

**Town of Brookline
Advisory Committee Minutes**

September 17, 2019

Present: Vice-chair Carla Benka, Harry Bohrs, Clifford Brown, Carol Caro, John Doggett, Dennis Doughty, Harry Friedman, Janet Gelbart, David-Marc Goldstein, Neil Gordon, Susan Granoff, Amy Hummel, Alisa Jonas, Janice Kahn, Steve Kanes, Bobbie Knable, David Leschohier, Carol Levin, Pamela Lodish, Mariah Nobrega, Carlos Ridruejo, Chair Michael Sandman, Lee Selwyn, Kim Smith, Charles Swartz, John VanScoyoc, Christine Westphal, Neil Wishinsky

Absent: Ben Birnbaum

By Phone: Claire Stampfer

Also Attending: Assistant Town Administrator Justin Casanova-Davis, BFAC Chairman David Kirshner, DPW Water and Sewer Director Fred Russell, Journalism Student from Northeastern, Jake Peter

The Chair called the meeting to order at 7:30 PM and made the following announcement:

Pursuant to this Board's Authority under 940 CMR 29.10 (8), Advisory Committee member Stampfer will be participating remotely via telephone due to geographic distance. I have reviewed the requirements of the regulations. There is a quorum physically present and all votes taken will be recorded by roll call. Advisory Committee member Stampfer will be allowed to vote.

Announcements:

All subcommittee hearings have been scheduled. Get reports in as soon as you so we have them in advance of the meeting.

We are joined by Jake Peter, Journalism Student from Northeastern.

1. Brookline Fiscal Advisory Committee - An overview of the Committee's work and highlights of its key findings to date

BFAC Chair David Kirshner introduced 2 other members of the Committee who were in attendance, Paul Saner and Mini Kolluri, and gave an over of their work to date and offered some key findings. See presentation attached at the end of these minutes.

Mr. Kirshner highlighted six policy areas drawn from Standard and Poor's framework to focus their work for the remainder of calendar year 2019. Those six policy areas are linked to the S&P top 10 disciplines (see article also attached). They include:

1. Maintain AAA Rating
2. Financial Improvement Plan
3. Data and Analytics Infrastructure

4. Board Based Capital Expenditure Plan
5. New Economic Development
6. Strategic Reserves

The AAA rating is more than about lower borrowing costs. It gives the citizens of the Town of Brookline a positive goal to coalesce around and be proud of maintaining.

The rating is dynamic, not one thing but many things. The Committee does not believe the Town is in good fiscal shape. Some thoughts / observations about ratings:

- Lower interest rates = AAA Rating
- Be warned about dipping into the reserve as this is generally frowned upon by the rating agencies
- Good rating is advantageous when negotiating rates with vendors
- AAA rating has emotional value
- We look to this aspiration, inspiration, a matter of pride and discipline

Q: Bond rating is not necessarily an honest reflection of what is going on – why do we care about what S&P or Moody’s think? A: agencies are imperfect but helps galvanize focus.

Q: What is Moody’s process for coming up with a bond rating? Is it transparent? Can we respond? Do they share the scorecard?

Strategies we need to embrace

- Structural deficit – no debate about why
- Need same model and language

Q: What if Brookline was a city? A: Not a matter of governmental structure / set up. Lexington, also a town, is a good model for Brookline.

Comment: Specious – operates with the assumption that we’ll be able to tax everyone

Comment: Unfunded liability – how do we put aside to pay down the debt, it is a deep hole

Q: Where are the resources for getting this work done? A: Reorganize current staff, reallocate current resources. If additional resources are needed, we need a clear cost/benefit analysis to justify that. Analytics will bring enhancement to the Town but we have no senior data analysts on staff.

Comment: Planning – built off of your values, not in conflict, work together.

Comment: We may need to change the way we look at things.

Comment: Zoning Laws – we have removed freedom for folks trying to generate revenue for the Town with restrictive rules – changing heights, usages, etc. We need to have these conversations.

Comment: Maybe not everyone will want to pave things over to increase revenue.

Comment: Need to look at data; don’t undermine the effort before it had begun.

Comment: Need to know what you want to be able to negotiate with developers – the Town doesn't have a strategic plan – this work will help your kids stay in Brookline.

Comment: Schools are less in control of their expenditures; we are obliged to provide an education according to state requirements; choices that exclude those things that are necessary – philosophical decisions – diversify the population – we need to think about the values we as a community want to preserve and we have to pay for them.

Comment: We want a quality of life but can't afford it. We should spend less.

Other summary points and comments

- Excited to hear what are thinking about, good to know next steps
- Not here to criticize the past but provide perspective for the future, unity for Town Management
- There needs to be a Communication strategy that has to come along with this – a presentation before Town Meeting as this requires lots of education
- High quality thinking and we should be grateful to all who are giving their time
- Use this when we work on FY21 Budget – Educate ourselves and make this part of that process
- We don't look at things strategically but rather piecemeal
- Energy - costs and benefits - sustainability – what are the budget implications – asking for a sustainability planner and have a discussion and educate us so we understand future consequences
- Many issues like this
- Disconnect between what School thinks of itself and what Town thinks of itself and we need to align these
- Use data more strategically
- Question of economic development in a proactive way – leverage opportunities – be strategic
- Town School Partnership is a fiction now – unfunded liability – unfunded non-resident student issue – permanent structural issue
- Special Ed budget that doesn't look at what we actually spend – need to unpack it and know real costs
- Fringe benefits – Wrong not to do an accounting line by line – all employees need to what percentage of salary their benefits are
- Schools are contributing to structural deficit and the separation between Town and School is problematic - there is this membrane between them – and why is this? Other towns that are highly rated do not use this “membrane” model

The Chair thanked Mr. Kirshner and his committee for their work and their insights and stated that the Advisory Committee looked forward to more conversations about the Town's fiscal health and how to improve it.

2. Discussion and possible vote on Warrant Article 1 - Approval of Unpaid Bills

There are no unpaid bills.

A **MOTION** was made and seconded for NO ACTION. By a unanimous roll call **VOTE** of 28 in favor, the Advisory Committee recommends no action on WA 1.

BENKA	Yes	GORDON	Yes	NOBREGA	Yes
BIRNBAUM	Absent	GRANOFF	Yes	RIDRUEJO	Yes
BOHRS	Yes	HUMMEL	Yes	SANDMAN	----
BROWN	Yes	JONAS	Yes	SELWYN	Yes
CARO	Yes	KAHN	Yes	SMITH	Yes
DOGGETT	Yes	KANES	Yes	STAMPFER	Yes
DOUGHTY	Yes	KNABLE	Yes	SWARTZ	Yes
FRIEDMAN	Yes	LESCOHIER	Yes	VANSCOYOC	Yes
GELBART	Yes	LEVIN	Yes	WESTPHAL	Yes
GOLDSTEIN	Yes	LODISH	Yes	WISHINSKY	Yes

3. Discussion and possible vote on Warrant Article 2 - Approval of Collective Bargaining Agreements

There are no Collective Bargaining agreements.

A **MOTION** was made and seconded for NO ACTION. By a unanimous roll call **VOTE** with 28 in favor, the Advisory Committee recommends No Action on Warrant Article 2.

BENKA	Yes	GORDON	Yes	NOBREGA	Yes
BIRNBAUM	Absent	GRANOFF	Yes	RIDRUEJO	Yes
BOHRS	Yes	HUMMEL	Yes	SANDMAN	----
BROWN	Yes	JONAS	Yes	SELWYN	Yes
CARO	Yes	KAHN	Yes	SMITH	Yes
DOGGETT	Yes	KANES	Yes	STAMPFER	Yes
DOUGHTY	Yes	KNABLE	Yes	SWARTZ	Yes
FRIEDMAN	Yes	LESCOHIER	Yes	VANSCOYOC	Yes
GELBART	Yes	LEVIN	Yes	WESTPHAL	Yes
GOLDSTEIN	Yes	LODISH	Yes	WISHINSKY	Yes

4. Discussion and possible vote on Warrant Article 8 - Legislation authorizing the Select Board to offer Senior Discount Program for Water and Sewer Rates

David-Marc provided an overview of the Human Services Subcommittee public hearing and review of Warrant Article 8 the substance of which is captured quite well in the subcommittee report.

COMMENTS AND QUESTIONS

Comment: Object to the explanation. There are a limited number of slots. Not open to people with certain disabilities. Seniors also in need may not be participating in tax deferral program or any other program. Setting a legislative history – people should be eligible based on whether they have a need or not.

Comment: This is a response – just a need to do something – we don’t have control over home rule legislation.

Comment: I think that “eligible income” takes away all other things – renter, homeowner, etc.

DPW Water and Sewer representative Fred Russell explained that W&S offers abatements to elderly based on income only; Assessors does it through other means. W&S trying to make more seniors eligible and be aligned with what Assessors office does.

Comment: The Warrant Article is unspecific and general. If it passes it gets carried by our delegation to Beacon Hill introduced as home rule legislation and we are subject to the whims of legislators and they will pick up legislative history and pick. The petitioner's explanation is unreasonably narrow in terms of the policy that will be set for deserving residents.

David –Marc will work with Neil to broaden the language in the explanation.

Comment: This seems premature, why being offered without a specific program. Asking for something we already have, we have discount in place. Not providing the improvements.

Q: If we offer this, can someone say the current program is not legal and we have to stop it.

A: Town Counsel said there is limited risk to proceeding to implementing and seeking home rule; giving broad approval so they don't need to see a specific program.

Q: How many people are eligible (only 7 are taking advantage)? Do we have to do the home rule or can we just do better and increased communication? What do we do to communicate this? A: We can put notices in the water bills.

Q: In the spirit of the meeting we just had, any idea how much revenue we might lose if we go from 7 to 700 people? A: About \$30,000.

Comment: This is not simple. Hold off and get more information from Town Counsel, jeopardize the program we already have. We should find out what we are doing before we go ahead.

Comment: Existing legislation already allows the Select Board to do this – W&S division are hesitant to go ahead offering this discount without the home rule legislation. Department of Revenue and Town Counsel have weighed in and said go for it; Select Board won't offer it until we have the legislation.

Comment: Advertising what we currently have is important. Put it on the back where you have the rates and so it is always there.

Comment: Discount applies to base rate and base rate is a function of the size of the meter. If objective is to provide a discount to seniors it should be fixed at the minimum base rate.

Comment: Designing the program once they get approval so discussing what it applies to now.

Comment: The current program discount is not given to every poor person who needs the relief, just giving it to seniors so seems unfair. Seniors in condos don't receive the discount. Fundamental unfairness baked into this and no future plan to make it more equitable.

Comment: Reminder that this is just to authorize the Select Board to do this and find a solution anon. We still need this in place to look at and consider how to design the program. No practical solution.

A **MOTION** was made and seconded to accept language as is printed in the article with the addition of "income eligible."

A **MOTION** was made and seconded to AMEND the article by substitution (re-write the article?) . By a roll call **VOTE** of 3 in favor, 25 opposed and no abstentions, the amendment fails.

BENKA	No	GORDON	No	NOBREGA	No
BIRNBAUM	Absent	GRANOFF	No	RIDRUEJO	No
BOHRS	No	HUMMEL	No	SANDMAN	---
BROWN	No	JONAS	No	SELWYN	No
CARO	No	KAHN	No	SMITH	Yes
DOGGETT	No	KANES	No	STAMPFER	No
DOUGHTY	No	KNABLE	No	SWARTZ	No
FRIEDMAN	No	LESCOHIER	Yes	VANSCOYOC	Yes
GELBART	No	LEVIN	No	WESTPHAL	No
GOLDSTEIN	No	LODISH	No	WISHINSKY	No

MAIN MOTION VOTE

A **MOTION** was made and seconded for Favorable Action with added language. By a roll call **VOTE** of 22 in favor, 3 opposed and 3 abstentions, the Advisory Committee recommends favorable action on WA 8 with "income eligible" added where noted.

BENKA	Yes	GORDON	Yes	NOBREGA	Yes
BIRNBAUM	Absent	GRANOFF	Yes	RIDRUEJO	Yes
BOHRS	Yes	HUMMEL	Abstain	SANDMAN	----
BROWN	Yes	JONAS	Abstain	SELWYN	Yes
CARO	Yes	KAHN	Yes	SMITH	Yes
DOGGETT	Yes	KANES	No	STAMPFER	Yes
DOUGHTY	Yes	KNABLE	Yes	SWARTZ	Yes
FRIEDMAN	No	LESCOHIER	Yes	VANSCOYOC	Yes
GELBART	Yes	LEVIN	Yes	WESTPHAL	Yes
GOLDSTEIN	Yes	LODISH	Abstain	WISHINSKY	Yes

5. Discussion and possible vote on Warrant Article 10 - Amend Article 4.9 of the Town's General By-laws to dissolve the Committee on Campaigns

David gave an overview of the Human Services Subcommittee’s deliberations on Warrant Article 10 the substance of which can be found in the subcommittee report.

Comments

There was a recommendation to revive this committee rather than abandon it and doing something with the data. There is a public service to this work.

There are instances of many, many boards and commissions – with members whose terms have ended but remain on the commissions or board, many don’t follow their own procedures and they have no staffing. This is a thin premise for creating a board. No one wants it, can’t find people to sit on it, have no staff to support it, so why do it?

A **MOTION** was made and seconded to recommend favorable action on Warrant Article 10. By a roll call **VOTE** of 22 in favor, 5 opposed and 1 abstention, the Advisory Committee recommends favorable action on WA 10.

BENKA	Abstain	GORDON	Yes	NOBREGA	No
BIRNBAUM	Absent	GRANOFF	Yes	RIDRUEJO	No
BOHRS	Yes	HUMMEL	Yes	SANDMAN	----
BROWN	Yes	JONAS	No	SELWYN	Yes
CARO	Yes	KAHN	No	SMITH	Yes
DOGGETT	Yes	KANES	Yes	STAMPFER	Yes
DOUGHTY	Yes	KNABLE	Yes	SWARTZ	Yes
FRIEDMAN	No	LESCOHIER	Yes	VANSCOYOC	Yes
GELBART	Yes	LEVIN	Yes	WESTPHAL	Yes
GOLDSTEIN	Yes	LODISH	Yes	WISHINSKY	Yes

6. Other business

Requests have been made to IT for better equipment for remote callers.

Also request that the process for going around the room when people are calling be in alphabetically.

Carla reminded everyone about the *Hidden Brookline* walk, please contact her if you plan to attend.

Also get back in touch with her about meeting agenda and schedule.

Neil made everyone aware of a meeting on 26 September at the Mitton House at 7 pm. Newbury College buyer’s presentation to the neighborhood as to what their proposal is. Introducing the architect and sharing other information.

On October 3rd at 7:30 in Town Hall –the first meeting of the Zoning Committee to begin working on a zoning article.

The next Open Meeting & Conflict of Interest Law Training is scheduled for Thursday, September 19 at 5:30 p.m. Select Board Conference Room. Please contact Town Counsel if you missed this training and require further assistance on how to complete this requirement.

Upon a **MOTION** made and seconded to adjourn, and voted unanimously, the meeting was adjourned at 10:08 pm.

Documents Presented:

- Brookline Fiscal Advisory Committee Presentation
- A Progress Report from the Brookline Fiscal Advisory Committee (“BFAC”) (“Transmittal Memo”)
- A research brief published by the credit rating agency Standard & Poors (S&P). It is entitled “The Top 10 Management Characteristics of Highly Rated State and Local Borrowers,” and provided a useful framework that BFAC and Town Management embraced over the past few months. This will be useful background reading for further understanding the BFAC report.
- Human Services Subcommittee Report on WA 10
- Human Services Subcommittee Report on WA 8
- Brookline Advisory Committee Subcommittee Assignments FY 20

TO: The Town of Brookline Advisory Committee

FROM: David Kirshner
Chairman, Brookline Fiscal Advisory Committee

Date: September 13, 2019

Re: Progress Report from the Brookline Fiscal Advisory Committee ("BFAC")

I look forward to updating the Advisory Committee on the progress made to date by the new Brookline Fiscal Advisory Committee appointed in January, 2019. A formal presentation will be provided at the meeting on September 17th. As important background reading, attached is a research brief published by the credit rating agency Standard & Poors (S&P). It is entitled "*The Top 10 Management Characteristics of Highly Rated State and Local Borrowers*," and provided a useful framework that BFAC and Town Management embraced over the past few months.

This "Ratings Direct" article not only provides insights into how the best AAA rated cities and towns position themselves to retain their credit rating but contains very useful financial policy topics and operating disciplines critical to helping the Town and Schools conform to best practices. The document was provided by Mr. Peter Frazier, the Town's financial advisor from Hilltop Securities, through the support of the Town's Management team.

We've used S&P's framework to guide us to six policy areas that we've used to focus BFAC's work for the remainder of calendar year 2019. Those six policy areas will be highlighted in our presentation and are linked to the S&P top 10 disciplines. They include:

1. Maintain AAA Rating
2. Financial Improvement Plan
3. Data and Analytics Infrastructure
4. Board Based Capital Expenditure Plan
5. New Economic Development
6. Strategic Reserves

We are seeking your feedback and guidance on these areas of focus and hope this article is useful background and context. In closing, the AAA rating is more than about lower borrowing costs. It gives all of us as citizens of the Town of Brookline a positive goal to coalesce around and be proud of maintaining.

Brookline Fiscal Advisory Committee Progress Report to the Select Board

July 23, 2019

Why Are We Here?

BFAC is seeking to guidance from the Select Board on:

- how well are we addressing your charge?
- Is our focus on the recommended six financial policy areas addressing the Town's most pressing priorities?
- Is our roadmap of next steps realistic and informed?

What is BFAC?

The Select Board established a Brookline Fiscal Advisory Committee (“BFAC”). At our first meeting in January, 2019 we reviewed our charge:

Review and evaluate Brookline’s financial projections and forecasting model

Examine Town and School budget principles and financial policies

Suggest actions that address misalignment between projected revenues and expenses

BFAC shall deliver a report that provides a record of its investigations and discussions, state its findings and contain concrete recommendations.

Challenges and Solutions

Line	Budget	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025							
A.*	Cumulative Operating Surplus/(Deficit) Baseline	\$ (5,265,768)	\$ (10,557,118)	\$ (16,415,966)	\$ (22,301,530)	\$ (28,769,415)							
B.	Strategic** Cash Flow Requirement @ 1%	\$ (2,985,725)	\$ (3,079,088)	\$ (3,169,863)	\$ (3,262,885)	\$ (3,358,265)							
FINANCIAL AND OPERATING IMPROVEMENTS													
C. = A. + B.	<i>Core Operating Challenge</i>	\$ (8,251,493)	\$ (13,636,206)	\$ (19,585,829)	\$ (25,564,415)	\$ (32,127,680)							
D.	Increase Cash Receipts												
E.	Decrease Cash Disbursements												
F.	Improvement Plan Value	\$ 8,251,493	\$ 13,636,206	\$ 19,585,829	\$ 25,564,415	\$ 32,127,680							
G. = F. + C. + D.	Town Cash Flow Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -							
*Baseline: Per Town of Brookline FY 2021 - FY 2025 Long Range Financial Plan dated December 18, 2018. Assumes maintenance of effort. Deficits result primarily from annual costs increasing 4.5% with revenue grows only 3.2%.													
**Recommendation is to create a new reserve that would provide strategy flexibility for the Town" above and beyond its current free cash flow serves.													

Update on BFAC's Progress

BFAC initially divided into two subcommittees:

Brookline's Multi-Year Financial Forecast Model

BFAC's forecasting team has worked closely with Town management, specifically Assistant Town Manager Justin Casanova-Davis.

All elements of the Town's existing financial forecast have been reviewed and evaluated.

The BFAC team has identified opportunities to enhance the model so it can be turned over to the Town and Schools by the end of 2019.

Financial Governance Policies, Principles and Operating Disciplines

BFAC's policy team has completed its review of existing Town financial policies.

Based on a presentation made by the Town's Financial Advisor, Mr. Peter Frazier from Hilltop Securities, BFAC reviewed Standard & Poors Ratings Direct recent publication entitled "The Top 10 Management Characteristics of Highly Rated State and Local Borrowers."

BFAC embraced S&P's frameworks as appropriate for Brookline, not only supportive of our AAA rating but because it contains policy and operating disciplines required Brookline to be financially fit in the future.

S&P's Top 10 Management Characteristics of Highly Rated State and Local Borrowers

1. Focus on Structural Balance: Recurring Revenues Match Recurring Expenditures

The use of realistic assumptions in projecting revenues and expenditures.

2. Strong Liquidity Management

Minimizes the risk of having insufficient resources to meet debt obligations.

3. Regular Economic/Revenue Updates to Identify Shortfalls Early

Allows for timely and effective budget balancing responses. Distinguish between revenue trends and aberrations.

4. An Established Rainy Day/Budget Stabilization Reserve

Reserves provide financial flexibility to react to budget shortfalls and unplanned circumstances in a timely manner.

Prioritized Spending Plans and Established contingency plans for operating budgets

Provides risk management of changing economic conditions, intergovernmental funding shifts, budget imbalances, and emerging risks.

6. Strong Long-Term and Contingent Liability Management

Pensions, postemployment benefits, and other contingent liabilities of both the general and enterprise funds which can cause significant financial stress.

7. Multi-Year Financial Plan that Considers the Affordability of Actions or Plans Pre-Budget

Having detailed projections and information on costs associated with various policy decisions provides transparency to the budgeting process.

8. Formal Debt Management Policy to Evaluate Future Debt Profile

Debt affordability guidelines and models enhance the capital budget planning process and related policy decisions.

9. Capital Planning Process

A comprehensive assessment of capital and infrastructure requirements, including deferred maintenance, better positions the town to execute a cost-effective management strategy.

10. Well-Defined and Coordinated Economic Development Strategy

Development initiatives and growth prospects affect future revenue-generating capacity.

Moody's Scorecard with Brookline data

Credit Factors	Weight	BROOKLINE (\$000)	Rating	Very Strong	Strong	Moderate	Weak	Poor	Very Poor
				Aaa	Aa	A	Baa	Ba	B & Below
Economy/Tax Base (30%)									
Tax Base Size: Full Value	10%	\$20,944,753	AAA	> \$12B	\$12B ≥ n > \$1.4B	\$1.4B ≥ n > \$240M	\$240M ≥ n > \$120M	\$120M ≥ n > \$60M	≤ \$60M
Full Value Per Capita	10%	\$353,522	AAA	> \$150,000	\$150,000 ≥ n > \$65,000	\$65,000 ≥ n > \$35,000	\$35,000 ≥ n > \$20,000	\$20,000 ≥ n > \$10,000	≤ \$10,000
Socioeconomic Indices: MFI	10%	209.70%	AAA	> 150% of US median	150% to 90% of US median	90% to 75% of US median	75% to 50% of US median	50% to 40% of US median	≤ 40% of US median
Finances (30%)									
Fund Balance as % of Revenues	10%	12.20%	AA	> 30%	30% ≥ n > 15%	15% ≥ n > 5%	5% ≥ n > 0%	0% ≥ n > 2.5%	≤ 2.5%
				> 25% for School Districts	25% ≥ n > 10% for SD	10% ≥ n > 2.5% for SD	2.5% ≥ n > 0% for SD	% ≥ n > 2.5% for SD	≤ -2.5% for SD
5-Year Dollar Change in Fund Balance as % of Revenues	5%	?	AA?	> 25%	25% ≥ n > 10%	10% ≥ n > 0%	0% ≥ n > -10%	-10% ≥ n > -18%	≤ -18%
Cash Balance as % of Revenues	10%	15.90%	AAA	> 25%	25% ≥ n > 10%	10% ≥ n > 5%	5% ≥ n > 0%	0% ≥ n > -2.5%	≤ -2.5%
				> 10% for School Districts	10% ≥ n > 5% for SD	5% ≥ n > 2.5% for SD	2.5% ≥ n > 0% for SD	0% ≥ n > -2.5% for SD	≤ -2.5% for SD
5-Year Dollar Change in Cash Balance as % of Revenues	5%	?	AAA?	> 25%	25% ≥ n > 10%	10% ≥ n > 0%	0% ≥ n > -10%	-10% n > -18%	≤ -18%
Debt/Pensions (20%)									
Net Direct Debt / Full Value	5%	0.70%	AAA	< 0.75%	0.75% ≤ n < 1.75%	1.75% ≤ n < 4%	4% ≤ n < 10%	10% ≤ n < 15%	> 15%
Net Direct Debt / Operating Revenues	5%	0.5x	AA	< 0.33x	0.33x ≤ n < 0.67x	0.67x ≤ n < 3x	3x ≤ n < 5x	5x ≤ n < 7x	> 7x
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value	5%	2.10%	AA	< 0.9%	0.9% ≤ n < 2.1%	2.1% ≤ n < 4.8%	4.8% ≤ n < 12%	12% ≤ n < 18%	> 18%
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues	5%	1.5x	A	< 0.4x	0.4x ≤ n < 0.8x	0.8x ≤ n < 3.6x	3.6x ≤ n < 6x	6x ≤ n < 8.4x	> 8.4x
Management (20%)									
Institutional Framework: legal ability to match resources with spending	10%	?	AA?	Very strong	Strong	Moderate	Limited	Poor	Very Poor or None
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	10%	?(0.99)	A?	> 1.05x	1.05x ≥ n > 1.02x	1.02x ≥ n > 0.98x	0.98x ≥ n > 0.95x	0.95x ≥ n > 0.92x	≤ 0.92x

Source:

Moody's Approach to Local Government Credit Analysis 2019, pp 18, Brookline June 2018 Audited Financial Statements Ratings in Blue Italics signify estimate, to be updated.

Proposed Financial Governance Policies

Policy	Rationale	Links to S&P Top 10
1. Maintain AAA Rating	<p>Maintaining a AAA rating minimizes the Town’s borrowing costs. This enables the Town minimize the tax burden when investing, and enhances the Town’s ability to avoid State intervention.</p> <p>The Select Board should monitor its budgets, financial ratios, projections, and override proposals against rating agency guidance to maintain AAA ratings, such as the “S&P Top 10 Management Characteristics Of Highly Rated State And Local Borrowers”</p>	<p>#1. Focus on structural balance</p> <p>#8. A formal debt management policy in place to evaluate future debt profile</p>
2. Financial Improvement Plan	<p>Because the Town and School must balance their budgets each year, their Five-Year Plan’s forecasts should avoid annual deficits. This requires their plans to identify revenue growth sources to match planned expenditure growth.</p>	<p>#3. Regular economic and revenue updates to identify shortfalls early #5. Prioritized spending plans and established contingency plans for operating budgets #7. A multiyear financial plan in place that considers the affordability of actions or plans before they are part of the annual budget #8. A formal debt management policy in place to evaluate future debt profile</p>
3. Data and Analytics Infrastructure	<p>The Town and Schools need to make decisions which carry risks and rewards which require more data and analysis. The infrastructure required to provide financial analyses, budgeting and forecasting includes the critical people, process and technology to operate the Town and School’s operations and investments on an integrated platform. For example, fully allocating direct and indirect costs to all Town and School activities provides a single, accurate, and transparent set of costs. A “General Accounting Office” scoring concept may also apply.</p>	<p>#1 Focus on structural balance</p> <p>#10. A well-defined and coordinated economic development strategy</p>
4. Broad Based CapEx Plan	<p>To ensure longer term planning and more appropriate capital cost management, the Town and School should update annually their 10-year capital expenditure plans. This should include a broad portfolio of opportunities to improve the quality and efficiency of Town and School activities (e.g., IT, energy conservation, fields/parks, transportation, schools as community centers).</p>	<p>#9. A capital planning process</p>
5. New Economic Development	<p>Need for additional long-term, sustainable revenue growth to reduce reliance on temporary solutions (i.e. overrides) and unaffordable residential property taxes</p>	<p>#1. Focus on structural balance</p> <p>#10. A well-defined and coordinated economic development strategy</p>
6. Strategic Reserves	<p>Commitment to strategic reserves through free cash flow.</p> <p>Need for additional cash reserves for contingencies and to execute policy in long term (i.e. strategic real estate acquisitions)</p>	<p>#2. Strong liquidity management</p> <p>#4. An established rainy day/budget stabilization reserve</p> <p>#6. Strong long-term and contingent liability management</p>

Roadmap of Next Steps

Key	Completed
	In Progress
	TBD

1. BFAC Progress Report to the Select Board	July 23, 2019
2. Through School Committee Liaisons engage fully with Superintendent (w/ MaryEllen Normen) and School Leadership	August 19 & 27, 2019
3. BFAC Meeting to Review and Discuss New Policies for: Financial Improvement Plan; Data and Analytics Infrastructure	August 21, 2019
4. BFAC Meeting to Review Broad Based Capital Expenditure Plan, Financial Improvement Plan Continued	September 4 & 9, 2019
5. BFAC Meeting to Review: New Economic Development; Strategic Reserve	September 18, 2019
6. Public Hearing to Preview BFAC's Recommendations	Early October, 2019
7. BFAC Vote on Policies, Financial Model and Concrete Recommendations	October 31, 2019
8. Final working draft of BFAC report for Select Board.	November 15, 2019
9. Present Report as Directed by Select Board	Early December, 2019
10. Present Final BFAC Report to Select Board	January, 2020

“If I Were a Select Board Member” Questions

1. Given the defeat of the May, 2019 override, what are our realistic options to generate incremental revenue and reduce expenses?

2. How can future “Override Study Commissions” do a better job to educate the community about why overrides may be necessary?

3. How should the Town/School Partnership evolve to address the forecasted deficit?

4. Are there any changes in governance that be required to monitor the realization of the financial improvement plan?

5. What guidance should we provide to BFAC now?