



TOWN OF
ANDOVER
MASSACHUSETTS



ANDOVER
PUBLIC SCHOOLS
Massachusetts

FREQUENTLY ASKED QUESTIONS ABOUT **ANDOVER'S OPERATING BUDGET AND TOWN MEETING**

What is Town Meeting's role in the budget?

Town Meeting must approve an operating budget by June 30th of each year. That budget must be balanced – which means that expenses must not exceed available revenue.

How are the Town and School budgets determined?

The Town has a financial plan that serves as the foundation for budget planning and long-term forecasting. By establishing benchmarks for annual budget increases, the Town can build a sustainable funding model that preserves services. The financial plan also identifies future threats to Town finances and serves as a planning tool to mitigate associated impacts in future budget years. Every year, the Select Board, Finance Committee and School Committee work together with the Town Manager and Superintendent of Schools and their respective teams to review the plan and adjust as needed.

What if Town Meeting votes to disapprove the budget?

If Town Meeting votes to disapprove the budget, a Special Town Meeting will be required prior to June 30, 2024, to pass a budget.

Can the Town increase revenues to increase the budget?

The recommended FY2025 Town and School operating budget utilizes all available tax revenue – including excess levy capacity from FY2024, less \$300,000. Other revenues must be certified by the Department of Revenue to be increased.

Can Town Meeting vote to increase the budget?

If Town Meeting wishes to increase the budget more than the \$300,000 available levy capacity, it would require an amendment to the budget that is contingent on a Proposition 2 ½ Override in order for a balanced budget to be presented to the Department of Revenue. A Proposition 2 ½ Override is a vote that allows the Town to increase the tax levy (the total amount of property tax collected) beyond what is currently allowed by law to increase revenues to the Town. Alternatively, Town Meeting may vote to reduce any budget included in Article 4 in order to increase another budget included in Article 4. Under this scenario, Article 4 would remain balanced and not require an override. However, the impacts of this approach cannot be defined until the point at which a motion is made and the budgets (to be increased or decreased) are identified.

What is a contingent appropriation and what happens if it is approved by Town Meeting to increase the budget?

A contingent appropriation is an appropriation that relies on both Town Meeting approval and a ballot box vote to be approved. If the contingent appropriation to increase the budget is approved by Town Meeting, the Select Board would have to vote to place the Proposition 2 ½ Override on the ballot, which would then be voted on by the Town at the ballot box. Following a successful vote, the contingent appropriation would then be incorporated into the operating budget. If the ballot box vote fails, the funds are not appropriated, and not available for the budget.

How much would a contingent operating override cost the average taxpayer?

It is estimated that for every \$1,000,000 added to the tax levy, the average taxpayer pays approximately \$72. This increase would continue indefinitely, unlike with debt exclusions, where tax increases end once the debt is paid off.

What is Free Cash and what can it be used for?

Free Cash is the Town's fund balance – it is a reserve account that is used for one-time expenses or capital expenditures. The Department of Revenue recommends that these funds not be used for salaries or operating expenses. Free Cash also serves as the Town's reserve fund in case of unforeseen events or emergencies.

What happens if we use Free Cash or another reserve to pay salaries?

While the cost of those salaries would be covered for one year, using reserves to fund recurring expenses is not sustainable. Over time, reserves would be depleted and the necessary reductions to balance the budget would most likely be far greater than what has been considered as part of the FY2025 budget. Additionally, funds may not be available to offset unforeseen expenses or costs associated with the Town's responses to emergencies or weather events. This could result in a revenue deficit which would have significant impacts on the Town and School operating budgets.

Does Andover have too much in Free Cash or reserves?

Reserve funding is a key indicator of economic flexibility and a metric that bond rating agencies look at when evaluating our credit. Historically, Andover's Free Cash balance has been lower than comparable communities. Andover's current Free Cash balance is approximately 6.4% of the operating budget – the average of comparable AAA rated communities is 10% of the operating budget.

What if there is additional Chapter 70 funding approved in the State Budget?

The Town's long-term financial plan provides for budget planning for both Town and School operating budgets despite increases or decreases in state aid. This ensures the ability to adequately fund the Town and Schools without relying on changes in funding formulas. The final state aid amount is typically not known until after July 1.

Can the Town change or increase assumptions for Local Revenues to increase available revenue for the budget?

All local receipt revenue projections must be approved by the Department of Revenue as part of the annual tax certification process. The Town cannot decide to increase these revenues without approval and certification.

Can Town Meeting decide how funds are spent?

Town Meeting does not have the authority to dictate how, or if, appropriated funds are spent.

Why are some positions within the School Department being eliminated or transferred?

The School Department has reduced the number of positions in the district by 34.25 FTEs. Over the last 10 years, enrollment has decreased by approximately 11% or 662 students. In addition, compensation increases agreed to in recently settled collective bargaining agreements are significantly higher than what can be sustained in a level service budget increase.

The Town was recently notified by the Massachusetts School Building Authority that the West Elementary/Shawsheen Preschool project would receive an additional \$8 million. Can those funds be used for the School budget?

No, the additional reimbursement from the Massachusetts School Building Authority is a result of project cost escalations. The Town will receive these funds as an additional project grant for actual costs incurred. This will offset borrowing costs and debt service the Town would have to otherwise incur.

If Town Meeting increases the School budget, will teachers whose jobs were eliminated or transferred be restored?

Not necessarily – the district will continue to make staffing decisions based on enrollment and needs of the student population.

