

Call to Order

Chair Moffitt called the meeting to order at 7:01p.m. in the Select Board Conference Room. She then advised the committee that Linn Anderson was participating remotely and initiated roll call. Present were: Chair Eugenie (Janie) Moffitt-Y, Linn Anderson-remotely-Y, Paul Russo-Y, Andrew Betts-Y, Mary Ellen Logee-Y, John Barry-Y, Bojay Taylor (arrived after roll call), Paul Monticciolo-Y and Spiro Christopulos-Y. Also present were Donna Walsh, Finance Director, Patrick Lawlor and the Town Manager. Also in attendance were residents Steve Fink and Paul MacKay. The meeting was videotaped and live cablecast.

Liaison Updates

School – Mr. Barry reported that the West Elementary project is the priority of MSBA, and it denied the AHS project. Since overcrowding is a demonstrated need for renovation and MSBA support, there are many more schools in poorer condition that meet that criteria. The atrium is counted in the overall square footage but is considered wasted space and it is suggested could be used for classroom needs. The School Committee will meet to discuss its options moving forward: a) build on our own and go to town meeting for funding; b) submit another statement of interest; and c) submit another statement of interest in April while continuing to build on our own.

Mr. Christopulos noted the importance of providing clarification to the taxpayer as to the reasons why Andover was denied MSBA assistance and other school projects were accepted.

Pension Obligation Bond Presentation – Town Manager

The Town Manager presented an overview of the Pension Obligation Bond and their potential impact on Operating and Capital Budgets (see attached PowerPoint presentation.) He noted that Mr. Frazier of Hilltop Securities would make a more formal presentation of the “mechanics” of pension obligation bonds to the Select Board at which the Finance Committee will be in attendance on Monday, March 9th. Discussion ensued including the following highlights:

- a) Debt service begins in FY2022, ends in FY2039 and amortization schedule runs through FY2040.
- b) The Retirement Board and staff administer the pension fund and the administrative cost thereof grows consistent with municipal staff cost.
- c) Normal cost is the pay-as-you-go cost of funding ongoing pension obligation for current employees.
- d) The MSBA reimburses \$333/sf of building cost and the cost of construction at this time is \$600/sf. There has been no change in the legislation as to the percentage of reimbursement amount (40%). West Elementary project therefore has level principal of \$100M at this time and the real reimbursement is 25% rather than 40%.
- e) Exempt debt and pension obligation over 13-year period cost is \$7,100.
- f) Discussion of advantages of level principal vs. level debt.
- g) Steps involved in moving forward including home rule petition, legislature approval, approval of Finance and Administration secretary, town meeting approval and debt issuance.
- h) Role of Retirement Board to oversee investment of funds, but in connection with home rule petition, special legislation may be enacted to include additional collaborative oversight of traditional sole role of retirement board.

- i) Integration of reform including commitment of employees, taxpayers and retirees.
- j) Integration of structural deficit including both exempt debt and pension debt.
- k) Risks and benefits vis-à-vis market timing of pursuing pension obligation bonds.
- l) Special town meeting may be needed in Fall, 2021 to approve appropriation.
- m) Eliminating structural deficit promotes positive impact on operating budget.
- n) Advice of Standard & Poors to address unfunded liability of pension.
- o) Importance of education of the taxpayer in public information sessions prior to the filing of the home rule petition and inclusion of one member of the committee as co-sponsor.
- p) The comparison with this approach which is unfamiliar, to a general override which is more familiar, and resultant impact on services and tax rate on a macro level.
- q) From a home budgeting point of view, comparison of long-term lease to a purchase.
- r) Possibility of purchasing insurance on bond – Ms. Walsh to pursue.

It was the general consensus that the committee is in support of pursuing the pension obligation bond proposal by taking the first step of filing the home rule petition. Subsequently, proactive community outreach is imperative in terms of a tangible, real perspective and emphasizing that no additional new obligation is being realized.

Audience Participation

Mr. Fink, as a “token resident”, expressed his support of the proposal to benefit the long-term health of the town.

Mr. MacKay, as a member of the Revenue and Expenditure Task Force, noted that all municipalities face the same challenge. Some have taken more aggressive steps than Andover, with Leominster being fully funded. He added, however, that the “real” aspect of the problem may have been masked by the retirement board’s setting a discount rate of return that was not realistic and the unfunded liability has grown.

The Town Manager added that some municipalities have passed overrides to address the unfunded liability.

FY2021 Budget - Select Board’s Tax Goal

The Town Manager referred to his memo to the Select Board (see attached) with regard to his suggestion to consider the option of allocating a portion of the unanticipated new growth to accelerate the pension funding schedule in FY2021. Discussion ensued including the following highlights to be clarified at the Saturday meeting of the boards:

- a) Clarification of the impact of excessive new growth on the tax bill present and future.
- b) The one-year tax bill of 4.6% for one year as a result.
- c) The dichotomy from the taxpayer viewpoint of one more coming in as revenue and a higher tax bill rather than lower.
- d) The effectiveness of ten-year average as metric.
- e) An illustration that described the reason for the difference in tax rate from 2.45 to 4.6%.

Mr. Christopulos left the meeting at 8:10pm.

ATM – Finance Committee Report

Mr. Monticciolo suggested that members review the notes he and Ms. Anderson put together and provide feedback. The School Committee also needs to be heard from. Mr. Simko will issue a warrant article tracking sheet, and the final warrant will be signed on March 9th.

Next Meetings

March 7 – Saturday Department Heads Budget Meeting – 9:00-3:00pm - Library

March 9 – Finance Committee and availability to Select Board

March 11 – Triboard

March 16 and 18 – Review and Vote on Warrant Articles

March 23 and 25 – ATM Finance Committee Report Review

Approval of Minutes – February 26, 2020

Upon motion duly made by Mr. Barry and seconded by Mr. Russo, it was unanimously voted to approve above minutes. Chair Eugenie (Janie) Moffitt-Y, Linn Anderson-remotely Y, Paul Russo-Y, Andrew Betts-Y, Mary Ellen Logee-Y, John Barry-Y, Bojay Taylor-Y and Paul Monticciolo-Y. Motion passed 8-0.

Adjournment

Upon motion duly made by Mr. Russo and seconded by Mr. Betts, it was unanimously voted to adjourn. Chair Eugenie (Janie) Moffitt-Y, Linn Anderson-remotely Y, Paul Russo-Y, Andrew Betts-Y, Mary Ellen Logee-Y, Bojay Taylor-Y and Mr. Barry-Y. Motion passed 8-0. Meeting adjourned at 8:20pm.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachments:

Pension Obligation Bond Presentation – Town Manager

Town Manager Memo to Select Board

Minutes of February 26, 2020