant Articles (if needed)

April

- Fri. 6th Finance Committee Report to the Printer
- Fri. 20th Finance Committee Report due to Residents
- Mon. 30th 2012 Annual Town Meeting (1st night)

**All meetings will be held at 7:00 P.M. in the Selectmen’s conference room
in the Town Offices unless otherwise noted.**

TOWN OF ANDOVER

MISSION & VALUES STATEMENT

*Developed by the
Board of Selectmen, Town Manager, and Town Department Heads
Adopted by the Board of Selectmen on October 6, 2003*

The mission of the Town of Andover is to ensure the safety, education, and well-being of the community; to be a leader in the delivery of efficient and effective quality services that respond to community needs; to promote the continuous improvement of staff skills and performance; to encourage an environment of trust; to respect cultural and economic diversity; and to preserve the historic character of the community.

The Board of Selectmen, as the chief policy makers for the Town of Andover, Massachusetts, will provide leadership in advancing the following primary and supporting values:

VALUE 1 – ENSURE THE SAFETY, EDUCATION, AND WELL-BEING OF THE COMMUNITY

- 1.1 Protect the safety of persons and property
- 1.2 Maintain the high quality of education for all
- 1.3 Maintain the Town's infrastructure
- 1.4 Promote public health programs and awareness
- 1.5 Manage the impact of non-municipal public utilities
- 1.6 Support human/community services
- 1.7 Ensure compliance with regulatory requirements
- 1.8 Identify and promote economic opportunities

VALUE 2 – BE A LEADER IN THE DELIVERY OF EFFICIENT AND EFFECTIVE QUALITY SERVICES THAT RESPOND TO COMMUNITY NEEDS

- 2.1 Deliver innovative municipal services
- 2.2 Encourage cost saving initiatives
- 2.3 Assess and prioritize community needs
- 2.4 Maintain the Town's "Aaa" bond rating

VALUE 3 – PROMOTE THE CONTINUOUS IMPROVEMENT OF STAFF SKILLS AND PERFORMANCE

- 3.1 Recruit, develop, and retain a highly skilled workforce

- 3.2 Promote and recognize municipal professionalism

- 3.3 Measure, evaluate, and improve performance

VALUE 4 – ENCOURAGE AN ENVIRONMENT OF TRUST AND HONESTY

- 4.1 Uphold high ethical standards
- 4.2 Value teamwork and cooperation
- 4.3 Promote open communication with the public
- 4.4 Solicit citizen participation
- 4.5 Recognize the outstanding contributions of citizens

VALUE 5 – RESPECT CULTURAL AND ECONOMIC DIVERSITY

- 5.1 Promote diversity in the workforce and community
- 5.2 Provide services that are accessible, fair, and equitable
- 5.3 Support housing alternatives

VALUE 6 – PRESERVE THE HISTORIC CHARACTER OF THE COMMUNITY

- 6.1 Celebrate Andover's unique heritage
- 6.2 Protect and acquire open space

THE ANDOVER VISION

As citizens of Andover, we are grateful to those in the past who nurtured the attractive, well managed, and vibrant town that we enjoy today. At the same time, we are mindful of our current stewardship and the fragile nature of much that we cherish. We have confidence that the most promising approach to the future is to acknowledge and act upon the values that we share. This is our Vision and our hopes and commitments for the Andover of the future. *Vision 21 Committee – July 26, 2004*

QUALITY EDUCATION

We will offer a rich and challenging public education that builds essential skills and knowledge that support a broad range of academic and vocational options, enable successful participation in our society and culture, and sustain curiosity and learning in a world of new and ever changing opportunities. We will cultivate the public library as a resource for lifelong learning and enrichment and as facilitator for the flow of information throughout the community. We will find ways to protect the quality of these institutions through fluctuating economic cycles.

OPEN SPACE AND RECREATION

We will continue to acquire and protect open space as a crucial natural resource that helps to maintain the character of the town, offers access to both active and passive recreation, and provides an important natural system for water recharge, flood control, and wildlife habitat.

VIBRANT DOWNTOWN

We will maintain our downtown as an attractive and vibrant center with a mix of commercial and public activities, historical elements, and parks. We will use permits, zoning guidelines, and planning approvals to attract and keep pedestrian-friendly street-level enterprises.

SMALL-TOWN CHARACTER

Even as the Town continues to grow, we will actively seek to identify and preserve those elements — town layout and scale, central focus, community-wide activities, respect for historical structures, and residential mix that give Andover its small-town character.

CITIZEN PARTICIPATION

We will govern ourselves in a manner that encourages participation by all, that consistently provides adequate information for making informed choices, and that acts to preserve our investment and the interests of the community as a whole. We will acknowledge the needs of others and consider compromises that are in the best interest of the Town and region.

HISTORICAL HERITAGE

We will maintain strong and consistent zoning that protects historic buildings and places, and we will support the institutions that protect and promote Andover's historical heritage.

CULTURAL DIVERSITY

We will be respectful of Andover's many races, ethnicities, religious beliefs, and lifestyles. We will facilitate public events that celebrate diversity and provide opportunities for sharing cultural traditions. As a community, we will not tolerate acts of hatred or persecution.

FINANCIAL STABILITY

We will follow prudent financial practices that balance consistent high-quality services, private vs. public responsibility, stable tax rates, and responsible levels of debt. We will set ambitious goals but live within our means. In making financial decisions, we will include an understanding of long-term costs and consequences, particularly to the environmental integrity of the Town. We will consider regional partnerships that offer more effective and economical options, and we will manage the impact of our decisions on property values relative to similar communities.

HEALTHY AND SAFE ENVIRONMENT

We will protect public health and safety through careful monitoring and enforcement of environmental, health, and safety regulations and by continuing to provide effective and responsive fire and police protection and beneficial public health services.

MANAGEMENT OF NATURAL RESOURCES

We will manage and protect our natural resources, particularly water, in a manner that acknowledges our responsibility to future generations and to other communities that share those resources. We will monitor air quality and take measures to mitigate negative effects of emissions from vehicles, regional incinerators, and industrial facilities.

TOWN SERVICES

We will provide effective and efficient services that build and maintain Town infrastructure, handle Town business, and assist citizens. We will use technology to facilitate interdepartmental communication and efficiency, and to provide public access to Town information.

HUMAN SERVICES

Through our department of community services, other Town programs, and religious institutions, we will sponsor services and programs, facilities, outreach, and recognition to veterans, seniors, youth, and the disabled or disadvantaged among us. We will foster connections among all citizens to help us to appreciate, learn from, and support one another.

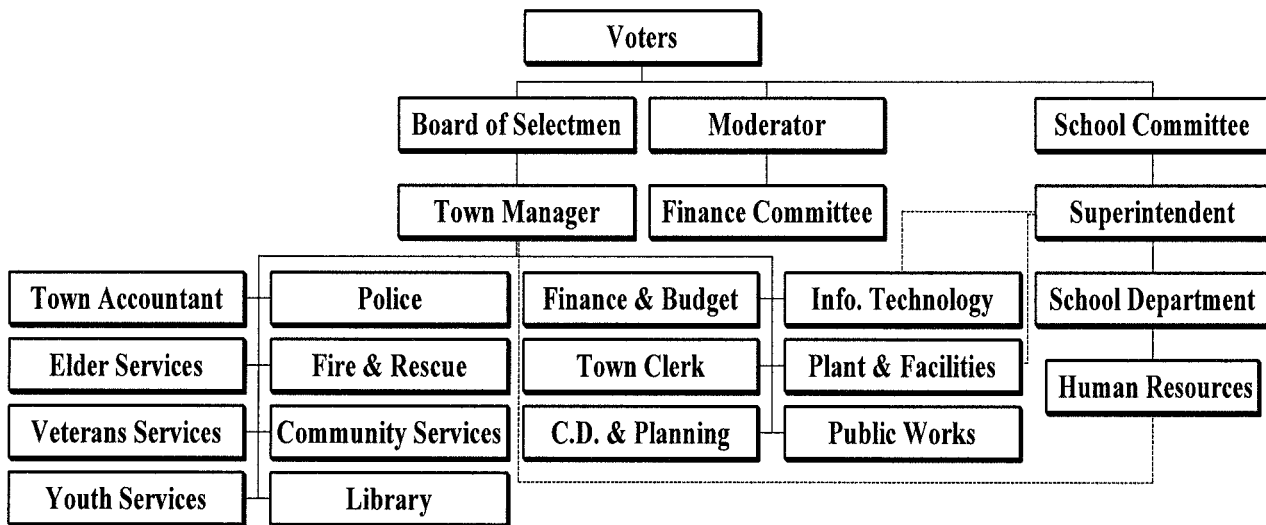
TRANSPORTATION

We will monitor changing commuting patterns and side-effects on air and water quality, noise, and traffic. We will work within the region to strengthen opportunities for regional transit, rail travel, commuter buses, and improved connections with mass transit hubs. We will seek solutions to local needs for downtown and commuter parking, for safe and efficient traffic flow, and for shuttle service to local facilities and services. We will encourage foot and bicycle travel as an alternative to automobiles, whenever feasible.

TOWN OF ANDOVER



ORGANIZATION



The Mission of the Town of Andover is to ensure the safety, education, and well-being of the community; to be a leader in the delivery of efficient and effective quality services that respond to community needs; to promote the continuous improvement of staff skills and performance; to encourage an environment of trust; to respect cultural and economic diversity; and to preserve the historic character of the community.

BUDGET PROCESS

The Town of Andover operates under state statutes, locally adopted by-laws, and a Town Charter (Chapter 571 of the Acts of 1956, as amended). The Charter establishes a Selectmen/Town Manager/Open Town Meeting form of government. The five-member Board of Selectmen are according to the Charter "The Makers of policy of the Town Government" (Section 1 - Board of Selectmen), and the Town Manager serves as the Chief Administrative Officer (Section 10 - Powers and Duties).

Financial projections are prepared as part of the Capital Improvement Program for the upcoming fiscal year by the middle of September. These projections are discussed in joint planning sessions with the Board of Selectmen, School Committee and Finance Committee. The projections assist in establishing budget preparation guidelines. In November, the Town Manager distributes his budget guidelines and worksheets to all departments for the next fiscal year starting July 1st. Departments prepare their budget requests and return all information to the Finance Director and Town Manager by early winter. During January they meet with department heads to discuss requests.

The Charter requires the Town Manager to submit his recommended budget to the Board of Selectmen and Finance Committee (Section 15 - Estimate of Expenditures). Town By-law, Article IV, Section 6, stipulates that the annual budget shall be submitted to those bodies on or before the first Friday of February of each year.

During the months of February and March the Board of Selectmen and Finance Committee conduct a joint series of public meetings to review and discuss the departmental budgets. These meetings are open for questions from the public. Meeting notices are posted at least 48 hours in advance and the schedule is posted in the local newspaper and on the local government channel 22. The Finance Committee responsibilities are described in Town By-laws Article III, Section 3 (Composition; term of office; powers and duties). The Town Meeting voters are advised on all financial matters by a nine member Finance Committee appointed by the Town Moderator who is elected each year.

BUDGET APPROPRIATION AND AMENDMENT

The legislative body of the Town is an "open town meeting." All registered voters are entitled to attend and vote on any matter that comes before the Town Meeting. Town Meeting has the authority to appropriate funds for the operating and capital budget except for specific cases where state statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either a regular or special town meeting. (Massachusetts General Laws, Chapter 40, Section 5). The procedures for a town meeting are specified in Town By-laws Article II. The Town Meeting warrant (items to be voted on) is published in the local newspaper at least 14 days before the day of the town meeting.

The Finance Committee mails the warrant and its report and recommendations to all households at least 10 days prior to the Annual Town Meeting.

At Town Meeting, reports and recommendations are presented by the Board of Selectmen, Finance Committee, Planning Board, and other interested parties. Town Meeting votes and appropriates the budget and all other financial articles presented at a town meeting.

BUDGET BASIS

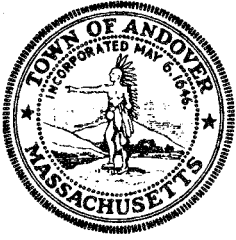
The budget for the Town is presented on a cash basis. This means that transactions are recorded when expenditures are disbursed and when revenues are received. Obligations of the town (i.e., outstanding purchase orders) are not reflected as expenditures in the year incurred but are reflected in the year disbursed. Funds for these obligations are reflected as "continued" appropriations from the prior fiscal year.

The budget presents only the General Fund and the Enterprise Funds, which are required by state statute to be appropriated by Town Meeting. Revenues from various Special Revenue Funds are shown as credits within specific department budgets to provide a funding source for specific purposes.

BUDGET PROCESS

BUDGET SCHEDULE

| | | |
|---|--|---|
| July-August | Financial Planning subcommittees meet to discuss revenues and expenditure projections. | |
| September - October | Pre-budget Planning: Financial forecast and Capital Improvement Program prepared and distributed to Selectmen, Finance Committee and School Committee. | |
| November - January | All Town departments submit budget requests to the Town Manager. | All School departments submit budget request to the Superintendent of Schools. |
| January | Town Manager reviews budget requests and submits his recommended annual budget (this document) to the Board of Selectmen and the Finance Committee. | School Superintendent review budget requests and submits her recommended budget to the Town Manager and School Committee. |
| February - April | Board of Selectmen and Finance Committee Review Town Manager's Proposed Budget and CIP. | School Committee and Finance Committee review Superintendent's Preliminary Budget. |
| April | Final Board of Selectmen, Finance Committee and Town Manager recommendations are published and sent to all households in Andover. | School Committee finalizes recommendations and submits them for inclusion in the Finance Committee Report. |
| Ten days before first Town Meeting business session | Finance Committee report, including Town Meeting Warrant, mailed to all Andover households ten days prior to the start of Town Meeting. | |



TOWN OF ANDOVER

Town Offices
36 Bartlet Street
Andover, MA 01810
978-623-8225
www.andoverma.gov

FISCAL YEAR 2013 BUDGET TRANSMITTAL LETTER FEBRUARY 3, 2012

Chairman Brian P. Major and Members of the Board of Selectmen and
Chairman S. Jon Stumpf and Members of the Finance Committee

Dear Chairman Major, Chairman Stumpf and Members:

At the Merrimack Valley Chamber of Commerce Annual Managers and Mayors Breakfast Forum in mid-January, I spoke about the Town's recovery from the Great Recession, the number of housing starts and how it is a sign of a strong economy for Andover and the Merrimack Valley. What I didn't say was how the Town responded to the down-turn in the economy. After several years of very cautious and conservative revenue estimating and disciplined budgeting, the Town has emerged from the Great Recession on sound financial footing. Andover is perfectly poised to take advantage of the unique opportunities ahead. This is a great lead-in to the theme of this year's budget titled "Building on Opportunities". I don't simply mean the capital building projects that we will be talking about during the upcoming budget deliberations. "Building on Opportunities" refers to the entire way the Town's fiscal future is structured. We have multiple opportunities created by: health insurance reform and plan design, information technology, regional efforts, retirements, sustainable energy, an investment grade bond rating, re-structuring existing debt, etc. How we build on or strategically take advantage of these opportunities will shape the future of Andover for years to come. This budget and these recommendations begin this process.

Town Manager's Recommended Budget for FY-2013

In October, the Capital Improvement Plan for FY-2013 – FY-2017 set the agenda for both the capital projects for the next five years and the important Revenue and Expenditure Projections and Assumptions. These projections are as significant as the recommended capital items as they provide an early look at the revenues (State and local), available funds for the capital expenditures and the operating budget for FY-2013.

The State budget also plays an important role in our revenues. Last week, Governor Patrick issued House 2 and the State Aid allocations for FY-2013 were announced. Andover will receive an increase in Chapter 70, Education Aid and taking into account other revenue adjustments, the net increase in Local Aid is \$421,292.

The Town's estimated revenues from all sources is expected to increase 2.3% over FY-2012. On the expenditure side, "fixed costs" are projected at levels lower than originally anticipated. The Town is pursuing changes to the Employee Health Insurance plan design allowed by recent legislative changes. A 3% increase is anticipated in the Health Insurance budget. It should be noted that an increase of 10% was used for planning purposes in the Fall. This major change and other minor adjustments provide a net increase for operating budgets of 3.1%.

The Town Manager's Recommended Budget for FY-2013 totals \$147,159,945. This is a 2.3% increase over the FY-2012 Revised Budget of \$143,880,322 and is shown as follows:

| | FY-2012 <u>Revised Budget</u> | FY-2013 <u>TM Rec.</u> | <u>\$ Incr./Decr.</u> | <u>% Incr./Decr.</u> |
|-------------------------|----------------------------------|---------------------------|-----------------------|----------------------|
| Town Departments | \$33,271,184 | \$34,152,329 | \$881,145 | 2.6% |
| School Department * | \$63,284,577 | \$65,396,399 | \$2,111,822 | 3.3% |
| Fixed Costs/Obligations | \$20,646,183 | \$21,503,973 | \$857,790 | 4.2% |
| Non-Appropriated Costs | \$3,603,916 | \$3,741,575 | \$137,659 | 3.8% |
| Debt Service | \$12,112,692 | \$11,585,101 | (\$527,591) | -4.4% |
| Capital Projects Fund | \$1,246,000 | \$2,020,000 | \$774,000 | 62.1% |
| Offset Expenditures | \$2,238,127 | \$1,971,255 | (\$266,872) | -11.9% |
| Warrant Articles | \$1,105,000 | \$409,000 | (\$696,000) | -63.0% |
| Water & Sewer | <u>\$6,372,643</u> | <u>\$6,380,313</u> | <u>\$7,670</u> | <u>0.1%</u> |
| | \$143,880,322 | \$147,159,945 | \$3,279,623 | 2.3% |

* FY12 School Budget includes additional \$500k from Reserve Fund for CB settlements
 FY13 Rec. School amount includes \$150k transfer from Town amount for 2 IT FTEs

The Town Manager's Recommended Budget is balanced based on the following:

- The Governor's House 2 Local Aid estimates for FY-2013 are used in the revenue projections. There is an increase in Chapter 70 Education Aid of \$413,482 and Unrestricted General Government Aid is level-funded with the caveat that if State revenues come in higher than the current estimates there would be a distribution of an additional \$65M in the Fall. Andover's share would be approximately \$109,000 based on this year's allocation.
- General Local Revenues are increased cautiously. Despite a modest uptick in most categories of local revenues, the investment income is still very low.
- The Health Insurance budget is recommended at \$14,790,500 which is a 3% increase over FY-2012. This recommendation is based on the Health Insurance Reform Legislation that was enacted this Summer. The Board of Selectmen voted in January, 2012 to accept MGL, Chapter 32B, Sections 21 – 23. This will allow the Town to engage in discussions with the unions on the subject of health insurance plan design outside of

the collective bargaining process. Using this process and the mandated cost sharing levels at no greater than the most popular plans offered by the State's Group Insurance Commission, will result in an estimated increase of 2% to 3%. If it is lower than this estimate, then it will be adjusted prior to the Town Meeting. Conversely, if rates are higher than expected, then budget adjustments will be necessary to accommodate this increase.

- Debt Service for all current bond issues and recommended projects is being reduced in part due to the refinancing of all eligible debt. The debt for the Town Yard/Municipal Services Facility and Ballardvale Fire Station are not included in the debt schedules as they will require a Special Election to exempt the debt from Proposition 2½. Based on its favorable AAA bond rating and the advantageous bidding climate, the Town is considering an additional round of refinancing additional existing debt to further lower debt service costs.
- The Capital Project Fund is recommended at \$2,020,000 which is 1.5% of General Fund Revenues. The only change from the CIP recommendations in the Fall is that the IT requests have been moved from this fund source into dedicated borrowing to be paid from cable franchise fees. The original \$125,000 from the IT requests has been reallocated between the Town and School in the Capital Projects Fund.
- The sum of \$400,000 is recommended for the Other Post Employment Benefits (OPEB) Fund - \$300,000 from Free Cash and \$100,000 from Water and Sewer Revenues. It is recommended that during this budget process, the Selectmen, School Committee, Finance Committee and Retirement Board meet with AonHewitt, the actuaries who did the Town's most recent valuation study. Currently the OPEB Fund has a cash balance of \$704,009. The Executive Summary from the most recent OPEB actuarial study is included in the Supplemental Information section and the full report is available on the Town's website.
- The funds available for the Operating Budgets are \$99,548,728. This is a 3.1% increase over the FY-2012 Revised Budget.
 - ~ The individual departments will have an opportunity to present their budget requests (both operating and capital) and highlights during their meetings with the Selectmen and Finance Committee.
 - ~ This year the Town and School budgets include funding for collective bargaining settlements, as well as contractual salary adjustments, longevity increases and step and track increases.
 - ~ There is a new Operating Budget appropriation category recommended for this year titled "Municipal Services" which includes both the Department of Public Works and the Plant & Facilities Department. This new category is like the Public Safety category which covers Police, Fire Rescue, Dispatch, Animal Control, etc. or General Government which includes most of the departments in

the Town Offices. This new grouping reflects similar service delivery. It is not a “consolidation” or “reorganization” as those discussions are on-going and will need more time to develop into a recommendation that I am comfortable making. It is expected that this process will take several months and specific organizational changes are not being proposed at this time.

▪ There are several personal service highlights in the Town Manager’s Recommended Budget:

- ~ No new positions are added to the Town’s FTE count and two FTEs are recommended to be eliminated.
- ~ Two “Application Engineer” positions will be created in the Information Technology Department to replace two vacant positions. This will help the CIO realign his staffing towards the current and future needs of the department.
- ~ Two School employees who were transferred from the School Department to the new IT Department in FY-2012 will be moved back to the School Department in FY-2013. This transfer back reflects the specific educational reporting nature of their duties.
- ~ Two new positions were requested in the Plant and Facilities Building Maintenance Division to help catch up on the backlog of work orders. I am not recommending the addition of any new positions in that department at this time until its overall future organization structure has been determined. In the interim, I am recommending that Plant & Facilities address their maintenance or work order backlog through the use of temporary help and/or contract services.
- ~ In the Plant & Facilities, Cemetery Division, the vacant Laborer position is eliminated and it is recommended that the grass cutting, leaf removal and trimming functions be out-sourced to a landscape company.
- ~ The re-instatement of full funding for Police and Fire salaries and projected overtime accounts is being recommended.
- ~ Funding for per diem Reserve Dispatchers to help reduce the costs of filling open shifts on overtime is also included.
- ~ The Water Division of the Department of Public Works budget continues with staffing re-alignments at the Water Treatment Plant for enhanced efficiency and cost savings that began in FY-2011 and was continued in FY-2012. In FY-2013, the Chief of Maintenance position will be eliminated and its duties split between the Superintendent’s and a new Working Foreman position which will be created from one of the existing senior Water Treatment Plant Operator positions. This small reorganization will result in one less FTE and a net personnel cost savings of approximately \$100,000 per year.

Capital Improvement Projects

There are four CIP projects that are active at this time:

- The Bancroft Elementary School project has been delayed while the appeal process is ongoing. The Conservation Commission's Order of Conditions was appealed to the DEP which issued a Superseding Order of Conditions approving the project and the DEP (Department of Environmental Protection) Commissioner affirmed that approval. The approval of the Conservation Commission's Order under the Town's Wetlands Bylaw was appealed to Superior Court. Superior Court Judge Robert A. Cornetta ruled in favor of the Town and wrote, "Public debate over major public projects cannot linger on forever. To permit the same would in essence result in every decision to be made by a public body being open ended, akin to one great and endless public debate. Neither sound public policy nor the law requires such a result."

The neighbors have appealed both the DEP's Superseding Order of Conditions and the Superior Court decision. Currently, the School Building Committee is in discussions with the Massachusetts School Building Authority to explore what options are available to move this project forward.

- The Andover Youth Center project was approved for \$2.0M of Town funding at the December Special Town Meeting. The Building Committee will be appointed and the design work commencing this Winter.
- The Town Yard/Municipal Services Facility project will be in the warrant for the Annual Town Meeting. Several articles are being proposed for land acquisition and design, as well as land acquisition, design and construction. A debt exemption vote will be required.
- The Ballardvale Fire Station project will be on the warrant for the Annual Town Meeting. Several articles have been submitted for land acquisition, and design and engineering. As with the Town Yard/Municipal Services Facility, this project will require a debt exemption vote.

Unfunded Mandates

The next challenge we need to discuss with our legislators is the unfunded mandates they place on us. Both the Town and School have several unfunded or under-funded mandates that need to be addressed.

This Fall, the State's Special Joint Committee on Redistricting split Andover between the 3rd and 6th Congressional Districts. This resulted in two precincts being split between these two Congressional Districts. This action is unfortunate for the Town in two ways – the additional costs and the confusion to the voters in these two precincts.

In addition, the proposed Federal stormwater regulations known as the Stormwater Management Program (SWMP) places new emphasis on stormwater discharge, pollution prevention and public education. As a Green Community it is hard to oppose the intent of the program, however, the additional cost to comply with these regulations and perform the necessary inspections is burdensome at an estimated \$50,000 annually.

Conclusion

By all accounts, Andover weathered the storm of the Great Recession and emerged on a strong financial foundation. This has positioned the Town to be building on and taking advantage of the opportunities that are available. Some of the opportunities are under way, for example: health insurance plan design changes, refinancing of debt, key retirements and others will come during this and the next fiscal year. Whatever challenges or opportunities, Andover is standing in a great place to take advantage of them.

I would like to take this opportunity to thank our new Finance Director Donna Walsh, Assistant Town Manager Steve Bucuzzo, Executive Assistant Sandy Cassano, Executive Secretary Carolyn Lynch, all of the Department Heads, Division Heads and budget managers including Superintendent of Schools Marinel McGrath and Assistant Superintendent for Finance & Administration Paul Szymanski for their tireless work and continued cooperation on the Fiscal FY-2013 Budget.

The Annual Town Election will be held on Tuesday, March 27, 2012 at the Richard J. Collins Field House at Andover High School from 7:00 A.M. to 8:00 P.M. Please vote!

The Annual Town Meeting will be held on Monday, April 30, 2012 and Tuesday, May 1, 2012 in the Richard J. Collins Field House at Andover High School. If needed, the meeting will continue to Wednesday, May 2, 2012 in the Collins Center at Andover High School. This important meeting is your opportunity to exercise your right to provide direct feedback to your elected and appointed officials. I encourage you to take advantage of it!

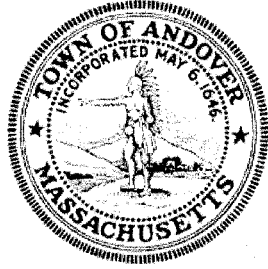
Very truly yours,



Reginald S. Stapczynski
Town Manager

**FY2013
EXECUTIVE BUDGET
SUMMARY**

EXECUTIVE BUDGET SUMMARY



THE OVERALL BUDGET

The FY-2013 Town Manager's Recommended Budget totals \$147,159,945. This sum represents a \$3,279,623 or 2.3% increase over the FY-2012 Approved Budget of \$143,880,322. The sum of \$140,989,370 is currently being recommended for the Article 4 Operating Budget, which includes the budgets for all Town Departments, the School Department, Water and Sewer Enterprises, and Fixed/Shared Obligations. An additional sum of \$6,170,575 is recommended to be allocated towards non-appropriated costs, capital projects, and warrant articles.

TOWN DEPARTMENTS

The FY-2013 Town Manager's Recommended Budget for Town operating departments (excluding Water and Sewer) is \$34,152,329. This represents a \$881,145 or 2.6% increase over the FY-2012 appropriation of \$33,271,184. This budget recommendation includes Personal Services and Operating Expenses for all Town departments, as well as the shared Town and School departments of Information Technology and Plant & Facilities. The FY-2013 Recommended Budgets for the Water and Sewer Enterprises are \$2,824,405 and \$2,555,908 respectively.

SCHOOL DEPARTMENT

The Town Manager's FY-2013 Recommended Budget for the School Department is \$65,396,399. This amount includes an additional \$150,000 to cover the costs of two School IT related employees that are being transferred back to the Schools from the Town's IT department. This sum represents a \$2,111,822 or 3.3% increase over the FY-2012 appropriation of \$63,284,557 which includes the additional \$500,000 appropriated at the 12/5/11 Special Town Meeting. The Town Manager has not yet had the opportunity to review the School Superintendent's budget request, which will be subject to review by the School Committee, Finance Committee, and Board of Selectmen prior to the 2013 Annual Town Meeting in April. However, a summary of her preliminary figures is included in the School Budget section herein.

FIXED COSTS AND OBLIGATIONS

- **Greater Lawrence Technical High School.** For FY-2013, the sum of \$455,616 is being budgeted for this expense at this time. This is a preliminary estimate and will change when the Regional School Committee votes on its appropriation in the coming months.

- **Debt Service.** The sum of \$11,585,101 is recommended for FY-2013. The debt service for many School projects and the Public Safety Center are financed through a Proposition 2½ debt exclusions, and the debt service for water and sewer projects is funded through a combination of betterments and use charges. The FY-2013 amount is \$527,591 less than the FY-2012 budget due to the "advance refinancing" of existing debt conducted this past December, which will yield significant amounts of annual savings over the life of these loans.

- **Employee Health Insurance.** The sum of \$11,585,101 is recommended for FY-2013. This is a decrease of \$527,591 over the FY-2012 appropriation, which reflects a preliminary estimate of savings as a result of plan design changes the Town is planning to make for

FY-2013. This amount is subject to change depending on the actual renewal rates provided by our provider – MIIA Blue Cross/Blue Shield of Massachusetts.

- **Retirement Fund.** The sum of \$5,496,244 is recommended for FY-2013. This is a \$411,177 increase over the FY-2012 appropriation, and reflects the actuarial projected costs provided by the Retirement Board.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Projects Fund appropriation for FY-2013 totals \$2,020,000 and is based on allocating 1.5% of the General Fund revenues to this purpose. A summary of the proposed CIP is included in the back of this document.

WARRANT ARTICLES AND NON-APPROPRIATED COSTS

Other Town financial warrant articles included in the overall budget, along with Non-Appropriated costs, such as State Assessments, Overlay Reserve and Retired Teachers Health Insurance are estimated at this time to total \$4,150,575 for FY-2013.

REVENUES

At this time it is projected that the total revenue and other funding sources available for the Town of Andover is \$147,159,945 for FY-2013. Property taxes account for 76.4% of the Town's total revenue sources available to fund the FY-2013 budget. Local revenues sources account for 16.3% of the revenue budget, and State Aid contributes 7.3%. The Financial Summary section contains a variety of charts and other useful information on Andover revenues.

- **Property Taxes.** The FY-2013 tax levy is projected to be \$110,081,217. This is a 3.9% increase over the FY-2012 levy. Approximately \$2.3 million of the tax levy is attributed to the Proposition 2½ debt exemptions for school and public safety construction. New Growth has been estimated at \$1,300,00 for FY-2013. This property growth figure is a rough projection derived from the average of actual amounts over the past three years, and will be reviewed and refined prior to setting the tax rate for FY-2013.

- **State Aid.** The sum of \$10,686,447 is the State Aid number proposed by the Governor for Andover in his House 2 state budget for FY-2013. This figure represents a \$421,292 increase from the \$10,265,155 in State Aid the Town will receive in FY-2012, and is subject to change as the state budget proceeds through the legislative process.

- **Local Revenues.** Local revenues are projected at \$12,672,702 for FY-2013. This figure includes \$1,986,255 of departmental retained receipts used to offset their budgets. This amount has been negatively affected by the continued drop in interest rates impacting the Town's investment income and will require close monitoring of other local revenue categories to offset this decline.

- **Water and Sewer Enterprise Funds.** The Water and Sewer Division revenues and transfers are projected at \$12,174,455 for FY-2013.

- **Free Cash.** The Free Cash certified by the State as available for the 2012 Annual Town Meeting is \$1,239,055. The Recommended FY-2013 Budget proposes to appropriate \$313,000 from Free Cash towards the Town's long-term OPEB liability and the 4th of July Fireworks. A chart in the supplemental section shows the history of Free Cash.

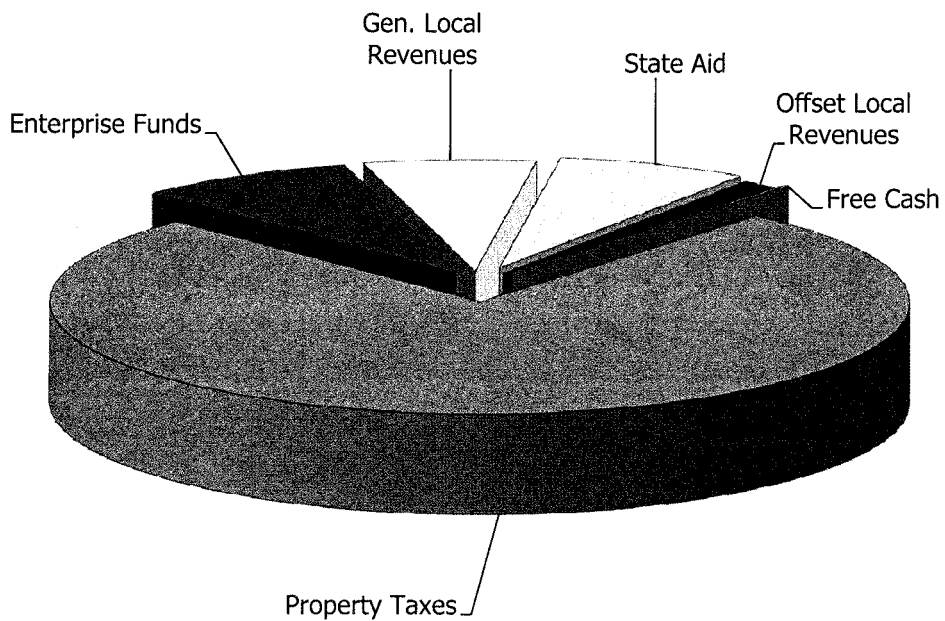
FY-2013 Total Budget Summary (& Change from FY-2012)

As of 2/3/12

| | FY-2012 <u>Approp.</u> | FY-2013 <u>TM Rec.</u> | <u>\$ Incr./Decr.</u> | <u>% Incr./Decr.</u> |
|-------------------------------|---------------------------|---------------------------|-----------------------|----------------------|
| <u>REVENUES</u> | | | | |
| Property Taxes | \$105,926,697 | \$110,081,217 | \$4,154,520 | 3.9% |
| Addtl. Taxes - Debt Exclusion | \$2,947,458 | \$2,349,085 | (\$598,373) | -20.3% |
| State Aid | \$10,265,155 | \$10,686,447 | \$421,292 | 4.1% |
| General Local Revenues | \$9,414,860 | \$9,570,486 | \$155,626 | 1.7% |
| Offset Local Revenues | \$2,215,039 | \$1,986,255 | (\$228,784) | -10.3% |
| Enterprise Funds | \$12,119,113 | \$12,174,455 | \$55,342 | 0.5% |
| Free Cash | <u>\$992,000</u> | <u>\$312,000</u> | <u>(\$680,000)</u> | <u>-68.5%</u> |
| | \$143,880,322 | \$147,159,945 | \$3,279,623 | 2.3% |
| <u>EXPENSES</u> | | | | |
| Town Departments | \$33,271,184 | \$34,152,329 | \$881,145 | 2.6% |
| School Department * | \$63,284,577 | \$65,396,399 | \$2,111,822 | 3.3% |
| Fixed Costs/Obligations | \$20,646,183 | \$21,503,973 | \$857,790 | 4.2% |
| Non-Appropriated Costs | \$3,603,916 | \$3,741,575 | \$137,659 | 3.8% |
| Debt Service | \$12,112,692 | \$11,585,101 | (\$527,591) | -4.4% |
| Capital Projects Fund | \$1,246,000 | \$2,020,000 | \$774,000 | 62.1% |
| Offset Expenditures | \$2,238,127 | \$1,971,255 | (\$266,872) | -11.9% |
| Warrant Articles | \$1,105,000 | \$409,000 | (\$696,000) | -63.0% |
| Water & Sewer | <u>\$6,372,643</u> | <u>\$6,380,313</u> | <u>\$7,670</u> | <u>0.1%</u> |
| | \$143,880,322 | \$147,159,945 | \$3,279,623 | 2.3% |

* FY12 School Budget assumes additional \$500k from Reserve Fund for CB settlements
 FY13 Rec. School amount includes \$150k transfer from Town amount for 2 IT FTEs

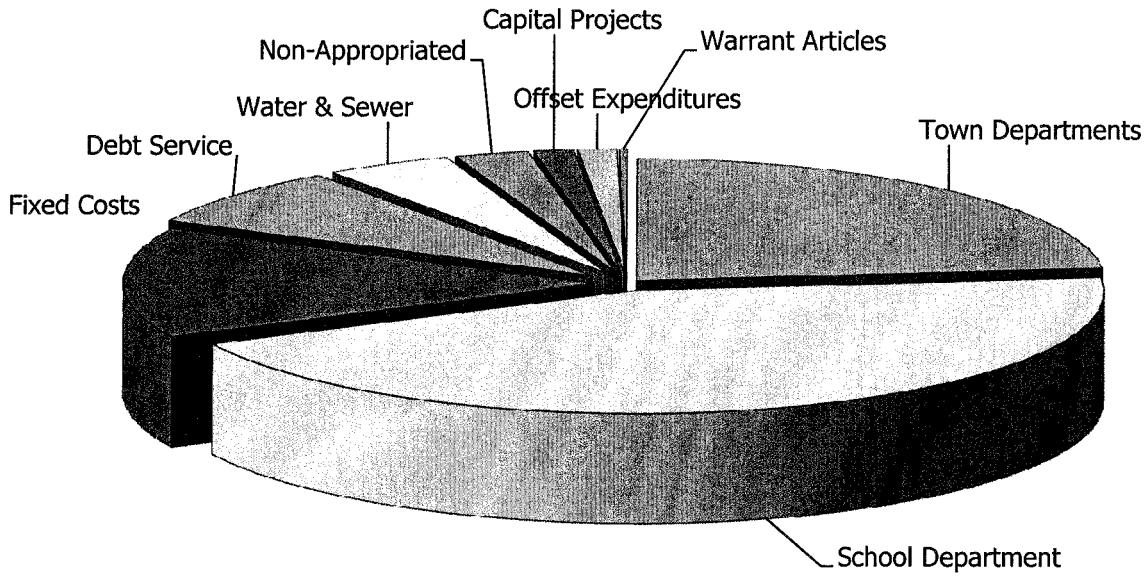
SOURCES OF FUNDS - FY2013



FY13 REVENUES

| | | |
|-----------------------|------------------|--------|
| Property Taxes | \$112,430,302 | 76.4% |
| Enterprise Funds | \$12,174,455 | 8.3% |
| Gen. Local Revenues | \$9,570,486 | 6.5% |
| State Aid | \$10,686,447 | 7.3% |
| Offset Local Revenues | \$1,986,255 | 1.3% |
| Free Cash | <u>\$312,000</u> | 0.2% |
| | \$147,159,945 | 100.0% |

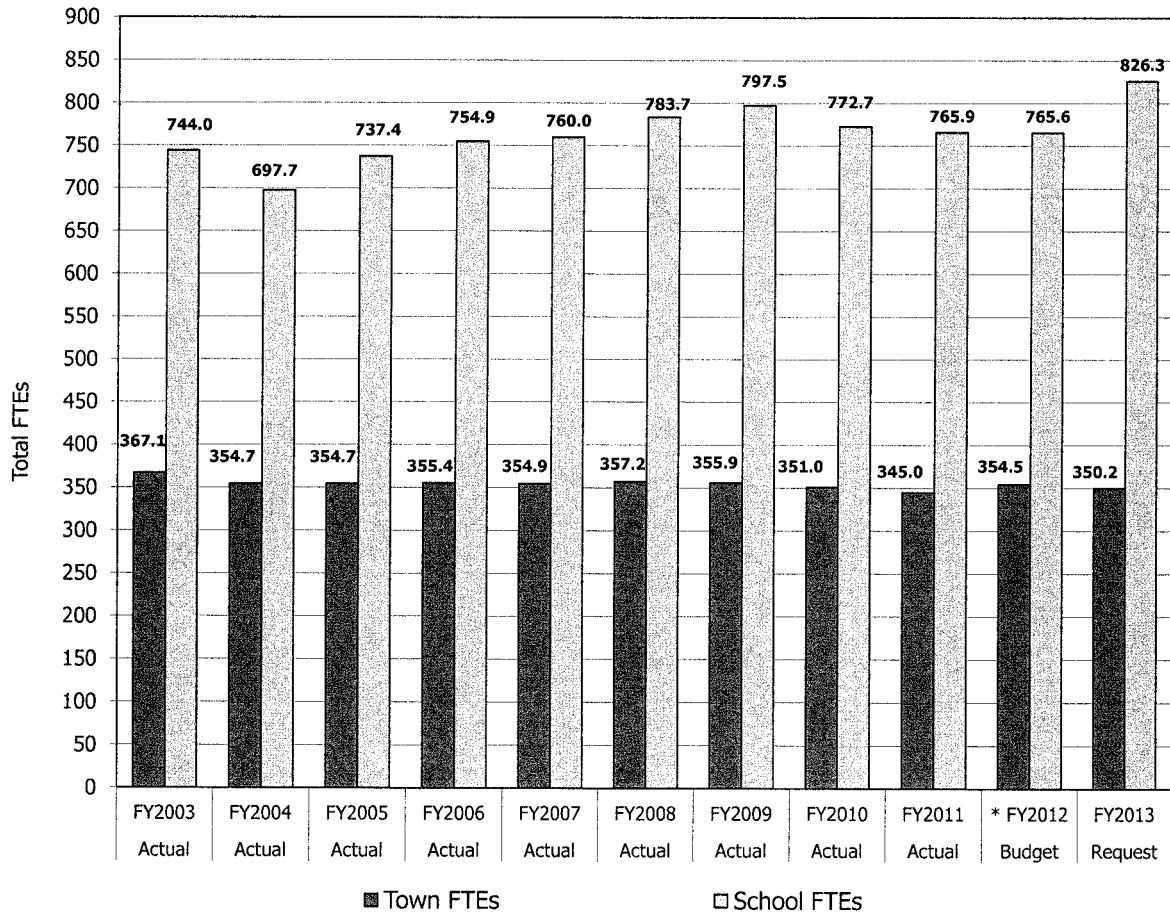
USES OF FUNDS - FY2013



FY13 EXPENSES

| | | |
|-------------------------|----------------------|---------------|
| Town Departments | \$34,152,329 | 23.2% |
| School Department | \$65,396,399 | 44.4% |
| Fixed Costs/Obligations | \$21,503,973 | 14.6% |
| Debt Service | \$11,585,101 | 7.9% |
| Water & Sewer | \$6,380,313 | 4.3% |
| Non-Appropriated | \$3,741,575 | 2.5% |
| Capital Projects | \$2,020,000 | 1.4% |
| Offset Expenditures | \$1,971,255 | 1.3% |
| Warrant Articles | <u>\$409,000</u> | 0.3% |
| | \$147,159,945 | 100.0% |

Town & School Employees (FTEs) FY2003 - FY2012



| | Actual FY2003 | Actual FY2004 | Actual FY2005 | Actual FY2006 | Actual FY2007 | Actual FY2008 | Actual FY2009 | Actual FY2010 | Actual FY2011 | Budget * FY2012 | Request FY2013 | Change FY12-13 |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|-------------------|
| Town FTEs | 367.1 | 354.7 | 354.7 | 355.4 | 354.9 | 357.2 | 355.9 | 351.0 | 345.0 | 354.5 | 350.2 | (4.3) |
| School FTEs | 744.0 | 697.7 | 737.4 | 754.9 | 760.0 | 783.7 | 797.5 | 772.7 | 765.9 | 765.6 | 826.3 | 60.7 |
| Total FTEs | 1,111.1 | 1,052.4 | 1,092.1 | 1,110.3 | 1,114.9 | 1,140.9 | 1,153.4 | 1,123.7 | 1,110.8 | 1,120.1 | 1,176.5 | 49.7 |

* 10 School IT FTEs transferred to Town in FY12

OTHER APPROPRIATION ARTICLES

The following Town Meeting Warrant Articles have a known direct dollar cost and are not included in the Operating Budget or the Capital Projects Fund articles. These articles can be submitted by Town Boards, Committees, Commissions or private citizen petition. If approved at the Annual Town Meeting, these articles will be funded from free cash, taxation, borrowing, enterprise reserves, or other available funds.

From Free Cash

| | |
|--|-----------|
| Supplemental Appropriations – FY2012 Budget | \$0 |
| Free Cash for the FY2013 Budget | \$0 |
| July 4 th Fireworks | \$12,000 |
| Other Post Employment Benefits Liability (OPEB) Trust Fund | \$300,000 |

From Taxation

| | |
|---|---------|
| Elderly/Disabled Transportation Program | \$8,000 |
| Support for Civic Events | \$4,000 |

From General Fund Borrowing

| | |
|---|-------------|
| High Plain Rd. Reconstruction at Fish Brook | \$1,100,000 |
| Large Highway Vehicles | \$300,000 |
| Fire-Rescue Communications Upgrades | \$200,000 |
| Town Building Maintenance | \$400,000 |
| Balmoral Fence and Masonry Repairs | \$125,000 |
| Town Playground Replacements | \$200,000 |
| School Building Maintenance | \$1,000,000 |
| Land Acquisition – Lowell Jct. Road | \$800,000 |
| West Middle School Heating System | TBD |

From Tax Exempt Borrowing

| | |
|---|-----|
| Ballardvale Fire Station Land Acquisition, Design & Engineering | TBD |
| Town Yard Land Acquisition, Design & Construction | TBD |

From Special Dedicated Funds

| | |
|---|-------------|
| Employee Computers, Printers & Hardware (Borrowing) | \$1,100,000 |
| Wireless & Network Infrastructure (Borrowing) | \$1,400,000 |
| Spring Grove Cemetery Maintenance | \$15,000 |

From Water & Sewer Enterprise Funds

| | |
|--|-------------|
| Sewer Infrastructure Maintenance Vehicle (Borrowing) | \$250,000 |
| WTP Filter Backwash Discharge Tank (Borrowing) | \$300,000 |
| Major Water Main Replacements (Borrowing) | \$1,439,000 |
| Water Distribution Maintenance (Borrowing) | \$500,000 |

Operating Budget Requests FY2013

**ARTICLE 4 TOWN MEETING - FY2013
OPERATING BUDGET**

| LINE ITEM | DEPARTMENT | EXPENDED FY2010 | EXPENDED FY2011 | BUDGET FY2012 | TM REC FY2013 |
|---|---|--------------------|--------------------|--------------------|--------------------|
| | PUBLIC SAFETY | | | | |
| 1 | PERSONAL SERVICES | 12,694,557 | 12,884,777 | 12,956,728 | 13,153,753 |
| 2 | OTHER EXPENSES | <u>1,054,367</u> | <u>1,135,191</u> | <u>1,305,360</u> | <u>1,395,994</u> |
| | TOTAL | 13,748,924 | 14,019,969 | 14,262,088 | 14,549,747 |
| Includes \$35,000 - parking receipts, \$70,000 - detail fees, and \$1,025,000 - ambulance collections | | | | | |
| | GENERAL GOVERNMENT & COMMUNITY DEVELOPMENT (inc Town/School IT consolidation) | | | | |
| 3 | PERSONAL SERVICES | 4,093,513 | 4,056,823 | 5,370,989 | 5,226,908 |
| 4 | OTHER EXPENSES | <u>1,303,662</u> | <u>1,364,250</u> | <u>1,540,301</u> | <u>1,649,751</u> |
| | TOTAL | 5,397,175 | 5,421,073 | 6,911,290 | 6,876,659 |
| Includes \$24,000 in receipts from wetland filing fees and \$54,780 water/sewer reserves. | | | | | |
| | MUNICIPAL SERVICES (DPW/P&F) | | | | |
| 5 | PERSONAL SERVICES | 4,642,488 | 4,649,482 | 4,773,408 | 4,714,026 |
| 6 | OTHER EXPENSES | <u>4,650,452</u> | <u>5,268,262</u> | <u>5,024,643</u> | <u>5,203,713</u> |
| | TOTAL | 9,292,940 | 9,917,744 | 9,798,051 | 9,917,739 |
| Includes \$68,475 in rental receipts; \$42,000 cemetery revenue | | | | | |
| | LIBRARY | | | | |
| 7 | PERSONAL SERVICES | 1,947,645 | 1,951,919 | 1,833,122 | 1,828,689 |
| 8 | OTHER EXPENSES | <u>547,121</u> | <u>575,496</u> | <u>593,900</u> | <u>603,900</u> |
| | TOTAL | 2,494,766 | 2,527,415 | 2,427,022 | 2,432,589 |
| | COMMUNITY / YOUTH/ ELDER SERVICES | | | | |
| 9 | PERSONAL SERVICES | 1,182,174 | 1,209,857 | 1,216,381 | 1,207,365 |
| 10 | OTHER EXPENSES | <u>438,183</u> | <u>434,094</u> | <u>444,479</u> | <u>439,485</u> |
| | TOTAL | 1,620,357 | 1,643,951 | 1,660,860 | 1,646,850 |
| Includes \$536,000 and \$55,000 in user fees and \$61,000 in grants | | | | | |
| 11 | UNCLASSIFIED COMPENSATION FUND | inc above | - | 250,000 | 500,000 |
| 12 | RESERVE FUND | inc above | inc above | <u>200,000</u> | <u>200,000</u> |
| | TOTAL | | | 450,000 | 700,000 |
| | TOWN DEPTS | | | | |
| | PERSONAL SERVICES | 24,560,377 | 24,752,860 | 26,400,628 | 26,630,741 |
| | OTHER EXPENSES | 7,993,785 | 8,777,293 | 9,108,683 | 9,492,843 |
| | <i>less budgeted Revenues</i> | <u>(2,058,984)</u> | <u>(2,144,364)</u> | <u>(2,238,127)</u> | <u>(1,971,255)</u> |
| | NET TOTAL | 30,495,178 | 31,385,788 | 33,271,184 | 34,152,329 |

**ARTICLE 4 TOWN MEETING - FY2013
OPERATING BUDGET**

| LINE ITEM | DEPARTMENT | EXPENDED FY2010 | EXPENDED FY2011 | BUDGET FY2012 | TM REC FY2013 |
|-----------|---------------------|--------------------|--------------------|-------------------|-------------------|
| | ANDOVER SCHOOL DEPT | | | | |
| 13 | PERSONAL SERVICES | 47,646,908 | 48,429,608 | 49,176,074 | 51,366,032 |
| 14 | OTHER EXPENSES | <u>12,300,848</u> | <u>13,458,813</u> | <u>13,608,503</u> | <u>14,030,367</u> |
| | TOTAL | 59,947,756 | 61,888,421 | 62,784,577 | 65,396,399 |

| LINE ITEM | DEPARTMENT | EXPENDED FY2010 | EXPENDED FY2011 | BUDGET FY2012 | TM REC FY2013 |
|--------------------------------------|-------------------------------|--------------------|--------------------|------------------|------------------|
| | SEWER | | | | |
| 15 | PERSONAL SERVICES | 382,104 | 420,887 | 416,740 | 431,203 |
| 16 | OTHER EXPENSES | <u>1,793,650</u> | <u>1,763,561</u> | <u>2,075,955</u> | <u>2,124,705</u> |
| | TOTAL | 2,175,754 | 2,184,448 | 2,492,695 | 2,555,908 |
| Includes \$360,000 in sewer reserves | | | | | |
| | WATER | | | | |
| 17 | PERSONAL SERVICES | 1,661,146 | 1,430,589 | 1,591,548 | 1,496,505 |
| 18 | OTHER EXPENSES | <u>1,785,070</u> | <u>2,004,441</u> | <u>2,288,400</u> | <u>2,327,900</u> |
| | TOTAL | 3,446,216 | 3,435,030 | 3,879,948 | 3,824,405 |
| | SEWER and WATER TOTAL | 5,621,970 | 5,619,478 | 6,372,643 | 6,380,313 |
| | <i>less budgeted Revenues</i> | - | - | <u>(360,000)</u> | - |
| | NET TOTAL | 5,621,970 | 5,619,478 | 6,012,643 | 6,380,313 |

| | | | | | |
|----|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | OBLIGATIONS | | | | |
| 19 | GR LAW TECH HS | 494,915 | 484,694 | 444,503 | 455,616 |
| 20 | DEBT SERVICE | 13,107,946 | 11,816,622 | 12,112,692 | 11,585,101 |
| 21 | GENERAL INSURANCE | 485,701 | 734,996 | 661,613 | 661,613 |
| 22 | UNEMPLOYMENT COMP. | 150,000 | 204,000 | 100,000 | 100,000 |
| 23 | RETIREMENT FUND | 4,635,498 | 4,712,555 | 5,085,067 | 5,496,244 |
| 24 | HEALTH INSURANCE FUND | <u>12,618,000</u> | <u>13,640,000</u> | <u>14,355,000</u> | <u>14,790,500</u> |
| | TOTAL | 31,492,060 | 31,592,867 | 32,758,875 | 33,089,074 |
| | FIXED TOTAL | 31,492,060 | 31,592,867 | 32,758,875 | 33,089,074 |
| | <i>less budgeted Revenues</i> | - | - | - | - |
| | NET TOTAL | 31,492,060 | 31,592,867 | 32,758,875 | 33,089,074 |

| | | | | | |
|--|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | GRAND TOTAL | 129,615,948 | 132,630,918 | 137,425,406 | 140,989,370 |
| | <i>less budgeted Revenues</i> | <u>(2,058,984)</u> | <u>(2,215,226)</u> | <u>(2,598,127)</u> | <u>(1,971,255)</u> |
| | NET TOTAL | 127,556,964 | 130,415,692 | 134,827,279 | 139,018,115 |