

Town of Brookline

Financial Planning Advisory Committee

Final Report

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Executive Summary

The Financial Planning Advisory Committee was formed last August in response to a continuing fiscal crisis in the Town of Brookline. This crisis has taken the form of annual projected budget deficits, leading to reductions in the level and quality of Town and school services; deferral of the maintenance and repair of Town and school buildings, occasionally to the point of danger and dilapidation; ever-increasing and regressive fees, raised year after year in a vain attempt to maintain public services within the constraints of the Proposition 2 1/2 limitation on property tax increases.

This Committee was charged with the task of determining how best to cope with this crisis. Primarily, this has meant answering two overarching questions:

- 1) Are there new ways in which the Town and schools should reduce expenses and change procedures so as to minimize costs (and hence taxes)?
- 2) Are there unavoidable expenses, crucial to the quality of life in this residential community, which confront us in the coming years and make necessary some form of tax increase?

On the basis of a six-month study, one which included analysis of the Town's and school's financial data, interviews with town and school administrators, and detailed statistical comparisons with other cities and towns similar to Brookline, the Financial Planning Advisory Committee has determined that the answer to both our primary questions is yes.

We must act far more boldly than we have before in reducing our expenses. The Committee is recommending a series of immediate and long-term steps toward that end and calls on both Town and school management and labor unions to take far more seriously than they have to date the challenge of cutting costs. Our recommendations are spelled out in full in this report. We provide a sampling here:

Immediate Actions:

- Restrict wage and salary increases to 2%
- Increase fees for after-school sports and recreational activities
- Save money in the schools through changes in physical education and adult education

Actions in One Year:

- Reduce the number of firemen
- Decrease per pupil costs in special and bilingual education
- Reorganize custodial functions, possibly privatizing parts of it
- Eliminate the box alarm system in the Fire Department
- Roll back the maximum allowable annual vacation for Town employees from five weeks to four
- Eliminate the subsidy of the Recreation Department by increasing fees
- Reduce administrative and supervision costs in the schools

As bold as we believe these steps to be, the Committee must report that to maintain our quality of services and fulfill our obligations to future generations (i.e., not postpone for others to pay what should be paid for now), the Town and schools need more funds. In other words, the savings our Committee has identified -- \$450,000 next year and over \$1.6 million in subsequent years -- will not be sufficient. Our analysis shows that even with the savings, Brookline needs an additional \$2.7 million in its operating budget on an ongoing basis. Hence, we need to override the Proposition 2 1/2 tax limitation. The need for more funds stem from:

- A large increase in children attending our schools which is straining facilities and threatening to increase class sizes to educationally unacceptable levels. (We have 506 more children in the Brookline schools today than five years ago; an additional 400 children are projected to enroll in the next three years.)
- A chronic under-funding of our capital and maintenance needs. We now lack the basic working equipment for clearing snow from streets and sidewalks; our police, firefighters, and public works employees work in over-crowded and sometimes dangerous facilities; the structural integrity of some of our school buildings is in doubt and our High School needs complete renovation. What's more, our school system sorely lacks the new generation of educational technology, including a personal computer network, which children and teachers need to learn and teach effectively.

In addition, we conclude that we need to mitigate the unjust effects of high Town fees, especially for trash removal and water and sewer service. These fees, amongst the highest in the Commonwealth, increase the burden on homeowners without offering them the chance to deduct such costs from federal income taxes. We recommend reducing the trash fee by \$35 a year and water and sewer bills by approximately \$200 per meter. Fees would thus be reduced by \$2.26 million while taxes would increase a comparable amount.

In summary, our Committee unanimously recommends that the voters approve an override of Proposition 2 1/2 by \$2.7 million to preserve the educational integrity of the school system; improve town and school buildings; and upgrade the equipment used by the public works, fire, and police departments. We also recommend shifting \$2.26 million of trash, sewer and water fees into taxes.

The majority of the Committee recommends a single override vote for \$4.96 million which clearly specifies these particular purposes. Since the funds are needed on an ongoing basis, we recommend raising the tax levy permanently. (In technical terms, this is a general override.) We recommend one question rather than a series of questions on the ballot because, when viewed as a total package, this override reflects our need to share as a community in the costs and benefits of increased spending. Most residents will not like some aspect of the override but we believe that the vast majority will be better off if the entire proposal passes than if it does not. The same cannot be said of each individual item in our proposal.

Although the Committee unanimously supported the additional funding needs of \$4.96 million, a minority of the Committee favors a different approach for raising this amount of money. This alternative approach funds the equipment and capital purchases for the next three years through three individual capital exclusion override questions. It funds the non-capital costs and the costs of switching fees into taxes through a separate general override question.

We emphasize that the different approaches outlined by the Committee about how to word the override has nothing to do with the amount of additional funds required by the Town. There is unanimity on this issue. We would also like to add that there is some concern among Committee members that we were forced by the schedule of events to submit our report before the FY95 budget is finalized this spring.

Our analysis shows that this \$4.96 million increase in the level of the tax levy through a general override -- coupled with a \$2.26 million decrease in non tax-deductible fees -- will have a relatively modest effect on property owners. A median-priced condominium owner in the 15% tax bracket will pay a net increase of only \$57 per year, after taxes. The owner of a \$470,000 single-family home with a 31% marginal tax rate will pay a net increase of only \$116, after taxes. And owners of median-priced two and three-family homes will (with a 15% marginal tax rate) carry a tax burden that will actually go down by \$8 and \$26 respectively, after taxes. The additional cost to an average assessed apartment would be \$41. The assumptions behind these estimates are included in the body of this report.

The Committee believes that Brookline stands today at a crossroads. If we continue to run our government as we have, we will outstrip our ability to pay for it. This will lead us down a road toward employee layoffs, declining schools, dirtier streets in poorer condition -- and inevitably falling real estate values. We propose an alternative. We must dramatically depart from old ways of doing business and run our government more tightly while making targeted investments in our schools and infrastructure. If we do not act, the Brookline which we moved to or grew up in -- a town of good schools, clean streets, attractive parks, and fine homes -- will slip away.

We also warn that our analysis of the long-term financial situation of the Town is gloomy. We foresee our debt levels rising to untenable levels due to the need for significant investments in buildings and capital. Without concerted action in the next few years to increase the tax base through more development (broadly defined), we will outstrip our ability to pay for the current level of services.

Final Report

The Financial Planning Advisory Committee was established by the Selectmen in August 1993 to analyze the long-term financial situation of the Town of Brookline. Our Committee divided the bulk of the work into five areas -- Planning and Budgeting, Revenues, Education, Public Safety and Public Works, and Cultural, Recreational, and Human Services -- and have issued Sub-Committee reports on each.

This final report offers our conclusions. It includes a summary of short-term and longer-term savings as well as an analysis of inadequately funded areas and new funding needs. It suggests how an override should be structured and what it will cost taxpayers. It then looks ahead to our financial prospects in future years.

I. SHORT-TERM AND LONGER-TERM SAVINGS

Our Committee has identified savings which we believe can be achieved next year (FY95). Almost all involve some reduction in services. A few also increase the costs to residents who use the services. In addition, Brookline employees will be restricted to lower salary increases than those in the past. We realize that these savings are likely to be opposed by those most affected by them. But we must have the backbone to reduce costs.

The details behind the savings are explained in our Sub-Committee reports. Only the highlights are listed here.

A. Short-Term Savings (FY95)

Restricting Wage and Salary Increases: Approximately 85% of the Town's and school's expenses go to employees for wages, salaries and benefits. In the past, these costs have increased at a faster rate than Town revenues. We propose to limit the increases in wages and salaries to 2%, which is within the Proposition 2 1/2 revenue growth limits. We believe this recommendation is practical because inflation has slowed to below 3%. In the first six months of 1993 (the most recent period for which data are available), new collective bargaining settlements for state and local government employees nationwide averaged 2.2% per year over the life of the contract. Furthermore, total compensation costs for state and local government employees nationwide increased only 2.8% between December 1992 and December 1993. These increases have been slowing and should continue to slow in light of the data on new collective bargaining settlements.

While we are bound by collective bargaining agreements to increase compensation for some employees by 3% or more next year, this does not apply to employees not covered by collective bargaining. The current projections by the Town and schools include wage and salary increase for employees in the range of 3% to 4%. We strongly recommend a lower ceiling on compensation increases (wage, salary, and fringe benefits) of 2% annually for the next three years. This salary increase can be granted to executive employees in the form of a merit pool to be distributed on the basis of performance. The cap can be applied to negotiations presently underway for school employees. We note that teacher salaries for FY95 are already scheduled

to exceed the average FY94 level by 1.5%. Compared to current estimates prepared by the Town and school administrators, this 2% cap would lower spending levels approximately \$450,000 next year. We do not include this amount in our estimate of savings because, in fact, salaries and wages will be going up, not down.

Saving Money in the Schools: By increasing exemptions and class size in physical education at the High School, using full cost accounting for adult education, and increasing fees for elementary after-school athletics, we can save \$250,000 next year.

Increasing Recreation Fees: In better financial circumstances, it would be nice to offer to Town residents free or subsidized recreational services. In these tight times, however, we do not see this as one of the highest and best uses for Town funds. Users of these services should be charged closer to the full cost of the services. It is important to realize that increasing fees to cover the cost of recreation activities does not require that each individual activity cover its costs. If necessary, we can use an enterprise fund for recreation activities which would allow cross-subsidization of these activities. By increasing recreation fees, we can save approximately \$100,000 next year.

Decreasing Repairs of Public Works Equipment: By investing in new equipment (see the next section), we can reduce maintenance costs on Public Works equipment by approximately \$100,000 next year.

Summary of Immediate Savings:

School Savings	\$250,000
Recreation Services and Fees	100,000
Dept. of Public Works Maintenance	<u>100,000</u>
	\$450,000

B. Longer-Term Savings (FY96 and Beyond)

Our Committee also identified ways to save money that will take a year or so to study and implement. These savings will thus begin in FY96.

Changing Recreation Services and Fees: Brookline should simultaneously provide more fee-based recreational services (e.g., cross country skiing, a golf range), thereby raising more revenue, while also increasing fees for existing recreational services. By the end of FY97, we can eliminate the Town subsidy of the Recreation Department. In essence, we are recommending a new policy toward the Recreation Department -- that it change from having its current \$300,000 Town subsidy to being fully self-funding within three years. By doing this, we can save \$100,000 in FY96 and another \$100,000 in FY97.

Reorganizing Custodial Services: The dispersion of supervision of custodians across many departments appears to result in substantial inefficiencies. Moving all Town and school custodial services under the supervision of a single department (such as the Building Department) would generate savings and improve service by allowing custodians to be moved

to new responsibilities as needed. We should also consider using a contract cleaning service instead of town staff for some housekeeping needs. (For example, the Department of Public Works has examined privatization in a number of their areas and has found it economical in some instances.) This provides more flexibility in staffing; we can use part time and shared staff across a number of sites. We believe that this reorganization will save approximately \$50,000 in wages and benefits.

Limiting the Scope of the Health Department: A comprehensive review of the services provided by the Health Department should be done. Some of the questions we should ask include: Given current health care coverage by Medicare and Medicaid and potential future coverage under a reformed national health care system, does the Town need to provide subsidized child health clinic services and subsidized flu immunization, cholesterol screening, and blood pressure monitoring? If there is universal health coverage, will it still be necessary to subsidize the Brookline Community Mental Health Center by \$115,000 a year? We estimate that there will be savings of \$100,000 in the Health Department after such a comprehensive review.

Changing Vacation Days, Retirements, and Overtime: Brookline's very generous vacation and holiday benefits need to be reduced. For example, we recently increased the amount of vacation from 4 to 5 weeks for long-term employees. We should also continue to explore the use of early retirement program. Looking specifically at overtime costs, we found that because public safety requires minimum staffing of the police and fire departments for each shift, absences of some officers because of sickness or vacation require us to employ other officers at overtime rates. In the next round of contract negotiations, we need to develop better incentives to reduce the use of sick days. While we think it is appropriate to have substantial savings in these categories, the need to negotiate changes via collective bargaining leads us to estimate conservatively savings of only \$100,000.

Decreasing the Number of Fire Department Employees: The number of firefighters in Brookline is surprisingly high. We have more firefighters per capita than any community in our comparison group except Cambridge, which has the same number per capita. (The other comparison communities include Arlington, Belmont, Lexington, Needham, Newton, Quincy, Waltham, Wellesley and Winchester.) The size of the appropriate reduction depends on whether we keep four-person minimum manning. Since most of the activity of the Fire Department (e.g., responding to medical emergencies) does not require four firefighters to accompany a piece of equipment, the cost of a company is significantly increased if four-person minimum manning is maintained. We recommend considering either 9 companies with 3-person minimum manning or 6 companies with 4-person minimum manning. (The Town currently has 7.5 companies with 4-person minimum manning.) The savings associated with these two options are approximately \$300,000 and \$700,000 respectively.

Changing Fire Dispatch: By eliminating the hard-wired Fire Box Alarm system and relying on enhanced 911 and combined Police and Fire dispatching instead, we can save \$40,000.

Saving Money in the Schools: We believe there are significant savings possible in the schools by decreasing per pupil costs in special and bilingual education, changing the house structure at the High School and making other administrative changes, privatizing custodial work, increasing class size outside of the core curriculum in the High School, and using buffers and

limited busing to eliminate both small and large elementary classes. The savings are approximately \$860,000.

Combining Small Departments: While there are no immediate savings, there is a compelling case for combining the many small departments in the cultural, recreational, and human services area into a single department.

Sharing or Switching Responsibilities among Departments: Again, while there are no immediate savings, we see a lot of benefit in thinking more broadly about where responsibilities should be placed. We have already witnessed the benefits of moving responsibility for maintaining school property to the Building Department. As noted above, custodial services for all buildings (Town and school) might also be better managed by one department. Another area to consider are the libraries. (Town and school libraries operate completely independently, even in purchasing selections). We have also been told that the joint responsibility for the pool makes morning swim very expensive. Similarly, a revamped Health Department might be more closely integrated with health services in the schools.

Using Full-Cost Accounting: We want to emphasize the importance of switching to full-cost accounting. Currently, Brookline accounts for such significant costs as future pension liabilities, group health, group life, unemployment and workers compensation, and debt service separately and does not allocate these costs back to individual departments to develop true total departmental costs. As a result, managers do not know the total costs of most services being provided by their operating units nor do they have sufficient incentives to manage "total costs". Another result is that the Selectmen and Town Meeting members frequently lack complete and accurate information on total costs when making budgeting decisions.

Switching to a Preferred Provider Health Plan: We understand that a study of a preferred provider health plan is underway and if implemented would result in significant savings. Since we do not have enough information about the likelihood of this, we did not include it in our savings.

Summary of Longer-Term Savings:

Recreation Services and Fees	\$200,000
Custodians	50,000
Health Dept. Scope	100,000
Police and Fire Overtime and Retirements	100,000
Fire Employees (including dispatch)	340,000
Schools	<u>860,000</u>
	\$1,650,000

II. INADEQUATELY FUNDED AREAS AND NEW FUNDING NEEDS

When we started our analysis of whether the Town and schools need more money, we found good news in the current inflation forecasts. Based on these forecasts, our analysis assumes that inflation has slowed sufficiently so that if we simply wanted to continue the same service levels next year (FY95), Brookline would not need additional funds (hence, no override). The normal rate of growth in our revenues would cover the growth in our expenses. (This may appear unreasonable in light of the Town Administrator's current prediction of about a \$1.4 million deficit. However, we believe that our analyses are compatible. Our reconciliation is included in Appendix V.)

However, our Committee found that we do need to spend more money now to make up for under investments in at least the last five years in our equipment and capital as well as in our schools. Furthermore, to teach the anticipated 400 additional children in our schools in the next three years and equip our schools with computers, we will need more funds. In essence, we concluded that there were significant needs that are not funded currently as well as new needs which should also be funded.

A. Inadequately Funded Areas

Our Committee has found that equipment, capital investments, supplies, maintenance, and contingency funds have been inadequately funded over many years by the Town and schools. Indeed, it is largely through this underfunding of less immediately visible areas that Brookline has stayed within its Proposition 2 1/2 limits in the last twelve years. We have estimated in our Sub-Committee reports the following additional amounts of money (caution: these amounts are only approximations) that should be spent annually on an ongoing basis by the Town and schools in these areas:

Equipment for Department of Public Works, Police, and Fire: The Public Works, Police, and Fire Departments have suffered from serious underfunding in equipment, with the Department of Public Works the hardest hit. On an ongoing basis, these three departments need an additional \$1 million in equipment funding. The uses of this money include a broad range of equipment: pickup and dump trucks, refuse packers, front end loaders, sidewalk tractors, asphalt rollers, police cars, video equipment, fire hoses, breathing masks, etc. A complete list is included in Appendix III.

Maintenance and Repair of Town and School Buildings: An additional \$400,000 is needed annually on an ongoing basis to maintain adequately our buildings.

Town and School Contingency Funds: In a \$100 million plus budget, it is normal to have unanticipated events (e.g., an unusual amount of snowfall, a leaking roof, etc.). Since we have not set aside sufficient contingency funds for this size of a budget, we tend towards crisis management, raiding the funds in our non-personnel accounts. (The school department has no contingency funds while the Town's reserve is too low.) In essence, areas like supplies, equipment or maintenance serve inappropriately as contingency funds. An additional \$400,000 is necessary on an ongoing basis (half for the Town, half for the schools).

School Supplies: In order to balance the books each year, the school administration is often forced to cut supplies, including textbooks. An adequate Supply budget requires approximately a \$200,000 increase in the school operating budget on an ongoing basis.

Summary of Inadequately Funded Areas:

Equipment for Dept. of Public Works, Police and Fire	\$1,000,000
Maintenance and Repair of Town and School Buildings	400,000
Town and School Contingency Funds	400,000
School Supplies	<u>200,000</u>
	\$2,000,000

B. Immediate New Funding Needs

The only new services that we believe need to be funded next year relate to the growth in the number of children in Brookline's schools and the need to introduce technology into the school curriculum. We have 506 more children in our schools today than five years ago. School administrators predict that we will have approximately 400 more children in three years. (Our independent forecast came to the same conclusion.) The Brookline schools need more money in order to hire teachers for these children. In addition, technology (i.e., computers) are now a basic tool for teachers and students to teach and learn more effectively. We have only the most rudimentary technology available in the schools currently. The estimated costs associated with each area next year (and on an annual basis thereafter) are:

Summary of Immediate New Funding Needs:

Enrollment Increases	\$500,000
Technology Curriculum	<u>650,000</u>
	\$1,150,000

III. SWITCHING FEES INTO TAXES

Brookline has high fees. Both relative to our own past and to other communities, Brookline raises more of its revenues in the form of fees. When fees are paid by the owners of residential property, they are a relatively expensive means for raising revenues. If these same revenues were raised through taxes rather than fees, residential property owners would be helped because (1) commercial, industrial and personal property pays 18% of the property tax and (2) property taxes are deductible from federal income taxes for owner-occupants while fees are not.

Trash: We recommend reducing the trash fee by \$35. This would set the cost of trash collection for a household at approximately its marginal cost to the Town. Trash fees would decrease by \$460,000 while taxes would increase by the same amount.

Water & Sewage: We also recommend reducing the water and sewage fees by approximately \$200 per meter by making approximately 3700 cubic feet of water and sewage use free. Water and sewage fees would decrease by \$1.8 million and taxes would increase by the same amount.

IV. THE AMOUNT OF THE OVERRIDE

When we combine our anticipated savings with the additional funding needs, we conclude the Town of Brookline needs an additional \$2.7 million on an ongoing basis in its operating budget. (This \$2.7 million increase is over and above the 2.5% or 3% increase that would normally occur. We also assume that state funding for the Lincoln School will be returned directly to tax payers, thereby reducing the tax bill by a little over \$600,000.) The \$2.7 million is used in the following way:

- \$1 million for equipment for Public Works, Police and Fire
- \$850,000 for the schools for supplies (e.g., textbooks) and computers
- \$400,000 for maintaining buildings
- \$450,000 for more teachers and special education tuition due to increased enrollments

More specifically, our proposal is as follows:

- Increase the operating budget for the schools by \$1.5 million to cover:
 - \$650,000 per year to bring technology into the curriculum (a schedule of expenditures for the next five years is attached in Appendix III)
 - \$200,000 for additional supplies (e.g., textbooks)
 - \$200,000 for maintenance of the schools (to be under the control of the Building Commissioner)
 - \$450,000 for teachers and special education tuition needed because of increased enrollment in the regular, bilingual and special education programs.
- Increase the operating budget of the Public Works Department by \$700,000 per year to buy equipment (a schedule of expenditures for the next 5 years is attached in Appendix III)
- Increase the operating budget of the Building Department by \$200,000 in order to maintain adequately Town buildings
- Increase the operating budget of the Police Department by \$200,000 for equipment purchases (schedule attached in Appendix III).
- Increase the operating budget of the Fire Department by \$100,000 for equipment purchases (schedule attached in Appendix III).

We also conclude that we should switch \$2.26 million of fees into taxes.

- Reduce the trash fee by \$35 per year. Trash fee revenue would decrease by \$460,000 and taxes would increase a corresponding amount.
- Reduce water and sewage fees by approximately \$200 per meter by making approximately 3700 cubic feet of water and sewage use free. Water and sewage fees would decrease by \$1.8 million; taxes would increase a similar amount.

In summary, we should place an override on the ballot asking for \$2.7 million in additional operating funds and \$2.26 million to switch some trash, water and sewage fees into taxes.

V. WHAT TYPE OF OVERRIDE AND HOW TO WORD THE QUESTION(S)

A. Background

There are three types of overrides which can be placed on a ballot. The two most commonly used, general overrides and debt exclusions, were described in detail in the Revenue Sub-Committee report. A general override permanently increases the maximum tax levy which can be raised by the Town. A debt exclusion raises the maximum levy only for the duration of the debt authorized by the vote. After the debt has been repaid, the maximum tax levy returns to the level which would have been in force had the debt exclusion not passed. There is a third type of override, called a capital exclusion, which raises the maximum tax levy for one year only. This type of override was designed for small communities which might need to purchase an expensive piece of capital (for example, a \$250,000 piece of equipment) which could not be paid for within the existing levy limit but which was too small to justify bonding. In summary, it is important to distinguish between the purpose and type of override. General overrides often are used to pay for capital purchases.

B. Majority Committee Recommendation

Our analysis shows that the additional \$2.7 million (as well as the trash, water and sewage costs of \$2.26 million) will be needed on an ongoing basis. (Even the money for the equipment and capital purchases is needed on an ongoing basis at this level; these are not one-time purchases.) The money is also needed for many different departments, cutting across the interests and needs of all of Brookline's citizens. Therefore, the majority of the Committee recommends that the voters be asked to increase the tax levy ceiling permanently in one question. In more technical terms, we recommend a general override (rather than a debt or capital exclusion override) framed as one question.

We would like to elaborate on why we think the override should be worded in one question rather than a series or menu of questions. First, we strongly believe that the override we propose, when viewed as a total package, reflects our need to share as a community in the costs and benefits of increased spending. In organizations such as Town Meeting, it is often possible to forge compromises so that all groups are made better off even if none is fully satisfied. The role of the Board of Selectmen in choosing the structure of the question to be

placed on the ballot is essentially to help create this compromise in advance. We have carefully structured the proposed override so that most Brookline residents will be made better off. Most residents will not like some aspect of the proposal, but we strongly believe that the vast majority will be better off if the entire proposal passes than if it does not. The same cannot be said of each individual item in our proposal. Changing fees into taxes will help some residents but not others. Similarly, not all residents will share equally in the benefits of increased spending on either schools or equipment. We oppose a menu-based override which would allow certain groups to vote themselves the benefits of reduced fees while denying their neighbors the benefits of essential services. Second, we concur with those who argue that voters are more likely to vote for an override if they have a detailed understanding of its purpose. But, even in one question, we believe that the elements of the override can be presented with a lot of detail.

C. Another Alternative

A minority of our Committee recommend having four questions on the ballot -- three capital exclusions and one general override. Although they share the majority view that capital and equipment are needed on an ongoing basis for the foreseeable future, they believe that using capital exclusions makes it easier to target how additional funds get spent, at least for equipment and capital purchases. This approach would also gain voter credibility by keeping capital equipment funding focused. It may also inform voters in more detail on the ballot of how the dollars will be spent. In addition, because we anticipate some savings in maintenance from the purchase of new equipment, the amount of the capital exclusions for later years could be reduced a little. Therefore, they suggest the override be structured as follows:

- **Three Capital Exclusions:** A one-year capital exclusion for \$1 million for next year (FY95) for equipment and capital purchases for Public Works, Fire, and Police; a second one-year capital exclusion for \$950,000 for two years from now (FY96) also for equipment and capital purchases for Public Works, Fire, and Police. (The amount would be less than the first year to reflect some savings in maintenance costs.); a third one-year capital exclusion for \$900,000 for three years from now (FY97) for equipment and capital purchases for Public Works, Fire, and Police. (Again, the amount would be less than the first year to reflect some savings in maintenance costs.) The reason to put all three questions on the ballot this year rather than having one question each of the next three years is to help these Departments plan wisely. If they know funds will be coming for equipment in following years, they will not spend extra money to maintain equipment that will soon be retired.

- **One General Override Question:** A general override question for \$3.96 million. Of this, \$1.7 million would be for ongoing operating costs to cover additional supplies for the schools, to maintain Town and schools buildings, to hire teachers and pay additional special education tuitions due to increased enrollments, and to introduce technology into the school's curriculum. Another \$2.26 million would cover switching some of the trash, water and sewage fees into taxes.

VI. WHAT WILL IT COST TAX PAYERS?

Because this override involves shifting some fees onto the tax bill, we had to analyze the effects in a number of different scenarios. For example, we must take into account the number of units in a building, the owner's tax status, and whether they presently purchase the service from the town. The numbers here represent the cost of passing the single override or the first year cost of passing all elements of the alternative proposal.

We chose six typical properties for our examples:

- A median-price condominium in a 10-unit building which uses private trash collection
- A median-price single-family home using town trash collection
- An approximately 75th percentile single-family home using town trash collection
- A median-price two-family home using town trash collection
- A median-price three-family home using town trash collection
- An approximately average-price rental apartment in a 10-unit building which uses private trash collection

Table 1 presents the estimated cost of the override for residents in these properties.

Table 1

Estimated Cost Of Override For Residents In Different Tax Brackets

	<u>0%</u>	<u>15%</u>	<u>28%</u>	<u>31%</u>
Condo \$127,650	\$71	\$57	\$45	\$42
Single Family \$344,600	\$121	\$67	\$21	\$10
Single Family \$470,000	\$274	\$198	\$132	\$116
Two-Family \$285,800	\$14	\$-8	\$-28	\$-32
Three-Family \$292,300	\$-13	\$-26	\$-38	\$-41
Rental Apartment	\$41	\$41	\$41	\$41

0% bracket applies to those who do not itemize.

VI. LONGER TERM PROSPECTS (FY96 AND BEYOND)

A. Inflation

The current data about inflation indicate that it is moderating. As a consequence, we are hopeful that once the override passes the proposed level of services can be maintained with only the 2.5% property tax increase allowed by Proposition 2 1/2 and increases in fees at the rate of inflation.

Of course, we do not have a crystal ball. Inflation may reaccelerate. Massachusetts may slip back into recession. In addition, trends for local government employees in the Boston area may depart from the national trends for all state and local government employees. If it is not feasible to keep collective bargaining increases below 3% or if increases in state aid fail to keep up with inflation, in the future we will inevitably have to choose between further overrides and reducing services.

B. Longer-Term New Funding Needs

If our more optimistic assessment is accurate, we will need to find additional funds only in order to meet new needs. Of these, the most apparent are continued enrollment growth, a senior center, renovation of the police and fire station(s), and renovation of the high school.

Continued Needs for Enrollment Growth: The enrollment increases we have experienced in recent years are predicted to continue for the foreseeable future. As a result, we anticipate that we will need a further \$500,000 increase each year for the next several years to fund school enrollment increases.

Capital Improvements: We have not individually calculated the debt service costs associated with funding a senior center and renovating the police and fire stations and the high school. Nevertheless, the capital expenditures will be significant, probably in the range of \$35 million.

Present plans for bonding (including both those in the FY94 CIP, the new FY95 CIP schedule and those which appear likely to be added) are simply unsustainable. If we follow the present CIP, we will bond approximately \$69 million worth of projects over the next six years including almost \$8 million for a senior center, \$4 million for a renovated police and fire station and \$26 million for the High School renovation. A very optimistic view is that we will be able to make the Senior Center self-financing through collaboration with a private developer and that the state will fund about \$13 million of the High School renovation. This leaves about \$48 million of bonded projects or an average of \$8 million per year. It makes no allowance for likely but currently unpredictable new requirements. Beyond the six year horizon, other important projects are certain to require bonding.

If we bond at the rate of \$8 million per year, we will significantly increase our spending for debt service. Assuming an average bond duration of ten years and a 5% rate of interest, our debt service will stand at nearly \$10.5 million at the end of ten years in deflated dollars, up

from our current level of roughly \$6 million. This figure does not include the remaining payments on the Lincoln School. While changes in the interest rate could make this situation better or worse, and it may be justifiable to bond the High School renovations over a longer period, the basic message is clear. **Even with extremely optimistic projections, our present plan will lead to a very large increase in the burden of debt service. If we follow our present path, even if we are able to finance the Senior Center fully with external funds and pay for 50% of the High School renovation with state aid, the cost of debt service is likely to increase by close to \$500,000 every year for each of the next ten years.**

We simply cannot afford this level of bonding with our present mode of operation. Our operating budget will not support it. It is also not clear that it is fiscally prudent. For example, Newton's budget guidelines call for debt service to be no more than 5% of the operating budget, a level which we already exceed.

C. The Bottom Line

We have suggested that in coming years it may be possible to save about \$1.5 million on an ongoing basis. We have argued that we need to build up a major event contingency fund. We have not provided funds for this reserve for FY95. However, we should begin funding it at the rate of \$500,000 per year in FY96. We have also concluded that we will require \$1 million more per year starting in FY96 to cover increased bonding debt service and increased enrollments. It therefore appears that if the override passes for next year (FY95) we will be able to get through FY96 and FY97 without recourse to new sources of funds. (We should not need new funds in FY97 if the savings outlined in this report are implemented and the preferred provider plan materializes.)

However, in the long run, we will need new sources of funds on a continuing basis. We must find ways to finance additional needs on the order of \$1 million each year. While optimists might be willing to place their hopes on increased state aid, it would be considerably more prudent to begin now to create a plan for generating new revenues of this magnitude. We must put considerably more effort into creating or encouraging economic development initiatives that will augment the Town's property tax base. Without a plan, we will very soon be forced to choose again between raising taxes and cutting services.

VII. FINAL REMARKS

In making these proposals, we are aware of and share the concerns of Brookline residents who wonder if the extra funds will actually be used the way we have outlined. In our discussion, we have heard the following types of questions repeatedly: "How do we know that they will spend the money the way we are voting for in the override? How do we know they won't just raise fees again in a few years? How do we know that the unions won't just get bigger pay raises?"

We share the concerns implicit in these questions. To some extent, the wording of the override question can alleviate the problem by being as explicit as possible about how the money will be spent. To some extent, we can ensure greater accountability by insisting on detailed periodic reviews of town expenditures. Finally, we must recognize that "they" are "we". In a

town like Brookline, we know our political representatives. The Selectmen and Town Meeting members must recognize that if an override passes, their budgets must spend the money in the manner promised. The override we have outlined says that we will not raise fees for water and sewage and trash faster than cost increases. Unions will see that the recommendations of this report put a ceiling on compensation increases. Most importantly, this report says that we must find additional savings in the Town and schools.

Appendices

- Appendix I. General Conclusions from the Financial Planning Advisory Committee
- Appendix II. Compensation Levels in Brookline and Comparable Towns
- Appendix III. Equipment and Capital Needs of the Public Works, Police, and Fire Departments and of the School's Technology Plan
- Appendix IV. An Analysis of the Capital Improvements Program (CIP)
- Appendix V. An Analysis of the Town Administrator's FY95 Budget Guidelines
- Appendix VI. Spending Trends

Appendix I
General Conclusions
from the
Financial Planning Advisory Committee

A. Brookline's Management and Delivery of Services

- While Brookline manages the delivery of services well, we need to look more aggressively for savings. We have seen no gross inefficiencies. At the same time, we still need to look even more aggressively for savings.
- A major financial and planning weakness is our short-term focus. Generally, our financial decisions have funded short-term needs at the expense of longer term needs. We put off for another day the funds necessary for maintenance, repair, capital equipment, etc. This is understandable since close to 90% of the Town's budget is related to people. If we choose to invest our funds in non-personnel areas, it inevitably means laying off a Town employee in order to keep a balanced budget. This is an uncomfortable decision at best. The political process (who wants to anger the unions?) along with human nature (who likes to fire a competent employee?) therefore encourages the postponement of important investments in non-personnel areas. A particularly egregious example of not investing in the long-term involves the analysis of Brookline's buildings and capital investments. The Planning Board has requested for years a relatively small amount of money (approximately \$150,000) to understand the state of repair of all the Town's and School's buildings and capital investments and list exactly when major repairs or renovations will be necessary. We have never allotted the funds for this inventory. Therefore, we cannot project accurately when repairs will have to be made or the cost of doing them.
- Another weakness has been our reluctance or inability to set explicit priorities proactively. It is clear that the funding and services of some departments have been cut more than others, but we tend to do this reactively and incrementally when funds become short. Without clear goals and priorities, the tough decisions that have had to be made tend to be influenced greatly by short-term political and economic factors. Perhaps, though, we are asking too much. Given our government structure which has new selectmen and town meeting members joining the groups on an on-going basis, perhaps it is impossible to build regularly a consensus for specific long-term goals.
- We have also shortchanged the amount of contingency funds. In a \$100 million plus budget, it is normal to have unanticipated events (e.g., an unusual amount of snowfall, a leaking roof, etc.). Since we have not set aside sufficient contingency funds for this size of a budget, we tend towards crisis management, raiding the funds in our non-personnel accounts. In essence, areas like supplies, equipment or maintenance serve inappropriately as contingency funds. We need both a larger annual contingency fund to cover regular but unexpected events and a major event contingency fund to deal with extraordinary and large events.

B. Effect of Proposition 2 1/2, Recession, and Inflation on Brookline

Brookline was one of the few communities to vote against Proposition 2 1/2 in 1980. In effect, therefore, its passage meant that the Town was required to cut services below the level desired by its residents. During the Massachusetts miracle years, the Town benefited from new growth (and hence new tax revenues) and annual increases in state aid. By 1988, real (deflated) town revenues were almost back to their pre-Proposition 2 1/2 levels in real (inflation-adjusted) terms.

Since 1988, though, the recession in Massachusetts has led to reductions in both state aid and new growth (and new tax revenues) in Brookline. Since Proposition 2 1/2 restricts the amount by which we can raise property taxes each year to 2.5% and inflation has outpaced the rate of these increases, the Town has increasingly used fees to cover rising costs. Even with the increase in fees, real (deflated) Town revenues have declined by \$6 million since 1988. As a consequence, Brookline's total revenues are now comparable to the years just after the passage of Proposition 2 1/2. However, in contrast with the early 1980's, we have had ten years of underfunded maintenance and capital investment.

C. Brookline's Taxes and Fees

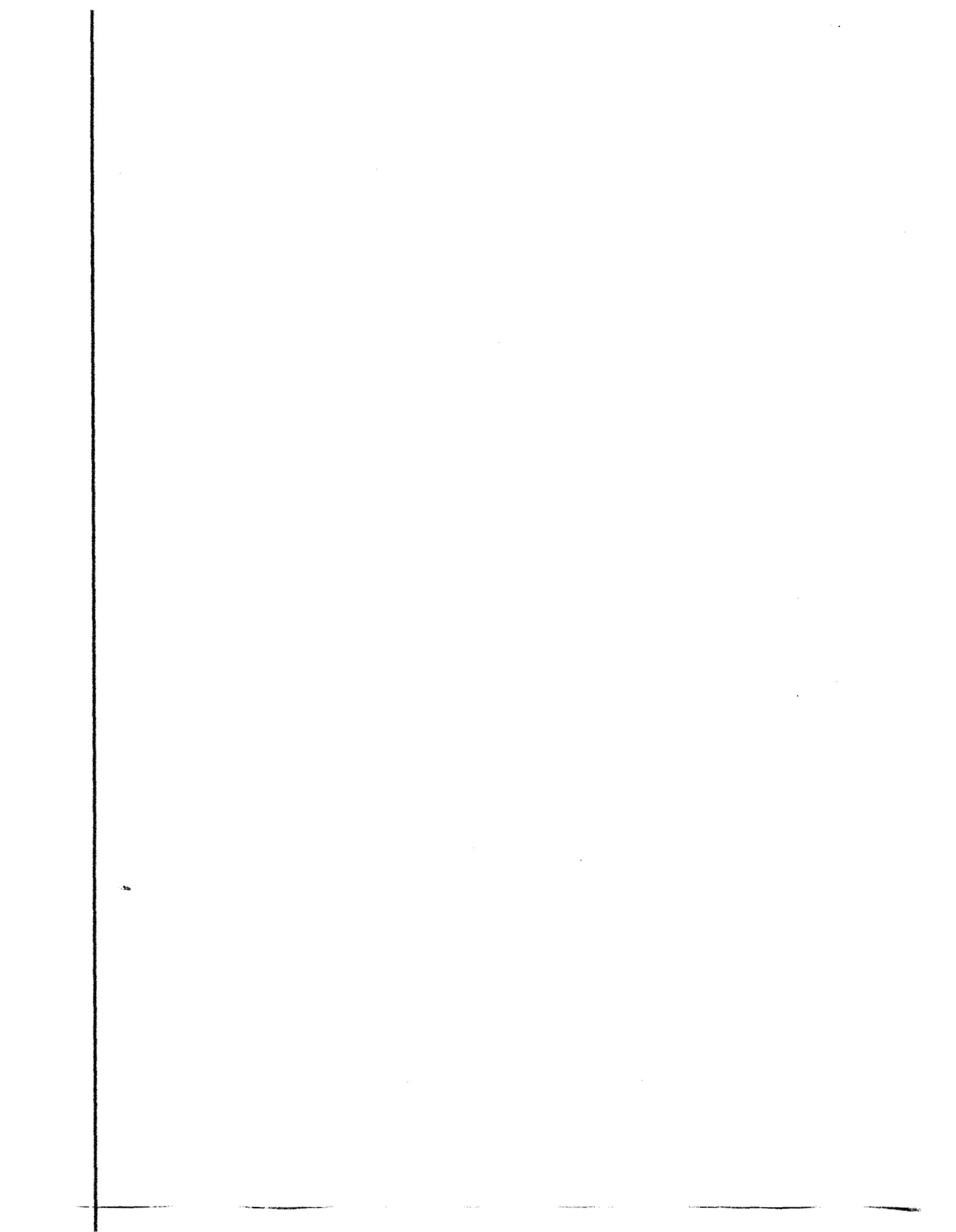
On average, Brookline is not a high-tax community. Brookline's total revenue per capita is similar to comparable communities (e.g., Belmont, Lexington, Needham, Newton, Wellesley, and Winchester). In fact, on a per capita basis, residential property taxes in Brookline are relatively low compared with similar communities. Many people believe the residential property tax rate is high in Brookline. The data show that the nominal tax rate is high, but so is the homestead exemption which exempts from taxation the first \$53,620 of value for owner-occupied units. As a result, property taxes are high compared with similar communities for owner-occupied properties assessed at over \$350,000 but relatively low for properties assessed at less than \$150,000. In fiscal year 1992, Brookline's effective tax rate was 45th out of 351 communities in Massachusetts.

In Brookline, real (deflated) property taxes plus local receipts (fees, fines, motor vehicle excise tax) decreased immediately after Proposition 2 1/2. While they have increased since then, they are still somewhat below their pre-Proposition 2 1/2 level in deflated dollars. At the same time, per capita income has increased substantially in the last decade so that the fraction of residents' income going to taxes and fees declined by about one-quarter from 1982 to 1989.

While Brookline's taxes are not high, we do have high fees. Both relative to our own past and to other communities, Brookline raises more of its revenues in the form of fees. When fees are paid by the owners of residential property, they are a relatively expensive means for raising revenues. If these same revenues were raised through taxes rather than fees, residential property owners would be helped because (1) commercial, industrial and personal property pays 18% of the property tax and (2) property taxes are deductible from federal income taxes for owner-occupants while fees are not.

Perhaps Brookline's use of fees arises from the mistaken belief that overrides are a little used mechanism and would indicate that Town government has somehow failed by needing more

revenues. In reality, when inflation outpaces the rate of revenue growth permissible under Proposition 2 1/2, it is natural to consider an override. Similarly, if services are needed now that have not been needed historically, more funds would be necessary and the voters should decide via an override if they want those services provided. In addition, the average community in Massachusetts has used overrides to increase its maximum property tax levy by close to 12 percent. Brookline's one and only override for the Lincoln school has temporarily raised the levy limit by less than 2 percent.



Appendix II

Compensation Levels in Brookline and Comparable Towns

Personnel policy is probably the most important element of town government. The quality of our management and other employees depends on both levels of compensation and the process by which we evaluate our employees. At the same time, since personnel costs account for over three-quarters of the operating budget, compensation levels are a significant determinant of Brookline's financial state.

We make the following recommendations.

1. Senior managers should not be given cost-of-living increases. There should continue to be no built in longevity or step increases for senior managers. Instead, the Board of Selectman should set aside a merit pool from which it awards salary increases. Salary increases should be based on performance. Contract lengths should be increased to two or three years. At each contract renewal there should be an extensive performance review. As part of the review, managers should be expected to present a written report assessing their performance in reducing costs of existing services and expanding services. This assessment should be based on both historical comparisons and, where possible, comparison with other towns. We recommend that the merit pool for increases from FY94 to FY95 equal 2% of the total salaries of the members of the pool. This is somewhat less than the 3% increases which most union members will receive.
2. New wage increases in the upcoming rounds of collective bargaining should not exceed an average of 2% over the life of the new contract. There should be no expansion of fringe benefits unless they are offset by wage increases of less than 2%.
3. The next round of contract negotiations should revisit certain expensive fringe benefits, most notably vacation and holiday policy. In addition, it should revisit the four and one-half day work week for some employees.
4. The Selectman should not present any contract settlement to Town Meeting for its approval unless the main elements of the contract are accompanied by a detailed comparison with other comparable communities.

If we wish to avoid recourse to further overrides, it is absolutely essential that we avoid increasing salaries and other compensation faster than the revenue increases allowed by Proposition 2 1/2. In periods of high inflation, the costs of trying to meet this constraint are excessive. Employees will be disaffected by the loss of real purchasing power and the decline in their incomes relative to other workers in the economy. In some cases, we would face strikes or other work actions. Lower relative salaries will reduce the quality of our work force.

Fortunately, however, inflation has slowed. For state and local government employees, average wage and salaries in December 1993 were 2.7% higher than in December 1992 (see table A2.1). Moreover, the increases have been getting smaller over time. Between December

1991 and December 1992, the increase was 3.0%. If we look at all compensation, including fringe benefits, the slowing of inflation is even more dramatic. Average compensation increased 3.7% in the earlier period but only 2.8% in the later period. Looking prospectively, state and local government collective bargaining agreements in the first half of 1993 had an average first year wage increase of 1.1% and an average annual increase of 2.2% over the life of the contract.

Compensation increases in excess of these levels can only be justified if our compensation levels have fallen too low for us to be competitive in the market place. Even a cursory analysis makes it clear that this is not a problem for Brookline.

We begin at the top of the tables on the following pages. Table A2.2 gives salaries for a sample of executive positions. Some communities report a salary range. We have given the top of this range. Brookline's salaries significantly exceed the salaries in the other communities for three of the six positions -- executive secretary (Town Administrator), assessor and town clerk. The finance director's salary is above the middle of the salary range for all the comparison communities although it does not exceed the maximum of that range in Wellesley. The library director is paid above or near the top of the range paid by the comparison communities. Similarly, the director of public works is paid a salary which exceeds the middle of the salary range in Newton and is at about the middle of the range for Wellesley. It exceeds the top of the range in the remaining communities. The public safety sub-committee has already remarked on the relatively high pay of the police and fire chiefs.

In making these comparisons, we do not intend to suggest that any individual executive employee of the Town is overpaid. This would require an assessment of individual performance which we are not prepared to undertake. Moreover, in some cases, differences between Brookline and the comparison communities may justify a higher salary. For example the executive secretary position differs substantially among communities.

Nevertheless, we find the pattern disturbing. We have seen no evidence that executive compensation is based on either performance or the demands of the market. We understand that compensation levels were influenced by a study by Hay Associates several years ago. However, since then salaries have increased by a largely formulaic process which matches the outcomes of collective bargaining. Aside from tying salaries to a largely irrelevant salary indicator, this gives managers the wrong incentives in influencing bargaining. Executive salary levels should be determined on the basis of performance. There is little justification for basing cost-of-living increases on pay increases accorded in union settlements.

This pattern of high pay is present although less consistent among the lower and middle-ranked occupations we examined. The public safety sub-committee has provided data showing that public safety officers are relatively well paid in comparison with those in other communities. Table A2.3 shows that general foremen and laborers were generally better paid than equivalent workers in comparable towns. Working foremen and clerks, however, are not noticeably better paid than their comparison group. We note, however, that Brookline town hall is closed on Friday afternoons.

In contrast with our understanding of popular perception, relative salaries are not as high in the School Department. While the Brookline school system pays well, it does not

consistently rank at or near the top. Table A2.3 shows that the school superintendent ranks second in pay among our comparison communities. Since Brookline also has the second largest school system, this does not appear to be out of line. Table A2.5 reveals that Brookline High School's headmaster ranks sixth out of eight in pay; Brookline's pay for the assistant headmaster appears to rank third. Brookline's pay range ranks second or third for elementary school principals and second for the assistant superintendent for finance. The education sub-committee report revealed that, in terms of average salary, Brookline's teachers ranked fifth among our set of comparison communities. At the low end of the range, custodians wages are again near but not at the top of the wages offered by our comparison group (see table A2.6).

The wage and salary data do not, of course, tell the entire story. We have not been able to obtain comprehensive information on fringe benefits. However, the limited information available to us suggests (see the public safety sub-committee report for our most detailed evaluation) that Brookline's vacation and holiday benefits are also generous.

Table A2.1
Employment Cost Index for total compensation

Series	Indexes (June 1989=100)			Percent Changes for					
				3 Months Ended			12 Months Ended		
	Dec. 1992	Sep. 1993	Dec. 1993	Dec. 1992	Sep. 1993	Dec. 1993	Dec. 1992	Sep. 1993	Dec. 1993
State and local government workers.....	118.6	121.4	121.9	.6	1.5	.4	3.7	3.0	2.8
Workers, by occupational group									
White-collar occupations.....	118.9	121.5	121.9	.7	1.6	.3	3.8	2.9	2.5
Professional specialty and technical.....	119.2	121.7	122.0	.6	1.7	.2	3.7	2.7	2.3
Executive, administrative, and managerial.....	117.8	121.0	121.6	.9	1.5	.5	3.6	3.6	3.2
Administrative support, including clerical.....	116.5	121.0	121.6	.9	1.2	.5	3.9	3.0	2.6
Blue-collar occupations.....	117.8	120.5	121.4	.8	1.5	.7	4.3	3.1	3.1
Workers, by industry division									
Services.....	119.6	122.2	122.6	.7	1.7	.3	3.7	2.9	2.5
Excluding schools.....	118.6	121.4	121.9	.9	1.2	.4	3.7	3.3	2.8
Health services.....	119.4	122.2	123.1	.7	1.2	.7	3.9	3.0	3.1
Hospitals.....	119.4	122.0	123.3	.7	1.3	1.1	3.6	2.9	3.3
Educational services.....	119.7	122.3	122.7	.7	1.8	.3	3.8	2.9	2.5
Schools.....	119.9	122.5	122.9	.6	1.8	.3	3.7	2.8	2.5
Elementary and secondary.....	120.7	123.0	123.6	.7	1.8	.5	3.9	2.6	2.4
Colleges and universities.....	117.2	120.8	120.7	.3	1.9	-1	3.3	3.3	3.0
Public administration.....	116.3	119.3	120.0	.4	1.1	.6	3.3	3.0	3.2
Private industry workers.....	115.6	119.1	119.8	0.7	0.9	0.6	3.5	3.7	3.6

Employment Cost Index for wages and salaries only

Series	Indexes (June 1989=100)			Percent Changes for					
				3 Months Ended			12 Months Ended		
	Dec. 1992	Sep. 1993	Dec. 1993	Dec. 1992	Sep. 1993	Dec. 1993	Dec. 1992	Sep. 1993	Dec. 1993
State and local government workers.....	118.6	118.4	119.7	.6	1.6	.3	3.0	1.9	2.7
Workers, by occupational group									
White-collar occupations.....	118.9	118.6	119.9	.6	1.7	.3	3.0	1.9	2.6
Professional specialty and technical.....	117.6	120.4	120.7	.5	1.9	.2	3.0	2.8	2.6
Executive, administrative, and managerial.....	118.5	118.2	118.8	.7	1.4	.5	2.8	2.1	2.2
Administrative support, including clerical.....	114.9	117.2	117.8	.7	1.1	.5	2.8	2.7	2.5
Blue collar occupations.....	118.6	118.4	119.0	.5	1.6	.5	3.6	3.0	2.9
Workers, by industry division									
Services.....	117.5	120.3	120.6	.5	1.8	.2	3.0	2.9	2.6
Excluding schools.....	117.4	120.1	120.4	.9	1.2	.2	2.8	3.2	2.6
Health services.....	117.4	120.4	121.0	.6	1.3	.5	3.0	3.2	3.1
Hospitals.....	117.1	119.9	120.7	.5	1.4	.7	2.6	2.9	3.1
Educational services.....	117.6	120.3	120.6	.6	1.9	.2	3.1	2.9	2.6
Schools.....	117.5	120.3	120.7	.4	1.9	.3	3.1	2.8	2.7
Elementary and secondary.....	118.5	121.1	121.6	.5	1.9	.4	3.3	2.7	2.6
Colleges and universities.....	114.3	117.8	117.7	.2	1.9	-1	2.1	3.2	3.0
Public administration.....	113.6	115.9	116.6	.4	.9	.6	2.4	2.5	2.6
Private industry workers.....	112.9	115.7	116.4	0.6	1.0	0.6	2.6	3.1	3.1

Source: Department of Labor, January 26, 1994 release.

Table A2.2

BASE SALARIES FOR SAMPLE EXECUTIVE POSITIONS

	Executive Secretary	Finance Director	Director Library	Assessor	Town Clerk	Director DPW
Brookline	104,533	71,500	61,532	59,942	59,223	75,591
Belmont	70,331	NA	59,118 ^a	51,053 ^a	50,657	NA
Lexington	91,148	69,269 ^a	62,234 ^a	53,000 ^a	50,237 ^a	73,078 ^a
Needham	70,000	64,760 ^a	51,035 ^a	51,035	50,000	73,478 ^a
Newton	91,936	NA	63,076 ^a	53,664 ^a	53,664 ^a	83,148 ^a
Wellesley	71,633 ^a	83,790 ^a	61,943 ^a	50,540 ^a	47,583	90,823 ^a
Winchester	NA	NA	NA	NA	NA	NA

^aTop of scale reported by the town.

Source: Massachusetts Municipal Personnel Association, 1994.

Table A2.3

WAGES AND SALARIES: VARIOUS OCCUPATIONS

	General Foreman	Working Foreman	DPW Laborer	Clerk 1	Clerk 5
Brookline	41,615- 42,395	28,974	25,106	20,214- 20,682	28,422- 28,890
Belmont	35,492- 43,182	25,816- 31,378	19,108- 23,242	17,742- 21,586	22,590- 27,456
Lexington	NA	28,631- 32,968	23,851- 27,237	NA	22,865- 30,859
Needham	28,776- 38,180	24,752- 29,723	20,696- 23,816	16,765- 22,081	22,206- 29,301
Newton	33,020- 36,712	26,998	22,298	17,576- 21,944	25,116- 31,408
Wellesley	33,256- 41,990	26,728- 34,674	17,888- 23,171	18,252- 22,640	23,180- 34,770
Winchester	NA	NA	NA	NA	NA

Figures represent: Annual salary when provided, weekly salary x 52, hourly salary x 52 x 40 for DPW, hourly salary x 52 x 37.5 for clerical workers.

Source: Massachusetts Municipal Personnel Association, 1994.

Table A2.4

COMPENSATION OF SUPERINTENDENT OF SCHOOLS

	Base Salary	Total Salary (Rank)	Vacation Days
Brookline	94,021	2	23
Belmont	89,887	4	NA
Lexington	92,544	3	21
Newton	100,034	1	25
Needham	91,372	5	25
Wellesley	86,235	6	30
Winchester	81,000	7	22

 Total salary includes all cash compensation.

Source: Mass Bay Cooperative Data Study Report, 1994.

Table A2.5

BASE SALARIES FOR SCHOOL PRINCIPALS AND SIMILAR

	High School Headmaster	High School Ass't. Head.	Elementary Principals	Asst Sup. Finance
Brookline	72,896	66,298	68,083-72,909	74,796
Belmont	73,871	64,810	61,893-64,575	69,300
Lexington	81,116	66,557-71,077	68,111-74,153	62,475
Needham	72,281	60,074	58,470-61,322	69,000
Newton	66,335-78,731	56,021-59,682	60,322-69,057	62,830
Wellesley	74,901	64,227-77,799	64,865-70,522	76,287
Winchester	73,911	58,870	58,735-61,738	69,600

 Assistant Headmaster salaries for Newton are for housemasters.

Source: Mass Bay Cooperative Data Study Report, 1994.

Table A2.6

WAGES OF SCHOOL CUSTODIANS

	Regular Custodian	Elementary Head Custodian	Head Custodian Supervising 8-10
Brookline	11.70 - 13.28	13.18 - 15.62	16.82 - 18.83
Belmont	10.45 - 11.48	10.43 - 12.97	NA
Lexington	11.65 - 13.89	13.17 - 15.82	14.37 - 17.25
Needham	10.46 - 12.04	11.13 - 13.06	11.13 - 13.06
Newton	11.66 - 13.27	12.75 - 14.35	17.17 - 18.77
Wellesley	10.20 - 12.01	13.26 - 15.57	NA
Winchester	10.45 - 11.98	11.34 - 12.64	14.68 - 16.38

Source: Mass Bay Cooperative Data Study Report, 1994.

Appendix III

Equipment and Capital Needs of the Public Works, Police, and Fire Departments and of the School's Technology Plan

The following tables are based on data provided by the School, Public Work, Police and Fire Departments regarding their equipment needs over the next five years. We have revised the DPW, police and fire equipment expenditures so that they are designed to be approximately equal in all five years. The school technology plan calls for much more uneven spending over the five years with more significantly more spending in the first year. We believe that slowing down the first-year investment will have a beneficial impact on both school finances and the quality of the implementation of the program. We have not, however, attempted to present a revised version of the technology plan.

SCHEDULE OF EXPENDITURE FOR POLICE CAPITAL EQUIPMENT

FY95	FY96	FY97	FY98	FY99
7 Police Vehicles	8 Police Vehicles	7 Police Vehicles	7 Police Vehicles	7 Police Vehicles
Meter Van	4 Mobile Data Terminals	5 Mobile Data Terminals	4 Mobile Data Terminals	4 Mobile Data Terminals
4 Mobile Data Terminals	4 Spectra Mobile Radios	5 Spectra Mobile Radios	4 Spectra Mobile Radios	4 Spectra Mobile Radios
4 Spectra Mobile Radios	8 Portable Radios	7 Portable Radios	8 Portable Radios	8 Portable Radios
7 Portable Radios		2 Radar Units	2 Radar Units	1 Radar Unit

SCHEDULE OF EXPENDITURE FOR FIRE CAPITAL EQUIPMENT

FY95	FY96	FY97	FY98	FY99
20 Portable Radios	60 Breathing Mask Cylinders	Air Bag Set	Hand Tools	20 ton Air Floor Jack
Radio Channel Converter	Forcible Entry Tool	40 Breathing Mask Cylinders	30 Hose 2.5"	2 Gated Relief Valves
Fire Hose	12 Hoses 1.75"	Forcible Entry Tool	10 Hose 4" Supply	30 Hoses 2.5"
Hand Tools	30 Hoses 2.5"	2 Gated Relief Valves	2 Hydrant Valves	10 Hose 4" Supply
Rope - Lifeline	10 Hose 4" supply	25 Hoses 2.5"	Hydraulic Vehicle Lift	12 Hose, High Rise
6 Smoke Ejector Fans	2 Hydrant Valves	8 Hose 4" Supply	Hurst Tool "Jaws of Life"	6 Pagers
Firefighting Foam	Maintenance Garage Equipment	12 High Rise Hose	4 Nozzles 1.75", Turbo Jet	Portable Generator, Winco, 4K
6 Foam Eductors	4 Nozzles (turbo jet)	Hurst Tool "Jaws of Life"	3 Nozzles 2.5"	3 Portable Radios
Ice Boat and Rescue Suit	8 Pagers	3 Nozzles 2.5"	Portable Deluge Gun	60 Protective Gear
20 Breathing Mask Cylinders	Portable Deluge Gun	Portable Pumps	2 Portable Generators	10 Scott Masks, Comp. Assemb.
Pickup Truck	6 Portable Sump Pumps	Portable Deluge Gun	1 Volt-amp Tester and Stand	2 Water Vacuums
10 Protective Gear	10 Scott masks, comp. assemb.	2 Portable Radios	40 Protective Gear	
	2 water vacuums	20 Protective Gear	10 Scott masks, comp. assemb.	
	20 protective gear	8 Scott masks, comp. assemb.		
		Welder, Miller #250		

SCHEDULE OF EXPENDITURE FOR DPW CAPITAL AND EQUIPMENT

FY95	FY96	FY97	FY98	FY99
2 Passenger Cars	2 Passenger Cars	3 Passenger Cars	3 Passenger Cars	4 Passenger Cars
Pickup Truck 4WD	2 Service Vans - 3/4 Ton	Service Van - 3/4 ton	Service Van - 3/4 ton	Service Van - 3/4 ton
Utility Truck 1 Ton	2 Pickup Trucks - 1/2 Ton	2 Pickup Trucks - 1/2 ton	2 Pickup Trucks - 1/2 ton	2 Pickup Trucks - 1/2 ton
Utility Truck w/PTO Compressor	Pickup Truck - 3/4 Ton	Pickup Truck 4WD	Pickup Truck 3/4 - ton	Pickup Truck - 3/4 ton
Dump Truck 1 ton	Dump Truck - 36000 GVW	Utility Truck - 1 Ton	Utility Truck w/PTO Compressor	Pickup Truck 4WD
2 3900GVW w/Sander	Refuse Packer - 31 CY	Dump truck - 25000 GVW	Stake Body Truck	Stake Body Truck
Refuse Packer - 31 CY	Street Sweeper	Dump Truck - 36000 GVW	Dump Truck - 25000GVW	Dump Truck - 25000GVW
Street Sweeper	Snow Fighter	39000 GVW w/Sander	Dump Truck 36000GVW	Dump Truck - 36000GVW
2 Sidewalk Tractors	Front End Loader - 2CY	Refuse Packer - 31 CY	39000GVW w/Sander	39000GVW w/Sander
Tractor Mower	Backhoe	Street Sweeper	Refuse Packer - 31 CY	Refuse Packer - 31 CY
Capital Needs Assessment Database	Sidewalk Tractor	Catch Basin Truck	Street Sweeper	Street Sweepers
	3 Tractor Mowers	Front End Loader - 2CY	1 Snow Fighter	Sewer Jet/Vactor
		Bobcat Loader	Backhoe	Tractor
		Sidewalk Tractor	Tractor Mower	
		Tractor Mower		

SCHEDULE OF EXPENDITURE FOR TECHNOLOGY

This plan in Year One (1994-95) would:

Elementary:

- Replace the remaining five Apple IIGS labs at Baker, Devotion (2 labs), Driscoll and Lawrence Schools by purchasing five new labs with teachers stations and equitably distributing the Apple IIGS computers to grades K-3 in elementary schools.
- Purchase a computer with CD-ROM and printer so every classroom K-6 has one system.
- Purchase for teacher/staff work area, two-four computers with laser printer & E-mail access.
- Purchase a six computer mobile set-up with printer for grade 7/8 small group instruction classrooms.
- Purchase eight 486 systems with external CD-ROM for library research.
- Purchase seven 486 systems for catalog access.
- Purchase eight LCD displays.
- Purchase eight printers to be attached to the E-mail Mac in libraries.
- Purchase appropriate furniture, security, and mouse pads for the hardware.

High School:

- Reallocate 22 Macintosh SE's into Typing Room for keyboarding. Distribute the remaining ten Macs for teacher network access and production work in the Staff Center.
- Purchase seventeen computers and a teacher station for Career and Technology Education Department.
- Purchase six computers for the Math Department Lab to bring the total to eighteen.
- Purchase four more 486 computers with CD-ROM to bring the IBM lab up to eighteen for classroom instruction.
- Purchase two 486 CD-ROM stand alone multimedia workstations for library research.
- Purchase three 27" Sony Trinitron monitors (one per floor).
- Purchase two LCD displays.
- Purchase four 486 systems to upgrade the computerized card catalog system in the library.
- Purchase appropriate furniture, security, and mouse pads for the hardware.

SYSTEM: Purchase the necessary hardware to network at least seven areas (Main office, Principal's office, Assistant Principal's office, library, computer lab, staff center, guidance office) in each school to the Brookline Education Network. Provide accounts to all staff who request e-mail.

HS Career and Technology Education Lab = 13 Mac LC 475, 4 LC 520 and 1 teacher station

****Teacher station** = Computer AV 660, LaserWriter PRO 600, scanner, LCD panel, an overhead projector

SUMMARY: At the end of Year One in the elementary schools, every school will have a Mac lab, and every teacher in grades K-6 will have a computer with an internal CD-ROM and a printer. Each teacher/staff work area, will have two-four computers with laser printer & E-mail access. Every library will have two 486 computers (one for card catalog access, one for CD-ROM research), and a LCD for classroom or library use. Each computer lab will have a LCD display. The grade 7/8 teachers will have six computers and a printer for grouping classes into small groups for curriculum instruction. There will be seven locations throughout a school for e-mail access for all staff.

At the High School, the library will have six 486 computers (four to upgrade computer card catalog access, two to upgrade CD-ROM text and multimedia tools), and three large monitors and two LCD for classroom or library use. The Career and Technology Education Department will have a new Macintosh lab with a teacher station, and the Math Department will have a increased the lab from twelve to eighteen computers. The Staff Center will have an additional ten computers for production and e-mail access.

This plan in Year Two (1995-96) would:

Elementary:

- Replace the older computers in the labs at the Heath and Runkle by purchasing two new labs and equitably distributing the old computers to grades 4, 5, 6 in all the schools.
- Replace the computers in the Pierce Lab by purchasing a new lab and reallocating fifteen of the computers to a much needed small lab at Pierce and the remaining to grade 4, 5, 6 classrooms at Pierce.
- Purchase a second computer for all K-3 classrooms.
- Purchase computers with CD-ROM and printer for the SPED, ESL/TBE, Reading/Writing specialists classrooms in all schools.
- Purchase eight 27" Sony Trinitron monitors with TV link.
- Purchase seven 486 computers for the on-line catalog for elementary libraries.
- Purchase eight 486 computers with CD-ROM for research in the
- Purchase eight Macs for Multimedia in the libraries.
- Purchase appropriate furniture, security, and mouse pads for the hardware.

High School:

- Purchase eighteen computers and a multimedia teacher station for a Humanities Lab available for Foreign Language, Social Studies, English classes, and individual student use.
- Purchase 12 computers and a printer to replace old computers in the Foreign Language lab.
- Purchase six PC's with probeware, one scanner and six carts for a mobile lab in the Science Department.
- Purchase computers with CD-ROM and printer for the SPED, ESL/TBE classrooms.
- Purchase two Macs for Multimedia for library.
- Purchase two 486 systems with CD-ROM for research in the library.
- Purchase two 10 CD-ROM Towers for library
- Purchase four 486 systems for public access to the catalog
- Purchase appropriate furniture, security, and mouse pads for the hardware.

SUMMARY: At the end of Year Two, every school will have a color Mac lab. Every K-6 teacher will have two Macs and a printer in the classroom. Every elementary library will have two CD-ROM stations, two on-line catalog stations, and one Mac multimedia station. Every SPED, ESL/TBE, Reading/Writing specialist will have a color Macintosh and printer. Every school will have a 27" Trinitron monitor.

The High School will have a Humanities lab for writing across the curriculum assignments available to several departments. The Foreign Language Department will have replaced the outdated IIGS computers. The High School library will incorporate a CD-ROM network into the existing catalog LAN through the purchase of six additional 486 PC's and two CD-ROM Towers. It will now have at least eight 486 stations for public access to catalog and to networked CD-ROM tools, as well as six stand-alone multimedia stations: three MS-DOS and three Macintosh.

This plan in Year Three (1996-97) would:

Elementary:

- Purchase an additional computer for K-6 classrooms.
- Purchase six workstations and one printer for grade 7/8 small group instruction classrooms.
- Purchase seven - 486 computers for on-line catalog for elementary libraries.
- Purchase eight CD-ROM Towers for the elementary libraries.
- Purchase appropriate furniture, security, and mouse pads for the hardware.

High School*:

- Purchase seventy classroom computers with printers for the seventy instructional spaces.
- Purchase fifteen computers and a laser printer for the IA/UA Department.
- Purchase twenty computers and four printers for three small group instruction classrooms (five computers/printer per classroom) for Math.
- Purchase ten computers and two printers for two small group instruction classrooms (five computers/printer per classroom) for Social Studies.
- Purchase twenty computers and two printers for four small group instruction classrooms (five computers/printer per classroom) for Foreign Language.
- Purchase two computers with Midi interface, software, and a laser printer for the Performing Arts Department.
- Purchase two 486 computers to provide dial-in public access to the catalog and networked CD-ROM databases.
- Purchase appropriate furniture, security, and mouse pads for the hardware.
- Purchase appropriate furniture for the hardware.

***HIGH SCHOOL may be under construction and building costs includes the technology and the furniture. The technology purchases have to be reviewed and adjusted according to the H.S. Building Technology Committee recommendations.**

SUMMARY: At the end of Year Three, every K-6 classroom will have three Macs and a printer. Each elementary library will have three on-line catalog stations, two 486 computers with CD-ROM, and one 7 CD-ROM tower. The grade 7/8 teachers will have a total of twelve computers and two printers for grouping classes into small groups for curriculum instruction.

At the High School, all of the academic rooms will have a computer and a printer, the IA/UA department will have fifteen computers for high power production, robotics, and CAD/CAM engineering, the Performing Arts department will have two computers with MIDI interface and laser printer.

The Math Department will have computers for four small group instruction rooms, the Social Studies department will have computers for two small group instruction rooms, and the Foreign Language Department will have computers for four small group instruction rooms. The High School library will have ten 486 stations for public access to the catalog and networked CD-ROM databases. Dial-in access to the catalog and networked CD-ROM databases will be available at times when the library is closed.

This plan in Year Four (1997-98) would:

Elementary:

- Network all the computers in four elementary schools (Devotion, Driscoll, Pierce, Lawrence) through rewiring the schools and purchasing the necessary hardware and software to complete the job.
- Purchase an additional computer for K-6 classrooms.
- Purchase seven 486 computers for on-line catalog for elementary libraries.
- Purchase a satellite dish for the Lincoln School to handle the traffic of interactive TV broadcasts.
- Purchase appropriate furniture, security, and mouse pads for the hardware.

High School*:

- Purchase 20 laptop computers for the English Department

***Purchases must be reviewed based upon the stage of the High School renovation.**

SUMMARY: At the end of Year Four, every classroom K-6 will have four Macintosh computers and a printer. Each elementary library will have a local area network with four 486 computers (one server, two public access terminals and one circulation), two computers with CD-ROM and one seven CD-ROM tower. Four schools will be connected in a LAN and there will be an additional satellite disk at the Lincoln School to handle the traffic of interactive TV broadcasts. The English Department will have 20 laptop computers.

This plan in Year Five (1998-99) would:

Elementary:

- Network all the computers in remaining three elementary schools (Baker, Heath, Runkle) through rewiring the schools and purchasing the necessary hardware and software to complete the job and connect all nine schools together. This assumes that the HS is under construction and will be part of the system network.
- Purchase eight 486 computers with CD-ROM for the library.

High School:

- Purchase two 486 computers with CD-ROM for the library.
- Purchase all the necessary hardware and software to support the education plan developed by the High School staff for the integration of technology across the curriculum.

SUMMARY: All schools will be connected in a WAN. At the High School, the library will have six 486 stations with CD-ROM. Recommendations for further purchases of hardware and software will be made by the High School Technology Committee.

Years 6 -10 begin the replacement process:

- In the academic year 1999-2000, replace the equipment purchased in Year One

Appendix IV

Financial Planning Advisory Committee CIP Sub-committee

Process: The Capital Planning process starts in the fall with a survey from the Town Administrator to each affected department head. Each department head, in consultation with the respective citizen committee (Park & Recreation Committee, School Committee, etc.) completes this, with comments on significant changes, energy and personnel changes being of particular interest. Requests are sent to the Board of Selectmen and the Planning Board, who determine priorities and relationships. The Planning Board, with assistance by the Planning Department, makes a preliminary list, which is discussed with the Town Administrator, who reconciles requests to the Financial Plan. Estimates of costs are prepared by the Building Commissioner, who submits a program sheet to the Planning Board who holds public hearings. For large projects, the process consists of a feasibility study with alternatives, preparation of plan and specs, bidding, and funding approval by Town Meeting. Steps for smaller projects are combined. The list is finalized in late January, and published in booklet form in late February as the Capital Improvements Program, or "CIP".

The CIP in essence is a schedule of projects, with related expenditures, for the next six years. It plays a critical role in maintaining in an orderly way how Brookline plans for the future maintenance and purchase of its capital assets. It includes the spending program for everything from buildings, to highways, to sewers. In short, it determines the future condition of Brookline's infrastructure.

The accuracy of the CIP is crucial to the Town's ability to project its debt service costs. The determination of future needs is affected in many ways. Because there is an effort to identify sources of financing each project, in other words to balance the projected cost with a source of funding,

The CIP as presently used is not a tool to identify potential shortfalls. Recommended projects are always matched with a source of funds. If that source does not materialize, then the project is deferred to later years, or dropped. For example, the FY91 CIP schedules renovations to Olmsted/Riverway Parks of \$1.8 million in FY91-FY93, using a state grant. The state funds were never granted, and therefore the project was not done. It remains open to this day. The FY94 CIP now shows \$300K over the next 3 years to be spent using the state grant. In this case, parks can be left to deteriorate, with fewer consequences than buildings.

Other factors which lower the CIP's value as a planning tool in the past have been shoddy workmanship. For example, the Pierce School, built in the early 70s, needed extensive repairs (to the tune of \$3.2 million) 15 years later to fix a leaking roof. This was unforeseen, and consumed funds that would have otherwise been used for other capital improvements.

In the FY78 CIP, the Town Garage on Kendall Street is described as "hazardous, inefficient, and in serious need of replacement". To date, 16 years later, no substantial repairs have been made because of a dispute over its location. And yes, it's still on the CIP. This time scheduled for FY96 at a cost of \$5.7 million.

In effect, we have a "Rolling Backlog" of projects which are never addressed, either because they aren't deemed "critical", or because they don't have the political muscle to pass in Town Meeting.

We cherish our ability through Town Meeting to affect our conditions. However, the political process can thwart the orderly, systematic addressing of capital needs. For example, in 1989, Clark Park advocates managed to pass funding at Town Meeting, superseding the normal progression of renovation which was scheduled to be done 2 years later. The currently proposed Senior Center in the FY94 CIP was scheduled for development in FY97. But one year later, the \$4.8 million project has leap-frogged over other projects into the FY95 CIP, largely through political outcry. One wonders, if we can't maintain our existing buildings, why are we so ready to put up another one.

As one can see, 13% of the FY94 improvements will be paid with tax dollars, while almost 29% will be bonded. The reliance on bonding shows up even more emphatically in FY95, where only \$.5 million (4%) out of \$13 million will be tax financed.

Another way of looking at Brookline's long-term ability to fund the CIP is to review the total projected cost for all improvements over a period of time.

TOTAL PROJECTED CAPITAL IMPROVEMENTS

FY88-94	FY89-9	FY90-9	FY91-97	FY92-98	FY93-9	FY94-00
43,122	NA	54,621	72,382	59,220	52,688	88,000

* Adjusted to include expected High School and Police/Fire Station renovations

A comparison of the total capital improvements projected for each six-year period since FY88 shows an increase from \$43 million to \$88 million, an increase of over 100%.

By using this kind of projection, we can determine our approximate cost to repay our debt (debt service, which includes principal and interest). The FY94 CIP shows that during the 80s, the annual debt service was around \$3 million; this is projected to rise to about \$8 million in FY95. Total outstanding debt will peak in FY98 at about \$67 million.

Newton has a financial policy that general fund debt service (excluding enterprise funds) will not exceed 5% of general fund revenue, and for FY93 was 2.5%. Analysis of Brookline's situation should be made as a comparison.

Obviously, when dealing with such numbers, it's important to have the best estimate available of the future costs. However, there appear to be some glaring discrepancies in the FY94 CIP. These are the Police/Fire Headquarters renovation (\$4 million) which does not appear, and the High School renovation, currently under-estimated at \$11.3 million. Moreover, the Library, Public Safety, and Water/Sewer all have years between FY98 and FY00 when no funding needs are projected.

The sub-committee has been assured that these projections are the best possible right now; however, prudent management (and common sense) suggests that these functions will have capital needs. To address the physical needs of the Town, a Capital Needs Assessment has been requested since May, 1992, by the Planning Department. The \$125,000 needed would provide an invaluable foundation on which to base future infrastructure planning.

Maintenance of Public Buildings:

Maintenance until recently has been deplorable. The Pierce School, built in 1973, needed extensive exterior renovation in 1989. A solar hot water system at the Pool, installed with a grant in 1983, was never operational. The Heath School roof and oil storage tanks have been notorious problems.

School funds, appropriated for maintenance, were reportedly redirected to supporting educational programs. The recent placement of School building maintenance under the direction of the Building Department is, we believe, a major step toward improving school building maintenance. The practice of building the exterior of buildings with very low maintenance materials (as is being done with the new Lincoln School) should be mandated.

	MEMO	CIP REC	CIP SCHED	CIP REC					
FY94 CIP	FY89-95	FY94	FY95	FY96	FY97	FY98	FY99	FY00	TOTAL
RECOMMENDED		11,236	13,816	12,723	8,710	12,919	2,426	7,611	69,441
SENIOR CTR MOVED TO FY95					-3,800				
ADJUSTED CIP					4,910				
FUNDING SOURCES									
EXTERNAL (ENTERPRISE, GRANTS, CDBG)		7,054	1,351	971	526	6,081	1,436	536	17,955
INTERNAL SOURCES REQUIRED (RECOMMENDED - EXTERNAL)		4,182	12,465	11,752	8,184	6,838	990	7,075	51,486
TAX REVENUE (FROM CIP)	10,508	452	500	1,063	922	480	528	655	4,600
BONDING (FROM CIP)	26,810	3,730	11,965	10,689	7,262	6,358	762	6,420	47,186
TOTAL INTERNAL	37,318	4,182	12,465	11,752	8,184	6,838	1,290	7,075	51,786
BOND FINANCING % (BONDING / TOTAL)	71.84%	89.19%	95.99%	90.95%	88.73%	92.98%	59.07%	90.74%	91.12%
OUTSTANDING DEBT									
	MEMO								
FY94 CIP PROJECTED	FY89-95	FY94	FY95	FY96	FY97	FY98	FY99	FY00	TOTAL
UNIDENTIFIED NEEDS									
HIGH SCHOOL			0.2	5.2	5.2	5.2	5.2	5.2	26.2
POLICE/FIRE STATION				0.4	3.6				4.0
TOTAL UNIDENTIFIED			0.2	5.6	8.8	5.2	5.2	5.2	30.2
DEBT SERVICE									
EXISTING DEBT PAYMENTS (BOND MATURITY SCHED)									
BOND PRINCIPAL		4.0	4.7	4.0	3.9	3.7	3.3	2.5	22.1
INTEREST		2.0	2.1	1.8	1.6	1.4	1.3	1.1	9.3
TOTAL EXISTING DEBT SERVICE		6.0	6.8	5.8	5.5	5.1	4.6	3.6	31.4
FY94-FY00 FUTURE									
BOND PRINCIPAL (BONDING / 15 YRS)		0.2	0.8	0.7	0.5	0.4	0.1	0.4	2.9
INTEREST @ 4%		0.2	0.5	0.4	0.3	0.3	0.0	0.3	2.4
TOTAL FUTURE DEBT SERVICE		0.4	1.3	1.1	0.8	0.7	0.1	0.7	4.6
FY94-FY00 UNIDENTIFIED									
BOND PRINCIPAL (UNIDENTIFIED / 15 YRS)			0.0	0.4	0.6	0.3	0.3	0.3	2.0
INTEREST (UNIDENTIFIED @ 4%)			0.0	0.2	0.4	0.2	0.2	0.2	1.2
TOTAL FUTURE DEBT SERVICE			0.0	0.6	0.9	0.6	0.6	0.6	3.2

Appendix V

An Analysis of the Town Administrator's FY95 Budget Guidelines

As of February 10, 1994, the Town Administrator's office estimated the deficit as about \$1.4 million. Our committee has not made use of the "deficit-accounting" approach used by the Town. Moreover, our estimates of the level of additional funding required are based on the assumption that the Town can finance its present level of services within the limits imposed by Proposition 2 1/2. At first glance it may appear that the \$1.4 million projected deficit should be added to our estimate of the Town's unfunded needs. However, this interpretation is incorrect. Therefore, it is important to understand the relation between the way we reached our conclusions and the way the Town estimated its projected deficit.

The Town projected deficit represents an estimate of the shortfall in funding which would occur under the following set of assumptions:

1. On the revenue side, it assumes that property taxes will increase in line with the limits imposed by Proposition 2 1/2 and takes account of any changes in state aid and other minor sources of funding which are reasonably likely to occur. It assumes no change in the level of fees.
2. On the cost side, it represents an adjusted maintenance of effort budget which takes account of known or projected cost increases in providing the present level of services. Adjustments are made for increases that have already been committed to such as debt service and mandated programs. In addition, there are adjustments for prudent increases in services.

We assume that maintenance of effort (i.e. providing exactly the same services next year as we are this year) is feasible within the limits of Proposition 2 1/2. As a result of this assumption, we exclude increases in costs which are not simply maintaining current services but instead are designed to increase either the nature of services or the number of residents covered by those services. Thus, although we fully support increased funding of the reserve fund and tax-financed capital, we do not include these increases in our assessment of the feasibility of a maintenance of effort budget.

In our projection of new costs we include a number of items also included in the Town's calculation of the fixed cost increase. These are \$300,000 for increased spending on bilingual and special education, \$200,000 for the reserve fund, and \$348,000 for tax-financed capital.

While we agree that significant layoffs would be required in the absence of a Proposition 2 1/2 override, we anticipate that the Town will not require layoffs if our plan is supported by the voters. This reduces the fixed costs by another \$200,000 by eliminating the cost of unemployment compensation.

Finally, the Town's fixed cost calculation assumes that compensation costs for School Department employees will increase by 3.5%. We have pointed out that between December 1992 and December 1993, compensation costs for public elementary and secondary school

employees rose by only 2.4% while salaries rose by only 2.6%. Moreover, state and local government contracts appear to be settling at even lower rates (1.1% for the first-year of the contract). Since the teachers contract ensures that salaries will increase by 1.5% for FY95, it seems reasonable to assume that the added increase will be 1.1%, giving teachers a total increase of 2.6%. This would decrease projected salary increases by about \$260,000. This analysis is not intended to be an assessment of what increase teachers should receive. We can recognize the merit of arguments for both zero increase and somewhat greater increases. For planning purposes, assuming the settlement will be near the national average seems reasonable.

We also differ in our assumption regarding the rate at which compensation of employees not covered by collective bargaining will increase. As discussed elsewhere in this report. We expect that these pay increases will be held to 2%. We do not have a precise estimate of the effect of this different assumption, but it is on the order of \$30,000.

With these adjustments, we have reconciled our analysis with that of the Town Administrator's office down to a discrepancy of \$56,742 an amount that is well within any reasonable margin of error. This discrepancy would be further reduced by taking into account a small reduction in the amount of bond anticipation notes which will be issued as a result of the lower level of bonding under our plan.

The Town's projected "fixed cost budget deficit"		\$1,394,742
Subtract cost increases accounted for in our calculation		
Projected tax-financed capital increase	\$348,000	
Special and bilingual education increase	300,000	
Town reserve fund	200,000	
Subtract anticipated collective bargaining increases		
Assume 2.6% increase in school department compensation	260,000	
Reduce executive compensation increases	30,000	
Subtract anticipated unemployment increase	<u>200,000</u>	
		\$1,338,000
DISCREPANCY WITH OUR COMMITTEE'S ESTIMATE		\$56,742

Appendix VI
 Spending Trends

(Dollars in Thousands)

	<u>FY89</u>	<u>FY93</u>	<u>Percent Change</u>
Education	\$28,812	\$32,866	14.1
Employee Benefits(1)	10,678	12,272	14.9
Public Works (2)	10,142	10,141	0.0
Police	6,722	7,844	16.7
Fire	7,782	7,649	(1.7)
Debt Service	3,453	4,736	37.2
Library	1,964	2,017	2.7
Human Services(3)	1,786	1,651	(7.6)
Recreation	1,097	919	(16.2)
Building	869	986	13.5
Information Services	521	566	8.6
General Government(4)	<u>2,874</u>	<u>3,629</u>	<u>26.3</u>
 TOTAL EXPENSES(5)	 \$76,698	 \$85,277	 11.2

1) Contributory Retirement Contributions, Non-Contributory Retirement Payments, Retirement Administration, Group Life Insurance, Group Health Insurance, Unemployment Insurance, Workers Compensation Insurance, Public Safety Medical Disabilities, Medicare Employer Payroll Tax

2) Public Works, Transportation

3) Health, Veteran Services, Council On Aging, Human Relations, Rent Control

4) Selectmen, Advisory Committee, Personnel, Purchasing, Legal, Board of Assessors, Town Clerk, Comptroller, Treasurer/Collector, General Services, Planning, Historical Commission, Printing of Warrants, MMA Dues, Out-Of-State-Travel, Property Insurance, Contingency, Annual Audit, Claims & Settlements, Tax Title Costs

5) Excluding MWRA Charges