

FY 2026 Town Manager's Recommended Budget & Financial Plan



February 10, 2025

Agenda

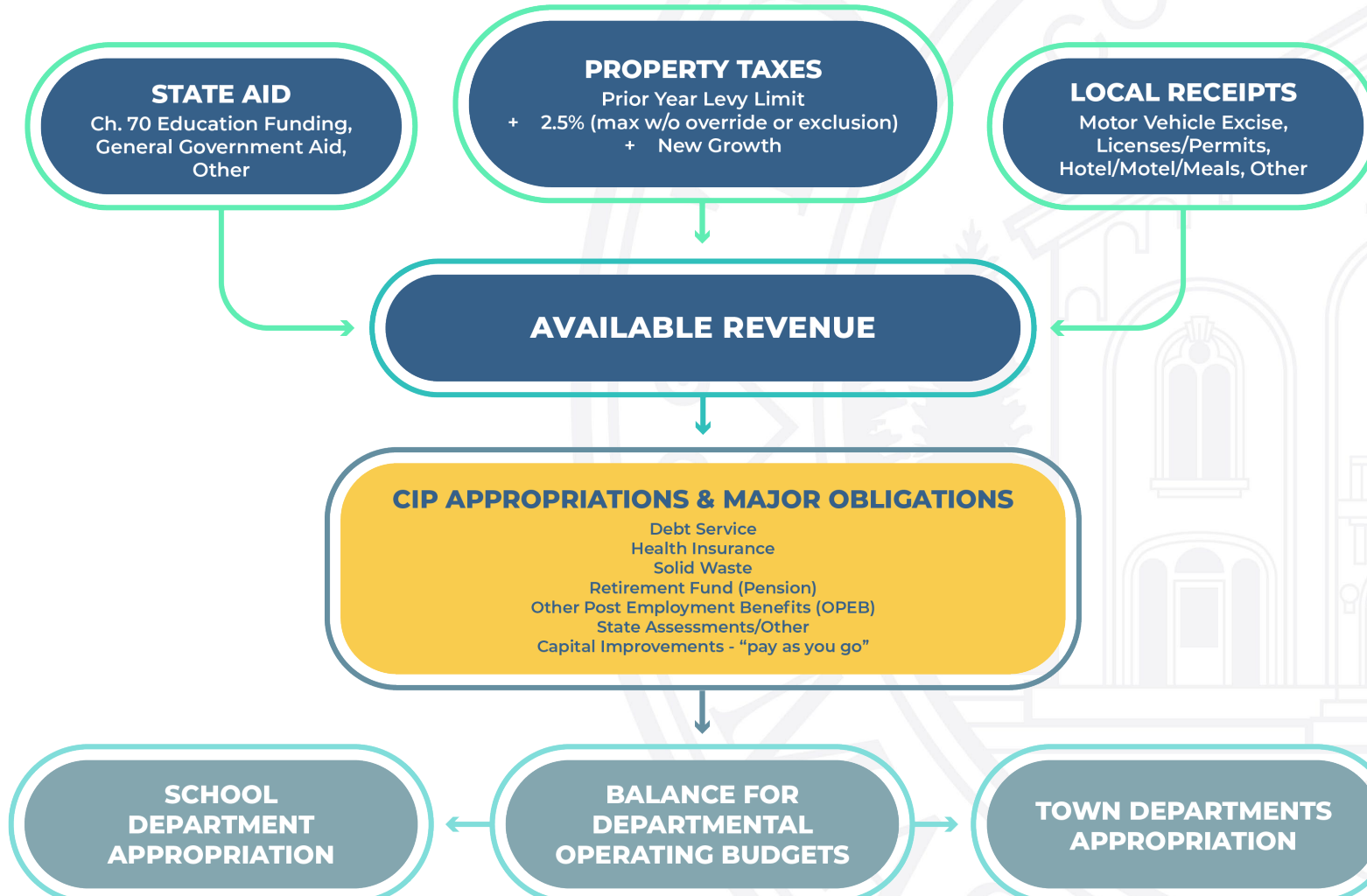
- Overview of the Budget Model
- FY 2026 Town Manager's Recommended Budget
 - Revenues & Expenditures
- Operating Budget
- Personnel Costs & Wage Growth
- History of Deficits & Future Deficits
- Budget Calendar

Overview of the Budget Model

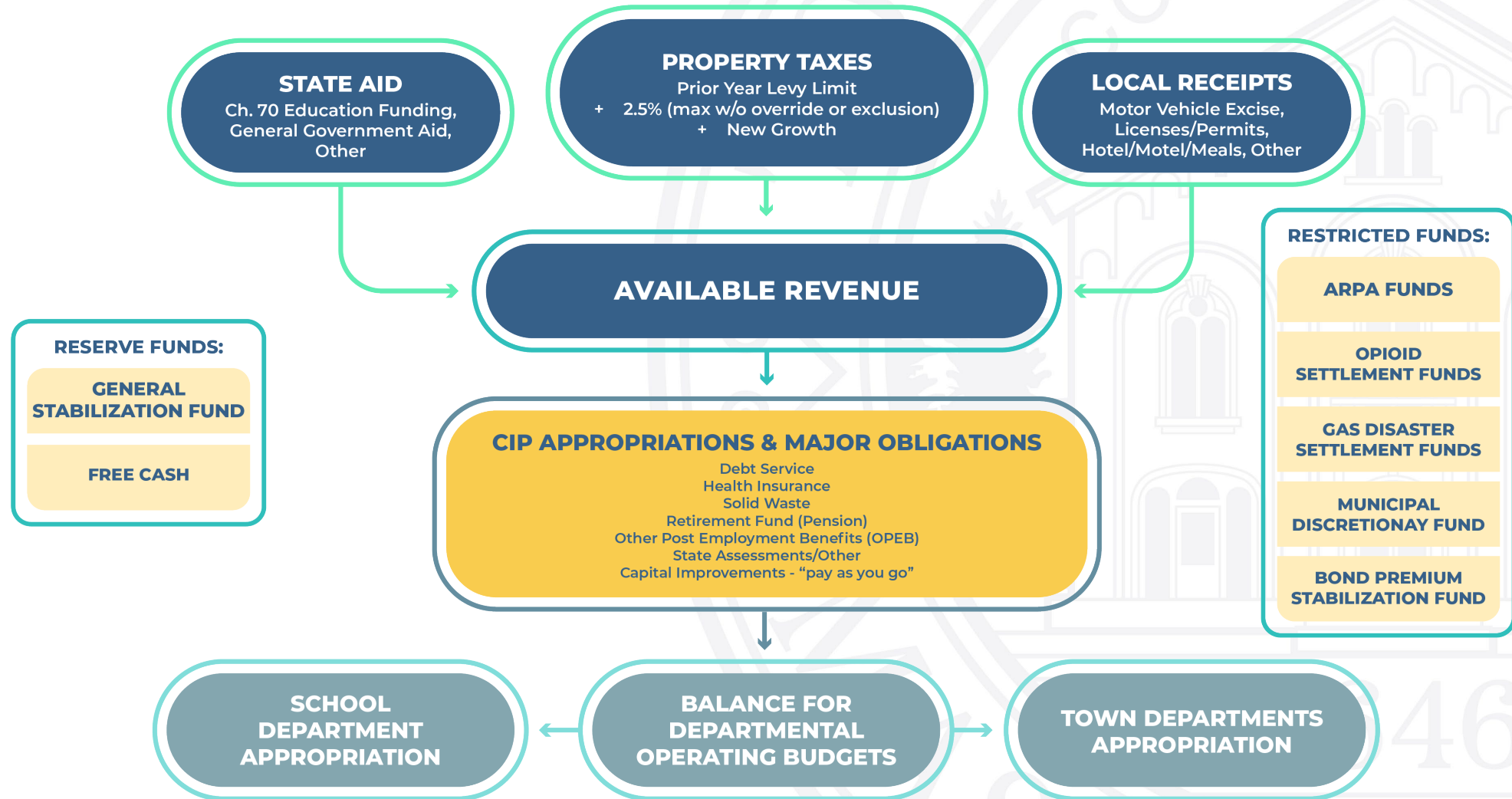


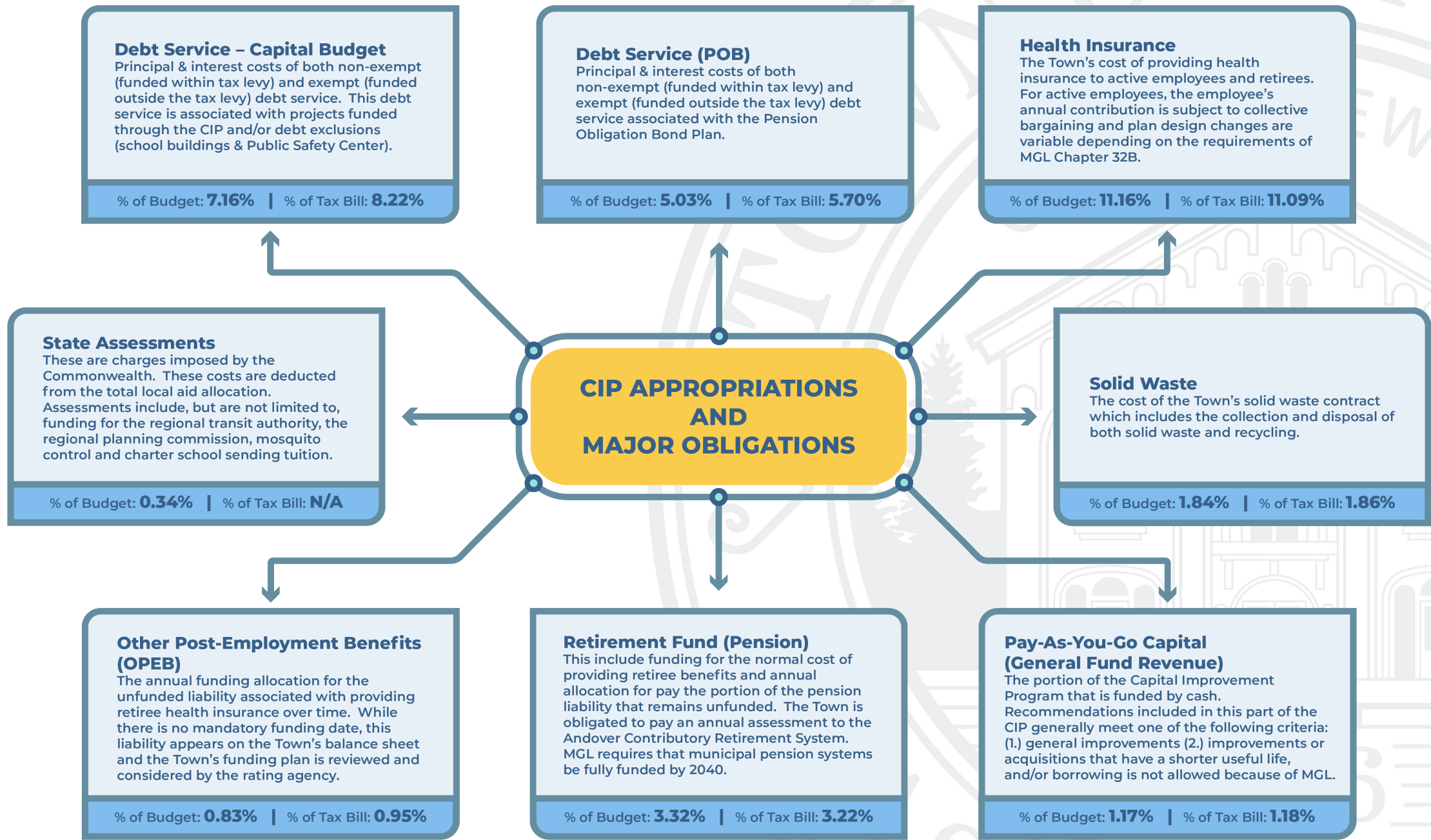
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Budget Model



Budget Model





**FY 2026
Town Manager's
Recommended Budget**



General Fund Budget

FY2025	FY2026	Change	
Budget	Budget	\$	%

Revenue

Property Tax	\$ 191,776,235	\$ 198,281,951	\$ 6,505,716	3.39%
State Aid	\$ 17,270,208	\$ 17,809,786	\$ 539,578	3.12%
Local Receipts	\$ 11,967,374	\$ 13,183,523	\$ 1,216,149	10.16%
Free Cash for Articles	\$ 2,035,000	\$ 3,865,000	\$ 1,830,000	89.93%
Other Revenue	\$ 100,000	\$ 250,000	\$ 150,000	150.00%
Total Revenue	\$ 223,148,818	\$ 233,390,260	\$ 10,241,442	4.59%

- Does not include Water & Sewer Enterprise Funds

Expenditures

Town Departments	\$ 44,349,206	\$ 45,355,622	\$ 1,006,416	2.27%
School Department	\$ 102,761,421	\$ 106,597,135	\$ 3,835,714	3.73%
Capital Budget	\$ 11,870,556	\$ 12,247,915	\$ 377,359	3.18%
Exempt Debt - Capital	\$ 7,379,967	\$ 7,230,795	\$ (149,172)	-2.02%
Pension Obligation Bond	\$ 11,279,341	\$ 11,322,470	\$ 43,129	0.38%
Retirement & Health Insurance & OPEB	\$ 33,678,884	\$ 36,952,022	\$ 3,273,138	9.72%
Insurance, Workers' Comp, Unemployment	\$ 1,486,002	\$ 1,365,524	\$ (120,478)	-8.11%
Solid Waste	\$ 4,140,132	\$ 4,303,900	\$ 163,768	3.96%
Technical Schools	\$ 1,351,587	\$ 1,392,134	\$ 40,547	3.00%
Warrant Articles - Free Cash	\$ 2,035,000	\$ 3,865,000	\$ 1,830,000	89.93%
Warrant Articles - Taxation	\$ 1,052,033	\$ 914,000	\$ (138,033)	-13.12%
Total Expenditures	\$ 221,384,130	\$ 231,546,517	\$ 10,162,387	4.59%

- Increase 2.95% without Free Cash increase

Non-Appropriated Expenses	\$ 1,764,687	\$ 1,843,743	\$ 79,056	4.48%
Surplus / (Deficit)	\$ 0	\$ 0	\$ 0	0%

Revenues

- The budget was prepared within the limitations of **Proposition 2 ½**:
 - 2.5% increase to the prior year levy (less excess levy capacity)
 - Excess levy capacity is fixed at \$300,000
 - New Growth estimate remains consistent with the adjusted 10-, 15- & 20-year average

	5 Year Average	10 Year Average	15 Year Average	20 Year Average
Certified New Growth (Actual Collections)	\$2,205,432	\$2,303,296	\$2,156,092	\$2,076,957
FY 2026 Estimate	\$1,931,422	\$1,931,422	\$1,931,422	\$1,931,422
Collections vs. FY 2026 Estimate	\$274,010	\$371,874	\$224,670	\$145,535
(+/-) Differential from Projection	12.42%	16.15%	10.42%	7.01%

- Per the Governor's Budget, state aid will increase 3.12%
 - **2.8%** increase in **Chapter 70**
 - **2.2%** increase in **Unrestricted General Government Aid**
 - Net increase after assessments: **2.58%**

Revenues

- **Local Receipt** collections have a budgeted increase of **10.16%** and are based on a trend analysis.
- The use of **Free Cash (\$3,865,000)** has been reserved for capital expenditures.
- **\$250,000** being recommended from the **Bond Stabilization Fund**.

Expenditures

- **Health Insurance** is increasing by **10% (\$2,722,786)** and represents the most significant cost driver in the FY 2026 budget.
- The budget fully funds the Town's commitment to addressing its pension and OPEB liabilities
 - **Pension Appropriation:** Normal Costs, Remaining Unfunded Liability & POB Debt Service (included in debt service budget).
 - **OPEB:** General fund contribution, which includes savings from 2016 Retiree Health Insurance Reform adopted by the Select Board.
- The **Solid Waste** budget includes a **3.96%** increase and represents the second year of the new contract with Republic Services.
- Funding for warrant articles totals **\$914,000** and includes increased funding for public safety medical expenses and one-time funding for special education costs.
 - *One-time Special Education Costs: \$450,000*
 - *Public Safety Medical Expenses: \$200,000*

Expenditures

- **The Capital Improvement Program** is consistent with the funding target of **7% of the operating budget** and represents a **3.18%** increase from **FY 2025**.
 - *Includes Article 5 (cash capital) & new and existing non-exempt debt service*
- The **Town budget** increases by **2.75% (\$1,228,551)** exclusive of transfers and water & sewer offsets.
 - *Transfers include funds for student devices and 1% contribution from active employees that is transferred to the unfunded liability offset account.*
- The **School Department budget** increases by **3.75% (\$3,885,714)** exclusive of transfers.
 - *Transfers include funds for student devices and Doherty debt service.*
- **Non-Appropriated Expenses** include state assessments, overlay reserve and reserve for judgements & deficits.

Operating Budget

FY 2026 - FY 2030



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Operating Budget

- The operating budget **does not include a net increase in FTEs**
- Funding for the **Compensation Fund** is recommended at **\$1,135,000**
 - Agreements with all Town unions expire on June 30th
 - **COLA increases** are not included in departmental budgets
- The budget for **Andover Fire Rescue** includes funding for **two additional firefighters** that will provide staffing to put the third ambulance in service **75%** of the time. The salary costs **(\$142,000)** are **100% offset** by increased ambulance revenues.
- **Utility costs** are increasing **5.5%** despite an **11%** reduction in overall energy use.

LINE ITEM	DEPARTMENT	EXPENDED FY2023	EXPENDED FY2024	BUDGET FY2025	TM REC FY2026	CHANGE FY25-FY26	%
PUBLIC SAFETY							
1	PERSONNEL SERVICES	17,260,501	18,436,980	18,500,288	18,868,173		
2	OTHER EXPENSES	1,727,804	1,848,147	1,694,304	1,797,300		
	TOTAL	18,988,305	20,285,127	20,194,592	20,665,473		2.33%
<i>Offsets Include: \$295,655 in Parking Receipts; \$70,000 in Detail Fees; and \$1,900,000 in Ambulance Collections</i>							
GENERAL GOVERNMENT							
3	PERSONNEL SERVICES	7,200,249	7,792,214	8,523,760	8,271,986		
4	OTHER EXPENSES	3,015,229	3,163,065	2,905,279	3,068,616		
	TOTAL	10,215,478	10,955,279	11,429,040	11,340,603		-0.77%
<i>Offsets Include: \$25,000 in Wetland Filing Fees</i>							
DEPARTMENT OF PUBLIC WORKS							
5	PERSONNEL SERVICES	3,878,441	3,962,998	3,809,170	3,812,651		
6	OTHER EXPENSES	2,886,922	2,939,588	2,589,879	2,640,427		
	TOTAL	6,765,362	6,902,586	6,399,049	6,453,078		0.84%
<i>Offsets Include: \$60,000 in Cemetery Revenues</i>							
FACILITIES							
7	PERSONNEL SERVICES	2,523,350	2,691,959	2,826,220	2,904,536		
8	OTHER EXPENSES	1,370,409	1,448,401	1,461,400	1,533,650		
	TOTAL	3,893,759	4,140,360	4,287,620	4,438,186		3.51%
LIBRARY							
9	PERSONNEL SERVICES	2,259,133	2,318,325	2,414,256	2,445,706		
10	OTHER EXPENSES	624,042	651,565	683,085	694,235		
	TOTAL	2,883,174	2,969,890	3,097,341	3,139,941		1.38%
COMMUNITY SERVICES							
11	PERSONNEL SERVICES	1,418,697	1,472,290	1,811,840	1,749,507		
12	OTHER EXPENSES	531,113	594,022	649,000	738,500		
	TOTAL	1,949,810	2,066,312	2,460,840	2,488,007		1.10%
<i>Offsets Include: \$751,500 in User Fees and \$55,000 Grants</i>							
UNCLASSIFIED							
13	COMPENSATION FUND	296,339	-	-	1,135,000		
14	RESERVE FUND	-	100,000	321,323	200,000		
	TOTAL	296,339	100,000	321,323	1,335,000		
TOWN DEPARTMENTS TOTAL							
	PERSONNEL SERVICES	34,836,709	36,674,766	37,885,534	39,187,559		
	OTHER EXPENSES	10,155,519	10,744,787	10,304,271	10,672,728		
	<i>Less Budgeted Revenues & Offsets</i>	<i>(2,843,607)</i>	<i>(3,087,249)</i>	<i>(3,840,598)</i>	<i>(4,504,665)</i>		
	NET TOTAL	42,148,621	44,332,304	44,349,207	45,355,622		2.27%

LINE ITEM	DEPARTMENT	EXPENDED FY2023	EXPENDED FY2024	BUDGET FY2025	TM REC FY2026	CHANGE FY25-FY26	%
ANDOVER SCHOOL DEPARTMENT							
	PERSONNEL SERVICES	77,899,943	79,732,107	82,640,530	85,419,073		
	OTHER EXPENSES	17,226,948	18,994,817	20,120,891	21,178,062		
15	TOTAL	95,126,891	98,726,924	102,761,421	106,597,135		3.73%
SEWER							
16	PERSONNEL SERVICES	322,112	409,674	388,877	471,432		
17	OTHER EXPENSES	3,001,332	3,348,938	4,188,392	3,925,075		
18	INDIRECT OFFSETS	454,280	515,608	550,369	626,637		
19	DEBT SERVICE	1,644,581	1,376,501	1,173,278	1,270,911		
	TOTAL	5,422,305	5,650,721	6,300,916	6,294,055		-0.11%
WATER							
20	PERSONNEL SERVICES	2,336,876	2,269,849	2,339,562	2,487,559		
21	OTHER EXPENSES	5,331,366	5,307,335	5,007,019	4,791,257		
22	INDIRECT OFFSETS	1,508,544	1,789,469	1,446,531	1,428,643		
23	DEBT SERVICE	3,694,907	3,537,684	3,807,551	4,919,793		
	TOTAL	12,871,693	12,904,336	12,600,663	13,627,252		8.15%
	TOTAL	18,293,997	18,555,057	18,901,579	19,921,306		
FIXED COSTS & OBLIGATIONS							
24	TECHNICAL SCHOOLS	1,199,085	1,253,767	1,351,587	1,392,135		
25	DEBT SERVICE	23,258,296	25,161,696	27,952,429	28,397,652		
26	GENERAL INSURANCE	1,170,313	1,289,585	1,549,284	1,429,675		
27	UNEMPLOYMENT COMP.	164,000	158,915	172,303	126,610		
28	RETIREMENT FUND	6,253,956	7,124,844	7,481,089	7,855,142		
29	HEALTH INSURANCE FUND	23,034,797	23,835,094	25,135,936	27,649,530		
30	OPEB	1,753,413	1,812,834	1,874,364	1,964,349		
31	SOLID WASTE *	-	3,730,999	4,140,132	4,303,900		
	TOTAL	56,833,860	64,367,733	69,657,124	73,118,993		4.97%
<i>Includes \$39,456 from Premium Reserve</i>							
GRAND TOTAL							
		215,246,976	229,069,268	239,509,929	249,497,721		
	<i>Less Budgeted Revenues & Offsets</i>	<i>(2,843,607)</i>	<i>(3,087,249)</i>	<i>(4,076,183)</i>	<i>(5,212,426)</i>		
	NET TOTAL	212,403,369	225,982,019	235,433,746	244,285,295		3.76%

Personnel Costs & Wage Growth

- Average annual increase in total personnel costs (**3.02%**) has been consistent with national average (**3.12%**) since **FY 2017**.
- Since implementation of fixed annual increases for operating budgets, Town personnel costs as a percentage of the overall budget (excluding schools) has decreased from **32.37%** to **28.46%**.
- The recommended budget for the Compensation Fund (\$1,135,000) represents **87%** of the total increase in Town personnel costs.

FY2026 Increase - Personnel Costs	\$1,302,025
Compensation Fund Recommendation	(\$1,135,000)
2 Additional Firefighters	(\$142,000)
Balance for Remaining Obligations	\$25,025

History of Deficits

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
FY 2020 Budget	(\$2,852,139)	(\$2,757,039)	(\$2,918,024)	(\$4,731,967)						
FY 2021 Budget	\$0	\$0	(\$1,243,185)	(\$3,417,130)	(\$6,108,656)					
FY 2022 Budget		\$0	(\$1,086,306)	(\$2,722,702)	(\$5,353,980)	(\$7,688,089)				
FY 2023 Budget			\$0	(\$397,824)	(\$2,233,210)	(\$3,475,952)	(\$5,227,158)			
FY 2024 Budget				\$0	(\$1,773,873)	(\$3,864,379)	(\$6,689,478)	(\$9,278,169)		
FY 2025 Budget					\$0	(\$1,262,665)	(\$3,602,970)	(\$6,420,887)	(\$10,832,426)	
FY 2026 Budget						\$0	(\$1,756,014)	(\$3,586,048)	(\$7,247,855)	(\$9,507,809)

- Projecting future deficits is a standard practice in developing municipal financing plans due to conservative budgeting and requirements of the Department of Revenue.
- At the time of budget release, the Town generally projects future deficits in each of the following four years.
- Deficits are often closed due to unanticipated revenue growth (new growth, state aid, etc) and/or decreasing expenses (or lowering rate of increase) (POB plan, health insurance contributions, operating budget limits, etc).
- The Town historically creates savings within 2.75% to offset significant increases.

Future Deficits

- Release updated Long Range Financial Plan in early fall 2025 and before the release of the CIP.
- Workshops with respective boards and committees.
- Establish working group to meet regularly and model scenarios.
- Understanding the options:
 - Increase revenues
 - Reduce expenses
 - Modify framework and assumptions for expenses
 - Establish financing mechanisms to close gaps in outlying years.
 - Operating Reserves, etc
 - Leverage future flexibility

Budget Review Timeline

