

TOWN OF BROOKLINE ADVISORY COMMITTEE
Administration and Finance Subcommittee Report
Non-Departmental Unclassified: FY24 Budget
Public Hearing: February 28, 2023

Overview	FY23 Budget	Proposed FY24 Budget	
Request	\$8,428,957	\$9,529,515	13.1% increase due in part to \$1M increase in Stabilization Fund

Recommendation: The Administration and Finance Subcommittee unanimously recommends favorable action on the Unclassified budget of \$9,529,515

Hearing Recording: Click on the link below and enter the passcode when prompted to view the recording of this hearing.

Recording: <https://bit.ly/3ESAdEm>

Access Passcode: txv^iJF7

The Administration and Finance Subcommittee held a public hearing on February 28, 2022 to review the Unclassified budget. In attendance were: Harry Bohrs, Neil Gordon, Kelly Hardebeck and Joslin Murphy for the subcommittee; Dennis Doughty, Advisory Committee Chair and Melissa Goff, Deputy Town Administrator, Lincoln Heineman, Finance Director; and Charles Young, Assistant Town Administrator for Finance

The Subcommittee met with Town Staff and discussed this year's Unclassified budget, fund by fund. Discussion involved the goals and genesis of funds, as well as the use and administration of the funds.

Below is an itemized break-down of each of the components under Unclassified.

PROGRAM COSTS				
CLASS OF EXPENDITURES	BUDGET	BUDGET	FY23 vs. FY24	
	FY2023	FY2024	\$ CHANGE	% CHANGE
Printing of Warrants & Reports / Town Mtg	116,000	50,000	(66,000)	-56.9%
Mass. Municipal Association (MMA) Dues	14,595	14,960	365	2.5%
Vocational Technical	92,895	92,895	0	0.0%
General Insurance	1,056,923	1,262,183	205,260	19.4%
Audit and Professional Services	149,000	149,000	0	0.0%
Contingency Fund	10,000	10,000	0	0.0%
Liability / Catastrophe Fund *	132,489	381,006	248,517	187.6%
Affordable Housing Trust Fund *	427,012	0	(427,012)	-100.0%
Stabilization Fund *	3,500,000	4,500,000	1,000,000	28.6%
Reserve Fund	2,930,043	3,069,471	139,428	4.8%
Property Tax Supported (0.75%)	2,197,532	2,302,103	104,571	4.8%
Free Cash Supported (0.25%)	732,511	767,368	34,857	4.8%
TOTAL EXPENDITURE	8,428,957	9,529,515	1,100,558	13.1%

OUT OF STATE TRAVEL

This budget covers the costs of out-of-state conferences, workshops, and training seminars for Department Heads.

PRINTING OF WARRANTS AND REPORTS / TOWN MEETING

This budget is for the costs associated with Town Meeting and for the printing and production of the Combined Reports, the Town's Annual Report, and the Annual Financial Plan.

This year's decrease is attributed to the fact that the Town funded (one-time) tablets for use at Town Meeting in last year's budget. There are anticipated cost savings that result from the passage of WA7 at November's Special Town Meeting, but those are not reflected in this proposed budget because of the potential need for additional staff time to support in-person Town Meetings.

MMA DUES

The Massachusetts Municipal Association (MMA) is an umbrella organization representing various municipal organizations. One of its most important functions is to lobby the State and Federal governments on behalf of member cities and towns. This year the cost increases by less than the rate of inflation. It should be noted that individual memberships for Town staff are included in the Select Board budget.

GENERAL INSURANCE

The Town has several insurance coverages including property, boiler, auto, equipment, landlord liability, and fidelity bonds. Property insurance accounts for more than 80% of all the general insurance costs. David Genakeakis has been working to better reflect the true value of the Town's assets for insurance purposes.

As well, we now have a new High School addition that extends over the MBTA tracks and the Carlton Street Footbridge which also extends over the MBTA. This requires additional insurance.

The goal of the Town is to increase the valuation of school buildings, for insurance purposes, to reflect their replacement costs by increasing the valuation by ~10% per year. This year's increase brings the valuation to \$70-80M for each school building. We anticipate increasing this account on an increasing basis to achieve that goal over the next five years.

AUDIT AND PROFESSIONAL SERVICES

In accordance with State law, the Town contracts for an annual independent audit of its accounts. Professional services is for outside professional consulting services that may be necessary during the course of the year. Within this account, funds are also used for various studies (e.g. salary study).

PRIVATE DAY SCHOOLS (Vocational Technical)

In grades 9-12, students may choose to participate in vocational technical education programs, such as automotive technology, culinary arts, or design and visual communications, in preparation for a future career. These vocational technical education programs are approved by the Department of Elementary and Secondary Education and are sometimes referred to as "Chapter 74-approved" programs.

While these are educationally related programs, the Brookline School Committee has no statutory control over them. Funds not used drop into future Free Cash.

CONTINGENCY FUND

This small contingency fund, which is administered by the Select Board and Town Administrator, is generally used to fund smaller, non-budgeted items and smaller, unforeseen items more appropriately handled from a contingency fund rather than through a reserve fund transfer.

Recently, these funds have been used towards professional development – lectures, guest speakers.

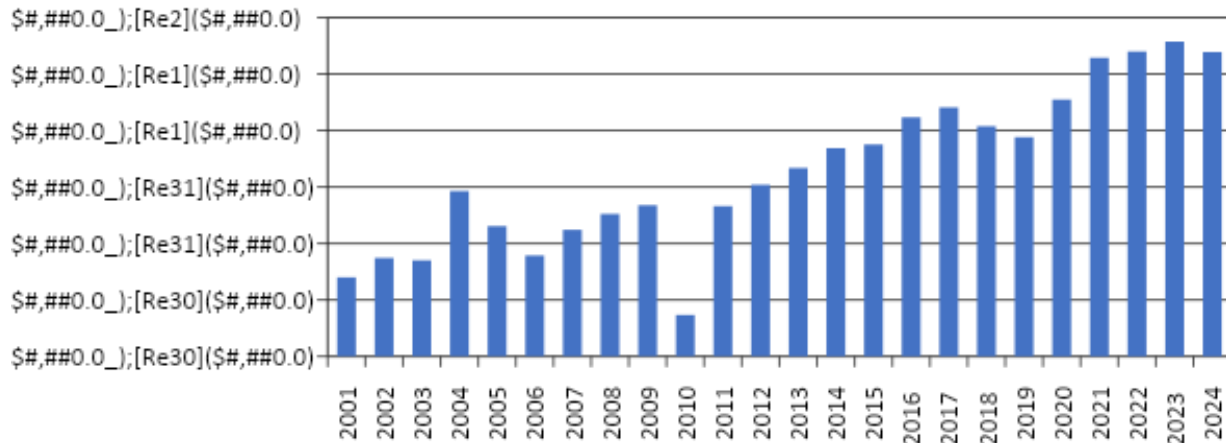
LIABILITY/CATASTROPHE FUND

This reserve was established by Town Meeting in 1997 via Home Rule legislation that was eventually signed into law on April 3, 1998 as Chapter 66 of the Acts of 1998. (It was later amended by Chapter 137 of the Acts of 2001.) The purpose of the Fund is to allow the Town to set aside reserves, pay settlements and judgments, and protect the community from the negative financial impact of catastrophic loss or legal claims.

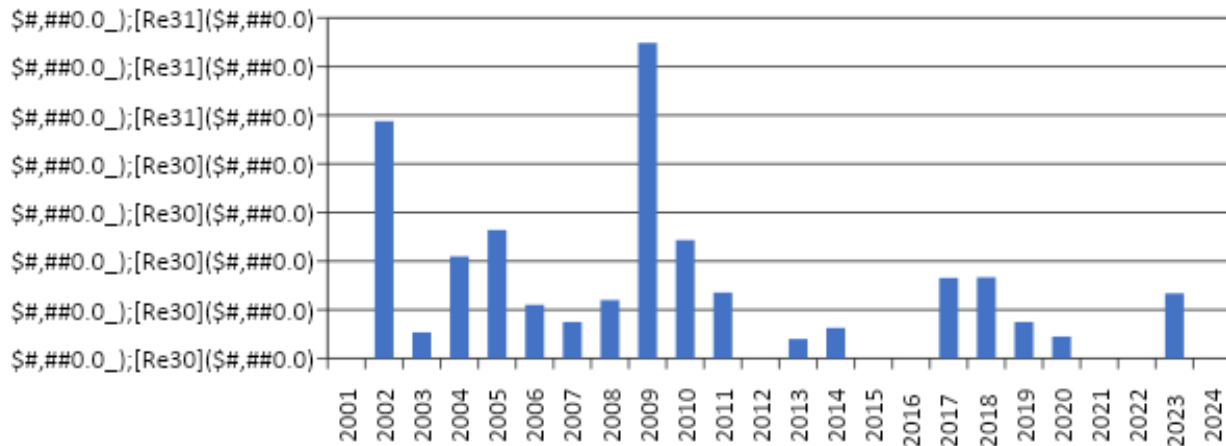
Per the Town's Reserve Fund policies, the required level for this fund is an amount equivalent to 1% of the prior year's net revenue. All of the funding comes from Free Cash, per the Town's Free Cash and Reserve Fund policies.

This year's increase, to bring the balance back up, is attributed, in part, to the Town's settlement with the former, short lived, Police Chief.

LIABILITY/CATASTROPHE FUND -- YR-END FUND BALANCE



LIABILITY/CATASTROPHE FUND -- EXPENDITURES



AFFORDABLE HOUSING TRUST FUND (AHTF)

This fund was established as part of the Town's effort to increase the amount of affordable housing in the Town. The Town's policy, which can be found in its entirety in the Appendix of this Financial Plan, states that if the year-end fund balance in the AHTF is below \$5 million, then 15% of any Free Cash remaining after funding the first four priorities shall be allocated to the AHTF. The table on the following page provides a history of funding by source, along with the annual year-end fund balance.

This year the AHTF will be augmented with Community Preservation Funds (CPA), bringing the balance above \$5M. Therefore, no Free Cash is budgeted for the AHTF in FY24.

Affordable Housing Trust

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
From Free Cash	\$555,106	\$170,390	\$163,078	\$158,539	\$576,803	\$545,112	\$200,000	\$726,549	\$80,737	\$427,010
From Developers	\$0		\$0		\$444,940	\$8,865	\$0	\$225,504	\$4,713,105	\$1,472,000
Loan Repayments		\$549,687		\$94,637	\$486,276	\$170,475	\$0	\$43,609	\$11,615	\$15,923
Interest Income	\$18,534	\$19,129	\$16,424	\$15,736	\$18,273	\$42,374	\$36,825	\$4,472	\$2,729	\$10,450
Misc							\$400,000	\$400,000	\$5,551	\$303,615
Revenue	\$573,640	\$739,206	\$179,502	\$268,912	\$1,526,292	\$766,826	\$636,825	\$1,400,134	\$4,813,737	\$2,228,998
Expend./Encumb.	\$826,062	\$2,100,002	\$90,162	\$0	\$429,565	\$870,788	\$1,322,817	\$1,327,519	\$67,464	\$5,930,091
Expend./Encumb.	\$826,062	\$2,100,002	\$90,162	\$0	\$429,565	\$870,788	\$1,322,817	\$1,327,519	\$67,464	\$5,930,091
Year-End Fund Balance	\$4,675,822	\$3,315,026	\$3,404,366	\$3,673,278	\$4,770,005	\$4,666,043	\$3,980,051	\$4,052,666	\$8,798,939	\$5,097,846

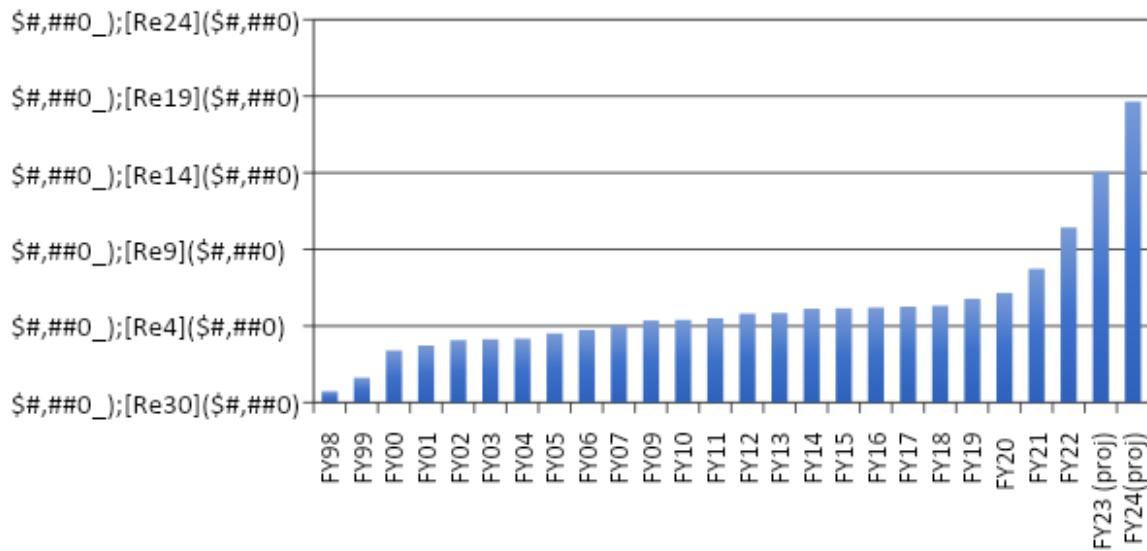
STABILIZATION FUND

The Stabilization Fund is meant to support the capital or operating budget(s) under extraordinary circumstances. Per policy, it can be used to fund capital projects, on a pay-as-you-go basis, when Free Cash drops below \$2M. Additionally, it can be used to augment the operating budget when Net Revenue increases by less than 3% from the prior year. The fund should at least equal 1% of the value of the Town’s buildings, or 3% of the prior year’s Net Revenue. The balance in the Stabilization Fund is considered, along with the Unreserved Fund Balance, in calculating the Town’s goal of maintaining a total reserve of 12.5% (at least 10%) of revenue in reserve.

This year the Stabilization Fund’s budgeted amount increases by \$1M (28.6%)

The Town can deposit more into the fund if overall fund balance levels dictate the need. The graph below shows the annual year-end fund balance.

STABILIZATION FUND -- YR-END FUND BALANCE



RESERVE FUND

The Reserve Fund is administered by the Advisory Committee and is used to fund extraordinary and unforeseen expenses, per Massachusetts General Laws Chapter 40, Section 6. According to Town policies, it is set at a level equivalent to 1% of the prior year's net revenue and is funded in the following manner:

- 75% from Operating Budget revenue, in an amount equivalent to 0.75% of the prior year's net revenue
- 25% from Free Cash, in an amount equivalent to 0.25% of the prior year's net revenue.

This year's budgeted amounts increase by 4.8% (\$104.6K from operating/\$34.9K from Free Cash)