

February 15, 2011

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

It is a privilege to submit my first budget and financial plan as Town Administrator. In my first few months in this position, I have observed a strong culture of financial management and fiscal discipline. This is a major factor in retaining the Town's premier bond rating of Aaa, and has served the Town well in weathering the economic storm that has plagued Massachusetts and the country over the last few years. Fiscal Year (FY) 2012 is no exception. While the Town still faces difficult choices, it is in far better shape than most cities and towns and will be able to avoid deep reductions in services and depletion of its financial reserves. Several factors have contributed to this success, including the following;

- Better control of employee health insurance costs by joining the Commonwealth of Massachusetts' Group Insurance Commission
- Careful allocation of one-time federal stimulus funding to minimize impacts on the future growth of operating budgets
- Diversification of the Town's revenue mix by adopting local option hotel and meals taxes
- Negotiation of Payment in Lieu of Taxes (PILOT) agreements with tax-exempt institutions
- Investment in energy conservation and new technologies in order to reduce operation and maintenance costs
- Selective privatization of programs and services in order to minimize costly employee benefits and future liability
- Consolidation and reorganization of departmental staffing and operations
- Implementation of efficiencies in municipal operations

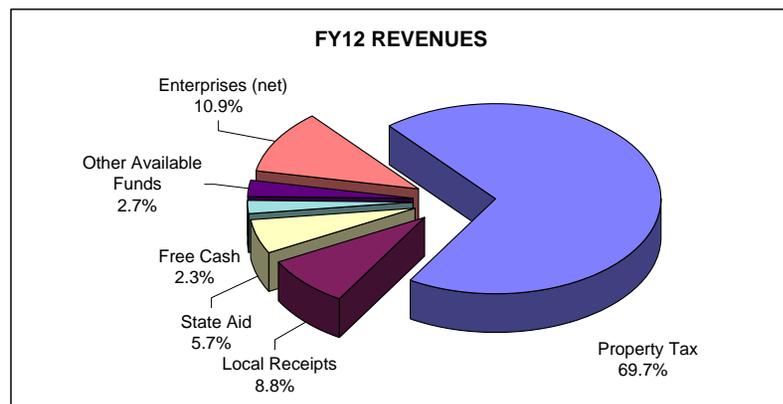
The FY 2012 financial plan (budget) balances \$234,206,016 in revenues and expenses, representing a 3.6% increase over FY 2011.

|                           | <u>FY 2011</u>     | <u>FY 2012</u>     | <u>\$\$\$ CHANGE</u> | <u>% CHANGE</u> |
|---------------------------|--------------------|--------------------|----------------------|-----------------|
| <b>REVENUES</b>           |                    |                    |                      |                 |
| Property Tax              | 157,878,286        | 163,159,995        | 5,281,709            | 3.3%            |
| Local Receipts            | 19,718,475         | 20,525,792         | 807,317              | 4.1%            |
| State Aid                 | 13,796,542         | 13,302,525         | (494,017)            | -3.6%           |
| Free Cash                 | 4,590,079          | 5,380,264          | 790,185              | 17.2%           |
| Other Available Funds     | 5,059,259          | 6,218,966          | 1,159,708            | 22.9%           |
| Enterprises (net)         | 24,995,838         | 25,618,474         | 622,636              | 2.5%            |
| <b>TOTAL REVENUES</b>     | <b>226,038,478</b> | <b>234,206,016</b> | <b>8,167,538</b>     | <b>3.6%</b>     |
| <b>EXPENDITURES</b>       |                    |                    |                      |                 |
| Municipal Departments     | 61,886,857         | 63,203,477         | 1,316,620            | 2.1%            |
| School Department         | 72,043,133         | 74,740,587         | 2,697,454            | 3.7%            |
| Non- Departmental         | 52,532,109         | 56,128,482         | 3,596,372            | 6.8%            |
| Special Appropriations    | 7,102,000          | 6,979,000          | (123,000)            | -1.7%           |
| Enterprises (net)         | 24,995,838         | 25,618,474         | 622,636              | 2.5%            |
| Non-Appropriated          | 7,478,540          | 7,535,997          | 57,457               | 0.8%            |
| <b>TOTAL EXPENDITURES</b> | <b>226,038,478</b> | <b>234,206,016</b> | <b>8,167,538</b>     | <b>3.6%</b>     |

In the following sections of this Financial Plan, all revenues and expenses are reviewed in detail. The highlights are as follows:

**Revenues**

Taxes: Property taxes are projected to be \$163,159,995 and represent 70% of the revenues available to the Town. Of this amount, \$3.9 million reflects the annual 2.5% allowable growth in the tax levy, \$1.5 million from the value of new construction (New Growth) and \$1.1 million for debt service on capital projects that the voters have excluded from the Proposition 2½ levy limit. While the annual tax levy is limited to 2.5%, it is a very stable source of revenue that has not been negatively impacted by the downturn in the economy. The Town is hopeful that major new commercial construction, including the development at Brookline Place, will provide additional revenue in the future.

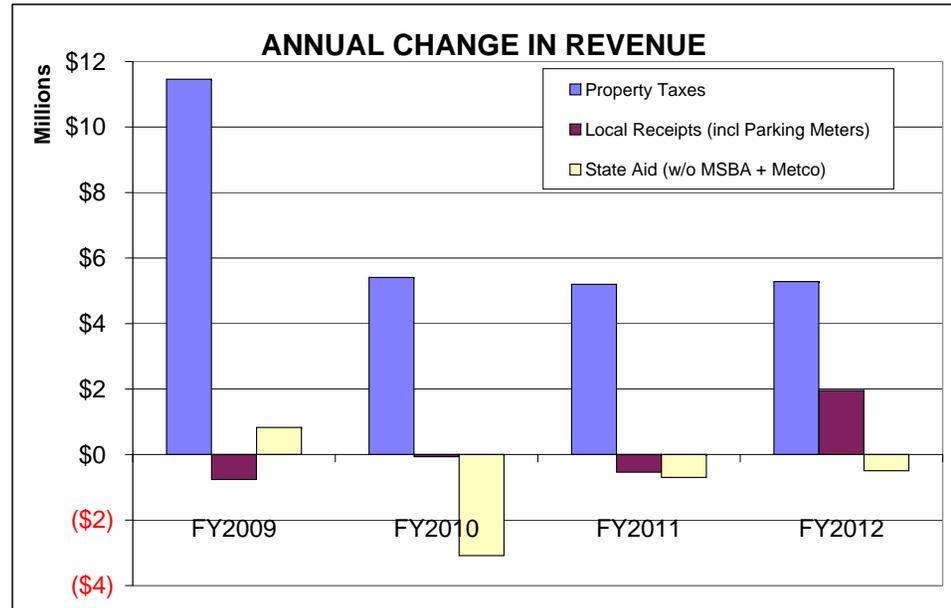


Taxes on the value of automobiles (Motor Vehicle Excise), on hotels and on meals are included in the Local Receipts category.

State Aid: FY 2012 represents the fourth straight year that Brookline has experienced a reduction in general government aid from the Commonwealth of Massachusetts. Total aid in FY 2012 is \$13,302,525, down by nearly \$500,000, or 3.6%, from FY 2011. The projection of State Aid is based mostly from the budget proposed by Governor Patrick on January 26. However, it recognizes that, in Massachusetts, the

Legislature retains independent authority to prepare and approve the budget. As a result, we have more conservatively projected the amount of aid than the Governor has proposed. This projection assumes a slight increase in the Chapter 70 Education formula and a 10% reduction in the major Unrestricted General Government Aid formula.

**Local Receipts:** This category of revenue represents a variety of sources generated by Town fees and charges. Most prominent are the Motor Vehicle Excise taxes, Parking and Traffic fines, Building Permit fees, Local Option taxes, and the Trash Collection charge. Local receipts are directly impacted by the regional economy. FY 2012 represents the first budgeted increase in Local Receipts since FY 2008, indicating that the economic recovery has taken hold. The FY 2012 budget assumes \$20,525,792, an increase of \$807,317, or 4.1% over FY 2011. In addition to improved economic performance, the Town has assertively pursued a Payment in Lieu of Tax (PILOT) program. This budget includes \$330,000 in new PILOT revenue, mostly resulting from an agreement with Boston University.



**Free Cash:** The unrestricted fund balance from the prior fiscal year is certified by the State as Free Cash. Based upon an historical Town financial policy and formula, this amount has been allocated to fund certain operating reserves and the subsequent year’s Capital Improvement Plan. The amount of Free Cash available in FY 2012 is \$7.1 million. I have recommended that only \$5.38 million of Free Cash be available for allocation in FY 2012. I am not recommending that the full amount be allocated to the CIP because of the pressure by Moody’s Investors Services on the Town to maintain sufficient “unrestricted” reserves. Over the past few years, Moody’s has expressed concern over the trend of the Town’s undesignated fund balance. It is generally recommended by Moody’s that 10% of general fund revenues be maintained as unrestricted reserves. The recommendation to retain a portion of Free Cash is a deviation from the Town’s current Free Cash Policy and, as a result, I have convened the Fiscal Policy Review Committee (FPRC) to review this issue.

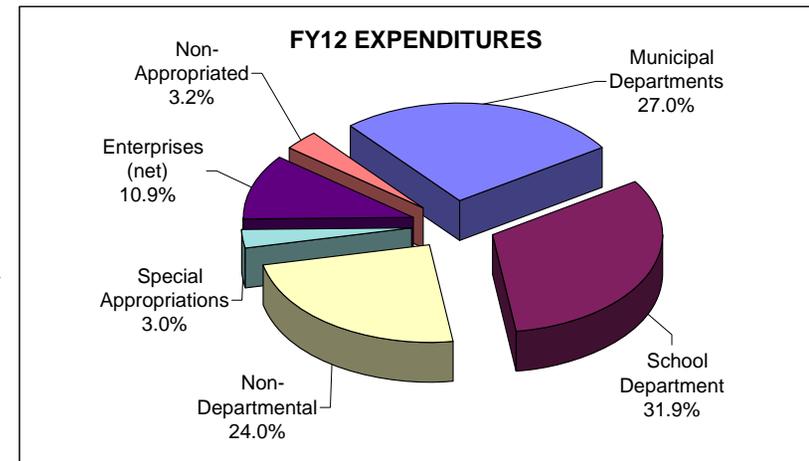
**Other Available Funds:** There are a number of special funds whose revenue is used to offset general government expenditures supporting those funds. This includes portions of Water and Sewer fees, Recreation Program/Golf fees, Cemetery, Library and Parking Meter revenue. In FY 2012, revenue from these funds will total \$6,218,966, an increase of \$1,159,708, or 23%, from FY 2011. This increase is almost entirely attributable to an increase in the Town’s Parking Meter rates/policies. In response to a long-standing

initiative of increasing parking supply and turnover in the Town’s commercial areas, the Board of Selectmen adopted a \$0.25 increase in the hourly parking rate. This increase, when combined with the Transportation Board’s expansion of the hours the meters are in effect, will generate \$1 million in additional revenue to the Parking Meter Fund. \$50,000 of this revenue has been set aside in the Capital Improvement Plan (CIP) to meet the commitment to invest back into the Town’s commercial areas. 75% of the remaining amount, or \$712,500, will be distributed to meet the challenges in the School budget and 25%, or \$237,500, to the municipal budget for increasing the commitment to fund the Town’s OPEB liability.

### Expenditures

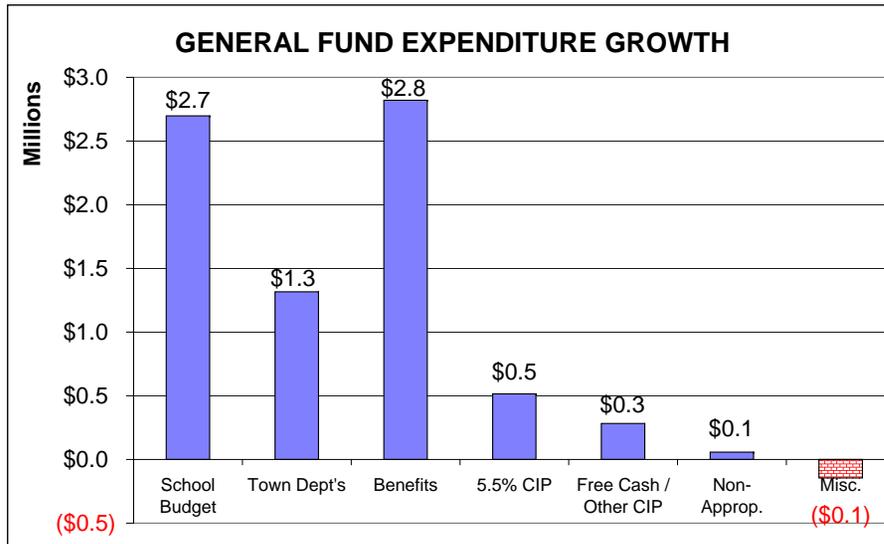
Municipal Departments: In FY 2012, the projected cost for all municipal (non-school) departments is \$63,203,477, an increase over FY 2011 of 2.1%. This amount includes a reserve for wage and salary increases for municipal employees, conditional upon a negotiated settlement. The number of full-time equivalent personnel in municipal departments was reduced slightly over FY 2011. In general, any increase in departmental expenses was limited to an actual increase in 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 2012 by increasing enrollment, special education and the loss of federal stimulus funds. For this reason, I have recommended that \$712,500 of new revenue from the Parking Meter program be allocated the School budget.



Overall, I propose a School budget of \$74,740,587, inclusive of any reserve for negotiated salary increases. This budget represents an increase of 3.7%. I understand that this allocation may not be sufficient to maintain the high quality of educational programs in Brookline. We remain hopeful that assumptions for State Aid and Group Health Insurance are too conservative and that the final numbers will favorably impact the School budget. It is essential that the School budget remain sustainable over the long-term. While FY 2012 represents a unique year given the loss of federal stimulus funding, future annual budget increases of this magnitude will be very difficult to maintain given the limitation on the Town’s revenue growth and the level of increases in the cost of employee benefits.

**Non-Departmental:** This is a large category of expenses that incorporates personnel benefits for municipal and school employees, debt service on the Town's bonds, insurance coverages and reserve funds. The proposed budget for FY 2012 is \$56,128,482, an increase of 6.8% from FY 2011. By far, the municipal cost that is increasing greater than all others is the cost of providing health insurance for the Town's employees and retirees. 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 existing plan of benefits, and we anticipate that the annual rate of increase will be more moderate. Still, the cost of health insurance under the GIC is projected to increase by 10% in FY 2012 for an additional cost of about \$2.5 million. To put this amount in perspective, this increase consumes 64% of the additional taxes the Town is allowed to levy under Proposition 2½. The Town is also allocating funds to continue funding its future liability for retiree health care. A recent actuarial study required under municipal accounting standards has identified this liability at \$208 million.

A portion of the cost of large school building projects is reimbursed by the Commonwealth of Massachusetts. The cost of the current funding (revenue-financed) for the CIP is \$6,979,000 in FY 2012, a slight reduction of 1.7% from FY 2011. A more detailed discussion of the CIP is included in Section VII.

**Special Appropriations:** The Town funds its Capital Improvement Program (CIP) through a combination of current

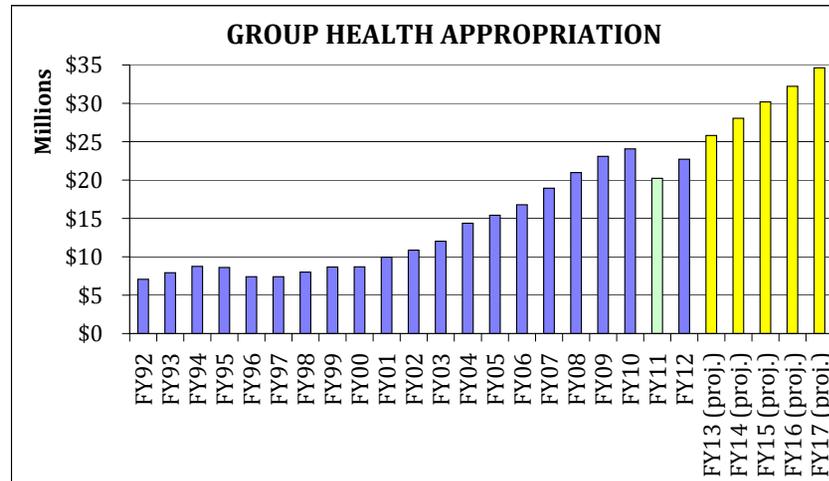
**Non-Appropriated:** This category includes required expenses that are raised directly without appropriation by Town Meeting. This includes State Charges, of which the largest sum is the Town's assessment for the MBTA, and the Overlay, which is a reserve for tax abatements and exemptions issued by the Board of Assessors. Overall, the cost of Non-Appropriated items in FY 2012 is \$7,535,997, an increase of 0.8% from FY 2011.

**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 2012 is \$25,618,474, an increase over FY 2011 of 2.5%. The Town is more carefully accounting for all costs of the enterprises, both direct and indirect, to ensure that the financial relationship between these funds and the General Fund is appropriate.

**FY 2012 POLICY ISSUES AND INITIATIVES**

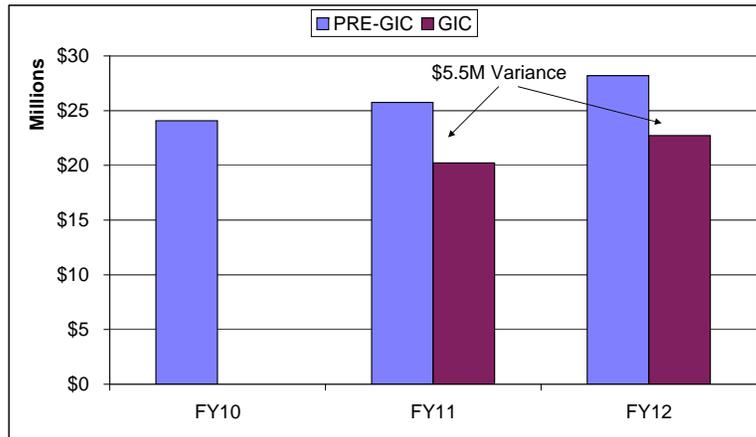
There are a number of policy issues that have influenced the FY 2012 Budget and Financial Plan. They are addressed below:

**Employee Health Insurance:** Clearly, the rising cost of health care is the largest budgetary problem facing all levels of government. Despite relatively flat inflation, the annual increase in managed health care plans ranged from 10.2% to 10.8% in 2010. This is a problem that impacts both the employer and the employee. According to the Segal Company’s 2010 Health Care Plan Cost Trend Survey, the cost trends in U.S. health plans will continue to be more than four times greater than the annual increase in average hourly earnings. The discussion of solutions to this problem has been a long-standing and productive dialogue between the Town and its employee groups. Still, the implementation of solutions has been difficult given that a major change in employee benefits requires collective bargaining with all municipal and school unions.



In 2007, the Town adopted the “coalition bargaining” statute that replaced the serial approach of bargaining with individual union agreements with a group process involving a Public Employee Committee (PEC) with a weighted vote to each union or employee/retiree group. Last year, the Town and the PEC reached agreement on joining the State’s GIC which provides health insurance to 350,000 state employees, retirees and dependents. In addition to a large purchasing pool, the GIC retains more discretion and flexibility to modify its plan design to respond to market forces. The cost of the GIC plans were substantially less than the existing Town plans, but carried higher deductibles and co-payments for services. Working closely with the PEC and the GIC, the Town established a Health Reimbursement Account (HRA) to ease the transition. This account was established and funded by the Town to reimburse employees with many of the out of pocket expenses employees incur with the

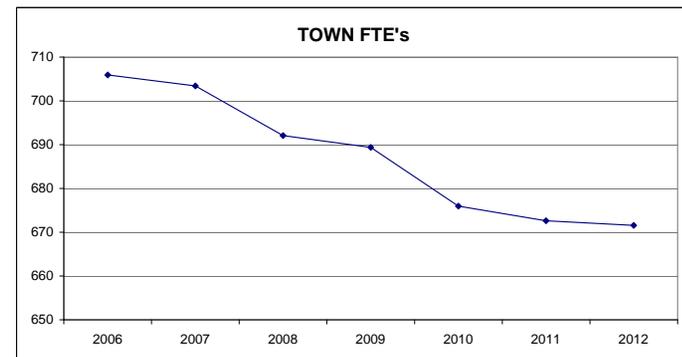
GIC plan design. In anticipation that the GIC may continue to increase deductibles and co-payments, I have proposed \$250,000 in funding to continue the HRA in FY 2012. The ability to retain the HRA is subject to approval by the GIC and conditional upon negotiation between the Town and its PEC.



| AVG FAMILY PLAN SUBSCRIBER (3-YR PER.) |           |            |
|--|-----------|------------|
|  | PPO       | HMO        |
| Premium Savings                        | (\$9,452) | (\$10,489) |
| Out of Pocket Increase                 | \$4,300   | \$4,300    |
| Net Savings                            | (\$5,152) | (\$6,189)  |

In addition to the premium savings that the Town and its employees realized by joining the GIC, there were savings by having employees more carefully select the plan that best served their needs. The GIC is able to offer a wide range of plans with different features and costs. Following the open enrollment period, the Town was pleasantly surprised that more employees than anticipated chose plans with higher managed care features, increasing the projected savings. Overall, the Town has calculated the move to the GIC saved \$5.5 million in FY 2011 alone. For FY 2012, we have projected costs to increase by 10%. We are eagerly awaiting the GIC's decision in March on FY 2012 rates, and stand ready to engage with the PEC on implementation of the plan next year.

**Staffing and Compensation:** As the relative budget capacity to fund municipal operations has dwindled, the Town has reduced its workforce accordingly. Since FY2006, staffing levels for Town government operations in the General Fund have decreased by more than 34 positions, or 5% of the workforce. For the FY 2012 budget, net staffing has been further reduced by 1 full-time equivalent position. Over the years, the Town has systematically reviewed each vacant position in order to determine the merits of filling it.



More often than not, the Town defers filling positions in order to provide flexibility in the event of budget reductions. Having unfilled positions allows the Town to avoid layoffs of actual employees when staffing reductions are required. It also creates an environment that is conducive to creative ideas about prioritizing program needs, the organization of personnel, and determining more efficient means of delivering services.

Permanent reductions in staffing have been proposed in several departments, including Board of Selectmen/Town Administrator, Comptroller, Public Works and Council on Aging. A new position in the Health Department has been established by converting existing funding for public health nursing services when that contracted agency could not remain competitive. The Recreation Department and the Parks Division of the DPW have enhanced staffing to support certain programs and maintenance expenses through dedicated revenue sources.

| <u>FUND</u>                     | <u>DEPT.</u>      | <u>CHANGE</u> | <u>NOTE:</u>  |
|---------------------------------|-------------------|---------------|---|
| General                         | Selectmen         | -0.05         | Reduced pay grade and hours from 20 to 18 (no longer benefits eligible)     |
| General                         | Comptroller       | -1            | Elimination of vacant position (Sr. Account/Audit Clerk)                    |
| General                         | Treasurer         | -0.21         | Reduced hours in Scanner position   |
| General                         | DPW - Highway Div | -1            | Elimination of vacant position (Motor Equipment Repairman)                  |
| General                         | DPW - Parks Div   | 0.43          | 43% of Park Ranger, funded with new Green Dog Fee                           |
| General                         | Health            | 1             | Public Health Nurse (contract with VNS was going to increase significantly) |
| General                         | COA               | 0.28          | Clinical Social Worker III increase in hours (from 27 to 37.5)              |
| General                         | COA               | -0.48         | Outreach Worker (one-time FY11 expense)                                     |
| General                         | Recreation        | 1             | New Therapeutic Recreation Specialist                                       |
| General                         | Recreation        | -1            | Elimination of the vacant Assistant Recreation Leader/Aquatics              |
| <b>General Fund Sub-Total</b>   |                   | <b>-1.03</b>  |   |
| Revolving                       | Recreation        | 0.57          | 57% of Park Ranger, funded with new Field Use fees                          |
| Revolving                       | Recreation        | 1             | Additional Lead Teacher   |
| <b>Revolving Fund Sub-Total</b> |                   | <b>1.57</b>   |   |

In response to the economic climate and focus on public employee compensation, the Town has exercised 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 reserved funding in FY 2011 to support modest increases in wages. I have recommended a similarly modest approach in FY 2012.

As a public service organization, the Town's greatest asset is a qualified, committed and dedicated work force. In addition, the demographics of the Town's upper management will result in a higher rate of turnover in the

next several years. As a result, I have worked with the Human Resources Director to increase funding for training and professional development. The sum of \$15,000 has been proposed in FY 2012 to begin a more robust program of training our employees and developing the capacity of our mid-managers and supervisors.

**Recreation Cost Recovery:** Cost Recovery measures the extent to which the cost of the Recreation Department is supported by user fees versus tax dollars. For many recreation departments across the country, a cost recovery model is used for long-range

strategic financial planning. Last year, the Brookline Recreation Department began the first phase of implementing a cost recovery policy. The policy identifies the percentages of programs and services that are to be subsidized by tax dollars by assigning a level of

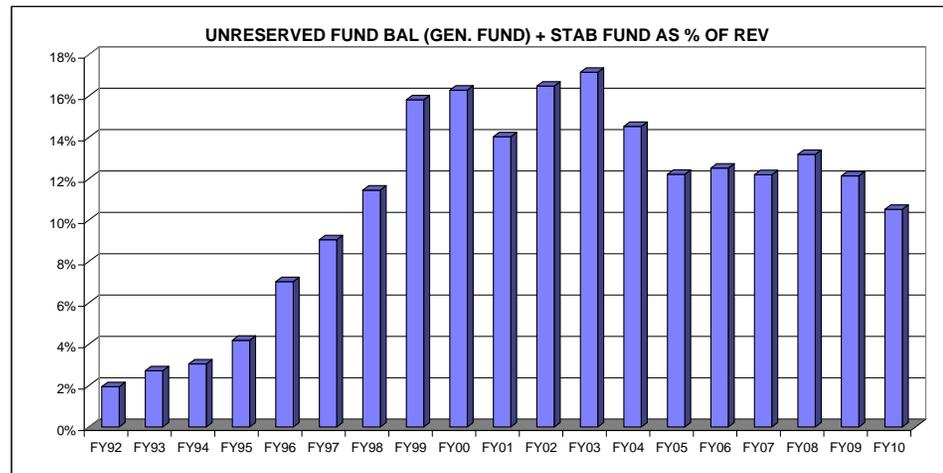
community benefit, and allocating a subsidy accordingly. This FY2012 budget continues the cost recovery efforts begun a few years ago to re-allocate costs between the General Fund and the Revolving Fund in an attempt to better reflect program costs versus administrative costs. This process involves moving various line-item expenses from the General Fund to the Revolving Fund and vice versa, and this is detailed above. The ultimate goal of this exercise is to clearly show what percentage of the Recreation Department is covered by program-related fees and what percentage is paid for out of the general tax base. As the table above shows, a total of \$52,532 was shifted from General Fund budgets to the Recreation Revolving Fund in FY2012.

| GENERAL FUND BUDGETS       |                           |                      |                  |                 |                        |
|----------------------------|---------------------------|----------------------|------------------|-----------------|------------------------|
| Category of Expenditure    | Recreation Revolving Fund | GENERAL FUND BUDGETS |                  |                 | Impact on General Fund |
|                            |                           | Recreation           | Building         | Public Works    |                        |
| Rec Facilities Electricity | 53,940                    | (53,940)             |                  |                 | (53,940)               |
| Swimming pool Electricity  |                           | 64,590               | (64,590)         |                 | 0                      |
| Rec Facilities Natural Gas | 14,052                    | (14,052)             |                  |                 | (14,052)               |
| Swimming pool Natural Gas  |                           | 39,900               | (39,900)         |                 | 0                      |
| Skating Rink Personnel     | 41,997                    |                      |                  | (41,997)        | (41,997)               |
| Skating Rink R&M           | 8,500                     |                      |                  | (8,500)         | (8,500)                |
| Skating Rink Supplies      | 1,500                     |                      |                  | (1,500)         | (1,500)                |
| Services/Supplies/Other    | (67,637)                  | 67,637               |                  |                 | 67,637                 |
| <b>TOTAL</b>               | <b>52,352</b>             | <b>104,135</b>       | <b>(104,490)</b> | <b>(51,997)</b> | <b>(52,352)</b>        |

|                              | ACTUAL<br>FY2010 | BUDGET<br>FY2011 | REQUEST<br>FY2012 |
|------------------------------|------------------|------------------|-------------------|
| <b>REVENUES</b>              |                  |                  |                   |
| General Fund                 | 0                | 0                | 0                 |
| Revolving Fund               | 1,828,737        | 1,855,041        | 2,054,280         |
| <u>Golf Enterprise Fund</u>  | <u>1,132,976</u> | <u>1,266,200</u> | <u>1,204,000</u>  |
| TOTAL                        | 2,961,713        | 3,121,241        | 3,258,280         |
| <b>EXPENDITURES</b>          |                  |                  |                   |
| General Fund                 | 905,021          | 943,849          | 992,259           |
| General Fund Benefits (est.) | 215,647          | 212,628          | 225,045           |
| Revolving Fund               | 1,731,011        | 1,855,041        | 2,054,280         |
| <u>Golf Enterprise Fund</u>  | <u>1,160,829</u> | <u>1,266,200</u> | <u>1,204,000</u>  |
| TOTAL                        | 4,012,507        | 4,277,718        | 4,475,584         |
| <b>Cost Recovery</b>         | <b>73.8%</b>     | <b>73.0%</b>     | <b>72.8%</b>      |
| <b>General Fund Subsidy</b>  | <b>26.2%</b>     | <b>27.0%</b>     | <b>27.2%</b>      |

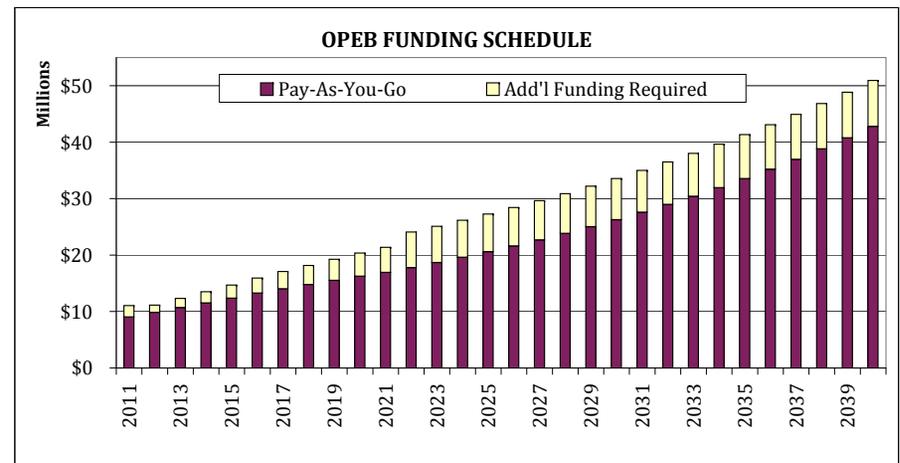
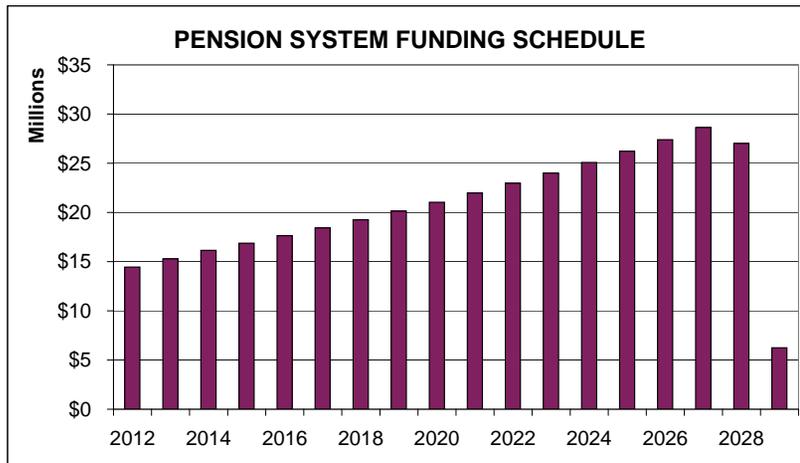
This approach to cost recovery follows the “Pyramid Methodology” that was developed in 2009 and states that a program or service providing the highest level of “community benefit” will have a smaller cost recovery than a program or service that is “highly individual.” The Commission’s fundamental purpose in implementing a cost recovery methodology is to provide accurate accounting and transparency to the community, and to achieve a clear, consistent approach to the pricing of programs and services that the Recreation Department offers in the community. The table to the left calculates the overall cost recovery level for the three Recreation Department budgets.

**Financial Reserves:** All agencies, public and private, must maintain sufficient reserves to protect itself against situations that could adversely impact operations, fiscal health or reputation. The Town maintains both operating and long-term reserves for this purpose. On a short-term basis, the Town maintains an annual Reserve Fund that funds emergency or unforeseen situations, such as extraordinary snow and ice expenses. In FY 2012, I have recommended a Reserve Fund of \$1,877,151, an amount equivalent to 1% of the prior year’s net revenue, as called for in the Town’s Reserve policies. As previously noted, the Town’s unreserved fund balance from the prior fiscal year is officially certified as Free Cash. The Town’s existing financial policies dictate that this Free Cash be allocated to fund the Town’s Capital Improvement Plan and other operating reserves. In response to concerns raised by our bond rating agency, I am proposing that \$1.7 million of Free Cash be retained. We have convened the Fiscal Policy Review Committee to assist us in advising us on our reserve policies.



From a longer-term perspective, a major focus has been the identification of Town’s financial liability for pension and health care costs. Two decades ago, the Town identified its pension liability and established a long-term funding plan. Despite a hit from investment losses in 2008, the Town continues to fund a plan that would eliminate its long-term liability by 2028. Many communities and the Commonwealth have been forced to greatly extend its funding plan, leading to higher overall costs that will erode funding for other important services. A key component that allowed Brookline to fund its liability without extending the schedule much further in the future than originally planned was the appropriation of additional monies into the pension fund in FY2010 (\$965,151) and FY2011 (\$1,270,151). These funds came from two sources: new Meals Excise Tax / increased Lodging Excise Tax and the balance in the FY2010 Collective Bargaining Reserve. These steps helped obviate the need for a \$1.8 million increase in FY2012: per the newly approved funding schedule, the amount required for FY2012 is \$14.4 million, which represents an increase of \$657,380 (4.8%).

Similarly, the Town has calculated its actuarial financial liability for health insurance benefits for retirees. Officially referred to as Other Post Employment Benefits (OPEB's), a recent actuarial study has identified this liability to be \$208 million. Fortunately, the Town has already gotten a head start on meeting this liability and has deposited over \$10 million in a special fund. With the assistance of the OPEB Task Force, the Town has developed a funding plan that includes annually increasing appropriations from the General Fund by \$250,000, using the run-off from the Non-Contributory Pension line-item, and full assessments on enterprise/revolving funds for their share of the unfunded liability. Based on this funding plan and the recent actuarial report completed by the Segal Group, the Town will be fully funding its Annual Required Contribution (ARC) in approximately 10 years. In addition, when the Town experiences unanticipated revenue or other positive budget performance, transferring these funds for OPEB liability has become a priority. A 30-year funding schedule has been proposed to meet the overall liability, and the Town will appropriate over \$1.5 million for this purpose in FY 2012, an amount that includes an increase of \$500,000 (to \$1.25 million) in General Fund-supported revenue instead of the \$250,000 increase called for in the funding plan. It is possible that some portion of pension funding can be reallocated to the OPEB liability once that system is fully funded in 2029.



**Energy Conservation and Efficiency:** Being aggressive about conserving energy is no longer just an environmentally friendly practice. The escalation of energy costs has forced the Town to become extremely diligent in controlling energy costs and increasing the efficiency of our buildings. The Town has mitigated uncertainties in energy prices by locking into fixed price contracts when favorable, investing CIP monies for energy conservation and energy management systems, seeking grant opportunities for energy efficiency efforts, reducing usage, and purchasing more energy efficient and alternative (hybrid) vehicles.

The Town recently participated in a collaborative procurement to take advantage of a drop in certain energy prices. We negotiated a “blend and extend” contract with our existing electric supplier, TransCanada, which resulted in over \$100,000 savings in FY2012. The new contract will now be fixed through December 2015. Although the option of blend and extend was not available for natural gas, the Town was able to secure a lower rate effective upon the expiration of our current contract in October 2012 (FY 2013).

**TOWNWIDE UTILITY BUDGET (in millions)**

|            | <b>Electricity</b> | <b>Heating Oil</b> | <b>Natural Gas</b> | <b>Gasoline/<br/>Diesel</b> | <b>Water/<br/>Sewer</b> | <b>TOTAL</b>  |
|------------|--------------------|--------------------|--------------------|-----------------------------|-------------------------|---------------|
| FY00       | \$1.92             | \$0.25             | \$0.25             | \$0.20                      |                         | <b>\$2.62</b> |
| FY01       | \$2.09             | \$0.43             | \$0.28             | \$0.26                      |                         | <b>\$3.06</b> |
| FY02       | \$1.84             | \$0.41             | \$0.23             | \$0.26                      |                         | <b>\$2.73</b> |
| FY03       | \$1.74             | \$0.50             | \$0.27             | \$0.28                      |                         | <b>\$2.79</b> |
| FY04       | \$1.97             | \$0.58             | \$0.28             | \$0.28                      |                         | <b>\$3.12</b> |
| FY05       | \$2.21             | \$0.75             | \$0.36             | \$0.43                      |                         | <b>\$3.76</b> |
| FY06       | \$2.14             | \$1.07             | \$0.36             | \$0.52                      |                         | <b>\$4.09</b> |
| FY07       | \$2.75             | \$0.79             | \$0.44             | \$0.65                      |                         | <b>\$4.64</b> |
| FY08       | \$2.85             | \$0.85             | \$0.59             | \$0.64                      |                         | <b>\$4.93</b> |
| FY09       | \$2.79             | \$0.11             | \$1.27             | \$1.01                      |                         | <b>\$5.18</b> |
| FY10       | \$2.97             | \$0.09             | \$1.32             | \$0.50                      |                         | <b>\$4.88</b> |
| FY11 (bud) | \$2.86             | \$0.01             | \$1.78             | \$0.67                      |                         | <b>\$5.31</b> |
| FY12 (bud) | \$2.65             | \$0.00             | \$1.61             | \$0.75                      | \$0.48                  | <b>\$5.50</b> |

The Town is in the process of seeking “Green Community” designation with the Commonwealth of Massachusetts in order to qualify for funding for energy efficiency and renewable energy initiatives. Three of the five required milestones have been completed, and the Town expects the remaining energy reduction plan and fuel efficient vehicle policy to be completed in time for submission of the grant application this spring. In anticipation of this effort, the Town continues its current practice of procuring energy efficient vehicles by including the procurement of five alternative fuel vehicles in this budget submission, including an electric vehicle that will be piloted in the Building Department.

In response to the preliminary findings of a Water/Sewer rate study with Weston & Sampson Engineers, a recommendation is being made to account for water and sewer usage for Town and School facilities in the General Fund instead of through the Enterprise Fund as was previously the practice. This results in the need to budget for approximately \$440,000 in departmental budgets, with \$260,000 for Town facilities and \$180,000 for Schools.

**Operating Efficiencies:** In response to a comprehensive analysis by the Selectmen’s Efficiency Initiative Committee in 2009, a series of recommendations were made involving Privatization, Staffing, Consolidations of Programs and Services, Major Cost Reduction (e.g., Health Insurance) and New Revenue Sources. Most of

these recommendations have been fully implemented or have been initiated and will have saved the Town over \$1 million annually. More importantly, the Committee’s work has created a new focus and framework when considering the Town’s public policies and services.

| <u>IMPLEMENTED EFFICIENCY INITIATIVE RECOMMENDATIONS</u> |                                |  |                         |
|--|--------------------------------|--|-------------------------|
| <b>Issue</b>   | <b>Annual Savings/ Revenue</b> | <b>Action</b>  | <b>Year Implemented</b> |
| Human Services Clerical                                  | \$38,000                       | Eliminated one position  | FY2010                  |
| Fire Call Boxes  | \$102,000                      | Merged Fire Wire Div w/DPW and elim one position; also reduced streetlight maint contract. | FY2010                  |
| Fire Call Boxes  | \$118,000                      | Increased fee to cover 100% of costs   | FY2010                  |
| Library  | \$38,000                       | Eliminated one position after RFID investment  | FY2011                  |
| Elimination of Zoning Administrator                      | \$78,000                       | Eliminated position  | FY2010                  |
| Street Sweeping  | \$44,000                       | Eliminated one position  | FY2010                  |
| Fleet Maintenance  | \$51,000                       | Eliminated one position  | FY2012                  |
| Police Non-patrol Staffing                               | \$195,000                      | 2 PO positions eliminated  | FY2010                  |
| Police Civilianizing                                     | \$56,000                       | 2 PO positions eliminated; replaced with civilians for meter collection                    | FY2010                  |
| Parking Tix Administration                               | \$38,000                       | Invested in hand-helds; eliminated one clerical position                                   | FY2011                  |
| Improve Parking Tix Collection Rate                      | \$175,000                      | Contracted with collection agency to collect overdue out-of-state tix                      | FY2011                  |
| Fire Manning   | \$295,000                      | Reduced total Suppression staffing by 4  | FY2010                  |
| Fire Prevention  | \$78,000                       | Reduced staffing from 4 to 3 and made 1 of the 3 a civilian                                | FY2010                  |
| <b>TOTAL</b>   | <b>\$1,306,000</b>             |  |                         |

Continued implementation of the Committee’s efforts is incorporated throughout the FY 2012 Financial Plan. Such efforts are integrated with the Town’s focus on technology improvements. In particular, the Town continues to make progress in converting manual tasks to automated processes, not only saving time and money but creating opportunities for sharing information to support other functions. For example, the Town is converting its system of inputting complaints into an automated system developed by Cartegraph. This process will interface with a work order system and can even be tailored for citizen use via the web or mobile applications. Similarly, building officials, parking control personnel and others in the field have been outfitted with handheld devices enabling the input of quick and accurate information that can be uploaded and utilized for a variety of uses. The use of Global Positioning System (GPS) technology has become more prevalent in Town vehicles and enables managers to more effectively plan and manage the Town’s resources. The Town has acquired technologically advanced multi-space parking meter devices that can be programmed for different rates and hours depending upon certain circumstances.

The conversion of the Town’s telephone system to an integrated voice and data system using VOIP technology has created budget savings by eliminating costly telephone company charges. We are currently conducting an audit of all remaining telephone lines to ensure there are no excess or unnecessary costs.

As position vacancies occur in municipal departments, a hard look is taken to determine whether these positions should be filled. For FY 2012, I have determined that a vacant position in the Comptroller's Office and another in the DPW Fleet Maintenance division can be eliminated. Although these positions are important, the enhancement of technology and other factors have improved productivity in these departments to the point where the loss of these positions can be reasonably absorbed.

**Expanded Revenue Capacity:** In addition to ensuring that Town funds are spent as cost effectively as possible, the Town is aggressively pursuing new and creative ways to expand revenue capacity. Proposition 2½ does not limit the amount of additional taxes a municipality can levy from the value of new construction. As a result, the Town is promoting and facilitating new development that is compatible with the residential nature of Brookline and does not create negative impacts. Examples that have been positive in recent years include the Marriott Hotel in Coolidge Corner, the conversion of the old "Town Barn" into a multi-unit residential complex and the office/retail complex at 1010 Commonwealth Avenue. Currently, the Economic Development Advisory Board and Town staff are working hard to implement a very ambitious commercial development at 2 Brookline Place and another at the former cinema site in Cleveland Circle, a portion of which is located within Brookline. Other smaller but important development opportunities exist, including the former Red Cab site on Boylston Street/Route 9.

Implementing a major policy initiative of the Board of Selectmen, the Town has begun to see progress in the negotiation of Payment in Lieu of Taxes (PILOT) agreements with tax-exempt institutions owning property in Brookline. A major milestone was reached in July, 2010 upon the execution of a PILOT agreement with Boston University. The University will pay the Town \$389,000 beginning in FY 2011 and escalating to approximately \$500,000 in FY2021. Other agreements are in negotiation and expected to be finalized soon.

The Town has begun to take advantage of its unique and strategic location to major entertainment venues and employment centers in neighboring Boston. New technology will permit the Town to program higher metered parking rates along the median of Beacon Street near Fenway Park for Red Sox games. This plan could be expanded to other high demand locations, including the Longwood Medical Area. Another creative initiative is taking shape to convert the Town's licensing authority for taxicabs into a financial opportunity. Special legislation modeled after other successful municipal ventures was passed for Brookline and we have retained a consultant to assist the Town in implementing a medallion system. The medallions would essentially be auctioned for a substantial one-time payment.

Finally, the Town seeks to expand its revenue capacity by pursuing funding from the state and federal

governments. The Town is the recipient of over \$1.6 million annually in federal Community Development Block Grant (CDBG) funding and has also secured a one-time Energy Efficiency Block Grant. A plan is being developed to complete a comprehensive upgrade of the existing circulation system at Washington Street, Route 9, Walnut Street, High Street, and Pearl Street area, combining infrastructure, traffic, and other public amenities. Referred to as the Village Square project, its \$4.5 million cost would be funded entirely from outside sources (state grant, CDBG, and offsite improvements from the developer). Other major public works projects are being completed using funding from other governmental sources. Most prominent are the Lower Beacon Street Sewer project, 100% funded by the MWRA, and the Muddy River Restoration project, which is being funded primarily by the federal and state governments and the City of Boston. Many other smaller grants are being pursued to meet the Town’s objectives and help offset general government expenses. One example is a proposal to secure funding to implement a regional bicycle sharing system modeled after successful systems in Montreal and in some cities in Europe.

| Project                            | Funding Source        | Anticipated Amounts |                  |                  |                  |                   |                  |                | TOTAL             |
|------------------------------------|-----------------------|---------------------|------------------|------------------|------------------|-------------------|------------------|----------------|-------------------|
|                                    |                       | FY11                | FY12             | FY13             | FY14             | FY15              | FY16             | FY17           |                   |
| Street Rehab                       | State (Ch. 90)        | 719,968             | 928,991          | 928,991          | 719,968          | 719,968           | 719,968          | 719,968        | 5,457,822         |
| Riverway Park                      | Federal (CDBG)        | 149,000             |                  |                  |                  |                   |                  |                | 149,000           |
| Runkle School                      | Mass School Bldg Auth | 11,680,000          |                  |                  |                  |                   |                  |                | 11,680,000        |
| Energy Efficiency Cmty Block Grant | Federal Stimulus Bill | 494,400             |                  |                  |                  |                   |                  |                | 494,400           |
| Heath School                       | Mass School Bldg Auth |                     | 3,250,000        |                  |                  |                   |                  |                | 3,250,000         |
| Village Square Project             | State (TIP)           |                     |                  | 1,500,000        |                  |                   |                  |                | 1,500,000         |
| Village Square Project             | Federal (CDBG)        |                     |                  | 2,250,000        |                  |                   |                  |                | 2,250,000         |
| Village Square Project             | Other (Developer)     |                     |                  | 750,000          |                  |                   |                  |                | 750,000           |
| Riverway Park Pedestrian/Bike Path | Federal Grant         |                     |                  |                  | 600,000          |                   |                  |                | 600,000           |
| Devotion School                    | Mass School Bldg Auth |                     |                  |                  | 655,000          | 26,250,000        |                  |                | 26,905,000        |
| Fisher Hill Reservoir (Field)      | Other (Sale of Land)  |                     |                  |                  | 3,250,000        |                   |                  |                | 3,250,000         |
| Brookline Reservoir Gatehouse      | State/Federal Grant   |                     |                  |                  |                  |                   | 400,000          |                | 400,000           |
| <b>TOTAL</b>                       |                       | <b>13,043,368</b>   | <b>4,178,991</b> | <b>5,428,991</b> | <b>5,224,968</b> | <b>26,969,968</b> | <b>1,119,968</b> | <b>719,968</b> | <b>56,686,222</b> |

**LONG RANGE FINANCIAL PROJECTION**

The cornerstone of the Town 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 helps decision makers, taxpayers, and employees with an understanding of the long-term financial challenges the Town faces. In 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 FY2012 – FY2016 Long Range Financial Projection for the General Fund makes the following key assumptions:

- In FY2012, \$1.5 million of New Growth in the Property Tax Levy. For FY2013-FY2014, \$1.6 million. In FY2015-2016, a base of \$1.6 million, augmented by additional levy growth from the 2 Brookline Place re-development.
- For State Aid in FY2012, a 10% cut in Unrestricted General Government Aid (UGGA) and Chapter 70 funding that reflects the Governor’s budget proposal (\$37,020 increase). For FY2013, level-funding of all aid categories, except for the elimination of the SBA payment for the Lincoln School (\$640,509). For FY2014-FY2016, 2.5% annual growth in UGGA and Ch. 70.
- Limited growth in Local Receipts (approximately \$290,000 / yr, or 1.5%).
- For FY2013-FY2016, a 2% wage increase for Town and School unions.
- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$200,000 per year for the Schools and \$275,000 for Town departments).
- Annual utility increases of \$100,000.
- SPED growth of \$750,000 in FY2012 and \$700,000 annually thereafter.
- Enrollment growth cost increases of \$250,000 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 10%, plus the additional enrollment of 30 employees, for FY2012. For FY2013-2016, assume 30 new enrollees per year and a declining annual rate increase (9% in FY13, 6% in FY16).

- A Pension appropriation based on the most recent funding schedule approved by PERAC (begins in FY2012).
- Continuation of the OPEB funding plan, with an annual increase of \$250,000 from the General Fund and full assessments to the Town's enterprise/revolving funds. In FY2012, the increase from the General Fund is actually \$500,000.
- Debt Service and pay-as-you-go CIP that reflects full-funding for the CIP (back to the 5.5% level in FY2012).

These assumptions create an escalating deficit position for FY2013 and beyond, starting at \$3.4 million in FY13 and reaching \$7.1 million by FY2016. It should be noted that 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  
FY2012 PROGRAM BUDGET

BUDGET MESSAGE

|   | <u>2012</u>        | <u>2013</u>        | <u>2014</u>        | <u>2015</u>        | <u>2016</u>        |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUE</b>                          |                    |                    |                    |                    |                    |
| <b>Property Taxes</b>                   | <b>163,159,994</b> | <b>169,352,134</b> | <b>174,767,159</b> | <b>181,890,118</b> | <b>188,691,611</b> |
| <b>Local Receipts</b>                   | <b>20,525,792</b>  | <b>21,090,551</b>  | <b>21,217,964</b>  | <b>21,446,626</b>  | <b>21,696,194</b>  |
| Motor Vehicle Excise (MVE)              | 4,700,000          | 4,794,000          | 4,889,880          | 4,987,678          | 5,087,431          |
| Local Option Taxes                      | 1,750,000          | 1,785,000          | 1,820,700          | 1,857,114          | 1,894,256          |
| Licenses & Permits                      | 1,010,975          | 1,010,975          | 1,010,975          | 1,010,975          | 1,010,975          |
| Parking / Court Fines                   | 4,400,000          | 4,450,000          | 4,450,000          | 4,450,000          | 4,450,000          |
| General Government                      | 2,482,817          | 2,805,526          | 2,836,157          | 2,867,300          | 2,910,535          |
| Interest Income                         | 650,000            | 666,250            | 682,906            | 699,979            | 717,478            |
| PILOT's                                 | 1,210,000          | 1,235,200          | 1,145,604          | 1,171,216          | 1,202,040          |
| Refuse Fee                              | 2,600,000          | 2,600,000          | 2,600,000          | 2,600,000          | 2,600,000          |
| Departmental & Other                    | 1,722,000          | 1,743,600          | 1,781,742          | 1,802,364          | 1,823,478          |
| <b>State Aid</b>                        | <b>13,302,525</b>  | <b>12,662,016</b>  | <b>12,956,163</b>  | <b>13,257,664</b>  | <b>13,566,702</b>  |
| General Government Aid                  | 4,980,330          | 4,980,330          | 5,101,156          | 5,225,002          | 5,351,944          |
| School Aid                              | 8,177,464          | 7,536,955          | 7,710,276          | 7,887,931          | 8,070,026          |
| Tax Abatement Aid                       | 37,892             | 37,892             | 37,892             | 37,892             | 37,892             |
| Offset Aid                              | 106,839            | 106,839            | 106,839            | 106,839            | 106,839            |
| <b>Other Available Funds</b>            | <b>6,218,966</b>   | <b>6,334,277</b>   | <b>6,430,656</b>   | <b>6,562,445</b>   | <b>6,693,799</b>   |
| Parking Meter Receipts                  | 3,800,000          | 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             |
| State Aid for Libraries                 | 41,555             | 41,555             | 41,555             | 41,555             | 41,555             |
| Reimb./Pymts from Enterprise Funds      | 2,031,499          | 2,109,290          | 2,193,906          | 2,313,259          | 2,431,463          |
| Reimb. from Rec Revolving Fund          | 295,912            | 283,432            | 295,195            | 307,631            | 320,782            |
| <b>Free Cash</b>                        | <b>5,380,264</b>   | <b>3,750,000</b>   | <b>3,750,000</b>   | <b>3,750,000</b>   | <b>3,750,000</b>   |
| Capital Improvements/Other Spec Approp. | 4,413,752          | 3,145,144          | 3,139,269          | 3,093,320          | 3,023,810          |
| Operating Budget Reserve                | 469,288            | 486,452            | 500,240            | 515,916            | 534,962            |
| Strategic Reserves                      | <u>497,224</u>     | <u>118,403</u>     | <u>110,491</u>     | <u>140,764</u>     | <u>191,228</u>     |
| <b>TOTAL REVENUE</b>                    | <b>208,587,542</b> | <b>213,188,978</b> | <b>219,121,943</b> | <b>226,906,852</b> | <b>234,398,307</b> |
| \$\$ Increase                           | 7,544,902          | 4,601,436          | 5,932,964          | 7,784,910          | 7,491,454          |
| % Increase                              | 3.8%               | 2.2%               | 2.8%               | 3.6%               | 3.3%               |

TOWN OF BROOKLINE  
FY2012 PROGRAM BUDGET

BUDGET MESSAGE

|   | 2012               | 2013               | 2014               | 2015               | 2016               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>EXPENDITURES</b>                               |                    |                    |                    |                    |                    |
| <b>Departmental</b>                               | <b>62,503,477</b>  | <b>63,884,120</b>  | <b>65,360,716</b>  | <b>66,910,915</b>  | <b>68,477,368</b>  |
| Personnel   | 44,529,993         | 45,529,993         | 46,619,993         | 47,819,993         | 49,029,993         |
| Services  | 8,079,131          | 8,276,442          | 8,477,624          | 8,640,273          | 8,806,988          |
| Supplies  | 2,048,829          | 2,100,050          | 2,152,551          | 2,206,365          | 2,261,524          |
| Other   | 463,363            | 474,947            | 486,821            | 498,991            | 511,466            |
| Utilities   | 5,125,928          | 5,225,928          | 5,325,928          | 5,425,928          | 5,525,928          |
| Capital   | 1,521,233          | 1,541,759          | 1,562,799          | 1,584,364          | 1,606,469          |
| Intergovernmental                                 | 20,000             | 20,000             | 20,000             | 20,000             | 20,000             |
| Personnel Services Reserve                        | 715,000            | 715,000            | 715,000            | 715,000            | 715,000            |
| <b>Coll. Barg. / Unfunded Liabilities- Town</b>   | <b>700,000</b>     | <b>940,000</b>     | <b>950,000</b>     | <b>960,000</b>     | <b>970,000</b>     |
| <b>Schools</b>                                    | <b>74,740,587</b>  | <b>76,490,587</b>  | <b>79,440,587</b>  | <b>82,451,587</b>  | <b>85,471,587</b>  |
| <b>Coll. Barg. / Unfunded Liabilities- School</b> | <b>0</b>           | <b>1,200,000</b>   | <b>1,211,000</b>   | <b>1,220,000</b>   | <b>1,231,000</b>   |
| <b>Non-Departmental - Benefits</b>                | <b>42,894,268</b>  | <b>47,384,707</b>  | <b>50,872,423</b>  | <b>54,164,734</b>  | <b>57,384,821</b>  |
| Pensions  | 14,612,334         | 15,422,765         | 16,270,948         | 16,967,741         | 17,697,239         |
| Group Health                                      | 22,719,498         | 25,800,547         | 28,042,956         | 30,196,813         | 32,210,923         |
| Health Reimbursement Account (HRA)                | 250,000            | 250,000            | 250,000            | 250,000            | 250,000            |
| Retiree Group Health Trust Fund (OPEB's)          | 1,548,435          | 2,119,644          | 2,408,522          | 2,697,657          | 2,998,625          |
| EAP   | 28,000             | 28,000             | 28,000             | 28,000             | 28,000             |
| Group Life  | 130,000            | 133,250            | 136,582            | 139,996            | 143,496            |
| Disability Insurance                              | 16,000             | 16,000             | 16,000             | 16,000             | 16,000             |
| Workers' Compensation                             | 1,250,000          | 1,250,000          | 1,275,000          | 1,300,000          | 1,350,000          |
| Public Safety IOD Medical Expenses                | 300,000            | 300,000            | 300,000            | 300,000            | 300,000            |
| Unemployment Compensation                         | 350,000            | 250,000            | 200,000            | 200,000            | 200,000            |
| Medical Disabilities                              | 30,000             | 30,000             | 35,000             | 35,000             | 35,000             |
| Medicare Coverage                                 | 1,660,000          | 1,784,500          | 1,909,415          | 2,033,527          | 2,155,539          |
| <b>Non-Departmental - General</b>                 | <b>952,643</b>     | <b>587,882</b>     | <b>594,726</b>     | <b>640,485</b>     | <b>707,200</b>     |
| Liability/Catastrophe Fund                        | 141,959            | 0                  | 32,597             | 42,695             | 55,546             |
| Stabilization Fund                                | 0                  | 118,403            | 77,893             | 98,070             | 135,683            |
| Affordable Housing                                | 355,264            | 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            | 130,000            |
| Misc.   | 50,419             | 50,729             | 51,047             | 51,374             | 51,708             |
| <b>Non-Departmental - Debt Service</b>            | <b>10,404,420</b>  | <b>10,512,174</b>  | <b>9,943,869</b>   | <b>9,528,569</b>   | <b>9,952,518</b>   |
| General Fund                                      | 10,404,420         | 10,512,174         | 9,943,869          | 9,528,569          | 9,952,518          |
| <b>Non-Departmental - Reserve Fund</b>            | <b>1,877,151</b>   | <b>1,945,809</b>   | <b>2,000,960</b>   | <b>2,063,665</b>   | <b>2,139,847</b>   |
| Tax Supported                                     | 1,407,863          | 1,459,357          | 1,500,720          | 1,547,748          | 1,604,885          |
| Free Cash Supported                               | 469,288            | 486,452            | 500,240            | 515,916            | 534,962            |
| <b>Special Appropriations</b>                     | <b>6,979,000</b>   | <b>5,903,586</b>   | <b>6,272,038</b>   | <b>6,989,076</b>   | <b>6,917,964</b>   |
| Tax Supported                                     | 1,707,580          | 1,880,582          | 2,234,212          | 2,975,986          | 2,952,640          |
| 2008 Override                                     | 807,668            | 827,860            | 848,556            | 869,770            | 891,514            |
| Free Cash Supported                               | 4,413,752          | 3,145,144          | 3,139,269          | 3,093,320          | 3,023,810          |
| Parking Meter Revenue                             | 50,000             | 50,000             | 50,000             | 50,000             | 50,000             |
| <b>Non-Appropriated</b>                           | <b>7,535,997</b>   | <b>7,712,141</b>   | <b>7,892,688</b>   | <b>8,077,749</b>   | <b>8,267,437</b>   |
| State Assessments                                 | 5,704,158          | 5,837,802          | 5,974,787          | 6,115,196          | 6,259,116          |
| Cherry Sheet Offsets                              | 106,839            | 106,839            | 106,839            | 106,839            | 106,839            |
| 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             |
| <b>TOTAL EXPENDITURES</b>                         | <b>208,587,542</b> | <b>216,561,006</b> | <b>224,539,007</b> | <b>233,006,779</b> | <b>241,519,744</b> |
| \$\$ Increase                                     | (1,180,804)        | 7,973,463          | 7,978,001          | 8,467,772          | 8,512,965          |
| % Increase  | -0.6%              | 3.8%               | 3.7%               | 3.8%               | 3.7%               |

|  | <u>2012</u> | <u>2013</u>        | <u>2014</u>        | <u>2015</u>        | <u>2016</u>        |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
| <b>CUMULATIVE SURPLUS/(DEFICIT)</b>                | <b>0</b>    | <b>(3,372,027)</b> | <b>(5,417,064)</b> | <b>(6,099,927)</b> | <b>(7,121,437)</b> |
| <b>DEFICIT AS A % OF OP REV</b>                    | <b>0.0%</b> | <b>-1.6%</b>       | <b>-2.5%</b>       | <b>-2.7%</b>       | <b>-3.1%</b>       |
| Surplus / (Deficit) Prior to Collective Bargaining | 700,000     | (1,232,027)        | (3,256,064)        | (3,919,927)        | (4,920,437)        |
| Town Share of Surplus / (Deficit)                  | 700,000     | (429,164)          | (973,577)          | (790,178)          | (782,539)          |
| Town Collective Bargaining                         | 700,000     | 940,000            | 950,000            | 960,000            | 970,000            |
| <b>Total Town Surplus / (Deficit)</b>              | <b>0</b>    | <b>(1,369,164)</b> | <b>(1,923,577)</b> | <b>(1,750,178)</b> | <b>(1,752,539)</b> |
| School Share of Surplus / (Deficit)                | 0           | (802,863)          | (2,282,487)        | (3,129,749)        | (4,137,898)        |
| School Collective Bargaining                       | 0           | 1,200,000          | 1,211,000          | 1,220,000          | 1,231,000          |
| <b>Total School Surplus / (Deficit)</b>            | <b>0</b>    | <b>(2,002,863)</b> | <b>(3,493,487)</b> | <b>(4,349,749)</b> | <b>(5,368,898)</b> |

### 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 FY1995, 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 FY2012 - FY2017 CIP calls for an investment of \$157.4 million, for an average of approximately \$26.2 million per year. Part of the plan to balance the FY2010 budget was to reduce the 5.5% funding level to 5% for FY2010, freeing-up \$917,000 for the Operating Budget. Those funds were used to reduce the level of cuts in the Operating Budget. This CIP completes the plan to phase back-up to 5.5%, after reaching 5.25% in FY2011. The return to the 5.5% level is critical, as the amount of projected debt service in the out-years requires that level of funding for projects such as the Devotion School.

There were a number of challenges presented during the development of the CIP that made balancing difficult, including the Devotion School and new projects (fire station renovations, the maintenance shed at the golf course, and the Human Resources Information System), all of which placed pressure on each of the out-years of the CIP, in some cases requiring other projects to be pushed backward.

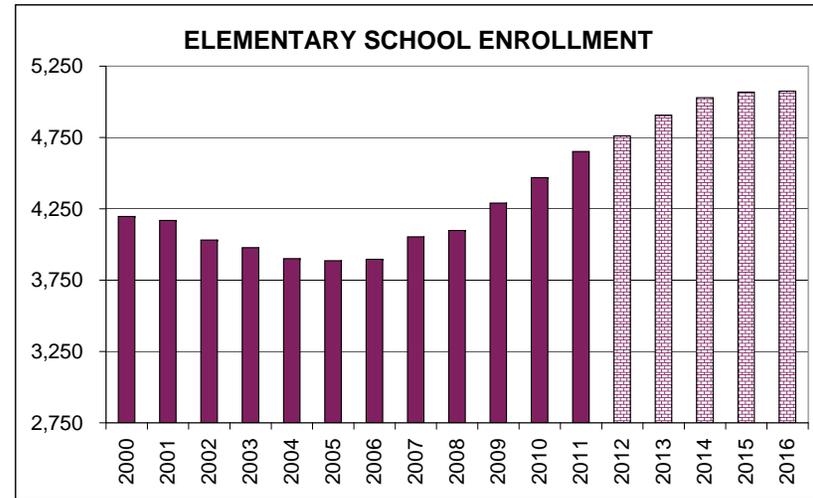
The biggest capital challenge facing the Town is solving the space needs for the K-8 schools, while at the same time maintaining the commitment to basic infrastructure needs such as streets, sidewalks, and parks/playgrounds. Since 2005, enrollment in these grades has increased nearly 20% (more than 760 students), placing great pressure on the buildings and the ability to find classroom space for the students. In 2005, the schools operated with 3,890 students in 196 homerooms. In the current school year, they operate with 4,652 students in 226 homerooms. In FY2014, the Schools project a need for approximately 245 homerooms for the projected enrollment of 5,029 K-8 students. This is an increase of approximately 50 homerooms between 2005 and 2014. This issue began to be addressed in FY2008, when \$400,000 was

appropriated for the conversion of spaces intended for other purposes into regular classrooms. In FY2010, another \$400,000 was appropriated, followed by another \$530,000 in FY2011.

This \$1.3 million represents just one phase of the plan to increase classroom space to address the burgeoning enrollment. The second step was the approval of a renovation/addition project for the Runkle School. This \$29.1 million project, 41.58% of which is funded by the Massachusetts School Building Authority (MSBA), will make Runkle a three-section school for all grades. The third component of the plan is to add new permanent classrooms at the Heath School, which is estimated to cost \$8.5 million, with the State paying for 38.5%, or \$3.25 million. This project, which is included for FY2012, will make Heath a three-section school for all grades.

The final part of the plan to address enrollment growth is the Devotion School project. Preliminary plans are to renovate the building and add space for pre-K programs so that pre-K programs in some of the other schools can be moved to Devotion, thereby freeing up much-needed space for K-8 programs at those schools. This system-wide approach is what the MSBA is looking for in Brookline. A project of this magnitude places pressure on the CIP, specifically in FY2017-FY2018: at the current estimate of \$75 million, the amount allocated for this project to debt service in FY2017 will limit the amount of pay-as-you-go CIP for other projects to \$1.1 million. In FY2018 debt service will total \$4.7 million, pushing the Town over its 5.5% CIP financing policy. Even with state funding, the ability to finance the Devotion project within the existing capital funding capacity is inadequate, requiring the Town to consider alternatives. While discussion of a Debt Exclusion is difficult, it must be included in the range of alternatives considered.

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 maintenance / 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.

Major projects in the proposed CIP include:

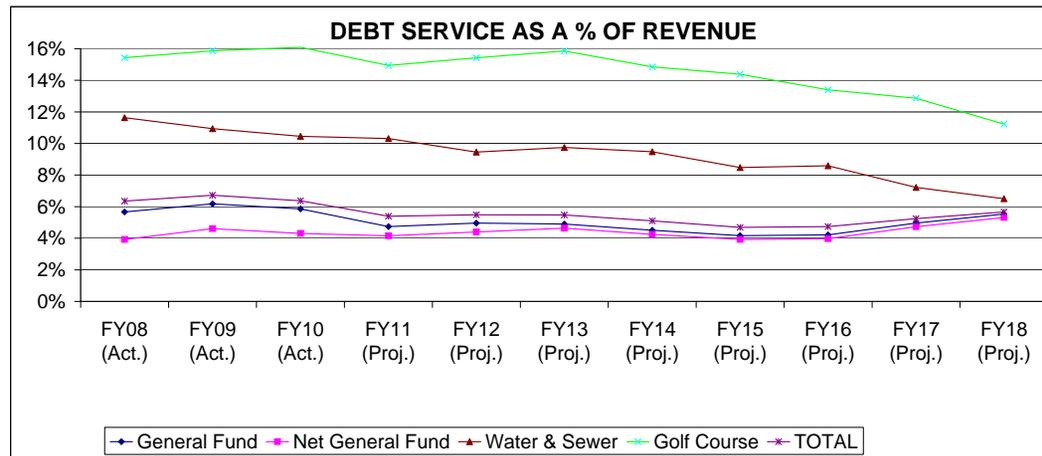
- Devotion School Rehab - \$50 million of Town funding plus the possibility of \$26 million of State funding (FY14-FY15)
- Heath School Addition - \$5.25 million of Town funding plus \$3.25 million of State funding (FY12)
- Newton St. Landfill (Rear Landfill Closure) - \$4.6 million (FY15)
- Village Square - \$4.5 million (FY13) - - all outside funding
- Fire Station Renovations - \$3.3 million (all fiscal years)
- Fisher Hill Reservoir Re-Use - \$3.25 million (FY14) - - all outside funding
- Waldstein Playground & Warren Field - \$2.1 million (FY12-FY13)
- Baldwin School - \$2 million (FY14-FY15)
- Driscoll School HVAC - \$1.65 million (FY16-FY17)
- Unified Arts Building - \$1.4 million (FY12-FY13)
- Brookline Reservoir Park - \$1.4 million (FY16)
- Pierce School - \$1.1 million (FY12-FY14)

Continued major investments include:

- Street and Sidewalk Rehab - \$15.8 million
- Parks and Open Space - \$14.7 million
- General Town/School Building Repairs - \$7.4 million
- Water and Sewer Infrastructure - \$4.8 million
- Public Safety Equipment - \$3.0 million

- Information Technology - \$2.0 million
- Recreation Facilities - \$1.3 million
- Energy Conservation - \$1.0 million
- Tree Replacement - \$1.0 million

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



### CONCLUSION

The FY 2012 Financial Plan represents a balanced approach to the economic and budgetary uncertainties facing the Town of Brookline. It introduces modest revenue increases in order to offset reductions in State Aid and federal stimulus funding. Despite increasing costs in many areas, it avoids deep cuts in programs through conservative expenditure growth. Finally, it maintains the Town’s commitment to long-term financial stability through prudent allocation to reserves, capital investment and unfunded liabilities. This approach has served the Town well and has avoided disruptions to services, layoff of personnel and frequent tax override proposals that so many other cities and towns have faced. The Long Range Financial Plan identifies many continued challenges for the future. The Town must remain aggressive in seeking enhanced revenues including new taxes from commercial development, PILOT payments from well endowed institutions, and grant funding from the federal and state governments. We must stay vigilant in the containment of costs and the pursuit of efficiency in the way the Town does business. I am convinced that the investment in technology and in energy efficiency will serve the Town’s financial interests in the long-term while contributing to improved service delivery in the meantime.

As the budget process unfolds, careful attention will need to be paid to the impacts of this budget upon the School Department. Hopefully, some of our budget projections will improve, lessening any negative impacts upon the School budget. The Town-School Partnership is a formal entity that brings together leaders from both organizations and the Advisory Committee to share information throughout the budget process. This process has improved communication and fosters a spirit of cooperation for the good of the Town of Brookline.

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 the 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 sixth consecutive year. Good budgeting is no longer a seasonal activity for cities and towns. It requires constant updating of financial models to address changes in revenue and expenditure performance, along with year-long implementation of efficiency and other initiatives that the long-range budget is predicated upon.

I would be remiss if I did not acknowledge the contributions of my predecessor, Richard Kelliher, to this budget and for the Town's overall fiscal good health. I am very fortunate to benefit from the organization and culture of excellence that Rich had developed during his tenure as Town Administrator.

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.

FY2012 FINANCIAL PLAN SUMMARY

|   | FY2011                    | FY2012                    | INCREASE/DECREASE   |                   |
|---|---------------------------|---------------------------|---------------------|-------------------|
|   |                           |                           | \$                  | %                 |
| <b>REVENUE</b>  |                           |                           |                     |                   |
| General Fund Revenue  | 201,042,641               | 208,587,542               | 7,544,901           | 3.75%             |
| Water and Sewer Enterprise Fund<br>(less Water & Sewer Overhead included in General Fund Revenue) | 24,192,301<br>(1,869,338) | 24,687,605<br>(1,867,647) | 495,304<br>1,691    | 2.05%<br>-0.09%   |
| Golf Enterprise Fund<br>(less Golf Overhead included in General Fund Revenue)                     | 1,266,200<br>(191,161)    | 1,204,000<br>(163,852)    | (62,200)<br>27,309  | -4.91%<br>-14.29% |
| Recreation Revolving Fund<br>(less Rec. Revolving Fund Overhead included in General Fund Revenue) | 1,855,041<br>(257,205)    | 2,054,280<br>(295,912)    | 199,239<br>(38,707) | 10.7%<br>15.0%    |
| <b>TOTAL REVENUE</b>  | <b>226,038,478</b>        | <b>234,206,016</b>        | <b>8,167,537</b>    | <b>3.6%</b>       |
| <b>APPROPRIATIONS</b>   |                           |                           |                     |                   |
| General Fund Operating Budget   | 186,462,101               | 194,072,545               | 7,610,444           | 4.1%              |
| Non-Appropriated Budget *   | 7,478,540                 | 7,535,997                 | 57,457              | 0.8%              |
| Revenue-Financed CIP Budget / Other Special Appropriations  | 7,102,000                 | 6,979,000                 | (123,000)           | -1.7%             |
| General Fund Total  | 201,042,641               | 208,587,542               | 7,544,901           | 3.8%              |
| Water and Sewer Enterprise Fund<br>(less Water & Sewer Overhead included in General Fund Revenue) | 24,192,301<br>(1,869,338) | 24,687,605<br>(1,867,647) | 495,304<br>1,691    | 2.05%<br>-0.09%   |
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| <b>TOTAL APPROPRIATIONS</b>   | <b>226,038,478</b>        | <b>234,206,016</b>        | <b>8,167,537</b>    | <b>3.6%</b>       |
| <b>BALANCE</b>  | <b>0</b>                  | <b>0</b>                  | <b>0</b>            |                   |

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

**TOWN OF BROOKLINE  
FY2012 PROGRAM BUDGET**

**BUDGET MESSAGE**

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

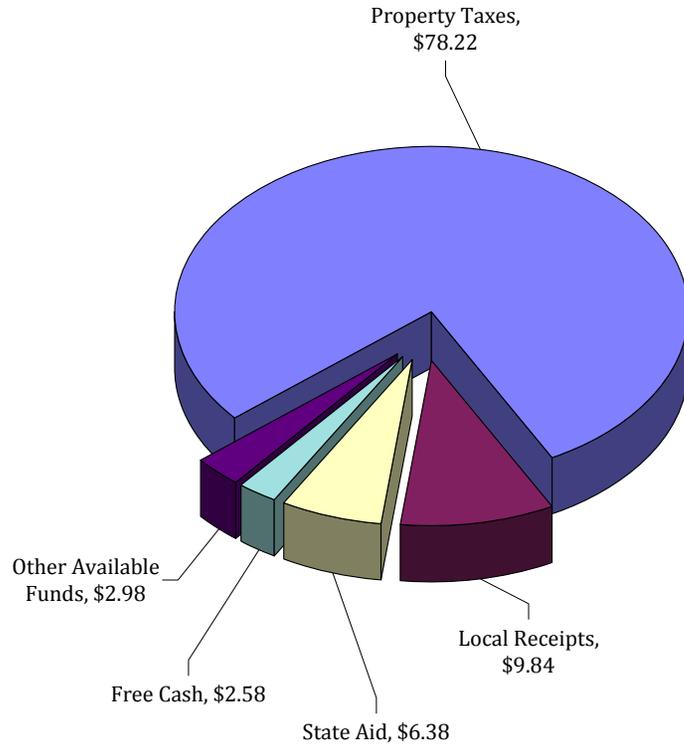
**FY2012 GENERAL FUND SUMMARY**

|  | FY2008 ACT.        | FY2009 ACT.        | FY2010 ACT.        | FY2011 BGT.        | FY2012 BGT.        | INCREASE/DECREASE |             |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------|
|  |                    |                    |                    |                    |                    | \$                | %           |
| <b>REVENUE</b>                             |                    |                    |                    |                    |                    |                   |             |
| Property Tax                               | 133,849,950        | 146,542,184        | 152,586,904        | 157,878,286        | 163,159,994        | 5,281,708         | 3.3%        |
| Local Receipts                             | 24,524,074         | 22,455,149         | 21,038,710         | 19,718,475         | 20,525,792         | 807,317           | 4.1%        |
| State Aid                                  | 18,946,277         | 17,962,793         | 16,542,765         | 13,796,542         | 13,302,525         | (494,017)         | -3.6%       |
| Free Cash                                  | 3,814,792          | 5,954,963          | 7,053,295          | 4,590,079          | 5,380,264          | 790,185           | 17.2%       |
| Other Available Funds                      | 8,603,612          | 5,986,333          | 7,420,038          | 5,059,259          | 6,218,966          | 1,159,708         | 22.9%       |
| <b>TOTAL REVENUE</b>                       | <b>189,738,706</b> | <b>198,901,422</b> | <b>204,641,711</b> | <b>201,042,641</b> | <b>208,587,542</b> | <b>7,544,901</b>  | <b>3.8%</b> |
| <b>(LESS) NON-APPROPRIATED EXPENSES</b>    |                    |                    |                    |                    |                    |                   |             |
| State & County Charges                     | 5,410,405          | 5,493,891          | 5,559,230          | 5,556,335          | 5,704,158          | 147,823           | 2.7%        |
| Tax Abatement Overlay                      | 1,858,148          | 1,535,026          | 1,619,163          | 1,795,169          | 1,700,000          | (95,169)          | -5.3%       |
| Deficits & Judgments                       | 0                  | 0                  | 0                  | 25,000             | 25,000             | 0                 | 0.0%        |
| Cherry Sheet Offsets                       | 120,749            | 122,866            | 103,079            | 102,036            | 106,839            | 4,803             | 4.7%        |
| <b>TOTAL NON-APPROPRIATED EXPENSES</b>     | <b>7,389,302</b>   | <b>7,151,783</b>   | <b>7,281,472</b>   | <b>7,478,540</b>   | <b>7,535,997</b>   | <b>57,457</b>     | <b>0.8%</b> |
| <b>AMOUNT AVAILABLE FOR APPROPRIATION</b>  |                    |                    |                    | <b>193,564,101</b> | <b>201,051,545</b> | <b>7,487,444</b>  | <b>3.9%</b> |
| <b>APPROPRIATIONS</b>                      |                    |                    |                    |                    |                    |                   |             |
| Town Departments                           | 59,355,217         | 62,287,183         | 60,121,307         | 61,886,857         | 63,203,477         | 1,316,620         | 2.1%        |
| School Department                          | 62,924,864         | 67,973,569         | 69,323,844         | 72,043,133         | 74,740,587         | 2,697,454         | 3.7%        |
| Non-Departmental Total                     | 49,058,075         | 49,100,298         | 54,146,512         | 52,532,109         | 56,128,482         | 3,596,372         | 6.8%        |
| General Fund Non-Departmental              | 43,985,056         | 46,845,520         | 51,703,029         | 50,214,405         | 53,801,071         | 3,586,665         | 7.1%        |
| Water and Sewer Enterprise Fund Overhead * | 4,513,660          | 1,877,687          | 2,046,264          | 1,869,338          | 1,867,647          | (1,691)           | -0.1%       |
| Golf Enterprise Fund Overhead *            | 373,004            | 179,064            | 186,349            | 191,161            | 163,852            | (27,309)          | -14.3%      |
| Recreation Revolving Fund Overhead *       | 186,355            | 198,027            | 210,870            | 257,205            | 295,912            | 38,707            | 15.0%       |
| <b>OPERATING BUDGET SUBTOTAL</b>           | <b>171,338,156</b> | <b>179,361,050</b> | <b>183,591,663</b> | <b>186,462,101</b> | <b>194,072,545</b> | <b>7,610,444</b>  | <b>4.1%</b> |
| Revenue-Financed Special Appropriations    | 5,928,000          | 8,575,748          | 9,260,572          | 7,102,000          | 6,979,000          | (123,000)         | -1.7%       |
| <b>TOTAL APPROPRIATIONS</b>                | <b>177,266,156</b> | <b>187,936,798</b> | <b>192,852,235</b> | <b>193,564,101</b> | <b>201,051,545</b> | <b>7,487,444</b>  | <b>3.9%</b> |
| <b>BALANCE</b>                             |                    |                    |                    | <b>0</b>           | <b>0</b>           | <b>0</b>          |             |

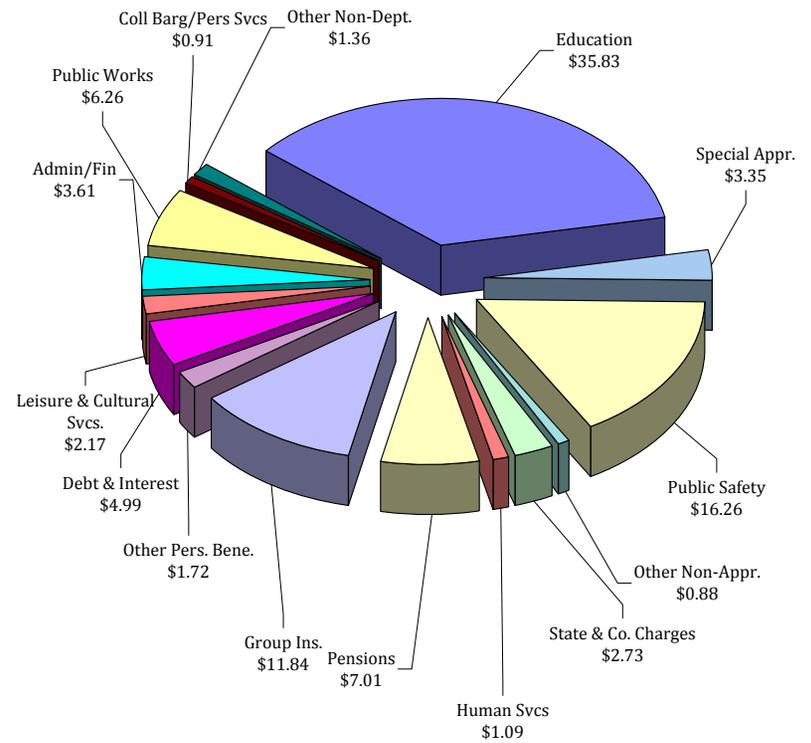
\* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

FY2012 GENERAL FUND TOTAL BUDGET  
\$208,587,542

How Each \$100 Will Be Received

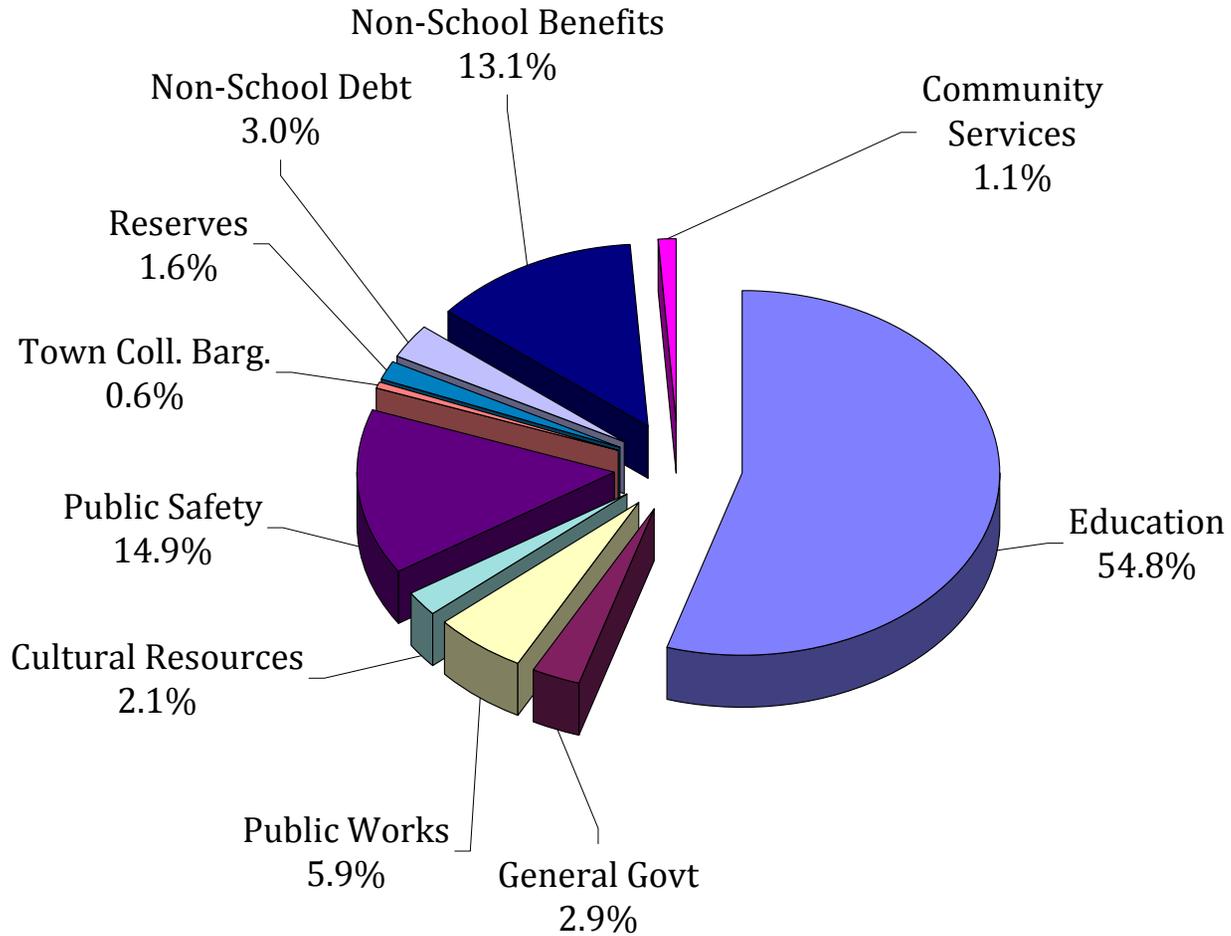


How Each \$100 Will Be Appropriated



FY2012 GENERAL FUND OPERATING BUDGET  
\$194,072,545

FULLY ALLOCATED FY2012 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).