



February 13, 2018

Honorable Members of the Select Board and Members of the Advisory Committee:

I am pleased to submit this Fiscal Year (FY) 2019 annual Financial Plan, including the Budget and the Capital Improvement Plan (CIP) for your consideration. Overall, this FY 2019 Financial Plan balances \$318,463,005 in revenues and expenses, inclusive of enterprises and other self-supporting operations. This represents an increase of 4.7% over FY 2018.

	<u>FY 2018</u>	<u>FY 2019</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
<b>REVENUES</b>				
Property Tax	211,374,488	223,057,097	11,682,609	5.5%
Local Receipts	29,456,650	29,703,588	246,938	0.8%
State Aid	20,352,973	21,642,592	1,289,619	6.3%
Free Cash	8,354,017	8,551,363	197,346	2.4%
Other Available Funds	3,481,070	2,972,678	(508,392)	-14.6%
Enterprises (net)	31,237,526	32,535,687	1,298,161	4.2%
<b>TOTAL REVENUES</b>	<b>304,256,724</b>	<b>318,463,005</b>	<b>14,206,281</b>	<b>4.7%</b>
<b>EXPENDITURES</b>				
Municipal Departments	73,050,330	74,798,988	1,748,658	2.4%
School Department	104,758,344	108,402,430	3,644,086	3.5%
Non-Departmental	77,162,935	85,150,556	7,987,621	10.4%
Special Appropriations	9,720,861	9,079,868	(640,994)	-6.6%
Enterprises (net)	31,237,526	32,535,687	1,298,161	4.2%
Non-Appropriated	8,326,728	8,495,477	168,749	2.0%
<b>TOTAL EXPENDITURES</b>	<b>304,256,724</b>	<b>318,463,005</b>	<b>14,206,281</b>	<b>4.7%</b>

**TOWN OF BROOKLINE  
FY2019 PROGRAM BUDGET**

**BUDGET MESSAGE**

FY 2019 represents the first year following the prior 3-year Override plan. Faced with continued growth in Brookline’s school aged population and other budgetary demands, the Select Board established a new Override Study Committee (OSC). The OSC is charged with considering whether the FY 2019 Budget should seek additional property tax revenue over and above the annual 2.5% limit imposed by Proposition 2½ and, if so, how much and for how long. At the time this Budget Message is being prepared, the OSC has concluded their final report to the Select Board and will recommend a two-tiered three-year Tax Override with a base amount of \$9.03 million and a top amount of \$11.78 million commencing in FY 2019.

<b>FY2019</b>			<b>FY2020</b>			<b>FY2021</b>			<b>Total</b>		
Tier 1			Tier 1			Tier 1			Tier 1		
	School	\$ 2,749,086		School	\$ 3,174,367		School	\$ 2,863,848		School	\$ 8,786,937
	Town	\$ 242,762		Town	\$ 929		Town	\$ 953		Town	\$ 244,644
	<b>Total</b>	<b>\$ 2,991,848</b>		<b>Total</b>	<b>\$ 3,175,296</b>		<b>Total</b>	<b>\$ 2,864,801</b>		<b>Total</b>	<b>\$ 9,031,581</b>
Tier 2			Tier 2			Tier 2			Tier 2		
	School	\$ 1,093,655		School	\$ 430,025		School	\$ 131,483		School	\$ 1,655,163
	Town	\$ 1,071,876		Town	\$ 10,444		Town	\$ 14,623		Town	\$ 1,096,944
	<b>Total</b>	<b>\$ 2,165,531</b>		<b>Total</b>	<b>\$ 440,469</b>		<b>Total</b>	<b>\$ 146,106</b>		<b>Total</b>	<b>\$ 2,752,107</b>
<b>Grand Total</b>			<b>Grand Total</b>			<b>Grand Total</b>			<b>Grand Total</b>		
<b>\$ 5,157,379</b>			<b>\$ 3,615,765</b>			<b>\$ 3,010,907</b>			<b>\$ 11,783,688</b>		

As a starting point in the budget process, the Town Administrator utilizes a process referred to as the Town School Partnership. This Partnership uses a formula that essentially splits increases (or decreases) in projected revenue and then makes several adjustments to account for unique or extraordinary expenses. For example, the formula accommodates the extraordinary impact on the Schools from enrollment and special education. Per the formula, the net increase in the School Department budget for FY 2019 is \$3,144,086. I recommend that \$500,000 in budget capacity for municipal departments be shifted to the School Department in an effort to further mitigate the impact of school enrollment. This recommendation is being made due to the Town’s favorable budget position no longer requiring reductions to municipal departments and in light of the reductions outlined by the schools. While there are many meaningful expenditures in municipal departments that could be funded by this \$500,000, they represent an expansion of personnel and expenses that I cannot justify when an override of Proposition 2½ is being presented to the voters (not to mention the tax impacts of existing and future debt exclusion overrides resulting from school expansion projects).

This additional \$500,000 would provide the School Department with a total increase of \$3,644,086 in FY 2019, or an increase over FY 2018 of 3.5%. After this reallocation, funding for municipal departments will increase at the rate of 2.4%. This funding will allow Town departments to maintain and in some areas strengthen existing levels of staffing and programs but does not provide any meaningful expansions or investments.

I have identified up to \$1.5 million to fund the enhancement and/or expansion of certain municipal programs conditional upon an Override and will prioritize them depending on the Select Board's consideration of the OSC's override proposal.

Overall, the Budget is nearly \$318.5 million, representing a 4.7% increase over FY 2018. I am pleased to report that this Budget accomplishes the following:

- 1.) Allocates funding to meet the operational needs of the School and Municipal departments, including reserves to cover collective bargaining agreements that have, or will, come due in FY 2019.
- 2.) Funds \$9.1 million in capital expenditures, meeting the Town's policy of allocating at least 7.5% of prior year's operating revenue for this purpose.
- 3.) Retains \$2.6 million in Free Cash, ensuring that the Town's unreserved fund balance will remain at least 10% of general fund revenue. This is a key factor in maintaining the Town's Aaa bond rating.
- 4.) Appropriates \$4.6 million in additional funds to meet the Town's funding schedule to eliminate the unfunded liability in the pension system and to address the major unfunded liability in Other Post Employment Benefits (OPEB), which is mostly the future cost of retiree health insurance.
- 5.) Meets all other financial policies of the Town, including the appropriation of Free Cash for reserves.
- 6.) Funds the annual debt costs of an expansion of Brookline High School, subject to voter approval of a Debt Exclusion Override referendum scheduled for May of 2018.

The FY 2019 Budget and CIP reflects a conservative, yet realistic, approach at funding the operations and capital investment in the Town of Brookline's municipal government. However, with continued growth in school population projected for FY 2019 and beyond, the costs of school building expansion and operations within the school department cannot be met with normal revenue growth. As a result, Brookline voters will be asked once again to consider additional tax levy to support the Budget and Capital Plan.

In the sections that follow, a more detailed analysis of the revenues and expenses that make up Budget are presented along with a discussion of the associated policy issues.

**REVENUES**

The following summarizes the major categories of revenues that make up the Town’s FY 2019 Budget.

**TAXES:** The property tax levy represents the Town’s most prominent and stable source of revenue. For FY 2019, property taxes are projected to total \$223.1 million, representing 78% of the Town’s total general fund revenue. Traditionally, the Town collects 99% of its property tax within the fiscal year they are assessed. For FY 2019, the property tax will increase by the allowed 2.5% increment under Proposition 2½ of \$5,259,411, plus \$2,587,500 in taxes resulting from increased property value from new construction (referred to as New Growth). Finally, \$4,833,739 will be added to the tax levy from prior approved “Debt Exclusion” overrides to fund school construction projects. This includes the cost of principal and interest on debt issued for the prior High School renovation project (this debt will be retired after FY 2020), the new Devotion School renovation and expansion, and the recent property acquisition of 111 Cypress Street which will become the site of an expanded Brookline High School.

Property taxes could increase further in FY 2019 dependent upon the outcome of the Tax Override proposal recommended by the OSC. The debt costs of additional school capital projects, including the expansion of classroom capacity from a 9th Elementary School (or its equivalent) and expansion of Brookline High School will also impact the property tax in the future, beginning in FY 2020.

The table below shows a breakdown of property taxes.

<u>PROPERTY TAXES</u>	
Prior Year Levy Limit	210,376,447
2 1/2 % Increase	5,259,411
New Growth	2,587,500
Debt Exclusion (Debt Service Costs)	4,833,739
<b>Annual Levy FY 2019</b>	<b>223,057,097</b>

Proposition 2½ allows the Town to levy additional taxes from new property construction or development. The Town of Brookline benefits from millions of dollars in new property tax value from various improvements to residential and commercial property each year. In addition, major projects contributing to New Growth in FY 2019 are the new Circle Cinema development in Cleveland Circle, the new River Road hotel development and the Children’s Hospital project at Brookline Place. The Town will continue to benefit from new taxes resulting from these developments over the next few years, and we have incorporated them into our long range budget forecast. Encouraging prudent economic development is a key budgetary strategy of the Town. The value of New Growth taxes for commercial properties is combined with other economic activity (e.g. meals and hotel taxes) and helps provide overall tax relief to the residential portion of the tax base.

There are other Town revenues that are tax related, including the Motor Vehicle Excise Tax and the Payment in Lieu of Tax (PILOT) Program. However, this revenue is accounted for in the Local Receipts revenue category and will be discussed further in that section.

**LOCAL RECEIPTS:** This is the category of Town revenue that is generated through licenses, permits, and other fees for municipal services. In FY 2019, this category of revenue is about 10% of all Town general fund revenue. We project that \$29.7 million will be generated from this category, representing a 1% increase from FY 2018. Motor Vehicle Excise Taxes are the largest single category of revenue within Local Receipts. Other major categories of revenue in this category include Parking Meter Receipts, Parking and Court Fines, the Refuse Fee and Building Permits.

The Refuse Fee is an annual fee charged to residents using the Town's collection of trash service. FY 2018 represented the first full year of a new Pay as You Throw (PAYT) fee system. This new system established a variable fee depending upon the size of the wheeled trash cart (bin) that a resident chooses. It was expected that the Refuse Fee would be evaluated for FY 2019 to assess whether the fee should cover more of the costs of refuse collection and disposal (currently the rate is subsidized 28% by general tax funding). However, the OSC determined that the impacts of the new PAYT system should be fully evaluated before addressing the fee amounts.

**STATE AID:** This category of revenue represents general and programmatic aid provided to the Town from the Commonwealth of Massachusetts. In FY 2019, we project this aid to represent about 8% of the Town's general revenue. As part of its commitment to share general revenues with Massachusetts cities and towns, the Baker administration has proposed to increase general government aid (Unrestricted General Government Aid) at the same rate that state general revenues increase. In FY 2019, this aid will increase by 3.5%. The Chapter 70 Education Aid program will grow at an even higher rate based on the Town's growth in student enrollment and its higher contribution to funding public education that the state benchmark. The Town believes the Chapter 70 formula for education does not adequately reflect the costs incurred by cities and towns in public education. We support reforms proposed by the Foundation Budget Review Commission and hope that the House or Senate will reflect some of these reforms in the FY 2019 Budget it will submit shortly. However, to be prudent we have assumed the Governor's proposed state aid numbers in this Budget.

**FREE CASH:** Free Cash represents the State approved amount of the prior year's fund balance available for appropriation. The Town of Brookline maintains a very rigorous financial policy for the use of Free Cash, limiting its use to non-recurring, non-operational expenses of the Town. Following the conclusion of FY 2018, the State certified \$11,151,363 in Free Cash that was available for appropriation in FY 2019. Of this amount, the Town will leave \$2.6 unappropriated to meet our Unreserved Fund Balance policy, ensuring that at least 10% of general revenue will be maintained in reserve. \$6,012,271 will be used to fund the CIP and the remainder will be used to fund various special reserve accounts of the Town. Of particular importance is the use of Free Cash to support the funding of the Town's Unfunded Pension Liability and its Other Post-Employment Benefits (OPEB) liability. A breakdown of the use of Free Cash is found below.

<b>Free Cash Certification</b>	<b>\$11,151,363</b>
1. Operating Budget Reserve (25% of Operating Budget Reserve)	\$637,218
2. Fund Balance	\$2,600,000
a. Unreserved Fund Balance (left unappropriated)	\$2,600,000
b. Stabilization Fund (appropriated)	\$0
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)	\$545,112
Sub-Total	\$8,062,397
Amount available for Special Use (#6)	\$3,088,966
<u>6. Special Use:</u>	
Additional CIP	\$2,188,966
OPEB's	\$600,000
Pension Fund	\$300,000

**OTHER AVAILABLE FUNDS:** This category of revenue mainly accounts for an allocation from the Town’s Enterprise Funds or other self-supporting funds, including the Water/Sewer program, the Lynch Golf Course and the Recreation Revolving Fund, to support general government operating expenses. Revenue generated by enterprise and revolving accounts is offset through related expenses in these funds, including indirect charges for their share of Pension and OPEB funding. Another source of revenue in this category includes income from the Cemetery Trust Fund.

In FY 2019, \$2,972,678 in revenue is generated from Other Available Funds. This is down 14.6% from FY 2018, mainly due to the use in that year of \$430,624 from unexpended balances in prior year capital project accounts.

**ENTERPRISES:** The Town accounts for its enterprise activities separate from the General Fund. It is the Town’s policy to recover 100% from the cost of its water/sewer and golf enterprises while the Recreation Revolving Fund supports 78.3% (with general tax supporting the remaining 21.7%). In FY 2019, Enterprises represent \$32,535,687, or a 4% increase over FY 2018. All revenue generated from these enterprises is accounted for separately and offset the same amount of expenditures for these activities.

**EXPENDITURES**

The Expenditures category of the Budget is comprised of six sections; Municipal Departments, the School Department, Non Departmental, Special Appropriations, Enterprises and Non-Appropriated. Overall, expenditures in the FY 2019 Budget are \$318,463,005, up by \$14,206,281 for an increase of 4.7% over FY 2018. At this time, we are evaluating the final report and recommendations of the Override Study Committee. The Committee has recommended a multi-year Tax Override proposal for consideration by the Select Board.

**MUNICIPAL DEPARTMENTS:** The total amount of all municipal department budgets is recommended to be \$74,798,984 in FY 2019, or an increase of 2.4% over FY 2018. This amount includes a reserve for collective bargaining with various municipal unions.

As mentioned in the Introductory section of this Budget Message, this amount reflects my recommendation that \$500,000 in budget capacity for municipal departments allocated through the Town School Partnership formula be reallocated to the School Department given their budget challenges in FY 2019 that has led to a Tax Override proposal. In anticipation of an Override, we have developed up to \$1.5 million in expansion/investment requests for municipal departments whose funding would be subject to a successful Tax Override. This list will be prioritized as the Select Board considers the OSC’s override proposal.

<b>EXPANSION LIST</b>		Positions	Cost*
Building	Town R&M Increase		200,000
COA	COA Social Worker	0.50	37,179
Fire	Lieutenant/School Inspector	1.00	91,852
Fire	Restoration of 2 Firefighter Positions	2.00	156,720
DICR	Training		20,000
Library	Brookline Village Children's Room	1.00	62,429
Library	Facilities Coordinator	1.00	91,342
Planning	Energy/Sustainability Planner	1.00	77,110
Planning	Preservation Planner	1.00	77,110
DPW	Snow Equipment		250,000
DPW	Increase yearly equipment investment		300,000
DPW	Landscape Design Upgrades		17,119
Recreation	Aquatics Supervisor	1.00	58,049
Town Clerk	Archivist	1.00	63,459
<b>TOTAL</b>		<b>9.50</b>	<b>1,502,369</b>

\* Cost of benefits included in personnel requests

With some modest exceptions, funding in municipal departments is flat, maintaining existing staffing levels and expenses. Most increases reflect the step increases and impacts of prior collective bargaining agreements on municipal wages and a small inflation factor for some expense accounts. Some modest increases (but no additional personnel) to municipal departments include;

- Town Clerk- Funding of new “early voting” program for state and local elections
- Planning- Funding of consulting services to advance the Town’s energy initiatives
- Building- Funding of additional expenses to support building maintenance activities
- Fire/EMS- Funding of additional capital equipment and supplies
- Diversity and Inclusion/Human Resources- Funding for diversity training
- Public Works- Funding of additional capital equipment and supplies; Funding of higher recycling collection costs resulting from global market crisis.
- Engineering and Transportation- Funding to create a Transportation Demand Management (TDM) program for town and school departments
- Human Resources- Funding to expand Long-Term Disability benefits to personnel not covered under the workers compensation program

In some cases, the Town was able to realize savings in departments. Some of the more meaningful savings in municipal departments include;

- Finance- Reduction in Credit Card Processing by requiring convenience fees
- Buildings- Reduction in Energy Consumption
- Police- Reduction in Educational Incentive (Quinn Bill) Funding as turnover in the department results in newer employees participating in the lower cost education incentive program.

A more detailed description of changes in municipal departmental budgets can be reviewed within the Departmental Budget recommendations section.

**THE SCHOOL DEPARTMENT:** The School Department’s Budget is recommended to be funded at \$108,402,430 in FY 2019, an increase of 3.5% over FY 2018. This amount is inclusive of all salary and wage adjustments for teachers and other school employees. This amount is derived by applying the Town School Partnership formula plus a reallocation of \$500,000 in budget capacity from municipal departments. The Department has identified an additional \$3,750,000 in expenditures above this amount, to cover the following category of expenses;

- Salaries and wages for existing personnel which are growing faster than normal budget growth (also referred to as the structural funding gap)
- Additional teaching and support staff (15 FTE) necessary to maintain existing class size with increasing enrollment.
- Higher costs for school transportation, including students with disabilities
- New strategic investments
- Increased building maintenance costs

The need to fund costs related to increasing enrollment and other factors listed above is the primary reason the Select Board had initiated an Override Study Committee (OSC) process. It is expected that the OSC will recommend that a three-year budget plan be presented to Town Meeting and the voters that will authorize an Override of the Proposition 2½ tax levy limit

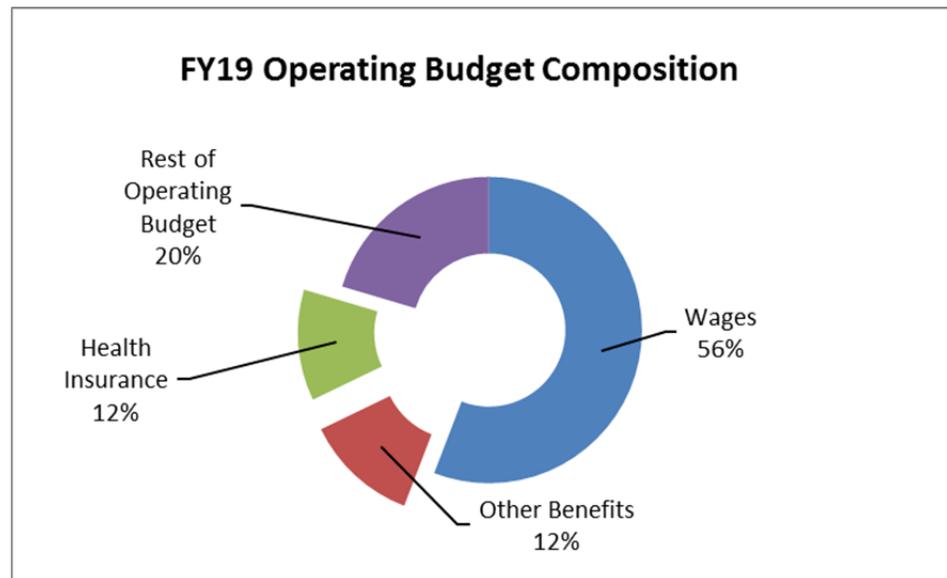
For a more detailed review of the School Budget, see the School Department submission in Section IV of this document.

**NON-DEPARTMENTAL:** This category of Expenditures is a large component of the Town's Budget, including such fixed costs as pensions, health insurance, other insurances and debt service. It also covers the Reserve Fund, which is the account administered by the Advisory Committee to cover any emergency or unforeseen expenses that occur throughout the year, including snow and ice removal expenses. Overall, this category of expenditures is recommended to be funded at \$85,150,556 in FY 2019, an increase over FY 2018 of 10.4%. This category includes many of the Town's "budget busters", which are those expenses that rise higher than the general rate of inflation. They include;

**Pensions-** Eligible employees of the Town and School departments are part of the Massachusetts Contributory Retirement System and receive a defined benefit upon retirement (state and local government employees in Massachusetts are not eligible for participation in the federal Social Security system). The Town of Brookline is responsible for funding the annual expense of existing pension payments, and to make sure that future liability is properly funded. It does so through a multi-year actuarial funding schedule, with funds appropriated to meet the schedule invested for the long term to support this obligation. The current funding schedule requires an annual increase of 7.85% through 2030, at which time the Town will have eliminated the unfunded portion of the liability. For FY 2019, we recommend the appropriation of \$23,174,765, representing a \$1,675,580 increase over FY 2018.

**Other Post-Employment Benefits (OPEB)/Retiree Health Insurance-** Similar to the pension system, the Town has an obligation to fund the costs of health insurance for retired employees and eligible family members. The annual cost to support existing retirees is funded within the Health Insurance Budget (see below). A long-term unfunded liability of \$280.7 million for OPEB exists, which demands the Town create a long term funding schedule similar to the Pension system. While the Town is not yet on a formal funding schedule, we aggressively appropriate annual funding to a special trust fund for this purpose, and expect to commence a formal actuarial funding schedule at some point in the future. For FY 2019, we are allocating \$4,570,465 to the OPEB Trust Fund.

**Employee Health Insurance-** The Town is obligated to provide health insurance to permanent employees who work at least 18.75 hours per week. The Town also covers retirees and their survivors. The Town procures its insurance coverage through the Massachusetts Group Insurance Commission (GIC), a governmental entity that manages the health care benefit for employees of all state agencies and dozens of cities and towns. The GIC has been very aggressive in keeping its costs/rates as low as possible, and is in the process of competitively procuring insurance companies to manage this benefit. The GIC’s plan to consolidate companies to affect cost savings was met with great resistance and will be deferred. Still, the procurement process and other efforts by the GIC to contain costs are likely to keep the FY 2019 rate increase low. As a result, we are assuming a composite rate increase of 2.5% for GIC plans in addition to a budget reserve for new subscribers who will initiate coverage during the annual open enrollment period. Actual rates will be known at the beginning of March and may require this budget to be adjusted. At this time however, the total Health Insurance budget recommended for FY 2019 is \$31,463,720, or an increase of 4.28%. Not unlike other governments and private companies, the cost of Health Insurance as a percentage of the overall budget is increasing. In FY 2019, the cost of health insurance as a percentage of the Town’s Budget has grown to 12%.



**Debt Service-** Another expense within the Non-Departmental category is Debt Service. This is the cost of principal and interest charged on debt (typically issued in municipal bonds). Incurring debt is a way to spread the cost of major capital purchases or projects over time and is a major strategy in the Town’s capital financing program. The Town’s fiscal policy dictates that at least 6% of the Town’s net revenue be allocated to fund capital projects. Within that 6% amount, we strive to have 4.5% funded via debt. In FY 2019, the Town will fund a total of \$17,119,364 in debt service, up significantly from FY 2018 due to the borrowing for the

Devotion School project. In addition, the Town will be borrowing for the first phase of the High School project in 2018 (land acquisition for the 111 Cypress Street property), impacting the FY 2019 Budget.

The school enrollment crisis has expedited the need for the Town to tackle school capital projects to increase classroom capacity. School projects comprise 69% of the current Debt Service budget. The planned High School and “9th School” projects will expand the use of debt, but these projects must be funded outside of the Proposition 2½ tax levy limit through a voter approved Debt Exclusion. Currently, \$4.83 million of the total Debt Service budget are payments on borrowing that the voters have authorized above the Town’s Proposition 2½ tax levy limit.

**SPECIAL APPROPRIATIONS:** This category of expense is mainly the annual appropriations for projects within the Capital Improvement Plan (CIP). The CIP is funded through a combination of direct appropriations and the issuance of debt. In FY 2019, the direct appropriations to fund capital projects are \$9,079,868. This level of appropriation is bolstered through the use of over \$6 million in Free Cash. A much more detailed review of projects funded through special appropriation is discussed in the CIP Section of this document.

**ENTERPRISES:** The Town’s FY 2019 Budget includes \$32,528,761 in expenses related to business type enterprises of the Town. This includes the water/sewer utility, the golf course and recreational programs. The water/sewer and golf course operations are fully funded through fees and charges while the recreation programs are subsidized 21.7% from the Town’s General Fund. It is the Town’s policy that all direct and indirect expenses of the Enterprises, including debt service and employee benefits be accounted for and paid to the Town’s general fund to ensure that the Town’s taxpayers do not subsidize such activities.

**NON-APPROPRIATED:** This category of expenses relates to charges that are mandated but not required to be appropriated by Town Meeting. However, these expenses must be accounted for within the Town’s Budget. State and county assessments at \$6,633,122 are the largest part of this category, including \$5.2 million of which is the Town’s allocated share of the MBTA and \$972,014 is for our assessment to Norfolk County. This county assessment is a sore spot for the Town for a number of reasons. First, most other counties in Massachusetts have been assumed by state government, meaning Brookline residents’ state taxes are paying the legacy costs from those abolished counties while also having to pay for Norfolk County with their local property taxes. Secondly, the Town is geographically distant from the Norfolk County Agricultural School in Walpole and does not have any students attending. Finally, the Town has the highest assessment by virtue of its assessed property value, despite our population and limited usage of county services. Another expense that is covered in the Non-Appropriated category is the Tax Overlay account at \$1,750,000. This is an account that is under the control of the Board of Assessors and is used to fund the annual cost of property tax abatements and exemptions.

## **FY 2019 POLICY ISSUES AND INITIATIVES**

The Financial Plan is a required document that budgets the Town's funds for the ensuing fiscal year. It is also a financial planning tool, incorporating the capital improvement plan for the next seven years and making a 5-year projection of the budget. The Financial Plan should also be a strategic and management device, linking financial resources and consequences to overall Town goals and policies. This section addresses a number of policy issues and initiatives that are relevant to the FY 2019 budget process.

**Federal Government Policies and Mandates-** Last year, I expressed concern about potential negative consequences to the Town of Brookline with the election of Donald J. Trump as President. It is fair to say that a new era of federal/state/local relations has emerged. After years of concern by cities and towns, President Trump proposed and Congress finally approved a new federal tax plan that caps the deductibility of state and local taxes. For the Town of Brookline and other full service municipalities with a dominant residential tax makeup, this new provision effectively reduces federal financial support to our taxpayers. As a community that consistently seeks voter approval to levy taxes for major capital projects and occasionally for operating budget tax overrides, a federal cap on the deductibility of local property taxes is problematic.

Brookline is also prone to impacts associated with a federal crackdown on immigration. The Town has consistently adopted resolutions and policies respecting the rights of all its residents, regardless of citizenship status. The Select Board recently passed police policies affirming this principle, limiting efforts to inquire about and/or report to federal authorities on the immigration status of residents. Communities adopting these policies are often referred to as "sanctuary cities", and viewed by the current administration as improperly or illegally refusing to cooperate with federal law enforcement authority. The federal administration has attempted to disqualify such communities from receiving federal grants. To date, the courts have limited this effort, but the Town has much to lose if this effort is allowed. We receive \$1.4 million in Community Development Block Grants directly from the federal government each year. The Town of Brookline also receives about \$3.1 million in direct federal education aid (Title 1, Title 3 and IDEA) as well as many federal grants "passed through" state agencies.

Finally, the Trump administration has threatened enforcement efforts against states who have passed laws allowing for the cultivation, possession and sale of marijuana for medical or recreational purposes. Brookline already has a medical marijuana dispensary that creates economic activity including a Host Community Fee. It is expected that this facility will expand to include recreational sales under the new Massachusetts law, creating opportunities for additional revenue including excise taxes. The United States Attorney has indicated he may enforce federal law that that prohibits commercial activity involving marijuana, creating substantial uncertainty to this emerging industry and threatening a new revenue source to the Town.

**Trash Collection and Recycling-** The Town has successfully implemented a modified Pay as You Throw (PAYT) trash collection system. The new system incentivizes less trash disposal and more recycling, thereby saving the Town from costly and environmentally unfriendly means of solid waste disposal. Combining PAYT with automated collection has also saved labor costs. Since this a voluntary service, a prior Override Study Committee recommended that the annual trash fee be increased to reduce the subsidy that the Town's general fund contributes to the service. For FY 2019, we will defer this modification and wait until the new PAYT system is more fully implemented. However, a review of the fee will eventually be necessary, especially given the change in the global recycling market where the value of recycled materials has plummeted. As the market value of recyclables is reduced, the Town no longer receives revenue but must pay our collection vendor for their handling. This has resulted in tens of thousands in unanticipated and unbudgeted costs. We will cover these costs in the Budget in FY 2019, but we hope for a rebound in this volatile market.

**Credit Card Processing and Servicing-** As credit card and electronic payments have emerged as a convenient and expected method of transacting business in all industries, local government has been somewhat slow to adapt. The technology issues, combined with security risks, have posed a challenge to the Town. In addition, the costs for processing and servicing payments have skyrocketed as usage has increased. When possible, the Town has incorporated these costs within the formula for calculating a fee for service. However, this is not possible for point of service transactions such as parking meters, or building permits. In December, the Select Board adopted the Finance Director's recommendation to assess convenience fees on a comprehensive set of credit card and electronic transactions to defray this cost to the Town. The Board struggled with his policy given the convenience electronic payments provides to the customer and the benefits of collection administration to the Town. Ultimately, the Board felt the imposition of convenience fees were financially required and was acceptable given the availability of no cost, though inconvenient, payment methods.

**Diversity and Inclusion-** A major Town goal is to improve our local government's responsiveness to a society that is increasingly diverse. One priority area is to increase the diversity of the Town's workforce, especially in its management ranks. Another is to diversify the composition of the Town's elected and appointed committee membership. The Town must also ensure that its fundamental programs and services do not discriminate or create bias depending upon one's race, cultural background, etc. In response to this challenge, the Town has become a member of the Government Alliance for Race and Equity (GARE). GARE is a national network of governments working to achieve racial equity and advance opportunities for all by, 1.) Making a commitment to achieving racial equity; 2.) Focusing on the power and influence of their own institutions; and 3.) Working in partnership with others.

The effectiveness of using GARE and other diversity initiatives depends upon a trained workforce. The FY 2019 Budget prioritizes training opportunities throughout the Town's organization.

**Performance Management-** The Town continues to make steady progress in utilizing performance management as a mechanism to improve the quality, cost efficiency and transparency in providing municipal services. This past year, subgroups of senior department heads were tasked with identifying several cross-functional objectives that would complement existing Town wide goals. Work continues to identify and locate essential data to better inform decision making, improve efficiency and service delivery across the organization. In FY 2019, we expect this work will result in identifying benchmarks that allow for reporting on several initiatives including Public Health and Safety, e-Government, and the Natural/Built Environment, all of which align with key Town objectives.

The Town has embraced the use of performance management in its budgeting and is attempting to expand and/or convert departmental objectives from activity or output based to more meaningful performance based criteria.

Finally, we have continued to participate in the National Citizen Survey as a means to quantify the priorities of our residents and their assessment of our performance. Using this consistent survey data, we are able to benchmark ourselves with hundreds of other municipalities across the nation.

**School Expansion-** Planning to expand the Town's public school facilities to accommodate continued increase in student population dominates the time and energy of the Select Board and School Committee and their staffs. The ability to site a 9th elementary school has been vexing. Each municipally owned property under consideration has been complicated by site constraints, legal restrictions and political opposition. A decision to site the school at the Town owned Baldwin site was a victim to all of these challenges and has been set aside as other properties are evaluated. The acquisition of private property, including the use of eminent domain, to site a school has proven to be equally challenging and expensive. At this time, the Town is reconsidering the "expand in place" strategy that might utilize one or more existing school properties to meet the classroom and space needs rather than constructing a single new school on a separate site. However, the K-8 education model creates its own challenges with the size of each school property and how it can accommodate expansion while continuing to operate effectively within the neighborhood where it is located. The current expansion and renovation of the Devotion School is an example of this challenge and has been useful when evaluating other existing school sites. In particular, the use of Transportation Demand Management (TDM) principles will be used to limit the construction of expensive parking facilities and to avoid burdens by allowing all day, on-street parking in the neighborhoods. A new study to site the required classroom expansion is underway and it is hoped that a siting decision can be made by the end of March to keep this project on its critical path.

The expansion of Brookline High School has moved forward through the acquisition of private property on Cypress Street. This project has entered the design stage and is expected to be presented for approval by Town Meeting and the voters this spring. Both the high school and elementary school projects cannot be funded within the Town's existing taxing capacity for capital improvements. Proposals to exempt the costs for these projects from the Town's tax levy limitations will be submitted to the voters and is essential for these projects to proceed. At this time, eligibility for grants from the Massachusetts School Building Authority (MSBA) do not appear likely given the Town's extensive and current use of MSBA funding and the expedited timeframe associated with constructing these new projects.

The school enrollment crisis not only affects capital planning but the Town's ability to fund adequate operations as well. As previously mentioned, a proposal to levy additional taxes in FY 2019 for up to three years has been advanced by the Override Study Committee and will be considered this spring. The funding will address the many challenges to operating a public school system with an unprecedented increase in enrollment, including salaries and wages for existing personnel, additional teaching and support staff necessary to maintain existing class size, demand for school transportation, and increased building maintenance costs.

**Succession Planning and Management Capacity-** As the Town of Brookline's workforce ages, we can expect more transition in the department head and upper management ranks. Just this past year, both the Fire Chief and the Chief of Police have retired, preceded by the Finance Director and Director of Public Health. While the Town of Brookline enjoys a fine reputation for professional management and offers competitive compensation, the sheer volume of vacancies in the industry create challenges for effective recruitment. The middle management tier of personnel in the Town is a great resource to develop for promotional opportunities and to assist in longer than normal periods of transition when department head vacancies occur. In addition to providing training and professional development opportunities for this group of managers and supervisors, the FY 2019 Budget will allocate funding to extend long-term disability coverage to this group of employees, as they are not covered by workers compensation.

The Town needs to be more strategic in planning for transition in the department head ranks. In anticipation of the inevitable retirements of the Town's long-term Commissioner of Public Works and the Department's Director of Engineering, I am working with the Commissioner and Human Resources to study the organizational structure of the Department. In addition to the succession planning that such an organizational change can create, this analysis is intended to strengthen the coordination and capacity of the engineering and transportation functions within the Department. While succession planning can cost money in the short-term, the longer term benefits can be significant in reducing periods of transition and the resulting lack of leadership and management continuity.

**Energy Conservation and Sustainability Initiatives-** The Town of Brookline has always been a leader in the procurement and management of its energy as well as activism in relation to sustainability and climate change challenges. The FY 2019 Budget will begin an effort at coordinating these activities and creating more management capacity to address emerging issues and opportunities.

The Town continues to benefit from long-term electricity supply contracts. In FY 2019, the guaranteed rate with Constellation Energy will provide a savings of 3.4 cents per kilowatt hour when compared to the standard rates charged by the utility company. In addition, this supply contract provides stability against a volatile market where rates change every three to six months. Thus far, the current contract has provided lower rates than the default utility rates at all times throughout its duration. Finally, the Constellation Energy contract has protected the Town from rising capacity costs, which have increased threefold since FY 2016. With respect to natural gas, the Town has avoided locking in a longer term rate due to the direction of the supply market. Natural Gas prices are projected to decrease by 36% year over year. In addition, new construction methods and more efficient equipment have allowed the Town to reduce energy usage, even when enlarging facilities (such as the Devotion School with 40,000 ft<sup>2</sup> greater area).

The positive budgetary impact of a comprehensive conversion to LED streetlights continues to be realized. In addition to the projected reduction in kWh usage resulting in budget savings, the Town will be eligible for a beneficial rebate program offered by Eversource.

The major policy area of interest is how to combine these more discreet energy initiatives with a longer term and proactive approach at sustainability and climate change. For example, last spring the Town Meeting acted upon a proposal to incorporate Net Zero LEED Platinum certification into all future school building planning. This and other initiatives to reduce the Town's carbon footprint has led me to allocate \$25,000 for professional consulting services in the Planning Department and to identify a new full-time energy manager position, conditional upon a tax override.

## **LONG RANGE FINANCIAL PLANNING**

A cornerstone of the Town's budgeting process is the Long-Range Financial Projection, often referred to as "the Forecast". It is essential that a government have a financial planning process that assesses long-term implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve its goals. The Forecast also acts as a bridge between a municipality's annual operating budget and its CIP, bringing all of the fiscal policy and economic variables together to establish coordinated managerial direction. Revenue and expenditure forecasting, along with capital planning and debt management, are key elements in developing a strong municipal fiscal position.

Prepared annually, the five-year Forecast serves as the starting point for the ensuing budget year - - and also provides decision makers, taxpayers, and employees with an understanding of the long-term financial challenges the Town faces. In late-November / early-December, the Deputy Town Administrator and the Director of Finance present the Forecast to the Select Board. This presentation is the culmination of months of work involving the analysis of hundreds of revenue and expenditure line-items, making assumptions about economic conditions, and understanding state budget conditions.

The FY 2019 – FY 2024 Long Range Financial Projection for the General Fund makes the following key assumptions:

- New Growth in the Property Tax Levy of \$1.8 million per year, augmented by the redevelopment of the former Circle Cinema site (\$350K in FY 2019, and \$25K in FY 2020), the new hotel proposed at 25 Washington Street (\$200K in FY 2019 and \$250K in FY2020), by the re-development of 2 Brookline Place (\$238K in FY19, \$1.5 million in FY 2020, and \$240K in FY 2021) and by the re-development of the Holiday Inn/Waldo Durgin site (\$1.65 million in FY21 and \$500K in FY 2022).
- For State Aid in FY 2019, full use of the Governor's proposal. For FY 2020 - FY 2023, annual 2.5% increases in Ch. 70 and Unrestricted General Government Aid (UGGA).
- For Local Receipts FY 2019 reflects an increase of \$247K (1%). In FY's 2020-2023, limited growth is expected with the exception of adjustments in additional Hotel Excise Taxes from the redevelopment of 25 Washington Street and Waldo Durgin sites (\$400K in FY21, \$150K in FY22). No adjustment has been made related to the recent changes for recreational marijuana.
- Use of Free Cash continues to follow the Town's Free Cash Policy, as recently updated by the Select Board in 2011.
- A 2% wage increase for all years for all unions.

- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$546K per year for the Schools and \$250K for Town departments).
- Annual utility increases of \$150K.
- Annual Special Education growth of \$775,000 - \$800,000.
- Enrollment growth cost increases of \$680K in FY19, \$694K in FY20, \$1.06M in FY2021, \$1.23M in FY22.
- Step increases of \$250K per year for Town Departments.
- For FY 2019, a Health Insurance rate increase of 2.5% and an increase in enrollment of 40. For FY's 2019-2023, assume a 5% annual rate increase and 40 new enrollees per year.
- A Pension appropriation based on the most recent funding schedule approved by PERAC for FY 2019 with annual increases of 7.9%.
- Continue to fund OPEB's by increasing the appropriation by at least \$250,000 per year from on-going revenues.
- Debt Service and pay-as-you-go CIP that reflects full-funding of the CIP (6% of net revenue plus the use of Free Cash to get to 7.5%).

These assumptions create an escalating deficit position for FY 2020 primarily for the Schools, starting at \$2.8 million in FY 2020 and reaching \$14 million by FY 2023. It should be noted that the deficits in the out years are inflated because they are built upon a deficit in the prior fiscal year. In fact, the Town must balance its budget each year, and that balanced budget will become the base for the following year's projection. Nonetheless, the cumulative deficits in the Long Range Projection are a reminder that the Town must find ways to support a sustainable budget in the long term.

The Long Range Financial Projection is detailed on the following pages:

**TOWN OF BROOKLINE  
FY2019 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>REVENUE</b>					
<b>Property Taxes</b>	<b>223,057,097</b>	<b>232,767,378</b>	<b>241,437,289</b>	<b>249,659,038</b>	<b>257,586,330</b>
<b>Local Receipts</b>	<b>29,703,587</b>	<b>30,016,685</b>	<b>30,706,744</b>	<b>31,134,996</b>	<b>31,426,707</b>
Motor Vehicle Excise (MVE)	5,722,200	5,836,644	5,953,377	6,072,444	6,193,893
Local Option Taxes	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
Parking / Court Fines	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
General Government	3,886,621	3,967,903	4,028,616	4,064,839	4,101,581
Interest Income	751,197	769,977	789,226	808,957	829,181
PILOT's	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
Departmental & Other	7,421,749	7,434,020	7,446,536	7,459,303	7,477,325
<b>State Aid</b>	<b>21,642,592</b>	<b>22,042,075</b>	<b>22,576,693</b>	<b>23,124,676</b>	<b>23,251,697</b>
General Government Aid	6,645,199	6,809,312	6,977,528	7,149,949	7,326,681
School Aid	14,869,259	15,104,629	15,471,031	15,846,593	15,796,882
Tax Abatement Aid	40,779	40,779	40,779	40,779	40,779
Offset Aid	87,355	87,355	87,355	87,355	87,355
<b>Other Available Funds</b>	<b>2,972,679</b>	<b>3,069,355</b>	<b>3,183,807</b>	<b>3,304,036</b>	<b>3,405,351</b>
Walnut Hill Cemetery Fund	100,000	100,000	100,000	100,000	100,000
Reimb./Pymts from Enterprise Funds	2,521,130	2,601,398	2,696,102	2,795,348	2,874,363
Reimb. from Rec Revolving Fund	351,549	367,957	387,704	408,688	430,988
Capital Project Surplus	0	0	0	0	0
<b>Free Cash (for Appropriation)</b>	<b>8,551,363</b>	<b>4,500,000</b>	<b>4,650,000</b>	<b>4,775,000</b>	<b>4,925,000</b>
<b>TOTAL REVENUE</b>	<b>285,927,319</b>	<b>292,395,493</b>	<b>302,554,532</b>	<b>311,997,746</b>	<b>320,595,085</b>
\$\$ Increase	12,908,120	6,468,174	10,159,039	9,443,213	8,597,339
% Increase	4.7%	2.3%	3.5%	3.1%	2.8%

**TOWN OF BROOKLINE  
FY2019 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>EXPENDITURES</b>					
<b>Departmental</b>	<b>73,648,988</b>	<b>75,512,530</b>	<b>77,344,163</b>	<b>79,276,000</b>	<b>81,236,758</b>
Personnel	54,388,122	55,763,122	57,158,122	58,583,122	60,028,122
Services	9,520,446	9,758,457	10,002,418	10,252,479	10,508,791
Supplies	2,285,553	2,342,692	2,401,259	2,461,291	2,522,823
Other	573,332	587,665	602,357	617,416	632,851
Utilities	4,658,033	4,958,033	5,108,033	5,258,033	5,408,033
Capital	2,203,502	2,082,561	2,051,974	2,083,660	2,116,138
Intergovernmental	20,000	20,000	20,000	20,000	20,000
<b>Coll. Barg. - Town</b>	<b>1,150,000</b>	<b>1,170,000</b>	<b>1,200,000</b>	<b>1,220,000</b>	<b>1,240,000</b>
<b>Schools</b>	<b>103,752,430</b>	<b>109,267,030</b>	<b>115,379,238</b>	<b>121,896,994</b>	<b>127,447,994</b>
<b>Coll. Barg. - School</b>	<b>4,650,000</b>	<b>4,880,000</b>	<b>5,120,000</b>	<b>5,380,000</b>	<b>5,650,000</b>
<b>Non-Departmental - Benefits</b>	<b>63,970,313</b>	<b>67,970,313</b>	<b>72,447,767</b>	<b>77,190,884</b>	<b>82,814,840</b>
Pensions	23,174,765	24,582,486	26,512,211	28,593,420	30,838,004
Group Health	31,463,720	34,233,014	36,315,041	38,498,512	41,385,901
Retiree Group Health Trust Fund (OPEB's)	4,570,465	4,271,536	4,521,536	4,771,536	5,021,536
EAP	28,000	28,000	28,000	28,000	28,000
Group Life	145,000	148,625	152,341	156,149	160,053
Disability Insurance	46,000	46,000	46,000	46,000	46,000
Workers' Compensation	1,450,000	1,486,250	1,523,406	1,561,491	1,600,529
Public Safety IOD Medical Expenses	200,000	275,000	275,000	275,000	275,000
Unemployment Compensation	200,000	250,000	250,000	250,000	250,000
Medical Disabilities	40,000	40,000	40,000	40,000	40,000
Medicare Coverage	2,445,551	2,609,403	2,784,233	2,970,776	3,169,818
<b>Non-Departmental - General</b>	<b>1,718,821</b>	<b>688,910</b>	<b>712,001</b>	<b>739,981</b>	<b>748,597</b>
<b>Non-Departmental - Debt Service</b>	<b>17,119,364</b>	<b>18,697,150</b>	<b>17,003,768</b>	<b>17,514,534</b>	<b>19,959,320</b>
General Fund	17,119,364	18,697,150	17,003,768	17,514,534	19,959,320
<b>Non-Departmental - Reserve Fund</b>	<b>2,548,870</b>	<b>2,640,467</b>	<b>2,736,808</b>	<b>2,844,362</b>	<b>2,935,440</b>
Tax Supported	1,911,653	1,980,351	2,052,606	2,133,271	2,201,580
Free Cash Supported	637,218	660,117	684,202	711,090	733,860
<b>Special Appropriations</b>	<b>9,079,868</b>	<b>6,520,987</b>	<b>7,966,070</b>	<b>8,199,304</b>	<b>6,444,315</b>
Tax Supported	3,067,597	2,724,589	4,044,416	4,178,973	2,280,655
Free Cash Supported	6,012,271	3,796,397	3,921,653	4,020,331	4,163,659
Other	0	0	0	0	0
<b>Non-Appropriated</b>	<b>8,495,477</b>	<b>8,695,741</b>	<b>8,901,011</b>	<b>9,111,414</b>	<b>9,327,076</b>
State Assessments	6,633,122	6,789,636	6,950,063	7,114,500	7,283,049
Cherry Sheet Offsets	87,355	87,355	87,355	87,355	87,355
Overlay	1,750,000	1,793,750	1,838,594	1,884,559	1,931,673
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
<b>TOTAL EXPENDITURES</b>	<b>285,927,319</b>	<b>296,043,128</b>	<b>308,810,826</b>	<b>323,373,472</b>	<b>337,804,339</b>
\$\$ Increase	12,908,120	10,115,809	12,767,698	14,562,646	14,430,867
% Increase	4.7%	3.5%	4.3%	4.7%	4.5%

**TOWN OF BROOKLINE  
FY2019 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>(3,647,635)</b>	<b>(6,256,293)</b>	<b>(11,375,726)</b>	<b>(17,209,254)</b>
<b>DEFICIT AS A % OF OP REV</b>	<b>0.0%</b>	<b>-1.2%</b>	<b>-2.1%</b>	<b>-3.6%</b>	<b>-5.4%</b>
Surplus / (Deficit) Prior to Collective Bargaining	5,800,000	2,402,365	63,707	(4,775,726)	(10,319,254)
Town Share of Surplus / (Deficit)	1,150,000	345,521	470,137	(563,315)	(1,812,969)
Town Collective Bargaining	1,150,000	1,170,000	1,200,000	1,220,000	1,240,000
<b>Total Town Surplus / (Deficit)</b>	<b>0</b>	<b>(824,479)</b>	<b>(729,863)</b>	<b>(1,783,315)</b>	<b>(3,052,969)</b>
School Share of Surplus / (Deficit)	1,680,000	2,056,844	(406,431)	(4,212,411)	(8,506,285)
School Collective Bargaining	1,680,000	4,880,000	5,120,000	5,380,000	5,650,000
<b>Total School Surplus / (Deficit)</b>	<b>0</b>	<b>(2,823,156)</b>	<b>(5,526,431)</b>	<b>(9,592,411)</b>	<b>(14,156,285)</b>

**CAPITAL IMPROVEMENT PROGRAM (CIP)**

Capital planning and budgeting is a critical undertaking for all government organizations and is central to the delivery of essential services and the quality of life for its residents. In fact, without a sound plan for long-term investment in infrastructure and equipment, the ability of local government to accomplish its goals is greatly hampered. Since FY 1995, the Town has invested more than \$400 million in the CIP. These efforts, which have been supported by the Select Board, the Advisory Committee, Town Meeting, and, ultimately, the taxpayers of Brookline, have helped address the backlog of capital projects, have dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investment in technology and energy efficiency. However, the overcrowding situation in Brookline's public schools is a major capital issue that cannot be addressed solely within the general revenue available for the CIP. Since the projects necessary to address this issue are so expensive, this CIP assumes future proposals to seek voter approved "debt exclusions", which are temporary tax increases for the life of the debt incurred for these projects. This year, such debt exclusion is anticipated for the expansion of the High School. The final number for the High School Project has not been incorporated into the current CIP, but will be voted on by the School Building Committee and ultimately placed on the ballot by the Select Board this spring.

It was a challenge to develop a balanced CIP that continues to reflect the various priorities of the Town, while simultaneously addressing the overcrowding issue in the schools. The overcrowding issue in the schools continues to be the most urgent CIP need, consuming more of the CIP and necessitating additional Debt Exclusion Overrides. Since 2005, K-8 enrollment in Brookline has increased from 3,896 students to 6,193 students, a 40% increase in enrollment. While the increase in size of Brookline's kindergarten enrollment has driven the growth, these larger elementary grades will soon begin to enter the high school. Brookline High School is currently experiencing the initial wave of rapid

enrollment growth that will increase the student body from 1,800 students in 2015, to at least 2,600 or more students by 2023.

As a result, the Town is in the midst of schematic design for the High School renovation and expansion project as well as a study for a K-8 solution. This CIP is only able to provide minimal funding for additional classroom capacity in the interim years prior to the High School and K-8 projects coming online. Overcrowding in the schools is an issue that we must continue to address. Since the plans to address the issue are expensive, it places great pressure on the CIP. The commencement of debt service for the Devotion School in FY2018 and the plans for the High School in FY2019 limits the ability for this CIP to address projected classroom needs over the next several years. The Classroom Capacity item in FY2019 continues to cover the leases at the temples, 62 Harvard, and 24 Webster Place with very limited funding to modify smaller spaces in existing buildings.

As presented, this proposed \$126.9M six-year CIP continues to provide funding for a portion of a High School Project (\$35M); and no capacity exists beyond the schematic design phase for the 9th School project. The Soule Athletic Field renovation has been moved to future years due to the uncertainty of the site selection for the 9th School project. A Debt Exclusion Override is assumed for the remainder of what would be required at the High School and 9th School Project.

The recommended FY2019 – FY2024 CIP calls for an investment of \$126.9 million, for an average of approximately \$21.2 million per year, and follows the Town’s CIP and Free Cash policies. This continues the Town's commitment to prevent the decline of its infrastructure, upgrade its facilities, improve its physical appearance, and invest in opportunities that positively impact the Operating Budget. Over the last 10 years (FY09 - FY18), the Town has authorized expenditures of \$314 million, for an average of \$31 million per year.

Even with the pressure placed on the CIP by the overcrowding issue, this recommended CIP continues the Town’s commitment to public works projects, including upgrading its parks/playgrounds, streets/sidewalks, water/sewer infrastructure, and other areas. There is \$25.6M of specific park projects included, as shown in the table below:

**TOWN OF BROOKLINE  
FY2019 PROGRAM BUDGET**

**BUDGET MESSAGE**

	Total	Prior Year (FY18)	FY2019		2020		FY2021		FY2022		FY2023		FY2024		Future Years	
			Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC
<b>Parks and Playgrounds</b>																
Amory tennis courts, Parking and Halls	1,650,000															1,650,000
Brookline Reservoir Park	2,200,000	2,200,000														
Cypress Playground/Athl. Field	2,640,000		240,000	A	2,400,000	A										
Fisher Hill Gatehouse Safety and Struct	175,000											175,000	A			
Harry Downes Field & Playground/Kra	2,450,000		2,450,000	B												
Heath School Playground Accessibility	1,110,000															1,110,000
Larz Anderson Park	8,400,000		2,700,000	B			2,200,000	B				2,500,000	B	1,000,000		
Larz Anderson Park cash	600,000		425,000	A	175,000	A										
Murphy Playground	965,000	70,000							895,000	B						
Riverway Park	625,000															625,000
Robinson Playground	1,250,000				100,000	A	1,150,000	B								
Schick Playground	1,060,000						90,000	A	970,000	B						
Boylston St. Playground	1,350,000								110,000	A	1,240,000	B				
Griggs Park	1,060,000												90,000	A	970,000	
Soule Athletic Fields	1,450,000															1,450,000
Skyline Park Turf replacement and Par	1,980,000												180,000	A	1,800,000	

It should be noted that the projected timeframe for both a 9th School and the High School have necessitated changes for both Cypress Playground/Athletic Field Renovations and the Soule Athletic Field Renovation. A portion of the funding for the Cypress Field Project is included in the General Fund (as shown above); any additional scope not included in the \$2.64M budget is assumed to be covered via the High School Debt exclusion. Given the uncertainty around the site for the 9th School the Soule Athletic Field project has been moved to future years.

There is also funding allocated in FY2019 for a Traffic Calming/Safety Improvement project that will address improvements to the Walnut--Chestnut-Kennard Intersection.

A few years ago, a study was made of the conditions of the fire stations and what was needed to maintain the integrity of the floors and building in regard to the newer, larger fire equipment. Fire Station Renovation work outlined in the report included flooring, shoring, beams, columns, and structural work. The report also included recommendations for the HVAC systems, generators, lighting, life safety, and mechanical, electrical, plumbing (MEP), along with other peripheral systems. In FY2012, \$650K was appropriated to undertake the Structural component. The next phase for implementation was the Life Safety component, which was funded between FY2013 – FY2015 (\$890K). Given the work planned for Station 6 the funding schedule for Station 6 MEP work was moved from FY2021 to FY2017 in order to allow efficiencies with bids and project schedules. MEP work for the remaining stations is as follows:

Sta 5 (Babcock St)	\$220,000 (FY18)
Sta 4 (Rt. 9/Reservoir Rd)	\$445,000 (\$60K FY18, \$385K FY19)
Sta 1 (Brookline Village)	\$450,000 (FY21)
Sta 7 (Washington Sq)	\$620,000 (\$350K FY21, \$270K FY23)

Work at Station 7 also includes a second means of egress and work on the second floor living area.

Some of the major projects proposed in the CIP include:

- High School - \$35M of Town funding + debt exclusion (FY19)
- 9th School - \$1.5M for Schematic Design
- Larz Anderson - \$9M (FY19-24, Future Years)
- Classroom Capacity - \$8.1M (FY19-FY24)
- Driscoll School HVAC - \$4.4M (FY18-FY19)
- Harry Downes Field & Playground/Kraft Family Athl. Field Turf Repl. - \$2.5M (FY19)
- Fire Station Renovations - \$1.7M (FY18-22)
- Public Building Fire Alarm upgrades - \$1.7M (FY19-24)
- HVAC equipment - \$1.3M (FY19-24)
- Fire Department's Engine #1 Replacement - \$725K (FY23)

Continued major investments include:

- Street and Sidewalk Rehab - \$25 million
- Parks and Open Space - \$21.4 million
- Town/School Building Envelope/Fenestration Repairs - \$6.4 million
- Town/School Roofs - \$1.6 million
- Water & Sewer Infrastructure - \$8.2 million -- enterprise fund
- Town/School Energy Management/Conservation - \$1.4 million
- Information Technology - \$1.1 million
- Tree Replacement - \$1.9 million

Please read Section VII of this Financial Plan for an in-depth explanation of the CIP process, financing policies, and debt management.

**CONCLUSION**

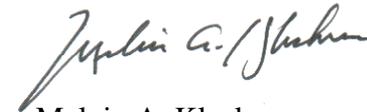
The FY 2019 Budget represents the first year following the prior 3-year Tax Override plan. Despite some hopes that increasing revenue might address the School Department's structural budget gap and that the impacts of student enrollment, this is not the case. As a result, I have decided to reallocate \$500,000 in budget capacity to the School Department to mitigate these impacts and/or to reduce the amount of a Tax Override proposal. This Financial Plan does not assume a new Tax Override plan, but identifies some possible municipal service expansion in the likely event an Override proposal. Once the Override plan is clearer, we will prioritize these municipal requests and work with the Select Board, School Committee and Advisory Committee to identify the consequences and impacts of a Tax Override proposal. Meanwhile, the FY 2019 Budget is balanced based upon a realistic assumption of projected revenues and expenses. It continues to meet the financial policies that the Town has established to meet its short term and long term obligations with best practices, ensuring that the Town can retain its Aaa bond rating.

I wish to acknowledge the extraordinary efforts of my staff for assembling this Financial Plan document. Led by Melissa Goff, Deputy Town Administrator, and assisted by Austin Faison, Assistant Town Administrator, this document is an outstanding tool to communicate the Town's priorities and detail the many facets of the Town's complex financial and budgeting system to the public. I am proud to announce that this document has again received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA), and we have acknowledged this significant achievement on the introductory page of this publication.

The department heads of the Town and School should also receive special recognition for their efforts in preparing and defending reasonable budget requests. I sincerely appreciate their creativity and understanding during such uncertain financial and political times.

Over the next several months leading to the Annual Town Meeting in May, my staff and I look forward to working with the Select Board and Advisory Committee on reviewing this Financial Plan.

Respectfully,



Melvin A. Kleckner  
Town Administrator

**NOTE: THERE ARE NUMEROUS SUMMARY TABLES IN SECTION II OF THIS FINANCIAL PLAN. PLEASE REVIEW THOSE FOR MORE DETAILED INFORMATION.**

**FY2019 FINANCIAL PLAN SUMMARY**

	FY2018	FY2019	INCREASE/DECREASE	
			\$	%
<b>REVENUE</b>				
General Fund Revenue	273,019,198	285,927,319	12,908,120	4.7%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	29,271,307 (2,233,725)	30,225,250 (2,314,117)	953,943 (80,392)	3.3% 3.6%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,647,098 (179,992)	1,772,700 (207,013)	125,602 (27,021)	7.6% 15.0%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	3,108,526 (375,690)	3,410,415 (351,549)	301,889 24,141	9.7% -6.4%
<b>TOTAL REVENUE</b>	<b>304,256,723</b>	<b>318,463,005</b>	<b>14,206,282</b>	<b>4.7%</b>
<b>APPROPRIATIONS</b>				
General Fund Operating Budget	254,971,609	268,351,971	13,380,362	5.2%
Non-Appropriated Budget *	8,326,728	8,495,477	168,749	2.0%
Revenue-Financed CIP Budget	9,720,862	9,079,868	(640,994)	-6.6%
General Fund Total	273,019,199	285,927,316	12,908,117	4.7%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	29,271,307 (2,233,725)	30,225,250 (2,314,117)	953,943 (80,392)	3.3% 3.6%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,647,098 (179,992)	1,772,700 (207,013)	125,602 (27,021)	7.6% 15.0%
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<b>TOTAL APPROPRIATIONS</b>	<b>304,256,723</b>	<b>318,463,005</b>	<b>14,206,282</b>	<b>4.7%</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	

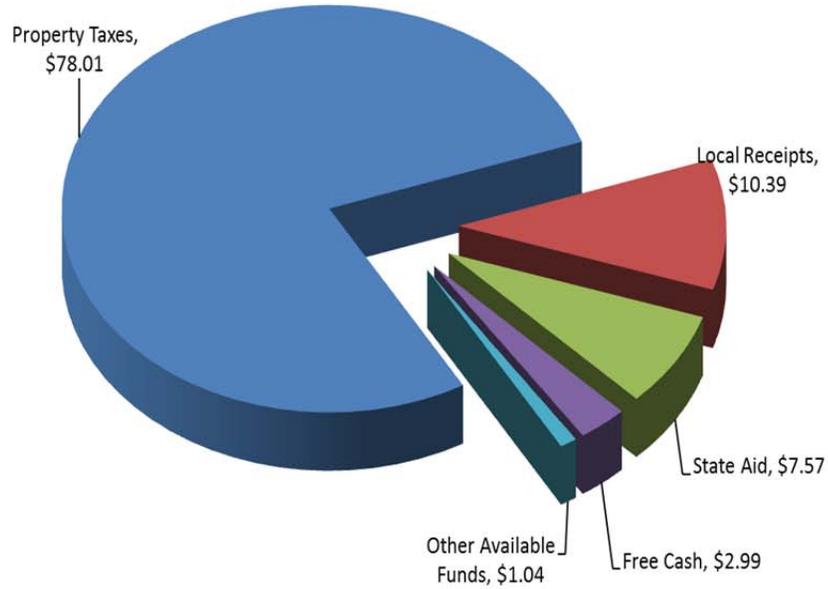
\* State and County Charges/Offsets, Overlay, Deficits/Judgments.

**FY2019 RECOMMENDED GENERAL FUND BUDGET SUMMARY**

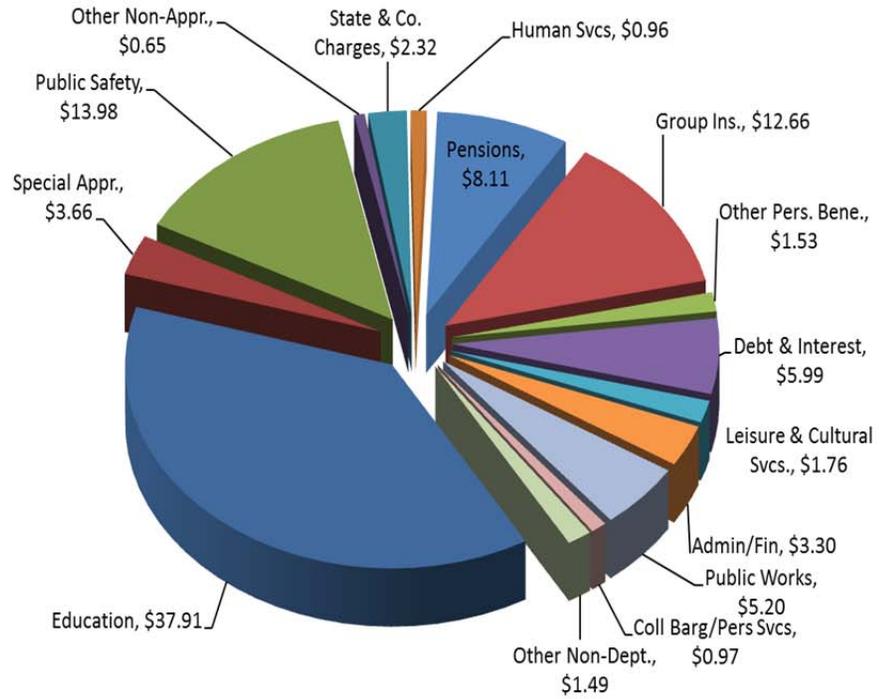
	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGET	FY2019 BUDGET	INCREASE/DECREASE	
						\$	%
<b>REVENUE</b>							
Property Tax	182,239,297	195,049,924	204,064,199	211,374,488	223,057,097	11,682,609	5.5%
Local Receipts	25,847,019	29,377,154	28,648,804	29,456,650	29,703,588	246,938	0.8%
State Aid	17,675,450	18,837,306	19,705,394	20,352,973	21,642,592	1,289,619	6.3%
Free Cash	5,084,152	5,016,501	5,311,538	8,354,017	8,551,363	197,346	2.4%
Other Available Funds	9,003,508	6,895,644	7,840,067	3,481,070	2,972,678	(508,392)	-14.6%
<b>TOTAL REVENUE</b>	<b>239,849,426</b>	<b>255,176,529</b>	<b>265,570,002</b>	<b>273,019,198</b>	<b>285,927,319</b>	<b>12,908,120</b>	<b>4.7%</b>
<b>(LESS) NON-APPROPRIATED EXPENSES</b>							
State & County Charges	6,201,541	6,319,715	6,393,642	6,492,524	6,633,122	140,598	2.2%
Tax Abatement Overlay	2,080,721	1,965,726	1,840,899	1,722,221	1,750,000	27,779	1.6%
Deficits & Judgments	25,000	25,000	13,583	25,000	25,000	0	0.0%
Cherry Sheet Offsets	126,443	91,451	89,197	86,983	87,355	372	0.4%
<b>TOTAL NON-APPROPRIATED EXPENSES</b>	<b>8,433,705</b>	<b>8,401,892</b>	<b>8,337,321</b>	<b>8,326,728</b>	<b>8,495,477</b>	<b>168,749</b>	<b>2.0%</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>				<b>264,692,475</b>	<b>277,431,841</b>	<b>12,739,367</b>	<b>4.8%</b>
<b>APPROPRIATIONS</b>							
Town Departments	68,477,847	68,442,342	71,730,451	73,050,331	74,798,984	1,748,652	2.4%
School Department	82,780,770	95,916,093	101,118,780	104,758,343	108,402,430	3,644,087	3.5%
Non-Departmental Total	60,749,287	63,465,863	69,037,006	77,162,935	85,150,555	7,987,620	10.4%
General Fund Non-Departmental	58,262,334	60,945,219	66,421,939	74,373,527	82,277,877	7,904,349	10.6%
Water and Sewer Enterprise Fund Overhead *	1,973,970	1,988,729	2,057,070	2,233,725	2,314,117	80,392	3.6%
Golf Enterprise Fund Overhead *	163,049	177,791	182,097	179,992	207,013	27,021	15.0%
Recreation Revolving Fund Overhead *	349,934	354,124	375,900	375,690	351,549	(24,141)	-6.4%
<b>OPERATING BUDGET SUBTOTAL</b>	<b>212,007,904</b>	<b>227,824,298</b>	<b>241,886,237</b>	<b>254,971,609</b>	<b>268,351,971</b>	<b>13,380,362</b>	<b>5.2%</b>
Revenue-Financed CIP (Special Appropriations)	9,415,000	10,113,000	8,879,374	9,720,862	9,079,868	(640,994)	-6.6%
<b>TOTAL APPROPRIATIONS</b>	<b>221,422,904</b>	<b>237,937,298</b>	<b>250,765,611</b>	<b>264,692,475</b>	<b>277,431,841</b>	<b>12,739,366</b>	<b>4.8%</b>
<b>BALANCE</b>				<b>0</b>	<b>0</b>	<b>0</b>	

\* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

**How Each \$100 Will Be Received**



**How Each \$100 Will Be Spent**



FULLY ALLOCATED FY2019 GENERAL FUND OPERATING BUDGET

