

Override Study Committee Report

Co-Chairs Overview to the Board of Selectmen
September 16, 2014

Agenda for tonight

- General overview
- Schools budget and capital needs
- Municipal opportunities
- Non-tax Revenue opportunities (Town and Schools)
- Next steps

OSC committee structure and process

- OSC was chartered by the Board of Selectmen in August 2013
 - Fifteen voting members plus 2 non-voting co-chairs
 - 7/15 members new to Brookline government (2 have since joined!)
 - 9/15 do not have children currently in the Brookline schools
- OSC created 8 sub-committees; more than 200 scheduled meetings in an “Open Every Box” approach
 - Schools: Programs, Population and Special Education, Capital
 - Town: Municipal, Fiscal Policies
 - Both: Revenue, Benefits, Demographics
- After unanimously agreeing on the fact base and Financial Model, two groups created “Recommendations”
- Tremendous gratitude to dozens of Town and Schools staff
 - Town side led by Mel Kleckner, Sean Cronin, and Melissa Goff
 - Schools side led by Dr. William Lupini and Peter Rowe
 - Assistance on Demographics from MIT Sloan School of Management

100% agreement on the need for an operating override, plus a debt exclusion for part of the Devotion project; disagreement on the amounts

- Operating override
 - Consensus: ~\$2.3m should be raised through non-tax revenues and fees
 - Consensus; ~\$560k reductions should be taken on the Town side
 - Range: \$1.5-\$4.4m reductions from initial override projections of \$12.3m should be taken on the Schools side; \$7.9 to \$10.8 million additional to Schools
- Debt exclusion
 - First Group: \$1.6m to cover part of the Devotion project only
 - Second Group: \$4.1m to cover Devotion plus a second K-8 capital project
 - Neither "Recommendation" included the High School or other K-8 projects; Selectmen must communicate this to Brookline voters
- Consensus: there are no easy reductions of "fat" or "waste": both Town and Schools realized impressive budget efficiencies and cuts since the last override (see **Appendix** for detail—roughly \$3 million on each side)
 - Flat per student costs for 5 years despite growth
 - Town sustainable without an override
 - Recommendation for further benchmarking, analysis, and attention to structure and governance
- Agreement that the budget needs are enrollment driven

Given tremendous uncertainty, the OSC Financial Model is assumption-based and is highly flexible

Dozens of cost and revenue items can be altered going forward, but the model is “sensitive” to a few absolutely critical assumptions:

- 3-year budget projection, based on assumptions (not a “proposal”)
- Assumes 630 Kindergarteners per year, with cohort moving through at same size
- Assumes 1% collective bargaining (each 1% is \$750k) and 5% health care increases (each 1% is \$250k), over 3 years
- Assumes Devotion @ \$110m; does not include the High School nor new potential growth (e.g., Hancock Village)
- Assumes growth of various sources of revenues. From FY01 to FY13, total General Fund revenues actually averaged 1.69% more than financial plan projections (now equivalent to ~ \$4M annually)
- See **Appendix** for more



These assumptions were only “very best guesses” as of August 2014; the Town must update numbers as new information becomes available

The OSC identified multiple long-term strategic issues for Brookline to debate this fall

Examples include:

1. Should Brookline ask for fewer, bigger overrides or more frequent, more limited, project-by-project overrides?
2. Should Brookline rely more heavily on property tax overrides, or non-tax revenues (e.g., user fees like parking or rentals)?
3. How can Brookline balance increasing economic diversity with increased budget needs due to 35% K-8 and 20% overall enrollment growth?
4. How can Brookline plan much longer-term for capital and facilities needs (including land acquisition through purchase and eminent domain)?

Other long-term issues: Fiscal Policies and Benefits

- Fiscal Policies

- Town – School Partnership has been applied flexibly to account for part of the enrollment growth (does not cover fully-loaded costs); works well and should be continued
- Town should utilize opportunity created by bond rate differentials
- Town should increase debt-financed portion of the CIP, by financing the pay-as-you-go portion rather than funding it from tax revenues, and put resulting amounts toward OPEBs
- Town should increase use of a level-payment schedule (rather than level debt) for borrowings

- Benefits

- ~25% of Town budget; significant savings achieved by GIC since last override; continue to grow faster than inflation
- 2008 OSC identified 3.75% as a “sustainable” level of increase for comp & benefits; actual increase in operating revenue has been 2.98%
- Highlights of further recommendations:
 - Work to reduce Town health premium share, which at 83% is higher than other municipalities (each 1% saves \$270k)
 - Educate employees about plan choice (each 1% from PPO to HMO saves \$30k)
 - Work w/Retirement Board to pro-rate OPEB vesting for part-time employees
 - Continue work with MMA/legislature to reform retiree benefits, eliminate constraints of Section 19 which prohibits grandfathering of premium share; eliminate provision that employees must be member of retirement system to get health insurance (Retirement Board could then increase weekly hours for retirement eligibility, reducing OPEB liability, while preserving active employee health insurance)

Operating override – overview

- Current School FY15 Operating (non-capital) budget is \$86.8M (plus about \$26 million benefits & Town services) increasing to projected \$94.6M in FY18 without override
- If “structural deficit,” “enrollment growth,” OLS opening, BEEP leases, and all “catch-up,” “enhancement,” and “technology” increases identified by Schools in OSC process were funded, total additional (with earlier assumptions) would be **\$12.29 million**
- First Group (8 members) provides additional **\$7.9 million** to Schools (\$5.0M override, \$2.3M non-tax revenues, \$0.6M from Town-side savings).
- Second Group (7 members) provides additional **\$10.8 million** to Schools (\$7.9M override, \$2.3M non-tax revenues, \$0.6M from Town-side savings)
- To **maintain current service levels, which are under-funded due to growth already experienced**, (i.e., fund for future enrollment growth, but not for past growth or enhancements), the funding would be reduced by \$7.0M (reduction of \$5.2M non-technology; \$1.8M technology) – i.e., additional **\$5.3 million** to Schools. Both Groups exceed that.

“Catch-ups” and “Enhancements”

- The PSB identified “catch-ups” and “enhancements” as part of override amount – total approximately \$6.2M including benefits through FY18
- “Catch-ups” described as areas that had fallen behind in staffing since start of enrollment growth
 - Analysis supported characterization for some areas (guidance counselors, a portion of nurses, a portion of school-based administrators)
 - Others (e.g., psychologists; BCBAs, PTs, OTs for regular education) were new positions
- “Enhancements” or program growth
 - Analysis shows that a portion of two (literacy specialists, custodial contracts) could be described “catch-ups”
 - Most constitute program growth, education improvement or new positions not tied to enrollment growth
- Town side of budget did not identify catch-ups or seek enhancements

Technology plan

- Separately, PSB has identified approximately \$1.8 million as part of override amount through FY18 – equity within system, learning tools, preparation for PARCC
- Reduced earlier amount and some items shifted to CIP
- Additional mobile devices, carts, reducing replacement cycle, applications, mounted project, additional staffing
- Broad support for devices
- Staffing plan has not been finalized, including staff qualifications, training and relations between various, potential outsourcing and reductions, etc.
- Critical to achieve clarity regarding governance of Town-School partnership on technology.
 - Current coordination is not consistent with 2002 Strategic Plan for IT.
 - E.g., prioritization of investments, ensuring that devices are aligned and can communicate, avoiding staffing duplication and inefficiencies.

Debt exclusion

- Identify projects or create capacity?
- Devotion expected to cost Town \$77 million with 30% MSBA funding
 - Devotion taken as given by OSC
- \$54 million of debt capacity will be available without a debt exclusion
- A \$77 million debt exclusion would have permitted Devotion and retained \$54 million for Driscoll and funding toward High School
- Agreement that High School is premature – study underway, 16-20 classrooms now being used for other purposes
- First Group (9 members): \$23m debt exclusion (annual cost of \$1.6m)
 - Allows Devotion to proceed
 - Override includes \$1.5M for cafeteria expansion and upgrades at Driscoll
 - Not fund Driscoll or similar project at this time, for variety of reasons: e.g., could be unnecessary or wrong project, other “tools” are available to reduce classroom demand, may have new additional need in South Brookline (Hancock Village), new school could be more cost-effective, concern about changing character of school and impact of expand-in-place, specific projects should be identified to voters
- Second Group (6 members): \$58.8m debt exclusion (annual cost of \$4.1m)
 - Allows Devotion to proceed
 - Would allow Driscoll to proceed at ~\$35.8M without further override (working number of \$55M, with hoped-for 35% MSBA funding)
 - Or would allow another project of same size without further override

Classroom needs

- B-SPACE identified 20 additional classrooms as needed by 2019 based on incoming kindergarten projections provided by PSB of 630 through FY18 and then decreasing to 600 in FY19 (FY10 to FY14: 593, 546, 602, 666, 630)
- Average K-8 class size has increased over 10 years from 19.87 to 21.14 in FY14. B-SPACE assumes 21 per class.
- 30 classrooms per entering K class “waterfalls” through system
- Proposed projects would provide 12 additional classrooms: Lawrence (4); Devotion (5), BEEP conversions (3) (3 more may be available in future). Remaining need for 8 classrooms, using B-SPACE assumptions.
- OSC suggests more aggressive use of “tools” to manage classroom demand

Classroom “tools”

- Further increase class sizes
 - PSB budget directives: where possible, limits of 22 to 24 in K-3 and no more than 25 in Grades 4-8
 - Also, both teacher and paraprofessional (certified teacher or college grad) in K and 1; projected for Grade 2
 - OSC Model allows larger average class size than 21 assumed by B-SPACE (e.g., increase of 1.5 in average entering K class size reduces classroom need for each class of 630-670 by 2 classrooms, or by 8 classrooms over 4 years).
- Change assignment of children to classrooms
 - e.g., later assignments in buffer zones (PSB has started); assigning late registrants to closest available school if neighborhood school filled (PSB has invited Baker to do this year)
 - 2012 buffer zone changes: 1/3 families are now in buffer zones vs. 1/6 before
 - More aggressive consolidations in upper grades (in addition to the ones that PSB captures every year): approximately 500 students enter grades 1 through 8 each year to replace students who are leaving (“churn”); use to assign to available seats
- Technology investments (mobile devices and carts) could free up 4 to 6 rooms now used as computer labs – not considered by B-SPACE
- Limit non-resident students: METCO and Materials Fee policies, practices

Non-Resident Student Costs and Policies

- Short-run cost: each additional 20 students have an incremental short-run cost of approximately \$220,000 annually, or \$11,000 per student
- During a period of sustained growth and classroom shortages, additional students (resident or non-resident) impose capital and other capacity-related costs
- Long-run cost (including capital needs): ~\$15,000 per student net of reimbursement
- METCO and Materials Fee program represent commitment of ~\$7 million per year by Town and PSB
- Each entering cohort of 40 non-resident students amounts to financial commitment of ~\$8 million over 13 years until graduation
- METCO at 300 students; Materials Fee open to all Town and School employees, ~ 175 in FY14 but not capped (with growth of 78% in prior 8 years)
 - METCO students are about 45% Black/African-American and 45% Hispanic/Latino; constitute about one-fourth to one-third of incoming Black/African-American students. Not income based.
 - Materials Fee are 77% white; explained as recruitment and retention tool.
- FY15 kindergarten class: 20 METCO and 24 Materials Fee (4 more than projected)
- Written PSB and METCO policies and guidelines:
 - admissions on basis of “space available” and “grade and seat availability”
 - staffing based on the number of resident students
 - admissions of Materials Fee no later than June 1 (teachers) and June 20 (others)
- Current admissions process: METCO in February; Unit A teachers (Jan-Feb), other Materials Fee (Feb-April).
- Options: e.g., only siblings; only admit based on existing classroom space and path of resident enrollments that year; Materials Fee require minimum service or if required to attract particular educational specialties

Municipal opportunities: ~\$560,000 per year

- Reduce Library book budget by \$50,000 (Library endowment available)
- Outsource portion of grounds maintenance (~\$73K)
- Switch to toters for trash (net cost in FY15, savings of \$133K in FY18 and increasing thereafter)
- Savings on solid waste haulage and metals disposal (~\$285K – implementation in FY15)

Non-tax Revenue opportunities (Town + School): ~\$2.3 million per year

- Increase parking meter rates to \$1.25/hour (~\$850K)
- Raise refuse fee to \$250 (~\$615K)
- Increase library fines and cemetery rates (~\$60K)
- Increase Soule childcare program to market levels (~\$280K)
- Increase BEEP fees to market levels (~\$150K)
- Rent for extended day programs and Baldwin school (~\$170K)
- More effectively manage fees for use of school facilities (~\$200K)

Capacity to Pay

	First Group	Second Group
Operating Override	2.8%	4.3%
Debt Exclusion	0.8%	2.2%
Prop 2 ½ Annual Increase	2.5%	2.5%
Fee Increases (tax equiv. %; some parking meter \$ not Brookline)	1.3%	1.3%
Total	7.4%	10.3%

- Significant Capacity to Pay discussion in OSC Report
- Impacts on renters, low- and moderate-income, and seniors
- Impacts on income and age diversity of the Town

Next steps

- September 23: Presentation of First Group and Second Group Recommendations
- October 7: Presentation by Superintendent of Current Issues
- October: Possible sub-committee presentations, Public Hearings, and Deliberation
- November: Deliberation
- December: Public Hearings and Deliberation
- January: Determination of Override question(s)

Appendix

- Other base case assumptions
- Town and Schools efficiencies

More detail on base case assumptions

- Schools budget
 - Original \$12.29m override projection for Schools assumed no policy or practice changes or service cuts (class size, non-residents, programs)
 - Incoming K classes of 630 through FY18 (FY15 K more than projection, including 44 non-resident)
 - No change in cohort size moving through grades after K (FY15 Grades 4 to 8 less than projection)
 - Special Ed = \$750K (FY16), \$775K (FY17), \$800K (FY18)
- Compensation and benefits
 - 1% per year COLA adjustments (each 1% is ~ \$750K/yr)
 - Continuation of steps and lanes (net increase of ~\$700K/yr after retirements) (amount to ~ 3.5% per year increases, beyond COLA, for new hires)
 - Net Steps = \$675K (FY16), \$700K (FY17), \$750K (FY18)
 - Health Insurance rate increase of 5%/yr (each 1% is ~ \$250K) (was 1% in FY15)
- Other revenue assumptions
 - \$225K/yr inflation/misc increase
 - ~\$400K/yr increase in State Aid (2.5%)
 - ~\$350K/yr increase in Local Receipts (1.5%)
 - Includes redevelopment of Red Cab (property tax of \$325,000 in FY16 during build-out and \$650,000 in FY17 and thereafter) and 2 Brookline Place (property taxes during build-out of \$460,000 in FY17 and \$920,000 in FY18; build-out continues in FY19 with property taxes in excess of \$2 million annually after completion of build-out in FY20)
 - NOTE: From FY01 to FY13, total General Fund revenues actually averaged 1.69% more than financial plan projections (now equivalent to ~ \$4M annually)
- Operating override to cover 3-year period
 - Simplifying assumption; period could be longer at increased override amount

Town efficiencies and cuts, FY05-FY15, ~\$3 million

Dept.	Item	FY	\$ Savings
DPW	Elimination of 0.3 FTE Working Foreman Carpenter	FY05	12,658
Recreation	Recreation Clerical re-org (-1.6 FTE)	FY05	57,000
HR/YR	Elimination of PT Events Coordinator	FY05	10,000
Townwide	Elimination of General Clerical Pool	FY05	10,000
Assessor	Interest on Abatements (improvements to assessments)	FY05	100,000
Assessor	Reduction in Assessing (PT staff, reval changes)	FY06	36,600
DPW	Reduction in Contractual Services (leaf collection and streetlight maint.)	FY06	45,000
Selectmen	Reduction in Contractual Services (consulting)	FY06	15,513
Selectmen	Elimination of 0.53 FTE Recording Secretary	FY07	14,000
Assessor	Elimination of Deputy Chief Assessor	FY07	58,000
DPW	Position reductions (Laborer, Craftsman, Civil Engineer III)	FY08	138,000
Purchasing	Elimination of Telephone Operator	FY08	36,000
Library	Elimination of Library Asst. II	FY08	36,000
Recreation	Elimination of Rec Supervisor	FY08	61,000
DPW	Outsourced all School Grounds Maintenance	FY08	44,000
Finance	Consolidation of Town/School Payroll Functions	FY09	62,500
DPW	Reduced Solid Waste Haul & Disposal Rates	FY09	125,000
DPW	Re-Organized Sanitation / Leaf Collection Operations	FY09	200,000
HR/YR	Consolidation of Health and Human Service Clerical Support	FY10	38,000
DPW	Consolidation of Arborist/Conservation Administrator Functions	FY10	66,000
Building	Reduction of Part-Time Data Entry Clerk	FY10	15,000
Fire	Reduction and Civilianization of Firefighters assigned to Fire Prevention	FY10	78,000
Fire	Reduction of Suppression Staffing by 4	FY10	295,000
Fire	Merger of Fire and DPW Wires / Signals Divisions	FY10	102,000

Town efficiencies and cuts, FY05-FY15 (continued)

Dept.	Item	FY	\$ Savings
Police	Civilianization of Parking Meter Collections	FY10	56,000
Police	Reduction of Police Non-Patrol Staffing by 4	FY10	195,000
DPW	Reduction in Street Sweeping Personnel (MEO 2)	FY10	44,000
DPW	Addl. Reduction in Street Sweeping (MEO 2)	FY13	45,000
Assessor	Elimination of Sr. Clerk Typist	FY10	40,000
COA	Part-Time Position Reductions	FY10	25,000
Library	Library Materials reduction	FY10	20,000
Planning	Elimination of Zoning Administrator	FY10	78,000
Selectmen	Reduction of Full-Time Position to Non-Bene Part-Time	FY10	21,000
Library	Elimination of Library Asst. II (RFID)	FY11	38,000
Police	Reduction in Clerical Staff- Traffic Division (Handhelds)	FY11	38,000
Building	Energy Savings - Renovation of Town Hall	FY11	170,000
DPW	Consolidation of DPW / ITD Positions	FY11	70,000
DPW	Outsourced Custodial Services at Municipal Service Center	FY11	12,000
DPW	Elimination of one Motor Equip Repairman (Fleet Services)	FY12	51,000
Comptroller	Elimination of Senior Account/Audit Clerk	FY12	37,000
Recreation	Golf staff Re-organization	FY13	48,000
HR/YR	Human Relations - Youth Resources Reorganization	FY14	42,000
IT	Investment in VoIP (Telecomm budget)	mult. FY's	145,000
Recreation	Recreation Cost Recovery	mult. FY's	227,000
Building	Insourced HVAC Services (savings used to augment R&M)	FY15	83,000
Finance	MUNIS Payroll	FY15	55,000
		TOTAL	3,125,613

Schools efficiencies and cuts, FY08-FY15, ~\$3 million which excludes the impact of already-larger class sizes

- Active management of special education has “bent the curve” on costs while improving educational outcomes (more than \$1m annually)
 - Restructure home-based services / BCBAs (\$500k annually)
 - Team facilitator model (strengthened management/centralized decision making)
 - BHS special education model (educating students from higher cost private placements in Brookline)
- Other cost reductions since 2008 override (and annual savings, ~\$1.5m excluding class size)
 - Increase average class size by 1.5 students (see later for cost estimates)
 - Eliminate library assistants (\$226k)
 - Consolidate METCO counselors (\$64k)
 - Consolidate curriculum coordinator roles (\$165k)
 - Eliminate administrative positions (courier@\$30k, BHS clerical@\$95k, special ed clerical @\$47.5k, central office clerical @\$48.8k)
- Other cost reductions since 2008 override (and annual savings, ~\$1.5m, excluding savings from class size increase of 1.5 children per class)
 - Contract out custodial services (\$50k)
 - Consolidate payroll with the Town (\$62k) and reorganize HR function (\$19.8k)
 - Restructure Brookline Adult & Community Education (removed ~\$300k OH costs from FY08-11)
 - Raise fees: tripled athletic fees (\$100k) and raised school lunch by 50 cents (\$300k)
 - Raise non-resident tuition from \$12k to \$16k and Materials Fee from \$2k to \$2.5k
- FY15: immediately implemented measures suggested by the OSC
 - Increase BEEP fees (2-3% annually and 6% for FY15)
 - Begin to charge rent for building use (budget \$120k for FY15)
 - Centralizing registrar and fee collection functions
 - Continue discussions about the impact of high cost programs