

Name of Committee: **Town of Brookline Fiscal Advisory Committee**

Meeting Date: January 23<sup>rd</sup>, 2019

Time: 5:45 p.m.

Meeting Location: Town Hall, Room 111

Members Present:

Attendees indicated by x			
David Kirshner, Committee Chair	x	Carol Levin	x
Peter von Bleyleben		Paul Saner	x
Cliff Brown	x	Jeff Rudolph	x
Nathan Shpritz	x	Nancy Daly	x
Mike Toffel	x	Mini Kolluri	x
Arthur Segel	x	Ben Franco, Select Board Liaison	x
David Pearlman, School Committee Liaison	x		

Staff Present: Patrick Ward; Town Clerk; Joshua Weissman LaFrance, BFAC Intern; Gina Franconi, Finance Director; Mary Ellen Dunn, Deputy Superintendent for Administration and Finance

Documents:

- Brookline Budget Overview Presentation by Deputy Town Administrator: [Link](#)
- School Budget Primer presentation by Deputy Supt. for Admin. and Finance: [Link](#)
- Building an Education System that Works for Everyone: Funding Reforms to Help All Our Children Thrive: [Link](#)

**Topic: Swearing in of Members**

The Members completed the appropriate documentation were officially sworn in by Mr. Ward.

**Topic: Confirmation of the Committee Chair**

**VOTE:** The Committee's first official act was to confirm the nomination of David Kirshner as Chair of the new Brookline Fiscal Advisory Committee. The Committee then took a vote, naming David Kirshner as Committee Chair.

Votes for: All present

Votes against:

Abstentions: David Kirshner

**Topic: Approval minutes of January 9, 2019 meeting**

While the meeting minutes of the January 9, 2019 were drafted, they were inadvertently not distributed in advance and so approval was deferred until the next full meeting of the Committee.

- Mr. Kirshner then highlighted the goals for tonight's meeting which were: 1) to familiarize the Committee with Town's most recent audited financial statements; 2) review the most recent Moody's and S&P bond credit rating reports supporting the Town's AAA rating; 3) receive a

primer on the School Budget; 4) continue discussion of three previously proposed Sub-Committees to carry out the charge of the Committee.

**Topic: Discussion of 6-30-18 Town of Brookline Audited Financial Statements**

Ms. Franconi presented an overview of the Town’s audited financial statements. A chief issue framed in the audit this past year is the recognition and funding of outstanding liabilities for “Other than Pension Employee Benefits” (or OPEB) and pension. Funding of the \$250 million OPEB liability is required by law to be fulfilled by 2040 and publicly available. The unfunded pension liability at 6-30-18 was \$227 million. However, the rate of return last year was significantly positive at 13.2%. Nancy Daly highlighted that the Town is obligated to improve its OPEB debt each year. The Town’s plan is to shift \$30 million per year over to OPEB. The challenge is that rating agencies do not tend to favor policy-based solutions, being more subject to change than structural implementations. The Town has been targeting 2030, not 2040, because it intended to target other unfunded liabilities. These unfunded liabilities are a focal point for future discussion by the Committee.

**Topic: Highlights from Moody’s and S&P Bond Rating & Credit Reports**

Ms. Franconi then discussed the Town’s AAA credit rating, based on a number of social and economic factors. However, a primary pressure on the Town’s long-term outlook is its OPEB liabilities, conjoined by fast population growth in the Town and school capacity expansion. Brookline has a strong income-per-capita but, as a residential community, does not have a strong commercial base to fall back on.

Discussion turned to the meaning of the Town’s credit rating. It aids the Town in gaining a lower interest rate, which is invaluable by enabling the Town to commit money to long-term projects, avoiding high costs of financing.

Primary credit rating criteria:

1. Real Estate Market: property values and income levels
2. Management: monitoring revenue/expenditure, looking at reserves, having contingency plan for the operating budget, that there is a debt management policy
3. 10%: contingent liability funding plan for pension and OPEB

Moody’s Rating Report 2018: <https://bit.ly/2EXIMxN>

S&P Rating Report 2018: <https://bit.ly/2JdzLGe>

**Topic: Discussion with School Deputy Supt A&F**

Mary Ellen Dunn presented a primer in financial literacy for Brookline Public Schools. Parents have six legal channels of school choice for children, which affects the Schools’ revenues and expenses. The School Committee has bottom-line budget authority and must submit final budget reports to the State based by building.

The Schools account for approximately \$100 million in payroll and personnel costs; approximately 10% is non-union, 90% union.

David Pearlman emphasized the importance of transparency and accessibility among Town and School budget processes. Mary Ellen reflected that the budgetary process is in an ongoing state of improvement.

Paul Saner referenced the Committee charge to review School fiscal policies, and asked about these. Mary Ellen indicated these were in the process of being developed and would be provided.

**Topic: Sub-Committee Charge and Organization**

Mr. Kirshner introduced the sub-Committee formation and deliverables for Committee review and edits. After some discussion, Sub-Committee membership and chairs were voted as follows:

**1. Financial Forecast Sub-Committee:**

- a. Co-Chairs: Paul Saner, Mini Kolluri
- b. Members: Jeff Rudolph, Nathan Shpritz

This sub-Committee will seek to interpret the assumptions of and revive the 2014 proposed budgeting tool. Mr. Kirshner reviewed verbally the ideas he'd solicited to date regarding the Financial model components including operating plan, debt financing plan and CIP. He emphasized the need to extend beyond revenues and expenses and contain balance sheets and cash flow statements. The School Budget incorporated in a manner that allows for scenario analysis. The Town's financial statement forecast should be consistent with GASB format and standards.

Mr. Saner discussed the model analysis which will allow for key assumption input and changes and running multiple scenario analysis. At a minimum, create a "baseline," "worst case" and "best case" financial forecast for full Committee presentation by April 23rd.

The Committee agreed this Sub-Committee will be charged with Identifying the "GAP" or "Challenge" required to be addressed by other sub-Committees. It's Financial Forecast will enable testing various financial policies and possible revenue generation/cost reduction ideas generated by other subcommittees.

Model Data Sources will include the FY 2020 – FY 2024 5-Year Long-Range Financial Plan including operating and capital improvement Plan {CIP}.

\*annual audited financial statements of the Town including the detailed balance sheet, statement of operations and cash flow statements and incorporate key financial ratios identified by the bond credit rating agencies and recommended targets.

**VOTE:** Mr. Saner and Ms. Kolluri were nominated and approved unanimously as the Financial Forecast Sub-Committee chairs.

**2. Financial Policy and Principles**

- a. Co-Chairs: Carol Levin, Cliff Brown
- b. Members: Arthur Segel, Mike Toffel, Nancy Daly

This sub-Committee will also determine the best policy framework that quantifies a balance of financial performance, social benefits and other intangibles. Mr. Segal distributed a Harvard Business School case entitled "Shanghai: GDP Apostasy" highlighting the opportunity for great towns and cities to measure their strategic goals in more than just financial terms including housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety and work: life balance.

Mr. Brown and Ms. Levin discussed the scope of work required including identifying municipal finance (Town and School) best practices, revenue allocation, cost allocation, expense management, grant application, capital expenditures – strategic as well as maintenance and IT, debt capacity and usage, pension and OPEB funding.

**VOTE:** Mr. Brown and Ms. Levin were nominated and unanimously approved as the Financial Policy and Principles Sub-Committee co-chairs.

The third proposed sub-Committee charged with developing a multi-year financial improvement plan for the Town was discussed. The Committee decided it might be best to organize as an amalgamation of the full Committee. This third Sub-Committee's aim will build off the findings of the first two sub-Committees and determine recommended strategic investments, economic and financial elements desired by the Town for the long-term financial health of Brookline.

Two challenges were referenced during the discussion. The first raised by Ms. Daley is the need to formulate balanced solutions that fit the political realities of the Select Board and Town meeting while addressing the difficult questions confronting the Town economically. Several committee members felt that the Town's financial outlook required thinking beyond perceived political realities. second challenge framed by Dr. Toffel was the scope of work and capacity of the Committee to achieve its goals given its voluntary membership. It was agreed both challenges require further definition and resolution.

Topic: **Discussion of Proposed 2019 BFAC Calendar**

The Committee reviewed capacities for staff support over the next two weeks. The sub-committees will meet twice in February; the next full-committee meeting is set tentatively for March 6<sup>th</sup>. The two Sub-Committees will meet at least twice during the month of February.

Topic: New Business

There being none, the meeting was adjourned at 8:46 p.m.

Respectfully submitted,

Joshua Weissman LaFrance  
BFAC Intern