

**Moderator’s Committee**  
**Update on the Recommendations of the Brookline Fiscal Advisory Committee (BFAC)**  
**Second of Three Semi-annual Reports to Town Meeting**  
**March 23, 2022**

**Committee Members:**

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

**OVERVIEW**

Pursuant to the passage of Article 36 at the 2021 Annual Town Meeting, this Moderator’s Committee (MC) is reporting to Town Meeting (TM) on 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 *second* of three semi-annual reports, and is presented as a supplement to our first report dated August 5, 2021.<sup>1</sup>

Brookline’s annual expenses are projected to grow faster than its annual revenues, resulting in a steadily deepening “structural deficit” that the Town administration has projected to be \$33 million by FY 2027.<sup>2</sup> 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 the portion of the projected gap that occurs each fiscal year. The BFAC report dissects the many underlying challenges that contribute to the town’s structural deficit, and offers a range of recommendations on how the town might increase (net) revenues, slow the pace of its rising expenses, and increase the Town’s sophistication in its use of data, analysis, collaboration, and strategic thinking to improve its fiscal and operations management.

In its 2020 report, BFAC made 18 recommendations (and additional “sub-recommendations”, totaling 35), to seven Boards and Committees. Our initial report was similarly organized, broken down into 18 sections with updates based on our meetings with, and written input from, those seven Boards and Committees (listed in Table 1 below). This second report is organized more simply using the following six overarching themes:

1. Increasing Revenues
2. Managing Costs and Optimizing Outcomes
3. Fiscal Management Best Practices
4. Financial Risk Management
5. Long-Term Planning
6. Warrant Article Review

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<sup>1</sup> All BFAC Moderator Committee reports are available at <https://www.brooklinema.gov/1978/Moderators-Committee---Brookline-Fiscal->

<sup>2</sup> This reference is taken from the Long-Range Financial Projection section of the FY 2023 Interactive Budget found here: <https://stories.opengov.com/T011Iiy2w/published/undefined> . The full text of the reference is as follows: “These assumptions create an escalating deficit position for FY 2024 primarily for the Schools, starting at \$6.9 million in FY 2024 and reaching \$33 million by FY 2027. It should be noted that the deficits in the out years are inflated because they are built upon a deficit in the prior fiscal year. In fact, the Town must balance its budget each year, and that balanced budget will become the base for the following year’s projection. Nonetheless, the cumulative deficits in the Long Range Projection are a reminder that the Town must find ways to support a sustainable budget in the long term.”

## **EXECUTIVE SUMMARY**

On the plus side, we see an enormous level of commitment and hard work on the part of our staff and citizen government, and incremental changes that align with BFAC's recommendations:

- There is a commitment to improving budgeting discipline, process, and reporting at both the Town and Public Schools of Brookline (PSB). Budget books are notably improved. There is expressed interest in new approaches including zero-based and outcome-based budgeting. Individual Select Board members have been assigned to every Department, have met with Department Heads, and are attending Advisory Committee (AC) budget hearings when they can (along with Deputy Town Administrator Melissa Goff).
- The Advisory Committee has revised its budget review procedures to allow for earlier input into the process, and analysis of the budget's consistency with priorities stated at the start of the budget cycle.
- The FY23 Budget continues to make progress in funding the town's reserves, pensions, and Other Post-Employment Benefits (OPEBs).
- Large project permitting and the progress of the Boylston Street Corridor Study are examples of focused work on economic development to support new growth/revenue.

However, the challenges at the heart of BFAC's work remain largely unmitigated:

- Enormous budget pressures persist:
  - On the Town side, virtually all department budgets represent significant compromises. Several of these directly limit staff's ability to implement BFAC recommendations.
  - The use of welcome one-time COVID related funds to bolster recent budgets may exacerbate budget gaps when those funds go away.
  - A recurring theme at Advisory Committee Budget Hearings has been the concern that Brookline's pay scales are not competitive in many critical areas, limiting ability to hire, eroding staff morale, and in some cases accelerating attrition.
  - The schools also face budget challenges, as indicated by PSB's initial Budget Request which is well above the Town School Partnership's initial budget allocation.
- Both Town and School leadership and finance departments have expressed interest and willingness toward adopting financial management best practices but simply cannot progress in this work because of staffing constraints.
- There is broad agreement that economic development is critical to the town's financial health, and that long-term planning is essential to successful economic development. However, there is an enormous bottleneck constraining planning, with vital work being pushed off years into the future because funding has not been allocated to hire additional staff and consultants to engage the public and carry out the work.
- Many of BFAC's recommendations, taken as a whole, urge our leaders to work more strategically, with more integrated planning across Town and Schools, and with a greater emphasis on multi-year horizons and long-range planning. We have seen interest and uptake from the schools and Advisory Committee in several of the themes in BFAC's report, but because the Select Board has not discussed or considered many of the BFAC recommendations, progress has been stymied.

## TABLE 1. Summary of the BFAC Moderator Committee's Findings

This table summarizes the MC's understanding of the deliberations and actions that have occurred relating the BFAC's recommendations since BFAC issued its report in February 2020.

### BFAC MC Progress Report #2

This table summarizes the progress each public body has made deliberating each BFAC recommendation

Legend:	<b>Not discussed:</b> no substantive discussion of the recommendation at a public meeting
	<b>No decision:</b> had a substantive discussion of the recommendation at a public meeting but reached no decisions
	<b>Accepted part:</b> as a result of discussions at a public meeting, decided to accept part of the recommendation; progress is detailed in meeting minutes
	<b>Accepted:</b> as a result of discussions at a public meeting, decided to accept recommendation; progress is detailed in meeting minutes
	<b>Rejected:</b> as a result of discussions at a public meeting, decided to reject recommendation; explanation of why is detailed in meeting minutes

BFAC Recommendation		Select Board <sup>1</sup>	School Committee	Advisory Committee	Audit Committee	CTO&S	EDAB	Planning Board
<b>INCREASING REVENUES</b>								
10	Financial Improvement Plans (FIP)	Not discussed	Accepted					
11	FIP assessments - PILOT, bldg rental	Not discussed	No decision					
12	New economic development	Not discussed					Accepted	Accepted
15	Strategic override plan	Not discussed						
15.1	Broadest range of uses	Not discussed						
15.2	More information to voters	Not discussed						
15.3	End piecemeal approach	Not discussed						
15.4	Include reserve maintenance	Not discussed						
<b>MANAGING COSTS WHILE OPTIMIZING OUTCOMES</b>								
1	Performance management	Accepted	Not discussed					
6	Key program evaluation	Accepted	Accepted					
6.1	Investment analysis	Not discussed	Accepted	Accepted				
6.2	Metrics for prioritization	Not discussed	Accepted	Accepted				
6.3	Zero based budgeting	Not discussed	No decision	Not discussed				
10	Financial Improvement Plans (FIP)	Not discussed	Accepted					
11	FIP assessment - costs	Not discussed	No decision					
<b>FISCAL MANAGEMENT BEST PRACTICES</b>								
2	Financial review & budget	Not discussed	No decision	Accepted				
4	AC structure/skills re budget review	Not discussed		Accepted		No decision		
7	SB Responsibilities	Not discussed						
7.1	Lead by example	Not discussed						
7.2	Clarify financial authority	Not discussed						
7.3	Increase transparency	Accepted	Accepted					
16	Single Town-School financial model	Not discussed	Not discussed	No decision				
18	Require TMM financial training	Accepted		Accepted				
<b>FINANCIAL RISK MANAGEMENT</b>								
5	Change: audit firms; audit partners	Accepted part			Accepted part			
13	Minimum reserves	Accepted		No decision <sup>2</sup>				
13.1	Unassigned fund balance	Accepted		Accepted				
13.2	Annual Stabilization Fund budget	Accepted		Accepted				
13.3	Stabilization fund level	Accepted		No decision <sup>2</sup>				
13.4	Total reserves	Accepted		Accepted				
14	Maximum debt policy	Not discussed		No decision				
14.1	Minimum at Moodys A level	Not discussed		No decision				
14.2	Moody's AA level by FY36	Not discussed		No decision				
14.3	Full disclosure of borrowings	Not discussed		Not discussed				
17	Annual Moody's scorecard review	Accepted	Rejected <sup>3</sup>	Not discussed				
<b>LONG-TERM PLANNING (also see Recommendations 15-15.4 above)</b>								
8	Revisit Town-School Partnership	No decision	No decision					
9	Capital planning	No decision	Accepted	Accepted				
<b>WARRANT ARTICLE REVIEW</b>								
3	Warrant article development	No decision		Accepted part				
4	AC structure/skills re article review	Not discussed		Accepted part		No decision		

Footnotes: <sup>1</sup> While the Select Board has not discussed many BFAC recommendations or delegated their consideration to others, the Town Administrator and staff are working on issues underlying some of those recommendations.

<sup>2</sup> Recommendation 13 was discussed by the Advisory Committee, and left to the Select Board and Administration to develop and propose policy

<sup>3</sup> School Committee's response on Recommendation 17 is that it would be appropriate to receive and consider an annual review comparing the Town's financial position to Moody's Scorecard criteria, but that conducting this comparison is not a School Committee function.

## **INCREASING REVENUES**

*(BFAC Recommendations 10, 11 12, and 15 Recommendation 15 is also discussed under the Long-Term Planning section of this report.)*

Revenue enhancement is one side of the structural deficit challenge, broken down by BFAC into four categories or “levers” that the town can control:

1. Economic development,
2. Local fees and taxes (local receipts),
3. Payments in lieu of taxes (PILOTs), and
4. Operating overrides.

### **Economic Development**

New economic development has several desirable features, including:

- Generating (net) revenues above-and-beyond the Town’s annual 2 ½% property tax increase, and can enable the Town’s total annual revenue growth to more closely match the Town’s total annual expenditures growth;
- Providing property tax revenues from new users rather than existing taxpayers; and
- Sometimes also creating new sources of local fees (e.g., local receipts from the retail and hospitality sectors).

The Town’s work on economic development continues, with details provided in the Economic Development Advisory Board’s (EDAB’s ) update memo (see weblink in Appendix 3). Most recently, there has been significant progress along a number of fronts around allowing and encouraging R&D/laboratory commercial development in Brookline. These include EDAB’s October 2021 vote to accept the Lab Report, plans to propose new enabling zoning language for Town Meeting’s approval, and creation of the 10 Brookline Place Study Committee that will convene and begin work in April 2022.

Of continuing concern is the slow pace of progress in planning for economic development, which continues to be severely constrained by the lack of resources allocated to the Department of Planning and Community Development’s staffing and consulting budget. While only a small part of that Department’s work, these planning activities are critical to economic development and occur at three levels:

- Large project study and entitlement (e.g., hotels, Waldo-Durgin). Large projects require an immense amount of attention, and generally get that attention because “a bird in the hand” needs to be dealt with in a timely way.
- Commercial development corridor studies. While the work on the Boylston Street Corridor is advancing, that is only the first of several corridor studies that were called for in the 2005 Master Plan. There seems to be a sense that the current approach to economic development only allows one of these efforts at a time, although that significantly prolongs (by decades) the time by which they will be completed.
- Town wide comprehensive planning and zoning reform. In Fall 2021, Town Meeting passed Article 26, a resolution calling for the commencement of comprehensive town wide planning and zoning reform. However, there is far more long-term planning work than can be done in the near term, and a lack of consensus amongst all of the stakeholders as to which work

should take priority. Commencement of this work has not been included in the Town Administrator's FY23 budget proposal.

### **Local Fees and Taxes (Local Receipts)**

- The Planning Department has recently developed a proposal to increase fees for demolition permits to cover more of the cost of administering that permitting process – an example of exactly the kind of study and implementation envisioned in BFAC’s Recommendation 10 (Fiscal Improvement Plans to increase revenues and control costs).
- BFAC’s recommendation that all town departments utilize Financial Improvement Plans (FIPs), while primarily focused on controlling costs and optimizing outcomes, was also directed at all income generating program areas (parking meters, marriage licenses, after-hours school gym rental fees, and many more). While both the Town and PSB pay close attention to these revenue generators, neither has instituted a formal framework for evaluating and optimizing them along the lines of BFAC’s recommendation.

### **Payments in Lieu of Taxes (PILOTs)**

The Town Administrator has suggested that there is little that the Town can do to increase revenue from PILOTs except when a major institution needs something from the town.<sup>3</sup> No action has been taken to undertake a PILOT Financial Improvement Plan<sup>4</sup>:

- No action has been taken to more comprehensively investigate whether more revenue could be generated from this source;
- No effort has been undertaken to do a strategic or comprehensive review of Brookline’s relationships with tax-exempt institutions in terms of the services and community benefits Brookline residents receive.
- The BFAC recommendation that called for annual disclosures of each PILOT payment has not been adopted.

### **Operating Overrides**

The Town Administrator and SB have rejected the idea of developing a long-range plan of future operating overrides, preferring to wait as long as possible and to convene a situational Override Study Committee when needed to deal with the specific issues and financial realities of that moment.

## **MANAGING COSTS WHILE OPTIMIZING OUTCOMES**

*(BFAC Recommendations 1, 6, 10 and 11)*

Cost management – including program review – is the other side of the structural deficit challenge. Numerous factors are putting increasing pressure on our budgets, and budget discipline is essential to avoiding (or at least mitigating) the impact of budget cuts.

Several of BFAC’s recommendations urge strengthening, standardizing, and formalizing budgeting and program evaluation through systematic performance management, program evaluation, and Financial Improvement Plans (FIPs). These approaches to improving both

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<sup>3</sup> See MC’s August 5, 2021 Report

<sup>4</sup> See page 46 of the BFAC Report

forward-looking and retrospective planning are of interest to both the School Committee/School Department and the Town Administrator. This is showing up in some new practices, though some aspects of this evolution are more informal and incremental than BFAC envisioned.

A notable area of improvement is in the Budget Books of both the School Department<sup>5</sup> and the Town,<sup>6</sup> which show significant enhancements in organization, clarity, and content.

On the school side, program evaluation is a long-standing commitment. This is conducted for each major curriculum area in a process that typically takes several years for each study. Special education programs get a lot of attention, including areas such as transportation, approaches to staffing, in-district programs versus out-of-district placements. Periodic evaluations are also conducted for smaller programs like school lunch (nutrition, sustainability, cost, participation). The School Committee reports that both zero-based budgeting (ZBB) and outcome-based budgeting (OBB) are being explored and have played a role in the development of the School's FY23 budget.

The Town Administrator is supportive of more robust and structured budgeting and analysis, and sees this as limited only by the lack of staffing resources. The Town has used ARPA funds to hire a grant manager who also serves as a budget analyst – one of two budget analysts that the Town Administrator says are needed to move forward with enhanced performance management, program evaluation, and financial improvement plans. Unfortunately, the recent departure of the town's Finance Director has meant that finance is still short staffed, and these efforts await additional new hires. Additionally, no plan has been presented for how the cost of the budget analyst position will be funded after ARPA funds are exhausted.<sup>7</sup>

In summary, there appears to be buy-in regarding BFAC's recommended best practices for cost management and program evaluation, with some of those practices already being established. However, the commitment to *implementation* may be limited by the very budget pressures that must be addressed, and the necessary staffing (and in some cases consulting) resources have not yet been allocated to do much of the desired work.

## **FISCAL MANAGEMENT BEST PRACTICES**

*(BFAC Recommendations 2, 4, 7, 16, 18)*

The BFAC report included several recommendations designed to make the Town's budgeting process more coherent, comprehensive, and transparent. Key among these was the establishment of quarterly summits to align key stakeholders on town-wide priorities and financial targets. To strengthen accountability and oversight, BFAC proposed restructuring the Advisory Committee so it could provide more robust financial input, and assigning responsibility to individual Select Board members for financial affairs, capital planning, and economic development. In addition, BFAC recommended creating a single budget book for Town and Schools. Finally, BFAC proposed requiring all TMMs to participate in financial training at least once every three years. The Town-School Partnership (had been identified by the Select Board, School Committee, and Advisory Committee as a good forum for the quarterly summits, but though the group meets as

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<sup>5</sup> <https://www.brookline.k12.ma.us/budgetcentral>

<sup>6</sup> <https://stories.opengov.com/MnF2THSdk/published/undefined>

<sup>7</sup> ARPA funds are one-time dollars that must spent by 12/31/2026

needed, it has not expanded its focus beyond the annual budget. The Town Administrator reported that the structure and goals of the Town-School Partnership are now under review, including discussions of more formal budget summits. He indicated that he and the School Superintendent have drafted a new Memorandum of Agreement that proposes incorporating the Town-School Partnership into the budgeting process. Former Advisory Committee Chair Mike Sandman cited “a lack of leadership on the part of the Select Board on this recommendation.”<sup>8</sup>

To incorporate BFAC’s recommendations into its procedures, the Advisory Committee has reorganized its subcommittee structure and budget review process by:

- Creating a Budget Oversight subcommittee to review budget priorities and revenue projections with the Town staff early in the budget cycle to allow for timelier input from the Advisory Committee;
- Standardizing the template for subject-focused subcommittees to review budgets with Department Heads in depth, looking deeper at departmental objectives, historical trends, and identifying longer-term concerns;
- Standardizing the template for reporting on departmental budgets including, over time, a standard presentation of each Department’s headcount, budget, and its relationship to the whole;
- Reviewing the consolidated budget as presented to the full Advisory Committee by the Budget Oversight subcommittee with its recommendation for action based on the subcommittee’s analysis of consistency with the Town’s stated priorities

These changes are designed to make the process more efficient and to provide a coherent view of the budget in its entirety instead of a compilation of the individual pieces.<sup>9</sup>

There is also a plan for mid-year budget check-ins with selected departments. The Advisory Committee plans to review its new process after the May 2022 Town Meeting and refine it as needed.

The Advisory Committee is currently considering revising its budget reconciliation process to formalize the way budget modifications to departmental budgets are documented, prioritized, debated, and consolidated into the balanced budget ultimately presented to Town Meeting.<sup>10</sup>

While the Select Board does not agree that its individual members should cover a focused portfolio of issues, it has assigned its members to various departments to engage in budget discussions and to support communication with the Advisory Committee, allowing Select Board members to begin exerting budgetary and financial leadership.

Though neither the Select Board nor the School Committee support combining their financial plans into a single document, both expressed interest in achieving better financial integration and information sharing. The OpenGov platform has facilitated this process but nothing more substantive has been done in part because senior School Department administrators have only been on board since September 2021.

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<sup>8</sup> Mike Sandman email re: Moderator’s Committee on BFAC dated 2/13/2022.

<sup>9</sup> AC Process Revisions – 9-9-2021 <https://www.brooklinema.gov/DocumentCenter/Index/1812>

<sup>10</sup> Proposed AC Budget Reconciliation Process presented at AC Meeting of 3/10/2022

At the November 2020 Special Town Meeting, Town Meeting did not approve a proposed bylaw change that would have *required* financial training for all TMMs, but instead approved a bylaw change that stated that any elected or appointed town official that “has or could reasonably be expected to have” input into the Town’s financial condition must be *offered* financial training.<sup>11</sup> The Town Administrator initiated a (virtual) training session on the Town’s budgeting process in January 2021, and continued the practice in 2022.

## **FINANCIAL RISK MANAGEMENT**

*(BFAC Recommendations 5,13,14,17)*

The BFAC report included several recommendations designed to strengthen the Town’s financial risk management practices and processes: audit firm/partner rotation and scope, maintenance of reserves, debt policy, and bond-rating maintenance with respect to Moody’s Scorecard. BFAC made these recommendations to the following Boards and Committees: Select Board, Audit Committee, Advisory Committee, and School Committee.

The Town’s review and consideration of BFAC’s risk management recommendations has been variable. Some discussion has occurred with regard to audit firm/partner rotation, maintenance of minimum reserves, and debt policy. However, many particulars of Recommendations 13 and 14 have not been formally discussed or deliberated.<sup>12</sup> Our discussions and correspondence with members of the Select Board, Audit Committee, and Advisory Committee highlighted broader questions regarding the specific roles and responsibilities of these bodies with regards to risk management. It is clear that members of each body consider elements of risk management as within their purview, but there are opportunities for additional specificity as to which metrics each body is reviewing. For example, the Advisory Committee does review budget reserves and transfer requests (both elements of risk management cited in BFAC’s recommendations), but does so primarily within the context of balancing the budget. It is unclear whether anyone other than the Town Administrator is formally considering the reserve values and monitoring the financial ratios embedded in the BFAC recommendations.

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<sup>11</sup> 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>

<sup>12</sup> From this MC’s August, 2021 Report:

“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.”

As to the Audit related risk management recommendations, the Audit Committee considered but did not adopt the requirement to change the audit firm on a regular basis. The Select Board recently renewed the current agreement for three years, and the Audit Committee said it will reconsider changing audit firms when the current auditor contract expires. In its December 2021 meeting, the Audit Committee decided to ask the current auditor to assign a new partner beginning June 30, 2022. However, it did not create a policy requiring audit partner rotation in the future. We anticipate that policies might be implemented with regard to audit firm and partner rotation by this Moderator Committee's 3rd report in Fall 2022. The Audit Committee chair reported that there are no plans for the Audit Committee to further discuss expanding audit scope to also monitor "internal adherence to financial controls and policies."<sup>13</sup>

Progress was made regarding maintaining reserves (BFAC Recommendation 13). In response to a request for information for this report, the Town Administrator highlighted the following statement from the FY 2023 Budget Message: "I am pleased to report that the Town is on track to increase its ratio of reserves to 10% of revenue, which is the accepted minimum rate for Aaa-rated communities."<sup>14</sup> Town senior staff also provided the data in Appendix 2 that enabled us to calculate the following financial metrics related to BFAC recommendations 13 and 14.

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<sup>13</sup> The Town's Fiscal Policies are included in the annual budgets and are available at <https://www.brooklinema.gov/851/Budget-Central>

<sup>14</sup> The Town Administrator's full comments can be found in the Appendix of this report.

**Table 2. Financial metrics related to BFAC Recommendations**

BFAC Recommendations		2019 Actual	2020 Actual	2021 Actual	2022 Projected	2023 Projected
13.1	Ratio of Unassigned Funds to Revenues > 10% ( <i>Town policy</i> ) or even 12.5% ( <i>BFAC target</i> )	10.8%	10.2%	11.1%	12.2%	13.5%
The 2019-21 Actuals conform to Town Fiscal Policy and the 2023 Projection exceeds BFAC’s 12.5% target.						
13.2	Ratio of Stabilization Fund to Revenues > 0.67% ( <i>BFAC target</i> )	2.2%	2.2%	2.5%	3.2%	4.0%
These funding levels fulfill BFAC’s recommendation. BFAC also recommended establishing a policy, which has not been done.						
13.3	Ratio of Stabilization Fund to Unassigned Fund Balance > 50% ( <i>BFAC target</i> )	25.0%	27.0%	30.0%	36.0%	43.0%
This ratio is trending well, and is nearing the level recommended by BFAC.						
13.4	Ratio of Total Fund Balance to Revenues ( <i>BFAC target: increase from 12.3% to 15%</i> )	12.3%	12.2%	12.4%	12.5%	12.5%
The modest headway in raising this ratio indicates the challenge of increasing the Total Fund Balance at a higher rate than increasing revenues. BFAC also recommended establishing a policy, which has not been done. The 15% target “is consistent with the recommendation of the Town’s financial advisor and would bring reserves to the bottom level of the AA rating range.” <sup>15</sup>						
14.1-14.2	Ratio of Net Direct Debt to Operating Revenues to at least the A level (0.67x<n<3x) ( <i>BFAC short-term target</i> ) and by AA level (0.33x<n<0.67x) ( <i>BFAC target by FY 2036</i> )	0.57	0.98	1.39	1.30	1.20
BFAC’s recommendation to “Establish a maximum debt policy based on the ratio of Direct Debt to Operating Revenue” has not been acted on. Because recent debt exclusion votes (Ridley, BHS, Fisher Hill, Driscoll) are all “excluded debt” and are funded outside the limits of Proposition 2 ½, a policy would need to address both non-excluded and excluded debt with appropriate ratios for each/both.						

Source: Calculations based on data provided by Deputy Town Administrator Melissa Goff and Acting Finance Director Justin Casanova-Davis, March 2022, which are reported in Appendix 2, which also contains definitions.

Broadly, Recommendation 14 calls on the Select Board to consider the impact new debt would have on the ratios outlined in the “Moody’s Scorecard” and to disclose additional information to taxpayers about existing and potential forthcoming debt. No formal discussion or deliberation has occurred on this matter. The Town Administrator’s comments with regards to debt policy can be found in the Appendix.

Recommendation 17 regarding review of the Town’s financial metrics in comparison to the Moody’s Scorecard was adopted and implemented by the Select Board. This review will be completed by the Finance Director.<sup>16</sup>

<sup>15</sup> BFAC Report page 48

<sup>16</sup> From this MC’s August 2021 Report: “Finally, the Town has adopted BFAC’s recommendation that we annually compare the Town’s financial condition with the Moody’s Aaa scorecard (Recommendation 17).”

## **LONG-TERM PLANNING**

*(BFAC Recommendations 8, 9 & 15. Recommendation 15 is also discussed under the Increasing Revenues section of this report.)*

BFAC observed that current discussions about the Brookline's financial situation are dominated by a focus on the year-over-year changes necessary to balance the upcoming fiscal year's budget. Projected deficits in the "out years" are acknowledged but largely attributed to a conservative approach to budgeting with the expectation that actual deficits will not be as significant as are forecast and can be addressed with small (but not necessarily painless) year-over-year adjustments.

BFAC's recommendations emerged from a belief that Brookline's current approach to financial decision making must be improved in order to address the Town's current and anticipated future financial challenges. Specifically, the BFAC committee believed:

- The Town-School Partnership must be rewritten to clarify its terms and to force a reexamination of how revenues and costs are allocated.
- An improved capital planning process must be implemented for both the Town and Schools.
- Brookline must develop a plan of periodic capital and operating overrides in order to create predictability about when taxes will increase and by how much.

### ***Has the Town-School Partnership been rewritten to clarify its terms and reexamine the allocation of revenues and costs?***

The Town-School Partnership has yet to be fully revised or rewritten. Some activity has occurred – some terms have been clarified and how shared Town and School costs are allocated has been revised – but discussion and/or action has not occurred on the other aspects of BFAC's Town-School Partnership recommendation.<sup>17</sup>

Recent turnover in key administrative positions include the Town's Finance Director's departure in August 2021,<sup>18</sup> and the arrival of our new Deputy School Superintendent for Administration & Finance in July 2021,<sup>19</sup> and new School Superintendent in August 2021.<sup>20</sup> These changes, and the resultant loss of institutional knowledge, has played a role in the limited action to date.

### ***Has a new capital planning process been implemented for the Town and Schools?***

The overall capital planning process has not changed since BFAC delivered its recommendations in February 2020.<sup>21</sup> Both the School Committee and Advisory Committee have discussed

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<sup>17</sup> See page 13 of the Moderator's Committee Report dated August 4, 2021, for more detailed information.

<sup>18</sup> Justin Casanova-Davis was appointed the Acting Finance Director effective August 16, 2021. Previously he worked as the Assistant Town Administrator. A permanent hire is expected to be announced early in FY2023.

<sup>19</sup> PSB Deputy School Superintendent for Administration & Finance Sam Rippin attended a Moderator's Committee meeting in July 2021 several days after he joined the district.

<sup>20</sup> PSB Superintendent Dr. Linus Guilory joined the Brookline Public Schools from the Lowell Public Schools where he served as the Chief Schools Officer.

<sup>21</sup> Chapter 270 of the [Massachusetts] Acts of 1985 (the Brookline "Town Administrator Act" requires the Brookline Town Administrator to prepare an annual financial plan that includes a Capital Improvement Program (CIP). The

reforms to the roles they play, and each has voted to accept BFAC's Recommendation 9 and considered steps toward implementation.<sup>22</sup> However, the Select Board has not discussed, voted on, or implemented any changes to the Town's capital planning process (known in Brookline as the CIP process) since BFAC delivered its report. Because the Select Board controls the CIP process, no changes can occur without its involvement.

At the department level upcoming capital needs are developed and presented, forming the basis for capital funding requests. We are aware of this ongoing work in several departments (DPW, parks, buildings, fire department) with some good examples of individual plans such as the just completed Brookline Transportation and Mobility Plan<sup>23</sup>, the Parks, Open Space and Recreation Department's September 2020 Strategic Master Plan Update and the November 2020 Athletic Fields Needs Assessment and Master Plan<sup>24</sup>. The need for a strategic overall approach remains.

Due to the lack of process change, BFAC's recommendation that a common capital investment evaluation framework be developed and implemented, and that a position be created with primary responsibility for overseeing capital improvements across Town and Schools have been left unaddressed.

***Has a plan been developed to periodically schedule operating and capital overrides?***

As discussed in the Revenues section of this report, no schedule of periodic operating and capital overrides has been developed.<sup>25</sup> The Town Administrator indicated that the Board is inclined to continue the current practice of establishing ad hoc override study committees to study and evaluate proposed operating overrides.<sup>26</sup> While the Select Board does not appear poised to change the override process, the Town Administrator did suggest that the Select Board might alter its approach to future override study committees to incorporate BFAC's recommendations 15.1-15.4.

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CIP is six-year forward looking capital plan specifying in what fiscal year approved projects will be completed and what funding sourced will be used to pay for the work. The CIP is developed by a staff working group comprised of all the department heads that have requested a project be included in the CIP. The working group is led by the Deputy Town Administrator and the Director of Planning & Community Development. Both working group "co-chairs" report to the Town Administrator and, ultimately, to the Select Board. The working group recommends a preliminary CIP to the Town Administrator, who then presents it to the Select Board. The Preliminary CIP is also presented and reviewed by the Planning Board and the Capital Sub-Committee of the Advisory Committee.

<sup>22</sup> See School Committee minutes from 9/23/21, minutes of the School Committee Finance Sub-Committee from 12/15/21, and the School Committee Capital Sub-Committee from 12/14/21.

<sup>23</sup> The Transportation and Mobility Plan can be found here: <https://brooklinema.gov/1773/Transportation-Mobility-Improvement-Prog>

<sup>24</sup> These Parks Department documents can be found here: <https://www.brooklinema.gov/1597/Parks-Recreation-Master-Plan>

<sup>25</sup> Chapter 59 Section 21C of the Massachusetts General Law limits the size of year-over-year property tax increases in every Massachusetts city and town to 2.5 percent (excluding new tax growth). To increase taxes by more than 2.5 percent or to fund the cost of a large capital improvement, a majority vote must be obtained from the voters through a ballot question. The power to place an override (a permanent tax increase beyond 2.5 percent to fund the operating budget) or debt exclusion (a temporary tax increase to fund the cost of a capital expense) question on the ballot rests entirely with the Select Board.

<sup>26</sup> See Town Administrator's memo to the Moderator's Committee dated March 1, 2022.

In summary, small changes have occurred to the Town-School Partnership, and the School Committee and Advisory Committee have sought to implement BFAC's recommended changes to the capital planning process. However, staff arrivals and departures and lack of action by the Select Board have prevented additional action from occurring. Additionally, there is some indication that the Select Board may informally adopt some BFAC recommendations by changing the direction it gives staff and appointed committees, but no firm commitment has been made.

## **WARRANT ARTICLE REVIEW**

*(BFAC Recommendations 3 and 4. Recommendation 4 is also discussed under the Fiscal Management Best Practice section of this report.)*

The warrant articles review process consists of the Advisory Committee and Select Board—and any other public body that wishes to offer a recommendation to Town Meeting—holding meetings and public hearings to discuss the articles in the weeks leading up to Town Meeting. These bodies sometimes propose amendments and substitute motions, and typically issue reports describing their analysis and their recommendation that Town Meeting vote for or against each article.<sup>27</sup> These reports are compiled in (a) the Combined Reports (often 500-700 pages) that is provided to TMMs a few weeks before Town Meeting, and (b) Supplements distributed subsequently, including during the days when Town Meeting is in session. The BFAC report expressed concern that inadequacies in the Town's processes have serious consequences, concluding 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.”

Two BFAC recommendations sought to address these concerns: one focused on structure, the other on process. We describe each of these approaches and the progress that has (and has not) been made to engage with these recommendations.

### **Structural reform to improve the warrant review process**

BFAC called for Committee on Town Organization and Structure (CTO&S) or a new committee to determine whether modifying the Advisory Committee's scope, structure, and composition would better provide it with the skills and time to improve its analysis of warrant articles—as well as its financial monitoring, analysis, and evaluation of existing policies.<sup>28</sup> BFAC proposed that such a reformulation could enable the Advisory Committee to “provide apolitical expertise,” which could result in more robust analysis of an article's technical, legal, financial, and

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<sup>27</sup> Each article is reviewed by an AC subcommittee, which invites the principal petitioner to answer questions, receives comments from the public, and votes on whether to recommend the petitioner's article or an AC-subcommittee-authored amended article. The matter is then discussed again at the full AC, where the AC Subcommittee presents its report and recommendation, the petitioner is invited to present their position, and a discussion among the full AC ensues, often resulting in a vote that becomes AC's recommendation. Meanwhile, the Select Board holds its own set of meetings to consider each Warrant Article, and typically votes at a subsequent meeting. Other public bodies may also choose to discuss any Warrant Article and vote their recommendation.

<sup>28</sup> BFAC 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.”

operational aspects, unconfounded by Advisory Committee members' political preferences to support or oppose the article.

***To what extent has the Advisory Committee's scope, structure, and composition been analyzed and altered in an attempt to improve the robustness of its warrant article analyses and reports to Town Meeting, pursuant to BFAC Recommendation 4?***

- No independent assessment has been conducted pursuant to BFAC Recommendation 4 to analyze whether Advisory Committee's scope, structure, and composition should be reformed to improve its warrant article analyses and reports. Specifically, CTO&S has reviewed some of these issues (in particular the Article described below) but has not launched such a study, nor has a new committee been appointed by the Moderator or Select Board.
- That said, activities focusing on some of these matters have been led by Town Meeting and the Advisory Committee itself:
  - Town Meeting voted to change the Town bylaws in November 2020 to no longer require the Advisory Committee to “consider any and all...articles in the warrant... for the purpose of making reports and recommendations to the Town” to “consider any or all...articles in the warrant... for the purpose of making reports or recommendations to the Town”, providing the Advisory Committee with more flexibility to (a) focus its attention on just a subset of warrant articles it prioritizes, and (b) to issue reports some *without* recommendations to Town Meeting.<sup>29</sup>
  - Town Meeting also voted to change the Town bylaws in November 2020 to allow the Moderator to appoint ten, rather than eight, non-TMMs to the Advisory Committee while reaffirming its preference that all precincts continue to be represented on Advisory Committee by at least one Town Meeting Member (TMM). This was designed to provide the Moderator with more flexibility to recruit the expertise needed on Advisory Committee. (The Advisory Committee membership total of 20-30 members remained unchanged).<sup>30</sup>
  - The Advisory Committee adjusted its subcommittee structure in Fall 2021 by combining some and creating at least one new one.

**Process improvements to strengthen the analysis of warrant articles**

BFAC Recommendation 3 called for the Select Board to convene a committee of TMMs—the direct beneficiary of improvements—to propose reforms to the warrant article review process, in order to foster more robust analyses and reporting of articles' short- and long-term costs and benefits.<sup>31</sup>

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<sup>29</sup> November 2020 Special Town Meeting, Article 29, originally proposed by TMMs Mariah Nobrega, David Leschier, and Deborah Brown, subsequently amended by AC and TMM John Bassett. This article is still pending review from the Attorney General.

<sup>30</sup> November 2020 Special Town Meeting, Article 29. This article is still pending review from the Attorney General. See details in prior footnote.

<sup>31</sup> BFAC 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.”

### ***Has the warrant article review process been improved, pursuant to this recommendation?***

- The Select Board has not pursued BFAC’s recommendation to create a committee to analyze and improve the warrant article review process.
- The Moderator has not independently appointed such a committee.
- No independent analysis has been conducted.
- Town Meeting rejected an article that attempted to make *petitioners* more responsible for the financial analysis of their own warrant articles. Specifically, a warrant article proposed by two TMM/ Advisory Committee members that was endorsed by the Advisory Committee sought to require petitioners “to include the financial impact” in their warrant article explanations. This was rejected by Town Meeting based on concerns that petitioners lack access to financial information, that this requirement risked deterring petitioners from submitting articles, and that the Advisory Committee was better positioned to analyze the financial impact of articles.<sup>32</sup>
- The warrant article review process has nonetheless been modestly improved, owing entirely to the Advisory Committee’s internal reform efforts led by Advisory Committee leadership. In September 2021, the Advisory Committee leadership proposed a series of reforms—which they described as being partially motivated by BFAC recommendations—to improve the quality, brevity, and clarity of its warrant article analyses and reports that it contributes to the Combined Report.<sup>33</sup>
  - Several of the Advisory Committee leadership’s reform ideas proved controversial within the Advisory Committee, with many proposals remaining unsettled.
    - The Advisory Committee repeatedly debated whether it should analyze and issue recommendations for *all* articles, or whether it should instead focus its efforts to more deeply analyze those articles with operational and/or financial implications. So far, the Advisory Committee has continued its established practice where all Warrant Articles get the same “full” treatment.
    - The Advisory Committee has also repeatedly debated whether it should depoliticize its reports by placing a greater emphasis on presenting the pros and cons for both sides of each Warrant Article. This debate is also unresolved, and while the Advisory Committee has implemented a standard summary at the top of each of its reports that includes “pros” and “cons”, the Fall 2021 Special Town Meeting reports carried on the established practice of emphasizing the Advisory Committee’s majority opinion.
  - The Advisory Committee successfully enacted some reforms to its warrant review process. For example, to foster a more informed discussion at Advisory Committee subcommittee meetings, the Advisory Committee has begun asking petitioners to complete a standard form before their article is discussed at the subcommittee meeting. Also, the Advisory Committee began using a more standardized and succinct report format for its submissions to the Fall 2021 Special Town Meeting Combined Reports. However, the Advisory Committee has not

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<sup>32</sup> Fall 2021 Special Town Meeting Article 27, submitted by TMMs & AC members John Doggett and Neil Gordon, proposed amending the Town’s bylaws to require warrant article petitioners include fiscal impact in their warrant article submission. See page 323 of “Combined Reports November 16, 2021 STM with Supplements 112921” <https://www.brooklinema.gov/1020/Town-Meeting-Files>

<sup>33</sup> “Many of the changes we are proposing reflect recommendations by BFAC, set into the context of AC process.” *AC Process Revisions: 9/9/2021*. See pages 14-16 of *Advisory Committee Minutes: September 9, 2021*.

evaluated whether TMMs found its new reports to be more accessible and informative; CTO&S briefly discussed the possibility of doing so, but chose not to.

- The Advisory Committee elected a new Chair in early 2022, and is discussing enacting several additional reform ideas in preparation for the May 2022 Annual Town Meeting, some of which may affect its review of warrant articles. For example, the Advisory Committee announced plans to more clearly and centrally communicate to the public and TMMs its schedule for when each article will be discussed.
- The Select Board recently announced that it will designate Select Board members to attend Advisory Committee warrant article reviews, which might enable the Select Board to avoid engaging in duplicative conversations at its meetings and to decide which articles to prioritize for its discussion / analysis / recommendations.

In summary, while the Advisory Committee has shown real interest in BFAC recommendations 3 and 4, it is slow to change itself, and is doing so on its own without any meaningful input or action from the Select Board, CTO&S, the Moderator or TMMs themselves.

## **APPENDIX 1 – BFAC Recommendations (abbreviated)**

### **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 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 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 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 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.

### **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.

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

### **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.

- **Recommendation 7.1:** Encourage Select Board Members to lead by example in establishing improved financial decision making.
- **Recommendation 7.2:** Clarify positions of financial responsibility and authority
- **Recommendation 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.

### **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.

### **Recommendation 9: Capital Planning**

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

### **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).

### **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.

### **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.

### **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:  $30\% \geq n > 15\%$ )

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

### **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.

### **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.

- **Recommendation 15.1:** Any tax should be designed to allow for the broadest range of uses possible
- **Recommendation 15.2:** Voters must be provided more information when presented with future override and debt exclusion ballot questions
- **Recommendation 15.3:** As the Town develops plans, it must provide its taxpayers with the information that allows them to evaluate those plans and their costs on a basis entirely different from the current piecemeal approach
- **Recommendation 15.4:** Enact a policy to include in operating override requests the additional amounts necessary to maintain reserves

### **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.

### **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.

### **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.

**APPENDIX 2 –Values used to calculate financial metrics reported in Table 2**

in \$ millions	2019 Actual	2020 Actual	2021 Actual	2022 Projected	2023 Projected
Revenues for calculating reserves ratio	\$308.3	\$330.6	\$346.3	\$364.2	\$383.2
Unassigned Fund Balance	\$26.6	\$26.6	\$29.5	\$32.6	\$36.1
Stabilization Fund	\$6.8	\$7.2	\$8.7	\$11.8	\$15.5
Unassigned Funds (Unassigned Fund Balance + Stabilization Fund)	\$33.4	\$33.7	\$38.3	\$44.4	\$51.6
Total Fund Balance	\$37.9	\$40.4	\$43.1	\$45.5	\$47.8
Net Direct Debt	\$176.1	\$325.5	\$482.8	\$474.9	\$461.5
Operating Revenues	\$308.4	\$331.1	\$347.1	\$365.0	\$384.0

Source:

Data provided by Deputy Town Administrator Melissa Goff and Acting Finance Director Justin Casanova-Davis, March 2022.

2019-2021 from Audited Financial Statement; 2022-2023 are budget projections.

Revenues for Calculating Reserves Ratio" for 2021 is from the FY2021 Audited Financial Statement, page 34.

Net Direct Debt for 2021 is from the FY2021 Audited Financial Statement, and is the sum of \$482.8 m Total Principal (pg. 62); \$10.5 m Enterprise (pg. 63), \$6.7 m Bans (pg. 60), and \$3.9 m Capital (pg. 33).

Operating Revenues for 2021 is from the FY2021 Audited Financial Statement, and is the sum of Total Revenues and Capital Lease Financing (both on pg. 35).

Notes: Unassigned Fund Balance represents fund balance that has not been restricted, committed, or assigned to specific purposes and is therefore available for expenditure once certified as part of Free Cash.

Stabilization Fund is "a fund designed to accumulate amounts for future spending purposes, although it may be appropriated for any lawful purpose. A two-thirds vote of Town Meeting is required to appropriate money from the Stabilization Fund.", according to the BFAC Report page 72.

Unassigned Funds is the sum of the Unassigned Fund Balance and the Stabilization Fund. This is also known as the "Unassigned General Fund Balance," the "Unreserved General Fund Balance and Stabilization Fund" (in audited financial statements), and the "Unreserved Fund Balance/Stabilization Fund" (as seen in Annual Budget Book), according to the BFAC Report (footnote 9).

Total Fund Balance consists of Reserved and Unreserved Funds and consists of the following funds: Appropriated Budget Reserve, Unreserved Fund Balance/Stabilization Fund, Liability/Catastrophe Fund, Overlay Reserve.

Net Direct Debt is debt paid for by general municipal funds, and does not include enterprise bonds.

Operating Revenues is used by credit agencies to calculate the "Net Direct Debt/Operating Revenues" ratio.

## **APPENDIX 3 – Meetings, Abbreviations, Reference Materials**

### **Meetings of the Moderator’s Committee**

February 2, 2022: Organizational Meeting

February 9: Planning and Development of Information Requests from Boards and Committees

March 2: Review of Submitted Materials and Work Planning

March 10: Working Session

March 15: Working Session

March 23: Public Hearing

### **Abbreviations used in this report:**

AC – Advisory Committee

BFAC – Brookline Fiscal Advisory Committee

CTO&S – Committee on Town Organization and Structure

EDAB – Economic Development Advisory Board

MC – the Moderator’s Committee issuing this report

PSB – Public Schools of Brookline

TMM – Town Meeting Members

### **Materials submitted to the MC by Boards, Committees, and Administrators**

*These may all be viewed on this Moderator Committee's webpage:*

<https://www.brooklinema.gov/DocumentCenter/Index/1771>

In a compiled document titled: BFAC\_MC\_Report2\_Appendix3\_Submissions

1. Town Administrator Memo and Progress Report/Chart dated March 1, 2022
2. Advisory Committee Progress Report/Chart
3. Audit Committee Chair Bernard Greene Memo and Progress Report/Chart
4. School Committee Progress Report/Chart
5. EDAB Memo dated February, 2022
6. Planning Board Progress Report/Chart
7. CTO&S Liaison Sean Lynn-Jones memo dated February 25, 2022