

Financing Andover's Major Obligations



Integrated Financing Plan

West Elementary & Shawsheen Preschool, Pension, OPEB and Andover High School

The Challenges – Major Obligations

- **Pension Liability - \$165-185M**
 - Required by MGL to be funded by 2040, current schedule through **2037**
 - Closed funding schedule
 - Benefit structure defined by MGL
 - Presents greatest threat to service levels and bond rating
- **West Elementary School & Shawsheen Preschool - \$114M (Total Cost - \$148M)**
 - Project accepted by Massachusetts School Building Authority (MSBA)
 - MSBA Reimbursement – Approx. 23% (40% of max. \$333 per sq. ft)
 - Project would replace two existing school buildings and alleviate overcrowding at the other elementary schools

Tenets of the Integrated Plan – 30 Years

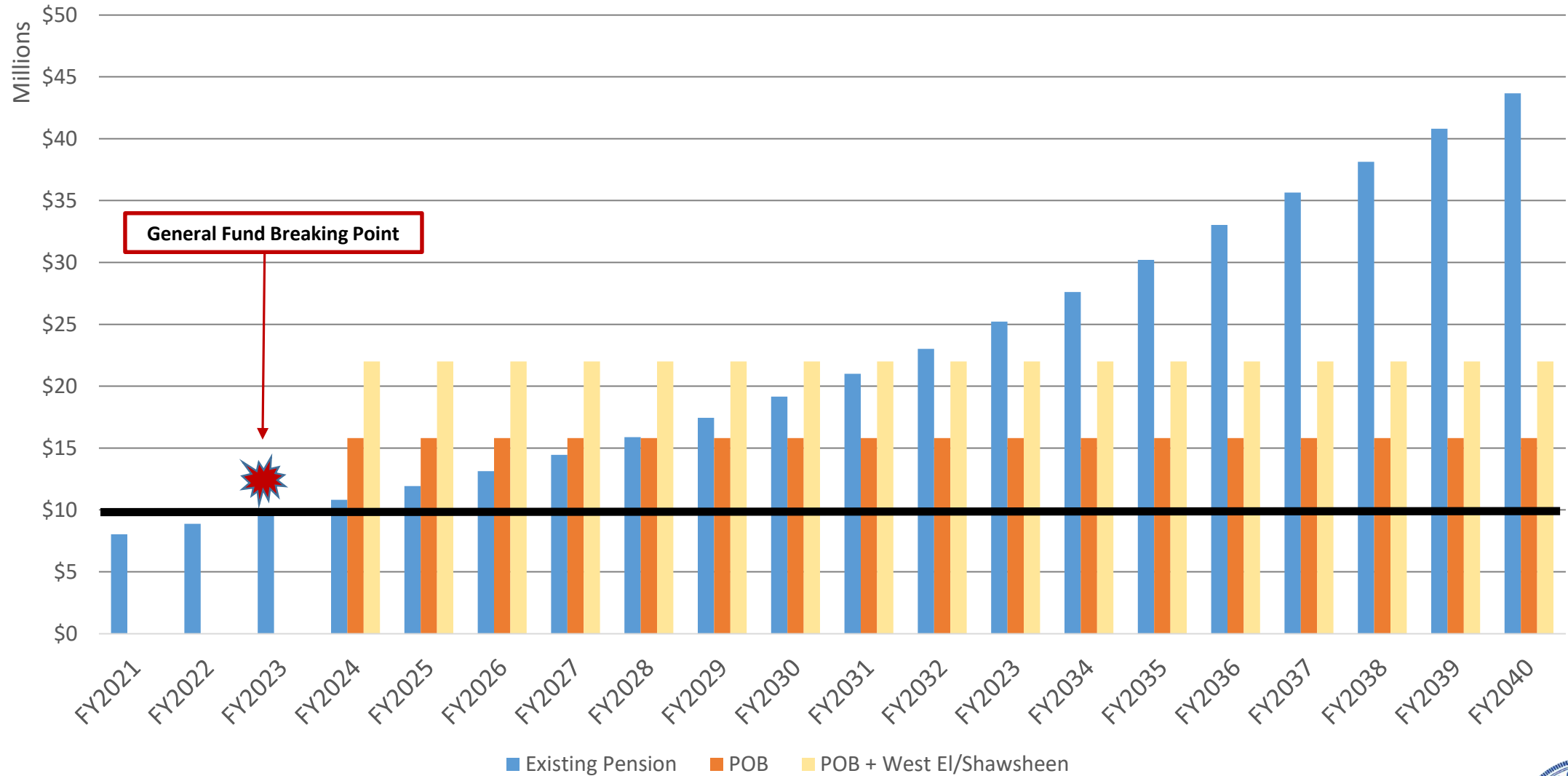
- 1) Propose \$290M Debt Exclusion to fully fund Unfunded Pension Liability and West Elementary and Shawsheen Preschool (WESP) building project
 - a) \$175M to fund Pension Obligation Bond (POB), 17 Year Borrowing Term
 - b) \$115M to fund WESP building project, 30 Year Borrowing Term
- 2) Identify \$10M Annual “**General Fund Mitigating Factor**” to offset tax impacts of debt exclusion. The “**General Fund Mitigating Factor**” shall be the General Fund’s contribution to the Integrated Plan
- 3) Retire Debt Exclusion in Year 18 and repurpose GFMF to fully fund WESP
- 4) Reauthorize Bancroft “Exempt Debt” to fund AHS Design



Comparing the Options – Tax Impacts

Scenario A - Integrated Financing Plan							
	Pension Obligation Bonds	West El & Shawsheen Debt Service	OPEB Contribution	GFMF	Amount to be Raised Outside the Levy	Annual Tax Impact	30 Year Tax Impact
Years 1 - 17	\$15,802,253	\$6,198,322	\$0	(\$10,000,000)	\$12,000,575	\$810	\$13,770
Years 18-30	\$0	\$6,198,322	\$3,801,678	(\$10,000,000)	\$0	\$0	\$0
						Total Cost	\$13,770
Scenario B - Pension Operating Override & West El & Shawsheen Debt Exclusion							
	Pension Operating Override	West El & Shawsheen Debt Service	OPEB Contribution	GFMF	Amount to be Raised Outside the Levy	Annual Tax Impact	30 Year Tax Impact
Years 1 - 17	\$25,119,230	\$6,198,322	\$0	(\$10,000,000)	\$21,317,552	\$1,450	\$24,650
Years 18-30	\$25,119,230	\$6,198,322		(\$10,000,000)	\$21,317,552	\$1,450	\$18,850
						Total Cost	\$43,500
Scenario C - Pension Operating Override Only							
	Pension Operating Override*	West El & Shawsheen Debt Service	OPEB Contribution	GFMF	Amount to be Raised Outside the Levy	Annual Tax Impact	17 Year Tax Impact
Years 1 - 17	\$25,119,230		\$0	(\$10,000,000)	\$15,119,230	\$1,028	\$17,476
						Total Cost	\$17,476
Scenario D - West El & Shawsheen Only							
	Pension Operating Override*	West El & Shawsheen Debt Service	OPEB Contribution	GFMF	Amount to be Raised Outside the Levy	Annual Tax Impact	30 Year Tax Impact
Years 1 - 30	\$0	\$6,198,322	\$0		\$6,198,322	\$450	\$13,500
						Total Cost	\$13,500

Comparing Existing Unfunded Pension to Integrated Plan



Integrated Financing Plan for Major Obligations



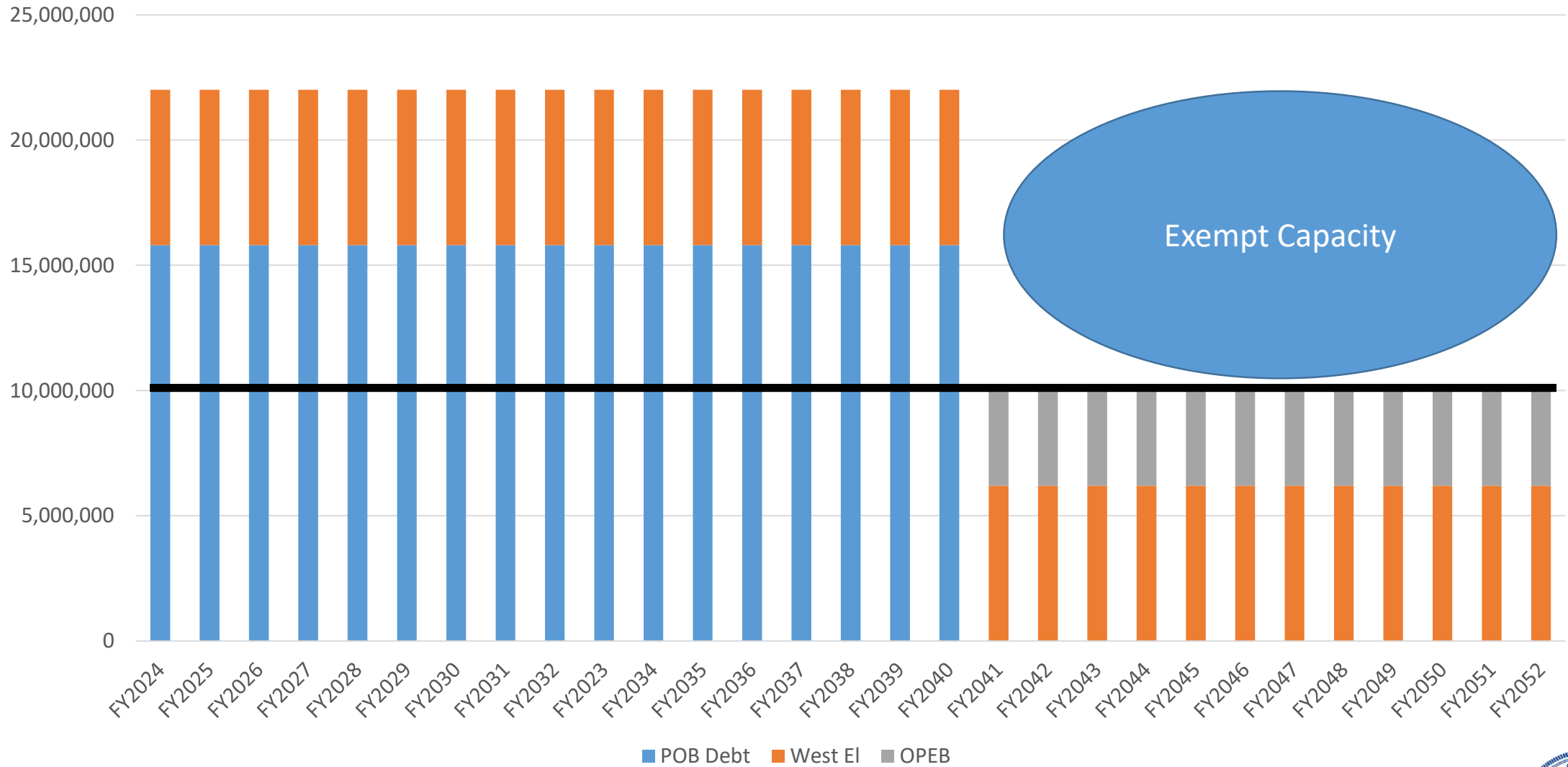
Fiscal Year	Impact to Average Tax Bill	Approx. Increase
2022	\$261.61	\$262 Increase to Avg Tax Bill
2023	\$257.14	
2024	\$516.61	\$259 Increase to Avg Tax Bill
2025	\$876.97	\$360 Increase to Avg Tax Bill
2026	\$867.68	
2027	\$858.39	
2028	\$849.10	
2029	\$839.81	
2030	\$830.52	
2031	\$821.22	
2032	\$811.93	
2033	\$802.64	
2034	\$793.35	
2035	\$784.06	
2036	\$774.77	
2037	\$765.47	
2038	\$756.18	
2039	\$746.89	
2040	\$737.60	
2041	\$377.65	Options 1.) End West El/Shawsheen Exemption 2.) Assume Debt Service w/o Impact
2042	\$368.36	
2043	\$359.07	
2044	\$349.78	
2045	\$340.48	
2046	\$331.19	
2047	\$321.90	
2048	\$312.61	
2049	\$303.32	
2050	\$294.03	
2051	\$284.74	
2052	\$147.83	
2053	\$143.01	

Impact to Average Tax Bill	Approx. Increase
\$208.16	\$208 Increase to Avg Tax Bill
\$208.16	
\$418.16	\$210 Increase to Avg Tax Bill
\$783.65	\$365 Increase to Avg Tax Bill
\$783.65	
\$783.65	
\$783.65	
\$783.65	
\$783.65	
\$783.65	
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\$783.65	
\$783.65	
\$783.65	
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\$783.65	
\$783.65	
\$783.65	
\$432.99	Options 1.) End West El/Shawsheen Exemption 2.) Assume Debt Service w/o Impact
\$432.99	
\$432.99	
\$432.99	
\$432.99	
\$432.99	
\$432.99	
\$432.99	
\$432.99	
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\$432.99	
\$224.84	
\$224.84	

Integrated Financing Plan for Major Obligations



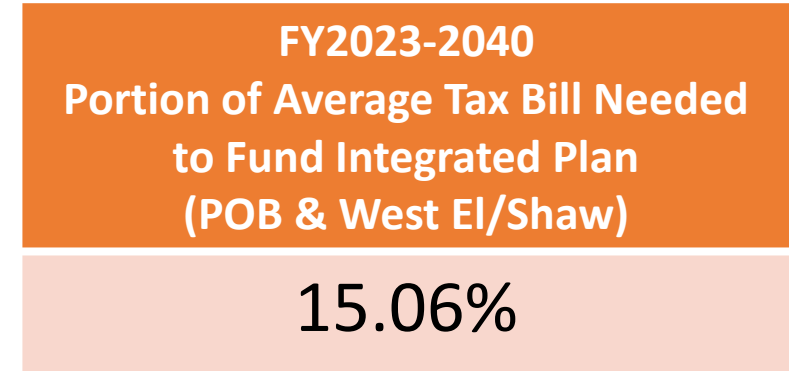
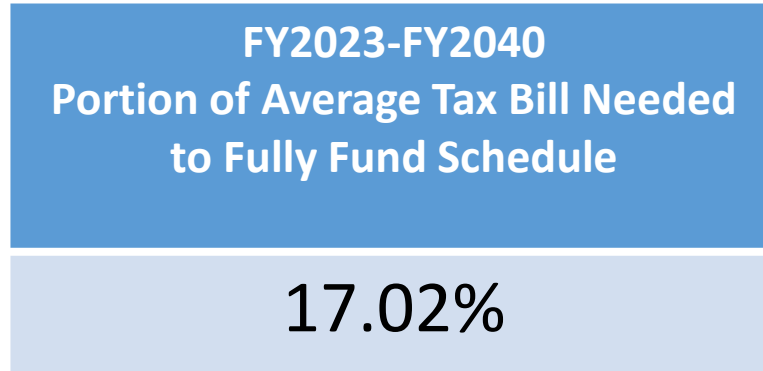
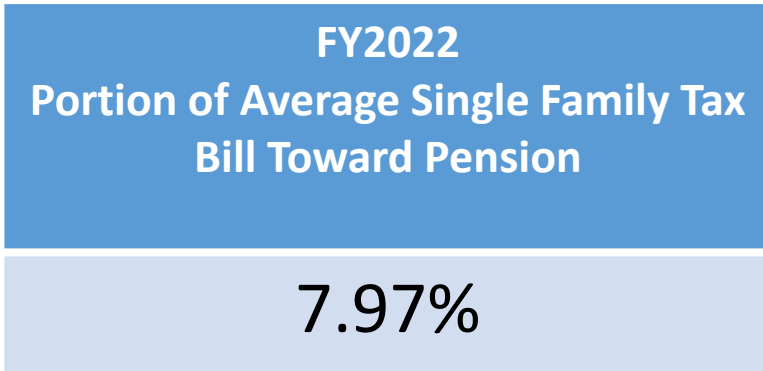
Integrated Plan – Amount to be Raised beyond Proposition 2 1/2



Integrated Financing Plan for Major Obligations



Portion toward Pension – Average Single Family Tax Bill



Probability Testing

Likelihood that Investment Returns through 2040
Will Exceed the Rate Shown

Rate	Scenario 1: Current Allocation	Scenario 2: 100% funding, 100% fixed income	Scenario 3: 100% funding, 50% fixed income	Scenario 4: 75% funding, 100% fixed income	Scenario 5: 75% funding, 50% fixed income
2.00%	98.1%	99.5%	99.1%	99.2%	98.8%
2.50%	96.7%	98.5%	97.8%	98.2%	97.4%
3.00%	95.1%	95.9%	95.9%	96.2%	95.7%
3.50%	92.2%	91.0%	92.8%	92.7%	92.7%
4.00%	88.7%	82.9%	88.0%	86.9%	88.6%
4.50%	84.3%	70.8%	81.6%	79.5%	83.0%
6.25%	60.3%	20.2%	46.0%	38.6%	52.3%



Next Steps

- Special Legislation has been signed into law by Governor Baker
- Borrowing Authorizations for both West Elementary & Shawsheen Preschool Building Project and POBs will require Town Meeting approval
- Both West Elementary & Shawsheen Preschool Building Project and POBs will require debt exclusion votes

