School Committee Finance Subcommittee  
Wednesday, April 1, 2020  
8:00 AM-11:00 AM  
Remote

Finance Subcommittee members present: Susan Wolf Ditkoff (Chair), Sharon Abramowitz, Suzanne Federspiel, and David Pearlman.  
Other School Committee members present: Julie Schreiner-Oldham, Helen Charlupski, and Barbara Scotto  
Staff present: Ben Lummis, Mary Ellen Normen, Donna Chisholm, Regina Watts, Margaret Eberhardt, and Robin Coyne.  
Others present: Cliff Brown, David Lescohier, Paul Saner, Michael Toffel, David Kirshner, and Peter von Bleyleben.

Ms. Ditkoff called the meeting to order at 8:00 AM.

1) Brookline Early Education Program (BEEP) Tuition  
Brookline Early Education Program (BEEP) Director Regina Watts referred to her March 31, 2020 memo requesting a 2 percent BEEP tuition increase for FY 2021 (Attachment A). She noted that rates increased 4 percent for FY 2020. There is a sliding scale for tuition based on family income levels, with families paying 0, 25, 50, 75, or 100 percent of the cost. The Subcommittee discussed Dr. Watt’s recommendation. Members were mindful of the impact of increases on families and future participation, but noted the provision of financial assistance and that BEEP rates fall below comparable programs. Staff members were amenable to increasing the FY 2021 rate increase to 3 percent.

On a motion of Ms. Ditkoff and seconded by Dr. Abramowitz, the Finance Subcommittee voted unanimously, by roll call, to recommend that the School Committee approve a 3 percent increase in BEEP tuition for FY 2021.

2) Executive Session  
By unanimous roll call vote at 9:00 AM, the School Finance Subcommittee entered into Executive Session pursuant to Massachusetts General laws chapter 30A section 21(a) for Purpose 2, to conduct strategy sessions in preparation for negotiations with nonunion personnel (non-aligned personnel) and for Purpose 3, to discuss strategy with respect to collective bargaining with the Brookline Educators Union, Units A, B, and Paraprofessionals, because the Chair declared that an open meeting may have a detrimental effect on the bargaining or litigating position of the public body. Ms. Ditkoff announced that the meeting will reconvene in open session at the end of the Executive Session. By unanimous roll call vote at 10:10 AM, the School Committee reconvened in public session.

3) Review/Approval of the March 17, 2020 Finance Subcommittee Minutes  
On a motion of Ms. Ditkoff and seconded by Ms. Federspiel, the Finance Subcommittee voted unanimously, by roll call, to approve the minutes of the March 17, 2020 Finance Subcommittee meeting.
4) Acceptance of Donations - Brookline Early Education Program (BEEP), Coolidge Corner School, Heath School, and Brookline High School
On a motion of Ms. Ditkoff and seconded by Ms. Federspiel, the Finance Subcommittee voted unanimously, by roll call, to recommend that the School Committee vote to accept donations, as shown in Attachment B.

5) Brookline Fiscal Advisory Committee (BFAC) Recommendations - Next Steps
BFAC members (Cliff Brown, Paul Saner, Michael Toffel, David Kirshner, and Peter von Bleylbe) were present and discussed what they would like to see prioritized as next steps in implementing BFAC recommendations impacting the schools (Attachment C). BFAC, Subcommittee members, and staff discussed the potential benefits of developing a shared understanding through budget summits. Subcommittee members discussed next steps: compile/summarize/review all School Committee/Subcommittee minutes that include discussion of BFAC recommendations; members submit any questions or requests for clarification, e.g., potential impact of debt statement on the Pierce MSBA project; ask each School Committee member review and opine on each recommendation; schedule a School Committee discussion and possible vote on the following: whether to endorse each of the recommendations; recommended timetables; and priorities for implementation. Mr. Pearlman stated that he hopes the School Committee will endorse all of the recommendations. He will check where the Select Board stands with regard to the recommendations (including the budget summit).

6) CODVID-19 Budget Impact
The Finance Subcommittee agreed to schedule a meeting on April 3, 2020 at 2:45 PM, the agenda to include 1) Budget Impact of COVID-19 Response and 2) Possible Executive Session. Members requested that the budget item include discussion of what resources might be needed at different stages (this school year, the summer, and the next school year), including resources for special education and to provide additional supports once students return to school. Members were asked to send any questions regarding the budget impact to Ms. Ditkoff, Mr. Lummis, and Ms. Normen.

The meeting adjourned at 11:00 AM.
TO: Brookline Finance Subcommittee  
Mary Ellen Normen, Deputy Superintendent of Administration & Finance  
FROM: Regina Watts, Interim Principal of Early Education  
Date: 3/31/2020  
RE: FY 21 BEEP Tuition Rates

Request:  
BEEP administrators respectfully request a 2% tuition increase for FY21 to ensure financial stability.

Background Information:  
BEEP is a high quality, early childhood program serving students aged 2.6 to 5.0 years old, who present with and without identified special education needs. Within the student population we also support financially vulnerable Brookline students who would not be able to access early childhood education without financial assistance. BEEP also offers extended day programs at 5 sites.

In FY21, there will be 24 classrooms and 9 extended day programs with an estimated maximum enrollment capacity of 348 students at the following locations

BEEP@ Beacon : 5 Classes* plus 2 Extended Day Programs  
BEEP@ Clark: 5 Classes* plus 2 Extended Day Programs  
BEEP@ Lynch : 5 Classes* plus 2 Extended Day Programs  
BEEP@ Putterham: 5 Classes* plus 2 Extended Day Programs  
Coolidge Corner: 2 Classes plus 1 Extended Day program  
Heath: 1 Class  
Runkle: 1 Class  
*RISE Classrooms located at Beacon, Clark, Lynch and Putterham

FY20 Tuition compared with Proposed FY 21 Tuition Rates with 2% increase

<table>
<thead>
<tr>
<th>Program</th>
<th>FY20 Tuition</th>
<th>FY 21 Proposed Tuition (+ 2%)</th>
<th>Increased Cost per Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morning Program only</td>
<td>$10,900</td>
<td>$11,118</td>
<td>$218</td>
</tr>
<tr>
<td>Morning + ED 3 PM</td>
<td>$17,836</td>
<td>$18,192</td>
<td>$356</td>
</tr>
<tr>
<td>Morning + ED 5:45 PM</td>
<td>$22,500</td>
<td>$22,950</td>
<td>$450</td>
</tr>
</tbody>
</table>
## Selected Tuition Comparisons FY20

<table>
<thead>
<tr>
<th>Program</th>
<th>Hours of Program</th>
<th>Monthly Tuition Cost</th>
<th>Sept-June Tuition Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Orchard</td>
<td>8:15 am to 12:00 pm</td>
<td>$2,165.00/month</td>
<td>$21,650.00</td>
</tr>
<tr>
<td>Trust Early Childhood Center</td>
<td>9:00 am to 1:00 pm</td>
<td>$1,243.20</td>
<td>$12,432.00</td>
</tr>
<tr>
<td>Clinton Path</td>
<td>8:30 am to 12:30 pm</td>
<td>$1,167.60/month</td>
<td>$11,676.00</td>
</tr>
<tr>
<td>BEEP</td>
<td>8:00 am to 12:15 pm</td>
<td>$1,090.00/month</td>
<td>$10,900.00</td>
</tr>
<tr>
<td>BEEP + Extended Day 3PM</td>
<td>12:15 pm to 3:00 pm</td>
<td>$1,783.00/month</td>
<td>$17,836.00</td>
</tr>
<tr>
<td>BEEP + Ext. Day 5:45 PM</td>
<td>8:00 am to 5:45 pm</td>
<td>$2,250/month</td>
<td>$22,500.00</td>
</tr>
<tr>
<td>Brookline Schools Staff Child Care (BSCCC)</td>
<td>8:00 am to 3:30 pm</td>
<td>$1638.00/month</td>
<td>$16,380.00</td>
</tr>
<tr>
<td></td>
<td>8:00 am to 5:00 pm</td>
<td>$1,905.00/month</td>
<td>$19,050.00</td>
</tr>
<tr>
<td>Soule Early Childhood Center</td>
<td>8:00 am to 12:30 pm</td>
<td>$1,025.00/month</td>
<td>$10,250.00</td>
</tr>
<tr>
<td></td>
<td>8:00 am to 4:00 pm</td>
<td>$1,782.00/month</td>
<td>$17,837.00</td>
</tr>
<tr>
<td>Little Children’s Schoolhouse</td>
<td>7:00 am to 6:00 pm</td>
<td>$400 per week</td>
<td>$14,400.00</td>
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</tbody>
</table>

## BEEP Revolving Fund (SE20) Summary

Projected BEEP FY20 Tuition Revenue: $2,695,113.14  
Tuition Received as of March 31, 2020: $2,014,104.13  
Outstanding BEEP Tuition FY20 April thru June: $681,009.01  

BEEP FY21 Projected Tuition with 2% increase: $3,060,073.44

Additional Projected Expenses for FY21
- Expansion of Clark classes will include staff salary (1 teacher + 2 paraprofessionals)
- Expansion of Clark Road extended day program (1 instructor + 2 paraprofessionals)
- Furniture and educational materials for one new preschool classroom at Clark. Approximate cost for outfitting classroom $35,000.
- Assume salary cost of 3.2 paraprofessional FTE due to elimination of IPLE grant. ($45,000)
- Assume cost of BEEP Enrichment Programs (i.e. Music and Dance) approximately $38,000
Request for Gift Acceptance

April 1, 2020

The School Department requires specific authorization for acceptance of gifts.

School Committee Action Requested: Please accept the following donations:

<table>
<thead>
<tr>
<th>Donor</th>
<th>Recipient</th>
<th>Amount</th>
<th>Reason</th>
<th>Account Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookline Community Foundation – Lauren Dunne Astley Fund</td>
<td>BEEP</td>
<td>$750.00</td>
<td>2020 Calendar Year Disbursement</td>
<td>3300SEG2-482030</td>
</tr>
<tr>
<td>Allison and Michael McLeod</td>
<td>WAHL Clipper Corporation</td>
<td>$6,000.00</td>
<td>Program Enrichment</td>
<td>3300SEG2-482030</td>
</tr>
<tr>
<td>Coolidge Corner PTO</td>
<td>Coolidge Corner School</td>
<td>$1,300.00</td>
<td>Music &amp; Set Director Salaries</td>
<td>3300SEF2-482030</td>
</tr>
<tr>
<td>Coolidge Corner PTO</td>
<td>Coolidge Corner School</td>
<td>$1,980.00</td>
<td>Live at the Hive – winter break salaries</td>
<td>3300SEF2-482030</td>
</tr>
<tr>
<td>Heath School PTO</td>
<td>Heath School</td>
<td>$3,793.77</td>
<td>Gym Speakers</td>
<td>3300SEF4-482030</td>
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<tr>
<td>Heath School Service Learning Club</td>
<td>Heath School</td>
<td>$604.40</td>
<td>Possumwood Wildlife Center</td>
<td>3300SEF4-482030</td>
</tr>
<tr>
<td>CHEX Steering Committee Fund</td>
<td>Brookline High School</td>
<td>$6,436.00</td>
<td>20th Anniversary Celebration</td>
<td>3300SEF9-482030</td>
</tr>
</tbody>
</table>

Motion: Accept the above listed gifts for school department use.
February 26, 2020

Regina Watts
Interim Principal
Brookline Early Education Program
333 Washington Street
Brookline, Ma. 02445

Re: Lauren Dunne Astley Fund Designated Disbursement

Dear Regina,

As per the terms of the Lauren Dunne Astley Designated Fund Agreement, enclosed is a check for $750. This grant for the Brookline Early Education Program is the disbursement for the 2020 calendar year. Please let me know if you have any questions.

On behalf of the BCF board, donors, and staff – thank you for the work you do in the community. Together we are building a better Brookline!

Sincerely,

[Signature]

Frank Steinfeld
Interim Chief Executive Officer

Enclosure
December 16, 2019

Brookline Early Education Program
2 Clark Road
Brookline, MA 02445

Dear Brookline Early Education Program:

We are pleased to provide the enclosed contribution check in the amount of $6,000.00. Please use these funds for the BEEP PTO.

Sincerely,

WAHL CLIPPER CORPORATION

Michael P. McLeod
Stockholder

MPM: dms
Encl.

Michael P. McLeod
February 6, 2020

Dear Allison and Micheal,

Thank you very much for your $6,000.00 donation to the Brookline Early Education Program. It is so wonderful that we will be able to enrich our classes as a result of your generous gift. We plan to use these funds to purchase additional STEM materials for our classrooms and/or provide enrichment opportunities for students such as field trips, yoga and music. We are most grateful for your generosity, as it will make a significant difference in our students' educational experience in BEEP.

Deepest thanks,

Regina P. Watts, Ph.D.
Interim Principal of Early Education
February 25, 2020

To the Public Schools of Brookline School Committee and the Department of Administration and Finance,

During the week of February 3rd through 7th, the Heath School Service Learning Club (SLC) hosted a fundraiser for the Possumwood Wildlife center, an animal rescue non-profit agency in Australia.

The students engaged in the SLC felt strongly that they wanted to help raise funds to help animal rescuers after the devastating bushfires in Australia. The SLC crew raised $604.40 to donate to the cause.

We ask that the money be deposited to the Heath gift account and that the School Committee approve the donation to Possumwood Wildlife.

Our appreciation,

Asa Sevelius, Ed.D.
Principal
617.879.4543
annie_sevelius@psbma.org
www.heathschool.org
Brookline Fiscal Advisory Committee (BFAC) Findings and Recommendations impacting the School Department

On January 30, 2020, BFAC submitted its Final Report with the unanimous support of its 11-member committee.
BFAC Charge Restraints

The Select Board charged BFAC to make observations and recommendations on sustainable ways the Town could address its structural financial challenges, not to examine specific cost reduction opportunities that could also help alleviate the problem.

As was the case in both the 2004 and 2011 Fiscal Policy Review Committees, BFAC was asked to “focus on the general fiscal health of the community, and not conduct evaluations of individual programs or budget line items.”
Status Quo is Unacceptable

• The Town of Brookline faces significant financial challenges:

  • Expense growth unsustainably exceeds revenues.
  • Planned and recently commenced capital projects raise our projected outstanding debt by $550-$700 million, requiring additional debt exclusions.
  • “Rainy day” reserve fund is more than $4 million below the amount required by the Town’s own policies.
  • Economic pressures imperil our AAA bond rating, which reflects our overall financial strength and allows us to borrow at lower interest rates.
**A growing budget gap:** Brookline’s forecasted expenses increasingly exceed its forecasted revenues

Brookline’s AAA Moody’s rating is under pressure as most of its elements are rated Aa or A

**Declining reserves:** Brookline has been drawing down its rainy day reserves below its 10% policy minimum

**More debt burden:** Debt service is a growing proportion of Brookline’s budget

**Why Commit to the AAA Rating and Better Financial Analysis, Forecasting, and Planning?**

MANAGEMENT (20%)

DEBT/PENSIONS (20%)

FINANCES (30%)

ECONOMY/TAX BASE (30%)

- Full Value Per Capita ($)
- Socioeconomic Indices: MF1 (% of US median)
- Fund Balance as % of Revenues
- 5-Year Dollar Change in Fund Balance as % of Revenues
- Cash Balance as % of Revenues
- 5-Year Dollar Change in Cash Balance as % of Revenues
- Net Direct Debt / Full Value
- Net Direct Debt / Operating Revenues
- 3-yr avg of Moody’s Adj. Net Pension Liability / Full Value

Institutional Framework

Operational History: 5-yr avg (Op Revenues/Op Expenditures)

**Rating concerns:**

<table>
<thead>
<tr>
<th>ECONOMY/TAX BASE (30%)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Base Size: Full Value ($ billion)</td>
<td>Baa</td>
</tr>
<tr>
<td>Full Value Per Capita ($)</td>
<td>A</td>
</tr>
<tr>
<td>Socioeconomic Indices: MF1 (% of US median)</td>
<td>Aa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCES (30%)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance as % of Revenues</td>
<td>Baa</td>
</tr>
<tr>
<td>5-Year Dollar Change in Fund Balance as % of Revenues</td>
<td>A</td>
</tr>
<tr>
<td>Cash Balance as % of Revenues</td>
<td>Aa</td>
</tr>
<tr>
<td>5-Year Dollar Change in Cash Balance as % of Revenues</td>
<td>A</td>
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</table>

<table>
<thead>
<tr>
<th>DEBT/PENSIONS (20%)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Direct Debt / Full Value</td>
<td>Baa</td>
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<tr>
<td>Net Direct Debt / Operating Revenues</td>
<td>A</td>
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<tr>
<td>3-yr avg of Moody’s Adj. Net Pension Liability / Full Value</td>
<td>Aa</td>
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<tr>
<td>3-yr avg of Moody’s Adj. Net Pension Liability / Op. Revenues</td>
<td>A</td>
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</table>

<table>
<thead>
<tr>
<th>MANAGEMENT (20%)</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Framework</td>
<td>Aa</td>
</tr>
<tr>
<td>Operational History: 5-yr avg (Op Revenues/Op Expenditures)</td>
<td>Aa</td>
</tr>
</tbody>
</table>
BFAC Recommendations

• BFAC identified 18 specific general recommendations, many with additional sub-recommendations.

BFAC recommendations were grouped into four general sections:

• 1. Maintenance of our AAA Bond Rating.
• 2. Improving Financial Decision Making.
• 3. Recognizing how we are overstretching the capabilities of the Town’s current governance model.
• 4. Identifying resources to implement BFAC’s recommendations.
Areas of Improvement

Many BFAC recommendations require that Brookline improve its:

1. Data Collection
2. Financial Analysis
3. Financial Forecasting
4. Financial Planning
More Resources

These improvements necessitate additional resources, including:

1. Increased budget and analytical staff (whether through new hires or redeployment of existing resources).
2. Consulting expertise.
3. Modern technology solutions.

Additional human resources are an immediate, urgent necessity.
Leadership

Elected officials must be able to:

1. Focus themselves.

2. Provide concrete solutions in the form of a structured “Financial Improvement Plan” to address the growing structural budget deficit and replenishment of our depleted “rainy day” reserves.

3. Embrace forward thinking financial policies and processes, ranging from the way Town Meeting resolutions are viewed, to the establishment of a more collaborative budgeting process.
Stakeholders

Stakeholders need to defeat the perception that meaningful cost reduction is politically impossible, and that debt exclusions, operating overrides, fee increases, and continued positive economic conditions will be sufficient to resolve budgetary challenges.
BFAC Implementation Plan

To address BFAC’s overall observation of resource deficiencies and fragmentation in the Town’s and School’s financial decision-making processes, BFAC recommends the adoption and implementation of the 24 Month BFAC Implementation Plan (the Plan).

The Plan will place the Town and Public Schools of Brookline (PSB) on a path to begin operating under sustainable annual budgets, remain positioned to finance continued investment in infrastructure and facilities, and retain the Town’s AAA credit rating.

Implementation of the Plan will be a shared responsibility among all of the principle government bodies, including senior staff, the Select Board, the School Committee, Advisory Committee, and Town Meeting.
BFAC Recommendations involving the Schools

Out of the 18 total BFAC recommendations, 10 of them involve the School Committee and/or School Department in the implementation of a recommendation: 1, 2, 6, 8, 9, 10, 11, 14, 15, and 16.

There is no recommendation that holds the School Committee solely responsible for implementation.
The Select Board and the School Committee should have their administrators adopt common financial policies, to the extent possible, and create and institute performance management metrics to allow for better evaluation of budgetary decisions and lessen the influence of anecdotal statements and special interests in financial decisions.
Why we need Financial Integration

The Town and Schools have separate, parallel budget processes, each with very different challenges and subject to different state and federal requirements, but ultimately both need to comply with certain regulatory, accounting, and reporting standards. Adopting integrated financial policies will allow for the evaluation of stated priorities and goals so that resources can be redeployed as necessary in the context of a forward-thinking financial culture.

Performance management metrics will strengthen data-driven decision making while weakening the argument for decisions disassociated from financial constraints. This is necessary given the Town’s finite resources. Performance metrics are increasingly used as part of best practices in municipal operations, with many examples in Greater Boston.
BFAC Recommendation #2

Adopt a financial review and budget process requiring periodic summits between the Select Board, the School Committee, and the Advisory Committee.
Importance of Summits

Modeled after Lexington’s budget process, the summit approach brings together the critical participants and stakeholders in the budget and forecasting processes. The summits would establish a common foundational framework for Town and School budget preparation, foster respect among the parties, and facilitate an understanding of the unique challenges faced by each. Content and sequencing of these meetings would be determined by the Town Administrator and Superintendent.

These meetings should include monitoring key financial trends beyond one-year horizons, key strategic decisions across boards and committees, and deep dives on strategic topics.
BFAC Recommendation #6

Evaluate key programs and services on a periodic basis to assess their effectiveness and completion of objectives, in order to identify potential cost savings and opportunities for the redevelopment of resources. Pilot-test zero-based budgeting best practices into the annual budget process.
Periodic evaluation of programs

Objective measures by which to judge progress toward goals represent a key component to expenditure review. Too often these evaluations can become arguments based on opinion, rather than evidence. If a program has been reviewed and not lived up to expectations, there need to be objective criteria for evaluating the consequences of ending or tailoring back the investment in the program.

This recommendation is intended to foster more evidence-based decision making, where more facts and evidence are provided to support decisions by staff, boards, committees, and Town Meeting. It should also help decision makers explain their decisions more transparently.
BFAC Recommendation #6.1

Require an investment analysis.

In addition to demonstrating the possible benefit, there should be an explanation of the goals of the investment, the metrics by which it will be judged, and the time frame over which the metrics will be analyzed.

Periodic look-backs to ascertain effectiveness should be required, as there should never be an assumption that a program will continue indefinitely.
BFAC Recommendation #6.2

Create rubrics and metrics for establishing spending and investment priorities.

Regular procedures should be instituted to periodically evaluate programs for their effectiveness and to identify service levels in excess of statutory requirements. This will create opportunities to rethink the deployment of limited financial resources.
BFAC Recommendation #6.3

Pilot test zero-based budgeting (ZBB) and outcome-based budgeting (OBB) as alternatives to the current incremental annual budget process.

Both of these budget approaches offer the potential for a more strategic allocation of resources:

In ZBB, the budget for a program is re-set to zero and the resources to provide a service or complete a goal are identified and costed out.

In OBB, the focus is the alignment of resources with results.
BFAC Recommendation #8

Town School Partnership

Revisit the structure, including the revenue allocation formula, that forms the Town-School Partnership (TSP) to ensure both that it is better understood and that it best meets the needs of the Town and Schools in a dynamic manner.
Revenue Allocation Mechanisms for Town School Partnership

Most municipalities maintain some kind of mechanism for revenue allocation between the school side of the ledger and the general government side of the ledger. After meeting with staff, BFAC encourages them to focus on a redesign that considers and/or reflects the following:

1. Create a Town-School manual that allows current and future employees to understand how the TSP works.

2. Eliminate the misperception that the Partnership reflects a 50/50 split of revenue.

3. Utilize fully allocated costs and show them so that everyone can see and understand them.
Revenue Allocation Mechanisms for Town School Partnership (Continued)

4. Consider eliminating the focus on marginal revenue and instead use total revenue.

5. Make sure that costs allocated to the Schools conform with Department of Elementary and Secondary Education (DESE) requirements.

6. Agree on how to incorporate changes in student enrollment (increases or decreases).

7. Agree on how to deal with special education costs (taking into account whether any such costs are embedded in the formula for changes in student enrollment).

8. Consider whether the establishment of a reserve for unanticipated special education costs is needed and/or appropriate.
Revenue Allocation Mechanisms for Town School Partnership (...Continued)

9. Determine the appropriate revenue split but recognize that certain functions are performed by the Town on behalf of the Schools and that the funds for those services must be available to the Town. This would be accomplished by making sure those costs are considered shared costs that are deducted prior to any split.

Meetings among senior staff on the Town and School sides are already underway to address the Town-School Partnership.
BFAC Recommendation #9

Create an enhanced capital planning process covering the Town and Schools.

“A government with a comprehensive assessment of capital and infrastructure requirements, including deferred maintenance, will be better positioned to manage these requirements over time in the most cost-effective way.”

Quote Source: S&P Global’s Top 10 Management Characteristics of Highly Rated State and Local Borrowers.
Enhanced Capital Planning Process

Capital investments exert a major impact on the Town’s financial outlook, yet the current capital investment process is failing the Town and in need of reform. A long-term Capital Investment Plan is a key input into a formal debt management policy.
Capital Planning Backlog

Current capital spending on the renewal and replacement of the Town’s K-8 schools is backlogged, driven in part by a sizeable increase in the number of school age children.

In addition to the Schools, the 2018 Strategic Asset Plan has identified many unmet non-school capital needs. Brookline’s investments in streets and roadways, information technology, and analytical infrastructure are below what is required to deliver the quality and scale of public services that the Town has historically provided.
Limited Transparency, Analysis, and Long-term Planning

The current Capital Improvements Program (CIP) process functions primarily as a budgeting exercise, rather than a true long-term planning tool. Capital projects are planned independently of each other and without a Town-wide analytical, criteria-based framework to evaluate their relative merits.

Town departments and School projects are not on equal footing and there is no process to evaluate their relative prioritized importance. As a result, there is limited transparency as to the rationale used to develop the current CIP.
Absence of Affordability Metrics

There exists little to no focused discussion on affordability for capital plans. The absence of a clear analytical framework makes it difficult to differentiate needs from wants.

Recent major capital projects have been undertaken without a rationalized allocation of capital and debt capacity. In the case of the Coolidge Corner, Brookline High, and Driscoll projects, program and design decisions determine the estimated project cost, which is then value-engineered, something very different from designing and building to meet an available budget.
Revised Capital Planning Process

The capital investment process is too complicated, too complex, with too big an impact on the future condition of Brookline to let the current process remain in place.

The Town and PSB should commit to developing, and updating annually, a comprehensive Long-Term Capital Investment Plan (LTCIP) with a 10-year horizon. An important component of the LTCIP will be addressing deferred maintenance. Deferred maintenance can both shorten the useful life of assets and reduce the operating efficiency and quality of service provided.
Long-Term Capital Improvement Plan

The LTCIP should include opportunities to:

1. Improve the quality and efficiency of Town and School activities (e.g., IT, energy conservation, fields/parks, transportation, schools as community centers).

2. Fund capital investment projects that support future economic growth and development, and thereby lead to increased tax revenues.

3. Reduce operating expenses and expand the tax base by reviewing Town assets for potential disposition.

4. Leverage private development projects’ support of the Town’s capital investment needs as a focused and transparent part of project approval.
Require Analytic Rigor

All existing Town and PSB capital assets should be inventoried and assessed regarding existing conditions and deferred maintenance under a common scorecard, the results of which should be published and easily accessed by residents.

All capital investment proposals, for both the Town and PSB, need to be evaluated and prioritized with a consistent analytical and strategic rigor within the framework of the comprehensive 10-year Long-Term Capital Investment Plan.
Evaluation Template

Using a common evaluation template for all projects:

1. Include a full financial analysis showing assumptions on investment horizon (life of asset), cost of capital, return on investment (ROI), payback time, etc., as a result of reduced operating expenses and/or increased revenues. The impact of a project on future long-term operating expenses should be fully considered.

2. For capital investments with only partial or no direct financial benefits, proposals must identify their non-financial benefits and explain why they are needed as opposed to nice to have. Examples of non-financial benefits include: educational programs, strengthened neighborhoods, climate action goals, public safety, promotion of economic opportunity, service quality, etc.
Using a common evaluation template for all projects:

3. Whenever possible, a range of investment levels should be considered, with the differences in the costs and benefits between “bare bones” and “Cadillac” options presented, and mid-points defined.

4. The impact of a project and its funding on Brookline’s AAA rating and its long-term impact on taxpayers should be presented.

5. The level of analytical support should be determined by the size of the project. Any proposal in excess of $500,000 needs to go through the full analysis, with smaller projects requiring less formal attention.
BFAC Recommendation #10

Develop annual Financial Improvement Plans (FIPs) to pursue high-impact opportunities to increase revenues (e.g., PILOT program, AirBnB fees, building utilization) and better manage costs (e.g., special education medical expenses, building maintenance, new school construction standards, playground and fields).

In the near term, BFAC recommends revenue enhancement FIPs for the Payment in Lieu of Taxes (PILOT) program, school rental revenues, cemetery revenues, and AirBnB taxes.

In the area of cost management, BFAC recommends FIPs for Norfolk County fees, and parking enforcement costs and revenues. Future areas for FIPs include special education medical expenses, building maintenance, new school construction standards, fire and ambulance services, and recreational field infrastructure.
BFAC Recommendation #11

Annually assess and publicly report the extent to which any projected cost reductions or revenue increases in the Financial Improvement Plans, actually materialize and why any shortfalls arise. Seek outside independent expertise to (a) assist, as needed, in the evaluation and refinement of Financial Improvement Plans, and (b) to provide independent monitoring of the Town’s and School’s compliance with Financial Improvement Plans and the BFAC Implementation Plan.
Annual FIPs should include...

1. Opportunity Summary: Executive summary of what the potential enhancement is, whether cost savings, revenue increases (or both).

2. Key Implementation Steps: A lettered list with high-level milestones that could serve as a model for a project manager to use to build out a project plan.

3. Annualized opportunity: Summary of the potential impact. This should be a lettered list with a description.

4. Implementation issues: Summary of key issues that will need to be considered, including a description of each issue and its impact.

5. Realization confidence and review: Summary of confidence this enhancement can be passed, and review criteria to look back upon. This section should contain a lettered list of confidence % with adjusted impact and lookback timeframe.
BFAC Recommendation #14

Establish a maximum debt policy based on the ratio of Direct Debt to Operating Revenue. Brookline’s debt service to total revenue is projected to triple from levels in FY18 to FY25.

In the current environment, with multiple large-scale projects being financed over a small number of years, there may be unanticipated shocks to residents when tax bills fully reflect the costs of multiple debt exclusion votes. If taxpayers are not prepared ahead of time, there exists the possibility that adverse reactions could stymie any additional requests for revenues outside of Proposition 2 ½.

The Select Board and School Committee should communicate with transparency around the ultimate costs and benefits that taxpayers are agreeing to undertake with debt exclusions and overrides.
Potential Debt Policies

BFAC Recommendation #14.1: Maintain Net Direct Debt (total debt level) divided by Revenue to at least the A level (0.67x < n < 3x). This recognizes the fact that the Town is already at the A level and establishes a policy to not fall below that level.

BFAC Recommendation #14.2: Set a goal to achieve Net Direct Debt divided by Revenue to at least the AA level (0.33 x < n < 0.67x) by FY36. This goal will help ensure the health of the Town’s balance sheet.

BFAC Recommendation #14.3: Commit to full disclosure and transparency of existing, proposed, and planned borrowings when asking taxpayers to approve new debt exclusions.
BFAC Recommendation #15

Develop a strategy to plan for periodic operating overrides to supplement the resources provided by recommendations #6, 10, and 12 in order to meet the community’s expectations of more and better services from the Town and Schools while addressing concerns that would accompany growing the tax base exclusively via accelerated economic development.

BFAC appreciates that certain statistics suggest Brookline is under-taxed while other statistics suggest Brookline residents are highly burdened by taxes and fees. There is, however, a near universal consensus that Brookline is already a very expensive community in which to live or to conduct business. Additional taxes of any kind will exacerbate this problem, particularly for the most vulnerable of our residents.
BFAC Recommendation #15.1

Any tax should be designed to allow for the broadest range of uses possible.

These uses would include a range of projects for which there currently is insufficient capacity in the CIP, such as open space, parks, and affordable housing. The Town should avoid taxes that are designed as single-purpose levies.
BFAC Recommendation #15.2

Voters must be provided more information when presented with future override and debt exclusion ballot questions.

An approach should be established that fully explains the impact of a single proposed tax in the context of other anticipated override or debt exclusion requests. Voters should be given the information to understand the impact of a ballot question on both their individual tax bills and the Town’s finances bearing in mind all authorized borrowings.
BFAC Recommendation #15.3

As the Town develops plans, it must provide its taxpayers with the information that allows them to evaluate those plans and their costs on a basis entirely different from the piecemeal approach that is the current norm.

Discussion of costs, benefits, trade-offs, and alternatives is a necessary component that should be provided to taxpayers when asking them to make decisions.
BFAC Recommendation #16

Consolidate Town and School financial planning into a single integrated financial model that reflects fully allocated costs between the Town and PSB and is to be used in all Town and School budgeting, investment, and forecasting decisions.

Brookline currently utilizes a 5-year window for financial forecasting and CIP planning, with forecasts prepared separately by teams at PSB and the Town Administrator’s office.
Next Steps: The BFAC Implementation Plan

BFAC recommends the adoption and implementation of the proposed 24-month BFAC Implementation Plan, as detailed in Appendix K of the full report. The Plan will place the Town and PSB on a path to begin operating under sustainable annual budgets, remain positioned to finance continued investment in infrastructure and facilities, and retain the Town’s AAA credit rating.

The Plan provides great detail on BFAC’s 18 recommendations, suggests a sequence and timeline for action on each recommendation along with their subsidiary recommendations, and clearly identifies the involved parties.
Parting Thoughts

Maintaining a more predictable tax increase is an ultimate goal of good financial stewardship. A number of BFAC recommendations entail adopting financial policies that foster confidence in local government.

Implementation of BFAC recommendations will require education. BFAC stands ready to present its findings and recommendations to Brookline’s Town Meeting Members, Select Board, School Committee, Town committees, and residents.