



February 12, 2019

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

I am pleased to submit the Fiscal Year (FY) 2020 annual Financial Plan, including the Budget and the Capital Improvement Plan (CIP) for your consideration. The FY 2020 Budget balances \$335,352,327 in revenues and expenses, including enterprises and other self-supporting operations. This represents an increase of 4.6% over FY 2019.

	<u>FY 2019</u>	<u>FY 2020</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
REVENUES				
Property Tax	224,490,479	239,499,109	15,008,630	6.7%
Local Receipts	29,778,588	29,943,370	164,783	0.6%
State Aid	22,112,759	22,307,826	195,067	0.9%
Free Cash	8,516,286	9,081,257	564,971	6.6%
Other Available Funds	4,872,678	3,188,731	(1,683,948)	-34.6%
Enterprises (net)	30,754,331	31,332,034	577,703	1.9%
TOTAL REVENUES	320,525,121	335,352,327	14,827,206	4.6%
EXPENDITURES				
Municipal Departments	76,244,277	78,134,452	1,890,174	2.5%
School Department	110,658,255	117,235,691	6,577,436	5.9%
Non-Departmental	82,991,348	90,117,382	7,126,034	8.6%
Special Appropriations	10,979,868	9,788,054	(1,191,814)	-10.9%
Enterprises (net)	30,754,331	31,332,034	577,703	1.9%
Non-Appropriated	8,897,045	8,744,711	(152,334)	-1.7%
TOTAL EXPENDITURES	320,525,121	335,352,327	14,827,206	4.6%

FY 2020 represents the second year of a 3-year Tax Override plan authorized by voter referendum in May of 2018. This 3-year plan included a \$6.58 million increase in the Town’s tax levy to support school enrollment growth and a commitment to increase non-property tax revenue by \$2.06 million. The plan also authorized tax increases to support debt service for the Brookline High school expansion project. The \$205.6 million project relies on \$168.2 million of funding from the debt exclusion. \$35 million comes from existing levy capacity and \$2.4 million comes from bond premium proceeds. For FY 2020, year two of the plan allocates \$3.34 million of the \$6.58 million tax increase to support the School Department’s budget.

FY2019 - FY2021 OVERRIDE PLAN				
In millions of \$'s				
<u>Revenue</u>				
	\$6.575	Override Funds		
	<u>\$2.851</u>	Non-property tax revenue		
	\$9.426	Total Plan		
 <u>Expenditures</u>				
	Year 1	Year 2	Year 3	Total
Override funds	2.85	3.34	0.39	\$6.575
Non-override funds	<u>0.79</u>	-	2.06	\$2.851
	\$3.64	\$3.340	\$2.45	\$9.426

As a starting point in the budget process, the Town Administrator utilizes an allocation formula that is an aspect of the Town School Partnership. The Partnership is a process that has been used since 1995 to foster communication and collaboration between the Town and the Brookline Public Schools. A committee comprised of representatives of the Select Board, School Committee and Advisory Committee meet along with key administrative staff periodically throughout the year to plan the budget and discuss the many challenges facing the Town and Schools. A central component of the Partnership is a budget allocation formula that establishes the bottom-line budget allocation for the ensuing year. The formula essentially splits 50/50 any change in revenue and fixed costs from the prior year, then makes several adjustments to account for unique or extraordinary expenses. Finally, the formula adds additional budget capacity authorized by the Override plan. The following summarizes the allocation for FY 2020.

Town School Partnership Budget Allocation Formula			
	FY2020 Changes	Town Departments	School Department
Total Revenue	\$14,249,502	\$7,232,777	\$7,016,725
Fixed Cost Sharing	(\$4,819,195)	(\$2,407,623)	(\$2,411,572)
Allocated Fixed Costs	(\$3,678,204)	(\$2,067,191)	(\$1,581,693)
Formula Adjustment	-	-	\$3,553,976
NET BUDGET ALLOCATION	\$5,752,103	\$2,757,963	\$6,577,436
PERCENTAGE INCREASE OVER FY 2019	4.9%	2.5%	5.9%

The Town School Partnership allocation formula makes certain judgments and assumptions that represent fiscal policies of the Town. It is expected that this formula will be part of a larger fiscal policy review initiated by the newly appointed Fiscal Policy Advisory Committee (FPAC). The FPAC is charged with evaluating the long term fiscal condition of the Town and making recommendations to address the “structural gap” that persists between normal revenue growth and expenditure demand. This is never more important as the Town commences a sustained and expensive period of capital expansion and investment in its school building plant. The long-term debt associated with these projects will significantly constrain the Town’s ability to fund other capital needs and will have implications on the cost to operate and maintain these facilities. The ability to identify some funding sources or capacity other than the property tax seems essential for the long term fiscal health of the Town and its residents.

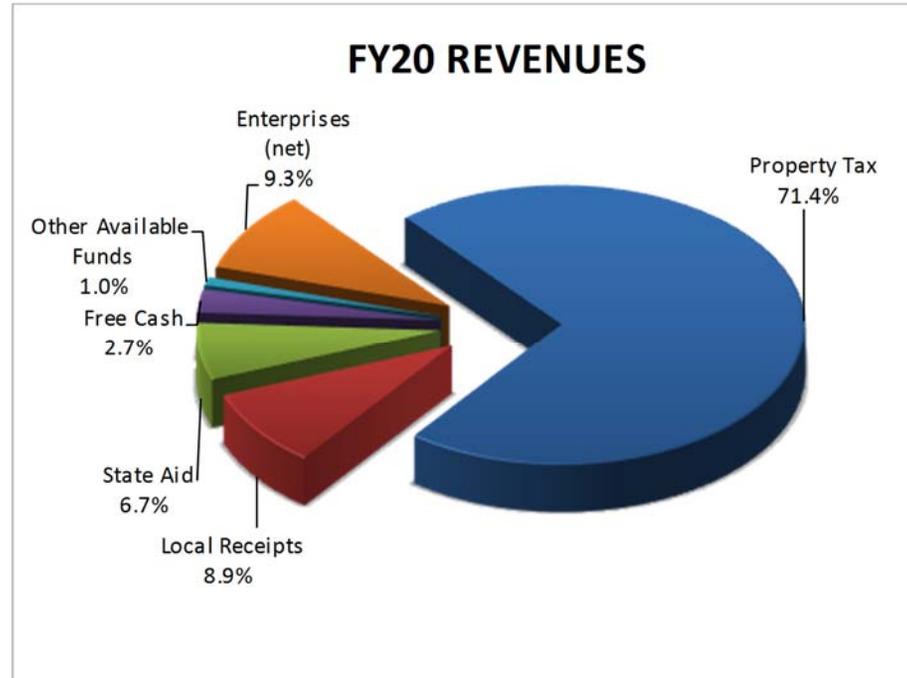
Overall, the \$335.4 million Budget for FY 2020 reflects a balanced but conservative approach at funding the Town of Brookline's operations and obligations. I am pleased to report that this Budget accomplishes the following;

- 1.) Allocates funding to meet the essential operating costs of the School and Municipal departments in accordance with a 3-year plan.
- 2.) Funds \$6.7 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.) Provides adequate funding in reserves and 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 \$4.8 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).
- 5.) Meets all other financial policies of the Town, including the appropriation of Free Cash for reserves.

FY 2020 could represent the final year of a sustained period of relative growth and stability in the Town's finances. Revenue growth from State Aid and Local Receipts has been strong, driven by a robust national and regional economy. With the exception of student population growth, our costs have been relatively stable, including growth in employee wages and benefits. In addition, the Town has realized cost savings in the procurement of utility rates and achieved efficiencies in managing its facilities and operations. However, storm clouds are beginning to appear on the horizon that will impact the Town's future financial situation. The Commonwealth of Massachusetts has not met its revenue targets for the first half of the fiscal year, highlighting a concern over future economic growth. While the Town's reliance on State Aid is relatively low, it is still a meaningful amount of revenue. A recession in the economy would impact the growth in taxes from new development and reduce growth in building permit receipts. The State's deteriorating fiscal position could have other impacts to the Town on off-budget grants and other financial assistance. The leadership crisis in Washington that resulted in an extended shutdown of federal government operations does not help, creating a great deal of uncertainty for state and local government and other sectors of the economy that rely on a stable federal government. The accumulation of the Town's major capital projects has created a difficult tax burden, and we are beginning to see significant cost escalation in construction costs. An initiative to avoid using fossil fuels in the heating and cooling of Town and School buildings will further increase design and construction costs, but will save long term operational costs and help meet the Town's ambitious climate goals.

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 2020 Budget.

TAXES: The property tax levy represents the Town’s most prominent and stable source of revenue. Traditionally, the Town collects up to 99% of all property taxes billed. For FY 2020, property taxes are projected to total \$239.5 million, representing nearly 78% of the Town’s general fund revenue. For FY 2020, the property tax will increase by \$5,620,315, including the allowed 2.5% growth under Proposition 2½ and the planned increment of the 3-year tax override. An additional \$3,075,000 will be generated in taxes resulting from increased property value from new construction (referred to as New Growth). New Growth tax revenue is not capped by Proposition 2½ and is therefore essential to help fund the increasing costs of local government and mitigate the Town’s “structural gap” between municipal revenues and expenses. Finally, \$6,380,745 will be added to the tax levy from voter approved “Debt Exclusion” overrides to fund school construction projects. This includes the costs of principal and interest on debt issued for prior school projects, the new Coolidge Corner School project, the recent Brookline High School project, and the acquisition of the Oak Street properties recently authorized as part of the Baldwin school project. Preliminary design costs for the three elementary school projects; Driscoll, Baldwin and Pierce have been funded within the levy.

Overall, the property tax will increase by 6.7% in FY 2020, driven largely by the impact of the Tax Override and Debt Exclusions passed by Brookline’s citizens. Encouraging prudent economic development is a key strategy to mitigate the impacts of property taxes on residents of the Town. In addition to the new revenue realized from commercial development, it is taxed at a higher rate than the residential rate. Finally, strategic commercial development creates residual revenue, such as meals taxes, and does not generate costly expenses for municipal services.

<u>PROPERTY TAXES</u>	
Prior Year Levy Limit	224,812,611
2 1/2 % Increase	5,620,315
New Growth	3,075,000
Debt Exclusion (Debt Service Costs)	6,380,745
(less) Excess Capacity	(389,563)
Annual Levy FY 2019	239,499,109

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. The prospect of new Marijuana taxes are also addressed in this section.

LOCAL RECEIPTS: This is the category of Town revenue that is generated through licenses, permits, and other fees for municipal services. In FY 2020, this category of revenue represents 10% of all Town general fund revenue. We project that \$29,943,370 million will be generated from this category of revenue in FY 2020, representing less than 1% growth from FY 2019. Departmental Income at \$7,546,734 (mostly parking meter receipts) is the largest single category of revenue within Local Receipts. Other categories within Local Receipts include Motor Vehicle Excise Taxes at \$6,142,644, General Government (mostly building permits) at \$3,765,871, Parking and Court Fines at \$3,400,000, Local Option Taxes (hotel and meals excise tax) at \$3,081,858, the Refuse Fee at \$2,850,000, Licenses and Permits at \$1,170,775, the Payment in Lieu of Tax (PILOT) program at \$1,010,509 and Interest Income at \$974,977.

It is expected that Brookline's first adult use (recreational) marijuana establishment will open in 2019. The new state law authorizing non-medical sales of marijuana allows host communities to levy a 3.0% excise tax on non-medical sales. The Town currently receives \$350,000 in "host community" revenue for an existing medical marijuana dispensary that is applied as general revenue. It is projected that a 3% tax on recreational marijuana sales will eventually generate more than double this amount. Due to the uncertainty of when and how this new commercial market will roll out, we are being very conservative with projecting new marijuana excise tax revenue for FY 2020. We will continue projecting the current amount of \$350,000 in marijuana revenue in FY 2020, deferring the projection of higher amounts until FY 2021 when the Town has committed to increasing non-property tax revenue as part of the three-year Override plan. In addition to the 3% excise tax on sales, the new law allows the Town to assess up to 3% of sales revenue as "impact fees". Since the expenditure of these fees are limited to specific impacts from marijuana sales, and because the period of time that these impact fees may be allowed, we will defer additional projections for this item until operations commence.

STATE AID: This category of revenue represents general and programmatic aid provided to the Town from the Commonwealth of Massachusetts. In FY 2020, we project this aid to represent about 7% of the Town's general revenue. At \$22,307,826, FY 2020 State Aid is a slight increase over FY 2019. After several years of expansion, the Town's Chapter 70 Education Aid program will grow by only 1.0% in FY 2020. Now that the State has reached its minimum funding commitment to Brookline of 17.5%, our Chapter 70 allocation will effectively be limited to \$20 more per pupil, translated as a "Minimum Aid" community. The Town believes the Chapter 70 formula does not adequately reflect the costs incurred by cities and towns in public education. We support the Governor's budget that adopted some reforms proposed by the Foundation Budget Review Commission and hope that the Legislature will act more aggressively in areas such as the cost of employee benefits and the cost of providing special education benefits. Unfortunately, given the need to spend most of the State's funding on poorer urban school districts, it is unlikely that the Town of Brookline will benefit substantially by any Chapter 70 reforms.

As part of its commitment to share general revenues with Massachusetts cities and towns, the Baker administration has again proposed to increase general government aid (Unrestricted General Government Aid) at the same rate that state general revenues increase. In FY 2020, this aid will increase by a modest 2.7%. As this Financial Plan is being finalized, reports from Beacon Hill are that state tax revenue are not meeting expectations over the first half of FY 2019. We have assumed the Governor's proposed state aid numbers in this Budget, but will monitor the progress in the Legislature carefully throughout the budget process leading to Town Meeting in May.

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 2019, the State certified \$11.8 million in Free Cash that was available for appropriation in FY 2020. Of this amount, the Town will appropriate \$9.1 million, leaving \$2.6 million unappropriated to meet our Unreserved Fund Balance policy ensuring that at least 10% of general revenue will be maintained in reserve. \$6,719,184 will be used to fund Capital Improvements and the remainder will be used to fund various special reserve accounts of the Town, including a one-time appropriation to bolster the Workers Compensation Trust Fund. 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.

Free Cash Certification	\$11,881,257
1. Operating Budget Reserve (25% of Operating Budget Reserve)	\$672,373
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)	\$389,700
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)	\$4,026,741
5. Affordable Housing Trust Fund (since Fund Balance below \$5M)	\$0
Sub-Total	\$7,688,814
Amount available for Special Use (#6)	\$4,192,443
<u>6. Special Use:</u>	
Additional CIP	\$2,692,443
OPEB's	\$600,000
Driscoll School Schematic partial funding 12/13/18 STM	\$200,000
Pension Fund	\$300,000
Worker's Comp Trust Fund	\$200,000
Affordable Housing Trust Fund	\$200,000

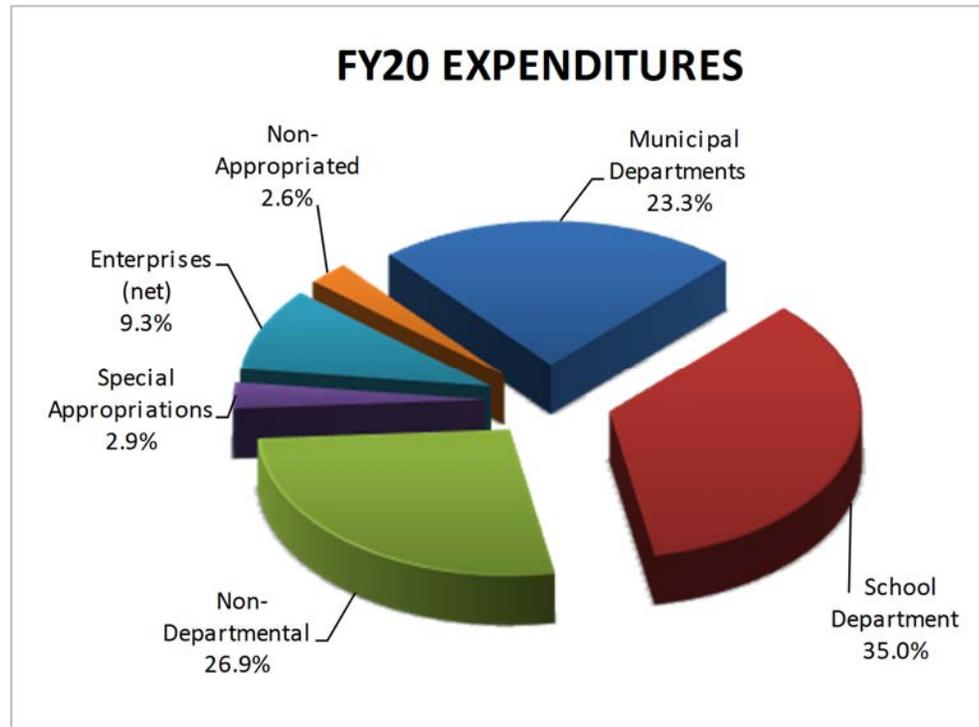
OTHER AVAILABLE FUNDS: This category of revenue mainly accounts for an allocation from the Town’s Enterprise Funds or other self-supporting funds to support general government operating expenses. Revenue generated by the Water/Sewer program, the Lynch Golf Course and the Recreation Revolving Fund is 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.

Overall, \$2,972,678 in revenue is projected to be generated from Other Available Funds in FY 2020. This is down 34.6% from FY 2018, mainly due to the one-time use of Parking Meter receipts, which is available due to the conversion of this revenue item to a local receipt in FY 2018. The remaining balance in the Fund will be used for Future Year Capital Improvements Program.

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 77.3% of its costs (with general tax supporting the remaining 22.7%). In FY 2020, the Enterprises category projects \$31.3 million, or a 1.8% increase over FY 2019. All revenue generated from enterprises is accounted for separately and is offset by the same amount of expenditures for these activities, ensuring that there is no financial impact on the Town’s General Fund.

In FY 2020, we will be submitting to the Select Board shortly a water and sewer rate plan necessary to meet the projected revenue requirements. This advances the traditional rate setting process in order to coordinate the policy implications of rate setting with the budgeting process.

EXPENDITURES



The Expenditures category of the Town’s budget is comprised of six sections; Municipal Departments, the School Department, Non Departmental, Special Appropriations, Enterprises and Non-Appropriated. Overall, expenditures in the FY 2020 Budget are \$335,352,327, up by \$14,827,206 for an increase of 4.6% over FY 2019. FY 2020 represents Year 2 of a three-year tax override plan that was approved by Brookline’s voters last May. Year 2 of the override plan allocates an additional \$3.3 million in property taxes to the School Department’s budget. The following is a summary of the FY 2020 recommendations to each category of Expenditures.

MUNICIPAL DEPARTMENTS: The total amount of all municipal department budgets is recommended to be \$78,134,452 in FY 2020, or an increase of 2.5% over FY 2019. This amount includes a reserve to cover collective bargaining agreements with the Town’s various municipal unions.

As mentioned in the Introductory section of this Budget Message, the FY 2020 Budget is constrained by the likelihood of an economic downturn along with other expenses that are growing higher than average. In FY 2020, we are projecting the cost of employee health insurance to increase by 5.0% and the actuarial funding requirement of our pension system to increase by 7.2%. We must also absorb a 22.8% increase in the cost of solid waste disposal/recycling in response to a collapse of global markets for recyclable products. Operational costs in expanding our digital parking meter inventory is also constraining funding capacity for municipal departments. As a result, my recommendations for expenditures in municipal departments reflects a conservative approach, maintaining existing staffing levels and expenses. Most budget increases are limited to step increases and impacts of prior collective bargaining agreements on municipal wages and a small inflation factor for some expense accounts. Each year, our budget process includes an opportunity for department heads to propose expansions or additional investments that can produce enhanced and/or more efficient service delivery. In FY 2019, the tax override initiative provided \$701,783 in budget capacity to fund some of these departmental initiatives. In FY 2020, I have been unable to identify any available funding for enhancements, despite some very thoughtful and interesting proposals. In the event that additional funding capacity becomes available in advance of the Town Meeting appropriation process, I intend to give further consideration to fund some or all of the following budget proposals;

- An additional Building Inspector position (\$80,785).
- An additional Fire Lieutenant position assigned to the Fire Prevention division (\$90,000).
- Additional staffing for the Park Ranger program to enforce park regulations and the Green Dog program (\$67,535).
- Additional clerical staffing in the Town Clerk's office to meet expanding needs, including the coordination for compliance with the new public records law (\$25,180).

In addition, new revenue from host community agreements with prospective adult use marijuana establishments will provide a dedicated source of funding that is limited to addressing community impacts from this new enterprise. At this time, we are not building into the FY 2020 Budget any additional host community revenue above the current revenue from an existing licensed medical marijuana dispensary. In the likely event that one or more adult use marijuana licenses becomes active in FY 2020, we shall conduct a process to determine how the community impact fee from those operations shall be allocated. This revenue will be available to fund public health education and response programs for substance abuse, to assist in the enforcement of provisions of the new law and to mitigate other impacts that may emerge from this new and uncertain commercial activity.

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 \$117,235,691 in FY 2020, an increase of 5.9% over FY 2019. This amount is inclusive of all salary and wage adjustments for teachers and other school employees. This budget amount is derived by applying the Town School Partnership formula plus \$3,300,000 in budget capacity from the three year tax override plan approved by Brookline voters in May of 2018.

Since Town voters approved the three-year operating override in May 2018, both the revenue and expense outlooks have changed, placing additional pressure on the School Department to present a balanced budget. They include; 1.) Reduced townwide revenue projections, 2.) Revenue from revolving funds and other sources of revenue, including transfers and offsets, are no longer available, and 3.) Unanticipated increases in mandated special education expenses, mainly a 27% increase in out-of-district tuition expenses.

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

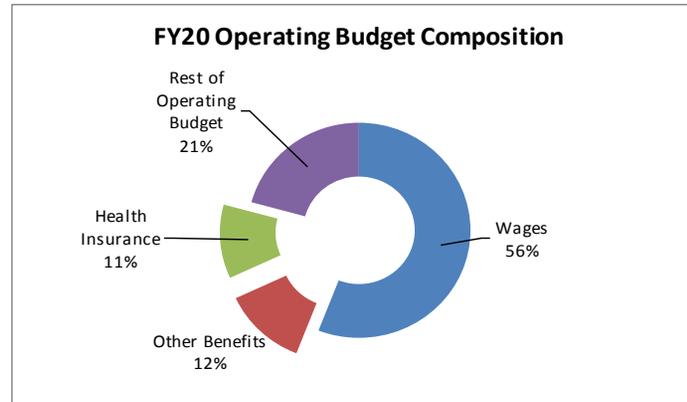
NON-DEPARTMENTAL: This category of Expenditures is a large component of the Town's Budget, including such fixed costs as pensions, health insurance, other insurances and debt service. It also covers the Reserve Fund, which is the account administered by the Advisory Committee to cover any emergency or unforeseen expenses that occur throughout the year, including snow and ice removal expenses. While this category is not assigned to a particular department, its costs are assigned to Municipal or School departments and is part of the Town School Partnership formula when allocating new revenues.

Overall, this category of expenditures is recommended to be funded at \$90,117,382 in FY 2020, an increase over FY 2019 of 8.6%. 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 annual increases of 7.85% through 2030, at which time the Town will have eliminated the unfunded portion of the liability. For FY 2020, the funding schedule calls for an appropriation of \$24,915,433, representing a \$1,740,668 increase over FY 2019. In an effort to provide additional funding to support this liability, we have also allocated \$300,000 from available Free Cash.

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. An unfunded liability 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. This includes annual funding from the Town's general revenues, contributions from self-supporting revolving and enterprise funds and an allocation from Free Cash. For FY 2020, we are recommending a total appropriation to the OPEB Trust Fund, of \$4,781,980, an increase of 4.6% over FY 2019. The OPEB liability has become an important factor in disclosing the fiscal health and credit worthiness of a municipality. The Government Accounting Standards Board (GASB) has initiated Statement #74, which requires disclosure of the OPEB liability in a municipality's financial statements. This new requirement, combined with the credit rating agency's attention, make the OPEB liability a major factor in the Town's long term fiscal health. The latest net OPEB liability on the Town's FY 2018 financial statements is \$262,732,400.

Employee Health Insurance- The Town is obligated to provide health insurance to permanent employees (and their families) 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, resulting in a composite projected rate increase for FY 2020 of 3.3%. However, this is a statewide average for all plans. It is our experience that Brookline's rate increase will be higher than the average given our proximity and access to the expensive teaching hospitals in Boston and the type of plans selected by our employees. In addition, we always build in a cushion to account for possible increases in enrollment or type of plan. As a result, we have projected an overall 5.0% rate increase in health insurance costs in the Town's Budget. We will consider modifying this projection when the detailed rate increases for all GIC plans is released at the end of February.



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 2020, the direct appropriations to fund capital projects is \$9,788,054. 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 the annual budget appropriation is discussed in the CIP Section of this document.

DEBT SERVICE: Another expense within the Non-Departmental category is the Town's obligation to repay debt, which is the cost of principal and interest charged on the issuance of municipal bonds. Incurring debt is an accepted mechanism to amortize 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 2020, the Town will fund a total of \$19,508,837 in debt service, up by 25% from FY 2019 due to the borrowing for the Coolidge Corner School project and the first phase of the High School expansion project (including the acquisition of the 111 Cypress Street property).

Since the debt for these projects have been excluded from the limitation on tax increases imposed by Proposition 2½, the percentage of the Town's Budget devoted to financed capital projects will be 10.9% in FY 2020, exceeding the 4.5% target.

With planning for expansion of the Driscoll School and a "9th" elementary school at Baldwin well underway, the Town will present a financing plan outside of the Proposition 2½ tax levy limitation for as early as the spring of 2019. As mentioned in the Introductory section of this Message, the capital costs of school building expansion and renovation is placing a high financial burden upon the Town and its next generation of residents. The Coolidge Corner and High School projects have already been financed with long term bonds, while the Driscoll and Baldwin projects are nearing Town Meeting and voter approval as early as this spring. The final project in the queue is the Pierce School. This project will be very complex and expensive given the density of the neighborhood and the sprawling and open nature of the existing complex. Fortunately, the project will receive state funding assistance, which is likely to offset about 25% of the cost to the Town. Finally, just weeks ago the Town was presented with a potential opportunity to acquire all or a part of the Newbury College campus on Fisher Hill, which will cease operations this summer. This is yet another project that would add to the debt and tax levy of the Town. It is essential that the Town assess the financial impacts of this accumulated capital investment and work to create funding solutions that mitigate the property tax burden as much as possible.

ENTERPRISES: The Town's FY 2020 Budget includes \$34.4 million in expenses related to business type enterprises of the Town. It is the Town's policy to recover 100% of the costs associated with these activities through fees or other charges to users rather than through the general tax levy. The Town's formal enterprises include the water/sewer utility and the golf course. A recreation revolving fund is a similar but separate accounting mechanism. The water/sewer and golf course operations are fully funded through fees and charges while the recreation programs are subsidized 22.7% 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, since these expenses must be funded in the Town's Budget, they are fully disclosed and accounted for in this Financial Plan. State and county assessments at \$6,825,698 are the largest part of this category, of which the \$5.4 million assessment to the MBTA represents the major share. As the Town's assessment to Norfolk County has surpassed \$1 million (\$1,042,646 in FY 2020), it is time again to seek reform of this unreasonable financial burden on the Town. Most other counties in Massachusetts have been abolished and their costs assumed by state government. Furthermore, the Town of Brookline has the highest assessment of all 28 Norfolk County municipalities, despite its geographic distance from county facilities and services.

Another expense that is covered in the Non-Appropriated category is the Tax Overlay account at \$1,806,742. 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 2020 POLICY ISSUES AND INITIATIVES

The Financial Plan is a legal 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 2020 budget process.

Federal Government Funding- Last year, I wrote about the issues surrounding federal immigration policy, and how the federal administration's expectations for local government to support civil detention for immigration violations contradicted the Town's "sanctuary" policies for treating all residents and visitors to Brookline equally without regard to national origin or immigration status. This contradiction continues to play out in the federal government's use of grants in aid to leverage local government's compliance. Currently, Department of Justice grants to assist our Police Department in enforcing crime are in jeopardy due to this policy disagreement. This year, I must also comment on the political crisis in Washington DC that resulted in a partial shutdown of federal government operations for several weeks. The Town is reliant upon federal aid including the Community Development Block Grants, Title 1 and IDEA Education funding, Department of Justice and Department of Homeland Security grants. Shutdowns or other interruptions of federal government operations place this funding at risk. Unfortunately, this political crisis is likely to continue for the foreseeable future.

Solid Waste and Recycling- The implementation of a Pay as You Throw system in Brookline has been a great success. Solid waste tonnage is down and recycling rates are up. Unfortunately, global economic forces are depressing the market for recycled products, creating a glut of recycled material. Led by China's policy to restrict "contaminated" recycled products from the United States and elsewhere, the cost of collecting and processing recycled materials is increasing dramatically. For FY 2020, we are increasing our costs for this service by \$450,000, or an increase of nearly 23%.

This crisis cannot be solved locally. All levels of government and private industry must work together to balance the need for practical recycling systems, including single-stream recycling, with the need to limit contamination and excessive processing of the recycled products. Investment in technologies to reuse recycled materials and more aggressive limitations on excess packaging at the retail level is essential to avoid having to dispose of these products in less environmentally productive ways.

Fiscal Policies- The Town prides itself on conservative budgeting and adhering to fiscal policies that are considered industry best practices. Brookline enjoys its premier Aaa bond rating in large part due to this fiscal discipline. However, any high performing organization requires a periodic review of its financial policies and practices to see if they remain relevant and represent best practices in the evolving nature of public financial management. The Town is also committed to the use of performance data and benchmarking in making the best decisions possible for allocating constrained tax revenue and improving the quality of its services. With this in mind, and with the backdrop of frequent tax overrides facing the Town’s residents to fund operations and capital investment, the Select Board decided to establish a Fiscal Policy Advisory Committee (FPAC). The FPAC has already begun meeting and mapping out its work plan. We welcome this critical review and look forward to the Committee’s findings and recommendations.

Buildings Management- Expansion of Town and School buildings, combined with more complex and costly technology, has placed a strong burden on the Public Buildings division of the Buildings department. A prior study of the division’s assets and needs acknowledges the necessity to add funding and staffing over time. This is exacerbated by a tight labor market that has made retaining and attracting tradespersons difficult. The nature of building maintenance provides great opportunities for measuring effectiveness and performance, and we hope that use of this data will help guide the Town in the most effective way to add capacity to this function.

In addition to ensuring that buildings are operated cost effectively, the use of certain buildings demands attention to their safety. This is certainly the case with school buildings, which house our youngest and most vulnerable residents. Recently, the Town has focused its attention on the health of our fire stations. With fire vehicles and contaminated equipment sharing space with the living quarters of the Town’s firefighters, it is essential that these spaces are effectively separated and maintained in a way that avoids cross contamination. A strong body of research is developing that is informing the way that Fire Stations are designed and managed. This is a challenge given the age and construction of Brookline’s fire stations. As a first step, the Town has recommended in the CIP a study that will guide the cleaning and renovation of fire stations in a manner that will keep our firefighters safe and minimize unhealthy conditions.

Marijuana Sales Licensing- The Town of Brookline is on the verge of hosting its first non-medical retail store for the sale of marijuana. This is a controversial new industry in Massachusetts, complicated by the federal government’s designation of marijuana as an illegal “Schedule 1” drug. The residents of Brookline voted overwhelmingly for statewide legalization and our Town Meeting established a comprehensive zoning and regulatory system for retail sales within the community.

The Town adopted the maximum 3.0% excise tax on non-medical sales and negotiated Host Community Agreements that ensure dedicated funding for mitigation activities. The Town is allowed to host up to four retail stores, and there has been active interest in securing all of these licenses. Still, the new industry is moving slowly and certain neighborhoods are less accepting of the uncertainty that this land use might bring. At the current time, the Town is uncomfortable with increasing revenue projections from marijuana operations above the amounts we currently receive from hosting the NETA medical marijuana dispensary in Brookline Village. It is expected that more substantial and predictable revenue estimates from this new activity will be realized in FY 2021.

Housing and Economic Development- For the last few years, the Town has been overwhelmed with proposals to develop residential housing throughout the community. Developers have utilized a state program (Chapter 40B) that allows exemptions from Town zoning by-laws when a development will incorporate a percentage of housing with affordable units. This is a controversial method of development, as projects take advantage of exemptions to zoning to site larger and denser buildings than the underlying character of the neighborhood. Chapter 40B ceases to apply when a community reaches the goal of having at least 10% of its housing units affordable (as defined by the state's Subsidized Housing Inventory). Fortunately, Brookline is nearing its 10% goal and has also received temporary relief through "safe harbor" status in recognition for making significant progress towards the 10% goal. Still, hundreds of housing units are in the process of being constructed, which is transforming many neighborhoods. An exciting project that is 100% affordable is being developed by Jewish Community Housing for the Elderly (2Life Communities) adjacent to the Kehillath Israel center.

Recently, the state legislature enacted a law to formalize and regulate the short term rental of residential property made famous through the Airbnb service. This will enable communities that host such rental properties with a 6% excise tax similar to the current hotel (room) tax. Although short term rentals are not explicitly allowed in Brookline's zoning by-laws, it is likely that a proposal will be advanced at Town Meeting this spring that formalizes this popular service consistent with the new state law, thereby creating opportunities for expanded excise taxes.

Efforts to promote economic development have proven successful, taking advantage of a robust economy and Brookline's unique location and access to public transit. Led by the Town's Economic Development Advisory Board (EDAB), the Town has seen significant development projects underway or planned in Brookline Village, Cleveland Circle and Coolidge Corner, contributing to enhanced tax revenue and public amenities that were negotiated in exchange for zoning relief. As has been stated several times, commercial development has many advantages.

With a dual (higher) rate of taxation for commercial properties, economic development is a key strategy in mitigating the impacts of property taxes on residents of the Town. Strategic commercial development creates residual revenue, such as hotel and meals taxes, and tends to attract other business activity and vitality. Finally, commercial land uses tend to generate less demand for costly municipal services. The Town is excited to pursue EDAB's latest initiative in planning the development of the Route 9/Boylston Street corridor.

School Facility Expansion- Much has been written about the Town's lengthy and controversial journey to site a "9th" elementary school to accommodate the influx of school students in Brookline. The difficulty in securing an acceptable site for a 9th School has led back to the "expand in place" philosophy that utilizes existing school land and buildings to create sufficient classroom capacity. The result of this decision is a three-pronged approach of expanding the existing Driscoll School, building a new (but smaller) 9th school on the site of the former Baldwin School and renovating the Pierce School with the assistance of the Massachusetts School Building Authority. The Baldwin decision remains highly controversial, despite a two-thirds vote at Town Meeting for preliminary funding actions. A lawsuit and related efforts by opponents to disqualify the project due to adjacent parkland protections continues to create uncertainty for the timing of this project. Needless to say, the financial burden of the cumulative debt for these projects is daunting, especially on top of debt already authorized for the Coolidge Corner School and Brookline High School projects.

The Town is also evaluating the merits of making a bid to acquire all or a portion of the soon to be former Newbury College campus. While this consideration is not limited to any particular use, there is growing support for the ability of the Town to plan its future by acquiring strategic parcels of land for its long term benefit. A special committee has been established to help the Select Board consider this opportunity and to strategize on options for acquisition.

Legal Capacity for Labor Relations- The Town has decided to fund an in-house capacity to handle labor relations and personnel matters through its Legal department, lessening the need to privately contract for these professional services. The infrastructure in the Legal department will be expanded slightly to accommodate this new capacity, and we expect to reduce contractual services costs over time as this system matures. As a service organization, most of the Town's costs and assets are invested in its employees. We believe more timely and dedicated attention to employee matters and the labor relations process will result in more cost efficiency and less productive litigation.

Energy and Carbon Reduction- While the Town has long been a leader in cost effective procurement of energy and reduction in usage through energy conservation and new technologies, a new effort has taken hold that pushes the boundaries of the Town’s energy goals. Spurred by the warming of the planet and motivated by Town Meeting commitments to meet aggressive carbon reduction goals, the Select Board has been encouraged to take on more ambitious goals for reducing the Town’s carbon footprint. While a Town Meeting Resolution adopted in 2017 seeking “net zero” energy design for its school projects was just taking hold, a new goal of eliminating the Town’s use of fossil fuels to power and heat its buildings and vehicles has been adopted. Already, more aggressive efforts are underway in designing our newest schools to employ non-fossil energy sources and delivery systems. It is expected that procurement of the Town’s heat and electricity, along with vehicles that consume fuel, will include options for renewable energy. It is essential that these decisions are evaluated with a full “life cycle” approach, taking into consideration both short and long term financial implications of these decisions.

LONG RANGE FINANCIAL PLANNING

The 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 financial 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 2020 – 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 re-development at the former Circle Cinema site (\$575K in FY 2020, the new hotel at 25 Washington Street (\$400K in FY 2021, \$300K in FY 2022), and by the re-development of 1 and 2 Brookline Place (\$700K in FY2020, \$950K in FY 2021, \$200K in FY 2022).
-
- For State Aid in FY 2020, full use of the Governor's proposal. For FY 2021 - FY 2023, annual 2.5% increases in Ch. 70 and Unrestricted General Government Aid (UGGA).
-
- For Local Receipts, FY 2020 reflects an increase of \$164,783 (.6%). In FY's 2021-2025, limited growth is expected (approximately \$300,000 / yr, or 1%).
- Use of Free Cash continues to follow the Town's Free Cash Policy, as recently updated by the Selectmen in 2011.

- A 2% wage increase for all years for all Town unions, except for FY2021 where a 2.5% increase has been bargained for some units. Step increases of \$250,000 for Town Departments. Steps, lanes and collective bargaining increase combined at 5% for the School Department offset by \$675,000 of annual turnover.
- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$300,000 for the School Department and \$250,000 for Town departments).
- Annual utility increases of \$150,000.
- Annual Special Education growth of \$775,000 - \$800,000.
- Enrollment growth cost increases of \$1.4 and \$1.2 million for FY2021 and FY2022.
- For FY 2020, a Health Insurance rate increase of 5% and an increase in enrollment of 51. For FY's 2021-2025, 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's 2020 and 2021)
- 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 2021 primarily for the Schools, starting at \$5.3 million in FY 2021 and reaching \$22 million by FY 2024. 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
FY2020 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
REVENUE					
Property Taxes	239,499,109	253,112,657	266,087,957	274,158,158	282,427,894
Local Receipts	29,943,370	30,497,928	30,787,995	31,088,783	31,390,409
Motor Vehicle Excise (MVE)	6,142,644	6,265,497	6,390,807	6,518,623	6,648,995
Local Option Taxes	3,081,858	3,393,495	3,461,365	3,530,593	3,601,204
Licenses & Permits	1,170,775	1,170,775	1,170,775	1,170,775	1,170,775
Parking / Court Fines	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
General Government	3,765,871	3,826,584	3,862,807	3,899,549	3,936,819
Interest Income	974,977	999,351	1,024,335	1,049,943	1,076,192
PILOT's	1,010,509	1,030,719	1,051,333	1,072,360	1,093,807
Refuse Fee	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000
Departmental & Other	7,546,736	7,561,507	7,576,573	7,596,941	7,612,615
State Aid	22,307,826	22,849,605	23,404,929	23,539,474	24,122,912
General Government Aid	6,825,378	6,993,922	7,166,680	7,343,756	7,525,260
School Aid	15,366,003	15,739,238	16,121,805	16,079,273	16,481,207
Tax Abatement Aid	29,174	29,174	29,174	29,174	29,174
Offset Aid	87,271	87,271	87,271	87,271	87,271
Other Available Funds	3,188,731	3,164,001	3,292,564	3,428,568	3,572,483
Walnut Hill Cemetery Fund	100,000	100,000	100,000	100,000	100,000
Reimb./Pymts from Enterprise Funds	2,617,704	2,621,877	2,728,858	2,841,930	2,961,475
Reimb. from Rec Revolving Fund	471,027	442,124	463,705	486,638	511,009
Capital Project Surplus	0	0	0	0	0
Free Cash (for Appropriation)	9,081,257	5,000,000	4,775,000	4,925,000	5,075,000
TOTAL REVENUE	304,020,292	314,624,191	328,348,445	337,139,983	346,588,698
\$\$ Increase	12,908,120	10,603,899	13,724,254	8,791,538	9,448,714
% Increase	4.7%	3.5%	4.4%	2.7%	2.8%

**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

BUDGET MESSAGE

	2020	2021	2022	2023	2024
EXPENDITURES					
Departmental	77,024,454	78,972,900	81,172,219	83,131,146	85,129,921
Personnel	56,272,296	57,607,296	59,272,296	60,687,296	62,132,296
Services	10,851,430	11,122,716	11,400,784	11,685,804	11,977,949
Supplies	2,272,556	2,329,370	2,387,604	2,447,295	2,508,477
Other	582,482	597,044	611,970	627,269	642,951
Utilities	4,672,660	4,972,660	5,122,660	5,272,660	5,422,660
Capital	2,353,030	2,323,814	2,356,905	2,390,823	2,425,589
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Coll. Barg. - Town	1,110,000	1,440,000	1,190,000	1,220,000	1,240,000
Schools	112,433,045	118,776,140	125,603,896	131,484,896	137,645,896
Coll. Barg. - School	4,802,645	5,430,000	5,710,000	5,990,000	6,290,000
Non-Departmental - Benefits	66,499,951	70,899,207	75,533,910	81,023,491	86,909,684
Pensions	24,915,433	26,512,211	28,593,420	30,838,004	33,258,787
Group Health	31,712,136	34,514,909	36,580,738	39,324,293	42,273,615
Retiree Group Health Trust Fund (OPEB's)	4,781,980	4,431,980	4,681,980	4,931,980	5,181,980
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	2,050,000	1,896,250	1,943,656	1,992,248	2,042,054
Public Safety IOD Medical Expenses	0	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	2,609,403	2,784,233	2,970,776	3,169,818	3,382,196
Non-Departmental - General	1,419,100	936,883	961,584	977,740	999,604
Non-Departmental - Debt Service	19,508,837	23,283,505	28,388,844	30,829,981	30,256,136
General Fund	19,508,837	23,283,505	28,388,844	30,829,981	30,256,136
Non-Departmental - Reserve Fund	2,689,494	2,798,136	2,900,550	2,991,788	3,076,036
Tax Supported	2,017,120	2,098,602	2,175,413	2,243,841	2,307,027
Free Cash Supported	672,373	699,534	725,138	747,947	769,009
Special Appropriations	9,788,055	8,401,061	8,279,829	6,524,258	7,736,934
Tax Supported	3,068,871	4,182,342	4,304,400	2,409,437	3,485,274
Free Cash Supported	6,719,184	4,218,719	3,975,429	4,114,821	4,251,660
Other	0	0	0	0	0
Non-Appropriated	8,744,711	8,952,128	9,164,731	9,382,650	9,606,016
State Assessments	6,825,698	6,987,947	7,154,252	7,324,715	7,499,440
Cherry Sheet Offsets	87,271	87,271	87,271	87,271	87,271
Overlay	1,806,742	1,851,910	1,898,208	1,945,663	1,994,305
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	304,020,292	319,889,959	338,905,563	353,555,949	368,890,227
\$\$ Increase	12,908,120	15,869,667	12,767,698	14,562,646	14,430,867
% Increase	4.7%	5.2%	4.0%	4.3%	4.1%

**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
CUMULATIVE SURPLUS/(DEFICIT)	0	(5,265,768)	(10,557,118)	(16,415,966)	(22,301,530)
DEFICIT AS A % OF OP REV	0.0%	-1.7%	-3.2%	-4.9%	-6.4%
Surplus / (Deficit) Prior to Collective Bargaining	5,912,645	1,604,232	6,900,000	7,210,000	7,530,000
Town Share of Surplus / (Deficit)	1,110,000	117,428	(1,083,861)	(2,134,602)	(1,539,166)
Town Collective Bargaining	1,110,000	1,440,000	1,190,000	1,220,000	1,240,000
Total Town Surplus / (Deficit)	0	(1,322,572)	(2,273,861)	(3,354,602)	(2,779,166)
School Share of Surplus / (Deficit)	4,802,645	1,486,804	(2,573,257)	(7,071,363)	(13,232,363)
School Collective Bargaining	4,802,645	5,430,000	5,710,000	5,990,000	6,290,000
Total School Surplus / (Deficit)	0	(3,943,196)	(8,283,257)	(13,061,363)	(19,522,363)

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. Over the last 10 years (FY10 - FY19), the Town has authorized expenditures of \$541 million, for an average of \$54 million per year. These efforts, which have been supported by the Select Board, the Advisory Committee, Town Meeting, and, ultimately, the taxpayers of Brookline, have helped address a backlog of capital projects. This has allowed for the creation of additional classroom spaces necessitated by the surge in enrollment, dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investments 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. On June 13th, the Town completed its third study since 2013 on selecting a site for a new school. The Select Board and School Committee approved moving forward with expanding the Baldwin School, expanding and renovating the Driscoll School, and renovating and possibly expanding the Pierce School. 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. Last year, such debt exclusion was approved for the replacement and enlargement of the High School.

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. The K-8 elementary schools have grown by 40% going from 3,904 students in 2006 to 5,482 students in 2017. 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.

The Town is in the midst of schematic design for the High School renovation and expansion project as well as schematic design for the Baldwin and Driscoll School projects. The Town was informed in December that the MSBA invited the Pierce School into the eligibility period. As presented, this proposed \$267.6 million six-year CIP includes estimates for the Baldwin School and Driscoll School projects, but does not include an estimate for the Pierce School project beyond the feasibility/schematic design phase. A Debt Exclusion Override is assumed for all three projects. The Classroom Capacity item in FY2020 continues to cover the leases at the temples, 62 Harvard, and 24 Webster Place (\$1,450,000) with very limited funding to modify smaller spaces in existing buildings.

The recommended FY2020 – FY2025 CIP calls for an investment of \$267.6 million, for an average of approximately \$44.6 million per year, and follows the Town’s CIP and Free Cash policies for projects inside the levy limit. 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 (FY10 - FY19), the Town has authorized expenditures of \$541 million, for an average of \$54 million per year. These efforts, which have been supported by the Select Board, the Advisory Committee, Town Meeting, and, ultimately, the taxpayers of Brookline, have helped address a backlog of capital projects. This has allowed for the creation of additional classroom spaces necessitated by the surge in enrollment, dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investments in technology and energy efficiency.

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 \$28M of specific park projects included, as shown in the table below:

	Total	Prior Year (FY19)	FY2020		FY2021		FY2022		FY2023		FY2024		FY2025		Future Years	
			Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC		
<u>Parks and Playgrounds</u>																
Amory tennis courts, Parking and Halls	1,700,000											1,700,000	B			
Cypress Playground/Athl. Field	240,000	240,000														
Fisher Hill Gatehouse Safety and Struct	175,000															175,000
Harry Downes Field & Playground/Kraf	2,450,000	2,450,000														
Larz Anderson Park	12,400,000	2,700,000			2,200,000	B					2,500,000	B				5,000,000
Larz Anderson Park cash	1,025,000	425,000	600,000	A												
Murphy Playground	915,000						915,000	B								
Riverway Park	625,000															625,000
Robinson Playground	1,250,000		100,000	A	1,150,000	B										
Schick Playground	1,125,000				100,000	A	1,025,000	B								
Boylston St. Playground	1,350,000						110,000	A	1,240,000	B						
Griggs Park	1,120,000												1,120,000	A		
Soule Athletic Fields	1,900,000															1,900,000
Skyline Park Turf replacement and Par	1,980,000										180,000	A	1,800,000	B		

There is also funding allocated in FY2019 for a Traffic Calming/Safety Improvement project that calls will address intersection realignment on Woodland Road at the intersection with Laurel Road, intersection realignment on Woodland Road at the intersection with Heath Street (Pine Manor side), a new crosswalk with Rectangular Rapid Flash Beacon on Heath Street at Woodland Road, three raised speed humps on Woodland Road (Pine Manor side), a 20 mph Safety Speed Zone on the Beaver Country Day side, and other elements approved by the Transportation Board.

Current Funding for *Street Rehabilitation* account resumes the funding plan set prior to the infusion of one-time funds from the Parking Meter account. Ultimately the remaining balance in the Fund (\$1.3M) will be devoted to this account, but further appropriation is on hold pending progression of the Gateway East project as there may be unknown costs the Town may need to absorb as the project enters construction.

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.

In addition, the Fire Chief has requested additional funding for industrial cleaning and reconfiguration of spaces to mitigate potential hazards in the stations. The project would include industrial cleaning of all non-porous surfaces and all duct work, painting of all walls and ceilings (hard surfaces), replacement of all acoustic/porous ceiling tiles, replacement of all window treatments, replacement of all (soft) furniture in living areas, replacement of all beds and mattresses and the replacement of any fabric partitions. The Town and Fire Department are committed to implementing all reasonable actions necessary to reduce and/or mitigate those exposures within our span of control.

This type of project has been implemented in Boston, and requires further study to develop a plan that takes into consideration the limitations of our current station configurations. The Town will spend FY2019 funds to conduct a study, which will provide MEP/FP systems, Architectural, Cost Estimating, Code Consulting and HAZMAT guidelines for the Fire Department. The CIP will need to be adjusted after the Town gets the results from the study.

The CIP as presented includes estimates for work at each for HVAC and lighting/communication system improvements as follows:

Sta 4 (Rt. 9/Reservoir Rd)	\$50,000(FY20)
Sta 1 (Brookline Village)	\$550,000 (FY20)
Sta 7 (Washington Sq)	\$670,000 (FY21)
TOTAL	\$1,270,000

The Town has an excellent fire apparatus rehab/replacement schedule that calls for rehabbing engines every 10 years and ladders every 12 years and for replacing front line engines every 17 years and front line ladder trucks every 20 years. Engine #1 is scheduled for replacement in FY2023. Quint #4 is scheduled for Rehabilitation in FY2020, but the Fire Chief has recommended deferral in order to conduct an assessment that will allow the department to definitively establish the type and quantity of apparatus and personnel necessary for safe and efficient operations. Maintenance staff advised the Chief that given the current condition of the piece deferral would not significantly increase any future cost for maintenance. Rescue #1 is scheduled for rehabilitation in FY2024 and Engine #3 is scheduled for FY2025.

Some of the major projects proposed in the CIP include:

- Pierce School- 2M for Feasibility / Schematic Design
- Radio Infrastructure - \$4.5M (FY20-24)
- Larz Anderson - \$13.4M (FY20-25, Future Years)
- Classroom Capacity - \$9.8M (FY20-FY25)
- Skyline Park \$1.98M (FY25)
- Fire Station Renovations - \$1.7M (FY20-22)
- 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 Bldg Envelope/Fenestration Repairs - \$6.4 million
- Town/School Roofs - \$1.6 million
- Water & Sewer Infrastructure - \$8.2 million -- enterprise fund
- Town/School Energy Mgmt/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 2020 Budget represents the second year of a 3-year Override plan. The Budget is balanced based upon a realistic yet conservative projection of revenues and expenses. It meets the financial policies that the Town has established to address its short and long term obligations, ensuring that the Town can retain its Aaa bond rating. The Capital Improvement Plan programs a series of renovations, upgrades and major maintenance of the Town's infrastructure. The Town will need to carefully plan how to finance the major school projects it faces in a way that does not overburden taxpayers or overtake budget capacity that is needed for operations. We look forward to the efforts of the new Fiscal Policy Advisory Committee in evaluating this and many other issues facing the Town.

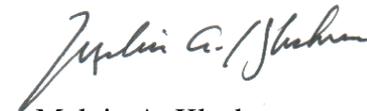
I wish to acknowledge the extraordinary efforts of my staff for assembling this Financial Plan document. Led by Melissa Goff, Deputy Town Administrator, and assisted by newly appointed Assistant Town Administrator Justin Casanova-Davis, this document is an outstanding tool to communicate the Town's priorities 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.

I also wish to thank those department heads of the Town and School and their respective budget staff for their efforts in preparing and defending reasonable budget requests. I sincerely appreciate their creativity and understanding during uncertain financial times.

Finally, special recognition must go to Timothy Sullivan, who will retire as Supervisor of Mailing/Printing after 41 years of service to the Town of Brookline. Among his many varied duties, Mr. Sullivan is responsible for assembling and printing this Financial Plan. We have sincerely appreciated Tim's patience, creativity and commitment with meeting deadlines and producing this award winning document. We will miss Tim's dedication to Brookline and his friendly demeanor.

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

FY2020 FINANCIAL PLAN SUMMARY

	FY2019	FY2020	INCREASE/DECREASE	
			\$	%
REVENUE				
General Fund Revenue	289,770,790	304,020,293	14,249,503	4.9%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	28,554,309 (2,314,117)	28,564,475 (2,318,020)	10,166 (3,903)	0.0% 0.2%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,772,700 (207,013)	1,884,446 (299,683)	111,746 (92,670)	6.3% 44.8%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	3,300,000 (351,549)	3,971,843 (471,027)	671,843 (119,479)	20.4% 34.0%
TOTAL REVENUE	320,525,121	335,352,327	14,827,206	4.6%
APPROPRIATIONS				
General Fund Operating Budget	269,893,880	285,487,527	15,593,646	5.8%
Non-Appropriated Budget *	8,897,045	8,744,711	(152,334)	-1.7%
<u>Revenue-Financed CIP Budget</u>	<u>10,979,868</u>	<u>9,788,054</u>	<u>(1,191,814)</u>	<u>-10.9%</u>
General Fund Total	289,770,793	304,020,292	14,249,499	4.9%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	28,554,309 (2,314,117)	28,564,475 (2,318,020)	10,166 (3,903)	0.0% 0.2%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,772,700 (207,013)	1,884,446 (299,683)	111,746 (92,670)	6.3% 44.8%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	3,300,000 (351,549)	3,971,843 (471,027)	671,843 (119,479)	20.4% 34.0%
TOTAL APPROPRIATIONS	320,525,121	335,352,328	14,827,206	4.6%
BALANCE	0	0	0	

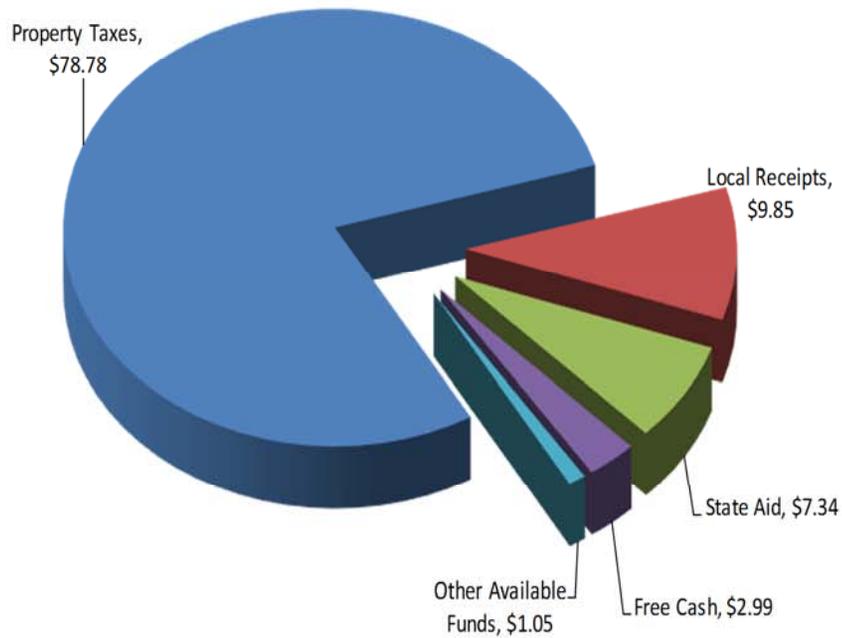
* State and County Charges/Offsets, Overlay, Deficits/Judgments.

FY2020 RECOMMENDED GENERAL FUND BUDGET SUMMARY

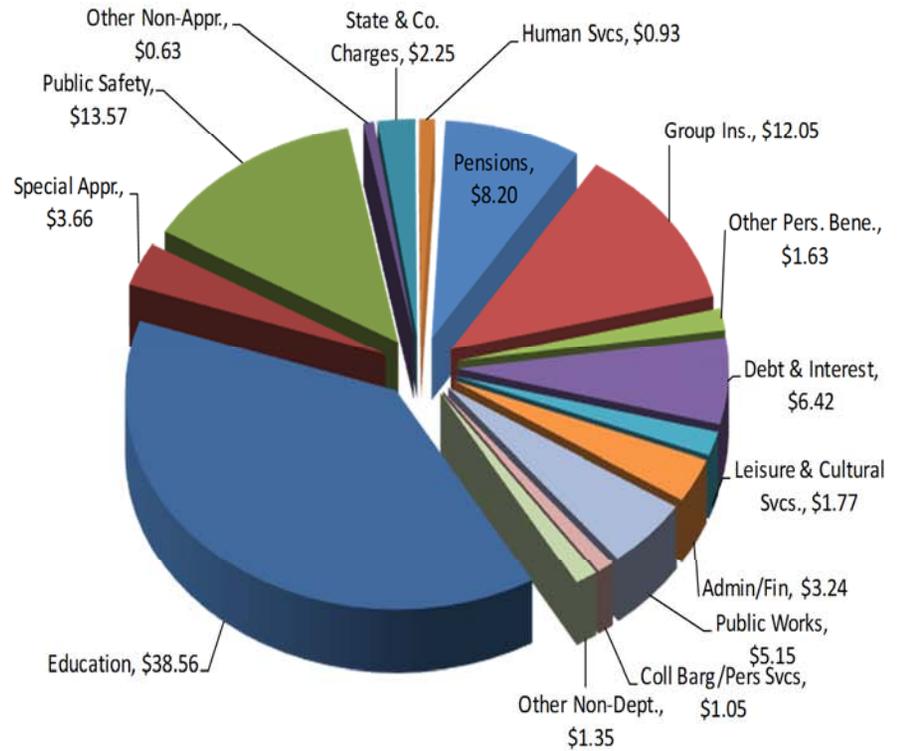
	FY2015 ACTUAL	FY2016 ACTUAL	FY2018 ACTUAL	FY2019 BUDGET	FY2020 BUDGET	INCREASE/DECREASE	
						\$	%
REVENUE							
Property Tax	195,049,924	204,064,199	211,374,488	224,490,479	239,499,109	15,008,630	6.7%
Local Receipts	29,377,154	28,648,804	36,277,400	29,778,588	29,943,370	164,783	0.6%
State Aid	18,837,306	19,658,441	20,352,973	22,112,759	22,307,826	195,067	0.9%
Free Cash	5,016,501	5,311,538	8,354,017	8,516,286	9,081,257	564,971	6.6%
Other Available Funds	6,895,644	7,840,067	3,050,446	4,872,678	3,188,731	(1,683,948)	-34.6%
TOTAL REVENUE	255,176,529	265,523,049	279,409,325	289,770,790	304,020,293	14,249,503	4.9%
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	6,319,715	6,393,642	6,492,524	6,592,747	6,825,698	232,951	3.5%
Tax Abatement Overlay	1,965,726	1,840,899	1,722,221	1,762,675	1,806,742	44,067	2.5%
Deficits & Judgments	25,000	13,583	25,000	453,123	25,000	(428,123)	-94.5%
Cherry Sheet Offsets	91,451	89,197	86,983	88,500	87,271	(1,229)	-1.4%
TOTAL NON-APPROPRIATED EXPENSES	8,401,892	8,337,321	8,326,728	8,897,045	8,744,711	(152,334)	-1.7%
AMOUNT AVAILABLE FOR APPROPRIATION				280,873,746	295,275,581	14,401,835	5.1%
APPROPRIATIONS							
Town Departments	68,442,342	71,730,450	72,437,441	76,244,277	78,134,452	1,890,174	2.5%
School Department	95,916,093	101,118,780	105,196,458	110,658,255	117,235,691	6,577,436	5.9%
Non-Departmental Total	63,465,863	63,465,863	75,163,554	82,991,348	90,117,382	7,126,034	8.6%
General Fund Non-Departmental	60,945,219	60,850,796	72,370,108	80,118,669	87,028,651	6,909,982	8.6%
Water and Sewer Enterprise Fund Overhead *	1,988,729	2,057,070	2,233,725	2,314,117	2,318,020	3,903	0.2%
Golf Enterprise Fund Overhead *	177,791	182,097	179,991	207,013	299,683	92,670	44.8%
Recreation Revolving Fund Overhead *	354,124	375,900	379,730	351,549	471,027	119,479	34.0%
OPERATING BUDGET SUBTOTAL	227,824,298	236,315,093	252,797,453	269,893,880	285,487,527	15,593,646	5.8%
Revenue-Financed CIP (Special Appropriations)	10,113,000	8,879,374	9,720,862	10,979,868	9,788,054	(1,191,814)	-10.9%
TOTAL APPROPRIATIONS	237,937,298	245,194,467	262,518,315	280,873,746	295,275,581	14,401,835	5.1%
BALANCE				0	0	0	

* 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 FY2020 GENERAL FUND OPERATING BUDGET

