



August 19, 2009

To the Citizens of Andover:

There will be a very important Special Town Meeting on Monday, August 31, 2009 to consider Andover's adoption of a new local option tax on restaurant meals of 0.75% and a rate increase for the hotel/motel room occupancy tax from the current rate of 4% to 6%. This expansion of municipal taxing authority was part of the FY2010 state budget signed by the Governor in June.

At Town Meeting in May it was clear that Andover would not have the revenues to support the adopted budgets. Town Meeting voted to spend \$500,000 more than was recommended by both the Board of Selectmen and Finance Committee. Because it was likely that there would be further reductions to Andover's revenue estimates once the state aid numbers were finalized, because general local revenues were trending downward and the lack of local building activity would mean less property tax revenue from new growth, and because there was so much still unknown about the federal stimulus funds, we clearly did not have enough information in May to make the changes needed to insure a balanced budget. We predicted that a Special Town Meeting would be needed to adjust the budget before the property tax rate could be set.

As we feared, the situation has worsened. **Our best current estimate of the deficit that must be eliminated before setting the tax rate is approximately \$2.1 million.** The Board of Selectmen has called for a Special Town Meeting October 7th to take action on the budget reductions needed to balance the budget.

If Town Meeting votes to approve the new local option meals tax (Article 1) and the increase in the hotel/motel room occupancy tax (Article 2), then an additional \$596,407 in revenue (Department of Revenue estimate) would be available to offset the projected deficit. The revenue from these taxes will not eliminate the need for Town and School personnel reductions, but could reduce the number of people that must be let go and help to preserve valued programs. By having a Special Town Meeting August 31st to consider the local option taxes, we will know whether those revenues can be part of the overall deficit reduction plan that we will present to the voters at the October Special Town Meeting.

The Finance Committee is not recommending approval of either article. Members expressed concern about the impact of additional taxes on both Andover residents and local businesses. They understand that many are struggling to make ends meet in this economy. Making Andover a desirable place to do business is critical to the future prosperity of our community.

More importantly, the fundamental problem with Andover's Town and School budgets is that the basic cost structure cannot be sustained within available revenues. Adding more money to the pot without addressing the real issues only puts off the difficult choices that must be made if

Andover is going to be able to continue to deliver an acceptable level of public services given the new economic realities. Disapproval of the new taxes sends a message to both unions and management that they are going to have to find new, less expensive ways of doing business. While we applaud those unions and other staff who voluntarily reduced their contracted pay increases for FY2010, the existing labor contracts provide for a combination of salaries and wages, generous benefits and work rules that we can no longer afford.

Increasing taxes is always controversial. Based on the discussions at recent meetings of the Board of Selectmen and Finance Committee, voters should expect a lively debate at the Special Town Meeting. The Finance Committee votes, 5 to 3 to recommend disapproval of Article 1 and 4 to 4 on Article 2, reflect the difficulty of the decisions you will be required to make. You are likely to hear speakers argue in favor of the new taxes as an opportunity to diversify Andover's revenues, reduce reliance on the property tax and provide a better alternative than new or increased fees. Others will be focused on minimizing cuts to the School Budget to prevent layoffs, preserve programs and maintain class sizes. Those opposed to the adoption of new taxes will point to the state of the economy, job losses, struggling local businesses and the need to force reductions in the cost of government.

You could have the deciding vote. Join us at the Special Town Meeting on Monday, August 31, 2009, at 7PM in the Collins Center at Andover High School.

The Finance Committee

Joanne F. Marden, Chairman
Mary O'Donoghue
Cynthia Milne
Paul Fortier

S. Jon Stumpf
Richard T. Howe
Mark Merritt
Stephen Stapinski

LOCAL OPTION MEALS EXCISE TAX

ARTICLE 1. To see if the Town will vote to accept Massachusetts General Laws Chapter 64L, Section 2 (a) to impose a local meals excise tax, or take any other action related thereto.

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Article 1 proposes the acceptance of a state statute allowing the adoption of a local option meals excise tax of 0.75% on sales of meals served by restaurants located in Andover. If Town Meeting votes approval by August 31, 2009, this tax would take effect on October 1<sup>st</sup> for the second quarter of the fiscal year. The Department of Revenue estimates that 8 months of collections of this tax would total \$275,819 for FY2010.

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The BOARD OF SELECTMEN recommends disapproval. YES

The FINANCE COMMITTEE recommends disapproval. NO

The SCHOOL COMMITTEE recommends approval.

On request of the Town Manager

LOCAL OPTION ROOM OCCUPANCY EXCISE TAX

ARTICLE 2. To see if the Town will vote to amend its local room occupancy excise tax under Massachusetts General Laws Chapter 64G, Section 3A to the rate of six (6) percent, or take any other action related thereto.

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Article 2 proposes the acceptance of a state statute permitting an increase in the local option hotel room occupancy excise tax from the current rate of 4% to 6%. If Town Meeting votes approval by August 31 2009, this increase would take effect on October 1<sup>st</sup> for the second quarter of the fiscal year. The Department of Revenue estimates that 8 months of collections of this increase would total \$320,588 for FY2010.

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The BOARD OF SELECTMEN recommends approval. YES

The FINANCE COMMITTEE vote was 4 to 4 on this article. NO

The SCHOOL COMMITTEE recommends approval.

On request of the Town Manager

Town of Andover
Special Town Meeting
Finance Committee Report
Monday, August 31, 2009
Collins Center
Andover High School
7:00 P.M.

*Town of Andover
36 Bartlet Street
Andover, MA 01810*

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