Call to Order

Chair Moffitt called the meeting to order at 7:02 p.m. in the Select Board Conference Room. Present were: Chair Eugenie (Janie) Moffitt, Linn Anderson, Paul Russo, Andrew Betts, John Barry, Mary Ellen Logee, Bojay Taylor, Paul Monticciolo and Spiro Christopulos. Also present was Donna Walsh, Finance Director and the Town Manager. The meeting was videotaped and live cablecast.

Department of Public Works CIP – Mr. Cronin
Mr. Christopulos and Ms. Anderson prepared questions for Mr. Cronin (see attached) and his responses were as follows:

**DPW1 – Major Annual Road Maintenance - $1,364,279**
There are approximately 193 miles of town roadways (excluding state), and of those, approximately 5 miles of roadways are repaired annually using Chapter 90 State Aid Highway Funds. A set formula by the state determines accepted roads. Estimated life of roads is 20 years depending on subsoils and traffic. Due to the Columbia gas settlement funds and chapter 90 monies, approximately $4M and 10 miles of paving will be accomplished along with water main replacement projects. Mr. Cronin added that claims for damages to car is seasonal and further cost information will be provided to the committee.

**DPW6 – Storm Water Management - $0 (FY22 Request)**
In terms of compliance with the EPA, Mr. Cronin stated that there was no risk of being out of compliance as diligence is given in this area. He further stated that all towns are monitoring this situation.

**DPW7 – DPW Vehicles - $120,000; $580,000**
Mr. Christopulos suggested that the level of detail is not needed as the numbers are “spot-on” each year and a summary will suffice. Mr. Taylor noted he found the detail helpful.

**DPW8 - Minor Storm Drainage Improvements - $300,000**
Mr. Cronin stated the DEP mandates storm water improvement. To that end proactive measures are taken with the replacement of catch basins every other year.

**DPW19 – Stormwater Infrastructure Condition Assessment Program - $0**
Mr. Cronin stated this is a four-year project to assess the condition of stormwater infrastructure and intervention is not necessarily required every year.

Recycling
Mr. Cronin said the biggest challenge going forward is the critical problem of recycling as a result of China’s rejection of our recycled products. He added that Ms. Geraughty is staying on top of the problem and is regularly in touch with the DEP for possible solutions to the crisis. Solid costs are $80/ton and recycling $100/ton. Increases are expected in the three-year trash contract. He praised residents for their cooperation, and no banning of products (paper, plastic etc.) is expected at this time.
Water
Mr. Cronin stated that the $6M requested is for water main replacement. Hydrant replacement has largely been accomplished and water flushing is in its third year.

School CIP – SCH 5 – Major School Project -Air Conditioning Project
Dr. Berman and Ms. Nicosia
Ms. Nicosia distributed copies of the amended SCH1, 2 and 5 (see attached.)

Dr. Berman discussed the changes:
   a) South School air conditioning has been postponed at this time to 2024.
   b) China tariffs and highly competitive markets are dictating high costs.
   c) Estimate for Sanborn $2.1M includes replacement of boiler system as well as HVAC.

Ms. Nicosia reviewed the history of the Sanborn heating system. A feasibility study of South, Sanborn and West Middle was completed and revealed that each system is quite different. Discussion ensued including the following highlights:
   a) Sanborn is last steam system in the town. Hydronic boilers with VRF system would be used to replace steam system (80% efficient as opposed to 96-97% of new system).
   b) Energy code requires a recovery of heat and old duct work does not comply.
   c) Economy of scale to replacement of boilers and adding AC.
   d) Annual cost of maintenance in addition to installation costs.
   e) Less feasible option of retrofitted duct work in place for later installation of AC.
   f) Phased in approach vs. full installation of heat and AC.
   g) Price estimate based on feasibility study (see attached.)
   h) Energy savings realized from replacement of steam system.

Dr. Berman addressed Ms. Moffitt’s question of the necessity of AC in elementary schools including the following responses (see attached schedule of summer use):
   a) South and Sanborn schools will continue to function for another 20-30 years.
   b) Climate increasingly warmer and longer school calendar days in June (due to snow days) and September (due to early pre-Labor day start.)
   c) Negative impact on learning.
   d) Negative impact on teacher hiring (in competition with districts with AC.)
   e) Summer months used for student programs (600 special ed required to serve) as well as 12+ professional development workshops.
   f) Phased-in use of schools to comply with simultaneous cleaning/renovation projects.

Ms. Nicosia also addressed the need to develop a five-year plan to better track large projects. Ms. Nicosia will provide this management list (approx.. $35-40M) to the committee. This will be helpful to the committee in identifying and allocating certain monies for these projections.

Mr. Monticciolo also raised the issue of repurposing unused monies for similar future projects. Ms. Nicosia said remaining capital monies are used for future unbudgeted needs.
Pension Obligation Bonds Presentation – Hilltop Securities - Mr. Fraser and Ms. Jeffers
Ms. Walsh introduced Mr. Fraser who presented the attached powerpoint summary on the process of the issue of pension obligation bonds (see attached). Discussion ensued including the following highlights:

a) Historically low interest rate environment that is driving market for pension bonds.
b) Asset growth has not kept pace with expenses.
c) Rates of return factors in active and retired employees.
d) Option of Andover extending its fully funded goal from 2035 to 2040.
e) Bonds cannot be retired prior to their call date, i.e. 10 years.
f) Possibility of state extending fully funded requirement beyond 2040 if needed.
g) Option of partial bond issue rather than full and related risk of volatility of interest rates.
h) Unfunded obligation fully funded and fixed payment mirrors old schedule.
i) Strong market for AAA+ municipalities.
j) Pension bonds are taxable as opposed to other municipal bonds which are tax-exempt.
k) Positive influence on town credit rating and subsequent future savings.
l) Review of skills of performance managers and credit ratings view of management taking that action.
m) The Retirement Board would have sole responsibility for investing the bond proceeds.
n) New bond debt is factored into debt ratios by rating agencies.
o) Possible relief from state in extraordinary circumstance but not from fixed bond payments.
p) The town’s continued appropriation of monies to offset the unfunded liability.
q) Reforms in pension eligibility as part of the “global mosaic” of addressing unfunded liability.
r) RFP for underwriters for sale of bonds on town’s behalf.
s) More difficult for towns rather than cities because a town meeting vote is required to petition the legislature. It will be necessary to educate residents on the need for this process.
t) Large and liquid market for taxable municipal bonds.

Vote to Approve Submission of Article in the Warrant for ATM, 2020
The Town Manager advised the committee that a non-binding home rule petition would need to be filed with the state for approval at a later town meeting. This gives the town flexibility in the future to pursue this action if voted.

Following discussion and upon motion duly made by Mr. Russo and seconded by Mr. Barry, it was unanimously voted to authorize the Town Manager to submit an article in the warrant to file for a home rule petition as above described. Motion passed 9-0.

Ms. Moffitt said the working committee had a productive first meeting and will meet again.

Finance Committee Report - ATM
Ms. Anderson reviewed the progress of the report and letter. It was the consensus of the committee that the looming crisis of unfunded liability be emphasized and a more aggressive stance be taken so that the message is heard. Doing “nothing” and “kicking the can down the road” is not an option.
It is time to make a stand on this problem and get the message across that a significant change is needed, illustrated by updated financial modelling. Mr. Monticciolo asked that the committee email him and Ms. Anderson with suggestions of ideas to incorporate in the report. Discussion ensued.

Next Meetings
February 12 – IT
February 26 – Fire Chief
March 9 – Saturday Department Heads Budget Meeting
Schedule meetings every Monday and Wednesday in March and cancel if not needed

Approval of Minutes – January 8, 2020
Upon motion duly made by Mr. Christopulos and seconded by Ms. Anderson, it was voted to approve the above minutes. Motion passed 8-0-1 with Mr. Russo and Mr. Monticciolo abstaining.

Adjournment
Upon motion duly made by Mr. Russo and seconded by Mr. Barry, it was unanimously voted to adjourn. Motion passed 9-0. Meeting adjourned at 9:48PM.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachments:
Minutes of January 8, 2020 Meeting
DPW List of Questions
Amended School CIP Requests
Summer School Schedule by Class and Building