

BROOKLINE ADVISORY COMMITTEE
Administration and Finance Subcommittee
Report on FY2021 Finance Department Budget

The Administration and Finance Subcommittee held a public hearing on Wednesday February 19th, 2020 to review the Finance Department budget. In attendance were Harry Bohrs, Neil Gordon, and Dennis Doughty for the subcommittee; Jeana Franconi, Finance Director; David Geanakakis, Purchasing; Michael DiPietro, Comptroller; Rachid Belhocine, Acting Chief Assessor; Melissa Goff, Deputy Town Administrator; Advisory Committee members Cliff Brown and John Doggett; and members of the public Brooks Ames and Jon Von Scoyoc.

The proposed operating budget information appears on pp. IV-13 to IV-20 in the FY2021 Financial Plan.

RECOMMENDATION

By a vote of 3-0-0, the Administration & Finance Subcommittee recommends FAVORABLE ACTION on the Finance Department budget as submitted (\$3,474,601).

Discussion

The proposed 2021 budget totals \$3,474,601, an increase of \$64,292 (1.85%) over the FY20 budget of \$3,410,309. Salary expenditures increase by approximately \$46,000 due to Steps and COLA. Services increase by approximately \$18,000 because of new deed-reading software. We were evaluating that software last year and have decided to adopt it. (The department is quite happy with this software, which processes approximately 120 deeds per month.)

Ms. Franconi believes that the Accounts Receivable system is in excellent shape and commented that “the kinks have been worked out of billing cycles.”

Our funds remain well-managed. The Stabilization Fund is conservatively invested, 50/50 in equities vs. fixed-income securities. The Pension Fund is subject to different requirements, is managed more aggressively, and earned an almost 16% rate of return for 2019. The recent history is shown in the table on the next page. As you can see, the Town has been regularly revising the assumed rate of return downward. In future budgets we would like to see some indication of how our assumptions relate to peer communities.

YEAR	Market RoR	Assumed RoR
2019	15.75%	7.20%
2018	-1.75%	7.20%
2017	14.51%	7.40%

YEAR	Market RoR	Assumed RoR
2016	8.83%	7.40%
2015	1.43%	7.60%
2014	7.01%	7.60%

The Subcommittee noted that credit card processing fees, while declining, still represent over \$200,000 of costs to the town. This cost is almost entirely due to the increased adoption of pay-by-phone parking fees, where the town subsidizes a noticeable percentage of the convenience fee. These fees are proposed to be raised on March 1, which means that next year this number should be significantly smaller.

The Purchasing division noted that our fuel contract, currently under negotiation, will likely not be as attractive as in prior years.

By a vote of 3-0-0 the Subcommittee recommends FAVORABLE ACTION on the Finance Department budget request of \$3,474,601.

BROOKLINE ADVISORY COMMITTEE
Administration and Finance Subcommittee
Report on FY2021 Unclassified Budget

The Administration and Finance Subcommittee held a public hearing on Wednesday February 19th, 2020 to review the Unclassified budget. In attendance were Harry Bohrs, Neil Gordon, and Dennis Doughty for the subcommittee; Jeana Franconi, Finance Director; David Geanakakis, Purchasing; Michael DiPietro, Comptroller; Rachid Belhocine, Acting Chief Assessor; Melissa Goff, Deputy Town Administrator; Advisory Committee members Cliff Brown and John Doggett; and members of the public Brooks Ames and Jon Von Scoyoc.

The proposed unclassified budget information appears on pp. IV-114 to IV-116 in the FY2021 Financial Plan.

RECOMMENDATION

By a vote of 3-0-0, the Administration & Finance Subcommittee recommends FAVORABLE ACTION on the Unclassified items in the FY 2021 budget as submitted (\$7,430,077).

Discussion

The proposed 2021 unclassified budget totals \$7,430,077, an increase of 44.7% over the FY20 budget of \$4,108,594. Most items are unchanged year-over-year; there are a few

	FY19 Actual	FY20 Budget	FY21 Budget	Variance	% Variance
SALARIES	29,313	40,000	40,000	0	0.00%
SERVICES	168,560	241,895	271,497	29,602	10.9%
SUPPLIES	2,631	8,000	8,000	0	0.00%
OUT-OF-STATE CONFERENCES	1,677	3,000	3,000	0	0.00%
PROFESSIONAL DUES/MEMBERS	13,121	13,553	13,891	338	2.43%
PROPERTY INSURANCE	416,563	507,952	703,507	195,555	27.8%
RESERVE FUND APPROPRIATIO	0	2,689,494	2,798,904	109,410	3.91%
SELECTMEN'S CONTINGENCY	14,754	15,000	15,000	0	0.00%
INTERFUND TRANSFERS OUT	1,001,874	589,700	3,576,278	2,986,578	83.51%
Total	1,648,494	4,108,594	7,430,077	3,321,483	44.7%

notable exceptions:

Property Insurance: Increases by almost \$200,000. This results from us raising the valuations on school buildings from \$30M to \$100M+ over three years. We are also adding two new buildings at the high school and two bridges, both of which require insurance policies to satisfy the MBTA. Our insurance budget will continue to increase for a few years.

Stabilization Fund: The FY21 budget allocates \$2,000,000 to the Stabilization Fund as per the BFAC recommendation.

Affordable Housing Trust Fund: The FY21 budget allocates \$726,549 to the Affordable Housing Trust Fund, an increase of over \$500,000 from FY20. This is a formulaic allocation since the AHTF's balance is below \$5,000,000.

Host Community Agreement Stabilization Fund: This new fund is being allocated \$800,000. It should be noted that with the switch to OpenGov this allocation is not noted in the Unclassified summary on pp. IV-114 to IV-116 and should be discussed in more detail at the full Advisory Committee meeting.

There was extensive discussion of the Town's approach to managing unallocated reserves, which was pointed out as a deficiency in the BFAC report. We are actually \$4M below our target and this year's budget only closes half of the gap. The Subcommittee received public comments suggesting that the full \$4M should be allocated to the Stabilization Fund this year.

Much of the discussion revolved around "how we got here." It is important to note that the Town's auditor reported an audited reserve percentage of 10.1%, which means that a large number of people involved in reviewing the Town's finances used different assumptions about how to calculate reserves than those which have been identified by BFAC and (now) adopted by the Town. Mr. Brown pointed out that it took "months" for BFAC to convince the auditors, for example, and cited this as an illustration of why the Town should periodically change auditors. Public comment was also received which attempted to determine whether the Town deliberately changed the way in which it measured or reported on reserves and, if so, how and why that decision was made.

The Subcommittee was concerned about the misunderstandings that led to underfunding the reserves and is committed to changes to bolster them. The Subcommittee agreed, with reservations, with BFAC and the Town Administrator that the most pragmatic way to make up the deficit was to spread the replenishment over two or more years. The Subcommittee furthermore insists that future budget documents/handouts include a detailed chart which shows the reserve calculations for several years back.

By a vote of 3-0-0 the Subcommittee recommends FAVORABLE ACTION on the Unclassified Budget request of \$7,430,077.