

Proposal to create a Moderator Committee to report on progress and plans to address the recommendations of the Brookline Fiscal Advisory Committee’s final report of February 2020

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To see if the Town will adopt the following Resolution:

WHEREAS in 2018 the Select Board created the charge for the Brookline Fiscal Advisory Committee (BFAC) to review and evaluate Brookline’s fiscal and financial projections, examine the Town and School’s budget principles and financial policies, and suggest actions to address misalignment between projected revenues and expenditures (the “structural deficit”);

WHEREAS the Brookline Fiscal Advisory Committee issued its final report in February 2020, which including 18 primary recommendations and many secondary ones (available at <https://www.brooklinema.gov/1516/Brookline-Fiscal-Advisory-Committee>);

WHEREAS BFAC members presented the BFAC’s final report recommendations to the Select Board, Advisory Committee, School Committee, Town Meeting Members, and the Brookline community-at-large in February – April 2020;

WHEREAS the BFAC report included a 24-month Implementation Plan to “place the Town and PSB on a path to begin operating under sustainable annual budgets, remain positioned to finance continued investment in infrastructure and facilities, and retain the Town’s AAA credit rating” and included “a sequence and timeline for action on each recommendation along with their subsidiary recommendations, and clearly identifies the involved parties.”

WHEREAS the BFAC report called for the plan’s implementation to “be a shared responsibility among all of the principal government bodies”, and specifically called for the following public bodies to consider the BFAC report’s recommendations: Advisory Committee, Audit Committee, Committee on Town Organization & Structure, Economic Development Advisory Board, Planning Board, School Committee, Select Board;

WHEREAS the Town Administrator and the School Committee have considered and begun implementing some BFAC recommendations, but many of the BFAC report’s recommendations have not yet been deliberated or acted upon by the relevant Brookline public bodies, despite being more than midway through the BFAC Implementation Plan’s proposed two-year implementation schedule;

WHEREAS the COVID-19 pandemic was a major focus for Town officials and staff during the past year, the BFAC recommendations must nonetheless gain the attention they require in order to keep Brookline on a sound fiscal footing;

WHEREAS the Select Board has not issued comprehensive status reports on the Town’s consideration of or implementation of BFAC recommendations;

WHEREAS many of the issues that prompted the Select Board to create BFAC remain unresolved;

NOW, THEREFORE, BE IT RESOLVED that Town Meeting directs the Moderator to appoint a committee to document (1) the status of deliberations regarding each BFAC recommendation, (2) whether those deliberations have led to decisions to accept or reject the recommendation, and (3) the state of implementation plans and activities, and anything else the Moderator deems appropriate or helpful. This committee shall discuss these activities with, at least, the public bodies and roles named in the BFAC Implementation Plan contained in the BFAC final report. The committee shall deliver written reports to Town Meeting Members, the Select Board, the Advisory Committee, and the School Committee by August 15, 2021, February 15, 2022, and August 15, 2022 – timing that precedes by several weeks the dates when the Warrant will likely open in anticipation of the next three Town Meetings. The committee shall conduct at least one public presentation concurrent to the delivery of each of the aforementioned reports.

or act on anything relative thereto.

APPENDIX

BFAC Recommendations

Source: Pages 11-14 and Appendix L of the Brookline Fiscal Advisory Committee Final Report, February 5, 2020 – Final Version, available at <https://www.brooklinema.gov/DocumentCenter/View/21168/February-5-Final-BFAC-Report>

Recommendation 1. 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. 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. 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. 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. 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. 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. 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 longrange 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. 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. Create an enhanced capital planning process covering the Town and Schools, including regular periodic evaluation of town-owned assets.

Recommendation 10. Develop annual Financial Improvement Plans (FIPs) to pursue highimpact 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. 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 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. 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 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. 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. 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. 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. 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.

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