

# BROOKLINE FISCAL ADVISORY COMMITTEE

Preliminary Report for the

December 19, 2019

Public Hearing

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



## **Deteriorating Balance Sheet**

1. The Town's safety net, measured by total fund balances as a % of revenues, ranks last in comparison with 13 Massachusetts AAA Communities.
2. Since 2014 the Town has violated its own policy of maintaining an unassigned fund balance of at least 10% of prior year net revenue.

The next two slides suggest that Brookline's AAA rating is primarily a function of its geography and not its financial situation.

## **AN INDEPENDENT ASSESSMENT-THE CREDIT AGENCIES' RATINGS**

In Moody's report card for Brookline: green is good, yellow is okay and pink is problematic.

	Credit Factors	Weight	AAA	AA	A	Baa
Economy/Tax Base (30%)	Tax Base Size:Full Value	10%				
	Full Value Per Capita	10%				
	Socioeconomic Indices: MFI	10%				
Finances (30%)	Fund Balance as % of Revenues	10%				
	5-Year Dollar Change in Fund Balance as % of Revenues	5%				
	Cash Balance as % of Revenues	10%				
	5-Year Dollar Change in Cash Balance as % of Revenues	5.00%				
Debt/Pensions (20%)	Net Direct Debt / Full Value	5%				
	Net Direct Debt / Operating Revenues	5%				
	3-Year Avg. Adjusted Net Pension Liability / Full Value	5%				
	3-Year Avg. Adjusted Net Pension Liability/Operating Revenues	5%				
Management. (20%)	Legal ability to match resources with spending	10%				
	Operating History: 5-Year Avg. Revenues / Expenditures	10%				

Moody's Approach to Local Government Credit Analysis" 2019, Brookline June 2018 Audited Financial Statements, BFAC Analysis

**Brookline Vs. Twelve Peer Communities**  
**Selected Moody's Key Metrics of Financial Health**

Issuer	Economics				Debt			Finances									
	2017 Per Capita Income	2017 Median Family Income	2018 Equalized Valuation	FY19 Residential AV as a % of Total AV (1)	6/30/19 General Obligation Bonded Debt Outstanding	Bonded Debt Per Capita	Cumulative % of Principal Retired in 10 Years	7/1/18 Free Cash	FY 18 Total Fund Balance	FY 18 Unassigned General Fund Balance	FY 18 Total Revenues	Total Fund Balance as a % of Revenue	Unassigned Fund Balance as a % of Revenue	Unfunded Pension Liability	Unfunded OPEB Liability	Unfunded Pension Liability as a % of Revenue	Unfunded OPEB Liability as a % of Revenue
<b>Brookline</b>	<b>10</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>10</b>
Acton	12	10	11	5	2	1	2	13	13	13	11	12	13	5	3	7	3
Belmont	11	11	6	9	9	11	13	9	9	7	6	6	4	11	9	9	11
Concord	9	9	9	7	3	4	1	6	4	8	9	4	6	3	4	2	4
Dover	1	3	13	13	1	2	4	7	12	11	13	2	1	1	1	4	2
Hingham	7	8	8	3	4	3	3	1	6	2	7	5	2	6	6	6	6
Lexington	5	5	5	4	12	10	8	3	1	3	3	3	7	2	11	1	7
Nantucket	13	13	3	8	11	13	9	8	3	5	8	1	3	10	10	8	12
Newton	8	7	1	6	13	6	12	4	2	1	1	11	10	13	13	12	13
Wayland	4	4	12	10	5	8	7	10	11	10	12	8	5	8	2	11	1
Wellesley	3	2	4	1	7	7	6	2	7	6	4	10	8	7	7	5	5
Weston	2	1	10	11	6	12	5	12	10	12	10	9	9	9	5	10	9
Winchester	6	6	7	12	8	9	11	11	8	9	5	7	11	4	8	3	8

**Notes:**

1. Lower number indicates larger percentage of non-residential contribution to tax levy

**Source: Hilltop Securities**

## **BROOKLINE FISCAL ADVISORY COMMITTEE TOP 15 RECOMMENDATIONS**

Though there is no single cause for Brookline's current difficult financial condition, BFAC has identified weaknesses in the Town's and Public Schools of Brookline's (PSB) financial policies and processes as a significant contributor to the current situation. The Committee believes both the Town's and PSB's budgeting and capital allocation policies and procedures, can and should be strengthened. We are particularly concerned with both the long-term strategic planning function and the financial modeling tools necessary to support such planning. The Committee observed resource deficiencies<sup>1</sup> and fragmentation in the Town's and School's financial decision-making processes which undermine the Town's ability to make sound decisions. Lastly, BFAC noted issues arising from the Town Meeting form of government, including the absence of strong leadership in dealing with financial matters and a broad lack of understanding of financial matters among many participants in town government.

Below is a summary list of BFAC's key, high-level recommendations. **A more complete and detailed recommendation list along with fuller explanations will be found in the final BFAC report.** The final BFAC report will be submitted to the Select Board in **late January**.

### **Part 1. Alignment of Governing Financial Policies and Operating Disciplines**

**Recommendation 1. 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.**

- **What?**

The Town and Schools have two parallel budget processes, each with very different challenges and subject to different state and federal mandates and requirements. Ultimately, both need to comply with certain legal, regulatory, accounting and reporting standards. When it is possible for them to do things in the same way, it will enable the earlier detection and rectification of issues and the leveraging of jointly developed and maintained resources.

Both the Town and Schools should require Performance Management goals in order to create a culture that is forward looking, proactive, and focused on achieving

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<sup>1</sup> The Town's finance staff has not increased in size in more than 20 years and without additional resources will not be able to achieve critical work recommended by BFAC.

specific objectives. BFAC recommends the both sides publicly report “Performance Management Goals.” These goals should be short- term and long-term and be as quantitative as possible so our leaders can measure achievement against targets.

- ***Why?***

The standardization of data definitions and data collection enable us to automate and replicate the analytical methods used for financial decision making and risk assessment throughout the Town and Schools. The creation and utilization of evaluation metrics fosters a mutual understanding of the financial decision-making process and enables concrete analytical conversations in which emotional decision making is disempowered.

- ***What This Enables the Town to Do?***

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 a necessity given the Town’s finite resources.

- ***Who is responsible?*** Select Board, School Committee and respective administrations.

**Recommendation 2. Adopt a financial review and budget process requiring periodic summits between the Select Board, the School Committee and the Advisory Committee.**

- ***What?***

Modeled after Lexington’s budget process, BFAC recommends a series of meetings which will build upon each other leading to the submission of the annual School and Town capital and operating budgets to appropriate approval bodies. Content and sequencing of these meetings would be determined by the Town Administrator and Schools Superintendent. These meetings should include monitoring key financial trends beyond one-year, key strategic decisions across boards and committees, and deep dives on strategic topics.

- ***Why?***

The “Summit” approach brings together the critical participants and stakeholders in the budget and forecasting process in a way that does not currently exist in

Brookline. Starting with an overview of key financial metrics, all parties will move through the budget cycle with a shared detailed and comprehensive understanding of the “state of the town.” The Summit model will foster shared ownership, planning and budgeting integration, and better adherence to all of the BFAC recommended financial policies and processes.

- ***What This Enables the Town to Do?***

The “Summit” enables Brookline to improve communication and understanding among the key constituents across the Town and Schools. In doing so it establishes a common foundational framework for Town and School budget preparation, builds respect among the parties for the unique challenges faced by the Town and the Schools, helps minimize contention, and builds trust among the various branches of government. It provides a regularly occurring venue for discussion of the multi-year financial forecast for the Schools and Town.

- **Who is responsible?** Select Board, School Committee, Advisory Committee and respective administrations.

### **Recommendation 3. Create an enhanced capital planning process covering the Town and Schools.**

- ***What?***

To ensure longer term planning and more appropriate capital cost management, the Town and School should update annually a Long-Term Capital Investment Plan (“Plan”) having a 10-year horizon. Additionally, a Long-Term Capital Investment Plan is a key input into a more formal Debt Management Policy.

- ***Why?***

The current Capital Improvements Program (CIP) process functions primarily as a budgeting exercise, rather than a true long-term planning tool. Its time horizon is limited to six-years plus a bucket for “future years.” A true long-term planning tool is transparent as to: 1) project prioritization rubrics, 2) why projects have received a certain priority and scheduling, 3) the reasons for changes to project priority rankings, and 4) a consistent investment analysis across all project types. BFAC does not believe the CIP or the process leading to its annual creation embraces these requirements. To the extent it does, it has not been clearly articulated and is not in any form or format that can be readily accessed by the public.

- ***What this Enables the Town to Do?***

With rankings based on objective criteria, there can be allocation of capital funds and management of the amount of outstanding debt to conform with Town Fiscal Policies and AAA credit rating standards. A view of the unique challenges and financial drivers confronting PBS will be made more transparent to the Town who in turn can help prioritize where the needs are the greatest.

- **Who is responsible?** The Select Board, School Committee, the Capital Subcommittee of the Advisory Committee and respective administrations.

**Recommendation 4.** To the extent permissible, reform the Warrant Article development, review, and implementation process to enable consistent, transparent, robust analysis and reporting of each article's short-term and long-term costs and benefits, and to discourage financial appropriations made outside of the timing of the annual budget cycle, and to be cognizant of the limitations of staff and volunteer resources.

- ***What?***

The current Warrant Article (WA) development and review process consumes a tremendous amount of Town staff and volunteer time. In recent memory articles filed by Town Meeting Members and the members of the general public have redirected staff and volunteer resources away from previously identified strategic priorities and imposed unforeseen and unplanned for pressures on the Town's operating and capital budgets. While town government must allow and should encourage engagement to provide its various constituents with the opportunity to influence and change its activities and priorities, it is reasonable for that process to be orderly and fact based. Against that context, BFAC recommends the Town seek to modify the Warrant Article development and review process to lessen the requirement of staff resources and to introduce a reasonable process of implementing and/or phasing in decisions to allow for thoughtful redeployment of the operating and capital funds. Greater transparency, clarity, and understanding of the budget process should be provided so potential WA petitioners will find the budget process more accessible, with the aim of alleviating the need for some WA to be filed.

- ***Why?***

The town has seen a rise in the number and complexity of warrant article proposals which are generally not based on cohesive long-term planning (exclusive of those proposed by Town staff), have not been factored into the Town's budget or staff workflow, and have not been evaluated for prioritization by the executive branch.

- ***What this Enables the Town to Do***

Buffer the annual budget and long-range financial plans from Warrant Articles developed without the benefit of the annual budget and long-range planning process. Warrant articles with financial or operational implications will only be advanced once financial information and ramifications are fully available for consideration.

- **Who is responsible?** A to-be-formed committee including non-Advisory Committee Town Meeting Members.

**Recommendation 5. Change the structure, composition, and scope of the Town's Advisory Committee.**

- ***What?***

Brookline is required by State law to have an Appropriation, Finance or Advisory Committee "who shall consider any or all municipal questions for the purpose of making reports or recommendations to the town". The Town's current By-Laws require the Advisory Committee to "consider any and all municipal questions, including appropriation requests and proposed action under all article in the warrant for a Town Meeting, for the purpose of making reports and recommendations to the Town."

As the Town's sole financial advisory body, charged by statute with submitting the Annual Budget, the AC's paramount focus should be: (1) monitoring the overall financial targets and operational performance of the Town and Schools, (2) analyzing the short- and long-term financial costs and benefits of proposed Warrant Articles and (3) evaluating and, if deemed appropriate, suggesting modifications to proposed Articles having financial or operational impacts that will come before Town Meeting. The Town's By-Laws pertaining to the Advisory Committee should be changed to narrow and deepen its focus on three tasks, and to enable it to provide more robust, consistent financial analysis to accompany its recommendations. This narrower focus should trigger a review of both the size of the Advisory Committee and the required skill sets of its members to ensure the relevant and appropriate professional expertise is brought to bear.

- ***Why?***

The critical role of providing financial advice is diluted by the increasing number and complexity of Warrant Articles, as well as by the present structure of the Advisory

Committee. The Advisory Committee should focus on providing apolitical expertise for the benefit of our complex urban town, one of the largest in New England.

- ***What does this Enable the Town to Do?*** The Advisory Committee, with a narrower scope and more relevant expertise, would provide more comprehensive and robust analyses that would enable Town Meeting to make more informed decisions.
- **Who is responsible?** A to be formed committee or CTO&S.

**Recommendation 6. Revisit the structure, including the revenue allocation formula, that forms the “Town-School Partnership” or “TSP” to ensure it is both widely understood and best meets the needs of the Town and Schools in a dynamic manner.**

- ***What?***  
The Town-School Partnership has not been updated or changed since it was first established in 1995. BFAC determined that while the TSP is not broken, neither is it fully understood by the parties. Further, BFAC determined the TSP lacks appropriate documentation and definitions of the components of the revenue allocation formula. The Partnership requires simplification, updating and clarification.
- ***Why?***  
Despite it being a critical piece of the budgeting process, the TSP is not fully understood nor easily explained. Perceptions of how it works and what is supposed to happen do not necessarily reflect the original intent.
- ***What This Enables the Town to Do?***  
Updating the TSP and aligning it with appropriate financial reporting standards (full cost accounting) is needed to eliminate misperceptions and reinforce the relevance and utility of the TSP.
- **Who is responsible?** The Select Board, School Committee and their respective administrations.

**Recommendation 7. Change the Town’s independent audit and accounting firm at least every ten years.** Rotate the lead partner assigned to the Town every five years. The next audit firm Brookline appoints should complete the annual audit of the fiscal year-end

financial statements and a sufficiently inquisitive review of the Town and School's internal controls.

- **What?** Best practice among Towns and Cities is to change audit firms at least every ten years and rotate the lead partner about every five years. Brookline's current auditor, Powers & Sullivan, has been in place for well over a decade. Firm and partner rotation promote an environment of objectivity and independence. Publicly owned companies issue stock and must comply with costly Sarbanes Oxley standards ("SOX") to instill confidence the appropriate reporting and monitoring of procedures are in place. While not required of a municipality, a progressive approach to testing the Town's reporting and key areas of internal control would help ensure the Town's Audit Committee is providing appropriate depth of oversight, debt compliance and policy adherence.
- **Why?** Leading municipalities are driven to identify, prevent and mitigate risks by taking deep dives in areas such as cash management, procurement and IT. Experience tells us a fresh set of eyes will focus on challenging the status quo in order to prevent and mitigate both financial and operational risks, producing new insights and motivating alignment. A policy of auditor change improves independence and raises expectations of a new firm to bring new ideas and best practices recommendations. Public buyers of Brookline's debt securities, namely municipal bond holders will also benefit from this discipline.
- **What Does this Enable the Town to Do?** By going above and beyond the legally required issuance of audited financial statements annually, the Town can actively monitor those areas of internal control that the Town and Schools rely upon. Rotating highly credible auditors and partners through the Town and Schools will help improve our confidence that all policies, federal and state laws have been actively evaluated against best practice.
- **Who is Responsible?** Select Board and Audit Committee.

## Part 2. Multi-Year Financial Planning – Commitment to AAA Discipline

**Recommendation 8.** 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.

- **What?** A new budgeting system, *OpenGov*, is being implemented by both the Town and Schools, reflecting recent progress toward implementing an integrated financial model. After a common budgeting format is achieved, this platform should be expanded to integrate long-term forecasting and cost accounting for allocating costs between schools and town.
  
- **Why?**
  1. Periodic public updates provided in the context of a single comprehensive financial picture will help decision makers (including budget managers and elected officials) and the public understand the financial implications of their decisions.
  2. Today's database tools enable real cost and revenue allocations to be done for the first time, overcoming the difficulties in the excel-based environment.
  3. An enhanced chart of accounts will enable streamlined reporting to the DESE.
  4. Data visualization: visual outputs will enhance communication.
  
- **What This Enables the Town and Schools to Do?**

This new multi-year integrated financial planning tool will support many of BFAC's other recommendations, including holding quarterly consolidated financial review summits, tracking of capital projects, use of the Moody's scorecard to evaluate potential investment and strategic funding decisions, monitoring financial improvement plans and educating key stakeholders.

**Who is responsible?** The Select Board, School Committee and their administrations.

**Recommendation 9.** Annually compare the Town's financial position to the Moody's scorecard criteria in order to assess and address any vulnerabilities to preserving Brookline's AAA credit rating.

- ***What?***

The Moody's "Scorecard" measures Brookline's current (and, when paired with a model, forecasted) status relative to objective measures used by a bond rating agency to evaluate the financial health of municipalities nationwide. The scorecard contains four categories of quantitative metrics: 1) economy/tax base; 2) finances; 3) debt/pensions/OPEB; and 4) management. The scorecard is not the sole source of measures by which we will judge our progress, but it is a necessary one.

- ***Why?***

The "Moody's Scorecard" can be an effective tool to measure the Town's progress in meeting its financial goals. In a given year, it can be used to benchmark Brookline against its Massachusetts peers as well as measure the Town's ability to support additional debt. Over time, its use will provide a clear picture of trends in the Town's financial performance and potentially provide advanced warnings that Town officials can use as planning tools.

- ***What This Enables the Town and Schools to Do?***

The proposed Moody's Scorecard will provide early indications to the Select Board, School Committee, Advisory Committee and Town Meeting members of when Brookline's AAA rating may be in jeopardy and when decisions may endanger the Town's financial stability. It will be an essential tool in providing a holistic analysis of future overrides for the Town's voting public. Education and thought about how the scorecard will be used is an important step in empowering decision makers. The meaning of each measure and how the ratios interrelate must be well defined and understood.

**Who is responsible?** The Select Board, Advisory Committee and senior administration.

**Recommendation 10.** Recommit to maintaining or exceeding, except for periods of extraordinary circumstances, minimum reserve levels established in the 2011 Fiscal Policy Review Committee Final Report, to restore funding as soon as possible to meet those thresholds, to add to present Stabilization Fund policies a minimum requirement, and implement a new policy to increase overall fund balances to a target of 15% of operating revenues within 4 years. (AA:  $30\% \geq n > 15\%$ )

- **What?**  
Structural deficits put pressure on the maintenance of reserve fund balances, which erodes their availability for the extraordinary circumstances these reserves are meant to address. Currently Brookline’s fund balance ratio is in the 12.3% range, which is consistent with cities and towns rated a single A (well below our AA or AAA policy recommendation.) An increase in Fund Balances to 15% of operating revenues within 4 years would amount to approximately \$15MM by 2023, which would require budgeting an additional \$3MM for each of the next four years.
- **Why?** Brookline’s total fund balances as a percentage of revenue are ranked at the bottom of the 13 Massachusetts AAA rated Communities. This is a reflection of the fact that our reserves are funded at the A level while our peers have done a better job. The Town has violated its own policy of maintaining an unassigned/stabilization fund balance (our “rainy day” fund) of at least 10% of operating revenues. The Town currently is below its goal of having an unassigned reserve fund balance of 12.5% by a total of approximately \$4.5M shortfall.

- **What this Enables the Town to Do:**

Reserves provide a buffer in downturns for extraordinary situations. That is why “Fund Balance” is a key credit rating standard that is scrutinized by Moody’s and which the Town can directly control to maintain our overall AAA rating, lowering our cost of borrowing and enhancing terms for purchased services. Structural deficits, unless remediated in a sustainable fashion over time, will stress and reduce our fund balances and cash reserves. The current structural deficit represents a risk each and every year and layoffs and reactive management cannot be our only response to achieving a breakeven budget. Because our reserves currently are below our “rainy day” minimum policy requirements, funding them will likely decrease for several years the availability of funds for the CIP and other purposes, but once reserves levels are increased the Town will be properly re-positioned.

- **Who is responsible?** Select Board and Advisory Committee.

### **Part 3. Financial Improvement Plan to Focus on Structural Balance**

**Recommendation 11.** Evaluate key programs and services on a periodic basis to assess their effectiveness and completion of objectives and in order to identify potential cost

**savings and opportunities for the redeployment of resources. Pilot test Zero Based Budgeting best practices into the annual budget process.**

- **What?** Objective yardsticks by which to judge progress against goals are a key component to expenditure review. Too often these evaluations can become arguments based on opinion rather than evidence.
- **Why?** Each year the Financial Improvement Plan should ideally be a combination of expenditure reduction and revenue improvement. If a program has been reviewed and not lived up to expectations, there needs to be objective criteria for evaluating the consequences of ending or tailoring back the investment in the program.
- **What This Enables the Town to Do?** This recommendation is meant 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 more transparently explain their decisions.
- **Who is responsible?** Select Board, School Committee and their Administrations

**Recommendation 12. Develop annual Financial Improvement Plans (FIP's) 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).**

- **What?** Brookline has historically turned to parking meter fees on its street and in its lots as a tool to increase revenues beyond property taxes. Examples such as PILOT agreements and AirBnB fees are further opportunities to enhance revenues. These revenue sources require a dedicated project management focus in the form of structured financial analysis, decision making, execution and “look back.” The new Financial improvement Plan (FIP) framework needs to be created to augment economic development and property tax overrides.
- **Why?** Absent a proposition 2.5 override, the Town has limited options to increase revenues to maintain services and cope with the major increase in pupil enrollment in the Schools. Financial Improvement Plans are a structured approach to encourage Town decision makers to pursue opportunities to reduce costs and raise revenues in ways besides tax overrides and new economic development.

- ***What Does This Enables the Town to Do?*** With clearly identified financial opportunities, various precincts in the Town can weigh in on the challenges and benefits of changes in parking, traffic, density and neighborhood support. While many options are politically fraught, a quantification of the options is essential for informed decision making and a well-articulated economic development strategy.
- **Who is responsible?** Select Board and School Committee.

**Recommendation 13. Aggressively pursue new economic development to increase the vibrancy of the town's economy, generate new property tax revenues, and expand Payment in Lieu of Taxes (PILOT) revenues.**

- ***What?*** Given its projected magnitude, the forecast structural deficit is unlikely to be resolved through just reallocations and Financial Improvement Plans. Additional tax revenue will also be required and affordability concerns (and financial ratios necessary to maintain the Town's AAA rating) limit enthusiasm for relying exclusively on operating overrides. Instead BFAC believes that the Town must grow its tax base. Brookline's overall tax base can grow by returning to the tax rolls property owned by not-for-profits and by the Town. Brookline's commercial tax base can grow by adding additional office space, hotel rooms and medical office/lab space. Our residential tax base can grow by adding more privately-owned housing units including affordable housing for the elderly and our young families.
- ***Why?*** Economic development is needed in Brookline to stabilize our tax burden and increase our tax base. The population of Brookline is roughly the same now as it was in 1970 with roughly the same number of housing units. A relatively static base is supporting property tax revenues that have grown by almost 250% in the past 20 years.
- ***What Does This Enables the Town to Do?*** The Town planning authorities have over the years identified transit-oriented development and changing zoning codes as priorities. This needs to move from discussion to implementation if we are to maintain Brookline's character, diversity and affordability. An expanded commercial and residential tax base, augmented by a more progressive PILOT policy, will provide Brookline essential resources to maintain our excellent public schools and services which in turn support our property values without sacrificing economic diversity.

- ***Who is responsible?*** Select Board and Town Administration.

**Recommendation 14.** Develop a strategy to plan for periodic operating overrides to supplement the resources provided by recommendations #11-13 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. To mitigate the dilutive impact of operating overrides impact on reserve ratios, require operating override requests be “grossed-up” to provide sufficient additional funds to maintain reserves at targeted ratios.

- ***What?***

Proposition 2.5 operating overrides for urban towns like Brookline generally are inevitable. However, Brookline needs a more proactive strategy for imposing operating overrides than it currently maintains. BFAC recommends a well-articulated, multi-year operating override strategy that will instill confidence the Town has a long-term strategy to manage its finances and achieve the priority goals of its citizens.

- ***Why?***

Frequent operating overrides create “fatigue.” The voting public has already begun to show it will resist poorly articulated requests that are not clearly framed and provided a contextualized within the Town’s current and future financial plans. Override study committees in the future will benefit from the tools recommended in BFAC’s report. They will be able to create a view of the long-term benefits of each override and show its impact on the Town’s ability to maintain its essential services, economic diversity and excellent education system.

- ***What This Enables the Town to Do?*** Developing a process for more proactive planning of overrides, accompanied by better and balanced communication with the public is essential for the Town to achieve its long-term planning goal.

- ***Who is responsible?*** Select Board.

**Recommendation 15.** Annually assess and publicly report the extent to which any projected cost reductions or revenue increases in the Financial Improvement Plans (as described in Recommendation 12), actually materialize and why any shortcomings arise.

- **What?**

Overcoming the financial challenges facing the Schools and Town will require a greater level of strategic and operational focus in order to achieve the next level of operating efficiency and effectiveness. A Financial Improvement Plan (FIP) is by BFAC's definition, a highly targeted planning effort to pursue high impact opportunities to increase revenues and better manage costs. It is a living plan - one where specific recommendations can be amended based on up-to-date information, subtracted or added.

- **Why?**

Brookline's structural deficit shows the current approach is most vulnerable when the Town does not establish long- and short-term goals and does not gauge financial improvement through in achieving stated goals and targets. Establishment of regularly scheduled, periodic evaluations of key programs and services will identify potential cost savings and opportunities for the redeployment of financial resources.

- **What This Enables the Town and Schools to Do?**

Initiating a culture of a regularly updated Financial Improvement Plan with opportunities addresses the Town's need to frame choices. If we want the resources to build another school, for example, how much new economic development is required in terms of new taxable square footage.

- **Who is responsible?** Select Board, School Committee and their administrations.