

## **Call to Order**

### **Call to Order/Roll Call**

Chair, Kevin O’Handley called the meeting to order at 7:05pm. Present were Aaron Buzay, Yican Cao, Bill Haskell, Paula Colby-Clements, Kevin O’Handley, Ken Russo, Paul MacKay, and Kim Perry. Andrew McBrien was absent. The meeting was videotaped and cablecast.

### **Debt and Long-Term Obligation Presentation – Patrick Lawlor**

Chief Financial Officer, Patrick Lawlor gave the Finance Committee a presentation on Debt and Long-Term Obligations. The Health Insurance, Retirement and OPEB are what we generally refer to as our Long-term obligations, fixed cost or the real budget drivers that create a lot of tension in the budget. These are the non-discretionary pieces of the budget.

Debt service are payments related to principal and interest for borrowing. Projections show that 13% of the 2024 average single family tax bill will be allocated to debt service. General Fund Debt Service represents 5.98% of the General Fund Revenue for FY2024.

The town issues debts once or twice per year depending on projects.

The Town of Andover is rated AAA by Standard and Poor’s, which is the highest rating for Municipalities. The committee asked when Bancroft School would be paid off. Based on the chart shown in the presentation, it looks like somewhere around 2035.

5.72% of revenue is the target every year to be used for Capital Improvement Projects. The past few years, the town has been under the 5.72% to allow for some flexibility.

The question was asked about the Town’s ability to issue more debt and still be under the proposition 2 ½. Today, we have \$300K of unused excess levy capacity which means we have the ability to tax \$300K more than we do right now, by Select Board policy. We also have the restricted excess levy capacity which is related to the savings of the Pension Obligation Bond. If all things held constant, we are not exceeding the levy limit or that policy.

For water and sewer projects, the presentation does not go out 30 years because there may be rate adjustments in the future. North Reading pays 95% of tier one rates until 2027 at which time there will be some changes. North Reading is our biggest water customer, and their rates pay for about 1/3 of our capital costs.

The question was asked regarding how much we have left from government funding or has it all expired. The COVID (Cares act funds) expired. ARPA funds are being used to fund major projects i.e.: Ledge Road Landfill Closure, Argilla Road Transmission line replacement. We have until 2026 to expend those funds but will need to obligate the funds by 2024.

Health Insurance for municipalities is governed by MGL, Chapter 32B. In 2016 the town moved to a self-insured plan which created more flexibility to control rate increases.

MGL governs retirement benefits for public employees. The town cannot make changes to benefit levels for benefit plans. Public retirement systems in Massachusetts must be fully funded by 2040. This means any unfunded liability has to be fully funded by 2040. Prior to the issuance of the Pension Obligation Bond, Andover Contributory Retirement systems funded ratio was 47%. It is estimated that the current funded ratio of the Andover Contributory Retirement system is 90%.

Other Post Employment Benefits (OPEB) represents health insurance provided to the town’s retirees. As a result of the Retiree health insurance reform, the OPEB liability is expected to be fully funded by 2047.

### **Finance Committee Letter and Report Update**

The Finance Committee Letter and Report are due to the printer by March 31<sup>st</sup>. The Finance Committee should start taking positions on warrant articles at the next meeting.

**Liaison Updates**

Ken Russo – Open Space Task Force met. The biggest item on the article is the ADA complaint dock for the access to Shawsheen River for \$375K.

Paul MacKay - met with Police and Fire. There is nothing more to report on other than what is in the budget book.

Kim Perry - met with Barbara McNamara. The library book sale raised over \$8K. Makers Space officially opened on 2/21.

Paula Colby-Clements - The work at West El/Shawsheen is really progressing. At the next meeting, they will be going over invoices line item by line item. The Topping Off Ceremony is scheduled for 3/10 and the MSBA site visit is scheduled for 3/15.

Aaron Buzay - The AHS Building Committee had a great meeting and should have a cost estimate soon. Aaron shared some documents via email to the Finance Committee.

Yican Cao – Spoke with IT. There should be some updates after March 13<sup>th</sup>.

**Review and Approval of Minutes from January 11, 2023**

Upon motion duly made by Paula Colby-Clements and seconded by Kim Perry it was unanimously voted to approve the minutes from the January 11, 2023, Finance Committee Meeting. Motion passed 8-0.

**Upcoming Meetings**

The Select Board, Finance Committee and School Committee Budget Workshop will take place on Saturday, March 4<sup>th</sup> at 9am The next Finance Committee meeting will be held on Tuesday, March 7<sup>th</sup> at 7pm.

**Adjournment**

Upon motion duly made by Paula Colby-Clements and seconded by Paul MacKay it was unanimously voted to adjourn. Motion passed 8-0

**Documents:**

Minutes from January 11, 2023, Debt and Long-Term Obligations PowerPoint presentation

Respectfully submitted,

Amy Salvi  
Recording Secretary