

# Tri-Board Select Board - Finance Committee - School Committee



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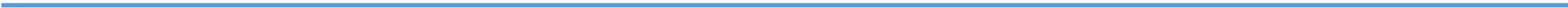
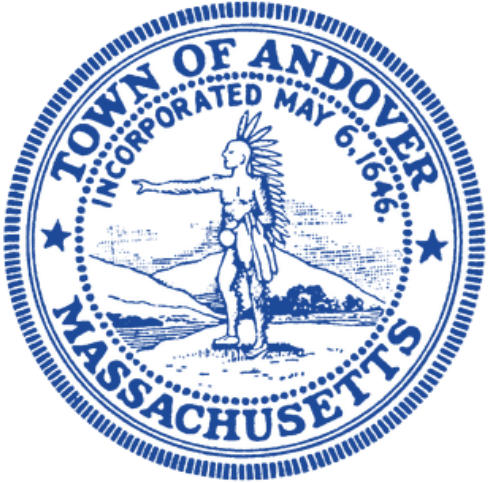
**December 8, 2021**

# Tri-Board Agenda

- Pension Obligation Bond Update
- FY2023 Preliminary Budget Assumptions
- Pension Obligation Bonds & the Tax Levy
- Overview of Recommended Capital Improvement Program
- Overview of American Rescue Plan Act (ARPA) Funding Framework



# Pension Obligation Bond Update

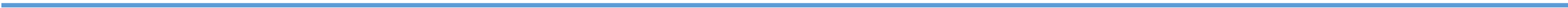
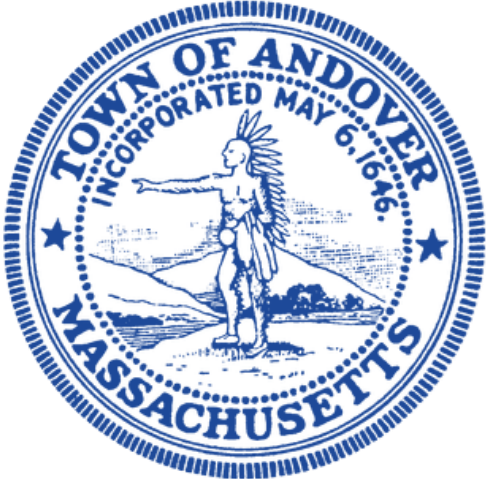


# Pension Obligation Bonds

- The town's POB issuance went live on the market on December 7, 2021 and resulted in \$873M in offers/bids for the \$165M
- This afternoon, the town locked in an interest rate of 2.367%
- Based on this interest rate, we estimate the savings between the cost of the POB debt service and the annual payments required by the PERAC approved funding schedule to be \$142M



# FY2023 Preliminary Budget Assumptions



# FY2023 Revenue Assumptions

*Does not include Exempt Debt for Pension Obligation Bonds*

Revenue Source	FY2023 Projection	Difference over FY2022	Assumption
Prior Year Levy Limit	162,900,814	+5,857,505 3.73%	Prior Year Levy Limit
2.5% Increase	4,072,520	+146,438 3.73%	Prior Year Levy Limit plus 2.5%
New Growth	1,931,422	- -	FY2019 Ten Year Average
Unused Excess Levy Capacity	(300,000)	816,977 (73.14%)	Select Board Policy to tax to the levy limit less \$300,000
Exempt Debt Service	2,678,258	(322,316) (10.74%)	Exempt Debt Schedule
State Aid	14,513,549	276,019 1.94%	Level funding for Ch. 70 2% increase for UGGA
Local Receipts	11,634,229	235,641 2.07%	Trend analysis on individual accounts



# FY23 Expense Summary

- School Department – \$96,065,706 - budget increase of 3.75%
- Town Departments – \$45,922,39 - budget increase of 2.75% (net of 0.55% unfunded liability offset)
- Capital Projects Fund – \$2,756,500 – decrease of 8.42%
- Water & Sewer – \$14,738,533 – increase of 2.2%
- Offset Expenditures – \$2,091,510 – increase of 10.6%



# FY23 Expense Summary – Expected Changes to Assumptions

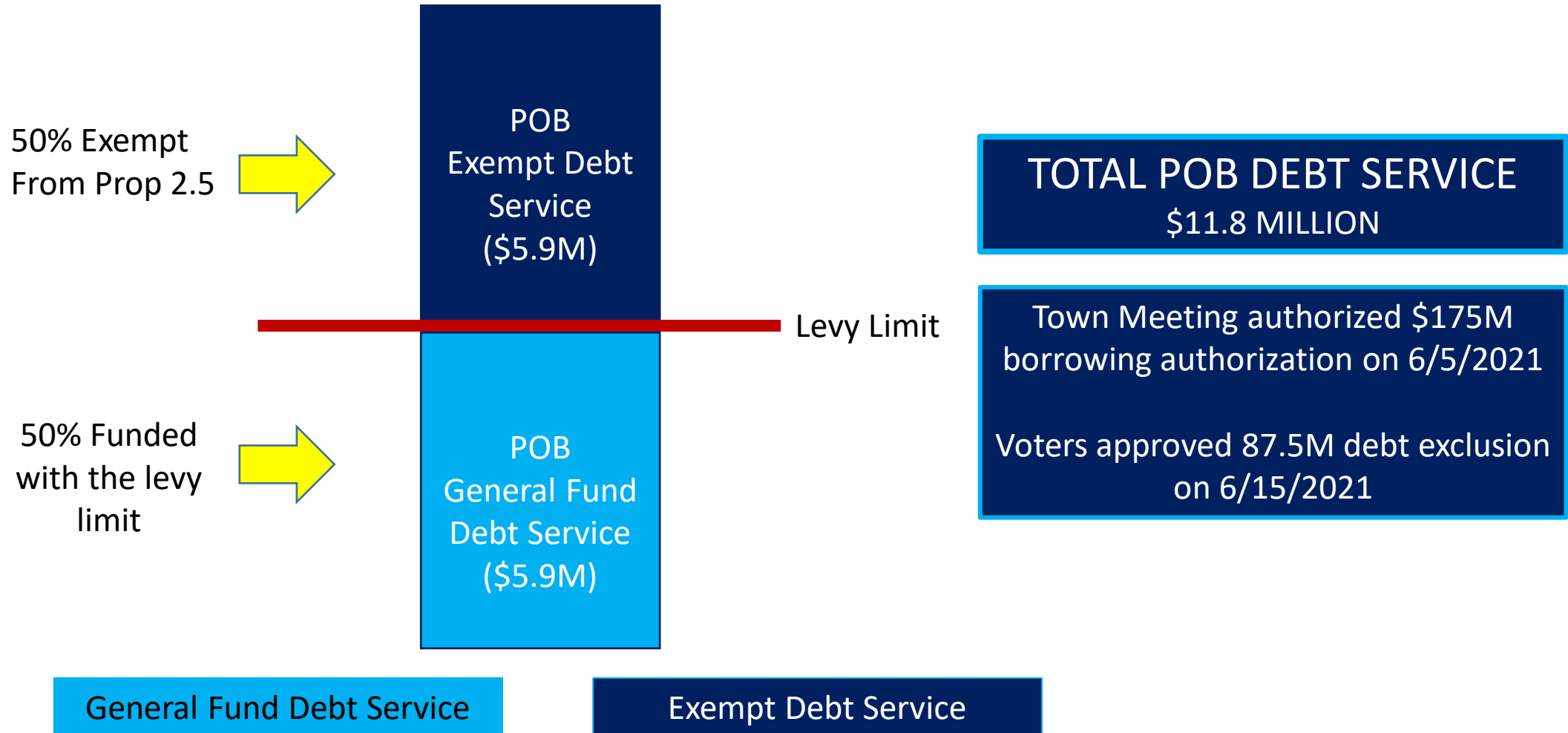
<b>Expense</b>	<b>Anticipated Change</b>	<b>Duration of Change</b>
<b>Health Insurance</b>	Potential for no increase in FY 2023	1 Year
<b>Pension</b>	Major shift from funding schedule to POB debt service	1 Year
<b>Exempt Debt Service</b>	Significant Increase in FY 2023 from POB Debt and initial WESE borrowing	2-3 Year



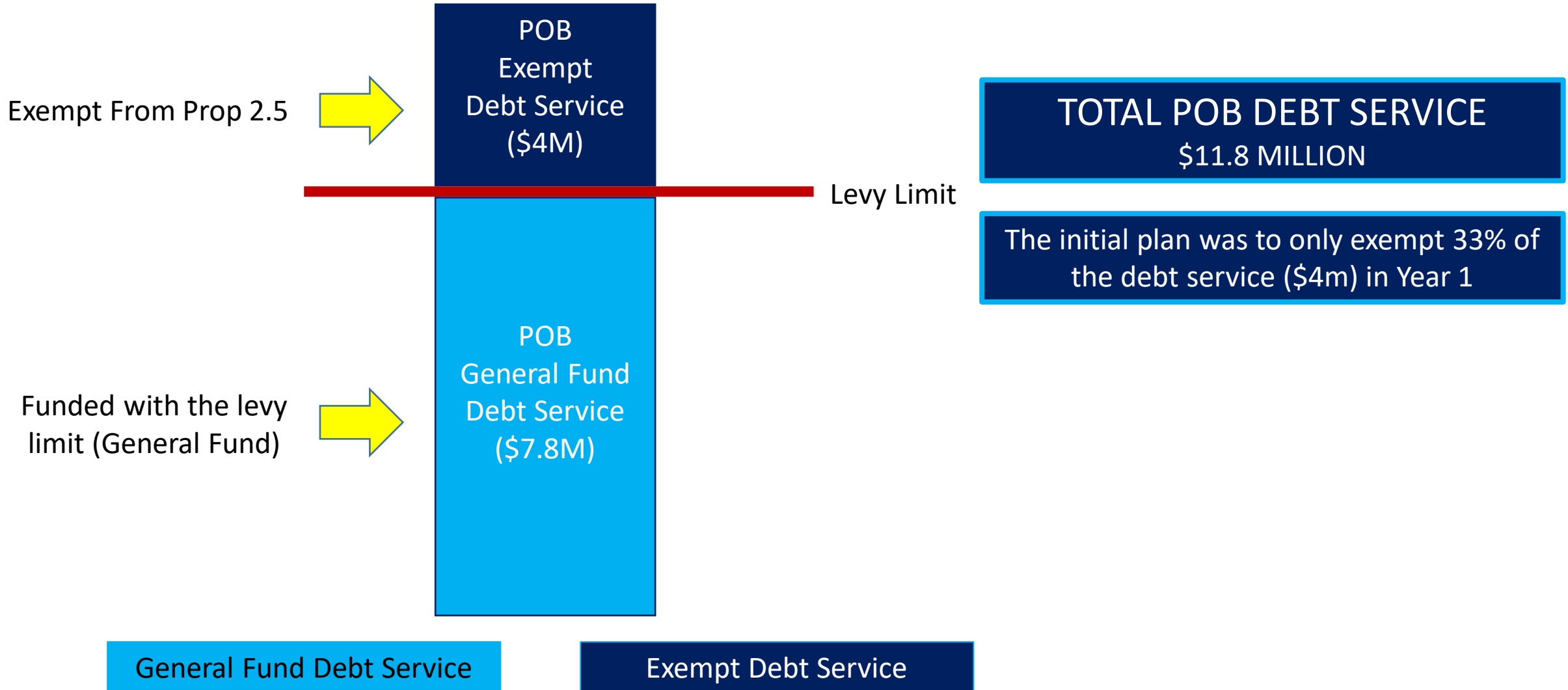
# Pension Obligation Bonds & the Tax Levy



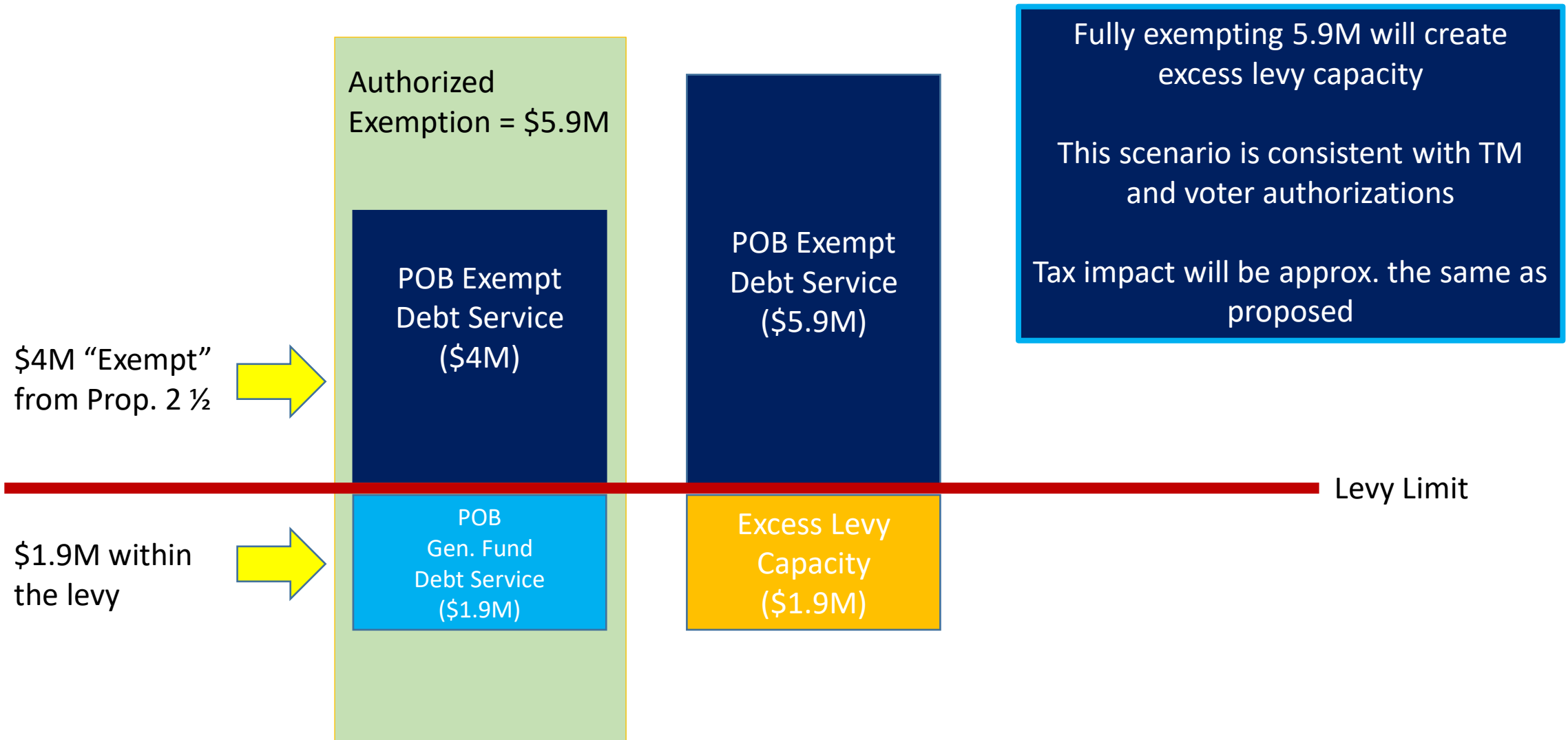
# The POB Authorization



# The Initial Plan



# FY 2023 Budget Plan



# FY 2023 Budget – POBs and the Tax Levy

<b>Revenues</b>	<b>Initial Plan</b>	<b>FY 2023 Budget</b>
<b>Exempt</b>	\$4,000,000	\$5,900,000
<b>General Fund Contribution</b>	\$7,800,000	\$7,800,000
<b>Total Available Funds</b>	<b>\$11,800,000</b>	<b>\$13,700,000</b>
<i>Less Projected Debt Service</i>	<i>\$11,800,000</i>	<i>\$11,800,000</i>
<b><i>Variance from Levy (Excess Levy Capacity)</i></b>	<b><i>\$0</i></b>	<b><i>\$1,900,000</i></b>

# Town Manager's Recommended Capital Improvement Program



# Establishing a Target

$$\begin{array}{c} \text{Prior Non-} \\ \text{Exempt Debt} \\ \text{Service} \\ + \\ \text{New Non-} \\ \text{Exempt Debt} \\ \text{Service} \\ + \\ \text{General Fund} \\ \text{Revenue} \\ = \\ \text{Total Non-} \\ \text{Exempt Plan} \end{array}$$

- Non-exempt target has been set at 5.72% of revenue
  - *The FY 2023 CIP is slightly less than target at 5.49% of revenue*



# Capital Improvement Program

Funding Source	Total
General Fund Revenue	2,756,500
General Fund Borrowing	5,250,000
Use of Free Cash	1,870,340
Special Dedicated Funds	1,364,279
Water and Sewer Enterprise Funds	6,560,000
<b>Total</b>	<b>17,801,119</b>



# Capital Improvement Program

Requests for the FY2023 Capital Improvement Program totaled **\$29,335,511**

In evaluating requests to determine which projects will be funded within the annual target for capital spending, projects may not be recommended for funding based on the following considerations:

- Further study or analysis is needed before funding
- Existing appropriations are available to fund a portion or the project in whole
- Grant funds or other special revenue may be available to fund the project
- Project capacity and resource bandwidth considerations
- Project is not aligned with goals and objectives with the Select Board/Town Manager



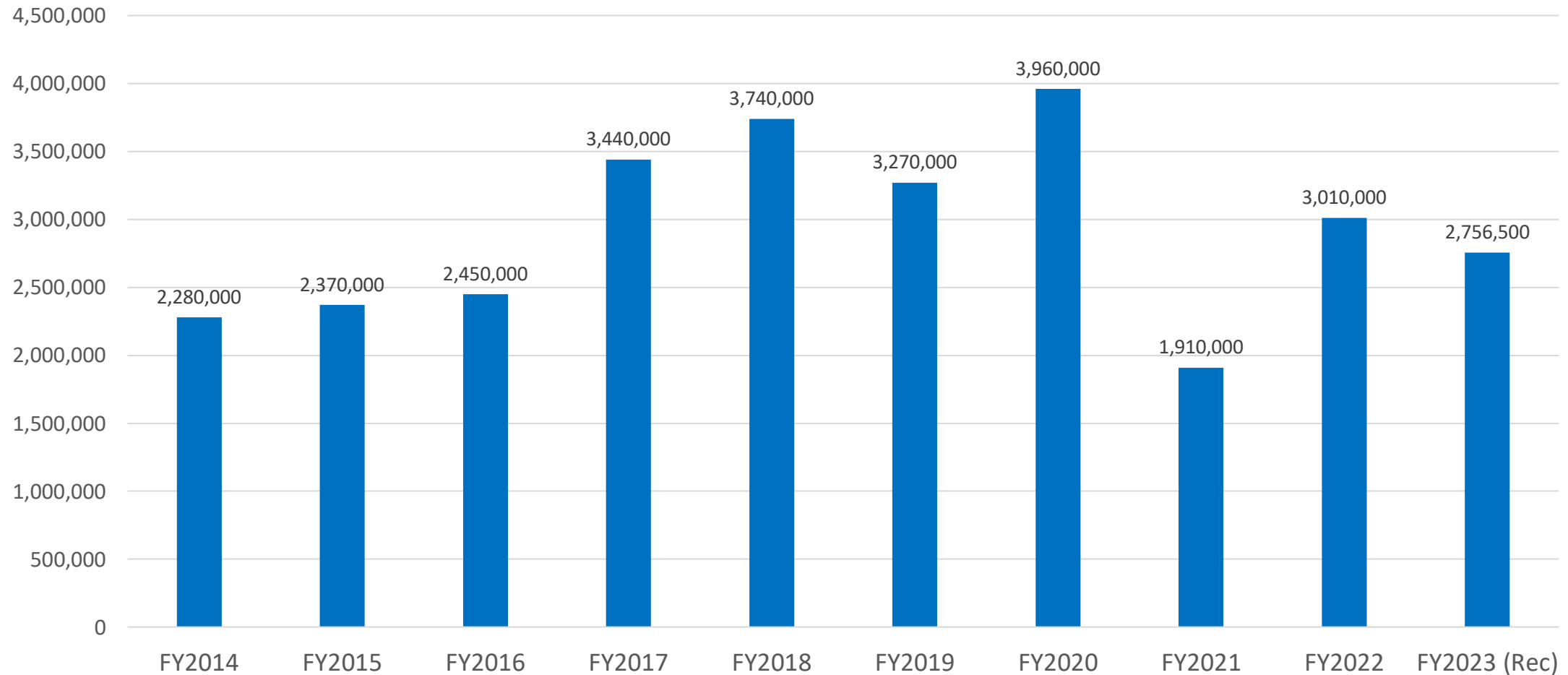
# General Fund Revenue Projects

<b>Total</b>
<b>\$2,756,500</b>

Project #	Description	Amount
TM-1	Participatory Capital Budgeting	\$30,000
CDP-7	Conservation Land Management	\$15,000
CDP-8	Review of Andover Wetlands Protection By-Law	\$20,000
SUS-1	Climate and Sustainability Action Plan	\$40,000
FIN-1	MUNIS Financial Software Improvements	\$15,000
FIN-2	Patriot Assessing Software Upgrade	\$30,000
DPW-7a	Public Works Vehicles - Small	\$150,000
DPW-28	Spring Grove Cemetery Improvements	\$20,000
FAC-1	Town Projects - Buildings	\$445,000
FAC-2	Town Projects – Mech. & Electrical	\$345,000
FAC-3	Town & School Security Projects	\$100,000
FAC-4	Town Vehicle Replacement	\$65,000
FAC-5	Town Park and Playground Improvements	\$120,000
FAC-7	Town & School Energy Initiatives	\$90,000
SCH-1	School Projects – All Schools	\$870,000
SCH-2	School Projects – By Building	\$401,500



# General Fund Revenue – Appropriation History



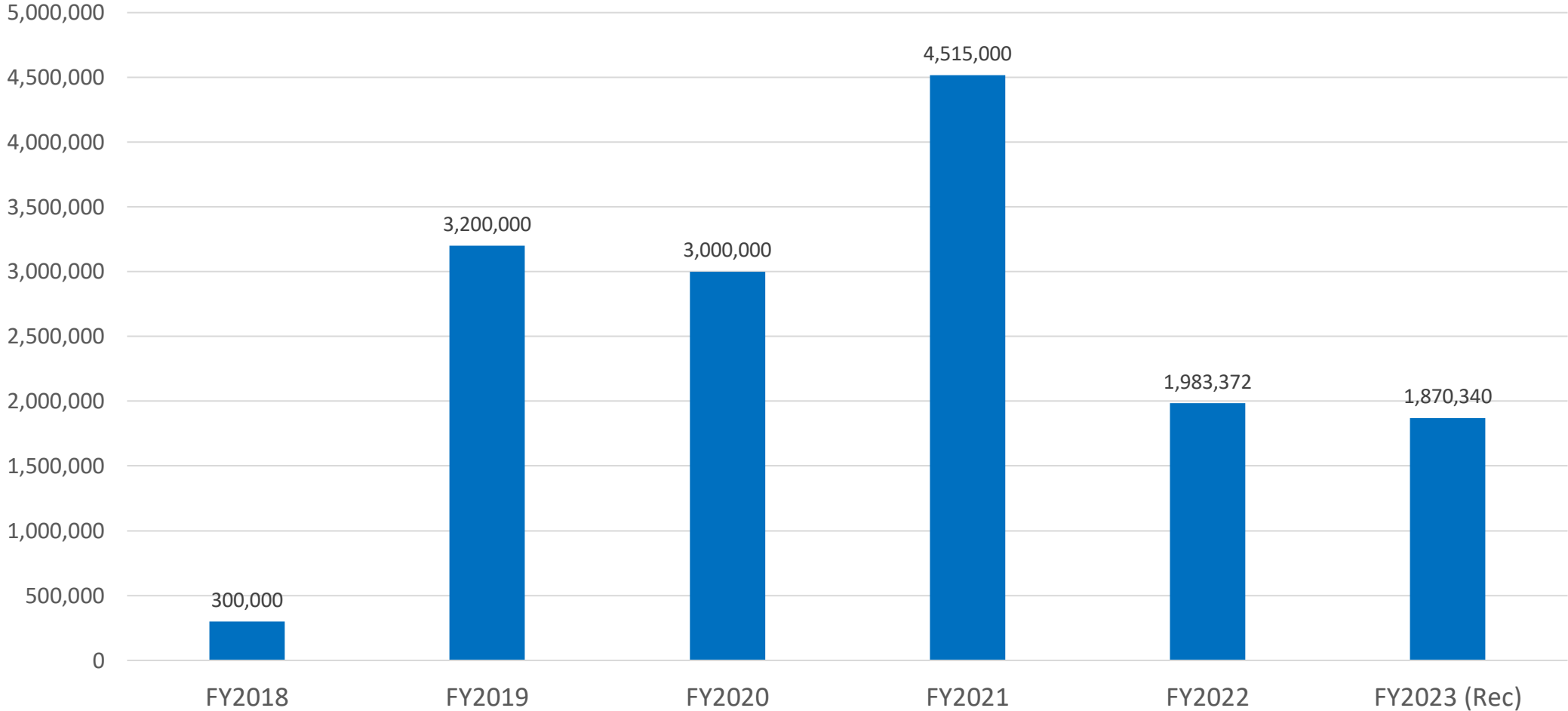
# Free Cash

Total
\$1,870,340

Project #	Description	Amount
FR-1	Fire Apparatus Replacement	\$145,000
IT-1	Annual Staff Device Refresh	\$379,363
IT-2	Annual Student Device Refresh	\$436,477
IT-3	IT Platforms and Infrastructure	\$454,500
POL-1	Police Vehicle Replacement	\$205,000
DPW-2	Minor Sidewalk Repairs	\$250,000



# Free Cash– Appropriation History



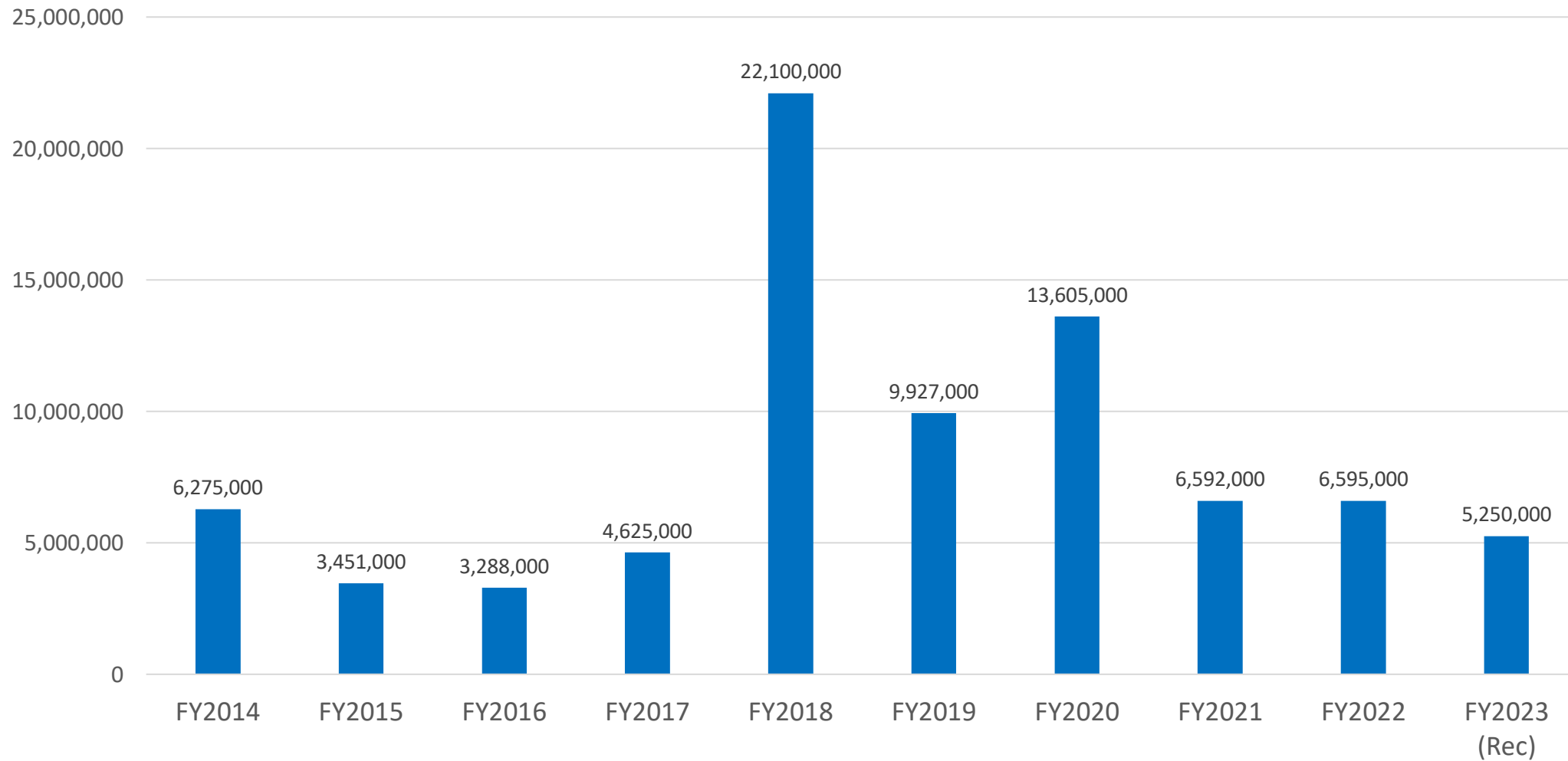
# General Fund Borrowing

Total
\$5,250,000

Project #	Description	Amount
FR-2	Multi-Band Portable Radios	\$200,000
DPW-4	Town Sidewalk Program	\$850,000
DPW-7b	Public Works Vehicles – Large	\$400,000
FAC-5	Town Parks & Playground Improvements	\$550,000
FAC-6	Major Town Projects	\$1,600,000
SCH-5	Major School Projects	\$1,650,000



# General Fund Borrowing – Appropriation History



# Special Dedicated Funds

Project #	Description	Amount
DPW-1	Annual Road Maintenance	\$1,364,276

Total
\$1,364,276



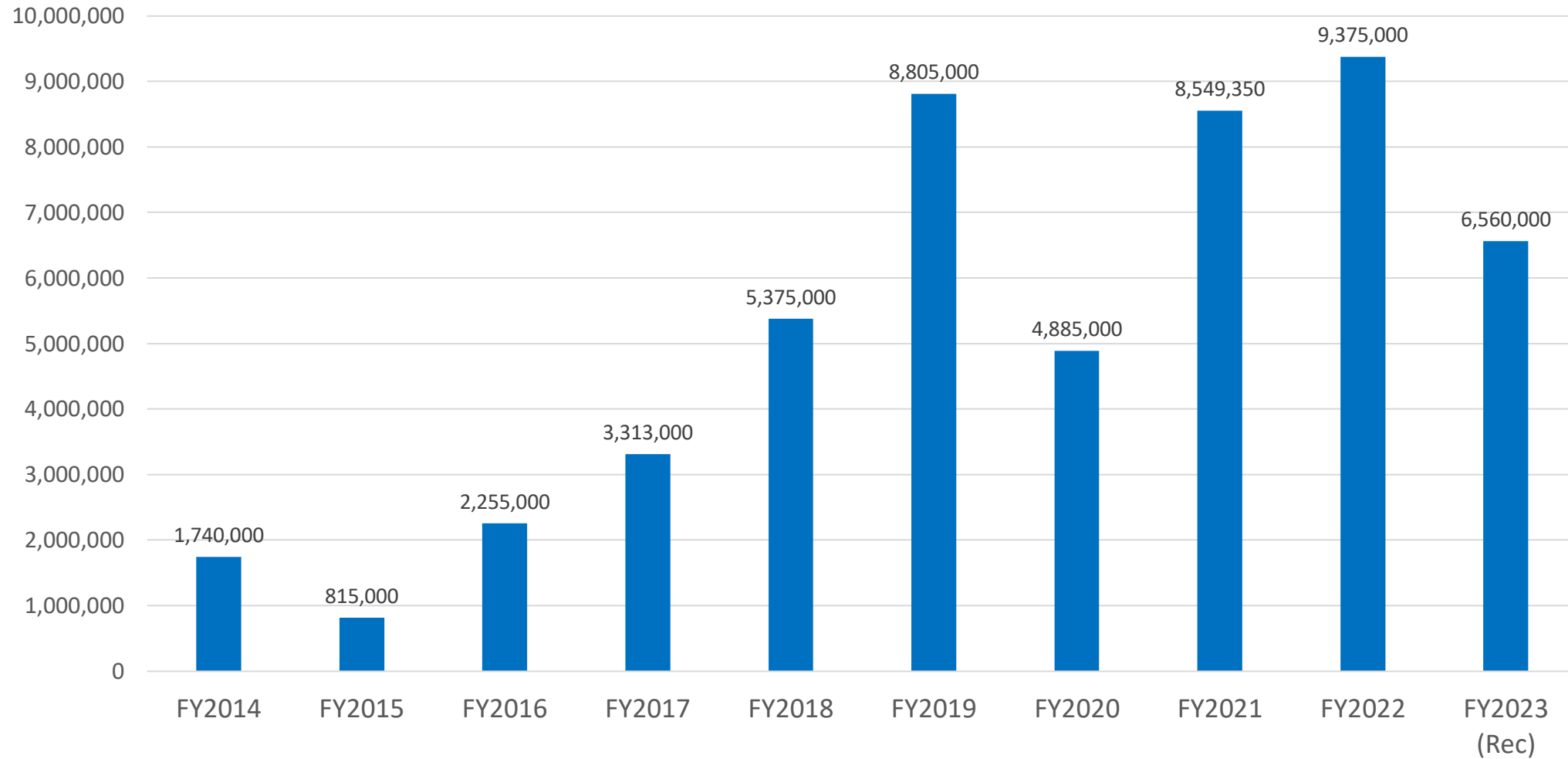
# Water and Sewer Enterprise Funds

Total
\$6,560,000

Project #	Description	Amount
DPW-12	Water & Sewer Vehicles (WER)	\$350,000
DPW-14	Water Main Replacement Projects (WEB)	\$6,000,000
DPW-34	Dale Street Pumping Station (SEB)	\$210,000



# Water & Sewer– Appropriation History



# ARPA Funding Framework

