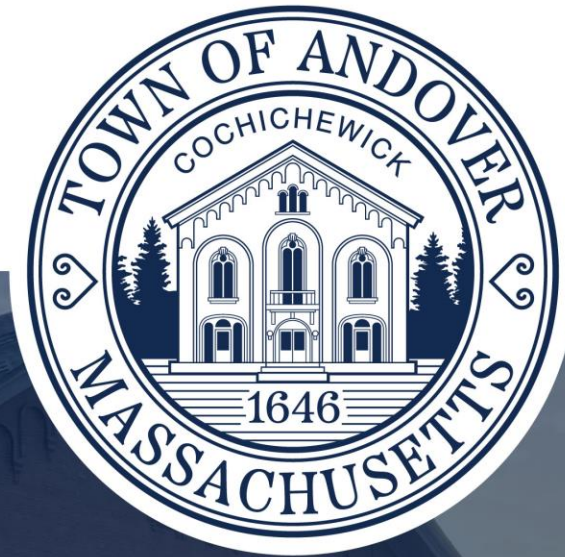


Capital Improvement Program



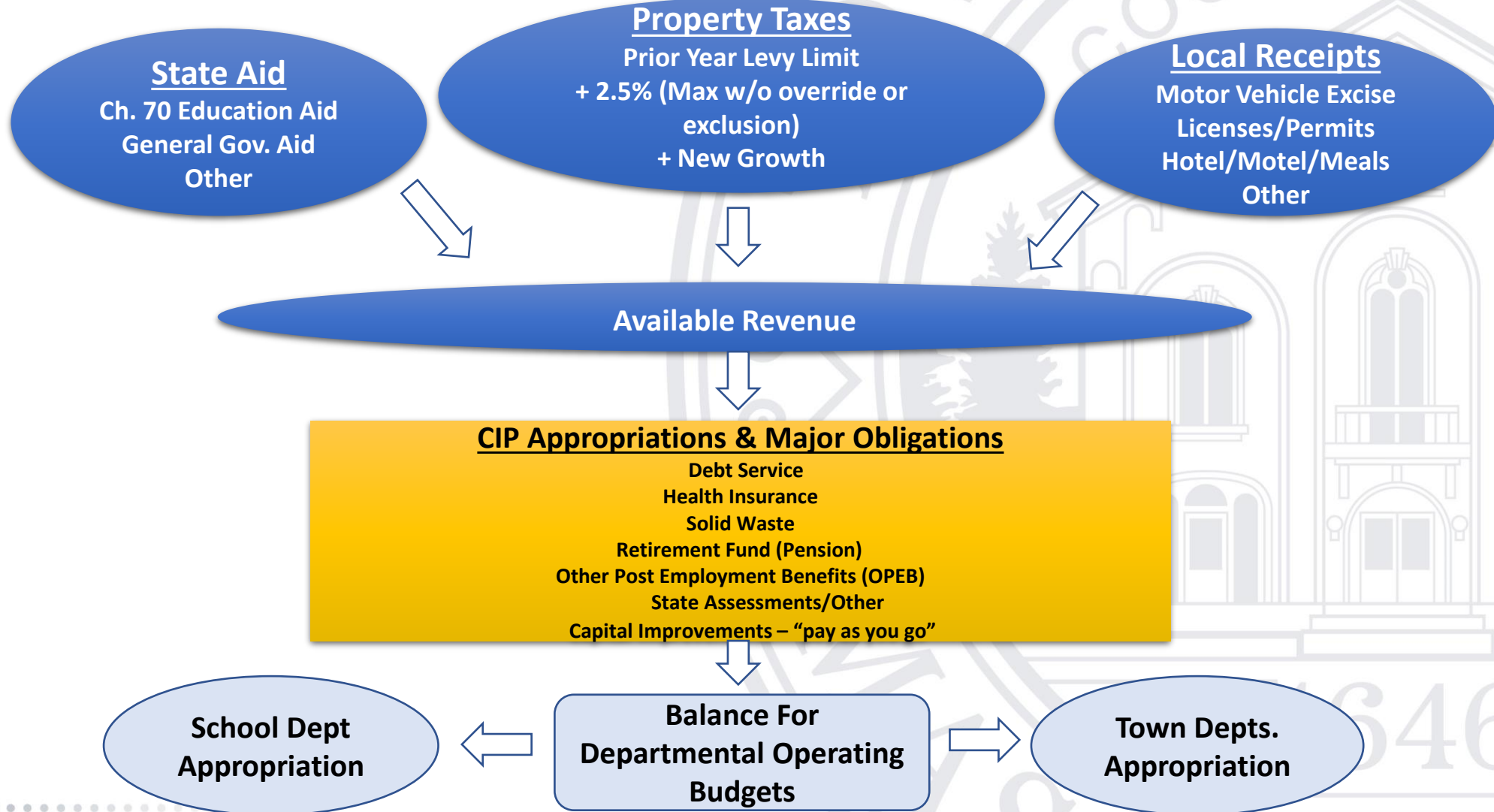
August 14, 2024

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Agenda

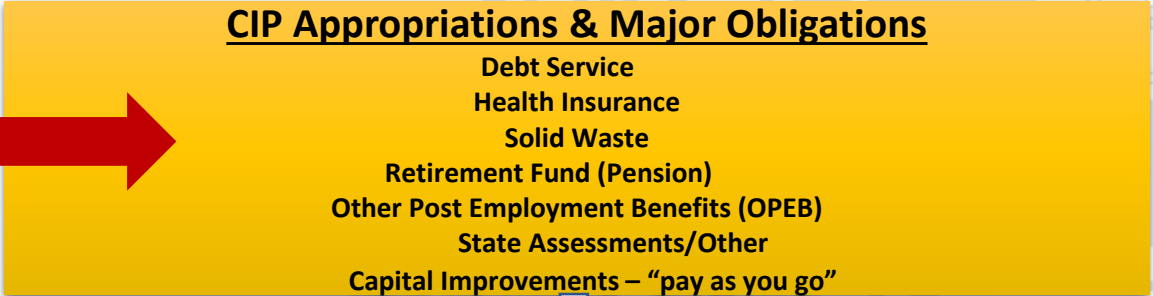
- Andover Budget Model
- Annual Budget Process
- Composition of the Tax Bill
- Components of the Capital Improvement Program
- Anticipated Changes to Budget Development
- Select Board & Town Manager FY 2025 Goals

The Andover Budget Model



The Andover Budget Model

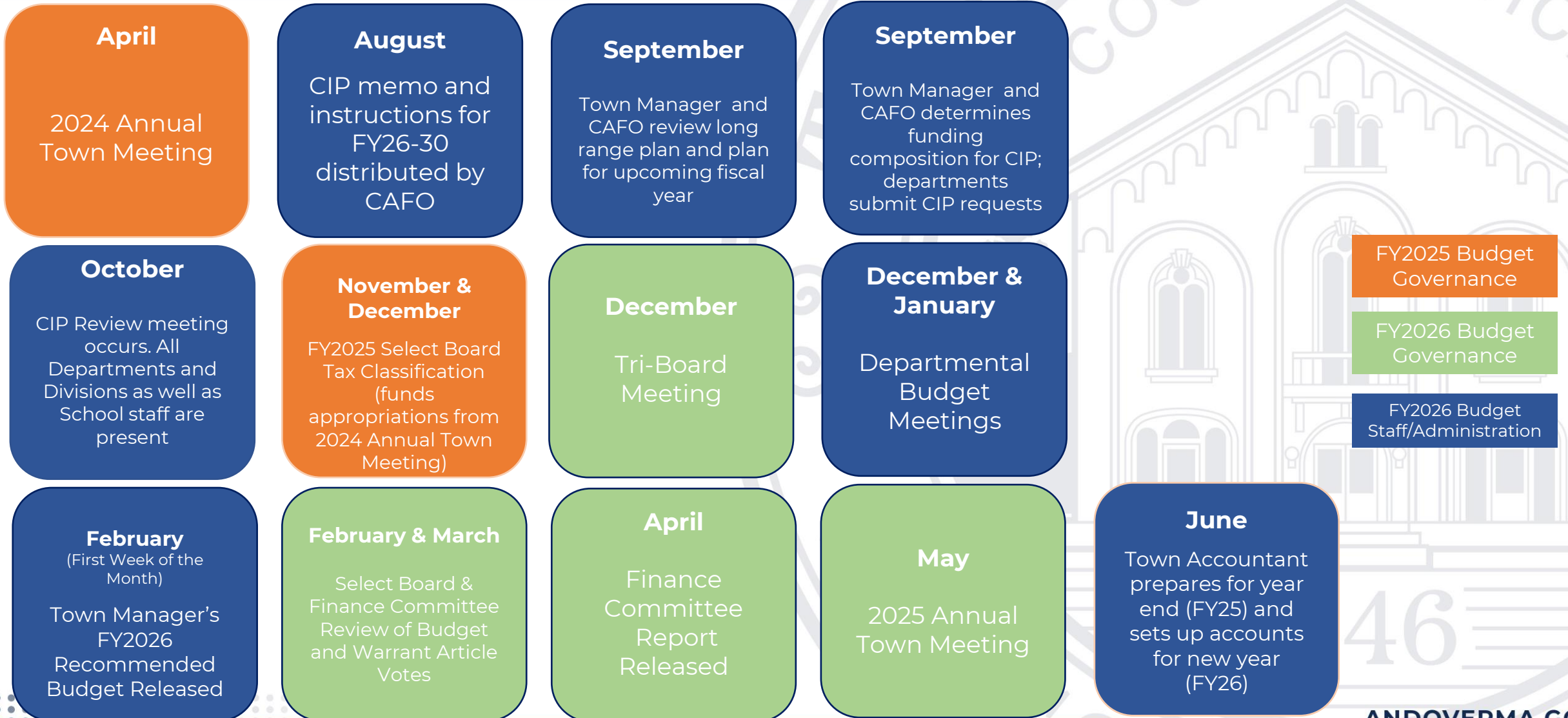
Economic factors may impact revenue collections and growth of the tax base. Either scenario may have impacts to the operating budget



Unanticipated increases in obligations may impact the 3.75% and 2.75% increases to operating budget



Annual Budget Process



Composition of the Tax Bill

FY2025 Projected Tax Bill	Share of Tax Bill	% of Tax Bill
School Department	\$5,986	46.09%
Health Insurance	\$1,440	11.09%
Public Safety: Police and Fire	\$1,057	8.14%
Exempt Debt	\$943	7.26%
Non Exempt Debt Service	\$865	6.66%
General Government	\$643	4.95%
DPW & Facilities	\$588	4.53%
Retirement Fund	\$418	3.22%
Other	\$371	2.86%
Solid Waste	\$242	1.86%
Library	\$181	1.39%
Capital Improvement Plan – Article 5	\$111	0.90%
Community Services	\$101	0.78%
<i>Total</i>	<i>\$12,988</i>	<i>100.00%</i>

Types of Budgets

Capital Budget

- The Capital Improvement Program (CIP) is the town's five-year plan related to investments in infrastructure, buildings, and equipment with a useful life of more than one year.
- The CIP's target for annual spending is 5.72% of revenues
 - The funding plan is composed of the following on an annual basis:

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

- Outside of this funding plan are projects funded from Free Cash, and projects funded from Enterprise Funds (water and sewer projects)

Types of Budgets

Capital Budget

- By building a predictable and sustainable funding plan for the CIP, the following major projects have been accomplished in the last eight years:
 - Municipal Services Facility
 - Robb Center Renovation & Expansion
 - Ballardvale Fire Station
 - Town Sidewalk Program
 - Replacement of all town playgrounds
 - Improvements to public meeting space accessibility
 - Townwide accessibility improvements
- The CIP has also allowed for continued maintenance of all town and school buildings in order to avoid deferred maintenance costs.



Non-Exempt Debt Service

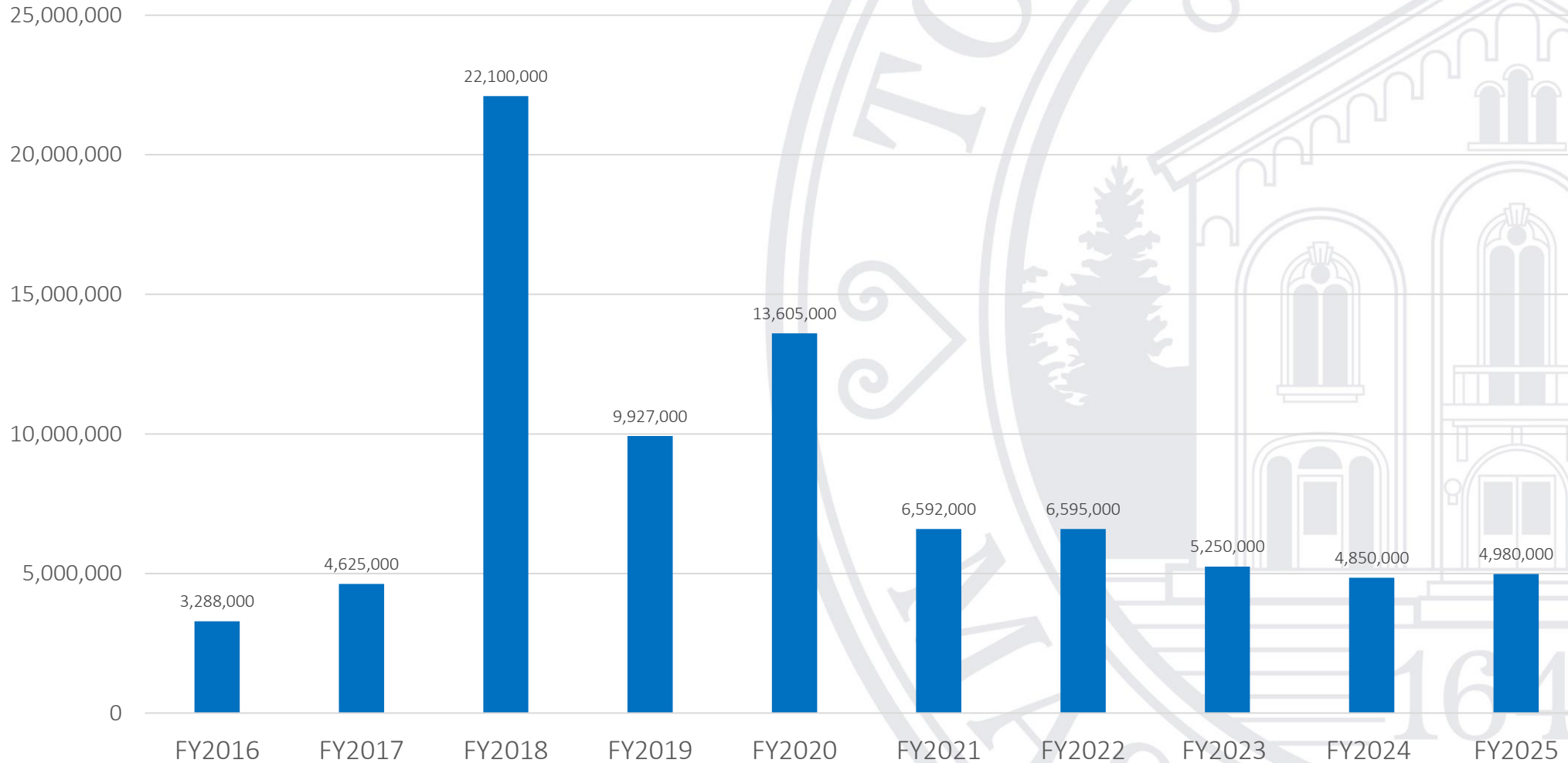
- Non-Exempt Debt is debt service paid within the limits of Proposition 2 ½ and is funded through general fund revenues.
- Non-Exempt debt is composed of Pension Obligation Bond debt service (50%) and debt service associated with the Capital Improvement Program.

General Fund Borrowing for Capital – FY2025		
Project #	Description	Amount
IT-3	IT Infrastructure	\$350,000
FR-2	Radio Box Repeater System	\$130,000
FR-4	Thermal Imaging Camera Replacement	\$45,000
DPW-7b	Public Works Vehicles - Large	\$560,000
DPW-8	Minor Storm Drainage Improvements	\$650,000
DPW-9	Town Bridge Evaluation & Maintenance	\$200,000
FAC-3	Town and School Security Projects	\$130,000
FAC-5	Town Parks and Playground Improvements	\$600,000
FAC-6	Major Town Projects	\$900,000
FAC-7	Town / School Energy Initiatives	\$115,000
SCH-5	Major School Projects	\$1,300,000

Total FY 2025 Non-Exempt Borrowing Authorization: \$4,980,000

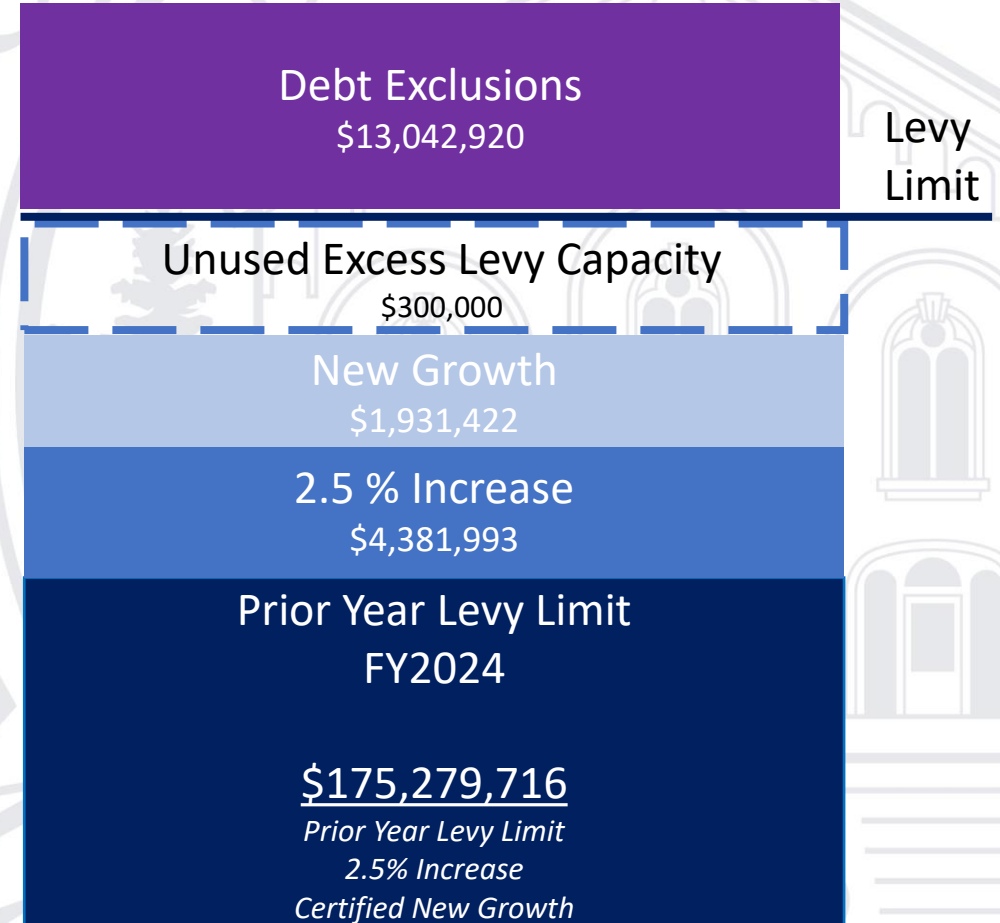
Non-Exempt Debt Service

Appropriation History

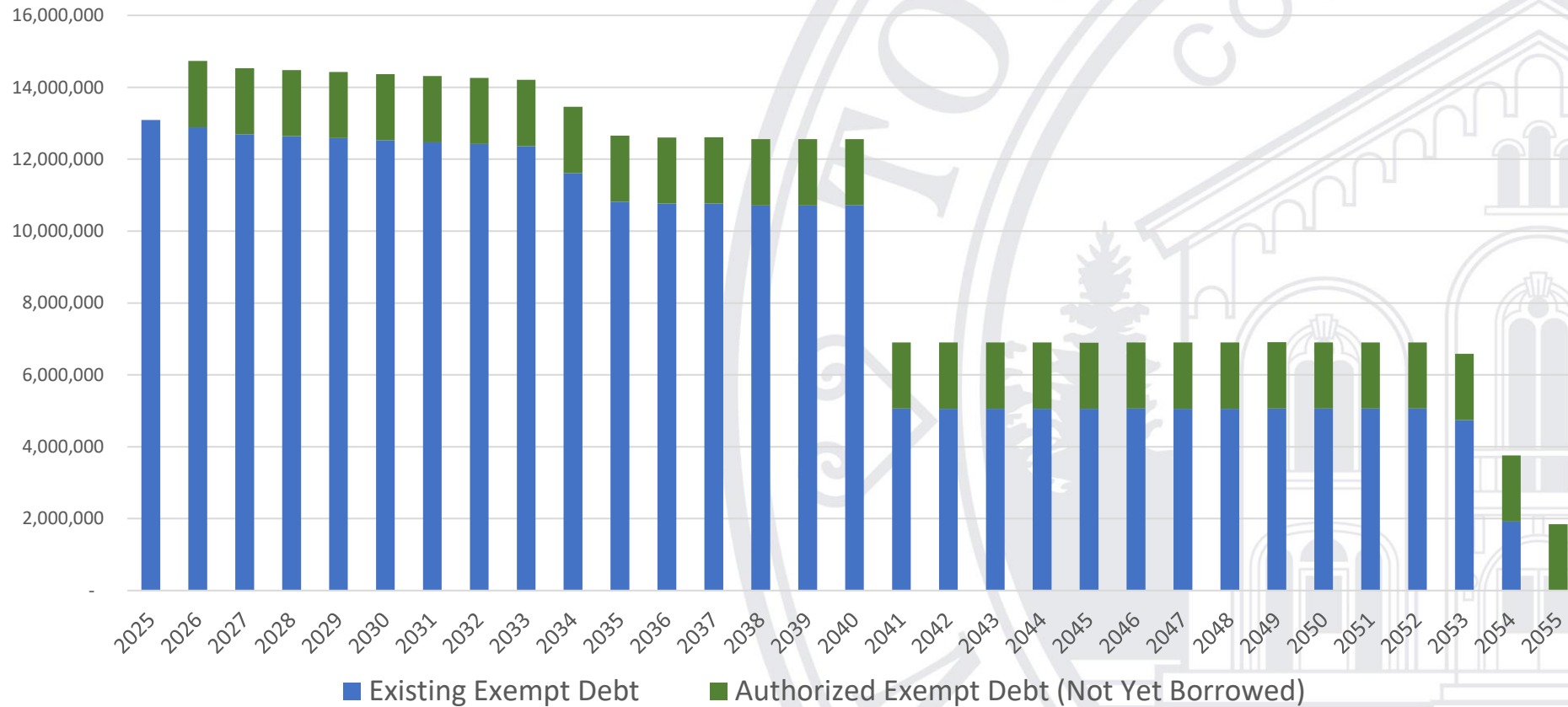


Exempt Debt Service

- Exempt Debt is debt that has been excluded from the limits of Proposition 2 ½ by a referendum vote. Exempt debt has a dedicated funding source from property taxes. This dedicated funding source expires when the debt is fully amortized.
- Debt Exclusions require the approval of Town Meeting and at the Ballot Box
- Debt Exclusions are typically used for larger projects or initiatives that cannot be funded through the Capital Improvement Program or other funding sources
 - West Elementary School
 - Pension Obligation Bond (50%)
 - Bancroft Elementary
 - Wood Hill/High Plain
 - Public Safety Center



Exempt Debt Debt Service Schedule



<u>FY25-FY29</u>	<u>FY30-FY37</u>	<u>FY38-FY40</u>	<u>FY40-FY55</u>
Wood Hill/High Plain Public Safety Center Bancroft Elementary West Elementary Pension Obligation	Bancroft Elementary West Elementary Pension Obligation	West Elementary Pension Obligation	West Elementary

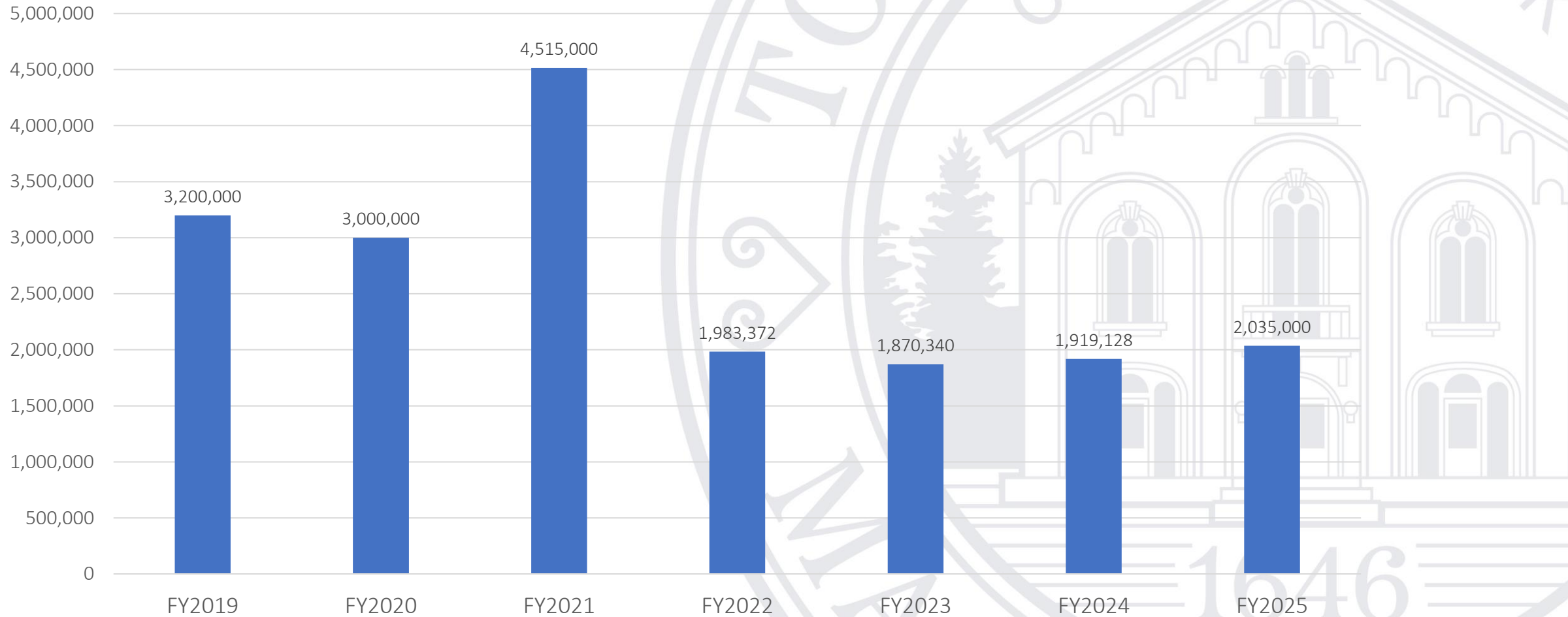
Free Cash

- Free Cash is incorporated into the Capital Improvement Program, but is outside of the 5.72% target.
- As a funding source within the Capital Improvement Program, Free Cash is generally used to fund one-time projects or initiatives, police vehicle replacements, the Town Sidewalk Program, and Student and Staff Technology devices – which is being transitioned to the operating budget.

Free Cash Appropriations for Capital – FY2025		
Project #	Description	Amount
TM-1	Facility Master Plan Update	\$50,000
TM-2	Traffic and Intersection Safety Studies	\$25,000
TM-3	Hazardous Tree Removal	\$150,000
IT-1	Annual Staff Device Refresh	\$340,000
IT-2	Annual Student Device Refresh	\$250,000
POL-1	Police Vehicle Replacement	\$205,000
DPW-2	Minor Sidewalk Repairs	\$200,000
DPW-4	Town Sidewalk Program	\$775,000
DPW-6	Storm Water Management	\$40,000

Total FY 2025 Free Cash Appropriation: \$2,035,000

Free Cash Appropriation History



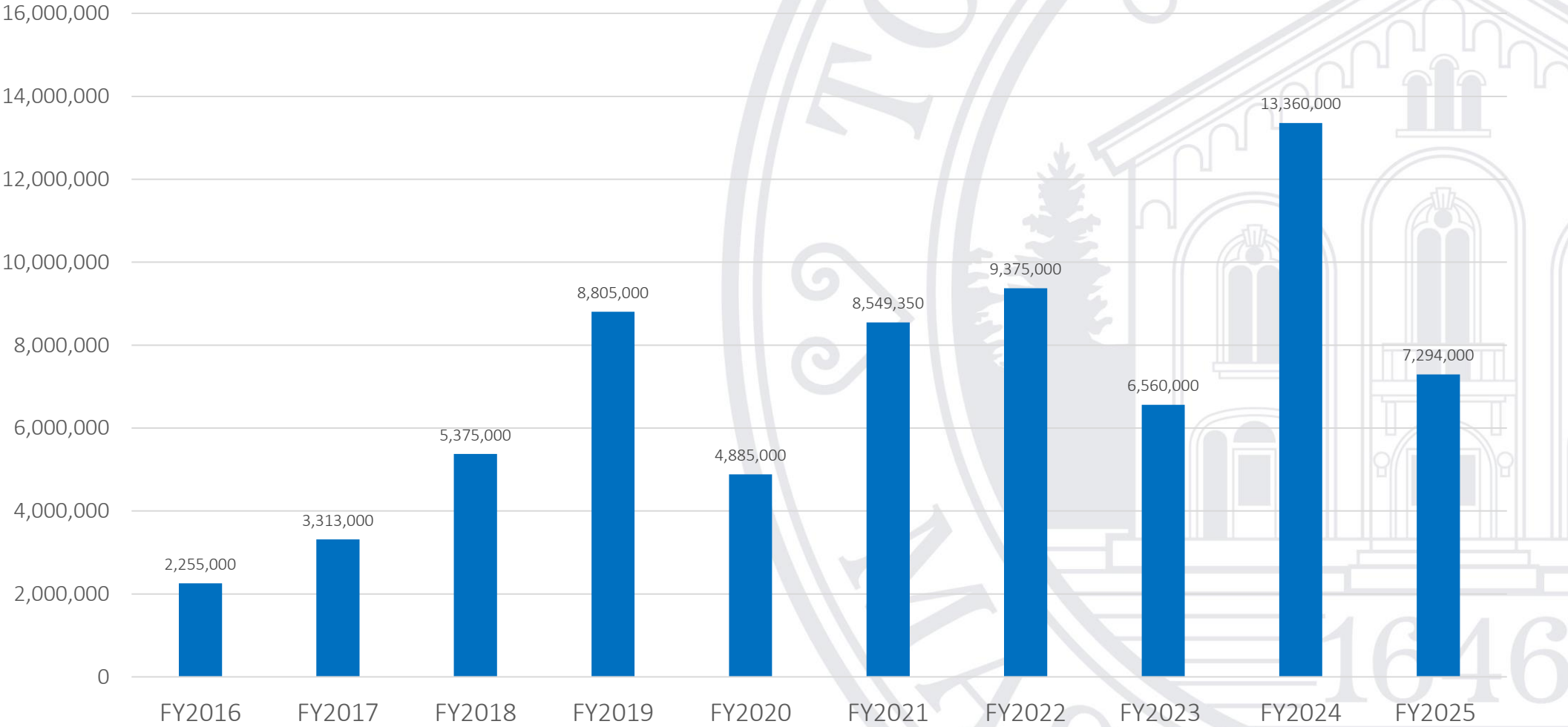
Water & Sewer Enterprise Funds

- Capital for the water and sewer enterprise funds includes borrowing and cash appropriations. Because these expenses are outside of the general fund, they are outside of the 5.72% target.
- Water and sewer cash capital and debt service is paid from revenues from water and sewer rates and other user charges within those funds.

Water & Sewer Appropriations for Capital – FY2025		
Project #	Description	Amount
DPW-14	Major Water Main Replacement/ Dist. Improvements Project (WEB)	\$6,000,000
DPW-18	Water Treatment GAC Replacement (WEB)	\$294,000
DPW-24	Sanitary Sewer Collection System Improvements (SER)	\$250,000
DPW-25	Shawsheen River Sewer Interceptor Improvements (SEB)	\$500,000
DPW-30	Inflow/Infiltration (I/I) Removal Program (SER)	\$250,000
Total FY 2025 Water & Sewer CIP Appropriation: \$7,294,000		

Water & Sewer Enterprise Funds

Appropriation History



Anticipated Changes to Budget Development

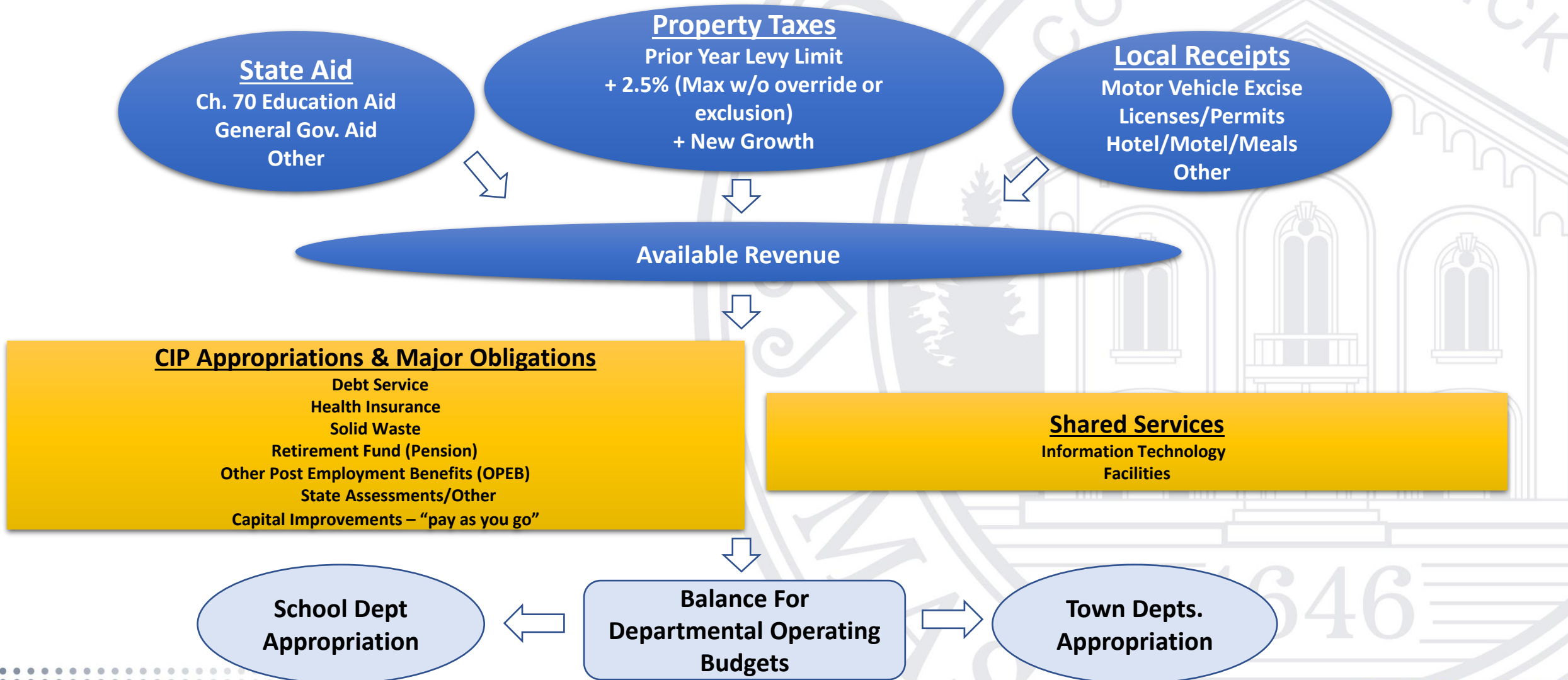
Operating Budget

- Establish “Shared Services” section within budget model
 - Include Innovation & Technology & Facilities

Capital Budget

- Begin practice of using “Capital Carryforward” and/or other dedicated revenue sources to balance CIP
 - Ensures 5.72% commitment is met over time
 - Reconciles capital balances
 - Allows for larger projects to be funded within CIP and levy limit

Operating Budget - Shared Services integrated into Budget Model



CIP – 5.72% and use of Capital Carryforward

Current Method

Budget	\$100,000,000
5.72 % of Budget	\$5,720,000
General Fund Revenue (Article 5)	\$1,500,000
Existing Non-Exempt Debt Service	\$3,750,000
New Non-Exempt Debt Service	\$470,000
Total Non-Exempt Plan	\$5,720,000
Variance from 5.72% Target	\$0

Modified Method

Budget	\$100,000,000
5.72 % of Budget	\$5,720,000
General Fund Revenue (Article 5)	\$1,750,000
Existing Non-Exempt Debt Service	\$3,750,000
New Non-Exempt Debt Service	\$970,000
Total Preliminary Non-Exempt Plan	\$6,470,000
<i>Less Capital Carryforward</i>	<i>(\$500,000)</i>
<i>Less Recreation Revolving</i>	<i>(\$250,000)</i>
Total Non-Exempt Plan	\$5,720,000
Variance from 5.72%	\$0

This slide is intended to illustrate the CIP calculation and is not a reflection of the actual capital budget

Town Manager & Select Board Goals - Administration & Finance

- **Work with the Select Board to further define the relationship between the budget and the annual tax increase.**
 - **Deliverable:** *Prior to setting the FY2025 tax rate, facilitate tax information session for the purposes of illustrating the mechanics of the annual tax increase and how it relates to the budget and service delivery. At the Board's direction, identify impacts of reducing the rate of growth of the average tax bill and present alternative budget scenario in January.*
- **Evaluate and assess the impact of Phase 1 of the Public Safety Staffing plan, which includes having the third ambulance (A3) in service approximately 50% of the time. Consider service impacts/improvements, revenues and anticipated costs.**
 - **Deliverable:** *Based on evaluation of phase 1, make recommendations for a phase 2 in the FY2026 budget recommendation.*
- **Identify funding plan to appropriately resource the Town's cybersecurity efforts.**
 - **Deliverable:** *Make recommendation in the FY2026 budget recommendation, or prior to the release of the budget, providing resources are available.*

Town Manager & Select Board Goals - Administration & Finance

- **Hold Financial Summit with the Select Board, Finance Committee and School Committee in Fall of 2024.**
 - **Deliverable:** *The purpose of the summit will be to review the Long-Range Financial Plan and to receive feedback on longstanding assumptions. Through working groups, modify the plan to better align with current revenue expectations and the needs of the organization and community. Finalize updated LRFP by end of 2024.*
- **Begin to negotiate successor contracts for all Town collective bargaining agreements expiring in FY2025.**
 - **Deliverable:** *Develop a framework for bargaining agreements that promotes innovation, efficiencies, and a potential expansion of services consistent with the principles of the Long-Range Financial Plan.*
- **Utilize funds from the opioid settlement to advance the recommendations of the Community Health Improvement Plan (CHIP).**
 - **Deliverable:** *Explore providing enhanced access to mental health resources through utilization of opioid funding. Develop plan and present to the Select Board.*

Town Manager & Select Board Goals - Administration & Finance

- **Develop communication plan and prepare for changes to solid waste and recycling disposal.**
 - ***Deliverable:*** Launch effective communication strategy to inform residents of potential changes to solid waste and recycling disposal and prepare for a July 1, 2025 transition.

Town Manager & Select Board Goals – Capital Improvements

- **Complete the capping of the Ledge Road Landfill.**
 - **Deliverable:** Complete the project in compliance with the administrative consent order.
- **Develop plan for reuse of Shawsheen School.**
 - **Deliverable:** Develop process for evaluating the Shawsheen School and identifying potential reuses. Develop recommendations by the end of FY2025.
- **Develop phasing plan and financing model for the Chandler Road property.**
 - **Deliverable:** Acknowledging that the site may be developed in phases, build a plan and corresponding financing model to advance a potential project within the next CIP period of FY2026-FY2030.
- **Coordinate the process for advancing the AHS Interim Plan, including engaging the community, Select Board, Finance Committee and School Committee.**
 - **Deliverable:** Select firm to complete design work for the Interim Plan. Share with stakeholders and make decision on next steps.



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