



Minutes of Town of Andover
Council on Aging Board Advisory Board
Virtual Meeting via Webex Link
January 14, 2021 at 8:30 am

The Council on Aging Advisory Board met in regular session on Thursday, January 14, 2021 via Webex. Chair Paul MacKay called the meeting to order at 8:31 am and roll call was taken.

PRESENT: Molly Bicking, Joan Fox, Tana Goldberg, Louise Hadad, Jeff Kaplan, Paul MacKay, Thomas Rando, Kimberly Rainen, Judy Trerotola, Edward Plowey

ABSENT: Fran Walker McGuiness

STAFF: Jane Burns, Ashley English, Andrew Flanagan, Jemma Lambert, Patrick Lawlor, Kelly MacKay, Christine Marshall

GUESTS: Paula Colby-Clements, Steve Fink, Jane Gifun

CORRESPONDENCE: None

LIAISON REPORTS:

Tom Rando reported on the Community Choice Aggregate, and everyone will be signed up unless they opt out. Four choices will be available, all of which have renewable energy and will save the homeowner money.

Paul updated on status of Capital Campaign for the renovation, and was thrilled to report that they hit the \$450,000 mark against the \$500,000 goal. Paul is optimistic that they will reach the \$500,000 goal.

CITIZENS INPUT:

Steve Fink spoke to the importance of three Town projects; the senior center renovation, the West Elementary School replacement, and remediation of the pension liabilities.

RECOMMENDED INTEGRATED FINANCING PLAN FOR MAJOR OBLIGATIONS – ANDREW FLANAGAN

Andrew Flanagan thanked the board for having him here today and presented his recommended financing plan for major obligations. Andrew discussed four major obligations, pension liability, two school projects at West Elementary school and Shawsheen preschool, and OPEB. The pension liability needs to be funded by 2040. The Town of Andover does not have control as it is dictated by Mass. General Law. The pension liability is \$165-\$185M, an 8% increase each year. The town's revenue growth will not keep up with that growth.

West Elementary and Shawsheen have preschool replacement have been accepted by the Massachusetts School Building Authority, MSBA. These projects were accepted at the first application. MSBA reimburses



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at 40% with a maximum of \$333 per square foot, and the town's share will be \$114M. Andrew asked Paula Colby-Clements for an overview of where we are. Paula thanked Andrew, and discussed the background of these two schools. West Elementary was built in 1951 and an addition in 1968. The design is inefficient and circulation is inefficient as it is a very old building. Shawsheen was built in 1923 for grades one through seven. It now holds the Pre-K population. There is a state law that children with severe disabilities start their education at the age of 3. We were accepted into the MSBA, and MSBA allowed us to include the preschool because we are attaching it to the elementary school. We are in the schematic design phase. Paul asked if anyone had questions for Paula. Steve Fink has been in detailed discussions that Paula was describing and she and her team are doing a great job. Tom Rando asked where the children would be during construction. Paula explained that the new building will be built behind the existing building. Children will stay in the building and playgrounds.

Andrew explained a flow chart of how we build our budget. In Andover 75% of revenue is property taxes, then we add in state aid and local receipts, and then we know our available revenue. The first thing we fund is our major obligations (pension, OPEB, capital), whatever is left is used to build operating budgets. The plan is based on raising revenue through property tax, funding these major obligations, and not funneling any money raised to operating budgets. This plan preserves services and does not add services.

Andrew also discussed developing the tax levy, taking last year total, increasing it by 2.5%, adding new growth, and existing exempt debt. He explained operating overrides and debt exclusions. This proposal includes two debt exclusions to pay pension debt and school building construction debt. Andrew explained why we should consider an integrated plan. This plan reduces annual pension costs and associated tax impacts of pension costs by approximately 30-40%; this plan maintains service levels; it frees up exempt capacity for other major projects; fully fund pension and OPEB; and complete construction of West Elementary and Shawsheen.

Andrew discussed in technical detail the proposed \$290M debt exclusion to fully fund unfunded pension liability and the two school building projects. He explained the Pension Obligation Bond for \$175M for 17 years and \$115M for 30 years for the school building project. He also explained the \$10M General Fund Mitigating Factor to offset tax impacts of the debt exclusion.

Andrew compared the options in four scenarios:

- Scenario A – integrated financing plan with pension obligation bonds – annual tax impact of \$810 in years 1-17 – 30 year tax impact of \$13,770
- Scenario B – pension operating override and West Elementary and Shawsheen debt exclusion – annual tax impact \$1,450 – 30 year tax impact of \$43,500. The operating override does not go away and stays in the levy.



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- Scenario C – pension operating override only; no school construction – 17 year tax impact of \$17,476
- Scenario D – West Elementary and Shawsheen only – 30 year tax impact \$13,500

Andrew presented a chart of pension funding and override history of AAA bond rating communities. Andover is 48% pension funded with zero overrides, and the average tax bill is \$10,223. Some of these communities aggressively funded pension costs and passed operating overrides to fund services. We cannot fund pension within the levy and maintain services. We only have 17 years to fund the pension system.

Andrew presented a bar graph comparing Existing Unfunded Pension and Pension Obligation Bonds and Pension Obligation Bonds and West Elementary and Shawsheen construction costs. The general fund breaking point is FY2023 when pension costs exceed the levy. In the Integrated plan, year FY2032 you will be paying less for pensions and school than you would just pensions.

Andrew discussed a chart that compared the existing funded pension to the integrated plan, as follows:

- FY22 – 7.97% of the average single family tax bill goes toward pension
- FY23-40 – In order to make the 2040 target, 17.02% would be needed to fully fund pension
- FY23-40 – under the integrated plan, 15.06% would be needed to fund both school projects and pension

Andrew presented more slides showing the Integrated Plan, and discussed that other schools may need improvements after FY2040. We would have Exempt Capacity to handle other projects if we go about funding pensions and West Elementary and Shawsheen using this Integrated Plan. Andrew asked if members had any questions up to this point. There being none, he continued with the risks of borrowing and the return on our assets does not exceed the borrowing rate. The major risk is the legislature extends the 2040 deadline to 2050 and we are locked into this debt schedule until 2040; we could refinance if this did happen. Our long term rate of return is approximately 6.25% and the current bond market expectation is 1.52%. We would be borrowing for 17 years.

Andrew discussed the next steps:

- At September 2020 Town Meeting approved special legislation to allow the town to issue pension obligation bonds has been signed by Governor Baker.
- Town Meeting 2/3 approval - Borrowing authorizations for both West Elementary and Shawsheen building project and Pension Obligation Bonds will require Town Meeting approval.
- Go to ballot about 1-2 weeks after Town Meeting - Both West Elementary and Shawsheen building project and Pension Obligation Bonds will require debt exclusion votes.



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Andrew discussed the date of Town Meeting on May 3, 2021 under normal circumstances. Andrew will propose options to the Select Board next week to potentially push out Town Meeting to June with the thought that more people will be vaccinated and if Town Meeting will be outside it will be better weather.

Andrew looked ahead to FY2023 with comparable communities. We are currently number 9 with the average tax bill at \$10,629 and we will remain at number 9 with the average tax bill at \$12,125. We will have a fully funded pension plan, preserve all services, and built the biggest building project in 60 years. Andrew's message is sincere that this is in an effort to reduce the impact to the taxpayers.

Paul opened the meeting to questions from board. Tana asked about the impact of the average taxpayer at an increase of \$810 and would there be normal increases to the Town's operating budget added to this. Andrew explained that if it all hit at once, the increase would be less than 10%. Andrew added that if we do nothing, it would be 16% under the existing schedule, and we have no choice but to fund pension.

Paul's question or concern is with the change in administration in federal government increased rate of inflation. Will this plan suffer with an increased rate of inflation? Andrew explained that there is some room for borrowing costs to go up and this plan to still make sense. Paul's point to get this done faster seems the most appropriate thing to do. Andrew would be going to town meeting in March if it weren't for Covid. Paul also asked about the operating override budget in one of the scenarios and that it stays forever. The Town could address that with an override and it could be undone. Andrew mentioned that it has never been done in a AAA community, but it could certainly happen.

Steve Fink thanked Andrew for the excellent presentation, and supports what Paul just said regarding timing. It's clear that the cost of not doing this is far greater than doing it, and that time is of the essence. Steve's question is why are these together. Andrew explained that there will be one article at Town Meeting with two sub articles requiring two votes. Andrew explained that they are presented together because having pension obligation bonds in year 17 opens up funds within the operating budget so we do not have a debt exclusion for the school. Doing them separate will cost the average taxpayer \$5-7,000 more.

Paul added that since there is no option to not pay pension, the other option would be to reduce services, and Paul asked what the impact to services would be. Andrew explained that it would be incremental, and within 5-7 years, reductions in staffing would be 25-33% across the board. In communities where that has happened, assessed values go down. Town has made decision to fully fund services and not pension and



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now we are in a situation where we have to catch up. When compared to Lexington, the same taxpayer is paying \$16,000 in Lexington. Lexington decided way back to pay more and more for this.

Steve Fink asked if there is another community who has done it this way. Andrew reported that no one has done it this way. Not many communities are in our position where they are AAA rated and under 50% pension funded. When Andrew talks to the rating agency and department of revenue, they have confidence that we are trending in the right direction with the plan.

Tom asked how the money comes to us - is it one lump sum and can it be invested? Andrew answered that it can come in one lump sum or in 3 or 4 issuances, it all will be invested. He will form an Investment Committee.

PROGRAMMING COMMITTEE

- ROBB CENTER SURVEY REPORT – Jane suggested that we postpone Kelly's survey report until the February meeting.

COA ADVISORY BOARD SPONSORED 2021 WARRANT ARTICLES

- SCRPT BANK
We have looked at the SCRPT program, but have a stumbling block. Many SCRPT workers continue beyond their hours, and we wanted to take those extra hours and move them to those who were unable to complete hours due to illness or caring for spouse. We have lost multiple jobs due to Covid. In the past few weeks we met with the Finance Director and Assistant Town Manager. The stumbling block is a potential IRS issue and the legality of assigning the hours to someone who has not done the work. The same is true with the Proxy regulation. We are in a stalled position and are not prepared to go to Town Meeting this spring. We are not dropping this and Jane has reached out to the MCOA. There are a number of communities who have adopted it, but we are not certain of the legality of it at this time.
- MEANS TESTED PROPERTY TAX EXEMPTION
This article has been added to the warrant. We are going back to state legislature to see if we can have it managed here in Andover instead of going back to state every 3 years. Concord has a home rule management and we would go to town meeting instead. Jane is reaching out to Concord for their language.

NEW BUSINESS: Paul reported that during this process of research, they came across something that could be beneficial. Town has a fund into which people can donate through their taxes. It is called the Elderly and Disabled Taxation Fund and it has been in place since the year 2000. There has never been a



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committee in place to oversee the fund and potentially distribute funds. The fund has \$25,000 in it. Jemma has initiated the creation of a committee to oversee this fund. Jemma has asked that we have a member of the COA sit on this committee. Kim and Tom are interested on sitting on this committee. Jemma explained how this came up while looking at the proxy. It is the perfect way for those who cannot participate in the senior tax work off program. It requires representatives from the Town Treasurer and Assessor and three community members. There is an application that should be reviewed by the committee since it is 21 years old. It is a wonderful tool to have in our tool kit. Jemma is delighted that this is available for those in need. We will do some PR and boost the fund. Jemma will report back through Jane, we will advertise, and meet when we receive requests.

Paul explained that we will continue to pursue the proxy and SCRPT bank.

ELDER SERVICES DIRECTOR'S REPORT: Jane presented the Director's Report for December.

- Meals on Wheels – continues delivering meals. Additional meals going out on a shortened shift.
- Programming – strong despite the pandemic; hybrid model; live and zoom; fully remote for few weeks. Kelly continues to go gang busters with programming.
- Senior Connections – continue to struggle with participation; optimistic once we are at the Robb Center participation will regenerate.
- Transportation – continue with medical transportation, folks are slow to get on bus.
- SCRPT Program – 14 SCRPT workers have completed their hours; fund will help those unable to complete hours. Ashley continues to look for jobs.
- Construction – the big news is we got the grant for fitness center; purchasing the equipment, moving forward with Merrimack College to staff room; patio is complete; looking at late April opening

Paul postponed the approval of the December meeting minutes until the February meeting.

NEXT MEETING: February 11, 2021 at 8:30 am

ADJOURNMENT

ADJOURN: Kim made a motion to adjourn at 10:03 am; Judy seconded the motion; roll call was taken; motion carried unanimously.

Meeting was adjourned at 10:03 am

Respectfully submitted,
Christine M. Marshall, Office Assistant