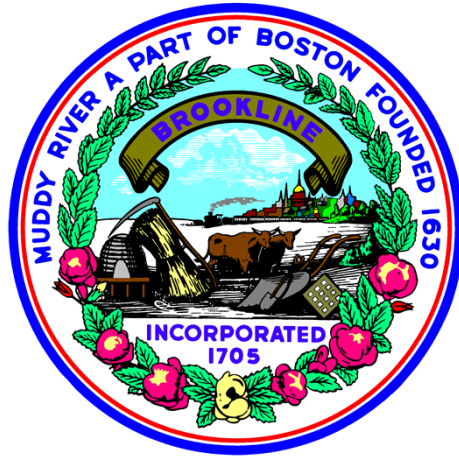


# TOWN OF BROOKLINE

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FY2013 – FY2017

LONG RANGE FINANCIAL PLAN

December 6, 2011

# HEADLINES

- FY13: range of **balanced budget** to **deficit of up to \$3.96M**, depending on State Aid, Collective Bargaining, and Health Insurance rate increases. Structural deficits projected in each of FY14 – FY17.
- **School's** FY13 budget grows \$1.9M prior to costs of new contract due to SPED, Steps, and enrollment. With new contract, total growth is \$3.2M.
- **Health Insurance** costs estimated to increase by \$2.5M in FY13, assuming an 8% rate increase. Also includes the increase in Town share of premiums from 80% to 83%. Continues to strain budget in FY13 – FY17.
- **OPEB** funding plan continued.
- **Collective Bargaining** assumptions have a significant impact in each year
- **CIP Funding** based on revised CIP/Free Cash policies. Includes funding for the School enrollment issue.
  
- **Property Taxes** assume annual maximum levy + “New Growth” of \$1.6M-\$1.7M, except in FY15+FY16 when New Growth increases because of 2 Brookline PI.
- **State Aid** could be cut due to pressure health care expenses and potential Fed aid cuts place on State budget. Various scenarios presented.
- **Local Receipt** estimates reflect an increase over FY12.
- **Free Cash** follows revised policy, ensuring adequate reserves and meeting CIP funding requirements.

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# RECENT HISTORY

- In FY08, \$3.2M budget gap addressed by a combination of revenue increases (\$1.5M), Health Insurance plan design changes (\$755K), DPW Initiatives (\$369K), and Budget cuts (\$548K)
  - In FY09, voters approved a \$6.2M Override for structural deficit (\$2.1M), infrastructure shortfall (\$1.5M), Lengthened School Day & EWL (\$2.6M)
  - In FY10, closed a \$5M budget gap via reorganizations, consolidations, and cuts, many proposed by the EIC. (Primary cause of deficit = \$3.1M (19%) cut in State Aid.)
  - In FY11, entered the GIC, saving \$5.6M, thereby avoiding budget cuts and service reductions. Began implementing an enhanced OPEB funding plan. Also realized first full-year of new meals tax and increased lodging tax, which was dedicated to pension funding.
  - In FY12, budget dynamic of balanced Town budget vs \$2M+ deficit for Schools. Budget balanced by a combination of increases in revenue (Parking Meters and PILOT agreement with BU) and realizing lower growth in Health Insurance rates. Also began addressing fund balance issue by leaving \$1.7M of Free Cash unappropriated
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# FY13 SCENARIOS

| <u>SCENARIO A: No Local Aid Cut</u> |             |               |                      |
|-------------------------------------|-------------|---------------|----------------------|
|                                     | <u>Town</u> | <u>School</u> | <u>Total</u>         |
| @ 0% Coll Barg                      | \$600,000   | (\$570,000)   | \$30,000             |
| @ 1% Coll Barg                      | \$140,000   | (\$1,200,000) | <b>(\$1,060,000)</b> |
| @ 1.5% Coll Barg                    | (\$90,000)  | (\$1,500,000) | <b>(\$1,590,000)</b> |
| @ 2% Coll Barg                      | (\$325,000) | (\$1,835,000) | <b>(\$2,160,000)</b> |

| <u>SCENARIO B: 5% Local Aid Cut (\$0.6M Total)</u> |             |               |                      |
|--|-------------|---------------|----------------------|
|  | <u>Town</u> | <u>School</u> | <u>Total</u>         |
|  | \$300,000   | (\$870,000)   | <b>(\$570,000)</b>   |
|  | (\$160,000) | (\$1,500,000) | <b>(\$1,660,000)</b> |
|  | (\$390,000) | (\$1,800,000) | <b>(\$2,190,000)</b> |
|  | (\$630,000) | (\$2,140,000) | <b>(\$2,770,000)</b> |

| <u>SCENARIO C: 10% Local Aid Cut (\$1.2M Total)</u> |             |               |                      |
|---|-------------|---------------|----------------------|
|   | <u>Town</u> | <u>School</u> | <u>Total</u>         |
| @ 0% Coll Barg                                      | \$0         | (\$1,170,000) | <b>(\$1,170,000)</b> |
| @ 1% Coll Barg                                      | (\$460,000) | (\$1,800,000) | <b>(\$2,260,000)</b> |
| @ 1.5% Coll Barg                                    | (\$690,000) | (\$2,100,000) | <b>(\$2,790,000)</b> |
| @ 2% Coll Barg                                      | (\$930,000) | (\$2,440,000) | <b>(\$3,370,000)</b> |

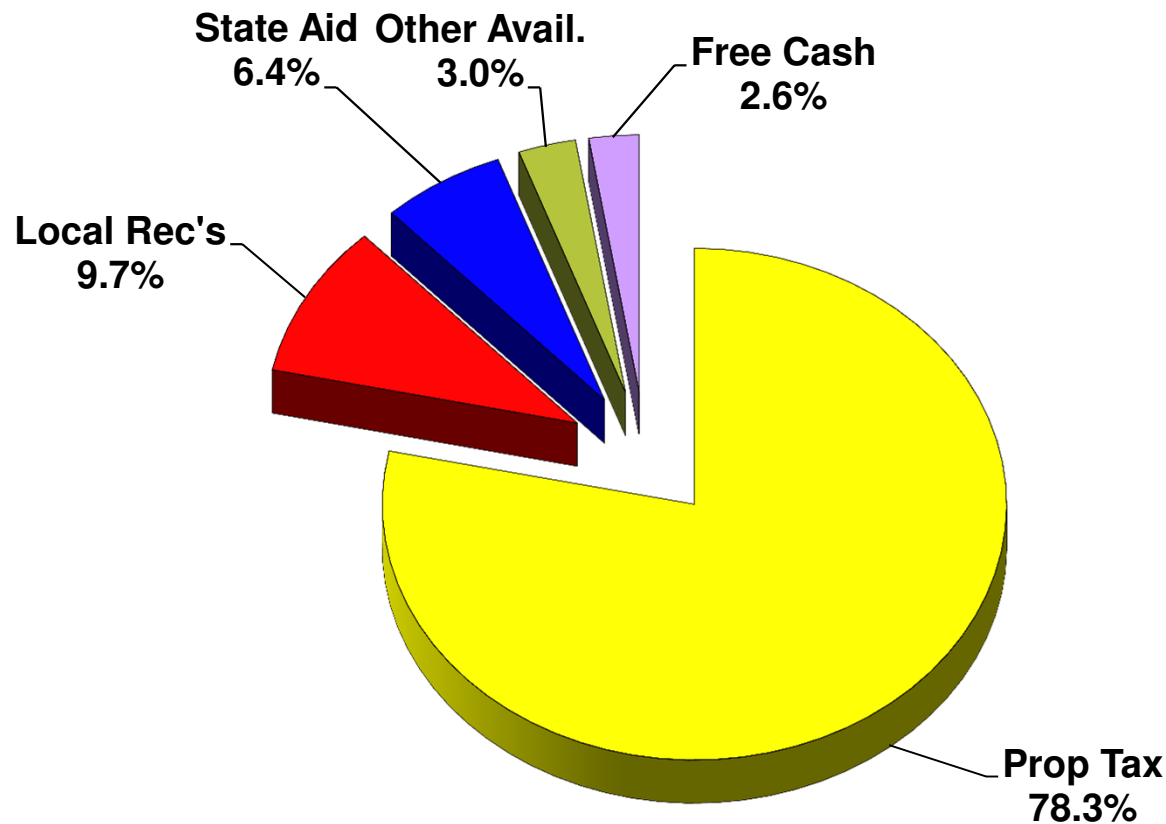
| <u>SCENARIO D: 15% Local Aid Cut (\$1.8M Total)</u> |               |               |                      |
|---|---------------|---------------|----------------------|
|   | <u>Town</u>   | <u>School</u> | <u>Total</u>         |
|   | (\$300,000)   | (\$1,470,000) | <b>(\$1,770,000)</b> |
|   | (\$760,000)   | (\$2,100,000) | <b>(\$2,860,000)</b> |
|   | (\$990,000)   | (\$2,400,000) | <b>(\$3,390,000)</b> |
|   | (\$1,230,000) | (\$2,740,000) | <b>(\$3,970,000)</b> |

**NOTES:** (1) Figures assume an 8% rate increase for health insurance.

|  | 2012               | 2013               | 2014               | 2015               | 2016               | 2017                |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| <b>REVENUE</b>                                     |                    |                    |                    |                    |                    |                     |
| Property Taxes                                     | 163,644,218        | 169,848,463        | 175,275,897        | 182,411,574        | 189,226,104        | 195,852,256         |
| Local Receipts                                     | 20,275,792         | 21,252,438         | 21,425,676         | 21,702,115         | 22,156,477         | 21,784,518          |
| State Aid  | 13,383,563         | 12,135,258         | 12,418,229         | 12,708,276         | 13,005,573         | 13,310,303          |
| Other Available Funds                              | 6,218,966          | 10,077,122         | 6,355,475          | 6,492,378          | 6,620,719          | 6,826,482           |
| Free Cash  | 5,380,264          | 6,176,813          | 3,750,000          | 3,750,000          | 3,850,000          | 3,950,000           |
| <b>TOTAL REVENUE</b>                               | <b>208,902,804</b> | <b>219,490,094</b> | <b>219,225,278</b> | <b>227,064,344</b> | <b>234,858,873</b> | <b>241,723,560</b>  |
| \$\$ Increase                                      | 7,860,164          | 10,587,290         | (264,816)          | 7,839,066          | 7,794,529          | 6,864,687           |
| % Increase   | 3.9%               | 5.1%               | -0.1%              | 3.6%               | 3.4%               | 2.9%                |
| <b>EXPENDITURES</b>                                |                    |                    |                    |                    |                    |                     |
| Departmental                                       | 63,203,476         | 63,737,829         | 65,361,380         | 67,158,457         | 68,821,711         | 70,601,297          |
| Collective Bargaining - Town                       | 0                  | 940,000            | 950,000            | 960,000            | 970,000            | 1,110,000           |
| Schools  | 75,387,188         | 77,287,188         | 80,453,188         | 84,403,188         | 88,228,388         | 91,528,388          |
| Collective Bargaining - School                     | 0                  | 1,266,000          | 2,000,000          | 1,875,200          | 1,350,000          | 1,390,000           |
| Non-Departmental - Benefits                        | 42,108,263         | 46,228,180         | 49,490,788         | 52,625,600         | 55,737,864         | 58,697,833          |
| Non-Departmental - General                         | 1,205,734          | 2,836,821          | 505,738            | 527,644            | 556,136            | 575,137             |
| Non-Departmental - Debt Service                    | 10,404,420         | 10,046,874         | 9,851,449          | 9,530,319          | 9,982,684          | 11,863,260          |
| Non-Departmental - Reserve Fund                    | 1,877,151          | 1,946,946          | 2,002,356          | 2,065,462          | 2,142,198          | 2,217,442           |
| Special Appropriations (Rev-Financed CIP)          | 6,979,001          | 10,333,500         | 6,339,019          | 7,115,045          | 7,219,800          | 5,875,957           |
| Non-Appropriated                                   | 7,737,572          | 7,636,899          | 7,816,289          | 8,000,164          | 8,188,636          | 8,381,820           |
| <b>TOTAL EXPENDITURES</b>                          | <b>208,902,805</b> | <b>222,260,237</b> | <b>224,770,207</b> | <b>234,261,080</b> | <b>243,197,417</b> | <b>252,241,136</b>  |
| \$\$ Increase                                      | 7,860,164          | 13,357,432         | 2,509,971          | 9,490,872          | 8,936,337          | 9,043,719           |
| % Increase   | 3.9%               | 6.4%               | 1.1%               | 4.2%               | 3.8%               | 3.7%                |
| <b>CUMULATIVE SURPLUS/(DEFICIT)</b>                | <b>0</b>           | <b>(2,770,143)</b> | <b>(5,544,929)</b> | <b>(7,196,736)</b> | <b>(8,338,545)</b> | <b>(10,517,576)</b> |
| <b>DEFICIT AS A % OF OP REV</b>                    | <b>0.0%</b>        | <b>-1.3%</b>       | <b>-2.6%</b>       | <b>-3.2%</b>       | <b>-3.6%</b>       | <b>-4.4%</b>        |
| Surplus / (Deficit) Prior to Collective Bargaining | 0                  | (564,142)          | (2,594,929)        | (4,361,536)        | (6,018,545)        | (8,017,576)         |
| Town Share of Surplus / (Deficit)                  | 0                  | 312,405            | (46,761)           | 25,376             | 135,255            | (258,877)           |
| Town Collective Bargaining                         | 0                  | 940,000            | 950,000            | 960,000            | 970,000            | 1,110,000           |
| <b>Total Town Surplus / (Deficit)</b>              | <b>0</b>           | <b>(627,595)</b>   | <b>(996,761)</b>   | <b>(934,624)</b>   | <b>(834,745)</b>   | <b>(1,368,877)</b>  |
| School Share of Surplus / (Deficit)                | 0                  | (876,547)          | (2,548,169)        | (4,386,913)        | (6,153,800)        | (7,758,699)         |
| School Collective Bargaining                       | 0                  | 1,266,000          | 2,000,000          | 1,875,200          | 1,350,000          | 1,390,000           |
| <b>Total School Surplus / (Deficit)</b>            | <b>0</b>           | <b>(2,142,547)</b> | <b>(4,548,169)</b> | <b>(6,262,113)</b> | <b>(7,503,800)</b> | <b>(9,148,699)</b>  |

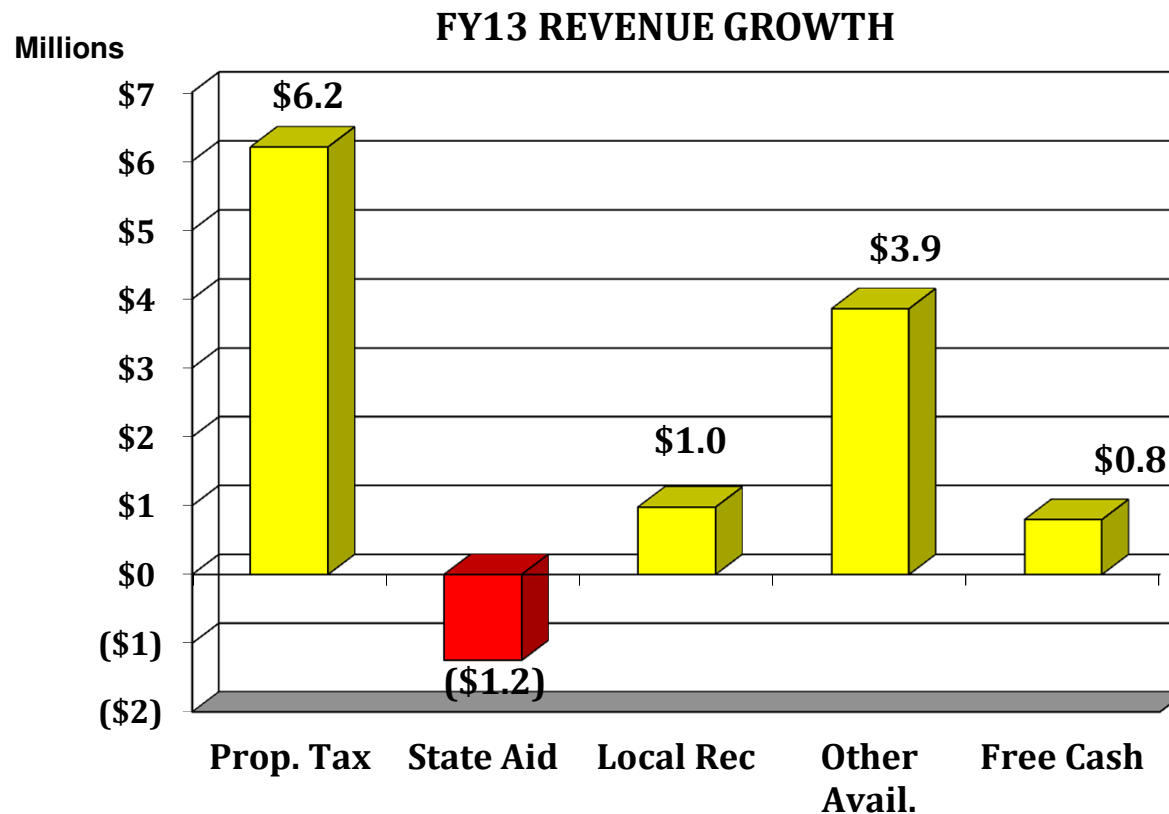
# GENERAL FUND REVENUE COMPOSITION

- In FY12, Property Taxes comprise more than  $\frac{3}{4}$ 's of the Town's General Fund revenue and more than 80% of Operating Revenue



# GENERAL FUND REVENUE SUMMARY

- At the 5% State Aid cut level:
  - Total FY13 increase in revenue of \$10.6M (5.1%)
  - Operating Budget revenue increases \$6M (2.9%)



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

# PROPERTY TAXES

- In FY13, increase \$6.2 million (3.8%)
  - 2 ½% Increase = \$4.1 million
  - New Growth = \$1.6 million
  - Net Debt Exclusion = \$540K
- In the out-years, average annual increases of 3.6%
  - 2 Brookline PI impact included in FY15-FY16 (add'l New Growth)

| <b>PROPERTY TAXES</b>               | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        | <b>2015</b>        | <b>2016</b>        | <b>2017</b>        |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Prior Year Levy Limit               | 156,653,255        | 162,553,810        | 168,217,656        | 174,163,097        | 181,317,174        | 188,150,104        |
| 2 1/2 % Increase                    | 3,916,331          | 4,063,845          | 4,205,441          | 4,354,077          | 4,532,929          | 4,703,753          |
| New Growth                          | 1,984,224          | 1,600,000          | 1,600,000          | 2,800,000          | 2,300,000          | 1,700,000          |
| 121A's to Prop Taxes                |                    |                    | 140,000            |                    |                    | 250,000            |
| <b>ANNUAL LEVY LIMIT</b>            | <b>162,553,810</b> | <b>168,217,656</b> | <b>174,163,097</b> | <b>181,317,174</b> | <b>188,150,104</b> | <b>194,803,856</b> |
| Debt Exclusion (Debt Service Costs) | 1,730,917          | 1,630,808          | 1,112,800          | 1,094,400          | 1,076,000          | 1,048,400          |
| LESS SBAB Reimb.                    | (640,509)          | 0                  | 0                  | 0                  | 0                  | 0                  |
| Net Debt Exclusion                  | 1,090,408          | 1,630,808          | 1,112,800          | 1,094,400          | 1,076,000          | 1,048,400          |
| <b>ANNUAL LEVY</b>                  | <b>163,644,218</b> | <b>169,848,463</b> | <b>175,275,897</b> | <b>182,411,574</b> | <b>189,226,104</b> | <b>195,852,256</b> |
| \$\$ Increase                       | 5,765,932          | 6,204,245          | 5,427,434          | 7,135,677          | 6,814,529          | 6,626,153          |
| % Increase                          | 3.7%               | 3.8%               | 3.2%               | 4.1%               | 3.7%               | 3.5%               |



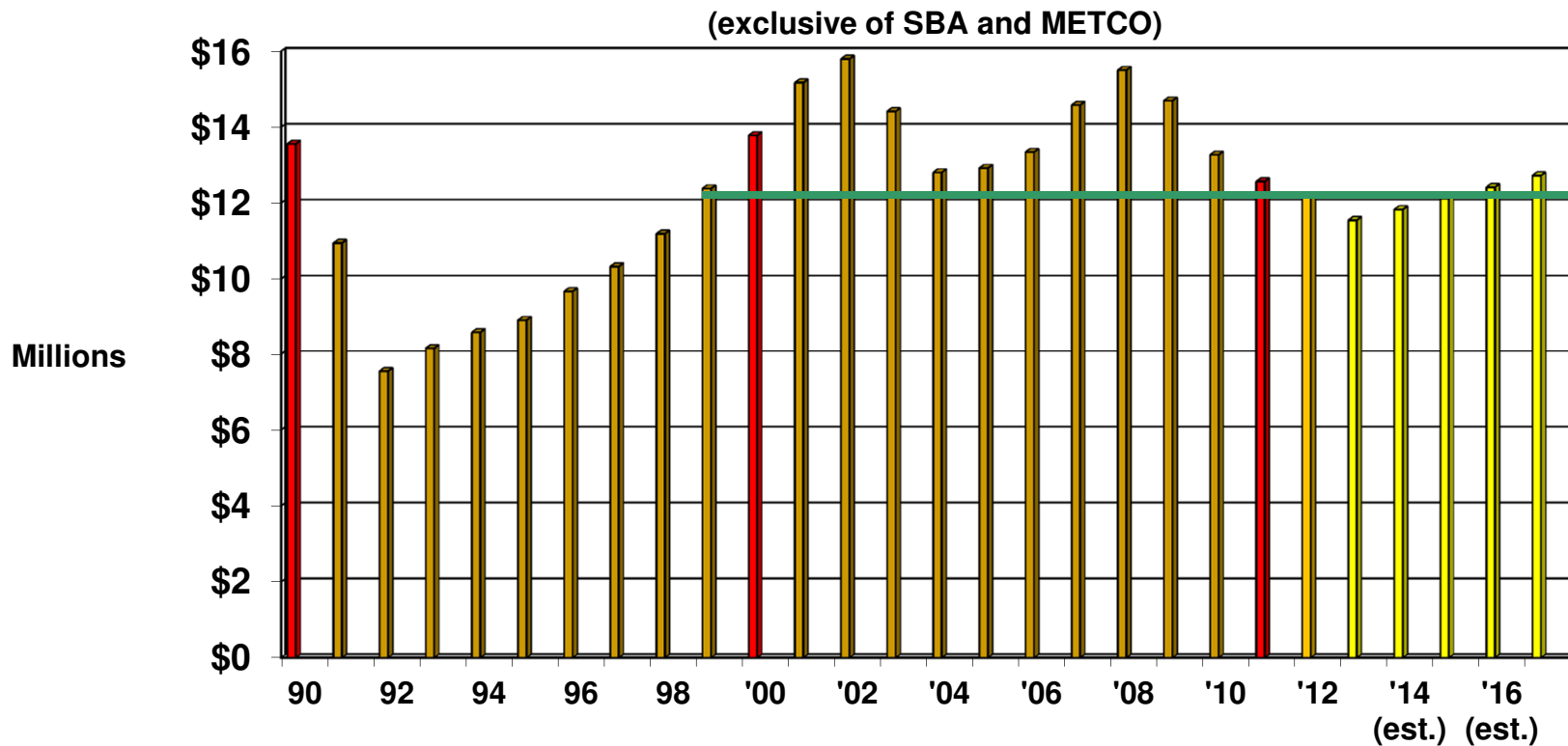
# STATE AID

- In FY13, assume a 5% cut (exclusive of SBA Reimbursements)
- 5% cut = \$608K
- Reduction in SBA Reimbursement from New Lincoln School -- final payment coming in FY12

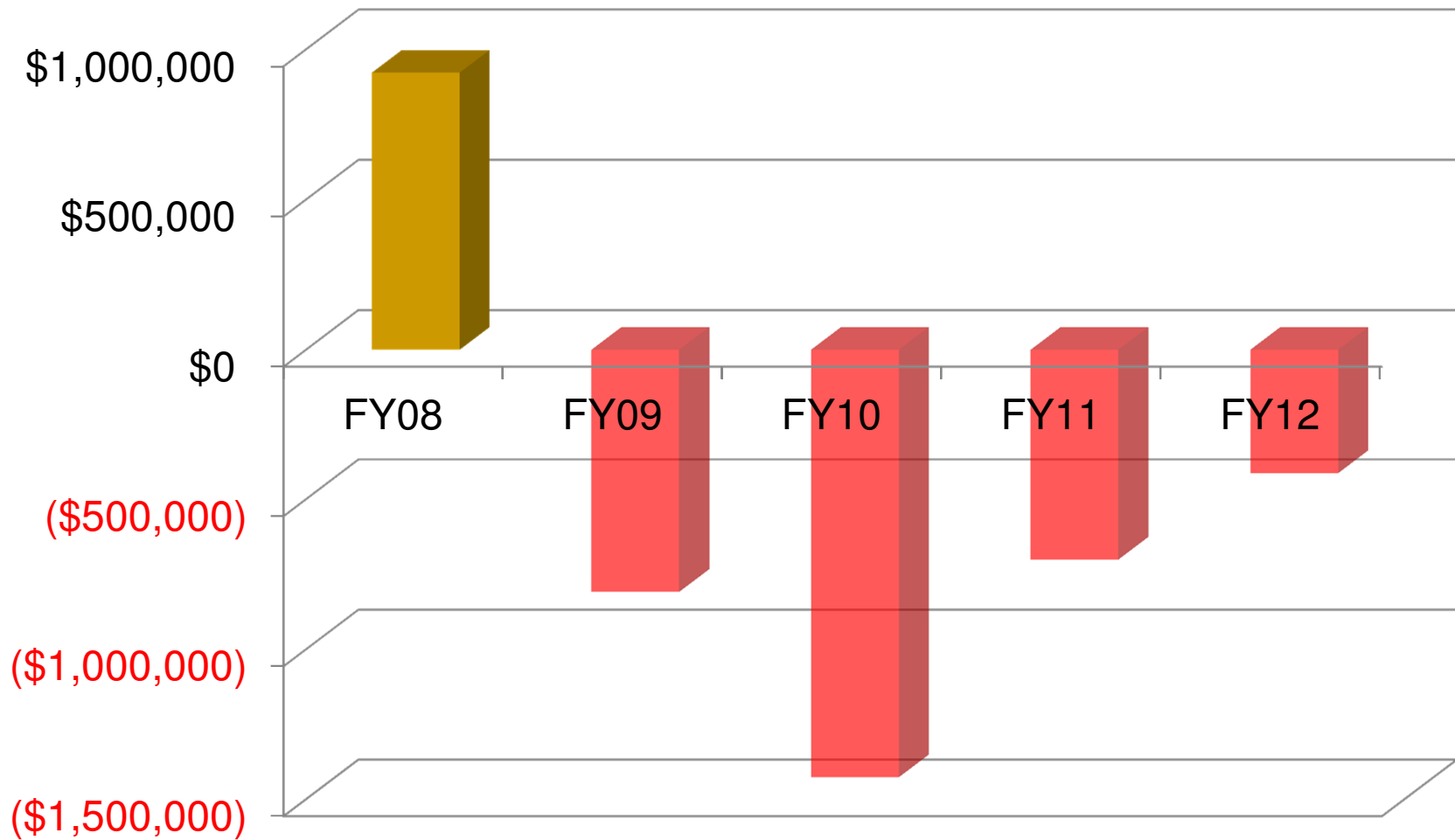
| <u>STATE AID</u>                 | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       | <u>2017</u>       |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>General Government Aid</i>    | 5,063,557         | 4,810,379         | 4,928,696         | 5,049,970         | 5,174,277         | 5,301,691         |
| Unrestricted General Gov't Aid   | 4,981,754         | 4,732,666         | 4,850,983         | 4,972,258         | 5,096,564         | 5,223,978         |
| Veterans' Benefits               | 81,803            | 77,713            | 77,713            | 77,713            | 77,713            | 77,713            |
| Quinn                            | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <i>School Aid</i>                | 8,175,275         | 7,187,384         | 7,352,039         | 7,520,811         | 7,693,802         | 7,871,117         |
| Chapter 70                       | 6,932,850         | 6,586,208         | 6,750,863         | 6,919,634         | 7,092,625         | 7,269,941         |
| SBA Reimb.                       | 1,227,634         | 587,125           | 587,125           | 587,125           | 587,125           | 587,125           |
| Charter Tuition Assesment Reimb. | 14,791            | 14,051            | 14,051            | 14,051            | 14,051            | 14,051            |
| <i>Tax Abatement Aid</i>         | 37,892            | 35,997            | 35,997            | 35,997            | 35,997            | 35,997            |
| <i>Offset Aid</i>                | 106,839           | 101,497           | 101,497           | 101,497           | 101,497           | 101,497           |
| School Lunch                     | 26,417            | 25,096            | 25,096            | 25,096            | 25,096            | 25,096            |
| Public Libraries                 | 80,422            | 76,401            | 76,401            | 76,401            | 76,401            | 76,401            |
| <b>TOTAL STATE AID</b>           | <b>13,383,563</b> | <b>12,135,258</b> | <b>12,418,229</b> | <b>12,708,276</b> | <b>13,005,573</b> | <b>13,310,303</b> |
| \$\$ Increase                    | (412,979)         | (1,248,305)       | 282,972           | 290,046           | 297,297           | 304,730           |
| % Increase                       | -3.0%             | -9.3%             | 2.3%              | 2.3%              | 2.3%              | 2.3%              |

# STATE AID - HISTORY

- Took a decade to recover from cuts of early-1990's
- Unsure if Town will reach the FY02 pre-cut levels
- Estimated FY13 level at FY99 levels



# STATE AID – RECENT EXPERIENCE



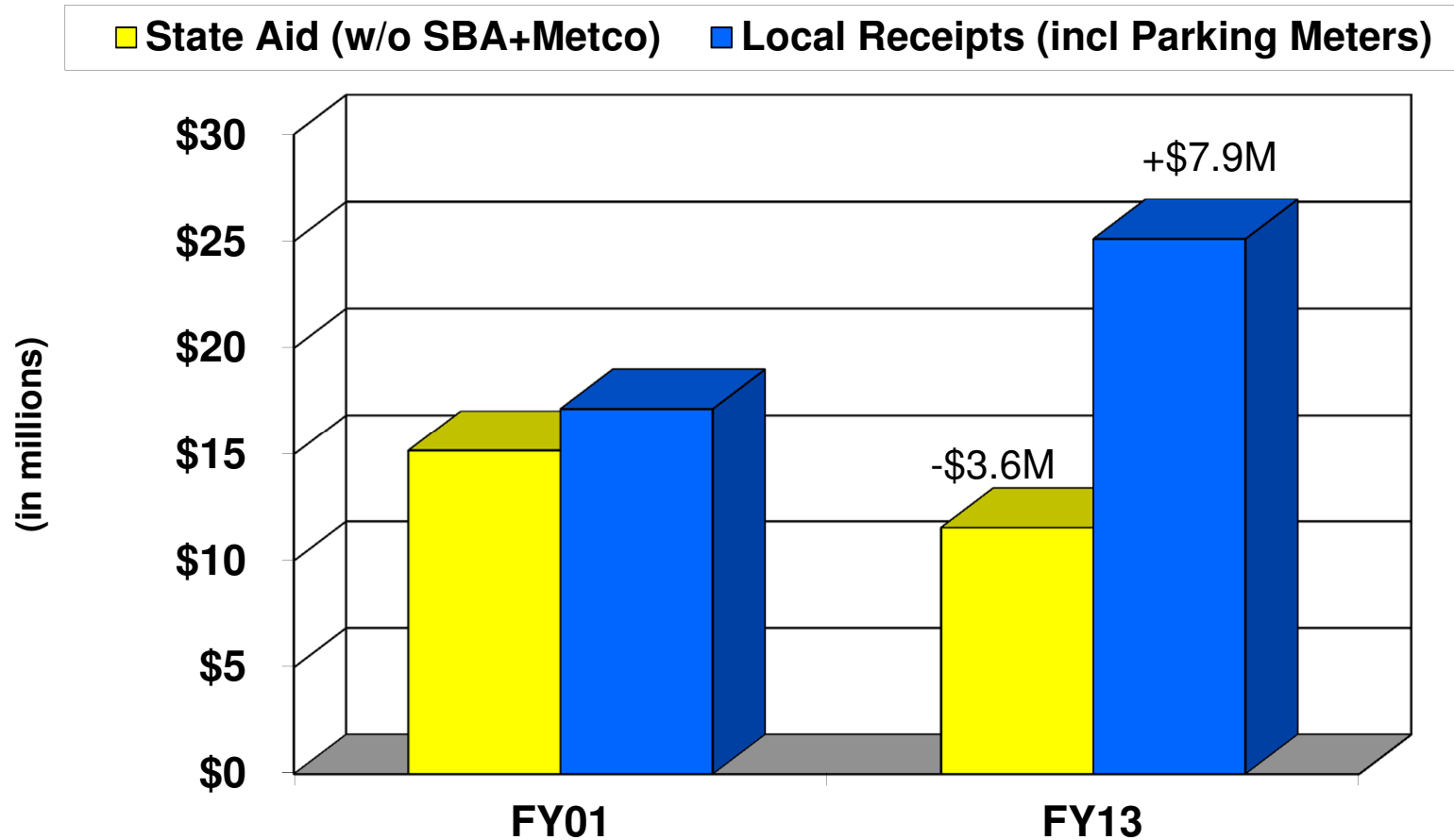
# LOCAL RECEIPTS

- In FY13, an increase of \$977K (4.8%)
- Increases in Medicare Part D (\$300K), Local Option Taxes (\$200K), MVE (\$150K), Investment Income (\$100K), Medicaid Reimb (\$95K)

| <u>LOCAL RECEIPTS</u>      | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       | <u>2017</u>       |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Motor Vehicle Excise (MVE) | 4,700,000         | 4,850,000         | 4,947,000         | 5,045,940         | 5,146,859         | 5,249,796         |
| Local Option Taxes         | 1,750,000         | 1,950,000         | 1,989,000         | 2,028,780         | 2,069,356         | 2,110,743         |
| Licenses & Permits         | 1,010,975         | 1,080,975         | 1,080,975         | 1,080,975         | 1,080,975         | 1,080,975         |
| Parking / Court Fines      | 4,200,000         | 4,250,000         | 4,250,000         | 4,250,000         | 4,250,000         | 4,250,000         |
| General Government         | 2,482,817         | 2,864,463         | 2,931,251         | 3,000,348         | 3,073,342         | 3,150,906         |
| Interest Income            | 650,000           | 760,000           | 779,000           | 798,475           | 818,437           | 838,898           |
| PILOT's / 121A's           | 1,160,000         | 1,110,000         | 1,021,200         | 1,047,624         | 1,244,276         | 606,162           |
| Refuse Fee                 | 2,600,000         | 2,600,000         | 2,600,000         | 2,600,000         | 2,600,000         | 2,600,000         |
| Departmental & Other       | 1,722,000         | 1,787,000         | 1,827,250         | 1,849,974         | 1,873,232         | 1,897,039         |
| <b>TOTAL LOCAL REVENUE</b> | <b>20,275,792</b> | <b>21,252,438</b> | <b>21,425,676</b> | <b>21,702,115</b> | <b>22,156,477</b> | <b>21,784,518</b> |
| \$\$ Increase              | 557,317           | 976,645           | 173,239           | 276,439           | 454,362           | (371,959)         |
| % Increase                 | 2.8%              | 4.8%              | 0.8%              | 1.3%              | 2.1%              | -1.7%             |

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

# LOCAL RECEIPTS – HISTORY



# OTHER AVAILABLE FUNDS

- For FY13, an increase of \$3.9M (62%) due primarily to funds earmarked for the CIP (Sale of Town-owned Land & Capital Project Surplus)

| <b>OTHER AVAILABLE FUNDS</b>                  | <b>2012</b>      | <b>2013</b>       | <b>2014</b>      | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|
| Parking Meter Receipts                        | 3,800,000        | 3,850,000         | 3,850,000        | 3,850,000        | 3,850,000        | 3,850,000        |
| Walnut Hill Cemetery Fund                     | 50,000           | 50,000            | 50,000           | 50,000           | 50,000           | 50,000           |
| State Aid for Libraries                       | 41,555           | 41,555            | 41,555           | 41,555           | 41,555           | 41,555           |
| Golf Enterprise Fund Reimbursement            | 163,852          | 152,727           | 158,980          | 158,493          | 164,338          | 164,363          |
| Recreation Revolving Fund Reimbursement       | 295,912          | 292,633           | 298,734          | 319,864          | 333,924          | 348,793          |
| Water and Sewer Enterprise Fund Reimbursement | 1,867,647        | 1,880,207         | 1,956,206        | 2,072,467        | 2,180,901        | 2,293,910        |
| Capital Project Surplus                       | 0                | 560,000           | 0                | 0                | 0                | 0                |
| Sale of Town-owned Land Fund                  | 0                | 3,250,000         | 0                | 0                | 0                | 0                |
| <b>TOTAL OTHER AVAILABLE FUNDS</b>            | <b>6,218,966</b> | <b>10,077,122</b> | <b>6,355,475</b> | <b>6,492,378</b> | <b>6,620,719</b> | <b>6,748,621</b> |
| \$\$ Increase                                 | 1,159,708        | 3,858,156         | (3,721,647)      | 136,903          | 128,340          | 205,764          |
| % Increase                                    | 22.9%            | 62.0%             | -36.9%           | 2.2%             | 2.0%             | 3.1%             |

# FREE CASH

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

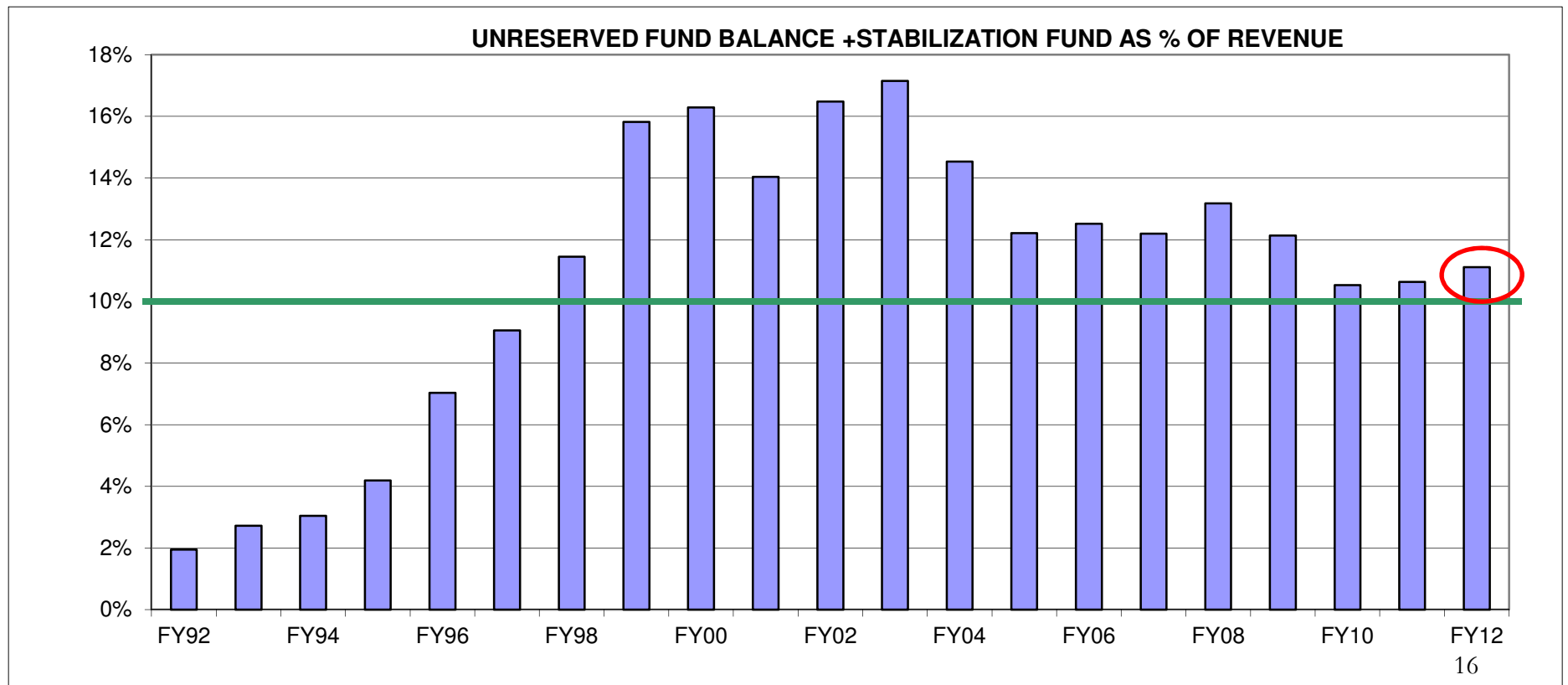
| FREE CASH  | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Certified Free Cash <sup>1</sup>                           | 7,105,288        | 6,176,813        | 3,750,000        | 3,750,000        | 3,850,000        | 3,950,000        |
| \$\$ Increase  | 2,515,209        | (928,475)        | (2,426,813)      | 0                | 100,000          | 100,000          |
| % Increase   | 54.8%            | -13.1%           | -39.3%           | 0.0%             | 2.7%             | 2.6%             |
| Use of Free Cash:  |                  |                  |                  |                  |                  |                  |
| 1. Operating Budget Reserve (25% of the 1% Reserve)        | 469,288          | 486,736          | 500,589          | 516,365          | 535,549          | 554,361          |
| 2. Unreserved Fund Balance/Stabilization Fund <sup>2</sup> | 1,725,024        | 1,750,000        |                  |                  |                  |                  |
| 3. Liability Reserve                                       | 141,959          | 253,669          | 35,941           | 43,083           | 56,081           | 53,823           |
| 4. Capital Improvements                                    | 4,413,752        | 2,920,254        | 3,003,534        | 3,098,193        | 3,213,297        | 3,326,164        |
| 5. Affordable Housing Trust Fund                           | 355,264          | 377,423          | 0                | 0                | 0                | 0                |
| 6. Special Use   |                  | 388,731          | 209,937          | 92,359           | 45,073           | 15,653           |
| Additional CIP   |                  | 277,475          |                  |                  |                  |                  |
| OPEB's   |                  | 111,256          |                  |                  |                  |                  |
| <b>TOTAL APPROPRIATED</b>                                  | <b>5,380,264</b> | <b>6,176,813</b> | <b>3,750,000</b> | <b>3,750,000</b> | <b>3,850,000</b> | <b>3,950,000</b> |
| \$\$ Increase  | 790,185          | 796,549          | (2,426,813)      | 0                | 100,000          | 100,000          |
| % Increase   | 17.2%            | 14.8%            | -39.3%           | 0.0%             | 2.7%             | 2.6%             |

<sup>1</sup> FY13 figure is an estimate.

<sup>2</sup> In FY12, this amount was left unappropriated. Therefore, it is backed out of the "Total Appropriated" figure.

# UNRESERVED FUND BALANCE

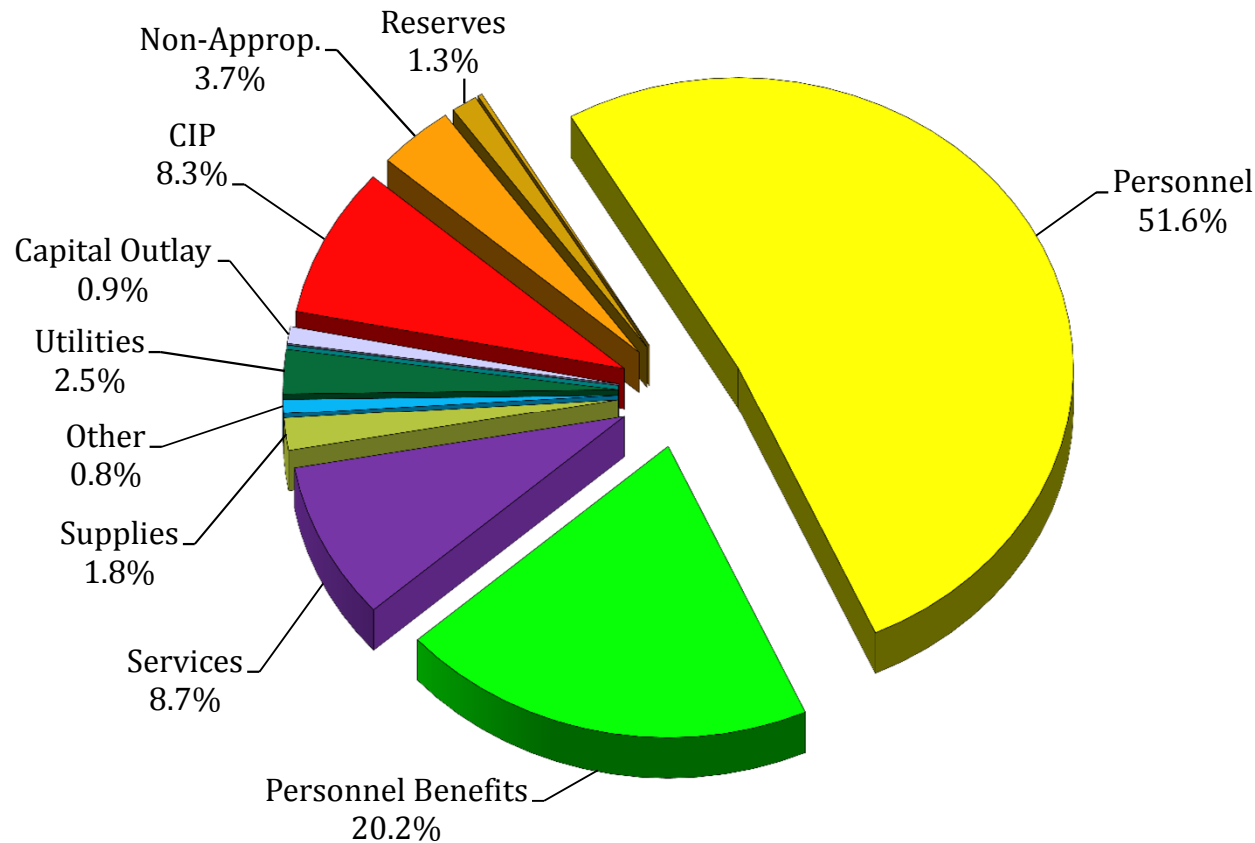
- Ratings agencies look for a Aaa-rated community to have a ratio of Unreserved Fund Balance as a percentage of revenue of approx. 10%
- Year-End FY11 = 10.6%
- Estimate needing to use \$1.75M of Free Cash to stay above 10%, leaving some cushion for this hard to predict metric





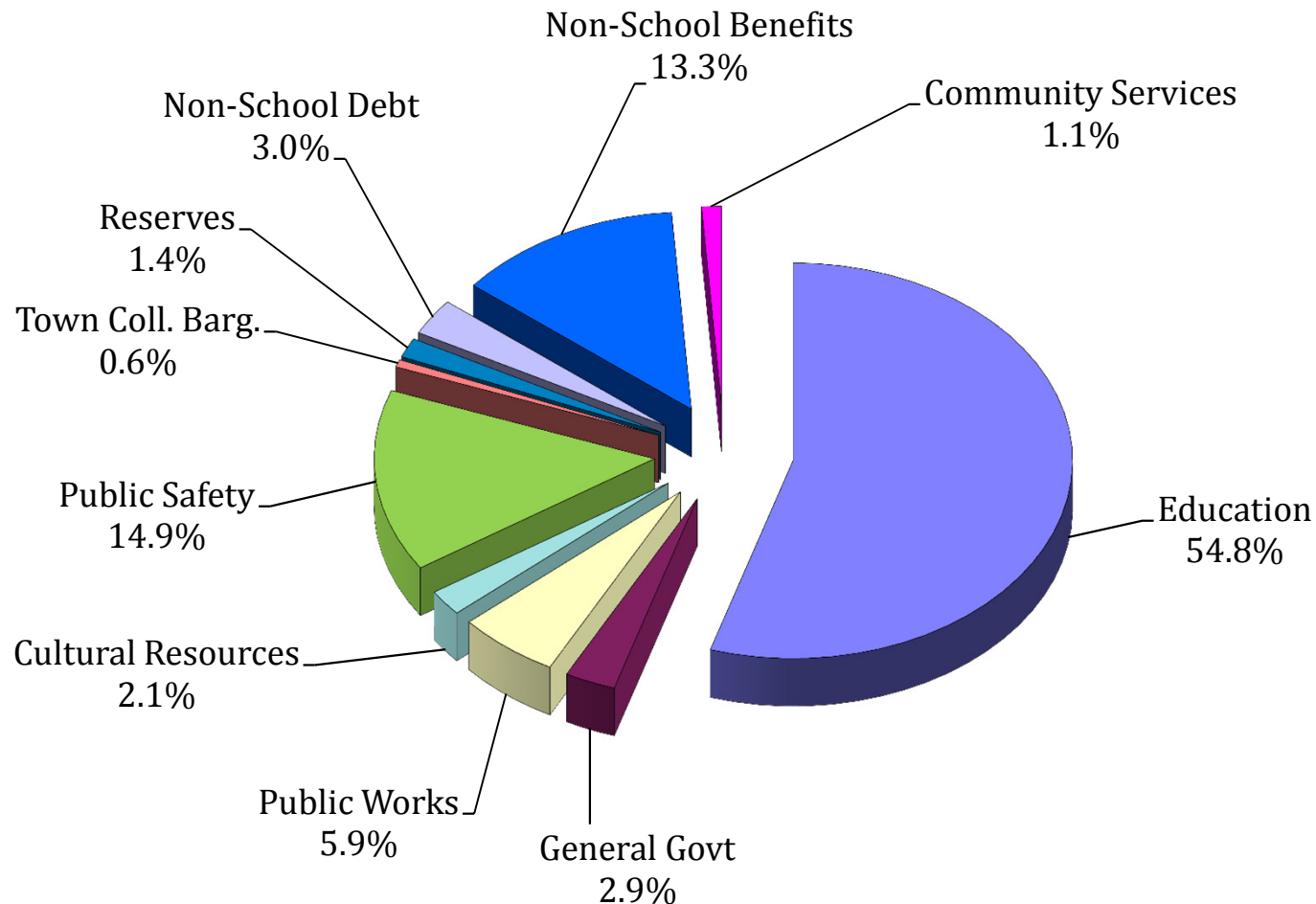
# GENERAL FUND BUDGET

- In FY12 total, General Fund budget of \$208.9M
- Personnel costs (wages + benefits) comprise more than 70% of the General Fund budget, and more than 75% of the Operating Budget



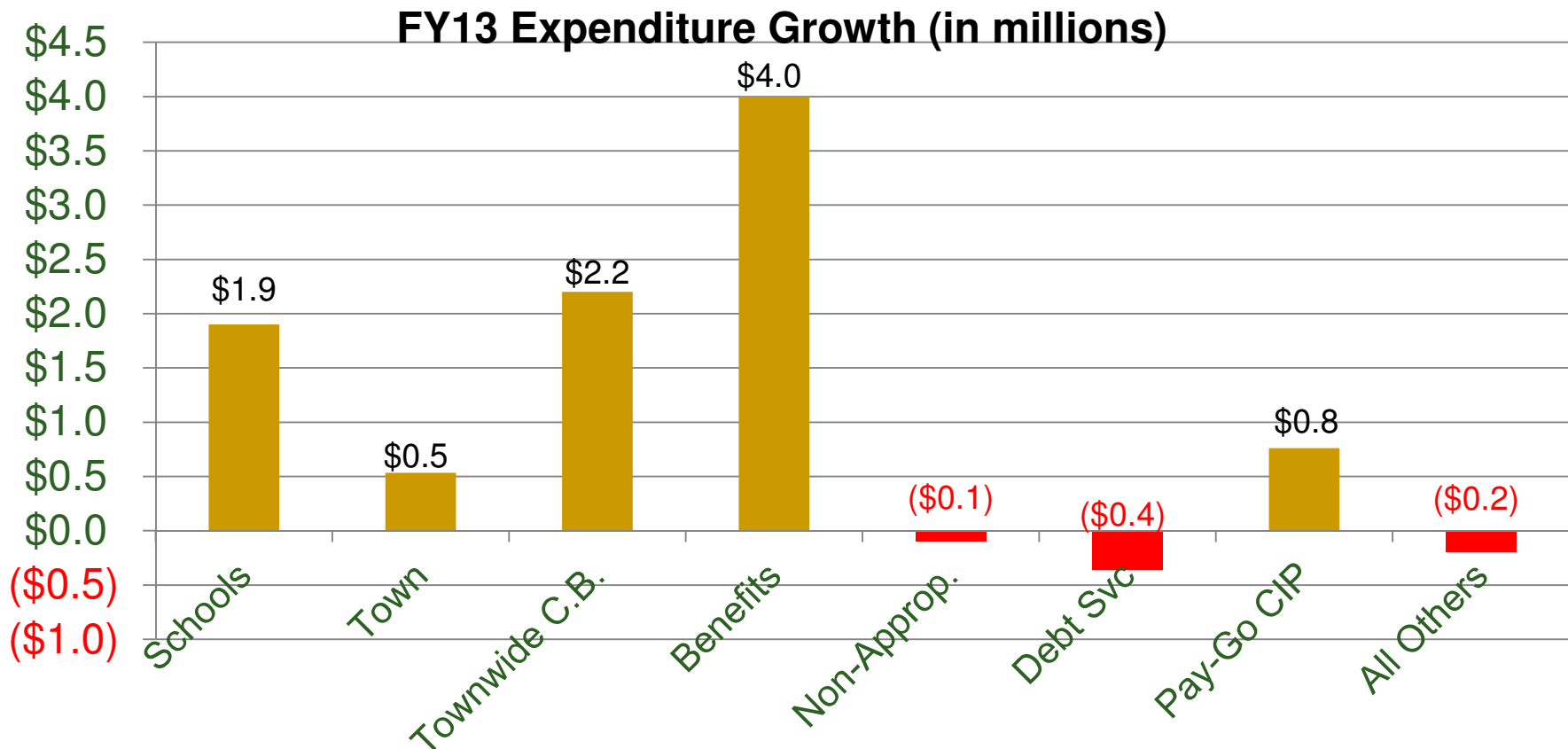
# FULLY-ALLOCATED EXPENDITURES

- In FY12, expenses associated with Education comprised 55% of the Operating budget
- The next largest areas were Public Safety and non-School Benefits



# EXPENDITURE SUMMARY

- For FY13, est total increase in expenditures of \$13.4M (6.4%)
- Operating Budget expenditures est to increase \$8.8M (4.3%)



- In the out-years, annual increases of 3.7% - 4.2%

# BENEFITS

- Total estimated FY13 increase of \$4.1M (10%)
- In FY02, Benefits comprised 15% of the total Operating Budget. In FY13, this figure could increase to 23%.

|  | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       | <u>2017</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Pensions                                 | 14,612,334        | 15,422,765        | 16,270,948        | 16,967,741        | 17,697,239        | 18,460,915        |
| Group Health                             | 21,680,402        | 24,219,486        | 26,318,004        | 28,332,490        | 30,214,999        | 31,917,437        |
| Health Reimbursement Account (HRA)       | 250,000           | 250,000           | 250,000           | 250,000           | 250,000           | 250,000           |
| Retiree Group Health Trust Fund (OPEB's) | 1,801,527         | 2,501,928         | 2,715,461         | 3,042,300         | 3,372,776         | 3,707,557         |
| EAP                                      | 28,000            | 28,000            | 28,000            | 28,000            | 28,000            | 33,000            |
| Group Life                               | 130,000           | 135,000           | 138,375           | 141,834           | 145,380           | 149,015           |
| Disability Insurance                     | 16,000            | 16,000            | 16,000            | 16,000            | 16,000            | 16,000            |
| Workers' Compensation                    | 1,250,000         | 1,200,000         | 1,225,000         | 1,250,000         | 1,300,000         | 1,332,500         |
| Public Safety IOD Medical Expenses       | 300,000           | 375,000           | 375,000           | 375,000           | 375,000           | 375,000           |
| Unemployment Compensation                | 350,000           | 350,000           | 300,000           | 250,000           | 250,000           | 250,000           |
| Medical Disabilities                     | 30,000            | 30,000            | 35,000            | 35,000            | 35,000            | 40,000            |
| Medicare Coverage                        | 1,660,000         | 1,700,000         | 1,819,000         | 1,937,235         | 2,053,469         | 2,166,410         |
| <b>TOTAL</b>                             | <b>42,108,263</b> | <b>46,228,180</b> | <b>49,490,788</b> | <b>52,625,600</b> | <b>55,737,864</b> | <b>58,697,833</b> |
| \$\$ Change                              | 2,034,362         | 4,119,917         | 3,262,609         | 3,134,812         | 3,112,263         | 2,959,969         |
| % Change                                 | 5.1%              | 9.8%              | 7.1%              | 6.3%              | 5.9%              | 5.3%              |

# BENEFITS – MAJOR ACCOUNTS

## ■ Health Insurance

- Assuming an 8% rate increase
- Assuming 30 new enrollees (15 T / 15 S)
- Incr in Town contribution rate from 80% to 83% (\$725K)
- Total increase of \$2.5 million (11.7%)
- Each 1% increase in rates equals approximately \$225,000

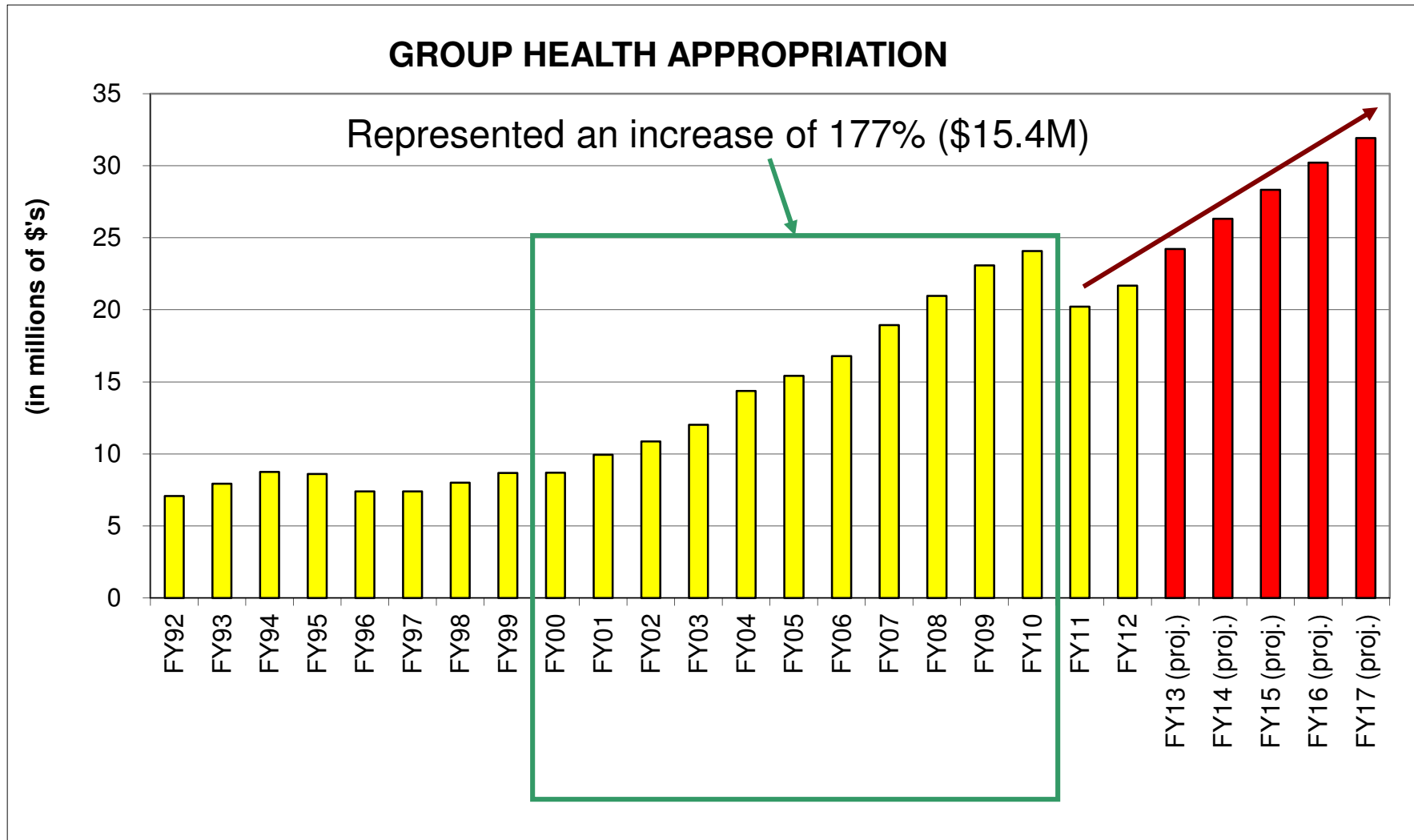
## ■ Pensions

- For FY13, increase of \$810K (5.5%) based on funding schedule

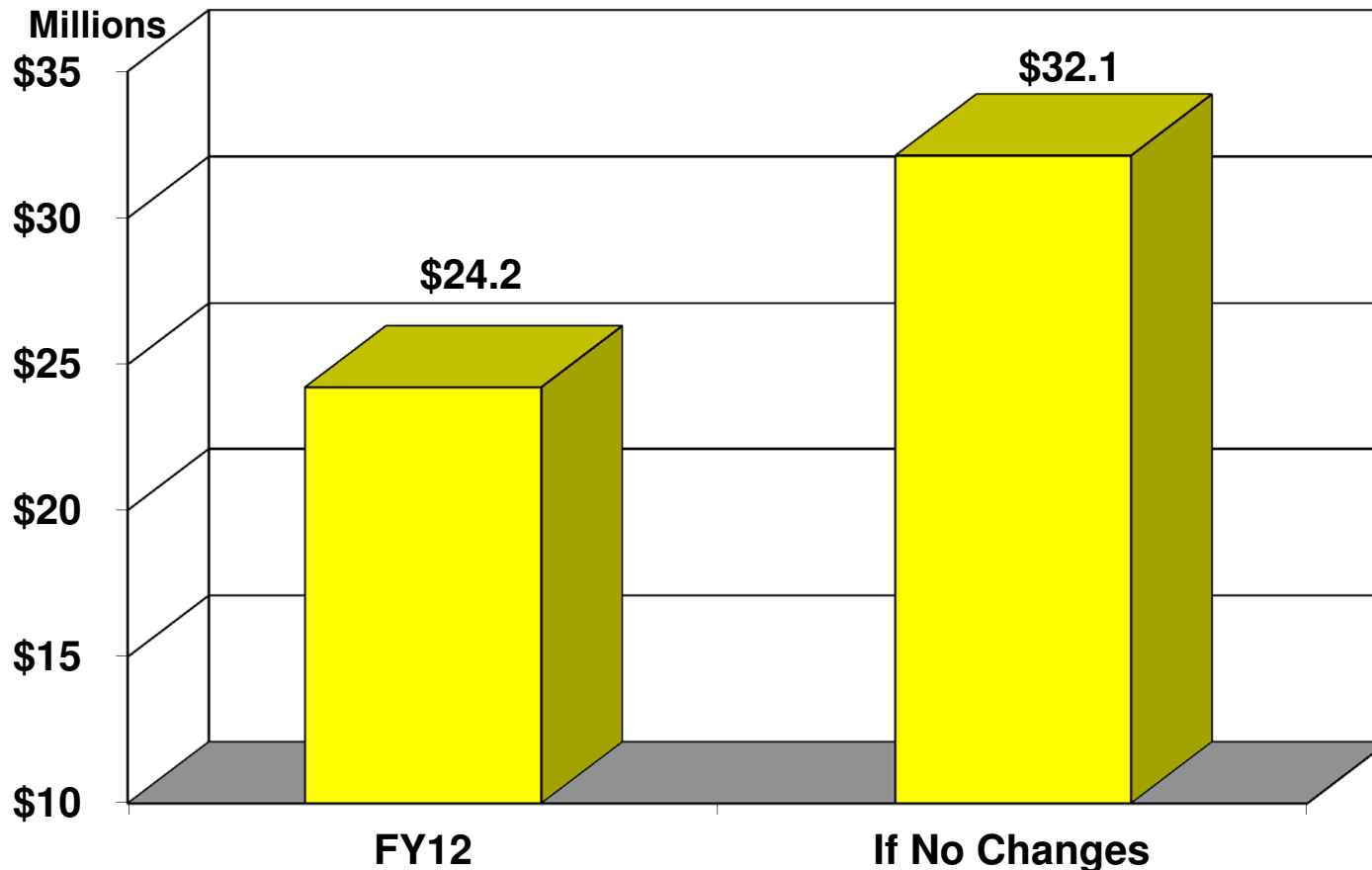
## ■ OPEB's

- Increase operating budget funding from \$1.50M to \$1.75M
- Propose using new Medicare Part D Subsidy revenue for OPEB's
- Continue assessing special revenue funds

# BENEFITS – HEALTH INS BUDGET



# HEALTH INSURANCE EFFORTS



- Consolidation in FY05 saved approx. \$1.2M
- Plan Design Changes in FY08 saved approx. \$1.1M
- Move to GIC in FY11 saved the Town budget approx. \$5.6M
- Move to GIC has saved employees approx. \$10M between FY11-FY13

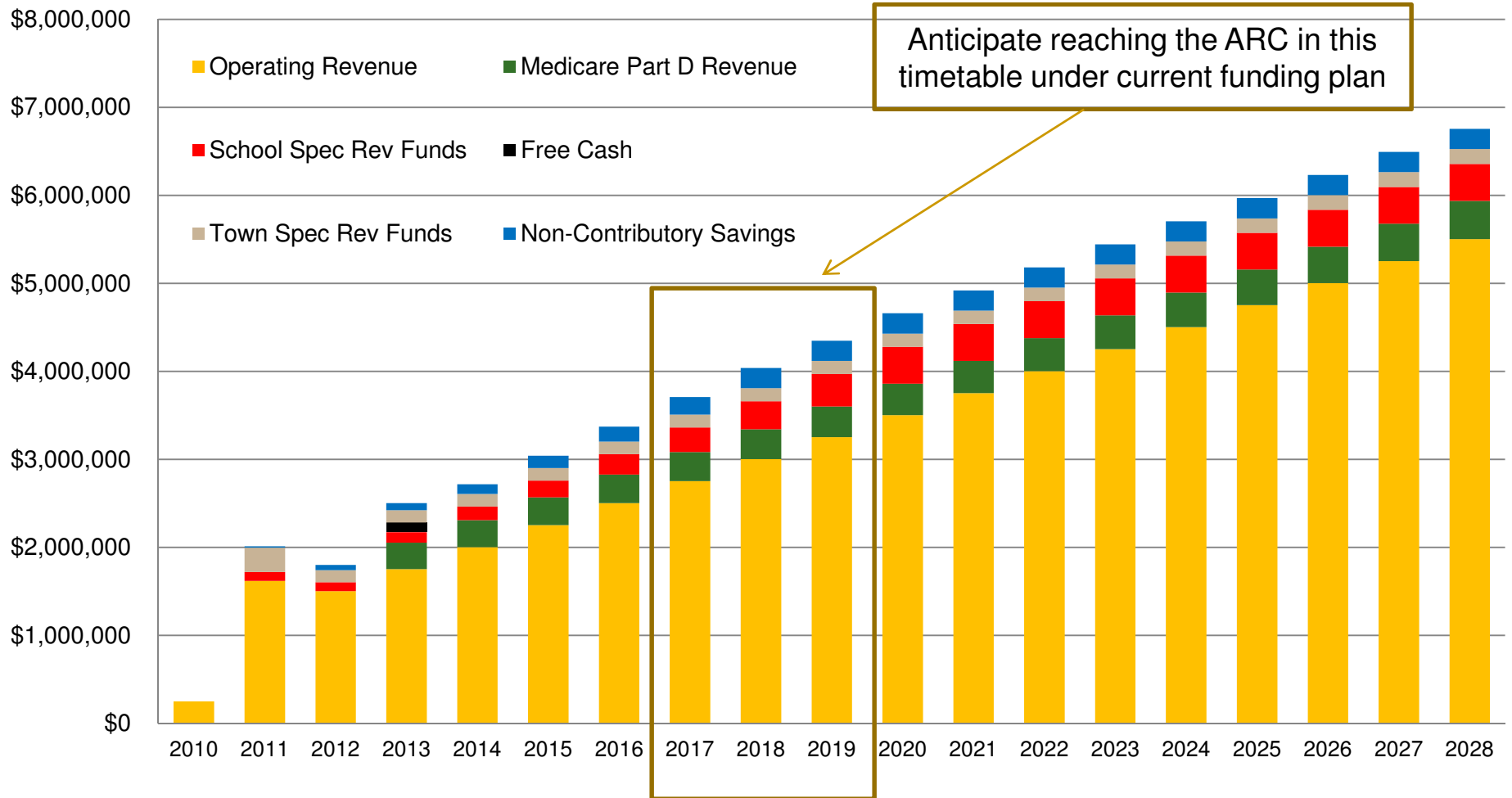
# OPEB'S

- Continue:
  - Increasing funding from operating revenue by \$250K / yr, to \$1.75M in FY13 and \$2.75M in FY17
  - Assessing special revenue funds with personnel
  - Using the “run-off” from funding for Non-Contributory retirees
  
- Expecting Medicare Part D refund to come from the GIC. It is recommended that these monies go toward OPEB's
  
- Recommending using Free Cash in FY13

|                          | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Non-Contributory Savings | 60,000           | <b>80,000</b>    | 110,000          | 140,000          | 170,000          | 200,000          |
| Free Cash                | 0                | <b>111,256</b>   | 0                | 0                | 0                | 0                |
| Special Rev Funds        | 238,435          | <b>257,581</b>   | 294,869          | 334,021          | 376,617          | 423,321          |
| Operating Revenue        | 1,503,092        | <b>1,753,092</b> | 2,003,092        | 2,253,092        | 2,503,092        | 2,753,092        |
| Medicare Part D Revenue  | 0                | <b>300,000</b>   | 307,500          | 315,188          | 323,067          | 331,144          |
| <b>TOTAL</b>             | <b>1,801,527</b> | <b>2,501,928</b> | <b>2,715,461</b> | <b>3,042,300</b> | <b>3,372,776</b> | <b>3,707,557</b> |
| \$\$ Change              | <b>(211,004)</b> | <b>700,401</b>   | 213,533          | 326,839          | 330,476          | 334,781          |
| Percentage Change        | -10.5%           | <b>38.9%</b>     | 8.5%             | 12.0%            | 10.9%            | 9.9%             |

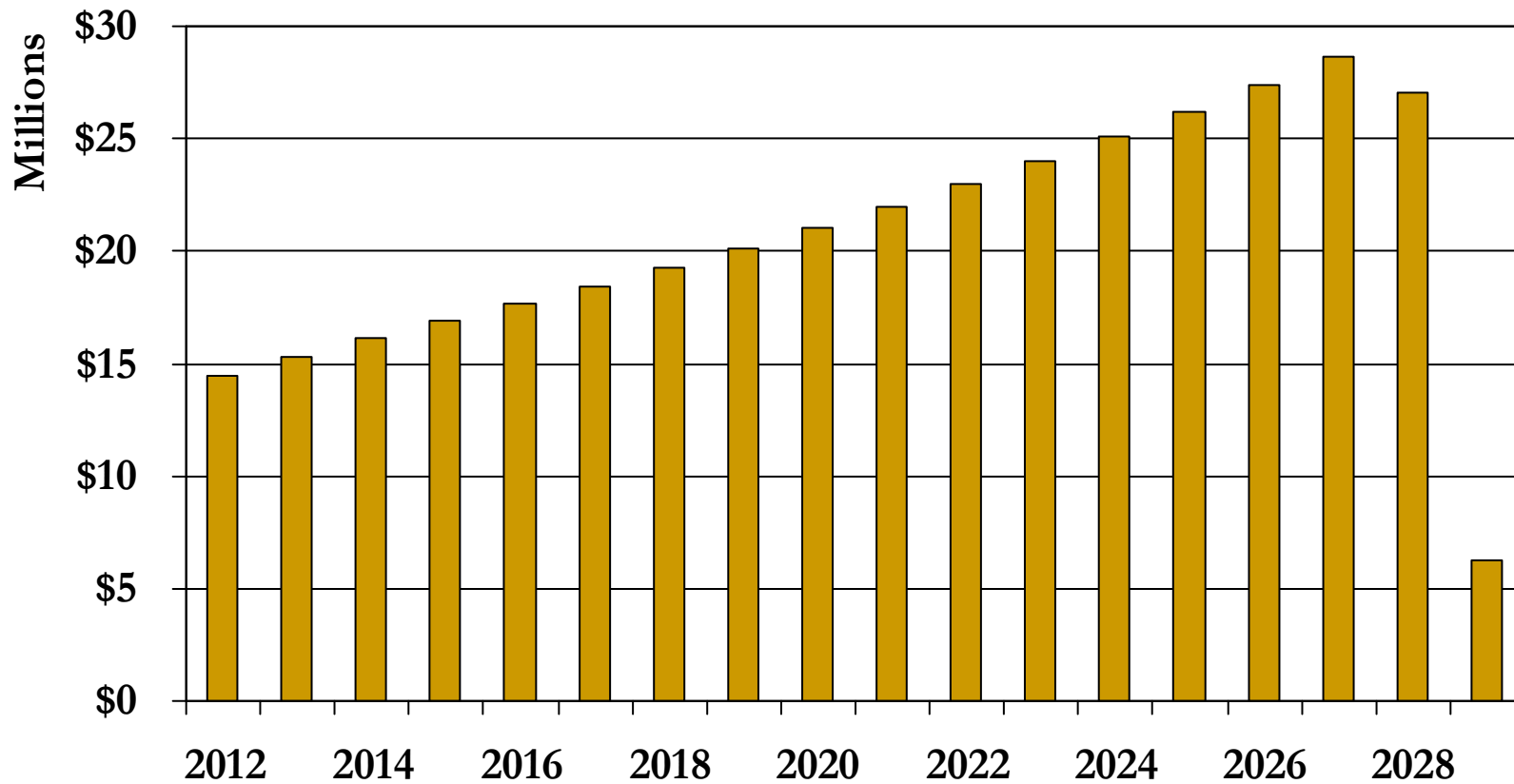


# FUTURE OPEB FUNDING PLAN



# PENSION FUNDING

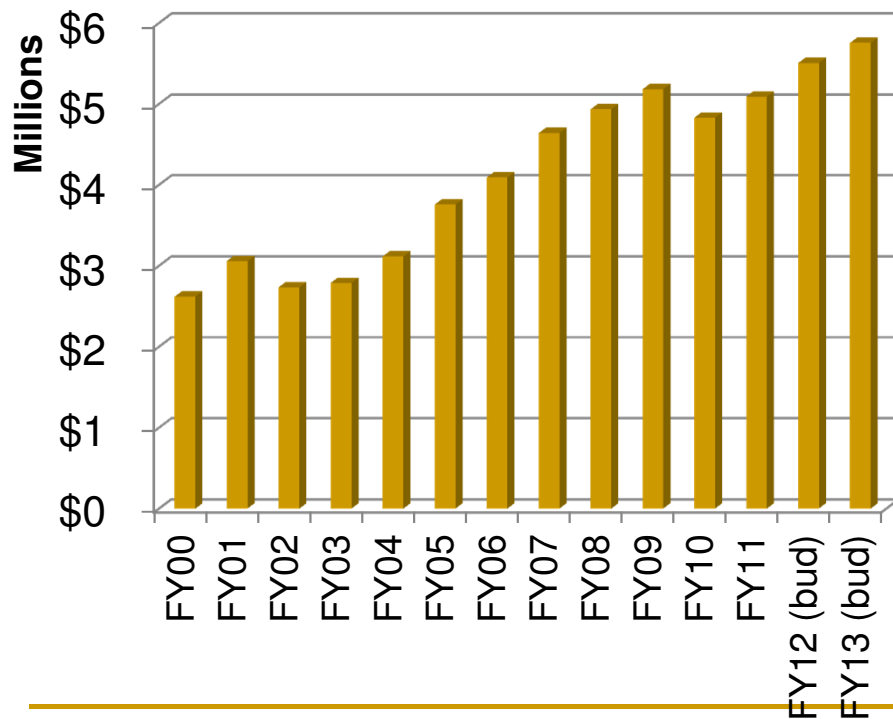
- Full funding date of 2028
- FY13 increase of \$810K (5.5%)
- New schedule for FY14-FY15 will be impacted by CY11 market experience



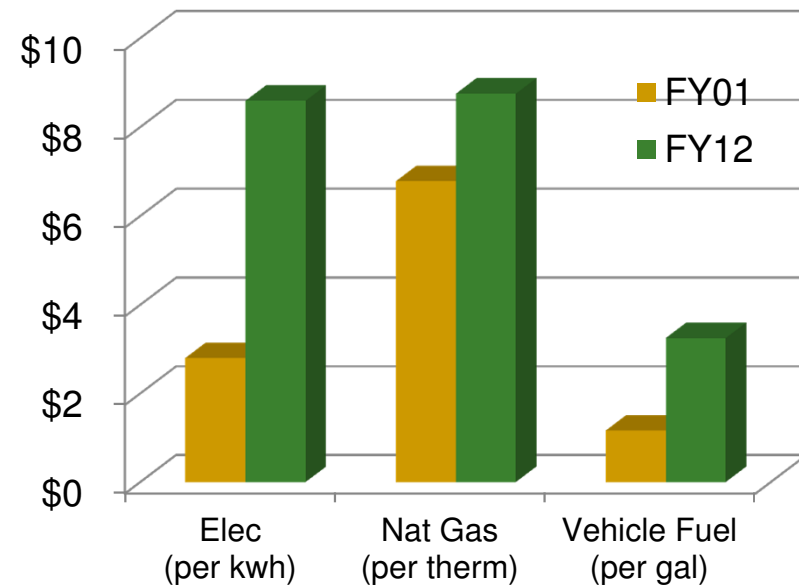
# UTILITIES

- Overall projected FY13 increase of approx. \$250K (2.8%)
- Total energy budget of \$5.75M represents a \$3.1M (120%) increase since FY00 (exclusive of Water/Sewer)
- Fixed contracts for electricity (through Dec, '15) and natural gas (through Oct, '14)
- Part of FY13 increase is due to expanded space in schools (Runkle + Heath)

Utility Budget (in millions)



Growth in Unit Cost



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# DEBT SERVICE / TAX-SUPPORTED CIP

- “6% Policy” total increase of \$525K
  
- In the out-years, Debt Service supports:
  - Devotion School Renovation (\$46M)
  - Rear Landfill Closure (\$4.6M)
  - Park Projects (\$3.6M)
  - Roof Replacement / Repairs (\$2.7M)
  - Fire Apparatus (\$2.6M)
  - Baldwin School (\$1.8M)
  - Driscoll School HVAC (\$1.5M)
  - UAB Roof / Chimney / etc (\$1.3M)
  
- More detailed information included in the CIP presentation.

# NON-APPROPRIATED

|                                   | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>STATE ASSESSMENTS</b>          |                  |                  |                  |                  |                  |                  |
| County Assessments                | 698,333          | 715,791          | 733,686          | 752,028          | 770,829          | 790,100          |
| Retired Empl. Health Ins.         | 1,855            | 1,901            | 1,949            | 1,998            | 2,048            | 2,099            |
| Air Pollution Dist.               | 23,973           | 24,572           | 25,187           | 25,816           | 26,462           | 27,123           |
| MAPC                              | 17,164           | 17,593           | 18,033           | 18,484           | 18,946           | 19,419           |
| MBTA                              | 4,532,622        | 4,645,938        | 4,762,086        | 4,881,138        | 5,003,167        | 5,128,246        |
| Boston Metro                      | 1,754            | 1,754            | 1,754            | 1,754            | 1,754            | 1,754            |
| SPED                              | 68,120           | 69,823           | 71,569           | 73,358           | 75,192           | 77,072           |
| RMV Surcharge                     | 271,360          | 271,360          | 271,360          | 271,360          | 271,360          | 271,360          |
| School Choice Sending Tuition     | 2,279            | 2,279            | 2,279            | 2,279            | 2,279            | 2,279            |
| Charter School Sending Tuition    | 54,048           | 54,048           | 54,048           | 54,048           | 54,048           | 54,048           |
| <b>TOTAL STATE ASSESSMENTS</b>    | <b>5,671,508</b> | <b>5,805,060</b> | <b>5,941,950</b> | <b>6,082,263</b> | <b>6,226,083</b> | <b>6,373,499</b> |
| \$\$ Change                       | 115,173          | 133,552          | 136,890          | 140,313          | 143,821          | 147,416          |
| % Change                          | 2.1%             | 2.4%             | 2.4%             | 2.4%             | 2.4%             | 2.4%             |
| <b>CHERRY SHEET OFFSETS</b>       |                  |                  |                  |                  |                  |                  |
| School Lunch                      | 26,417           | 26,417           | 26,417           | 26,417           | 26,417           | 26,417           |
| Libraries                         | 80,422           | 80,422           | 80,422           | 80,422           | 80,422           | 80,422           |
| <b>TOTAL Cherry Sheet Offsets</b> | <b>106,839</b>   | <b>106,839</b>   | <b>106,839</b>   | <b>106,839</b>   | <b>106,839</b>   | <b>106,839</b>   |
| <b>OVERLAY</b>                    | <b>1,934,225</b> | <b>1,700,000</b> | <b>1,742,500</b> | <b>1,786,063</b> | <b>1,830,714</b> | <b>1,876,482</b> |
| <b>TAX TITLES</b>                 | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    |
| <b>TOTAL</b>                      | <b>7,737,572</b> | <b>7,636,899</b> | <b>7,816,289</b> | <b>8,000,164</b> | <b>8,188,636</b> | <b>8,381,820</b> |

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# SCHOOL BASE BUDGET GROWTH

- SPED +\$700K
  - Steps +\$600K
  - Enrollment Growth +\$400K
  - All Other / Inflation +\$200K
  - **TOTAL + \$1.9M**
-

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# DEFICIT CALCULATION

## SCHOOLS

- New Revenue +3M (50%)
- Fixed Costs \$1.9M
- Base Growth \$1.9M
- 2% CB \$1.3M
- Total Cost Incr \$5.1M
- **Surplus/(Deficit) (\$2.1M)**

## TOWN

- New Revenue +3M (50%)
- Fixed Costs \$2.2M
- Base Growth \$0.5M
- 2% CB \$0.9M
- Total Cost Incr \$3.6M
- **Surplus/(Deficit) (\$0.6M)**

# “SIMPLE MATH” FOR FY13

@ 2% Coll Barg & 5% State Aid Cut & 8% Health Insurance rate incr

(in millions)

Add'l Operating Revenue \$6.0

less Town / School CB \$2.2

less Town / School Steps \$0.9

less Benefit Increase/(Decrease) \$4.0

**Remaining Funds Available (\$1.1)**

less Town Non-Personnel Increases for Maint. Budget \$0.2

less School Non-Personnel Increases for Maint. Budget \$1.3

less Utility Increases \$0.3

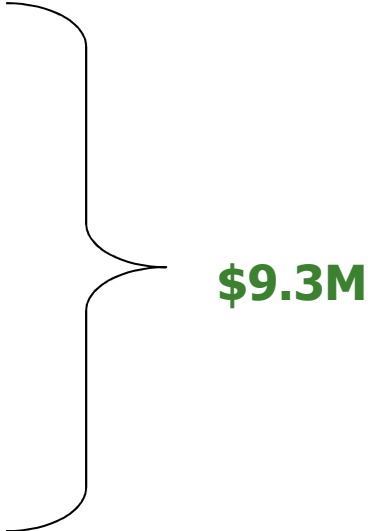
less Non-Dept'al Increases (\$0.5)

less Debt Svc / Pay-Go CIP Increases \$0.4

**Deficit (\$2.8)**



# “SIMPLE MATH” FOR LRFP

- Average Annual Revenue Increases of \$7M
  - Average Annual Expenditure Increases:
    - Benefits of \$3.1M
    - Townwide Coll Barg of \$2.6M
    - School Non-Personnel of \$1.9M
    - Townwide Steps/Contract. Obl. of \$850K
    - Town Non-Personnel of \$300K
    - Debt Service / Tax-Fin CIP of \$405K
    - State Assessments of \$140K
- 
- \$9.3M**
- Town is in a structural deficit situation when on-going expenditures for existing services exceed annual revenue increases
  - In FYFY14+FY17, the deficit grows by approx. \$2M - \$3M. In FY15+FY16, it grows by \$1M - \$2M. (Difference due to impact of New Growth from 2 Brookline PI project.)