

Moderator's Committee
Update on the Recommendations of The Brookline Fiscal Advisory Committee (BFAC)
First of Three Semi-annual Reports to Town Meeting
August 4, 2021

Committee Members:

David Pollak, Chair
Petra Bignami
Ben Franco
Janet Gelbart
David Kirschner
Mike Toffel

Meetings of the Moderator's Committee

June 24: Organizational Meeting
July 19: School Committee, Deputy Superintendent for Administration and Finance
July 19: Committee on Town Organization and Structure (CTO&S)
July 22: Audit Committee, Staff
July 27: Advisory Committee
July 28: Economic Development Advisory Committee (EDAB)
July 28: Planning Board, Staff
July 29: Select Board, Town Administrator, Deputy Town Administrator, Finance Director
August 2: Working Session
August 4: Public Hearing

Abbreviations used in this report:

AC – Advisory Committee
BFAC – Brookline Fiscal Advisory Committee
CTO&S – Committee on Town Organization and Structure
DTA – Deputy Town Administrator
EDAB – Economic Development Advisory Board
MC – the Moderator's Committee issuing this report
PB – Planning Board
PSB – Public Schools of Brookline
SB – Select Board
SC – School Committee
TA – Town Administrator
TSP – Town-School Partnership

Appendix: Materials Submitted to the MC

1. Town Administrator Memo dated July 26, 2021
2. Advisory Committee Chair Mike Sandman memo
3. Audit Committee Chair Bernard Greene Memo
4. School Committee Vice Chair David Pearlman Memo
5. School Committee and Finance Subcommittee Meeting Minutes
6. School Committee Policy Subcommittee Draft Policy Revision

7. EDAB Co-chair Paul Saner Memo
8. EDAB memo to the Select Board dated April 7, 2020
9. EDAB memo from Member Ken Lewis regarding Fiscal Impact & Buildout Model dated July 29, 2021
10. Planning Board Chair Steve Heikin Memo dated July 14, 2021
11. CTO&S Liaison Sean Lynn-Jones memo

Overview

Pursuant to the passage of Article 36 at the 2021 Annual Town Meeting in June 2021, Moderator Kate Poverman created this Moderator’s Committee (MC) to report to Town Meeting about what has and has not occurred in relation to the recommendations of the Brookline Fiscal Advisory Committee (BFAC) since it presented its report in February 2020. This is the first of three semi-annual reports of the MC, each timed to coincide with the opening of the Warrants for Fall 2021 Special Town Meeting, 2022 Annual Town Meeting, and Fall 2022 Special Town Meeting.

Brookline’s annual expenses are projected to grow faster than its annual revenues, resulting in a “structural deficit” that the Town Administration projects will amount to \$35 million by FY 2026, just five years from now.¹ Given Brookline is legally prohibited from incurring budget deficits, the Town *must* implement measures to increase annual revenues and/or reduce annual expenses to close these projected gaps. The BFAC report dissects the many underlying challenges that contribute to the town’s structural deficit, and offers a range of recommendations—some broad, others more specific—that seek to help Brookline consider a range of options to address its structural deficit. BFAC described and offered recommendations for how the Town should think more strategically and explicitly about the few long-term options it faces to address the structural deficit: increase (net) revenues through measures by increasing economic development, payments in lieu of taxes (PILOTs), local fees, and/or operating overrides. The Town can slow the pace of its rising expenses, such as by finding more efficient ways to deliver services and/or scaling back some services. Moreover, the BFAC report included recommendations to increase the Town’s sophistication in its use of data, analysis, collaboration, and strategic thinking to improve its fiscal and operations management.

In its report, BFAC directed its 18 recommendations (and additional “sub-recommendations”, totaling 35) to particular Boards and Committees that BFAC identified as having responsibility for the issues raised in each recommendation. The MC reached out to each of these seven Boards and Committees to request written updates on what they had done in relation to the specific BFAC recommendations that had been directed their way, and to invite them to attend a MC (Zoom) meeting focused on their set of recommendations. The Select Board, School Committee, and Audit Committee were asked to respond in relation to the 31, 13, and 11 discrete BFAC recommendations respectively, relevant to their scope of responsibilities. The Audit Committee, CTO&S, EDAB, and Planning Board were each asked to comment on the one BFAC recommendation related to each of them.

¹ Brookline Budget Book, *FY2022-FY2026 Long Range Financial Plan*, December 22, 2020, <https://stories.opengov.com/brooklinema/published/KGO3tD6kr>

Over the course of two intense weeks of long evening Zoom meetings held July 19-29, 2021, the MC met with representatives from each of these seven Boards and Committees, as well as many of the town's top staff including the Town Administrator, Deputy Town Administrator, and the School Department's newly hired Deputy Superintendent for Administration and Finance. All were asked to address whether they had considered each relevant recommendation; if not, when they planned to consider it; whether they implemented the recommendation; if not, when they planned to implement it.

What We Heard

This has been an extraordinarily challenging time for all, and town government is no exception. Systems were disrupted and had to be reconceived and restructured, budgets needed to be reimagined, and school buildings, the senior center, libraries, and Town Hall were closed. It was not an easy time to think deeply about new strategies and processes that will result in the long-term improvement of the town's fiscal health.

Staffing resources are a significant challenge to implementation of many of the most critical of the BFAC recommendations. This was especially true in the School Department which underwent a total change in leadership in the past year.

In our intense and informative meetings, we heard an overwhelming focus on the tactical and the operational, rather than the strategic emphasis that BFAC stressed is needed. Some of this was a necessary result of dealing with the overwhelming challenges of the pandemic, but it seems unlikely to improve without significant changes in the priorities of our town leaders, including using a planning horizon that exceeds the annual budget cycle.

We heard mixed enthusiasm from those we met with to engage in the deep and challenging work of budget reform, long-range planning, reserve fund discipline, and other solutions to our structural deficit. We look forward to meeting with these leaders again in six months to hear what new thoughts they have and what new steps they have taken.

Looking ahead

In the MC's next report prior to 2022 Annual Town Meeting we plan to also provide the dates that each public body deliberated on each relevant BFAC recommendation and their votes accepting or rejecting action.

In the following pages the abbreviated text of the BFAC Recommendations are in boxes.

Recommendation 1. Performance Management

The Select Board and School Committee should have their administrations 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.

Recommendation 1 was generated by BFAC's focus on closing the structural budget gap over time. Operational Performance Improvement requires that a proactive strategy be put in place to enhance revenue and/or reduce costs. As each hypothesis for performance improvement is identified it must be analyzed and documented including steps for implementation. BFAC offered a template for performance management initiatives in its report and recognized the need for additional budget analysts for the Town Administrator and School Administration to frame and compute the return on investment of several initiatives.

As of this date, neither the Select Board nor the School Committee have prioritized resources to undertake a proactive performance management function that would address the on-going structural deficit.

Recommendation 2. Financial Review and Budget Summits

The Select Board, School Committee, and Advisory Committee should adopt a financial review and budget process requiring periodic summits among the Select Board, the School Committee, and the Advisory Committee.

Recommendation 2 was developed by BFAC to focus on the necessary dialogue among the SB, TA, SC and AC to align all key stakeholders on financial targets consistent with the performance of peer AAA rated cities and towns. The town of Lexington, MA was used as an exemplar in how the parties in that town have dedicated resources to focus on the financial performance of town and schools. The Town-School Partnership (TSP) Committee has been identified by all parties as a good group and setting for this work, and there is general support for expanding the TSP Committee's purpose and agenda. This restructuring has not yet occurred.

While the TSP Committee has met frequently over this past year, it has only been concerned with its historic agenda of working out the final arrangements for the annual budget. We heard enthusiasm for the quarterly summits recommended by BFAC from AC and SC as well as the Town Administrator, but we heard skepticism from Select Board as to the effectiveness of these summits.

Recommendation 3. Warrant Article Development

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; to discourage financial appropriations made outside the annual budget cycle; and to take into consideration the limitations of staff time and volunteer resources.

Recommendation 3 was motivated by BFAC observing that “warrant articles often have budgetary impacts that are not well understood when they are voted on by various committees and by Town Meeting and often trigger an opaque process (rather than transparent discussions) about which other priorities will see reduced funding to compensate.” BFAC recommended that the Select Board create a committee that would include (at least) Town Meeting Members who are not members of the Advisory Committee to consider Recommendation 3.

Select Board has not deliberated Recommendation 3, and has not created this committee.

Advisory Committee and the Moderator are currently exploring ideas to change how the Advisory Committee reviews warrant articles, such as by changing its subcommittee structure and workflow. They anticipate implementing these changes in time for the Advisory Committee’s warrant article reviews associated with the Fall 2021 Special Town Meeting. These changes might achieve some of Recommendation 3’s objectives, and the BFAC Moderator Committee will explore this in its next report (Spring 2022).

Planning Board expressed concern that citizen initiated zoning changes, while generally well-intended, create a significant diversion of time and resources from the core workloads of the Planning Department as well as various committees.

Recommendation 4. Advisory Committee Structure and Skills

Change the structure, composition, and scope of the Town’s Advisory Committee so it has the required skills and time to focus its attention on financial monitoring, analysis, and policy evaluation of both existing policies and proposed warrant articles.

Recommendation 4 was motivated by BFAC observing that “As the finance committee for the Town, the Advisory Committee (AC)...charter should require that AC members possess financial sophistication and knowledge of the Town’s financial future, beyond warrant article review and evaluation.” BFAC recommended that Advisory Committee be reformulated to better enable it to “provide apolitical expertise” and “more robust and timely financial recommendations...in order to foster better-informed and better-aligned decision making,” and that the “Town and Town Meeting will benefit from advice grounded in the relevant expertise and informed by a comprehensive understanding of the Town’s financial condition.” BFAC recommended bylaw changes to narrow and deepen the Advisory Committee’s focus on “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 impact that will come before Town Meeting.” BFAC noted that “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.”

BFAC recommended that a committee be formed to consider Recommendation 4, or that the Committee on Town Organization & Structure (CTO&S) do so.

Subsequent to the BFAC report, Town Meeting passed bylaw changes² as follows that provide more flexibility to Advisory Committee relating to its scope and focus:

- new discretion to review only some (rather than all) warrant articles
- new discretion to issue either a report (analysis) or also a recommendation for each article it chooses to analyze.

A majority of the AC did not embrace this new flexibility and AC continued to review and make a recommendation on every item in the Spring 2021 warrant. The Moderator and AC Chair are suggesting changes (as discussed under recommendation 3) that would allow for a more focused analysis in the Fall of 2021.

² Article 29 at Fall 2020 Special Town Meeting, the “Amendment proposed by John Bassett” (in Supplement 2) to Advisory Committee’s motion (in Supplement 3). See Article 29 – Supplements 2 and 3, starting at PDF page 322 in *Combined Reports November 17, 2020 Special Town Meeting with supplements*, <https://www.brooklinema.gov/DocumentCenter/View/22965/Combined-Reports-November-17-2020-Special-Town-Meeting-with-supplements>

The same bylaw change also increased the maximum number of non-TMM members on AC from 8 to 10, expanding the pool of available applicants to provide both relevant expertise and demographic diversity while retaining a strong majority of elected representatives for those instances when AC acts on behalf of TM.

Select Board has not taken up the issue of Advisory Committee organization and structure, but is aware of the current efforts by the Moderator and Advisory.

Committee on Town Organization & Structure (CTO&S) representatives told the MC that they have not considered Recommendation 4, but might do so after the Advisory Committee and Moderator implement changes they are currently discussing.

Planning Board questioned whether AC is the right body to review zoning change Warrant Articles that are not directly related to town revenue/budget.

Advisory Committee and the Moderator are currently discussing restructuring and revising the focus of Advisory Committee, seeking to implement some changes before the Fall 2021 Special Town Meeting. These changes might achieve some of Recommendation 4's objectives, and the BFAC Moderator Committee will explore this in its next report (Spring 2022). In response to the comment from Planning Board, AC noted that most or perhaps all zoning changes have implications for town revenue/budget.

Recommendation 5. Auditor Rotation and Scope

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

BFAC's recommendation is twofold: to periodically change audit firms and audit partners and to expand the scope of the audit to include a review of managerial as well as financial accounting issues.

At its meeting of December 9, 2020, the Audit Committee acknowledged the potential value in issuing an RFP for audit services every ten years and changing the supervising audit firm partner every five years but felt that a rigid timetable for changing auditors could prove disruptive. While the current audit firm has served for over 20 years, the Audit Committee recommended, and the Select Board approved, extending the current auditor's engagement for an additional three years. Consideration of a change in audit partner was deferred to a later time.

The Audit Committee felt that an expansion of audit scope was inappropriate and best left to separately engaged consultants such as the Town's Financial Advisor.

New appointees to the Audit Committee who met with the MC but were not in attendance at the December 9 meeting suggested that both the audit term and scope be revisited based on emerging best practice which incorporates risk assessment into the audit charter.

Recommendation 6. Program Evaluation

Evaluate key programs and services on a periodic basis to assess their effectiveness and completion of objectives and to identify potential cost savings and opportunities for the redeployment of resources.

- **6.1** Require an investment analysis for new initiatives as well as look-back assessments.
- **6.2** Create rubrics and metrics for establishing spending and investment priorities, including the identification of funding sources.
- **6.3** Pilot test zero-based budgeting (ZBB) and outcome-based budgeting (OBB).

School Committee has drafted policies (shared with the MC) for implementing Recommendation 6, but has not yet moved them forward within their Policy Subcommittee. SC has a longstanding policy of evaluating new initiatives prior to implementation, but do not consistently conduct a formalized look-back or reassessment at a later date. They hope to have a more substantive update in the next reporting cycle. The new Superintendent has expressed an interest in zero-based budgeting, and the creation of the Remote Learning Academy during the pandemic provided a real-time experiment with the concept.

Both Select Board and Advisory Committee regard recommendation 6 as part of a performance management and evaluation system. Both expressed a need to develop metrics appropriate to each Town department, but neither has taken steps toward implementation. The Advisory Committee is considering creating a “super subcommittee” to review the budget as a whole which would facilitate analysis of resource reallocation. This group would also be involved in working with departments to create the appropriate metrics for a performance management system.

Town Administrator hopes to use the funding available under the American Recovery Plan Act to hire one additional staff member to administer the grant, and believes that this addition to the finance staff will add some capacity to begin creating a performance management system. He is not enthusiastic about the zero-based budgeting concept and believes strong performance metrics would generate a better result. Like the Schools, the Town gained some real-time experience with zero-based-budgeting in implementing the cuts necessitated by the pandemic and gradual rebuilding of services.

Recommendation 7. Select Board Fiscal Leadership Responsibilities

Establish the practice of designating three individual Select Board members as having primary responsibility for a) financial affairs of the Town, b) capital investment plans and activities, and c) economic development activities inclusive of long-range planning and zoning reform, with each Select Board member to monitor, evaluate, and supervise the work of staff with regard to the relevant affairs of the Town. In addition, establish policies and review responsibilities and authorities to have Select Board members lead by example in the area of financial discipline and to clarify and consider strengthening the role of the Town Administrator. Finally, implement a staff-based financial and capital management structure mirroring the Town's organization with appropriate oversight assigned to School Committee members and subcommittees.

- **7.1.** Encourage Select Board Members to lead by example in establishing improved financial decision making.
- **7.2.** Clarify positions of financial responsibility and authority
- **7.3.** Increase transparency and comprehension through the professional revision of 1) documentation for budget policies and procedures; and 2) format and content of financial reports.

BFAC's Recommendation 7 advised the Select Board and School Committee take steps to increase accountability, authority and transparency in fiscal management and planning.

Select Board has yet to take action in response to BFAC's Recommendations 7.1 and 7.2 and has no plans to do so in the future. The SB believes that implementing these recommendations would be beyond their legal authority under state law and town bylaws. This appears to be a misinterpretation of the BFAC recommendation because SB assumes it means delegating authority to individual SB members rather than designating individual members to monitor, evaluate and supervise in specific areas. Despite the clarification from members of the MC, SB expressed no desire to reorganize their committee assignments so that individual SB members cover a focused portfolio of issues such as financial affairs, economic development, etc.

SB believes it has begun to respond to recommendation 7.3 and committed to continuing to improve its financial transparency and educational efforts. Since the delivery of the BFAC report the Town has implemented a new budget and financial management software platform – OpenGov. This has standardized the budget process across Town departments and provides the administration with new reporting and visualization capabilities. Additional software enhancements are being investigated and implemented. In addition, the Town Administrator has hosted at least one "Budget 101 Forum," has partnered with the Brookline League of Women Voters on educational forums and expects to conduct additional educational programming in the future.

School Committee has taken the following actions with regard to Recommendation 7.3:

- redrafted relevant sections of its Fiscal Policy Handbook and is awaiting feedback from the School's Finance Department.
- posts financial information on the PSB's website and through OpenGov, and has enhanced communication with its Parent-Teacher Organizations and School Site Councils.
- produced simplified charts and graphs to eliminate extraneous information and highlight multi-year trends.
- is establishing consistent operating and capital metrics to assist the School Committee in decision making.
- substantially revised its budget book during the past several budget cycles to make information easier to find and digest.

Both EDAB and Planning Board strongly support Recommendation 7 because focused support from SB would facilitate more effective and efficient economic development discussions.

Recommendation 8. Town-School Partnership

Revisit the structure, including the revenue allocation formula, of the Town-School Partnership to ensure that it is better understood and that it best meets the needs of the Town and Schools in a dynamic manner.

Quoting from the Town Administrator's FY22 Budget Message:

“Throughout the fall and winter, I convened frequent budget meetings among representatives of the Select Board, School Committee and Advisory Committee to share budgetary information and seek guidance in developing the FY 2022 budget. Finally, we amended the revenue allocation formula as part of the Town School Partnership. Instead of multiple adjustments to an arbitrary 50/50 revenue sharing model, the new formula first deducts shared Town expenses, then applies a percentage that more accurately reflects the traditional share of the School budget. For Fiscal Year 2022, this net revenue amount allocated to the School budget is 60.2%, reflecting the share of the prior year's budget before adjustments were made due to COVID.”

This change has addressed the misperception about the 50/50 split, and staff are continuing to work on allocation of shared costs. However, there are many other aspects of the recommendation that appear to remain unaddressed, including revisions to the TSP document, the creation of a manual, and the other items enumerated in the BFAC report.

Recommendation 9: Capital Planning

Create an enhanced capital planning process covering the Town and Schools, including regular periodic evaluation of town-owned assets.

The BFAC report raised a number of serious concerns about the Town and Schools' capital planning process, including that the Town's "Capital Improvements Program (CIP) process functions primarily as a budgeting exercise," lacks "a Town-wide analytical, criteria-based framework to evaluate...relative merits," and that 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."³ BFAC recommended that the Town and Schools create comprehensive assessments, updated annually, to report the existing conditions and deferred maintenance to clearly convey to Town Meeting and the public the magnitude of required capital improvement and maintenance work. BFAC further recommended developing, and updating annually, a comprehensive Long-Term Capital Investment Plan (LTCIP) having a ten-year (rather than the current five-year) horizon. BFAC also recommended that planning be done with greater analytical and strategic rigor. BFAC noted that this will require an additional staff position.

The Town's financial planning process remains tactical and not strategic. For example, it assumes that 7.5% of the Town's revenues will be sufficient to fund the Town's capital needs, rather than using an analytically rigorous process to determine how much capital funding is needed to maintain the Town's assets at levels deemed to be "appropriate" as determined by elected officials with public input.

Advisory Committee agrees with the BFAC report's finding that capital planning is now a short-term budgeting discussion rather than a long-term planning process. AC also noted that Schools have accumulated a maintenance backlog amounting \$16+ million, a figure that is increasing every year.

School Committee wants more rigorous, systematic, and thoughtful discussions around capital planning. The newly appointed Superintendent and Deputy Superintendent for Administration and Finance might prioritize the issues raised in Recommendation 9.

Select Board delegated their response to the Town Administrator. Deputy Town Administrator noted that the Parks and Open Space has an excellent capital planning model that is being expanded throughout DPW and potentially other departments. It was unclear whether resources would be allocated to conduct more comprehensive studies to regularly assess the condition of Town and School assets.

³ BFAC Report, page 36.

Recommendation 10. Annual Financial Improvement Plans (FIPs)

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, playgrounds and fields).

Select Board: Response deferred to Town Administrator.

Town Administrator supports systematically evaluating proposals and opportunities and quantifying an effective return on investment. It was reported that some departmental requests, such as expansion requests, use a FIP Model of sorts, with required associated reporting and analysis. There is not a consistent or formal process across departments, the expansion of which would require additional training of staff and resources for department heads. Currently, there is a proposal to use American Recovery Plan funds to add at least one FTE to the town's budget team, possibly as early as Q1, 2022. An additional FTE might be added, but timing is unclear.

School Committee: Conducting periodic program reviews including financial considerations is part of School Committee's work. For example, the math curriculum recently underwent a program review, a similar review of Enrichment and Challenge Services is underway, as well as beginning review of some aspects of special education.

School Committee has had discussions regarding physical/operational aspects impacting financial planning, (space use, bus operations, school food service), separate from teaching and learning. The School Committee has also considered other opportunities for program improvement, cost management and management of revolving funds.

Recommendation 11. Annual FIP Assessment and Reporting

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 Schools' compliance with Financial Improvement Plans and the BFAC Implementation Plan. The Urban Institute and the Bloomberg Harvard City Leadership Initiative are two widely respected organizations that may provide such services for modest (or no) cost. It is not required that a single entity provide both services described above.

Select Board: Response deferred to Town Administrator.

Town Administrator: Early outreach to The Urban Institute occurred in 2020, but it was difficult to keep momentum given the pandemic and time management/oversight constraints. The Town Administrator is eager to consider such a partnership and plans to leave this as an open item for possible implementation in the future.

School Committee embraced this recommendation and will take it up with the new Superintendent.

Recommendation 12. Aggressively Pursue New Economic Development

Aggressively pursue new economic development to increase the vibrancy of the town's economy, generate new property tax revenues, minimize the burden on residential taxpayers, and expand payment in lieu of taxes (PILOT) revenues. To this end, enact zoning changes to incentivize new development and encourage increased density in designated areas. A significant commitment to strategic planning and public education will be necessary to achieve this goal.

EDAB unanimously endorsed Recommendation 12 and wrote to SB encouraging it to also endorse it, copying AC. SB did not respond. EDAB is focused on enhancing tax revenue through new real estate development initiatives but is deeply concerned that several challenges are impairing implementation:

- Slow execution of 2005 Master Plan: Of the four mixed-use corridors identified for economic development by 2015, only one study has been started. As a result, the Town remains in a reactive posture, unable to generate significant economic development beyond one-off parcels proposed by developers.
- Understaffing: The Planning Department is significantly understaffed to carry out the work necessary to support accelerated economic development.
- Outdated zoning: Many commercial developers stay away from Brookline because present zoning is inadequate for financially feasible redevelopment and seeking one-off zoning changes is expensive, time consuming, and risky.
- Reactive versus proactive political support: EDAB would like SB to more aggressively review and commit to economic development efforts that a majority can support, and be more engaged in driving them to realization. needs.
- Unsettled politics: The lack of consensus around high-density mixed-use development (that includes residential) along the mixed-use corridors will delay and/or prevent implementing a long-term economic development strategy for organic new tax growth development. There is concern that the current citizen-led effort in favor of a new town-wide, neighborhood-based comprehensive planning and zoning study will result in further delays of new economic development.

Planning Board is deeply involved in the practical realities of economic development projects as they advance through regulatory review. They may decide to take up strategic questions, such as proposing zoning changes, to become more proactive. They expressed similar concerns about developer uncertainty resulting from our outdated zoning bylaw. They suggested that Brookline establish a commercial linkage program to generate more public benefits.

Select Board Member John VanScoyoc chairs the Boylston Street Corridor Study. However, the Select Board does not appear interested in taking more of a leadership role, appears uninterested in BFAC Recommendation 7 of naming a Select Board Member to lead on economic development, and has apparently not advocated strongly in its budget discussions to add staff to the Planning and Economic Development Department that would facilitate/accelerate this agenda.

Town Administrator supports new economic development but has not prioritized any significant staffing increases in the Planning and Economic Development Department. He believes that PILOT agreements are almost impossible to initiate or improve unless a non-profit is seeking zoning relief which offers the town some leverage. He also believes that little additional revenue could be found through revising the Town's PILOT program.

Recommendation 13. Maintain Minimum Reserves

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 to implement a new policy to increase overall fund balances to a target of 15 percent of Revenues within four years. (AA: $30\% \geq n > 15\%$)

- **13.1.** Restore unassigned fund balance minimum 10 percent of Revenues, with a target of 12.5% of Revenues.
- **13.2.** Establish a Stabilization Fund Policy of minimum annual funding equal to 0.67% of Revenue
- **13.3.** Replenish and maintain the Stabilization Fund at 50% of the new Unassigned Fund Balance target.
- **13.4.** Establish a Total Fund Balance (total reserves) policy with floor of 12.3% of Revenues, with a goal of 15%

BFAC's Recommendation 13 urged actions be taken by the Select Board and Advisory Committee to maintain adequate minimum financial reserves. Specifically, the recommendation called on the two groups to take the necessary steps to bring the Town back into line with its stated reserve policy, to improve existing fiscal policy by adding (and implementing) a policy concerning the appropriate minimum balance in the Stabilization Fund, and to develop a new policy guiding total fund balance.

Select Board has begun to implement Recommendation 13 but cautions that, given the scale of the called for increases in reserves, plans to fully implement this recommendation in phases over several years. Starting in February 2021 the Board began to make investments in reserves as part of the annual budget process – an additional \$3.8M was directed to the Stabilization Fund in FY21 and FY22 – and plans to continue to use the Stabilization fund as the mechanism through which Brookline's unassigned fund balance will be restored. This aligns with an Unassigned Fund Balance policy the Town Administrator proposed to the Select Board in February 2020. The Select Board has also made a conscious effort to increase total fund balance and it grew from 12.23% in 2020 to 12.44% in 2021. The Town Administrator was uncertain whether Recommendations 13.2 and 13.4 had been formally adopted, but will insure all necessary votes are taken before the end of 2021.

Advisory Committee believes the Select Board is primarily responsible for implementing Recommendation 13, and that the Audit Committee is in the best position to retrospectively monitor compliance with the Town's reserve policies.

AC pointed to the investment in reserves included in the FY22 budget, despite the revenue decline due to Covid-19, as an example of the steps that have been taken to date. This brought the Total Fund Balance into line with the minimum recommended by the rating agencies.

Structural changes discussed under Recommendation 3 may enable the AC to be more proactive in evaluating whether proposed budgets comply with the Town's stated financial policies. A subcommittee focused on long-term financial issues including reserve policies might be created.

Recommendation 14: Establish a Maximum Debt Policy

Establish a maximum debt policy based on the ratio of Direct Debt to Operating Revenue to not exceed the requirement for the A level credit rating and a formal goal of achieving a Net Direct Debt to Revenue ratio at the AA level credit rating. In addition, commit to full disclosure of existing, proposed, and planned borrowings when asking voters to approve new debt exclusions. Finally, commit to the continual evaluation of alternative debt structures so as to balance cost, fairness, and the maximization of borrowing flexibility.

- **Recommendation 14.1.** Set policy to have Net Direct Debt (total debt level) divided by Revenue to at least the A level ($0.67x < n < 3x$)
- **Recommendation 14.2.** Set a goal to achieve Net Direct Debt divided by Revenue to at least the AA level ($0.33x < n < 0.67x$) by FY36.
- **Recommendation 14.3.** Commit to full disclosure and transparency of existing, proposed and planned borrowings when asking taxpayers to approve new debt exclusions

BFAC's Recommendation 14 concerns debt and debt service costs. BFAC assigned primary responsibility for taking actions in response to the three sub-recommendations to the Select Board. Generally, Recommendation 14 calls on the Select Board to consider the impact new debt would have on the ratios outlined in the so-called "Moody's Scorecard" and to disclose additional information to "taxpayers" about existing and potential forthcoming debt.

Select Board has yet to take up consideration of Recommendation 14 citing the need for research into the financial, political and practical impacts of its implementation. Specifically, SB will seek input from its financial advisor and representatives of Moody's regarding the impact of recommendations 14.1 and 14.2 on the Town's ability to borrow and on its credit rating, respectively. SB also plans to assess the political implications. No date was discussed for completion, but SB hopes to start both efforts in the next few months. Town Administrator described two challenges to disclosing proposed and planned borrowings. First, budgets and timelines for large projects are not always available when debt exclusions are being planned. Second, the law limits the information that the town can present to the public once a debt exclusion has been placed on the ballot.

The Advisory Committee expressed concern about the Town's current lack of a true capital budget and capital planning process in their comments relating to Recommendation 9. This signals their concern that the Select Board and Town Administrator do not currently undertake the planning work necessary to comply with Recommendation 14. If a true capital planning process does not currently exist, unexpected necessary capital expenses could arise in the future that will prevent adherence to the debt ratios called for in 14.1 & 14.2.

Recommendation 15: Strategic Override Plan

Develop a strategy to plan for periodic operating overrides to supplement the resources provided by recommendations 11 through 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 to be “grossed up” to provide sufficient additional funds to maintain reserves at targeted ratios and to recognize the additional financial risk associated with the newly approved greater financial obligations. Override resource allocations should be regularly evaluated for effectiveness in keeping with Recommendation 6 above.

- **15.1.** Any tax should be designed to allow for the broadest range of uses possible
- **15.2.** Voters must be provided more information when presented with future override and debt exclusion ballot questions
- **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 current piecemeal approach
- **15.4.** Enact a policy to include in operating override requests the additional amounts necessary to maintain reserves

The BFAC report noted that economic development, local fees and taxes, payments in lieu of taxes (PILOTs), and operating overrides are the four levers the Town has to increase revenues to help address the structural deficit. Municipalities can raise tax revenue on the existing tax base beyond 2.5% through a referendum to approve an operating override, but placing overrides on the ballot requires Select Board approval. The BFAC report noted that “Developing a realistic plan for periodic capital overrides and operating overrides through stronger integrated financial planning and coordination among the Town and Schools is a key ingredient for maintaining more predictable tax increases.”⁴

Select Board has not discussed Recommendation 15, this subject has not been on the agenda of a Select Board meeting, and they are unlikely to discuss this idea. Similar to Recommendation 14, Town Administrator reported it is a challenge to provide detailed information on overrides because Massachusetts law expressly prohibits town governments from sending out or publishing any information about items placed on a ballot, even if it's perceived as informational.

⁴ BFAC Final Report: February 5, 2020, pages 7-8,
<https://www.brooklinema.gov/DocumentCenter/View/21168/February-5-Final-BFAC-Report>

Recommendation 16. Single Town-School Financial Model

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

Select Board and School Committee do not support combining their financial plans into a single document, but both have expressed interest in achieving better financial integration and information sharing. The OpenGov platform should facilitate this process and foster alignment of policies and timelines. All look forward to working more closely on this recommendation now that a new Superintendent and Deputy Superintendent for Administration and Finance have been hired.

Advisory Committee expressed its support for a unified model, and its frustration at what it sees as institutional resistance.

Recommendation 17: Annual Review of Moody's Scorecard

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.

Advisory Committee: There is no opposition to this recommendation. AC views the Moody's assessment metric as part of AC's budget review process, but it has not yet been implemented. The AC views Moody's scorecard as a good guide to what our financial policies should be, even though the scorecard is issued with the narrower intent of explaining Moody's rating of Brookline's bonds.

Select Board/Town Administrator: This recommendation was considered and accepted. The Moody's review is completed by the Finance Director.

School Committee recognizes and appreciates the role of schools in the town's debt service but has not yet had time to consider or formally vote on implementation of this recommendation.

Recommendation 18: Require Town Meeting Member Financial Training

Amend Section 2.1.14 of the Town By-Laws to include the requirement that all Town Meeting Members attend at least one informational/training meeting that covers the Town budgeting process and financial matters every three years.

An Advisory Committee subcommittee proposed an article at the November 2020 Special Town Meeting that sought to implement this recommendation—and expand its scope to also require such training of “all Elected and Appointed Officials appointed to any Board or Commission that has or could reasonably be expected to have input into any matter affecting the financial situation of the Town” —by calling for such training to be organized at least annually by the Advisory Committee’s Chair (Article 28). The AC subcommittee cited BFAC in its article explanation, noting that “BFAC members came to the realization that the level of comfort and degree of familiarity that members of Town boards, committees, and commissions have with financial terminology, concepts, and topics varies significantly. It is important that any analysis or discussion of Town finances presented in reports, at committee meetings, and at Town Meeting be understood by participants with varying levels of financial literacy” and that “BFAC members are of the strong belief that any elected or appointed individual should have at least a basic understanding of financial matters impacting the Town.”⁵

By a favorable vote of 80%, Town Meeting approved an amended version, proposed by Tommy Vitolo and unanimously supported by the Select Board, that changed the training from being *required* of Town Meeting Members to being *offered* to them; the amended version maintained the original proposal’s element that such training now be *required* for the elected and appointed officials described above. These changes are pending approval by the MA Attorney General and are pending the Town Clerk’s office incorporating them into Brookline’s bylaws (sections 2.1.14, 2.2.2, and 3.20.2).

TA provided a (virtual) training session on the Town’s budgeting process in January 2021.

AC Chair is planning to deliver a training session in FY 2022.

⁵ *Combined Reports of the November 17, 2020 Special Town Meeting*, page 28-3 (PDF page 280), <https://www.brooklinema.gov/DocumentCenter/View/22965/Combined-Reports-November-17-2020-Special-Town-Meeting-with-supplements>