

Select Board Meeting

Mid-Year Review

Wednesday, January 13, 2021

Virtual Meeting Broadcast on Comcast Channel 22 Verizon Channel 45

I. Call to Order

Chairperson Annie Gilbert called the Select Board Meeting of Wednesday, January 13, 2021 to order at 7:07 P.M. Members in attendance: Dan Koh, Laura Gregory, Chris Huntress, and Alex Vispoli.

Others in Attendance: Town Manager Andrew Flanagan, Deputy Town Manager Mike Lindstrom, Assistant Town Manager Patrick Lawlor, Town Clerk Austin Simko, Finance Director Donna Walsh, and Town Counsel Tom Urbelis.

II. Opening Ceremonies

A. Moment of Silence/Pledge of Allegiance

The meeting began with a Moment of Silence followed by the Pledge of Allegiance.

III. Mid-Year Review

The presentation of the Mid-Year Review included the mechanics, history, comparable communities, cost centers and future. Revenue from property taxes is the largest revenue producer for the Town followed by State Aid and Local Receipts.

How the tax bill is calculated: Starting with the prior year tax levy limit, which is the total amount of property taxation in Andover, adding the 2.5% increase and then applying new growth (from new construction, additions, improvements, etc.) and then backing out the excess levy for the past 5 years. We have kept existing exempt debt, the amount used to pay debt, above 2.5% and all together arrives at the total levy for the year. The levy is divided proportionally based on levy share by classification. i.e. Residential, Commercial / Industrial, and Personal Property.

The Levy Share by Classification Chart from 2019 through 2021 was explained by Andrew. We assume that each classification holds its share as we move into the next year. In FY20-21 Personal Property grew at a faster rate and as a result, less has to be raised through taxpayers.

Impacts of Proposition 2 ½ were shown as Year 1 and Year to on the chart provided. It applies to the total tax levy which can increase by 2.5% and can fluctuate by changes of values, and changes of values within classifications, which are all part of the mechanics used to develop the tax rate and Exempt Debt

Service. The DOR certifies our values of properties, new growth, and certifies the tax rate once the Board sets it.

Understanding the Average Single-Family Tax Bill: All projections are based on the Average Single-Family Tax Bill. In FY 2020, there were 8,704 single family parcels. At least 46% of the parcels were below the average, and approximately 33% of the parcels were above the average, and at least 21% of the parcels were within the average range. The largest cohort of single family taxpayers in Andover have a valuation of \$500K-\$600K paying 12%-27% lower than the average tax bill.

Andrew reviewed the average tax bill increase from FY2012 to FY2021 which is used as a guide post as a historical average. The projected tax bill increase for FY2022 is 3.7%. There is a potential fluctuation in exempt debt (bringing the school building project online). The exempt debt appears in increments until we know what is needed to advance the project each year.

The Average Tax Bill by Category Chart was also explained by the Town Manager. This fiscal year the percent of the tax bill going towards retirement is just over 7% and will be the fastest growing item going forward. The pie chart of the breakdown of the tax bill by function and service area showed the following:

	<u>Avg. Single Family Annual Expenditure</u>	<u>Percent of Tax Bill</u>
Schools	\$5,064	47.64%
Town Services	\$2,438	22.94%
Fixed Costs	\$1,988	18.70%
Capital	\$ 624	5.87%
Exempt Debt	\$ 224	2.11%
Other	\$ 291	2.74%

The next slide showed comparable communities and taxation. Andover ranks 9th out of the 16 communities shown, with an Average Tax Bill (ATB) of \$10,629.00. The highest ranked is Concord with an ATB of \$17,003 (with 19 operating overrides), followed by Wellesley with an ATB of \$16,284 (11 operating overrides), and Lexington with an ATB of \$16,241 and (16 operating overrides).

Employee Salary and Cost:

The Town Manager shared a chart showing the total cost of a full-time town employee. The chart provided examples of salary, health insurance, retirement, OPEB, Medicare, Workers' Compensation, and Unemployment. Example: Cost of a full-time employee with a salary of \$75,000 cost the average tax payer \$6.81;

Salary of \$100,000 cost the average taxpayer \$10.21; and a new full-time employee with a salary of \$125,000, costs the average taxpayer \$13.62.

Major Obligations:

The two major obligations are: The Pension Liability and the West Elementary/Shawsheen School Project (WESP).

The Pension obligation is about \$179M and required by MGL to be funded by FY2040, Andover is on track to fund through 2037. It is a closed funding schedule, the benefit structure is defined by MGL, and presents the greatest threat to service levels and bond rating.

West Elementary & Shawsheen Pre-School (running concurrently) This School Building Project was accepted by MSBA and therefore we will receive a reimbursement from MSBA projected at approximately 23% of the total cost. The Town's share is projected at \$114M. The project, if approved at Town Meeting, will replace two existing school buildings and alleviate overcrowding at the other elementary schools.

Average Single Family Tax Bill: Portion toward Pension Obligation

The Avg. SFTB for FY-2022 for the Pension Obligation is 7.97%.

The portion of the Avg. SFTB needed to fully fund the Pension Obligation Schedule for FY 2020-2040 is 17.02%.

The portion of the Avg. SFTB to fund the Integrated Plan (Includes Pension Obligation and the School Building Project) is 15.06%

Andrew explained that they are looking at two projects for obligations because there is an opportunity to leverage the two obligations that mitigate the cost to the average tax payer. The Town Manager has a developed a financial plan to address this.

In FY-23 they are projecting the general tax increase to be 3.58% and another 3.95% for the school building project and 9.40% to fully fund the pension schedule for total increase of 16.93%.

The Integrated Financing Plan would include the 3.58% for FY2023 and a 7.10% increase for 2023 that includes the school project for a combined total of 10.68%. The Pension Liability would be fully funded and the school building projected financed.

The Annual Operating Budget will be released on February 25th and will go through a series of review with the Planning Board and Finance Committee, and voted at Town Meeting currently scheduled for May 3, 2021. They will also move forward with explaining the Integrated Financial Plan (IFP) to the public.

Next Steps:

There are two processes running right now, the FY-2022 Annual Operating Budget and scheduling the 2021 Town Meeting Budget and the Integrated Financial Plan.

Town Meeting approved special legislation, allowing the Town to issue pension obligations bonds, has been signed into law by Governor Baker.

Borrowing Authorizations of both West El/Shawsheen Preschool Building Project and Pension Obligations will require a vote of Town Meeting.

Both the West El/Shawsheen Preschool Building Project and the Pension Obligation will require debt exclusion votes.

Questions from the Board

Alex Vispoli: The IFP has to get a 2/3 vote at Town Meeting and the ballot box is a simple majority, will they be separate questions? Andrew said there will be two separate questions on the ballot with two separate votes. We are hoping to hold Town Meeting in May.

Laura Gregory: What would be the cost on the average tax bill if we did not continue to hold back the \$300,000 from the levy capacity and instead put that money towards pension obligations? Andrew said it would be about \$25. Also, given we are in an unusual situation with COVID and the economic effect, how predictable are revenue projections this year? Andrew said they have completed two quarters of local receipts and heading into this year they rolled back projections; everything is measured against the roll back number which was a 15-25% reduction. We see revenues coming in strong for licenses and permits and February will be a big month with Motor Vehicle Excise Tax. The real concern is with the hotel industry that we hope will rebound. The budget was based on level funding in State Aid from last year and we don't expect that to change. State Aid will be the biggest concern for next year. If we end this year with restrictions still in place, he believes we will be facing a difficult year.

Dan Koh: Thank you to everyone for all of the hard work done on the financing plan. Given the situation with Covid and the difficulty in meeting in person, how

are you thinking of engaging the stakeholders to make sure the information is shared? The information is complicated and important for the future of the Town.

The Town Manager responded that they will have 10 public information sessions, on different days, and at different times of day. They will also have focus groups and will rely on a group of people to help get the maximum reach to explain the benefits of the IFP to the citizens of Andover. The meetings will be virtually, and they will record a lot of the information that they will push through social media, Andover TV, etc. If it is done right, we will have the ability to reach more people than we would have in the 10 information sessions alone. The work will start next week.

Annie Gilbert: The three pie graphs that illustrate the share borne by personal property is increasing, will that trend continue to increase? Andrew said that is the biggest variable and unknown. They have no way of knowing if people will pull permits until they need them. He expects to see a dip in the next few years. Donna Walsh said they are always surprised by the turnover in personal property; but over the past few years, a lot of it is due to Columbia Gas.

Alex Vispoli: From a communications perspective, it is important to illustrate what happens if we don't do anything, and how it really eats into the operating budget significantly when you go out a few years.

The Board thanked the Town Manager for his presentation.

IV. **Adjourn**

Alex Vispoli moved to adjourn from the Meeting of January 13th at 7:52 PM. The motion was seconded by Dan Koh. Roll call: D. Koh-Y, A. Vispoli-Y, L. Gregory-Y, A. Gilbert-Y. Motion passes 4-0.

Respectfully submitted,

Dee DeLorenzo
Recording Secretary