

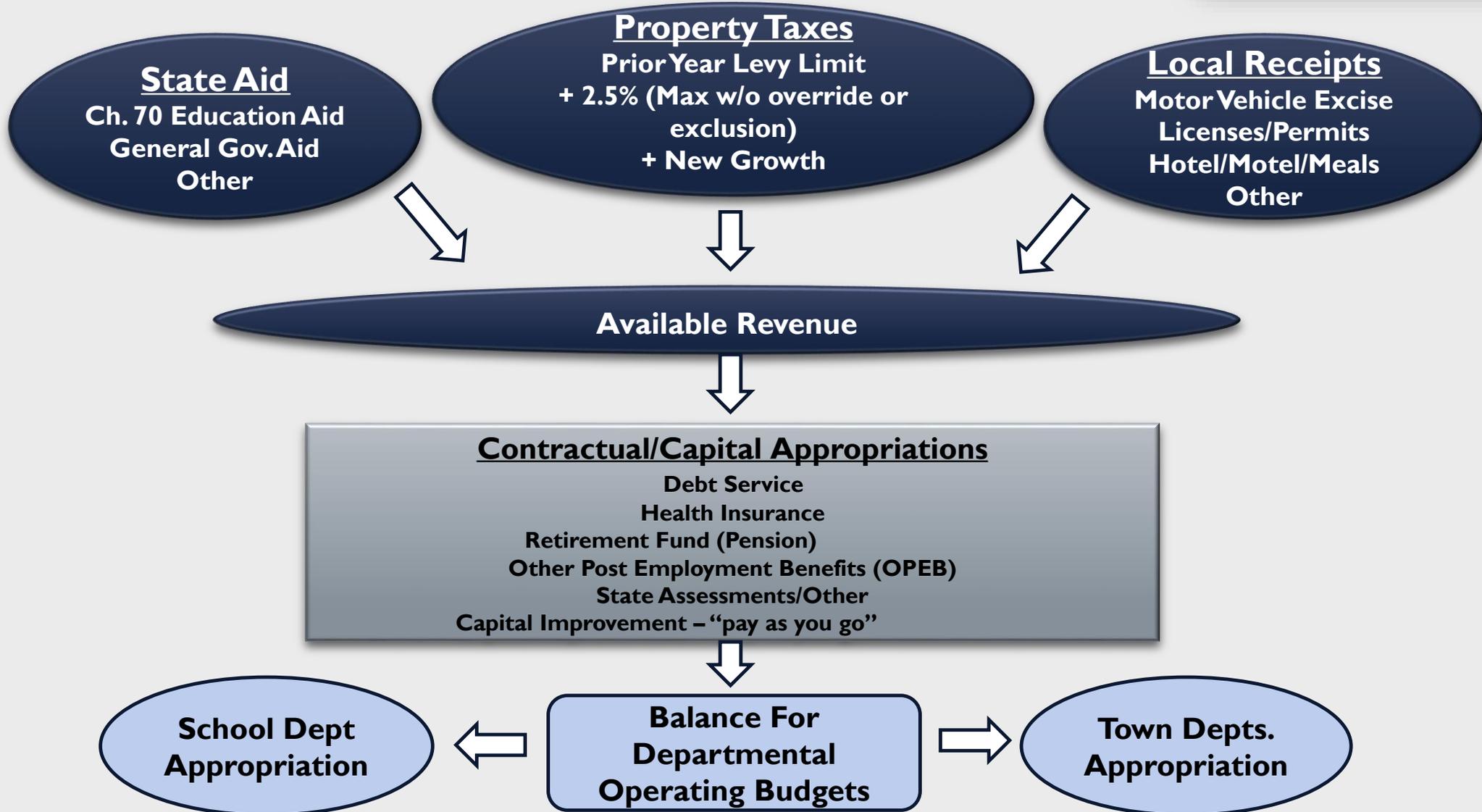
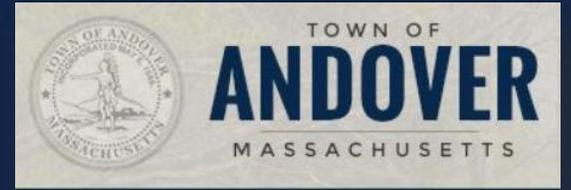


TOWN OF ANDOVER TRI-BOARD/TAX SUMMIT

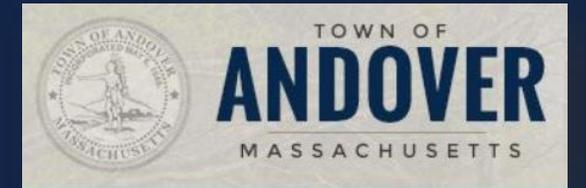
September 11, 2018

TOWN OF ANDOVER BUDGET MODEL

(EXCLUDING WATER/SEWER/OFFSET LOCAL RECEIPTS)



FIVE YEAR FINANCIAL FORECAST



- Based on a series of assumptions and schedules
- Dynamic document
- Tool to establish predictability and identify structural impacts
- Framework to sustain competitive and responsive community services

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TOWN OF ANDOVER
Long Range Projection FY2018-FY2022

	FY 2016	FY 2017	Dollar	Percent	FY 2018	Dollar	Percent	FY 2019	Dollar	Percent	FY 2020	Dollar	Percent	FY 2021	Dollar	Percent	FY 2022	Dollar	Percent	
	(FISCAL)		Change	Change		Change	Change		Change	Change		Change	Change		Change	Change		Change	Change	
I REVENUE																				
A. Property Taxes																				
Prop. Val. Levy	119,787,140	134,898,132	5,199,012	4.34%	130,721,035	5,724,204	4.35%	136,239,879	5,517,844	4.00%	141,449,399	5,440,320	4.00%	147,043,931	5,595,532	3.94%	152,761,871	5,717,940	3.88%	158,648,248
2.12% Increase	2,294,929	3,124,844	1,829,915	4.24%	2,288,236	142,133	4.91%	2,422,722	132,696	4.00%	2,526,724	104,012	4.00%	2,674,144	157,420	3.64%	2,833,198	159,054	3.50%	2,999,229
New Growth	2,294,929	2,800,000	505,071	17.98%	2,029,798	(265,202)	-12.56%	2,029,798	0	0.00%	2,029,798	0	0.00%	2,029,798	0	0.00%	2,029,798	0	0.00%	2,029,798
Unfed State Levy Capacity	(8,502,711)	(974,123)	752,588	-8.85%	(900,000)	676,133	-7.62%	(920,000)	120,000	0.00%	(920,000)	0	0.00%	(920,000)	0	0.00%	(920,000)	0	0.00%	(920,000)
Sampl. Cell Service	4,224,482	2,587,044	(1,637,438)	-38.76%	4,024,484	420,042	10.18%	4,024,484	0	0.00%	4,024,484	0	0.00%	4,024,484	0	0.00%	4,024,484	0	0.00%	4,024,484
Total Property Taxes	119,787,140	133,244,349	3,457,209	4.24%	130,793,340	4,429,937	4.20%	140,975,889	5,207,344	4.20%	145,937,909	5,468,316	3.76%	151,924,977	5,429,217	3.54%	158,621,967	5,662,122	3.57%	165,677,725
B. Sale Tax																				
Local Retailers	12,710,240	12,764,898	54,658	0.43%	11,740,178	(1,024,712)	-8.05%	11,832,884	92,706	0.79%	11,847,200	14,316	0.12%	11,847,200	0	0.00%	11,847,200	0	0.00%	11,847,200
Free Cash for CP & Articles	4,832,823	3,782,000	(1,050,823)	-21.74%	-	(3,782,000)	-100.00%	-	0	0.00%	-	0	0.00%	-	0	0.00%	-	0	0.00%	-
State Revenue - Teleph. Cable, Bond Pm	2,022,183	2,121,324	99,141	4.90%	2,022,183	0	0.00%	2,022,183	0	0.00%	2,022,183	0	0.00%	2,022,183	0	0.00%	2,022,183	0	0.00%	2,022,183
Total B. Sale Tax	19,565,246	18,668,222	(897,024)	-4.59%	18,060,361	(1,761,879)	-9.25%	18,060,361	92,706	0.51%	18,060,361	14,316	0.08%	18,060,361	0	0.00%	18,060,361	0	0.00%	18,060,361
III. CONTRIBUTIONS - Dept/Optional/Capital																				
A. Capital & Debt Service																				
Non-Samp/Cell Service	5,320,405	5,653,323	332,918	6.26%	6,168,216	547,893	8.91%	6,592,879	424,663	6.56%	7,395,323	802,444	12.17%	7,811,371	416,048	5.63%	8,226,320	415,000	5.30%	8,661,320
Sampl/Cell Service	5,949,901	4,222,402	(1,727,499)	-29.03%	4,120,888	(1,828,013)	-44.56%	2,924,402	(1,205,486)	-41.24%	2,882,200	(1,022,183)	-35.48%	2,882,200	(0)	0.00%	2,882,200	(0)	0.00%	2,882,200
Cash/Debt/Outlay	2,450,000	2,440,000	(10,000)	-0.41%	2,300,000	(150,000)	-6.53%	2,482,000	182,000	7.33%	2,620,000	138,000	5.23%	2,760,000	140,000	5.15%	2,900,000	140,000	5.07%	3,040,000
Total General Fund Capital	13,720,306	12,515,725	(1,204,581)	-8.78%	12,589,104	(994,202)	-7.86%	13,997,279	1,407,179	10.05%	14,977,523	975,223	6.51%	15,793,571	816,371	5.43%	16,626,320	836,320	5.03%	17,501,320
B. Obligation - Bond Costs																				
Revenue	1,948,215	2,068,825	1,200,610	61.73%	2,044,409	1,111,194	54.63%	2,044,409	1,111,194	54.63%	2,044,409	1,111,194	54.63%	2,044,409	1,111,194	54.63%	2,044,409	1,111,194	54.63%	2,044,409
Insurance/Workers Comp	732,853	732,853	0	0.00%	828,889	96,036	13.11%	828,889	96,036	13.11%	828,889	96,036	13.11%	828,889	96,036	13.11%	828,889	96,036	13.11%	828,889
Unemployment Compensation	180,000	180,000	0	0.00%	180,000	0	0.00%	180,000	0	0.00%	180,000	0	0.00%	180,000	0	0.00%	180,000	0	0.00%	180,000
Health Insurance	11,024,416	11,024,416	0	0.00%	11,024,416	0	0.00%	11,024,416	0	0.00%	11,024,416	0	0.00%	11,024,416	0	0.00%	11,024,416	0	0.00%	11,024,416
OP&E	500,000	1,217,512	717,512	143.50%	1,217,512	717,512	143.50%	1,217,512	717,512	143.50%	1,217,512	717,512	143.50%	1,217,512	717,512	143.50%	1,217,512	717,512	143.50%	1,217,512
Total General Fund Obligation	40,122,229	42,487,560	2,365,331	5.90%	42,603,289	2,185,720	5.45%	42,603,289	2,185,720	5.14%	42,603,289									
C. State Assessments																				
D. Other Aid - Assistance to Libraries	46,240	45,358	(882)	-1.91%	45,358	0	0.00%	45,358	0	0.00%	45,358	0	0.00%	45,358	0	0.00%	45,358	0	0.00%	45,358
E. Technical School Assessments	810,000	810,000	0	0.00%	810,000	0	0.00%	810,000	0	0.00%	810,000	0	0.00%	810,000	0	0.00%	810,000	0	0.00%	810,000
F. County Reserve	878,233	818,826	(59,407)	-6.76%	800,000	(78,233)	-8.91%	800,000	0	0.00%	800,000	0	0.00%	800,000	0	0.00%	800,000	0	0.00%	800,000
G. Warrant Arrears - From Taxation	142,260	150,000	7,740	5.44%	150,000	7,740	5.44%	150,000	0	0.00%	150,000	0	0.00%	150,000	0	0.00%	150,000	0	0.00%	150,000
H. Warrant Arrears - From Free Cash	4,832,823	3,782,000	(1,050,823)	-21.74%	-	(3,782,000)	-100.00%	-	0	0.00%	-	0	0.00%	-	0	0.00%	-	0	0.00%	-
I. Other - Cont./Judgments & Debits	30,420	6,785	(23,635)	-77.69%	18,000	(12,420)	-34.28%	18,000	0	0.00%	18,000	0	0.00%	18,000	0	0.00%	18,000	0	0.00%	18,000
Total Other Assessments/Debits	47,148,223	48,844,352	1,696,129	3.59%	47,482,228	(666,024)	-1.40%	47,482,228	(666,024)	-1.40%	47,482,228	(666,024)	-1.40%	47,482,228	(666,024)	-1.40%	47,482,228	(666,024)	-1.40%	47,482,228
III. CONTRIBUTIONS - Town & School Operations																				
Town																				
Salaries	37,328,200	38,437,289	1,109,089	2.97%	38,464,417	1,027,128	2.71%	40,850,514	2,386,097	6.22%	41,896,478	1,045,964	2.52%	42,542,121	1,148,643	2.74%	44,221,117	1,178,996	2.79%	45,599,113
Supplies	1,249,894	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894
Total Town Operations	38,578,094	39,687,183	1,109,089	2.87%	39,714,311	1,027,128	2.61%	42,100,408	2,386,097	5.72%	43,146,372	1,045,964	2.42%	43,792,015	1,148,643	2.62%	45,111,011	1,178,996	2.67%	46,849,007
School																				
Salaries	11,821,320	11,821,320	0	0.00%	11,821,320	0	0.00%	11,821,320	0	0.00%	11,821,320	0	0.00%	11,821,320	0	0.00%	11,821,320	0	0.00%	11,821,320
Supplies	1,249,894	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894	0	0.00%	1,249,894
Total School Operations	13,071,214	13,071,214	0	0.00%	13,071,214	0	0.00%	13,071,214	0	0.00%	13,071,214	0	0.00%	13,071,214	0	0.00%	13,071,214	0	0.00%	13,071,214
TOTAL CONTRIBUTIONS	197,786,731	199,811,984	2,025,253	1.02%	199,917,322	2,130,591	1.07%	202,176,428	2,259,100	1.12%	204,159,142	2,000,000	0.98%	206,140,811	1,990,000	0.96%	208,122,525	1,980,000	0.95%	210,105,000
BALANCE	0	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0

BUDGET CALENDAR



FY 2018

July 1, 2018

FY 2019

May, 2018
2018 Annual Town Meeting
Votes FY2019 Appropriations

September, 2018
Tax Summit

October, 2018
FY2020-FY2024 CIP Released

November, 2018
New Growth and Free Cash Certified for 7/1/17 – 6/30/18

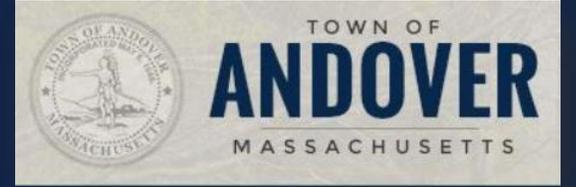
Nov/Dec, 2018
FY2019 BOS Tax Classification Hearing (Funds appropriations from 2018 ATM)

 FY2019 Budget

 FY2020 Budget Planning

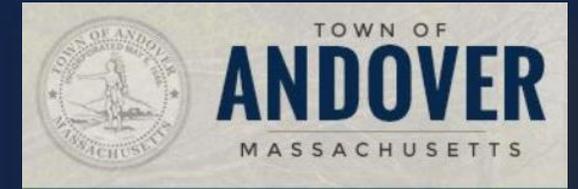
FY2020 REVENUE PROJECTIONS

FY20 REVENUE ASSUMPTIONS



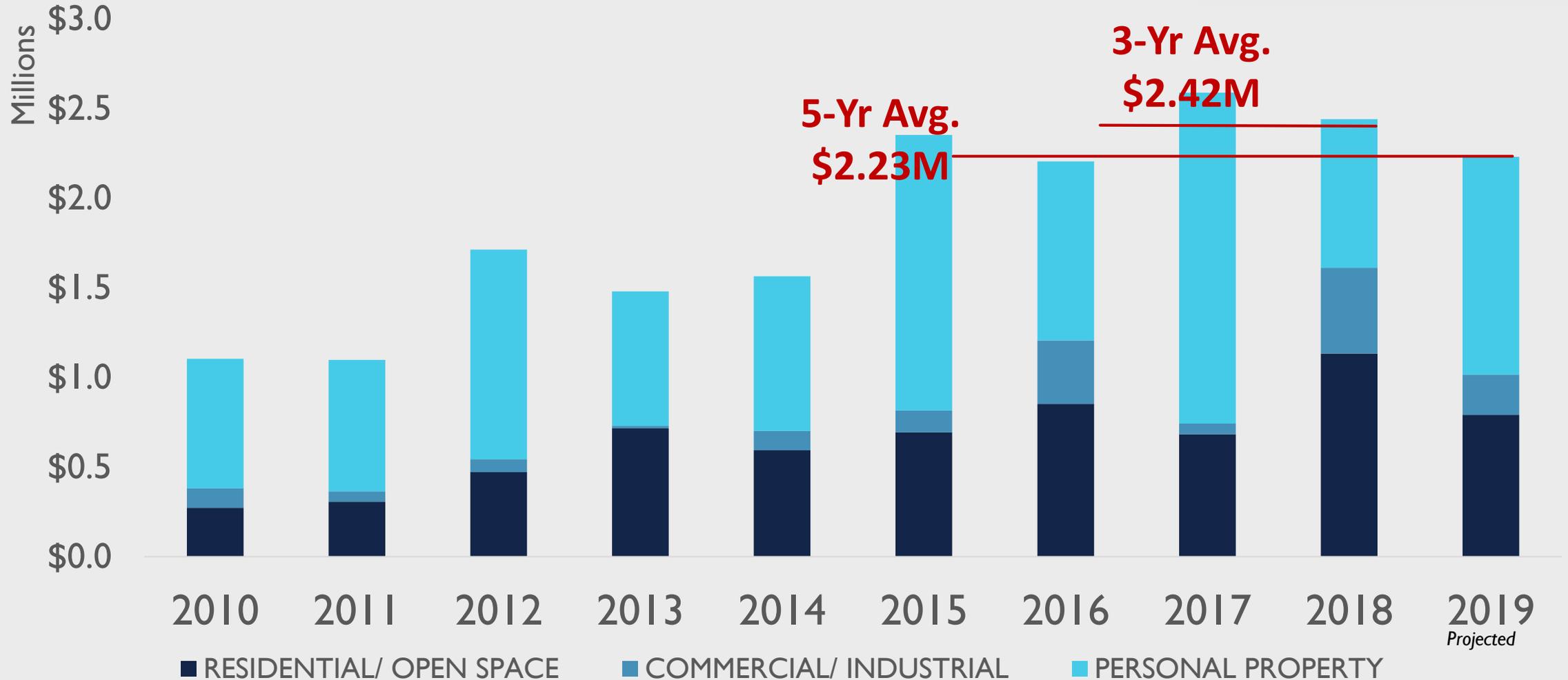
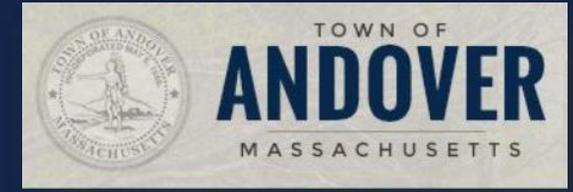
- Property Taxes
 - 2.5% Levy Increase
 - New Growth – 5 Year Average (\$2,229,752)
 - \$300K Excess Levy Capacity (Per BoS Vote)
- State Aid
 - 2% Increase – Chapter 70
 - 1% Increase – Unrestricted General Government Aid
- Local Receipts
 - 5 Year Average (\$12,259,592)

FY20 TAX LEVY BREAKDOWN

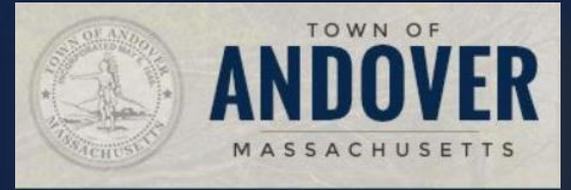


	FY2019	FY2020		FY19-FY20	FY19-FY20
TAX REVENUE	Projections	Projections		\$ Change	% Change
Prior Year Levy Limit	\$136,417,582	\$142,057,733		+\$5,640,151	4.13%
Annual 2.5% Increase	\$3,410,440	\$3,551,444		+\$141,004	4.13%
New Growth	\$2,229,752	\$2,299,752		-	-
Unused Levy Capacity	(\$300,000)	(\$300,000)		-	-
Total Tax Levy	\$145,466,618	\$151,321,958		+\$5,855,340	4.03%
Addtl. Taxes - Debt Exclusion	\$3,902,896	\$3,782,989		(\$119,907)	(3.07%)

NEW GROWTH HISTORY



AVERAGE TAX BILL INCREASE



Year	Average Tax Bill Increase
FY2019	3.9% (Projected)
FY2018	4.6%
FY2017	2.5%
FY2016	3.4%
FY2015	3.5%
Five Year Average: 3.6%	
FY2014	4.7%
FY2013	2.3%
FY2012	4.1%
FY2011	3.3%
FY2010	2.6%
10 Year Average: 3.4%	

WHAT IS FUNDED BY YOUR TAX BILL?

WHAT IS FUNDED BY YOUR TAX BILL?



Description	Percent of Tax Bill	Average Single Family Annual Expenditure
School Department	48.3%	\$4,813
Health Insurance	11.9%	\$1,186
Public Safety	9.1%	\$907
DPW and Facilities	6.8%	\$678
Retirement	5.8%	\$578
General Government	4.8%	\$478
Non Exempt Debt	3.4%	\$339
Exempt Debt	2.7%	\$269
Capital Improvements (Cash)	1.9%	\$189
Library	1.7%	\$169
Community Services	1%	\$100
Other	2.7%	\$259

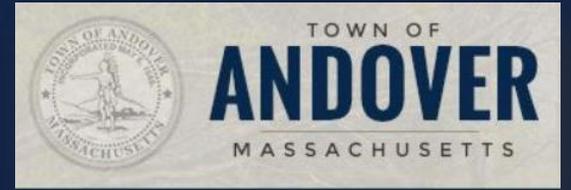
**Average Single Family Tax Bill
FY2019**

\$9,965

Based on 2018 Finance Committee Report

EMPLOYEE COMPENSATION AND BENEFITS

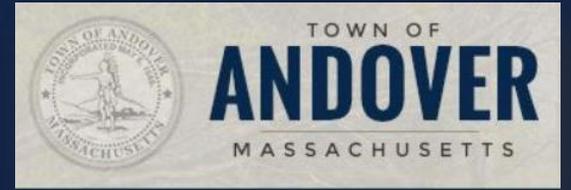
EMPLOYEE SALARIES & COMPENSATION



Most employees are part of a collective bargaining organization that negotiates wages. General wage increases, sometimes referred to as COLAs or cost of living adjustments are negotiated between the Town and the collective bargaining organization. There are also other factors to wages like steps for years of service.

FY2019 Wage Increase	Cost to average taxpayer Town Employees	Cost to average taxpayer School Employees	Total tax bill increase attributable to wage increases
2%	\$43 0.5%	\$92 1%	\$135 1.5%

TOTAL COST OF AN EMPLOYEE

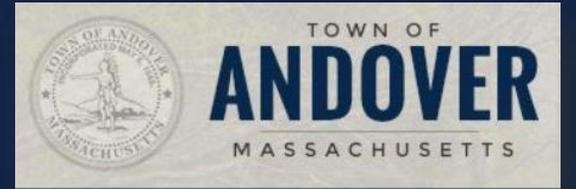


Below is an example of the costs associated with adding a new full time employee

Employee Salary (Example)	Health Insurance (Family)	Retirement	OPEB	Medicare	Workers' Comp	Unemployment	Total
\$75,000	\$19,194	\$3,352	\$7,939	\$1,087	\$375	\$375	\$107,323

Cost to average taxpayer for new employee
\$6.13
.06%

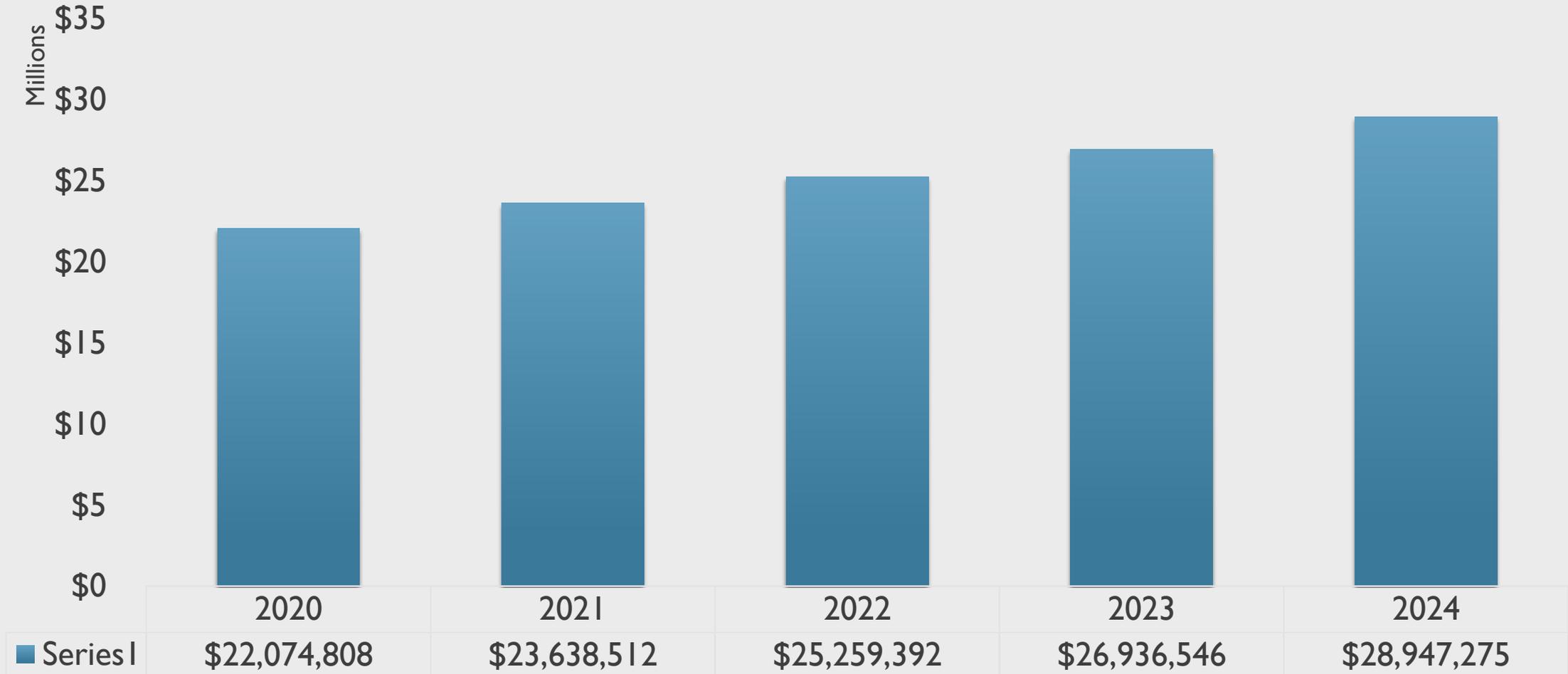
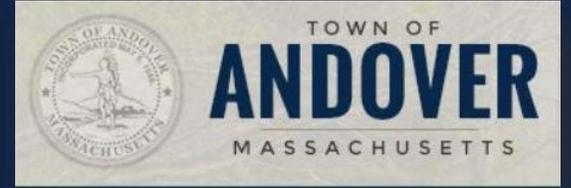
TAX BILLS AND EMPLOYEE BENEFITS – 10 YEAR PROSPECTIVE



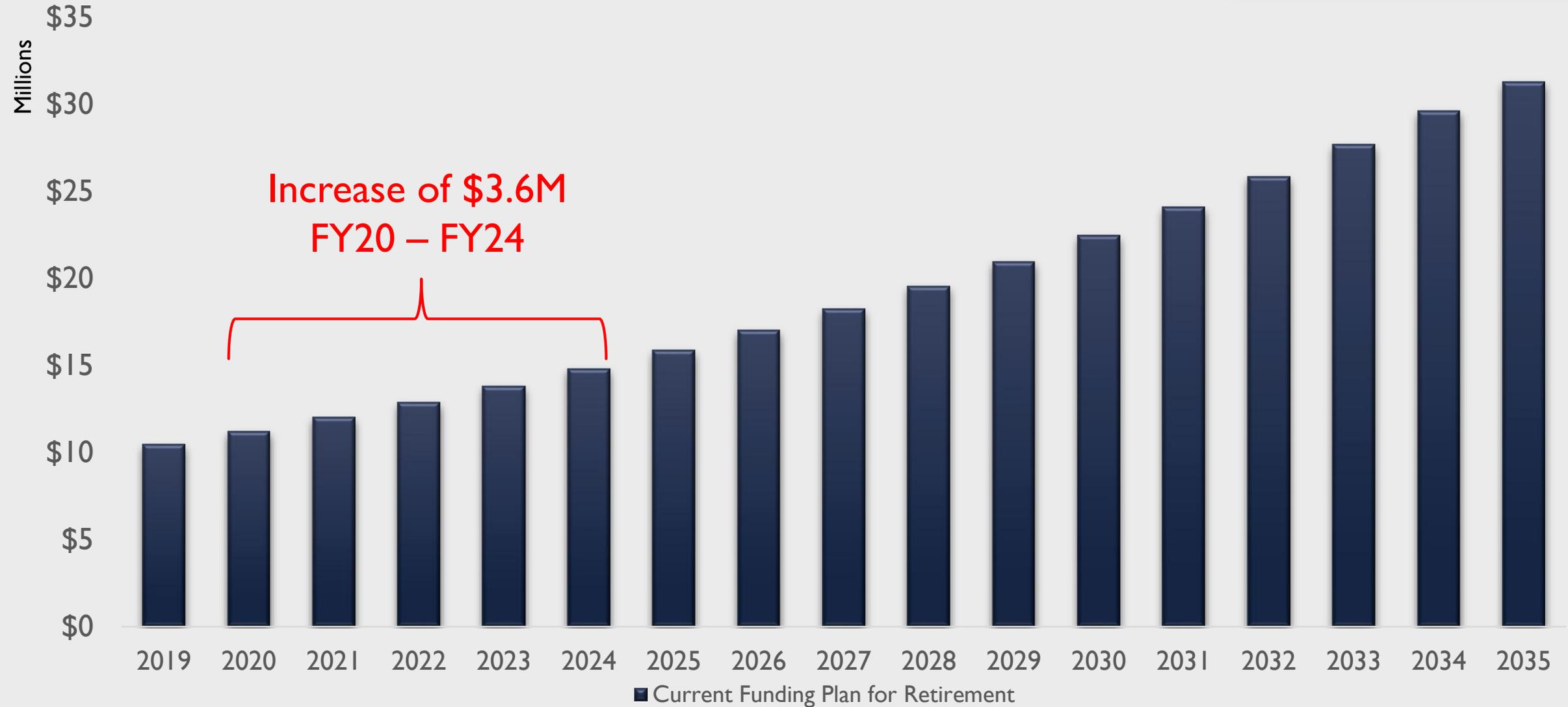
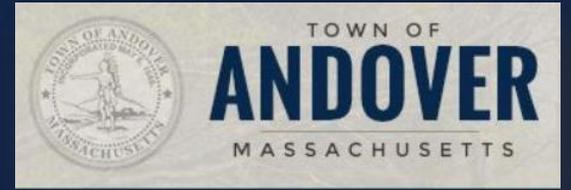
Year	Average Single Family Tax Bill	Percentage of Average Single Family Tax Bill		
		Health Insurance	Retirement	OPEB
FY2019	\$9,965	11.9%	5.8%	0.54%
FY2020	\$10,324	12.4%	6.0%	0.54%
FY2021	\$10,695	12.9%	6.3%	0.53%
FY2022	\$11,080	13.5%	6.5%	0.52%
FY2023	\$11,479	14.1%	6.7%	0.52%
FY2024	\$11,893	14.7%	7.0%	0.51%
FY2025	\$12,321	15.3%	7.3%	0.51%
FY2026	\$12,764	15.9%	7.5%	0.50%
FY2027	\$13,224	16.6%	7.8%	0.50%
FY2028	\$13,700	17.3%	8.1%	0.49%

The five year average (3.6%) tax increase was used to determine future tax bills

HEALTH INSURANCE



RETIREMENT FUNDING SCHEDULE

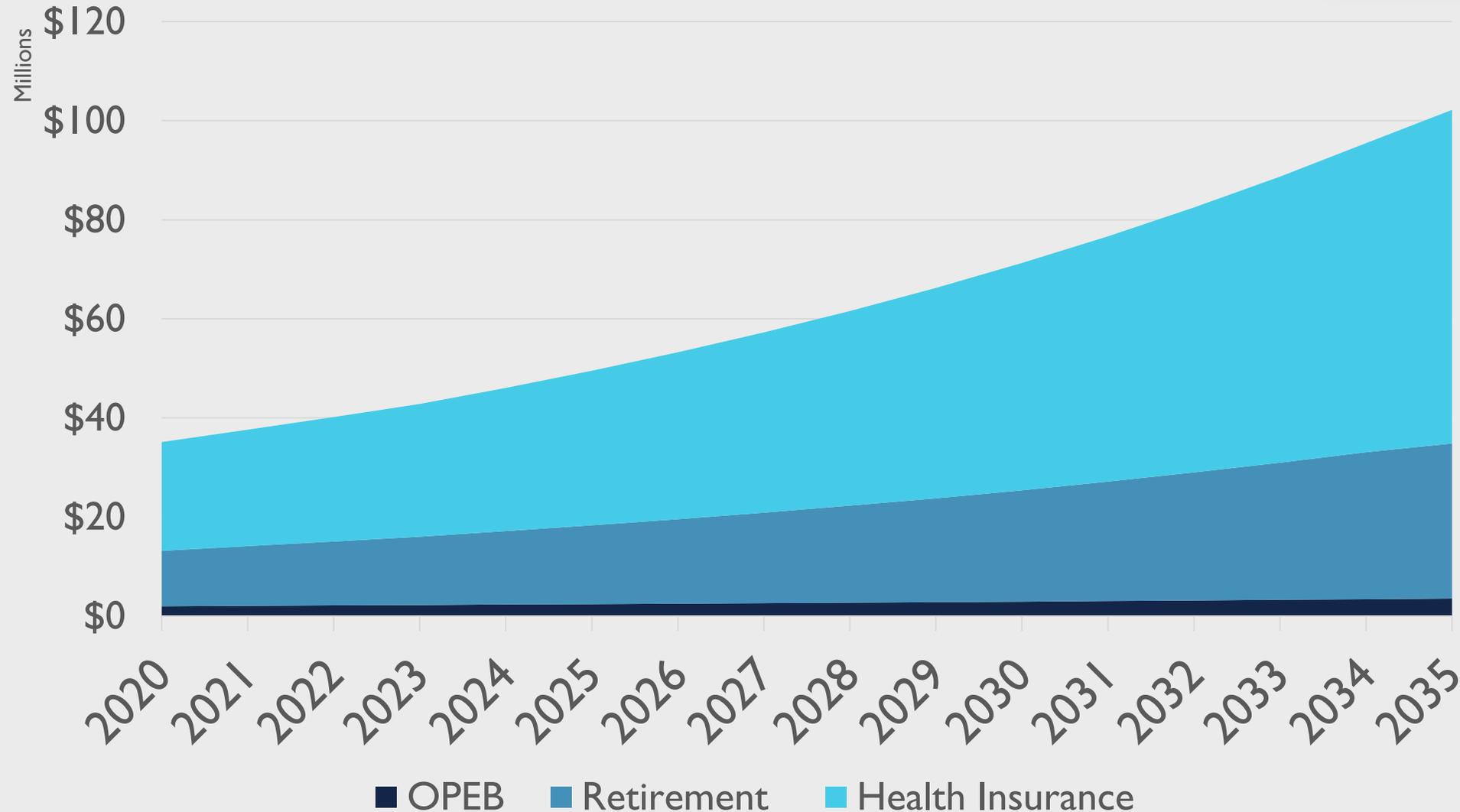


OTHER POST EMPLOYMENT BENEFITS (OPEB)



	General Fund OPEB Appropriation	<i>Savings from OPEB Reform</i>	Total OPEB Appropriation
FY 2020	\$1,060,622	\$906,194	\$1,966,816
FY 2021	\$1,083,812	\$978,690	\$2,062,502
FY 2022	\$1,107,530	\$1,056,985	\$2,164,515
FY 2023	\$1,135,218	\$1,109,834	\$2,210,798
FY 2024	\$1,163,599	\$1,165,326	\$2,328,925
FY 2025	\$1,192,689	\$1,223,592	\$2,416,281
FY 2026	\$1,222,506	\$1,284,772	\$2,507,278
FY 2027	\$1,253,069	\$1,349,010	\$2,602,079
FY 2028	\$1,284,395	\$1,416,461	\$2,700,856
FY 2029	\$1,316,505	\$1,487,284	\$2,803,789

PROJECTED OBLIGATIONS TO 2035

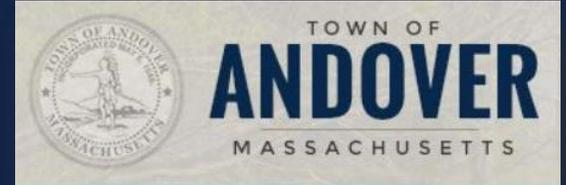


Obligations as a Percentage of Budget

FY20: 19.75%
FY21: 20.47%
FY22: 21.22%
FY23: 21.92%

FY2020 BUDGET PROJECTION

FY20 BUDGET PROJECTION



Property Taxes	\$151,321,958
State Aid	\$13,068,078
Local Receipts	\$12,259,592
Total Other Available Funds – Budget	\$2,161,881
Total Available Revenue	\$178,811,509
<i>Contractual/Capital Appropriations</i>	\$53,201,820
<i>School Increase at 3.50%</i>	\$85,398,531
<i>Town Increase at 2.50%</i>	\$41,600,081
<i>Potential Deficit Based on Existing Town and School Increases</i>	
(\$1,388,924)	

Corrected
 Total Available Revenue
 Contractual/Capital Appropriations
 Town Increase is 2.50%

CAPITAL IMPROVEMENT PROGRAM

NON EXEMPT DEBT

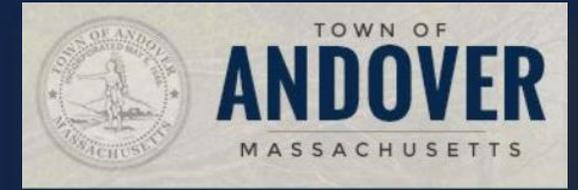


The Capital Improvement Program (CIP) provides for strategic investments in several functions of government including building improvements, equipment replacement, new playgrounds and software enhancements. The CIP non-exempt debt target is 5.72% of the Town’s revenue.

Prior Non-Exempt Debt Service
+
New Non-Exempt Debt Service
+
General Fund Revenue
=
Total Non-Exempt Plan

Year	Average Single Family Tax Bill	CIP Percentage of Tax Bill
FY2019	\$9,965	6.4%
FY2020	\$10,324	6.7%
FY2021	\$10,695	6.7%
FY2022	\$11,080	6.7%
FY2023	\$11,479	6.7%

BACKGROUND



Exempt debt – financed outside of the limitations of Proposition 2 ½ that requires a debt exclusion vote

Non-Exempt debt – financed within the limitations of Proposition 2 ½

Assumptions

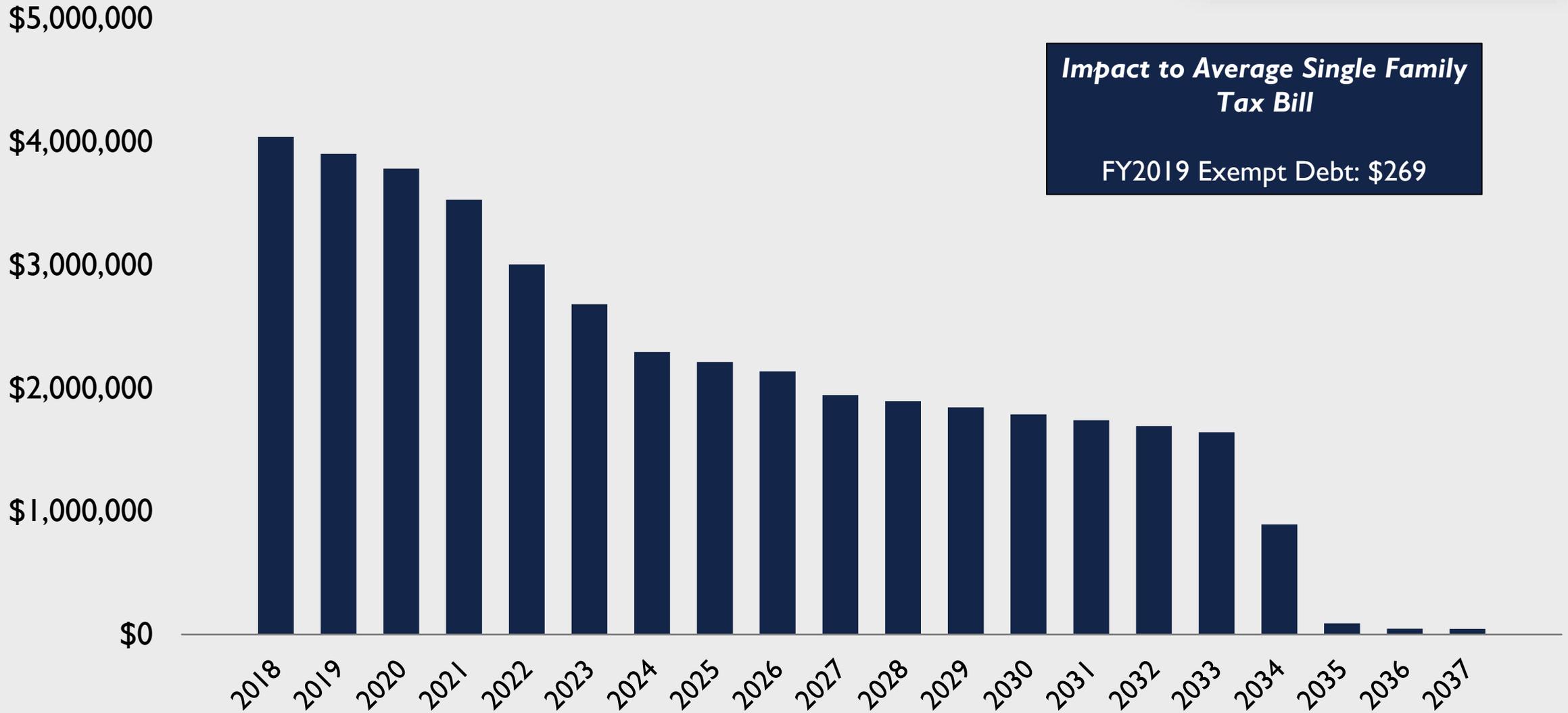
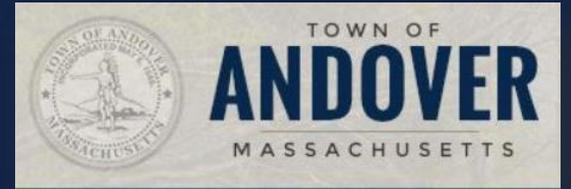
Level principal – debt strategy in which principal payments stay the same throughout the loan, resulting in lower interest payments over time; higher up front payments, ultimately lower payments throughout the term

All financing models for major building projects reflect a term of 30 years at an interest rate of 3.5%

Average tax bill projections are based on **FY2018 tax rates**

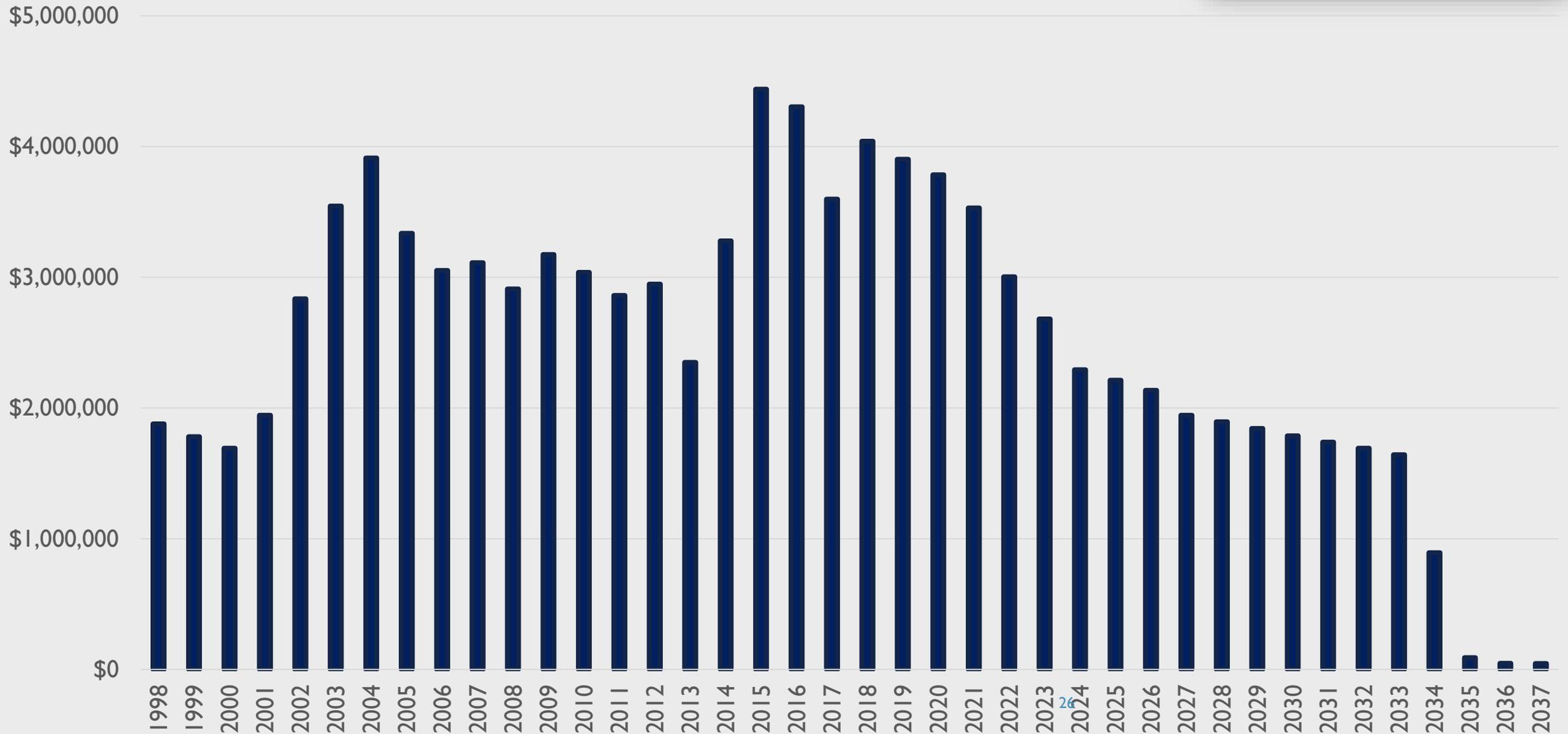
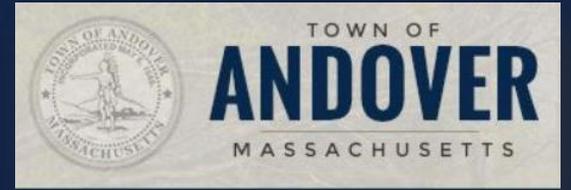
- The assessed value of an average single family home in Andover is \$613,261
- The tax bill for an average single family home in Andover is \$9,591 for FY2018

EXISTING EXEMPT DEBT SERVICE



Impact to Average Single Family Tax Bill
FY2019 Exempt Debt: \$269

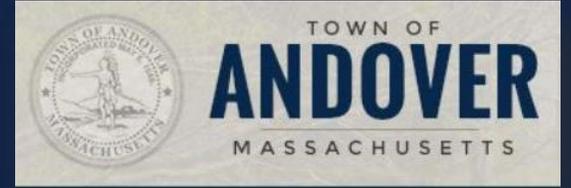
EXEMPT DEBT HISTORY



EXISTING EXEMPT DEBT—AVERAGE SINGLE FAMILY HOME



SCHOOL BUILDING PROJECTS



There are currently two school building projects that will require the issuance of exempt debt, approval of voters at Town Meeting, and approval at the ballot box.

West Elementary

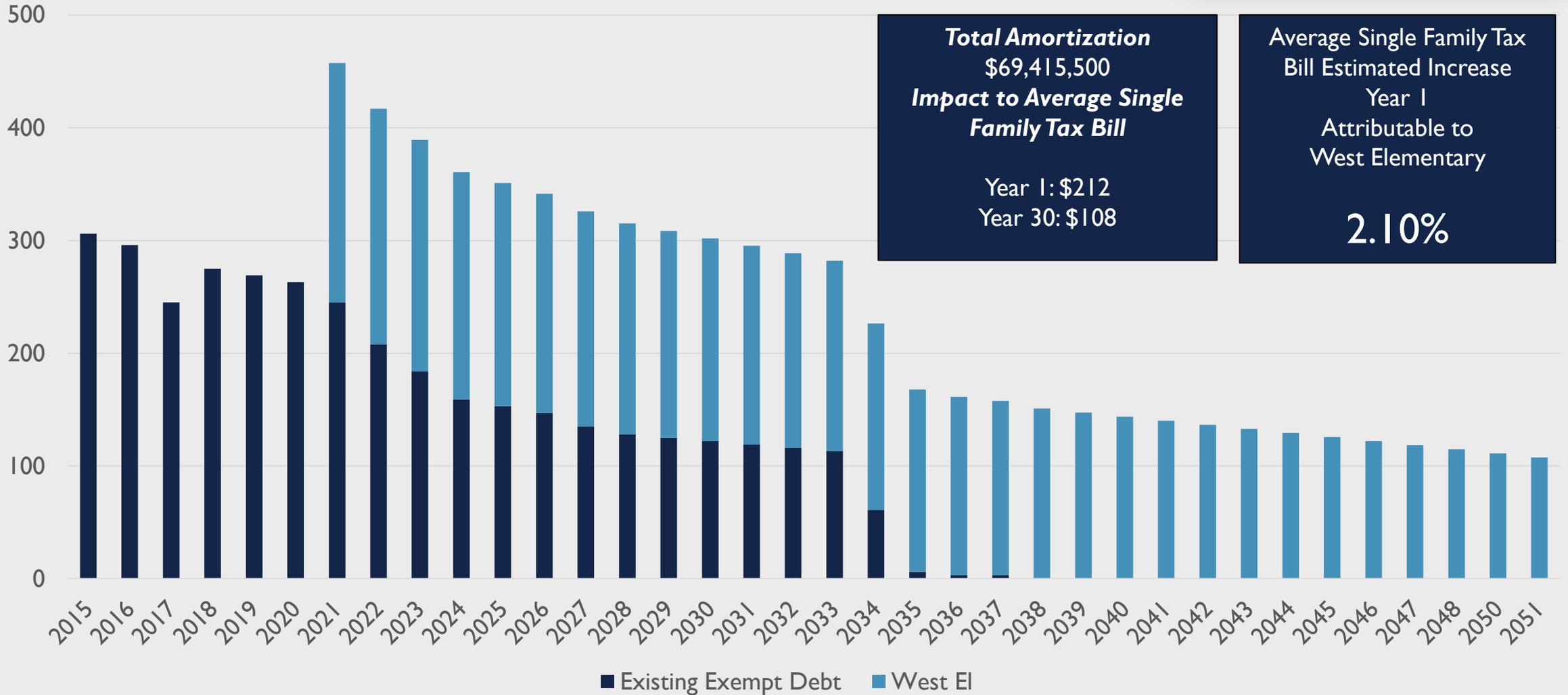
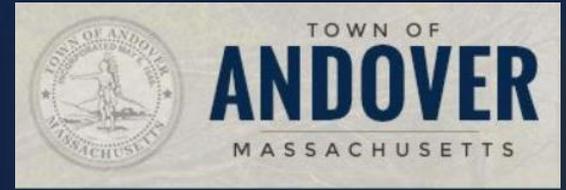
Estimated Project Cost
\$45,000,000

Andover High School Renovations

Currently nine project scenarios ranging from:
\$7,000,000 to \$185,000,000

WEST ELEMENTARY

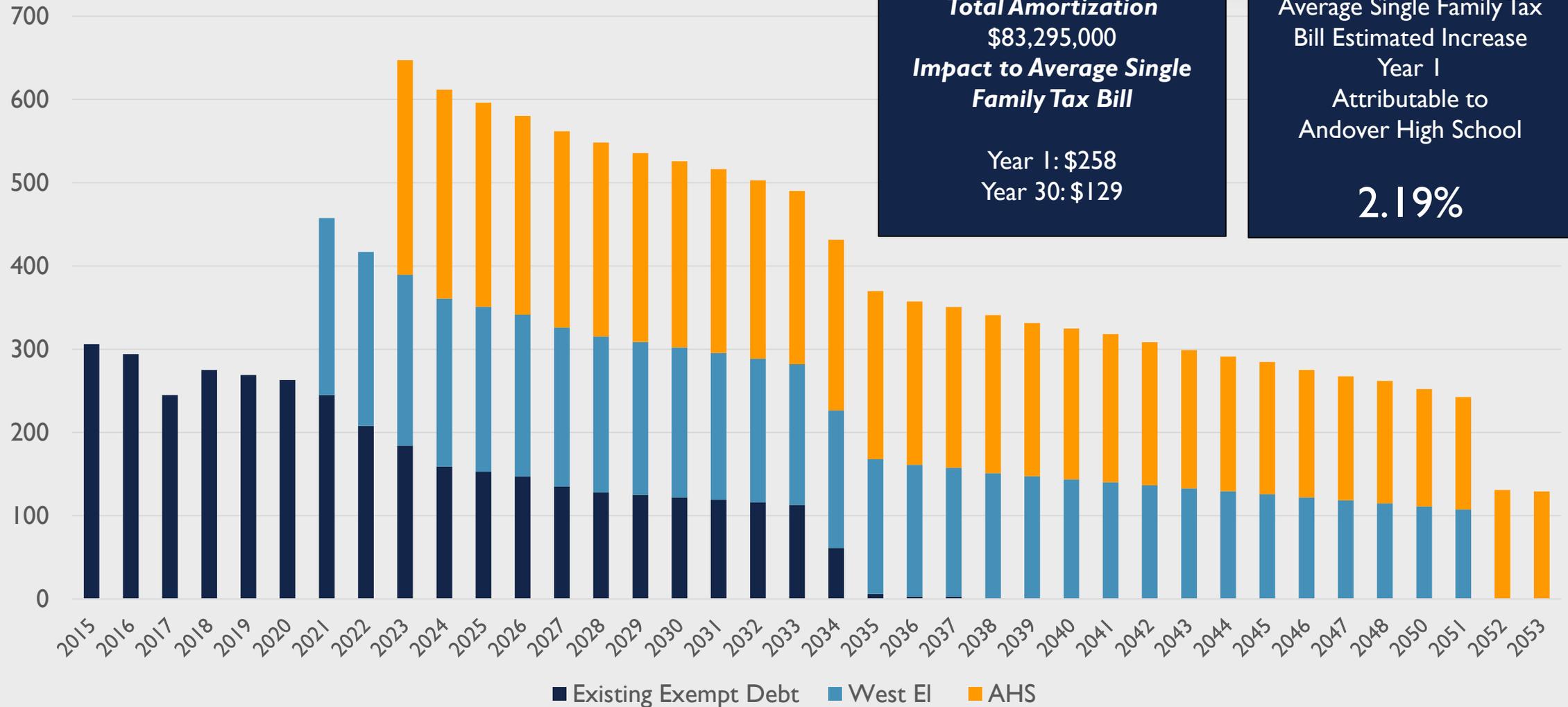
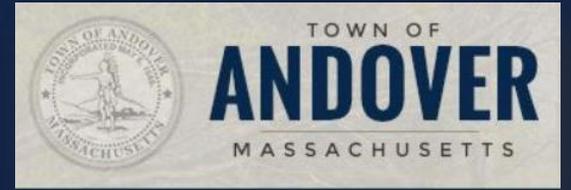
PROJECTED FOR 2021 – \$45M, LEVEL PRINCIPAL FUNDING, 3.5%, 30 YEARS



Projection – based on FY2018 Average Single Family Tax Bill

ANDOVER HIGH SCHOOL (WITH WEST EL)

PROJECTED FOR 2023 - \$54M, LEVEL PRINCIPAL FUNDING, 3.5%, 30 YEARS



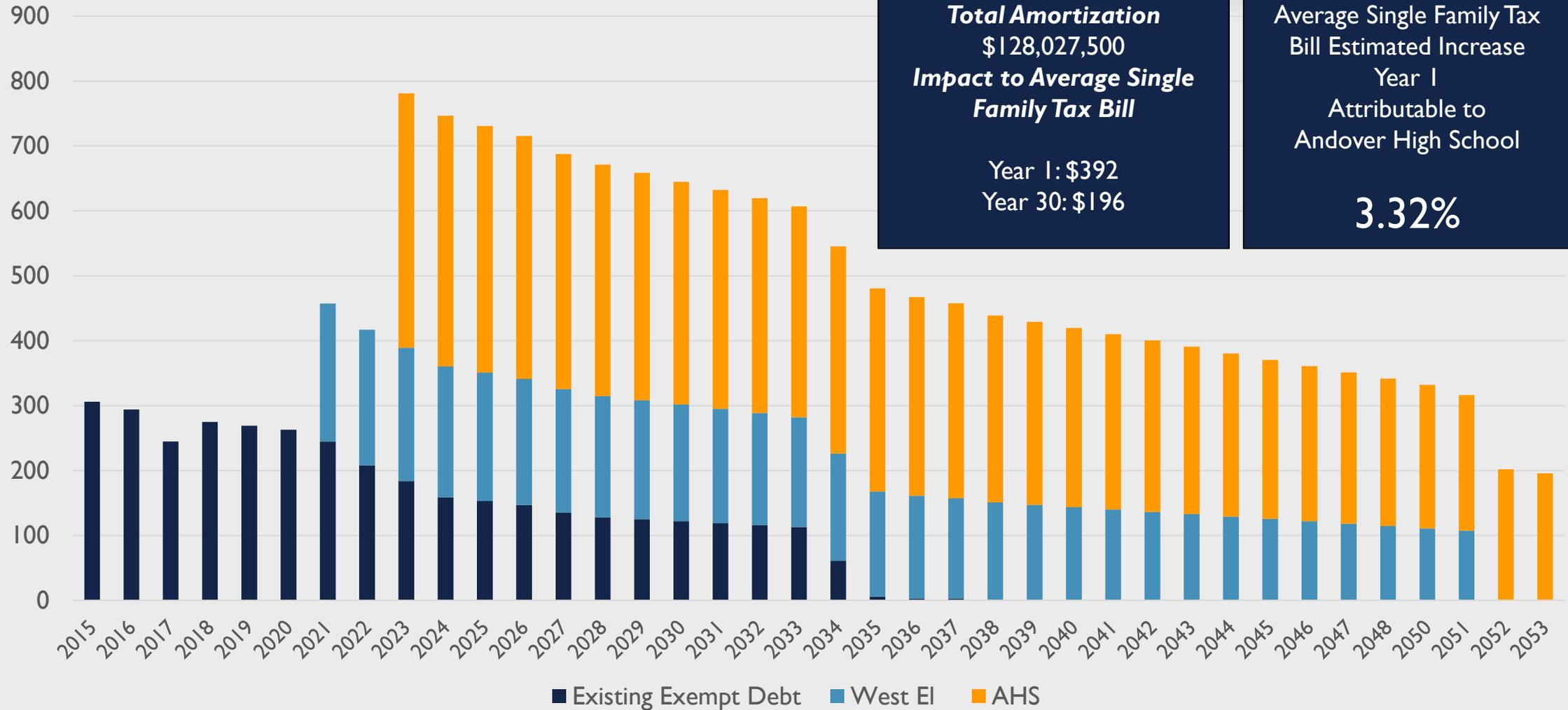
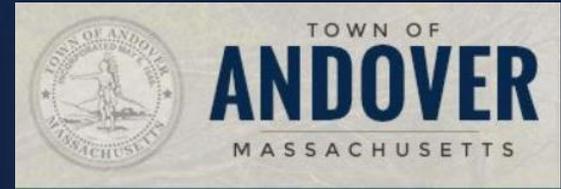
Total Amortization
 \$83,295,000
Impact to Average Single Family Tax Bill
 Year 1: \$258
 Year 30: \$129

Average Single Family Tax Bill Estimated Increase Year 1
 Attributable to Andover High School
2.19%

Projection – based on FY2018 Average Single Family Tax Bill

ANDOVER HIGH SCHOOL (WITH WEST EL)

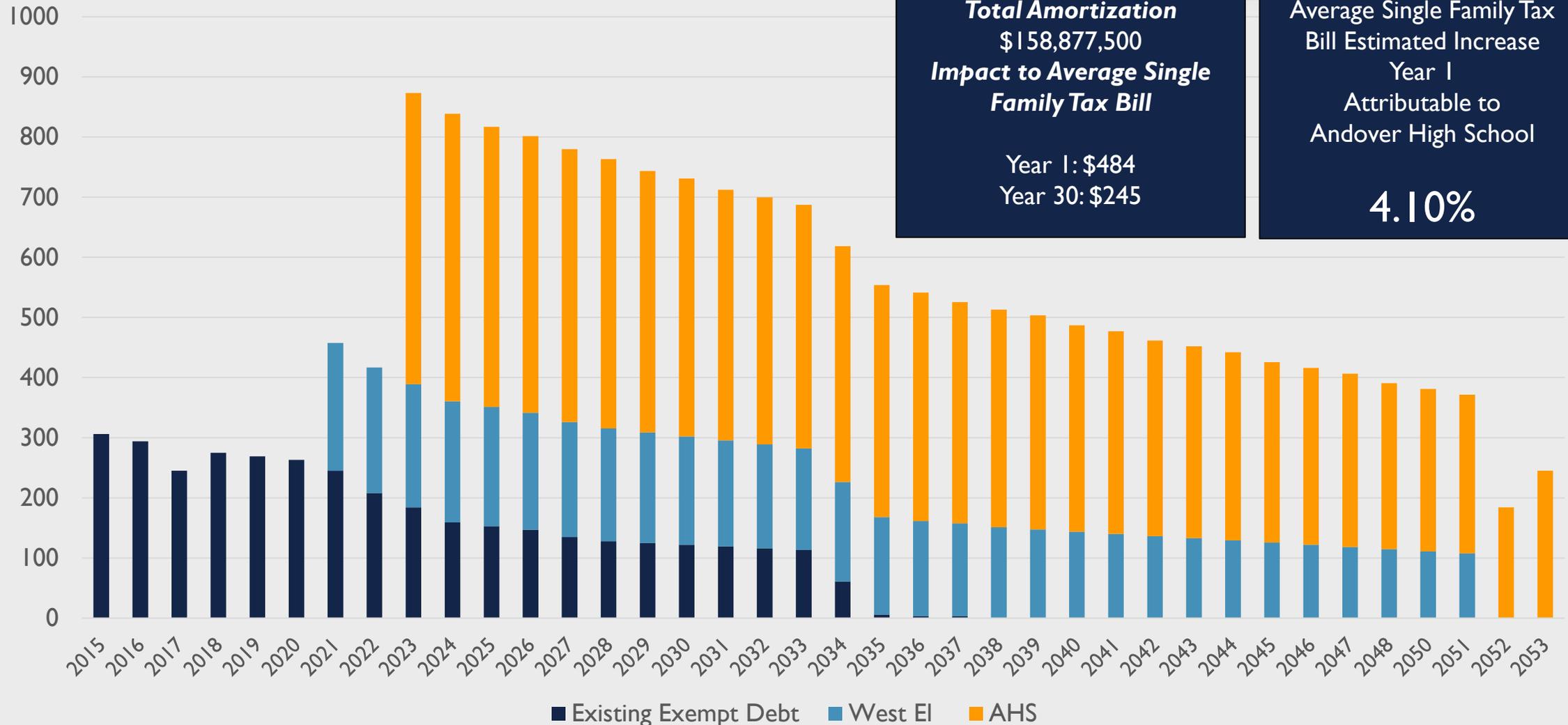
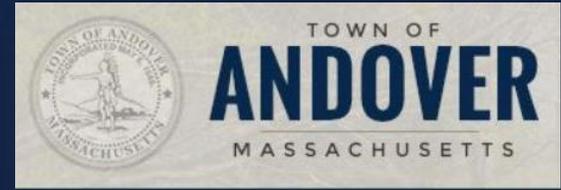
PROJECTED FOR 2023 - \$83M, LEVEL PRINCIPAL FUNDING, 3.5%, 30 YEARS



Projection – based on FY2018 Average Single Family Tax Bill

ANDOVER HIGH SCHOOL (WITH WEST EL)

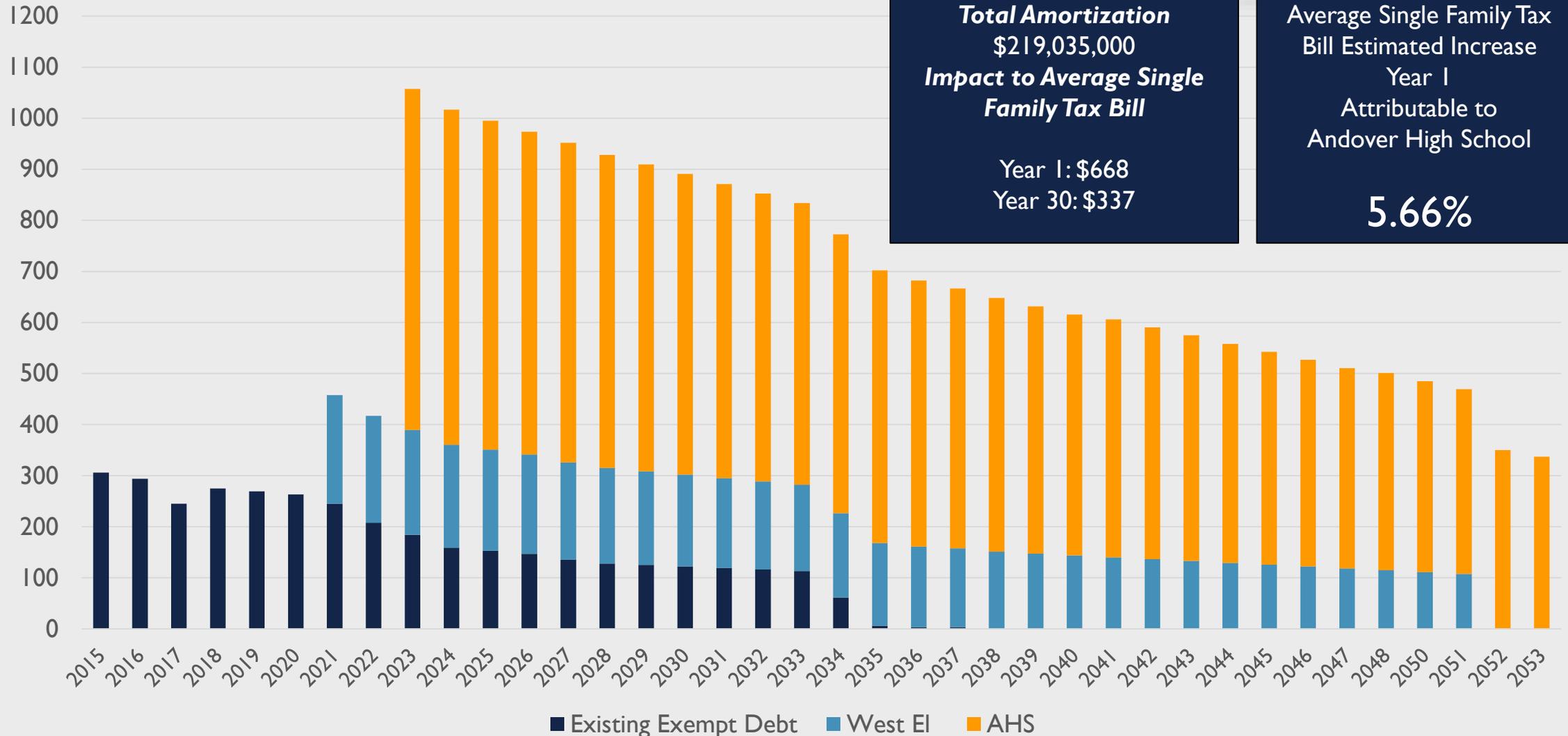
PROJECTED FOR 2023 - \$103M, LEVEL PRINCIPAL FUNDING, 3.5%, 30 YEARS



Projection – based on FY2018 Average Single Family Tax Bill

ANDOVER HIGH SCHOOL (WITH WEST EL)

PROJECTED FOR 2023 - \$142M, LEVEL PRINCIPAL FUNDING, 3.5%, 30 YEARS



Total Amortization
 \$219,035,000
Impact to Average Single Family Tax Bill
 Year 1: \$668
 Year 30: \$337

Average Single Family Tax Bill Estimated Increase Year 1 Attributable to Andover High School
5.66%

Projection – based on FY2018 Average Single Family Tax Bill

BUDGET CALENDAR



FY 2018

July 1, 2018

FY 2019

May, 2018
2018 Annual Town Meeting
Votes FY2019 Appropriations

September, 2018
Tax Summit

October, 2018
FY2020-FY2024 CIP Released

November, 2018
New Growth and Free Cash Certified for 7/1/17 – 6/30/18

Nov/Dec, 2018
FY2019 BOS Tax Classification Hearing (Funds appropriations from 2018 ATM)

FY2019 Budget

FY2020 Budget Planning