



FINANCE COMMITTEE

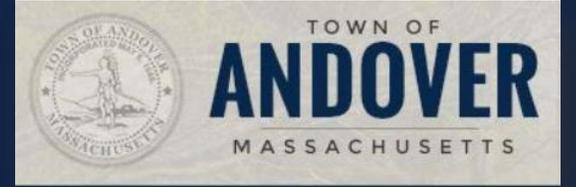
LONG TERM OBLIGATIONS

Donna Walsh, Finance Director
October 11, 2017

- ▶ PRINCIPAL AND INTEREST ON BORROWING
- ▶ GOVERNED BY MA GENERAL LAW CHAPTER 44 SECTIONS 7 AND 8
 - ▶ WHAT A MUNICIPALITY MAY BORROW FOR
 - ▶ EXEMPT VS NON-EXEMPT DEBT
 - ▶ MAXIMUM LENGTH OF TIME
 - ▶ LONG-TERM VS SHORT-TERM
 - ▶ TREATMENT OF PREMIUMS
 - ▶ DISPOSITION OF UNUSED PROCEEDS

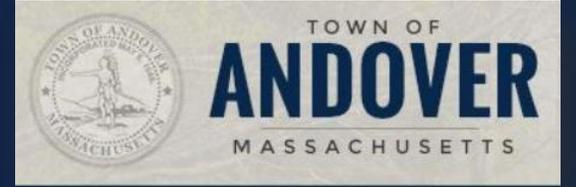
TOTAL DEBT OUTSTANDING 6/30/17 - \$120,683,870

DEBT SERVICE



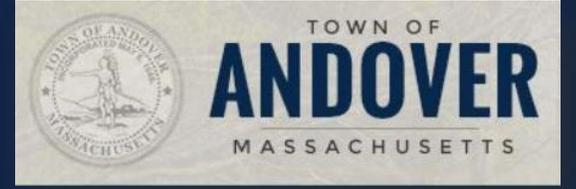
- ▶ TOWN TYPICALLY BORROWS ONCE OR TWICE PER FISCAL YEAR DEPENDING ON PROJECTS
- ▶ FINANCE DIRECTOR AND TREASURER DETERMINE WHAT TO BORROW
- ▶ WORK WITH FINANCIAL ADVISOR TO DEVELOP OFFICIAL STATEMENT AND ACCESS BORROWING MARKET
- ▶ RATED BY STANDARD & POOR'S – AAA (HIGHEST RATING)
- ▶ APPROVED BY BOND COUNSEL – LOCKE LORD

DEBT SERVICE



- ▶ TOWN BORROWING LIMITED TO 5% OF EQUALIZED VALUATION (EQV) AS DETERMINED BY THE DEPT OF REVENUE (BI-ANNUALLY)
- ▶ CURRENT DEBT LIMIT - \$356,038,864
- ▶ MUNICIPAL MODERNIZATION ACT MADE CHANGES TO TIME LIMITS AND TREATMENT OF PREMIUMS
- ▶ FY18 APPROPRIATION - \$14,048,907

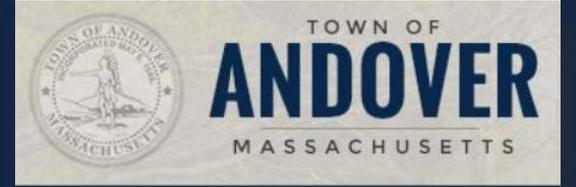
DEBT ANALYSIS TOOL



- ▶ DEVELOPED BY SUB-COMMITTEE IN FY2012 TO PROVIDE ABILITY TO RUN SCENARIOS AND PROJECT FUTURE YEARS
- ▶ ASSUMPTIONS MADE ON BORROWING TERMS, INTEREST RATES AND WHEN BORROWING WILL BE DONE

DEBT ANALYSIS TOOL									
									TOTAL
	AMOUNT	YEARS	2018	2019	2020	2021	2022	2023	ALL YEARS
NON-EXEMPT DEBT									
EXISTING									
SCHOOL			2,341,925	2,251,070	1,986,700	1,907,795	1,841,230	1,769,950	22,644,242
STREET			378,790	359,490	326,680	293,270	281,645	237,385	3,189,620
MUNICIPAL FACILITIES			1,381,220	1,299,982	1,192,000	1,068,315	1,027,352	729,115	10,711,220
PUBLIC SAFETY			78,990	76,190	66,075	31,782	30,600	-	283,637
LAND ACQUISITION			589,111	567,000	545,270	528,720	511,930	495,000	5,218,751
OTHER			337,953	211,589	196,956	192,963	188,958	184,894	2,981,917
TOTAL EXISTING DEBT			5,107,989	4,765,321	4,313,681	4,022,845	3,881,715	3,416,344	45,029,387
TECHNOLOGY OFFSET CABLE FUNDS			(321,838)	(239,637)	(235,850)	(189,000)	(122,000)	-	(1,108,325)
NET GF IMPACT			4,786,151	4,525,684	4,077,831	3,833,845	3,759,715	3,416,344	43,921,062
FY18 BORROW ESTIMATE									
COLLINS CENTER FAÇADE REPLACEMENT	2,000,000	20	170,972	166,500	163,000	159,500	156,000	152,500	2,735,972
FIRE APPARATUS REPLACEMENT - ENGINE 4	575,000	10	-	77,625	75,613	73,600	71,588	69,575	685,690
	2,575,000		170,972	244,125	238,613	233,100	227,588	222,075	3,421,662
AUTHORIZED BORROW - LANDFILL									
(Use \$3,000,000 Landfill Stabilization Fund)	6,695,000		-	42,500	296,625	562,075	550,359	538,643	9,155,415
TOTAL FUTURE DEBT			170,972	286,625	535,238	795,175	777,947	760,718	12,577,077
ESTIMATED FY19									
FIRE APPARATUS - AMBULANCES	270,000	5	-	63,450	126,185	122,370	118,555	114,740	602,225
SAFETY & COMMUNICATIONS UPGRADE II	300,000	5	-	70,500	68,400	66,300	64,200	62,100	331,500
FIRE APPARATUS - ENGINES		10	-	-	-	116,775	208,248	202,770	1,866,263
MAJOR TOWN PROJECTS	320,000	10	-	43,200	88,655	136,953	165,713	161,233	1,526,400
TOWN AND SCHOOL ENERGY INITIATIVES	420,000	10	-	56,700	113,280	168,355	238,125	276,270	2,575,800
DPW LARGE VEHICLES	450,000	10	-	60,750	120,600	191,683	252,065	299,275	2,733,525
MINOR STORM DRAIN IMPROVEMENTS	300,000	10	-	-	40,500	39,450	78,900	76,800	715,500
TOWN BRIDGE EVALUATION/MAINTENANCE	500,000	10	-	-	-	67,500	65,750	64,000	596,250
MAJOR SCHOOL PROJECTS	770,000	10	-	103,950	227,210	349,500	394,214	447,654	4,207,140
ENMORE STREET RECONSTRUCTION	655,000	15	-	66,592	65,063	63,535	62,007	60,478	838,400
CENTER AT PUNCHARD BUILDING CONSTRUCTION	1,732,000	20	-	-	-	-	-	147,220	2,368,510
HIGH PLAIN/WOODHILL AIR CONDITION	775,000	20	-	65,875	64,519	63,163	61,805	60,450	1,059,812
MUNICIPAL SERVICES FACILITY (Borrow 2018)	9,000,000	30	-	489,342	489,342	489,342	489,342	489,342	14,680,260
MUNICIPAL SERVICES FACILITY (Borrow 2019)	8,000,000	30	-	-	434,971	434,971	434,971	434,971	13,049,130
MUNICIPAL SERVICES FACILITY (Borrow 2020)	850,000	30	-	-	-	46,216	46,216	46,216	1,386,480
TOTAL NEW DEBT FY18	21,810,000		-	1,020,359	1,838,725	2,356,111	2,680,110	2,943,518	48,537,194
GRAND TOTAL (Net of Cable Funds)			4,957,123	5,832,668	6,451,794	6,985,131	7,217,772	7,120,580	105,035,333
GRAND TOTAL GROSS			5,278,961	6,072,305	6,687,644	7,174,131	7,339,772	7,120,580	106,143,658

HEALTH INSURANCE



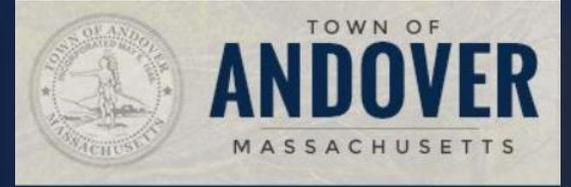
- ▶ GOVERNED BY MA GENERAL LAW CHAPTER 32B
- ▶ TOWN BECAME SELF INSURED FY2016 – PREVIOUSLY PREMIUM BASED
 - ▶ MORE FLEXIBILITY TO CONTROL RATE INCREASES

- ▶ CARRIER IS BLUE CROSS/BLUE SHIELD
 - ▶ HMO AND PPO FOR ACTIVE EMPLOYEES AND RETIREES UNDER AGE 65
 - ▶ MEDEX FOR RETIREES 65 AND OVER

- ▶ WORK WITH CONSULTANT (NFP) TO MONITOR CLAIMS AND SET RATES

- ▶ TOWN ACCOUNTS FOR ACTIVITY ON A CASH BASIS – AUDITED FINANCIALS SHOW ACCRUAL BASIS

HEALTH INSURANCE



- ▶ BOARD OF SELECTMEN ACCEPTED CHAPTER 32B SECTIONS 21 THROUGH 23 WHICH ALLOW THE TOWN TO MAKE PLAN DESIGN CHANGES IN THE HMO AND PPO PLANS IN ACCORDANCE WITH THE MOST ENROLLED PLAN IN THE GIC
- ▶ TOWN MUST ESTABLISH AN “EMPLOYEE HEALTH CARE MITIGATION FUND” EQUAL TO 25% OF THE SAVINGS FROM PLAN DESIGN CHANGES
- ▶ USE OF MITIGATION FUNDS IS DETERMINED BY THE ANDOVER PUBLIC EMPLOYEE COMMITTEE WHICH IS COMPRISED OF A REPRESENTATIVE OF EACH BARGAINING UNIT
- ▶ RATE INCREASE OF 5% FOR FY18 – HEALTH INSURANCE APPROPRIATION INCREASED 8% DUE TO ADDITION OF NEW EMPLOYEES AND RETIREES
- ▶ FY18 APPROPRIATION – GF \$18,919,051, WATER \$273,462, SEWER \$64,487

HEALTH INSURANCE



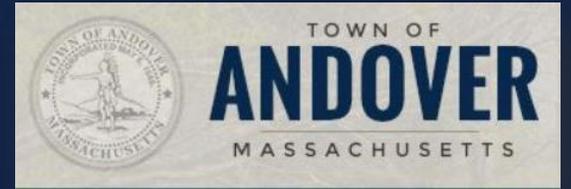
Health Care Trust Fund

Town of Andover

BCBS HMO/PPO/MEDEX Self Funded: Total Costs

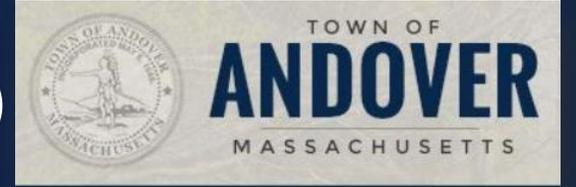
Month	Enrollment			Monthly Adjusted Premiums	Paid Medical Claims	Paid Rx Claims	Paid Dental Claims	Member Based Charges	Total Claims	Retention and Pooling	Total Costs	Total Costs vs. Monthly Premium
	Ind	Family	Total									
Jul-16	890	703	1593	\$1,537,261	\$1,123,219	\$307,003	\$2,447	\$71,243	\$1,503,912	\$189,908	\$1,693,820	110.2%
Aug-16	898	697	1595	\$1,529,150	\$1,145,597	\$336,476	\$3,340	\$71,672	\$1,557,085	\$189,221	\$1,746,306	114.2%
Sep-16	894	695	1589	\$1,520,347	\$1,247,062	\$339,622	\$1,826	\$70,211	\$1,658,721	\$187,782	\$1,846,503	121.5%
Oct-16	899	712	1611	\$1,554,436	\$1,027,739	\$252,222	\$649	\$73,595	\$1,354,205	\$191,678	\$1,545,883	99.4%
Nov-16	897	711	1608	\$1,550,138	\$916,201	\$309,745	\$1,336	\$72,582	\$1,299,864	\$191,003	\$1,490,867	96.2%
Dec-16	902	712	1614	\$1,553,041	\$1,372,717	\$331,637	\$1,102	\$96,619	\$1,802,075	\$191,381	\$1,993,456	128.4%
Jan-17	1256	708	1964	\$1,580,915	\$1,172,555	\$315,582	\$2,374	\$79,534	\$1,570,045	\$198,094	\$1,768,139	111.8%
Feb-17	1253	710	1963	\$1,582,235	\$1,381,724	\$348,636	\$2,133	\$78,991	\$1,811,484	\$198,137	\$2,009,621	127.0%
Mar-17	1259	709	1968	\$1,582,807	\$1,534,876	\$269,447	\$2,557	\$87,334	\$1,894,214	\$198,341	\$2,092,555	132.2%
Apr-17	1260	710	1970	\$1,586,075	\$1,071,135	\$318,250	\$1,619	\$87,954	\$1,478,958	\$198,816	\$1,677,774	105.8%
May-17	1272	704	1976	\$1,582,179	\$1,003,784	\$316,798	\$2,828	\$87,440	\$1,410,850	\$198,748	\$1,609,598	101.7%
Jun-17	1275	702	1977	\$1,578,737	\$1,536,074	\$311,507	\$1,921	\$87,778	\$1,937,280	\$198,347	\$2,135,627	135.3%
Just Prior 12												
Current 12	12,955	8,473	21,428	\$18,737,322	\$14,532,683	\$3,756,925	\$24,132	\$964,953	\$19,278,693	\$2,331,455	\$21,610,148	115.3%
Average	1,178	770	1,948									
								Pool credits			\$1,867,715	Est
								Total Costs			\$19,742,433	
								Total Premium			\$18,737,322	
								Loss ratio:			105.36%	

HEALTH INSURANCE



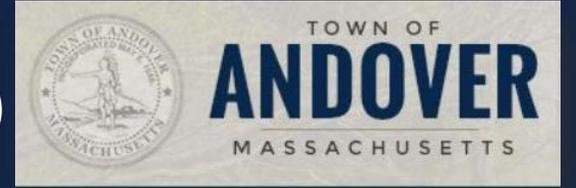
REVENUE	FY17 BUDGET	Claims Based Actual	Encumbrances	Balance (Over)/Under
TOWN CONTRIBUTION	17,905,037	17,902,122	-	2,914
REV/GRANT DEPT CONTRIBUTION	450,000	479,648	-	(49,648)
EMPLOYEE CONTRIBUTIONS	3,400,000	3,539,565	-	(139,565)
RETIREE CONTRIBUTIONS				
TOWN	700,000	867,395	-	(87,395)
RMT	810,000	899,795	-	81,205
STOP LOSS REIMBURSEMENT - PY		-		-
STOP LOSS REIMBURSEMENT - CY		627,172		(627,172)
STOP LOSS REIMBURSEMENT - ACCRUAL		293,281		(293,281)
INTEREST INCOME	2,000	5,751		(3,751)
OTHER REVENUE	-	368	-	(368)
	<u>23,267,037</u>	<u>24,615,097</u>	-	<u>(1,117,061)</u>
EXPENDITURES				
PAYROLL	100,827	101,754	-	3,914
CLAIMS	18,695,000	19,278,993	-	(583,993)
BCBS ADMIN FEE	963,000	937,982	-	25,018
HRA ADMIN	66,000	64,500	-	1,500
HRA REIMBURSEMENTS - PY		-	-	-
HRA REIMBURSEMENTS - CY	358,000	210,195		147,805
FLEXIBLE SPENDING ADMIN	19,200	21,045	3,636	(2,100)
MEDICARE PENALTIES	82,000	76,586	-	5,414
PROFESSIONAL SERVICES	20,000	22,916	-	(315)
OPT-OUT PROGRAM EXP	85,560	63,692	-	21,868
OTHER EXPENSES (COBRA, ACA Fees, Other)	40,000	5,178	-	34,822
STOP LOSS	1,420,000	1,388,746	-	31,254
MANAGED CARE (MBS)	<u>1,685,000</u>	<u>1,728,267</u>	<u>395,339</u>	<u>(249,809)</u>
	<u>23,534,587</u>	<u>23,899,856</u>	<u>398,974</u>	<u>(564,624)</u>
Beginning Balance 7/1/16				2,248,913
Revenue to Date				24,615,097
Expenditures To Date				(23,899,856)
Encumbrances To Date				(398,974)
Ending Balance 6/30/17				<u>2,964,154</u>

OTHER POST EMPLOYMENT BENEFITS (OPEB)



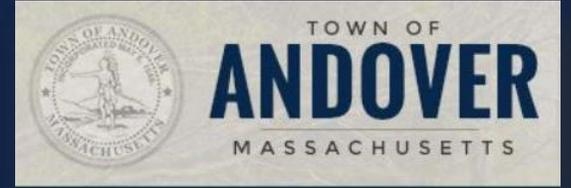
- ▶ REPRESENTS BENEFITS PROVIDED TO THE TOWN'S RETIREES (HEALTH INS)
- ▶ GOVERNED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT #45 – SOON TO BE STATEMENT #75
- ▶ GASB 45 REQUIRES MUNICIPALITIES TO RECORD THE LONG-TERM LIABILITY ON THEIR FINANCIAL STATEMENTS FOOTNOTES – DOES NOT REQUIRE THE LIABILITY TO BE FUNDED
- ▶ GASB 75 REQUIRES MUNICIPALITIES TO RECORD THE TOTAL LIABILITY ON THEIR FINANCIAL STATEMENTS – DOES NOT REQUIRE LIABILITY TO BE FUNDED

OTHER POST EMPLOYMENT BENEFITS (OPEB)



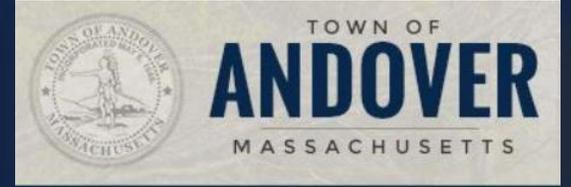
- ▶ ANDOVER ORIGINALLY ACCEPTED MA GENERAL LAW CHAPTER 32B SECTION 20 AT 2010 ANNUAL TOWN MEETING – THIS ESTABLISHED A TRUST TO HOLD FUNDING APPROPRIATED BY THE TOWN
- ▶ ANDOVER RE-ACCEPTED MA GENERAL LAW CHAPTER 32B SECTION 20 AT THE 2017 ANNUAL TOWN MEETING – THIS CLARIFIED THAT THE OPEB TRUST IS IRREVOCABLE AND PROTECTED FROM CREDITORS
- ▶ GASB REQUIRES THAT AN ACTUARIAL VALUATION TO DETERMINE THE LIABILITY BE PERFORMED EVERY TWO YEARS
- ▶ THE TOWN'S LAST VALUATION WAS DONE AS OF JUNE 30, 2015 – A NEW VALAUTION WILL BE DONE AS OF JUNE 30, 2017

OTHER POST EMPLOYMENT BENEFITS (OPEB)



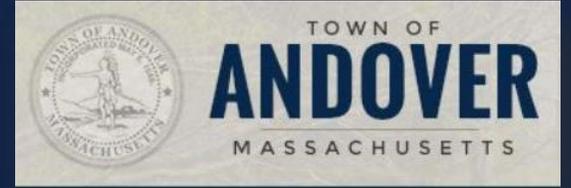
- ▶ UNFUNDED LIABILITY AS OF JUNE 30, 2015 ASSUMING 4.25% DISCOUNT RATE AND NO CHANGE TO HEALTH INSURANCE CONTRIBUTION % BY RETIREES WAS ESTIMATED TO BE \$184,029,850
- ▶ IN APRIL 2016 BOS VOTED TO INCREMENTALLY INCREASE RETIREE CONTRIBUTION RATES TO 50% TOWN/50% RETIREE AND TO DIRECT SAVINGS CREATED INTO THE OPEB TRUST FUND
- ▶ THIS REDUCED UNFUNDED LIABILITY TO \$136,182,096
- ▶ BALANCE IN ANDOVER OPEB TRUST FUND IS \$7,668,275
- ▶ GENERAL FUND, WATER AND SEWER APPROPRIATIONS CONTRIBUTE TO OPEB TRUST – GF INCREASED BY 2.5% PER YEAR – WATER AND SEWER – ACTUARIAL REQUIRED CONTRIBUTION MADE
- ▶ FY18 CONTRIBUTION – GF \$1,264,338, WATER \$322,819, SEWER \$61,564

RETIREMENT



- ▶ TOWN'S SHARE OF THE UNFUNDED LIABILITY AS OF JANUARY 1, 2016 ASSUMING 7.25% DISCOUNT RATE IS \$159,797,403
- ▶ ASSESSMENTS INCREASE 10% PER YEAR
- ▶ PROJECTED TO BE FULLY FUNDED 2032
- ▶ ASSESSMENTS ARE DETERMINED PER ACTUARIAL VALUATION DONE EVERY TWO YEARS
- ▶ GENERAL FUND, WATER AND SEWER CONTRIBUTE –
FY18 GF \$9,054,204 – WATER \$316,158 - SEWER \$58,126

TOTAL COMPENSATION



TOTAL COMPENSATION				
MEDICARE	1.45%	Federal		
RETIREMENT	4.47%	Per Actuarial Valuation		
HEALTH INSURANCE	Varies	Family/Individual Town Share		
WORKERS COMPENSATION	1.17%	Three Year Average Claims/Total Salaries		
UNEMPLOYMENT	0.21%	Town Share/Total Paid		
OPEB	\$7,939	Normal Cost /Benefit Eligible Employees		
<u>EXAMPLE</u>	<u>SALARY</u>	<u>BENEFITS</u>	<u>TOTAL</u>	<u>%</u>
SALARY	65,000			
MEDICARE		943		
RETIREMENT		2,906		
HEALTH INSURANCE - FAMILY		16,181		
WORKERS COMPENSATION		761		
UNEMPLOYMENT		137		
OPEB		7,939		
TOTAL	<u>65,000</u>	<u>28,865</u>	<u>93,865</u>	<u>44.41%</u>