



February 15, 2012

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

I am pleased to submit for your consideration the Fiscal Year (FY) 2013 budget and financial plan. The FY 2013 budget balances \$248.3 million in revenue and expenses, including operation of the Town's enterprise activities. This budget represents an increase of 5.9% over the prior fiscal year. However, this rate of increase is overstated due to the accounting of one-time revenue attributable to the sale of Town property at Fisher Hill. The sale of this property has generated \$3.25 million, which is being allocated in the Capital Improvement Program to fund development of new parkland on Fisher Hill.

The highlights of the FY 2013 Budget are as follows:

- Funding under the Chapter 70 education formula has increased by over \$2 million to Brookline, providing much needed budgetary support.
- School enrollment continues to spiral upwards, creating significant strain on the operating and capital budgets.
- Newly revised fiscal policies that prioritize financial reserves are fully implemented.
- Functions within the Public Works Department have been reviewed and modified.
- The organization and staffing of the Planning and Community Development Department has been studied by a consultant and recommendations have been proposed.
- Changes to address the Town's Parking Meter system and technology have been proposed.

FY2013 continues to reflect the weakened economy that has been with us since 2008. Between FY 2008 and FY 2012, the Town suffered a loss of \$3.3 million (22%) in State Aid and experienced reductions in other receipts reliant on economic activity, including property taxes from new construction, motor vehicle excise taxes and building permits. During that same period, enrollment in Brookline's public schools skyrocketed. Since FY 2005, enrollment in the elementary schools has increased by 941 students, requiring an additional 34 teaching sections (classes). In addition to the demands that this enrollment places on the Town's school buildings and infrastructure,

it has placed significant strain on the School Department’s ability to maintain quality educational programming and services. Fortunately, it appears that some impacts of the economic recession have peaked, and FY 2013 represents the first year of increased State Aid for Brookline from the Commonwealth of Massachusetts since FY 2008. Still, the impact of increased enrollment presents continued budgetary difficulties for the School Department, and I have proposed a temporary adjustment of the Town’s revenue allocation formula to accommodate this factor and provide a 3.7% increase in funding.

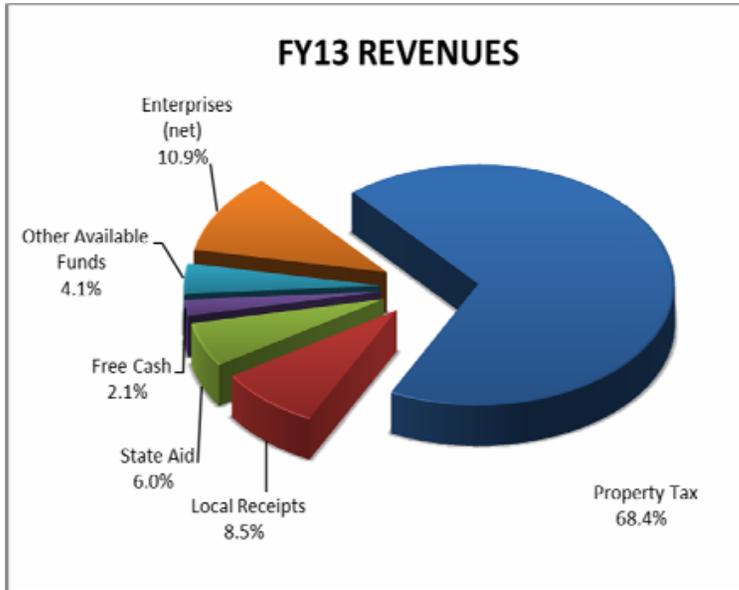
The FY 2013 Budget continues a conservative and modest approach that has served the Town well. Overall, funding for municipal departments is limited to a 2.5% increase, including the projected costs of increased salaries and wages. Full-time equivalent staffing in municipal departments is down again in FY 2013, representing a sustained effort to implement efficiencies in operations. The FY 2013 Budget complies with recently revised financial policies, including a requirement to maintain an amount equivalent to no less than 10% of the Town’s operating revenues in reserve. This revised financial policy proved very timely and effective when Moody’s Investors Services placed the Town and most other Aaa rated municipalities on a “watch list” during the federal government’s debt ceiling crisis. We were pleased to learn in December that the Town was removed from the list and had its Aaa rating restored to a “stable outlook”. And just two weeks ago, our Aaa credit rating was reaffirmed by Moody’s as part of this year’s bond sale process. We are convinced that adherence to formal financial policies and long-term budgetary planning contributed to this positive outcome. Finally, the FY 2013 Financial Plan includes a Capital Improvement Program (CIP) that meets a prudent level of spending on the replacement of major equipment, the expansion of classroom capacity in public school buildings and the renovation of the Town’s buildings, facilities and physical infrastructure.

Below is a summary table of the FY 2013 Budget. In the sections that follow, a more detailed review of revenues and expenditures is addressed.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
REVENUES				
Property Tax	163,620,489	169,848,463	6,227,974	3.8%
Local Receipts	20,275,792	21,084,438	808,646	4.0%
State Aid	13,383,563	14,806,425	1,422,862	10.6%
Free Cash	5,380,264	5,336,413	(43,851)	-0.8%
Other Available Funds	6,218,966	10,144,344	3,925,377	63.1%
Enterprises (net)	25,619,907	27,036,488	1,416,581	5.5%
TOTAL REVENUES	234,498,983	248,256,570	13,757,586	5.9%
EXPENDITURES				
Municipal Departments	63,203,475	64,815,040	1,611,565	2.5%
School Department	75,387,188	78,196,065	2,808,877	3.7%
Non- Departmental	55,595,569	59,028,494	3,432,925	6.2%
Special Appropriations	6,979,000	11,183,500	4,204,500	60.2%
Enterprises (net)	25,619,907	27,036,488	1,416,581	5.5%
Non-Appropriated	7,713,843	7,996,982	283,139	3.7%
TOTAL EXPENDITURES	234,498,983	248,256,570	13,757,586	5.9%

Revenues

Taxes: Property taxes are projected to be \$169,848,463 in FY 2013, representing over two-thirds of the total revenue available to the Town. Of this amount, \$4 million reflects the annual 2.5% allowable growth in the tax levy, \$1.6 million from the value of new construction (New Growth) and \$1.63 million for debt service on capital projects that the voters have excluded from the Proposition 2½ levy limit. The Town’s property tax is overly reliant on residential property values. Despite the establishment of a higher tax rate



for commercial property, the value of commercial, industrial and personal property in Brookline represents only 16.4% of the Town’s total tax levy. The Town’s goal is to increase the relative percentage of commercial and industrial tax base with development that is compatible with the neighborhood and limits negative impacts of traffic, noise and costly municipal services. In addition to the relief provided to residential taxpayers, additional commercial development adds jobs, vitality and residual revenue (e.g. meals taxes and parking meter receipts) for the Town. We look forward to improvement in the overall economy necessary to facilitate planned commercial development such as the project at 2 Brookline Place along the Brookline Avenue corridor.

Under state law, taxes on the value of automobiles (Motor Vehicle Excise) and taxes on hotels and on meals are included in the Local Receipts category.

Local Receipts: FY 2013 Local Receipts are projected at \$21,084,438. This category of revenue represents a variety of sources generated by Town fees and charges. Most prominent are the Motor Vehicle Excise tax, Parking and Traffic fines, Building Permit fees, and the Trash Collection charge. In FY 2013, Local Receipts are increasing for the second consecutive year, following the trend of the economic recovery. However, this level of Local Receipts has still not rebounded to the level the Town budgeted in FY 2008. This year, the Town will receive a \$300,000 subsidy from the federal government, through the State's Group Insurance Commission, to reimburse costs for drug prescriptions under the Medicare Part D program. It is proposed that these funds be used to support the Town’s unfunded liability for retiree health insurance (OPEBs).

State Aid: FY 2013 State Aid is projected at \$14,806,425, including reimbursement of school construction costs under the old SBA program. This level of aid represents the first increase since FY 2008. Governor Patrick has proposed a statewide increase of \$145.6 million in the Chapter 70 Education funding category. For Brookline, which has experienced a dramatic increase in student enrollment with related impacts on the cost of special education and English learning services, the increase in aid is substantial. Chapter 70 funding

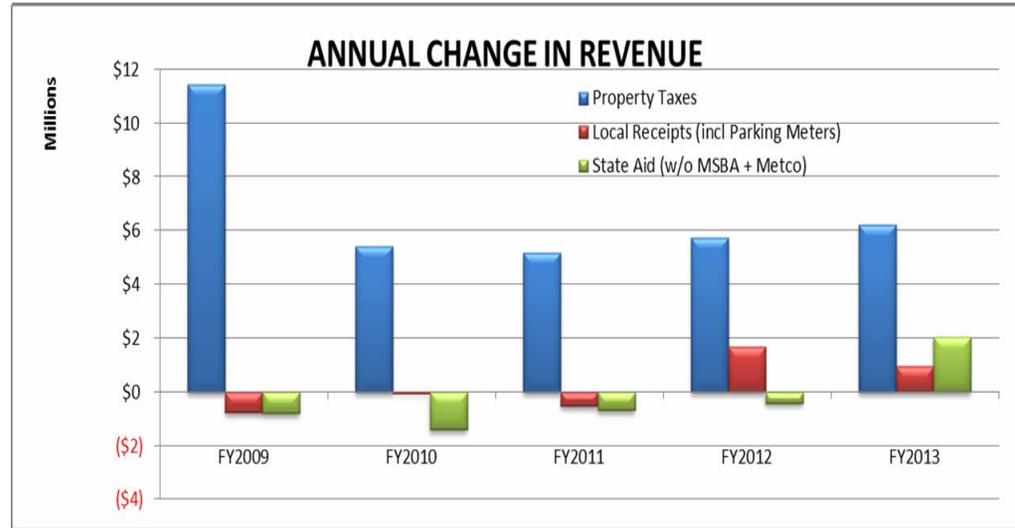
for FY 2013 will increase by over \$2 million, or 29.3%. (See Section III for a more detailed explanation of the Ch. 70 increase.) Unrestricted General Government Aid (UGGA) will be level funded in FY 2013, reversing the four-year trend of reduced funding. It should be noted that, in the recent past, we have more conservatively projected state aid than the amount proposed by the Governor. However, based upon the improved condition of the economy and other practical/political considerations, we believe that the Governor’s proposal for FY 2013 municipal aid is likely to be adopted in the state budget approved by the Legislature.

Free Cash: FY 2013 Free Cash proposed to fund the Budget is \$5,336,413. Free Cash represents the unrestricted fund balance from the prior fiscal year as certified by the State Department of Revenue. FY 2013 represents the first year of a new financial policy that mandates a minimum level of operating

reserves. The amount of certified Free Cash available for appropriation in FY 2013 is \$7,086,413. In order to ensure that the Town’s operating reserves will exceed 10% of operating revenues, I have recommended that only \$5.34 million of Free Cash be available for allocation in the FY 2013 Budget. Pursuant to the Town’s financial policies, Free Cash is used only to support non-operating purposes. Nearly \$4 million of the \$5.34 million of Free Cash allocated to the FY 2013 Budget is being used to fund the CIP, with the remainder going toward reserves and employee benefit related trust funds.

Other Available Funds: The FY 2013 Budget proposes the use of \$10,144,344 in other funding sources. Of this amount, \$3.25 million is from the proceeds of the sale of the Fisher Hill property and is earmarked for development of new parkland on Fisher Hill. Another \$560,000 is being “re-captured” from old capital projects to be used to fund the CIP. There are a number of special funds whose revenue is used to offset general government expenditures supporting those funds. This includes portions of Water and Sewer fees, Recreation Program/Golf fees, Cemetery, Library, and Parking Meter revenue.

Enterprises: The Town operates and accounts for its Water/Sewer system and Golf Course as self-supporting enterprises. Similarly, most programs and services of the Recreation Department are accounted for in a separate Revolving Fund. The fees and other revenues attributable to these operations are proposed to be \$27,036,488, net of the reimbursements to the General Fund mentioned above under Other Available Funds. An equal amount is included in the expenditure side of the budget.



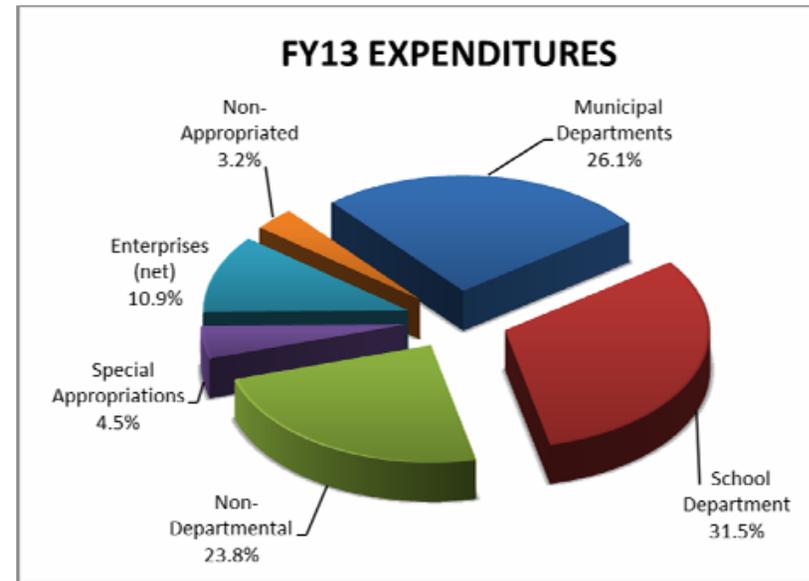
Expenditures

Municipal Departments: In FY 2013, the projected cost for all municipal (non-school) departments is \$64,815,040, an increase over FY 2012 of 2.5%. This amount includes a reserve for wage and salary increases for municipal employees, conditional upon negotiated settlements. The number of full-time equivalent personnel in municipal departments is being reduced slightly from FY 2012.

Contributing to this is the reduction of several positions in order to gain efficiencies or realize cost savings. In general, any increase in departmental expenses was limited to an actual increase in personnel costs, materials or contracted services. A more detailed review of issues involving municipal department operations is included in Sections II and IV.

School Department: The allocation of funds to the School Department acknowledges the “bottom-line” budget authority of the School Committee. A formula has been developed that shares the projected change in the Town’s general fund revenue from one year to the next on a 50/50 basis between municipal departments and the school department, offset by respective shares of fixed costs such as personnel benefits and energy. The School Department continues to be impacted in FY 2013 by increasing enrollment. As a result, I have

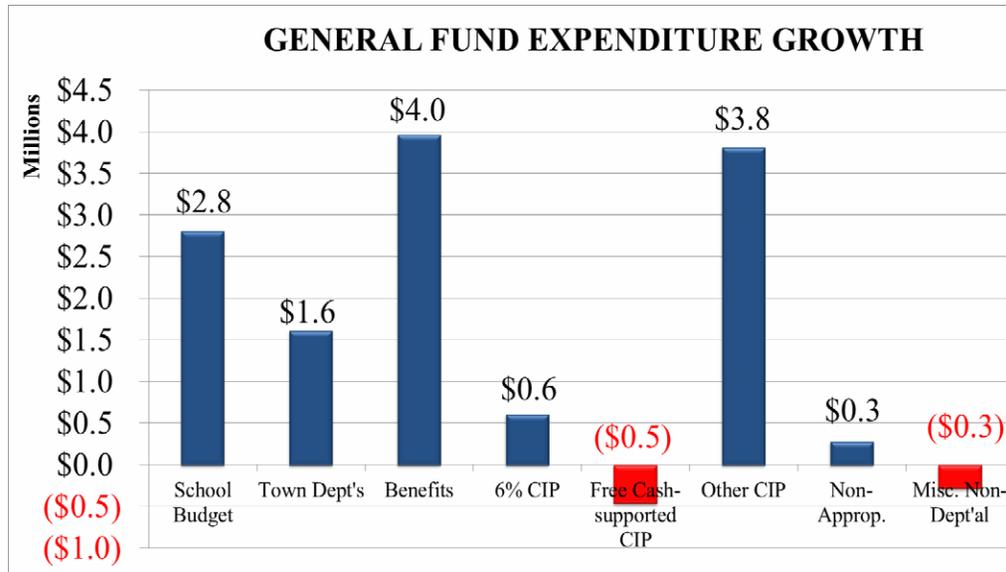
proposed a temporary adjustment of the formula that takes into consideration the extraordinary impacts of increased enrollment. This was achieved by distributing the projected increase of \$550,000 in enrollment costs 50/50, with the Town absorbing \$275,000. The proposed FY 2013 School budget is \$78,196,065, inclusive of negotiated salary increases. This budget represents an increase of 3.7%.



Non-Departmental: This is a large category of expenses that incorporates personnel benefits for municipal and school employees, debt service on bonds, insurance coverages and special reserve funds. The proposed budget for FY 2013 is \$59,028,494, an increase of 6.2% from FY 2012. The largest of these expenses is the cost of health insurance for the Town’s eligible employees and retirees (including employees and retirees of the School Department). In July of 2010, the Town joined the State’s Group Insurance Commission (GIC), which provides health insurance for all state employees and retirees. The cost of the GIC plan was much less than the prior plan of benefits, resulting in substantial cost savings for both the Town and participating employees. In FY 2012, the rate of premium increase for the GIC plans increased in the aggregate by 4.5%. For the FY 2013 Budget, we are projecting a premium increase of 5%. The Town continues to proactively fund its long-term liability for retiree health care benefits. Referred to as Other Post Employment Benefits (OPEB), the FY 2013 Budget increases base funding by \$250,000 and adds a new allocation of \$300,000 from anticipated reimbursements from the Town’s participation in the Medicare Part D (drug prescription) program. Finally, I have included an

additional allocation of \$211,256 from Free Cash. If the Town continues to fund this liability in this manner, we will reach the actuarially determined Annual Required Contribution (ARC) in approximately 10 years.

Special Appropriations: The Town funds its Capital Improvement Program (CIP) through a combination of current funding and debt. A portion of the cost of large school building projects is reimbursed by the Commonwealth of Massachusetts. Currently, the Town is expanding and renovating the Runkle School and creating an expansion of the Heath School, with participation by the Commonwealth of 41.6% for Runkle and 39.9% for Heath. We are also in the planning phase for a comprehensive project at the Devotion School,



the Town's largest elementary school. The proposed revenue-financed portion of the CIP is \$11,183,500 in FY 2013. Recall that this funding includes the \$3.25 million from the sale of the Fisher Hill property and an additional \$560,000 from prior/completed capital projects. A more detailed discussion of the CIP is included in Section VII.

Non-Appropriated: This category includes required expenses that are raised directly without appropriation by Town Meeting. This includes State Charges, of which the largest sum is the Town's assessment to the MBTA; the Overlay, which is a reserve for tax abatements and exemptions issued by the Board of Assessors; and the Norfolk County assessment. Overall, the cost of Non-Appropriated

items in FY 2013 is \$7,996,982, an increase of 3.7% from FY 2012. This year, we were assessed a greater share of the MBTA assessment as a result of our increased population and due to a statutory change in the formula.

Enterprises: The Town funds its Water/Sewer, Recreation and Golf activities largely through self-supporting revenues. These are accounted for separately from the Town's General Fund through formal enterprise and revolving funds. The net cost of Enterprises in FY 2013 is \$27,036,488, an increase over FY 2012 of 5.5%. The Town is continuing to refine the costs of the enterprises, both direct and indirect, to ensure that the financial relationship between these funds and the General Fund is appropriate.

FY 2013 POLICY ISSUES AND INITIATIVES

While the FY 2013 Budget has become easier to manage than previously anticipated due to the \$2 million increase in Ch. 70 funding and a lower estimate for health insurance premium increase, the long-term financial challenges remain and we have worked hard to identify efficiencies in operations and to hold cost increases down. There are a number of areas and issues that have influenced the FY 2013 Budget and Financial Plan. They are addressed below:

Study of the Planning and Community Development Department: Last year, I committed to a comprehensive review of the Planning and Community Development Department in time to be addressed for the FY 2013 Budget. We retained the Collins Center at the University of Massachusetts-Boston for this purpose. The impetus for the study was the ongoing dispute over the merits of funding staff to support the commercial areas of Brookline. In addition, the federal Community Development Block Grant (CDBG) funding has been reduced and will require reductions in departmental staffing. The consultants were asked to review functional responsibilities of the department and to make recommendations in staffing and/or organizational structure necessary to meet the reduced funding levels.

Based on the findings and recommendations of the Collins Center, I have eliminated an administrative/financial position and reallocated the duties among existing personnel. In addition, I am proposing the elimination of the former Commercial Areas Coordinator position, replacing it with a lesser classified planning position reporting to the Economic Development Director. The new position will work closely with the Director and the Economic Development Advisory Board (EDAB) on the important mission of supporting and expanding the Town's commercial tax base. We will be careful to avoid some of the pitfalls that became controversial with the former position, including advocacy efforts and other direct support of the commercial sector. We intend to work with the business community to establish a private partner organization that will assume those roles.

Finally, the consultant observed that departmental staff has become too specialized over time and lacks the flexibility to adapt to changing priorities and variable workloads. This is not to suggest that the Town should not retain experts in highly complex areas such as zoning, affordable housing, historic preservation and economic development. Rather, the consultant recommends that professional support to these experts should have a more general planning background and be prepared to shift efforts to areas of higher priority or increased workload as necessary. Full implementation of this recommendation will be achieved over time, as current personnel depart the Town. However, the new planner position assigned to the Economic Development division will be created with this new concept in mind.

Public Works Staffing and Services: The Public Works Department has been a focus of the FY 2013 Budget. This department is a high performing organization with highly qualified management, experienced supervisors and dedicated

employees. We are very proud of the Department’s accomplishment in 2011 to become the first department in New England to receive accreditation status from the American Public Works Association. However, as the Town’s largest department, there are many opportunities to review staffing levels and qualifications. In addition, the scope and nature of the Department’s work makes it prone to frequent changes in technology and market conditions.

There are two specific areas of focus in the FY 2013 Budget. The first involves the frequency and adequacy of street sweeping. Currently, the department sweeps streets in commercial areas three times per week and other streets once every 10 days. Research with comparable communities in Massachusetts indicates that commercial area sweeping is done from three times per week in a few communities to twice per year in others, with the majority sweeping about once per week. Non-commercial streets are swept on a frequency from a high of three times per month to a low of twice per year. With improvements in the operation and reliability of the street sweeping machines, a better trained workforce and GPS capability, the Town’s productivity has increased and can absorb some reduction in sweeping frequency. We recommend that sweeping in non-commercial areas be reduced to once per 14 days, enabling one position in this operation to be eliminated.

The second area is forestry services. One of the unique features that makes Brookline attractive is the quality of its street trees and public spaces. The Town maintains these assets through a combination of in-house staff and a contractual service. We were disappointed to learn of a new state mandate that requires a higher “prevailing wage” for the contracted tree service, resulting in an effective reduction of services. In order to procure the same level of services under this contract at the prevailing wage, an additional \$110,000 would be required. The alternative is to maintain level-funding, but reduce forestry services. Neither of these choices are beneficial to the Town. After careful analysis, it was determined that the impact of this reduction could be mitigated by hiring a Forestry Craftsman to replace a portion of the more expensive tree service. In addition, it has been advocated for some time that the Town requires additional forestry experience and expertise

<u>Prior to Prevailing Wage</u>		<u>Current</u>	
Contracted Street Tree Pruning Budget	\$125,000	Contracted Street Tree Pruning Budget	\$125,000
<u>In-House Tree Pruning Costs</u>	<u>\$148,538</u>	<u>In-House Tree Pruning Costs</u>	<u>\$148,538</u>
Total	\$273,538	Total	\$273,538
Weeks of Contracted Pruning	32.2	Weeks of Contracted Pruning	17.6
<u>Weeks of In-House Pruning</u>	<u>24.8</u>	<u>Weeks of In-House Pruning</u>	<u>24.8</u>
Total	57.0	Total	42.4
		Reduction in Weeks of Street Tree Pruning due to Prevailing Wage	-25.6%
<u>Option 1: Increase contract to maintain weeks</u>		<u>Option 2: In-house personnel to maintain weeks</u>	
Contracted Street Tree Pruning Budget	\$235,000	Contracted Street Tree Pruning Budget	\$125,000
<u>In-House Tree Pruning Costs</u>	<u>\$148,538</u>	<u>In-House Tree Pruning Costs</u>	<u>\$215,496</u>
Total	\$383,538	Total	\$340,496
Weeks of Contracted Pruning	32.2	Weeks of Contracted Pruning	17.6
<u>Weeks of In-House Pruning/Specialty Pr</u>	<u>24.8</u>	<u>Weeks of In-House Pruning/Specialty Pr</u>	<u>48.8</u>
Total	57.0	Total	66.4
Increase in Weeks of Street Tree Compared to prior to Prevailing Wage	0.0%	Increase in Weeks of Street Tree Compared to prior to Prevailing Wage	16.5%
Increase in Cost	\$110,000	Increase in Cost	\$66,958

to support the Tree Warden. We have upgraded an existing position to create a Forestry Supervisor to meet this need. The result of these changes is an increase in “pruning hours” of more than 15% at a cost of approximately \$67,000 (including benefits). In order to fund these enhancements in Forestry, a Gardener/Laborer position has been eliminated in the Parks and Open Space Division. This will be accommodated by revisiting the turf management program for larger open areas in the parks that do not require the more aggressive maintenance of the athletic field turf. The Division will re-evaluate the seed mix in these areas, look at less fertilization, less watering, utilizing mulching kits, and setting the cutting blades higher. The intent will be to allow turf in these areas to grow slightly higher while still being healthy and lush. The desired goal is a sustainable turf management program that reduces the frequency of cutting.

A number of other staffing changes have been initiated throughout the budget as seen in the table below:

FUND	DEPT.	CHANGE	\$	NOTE:
General	Planning	0.00	(\$13,509)	Elimination of Commercial Areas Coord / Replace with Econ. Devel. Planner
General	DPW - Highway Div	-1.00	(\$45,228)	Elimination of MEO II (LN-3)
General	DPW - Parks Div	0.00	\$4,207	Upgrade Forestry Zone Manager (LN-6) to Forestry Supervisor (GN-9)
General	DPW - Parks Div	1.00	\$45,228	New Park Maintenance Craftsman (LN-3)
General	DPW - Parks Div	-1.00	(\$43,266)	Elimination Gardener/Laborer (LN-2)
General	DPW - Parks Div	0.57	\$30,827	Moved all Park Ranger expense and revenue to General Fund
General	Health	0.00	\$1,919	Reclassification of Assistant Director (T-11 to T-12)
General Fund Sub-Total		-0.43	(\$19,822)	
CDBG	Planning	-0.80	(\$41,010)	Elimination of the CD Fiscal Assistant (C-10)
CDBG	COA	0.44	\$15,839	CD funding eliminated, positions maintained
CDBG Sub-Total		-0.36	(\$25,171)	
Golf	Recreation	1.00	\$66,032	Head Golf Pro / Operations Manager (T-8)
Golf	Recreation	-1.00	(\$77,700)	Elimination of Dir of Golf (T-9)
Golf	Recreation	-0.67	(\$36,803)	Elimination of Head Golf Pro / Risk Manager - 0.67 FTE (GN-8)
Golf Enterprise Fund Sub-Total		-0.67	(\$48,471)	
Revolving	Recreation	-0.57	(\$30,827)	Moved all Park Ranger expense and revenue to General Fund
Revolving	Recreation	-0.33	(\$18,402)	Elimination of Head Golf Pro / Risk Manager - 0.67 FTE (GN-8)
Revolving	Recreation	-1.00	(\$49,987)	Elimination of Recreation Leader I (GN-7)
Revolving	Recreation	1.00	\$52,559	Recreation Leader II (GN-8)
Revolving	Recreation	0.07	\$3,241	Lead Teacher increase from 0.73 to 0.80 FTE
Revolving	Recreation	0.20	\$8,114	After School Director increase from 0.60 to 0.80 FTE
Revolving Fund Sub-Total		-0.63	(\$35,301)	

Parking Control Technology: The roll out of the multi-space digital parking meters in commercial areas of Brookline was not without controversy. It seems that people either love or hate the meters, and those who hate them have been very vocal and persuasive. It did not help that the initial meter interface and wireless connectivity were inadequate. With the help of a task force, we worked to correct those problems and to identify other areas for improvement. The major complaint with the meters is the requirement to make two trips (from the vehicle to the parking meter machine and back) in order to place the meter receipt for display on the interior dashboard. These trips are particularly burdensome for the elderly and for parents with small children. It has been suggested that the time and effort to make the parking transaction is not worth the effort for many patrons, and they are avoiding the commercial areas. It appears that the multi-space meters are better suited for the Town's parking lots. The machines can service more spaces in a compact area and enforcement is easier. Parking tends to be longer-term and people seem less troubled by the time for the transaction.

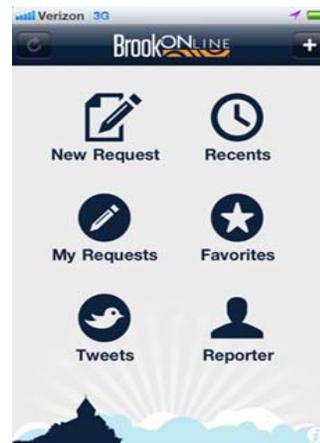
Clearly, much of the resistance to the new meters is resistance to change and unfamiliarity with the technology. This technology has been successfully deployed in many metropolitan areas, including several who experience extreme weather conditions like Brookline. However, I believe it is time for some changes and I have incorporated funding in the CIP to accommodate them, subject to approval of the Board of Selectmen and Transportation Board. I will recommend that the multi-space meters remain in the parking lots but be converted to a "pay by space" system. With this system, patrons will only be required to make one trip to the meter machine to record the parking space and pay for the time. Enforcement personnel will automatically download data from the machine that will indicate violators by space and avoid the need for visible receipts. This system will require costs to develop small signs designating each parking space and to acquire a new handheld parking enforcement system.

While the "pay by space" system would work better for on-street parking as well, there is new type of machine that acts like a traditional single space meter but has the advanced features of wireless communication and credit card access. The costs to operate these meters are essentially the same as the cost of operating the multi-space meters currently servicing on-street parking. We intend to try out these meters in the spring of 2012. If they work well, it is our intent to deploy them for on-street parking spaces currently served with the multi-space machines. Some multi-space meters will be used to supplement machines in parking lots and the Fenway Park areas (medians) on lower Beacon Street. The remainder will be sold. I have included \$100,000 in the CIP (from the Parking Meter Fund) to move to pay-by-space, procure new enforcement handhelds, and acquire the new single space meters. These costs are still being developed, so there is a possibility that more than \$100,000 will be required. If so, I will recommend that additional funds from the Parking Meter Fund be used.

Information Technology: The Town continues to invest in technology in order to improve departmental operations, enhance citizens' interaction with their local government, and realize efficiencies. Often times, a relatively small investment in IT can yield significant results, whether they be a decrease in operating expenses, an improvement in service delivery, or an improvement in a resident's experience in conducting business with a department. A primary example of this is the BrookONLine portal, which transforms the way residents transact and interact with town government via three offerings:

BrookONLine Information – this is the place to stay informed. Anyone interested in receiving notification of meetings or signing up for Twitter Feeds can register and create a profile. Unlike the prior email listservs, which resulted in receiving notice of all meetings, this feature allows for the choosing of specific board / commission meeting notices. Other information sources are available, including Police, Recreation and Transportation tweets, news regarding specific libraries, and BHS PTO email lists.

BrookONLine Notifier – this application empowers citizens to directly notify the proper town department of needed repairs (potholes, streetlights, etc.) via a smartphone (iPhone or Android). Once downloaded for free, “citizen reporters” can report and receive updates on submitted requests, which are automatically routed to field staff for investigation. In addition, all submitted requests are posted on-line so the status of the requests are available for all to see.



BrookONLine Payments – this new payment service offers a centralized payment portal. While residents have been able to pay bills on-line for a decade, this enhanced bill payment system allows for paperless billing, the setting up of automated payments, and the viewing of payment history.

Other IT initiatives include the following:

- **Permitting System (GeoTMS) and Credit Cards** – The now two year old town-wide permitting system is being leveraged to offer residents conducting business with the Transportation Division of DPW the ability to pay for various parking permits, moving signs, etc. via credit card over-the-counter. The U.S. Census Bureau estimates that there are more than 1.4 billion credit cards currently in circulation in the U.S., meaning that there are about 4.5 credit cards for every person in the United States, or an average of 7.7 credit cards for each of the 181 million people who actually hold credit cards. Those 181 million people represent approximately 77% of the adult population of the U.S. The Federal Reserve reports that credit cards are used more than 20 billion times a year in the U.S., with the total value of these transactions at \$1.9 trillion. Based on the number of transactions and the number of credit card holders, the average card holder uses a credit card 119 times a year, for transactions averaging \$88 apiece. This comes to an average annual total of about \$10,500 in credit card purchases. Clearly, the use of credit cards is an expected form of payment by consumers. Whether it is at the local grocery store, at the car dealer, or at the doctor’s office, the ability to pay for goods and services with a credit card is almost expected, and that expectation is making its way into government.

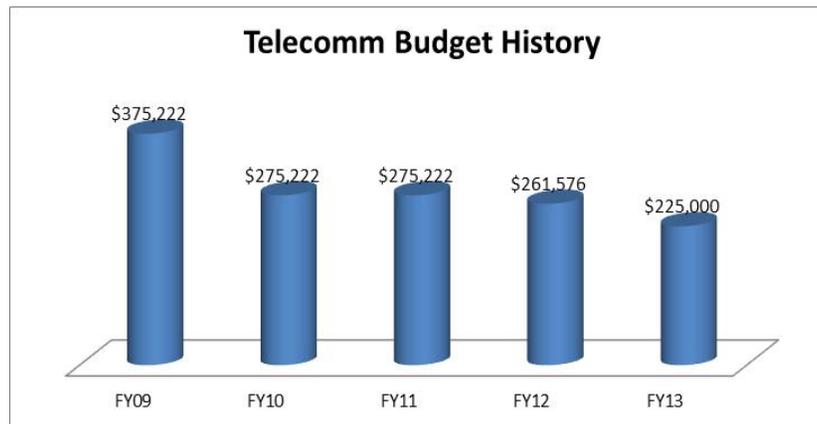
In addition to the Transportation Division, Brookline has taken steps in this direction by offering this form of payment in the Treasurer/Collector’ Office, the Town Clerk’s Office, the Fire Prevention Office, the Recreation Department, the golf course, and at the multi-space parking meters. In FY13, the Building Department plans on being the next department to accept credit cards, something the Building Commissioner expects to be well received by contractors. With this convenience, however, comes an expense: the estimate for credit cards costs associated with the payment of building permits is \$60,000. If the Town is to continue to offer this service, we must acknowledge the costs and determine whether they should be absorbed in the budget or recovered through fees, either through a surcharge or incorporated within the overall fee schedule.

- **Public Safety Network Upgrade** – The Brookline Public Safety network was recently upgraded to provide additional capacity and redundancy. With a greater emphasis on Homeland Security and regional collaboration, the ability to provide access and to share information between Public Safety departments and personnel is critical in efforts to best protect the community.

To best support the technology, a significant cabling upgrade was implemented in the Public Safety Building and in all Fire Stations. The newer cabling will allow for expanded technology implementation and higher data transmission to all locations. The upgraded infrastructure now allows for better integration with Town resources, adjacent communities and state Public Safety data sources

to ensure anywhere/anytime access to real-time information. Moreover, recently implemented mobile applications now allow for field access to critical information and remote connectivity.

- **Telecomm Expenses / VoIP** – In CY09, the Town moved to a Voice over IP (VoIP) telecommunication system, resulting in an immediate \$100,000 savings in FY10. In FY12, an additional \$10,000 of savings was realized, and this FY13 Financial Plan assumes another \$35,000 in savings. In addition, the VoIP system can be leveraged to replace old intercom systems in the schools, a critical public safety component in those facilities. Funding is included in the CIP for this purpose, which is a more cost-effective solution than attempting to repair the aging, out-of-date systems.



- **Fire Department Records Management System (Firehouse)** – The recently procured Firehouse application will serve as the platform to connect all operations within the Fire Department including response, inspection, asset management, training and reporting. The new application will have direct integration with the existing 911 Dispatch center for receipt of critical information needed for mobilization and response.

The integration between the Records Management System (RMS) and the Computer Aided Dispatch (CAD) system will ensure that first responders have access to real-time information such as location hazards, occupancy considerations, and GIS data. The recently upgraded apparatus-based laptops are able to connect to the Internet via the Town's WiFi system and ensure that the speed and performance are secure and robust.

- **Radio Frequency Equipment Upgrades (Narrowbanding)** - Public safety communications continue to evolve as more challenging user requirements and technology considerations put pressure on municipalities and their local public safety organizations to enhance and improve their systems. Public safety voice communications have been the predominant mission critical communications "need" historically and, to keep pace with federal

mandates, a significant upgrade to the existing radio technology used by the Fire, Police, and Public Works departments are required. The newer technology now allows for better separation of channels for use locally and between departments. In addition, regional channels now allow for better communication during events between multiple state, local and federal departments. This improvement in technology ensures consistency and compliance with new regulations.

- Selectmen's Agendas / Meeting Minutes software (Sire) –This new application has simplified the time consuming process of putting together the weekly Selectmen's agenda and supporting material while at the same time improving the on-line availability of meeting materials and minutes. Once fully rolled-out, Selectmen's minutes from the past 50+ years will be accessible and searchable via the web. So while this positively impacted the Selectmen's Office by making the process more efficient, it also is enhancing transparency.
- On-line Water Usage Monitoring – This FY 2013 Financial Plan includes \$70,000 for an upgrade to the meter reader system software and server. This needed upgrade comes with an added benefit: the new software allows for ratepayers to view usage data real-time 24 hours a day / 7 days a week, a feature residents have been requesting for a couple of years.

Expanded Revenues: The Town consistently seeks new or expanded sources of revenue, especially when that revenue can be derived from users of specific services. We propose to begin offering space for rent in the Town Hall and the Town Hall Garage. Obviously, such rental must be compatible with the use of these facilities and the rates must cover all costs plus provide a reasonable return to the Town.

Another recommendation from the Collins Center's study of the Planning Department is to raise certain regulatory fees for development. The consultant surveyed fee schedules for several communities and identified certain permits (e.g. wireless telecommunications facilities) that were extremely low in Brookline. A specific schedule of fees will be proposed to the Board of Selectmen for their approval to take effect in FY 2013.

I have begun a dialogue with the Trustees of Walnut Hill Cemetery about the level of revenue they allocate to support the ongoing operation and maintenance of this beautiful facility. Currently, the Trustees authorize \$50,000 in fee revenue annually to support the facility and have contributed to two capital projects in recent years. We will be researching the relevant statutory requirements on cemetery finances before making any conclusions, but it is likely that I will seek additional financial support for the facility in the future, either in annual operations or in more regular capital improvements.

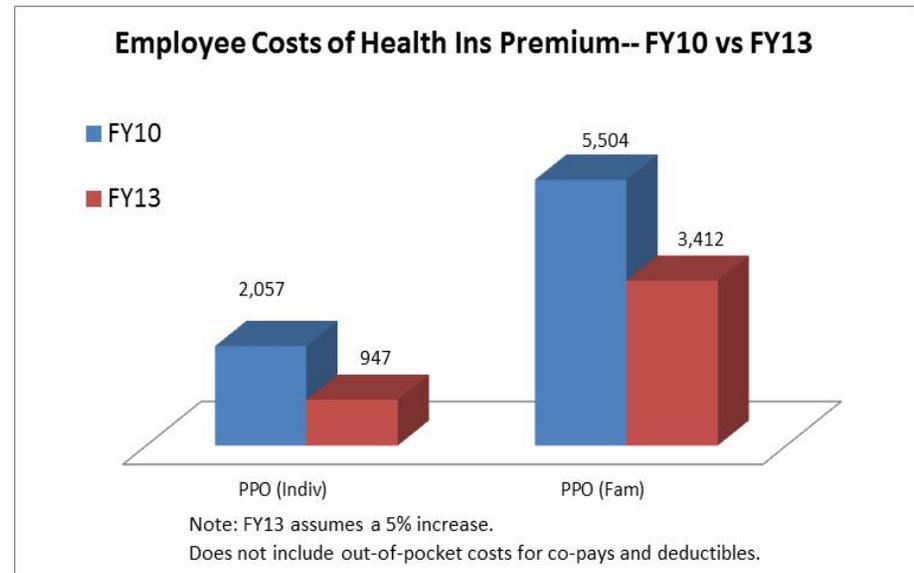
The effort to secure Payment in Lieu of Taxes (PILOT) agreements with tax exempt institutions continues to be a major focus of the Town. I am pleased to report that the Finance Director has been able to negotiate four new agreements that, when combined with existing PILOT agreements, provide the Town with nearly \$600,000 in FY 2013. These agreements are designed to increase the payment over time.

We expect that conversion to the Taxi Medallion system will take place in FY 2013. However, the revenue generated by this program will be set aside in a separate fund established by the Legislature, to be accessed by Town Meeting in the future for non-operating purposes.

Finally, I will be proposing a fee schedule for municipal and school employees for use of the Town’s recreational facilities, which we believe is more reasonable than what is currently charged. The Town expends a great deal of money on operating and maintaining these facilities, and it behooves the Town to review the employee fee schedule on a more regular basis.

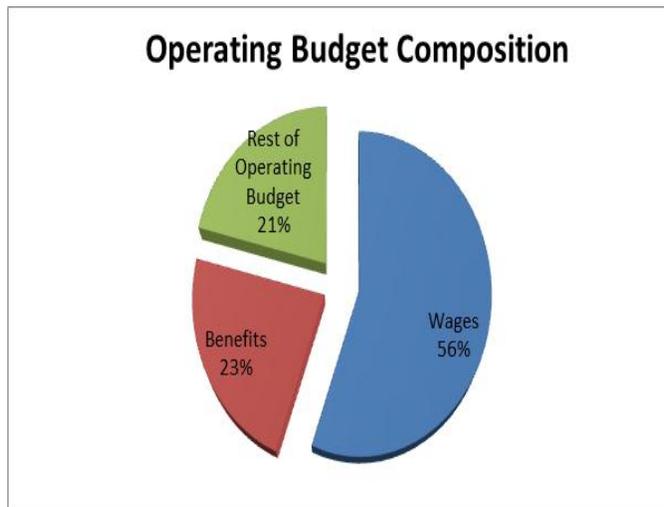
Employee Compensation and Benefits: As a service delivery organization, the Town is highly reliant on its personnel. Over three-quarters of the Town’s budget is made up of costs related to employee salaries/wages and benefits. As a result, a great deal of time and effort is spent on controlling costs while ensuring that the Town provides a reasonable and competitive level of compensation.

With the move to the state’s Group Insurance Commission (GIC) in 2010, the Town took a significant step towards health insurance cost control. In addition to the initial savings, the annual rate of increase with the GIC has been far lower than the Town experienced in the past. The savings due to the lower premiums has been so significant that employees continue to see savings even though the GIC plans introduce deductibles and higher co-payments. Further, these higher co-pays and deductibles are having a secondary effect of making subscribers better health care consumers, which will continue to lower our health care costs. The greater variety of health plan options also enables our employees to choose a health care plan that better fits their specific needs.



The change to the GIC required a 70% approval of a Public Employee Committee (PEC), comprised of a representative from each union and a retiree representative. These negotiations involved a long and difficult process in which the Town agreed to gradually increase the share of premiums it pays, culminating in an 83% share that will take effect in FY 2013. The Town also agreed to fund a Health Reimbursement Account (HRA) that reimburses employees for certain high out of pocket costs for one year. The terms of the initial HRA expired on June 30, 2011, and the Town and PEC engaged in protracted negotiations over its possible extension. In December, the Town and the PEC reached agreement on the continuation of the HRA for the remainder of the three-year GIC agreement. For years Two and Three of the GIC agreement, the cost exposure for the HRA has been reduced from \$225,000 to \$175,000 and \$150,000 respectively. In addition, the reimbursements for Outpatient Surgery as well Durable Medical Equipment were reduced.

The Town agreed to absorb the full cost of administering the companion Flexible Spending Account (FSA) for our employees during the recent round of negotiations. At an administrative cost of \$3/employee per month, this program allows employees to set aside funds from their pay on a pre-tax basis to cover out of pocket medical expenses. This is another initiative whose goal is to encourage employees to become better consumers of health care goods and services. Using a debit card linked to their account, an employee never has to use cash to meet most of their out of pocket expenses. It is our sense that the psychological effect of using cash to pay for these expenses has created much of the negative feedback on the GIC, despite the overall cost savings for the majority of employees. By committing to this cost, we were able to achieve a settlement of the HRA dispute while at the same time creating an opportunity for much greater participation in the FSA.



Finally, the Town committed to discussing possible expansion of the HRA for employees experiencing extraordinary costs resulting from chronic, serious medical conditions. Any specific program would be subject to negotiation and in all cases must be within the annual maximum cost exposure of the HRA. We understand and respect the challenges that some of our employees experience due to chronic or unforeseen catastrophic events and we will continue to work with these employees to reduce their unanticipated costs when possible.

In response to the continued poor economic climate and intense focus on public employee compensation, the Town has exercised extreme caution in its consideration of employee wages and benefits. Increasingly, the Town is viewing its collective bargaining obligations in a broader context, linking salaries and wages with health insurance, pension and

other benefits. Following a freeze in employee compensation in FY 2010, the Town reached agreement with most of its unions on a 1.5% increase in general salaries/wages for both FY 2011 and FY 2012, recognizing that many employees would see increases in their overall compensation due to the savings from their lowered health care premiums. For the FY 2013 Budget, we have reserved funding to support a modest increase in wages.

After a long and difficult set of negotiations, the Town and the Firefighters union have reached a tentative three-year agreement, retroactive to FY 2010. We are pleased to report that this agreement will include a modified duty provision that allows the Town to assign injured firefighters in a modified assignment to support their recuperation and to gain productivity. We are hopeful that this new system will lessen the overtime costs associated with Injured on Duty (IOD) leave. We are also exploring an initiative with Boston University to develop a fitness program specifically geared toward the strenuous work of a firefighter. Meanwhile, the overtime costs and other medical expenses for IOD leave in the Fire Department have been significant in FY 2012 and a Reserve Fund transfer for overtime will likely be required. For FY 2013, we are also proposing an additional \$185,660 to supplement the Public Safety IOD Medical Expenses Trust Fund.

Other Efficiencies and Initiatives: There are a number of smaller initiatives built into the FY 2013 Budget designed to reduce costs and/or increase productivity. They include:

Veterans Services- We have proposed a modest temporary employment program for eligible veterans in the amount of \$25,000. Younger veterans returning home from deployment in the war are experiencing unique and difficult challenges. Ultimately, the Town may have to fund benefit costs associated with these veterans, so we believe temporary employment opportunities in municipal departments will help these veterans with their transition, reduce long-term benefit costs and provide some much needed support in certain Town programs.

Council on Aging- We have reevaluated the Town's practice of leasing the Council's Elder-bus. The five-year lease for the current vehicle expires in FY 2013, and we have decided to purchase a new bus for \$45,000 rather than pay the \$22,000 annual lease payment. This will result in a payback over 3-4 years. While the costs of maintaining the vehicle were included in the prior lease, the DPW has committed to maintaining the vehicle with their in-house staff.

Payroll- We will be implementing conversion of the Town's payroll function from a contracted service to in-house using the existing MUNIS system for a number of reasons, including:

- 1.) The cost of the current contractual model is expensive, especially considering the extent of the payroll processing already being performed by the Town's departmental staff and the Payroll division.

2.) Many of the Town's basic financial systems are already on MUNIS, allowing for integration and coordination of the payroll function and allowing for a common user interface.

3.) The MUNIS payroll package, while clearly not a comprehensive solution to the Town's human resources needs, does provide some functionality that the Town (and School Department) lacks. Utilizing this functionality would enhance management information and capacity and reduce redundancies, while creating a building block for the future.

3.) Bringing the function in-house will allow the Town to exercise more control over the process and lessen the costs and effort associated with future changes.

4.) MUNIS is employed by several area municipalities, creating a network of common users to help train employees, troubleshoot problems and share resources during emergencies.

I have designated the Finance Director to serve as the executive sponsor for this initiative and to work with a team consisting of stakeholders from Human Resources (Town and School), Information Technology, and the Town Administrator's office in order to implement the system by January of 2014.

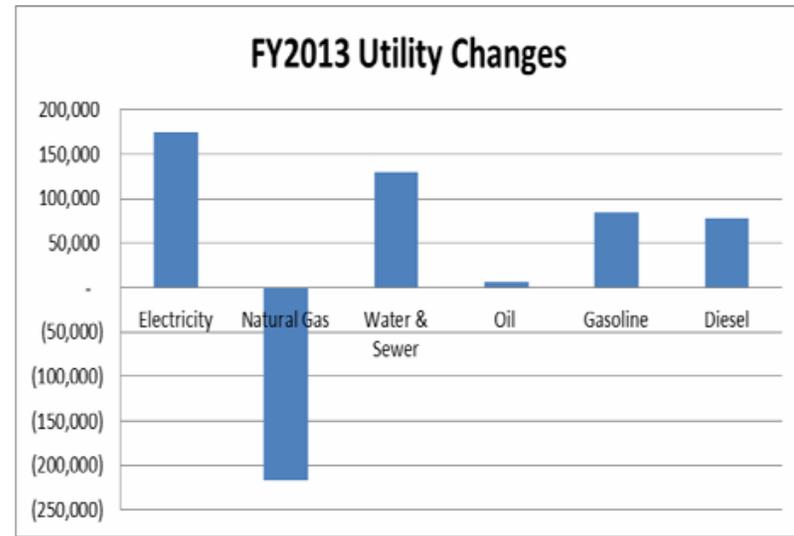
Energy Conservation and Efficiency: At the start of FY 2012, Brookline was designated a "Green Community" by the Department of Energy Resources' Green Community Division. This designation was the culmination of a series of efforts made by Town staff and citizens to establish the Town as a clean energy leader and allows the Town to be eligible for municipal renewable power and energy efficiency grants. The Town received its first award of \$215,050 under this grant program to complete several energy efficiency projects. It will be important to continue efforts such as these to try to stem growth in consumption and mitigate rising energy prices.

This past year the DPW used federal stimulus fund to purchase and install 60 LEDs in a residential neighborhood in South Brookline and additional LEDs were installed as part of the Harvard Street reconstruction project. In addition to being energy efficient, LEDs provide a cleaner light that improves night visibility and also reduces maintenance costs due to a longer lifespan. An additional 44 replacements are planned for North Brookline using a portion of the Town's Green Community funding. This technology is being tested in other nearby communities with much success, and as the cost of the fixtures combined with utility incentives make replacement a worthwhile alternative, additional locations will be sought for replacement.

Although the utility budgets need to be adjusted to account for expanded Runkle and Heath Schools, smart energy design incorporated into these projects have lessened the impact that additional square footage might have required. The Town's lower natural gas contract that begins in October, 2012 also provided significant relief to the Utility budget as a whole.

The Town is in a fixed contract for Electricity through December 2015. Although the current contract provides a lower supply price than the previous contract, a small increase in delivery costs is assumed in FY 2013, resulting in a 7% increase projected in Electricity. FY 2013 will be the second year that water and sewer usage for Town and School facilities reside in the General Fund instead of through the Enterprise Fund as was previously

the practice. As departmental billing has progressed, some adjustments had to be made to estimates based on more accurate readings on Town accounts, resulting in a 29% increase, which is mainly in the DPW budget for parks/playgrounds.



Vehicle fuel is also expected to increase in FY 2013. The projected increase takes into account the fact that FY 2012 budgeted pricing was lower than the actual bid prices that were finalized after the budget was set. Fortunately, the lack of snow to date has meant fewer trucks driving around plowing and sanding, offsetting what may be needed for an increase this year. This spring, the Town will go out to bid for FY 2013 and hopes to lock in at more favorable prices.

Free Cash and Reserves: The FY 2013 Financial Plan represents the first year of the Town's revised Fiscal Policies on CIP funding, Reserves, and use of Free Cash. As I explained in my Budget Message last year, I recommended that \$5.38 million of the \$7.1 million in certified Free Cash be appropriated, leaving \$1.7 million unallocated to maintain sufficient "unrestricted" reserves. This was done in response to pressure by Moody's Investors Services who, over the past few years, expressed concern over the downward trend of the Town's undesignated fund balance (UFB). It is generally recommended by Moody's that 10% of general fund revenues be maintained as unrestricted reserves. That recommendation to retain a portion of Free Cash was a deviation from the Free Cash Policy and, as a result, I recommended that the Fiscal Policy Review Committee (FPRC) be reconvened to review the issue.

On January 13, 2011, the Board of Selectmen appointed members to the Committee and provided them with a charge of "To review, affirm and revise as necessary the existing financial policies of the Town. The Committee shall also review the need for a new policy regarding Unreserved Fund Balance in order to preserve the Town's Aaa Bond rating." The Committee met six times between February 9, 2011 and May 9, 2011 and took the following actions to the Selectmen as part of a final set of revised policies on May 17th:

- 1.) We support the Town Administrator’s budget recommendation for FY2012 to withhold the allocation of \$1.7 million from Free Cash in order to bolster the Town’s year-end fund balance.
- 2.) We recommend that UFB be formally considered a priority in the Town’s fiscal policies. Specifically, we propose that the allocation of Free Cash be done in a manner that ensures the Town’s year-end UFB not fall below an amount equivalent to 10% of General Fund revenues.
- 3.) We recommend a simplification of the Capital Improvement Plan (CIP) financing policy by consolidating separate revenue sources into an overall allocation of 6.0% of prior year net revenue. In addition, we recommend that the Free Cash policy formally target total capital spending to represent 7.5% of prior year net revenue.
- 4.) We acknowledge the arbitrary nature of the current allocation formula of Free Cash to the Affordable Housing Trust Fund and recommend that future allocations be made on a need-based formula, with need defined as the fund balance being less than \$5 million. For FY2012, we support the Town Administrator’s allocation of \$355,264 to the Fund.
- 5.) We recommend that long-term funding of the Town’s unfunded financial liabilities, including Employee Pensions and OPEB’s, be adopted as a formal fiscal policy of the Town.

The following tables show how this Financial Plan complies with the policies regarding use of Free Cash, CIP funding, and Reserves:

Free Cash / Reserves

Certification	\$7,086,413
1. Operating Budget Reserve (25% of Operating Budget Reserve)	\$486,736
2. Unreserved Fund Balance (left unappropriated)	\$1,750,000
3. Liability Reserve (to get fund to 1% of Prior Yr Net Revenue)	\$253,669
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)	\$2,920,254
5. Affordable Housing Trust Fund (since Fund Balance below \$5M)	\$251,363
Sub-Total	\$5,662,023
Amount available for Special Use (#6)	\$1,424,390
6. Special Use:	
Additional CIP	\$1,027,474
OPEB's	\$211,256
Public Safety IOD Medical Expenses Trust Fund	\$185,660

CIP Funding

	2013	2014	2015	2016	2017	2018
6% Policy	11,681,838	12,003,529	12,381,849	12,841,939	13,293,072	13,684,004
Net-Debt *	8,356,066	8,678,649	8,375,919	8,846,684	10,754,860	12,316,322
Pay-as-you-Go	3,325,771	3,324,879	4,005,929	3,995,255	2,538,212	1,367,682
<u>Free Cash</u>	<u>2,920,254</u>	<u>3,003,534</u>	<u>3,098,193</u>	<u>3,213,297</u>	<u>3,326,164</u>	<u>3,423,982</u>
Sub-Total	14,602,092	15,007,062	15,480,041	16,055,235	16,619,236	17,107,986
CIP as a % of Prior Yr Net Rev Per Policy	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
<u>ADDITIONAL REVENUE</u>						
Additional Free Cash	1,027,475	0	0	0	0	0
Re-Approp.	560,000	0	0	0	0	0
Sale of Town Land	3,250,000	0	0	0	0	0
<u>Parking Meter Receipts</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub-Total	4,937,475	0	0	0	0	0
TOTAL REVENUE	19,539,567	15,007,062	15,480,041	16,055,235	16,619,236	17,107,986
TOTAL CIP as a % of Prior Yr Net Rev	10.0%	7.5%	7.5%	7.5%	7.5%	7.5%

* Defined as General Fund debt less debt supported by a debt exclusion.

I again want to thank each member of the Committee, as they sacrificed their valuable time to assist the Town with a set of complex issues. As previously noted, this FY 2013 Financial Plan is built on their recommendations, which were unanimously approved by the Board on June 28, 2011.

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 Board of Selectmen. This presentation is the culmination of months of work for those two individuals, work involving the analysis of hundreds of revenue and expenditure line-items, making assumptions about economic conditions, and understanding state budget conditions.

The FY 2013 – FY 2017 Long Range Financial Projection for the General Fund makes the following key assumptions:

- In FY 2013 and FY 2014, \$1.6 million of New Growth in the Property Tax Levy. In FY 2015-2016, a base of \$1.6 million, augmented by additional levy growth from the 2 Brookline Place re-development. In FY 2017, \$1.7 million of New Growth.
- For State Aid in FY 2013, use the Governor’s budget proposal, which increases Ch. 70 aid by \$2 million and level-funds Unrestricted General Government Aid (UGGA). For FY 2014, level-funding of all aid categories. For FY 2015-FY 2017, annual 2.5% increases in Ch. 70 and UGGA.
- For Local Receipts, FY 2013 reflects an increase of \$808,000 (4%). In FY 2014-FY 2016, limited growth is expected (approximately \$300,000 / yr, or 1.5%). (A decrease in Ch. 121A payments is expected in FY 2017 due to the expiration of an agreement; those monies become part of the Property Tax base in that year.)
- Use of Free Cash continues to follow the Town’s Free Cash Policy, as recently updated by the Selectmen in 2011.
- A modest wage increase for all years for all municipal unions and increases as called for in the most recent contract with the teacher’s union for FY 2013 and FY 2014, followed by similar wage increases for all school unions for FY 2015-2017.
- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$200,000 per year for the Schools and \$250,000 for Town departments).
- Annual utility increases of \$200,000.
- Annual Special Education growth of \$750,000.
- Enrollment growth cost increases of \$500,000 per year.
- Step increases in the School Department of \$600,000 per year and \$250,000 per year for Town Departments.

- Health Insurance rate increase of 5%, plus additional enrollment of 30 per year, for FY 2013. For FY 2014-2017, assume 30 new enrollees per year and a declining annual rate increase (8% in FY 2014, 5% in FY 2017).
- A Pension appropriation based on the most recent funding schedule approved by PERAC (began in FY 2012 and concludes in FY 2013).
- 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 2014 and beyond, starting at \$3.1 million in FY 2014 and reaching \$8.1 million by FY 2017. 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
FY2013 PROGRAM BUDGET

BUDGET MESSAGE

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUE					
Property Taxes	169,848,463	175,275,897	182,411,574	189,226,104	195,852,256
Local Receipts	21,084,438	21,257,676	21,534,115	21,988,477	21,616,518
Motor Vehicle Excise (MVE)	4,850,000	4,947,000	5,045,940	5,146,859	5,249,796
Local Option Taxes	1,950,000	1,989,000	2,028,780	2,069,356	2,110,743
Licenses & Permits	1,153,975	1,153,975	1,153,975	1,153,975	1,153,975
Parking / Court Fines	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
General Government	2,873,463	2,940,251	3,009,348	3,082,342	3,159,906
Interest Income	760,000	779,000	798,475	818,437	838,898
PILOT's	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
Departmental & Other	1,787,000	1,827,250	1,849,974	1,873,232	1,897,039
State Aid	14,806,425	14,806,425	15,154,703	15,511,689	15,877,599
General Government Aid	5,089,224	5,089,224	5,213,768	5,341,425	5,472,274
School Aid	9,569,484	9,569,484	9,793,219	10,022,546	10,257,607
Tax Abatement Aid	38,557	38,557	38,557	38,557	38,557
Offset Aid	109,160	109,160	109,160	109,160	109,160
Other Available Funds	10,144,344	6,433,988	6,568,775	6,694,793	6,898,010
Parking Meter Receipts	3,950,000	3,950,000	3,950,000	3,950,000	3,950,000
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	50,000
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	2,011,024	2,092,449	2,205,933	2,317,704	2,427,989
Reimb. from Rec Revolving Fund	281,764	299,985	321,287	335,534	350,605
Capital Project Surplus	560,000	0	0	0	0
Sale of Town-owned Land Fund	3,250,000	0	0	0	0
Free Cash	5,336,413	3,750,000	3,750,000	3,850,000	3,950,000
Capital Improvements/Other Spec Approp.	3,947,729	3,036,688	3,127,157	3,242,985	3,356,591
Operating Budget Reserve	486,736	506,115	521,193	540,497	559,432
Strategic Reserves	901,948	207,197	101,650	66,518	33,977
TOTAL REVENUE	221,220,083	221,523,987	229,419,168	237,271,063	244,194,384
\$ \$ Increase	12,341,008	303,904	7,895,181	7,851,895	6,923,321
% Increase	5.9%	0.1%	3.6%	3.4%	2.9%

**TOWN OF BROOKLINE
FY2013 PROGRAM BUDGET**

BUDGET MESSAGE

	2013	2014	2015	2016	2017
EXPENDITURES					
Departmental	63,875,040	65,443,036	67,184,420	68,791,838	70,515,337
Personnel	46,238,640	47,328,640	48,628,640	49,788,640	51,058,536
Services	8,127,339	8,320,204	8,474,328	8,632,306	8,794,232
Supplies	2,035,202	2,086,083	2,138,235	2,191,690	2,246,483
Other	481,790	493,835	506,181	518,835	531,806
Utilities	5,383,640	5,583,640	5,783,640	5,983,640	6,183,640
Capital	1,588,428	1,610,634	1,633,395	1,656,726	1,680,639
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Coll. Barg. - Town	940,000	950,000	960,000	970,000	1,110,000
Schools	76,896,064	80,296,064	84,396,064	88,371,264	91,821,264
Coll. Barg. - School	1,300,000	2,000,000	1,875,200	1,350,000	1,390,000
Non-Departmental - Benefits	46,073,913	48,875,772	51,962,271	55,029,112	57,947,673
Pensions	15,422,765	16,270,948	16,967,741	17,697,239	18,460,915
Group Health	23,929,561	25,980,413	27,948,984	29,788,412	31,451,695
Health Reimbursement Account (HRA)	125,000	0	0	0	0
Retiree Group Health Trust Fund (OPEB's)	2,601,928	2,715,461	3,042,300	3,372,776	3,707,557
EAP	28,000	28,000	28,000	28,000	33,000
Group Life	150,000	153,750	157,593	161,533	165,571
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,200,000	1,225,000	1,250,000	1,300,000	1,332,500
Public Safety IOD Medical Expenses	560,660	375,000	375,000	375,000	375,000
Unemployment Compensation	350,000	300,000	250,000	250,000	250,000
Medical Disabilities	30,000	35,000	35,000	35,000	40,000
Medicare Coverage	1,660,000	1,776,200	1,891,653	2,005,152	2,115,436
Non-Departmental - General	960,761	527,841	524,629	556,425	575,432
Liability/Catasrophe Fund	253,669	58,044	40,068	56,371	54,118
Stabilization Fund	0	0	0	0	0
Affordable Housing	251,363	0	0	0	0
General Insurance	275,000	288,750	303,188	318,347	334,264
Audit/Management Services	130,000	130,000	130,000	130,000	135,000
Misc.	50,729	51,047	51,374	51,708	52,051
Non-Departmental - Debt Service	10,046,874	9,851,449	9,530,319	9,982,684	11,863,260
General Fund	10,046,874	9,851,449	9,530,319	9,982,684	11,863,260
Non-Departmental - Reserve Fund	1,946,946	2,024,459	2,084,771	2,161,990	2,237,727
Tax Supported	1,460,209	1,518,344	1,563,579	1,621,492	1,678,295
Free Cash Supported	486,736	506,115	521,193	540,497	559,432
Special Appropriations	11,183,500	6,504,792	7,259,866	7,368,239	6,028,094
Tax Supported	3,325,772	3,468,103	4,132,709	4,125,254	2,671,503
Free Cash Supported	3,947,729	3,036,688	3,127,157	3,242,985	3,356,591
Parking Meter Revenue	100,000	0	0	0	0
Capital Project Surplus	560,000	0	0	0	0
Sale of Town-owned Land Fund	3,250,000	0	0	0	0
Non-Appropriated	7,996,982	8,184,052	8,375,798	8,572,338	8,773,791
State Assessments	6,162,822	6,307,392	6,455,575	6,607,464	6,763,149
Cherry Sheet Offsets	109,160	109,160	109,160	109,160	109,160
Overlay	1,700,000	1,742,500	1,786,063	1,830,714	1,876,482
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	221,220,083	224,657,464	234,153,338	243,153,889	252,262,579
\$\$ Increase	12,341,010	3,437,382	9,495,873	9,000,551	9,108,690
% Increase	5.9%	1.6%	4.2%	3.8%	3.7%

	2013	2014	2015	2016	2017
CUMULATIVE SURPLUS/(DEFICIT)	0	(3,133,477)	(4,734,170)	(5,882,826)	(8,068,195)
DEFICIT AS A % OF OP REV	0.0%	-1.6%	-2.5%	-2.7%	-3.1%
Surplus / (Deficit) Prior to Collective Bargaining	2,240,000	(183,480)	(1,898,970)	(3,562,826)	(5,568,195)
Town Share of Surplus / (Deficit)	940,000	254,612	172,489	99,225	(477,607)
Town Collective Bargaining	940,000	950,000	960,000	970,000	1,110,000
Total Town Surplus / (Deficit)	0	(695,388)	(787,511)	(870,775)	(1,587,607)
School Share of Surplus / (Deficit)	1,300,000	(438,093)	(2,071,459)	(3,662,051)	(5,090,588)
School Collective Bargaining	1,300,000	2,000,000	1,875,200	1,350,000	1,390,000
Total School Surplus / (Deficit)	0	(2,438,093)	(3,946,659)	(5,012,051)	(6,480,588)

CAPITAL IMPROVEMENT PROGRAM (CIP)

Capital planning and budgeting is a critical undertaking for any government and is central to the delivery of essential services and the quality of life for residents. In fact, without a sound plan for long-term investment in infrastructure and equipment, the ability of local government to accomplish its goals is greatly hampered. Since FY 1995, the Town has invested more than \$340 million in the CIP. These efforts, which have been supported by the Board of Selectmen, the Advisory Committee, Town Meeting, and, ultimately, the taxpayers of Brookline, have helped address the backlog of capital projects, have dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investment in technology and energy efficiency. Although there is more to do in the areas of street and sidewalk repairs, parks/open space improvements, and school and town facilities upgrades, the commitment to capital improvements is clearly showing positive results.

The recommended FY 2013 - FY 2018 CIP calls for an investment of \$153.8 million, for an average of approximately \$25.6 million per year. 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 (FY 2003 - FY 2012), the Town has authorized expenditures of more than \$165.4 million, for an average of nearly \$17 million per year.

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 elementary schools. The overcrowding issue continues to be the most urgent CIP need, consuming more of the CIP and displacing / pushing back other projects. The facts are simple, yet daunting: what were recently Kindergarten classes of

approximately 400 – 425 students are now classes of 550 – 600. As those classes move forward through the system, there will continue to be annual classroom space deficiencies. This not only results in immediate classroom space needs in the elementary schools, it also means that the High School will begin a space crisis in 5-6 years. Obviously, the school district cannot turn away students who are legally entitled to an education in the Brookline system; therefore, a coherent and comprehensive plan to produce additional classroom space is imperative. This CIP includes the following items that address the space needs issue:

- \$1.25 million is included in FY 2013 for Classroom Capacity. In both FY 2008 and FY 2010, Town Meeting appropriated \$400,000 to address space needs. That \$800,000 has been used to fund the costs associated with creating additional classroom spaces within existing school facilities. In FY 2011, Town Meeting appropriated an additional \$530,000 to continue the necessary work, all of which has been committed. The proposed \$1.75 million continues this program. It is projected to fund seven new classrooms in each SY12-13 and SY13-14. It could also go toward adapting the Old Lincoln School for continued classroom use, including for high school programs when the High School reaches its capacity in a few years. It could also go toward implementing recommendations from the High School Needs Study.

- The Devotion School project remains at \$76.9 million, with funding for feasibility / schematic design (\$1.9 million) in FY 2014 and funding for construction (\$75 million) in FY 2015. A key component of the funding plan is MSBA participation, at an estimated rate of 40%. A 25-year term for the construction bond is anticipated, a term this Town has not used before. However, if the Town is to undertake this project without a Debt Exclusion Override while at the same time committing to other important capital projects, a 25-year amortization period is required. Without MSBA participation, this project will need a Debt Exclusion Override. Another critical factor of the Devotion project is it must increase classroom space. Without it, the district-wide overcrowding issue remains and, as a result, the MSBA will not participate.

Ultimately, this approach allows the Old Lincoln School to be used through SY16-17 / SY17-18 to take the stress off of elementary schools and then become available for the High School's use when that facility begins to feel the space crunch. Whatever the final plan for the project is, it has a significant impact on the CIP. Due primarily to this project, the revenue-financed CIP in both FY 2017 and FY 2018 is low compared to the first four years. This then poses challenges to funding "standard" revenue-financed projects such as streets/sidewalks, park projects, and smaller-scale Town/School facility upgrades. In FY 2017, the project consumes \$2.5 million in debt service; in FY 2018, it is \$4.3 million.

- A new \$50,000 item is included in FY 2013 for a High School Space Needs Study. As previously noted, enrollment pressure will begin hitting the High School around SY16-17 / SY17-18. Planning must begin immediately for this component of the overcrowding issue. The funding would be used to review all possible options for addressing the capacity needs of BHS. Solutions might range from relocating certain non-High School functions currently housed at BHS (Early Childhood, Adult Education, etc.) to utilizing the Old Lincoln School for high school purposes. No decisions have been made, but the range of options need to be tested in the context of current PreK – 12 town-wide space needs.

- In FY 2011, \$100,000 was appropriated for an engineering conditions analysis of the outside areas of the Old Lincoln School, which were deteriorating. No estimate was available for the FY 2012 CIP, but the Director of Public Buildings plans on having the analysis complete and the project designed prior to the 2012 Annual Town Meeting. His current estimate for the project is \$500,000, which is included in this CIP. It is important to undertake this project since it appears as though the Old Lincoln School is going to play a significant role in addressing the school overcrowding.

All of this is being addressed while at the same time continuing to address on-going infrastructure improvements including streets, sidewalks, parks/playgrounds, and water/sewer systems. The core of any CIP should be the repair of and improvement to a community's infrastructure, and that is the case with this Proposed CIP. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these economic and budgetary times. Fortunately, Brookline's CIP policies (dedicated CIP funding) and taxpayer support (debt exclusions for Schools and an Override that included infrastructure needs) have allowed the community to fund these needs far more adequately than would otherwise be the case. For example, even with the pressure placed on the CIP by the overcrowding issue and other high priority demands, this CIP continues the Town's commitment to upgrading its parks, playgrounds, and other open spaces. As proposed, this CIP renovates the following parks/playgrounds:

- | | | | |
|-------------------------------|------------------------|--------------------------------|--------------------------------|
| -Waldstein (FY 2013) | -Warren (FY 2013) | -Brookline Ave (FY 2014/2015) | -Corey Hill (FY 2015/2016) |
| -Larz Anderson (FY 2015/2018) | -Soule (FY 2015/2016) | -Brookline Reservoir (FY 2016) | -Emerson Garden (FY 2017/2018) |
| -Harry Downes (FY 2017/2018) | -Murphy (FY 2018/2019) | -Schick (FY 2018/2019) | |

Also included in this CIP is \$3.25 million (FY 2013) for the new Fisher Hill field/playground. This project is being funded from the proceeds of the sale of the nearby Town-owned reservoir site for the development of mixed-income housing on the site.

Some of the major projects proposed in the CIP include:

- Devotion School Rehab - \$46.1 million of Town funding plus a possible \$30.8 million in State funding (FY 2014-FY 2015)
- Newton St. Landfill (Rear Landfill Closure) - \$4.6 million (FY 2015)
- Village Square - \$4.5M (FY 2014) - - all outside funding
- Fire Station Renovations - \$3.3 million (all years)
- Fisher Hill Reservoir Re-Use - \$3.25 million (FY 2013)

- Waldstein Playground & Warren Field - \$2.3 million (FY 2013)
- Driscoll School HVAC - \$2.2 million (FY 2016-FY 2017)
- Baldwin School - \$2 million (FY 2014-FY 2016)
- Brookline Reservoir Park - \$1.4 million (FY 2016)
- UAB - \$1.3 million (FY 2013)
- Classroom Capacity – \$1.25 million (FY 2013)
- Municipal Service Center Floor / Space – \$1.1 million (FY 2013-FY 2014)

Continued major investments include:

- Street and Sidewalk Rehab - \$17.2 million
- Parks and Open Space - \$16.1 million
- General Town/School Building Repairs - \$6.8 million
- Water and Sewer Infrastructure - \$3.6 million
- Fire Apparatus- \$3.4 million
- Information Technology - \$1.6 million
- Recreation Facilities - \$1.1 million
- Tree Replacement - \$1.1 million
- Energy Conservation - \$1 million

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

CONCLUSION

This Financial Plan represents a realistic approach to funding the FY 2013 Budget and for planning the Town's operating and capital needs over the next several years. The ability for the Town to plan ahead has been extremely useful in meeting the challenges of the economic recession and to facilitate information and consensus building for the years ahead. Central to this is the need to plan for increased enrollment in our public schools.

We are pleased that the financial condition of the Commonwealth of Massachusetts and the Town of Brookline are improving and can support a Budget in FY 2013 that maintains programs and services. However, we need to remain conservative in our budget approach and carefully follow the financial policies designed to protect the longer-term sustainability of the Town.

I am appreciative of the efforts of all department heads and financial personnel in preparing their budgets this year. I am especially grateful for the contributions of Deputy Town Administrator Sean Cronin and Assistant Town Administrator Melissa Goff in preparation of this budget and financial planning document. It provides a very informative and useful document for the Board of Selectmen, Advisory Committee and Town Meeting, and creates transparency and confidence among the Town's citizenry and other stakeholders. I am proud to announce that the Town was awarded the Government Finance Officers Association's (GFOA) award for Excellence in Budget Presentation for the seventh consecutive year.

I look forward to working with the Board of Selectmen, School Committee and Advisory Committee in the months ahead as we prepare the best possible budget for Town Meeting approval in May.

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.

FY2013 FINANCIAL PLAN SUMMARY

	FY2012	FY2013	INCREASE/DECREASE	
			\$	%
REVENUE				
General Fund Revenue	208,879,077	221,220,083	12,341,006	5.91%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	24,687,605 (1,867,647)	25,736,622 (1,855,987)	1,049,017 11,660	4.25% -0.62%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,204,000 (163,852)	1,204,000 (155,038)	0 8,815	0.00% -5.38%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,055,713 (295,912)	2,388,655 (281,764)	332,942 14,148	16.2% -4.8%
TOTAL REVENUE	234,498,983	248,256,570	13,757,587	5.9%
APPROPRIATIONS				
General Fund Operating Budget	194,186,234	202,039,600	7,853,366	4.0%
Non-Appropriated Budget *	7,713,843	7,996,982	283,139	3.7%
Revenue-Financed CIP Budget / Other Special Appropriations	6,979,000	11,183,500	4,204,500	60.2%
General Fund Total	208,879,077	221,220,082	12,341,005	5.9%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	24,687,605 (1,867,647)	25,736,622 (1,855,987)	1,049,017 11,660	4.2% -0.6%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,204,000 (163,852)	1,204,000 (155,038)	0 8,815	0.0% -5.4%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,055,713 (295,912)	2,388,655 (281,764)	332,942 14,148	16.2% -4.8%
TOTAL APPROPRIATIONS	234,498,983	248,256,570	13,757,587	5.9%
BALANCE	0	0	0	

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

**TOWN OF BROOKLINE
FY2013 PROGRAM BUDGET**

BUDGET MESSAGE

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

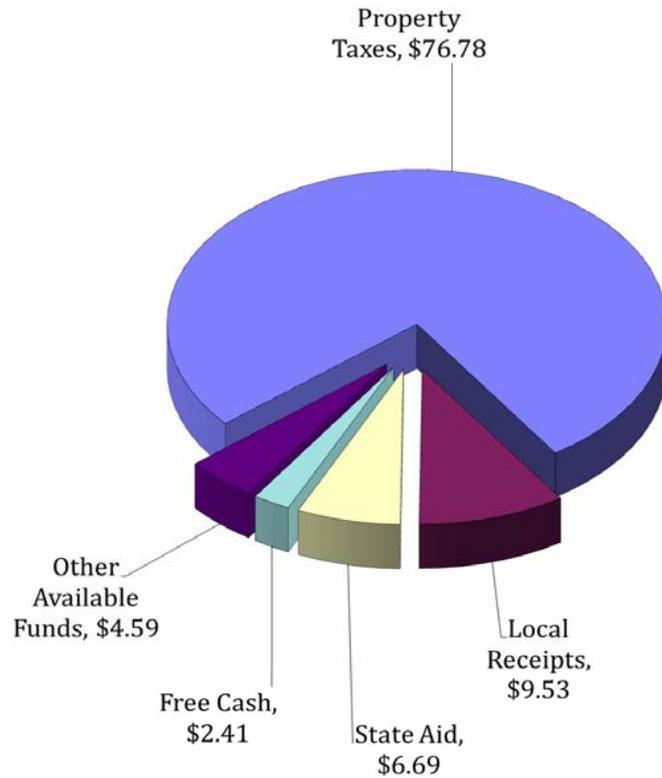
FY2013 GENERAL FUND SUMMARY

	FY2009 ACT.	FY2010 ACT.	FY2011 ACT.	FY2012 BGT.	FY2013 BGT.	INCREASE/DECREASE	
						\$	%
REVENUE							
Property Tax	146,542,184	152,586,904	155,898,463	163,620,489	169,848,463	6,227,974	3.8%
Local Receipts	22,455,149	21,038,710	22,611,569	20,275,792	21,084,438	808,645	4.0%
State Aid	17,962,793	16,542,765	13,808,845	13,383,563	14,806,425	1,422,862	10.6%
Free Cash	5,954,963	7,053,295	4,590,079	5,380,264	5,336,413	(43,851)	-0.8%
Other Available Funds	5,986,333	7,420,038	5,080,435	6,218,966	10,144,344	3,925,377	63.1%
TOTAL REVENUE	198,901,422	204,641,711	201,989,391	208,879,077	221,220,083	12,341,006	5.9%
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	5,493,891	5,559,230	5,576,032	5,671,508	6,162,822	491,314	8.7%
Tax Abatement Overlay	1,535,026	1,619,163	1,795,169	1,910,496	1,700,000	(210,496)	-11.0%
Deficits & Judgments	13,814	9,428	8,615	25,000	25,000	0	0.0%
Cherry Sheet Offsets	122,866	103,079	102,036	106,839	109,160	2,321	2.2%
TOTAL NON-APPROPRIATED EXPENSES	7,165,597	7,290,900	7,481,852	7,713,843	7,996,982	283,139	3.7%
AMOUNT AVAILABLE FOR APPROPRIATION				201,165,234	213,223,100	12,057,866	6.0%
APPROPRIATIONS							
Town Departments	62,287,183	60,121,307	62,463,090	63,203,475	64,815,040	1,611,565	2.5%
School Department	67,973,569	69,323,844	72,043,133	75,387,188	78,196,065	2,808,877	3.7%
Non-Departmental Total	49,100,298	54,146,512	50,059,905	55,595,569	59,028,494	3,432,925	6.2%
General Fund Non-Departmental	46,845,520	51,703,029	47,742,201	53,268,158	56,735,705	3,467,547	6.5%
Water and Sewer Enterprise Fund Overhead *	1,877,687	2,046,264	1,869,338	1,867,647	1,855,987	(11,660)	-0.6%
Golf Enterprise Fund Overhead *	179,064	186,349	191,161	163,852	155,038	(8,815)	-5.4%
Recreation Revolving Fund Overhead *	198,027	210,870	257,205	295,912	281,764	(14,148)	-4.8%
OPERATING BUDGET SUBTOTAL	179,361,050	183,591,663	184,566,128	194,186,234	202,039,600	7,853,366	4.0%
Revenue-Financed Special Appropriations	8,575,748	9,260,572	7,102,000	6,979,000	11,183,500	4,204,500	60.2%
TOTAL APPROPRIATIONS	187,936,798	192,852,235	191,668,128	201,165,234	213,223,100	12,057,866	6.0%
BALANCE				0	0	0	

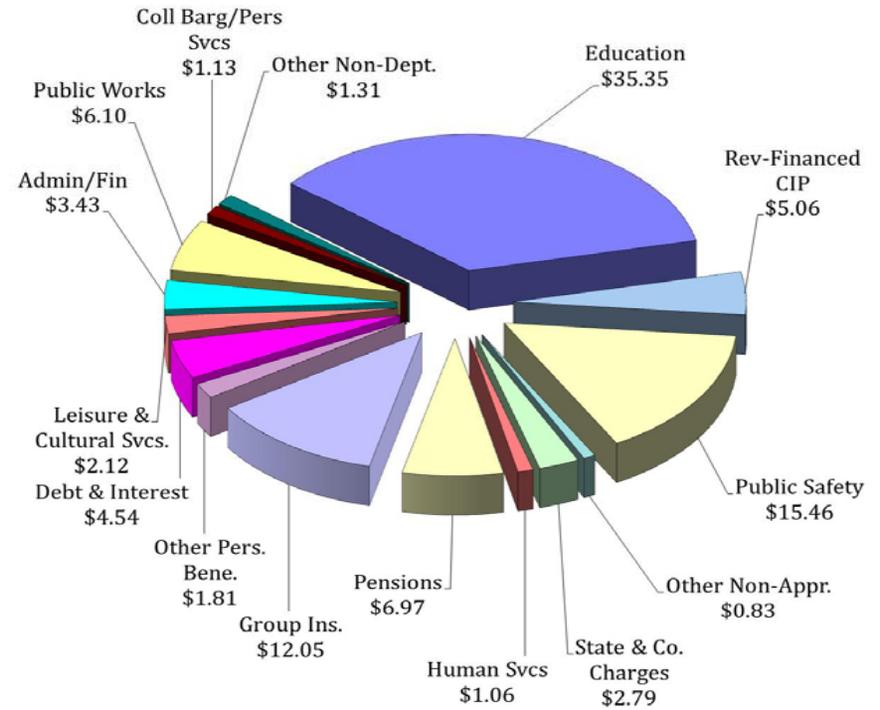
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

FY2013 GENERAL FUND TOTAL BUDGET
\$221,220,083

How Each \$100 Will Be Received

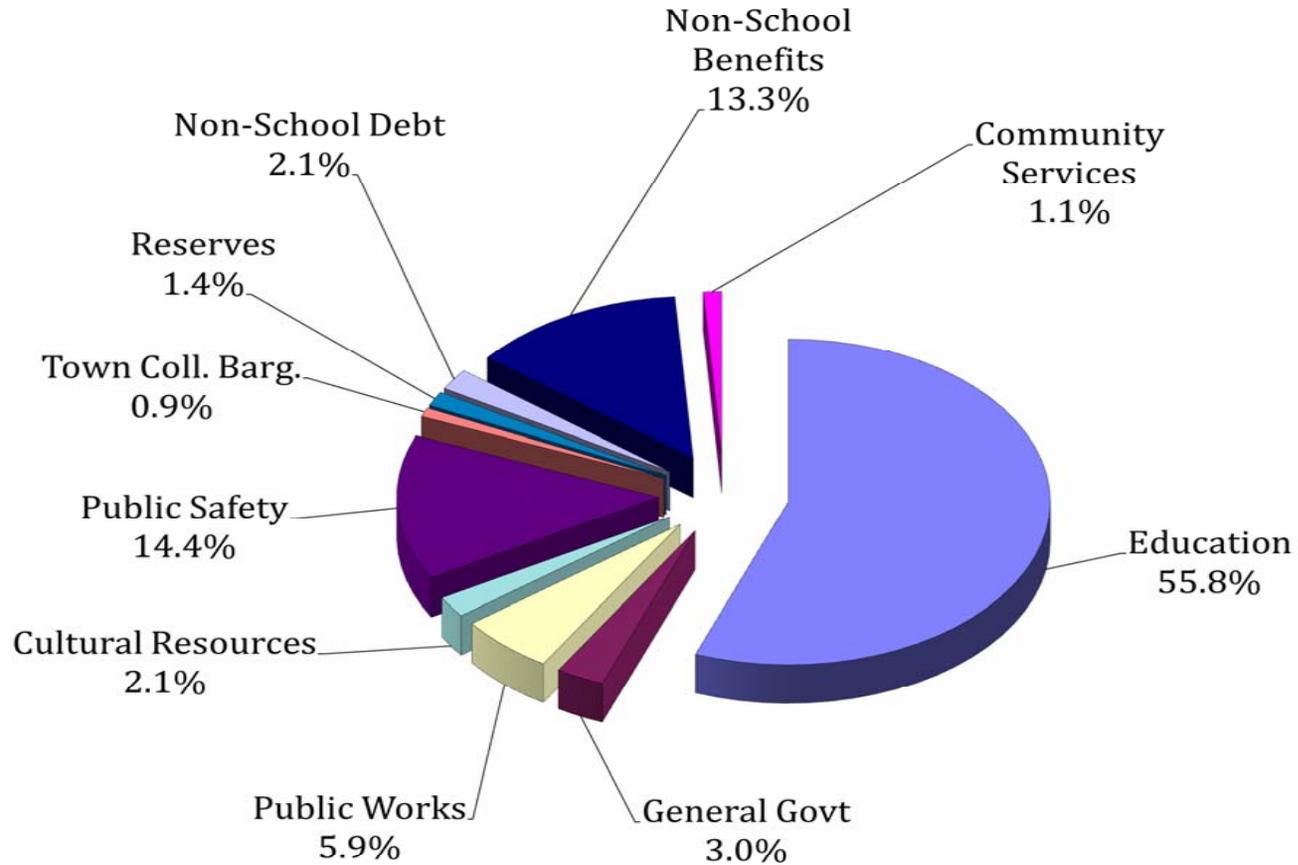


How Each \$100 Will Be Appropriated



FY2013 GENERAL FUND OPERATING BUDGET
\$202,039,600

FULLY ALLOCATED FY2013 GENERAL FUND OPERATING BUDGET



This chart reflects the allocation of all education-related appropriations (some of which are not appropriated in the school budget, such as building maintenance and energy) as reported annually to the State Department of Education (DOE).