

Revenue and Expenditure Task Force
Thursday, July 21, 2022, at 8:45 AM
Second Floor Conference Room, Town Offices

Call To Order

Chair Tim Vaill called the Revenue and Expenditure Task Force (RETF) to order on Thursday, July 21, 2022, at 8:45 A.M in the second -floor conference room. located in the Town Offices. Members participating: Chair Tim Vaill, Tom Hartwell, Kevin Connors, and Janie Moffitt. Also present: Assistant Town Manager Patrick Lawlor and Management Analyst Faith Mangiafico.

Review Revenue Assumptions—Property Tax and New Growth

Mr. Vaill asked Mr. Lawlor to give an overview of this meeting’s main discussion point which is looking at new growth and property tax issues. Mr. Lawlor said that projecting new growth for *residential and commercial/industrial* projects is tied in part to building permits. Building permits are granted and fees assessed based on the value of construction activity. Although license and permit activities may signal new growth there are caveats to this assumption. Also, a new issue this year involves the Excess Levy Capacity—due to the issuance of the Pension Obligation Bond-- which will be the subject of a future meeting.

New Growth is the value of all new additions or properties in town. Estimates for permit fees are based on construction activities. The permit fee is based on \$1K of a project’s value and fees are reviewed for fairness to the taxpayers, fee levels in other communities. Out of approximately \$13M in total local revenue, licenses and permits comprise about \$2-3M of that amount. Permit fees also include gas permits, and other types of permits, and all are based on the value of the building activity.

Projects may be “permitted” or allowed by the Planning Board even though new growth may not be realized for several years -- such as the Dascomb Road project (discussed later in the minutes). Fees must be paid before a permit is granted. Mr. Vaill asked about looking at previous years’ permits to predict current growth. Mr. Lawlor, said that permits are granted conservatively as often developers’ construction timelines or financing are not known exactly, and changing economic situations may determine the type of and whether building projects will occur.

A third class of property is *personal property*. This is the value of tangible assets such as furniture, machinery, tools etc. Personal property does not require permitting or approval from the town. The town does not know about personal property until after it is purchased and at that point it is reported and taxed. This process involves field appraisers and inspections of equipment as well as an ongoing relationship with the companies. Mr. O’Connor asked about devaluation of personal property and Mr. Lawlor responded there is a depreciation schedule as the value decreases. Mr. Vaill asked whether each purchase is eventually captured for tax purposes and Mr. Lawlor responded that it was.

Mr. Lawlor explained that averages are typically used for predicting new growth but in the last few years there has been historical new growth across all classes of property. The long- range financial projection for new growth is \$1.9M, the FY 2019 10 year adjusted average-- adjusted because of personal property

increases. Mr. Vaill asked about using a 10 rather than 5 -year average and Mr. Lawlor said the 10 -year average, previously recommended by this task force, takes into account outlying years and assumes new growth won't occur in each year. Ms. Moffitt and Mr. Hartwell talked about the likelihood of construction continuing to grow and Mr. Lawlor responded that this was the rationale for conservative projections.

Mr. Lawlor outlined a typical timeline for the permitting process for construction projects which can take months or several years. Once construction is complete, assessors look at verified growth of the property, and submit reports to the State Department of Revenue for certification. DOR is the municipal regulator and the Town must ensure that growth aligns with budget assumptions.

Ms. Moffitt noted that numbers are often not known until 5 to 6 months into the budget process. Mr. Lawlor showed a slide of "The FY 2024 Revenue Assumptions" and noted the importance of maintaining sufficient reserves and free cash for unforeseen circumstances. Ms. Moffitt asked when numbers are needed, and Mr. Lawlor responded that the first iteration for the CIP is needed in October but looking at the data through the budget process helps drive decisions.

A slide for FY 2024 "Budget versus Actual" for new growth in the last several years showed that growth exceeded the budget in every year but last year, which may require adjustments in projecting new growth. New growth within the context of the budget will be discussed further at the next meeting.

Ms. Moffitt noted 2020 was the outlier year, and 2022 is the lag year from Covid and Columbia Gas. Mr. Lawlor said this is a market correction for new growth. Mr. Lawlor further noted that although numbers are not available for 2024, it was decided last year to hold the average at \$1.9M and make adjustments if needed. One future possibility may be to use a flat dollar amount with potential adjustments such as using \$1,750,000 for FY2024 and using \$1,500,000 for FY 2025.

The concern is to avoid operating in a deficit, and the next few years will be challenging due to inflation, price rises, etc. Ms. Moffitt asked if the goal is to come up with a number this summer, and Mr. Lawlor replied that it was.

Mr. Lawlor then introduced Paul Materazzo, Director of Planning and Land Use. Mr. Materazzo began by answering questions posed about the "Strategic Investment within 100 acres of the Historic Mill District" within the Transportation plan. This "Gateway to the Downtown" project, seeks to improve access around the intersection of Essex Street and Railroad Avenue as well as other public ways, and a cultural component is also being planned for this area.

Mr. Materazzo then gave an overview of the following Planning projects.

- VICOR—Expansion of this new manufacturing facility for specialized chips at Federal Street and Frontage Streets
- Housing development at 305 Main Street-29 housing units for rent approved in 2020 but still ongoing
- Manufacturing facility approved in 2021 near Shawsheen Bowling Green playing fields,
- Manufacturing facility approved in 2021 in the Brickstone Square Shawsheen area
- Phillips Academy music building addition recently approved

- An addition to a one Corporate Drive
- Clinic at the former Doctors Park on Haverhill Street-existing structures removed and rebuild
- Former Philips medical campus
- Minuteman Manufacturing facility presently before the Board

Smaller sub-divisions, typically 3-4 acre lots, also require permitting. The revised Dascomb Road site is intended to offer mixed commercial office buildings and the town is currently working with the new owners to recalibrate zoning and reinvestment opportunities. The original plans for this site would have extended municipal sewer and other improvements to this area.

Mr. Materazzo also gave an update on the status of the *former town yard*. A developer purchased adjacent properties, and this will allow for additional residential units mixed with retail and public use space. Completion could be 1.5 years away and permits have not been issued yet. The Open Space Task force provides input on this project.

The *Downtown Municipal Complex* was also discussed. The plan is to make pedestrian's experience more enjoyable with new lighting, new trees, and a "green infrastructure" public space downtown. Mr. Vaill asked about the budget appropriation for this project, and Mr. Materazzo said it was approved at Town Meeting 2 years ago. Mr. Vaill also asked how Andover compares with other towns of this size with regard to these projects, and discussion ensued about the need to upgrade infrastructure and cultivate a walkable suburban retail oriented downtown to make the town attractive to developers and a workforce seeking a community with this environment close to Boston. The MBTA will become more involved, possibly looking at a double track and platform to increase ridership. Mr. Hartwell asked about town land for sale/ development. A brief discussion ensued about the town owned parking lot on Main Street, and use of the Town Hall.

Mr. Lawlor said the challenge is determining accurate ideas of new growth based on data that is realistic and within the budget framework.

Approval of Minutes—It was decided to postpone voting on the minutes as the task force only recently received them.

Next Meeting --TBA

Adjourn It was moved by Ms. Moffitt seconded by Mr. Connors and voted by 4-0 to adjourn at 9:48 A.M.

Documents:

FY 2024 Revenue Assumptions

Paul Materazzo's slides