SUB-COMMITTEE ON FISCAL POLICIES

EXECUTIVE SUMMARY

Recognizing that the overall fiscal policies of the Town were reviewed by a dedicated committee in 2011, the Sub-Committee on Fiscal Policies focused its efforts on policy areas that were most directly relevant to the Override question. Other policies were reviewed at a level of reasonableness, and were not found to have any issues that would merit a substantial reexamination of those policies.

- For 18 years the Town-School Partnership Agreement has been a successful framework for the allocation of financial resources between Town and School spending priorities. The Fiscal Policies sub-committee of the OSC supports the Town-School Partnership Agreement as currently written.

- The Town School Partnership works well in part because it is not applied exclusively on a formulaic basis. The fifty-fifty split provides a starting point from which both sides then work together to reach a solution that meets all of Brookline's needs. The Town-School Partnership Agreement covers the initial cost for classroom teachers only. As written, it does not capture the fact that a one-time permanent increase in enrollment not only raises costs that year, but also leads to further increases in subsequent years due to steps-and-lanes salary growth. Discussions of the allocation of revenues between Town and School departments must continue to reflect this reality. We do not recommend any change at this point, but the parties should remain cognizant that the success is due to the goodwill of the parties.

- Over the last eight years, municipal spending has shifted towards schools by notably more than would have been the case had the Agreement been applied formulaically. We do not take a position here on whether the shift has been fully commensurate with increased school enrollments.

- The cost of recent and projected school enrollment growth has not been adequately captured in current budget projections. Work to develop strategies on how to satisfy the Town's revenue requirements will not be conclusive until such time as a better understanding of the true cost of enrollment growth is developed.

- The Town should utilize the opportunity created by the rate differential between taxable and tax-exempt bonds of equivalent term and risk, and between tax-exempt bonds and the higher imputed return on OPEB appropriations.

- The Town of Brookline should increase the Debt-Financed portion of the CIP, by financing the “pay-as-you-go” portion of the CIP rather than funding it from tax

revenues. It is estimated that $3.0 million of capital expenditures annually will have a useful life of 10 years or more, and therefore be eligible for financing. For items bonded under this program, the initial capital expenditure, not the debt service, should be counted toward the CIP target of 7.5% of revenues.

- The funds provided by these additional borrowings (approximately $3.0 million annually) should be used to make additional payments to OPEB. The debt service associated with these funds will be an off-set against subsequent years' OPEB contributions. The goal of this funding plan is to take advantage of the difference in the cost of funds identified above, and to allow the Town to reach the ARC in the year this plan is implemented, instead of 2022.

- The unfunded OPEB liability is currently estimated at $183 million.

- One time revenue sources, such as the sale of taxi medallions, should not be applied to the general operating budget, but rather to one-time uses, such as accelerating OPEB funding.

- A level payment schedule should be utilized for debt exclusion bonds and be considered for other large size borrowings.