

CAPITAL IMPROVEMENTS PROGRAM

Capital planning and budgeting is a critical undertaking for any government and is "central to economic development, transportation, communication, delivery of other essential services, and environmental management and quality of life", as stated in ICMA's *Capital Budgeting: A Guide for Local Governments*. In fact, without a sound plan for long-term investment in infrastructure, facilities, and equipment, a local government's ability to accomplish its goals is greatly hindered. Developing a financing plan for capital investments that fits within the overall financial framework of a community is of equal importance, as poor decisions regarding the use of debt can negatively impact a community's financial condition for many years.

In Massachusetts, the preparation of the annual Capital Improvements Program (CIP) is mandated by State statute. Massachusetts General Law Chapter 41 provides that the Planning Board shall annually prepare and submit a CIP. In Brookline's case, Chapter 270 of the Acts of 1985, special legislation known as the "Town Administrator Act", directs the Town Administrator to prepare and recommend an annual financial plan that includes a CIP. The Deputy Town Administrator and the Director of Planning and Community Development co-chair a working group of department heads that reviews and evaluates all project requests. A number of these requests arise from public input received by boards and commissions. A more detailed description of the CIP process can be found starting on page VII-3.

The Town has a set of formal CIP policies that define what a capital improvement project is, how projects are evaluated and prioritized, and how the CIP is financed. The complete text of these policies can be found in the Appendix of this Financial Plan. The table on the following page presents the indicators that are to be monitored per the Debt Management Policies portion of the CIP Financing Policies, along with other standard debt measurement variables.

INTRODUCTION

The financial underpinning of the Town's CIP is the policy that states an amount equivalent to 6% of the prior year's net revenue shall be dedicated to the CIP. This key policy places both a floor and a ceiling on the amount of debt supported by the tax levy that can be authorized, thereby limiting the impact on the Operating Budget. The goal is to have the 6% consist of both a debt-financed component and a revenue (or "pay-as-you-go") component, with 4.5% for debt-financed CIP and 1.5% for pay-as-you-go CIP.

In addition to the 6% policy, there is a Free Cash Policy, also included in the Appendix of this Financial Plan, that dedicates an amount of this revenue source to the CIP so that total CIP funding reaches 7.5% of prior year net revenue. In summary, the policy prioritizes the use of Free Cash so that (1) an annual Operating Budget Reserve is supported, (2) overall Fund Balance levels are maintained, (3) the Catastrophe and Liability Fund is maintained at recommended funding levels, and (4) the CIP reaches the 7.5% level*. This important funding source allows for the expansion of the pay-as-you-go component of the CIP. Without Free Cash, the Town would be unable to fund many of the projects being recommended. Lastly, from time to time, one-time revenues will be used to augment the CIP, such as the re-appropriation of surpluses from prior year CIP appropriations.

* The Free Cash policy also calls for a.) supporting the Affordable Housing Trust Fund under certain circumstances and b.) supporting other trust funds related to fringe benefits and unfunded liabilities related to employee benefits, if available.

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MEASUREMENT OF CIP FINANCING POLICIES & OTHER COMMON DEBT INDICATORS

VARIABLE	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Legal Limit for Outstanding Debt = 5% of Equalized Valuation (EQV) EQV for 1/1/16 = \$20.945 billion. Assume 2.5% annual growth. (In billions)	\$24.548	\$25.162	\$25.791	\$26.435	\$27.096	\$27.774	\$28.468
Outstanding Debt as a % of EQV	1.5%	1.4%	1.4%	1.3%	1.2%	1.1%	1.1%
General Fund Outstanding Debt as a % of EQV	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%
Net General Fund Outstanding Debt as a % of EQV	1.5%	1.4%	1.3%	1.3%	1.2%	1.1%	1.1%
Total Outstanding Debt (in millions)	\$371.2	\$362.1	\$353.8	\$340.1	\$326.8	\$313.7	\$303.3
General Fund Outstanding Debt (in millions)	\$363.1	\$354.4	\$345.9	\$334.2	\$321.8	\$309.6	\$303.3
Net General Fund Outstanding Debt (in millions)	\$362.3	\$353.8	\$345.6	\$334.2	\$321.8	\$309.6	\$303.3
Total Debt Service (in millions)	\$17.3	\$21.1	\$25.0	\$30.0	\$32.5	\$32.0	\$31.6
General Fund Debt Service (in millions)	\$15.5	\$19.3	\$23.1	\$28.2	\$30.7	\$30.1	\$29.9
Net General Fund Debt Service (in millions)	\$14.9	\$18.9	\$22.7	\$27.8	\$30.7	\$30.1	\$29.9
Total Debt Service Per Capita	\$294	\$360	\$425	\$510	\$553	\$544	\$537
General Fund Debt Service Per Capita	\$264	\$329	\$394	\$481	\$522	\$512	\$508
Net General Fund Debt Service Per Capita	\$255	\$322	\$386	\$473	\$522	\$512	\$508
Total Debt Service as a % of Revenue	6.0%	6.9%	7.9%	9.1%	9.6%	9.2%	8.9%
General Fund Debt Service as a % of General Fund Revenue	5.4%	6.4%	7.3%	8.6%	9.1%	8.7%	8.4%
Net General Fund Debt Service as a % of General Fund Revenue	5.2%	6.2%	7.2%	8.5%	9.1%	8.7%	8.4%
A. Total Outstanding Debt Per Capita as a % of Per Capita Income	9.7%	9.5%	9.2%	8.9%	8.5%	8.2%	7.9%
General Fund Outstanding Debt Per Capita as a % of Per Capita Income	9.5%	9.3%	9.0%	8.7%	8.4%	8.1%	7.9%
General Fund Outstanding Debt Per Capita as a % of Per Capita Income (non-debt exclusion)	3.7%	3.5%	3.4%	3.2%	3.1%	2.9%	2.9%
Net General Fund Outstanding Debt Per Capita as a % of Per Capita Income	9.5%	9.2%	9.0%	8.7%	8.4%	8.1%	7.9%
B. Total Outstanding Debt Per Capita	\$6,319	\$6,165	\$6,024	\$5,791	\$5,564	\$5,342	\$5,165
General Fund Outstanding Debt Per Capita	\$6,183	\$6,033	\$5,890	\$5,690	\$5,479	\$5,272	\$5,165
General Fund Outstanding Debt Per Capita (non-debt exclusion)	\$2,401	\$2,299	\$2,230	\$2,115	\$1,994	\$1,879	\$1,871
Net General Fund Outstanding Debt Per Capita	\$6,168	\$6,024	\$5,885	\$5,690	\$5,479	\$5,272	\$5,165
C. Total Outstanding Debt as a % of Assessed Value (AV)	1.5%	1.4%	1.4%	1.4%	1.3%	1.2%	1.2%
General Fund Outstanding Debt as a % of Assessed Value (AV)	1.4%	1.4%	1.4%	1.3%	1.3%	1.2%	1.2%
Net General Fund Outstanding Debt as a % of Assessed Value (AV)	1.4%	1.4%	1.4%	1.3%	1.3%	1.2%	1.2%
D. Total Net Direct Debt Maturing Within 10 Years (non-debt exclusion)	70%	74%	77%	80%	83%	84%	84%
E. CIP Financing as a % of Prior Year's Net Revenue	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Debt-Financed CIP as a % of Prior Year's Net Revenue	4.80%	4.87%	4.50%	4.51%	5.19%	4.86%	4.64%
Revenue-Financed CIP as a % of Prior Year's Net Revenue	1.20%	1.13%	1.50%	1.49%	0.81%	1.14%	1.36%

Town Policies

- A. Total Outstanding Debt Per Capita = shall not exceed 6% of Per Capita Income.
- B. Total Outstanding Debt Per Capita = shall not exceed \$2,663 (for FY19).
- C. Total Outstanding Debt = shall not exceed 2.5% of Assessed Value (AV).
- D. Bond Maturities = 60% of Net Direct General Fund principal shall mature within 10 years.
- E. CIP Financing = 6% of Prior Year's Net Revenue, with a goal of 4.5% from Debt-Financed and 1.5% from Revenue-Financed.

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Another key CIP financing policy is that both the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund cover 100% of their debt service. When additional capital work to the water and sewer infrastructure or to the golf course is requested, the impact debt service has on those enterprise funds is taken into consideration. Since they are both 100% cost recovery funds, any growth in debt service may well necessitate increases in fees. Therefore, the decision to authorize additional debt is made carefully.

The table below details how much funding is made available for the CIP, exclusive of enterprise fund-supported debt and projects funded from non-Town sources (e.g., grants):

	2020	2021	2022	2023	2024	2025
Total General Fund Revenue	304,491,468	314,765,008	328,486,250	337,248,557	346,691,682	356,426,830
LESS:						
Non Appropriations	8,670,685	8,876,310	9,087,075	9,303,110	9,524,545	9,751,517
Debt Exclusions	6,321,995	10,283,555	14,896,465	14,895,215	14,891,715	14,895,965
Free Cash	9,281,257	5,000,000	4,775,000	4,925,000	5,075,000	5,275,000
Capital Project Surplus	0	0	0	0	0	0
Net Revenue	280,217,531	290,605,143	299,727,710	308,125,232	317,200,422	326,504,348
Prior Year Net Revenue	268,449,371	280,217,531	290,605,143	299,727,710	308,125,232	317,200,422
6% CIP FUNDING POLICY						
Net Debt Financed ¹	13,068,091	12,606,473	13,098,902	15,541,290	14,970,945	14,723,186
Net Debt Financed as a % of Prior Yr Net Rev	4.87%	4.50%	4.51%	5.19%	4.86%	4.64%
Revenue Financed	3,038,871	4,206,579	4,337,406	2,442,373	3,516,569	4,308,839
Revenue Financed as a % of Prior Yr Net Rev	1.13%	1.50%	1.49%	0.81%	1.14%	1.36%
SUB-TOTAL 6% Dedicated to CIP	16,106,962	16,813,052	17,436,309	17,983,663	18,487,514	19,032,025
Free Cash for CIP	6,721,449	3,410,129	3,386,508	3,284,766	3,273,391	3,143,354
Capital Project Surplus -- Re-approp. of Funds	0	0	0	0	0	0
Other Funds	161,040	322,080	200,000	100,000	100,000	20,000
FUNDS AVAILABLE FOR CIP THROUGH GEN. FUND WITHIN TAX LEVY	22,989,451	20,545,261	21,022,817	21,368,429	21,860,905	22,195,379
As % of Prior Yr Net Rev	8.6%	7.3%	7.2%	7.1%	7.1%	7.0%
Debt Exclusions	6,321,995	10,283,555	14,896,465	14,895,215	14,891,715	14,895,965
TOTAL FUNDS AVAILABLE FOR CIP THROUGH GEN. FUND	29,311,447	30,828,816	35,919,282	36,263,644	36,752,620	37,091,344
As % of Prior Yr Net Rev	10.9%	11.0%	12.4%	12.1%	11.9%	11.7%

¹ As defined in the CIP Policies, "Net Debt" is total debt service exclusive of debt service related to a Debt Exclusion and debt service funded by enterprise fund revenues.

BROOKLINE'S CIP PROCESS

The preparation of the annual CIP is mandated by statute: MGL Chapter 41 provides that the Planning Board shall prepare and submit a CIP. In Brookline's case, Chapter 270 of the Acts of 1985, special legislation known as the "Town Administrator Act", directs the Town Administrator to prepare and recommend an annual financial plan that includes a CIP. The annual process for Brookline begins with the submission of project requests by departments, which in many cases are the result of various board/commission (Park and Recreation Commission, Library Trustees, etc.) public hearings.

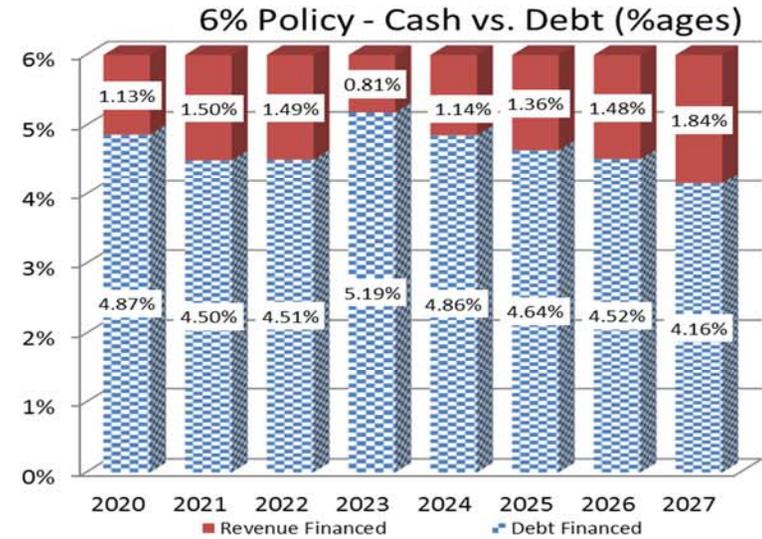
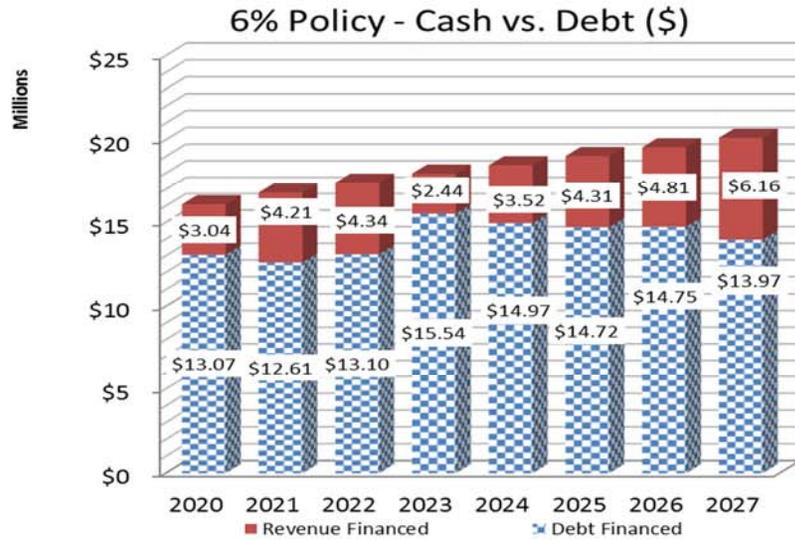
In addition to the 6% financing policy, Free Cash, CDBG, and State/Federal grants are the other key components of the overall financing strategy of the CIP. The Town's certified Free Cash for the fiscal year ending June 30, 2018 was \$11.8 million. The proposed allocation of Free Cash used throughout this Financial Plan follows the Town's formal Free Cash policy, which results in the following use of these funds:

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
<u>Sub-Total</u>	<u>\$7,688,814</u>
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

By following these policies, \$4,026,741 of Free Cash is used to get from 6% of prior year net revenue to 7.5%. Then an additional \$2,692,443 is allocated to the CIP to help balance it. In total, \$6,719,184 of Free Cash goes toward the CIP, as recommended.

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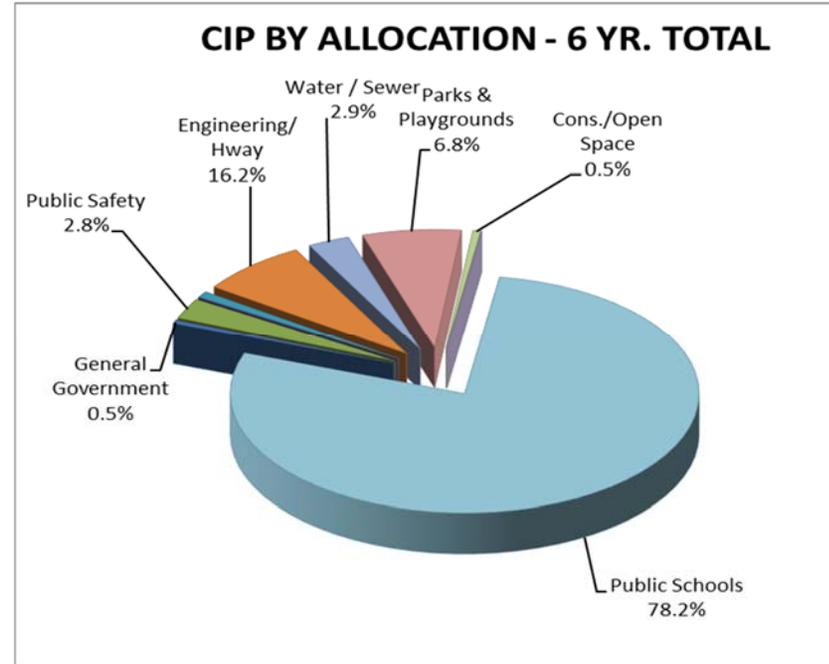
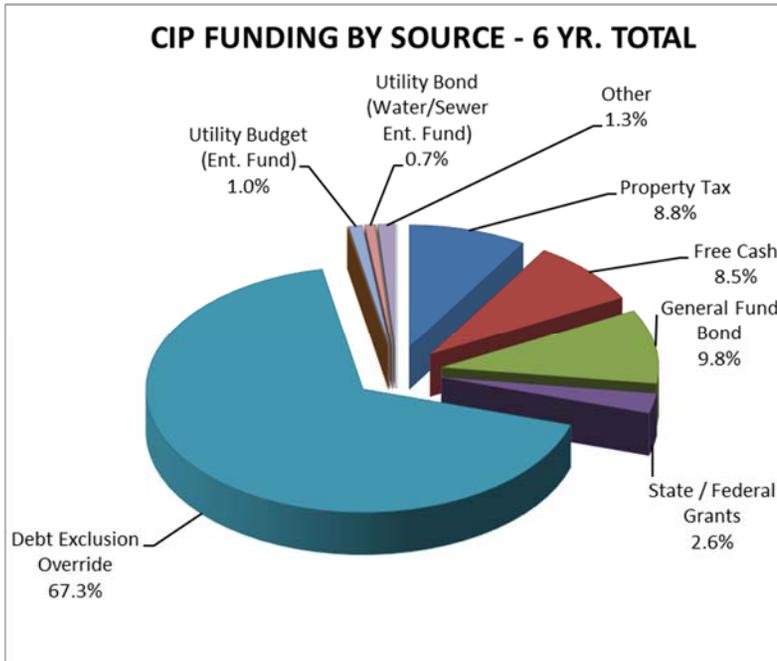
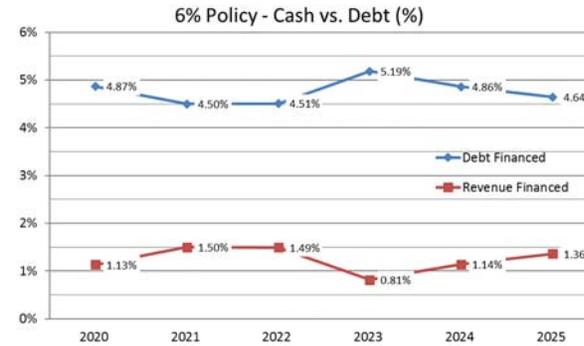
The table below details the funding sources for each year of the Proposed CIP.

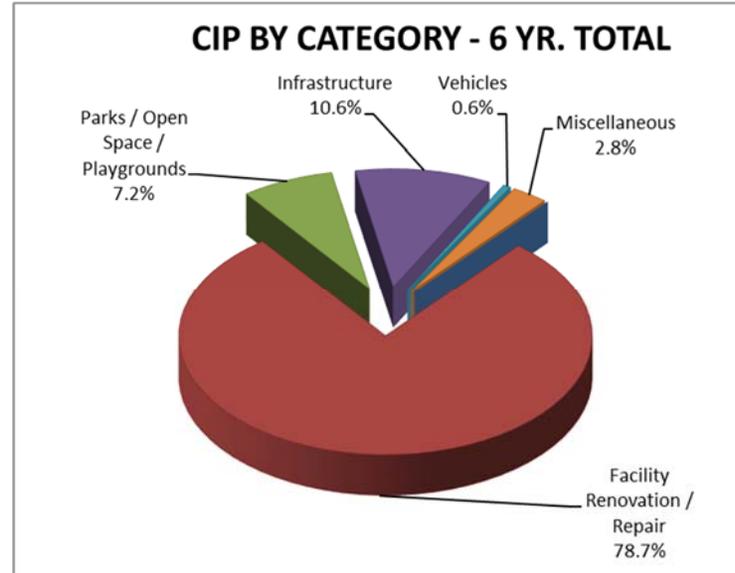
GRAND TOTAL BY SOURCE (in millions)

	FY20	FY21	FY22	FY23	FY24	FY25	TOTAL	% OF TOTAL
Property Tax	\$3.16	\$4.48	\$4.78	\$2.77	\$3.74	\$4.58	\$23.51	8.8%
Free Cash	\$6.72	\$3.31	\$3.29	\$3.18	\$3.17	\$3.04	\$22.72	8.5%
General Fund Bond	\$3.50	\$6.45	\$2.69	\$2.62	\$4.00	\$7.05	\$26.31	9.8%
State / Federal Grants	\$1.16	\$1.16	\$1.16	\$1.16	\$1.16	\$1.16	\$6.96	2.6%
Debt Exclusion Override	\$180.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00	67.3%
Golf Bond (Ent. Fund)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
Utility Budget (Ent. Fund)	\$0.72	\$1.07	\$0.58	\$0.30	\$0.00	\$0.00	\$2.67	1.0%
Utility Bond (Water/Sewer Ent. Fund)	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	0.7%
CDBG	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
Other	\$3.00	\$0.32	\$0.00	\$0.00	\$0.10	\$0.00	\$3.42	1.3%
Re-Appropriation of Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.0%
TOTAL	\$200.26	\$16.79	\$12.50	\$10.03	\$12.17	\$15.83	\$267.59	100%

Given the reliance on more than \$26 million of bonds supported by the General Fund within the tax levy there is an impact on the Town’s operating budget. However, because the CIP complies with the Town’s CIP Financing Policies, the impact on the debt service budget is offset by a decrease in the tax-financed component. As the portion of the 6% that is utilized for borrowing increases or decreases, the portion supported by the tax-financed monies moves in the opposite direction. The graph to the right shows how the 6% is apportioned between debt-financed and pay-as-you-go for each of the six years of the Proposed CIP.

The graphs below and on the following page summarize the FY20 – FY25 CIP by revenue source, by category, and by allocation group. As shown in the graph on the left side, 67.3% of the six-year CIP is funded from a Debt Exclusion Override, 8.5% is funded by free cash, and 8.8% is funded via property tax. The graph on the right breaks out the six-year CIP by allocation group and shows that 78.2% is for Schools, 6.8% is for Parks / Playgrounds, and 16.2% is for Engineering / Highway. The final graph (on the following page) breaks out the CIP by category: 78.7% of the CIP goes toward facility renovations / repairs, 10.6% for infrastructure repairs (streets, sidewalks, water and sewer system), and 7.2% for Parks / Open Space / Playgrounds.





It is important to note that the recommendations contained in this CIP are based upon current best estimates of future revenues, future project costs, and future outside funding assistance. The amount of Free Cash available for the CIP can fluctuate dramatically from year to year. Also, budget reductions at the Federal and State levels could require cutbacks in the recommended program for future years. The CIP recommendations would have to be revisited should the actual amount of available funding be less than anticipated and / or the project costs are greater than anticipated.

DEBT & DEBT SERVICE

This portion of Section VII is dedicated to the role debt plays in the CIP and its relationship to the Operating Budget. For all entities, both public and private, debt financing is a primary method of financing large capital projects, as it enables projects to be undertaken now with the costs spread out over a period of years. However, if used in an imprudent and / or poorly constructed manner, debt can have a disastrous impact on the Operating Budget and negatively impact the level and quality of services a municipality can deliver. This is why the Town's CIP Financing Policies are a vital component of the Town's overall Financial Planning guidelines. A well planned and properly devised debt management plan is critical to maintaining the Town's positive financial condition and to maintaining the Town's much-valued Aaa bond rating.

The bond authorization process is laid out in Massachusetts General Laws (MGL), specifically Chapter 44, Sections 7 and 8. General Obligation (GO) Bonds are secured by a pledge of revenues through property taxes and are authorized by Town Meeting via a 2/3's vote. Bond Anticipation Notes (BANs) can be utilized prior to the permanent issuance of bonds and are included as part of the Town's 6% funding policy. The Town's credit was most recently reviewed on March 5, 2018 by Moody's and the Town maintained its Aaa rating. Among the reasons stated by Moody's for the Aaa rating were "the history of balanced operations, maintenance of adequate reserve levels, and commitment to addressing capital needs and long-term liabilities."

Chapter 44, Section 10 limits the authorized indebtedness to 5% of the Town's equalized valuation (EQV). The Town's most recent EQV, approved by

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the State as of 1/1/2014, is \$24.548 billion. Therefore, the Town's debt limit is \$1.227 billion. Obviously, the Town has no plans to come near this limit.

Debt can be broken into "exempt debt" and "non-exempt debt". Exempt debt is paid for outside of the property tax levy limit of Proposition 2 1/2. Stated another way, it is paid for with taxes raised outside of the property tax limit. In order to have exempt debt, a Debt Exclusion Override is required, and that can only be approved by the local electorate. Non-Exempt debt, or "within-levy debt", must be raised and paid for within the property tax levy. In Brookline, three projects are funded with exempt debt: the old High School Renovation (\$43.8 million), a portion of the Coolidge Corner School (\$49.6 million estimated pending final MSBA reimbursement) and the 2018 High School expansion/renovation project (\$168.2 million). The last debt service payment for the old High School project is in FY20

Debt is issued on behalf of the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund. The tax levy does not fund any enterprise fund debt. As previously mentioned, they are 100% cost recovery funds, so they pay for their debt service through their own revenue streams. The table below breaks out outstanding debt by fund, with exempt and non-exempt debt of the General Fund separated, for each of the past six years. Looking at FY18, this shows that the Town's total outstanding debt was \$196.3 million, of which \$11.2 million (9.2%) was owed by either the State (\$1.16 million) or enterprise funds (\$10.1 million), leaving \$185 million of outstanding debt.

OUTSTANDING DEBT

DESCRIPTION	FY13	FY14	FY15	FY16	FY17	FY18
Total General Fund Outstanding Debt	64,145,426	63,539,088	60,077,544	67,179,500	97,935,250	186,202,696
a.) Exempt (Debt Exclusion) ¹	6,430,000	5,510,000	4,590,000	3,670,000	2,750,000	67,806,000
b.) Non-Exempt	57,715,426	58,029,088	55,487,544	63,509,500	95,185,250	118,396,696
Minus State (SBA) Reimbursed Debt ²	2,849,005	2,452,505	2,056,310	1,756,800	1,457,900	1,162,050
Net General Fund Outstanding Debt	61,296,421	61,086,583	58,021,234	65,422,700	96,477,350	185,040,646
Water & Sewer Enterprise Fund Outstanding Debt	10,028,654	10,382,110	9,050,072	7,920,156	6,961,446	7,961,446
Golf Course Enterprise Fund Outstanding Debt	899,000	1,099,000	1,149,000	995,000	1,325,000	2,110,000
Enterprise Fund Outstanding Debt	10,927,654	11,481,110	10,199,072	8,915,156	8,286,446	10,071,446
TOTAL Outstanding Debt	75,073,080	75,020,198	70,276,616	76,094,656	106,221,696	196,274,142

¹ The Lincoln School and High School projects were financed via a Debt Exclusion.

² The following school projects were reimbursed by the State: Baker, and Heath.

The projected level of outstanding debt based upon the Proposed CIP is shown in the table on the following page. The increase in FY19 is due to the High School project. Also, there is a graph on page VII-27 that shows both a history and a projection of outstanding debt.

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For illustrative purposes, projected debt related to the Driscoll and Baldwin School projects has been included in the table below, but not included in the calculation of total projected outstanding debt. Since the funding source for these projects is a debt exclusion override, the projects will be formally incorporated into the projection once voters approve the projects. Funding would be raised through increased taxes necessary to pay the principal and interest on a 25-year bond to finance the cost of the projects. The projects are currently in the schematic design phase. Ranges used in the projection came from the feasibility phase of the projects. The Pierce School has not been included in the potential debt exclusion projection. As evidenced on page VII-2 the debt exclusion projects push Brookline beyond the bounds of the Town's fiscal debt management targets. Projects funded within the levy limit comply with the Town's fiscal policies.

OUTSTANDING DEBT (PROJECTED)							
DESCRIPTION	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Total General Fund Outstanding Debt	363,140,697	354,350,877	345,906,868	334,165,511	321,803,762	309,609,222	303,333,004
a.) Exempt (Debt Exclusion) ¹	222,115,030	219,325,877	214,951,868	209,958,845	204,719,429	199,223,722	193,461,337
b.) Non-Exempt	141,025,667	135,025,000	130,955,000	124,206,667	117,084,333	110,385,500	109,871,667
Minus State (SBA) Reimbursed Debt ²	866,200	576,450	286,700	0	0	0	0
Net General Fund Outstanding Debt	362,274,497	353,774,427	345,620,168	334,165,511	321,803,762	309,609,222	303,333,004
Potential Debt Exclusion		179,391,836	178,868,025	176,851,351	172,952,884	168,859,494	164,561,435
Potential Total Debt	363,140,697	533,742,714	524,774,893	511,016,862	494,756,646	478,468,716	467,894,438
Water & Sewer Enterprise Fund Outstanding Debt	7,230,756	8,734,378	8,538,000	8,472,000	8,516,000	7,230,000	5,994,000
Golf Course Enterprise Fund Outstanding Debt	2,000,000	1,905,000	1,802,500	1,700,500	1,581,000	1,449,000	1,317,000
Enterprise Fund Outstanding Debt	9,230,756	10,639,378	10,340,500	10,172,500	10,097,000	8,679,000	7,311,000
TOTAL Outstanding Debt ³	372,371,453	364,990,255	356,247,368	344,338,011	331,900,762	318,288,222	310,644,004

¹ The High School and Coolidge Corner School projects were financed via a Debt Exclusion.

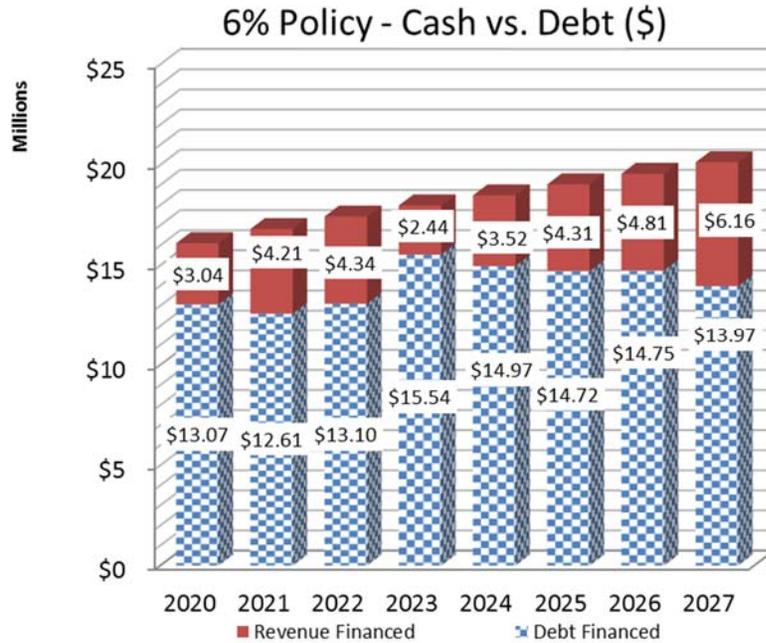
² The Baker (through FY22) and Heath (through FY19) school projects are being reimbursed by the State.

³ Total Outstanding Debt does not include Potential Debt Exclusion which is shown for information only.

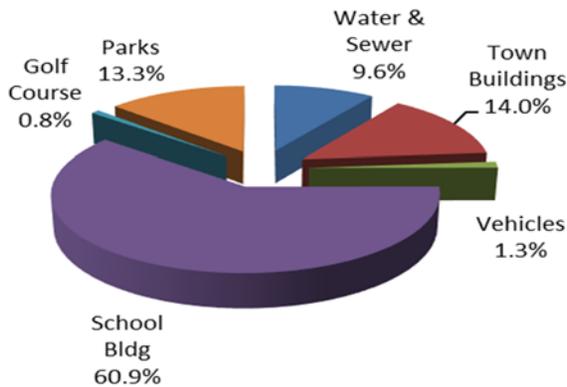
Once debt is incurred, an amount must be set aside annually to fund the principal and interest payments, known as Debt Service. As previously noted, if debt is used in an imprudent and / or poorly constructed manner, it can have a negative impact on the Operating Budget. This is because of debt service: debt service takes away funding that would otherwise be available for other areas of the Operating Budget. If decision makers are not made aware of the impact debt service has on the Operating Budget (via long-range forecasting), then the authorization of debt is being made in a vacuum. Governmental bodies can cripple their finances if bonds are authorized and issued without a full understanding of the impact they have on the overall finances of the entity.

In Brookline, both the Long Range Financial Plan and the planning process for the CIP clearly show decision makers the impact debt service has on the Operating Budget. Since the Town's CIP Financing Policies set a limit on the overall amount of debt that can be issued -- basically the 6% policy plus the other debt management variables that are to be measured -- the impact on the Operating Budget is both known and within an expected range.

The graph to the right illustrates how the Town's 6% policy works. In each year, the amount available for the CIP is 6% of the prior year's net revenue. This amount represents the total impact on the Operating Budget. For FY20, \$16.1 million is dedicated to the CIP (\$13.1 million for net debt service and \$3 million for pay-as-you-go), and, therefore, unavailable for the operating budget. The graph also shows the balance between pay-as-you-go-CIP and debt-financed CIP: as debt service increases, pay-as-you go capacity decreases, and vice versa. This is clearly shown in FY23, when the large increase in debt service (resulting from the BHS project coming on-line) reduces the pay-as-you-go portion of the CIP.



FY19 Debt Service by Expenditure Type



The graph to the left breaks out existing (FY19) debt service by expenditure type. As it shows, the largest component of debt service is for school buildings, followed by town buildings and parks.

As was previously mentioned, debt is issued on behalf of the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund. Those debt service costs are budgeted for within both enterprise funds and are covered by enterprise fund revenues. As a result, the tax levy does not fund any enterprise fund debt service. The table on the following page breaks out debt service by fund, with exempt and non-exempt debt of the General Fund separated, for each of the past six years. Looking at FY19, it shows that the Town's total debt service was \$17.3 million, of which \$2.3 million (13.5%) was reimbursed by either the State (\$556,757) or Enterprise funds (\$1.8 million), leaving \$14.9 million of debt service.

DEBT SERVICE

DESCRIPTION	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total General Fund Supported Debt Service	9,804,995	9,297,870	9,389,799	9,270,546	10,240,902	12,621,350	15,505,111
a.) Exempt (Debt Exclusion) ¹	1,630,808	1,112,800	1,094,400	1,076,000	1,048,400	1,020,800	3,408,089
b.) Non-Exempt	8,174,187	8,185,070	8,295,399	8,194,546	9,192,502	11,600,550	12,097,022
Minus State (SBA) Reimbursed Debt ²	587,125	556,757	556,757	556,757	556,757	556,757	556,757
Net General Fund Debt Service	9,217,870	8,741,113	8,833,042	8,713,789	9,684,145	12,064,593	14,948,354
Water & Sewer Enterprise Fund Supported Debt Svc.	2,375,403	2,365,461	2,133,405	2,377,747	2,180,990	1,951,733	1,633,460
Golf Course Enterprise Fund Supported Debt Svc.	191,499	179,374	186,476	191,355	183,475	159,422	140,888
Enterprise Fund Debt Service	2,566,902	2,544,835	2,319,881	2,569,102	2,364,465	2,111,155	1,774,348
TOTAL Debt Service	12,371,897	11,842,705	11,709,680	11,839,648	12,605,366	14,732,505	17,279,459

¹ The Lincoln School and High School projects were financed via a Debt Exclusion.

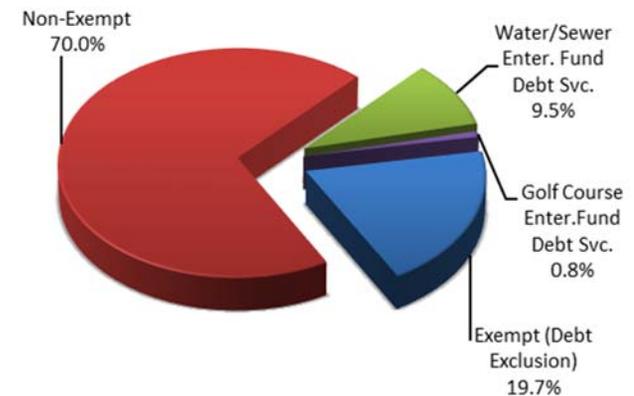
² The following school projects were reimbursed by the State: High School (through FY09), Lincoln (through FY12), Heath (through FY19), Baker.

The graph to the right depicts FY19 debt service by source. As it shows, 70% of the Town's debt service is covered within the levy while 9.5% is covered outside the levy via Debt Exclusion Overrides. The remaining 20.5% is covered by enterprise fund revenues.

The projected level of debt service based upon the Proposed CIP is shown in the table on the following page. Also, there is a graph on page VII-27 that shows both a history and a projection of debt service.

Great care has gone into the crafting of the Debt Management Plan for the FY20 – FY25 CIP and is detailed on the following pages. As mentioned at the beginning of this Section VII, this debt management plan results in the Town complying with all of its CIP Financing Policies for projects funded within the levy. The table shows the amount of authorization, the amount to be borrowed, and the number of years planned for paying off the principal (term). The Town hopes to not have to borrow the \$1 million for the Carlton St. Footbridge. The Town is working toward a grant for the project and if it is received, the Town will not have to issue a bond for the project. Town Meeting would then be asked to rescind the bond authorization.

FY19 DEBT SERVICE BY SOURCE



**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

CAPITAL IMPROVEMENTS PROGRAM

DEBT SERVICE (PROJECTED)

DESCRIPTION	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total General Fund Supported Debt Service	19,348,837	23,123,505	28,228,844	30,669,981	30,096,136	29,852,627	29,875,775
a.) Exempt (Debt Exclusion) ¹	6,380,745	10,617,032	15,229,942	15,228,692	15,225,192	15,229,442	15,225,942
b.) Non-Exempt	12,968,091	12,506,473	12,998,902	15,441,290	14,870,945	14,623,186	14,649,833
Minus State (SBA) Reimbursed Debt ²	434,662	434,662	434,662	0	0	0	0
Net General Fund Debt Service	18,914,175	22,688,843	27,794,182	30,669,981	30,096,136	29,852,627	29,875,775
Water & Sewer Enterprise Fund Supported Debt Svc.	1,644,347	1,658,575	1,551,950	1,589,150	1,675,325	1,522,725	1,423,125
Golf Course Enterprise Fund Supported Debt Svc.	147,501	199,869	199,585	194,051	188,843	183,609	178,319
Enterprise Fund Debt Service	1,791,848	1,858,444	1,751,535	1,783,201	1,864,168	1,706,334	1,601,444
TOTAL Debt Service	21,140,684	24,981,949	29,980,379	32,453,182	31,960,304	31,558,961	31,477,219

¹ The High School project was financed via a Debt Exclusion. Current funding plans for the Coolidge Corner School project assumes \$49.5M of that project is funded by the a Debt Exclusion.

² The Baker (through FY22) school project is being reimbursed by the State.

DEBT MANAGEMENT PLAN

PROJECT	BOND BOND		TERM	2020	2021	2022	2023	2024	2025	2026	2027
	AUTH.	AMT									
Funded Within 6% CIP Policy											
High School Schematic Design (previously authorized)	\$1.850	\$1.850	10	\$0.259	\$0.252	\$0.244	\$0.237	\$0.229	\$0.222	\$0.215	\$0.207
Carlton St. Footbridge (previously authorized)	\$1.400	\$1.000	10	\$0.143	\$0.138	\$0.134	\$0.130	\$0.126	\$0.121	\$0.117	\$0.113
Harry Downes/Kraft Athletic Facility (future authorization)	\$2.450	\$2.450	10	\$0.349	\$0.339	\$0.328	\$0.318	\$0.307	\$0.297	\$0.287	\$0.276
Larz Anderson Park (future authorization)	\$2.700	\$2.700	10	\$0.385	\$0.373	\$0.362	\$0.350	\$0.339	\$0.327	\$0.316	\$0.304
Driscoll School (future authorization)	\$4.000	\$4.000	10	\$0.447	\$0.435	\$0.423	\$0.411	\$0.399	\$0.387	\$0.375	\$0.363
Envelope/Fenestration Repairs (future authorization)	\$1.500	\$1.500	10		\$0.214	\$0.207	\$0.201	\$0.195	\$0.188	\$0.182	\$0.176
Pierce School Feas. / Schematic Design	\$2.000	\$2.000	10		\$0.285	\$0.277	\$0.268	\$0.260	\$0.251	\$0.243	\$0.234
Roof Repairs/Replacements (previously authorized)	\$1.200	\$0.350	10			\$0.050	\$0.048	\$0.047	\$0.045	\$0.044	\$0.042

**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

CAPITAL IMPROVEMENTS PROGRAM

PROJECT	BOND AUTH.	BOND AMT	TERM	2020	2021	2022	2023	2024	2025	2026	2027
Roof Repairs/Replacements (future authorization)	\$3.100	\$3.100	15			\$0.346	\$0.337	\$0.328	\$0.318	\$0.309	\$0.300
Robinson Playground (future authorization)	\$1.150	\$1.150	10			\$0.164	\$0.159	\$0.154	\$0.149	\$0.144	\$0.139
Larz Anderson Park (future authorization)	\$2.200	\$2.200	10			\$0.314	\$0.304	\$0.295	\$0.285	\$0.276	\$0.267
Schick Park (future authorization)	\$1.025	\$1.025	10				\$0.146	\$0.142	\$0.137	\$0.133	\$0.129
Murphy Playground (future authorization)	\$0.915	\$0.915	10				\$0.130	\$0.126	\$0.123	\$0.119	\$0.115
High School Addition (future authorization)	\$35.000	\$35.000	25				\$3.150	\$3.080	\$3.010	\$2.940	\$2.870
Envelope/Fenestration Repairs (future authorization)	\$0.750	\$0.750	10				\$0.107	\$0.104	\$0.101	\$0.097	\$0.094
Roof Repairs/Replacements (future authorization)	\$0.650	\$0.650	10					\$0.093	\$0.090	\$0.087	\$0.084
Engine #1 Replacement (future authorization)	\$0.725	\$0.725	10					\$0.103	\$0.100	\$0.097	\$0.094
Boylston St Playground (future authorization)	\$1.240	\$1.240	10					\$0.177	\$0.171	\$0.166	\$0.161
Larz Anderson Park (future authorization)	\$2.500	\$2.500	10						\$0.356	\$0.346	\$0.335
Envelope/Fenestration Repairs (future authorization)	\$1.500	\$1.500	10						\$0.214	\$0.207	\$0.201
Larz Anderson Park (future authorization)	\$1.000	\$1.000	10							\$0.143	\$0.138
Amory Tennis courts, Parking and Halls Pond (future authorization)	\$1.700	\$1.700	10							\$0.242	\$0.235
Envelope/Fenestration Repairs (future authorization)	\$1.850	\$1.850	10							\$0.264	\$0.256
Roof Repairs/Replacements (future authorization)	\$1.700	\$1.700	10							\$0.242	\$0.235
Skyline Park (future authorization)	\$1.980	\$1.980	10							\$0.282	\$0.274
Larz Anderson Park (future authorization)	\$2.500	\$2.500	10								\$0.206

NEW GEN FUND DEBT SERVICE (cumulative)

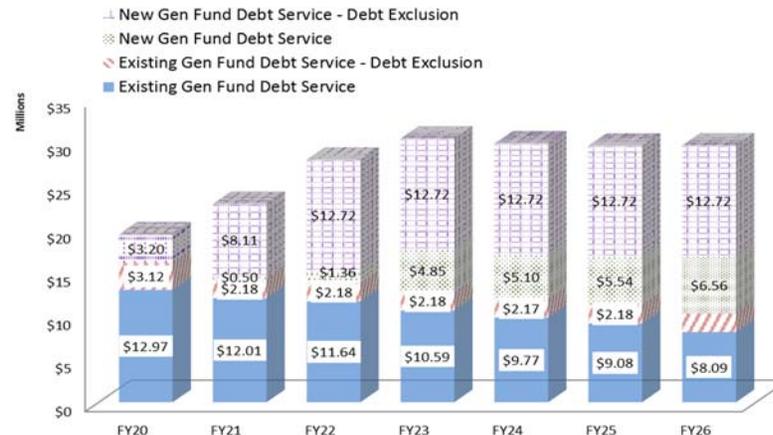
\$1.582 \$2.035 \$2.848 \$6.296 \$6.502 \$6.894 \$7.872 \$7.848

**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

CAPITAL IMPROVEMENTS PROGRAM

PROJECT	BOND AUTH.	BOND AMT	TERM	2020	2021	2022	2023	2024	2025	2026	2027
Debt Exclusions											
Coolidge Corner School - Design/Constr. (future authorization)	\$49.576	\$12.676	25	\$0.899	\$0.899	\$0.899	\$0.899	\$0.899	\$0.899	\$0.899	\$0.899
High School - 111 Cypress Acquisition (previously authorized)	\$16.400	\$16.400	25	\$1.050	\$1.050	\$1.050	\$1.050	\$1.050	\$1.050	\$1.050	\$1.050
High School - 111 Cypress Acquisition (previously authorized)	\$151.800	\$17.600	25	\$1.249	\$1.249	\$1.249	\$1.249	\$1.249	\$1.249	\$1.249	\$1.249
High School - 111 Cypress Acquisition (previously authorized)	\$151.800	\$69.200	25		\$4.910	\$4.910	\$4.910	\$4.910	\$4.910	\$4.910	\$4.910
High School - 111 Cypress Acquisition (previously authorized)	\$151.800	\$65.000	25			\$4.612	\$4.612	\$4.612	\$4.612	\$4.612	\$4.612
NEW DEBT EXCLUSION DEBT SERVICE (cumulative)				\$3.198	\$8.108	\$12.720	\$12.720	\$12.720	\$12.720	\$12.720	\$12.720
Enterprise Funds											
Stormwater (previously authorized)	\$0.300	\$0.300	10	\$0.043	\$0.041	\$0.040	\$0.039	\$0.038	\$0.036	\$0.035	\$0.034
Wastewater (previously authorized)	\$3.000	\$1.000	10	\$0.143	\$0.138	\$0.134	\$0.130	\$0.126	\$0.121	\$0.117	\$0.113
Water System Improvements (future Authorization)	\$2.000	\$2.000	10		\$0.285	\$0.277	\$0.268	\$0.260	\$0.251	\$0.243	\$0.234
Stormwater (future authorization)	\$0.300	\$0.300	10			\$0.043	\$0.041	\$0.040	\$0.039	\$0.038	\$0.036
Stormwater (future authorization)	\$0.300	\$0.300	10				\$0.043	\$0.041	\$0.040	\$0.039	\$0.038
Stormwater (future authorization)	\$0.300	\$0.300	10					\$0.043	\$0.041	\$0.040	\$0.039
Wastewater (future authorization)	\$3.000	\$1.000	10			\$0.143	\$0.138	\$0.134	\$0.130	\$0.126	\$0.121
Wastewater (future authorization)	\$3.000	\$1.000	10				\$0.143	\$0.138	\$0.134	\$0.130	\$0.126
Wastewater (future authorization)	\$3.000	\$1.000	10					\$0.143	\$0.138	\$0.134	\$0.130
Golf Course (previously authorized)	\$1.000	\$0.075	0	\$0.010	\$0.010	\$0.010	\$0.009	\$0.009	\$0.009	\$0.009	\$0.008
Golf Course (previously authorized)	\$1.000	\$0.190	20		\$0.018	\$0.018	\$0.017	\$0.017	\$0.016	\$0.016	\$0.015
Golf Course (previously authorized)	\$1.000	\$0.250	20			\$0.024	\$0.023	\$0.023	\$0.022	\$0.022	\$0.021
NEW ENTERPRISE FUND DEBT SERVICE (cumulative)				\$0.196	\$0.493	\$0.663	\$0.828	\$0.988	\$0.956	\$0.925	\$0.894

Ratings agencies have noted Brookline’s above average amortization rate. That is an important factor in being able to take on additional debt: as old debt runs off, new debt can be taken on. The graph to the right shows the amortization of existing debt and the proposed new debt for the General Fund.



**TOWN OF BROOKLINE
FY2020 PROGRAM BUDGET**

CAPITAL IMPROVEMENTS PROGRAM

A common indicator used to measure debt service levels is comparing it to revenue, since it is those revenues that are needed to pay the principal and interest payments. For general funds, ratings agencies tend to consider ratios of between 5% - 10% as being prudent. The table below shows debt service as a percent of revenue for the General Fund, Water and Sewer Enterprise Fund, and the Golf Course Enterprise Fund. As it shows, total debt service is projected at 5.4% in FY19 but will increase to 8.7% in FY23 when the majority of debt service associated with the High School project commences.

DEBT SERVICE AS A PERCENTAGE OF REVENUE

DESCRIPTION	FY17 (Act.)	FY18 (Act.)	FY19 (Proj.)	FY20 (Proj.)	FY21 (Proj.)	FY22 (Proj.)	FY23 (Proj.)	FY24 (Proj.)	FY25 (Proj.)	FY26 (Proj.)
Total General Fund Supported Debt Service	10,240,902	12,621,350	15,505,111	19,348,837	23,123,505	28,228,844	30,669,981	30,096,136	29,852,627	29,875,775
a.) Exempt (Debt Exclusion) ¹	1,048,400	1,020,800	3,408,089	6,380,745	10,617,032	15,229,942	15,228,692	15,225,192	15,229,442	15,225,942
b.) Non-Exempt	9,192,502	11,600,550	12,097,022	12,968,091	12,506,473	12,998,902	15,441,290	14,870,945	14,623,186	14,649,833
Minus SBA Reimbursements	556,757	556,758	556,757	434,662	434,662	434,662	0	0	0	0
Net General Fund Debt Service	9,684,145	12,064,592	14,948,354	18,914,175	22,688,843	27,794,182	30,669,981	30,096,136	29,852,627	29,875,775
Water & Sewer Enterprise Fund Supported Debt Svc.	2,180,990	1,951,733	1,633,460	1,644,347	1,658,575	1,551,950	1,589,150	1,675,325	1,522,725	1,423,125
Golf Course Enterprise Fund Supported Debt Svc.	183,475	159,422	140,888	147,501	199,869	199,585	194,051	188,843	183,609	178,319
TOTAL Debt Service	12,605,366	14,732,505	17,279,459	21,140,684	24,981,949	29,980,379	32,453,182	31,960,304	31,558,961	31,477,219
General Fund Revenue	260,709,753	273,019,198	289,770,791	304,491,468	314,765,008	328,486,250	337,248,557	346,691,682	356,426,830	366,107,417
General Fund Revenue Without SBA Reimbursement	260,152,996	272,462,440	289,214,034	304,056,806	314,330,346	328,051,588	337,248,557	346,691,682	356,426,830	366,107,417
Water & Sewer Enterprise Fund Revenue	29,590,019	27,076,701	28,554,309	28,561,053	29,787,290	30,942,854	32,305,381	33,782,196	35,085,956	36,514,808
Golf Course Enterprise Fund Revenue	1,460,701	1,568,551	1,772,700	1,884,446	1,783,314	1,801,070	1,819,061	1,837,289	1,855,758	1,874,473
TOTAL Revenue of Funds Supporting Debt Svc.	291,760,473	301,664,450	320,097,800	334,936,967	346,335,612	361,230,174	371,372,999	382,311,167	393,368,543	404,496,698
General Fund Debt Service as a % of General Fund Revenue	3.9%	4.6%	5.4%	6.4%	7.3%	8.6%	9.1%	8.7%	8.4%	8.2%
Net General Fund Debt Service as a % of General Fund Revenue ²	3.7%	4.4%	5.2%	6.2%	7.2%	8.5%	9.1%	8.7%	8.4%	8.2%
Water & Sewer Enterprise Fund Debt Service as a % of Revenue	7.4%	7.2%	5.7%	5.8%	5.6%	5.0%	4.9%	5.0%	4.3%	3.9%
Golf Course Enterprise Fund Debt Service as a % of Revenue	12.6%	10.2%	7.9%	7.8%	11.2%	11.1%	10.7%	10.3%	9.9%	9.5%
TOTAL Debt Service as a % of Total Rev. Supporting Debt Svc.	4.3%	4.9%	5.4%	6.3%	7.2%	8.3%	8.7%	8.4%	8.0%	7.8%

¹ The Coolidge Corner School and High School projects were financed via a Debt Exclusion. Current funding plans for the Baldwin and Driscoll School projects assume a Debt Exclusion.

² Excludes both the debt service (expense) reimbursed by the State for school projects and the reimbursement from the State (revenue).

IMPACT ON OPERATING BUDGET

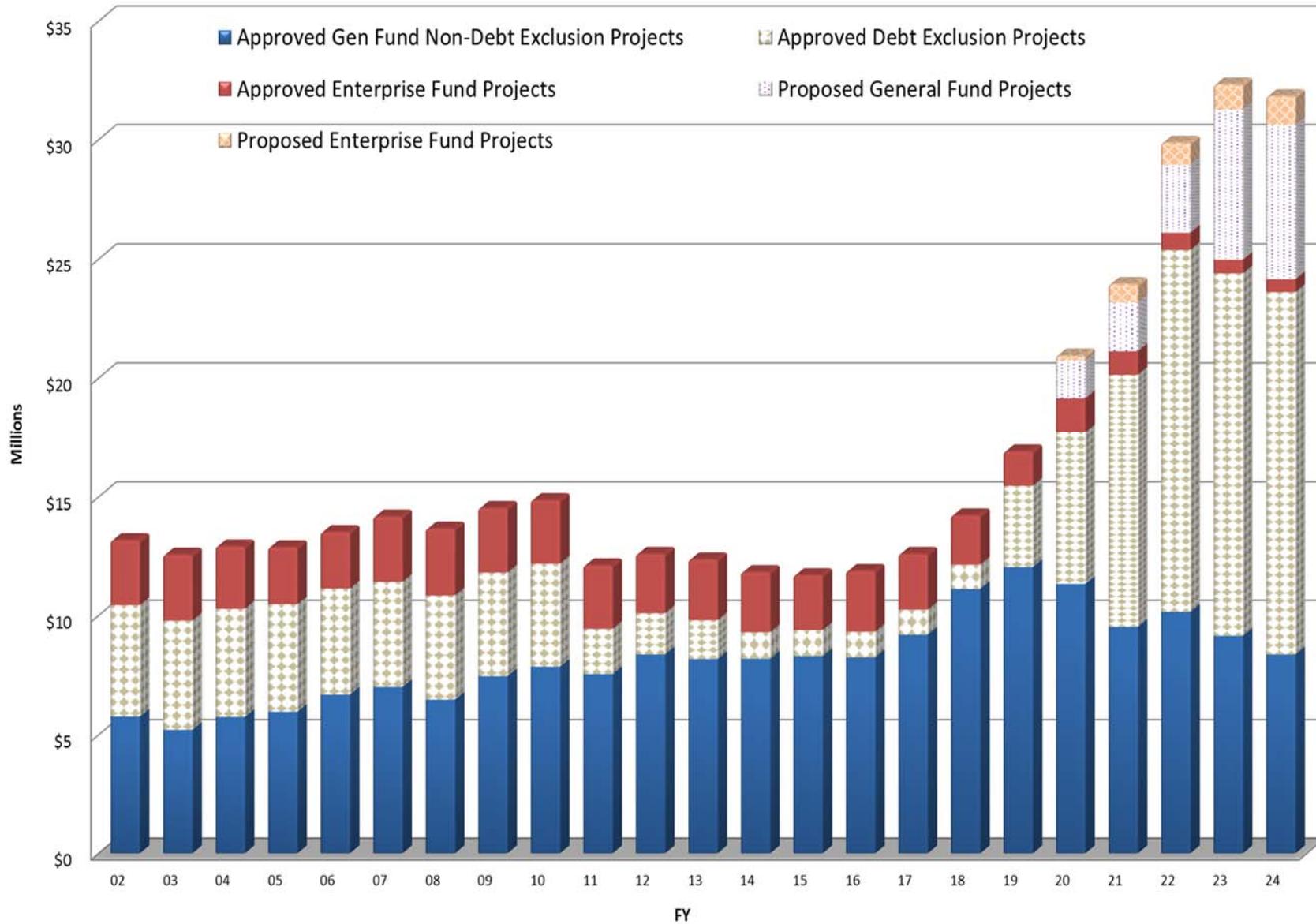
The "Debt and Debt Service" section discussed the impact of debt service on the Operating Budget. Another potential impact of a CIP on a community's Operating Budget is an increase or decrease in operating expenses. For example, adding another facility in the community will add costs for utilities and building operation / maintenance. Conversely, undertaking energy conservation projects will help reduce costs in the Operating Budget. The proposed CIP contains a number of projects that will impact the Operating Budget, both positively and negatively. They are listed below:

- Technology Applications – projects undertaken by the Information Technology Department (ITD) are focused on improving efficiencies in numerous departments. While it is difficult to put a dollar figure on savings, past applications have proven to yield savings in the Operating Budget, including a reduction in headcount. On the other hand, new technologies often come with increased maintenance contracts.
- Parking Meters- The DPW budget increases \$63,176 to accommodate gateway/communication/data management fees for the new meters.
- Fire Apparatus Rehab/Replacement – rehabilitating fire apparatus extends the life of the vehicles and also helps reduce repair and maintenance costs. Also, once replaced with a new vehicle, repair and maintenance costs are reduced.
- Wastewater System Improvements - these projects will help prevent costly system failures, lower MWRA wholesale costs by reducing extraneous flows, and make more efficient use of annual operating funds.
- Playground Projects - as playgrounds are renovated and new or improved water play features are included as part of the project, water/sewer costs will increase.
- Golf Course – the proposed improvements to the course and facilities will help improve its playability and make it a more sought-after course, thereby increasing revenue.
- Driscoll/ Baldwin/ Pierce and / High School projects – these projects are certain to increase the size of the facilities, so additional utility costs are to be expected. However, increases will be minimized to the greatest extent possible by including energy efficient systems and “green” components. Insurance costs for the Coolidge Corner School increased the General Insurance budget by \$87,122.
- Town / School Energy Management Systems and Energy Conservation - these on-going items are meant to yield savings in the operating budget. With large increases in utility prices over the past few years, it is imperative that monies be invested to decrease energy consumption in buildings. Programs would include, but are not limited to, lighting retrofit and controls, energy efficient motors, insulation, and temperature equipment. This program would augment existing gas and electric utility conservation programs. Monies would also go toward more efficient heating and cooling equipment.
- Town / School Emergency Generator Replacement, Elevator Replacement, Roof Replacement, Masonry Repairs, and Fenestrian - these items represent an approach to systematically replace various core facility needs that only become more expensive to maintain if not replaced in a timely manner. They also help eliminate the need for larger expenditures that might arise if allowed to deteriorate.

RECOMMENDED PROJECTS

The following pages contain the FY20 – FY25 CIP as proposed by project. Commencing on page VII-29 is a project description for each project.

DEBT SERVICE BASED ON EXISTING AUTHORIZATIONS AND PROJECTS IN FY20 - FY25 CIP



**TOTAL OUTSTANDING DEBT (as of June 30 each year) BASED ON EXISTING AUTHORIZATIONS AND PROJECTS IN
FY20 - FY25 CIP**

