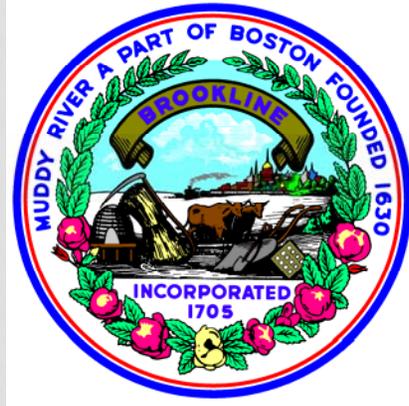


TOWN OF BROOKLINE



FY2019 – FY2023 LONG RANGE FINANCIAL PLAN

December 12, 2017

SUMMARY

- Enrollment growth in the Schools continue to put stress on the School budget.
- Employee Benefits and Collective Bargaining continue to put pressure on Town and School budgets
- Town budget \$885K deficit and the Schools have a FY19 deficit of approx. \$4M (structural deficit).
 - School Cost pressures: SPED, Steps, Collective Bargaining and Enrollment
 - Town Cost pressures: Collective Bargaining, Solid Waste and Recycling, Pension and OPEB funding

PRIMARY ASSUMPTIONS

Revenue

- Raise Property Taxes to the maximum allowable under Prop 2 ½.
- Within the Property Tax projections, additional “New Growth” in FY19 from the Circle Cinema site (\$350K) and River Road(\$200K) Out years growth from 2Bkl Place, Circle Cinema site, Waldo/Durgin.
- An additional \$71K by FY19 for Lodging Taxes from the Homewood Suite site + \$95K from Circle Cinema
- Level funding for State Aid. Concern about State revenue growth

Expenditures

- Health Insurance rate increases of 5% in FY19 -20 + continued enrollment growth 30/10 S/T.
- Pension- follows funding schedule based on valuation as of 1/1/16
- 2% Collective Bargaining increases in each FY
- Continued funding of OPEB's per the Town's funding schedule.
- All formal Financial Policies (CIP, Free Cash, Reserves) are continued.

RECENT HISTORY

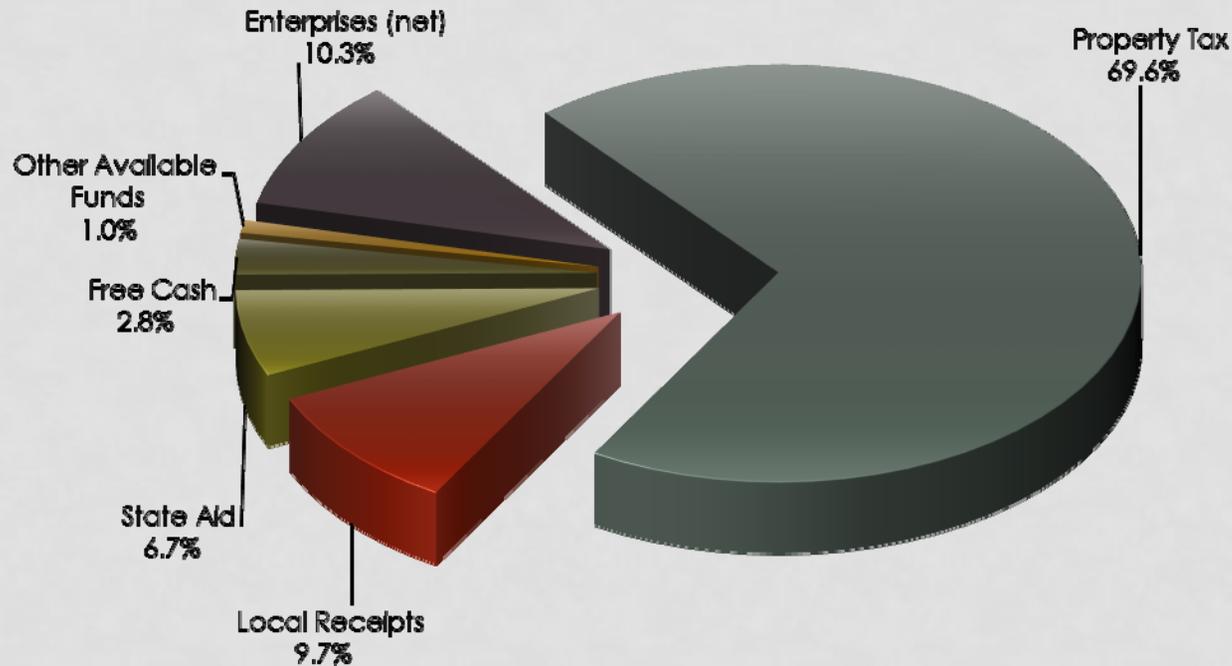
- In FY08, \$3.2M budget gap addressed by a combination of revenue increases (\$1.5M), Health Insurance plan design changes (\$755K), DPW Initiatives (\$369K), and Budget cuts (\$548K).
- In FY09, voters approved a \$6.2M Override for structural deficit (\$2.1M), infrastructure shortfall (\$1.5M), Lengthened School Day & EWL (\$2.6M).
- In FY10, closed a \$5M budget gap via cuts and reorganizations/consolidations, many proposed by the EIC. (Primary cause of deficit = \$3.1M (19%) cut in State Aid.)
- In FY11, entered the GIC, saving \$5.6M, thereby avoiding budget cuts and service reductions. Began implementing an enhanced OPEB funding plan. Also realized first full-year of new meals tax and increased lodging tax, which was dedicated to pension funding.
- In FY12 - FY14, Forecast dynamic of balanced Town budget vs \$1.5M - \$2M+ deficit for Schools.
 - Budgets ultimately balanced by a combination of increases in local revenues, realizing additional State Aid, lower growth in Health Insurance rates, and reductions in the School budget.
- In FY15 “Bridge year” GIC rate savings allowed the town to delay implementation of a Parking Meter rate increase
- FY16-FY18 Three-year funding plan provided \$7.665M of addl. tax capacity (override funds) plus \$2.3M in non-tax revenue primarily from the Parking Meter Rate Increase and Town expenditure reductions

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUE						
Property Taxes	211,397,247	223,057,097	232,767,378	241,437,289	249,659,038	257,586,330
Local Receipts	29,456,650	29,714,050	30,016,685	30,706,744	31,134,996	31,426,707
State Aid	20,352,973	20,352,973	20,720,185	21,221,725	21,735,804	21,828,073
Other Available Funds	3,485,110	3,000,729	3,110,815	3,230,855	3,357,023	3,464,650
Free Cash	8,354,017	8,551,363	4,500,000	4,650,000	4,775,000	4,925,000
TOTAL REVENUE	273,045,997	284,676,212	291,115,063	301,246,613	310,661,861	319,230,759
\$\$ Increase	12,336,244	11,630,215	6,438,851	10,131,550	9,415,248	8,568,899
% Increase	4.7%	4.3%	2.1%	3.4%	3.2%	3.4%
EXPENDITURES						
Departmental	73,050,331	74,027,451	75,735,763	77,562,034	79,488,375	81,443,499
Collective Bargaining - Town		1,150,000	1,170,000	1,200,000	1,220,000	1,240,000
Schools	104,851,239	106,356,239	112,078,919	118,403,368	125,137,611	130,688,611
Collective Bargaining - School		4,650,000	4,880,000	5,120,000	5,380,000	5,650,000
Non-Departmental - Benefits	60,454,519	64,530,676	67,934,928	72,412,382	77,155,499	82,779,455
Non-Departmental - General	1,389,319	1,636,366	692,196	726,218	754,591	763,596
Non-Departmental - Debt Service	12,766,192	17,336,739	18,685,588	16,992,668	17,503,896	19,949,145
Non-Departmental - Reserve Fund	2,460,011	2,548,870	2,627,827	2,723,862	2,831,128	2,921,914
Special Appropriations from:	9,720,863	8,862,493	6,467,293	7,899,511	8,130,536	6,373,327
Non-Appropriated	8,353,525	8,508,413	8,709,917	8,916,459	9,128,164	9,345,161
TOTAL EXPENDITURES	273,045,998	289,607,248	298,982,430	311,956,501	326,729,799	341,154,707
\$\$ Increase	12,336,244	16,561,250	9,375,182	12,974,071	14,773,298	14,424,908
% Increase	4.7%	6.1%	3.2%	4.3%	4.7%	4.4%
CUMULATIVE SURPLUS/(DEFICIT)						
		(4,931,036)	(7,867,367)	(10,709,888)	(16,067,938)	(21,923,947)
DEFICIT AS A % OF OP REV						
		-1.8%	-2.7%	-3.6%	-5.3%	-7.0%
Surplus / (Deficit) Prior to Collective Bargaining						
	(0)	868,964	(1,817,367)	(4,389,888)	(9,467,938)	(15,033,947)
Town Share of Surplus / (Deficit)						
	(0)	264,156	(98,909)	18,386	(1,022,528)	(2,279,702)
Town Collective Bargaining						
	0	1,150,000	1,170,000	1,200,000	1,220,000	1,240,000
Total Town Surplus / (Deficit)						
	(0)	(885,844)	(1,268,909)	(1,181,614)	(2,242,528)	(3,519,702)
School Share of Surplus / (Deficit)						
	0	604,809	(1,718,458)	(4,408,275)	(8,445,411)	(12,754,245)
School Collective Bargaining						
	0	4,650,000	4,880,000	5,120,000	5,380,000	5,650,000
Total School Surplus / (Deficit)						
	0	(4,045,191)	(6,598,458)	(9,528,275)	(13,825,411)	(18,404,245)

GENERAL FUND REVENUE COMPOSITION

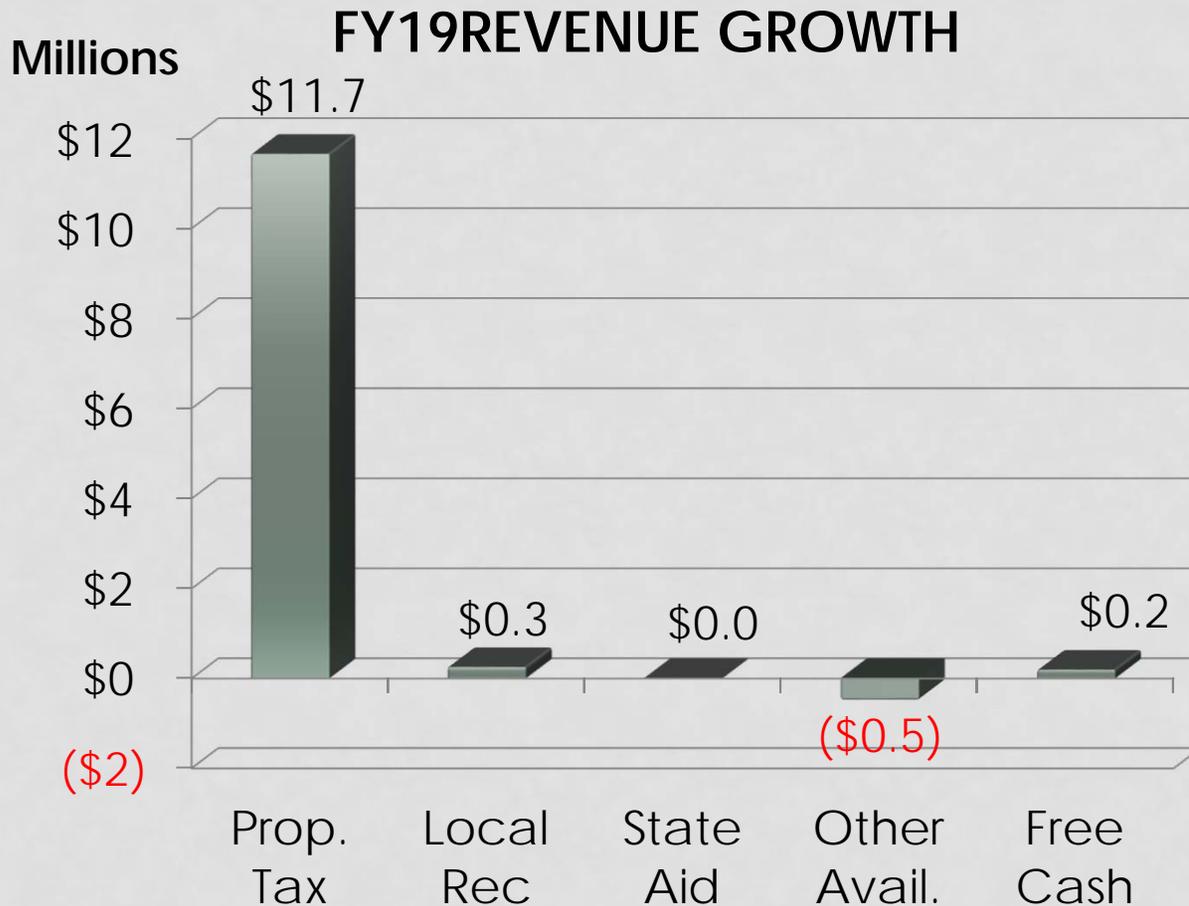
- In FY18, Property Taxes comprise more than $\frac{3}{4}$'s of the Town's General Fund revenue and nearly 80% of Operating Revenue

FY18 REVENUES



GENERAL FUND REVENUE SUMMARY

- Total FY19 increase in revenue of \$11.6M (4.3%)



In the out-years, annual operating revenue increases of 3+%

PROPERTY TAXES

- In FY19, increase \$11.7 million (5.5%)
- Devotion School Debt Service est. \$3.5M
- High School Debt Service (old \$988,200, new \$328K)

PROPERTY TAXES	2018	2019	2020	2021	2022	2023
Prior Year Levy Limit	203,036,517	210,376,447	218,223,358	227,248,442	236,869,953	245,091,702
2 1/2 % Increase	5,075,913	5,259,411	5,455,584	5,681,211	5,921,749	6,127,293
New Growth	2,264,017	2,587,500	3,569,500	3,940,300	2,300,000	1,800,000
ANNUAL LEVY LIMIT	210,376,447	218,223,358	227,248,442	236,869,953	245,091,702	253,018,995
Debt Exclusion (Debt Service Costs)	1,020,800	4,833,739	5,518,935	4,567,335	4,567,335	4,567,335
ANNUAL LEVY	211,397,247	223,057,097	232,767,378	241,437,289	249,659,038	257,586,330
\$\$ Increase	7,333,048	11,659,850	9,710,280	8,669,911	8,221,749	7,927,293
% Increase	3.6%	5.5%	4.4%	3.7%	3.4%	3.2%

STATE AID

- In FY19, assuming level funding for all State Aid

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>General Government Aid</i>	6,436,175	6,436,175	6,594,738	6,757,266	6,923,856	7,094,611
Unrestricted General Gov't Aid	6,342,529	6,342,529	6,501,092	6,663,620	6,830,210	7,000,965
Veterans' Benefits	93,646	93,646	93,646	93,646	93,646	93,646
<i>School Aid</i>	13,790,095	13,790,095	13,998,744	14,337,757	14,685,245	14,606,758
Chapter 70	13,229,766	13,229,766	13,560,510	13,899,523	14,247,011	14,603,186
SBAB Reimb.	556,757	556,757	434,662	434,662	434,662	0
Charter Tuition Assesment Reimb.	3,572	3,572	3,572	3,572	3,572	3,572
<i>Tax Abatement Aid</i>	39,720	39,720	39,720	39,720	39,720	39,720
<i>Offset Aid</i>	86,983	86,983	86,983	86,983	86,983	86,983
Public Libraries	86,983	86,983	86,983	86,983	86,983	86,983
TOTAL STATE AID	20,352,973	20,352,973	20,720,185	21,221,725	21,735,804	21,828,073
\$\$ Increase	1,778,081	0	367,212	501,540	514,079	92,269
% Increase	13.3%	0.0%	1.8%	2.4%	2.4%	0.4%

LOCAL RECEIPTS

- In FY19, an increase of \$257K (3.6%)
- Increases in MVE (\$112K), Local Option Taxes (\$166K), and PILOTs (\$66K)

LOCAL RECEIPTS	2018	2019	2020	2021	2022	2023
Motor Vehicle Excise (MVE)	5,610,000	5,722,200	5,836,644	5,953,377	6,072,444	6,193,893
Local Option Taxes	2,805,910	2,972,410	3,031,858	3,492,495	3,712,345	3,786,592
Licenses & Permits	1,165,775	1,165,775	1,165,775	1,165,775	1,165,775	1,165,775
Parking / Court Fines	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
General Government	4,001,902	3,897,084	3,967,903	4,028,616	4,064,839	4,101,581
Interest Income	732,875	751,197	769,977	789,226	808,957	829,181
PILOT's / 121A's	916,800	983,636	1,010,509	1,030,719	1,051,333	1,072,360
Refuse Fee	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
Departmental & Other	7,423,388	7,421,749	7,434,020	7,446,536	7,459,303	7,477,325
TOTAL LOCAL REVENUE	29,456,650	29,714,050	30,016,685	30,706,744	31,134,996	31,426,707
\$\$ Increase	5,619,952	257,400	302,635	690,059	428,252	291,711
% Increase	23.6%	3.6%	3.6%	3.6%	3.6%	3.6%

In the out-years, avg annual increase of approx. 1%

FY21 = local option increases from Waldo Durgin, 25 Washington

OTHER AVAILABLE FUNDS

- An overall decrease of \$484K (13.9%) If excluding one-time items in FY18 this category is up \$107K for benefit reimbursements

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Parking Meter Receipts	161,040	0	0	0	0	0
Walnut Hill Cemetery Fund	100,000	100,000	100,000	100,000	100,000	100,000
Golf Enterprise Fund Reimbursement	179,991	188,585	194,239	201,483	209,183	192,371
Recreation Revolving Fund Reimbursement	379,730	396,466	415,121	438,127	462,597	488,625
Water and Sewer Enterprise Fund Reimbursement	2,233,725	2,315,677	2,401,455	2,491,245	2,585,242	2,683,654
Capital Project Surplus	430,624	0	0	0	0	0
TOTAL OTHER AVAILABLE FUNDS	3,485,110	3,000,729	3,110,815	3,230,855	3,357,023	3,464,650
\$\$ Increase	(4,354,956)	(484,382)	110,086	120,040	126,168	107,627
% Increase	-55.5%	-13.9%	3.7%	3.9%	3.9%	3.2%

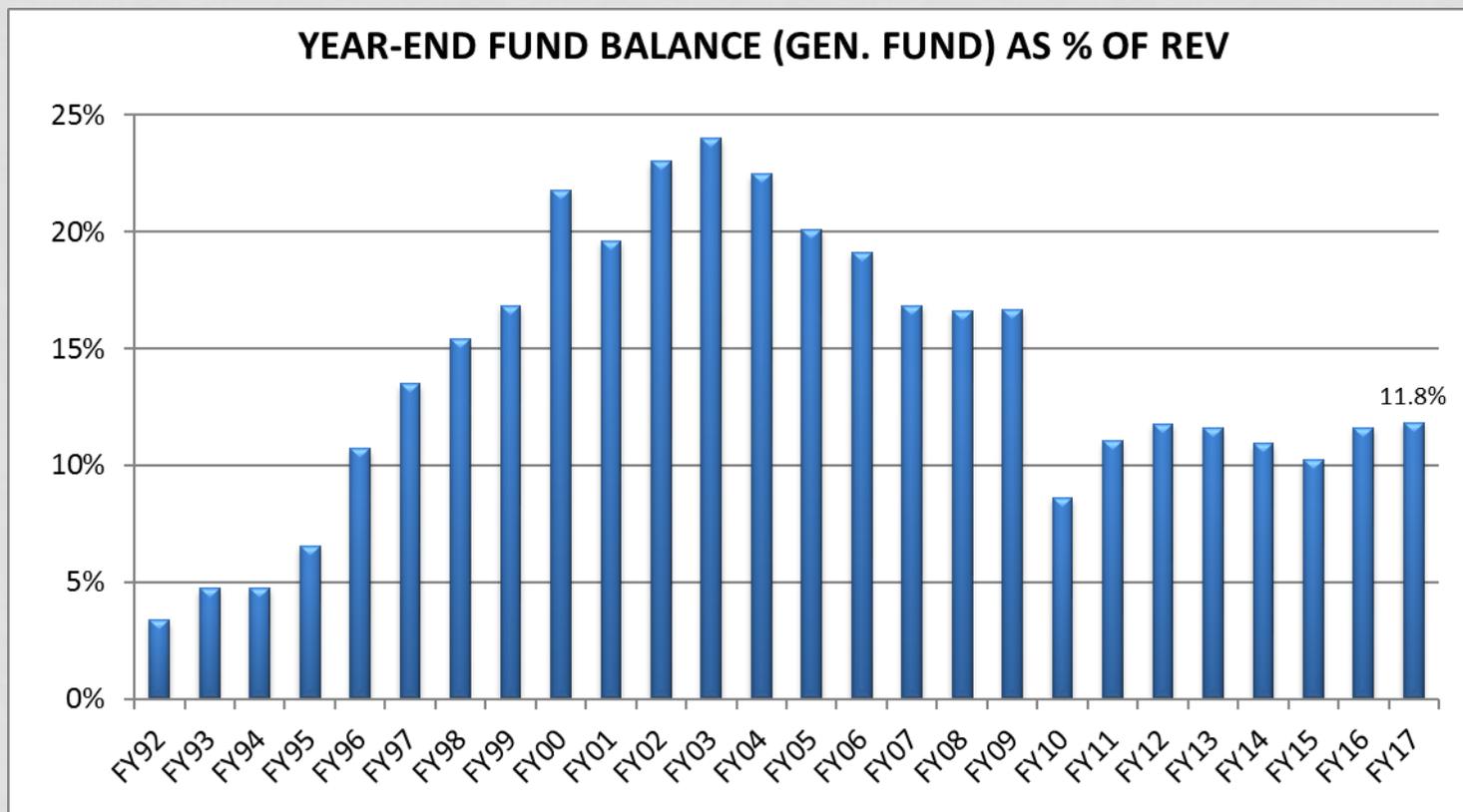
FREE CASH

- Certified at \$11.1M
- Leaving \$2.6M for Fund Balance purposes, leaving \$8.5M for appropriation
- Free Cash is used in accordance with the Town's Free Cash Policies:
 1. Budget Reserve – ¼ of the annual "Reserve Fund"
 2. Unreserved Fund Balance / Stabilization Fund – maintain at a minimum of 10% of revenue
 3. Liability / Catastrophe Fund – maintain at 1% of net revenue
 4. CIP – bring CIP funding up to 7.5% from the 6% CIP Policy
 5. Affordable Housing Trust Fund – deposit if the fund balance is less than \$5M
 6. Special Use – augment trust funds for fringe benefits, unfunded liabilities related to employee benefits, and other one-time uses, including additional funding for the CIP

Free Cash Certification	\$11,151,363
1. Operating Budget Reserve	\$637,218
2. Unreserved Fund Balance/Stabilization Fund	\$2,600,000
3. Liability Reserve (to get fund to 1% of Prior Yr Net Revenue)	\$456,762
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)	\$3,823,305
5. Affordable Housing Trust Fund (since Fund Balance below \$5M)	<u>\$545,112</u>
Sub-Total	\$8,062,397
 Amt available for Special Use (#6)	 \$3,088,966
6. <u>Special Use:</u>	
Additional CIP	\$2,188,966
Pension Fund	\$300,000
OPEB's	\$600,000
 Amount Appropriated	 \$8,551,363

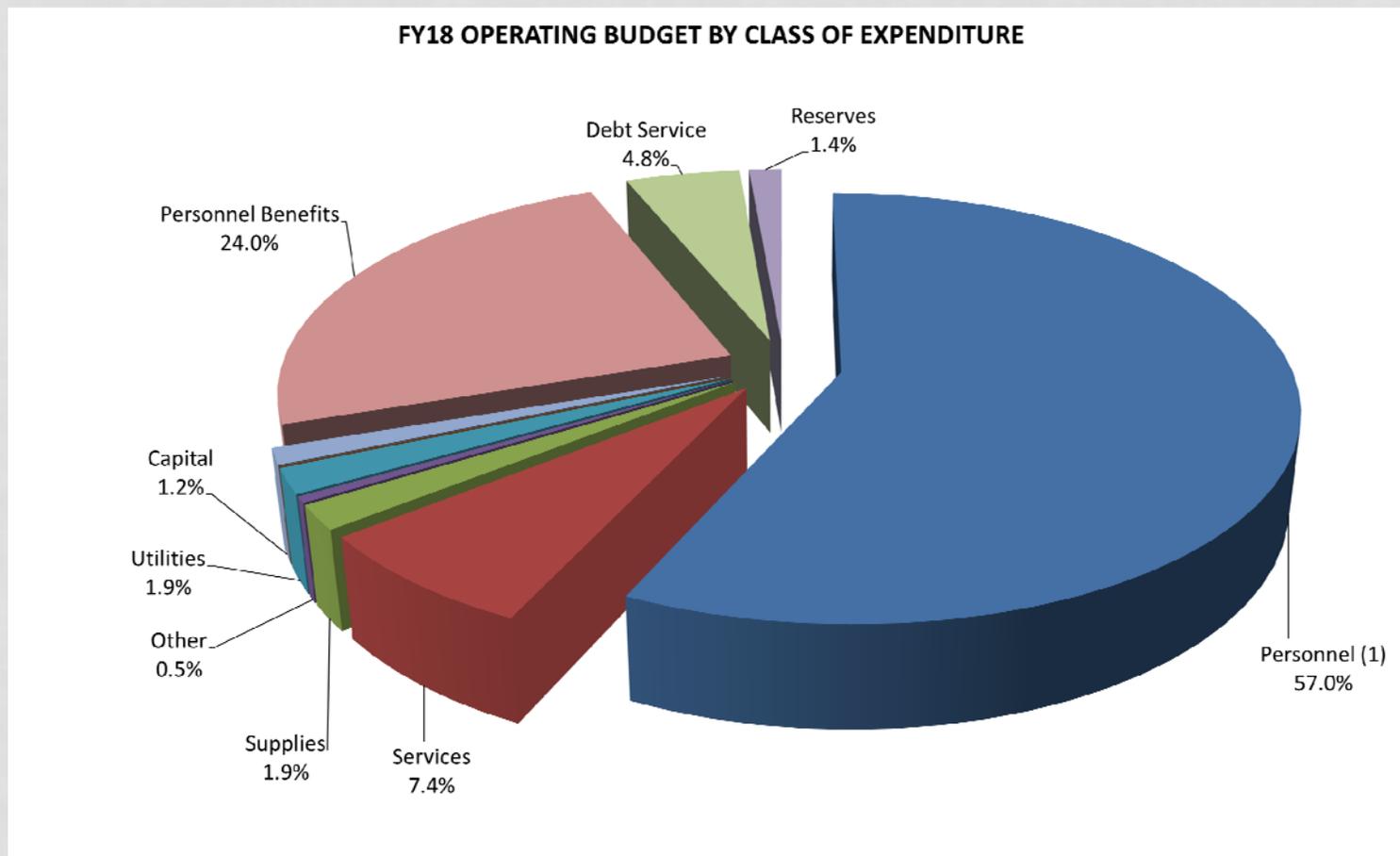
FUND BALANCE

- Ratings agencies look for a Aaa-rated community to have a ratio of Fund Balance as a percentage of revenue of approx. 10%
- Year-End FY17 = 11.8%
- Estimate needing to use \$2.5M of Free Cash to stay above 10%



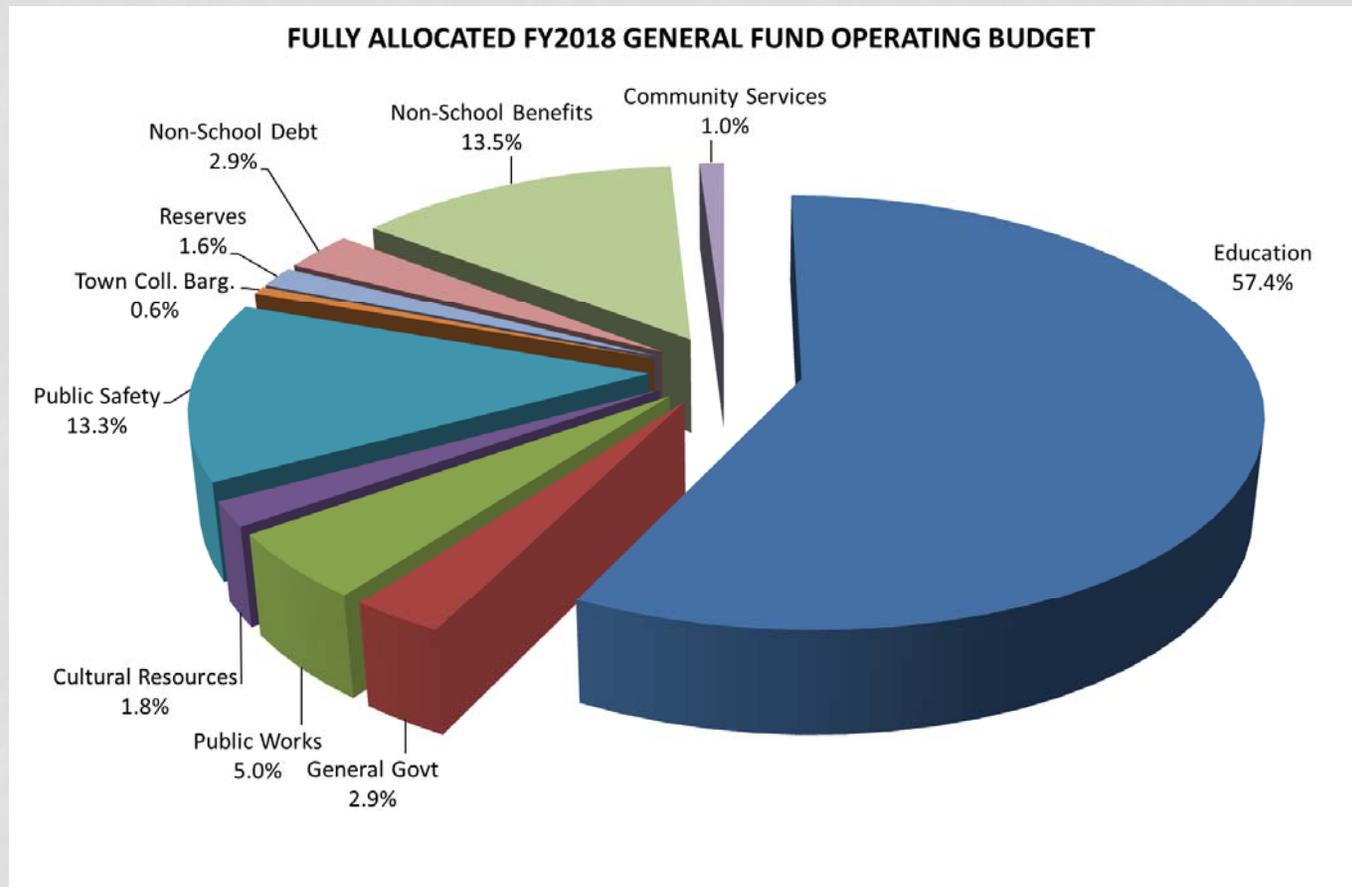
GENERAL FUND BUDGET

- In FY18, total General Fund budget of \$255M
- Personnel costs (wages + benefits) comprise more than 75% of the Operating Budget



FULLY-ALLOCATED EXPENDITURES

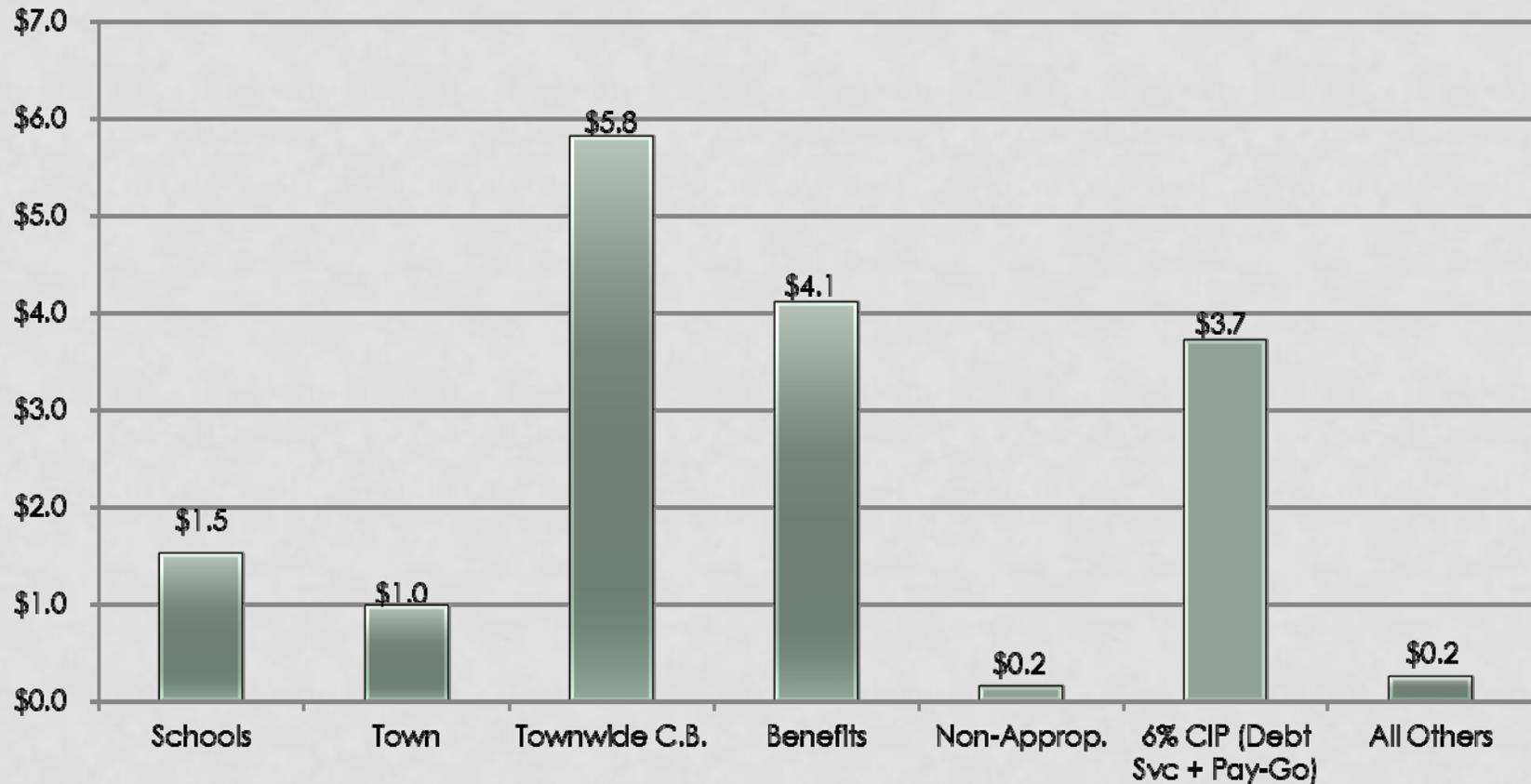
- In FY18, expenses associated with Education comprise 57% of the Operating budget
- The next largest areas are Public Safety and non-School Benefits



EXPENDITURE SUMMARY

- For FY19, est. total increase in expenditures of \$16.5M (6.1%)

FY19 Expenditure Growth (In millions)



In the out-years, annual increase ranges from 4.5% - 4.9%

BENEFITS

- Total estimated FY19 increase of \$4.1M (6.7%)
- Includes \$900K of Free Cash for OPEBs and Pension funds
- Assuming 5% for Group Health plus 40 enrollees
- Continuation of OPEB funding plan

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Pensions	21,499,185	23,174,765	24,582,486	26,512,211	28,593,420	30,838,004
Group Health	30,173,026	32,255,818	34,233,014	36,315,041	38,498,512	41,385,901
Retiree Group Health Trust Fund (OPEB's)	4,480,080	4,575,543	4,266,151	4,516,151	4,766,151	5,016,151
EAP	28,000	28,000	28,000	28,000	28,000	28,000
Group Life	145,000	145,000	148,625	152,341	156,149	160,053
Disability Insurance	16,000	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,450,000	1,450,000	1,486,250	1,523,406	1,561,491	1,600,529
Public Safety IOD Medical Expenses	200,000	200,000	275,000	275,000	275,000	275,000
Unemployment Compensation	200,000	200,000	250,000	250,000	250,000	250,000
Medical Disabilities	40,000	40,000	40,000	40,000	40,000	40,000
Medicare Coverage	2,223,228	2,445,551	2,609,403	2,784,233	2,970,776	3,169,818
TOTAL	60,454,519	64,530,676	67,934,928	72,412,382	77,155,499	82,779,455
\$\$ Change	3,606,323	4,076,157	3,404,252	4,477,454	4,743,118	5,623,955
% Change	6.3%	6.7%	5.3%	6.6%	6.6%	7.3%

BENEFITS – MAJOR ACCOUNTS

- **Health Insurance (\$32M)**

- Assuming a 5% rate increase
- Assuming 40 new enrollees (10 T / 30 S)
- Total increase of \$2.1 million
- Each 1% increase in rates equals ~\$301,000

- **Pensions (\$23.2M)**

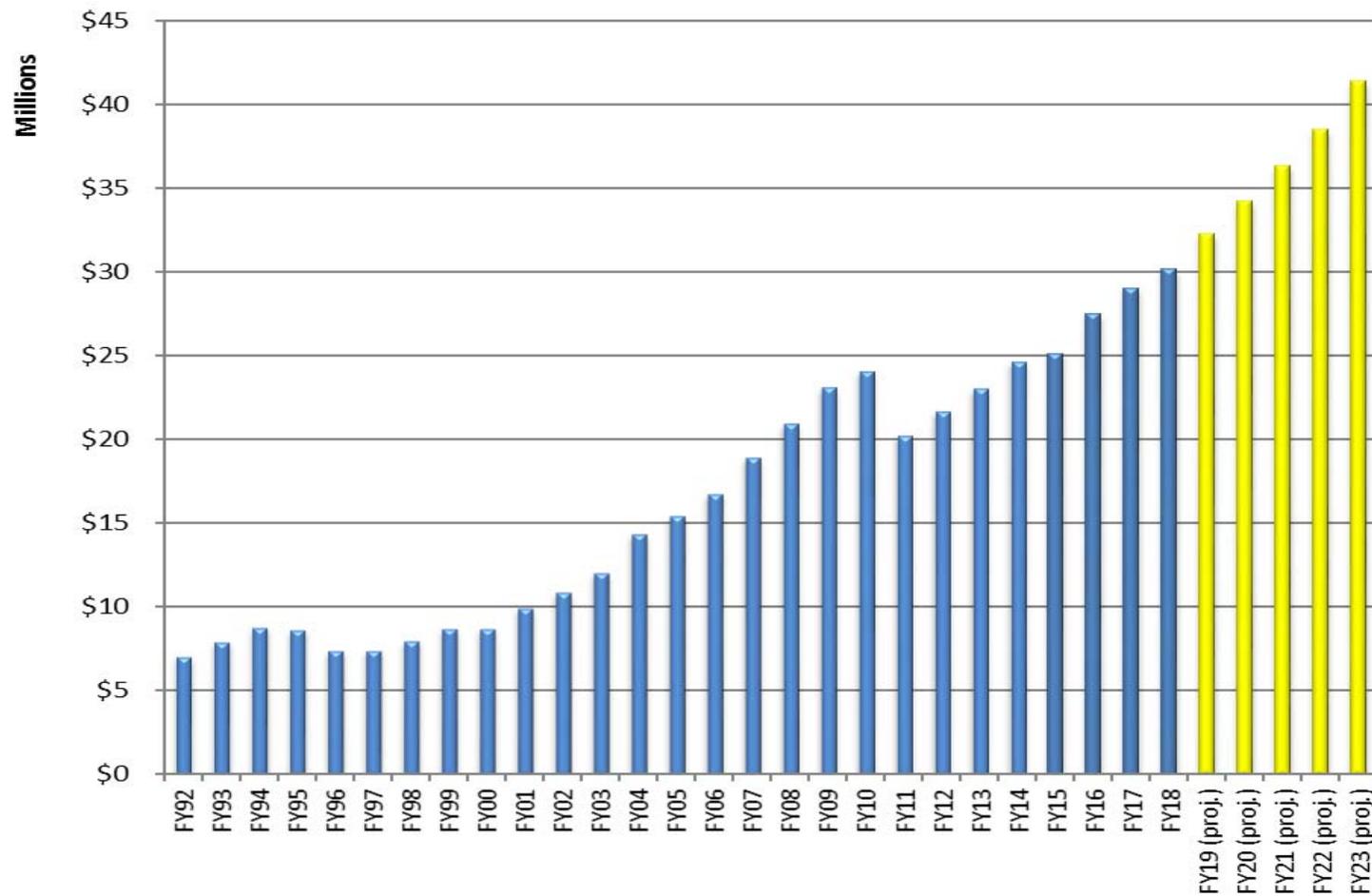
- For FY19, increase of \$1.7M based on funding schedule and estimate for Non-Contributory retirees
- Annual appropriation increases 7.85% will put strain on future budgets
- Addl \$300K from Free Cash

- **OPEB's (\$3.8M)**

- Increase operating budget funding from \$2.95M to \$3.20M
- Continue assessing special revenue funds, using the run-off from the "Non-Contrib" retirees, and using reduced Medicare Part D Subsidy revenue for OPEB's

BENEFITS - HEALTH INS BUDGET

GROUP HEALTH APPROPRIATION

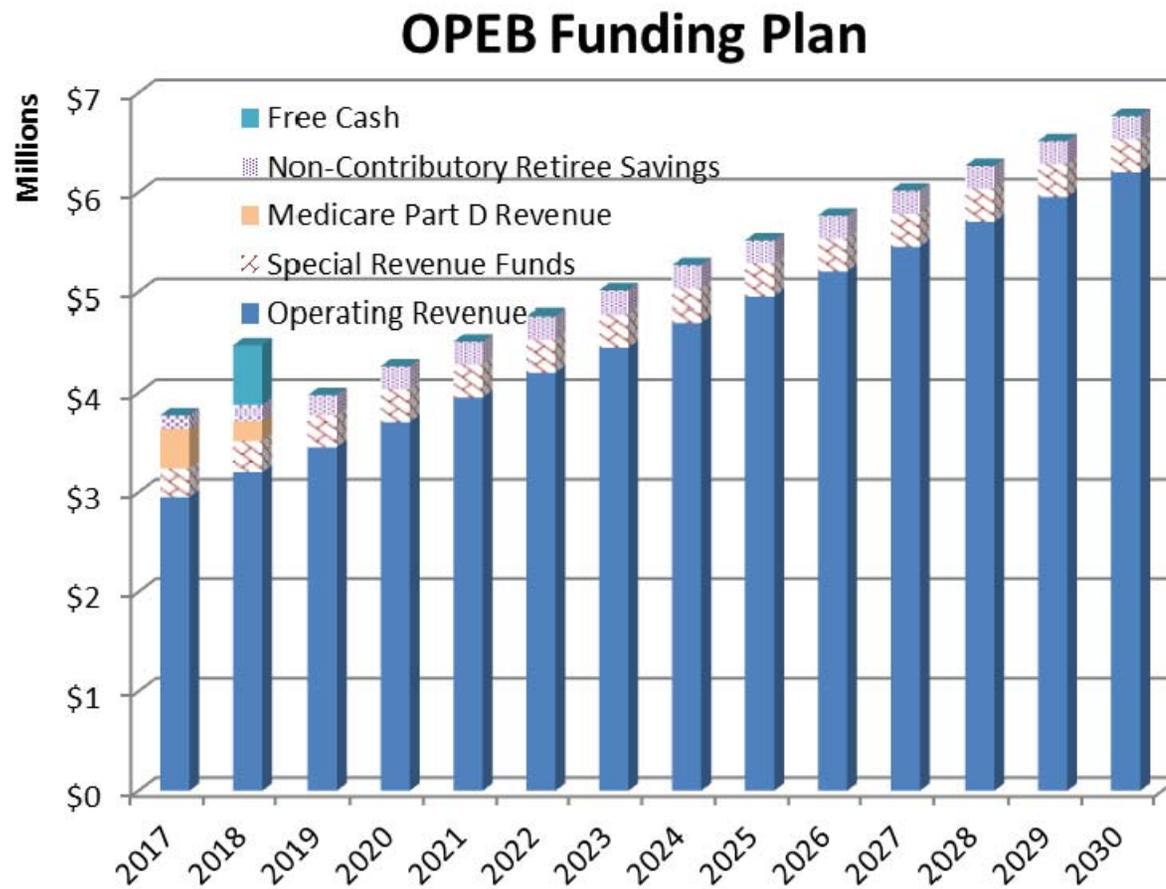


OPEBS

- Continue:
 - Increasing funding from operating revenue by \$250K / yr, from \$3.2M in FY17 to \$3.5M in FY18
 - Assessing special revenue funds with personnel
 - Using the “run-off” from funding for Non-Contributory retirees
 - Medicare Part D refund goes away in FY19

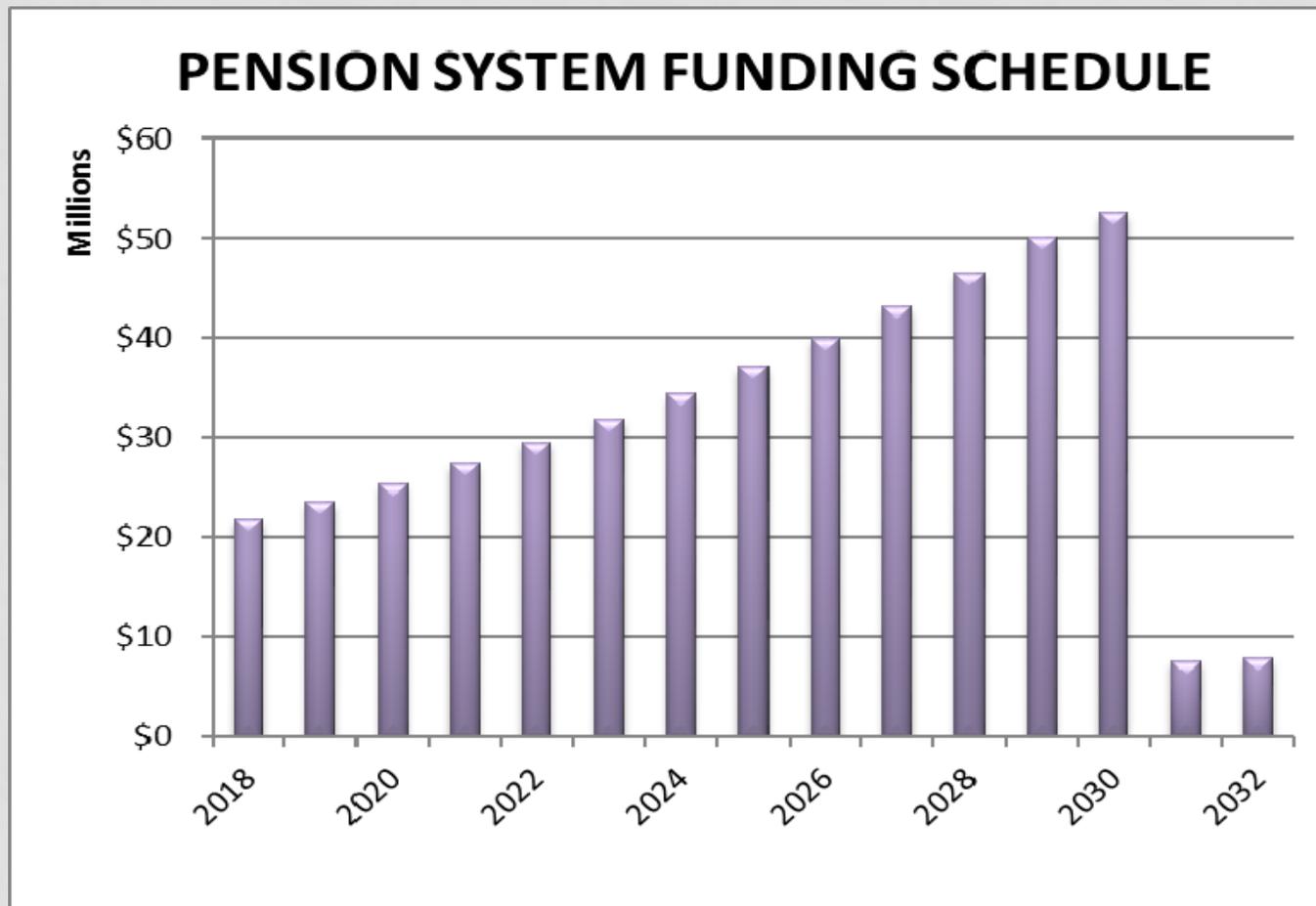
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Non-Contributory Retiree Savings	165,000	200,000	230,000	230,000	230,000	230,000
Free Cash	600,000	600,000	0	0	0	0
Special Rev Funds	311,988	322,451	333,059	333,059	333,059	333,059
Operating Revenue	3,203,092	3,453,092	3,703,092	3,953,092	4,203,092	4,453,092
Medicare Part D Revenue	200,000	0	0	0	0	0
TOTAL	4,480,080	4,575,543	4,266,151	4,516,151	4,766,151	5,016,151
\$\$ Change	705,242	95,463	(309,392)	250,000	250,000	250,000
Percentage Change	18.7%	2.1%	-6.8%	5.9%	5.5%	5.2%

OPEB FUNDING PLAN



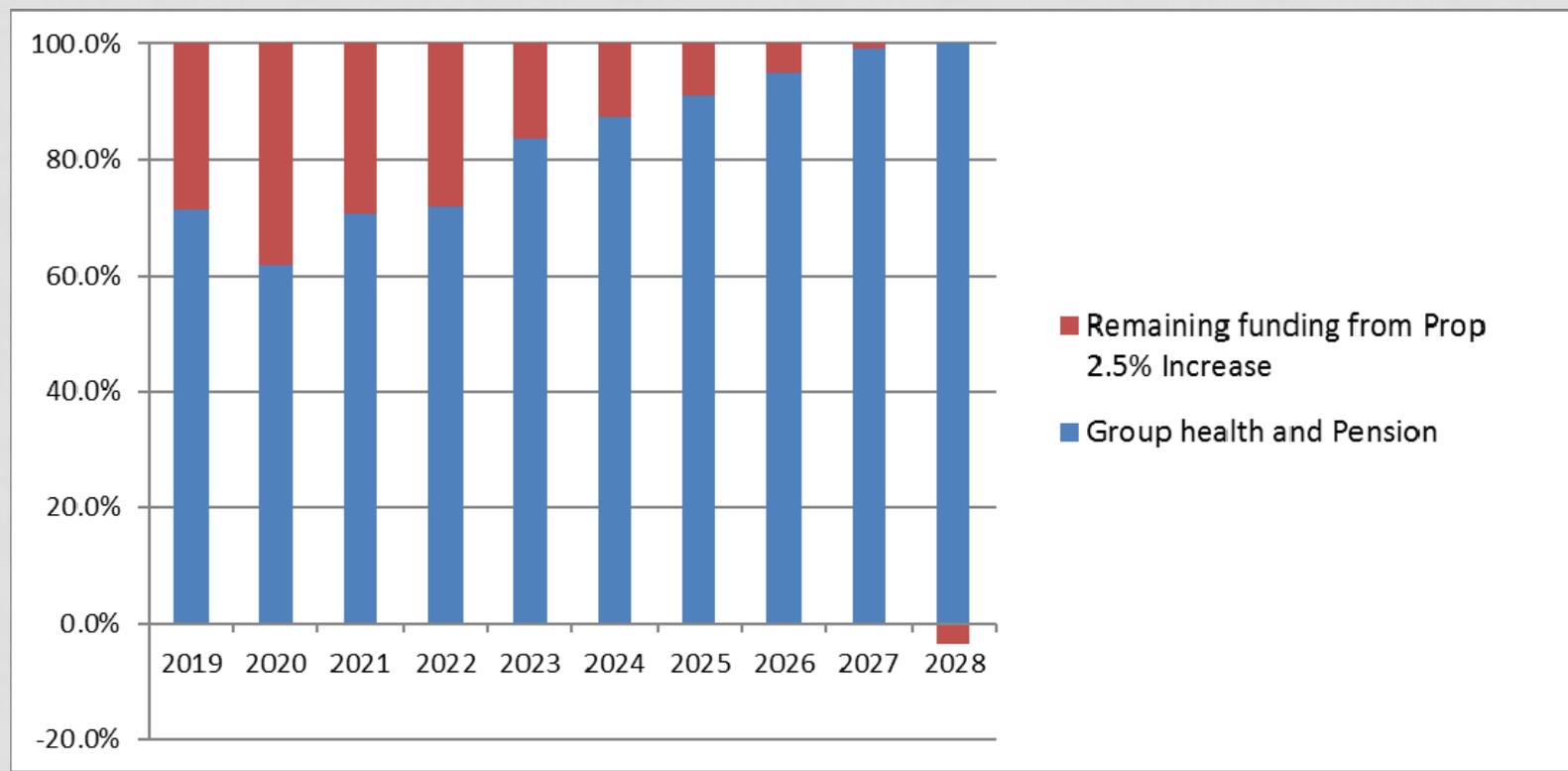
PENSION FUNDING

- Full funding date of 2030
- Rate of Return decreased from 7.6% to 7.4%
- FY19 increase of 1.67M (7.8%)



ANNUAL INCREASE IN BENEFITS

- The annual increase in appropriations for Pensions and Health Insurance is absorbing much of the annual 2 ½% increase in Prop Taxes
- Doesn't account for other increases, such as OPEB's
- Figures assume a 5% Health Insurance cost through FY2022 and then 7.5% in the out years (realistic?)



DEBT SERVICE / TAX-SUPPORTED CIP

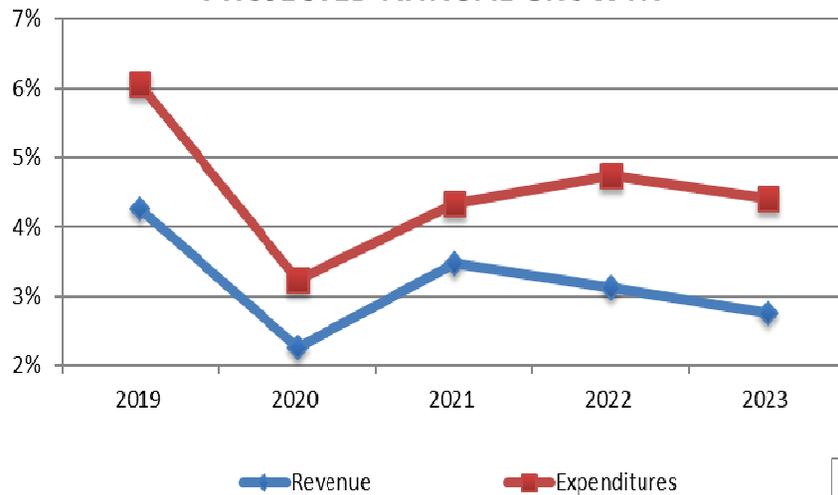
- All years of Forecast follow CIP Policies
- In FY19, the “6% Policy” total increases \$533K
- In FY19, new debt service for Envelope/Fenestration, Muddy River, Brookline Reservoir Park, and Devotion School (debt exclusion)
 - Plan on Spring, 2018 bond sale
- In the out-years, Debt Service supports:
 - BHS (\$35 M – Town share of project)
 - Driscoll School HVAC(\$4M)
 - Larz Anderson Park (\$8.4M)
- More detailed information included in the CIP presentation next week.

NON-APPROPRIATED

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
STATE ASSESSMENTS						
County Assessments	948,309	972,017	996,317	1,021,225	1,046,756	1,072,925
Air Pollution Dist.	31,070	31,847	32,643	33,459	34,295	35,153
MAPC	30,499	31,261	32,043	32,844	33,665	34,507
MBTA	5,145,107	5,273,735	5,405,578	5,540,717	5,679,235	5,821,216
Boston Metro	1,752	1,752	1,752	1,752	1,752	1,752
SPED	1,264	1,296	1,328	1,361	1,395	1,430
RMV Surcharge	233,480	233,480	233,480	233,480	233,480	233,480
School Choice Sending Tuition	27,059	27,059	27,059	27,059	27,059	27,059
Charter School Sending Tuition	73,984	73,984	73,984	73,984	73,984	73,984
TOTAL STATE ASSESSMENTS	6,492,524	6,646,430	6,804,184	6,965,882	7,131,622	7,301,506
Cherry Sheet Offsets	86,983	86,983	86,983	86,983	86,983	86,983
Overlay	1,749,018	1,750,000	1,793,750	1,838,594	1,884,559	1,931,673
Tax Titles/Deficits/Judgments	25,000	25,000	25,000	25,000	25,000	25,000
TOTAL	8,353,525	8,508,413	8,709,917	8,916,459	9,128,164	9,345,161
\$\$ Change	4,787	154,888	201,504	206,541	211,705	216,998
Percentage Change	0.1%	1.9%	2.4%	2.4%	2.4%	2.4%

FUTURE REVENUE & EXPENDITURE GROWTH

PROJECTED ANNUAL GROWTH



PROJECTED CUMULATIVE GROWTH

