

# **TOWN OF BROOKLINE OVERRIDE STUDY COMMITTEE**



**Final Report  
January 2008**



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**APPENDICES**

# 1 EXECUTIVE SUMMARY

## 1.0 *The Override Study Committee*

On April 24, 2007, the Brookline Board of Selectmen appointed an Override Study Committee (OSC) after adopting the following resolution on February 13, 2007:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Selectmen seeks to evaluate whether substantially more revenue capacity than what is currently projected is unavoidably necessary in order to maintain desired levels of services. And, further, wants this evaluation to be conducted through a comprehensive and thorough examination of town finances, municipal/school expenditures and community ability to pay in comparison to other municipalities. The Board of Selectmen—acting as the only Town body with authority to call for an override ballot question—hereby establishes an Override Study Committee of no more than nine members to report initial findings by June, 2007 and make final recommendations, if any, by November 2007. Coordination of resources, records, information and other requirements of said Committee shall be provided by the Town Administrator.

Appointed OSC members were: Gordon Bennett, Eric Buehrens, Lloyd Dahmen (Co-Chair), Tony Friscia, Amy Kershaw, Jeffrey Liebman, Vince McGugan (Co-Chair), Bill Schwartz, and Will Slotnick. Selectwoman Betsy DeWitt, School Committee Vice-chairman Henry Warren, and Advisory Committee Vice-chairman Neil Wishinsky served as ex-officio, non-voting members. Member biographies follow:

### **Vince McGugan (Co-chair)**

Mr. McGugan is a graduate of Harvard College, Harvard Business School, and Harvard Law School. He is a specialist in finance, entrepreneurial business, and general management. He currently manages money in the public capital markets as the Chairman of Gold Hill Company. He has served as a board member of a number of startup entrepreneurial technology and operating companies. His children attended Brookline Schools.

### **Lloyd Dahmen (Co-chair)**

Mr. Dahmen holds an undergraduate degree from Harvard College and an MBA from the Harvard Graduate School of Business Administration. His working career includes investment portfolio management, early stage venture capital, and management of a commodities investment fund. He and his family have lived in Brookline for 35 years.

### **Gordon Bennett**

Mr. Bennett holds a Masters in Economics from New York University and is a graduate of Harvard College. A Chartered Financial Analyst and a Certified Financial Planner, he has worked as a bond trader, a fixed-income portfolio manager and is now a financial advisor for individuals and families. He attended Lawrence School and is a graduate of Brookline High School.

### **Eric Buehrens**

Mr. Buehrens is the Chief Operating Officer at Beth Israel Deaconess Medical Center. He has previously served as Chairperson of the Fiscal Policy Review Committee, which convened in September 2003 and issued its report in January 2004. His children attended Brookline Schools.

### **Tony Friscia**

Mr. Friscia is a graduate of Vassar College and is President and CEO of AMR Research, a Boston-based company that researches emerging technology and analyzes its potential impact on business performance. Mr. Friscia is on the Board of the Brookline High School 21<sup>st</sup> Century Fund. His children attend Brookline Schools.

**Amy Kershaw**

Ms. Kershaw holds a Master of Public Administration from Syracuse University and a BA from Williams College. She is currently employed as Deputy Commissioner for the Massachusetts Department of Early Education and Care where she oversees and develops policies and procedures for financial assistance for low-income working families, and at risk children. She has worked for several governmental agencies. Her children attend Brookline Schools.

**Jeffrey Liebman**

Jeffrey Liebman is the Malcolm Wiener Professor of Public Policy at Harvard's Kennedy School of Government where he teaches courses on tax and budget policy. Professor Liebman's research focuses on the fiscal implications of aging populations and of rising health care costs. From 1998-1999, Liebman served as Special Assistant to President Clinton for economic policy and coordinated the Clinton Administration's Social Security reform technical working group. His oldest daughter is a first grader at the Pierce School.

**Bill Schwartz**

Mr. Schwartz holds a Master of Science in Transportation from MIT and is a city planner and transportation consultant. He is the Vice President of Transportation for Planners Collaborative, a Boston-based consulting firm. Mr. Schwartz served on the Transportation Board for six years, including two as chairman, and on the Comprehensive Plan Committee. His children attend Brookline Schools.

**Will Slotnick**

Mr. Slotnick is Senior Vice President of FCD Educational Services, a nonprofit provider of school-based substance abuse prevention services. He is a Town Meeting member from Precinct 12, President of Brookline Access Television, and serves on a number of town and school committees. His child attends Brookline schools.

**1.1 Meetings of the OSC**

The committee convened in an initial organizational meeting on May 10, 2007. The committee met a total of eighteen times between May 10, 2007 and January 7, 2008. The following is a listing of the full committee meetings: Minutes and informational reports are on the town's website at [www.townofbrooklinemass.com/Boards/OverrideStudyCommittee.html](http://www.townofbrooklinemass.com/Boards/OverrideStudyCommittee.html)

- Thursday, May 10 at 8:30 a.m.
- Wednesday, May 23 at 8:30 a.m.
- Thursday, June 7 at 8:30 a.m.
- Thursday, June 21 at 8:30 a.m.
- Thursday, July 12 at 8:30 a.m.
- Thursday, July 26 at 8:30 a.m.
- Thursday, August 9 at 7:00 p.m.
- Thursday, August 23 at 8:30 a.m.
- Thursday September 6 at 7:00 p.m.
- Thursday September 20 at 8:30 a.m.
- Thursday, October 17 at 7:00 p.m. (Public Hearing)
- Monday, October 22 at 7:00 p.m.
- Monday, October 29 at 7:00 p.m.
- Monday, November 5 at 7:00 p.m.
- Wednesday, November 28 at 7:00 p.m.
- Monday, December 10 at 7:00 p.m.
- Monday, December 17 at 7:00 p.m.
- Monday, January 7 at 7:00 p.m.

## 1.2 Subcommittees of the OSC

In addition to the full committee meetings the OSC decided to divide their work into sub-committees that met well over two dozen times with meetings posted in accordance with the open meeting law. The sub-committee listing is found below, and sub-committee reports can be found in their entirety in the Appendix.

- Personnel and Benefits- Jeffrey Liebman, Gordon Bennett
- Municipal Services- Lloyd Dahmen, Betsy DeWitt
- Education- Tony Friscia, Amy Kershaw, Will Slotnick
- Energy- Lloyd Dahmen, Betsy DeWitt
- Revenue- Will Slotnick, Bill Schwartz, Vince McGugan, Eric Buehrens
- “Big Picture”- Vince McGugan, Neil Wishinsky, Eric Buehrens
- Capital- Bill Schwartz, Henry Warren, Gordon Bennett
- Report Writing- Bill Schwartz, Tony Friscia, Neil Wishinsky

## 1.3 Key Findings

At the end of 2007, the Town of Brookline’s anticipated budget deficit was projected to be at least \$2.6 million for FY09. The key contributors to this deficit are:

- Significant increases in the number of full-time equivalent (FTE) employees in the schools over the past decade, including both instructional staff and mandated special education (SPED) staff
- Rapid increases in health insurance premiums and energy costs
- Slow growth in state aid and local receipts
- Limited opportunities to increase tax revenues from economic development

The OSC was also asked to consider that:

- One way to reduce the budget deficit is to make further cuts in town services
- The School Department and School Committee (the Schools) have identified programmatic educational enhancements for FY09 and beyond that would require new funding

In addition, during the course of its work, the OSC identified the need to address the under-funding in recent years of roads, sidewalks, parks, and building maintenance.

After more than six months of work, the OSC recommended that an override should be pursued by the Selectmen to address the projected deficit for FY09, the need to increase capital and maintenance spending, and to support the proposed new school initiatives. The components of the override are:

<b>Component</b>	<b>Cost</b>
Eliminate the Projected FY09 Deficit	\$2.6-3.5M
Fund Needed Capital and Maintenance	1.5M
Lengthen School Instructional Day	1.8M
Implement World Language Program	0.8M
<b>Total</b>	<b>\$6.7-7.6M</b>

The OSC also concluded that even with an override, the town will face an on-going structural deficit in the coming years as health care and SPED costs continue to grow at rates that exceed revenue growth and under-funded retiree benefits add additional financial burden. So while new revenues would offset the structural deficit for FY09, additional steps will have to be taken in order to eliminate the longer-term structural deficit and to put Brookline’s finances on a sustainable path. Note that because approximately three-fourths of Brookline’s costs are personnel-related, this structural deficit results primarily from growth in staffing levels and compensation that exceeds Brookline’s natural revenue growth.

Having reached these conclusions and in consideration of its mission, the OSC voted to make the following recommendations:

- **Motion I:** After reviewing fiscal policies and studying the Town of Brookline's current overall financial situation, the Override Study Committee (OSC) recommends to the Selectmen an override for Fiscal Year 2009. Motion I passed by a vote of 9-0.
- **Motion II:** The OSC concludes that the budget deficit for FY09 is likely to be between \$2.6 and \$3.5 million based on current town forecasts. The OSC recommends to the Selectmen that an override should provide the funds necessary to close the deficit and maintain town and school services at present levels. Motion II passed by a vote of 7-2.
- **Motion III:** Even with a successful override, the town will face structural deficits beyond FY09 unless changes are made to the rate of growth of certain costs, particularly personnel costs. To avoid the need for additional overrides in the near future, the OSC recommends that the Board of Selectmen and School Committee pursue a series of short- and long-term cost-saving measures and new revenue initiatives for FY10 and beyond that are necessary to support sustainable levels of services. Motion III passed by a vote of 9-0.
- **Motion IV:** The OSC has identified several critical areas that have been under-funded over the past several years. These include roads and sidewalks and public building maintenance. In addition, the town should meet expanded maintenance requirements for parks and open space. It will cost \$1.5 million to fund these critical infrastructure needs and future obligations. The OSC recommends that the Selectmen include raising the revenue necessary to fund these areas in an override proposal. Motion IV passed by a vote of 9-0.
- **Motion V:** An initiative under consideration to strengthen Brookline's public schools is a longer instructional school day. The OSC recommends that the Selectmen include raising the revenue necessary to fund this initiative in an override proposal. The longer instructional school day will cost \$1.8 million. Motion V passed by a vote of 7-2.
- **Motion VI:** An initiative under consideration to strengthen Brookline's public schools is a World Languages program. The OSC recommends that the Selectman include raising the revenue necessary to fund this initiative in an override proposal. The World Languages Program will cost \$0.8 million. Motion VI passed by a vote of 7-1 with 1 abstention.

This report describes how the OSC reached these conclusions. It presents findings and analysis to support the above recommendations (including extensive appendices) to address the current deficit, the increased needs for capital and maintenance funding, the programmatic needs of the schools, and the dramatic steps the OSC feels the town must take to address an on-going structural deficit as well as future financial challenges.

The report includes comparisons to other communities, including a list of “peer” communities that the town has used in the past. These communities are City of Boston, City of Cambridge, City of Newton, Town of Framingham, Town of Weymouth, City of Medford, Town of Arlington, Town of Lexington, and Town of Wellesley. These communities are shown in each of the comparison tables supplemented by information from additional communities whose relationship to Brookline is shown in the individual tables.

Because an increase in property taxes resulting from an override may present a hardship for some Brookline residents, the OSC approached these recommendations to raise taxes with the utmost care and weighed them against the loss of services or lack of investment that would result from not raising taxes.

## 2 SUMMARY MINORITY STATEMENT

*Two members of the OSC have drafted the following statements as a minority position:*

1. Passing an override to fully fund Brookline's structural deficit will worsen, not alleviate, Brookline's ongoing financial predicament. We think the ongoing burden of closing the gap should be shared by the town and the taxpayers and addressing this deficit with simultaneous revenue-raising and cost-control measures should be town and school officials' first priority.
2. We do not support a \$6.7 to \$7.6 million general override, only a portion of which relates to a projected FY09 deficit of \$2.6 to \$3.5 million, knowing that within two years Brookline will face an even greater deficit than it faces today.
3. Initiating large new discretionary spending programs in the face of an unresolved and growing structural deficit is unwise and untimely. Moreover, before expanding expenditures on new programs, Brookline first needs to begin setting aside money for the substantial existing prior commitments to our current and retired employees. For example, none of the monies to be raised from the proposed override is targeted to meet the over \$200 million unfunded healthcare liability. Given Brookline's struggle to fund its current services and difficulty in financing its large unfunded healthcare and partially funded pension liabilities, we do not support funding the two new spending initiatives through an undifferentiated general override.
4. We support the \$1.5 million portion of the override that would invest in the maintenance of town physical infrastructure.
5. The main elements in the override should be advocated for and voted upon individually. We support having at least two questions on the ballot, one for maintenance of effort including money for the town's infrastructure and the structural deficit, and one for expansion of services. Brookline's citizenry deserves to have an open and thorough debate on each of the override's items. Packaging the override in one vote that combines maintenance of existing service levels with costly new spending initiatives thwarts public discussion and denies voters the opportunity to make this critical choice.
6. We are concerned that Brookline's affordability for many of our neighbors would be threatened by such an increase as we all face the same rapidly rising heating, gas, and utility costs as the town, even before considering the added burden of higher property taxes. The full OSC-recommended override will lead to a 5.0-5.6% increase in property taxes which, when added to the base increase of 2.5%, means at least a 7.5% increase in property taxes for FY09.



## **3 THE BUDGET CHALLENGE**

### **3.0 Background**

In August 1993, a Financial Planning Advisory Committee (FPAC) was formed “in response to a continuing fiscal crisis in the Town of Brookline.” As a result of FPAC’s recommendations, the Selectmen approved a financial improvement program in March 1994 and placed a \$2.96 million override on the ballot (94 Override), which was approved by the voters.

Other direct outcomes of FPAC were the development of a set of financial policies for reserves, the use of Free Cash, and the Capital Improvement Program (CIP)/Debt, along with the Town/School Partnership Agreement, all of which continue to guide town budgeting. In other words, the 94 Override enabled the town to make a number of significant changes to its financial practices while simultaneously raising additional revenues to make important investments in Brookline.

In the 13 years since the 94 Override, the town initially experienced a positive trend, which proved to be short lived. In the early years, due to the passage of the Education Reform Act in 1993 and the uncapping of the Lottery, local aid to cities and towns (Local Aid) increased significantly, and revenue growth from property taxes and local receipts was also robust. Inflationary pressures, particularly health care costs, were limited during the same period. As a result of these factors, budget pressure was limited from 1994 until 2003.

In 2003, the budget climate began to revert back to that of the early 90s due to the combination of cuts in Local Aid and well-above inflation-level increases in health insurance, SPED costs, utilities, and pensions. The problems became apparent between mid-FY03 and FY04 when Local Aid decreased by \$2.8 million (14%). The budget has been under stress since then, which ultimately led to the need to form the OSC.

### **3.1 Key Contributors to Structural Budget Problems**

For FY09, the town projects a structural deficit of \$2.6 million to \$3.5 million and projects increasing deficits going forward. There are several contributing factors to these projected deficits, most of which have accumulated over a number of years.

#### **3.1.1 The Schools Have Increased Instructional Staff**

Between 1994 and 2006, the schools have increased instructional FTEs from 239 to 302 while enrollments have remained relatively constant. Instruction staffing increased during this period for several reasons. First, the high school increased graduation requirements and, with students taking additional courses, the number of teachers was increased, particularly in science, math, and foreign languages. Second, additional math and literacy specialists were hired both for the high school and the elementary schools. Third, school nurse staffing was increased to allow each elementary school to have its own full-time nurse. Fourth, the kindergarten program was extended to a full-day program.

#### **3.1.2 The Schools Have Increased Staff for Special Education Programs**

By Federal and State law, the town is required to provide a “free and appropriate public education to children with special educational needs. Section 504 of the Federal *Rehabilitation Act of 1973* protects the rights of individuals with disabilities in programs and activities that receive federal funds including public school districts. Section 504 requires a school district to provide a “free appropriate public education” (FAPE) to each qualified person with a disability who is in the school district’s jurisdiction, regardless of the nature or severity of the person’s disability. An “appropriate” education includes education services designed to meet the individual education needs of students with disabilities as adequately as the needs of non-disabled students are met. See <http://www.ed.gov/about/offices/list/ocr/docs/edlite-FAPE504.html> for more information.

Given the above mandate and due to significant changes in medical, economic, and social factors, including advances in medical technology, an increase in the number of children living in poverty, and the requirement to educate children in their local schools rather than in outside institutions, more children with special needs are entering and being served in the public schools. As a result, SPED expenditures nationally and across the state have risen. Brookline's expenditures on SPED programs have increased \$6.4 million (69%) since FY01. As a result, SPED now accounts for 25% of the overall school budget and between 1994 and 2006, the schools have increased mandated (SPED) FTEs from 95 to 251.

### **3.1.3 Growth Rates For State Aid and Local Receipts Have Slowed**

Annual increases in Local Aid averaged 10% per year from 1996 to 2001; since 2002 Local Aid has been basically level funded (down 5% and 9%, respectively, in FY03 and FY04, flat in FY05, and increases of 5%, 7%, and 5%, respectively, in the last three years). The end result is state assistance being 7% less than it was in FY03, when adjusted for inflation.

### **3.1.4 Health Insurance Premiums Continue to Increase Significantly**

Since FY96, when Brookline implemented a self-insured, managed health care plan, the health insurance budget has grown from \$7.4 million to \$21 million, an increase of \$13.6 million (184%). From FY96 to FY00, moderation of national health care costs kept expenditures reasonably under control. Since then, the town has seen double-digit rate increases. Amid these increases, the number of enrollees has also increased by 362 (15% since FY96). To address this, the town consolidated coverage into a single insurer (Blue Cross/Blue Shield), which slowed growth to 7% in FY05.

Premium growth then jumped again by 11% from FY06 through FY07. For FY08 the town cut its anticipated rate of increase in half from 12% to 6% by more than doubling co-pays. This was negotiated through a collective bargaining method called "coalition bargaining," which has the potentially restrictive feature of extending negotiating rights to retirees. However, because of the changes adopted by the town both in FY05 and FY08, group health costs are \$2 million less than would otherwise be the case. Despite these changes, the town has been notified to plan for a likely 14%-15% rate increase for FY09.

### **3.1.5 Utility Costs Are Escalating Rapidly**

Since FY00, the town-wide utility budget has doubled, going from \$2.6 to \$5.3 million. In just a two-year period (FY06–FY07), utility costs increased by \$2.3 million. The combination of an unfavorable post-deregulation electricity market with the upward price escalation in crude oil has resulted in enormous pressures on the energy budget. Once a minor and relatively simple component of the budget, the utility budget is now quite complex and totals more than the combined budgets of the Library, Health, and Recreation departments. The town continues to take steps to help blunt the impact of these increases, including strategically locking into long-term contracts where it makes financial sense and focusing on energy conservation measures.

## **3.2 Prior and Ongoing Town Budgeting Strategies**

The town has addressed both the continuing budget pressures and the needed investments through a number of key initiatives, as follows:

- Followed many of the principal FPAC recommendations
- Implemented and continued a "No Net New Hire" policy for municipal staff
- Adopted Section 18 (placing eligible retirees onto Medicare)
- Been cautious in spending the increased Local Aid during good economies
- Negotiated a solid waste contract with a 2.5% annual growth cap that expired in FY07 and recently entered into a new seven-year contract that results-in per ton prices that will be just 6% greater in FY14 than they were in FY07, or growth of less than 1% per year

- Procured electricity contracts at rates well below the standard offer/default service
- Purchased street lights from the electric utility, thereby reducing maintenance costs
- Implemented increases and restructuring of fees/fines

### **3.3 Addressing This On-Going Challenge**

The following chapters provide a detailed analysis of options that the OSC considered, including:

- Addressing the structural deficit in FY09 without an override, which looks at both likely cost cuts and their impact as well as potential new revenues that would have to be generated through fee increases;
- Investing in under-funded areas
- New initiatives to strengthen the schools
- The structure and impact of a potential override
- Long-term strategies to address town finances



## 4 ANALYSIS OF BROOKLINE'S FY09 BUDGET

### 4.0 The \$2.6 to \$3.5 Million Budget Shortfall

For FY09, the town faces a budget deficit of between \$2.6 million and \$3.5 million. The uncertainty in the size of the actual deficit stems primarily from ongoing collective bargaining as well as potential variability in revenue growth rates. Note that the lower end of the range (\$2.6 million) is predicated upon FY08 and FY09 wage adjustments of 2% for each year. While 2% has been paid to non-union employees for FY08, no town union has yet to come to terms for a labor contract for this period. In fact, the police and fire unions have been without successor agreements since June 30, 2006. The School Committee settled at 3% with all of its unions.

Because of these protracted public safety contract negotiations, the state Joint Labor Management Committee has taken over jurisdiction. The Fire negotiations are now formally under the oversight of a mediator/arbitrator. Consequently there is a likelihood that wage adjustments greater than the town has forecasted could be recommended/directed.

Under the scenario in which wage adjustments for FY08 and FY09 are greater than 2% (yielding a \$3.5 million deficit) the FY09 forecasted budget shortfall for the town (non-school) budget would be approximately \$1.5M, while the school budget deficit would be approximately \$2M.

### 4.1 Eliminating the Budget Deficit without an Override

Without an override, the town and the schools will have to address this budget deficit by cutting costs or increasing non-property tax revenues. The OSC spent time with both town and school officials to identify from where such cuts might be made and where potential new revenue could be raised. Given that priorities can change, the OSC notes that these may not be the ultimate cuts made/new revenues adopted. Nonetheless, this is an informed estimate based on looking at what items were considered during recent years when similar budget deficits were projected.

#### 4.1.1 Potential Town Budget Cuts for FY09

According to the Town Administrator, FY09 budget cuts, if patterned similar to those considered for FY08 would approximate the following list to meet a deficit of \$1.5 million:

<b>Category</b>	<b>Cost Savings</b>	<b>Comments</b>
Eliminate Police Positions	\$120,000	2 officers plus benefits
Eliminate Fire Positions	\$110,000	2 firefighters plus benefits
Eliminate DPW Positions	\$200,000	4 laborers plus benefits
Eliminate 8-9 FTE's in Other Departments	\$300,000	Various full and part-time positions in central administration, library, recreation, planning, health, public safety, and clerical
Reduce Building Repair & Maintenance	\$400,000	Return to funding level set by 1994 Override
Capital Outlay (Vehicles)	\$170,000	Defer purchase of police cruisers, light trucks, and administrative vehicles
Level Fund Non-Personnel Accounts	\$200,000	Reduction in allowances for inflation
<b>Total Town Budget Savings</b>	<b>\$1.5 million</b>	

Note that these cuts would come in the immediate aftermath of eliminating 8.9 non-public safety FTE's in FY08. Previously proposed cuts in public safety positions were restored in FY08 because the Board of Selectmen approved increases in the refuse fee, parking fines, and parking meter rates. Any cuts made in non-personnel accounts for FY09 would also follow several consecutive years of level funding in several

of those large areas (e.g. 11 years of level funding for building repair and maintenance), despite inflation-driven increases in costs, which reduces the town's ability to maintain service levels.

#### 4.1.2 Potential School Budget Cuts/Fee Increases for FY09

According to the Superintendent of Schools, the following FY09 budget cuts and fee increases would need to be considered to address the current projected \$2.1 million deficit.

<b>Program Area</b>	<b>Cost Savings</b>	<b>Potential Reduction/Impact</b>
Enrichment & Challenge (formerly Gifted & Talented)	\$66,000	K-6 Program. Includes 3.6 teachers & 0.6 curriculum coordinator. This would reduce staff by 1 FTE
Literacy & Math Specialists	\$320,000	Go back to pre-'07 state and invalidate Program Review. Reduce staff by 6 FTEs
7 Social Workers	\$110,000	Reduce staff by 2 FTEs
Computer Equipment Purchases	\$100,000	Take aging from 5 to 7 years.
Guidance & Career Center Staffing	\$110,000	Cut 2 HS guidance counselors
Libraries	\$175,000	Eliminate Library Aides to reduce staff by 6.85 FTEs
Performing Arts	\$500,000	Eliminate Grade School Instrument Program – 9 FTEs
Professional Development	\$100,000	Consolidate Curriculum Coordinator
BHS Tutorial	\$180,000	9.3 Teachers currently. This would eliminate tutorial services for 1 or 2 subjects and reduce staff by 3 FTEs.
SPED Management Efficiencies	\$125,000	Result of SPED management for growth containment.
<b>Subtotal Budget Cuts</b>	<b>\$1,786,000</b>	
<b>Fee Increase Category</b>	<b>Revenue</b>	<b>Comments</b>
Athletics	\$97,000	Increasing athletics fee from \$175 per sport to \$225. Note that fees were raised last year from \$125 to \$175.
Early Childhood	\$150,000	Increase tuition for non-mandated portion
Material Fees	\$60,000	Raise fee from \$2,000 to \$2,500 (120 students). Note: fees were raised in FY05 from \$1,200 to \$2,000 and in FY03 from \$800 to \$1,200
Non-Mandated Transportation	\$16,000	Charge for High School bus from South Brookline
<b>Subtotal New Revenue</b>	<b>\$323,000</b>	
<b>Total School Budget Savings</b>	<b>\$2,109,000</b>	

Note that over the past several years, school officials have continuously sought and implemented efficiencies and cost savings. Recent examples of this include the elimination of the daily substitute program, consolidation of various administrative/clerical staffing functions and the combining of library and information technology staff. During FY08, fees for both athletics and for non-resident town employees to attend the schools ("material fees") were raised. All of these efforts had a positive impact on the FY08 school budget. Finally, the schools are in the process of implementing a multi-pronged strategic management plan for SPED that is showing preliminary cost savings during the current fiscal year as reflected in the above table.

### 4.1.3 Potential Short-term Revenue Increases for FY09

As discussed in the New Revenues Subcommittee report (see Appendix), there are limited new revenue opportunities for FY09, with the only real potential for new revenue opportunities for FY09 coming from increasing parking meter fees, increasing refuse fees, and/or increasing taxi licensing fees. The Selectmen will need to consider whether raising fees to residents while considering an override is advisable.

### 4.1.4 Impacts of Service/Program Cuts and Fee Increases

Brookline is not alone in facing budget shortfalls. Members of the OSC experienced first hand the quality of the management professionals in both the town and the schools and the quality of the town's financial management practices. The town is also well served by tireless volunteers on boards, commissions, and committees and through Brookline's representative Town Meeting. The OSC believes that long-time as well as new Brookline residents expect quality services and excellent schools. Whether services are impacted would depend on exactly how the budget shortfall is met.

As the OSC considered an override, it was noted that Brookline last placed an override on the ballot in 1994. This puts Brookline in favorable contrast to most other comparable municipalities whose financial condition rated Aaa by Moody's Investors Service. As the following table shows, most of these communities have implemented overrides since 2000, with several having passed multiple overrides.

#### Overrides Passed by Brookline, Its Peers, and Other Aaa-Rated Communities Since 2000

Community	Pop.	Overrides	
		# Since 2000	Levy Increase
<i>Peer Communities</i>			
Boston	559,000	--	--
Cambridge*	101,000	--	--
Newton*	84,000	1	\$11.50M
Framingham	65,000	1	\$7.17M
<b>Brookline</b>	<b>57,000</b>	--	--
Weymouth*	53,800	--	--
Medford	53,500	--	--
Arlington	41,000	1	\$6.00M
Lexington*	30,400	3	\$9.50M
Wellesley*	26,600	6	\$13.90M
<i>Other Aaa-rated Communities</i>			
Andover <sup>#</sup>	31,200	--	--
Belmont	23,600	2	\$5.40M
Hingham*	21,000	1	\$0.70M
Concord*	17,000	6	\$10.80M
Winchester	21,000	1	\$4.60M
Wayland*	13,000	4	\$6.5M
Weston*	11,600	4	\$3.6M
Dover	5,600	3	\$1.9M

\* Communities that have also passed the Community Preservation Act (CPA) property tax surcharge

# Andover will be voting a CPA ballot initiative on March 18, 2008

## **4.2 OSC Recommendations on the Need for an Override**

**Motion Passed by OSC (9-0):** After reviewing fiscal policies and studying the Town of Brookline's current overall financial situation, the Override Study Committee recommends to the Selectmen an override for Fiscal Year 2009.

**Motion Passed by OSC (7-2):** The OSC concludes that the budget deficit for FY09 is likely to be between \$2.6 and \$3.5 million based on current town forecasts. The OSC recommends to the Selectmen that an override should provide the funds necessary to close the deficit and maintain town and school services at present levels.

**Motion Passed by OSC (9-0):** Even with a successful override, the town will face structural deficits beyond FY09 unless changes are made to the rate of growth of certain costs, particularly personnel costs. To avoid the need for additional overrides in the near future, the OSC recommends that the Board of Selectmen and School Committee pursue a series of short- and long-term cost-saving measures and new revenue initiatives for FY10 and beyond that are necessary to support sustainable levels of services.

## **5 ADDRESSING UNDERFUNDED AREAS**

Two of the OSC Subcommittees, Capital Improvements and Municipal Services, determined that the town has under-funded road and sidewalk maintenance and construction as well as building maintenance, and has incurred new park maintenance obligations. Continued under-funding of these areas will likely result in further deterioration of town assets, which would have long-term cost implications, potentially requiring assets to be replaced rather than repaired. To address this shortfall, additional funding of \$1.5 million is required.

### **5.0 Street Construction Needs**

Additional funding from an override for street and sidewalk construction is estimated at \$0.75 million, consisting of \$0.35 million to address the effects of inflation and \$0.40 million to address the under-funding of the requirements of the town's pavement management system. This amount needs to be adjusted annually (indexed) to account for inflation, as discussed in Chapter 8.

#### **5.0.1 Addressing Inflation in Road Construction Costs**

In 1992, the town undertook a comprehensive study of its roads and implemented a pavement management system. The system was designed to bring the town-owned streets to a sufficient level of repair such that the roads could be maintained without undertaking costly full reconstruction. From 1992 to 1997, the town made some progress in this regard but funding was inconsistent. Investments were made in reconstruction and resurfacing activities as well as the complementary maintenance efforts that are necessary for the management system to be effective. Through the CIP, in 1997 the town began allocating \$1 million per year to streets.

Unfortunately, while funding for road construction activities remained level, construction costs increased approximately 35% between 1997 and 2007, reducing the amount of work that could be completed each year. Had the funding levels for roads been increased each year, the current level of funding would be \$1.35 million.

#### **5.0.2 Maintaining Previously Reconstructed Roads**

The pavement management system included a strategy that each of the roads reconstructed beginning in 1992 should begin receiving maintenance expenditures by the beginning of the 7th year of the program. This maintenance (estimated to cost approximately \$150,000 per year) was not performed. The result is that the prior road investments began to deteriorate in 1999 and have not been revisited for 8 years. To address this shortfall, it is recommended that an additional \$1.2 million be invested over a three-year period at \$0.4 million per year.

### **5.1 Building Maintenance Needs**

The unfunded needs for building maintenance are estimated at \$0.5 million. This amount needs to be adjusted annually to account for inflation, and accompanied by other cost-management strategies, as discussed in Chapter 8.

For budget purposes the work done on buildings is classified into two areas: General Services (required to keep buildings operational and safe) and Line Items (upkeep). General Services also includes the scheduled annual maintenance of buildings. Line Items cover wear and tear as well as small improvements requested outside of the CIP process; these can be deferred temporarily or possibly indefinitely with results such as cosmetic deterioration. From FY00 to FY08, funds spent on General Services increased at an average annual rate of 10.4%, whereas the amount spent on Line Items was actually reduced by more than 50% over the same period. The reduction in Line Item spending allowed General Services to increase as required. The rate of increase in General Services was generally in line

with the rise in contractor's fees during the same period, but more than three times the average annual increase of the northeast urban cost-of-living index.

Several buildings were completely renovated during this period, which included new HVAC systems and some additional elevators. Although the new equipment installed was less prone to failure, it was also more complex and required more scheduled maintenance.

The town will face predictable ongoing increases in General Services expenditures that will be necessary to keep the town's buildings operating properly. These increases should therefore be built into the town's budget. Since General Service's expenditures have been restrained during the past eight years and there have been no failures of the town's basic building systems, it is reasonable to assume that the historical growth rate for General Services, which averaged 10.4% over the period, is a workable projection for FY09. This will allow for near-term escalating costs, yet will require that the Building Department continue doing a good job of supervising maintenance operations and economizing wherever feasible.

Determining the appropriate budget level for Line Items is somewhat more difficult because Line Items can be postponed yet can be very desirable. Also, requests for Line Item expenditures frequently total five-to-ten times the available funds and projects must therefore be prioritized. The OSC recommends that the budget for Line Items be set to 15% of the General Services budget, and that the Building Department be given discretion to alter the allocation between General Services and Line Items to reflect particular circumstances in any one year. This recommendation represents an increase of \$0.5 million.

## **5.2 Park Maintenance Needs**

As a result of newly created and/or renovated parks and recreation areas, the town will face additional obligations. The new needs for park maintenance are estimated at \$0.25 million. The largest of these is the \$93 million renovation of the Emerald Necklace, which includes the restoration of the Muddy River (for which the town was originally named). Funds for this project have been promised by the Federal government, and as part of the funding agreement, the town has committed to provide \$100,000 per year in maintenance services as its share of the overall cost. This includes river maintenance, wetlands management, turf and tree maintenance, and pathway maintenance. The timing of this obligation is dependent upon the completion of the entire project, but there is little doubt that it will commence within a few years.

The next largest project is the maintenance of the newly constructed Beacon Street landscape improvements. The Parks Division does not have the capacity to perform this work with in-house resources and the additional cost of contracted watering, mulching, pruning, cutting, and weeding of the Beacon Street landscape improvements is \$86,000 annually.

The new Newton Street Landfill Park requires mowing and playground cleaning which cannot be entirely covered by existing in-house capacity. The additional annual cost to fully maintain the park is \$33,000.

Finally, the town is considering the creation of a 10-acre passive and active community park on the site of the former state (DCR) reservoir on Fisher Hill. The timing of this project is dependent upon several real estate transactions that may occur as early as 2008. The Fisher Hill design team estimates that the annual maintenance requirements of this park will be \$50,000.

While the town considers itself legally obligated for the maintenance of the Emerald Necklace project, the remaining three projects are not contractual obligations, but do reflect the requirements of maintaining projects in which the town has already invested considerable resources. These projects also contribute significantly to the attractiveness of the town. The OSC therefore recommends a \$250,000 ongoing annual expenditure for the maintenance of these projects but with the strongest caveat, also made by other sub-committees, that the total cost of any future project undertaken by the town must include the full present value of ongoing maintenance expenditures.

### ***5.3 OSC Recommendation on Addressing Under-funded Areas***

**Motion Passed by OSC (9-0):** The OSC has identified several critical areas that have been under-funded over the past several years. These include roads and sidewalks and public building maintenance. In addition, the town should meet expanded maintenance requirements for parks and open space. It will cost \$1.5 million to fund these critical infrastructure needs and future obligations. The OSC recommends that the Selectmen include raising the revenue necessary to fund these areas in an override proposal.



## **6 NEW FUNDING INITIATIVES**

The schools are proposing two initiatives that will expand learning opportunities in the Brookline. Lengthening the instructional school day is the first of these, with an implementation cost of \$1.8 million. The second is the implementation of a World Language program in the elementary schools (at a cost of \$0.8 million). The discussion in this chapter was prepared by the OSC Subcommittee on Schools, which conducted an exhaustive comparison of Brookline with 23 other “peer” school districts.

### ***6.0 Lengthening the Instructional School Day***

The schools have concluded that current curriculum demands cannot be effectively met within the current school day and proposes to lengthen the instructional school day by 20-minutes. When compared to its 23 peer school districts, Brookline’s per pupil spending is in the top tier but the length of Brookline’s instructional day is in the bottom nine among elementary schools, last among middle schools, and third from the bottom in high school (see charts in Appendix III.). This would require funding of an additional \$1.8 million in FY09.

In general, with 20 more minutes added to the school day, the benefits are as follows:

Brookline High School would be able to implement a new schedule that would allow for extended blocks in order to/for:

- Meet the state's time and learning expectation for 990 hours of instructional time by taking a full course load.
- Schedule one long block (70 minutes) each week for all courses. With this change, science would be scheduled like all other courses. Currently, almost all students have science lab once per week, which prevents many students from attending four meetings of their elective course. Elective courses would then have the integrity of the traditional academic courses by meeting four times a week with all students in attendance every day (currently elective courses usually have a different group of students each day).
- Elective courses (including performing arts) would not to be isolated into “Z” Block, which begins 45 minutes early at 7:45 a.m. There would be a legitimate eighth block, providing significantly increased scheduling opportunities.

In grades 6 and 7, a longer schedule would result in one long block each week, thereby providing teachers with increased instructional flexibility and more time for core subjects and for specials (health, art, music, physical education, etc.).

In grades K through 6, 20 minutes would allow for the implementation of the World Language program (if funding for this program is passed through an override) and more time for core subjects and for health, art, music, and physical education.

Implementing this lengthened school day in FY09 triggers an increase of \$1.8 million in teacher salaries (a 7.5% increase), which was negotiated between the Schools and Brookline teachers. The negotiated agreement requires that it be implemented system-wide. It cannot be partially implemented only within the high school, for example. The negotiated agreement also states that if this lengthened instructional day is not implemented, teachers will receive an additional 1% over and above the currently planned 3% salary increase. However, this additional 1% will not be given until mid-year, making the FY09 net impact a 3.5% salary increase for teachers.

### ***6.1 Funding a World Language Program***

World language refers to the teaching of foreign languages and cultures that would be implemented in Grades K-6 with the following three overall program goals:

- to acquire proficiency in speaking, listening, reading and writing the target language

- to reinforce learning of the general curriculum content through the study of a world language; and
- to acquire an understanding of and appreciation for other cultures.

The program will cost approximately \$0.8 million in FY09.

This proposal is based on current pedagogical research about effective approaches to language acquisition and is based on the recognition that Brookline students will be increasingly required to function in a multi-cultural, global economy.

The proposal includes one full-time (1.0 FTE) K-8 program coordinator and new world language teachers in the elementary schools for a total of 9.4 FTEs).

## **6.2 OSC Recommendations on New Funding Initiatives**

**Motion Passed by OSC (7-2):** An initiative under consideration to strengthen Brookline's Public Schools is a longer instructional school day. The OSC recommends that the Selectmen include raising the revenue necessary to fund this initiative in an override proposal. The longer instructional school day will cost \$1.8 million.

**Motion Passed by OSC (7-1, with 1 abstention):** An initiative under consideration to strengthen Brookline's Public Schools is a World Languages Program. The OSC recommends that the Selectmen include raising the revenue necessary to fund this initiative in an override proposal. The World Languages program will cost \$0.8 million.

## 7 IMPACTS OF A PROPERTY TAX OVERRIDE

### 7.0 Brookline Taxes and Fees Compared to Other Communities

To determine the degree of additional burden an override would impose on residents and other taxpayers, some people find it helpful to know whether Brookline is a high-tax or low-tax community. There is no perfect answer to this question. In reality, it depends on how you slice the data.

#### 7.0.1 Statewide Ranking of Residential Tax Bills

A common measure of tax burden quoted in the press is the average tax bill for single family homes. Averages are used in this comparison because medians are not available from the Massachusetts Department of Revenue. In Brookline, for FY07, the average tax bill for single family homes was \$10,691 (fourth highest in the state). But of the 15,692 taxable residential units only 4,537 (28.91%) are single family homes. When all residential taxpayers, including condominiums and multifamily homes, are included in the analysis, the average residential tax bill for FY07 was \$6,691 (31<sup>st</sup> highest in the state).

#### 7.0.2 Comparative Cost of Municipal Services

Comparing the full cost of municipal services borne by residential taxpayers is informative. Town staff compared property taxes, water and sewer bills, and refuse fees in Brookline's peer communities. The table below compares taxes and fees as well as the increases from FY98 to FY07. Among these communities, Brookline had the 2<sup>nd</sup> lowest rate of growth in residential taxes and fees growth since 1998. While Brookline started with the highest total taxes and fees in terms of actual dollars paid by the average taxpayer in the sample, by the end of the period, the average residential taxpayer in Newton, Wellesley and Lexington paid more taxes and fees. A table showing the estimated average taxes and fees for Brookline in FY09—with and without an override—is shown later in this chapter.

Municipality	Average Taxes and Fees		Percent Increase
	FY98	FY07	FY98 to FY07
Boston	\$2,463	\$4,439	80.2
Cambridge	3,375	4,674	38.5
Newton	5,271	8,241	56.3
Framingham	3,416	5,437	59.1
<b>Brookline</b>	<b>5,670</b>	<b>7,984</b>	<b>40.8</b>
Weymouth	2,889	4,370	51.3
Medford	3,188	5,140	61.2
Arlington	3,978	6,020	51.3
Lexington	5,210	9,350	79.4
Wellesley	5,428	9,935	83.0

Note: The Consumer Price Index changed during the period July 1998 through July 2007 by 30.6%

## 7.1 Growth in Revenues Generated from Residential Properties

Town staff also compiled a comparison of revenues from taxes and fees from FY94 to FY07 and compared this to growth in the Consumer Price Index for all urban consumers (CPI-U) both nationally and for the Boston area.

### Total Revenues Generated from Residential Properties

	Property Tax Levy	Water & Sewer User Fees <sup>1</sup>	Refuse Fee	TOTAL	% Change
FY94	\$58,346,952	\$11,682,413	\$2,385,084	\$72,414,449	
FY95	\$63,204,983	\$11,851,243	\$2,520,566	\$77,576,792	7.1%
FY96	\$66,002,992	\$13,625,900	\$2,249,361	\$81,878,253	5.5%
FY97	\$68,563,952	\$13,157,225	\$2,385,360	\$84,106,537	2.7%
FY98	\$71,675,296	\$14,514,686	\$2,156,214	\$88,346,196	5.0%
FY99	\$75,588,071	\$15,554,987	\$2,134,559	\$93,277,617	5.6%
FY00	\$77,833,073	\$16,691,717	\$2,156,550	\$96,681,341	3.6%
FY01	\$82,048,075	\$15,770,488	\$2,120,772	\$99,939,335	3.4%
FY02	\$86,900,502	\$16,821,252	\$2,110,096	\$105,831,850	5.9%
FY03	\$92,072,648	\$17,947,137	\$2,175,803	\$112,195,588	6.0%
FY04	\$96,785,156	\$18,494,115	\$2,120,078	\$117,399,349	4.6%
FY05	\$101,039,890	\$19,052,440	\$2,149,801	\$122,242,132	4.1%
FY06	\$105,772,647	\$19,004,862	\$2,223,637	\$127,001,147	3.9%
FY07	\$109,750,905	\$20,970,328	\$2,185,034	\$132,906,267	4.6%
Average Annual Increase FY94 to FY07					4.8%
Growth in Boston-area consumer price index (CPI-U) over same period					2.9%
Growth in national CPI-U over same period					2.7%

This table shows that total revenues derived from residential properties increased 4.8% annually since FY94, an amount that is greater than the 2.5% many assume the town is limited to under Prop 2 ½. This is due primarily to two factors: (1) the residential property tax figures include new growth and (2) water and sewer rates are driven in large part by assessments from the Massachusetts Water Resources Authority (MWRA) (which greatly outpace the rate of inflation).

## 7.2 How Much Would an Override Cost?

The OSC has looked at a number of override scenarios. The following charts show how each scenario would affect various residential taxpayers with representative assessed valuations. The charts also show the net effect of tax increases accounting for the Federal deduction in the various tax brackets, assuming a taxpayer was able to take advantage of this deduction. It should be noted that these charts do not include the tax increases that occur each year as permitted under Proposition 2½.

**Calculations of Increased Taxes Given Various Override Scenarios**  
 Showing FY08 Taxes Plus Incremental Taxes Paid at Various Federal Tax Brackets

**Scenario 1: General Override of \$2,600,000 (Low End of FY09 Deficit Range)**

		<b>FY08 Tax</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
<i>Single Family Home</i>								
Mean	1,219,710	10,807	206.93	175.89	155.20	148.99	138.64	134.51
25% Quartile	565,550	4,148	79.42	67.51	59.57	57.18	53.21	51.62
Median	986,900	8,437	161.55	137.32	121.16	116.32	108.24	105.01
75% Quartile	1,900,800	17,741	339.69	288.74	254.77	244.58	227.59	220.80
<i>Condo</i>								
Mean	457,040	3,043	58.27	49.53	43.70	41.95	39.04	37.88
25% Quartile	272,900	1,169	22.38	19.02	16.78	16.11	14.99	14.55
Median	411,450	2,579	49.38	41.98	37.04	35.56	33.09	32.10
75% Quartile	654,800	5,056	96.82	82.30	72.61	69.71	64.87	62.93
<i>2 Family Median</i>	932,450	7,883	150.94	128.30	113.20	108.68	101.13	98.11
<i>3 Family Median</i>	1,078,450	9,369	179.40	152.49	134.55	129.17	120.20	116.61

Notes: Assumes 175% classification factor and property qualifies for residential exemption.

The 0% column (the actual tax increase) should be used by taxpayers who do not itemize or are subject to the Federal Alternative Minimum Tax (AMT).

**Scenario 2: General Override of \$3,500,000 (High End of FY09 Deficit Range)**

		<b>FY08 Tax</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
<i>Single Family Home</i>								
Mean	1,219,710	10,807	278.56	236.78	208.92	200.56	186.64	181.06
25% Quartile	565,550	4,148	106.91	90.88	80.18	76.98	71.63	69.49
Median	986,900	8,437	217.47	184.85	163.10	156.58	145.71	141.36
75% Quartile	1,900,800	17,741	457.28	388.68	342.96	329.24	306.37	297.23
<i>Condo</i>								
Mean	457,040	3,043	78.44	66.67	58.83	56.48	52.56	50.99
25% Quartile	272,900	1,169	30.12	25.60	22.59	21.69	20.18	19.58
Median	411,450	2,579	66.48	56.51	49.86	47.86	44.54	43.21
75% Quartile	654,800	5,056	130.33	110.78	97.75	93.84	87.32	84.72
<i>2 Family Median</i>	932,450	7,883	203.19	172.71	152.39	146.29	136.13	132.07
<i>3 Family Median</i>	1,078,450	9,369	241.50	205.27	181.12	173.88	161.80	156.97

Notes: Assumes 175% classification factor and property qualifies for residential exemption.

The 0% column (the actual tax increase) should be used by taxpayers who do not itemize or are subject to the Federal Alternative Minimum Tax (AMT).

**Calculations of Increased Taxes Given Various Override Scenarios**  
 Showing FY08 Taxes Plus Incremental Taxes Paid at Various Federal Tax Brackets

**Scenario 3: General Override of \$5,000,000 (High End of FY09 Deficit Range Plus Under-funded Areas)**

		<b>FY08 Tax</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
<i>Single Family Home</i>								
Mean	1,219,710	10,807	397.94	338.25	298.46	286.52	266.62	258.66
25% Quartile	565,550	4,148	152.73	129.82	114.55	109.97	102.33	99.28
Median	986,900	8,437	310.68	264.07	233.01	223.69	208.15	201.94
75% Quartile	1,900,800	17,741	653.25	555.26	489.94	470.34	437.68	424.61
<i>Condo</i>								
Mean	457,040	3,043	112.06	95.25	84.04	80.68	75.08	72.84
25% Quartile	272,900	1,169	43.03	36.58	32.27	30.98	28.83	27.97
Median	411,450	2,579	94.97	80.72	71.23	68.38	63.63	61.73
75% Quartile	654,800	5,056	186.19	158.26	139.64	134.06	124.75	121.02
<i>2 Family Median</i>	932,450	7,883	290.27	246.73	217.70	208.99	194.48	188.67
<i>3 Family Median</i>	1,078,450	9,369	344.99	293.24	258.74	248.40	231.15	224.25

Notes: Assumes 175% classification factor and property qualifies for residential exemption.

The 0% column (the actual tax increase) should be used by taxpayers who do not itemize or are subject to the Federal Alternative Minimum Tax (AMT).

**Scenario 4: General Override of \$6,800,000 (High End of FY09 Deficit Range Plus Under-funded Areas Plus Lengthened Instructional School Day)**

		<b>FY08 Tax</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
<i>Single Family Home</i>								
Mean	1,219,710	10,807	541.20	460.02	405.90	389.67	362.61	351.78
25% Quartile	565,550	4,148	207.72	176.56	155.79	149.56	139.17	135.02
Median	986,900	8,437	422.52	359.14	316.89	304.21	283.09	274.64
75% Quartile	1,900,800	17,741	888.42	755.16	666.32	639.66	595.24	577.47
<i>Condo</i>								
Mean	457,040	3,043	152.40	129.54	114.30	109.73	102.11	99.06
25% Quartile	272,900	1,169	58.52	49.75	43.89	42.14	39.21	38.04
Median	411,450	2,579	129.16	109.78	96.87	92.99	86.54	83.95
75% Quartile	654,800	5,056	253.22	215.23	189.91	182.32	169.65	164.59
<i>2 Family Median</i>	932,450	7,883	394.76	335.55	296.07	284.23	264.49	256.59
<i>3 Family Median</i>	1,078,450	9,369	469.19	398.81	351.89	337.82	314.36	304.97

Notes: Assumes 175% classification factor and property qualifies for residential exemption.

The 0% column (the actual tax increase) should be used by taxpayers who do not itemize or are subject to the Federal Alternative Minimum Tax (AMT).

**Calculations of Increased Taxes Given Various Override Scenarios**  
 Showing FY08 Taxes Plus Incremental Taxes Paid at Various Federal Tax Brackets

**Scenario 5: General Override of \$7,600,000 (High end of FY09 Deficit Range Plus Under-funded Areas Plus Lengthened Instructional School Day Plus World Language)**

		<b>FY08 Tax</b>	<b>0%</b>	<b>15%</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
<i>Single Family Home</i>								
Mean	1,219,710	10,807	604.88	514.14	453.66	435.51	405.27	393.17
25% Quartile	565,550	4,148	232.15	197.33	174.12	167.15	155.54	150.90
Median	986,900	8,437	472.23	401.39	354.17	340.00	316.39	306.95
75% Quartile	1,900,800	17,741	992.94	844.00	744.71	714.92	665.27	645.41
<i>Condo</i>								
Mean	457,040	3,043	170.33	144.78	127.75	122.64	114.12	110.71
25% Quartile	272,900	1,169	65.41	55.60	49.06	47.10	43.82	42.52
Median	411,450	2,579	144.35	122.70	108.26	103.93	96.72	93.83
75% Quartile	654,800	5,056	283.01	240.55	212.25	203.76	189.61	183.95
<i>2 Family Median</i>	932,450	7,883	441.20	375.02	330.90	317.67	295.61	286.78
<i>3 Family Median</i>	1,078,450	9,369	524.39	445.73	393.29	377.56	351.34	340.85

Notes: Assumes 175% classification factor and property qualifies for residential exemption.

The 0% column (the actual tax increase) should be used by taxpayers who do not itemize or are subject to the Federal Alternative Minimum Tax (AMT).

These charts do not include estimated impacts on commercial taxes which would be proportionately higher than those on the residential properties if the town continues to adjust the ratio of commercial/residential taxation through the tax classification shift as it has in the past. At the maximum commercial tax rate shift of 175%, on every \$100,000 of commercial value, each \$1 million in override taxes would cost \$12.30 per \$100,000 of valuation. Example: for a \$2,000,000 commercial property, \$1 million in override could cost \$246.00 ( $\$2,000,000 / \$100,000 \times \$12.30$ ). For a \$7.7 million override this would amount to a 5.7% tax increase for a \$2,000,000 commercial building.

### **7.3 Projected Cost of Government in FY09**

Using information similar to that presented in Section 6.0, town staff compared the combined cost for the average homeowner of property taxes, water and sewer fees, and trash fees as follows<sup>1</sup>:

- Without an override, the average combined bill for taxes and fees in FY09 will increase by 3.7% over FY08
- With the passage of all of the elements in the OSC's recommendations (see Scenario 5 above), the average combined bill for taxes and fees in FY 09 will increase by 7.2% over FY08

### **7.4 Consideration of Brookline's Income Diversity**

When considering additional taxes, it is essential to get a picture of the citizens affected by such a proposal. It is generally recognized that Brookline has high levels of per capita income and property

<sup>1</sup> Assumes 12,000 cubic feet, or 90,000 gallons, of water at the new FY08 rates; a FY09 water rate increase of 4.7%, which represents the average increase for the past five years; a FY09 tax bill (without an override) increase of 3.6%, which is the average increase of the past five years; a FY09 tax bill with an override (at the highest end) of 7.8%, which was calculated by the Assessor's using FY09 value increases of 3% for residential and 6% for commercial.

wealth. The OSC realizes that Brookline is a diverse community with significant numbers of residents of modest incomes as well as older residents with property wealth but with moderate incomes. The table below compares 2000 Census data on household income, poverty levels, and elderly poverty levels for Brookline's peer communities, other Aaa-rated communities, and communities used for teacher salary comparisons in the Education Subcommittee report.

### 2000 Census Household (HH) Income Data

<i>Peer Communities</i>	Median HH	% Below Poverty Level	% Elderly Below Poverty Level	% HH Below \$50K	% HH Above \$100K
Boston	\$39,629	19.5%	18.2%	60.0%	12.8%
Cambridge	\$47,979	12.9%	12.9%	51.5%	19.6%
Newton	\$86,052	4.3%	5.0%	28.1%	42.7%
Framingham	\$54,288	8.0%	6.1%	45.8%	20.2%
<b>Brookline</b>	<b>\$66,711</b>	<b>9.3%</b>	<b>7.5%</b>	<b>37.1%</b>	<b>31.9%</b>
Weymouth	\$51,665	5.8%	7.4%	48.0%	15.1%
Medford	\$52,476	6.4%	7.4%	47.0%	16.7%
Arlington	\$64,344	4.1%	11.2%	39.0%	25.5%
Lexington	\$96,825	3.4%	3.4%	23.4%	48.5%
Wellesley	\$113,686	3.8%	2.1%	21.7%	56.0%
<i>Other Aaa-rated Communities</i>					
Andover	\$60,040	8.3%	8.4%	43.2%	28.3%
Belmont	\$80,295	4.4%	6.8%	30.6%	38.2%
Hingham	\$86,574	5.8%	6.2%	29.1%	40.8%
Winchester	\$94,049	2.6%	2.3%	23.3%	46.8%
Concord	\$95,897	3.9%	3.3%	25.2%	47.7%
Wayland	\$101,036	2.5%	2.7%	22.4%	50.5%
Weston	\$153,918	2.9%	3.9%	18.4%	67.0%
Dover	\$143,312	2.4%	2.5%	14.4%	60.9%
<i>Other Communities Used in School Contract Negotiations</i>					
Carlisle	\$129,811	2.4%	0.0%	19.1%	62.0%
Lincoln	\$79,003	0.8%	2.4%	27.8%	39.8%
Lynnfield	\$80,626	2.5%	5.2%	25.5%	40.1%
Marblehead	\$73,968	4.3%	4.6%	33.1%	37.7%
Natick	\$69,775	2.8%	5.3%	33.2%	29.3%
Needham	\$88,079	2.5%	4.2%	26.5%	44.6%
Sudbury	\$118,579	2.8%	4.8%	17.7%	60.1%
Westwood	\$87,394	2.5%	5.0%	26.5%	43.4%

The data shows that Brookline's:

- median household income was \$66,711, almost 1/2 that of Wellesley
- poverty rate was 9.3%, more than double that of Newton
- elderly poverty rate was 7.5%
- percentage of households with income below \$50,000 was 37.1%.

From the above data, it is not simple to determine the numbers of senior citizen homeowners on fixed incomes who might be struggling to pay their property taxes. In fact, the OSC was unable to determine the percentage of homeownership of residents described in any of the above categories. The town has adopted the two available property tax programs aimed at low income senior citizens (Chapter 41C \$500 abatement and Chapter 41A deferral of taxes) and has received less than 5 applications for abatements or deferrals. According to the Town Collector of Taxes, there has not been any appreciable increase in the number of delinquent taxpayers over the past 7 years and that within a couple of months after the end of the most recent tax year, 99.9% of all real estate taxes were paid.

The OSC recognizes that there are citizens for whom any tax increase is going to be a hardship and therefore any recommendation to raise taxes must be approached with utmost care and be weighed against the loss of services or lack of investment that would result from not raising taxes.

The Committee thus urges the Selectmen to consider all constituents and, if an override is passed, to provide all the relief available within current laws to those who would face undue hardship.

## 8 FINANCIAL POLICY RECOMMENDATIONS

### 8.0 Budget Projections FY09-FY13

The override would address FY09 budget deficits and needs. The unfortunate reality is that the financial picture does not get better in FY10 and beyond. The following table shows the current projection through 2013.

<b>FISCAL YEAR</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total Revenue	196,132,205	198,938,398	205,317,946	211,740,977	217,948,910
\$\$ Increase	7,559,745	2,806,193	6,379,548	6,423,031	6,207,933
% Increase	4.0%	1.4%	3.2%	3.1%	2.9%
Total Expenditures	199,658,248	204,169,313	212,669,253	221,203,494	229,861,032
\$\$ Increase	11,085,788	4,511,065	8,499,940	8,534,240	8,657,538
% Increase	5.9%	2.3%	4.2%	4.0%	3.9%
<b>Cumulative Surplus/ (Deficit)</b>	<b>(3,526,044)</b>	<b>(5,230,915)</b>	<b>(7,351,307)</b>	<b>(9,462,517)</b>	<b>(11,912,121)</b>

The above projections make it clear that unless steps are taken to address structural problems stemming predominantly from overall personnel costs and specifically from escalating health care, pension, and SPED costs, the town will not be able to maintain service levels and balance the budget. In order to address this major challenge, the OSC believes strongly that in addition to an override, the Selectmen should also consider immediately enacting the recommendations presented in this section to achieve both short-and long-term savings and to generate new revenues. Note that in this regard, the OSC concluded that the measures suggested in this section would take time to implement and therefore cannot be a solution for FY2009.

The recommendations are organized as follows with full reports included in the Appendix.

- Controlling Personnel Costs as a Key Component of Sustainability
- Savings Opportunities in Municipal Services
- Recommendations on Controlling school Costs
- Capital Improvement Program (CIP) Recommendations
- Opportunities For Energy Conservation
- New Revenue Initiatives That Should Be Considered

### 8.1 Controlling Personnel Costs as a Key Component of Sustainability

Personnel costs accounted for 73% of Brookline's spending in FY06, the last year for which final data is currently available. The public sector is a labor-intensive sector of the economy, so it is not surprising that employee compensation and other personnel-related costs make up most of the town's budget. Finding a way to limit the growth in personnel-related costs to a sustainable rate is therefore essential to the overall fiscal stability of the town.

A sustainable path for personnel-related expenditures is defined as one that would allow the town to maintain a given level of public service provision if revenue grows at its predicted rate and if other

projections (for things like the overall inflation rate, the growth rate of health care costs, and the rate of return achieved by the pension fund) turn out to be accurate. Because personnel-related expenditures account for the majority of town spending, if these expenditures exceed the growth rate of revenue over an extended period of time, it will be impossible to sustain a given level of services without additional overrides (or other revenue measures) in the future. Given this reality, the OSC recommends the following regarding personnel benefits and sustainability:

### **8.1.1 Hold Growth in Total Personnel Costs to a Sustainable Level**

Once the FY09 budget is brought into balance through some combination of an override, efficiency measures, and service cuts, the town and the schools should each manage their personnel costs so that the combination of salaries, employee health benefits, and staffing levels grow at a sustainable rate (most likely approximately 3.75% per year). This can be achieved by four methods: a) increasing employee contributions for their health care costs, b) restricting COLAs, c) reducing staffing, and d) some combination of the previous three. As long as health care costs are rising at a 10 to 12% rate, COLAs and other increases in personnel expenditures per employee will need to be held below 2% if staffing levels remain constant.

### **8.1.2 Join the GIC as Soon as Possible**

The collective bargaining position of the town and schools should be that COLAs must be limited to 2.0% until the town joins the Group Insurance Commission (GIC) and that COLAs can return to higher levels again once the town joins the GIC.

The GIC is the health system for state government employees. The Legislature recently gave municipalities the option of joining the GIC if the municipality adopts coalition bargaining and gets 70% of the bargaining units to agree to the change. Premiums for health plans similar to that offered to Brookline employees are significantly cheaper in the GIC, and GIC premium growth rates have been significantly lower in the past few years than those achieved in Brookline. It is unclear why the GIC is able to offer cheaper premiums. It is possible that state employees are younger and healthier on average than municipal employees. Alternatively, it is possible that the GIC has more bargaining power.

It is likely that the town would save between \$1 million and \$2 million per year by joining the GIC. However, it is not guaranteed that these savings will be achieved. While the cost through the GIC of plans similar to those currently offered by Brookline is considerably less, the GIC also offers a higher cost indemnity plan that is not currently offered to Brookline employees. If enough Brookline employees chose the indemnity plan, costs could actually go up with entry into the GIC. Figure 4 in the appendix shows the potential annual saving from joining the GIC as a function of the fraction of employees choosing the indemnity plan (page III-18).

### **8.1.3 Address Longer-Term Retiree Health Costs Issue**

Ideally, the town should set aside \$4 million per year to finance future retiree health costs and increase this amount by 4% each year. This would allow the town to fill the 20-year gap until pensions become fully funded (at which time the annual pension contribution could be shifted over to pay retiree health costs). This is unlikely. At a minimum though, the town could set aside the portion of the \$1-2 million per year saved from joining the GIC not utilized for COLAs in a fund to pay future retiree health costs (and increase this amount by 4% per year). If the town receives other large one-time revenues such as the proceeds from selling taxi licenses, the town should add these to the fund for retiree health.

### **8.1.4 Sustain Scheduled Contributions for Pensions**

If there is good news on the pension front—either because the fund’s investments perform better than the assumed rate or because the state lengthens the permitted funding period—the town should not reduce its scheduled contributions. Instead, it should either maintain its current funding schedule or, if a new schedule is adopted, deposit freed-up amounts in the retiree health fund. If the town manages to fully

fund its pension obligations in advance of the current 2026 target, the town should similarly shift the freed-up amounts to the retiree health fund.

### **8.1.5 Do Not Ignore Longer-Term Fiscal Challenges**

No matter how the FY09 budget is brought into balance, the town’s budget is likely to become increasingly out of balance over the coming decade due to four factors. First, it is unlikely that the town will be successful via collective bargaining in holding COLAs to the targets discussed above. Second, teachers with less than 12 years of service will be receiving both COLAs and STEP adjustments over the next decade, raising the growth rate of school personnel spending. Third, under the pension funding schedule the town’s contributions are scheduled to grow at a 4.5% rate, which is faster than the predicted rate of revenue growth. Fourth, SPED costs are likely to continue to grow faster than revenues.

There is considerable uncertainty about the size of each of these longer-term fiscal challenges. If revenue grows at a 3.75% annual rate, then the budget shortfall will be \$1-2 million per year. In other words, the town will each year need to find another \$1-2 million in efficiency savings, service cuts, and/or new revenue. Therefore, the OSC recommends that the revenue and efficiency options discussed elsewhere in the report be aggressively enacted to close this gap.

## **8.2 Savings Opportunities in Municipal Services**

In municipal services, there are several areas where possible savings could be realized: more widespread use of technology; further cross-departmental integration, merging of additional town and schools administrative functions, departmental consolidation, strategic outsourcing, and position reductions rather than position freezes. These are outlined below:

### **8.2.1 Information Technology**

As the town’s WiFi network becomes fully operational, it is expected that the Police Department can save approximately \$35,000 when it shifts its cruiser connectivity from cellular to WiFi. Over the next two-to-four years, parking meter management can potentially move to a WiFi platform. In addition, technology applications across the board can result in less labor-intensive operations.

Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	1-4 years

### **8.2.2 Integration of Functions Across Departments**

As the town’s use of technology advances, possibilities can arise for considering integration of street light maintenance, traffic signal maintenance, and fire alarm system operations.

Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	3-5 years

### **8.2.3 Town and School Operations**

The town and schools already have a history of merging administrative operations. school building maintenance, purchasing, and IT are among the areas where this has occurred. Two examples of like functions that remain separated and could be merged are payroll and custodial services.

Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	3-5 years

### **8.2.4 Departmental Consolidation**

Most town human service operations—Health, Veterans, Human Relations Youth Resources, and the Commission for the Disabled—are located in the Health Building. The Council on Aging is located at the Senior Center. Formal consolidation of some type in this area could yield savings of at least one FTE.

Recently, the town began moving in this direction as Economic Development was placed under the umbrella of Planning and Community Development.

Estimated Savings/Revenue Enhancements	\$50,000
Time Frame	2-5 years

### 8.2.5 Strategic Outsourcing

The OSC recommends that the town use outsourcing where it is possible to achieve similar service levels at lower cost. For example, the town might use bonded contracted services for parking meter coin collection and maintenance as well as some DPW functions. For example, the DPW has recently issued RFPs for private contract work in several areas. As a result, over \$300,000 in potential savings and/or revenue enhancements were realized, as follows:

- School grounds maintenance is now performed by a private contractor at an estimated annual savings of \$46,000.
- The town transfer station will be used by the town's waste/hauler contractor for non-town trash, saving the town \$125,000 annually.
- Negotiations over contracting out leaf collection resulted in an internal reorganization that is expected to provide annual net savings of more than \$200,000, including benefits.

Estimated Savings/Revenue Enhancements	\$200,000-\$350,000
Time Frame	3-5 years

Other possible areas for outsourcing include public safety and general administration. Currently two patrol officers are deployed for meter revenue collection and counting. Outsourcing this function could yield net savings if the police positions were eliminated through attrition. Many metropolitan area communities contract out parking ticket processing. In addition, other major DPW functions could be considered for outsourcing including curbside trash collection, street sweeping, and vehicle maintenance. The savings from outsourcing curbside collection is estimated to be approximately \$135,000, but would result from the attrition of more than a dozen positions.

### 8.2.6 Long-Term Position-Reductions

If sufficient savings cannot be achieved by other identified measures to resolve the long-term structural financial pressures, particularly by controlling the growth in benefits themselves, the town should give serious consideration to a position-reduction policy with the goal of lowering the total number of employees over a given period. Since opportunities for consolidation and productivity increases vary considerably from department to department, this policy should be implemented over time as positions become vacant. It is also likely that the impact of force reductions might require collective bargaining. An objective analysis of these options must be undertaken to determine whether pursuing them is viable. Some potential reductions:

#### Change Fire Department's Minimum Manning Requirements

On a per capita basis, Brookline spends 23% more than the average of its peer communities and 31% more than the average of its peers if Boston is excluded. Were Brookline to spend at the average rate of its nine peer communities the town could save more than \$2.2 million annually. One way to reduce costs is to modify the Fire Department's minimum manning requirements. The town's current contract requires four firefighters per apparatus at all times based on needs for fire suppression operations. However, many of the department's vehicle runs are not for fire suppression operations (e.g., responding to medical emergencies) and could potentially be operated with fewer than four firefighters.

#### Eliminate Police Department's Four Formerly Grant-Funded Positions

On a per capita basis, spending on police averaged were 20% higher than the average of its peer communities and 37% higher if Boston (arguably the least comparable community) is excluded. Were

Brookline to spend at the average rate of its peer communities, the town could save \$2.2 million per year. The town has maintained additional positions in the Police Department originally funded by an external grant. There should be an assessment of the critical need for the town to continue funding these additional positions.

Because Brookline's per capita spending on public safety exceeds the average of its peer communities, the OSC recommends that the town commission a detailed study of public safety needs, performance, and staffing levels.

### **8.2.7 Town-Wide Efficiency Initiative**

The OSC is not in a position to make a complete list of recommendations for specific efficiencies in service delivery. However, enough information has been brought to the attention of the OSC to estimate that \$400,000 to \$700,000 in savings might be achievable over time by changes in municipal operations. For example, the OSC recommends that the town eliminate fire call boxes, an outdated and obsolete technology. The town has invested in an enhanced -911 in addition to combining the Police and Fire dispatch operations. When fire call boxes were implemented many years ago, universal telephone service was not yet achieved. Today, universal telephone service plus widespread cell phone service is in place.

In light of this opportunity for additional savings, the OSC recommends the establishment of a *Town-wide Efficiency Initiative* to identify and prioritize areas of potential change that would be incorporated into a long-term plan.

## **8.3 Recommendations on Controlling School Costs**

It is clear that the school budget will continue to be under stress. As a result, finding efficiencies and trimming costs in all areas will continue to be required whether or not an override is passed.

### **8.3.1 Seek Ongoing Efficiencies**

While the OSC has not recommended specific cuts to current non-mandated spending and has supported sustaining current service levels, the OSC recognizes that some cost cutting is and will continue to be required. As a result, the schools need to continue to assess current programs/expenditures to realize efficiencies annually and/or reduce spending on outdated program models. New ideas, priorities and programs will most certainly be identified in future years. The OSC recommends that the schools, where possible, should attempt to implement new initiatives within current spending levels to minimize the need for additional overrides when new initiatives are identified. The department should also make every effort to control costs in mandated programs and to reduce staffing levels where possible and should assess the relative long-term costs of hiring paraprofessionals compared to tuition/outourcing. Also, the schools should consider eliminating part-time, shared-teaching positions where benefits are doubled.

### **8.3.2 Control SPED Spending Growth Appropriately**

Since SPED spending continues to be the fastest-growing segment of school spending, it required focused analysis. After closely reviewing SPED spending, the OSC found that current spending, while significant and growing, is consistent with the experience and impact in comparable towns. However, it is expected that, through continuation of the current SPED strategic management plan, the town will continue to realize some savings through growth containment going forward, as shown in the FY09 projection. Given that school districts across the state are facing similar challenges in special education spending, the town and schools should continue to seek state-level legislative solutions and budget relief.

### **8.3.3 Assess the Cost of Maintaining Low Class Sizes**

One option that could be considered by the schools to reduce costs is to increase class size. This would require changes in current school policies including school assignment (i.e., expanding buffer zones) so that whole classes could be redistributed, allowing teaching positions to be reduced. Because

this would require time to implement, this option is suggested for evaluation as a long-term savings option.

In the elementary schools, the average class size is fewer than 20 students. In the high school, academic classes average 20 students, while electives are at just over 15. Overall, high school classes average just under 19 students. The OSC recognizes that these statistics are directly proportional to the quality of the education provided. Nonetheless, by increasing average class size, staffing levels could be lowered and thus per pupil spending could go down. While this is a qualitative issue, should the schools have to face large budget cuts involving head count reduction, this strategy would be up for discussion. The OSC recommends a study be done to show the long-term savings potential of increasing class size over time. Perhaps the study could show the potential savings in annual cost if average class sizes were to grow in increments of three to four students.

## **8.4 Capital Improvement Program (CIP) Recommendations**

### **8.4.1 Continue the Use of 5.5% of Prior Year Net Revenue**

Because the town's current debt management plan would not be affordable and because the town has other unmet capital needs, the town should continue to fund the CIP with 5.5% of prior year net revenue.

### **8.4.2 Expand the Role of the Building Commission in Planning Building Projects**

Based on input from the Building Commission's Chairman and others, it is recommended that any department contemplating a project over a certain size should seek the input of the Building Commission.

### **8.4.3 Complete an Asset Management Study to Improve the Capital Decisionmaking Process**

Because capital resources are limited and because the prioritization process is not as robust as possible, the town should deploy additional resources to implement stronger asset management systems in the future. This will permit the town to make timely investments in maintenance or replacement projects deriving from informed decisions.

## **8.5 Opportunities for Energy Conservation**

### **8.5.1 Create an Energy Conservation Committee**

The OSC recommends the creation of an energy conservation committee that would subsume the existing Interdepartmental Energy Task Force and be given authority over the budget for energy conservation items. This committee should be given a mandate to survey all of the town's energy consumers and implement energy saving controls and equipment wherever the payback of initial cost is most favorable. The committee should also participate in the review of plans for building renovations to select the most efficient design within the limits of current building codes and budget. One of the committee's first tasks should be to formulate the town's vehicle procurement policy with particular emphasis on public safety vehicles and their modes of operation. Use of a smaller, energy-saving fleet of vehicles operated efficiently (e.g., turning off engines whenever possible instead of idling) would be a highly visible indicator of the town's efforts to reduce consumption.

### **8.5.2 Motivate Energy Conservation**

The town should consider creating programs to motivate all town employees and building occupants to meet specific energy saving guidelines and devise contests to reward with special recognition and prizes those who exceed their goals. Through a combination of more efficient equipment and individual employee resolve to cut consumption it is not unreasonable to expect a \$100,000 improvement in the town's energy bill. As reported in the *Boston Globe*, the towns of Medway, Framingham, Waltham, and Sudbury are expecting to save at least this amount this year. If this is achieved in Brookline, the town

should be able to stay within the budgeted net \$100,000 energy increase during the upcoming periods of extraordinary price increases.

## **8.6 New Revenue Initiatives**

After much analysis, the subcommittee came to the conclusion that the only real potential for any new revenue opportunities for FY09 exists in the area of Local Receipts/Cost Recovery – possibly as much as \$1.2 million. These could be achieved through:

- Increasing parking meter fees
- Increasing refuse fees
- Increasing taxi licensing fees

The Selectmen will need to consider whether raising fees to residents while considering an override is advisable.

There also appears to be significant long-term potential (non-FY09) for increasing town revenue through:

- Selling taxi medallions (and increasing accompanying regulatory fees)
- Instituting a fire service water charge
- Shifting additional Recreation Department expenses to the Revolving Fund, which would require program fee increases
- Shifting additional cemetery expenses to the trust funds under the control of the Cemetery Trustees, which would require fee increases
- Lobbying for support of the Local Option Taxes initiative
- Increasing PILOTS
- Continuing to fine tune the economic development process.

These initiatives are summarized below:

### **8.6.1 Increase Parking Meter Rates**

Increasing parking meter rates from \$0.75 to \$1.00 per hour would provide an additional \$700,000 in new revenue.

### **8.6.2 Increase Refuse Fees**

Increasing annual refuse fees by \$30-\$35 – especially if an override is not put forth, or is put forth but not passed – would generate for \$389,250-\$454,125 in additional revenue.

### **8.6.3 Increase Taxi License Fees**

Increasing taxi license fees to \$650 – or the maximum level the market will bear – would add at least \$59,500 in additional revenue. See discussion on medallion sales below.

### **8.6.4 Shift Additional Recreation Expenses to Revolving Fund**

The town should follow up on the recommendation contained in the Recreation Master Plan to study the current cost-recovery structure to ascertain whether a larger share of Recreation Department costs could be borne by user fees.

### **8.6.5 Shift Additional Cemetery Expenses to Trust Funds**

The town should begin working with the Cemetery Trustees to develop a more equitable cost-sharing relationship between town tax dollars and cemetery fees with an eye toward impacting FY10.

### **8.6.6 Sell Taxi Medallions**

The Brookline Transportation Board is studying the potential of selling medallions to taxicab operators as a way to raise revenue for the Town of Brookline (up to \$12.1 million). This initiative has been under discussion for more than five years. The Transportation Board is beginning to prepare potential bid documents and regulations. It is possible for the program to be in place in June 2008.

Any revenue derived from the sale of medallions would most likely be allocated for a specific one-time purpose, so it would have no direct effect on the FY09 budget. If the town starts selling medallions in 2008, it could start to realize a percentage of an associated increase in annual regulatory fees, which could have an impact on the FY09 budget.

### **8.6.7 Institute a Fire Service Charge**

The town should institute a Fire Service Charge, which would bring in an additional \$300,000 into the Water/Sewer Enterprise Fund, thereby lowering rates for residents, which would help offset at least a modest portion of a potential override.

### **8.6.8 Support Local Option Taxes**

Governor Patrick has proposed a menu of local option taxes and tax loophole closures that would have a positive impact upon the town's future forecasted deficit. This could generate an additional \$2.6 million in annual revenues. These proposals have been delayed in the Massachusetts legislature and there is doubt as to whether they will be approved. The town should support these local options as a way to diversify the town's revenue mix and should continue to seek the support of the town's legislative delegation to support this menu of initiatives.

### **8.6.9 Increase PILOTs (Payments In Lieu Of Taxes)**

The town recently adopted a formal PILOT policy and set a reasonable goal for contribution by tax exempt institutions that support public safety (Police, Fire, and DPW) services. The town should continue to improve its Master Tax Exempt list, in order to determine tax policy and inform the policy makers about the tax implications of parcels going off and onto the taxable property list. PILOT agreements should be pursued among all exempt property categories not owned by government or public housing and these categories should be subject to consistent PILOT Policies. Negotiations on PILOT agreements should begin when the above categories of exempt property approach the town for aid in zoning or other actions that require the town's approval.

### **8.6.10 Pursue Additional Economic Development Opportunities**

There are no imminent development projects that would have an impact upon the FY09 budget. Large-scale projects beginning construction in FY08 can be expected to generate revenue for the town by FY11. Given this, the OSC's longer-term recommendations are as follows:

- Continue to pursue new development projects, as this action can help mitigate the structural budget deficit projected for future budgets.
- Continue to focus on removing obstacles to greater utilization of the Brookline Avenue/Route 9 corridor through zoning, master planning and appropriate development.
- Continue to be sensitive to appropriate neighborhood compatible development.

## **9 MINORITY STATEMENT**

### **9.0 Introduction**

*Two members of the OSC have prepared the following discussion as a minority statement:*

Brookline is fortunate to have experienced administrators, town and school officials, and Selectmen in leadership positions. As outlined in the OSC report, they work hard on an ongoing basis finding efficiencies and controlling costs. Moreover, we thank these dedicated town officials for playing a critical and valued role in helping the Committee gather and understand the prodigious amount of information collected by the OSC.

While we support the OSC in the accuracy of the facts and figures presented and support the report's Financial Policy Recommendations, our interpretation of the Selectmen's charge to the OSC to "maintain desired levels of services," led us to different conclusions as to the override's purpose and structure. These differences lie in emphasis and interpretation. We think the recommended override package of up to \$7.6 million fails to begin setting Brookline down a path of true fiscal sustainability. While desired levels of services likely will be maintained for one year, these levels of services cannot be maintained in the long term without enacting far-reaching changes in compensation policy. The key issue is controlling *total* personnel costs.

We support limited aspects of the override and, on grounds of fairness, call for the sharing of the burden by taxpayers, the town, and the schools in solving the structural deficit. Our objective should be to maintain high quality existing services, but at a cost short of that which would result in taxes rising to a level that where people could no longer afford to live in Brookline.

### **9.1 Brookline's Structural Deficit**

We do not support fully funding Brookline's structural deficit, estimated to be between \$2.6 million and \$3.5 million for FY09. Structural deficits emerge when spending continually rises faster than revenues. While a one-time increase in the annual tax levy via a general override can solve a normal operating deficit, hiking taxes in this manner can only temporarily improve a structural deficit.

Despite projected new growth in the town's property tax base and an annual 2½% levy increase allowed under Massachusetts law, the town estimates that the structural deficit will widen at a rate of one percentage point per year. No matter what the final deficit number is for FY09, and even if the structural deficit is fully funded for FY09, the town's financial projections indicate a future deficit of \$1.7 million for FY10. And even if an override fully funded that deficit, a \$2.2 million deficit emerges in next year, FY11.

Plugging the deficit will "maintain desired levels of services" for only one year and barring no changes, assures the need for future overrides. Raising taxes cannot solve the structural deficit. Unfortunately, plugging this deficit through headcount reductions alone also provides only a moderate improvement in long-term sustainability. A combination of productivity improvements and a fundamental restructuring of total compensation costs in relation to revenues are required to eliminate Brookline's structural deficit.

Not only is raising taxes to fund the FY09 deficit not a cure-all, but it will actually make the structural problem worse and more difficult to resolve in the future because:

1. Each year that we maintain a level of personnel costs that cannot be maintained in the long run, we accrue additional liabilities such as retiree health care and pension costs that we would not have had if that higher level of employee headcounts (FTE's) had not been maintained. When future cutbacks eventually become unavoidable, they will have to be more severe because these new accrued liabilities inevitably reduce the amount of resources that can be allocated for current services.

2. The unfunded healthcare liability is not static. It grows each year that we do not set funds aside for it. Thus, the longer we delay its funding, the more expensive it will be for Brookline. By not beginning now to allot a portion of the budget to meet this obligation, we are making the future funding costs even greater.
3. There is a point at which the town citizens may refuse to support additional taxes/overrides as too costly (perhaps as hinted at by the CPA's recent failure at the ballot box). The point is not at what level citizens reject overrides, but rather how wisely any incremental monies raised up to that point are used. For example, with respect to the need for additional environmental remediation at the Newton Street Landfill, although \$2.8 million is recommended for the FY09 CIP to begin to address this situation, the full extent of the financial requirements for this purpose is not currently known. It is critically important to note that the town's long-term CIP does not provide for this potential exposure beyond FY09. In addition, Brookline already owes an estimated \$200 million related to its unfunded healthcare liability for town employees. If we increase levies up to the point that citizens refuse to accept additional overrides and we ignore our unfunded legal obligations, we will have to begin cutting back personnel and existing core services, some of which were created through tax increases that could have been allocated to meet this liability.

## ***9.2 The Deficit's Origin and Resolution—Additional Aspects***

Before discussing why we call for the town and schools to share the cost of closing the structural deficit simultaneous with this proposed override, it is important to understand why this gap exists. A simple answer is that costs are growing faster than revenues. This is not because revenues have fallen. On the contrary, operating revenues (property taxes, local receipts, and state aid) have grown at an annual nominal rate of 4.6% since 1994. Over that same period, the Northeast Urban Consumer Price Index (CPI) has increased at a rate of only 2.7%. Thus, Brookline has grown its real revenues by 1.9% a year, 70% faster than the rate of inflation. Brookline's revenues have more than kept up in real terms; our annual town budget actually has nearly 28% more dollars in real terms than it had in 1994.

The structural deficit problem lies entirely with the cost side, approximately three-fourths of which is personnel expenses. Total spending on personnel is growing faster than the town's revenue growth.

Brookline must take additional earnest steps to address this reality. The schools have increased their total personnel by 34% from the 1994 override to 2006, while the total number of students has dropped slightly over the same period. As the Personnel sub-committee report shows, while the majority of these increases were SPED mandates, over 31% was non-mandated. On the town side, total reductions in personnel are 8 vacated positions in the FY09 budget. Public Safety staffing levels, which are higher on a per capita basis than our surrounding communities, should again be carefully reviewed.

While some cost items are mandated or arguably beyond the town's direct ability to control, numerous cost-related decisions are within the control of Brookline officials. We are well past the point where our elected officials can tread gingerly around addressing cost issues and avoid making contemporaneous adjustments to offset the costs that have led to the structural deficit. As position reductions are likely, not replacing attrition vacancies will provide an ongoing opportunity to bring employment levels into better balance.

The town needs to begin managing total personnel costs now rather than continuing to make new financial commitments that will only widen our structural deficit. By fully funding the structural deficit with an override and making no concurrent tangible movement toward personnel cost control, Brookline is jeopardizing its future and guaranteeing repeated, near-term future override pressures. While the OSC main report offers a listing of possible future cost controlling measures, it draws no direct connection between asking voters to absorb a tax increase now and any practical commitment by officials to control growing personnel costs in the immediate future with the goal of obtaining fiscal sustainability.

### **9.3 Proposed New Programs**

As the OSC's work has shown, to "maintain desired levels of services" is difficult enough. We do not support funding any new initiatives in this time of fiscal stress. Furthermore, no matter how "desired services" is construed, it is not possible to "maintain" what you do not already have.

The schools estimate that the two new proposed programs (extended instruction day and world language) will cost \$1.8 million and \$800,000 annually, for a total of \$2.6 million in new annual spending. In addition to its cost, the world language program will add an additional 9 new personnel (FTE's) to Brookline's already unsustainable cost structure, further widening our structural deficit.

Going forward, we strongly encourage the Selectmen and School Committee avoid making decisions that lead to the need for new revenues without first identifying the source of those funds. The lengthened school day was included in the teacher contract negotiations as an option, *without* an identified funding source. If a town or School department wants to fund new programs with money it does not have, it should directly ask the citizens *in advance* to self-tax for the purpose of these projects.

As these new school programs are not *maintenance* of effort but *expansion* of effort (i.e., desirable but not necessary), these programs, if included in an override, should be put to the voters as individual questions so that they may be individually discussed and decided upon by the citizens at large.

### **9.4 Packaging the Override**

We think the override should not be decided as a single package in one up-or-down vote. Separate questions will allow each element to publicly aired and deliberated through a democratic process. If the Selectmen think that some combining is a political necessity, then we recommend at least two questions:

- 1) For funding the *maintenance of existing programs* (structural deficit) and physical infrastructure; and
- 2) For funding of *new programs*.

### **9.5 Physical Infrastructure Maintenance**

We support a \$1.5 million annual funding increase for physical infrastructure maintenance. For a number of reasons, mainly level-dollar funding during an extended period of rising non-personnel costs, our roads and sidewalks, building maintenance, and parks require more resources than are currently being allocated. Our support for this measure is contingent on the future indexing to town revenue growth of the override amount allocated to infrastructure maintenance. Thus, indexing will increase the amount of money allocated on an annual basis, preventing inflation from slowly diminishing the real dollars spent. If this portion of an override is eventually passed, the town should have adequate funds to maintain its physical infrastructure for many years, thereby preventing potentially more costly future repairs.

We also call on the town to determine in advance the full cost of all new projects, including ongoing maintenance, when making a decision on whether to commit to project funding. "Free" state and federal grants totaling millions of dollars for projects are not really free if Brookline is responsible for their ongoing upkeep. Whether for new schools, refurbished parks, or redesigned roads, before accepting such monies, Brookline needs to fully calculate the total new, ongoing burden on taxpayers.

### **9.6 Affordability**

Lastly (only because its discussion makes more sense after our discussion above) we must be concerned for the affordability of any local tax increase. Affordability is a subjective issue. Nobody, wealthy or of limited means, can know or tell someone else whether something is affordable for them. Individually, we do know if something becomes too expensive, we stop buying it or we buy less of it. Tax payments, however, are neither voluntary nor negotiable. If an individual or family finds an increase to be unaffordable, they may be forced to leave a home and community where they would prefer to remain. We

are uncomfortable with this outcome and our uneasiness is not lessened knowing that those less able to afford a large tax increase are being replaced by those who can.

Brookline has individuals who have lived here for decades and families who have lived here for generations. They have an equal or greater stake in Brookline than its newest residents. Real estate prices have risen in Brookline making it difficult for those of lesser means to move in. But higher real estate prices do not drive out those who are already living here. Higher taxes can.

If the entire \$7.6 million override is passed, real estate taxes in 2009 will increase at least 7.5%, further increasing and compounding thereafter. For those already struggling to pay for higher heating, electrical and water and sewer costs, a large increase in taxes will have an adverse impact on their finances.

As a community, Brookline provides a home for, and must be sensitive to, our students, our working families, and our elderly. These groups comprised of individuals from various walks of life, various backgrounds, and various means, make Brookline the diverse and vibrant community it is today. We believe that we share Brookline's aim, which is to combine needed, effective, and quality municipal and educational services with fair, realistic, and sustainable level of taxes.

We respectfully suggest that by recommending both fully funding the structural deficit *and* adding major new spending programs, the OSC's total override spending recommendations do not sufficiently take into account these affordability concerns.

Unlike many towns and communities, Brookline is blessed with experienced administrators, town and School officials, and Selectmen. But like many cities and towns, Brookline still faces a difficult fiscal future. We think fully funding the structural deficit only postpones and makes much more costly the town's eventual day of reckoning

We urge the town to begin immediately making adjustments for the challenging financial future all acknowledge is now upon us, so that all citizens can continue to be provided excellent core services and schools, and can continue to be able to afford to live in Brookline.

Vince McGugan – Co-Chairman  
Gordon Bennett – Committee Member

# TOWN OF BROOKLINE OVERRIDE STUDY COMMITTEE



## Appendices

To support the findings and recommendations of the main report, the following Appendices are provided

### **Appendix I: Range of Structural Deficit**

- Current forecasts showing deficit that ranges from \$2.6 - \$3.5 million

### **Appendix II: Pertinent Demographic Data**

- Overview of Brookline Demographics
- Household Data (2000 U.S. Census)
- Comparison of Incomes in Selected Communities (2000 U.S. Census)

### **Appendix III: Subcommittee Reports on:**

- Personnel
- Schools
- New Revenue Opportunities
- Capital Plan/Financial Plan
- Energy
- Municipal Services

### **Appendix IV: Status of 1994 FPAC Recommendations**

### **Appendix V: Minutes of Override Study Committee Public Hearing**



## **APPENDIX I RANGE OF STRUCTURAL DEFICIT**

This Appendix shows the range of currently forecasted budget deficit. The first, Table 1, shows a deficit of approximately \$2.6 million and is based on town collective bargaining ending at 2% and the increase in health care premiums at 10%. The second, Table 2, shows a deficit of approximately \$3.5 million and is based on town collective bargaining ending at 3% and a 15% increase in health care premiums.

**Table 1: Forecasted Deficit at \$2.6 Million**  
 (Greater than 2% in collective bargaining/health care premium increase of 10%)

	2009	2010	2011	2012	2013
<b>REVENUE</b>					
Property Taxes	140,908,523	146,117,059	151,952,286	157,858,705	163,457,611
Local Receipts	21,853,925	22,019,061	22,187,162	22,358,287	22,590,618
State Aid	18,891,382	19,210,090	19,529,265	19,848,920	20,169,066
Other Available Funds	7,978,375	7,842,188	7,899,233	7,925,065	7,981,615
Free Cash	6,500,000	3,750,000	3,750,000	3,750,000	3,750,000
<b>TOTAL REVENUE</b>	<b>196,132,205</b>	<b>198,938,398</b>	<b>205,317,946</b>	<b>211,740,977</b>	<b>217,948,910</b>
\$\$ Increase	7,559,745	2,806,193	6,379,548	6,423,031	6,207,933
% Increase	4.0%	1.4%	3.2%	3.1%	2.9%
<b>EXPENDITURES</b>					
Departmental	60,870,345	62,295,709	63,927,958	65,487,262	67,073,799
Collective Bargaining - Town	950,000	950,000	970,000	990,000	1,010,000
Schools	63,769,864	67,044,864	69,712,864	72,403,864	75,124,864
Collective Bargaining - School	1,830,000	1,170,000	1,190,000	1,220,000	1,150,000
Non-Departmental - Benefits	38,582,323	41,975,744	45,579,211	49,356,233	53,237,181
Non-Departmental - General	1,100,977	498,290	513,810	530,098	547,193
Non-Departmental - Debt Service	15,636,087	15,648,937	16,011,488	16,497,214	15,987,677
Non-Departmental - Reserve Fund	1,746,545	1,805,088	1,861,130	1,923,454	1,986,923
Special Appropriations	6,795,858	4,811,825	4,737,015	4,428,246	5,170,395
Non-Appropriated	7,386,250	7,558,856	7,735,778	7,917,122	8,103,000
<b>TOTAL EXPENDITURES</b>	<b>198,668,248</b>	<b>203,159,313</b>	<b>211,639,253</b>	<b>220,153,494</b>	<b>228,791,032</b>
\$\$ Increase	10,095,788	4,491,065	8,479,940	8,514,240	8,637,538
% Increase	5.4%	2.3%	4.2%	4.0%	3.9%
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>					
	<b>(2,536,044)</b>	<b>(4,220,915)</b>	<b>(6,321,307)</b>	<b>(8,412,517)</b>	<b>(10,842,121)</b>
Surplus / (Deficit) Prior to Collective Bargaining	243,958	(2,700,915)	(4,161,307)	(6,202,517)	(8,682,121)
Town Share of Surplus / (Deficit)	476,658	(201,668)	(126,976)	(607,675)	(1,316,038)
Town Collective Bargaining	950,000	950,000	970,000	990,000	1,010,000
<b>Total Town Surplus / (Deficit)</b>	<b>(473,342)</b>	<b>(1,151,668)</b>	<b>(1,096,976)</b>	<b>(1,597,675)</b>	<b>(2,326,038)</b>
School Share of Surplus / (Deficit)	(232,700)	(2,499,247)	(4,034,331)	(5,594,842)	(7,366,084)
School Collective Bargaining	1,830,000	1,170,000	1,190,000	1,220,000	1,150,000
<b>Total School Surplus / (Deficit)</b>	<b>(2,062,700)</b>	<b>(3,669,247)</b>	<b>(5,224,331)</b>	<b>(6,814,842)</b>	<b>(8,516,084)</b>

**Table 2: Deficit at \$3.5 Million**  
(3% in collective bargaining/health care premium increase of 15%)

	2009	2010	2011	2012	2013
<b>REVENUE</b>					
Property Taxes	140,908,523	146,117,059	151,952,286	157,858,705	163,457,611
Local Receipts	21,853,925	22,019,061	22,187,162	22,358,287	22,590,618
State Aid	18,891,382	19,210,090	19,529,265	19,848,920	20,169,066
Other Available Funds	7,978,375	7,842,188	7,899,233	7,925,065	7,981,615
Free Cash	6,500,000	3,750,000	3,750,000	3,750,000	3,750,000
<b>TOTAL REVENUE</b>	<b>196,132,205</b>	<b>198,938,398</b>	<b>205,317,946</b>	<b>211,740,977</b>	<b>217,948,910</b>
\$\$ Increase	7,559,745	2,806,193	6,379,548	6,423,031	6,207,933
% Increase	4.0%	1.4%	3.2%	3.1%	2.9%
<b>EXPENDITURES</b>					
Departmental	61,330,345	63,285,709	64,937,958	66,517,262	68,123,799
Collective Bargaining - Town	1,480,000	970,000	990,000	1,010,000	1,030,000
Schools	63,769,864	67,044,864	69,712,864	72,403,864	75,124,864
Collective Bargaining - School	1,830,000	1,170,000	1,190,000	1,220,000	1,150,000
Non-Departmental - Benefits	38,582,323	41,975,744	45,579,211	49,356,233	53,237,181
Non-Departmental - General	1,100,977	498,290	513,810	530,098	547,193
Non-Departmental - Debt Service	15,636,087	15,648,937	16,011,488	16,497,214	15,987,677
Non-Departmental - Reserve Fund	1,746,545	1,805,088	1,861,130	1,923,454	1,986,923
Special Appropriations	6,795,858	4,811,825	4,737,015	4,428,246	5,170,395
Non-Appropriated	7,386,250	7,558,856	7,735,778	7,917,122	8,103,000
<b>TOTAL EXPENDITURES</b>	<b>199,658,248</b>	<b>204,169,313</b>	<b>212,669,253</b>	<b>221,203,494</b>	<b>229,861,032</b>
\$\$ Increase	11,085,788	4,511,065	8,499,940	8,534,240	8,657,538
% Increase	5.9%	2.3%	4.2%	4.0%	3.9%
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>					
	<b>(3,526,044)</b>	<b>(5,230,915)</b>	<b>(7,351,307)</b>	<b>(9,462,517)</b>	<b>(11,912,121)</b>
Surplus / (Deficit) Prior to Collective Bargaining	(216,042)	(3,690,915)	(5,171,307)	(7,232,517)	(9,732,121)
Town Share of Surplus / (Deficit)	16,658	(1,191,668)	(1,136,976)	(1,637,675)	(2,366,038)
Town Collective Bargaining	1,480,000	970,000	990,000	1,010,000	1,030,000
<b>Total Town Surplus / (Deficit)</b>	<b>(1,463,342)</b>	<b>(2,161,668)</b>	<b>(2,126,976)</b>	<b>(2,647,675)</b>	<b>(3,396,038)</b>
School Share of Surplus / (Deficit)	(232,700)	(2,499,247)	(4,034,331)	(5,594,842)	(7,366,084)
School Collective Bargaining	1,830,000	1,170,000	1,190,000	1,220,000	1,150,000
<b>Total School Surplus / (Deficit)</b>	<b>(2,062,700)</b>	<b>(3,669,247)</b>	<b>(5,224,331)</b>	<b>(6,814,842)</b>	<b>(8,516,084)</b>



## **APPENDIX II PERTINENT DEMOGRAPHIC DATA**

This Appendix presents an overview of Brookline's demographics and includes 2000 U.S. Census data that shows household make-up and a comparison of income levels within comparable communities.

## Brookline Demographic Data

As of the 2000 census, there were 57,107 people, 25,594 households, and 12,233 families residing in the town. The population density was 3,247.3/km<sup>2</sup> (8,409.7/mi<sup>2</sup>). There were 26,413 housing units at an average density of 1,501.9/km<sup>2</sup> (3,889.6/mi<sup>2</sup>). The racial makeup was 81.08% White, 2.74% Black or African American, 0.12% Native American, 12.83% Asian, 0.03% Pacific Islander, 1.01% from other races, and 2.18% from two or more races. 3.53% of the population was Hispanic or Latino.

There were 25,594 households out of which 21.9% had children under the age of 18 living with them, 38.4% were married couples living together, 7.1% have a female householder, and 52.2% were non-families as defined by the Census Bureau. 36.7% of all households were made up of individuals and 10.1% had someone living alone who was 65 years of age or older. The average household size was 2.18 and the average family size was 2.86.

The age distribution was: 16.6% under the age of 18, 11.7% from 18 to 24, 37.3% from 25 to 44, 21.9% from 45 to 64, and 12.4% who were 65 years of age or older. The median age was 34 years. For every 100 females there were 82.6 males. For every 100 females age 18 and over, there were 79.1 males.

The median income for a family was \$92,993. Males had a median income of \$56,861 versus \$43,436 for females. The per capita income was \$44,327. About 4.5% of families and 9.3% of the population were below the poverty line, including 5.3% of those under age 18 and 7.5% of those age 65 or over.

*Source:* en.wikipedia.org/wiki/Brookline,\_Massachusetts

### 2000 Census Household Data

	Total	# Non-Families"	"Families"
	25,594	13,360 (52.2%)	12,234 (47.8%)
Average Size		2.18	
Average Family Size			2.86
# Made Up of Individuals	9,393 (36.7%)		
# Headed by a Female	1,817 (7.1%)		
# Someone Living Alone > 65 yrs old	2,585 (10.1%)		

SOURCE: U.S. Census Bureau (2000 Census)

**Comparison of Selected Communities (2000 Census)**

<i>Peer Communities</i>	Median HH	% Below Poverty Level	% Elderly Below Poverty Level	% HH Below \$50K	% HH Above \$100K
Boston	\$39,629	19.5%	18.2%	60.0%	12.8%
Cambridge	\$47,979	12.9%	12.9%	51.5%	19.6%
Newton	\$86,052	4.3%	5.0%	28.1%	42.7%
Framingham	\$54,288	8.0%	6.1%	45.8%	20.2%
Brookline	\$66,711	9.3%	7.5%	37.1%	31.9%
Weymouth	\$51,665	5.8%	7.4%	48.0%	15.1%
Medford	\$52,476	6.4%	7.4%	47.0%	16.7%
Arlington	\$64,344	4.1%	11.2%	39.0%	25.5%
Lexington	\$96,825	3.4%	3.4%	23.4%	48.5%
Wellesley	\$113,686	3.8%	2.1%	21.7%	56.0%
<i>Other Aaa Rated Communities</i>					
Andover	\$60,040	8.3%	8.4%	43.2%	28.3%
Belmont	\$80,295	4.4%	6.8%	30.6%	38.2%
Hingham	\$86,574	5.8%	6.2%	29.1%	40.8%
Winchester	\$94,049	2.6%	2.3%	23.3%	46.8%
Concord	\$95,897	3.9%	3.3%	25.2%	47.7%
Wayland	\$101,036	2.5%	2.7%	22.4%	50.5%
Weston	\$153,918	2.9%	3.9%	18.4%	67.0%
Dover	\$143,312	2.4%	2.5%	14.4%	60.9%
<i>Other Communities Used in School Contract Negotiations</i>					
Carlisle	\$129,811	2.4%	0.0%	19.1%	62.0%
Lincoln	\$79,003	0.8%	2.4%	27.8%	39.8%
Lynnfield	\$80,626	2.5%	5.2%	25.5%	40.1%
Marblehead	\$73,968	4.3%	4.6%	33.1%	37.7%
Natick	\$69,775	2.8%	5.3%	33.2%	29.3%
Needham	\$88,079	2.5%	4.2%	26.5%	44.6%
Sudbury	\$118,579	2.8%	4.8%	17.7%	60.1%
Westwood	\$87,394	2.5%	5.0%	26.5%	43.4%



## **APPENDIX III: SUBCOMMITTEE REPORTS**

The Override Study Committee formed several Subcommittees to look in detail into several areas of the town budget and to make recommendations on cost savings and opportunities for new revenue. This Appendix includes the final report of each Subcommittee covering the following areas:

- PERSONNEL
- SCHOOLS
- NEW REVENUE OPPORTUNITIES
- CAPITAL PLAN/FINANCIAL PLAN (CIP)
- ENERGY
- MUNICIPAL SERVICES

## III.1 Personnel Subcommittee Report

### 1 Background on Personnel Spending

Personnel costs accounted for 73% of Brookline’s spending in FY06, the last year for which final data is currently available. The public sector is a labor-intensive sector of the economy so it is not surprising that employee compensation and other personnel-related costs make up most of the town’s budget. Finding a way to limit the growth in personnel-related costs to a sustainable rate is therefore essential to the overall fiscal stability of the town.

In the town’s financial planning documents, personnel spending is divided into three categories: town salaries, school salaries, and benefits (mostly health insurance and pensions). In the analysis we do in this report, it will sometimes be helpful to separate benefits into benefits for current workers and benefits for retired workers. In particular, while the town should be able to manage the costs associated with current employees by reducing salary cost-of-living-adjustments (COLAs) when group health costs rise rapidly, no similar adjustment is possible with retiree health costs. Therefore, retiree health costs are going to create a large strain on the town’s budget for the next two decades.

### 2 Defining Sustainability

We define a sustainable path for personnel-related expenditures as one that would allow the town to maintain a given level of services if revenue grows at its predicted rate and if other projections (for things like the overall inflation rate, the growth rate of health care costs, and the rate of return achieved by the pension fund) turn out to be accurate. Because personnel-related expenditures account for the majority of town spending, if these expenditures grow at a rate that exceeds revenue growth over an extended period of time, it will be impossible to sustain service levels in the future without additional revenue or efficiency measures.

In generating a target for a sustainable growth rate of personnel spending it is helpful to review recent trends in revenue growth. Since the last override, operating revenues (which are made up of property taxes, local receipts, and state aid, but ignore free cash and other unusual one-time items) have grown at a fairly robust annualized rate of 4.6% (Table 1). Revenues grew at a 5.5% rate in the first six years of this twelve-year period and at a 3.8% rate in the most recent six years. Property tax revenues, which make up approximately 75% of operating revenues, are much more stable than the other revenue sources. Property tax revenue grew at a 4.9% rate during the first six years and at a 4.4% rate in the last six years. Indeed, other than the post-override year of 1995, property tax revenue grew at a rate between 3.96 and 4.94 in every single year (Figure 1).

**Table 1  
Revenue Trends Since the Last Override**

<b>Annualized Growth Rate (%)</b>	<b>Core Revenues</b>	<b>Property Taxes</b>	<b>Local Receipts</b>	<b>State Aid</b>
1994-2006	4.6	4.7	3.8	5.5
1994-2000	5.5	4.9	6.8	8.7
2000-2006	3.8	4.4	0.9	2.4

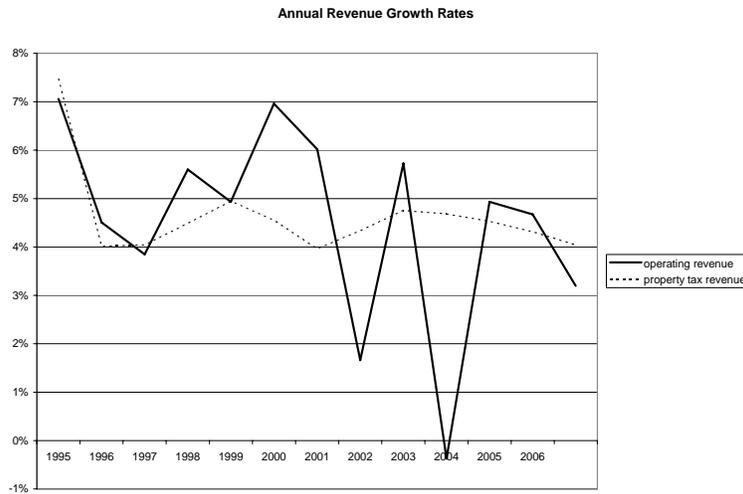
Note: core revenues are the sum of property taxes, local receipts, and state aid. This category omits free cash and other miscellaneous revenue.

It seems reasonable to expect property tax revenue to continue to grow at an annual rate of approximately 4% going forward. In particular, the growth rate has been declining in the last few years and the growth rates that were closer to 5% occurred for identifiable reasons that are

unlikely to be replicated in coming years. It is much harder to predict local receipts and state aid. But we think it would be sensible to expect that over the next decade these two components will grow at a rate that is somewhat faster than over the past six years, but not as fast as in the 1994-2000 period. Overall, we think it makes sense to analyze sustainability issues under the assumption that revenue growth will average between 3.5 and 4.0% per year over the coming decade with a central value of 3.75 percent.

The town’s shorter-term budgeting process tends to rely on an assumption of 3.0 or 3.1% annual revenue growth. We support the town’s practice of using a more conservative revenue estimate in its shorter-term budget planning. If the town were to significantly over-predict revenues in a given year, it would result in disruptive mid-year service cutbacks. Thus the town’s practice—which on average results in the under-predicting of short-term revenue and then the funding of one-time capital items with any excess funds—is a prudent one.

**Figure 1**  
**Annual Revenue Growth Rates**



An alternative perspective from which to consider the target for personnel cost growth is to ask what growth rate is appropriate for employee compensation. Economy-wide, employee compensation tends to grow at a rate equal to the sum of the inflation rate plus the growth rate in productivity. If we assume that inflation going forward will continue to average approximately 2.5% and that annual productivity growth will be in the 1 to 1.5% per year range, we similarly reach a target for personnel cost growth of 3.5 to 4.0 percent.

### 3 Trends in Personnel Spending Since the 1994 Override

Town spending has grown at an annualized rate of 4.3% over the past 12 years, with similar growth rates in the first six and last six years of the 12 year period (Table 2). Spending on school personnel and personnel benefits grew significantly faster than overall spending, while spending on departmental (“town”) personnel grew more slowly.<sup>1</sup> Personnel benefits grew quite slowly in the first year period – as health care costs leveled off nationwide for a few years during the transition to managed care – before growing at a 7.5% annualized rate in the later six years as health care costs skyrocketed. Non-personnel spending grew faster in the first six years than in

<sup>1</sup> In the town budget the “school personnel” and “departmental personnel” categories are primarily salaries. They do not include benefits.

the last six years primarily because debt-service is included in this category and the town took on additional obligations as part of school renovation projects.

**Table 2**  
**Spending Trends Since the Last Override**

<b>Annualized Growth Rate</b>	<b>Total Spending</b>	<b>Departmental Personnel</b>	<b>School Personnel</b>	<b>Personnel Benefits</b>	<b>Non Personnel</b>
1994-2006	4.3	3.5	5.0	4.7	4.2
1994-2000	4.5	3.5	5.3	2.0	6.0
2000-2006	4.2	3.6	4.7	7.5	2.5

Given that revenue growth was reasonably robust over the past twelve years, why are we facing an override today? Part of the story has to do with timing. Revenue growth was faster in the earlier years, and there does not exist a very good mechanism for storing excess revenue from boom years and using the revenue during lean years (see further discussion of this in the recommendations below). More importantly, the school personnel and personnel benefits categories of spending have been growing at a rate that exceeds even the upper bound of the 3.5 to 4.0 range for sustainable spending growth.<sup>2</sup>

As a rough attempt to quantify the factors that leave us needing an override today, Table 3 shows that overall Brookline spending in FY06 was \$5.8 million dollars higher than it would have been if spending had grown at a 4.0% annualized rate (the upper bound on the sustainable spending growth rate) since the last override. Nearly all of the excess spending can be accounted for by school personnel spending, which is \$5.3 million higher than it would have been had it grown at a 4.0% rate over this period. Personnel benefits are \$2.2 million higher while town personnel spending is \$2.3 million *lower* than would have occurred if spending had grown at a 4.0% rate. Viewed from this perspective, the main reason Brookline requires an override today is that we have expanded school personnel spending. We will see below that nearly all of this spending growth is the result of increasing the number of teachers and other educational staff, not from excessive salary increases.

**Table 3**  
**Composition of Budget and Spending in Excess of 4 percent**

	<b>Total spending</b>	<b>Departmental personnel</b>	<b>School personnel</b>	<b>Personnel benefits</b>	<b>Non personnel</b>
FY06 spending (millions)	\$165.2	\$41.7	\$50.7	\$29.0	\$43.9
% of spending	100.0	25.2	30.7	17.6	26.6
Excess spending* (millions)	\$5.8	-\$2.3	\$5.3	\$2.2	\$0.6

\* Excess spending is the difference between actual FY06 spending and the spending level that would have occurred if the spending category had grown at a 4.0% rate between 1994 and 2006.

We now turn to examining the trends in each of the major components of personnel spending in more detail.

### **3.0 Departmental Personnel Spending**

As we saw above, town (non-schools) personnel spending (primarily salaries) has grown at a sustainable annualized rate of 3.5% since the last override. Table 4 decomposes this spending into the major activities of town government. More than half of town spending goes to public

<sup>2</sup> There are clearly other factors that contributed as well – including cuts in state aid and rapidly increasing energy prices. These other factors are discussed in the main Override Study Committee report.

safety. Overall, public safety grew at the same 3.5% annualized rate as the rest of town spending. Public safety FTEs grew from 366 to 382, while spending per FTE grew at a 3.2% rate. Police FTEs grew by 15 while fire FTEs fell. These changes in public safety FTEs are the result primarily of three factors: (1) the receipt of a COPS grant to hire four police officers; (2) the consolidation of E-911 dispatch operations between police and fire, which resulted in the shifting of 5 FTEs from the Fire Department to the Police Department and in the civilianizing of the operation; and (3) making a number of part-time traffic control officers full-time – which more than paid for itself as incremental ticket revenue exceeded the incremental personal costs by a wide margin.

Two other categories experienced increases in the number of FTEs during this period. Building department FTEs increased by 8 because of additional maintenance craftsmen and increased custodial / houseworker staff. Administration FTEs increased by 6 because of a reallocation of 3 IT positions from the schools to the town as part of a consolidation of IT operations, creation of an Economic Development Office, and increased staffing within the Department of Planning and Community Development, mostly funded by CDBG.

**Table 4  
Departmental Personnel Spending**

	<b>FY06 spending (millions)</b>	<b>Ann. Growth 1994-2006</b>	<b>FTEs 1994</b>	<b>FTEs 2006</b>	<b>Spending per FTE 2006</b>	<b>Ann. Growth 1994-2006 per FTE</b>
Admin & Finance	\$4.7	4.6	76	82	\$55,920	3.7
Public Safety	\$24.9	3.5	366	382	\$65,310	3.2
Police	\$12.2	4.2	164	179	\$68,054	3.4
Fire	\$11.0	2.8	176	168	\$65,709	3.2
Building	\$1.7	4.4	27	35	\$49,131	2.2
Public Works	\$7.2	3.5	136	139	\$52,039	3.4
Library	\$2.3	3.1	44	44	\$52,719	3.1
Human Services and Recreation	\$2.5	2.2	56	42	\$60,578	4.8
<b>Total Gen Fund</b>	<b>\$41.7</b>	<b>3.5</b>	<b>677</b>	<b>688</b>	<b>\$60,575</b>	<b>3.4</b>

Note: A&F grew at a 5.3% rate in the first six years and 3.9% in the last six years. Excluding the reallocation of 3 IT positions from the schools to the town, A&F personnel spending grew at a 3.5% rate in the last six years.

### **3.1 School Personnel Spending**

Table 5 decomposes school personnel spending into its key components. School FTEs grew from 667 in 1994 to 894 in 2006. Most of this growth occurred in two categories: instruction and mandated. The instruction category includes high school teachers, all math and literacy teachers, education technology specialists, librarians, and curriculum specialists. School staffing increased during this period for several reasons. First, the high school increased its graduation requirements and, with students taking additional courses, the number of teachers was increased, particularly in science, math, and foreign languages. Second, additional math and literacy specialists were hired for the K-8 schools. Third, staffing was increased to allow each K-8 school to have its own full-time nurse. Fourth, the town moved to full-day kindergarten. Mandated spending is spending on special education (SPED) instruction and FTEs in this category increased to meet the mandated requirements.

**Table 5**  
**School Personnel Spending**

	<b>2006 Spending (millions)</b>	<b>Ann. Growth 1994-2006 (percent)</b>	<b>FTEs 1994</b>	<b>FTEs 2006</b>	<b>Spending per FTE 2006</b>	<b>Ann. Growth 1994-2006 Per FTE (%)</b>
Instruction	\$20.2	4.9	239	302	\$66,933	2.9
K-8	\$9.8	3.4	168	166	\$59,151	3.5
Admin./Supervision	\$4.6	4.7	30	35	\$130,066	3.4
Support	\$6.3	4.8	134	140	\$44,993	4.4
Mandated	\$9.9	7.6	95	251	\$39,280	-0.8
<b>Total</b>	<b>\$50.7</b>	<b>5.0</b>	<b>667</b>	<b>894</b>	<b>\$56,754</b>	<b>2.4</b>

It is worth noting that spending per FTE grew at sustainable levels in the instruction, K-8, and administration/supervision categories. Therefore, at the aggregate level at least, the unsustainable growth rate in school personnel spending appears to come from increases in staffing levels, not from excessive salary increases. Spending per FTE in the mandated category actually fell because the FTE expansion in that category was accomplished with relatively low paid paraprofessionals; the shift in the composition of this category therefore brought down the average.<sup>3</sup>

### **3.2 Personnel Benefits**

Personnel benefits account for 24% of all personnel-related costs and have been growing at a 7.5% annualized rate during the past six years.<sup>4</sup> Table 6 shows that this is essentially a story about group health costs. Town spending on health insurance premiums for workers and retirees grew at an annualized rate of 6% in the twelve years since the last override. Group health spending grew at a 0.8% annualized rate from 1994-2000 as the switch to managed care caused health care spending to level off nationwide. But this spending has grown at an alarming rate of 11.3% over the past six years and shows no signs of abating.

**Table 6**  
**Components of Personnel Benefits**

<b>Annualized Growth Rate</b>	<b>Annual Spending 2006 (million)</b>	<b>Annualized Growth Rate 1994-2006 (percent)</b>	<b>Annualized Growth Rate 1994-2000 (percent)</b>	<b>Annualized Growth Rate 2000-2006 (percent)</b>
Group Health	\$16.6	6.0	0.8	11.3
Pensions	\$10.1	2.9	2.6	3.2
Other	\$2.3	5.1	5.3	4.8
<b>Total</b>	<b>\$29.0</b>	<b>4.7</b>	<b>2.0</b>	<b>7.5</b>

<sup>3</sup> In recent years, school COLAs have averaged about 3% per year.

<sup>4</sup> The 24% calculation is personnel benefits divided by the sum of all personnel spending, including benefits. With personnel benefits removed from the denominator, this number would be 31 percent.

Table 7 shows the premiums paid by the town and its current or past employees for the various health insurance options that are available to them. Since 1993, town employees and retirees paid 25% of premiums for indemnity plans and 10% for HMOs. After that, they have paid 25% for all plans. Retiree health costs represent 34% of total group health costs.

**Table 7  
Group Health Plan Enrollment (as of Oct 2007) and Rates (as of Jan 1, 2008)**

Plan	Type	Town cost	Per Enrollee		# Enrolled
			Employee cost	Total cost	
HMO Blue	Individual	\$4,751	\$1,584	\$6,335	575
HMO Blue	Family	\$12,732	\$4,244	\$16,976	506
Blue Choice	Individual	\$5,085	\$1,695	\$6,780	393
Blue Choice	Family	\$13,605	\$4,535	\$18,139	366
Blue Seniors	Individual	\$3,110	\$1,037	\$4,146	250
Medex	Individual	\$3,216	\$1,072	\$4,228	762

Brookline’s health insurance costs and growth rates are high relative to local private sector benchmarks. The Massachusetts Employer Health Insurance Survey collected data from 1,500 Massachusetts establishments in 2001, 2003, and 2005. That survey found that the median total premium cost for large firms for an individual plan in 2005 was \$4,200, and the median total premium cost for a family plan was \$11,496.<sup>5</sup> In 2005, the Brookline HMO Blue price was approximately \$5,000 for an individual and \$13,400 for a family.<sup>6</sup>

Brookline manages a pension plan for town employees and some school employees (teachers are in a state pension plan). Since 1988, municipalities have been under a state requirement to fully-fund their pension plan by 2028. Brookline’s contributory retirement plan is 64% funded and Brookline is following a funding schedule in which payments to the pension plan increase by 4.5% per year. The Segal Group, the employee benefits consulting firm that certifies Brookline’s compliance with the state mandated funding schedule, projects that this will result in full funding by 2026 (assuming that the fund’s assets earn an 8.25% annual nominal rate of return). It was beyond the scope of this report to examine whether the Segal projections are reliable, but taking these projections at face value, Brookline appears to be acting prudently in funding its retiree pensions.

Whether it makes sense for Brookline to continue to handle the management and investment of its workers’ pensions is an interesting question. Some communities invest the pensions of their municipal employees in the state retirement plan (primarily for state employees) known as the Pension Reserves Investment Trust (PRIT). The argument for investing in PRIT is that it is a larger fund and therefore can achieve economies of scale and potentially gain access to investments in asset classes that are not available to Brookline. However, given that the management of PRIT is chosen by state elected officials and professional staff and that other states have experienced difficulties from political interference in investment funds, there is a question of whether Brookline would want to cede control of its investments to the state. Members of our committee agreed that this was an issue worthy of further study by the town as is the question of what the appropriate asset mix is for the town’s pension assets.

<sup>5</sup> The survey also reported that the median premium rose by 46% between 2001 and 2005. Brookline’s premiums grew by 30% over the same period.

<sup>6</sup> Brookline is not alone in facing high health insurance premiums. FY07 total annual premiums for family plans in Arlington ranged from \$15,940 to \$17,350. In Lexington, they ranged from \$13,680 to \$22,600. In Newton they range from \$15,700 to \$22,500.

## 4 Benchmarking Brookline Staffing to Comparable Communities

Another important approach to analyzing personnel spending is to benchmark Brookline’s per capita spending to spending in other similar communities. This method allows both administrators and citizens to see how Brookline invests its limited resources in comparison to others. While no two communities are exactly alike, this approach provides a means to see both how Brookline ranks and how its per capita spending compares to other communities.

To perform this comparison we used data from the same set of comparison communities used elsewhere in this OSC report.<sup>7</sup>

**Table 8**  
**2006 per Capita Municipal Expenditures**

<b>Peers</b>	<b>Population</b>	<b>Police</b>	<b>Fire</b>	<b>Public Works</b>	<b>Total</b>
Boston	590,763	415	270	169	3,517
Cambridge	101,365	218	217	153	3,427
Newton	82,819	168	136	215	2,901
Framingham	64,762	142	162	143	2,665
<b>Brookline</b>	<b>55,241</b>	<b>236</b>	<b>210</b>	<b>170</b>	<b>2,885</b>
Weymouth	53,606	179	141	158	2,142
Arlington	41,075	125	125	135	2,189
Lexington	30,231	145	145	212	3,710
Wellesley	26,987	167	145	219	3,128
<b>Peers Average</b>		<b>195</b>	<b>168</b>	<b>176</b>	<b>2,960</b>
<b>Peers Average Excluding Boston</b>		<b>163</b>	<b>153</b>	<b>176</b>	<b>2,880</b>
<b>Other Aaa Communities</b>					
Andover	33,475	169	172	149	3,000
Belmont	23,308	162	149	182	2,776
Hingham	21,784	194	170	169	2,784
Concord	16,789	184	167	173	3,647
Winchester	21,092	171	164	161	3,162
Wayland	12,970	150	140	145	3,893
Weston	11,646	220	198	241	4,800
Dover	5,641	237	52	270	4,067
<b>Other Aaa Average</b>		<b>186</b>	<b>152</b>	<b>186</b>	<b>3,516</b>

Note: total expenditures includes additional spending categories not shown in the table. Peer averages exclude Brookline.

Table 8 shows that 5 of the 8 peer communities (Boston, Cambridge, Newton, Lexington, and Wellesley) had higher *total* municipal spending per capita than Brookline did in 2006; Brookline’s spending was about average of its peer communities. Looking at the components of spending, we see that Brookline’s per capita spending on police was second only to Boston.

<sup>7</sup> Another useful set of comparison data is the Newton Blue Ribbon report written in 2006, in which the authors looked at spending levels in Newton and relevant surrounding communities in FY05 <http://www.ci.newton.ma.us/BlueRibbon/Reports/2007/Final%20Report%20of%20the%20BRC%20Online%20Version.pdf>.

Spending on fire was third highest, after Boston and Cambridge. Brookline was near the average on public works spending per capita.<sup>8</sup>

Given that we appear to be spending more per capita than other towns on public safety, it is worth digging deeper into these numbers. Per capita police spending in the peer communities averaged \$195. Brookline's police spending was \$236. Brookline's per capita expenditures were 21% higher than the average of the other communities, and 45% higher if Boston (arguably the least comparable community) is excluded. If Brookline were to spend at the peer average per capita rates, the town would save \$2,337,000 ( $\$41 \times 57,000$ ).

Average fire spending for the 9 towns was \$168 per capita. Brookline's spending was \$210, 25% higher than the average, and 37% higher than the average excluding Boston. If we were to spend at the average rate of the nine communities we would save \$2,394,000 ( $\$42 \times 57,000$ ).

We also compiled comparison data from a second source, a non-profit group called the ICMA (International City/County Management Association) founded in 1913 ([www.icma.org](http://www.icma.org)). They annually publish a yearbook benchmarking cities and counties using a variety of metrics.

As the table below from the 2007 yearbook shows, the sample of 153 municipalities with populations of 50-100,000 averaged 165 policemen (2.41 per 1,000). Using the same personnel criteria (both uniformed and non-uniformed personnel), Brookline employs 195 FTEs (2008 Financial Plan). For Brookline, the ratio translates to 3.42 per 1,000. This means that Brookline is staffing 42% above the average of the sample communities in the 50-100,000 population category. Applying this 2.41 ratio to Brookline would yield 137 FTEs, a reduction of 58 FTEs.

A similar comparison in the number of firefighters showed that Brookline employs 2.91 firefighters per 1,000 residents (166 FTEs) compared to a national average of 1.6 per 1,000 for the sample communities. Applying this ratio to Brookline would result in 91 FTEs, a reduction of 75 FTEs.

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<sup>8</sup> With total spending near the peer average and public safety spending above the average, readers may wonder what large spending category is below average. The answer is that Brookline's per capita spending on education is below the peer average. This comes from a combination of per pupil expenditures that are in the middle of the pack and the fact that a relatively small portion of the town's population is made up of school-aged children (see the schools subcommittee report for further analysis of Brookline's education spending).

Table 3/2 FULL-TIME PAID PERSONNEL, 2006

Classification	Police			Fire		
	No. reporting	Mean	Per capita per 1,000 population	No. reporting	Mean	Per capita per 1,000 population
Total	1,203	135	2.59	935	88	1.65
Population group						
Over 1,000,000	2	9,996	4.15	2	3,114	1.29
500,000–1,000,000	10	1,775	2.86	10	1,026	1.69
250,000–499,999	14	1,067	2.81	13	484	1.31
100,000–249,999	77	419	2.70	74	252	1.60
50,000–99,999	153	165	2.41	138	107	1.60
25,000–49,999	281	87	2.45	235	57	1.65
10,000–24,999	666	42	2.66	463	27	1.68
Geographic division						
New England	97	62	2.31	78	54	1.76
Mid-Atlantic	128	139	2.33	54	124	1.64
East North-Central	236	86	2.41	188	65	1.53
West North-Central	128	92	2.26	100	54	1.17
South Atlantic	178	163	3.64	160	100	2.26
East South-Central	45	112	3.22	42	86	2.41
West South-Central	134	154	2.74	124	94	1.67
Mountain	63	214	2.71	52	138	1.44
Pacific Coast	184	200	2.08	137	111	1.20
Metro status						
Central	218	440	2.83	212	237	1.81
Suburban	731	74	2.48	500	48	1.53
Independent	254	50	2.68	223	35	1.75

As stated above, the comparisons are made with 153 communities of 50-100,000 population. Given Brookline’s urban quality, large number of high rise apartment buildings, congested streets, and apparent desire for high quality public services, higher per capita numbers for police and fire may be appropriate. A careful analysis of this issue would compare Brookline’s staffing level to Brookline’s needs and evaluate outcome measures like response times. Given that public safety was the one large area of public services where Brookline’s per capita spending was at the high end of the range, both relative to Boston-area and national comparison groups, we recommend that the town commission a detailed study of public safety needs, performance, and staffing levels.

## 5 Keeping the Growth Rate of Current Employee Compensation at a Sustainable Level

As we mentioned above, the town and schools need to limit total personnel costs to an annual growth rate of approximately 3.75% for the budget to be sustainable. Given that health insurance costs continue to grow at a rate that is much faster than 3.75 percent, salary growth will need to be restricted to a number well below 3.75 percent.<sup>9</sup>

The private sector has been making this tradeoff between salaries and non-salary compensation for some time. Table 9 shows national compensation trends for the private sector and for the state and local government sector from the Employment Cost Index published by the Bureau of Labor Statistics. During the 1994-2000 period, private benefits grew at a 2.95% rate. Private benefit growth increased to 5.15% in the 2000-2006 period. But despite this increase in benefit spending, total private compensation grew only slightly faster in the later period (3.58 percent) than in the earlier period (3.39) percent. As health costs accelerated, the private sector reduced the growth rate of wages and salaries (from 3.6% to 2.9 percent) so that total compensation growth remained relatively constant. In the state and local government sector, benefits accelerated even faster, but wage and salary growth fell only slightly, so state and local total compensation growth increased by a full percentage point between the early period and the later period.

<sup>9</sup> This assumes that the non-personnel portion of the budget also grows at 3.75% per year. If it were possible to restrict growth in non-personnel expenditures to 2.5% (roughly the rate of inflation), then personnel costs of 4.21% would be sustainable. Given cost trends in energy and materials, it may not be feasible to maintain service levels with non-personnel expenditures limited to a 2.5% growth rate.

**Table 9**  
**National Compensation Trends**

	<b>1994-2006</b>	<b>1994-2000</b>	<b>2000-2006</b>
	<b>Annualized</b>	<b>Annualized</b>	<b>Annualized</b>
	<b>Growth</b>	<b>Growth</b>	<b>Growth</b>
	<b>Rate</b>	<b>Rate</b>	<b>Rate</b>
Private total compensation	3.49	3.39	3.58
S&L government total compensation	3.36	2.87	3.86
Private wages and salaries	3.26	3.60	2.93
S&L government wages and salaries	3.02	3.11	2.92
Private benefits	4.05	2.95	5.15
S&L government benefits	4.13	2.36	5.93
<i>Addendum</i>			
Private health benefits	5.49	2.99	8.06
Consumer Price Index (US Urban)	2.52	2.54	2.50
Consumer Price Index (NE Urban)	2.69	2.50	2.88

Source: U.S. Bureau of Labor Statistics, Employment Cost Index

For current employees, it is possible to limit total compensation to a sustainable level by reducing salary growth rates when health insurance growth rates are high. For retirees, this sort of tradeoff is not possible. We therefore address the sustainability of retiree health and pension benefits separately, in section 6 of this subcommittee report.<sup>10</sup>

As long as health care costs are rising at a 10-15% rate, this means that COLAs and other increases in personnel expenditures will likely need to be held below (and possibly well below) 2 percent. One way to achieve this would be to hold FTEs constant and limit COLAs to the target rate. Alternatively, FTE reductions could be implemented as a way to allow salaries for the remaining employees to grow faster than the target rate. To pay for an extra 1 percentage point COLA for one year would require cutting FTEs by about 0.9% – a cut of approximately 7 FTEs on the town side and 9 FTEs on the school side. Restraining the growth rate of non-personnel spending below the growth rate of revenue would be another way to afford somewhat higher COLAs, but given cost trends in energy and materials this may not be feasible.

Table 10 shows the relationship between the sustainable annual growth rate of salaries (and other non-benefit personnel spending) and the annual growth rate of the town's costs for health insurance premiums under different assumptions about revenue growth and the growth rate of non-personnel spending. The table assumes that FTEs are held constant. Under the base case assumptions (and also assuming that non-personnel spending grows at 3.75% per year), if group

<sup>10</sup> Compensation for current employees has four main components: salaries, current health benefits, future retiree pensions, and future retiree health benefits. The sum of these four components is what should grow at a sustainable rate. It is difficult to implement this recommendation directly because the town does not pre-fund future retiree health benefits as it does pension benefits. We have not attempted to calculate the exact future liability incurred per employee-year in retiree health benefits. This would be the theoretically correct component of future health costs to use in calculating the sustainable COLA target. However, back-of-the-envelope calculations suggest that current expenditures on retiree health benefits are similar in magnitude to the additional retiree health liability that is accrued each year. Therefore, the sustainability calculations in Table 10 are done by assuming that the goal is to restrict the growth rate of the sum of current year salaries, current year employee health benefits, and current year retiree health benefits to 3.75. One could also include pensions in the calculation, but it would similarly require a calculation of the incremental future liability incurred each year. If the town moves to pre-fund retiree health benefits, it would be a good idea to produce a more precise version of Table 10 to use as a guide for sustainable salary growth rates.

health costs continue to grow at a rate between 10% and 12% per year, annual COLAs need to be restricted to the 1.0 to 1.8% range (assuming non-personnel spending is also restricted to 3.75% growth). If the growth of health costs slows to 8 percent, then the town could afford to give COLAs of 2.6 percent. If non-personnel spending can be held to 2.5% growth, then annual COLAs can be 0.6 percentage points higher.

Although this table is presented in terms of COLAs, it is worth emphasizing that the recommendation for restricting the growth rate of non-benefit personnel spending applies to the total of personnel spending, not simply to COLAs. For example, if FTEs are increased or additional steps are added at the upper end of salary schedules, then the implied affordable COLA will be lower than the number in Table 10. In theory, the costs of steps can be ignored in thinking about the affordable level of personnel spending growth; if the age distribution (or more accurately the step distribution) of employees remains relatively constant, then steps do not affect spending. The savings from replacing retirees with new workers who are at the bottom of the step distribution exactly offsets the increase in salaries associated with moving people up to new steps. In practice, the age distribution does not always stay constant. In recent years, a relatively large number of teachers have been retiring and have been replaced by younger teachers at lower steps. This has provided a temporary savings to the school budget – and has allowed school personnel costs to grow at a slower rate than they would have if the step distribution of school employees had remained constant. Over the next decade, this situation will reverse itself as a disproportionate number of teachers will be in the first 12 years of their careers -- earning step increases on top of their COLA increases. Thus, even if school FTEs remain constant and school COLAs are set at the level implied by Table 10, school personnel costs will grow at a rate that exceeds the target level.

**Table 10**  
**Maintaining a Sustainable Growth Rate for Salaries**

Assumptions		Affordable COLA if annual growth rate for group health costs is:				
Revenue Growth Rate	Growth Rate of Non-Personnel Spending	6%	8%	10%	12%	14%
<i>Base case</i>						
3.75	3.75	3.2	2.6	1.8	1.0	0.0
3.75	2.50	3.8	3.2	2.5	1.7	0.7
<i>Sensitivity analysis</i>						
3.00	3.75	2.2	1.6	0.8	0.0	-1.2
3.00	2.50	2.5	1.8	1.1	0.1	-0.9
4.00	3.75	3.5	2.9	2.2	1.3	0.3
4.00	2.50	4.2	3.6	3.0	2.2	1.2

Notes: Calculations aim to keep total town and school general fund spending growing at the same rate as revenue growth. The sustainable COLA falls from year to year as health costs become a larger fraction of total compensation. The numbers in this table represent the affordable COLA for FY14 which is meant to represent the average affordable COLA for the coming decade.

## 6 Bridging the 20-Year Gap in Retiree Benefits

For current employees, it is possible to limit personnel costs to a sustainable level by restricting the sum of personnel benefits and salaries to grow at a rate consistent with revenue growth. For retirees, this is not possible since there are no salaries whose growth rate can be reduced when benefit growth rates accelerate.

If group health costs continue to grow at rates of 10 to 12 percent, then retiree health is going to place an enormous strain on the budget. Indeed, even if the growth rate of health costs slows considerably, retiree health is going to place an enormous strain on the budget. The Segal Group report on retiree health benefits assumes that the growth rate of health costs falls linearly from 10% in 2007 to 5% in 2012 and later. Even with these extremely optimistic assumptions, they calculate that the town faces an unfunded retiree health liability of over \$300 million.<sup>11</sup>

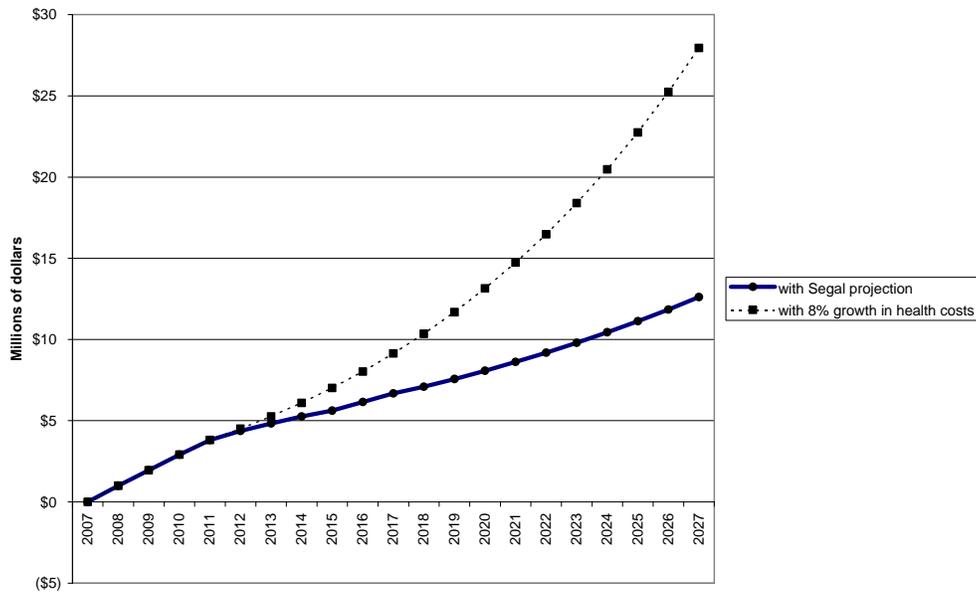
Figure 2 plots the annual budget gap created by retiree health under the Segal assumptions and under an alternative assumption in which health costs growth at 8% per year from 2009 on. This calculation also assumes that the town only partially implements the recommendation embodied in Table 10 – and restricts the sum of salaries and current health costs to the sustainable rate but fails to reduce COLAs sufficiently to account for retiree health costs. The calculation also assumes that revenue growth is at the upper level of its likely level – 4% per year. The budget gap is the amount by which retiree health spending exceeds the sustainable growth rate of such spending. In other words, it is the dollar difference between projected retiree group health spending and the level of group health spending that would occur if spending growth was limited to 4.0% per year. The figure shows that under these assumptions, the budget gap increases by about \$1.25 million per year. In other words, the town will need to find an additional \$1.25 million of spending cuts and/or new revenue sources each year just to offset the rise in group health costs. We want to emphasize that by “each year” we mean that the effect is cumulative. In the first year, there will need to be \$1.25 million in cuts/new revenues. In the second year, we will need to continue the first year cuts/new revenue and find an additional \$1.25 in cuts/new revenues. In the third year we will need to sustain the \$2.5 million in prior cuts/new revenues and find another \$1.25 million. And these calculations are relatively optimistic in the sense that they assume group health costs grow at 8% per year – whereas they have been growing at more than 10% per year for the last several years.

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<sup>11</sup> This number discounts future liabilities at a 5.25% nominal rate. Discounting at an 8.25% rate results in an unfunded liability of approximately \$200 million. Recent plan design changes have reduced this estimate by approximately \$20 million.

**Figure 2**

**Budget Gap from Retiree Health Costs**

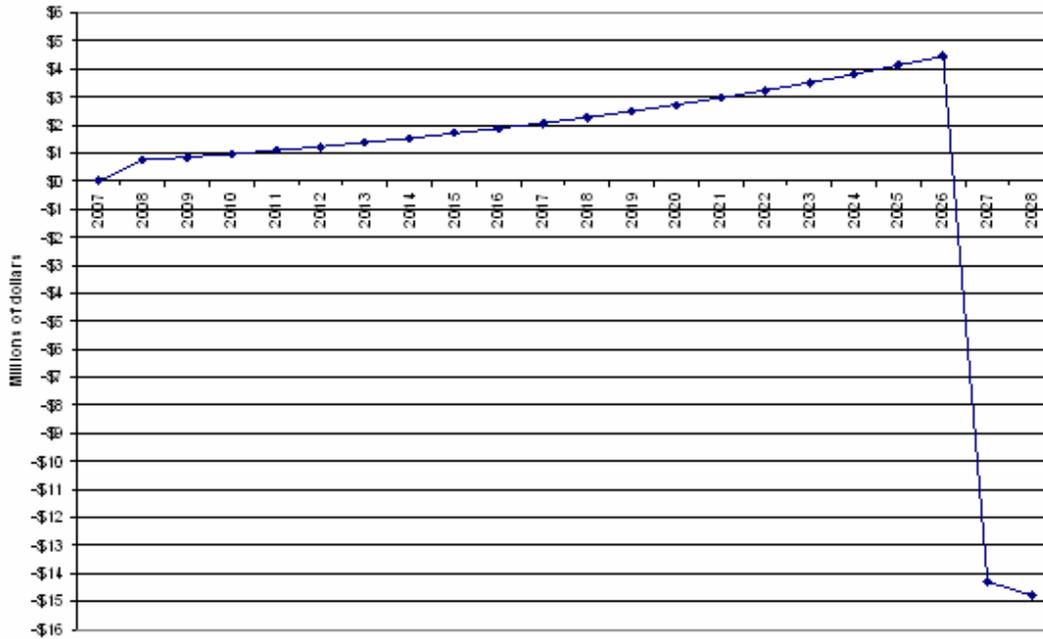


While retiree health benefits are going to place an enormous strain on the budget for the next two decades, the good news is that the problem will be greatly reduced after 20 years. This is because the pension plan will become fully funded at that date and it will be possible to reallocate funds from retiree pension funding to retiree health funding. In particular, the funding schedule that produces full funding by 2026 consists of two annual components – a payment to fund the newly accrued pension entitlements during the current year and a payment to fund the pre-existing unfunded liability. When the funding is complete, the second of these payments will be available to help pay the cost of retiree health.

This point is illustrated in Figure 3, which shows the budget gap from the pension funding schedule. Because the pension funding schedule assumes that funding will increase by 4.5% per year – a rate that is above the 3.75% target for sustainable spending – pension costs will also produce a budget gap that will need to be offset by spending cuts or new revenues from elsewhere in the budget. However, the gap is much smaller than the retiree health gap. Then in 2026, the pension plan becomes fully funded and \$15 million will become available to pay for retiree health costs.

**Figure 3**

Budget Gap from Pension Costs



## 7 Smoothing Out Year-to-Year Fluctuations in Revenues

As we noted above, part of the reason we are facing an override despite relatively robust revenue growth over the past 12 years is that revenue grew much faster in the first six years than in the second six years. While the town has built up its rainy day fund so that it now contains an amount equal to 3% of the prior year net revenue, the town has rightfully been reluctant to use surplus funds in one year to meet operating costs in subsequent years – since that might lead the town to take on an unsustainable level of service commitments. Instead, free cash left over year end has been used for capital investments and other one-time uses. Moreover, since there is a structural deficit – resulting in a large part from the increase in school personnel – and because the structural deficit is going to grow – largely because of increases in retiree health costs, there is no way to solve the town’s overall budget problems with spending from a rainy day fund. Addressing the structural deficit requires permanent adjustments, not temporary use of a rainy day fund or free cash to tide us over until revenues rebound. That said, we suggest that the town explore whether there is a way to build up the rainy day fund further during boom years and to use it for limited operating budget expenses (say in years in which revenue growth falls temporarily below 3.75 percent) to avoid the phenomenon in which revenue over a decade or so is robust, but we nonetheless find ourselves needing an override because revenue growth over the period was not constant.

## **8 Major Sources of Uncertainty**

It is worth emphasizing that there is a very large amount of uncertainty in the town's fiscal outlook.

### **8.0 Inflation**

All of the numbers above assume that the national inflation rate continues to be approximately 2.5% per year. If inflation were to rise to 4 percent, there is no way that the revenue growth rate allowed for under Proposition 2 ½ would permit the town to maintain personnel levels. In contrast, if the Federal Reserve managed to reduce inflation to below 2 percent, then the town's financial outlook would improve significantly.

### **8.1 Group Health Costs**

The dire numbers on retiree health above were based on the assumption that health costs grow at 8 percent. It is certainly possible to imagine them continuing to grow at a 11 or 12% rate as they have in recent years or falling to a lower rate.

### **8.2 Market Returns**

The pension fund is invested in a financial market portfolio and the funding schedule is revised every 2 years to account for, among other factors, how the fund's investments have performed. If the market performs poorly over an extended period of time, it would be necessary to increase the town's pension contributions. In contrast, if the market does unusually well, then required contributions would decline (or alternatively, the same contribution schedule could be maintained and full funding achieved at an earlier date). If the town begins to accumulate a fund to help pay for future retiree health costs, it will similarly be subject to market risk.

### **8.3 State Aid**

State aid has been and is likely to continue to be the most volatile component of town revenues.

### **8.4 Special Education Costs and School Enrollment Levels**

While the schools are implementing an aggressive program to make special education services more efficient, mandated spending will almost certainly continue to rise as a share of the school budget. Since requirements for spending on special education are often imposed by the state legislature and the courts, they are partially outside the town's control. In addition, trends in who moves into Brookline are hard to predict. This is true not only for students with special needs but also for overall enrollment levels. The surge in kindergarten enrollments that we have experienced in the past 3 years was unexpected and is only partially understood. If enrollment levels continue to exceed projections, it will put significant pressure on the school budget.

## **9 Recommendations on Personnel Benefits and Sustainability**

### **9.0 Hold Growth in Total Personnel Costs to a Sustainable Level**

Once the FY09 budget is brought into balance through some combination of an override, efficiency measures, and service cuts, the town and the schools should each manage their

personnel costs so that the combination of salaries, employee health benefits, and staffing levels grow at a sustainable rate (most likely approximately 3.75 percent per year). This can be achieved by four methods: a) increasing employee contributions for their health care costs, b) restricting COLAs, c) reducing staffing, and d) some combination of the previous three. As long as health care costs are rising at a 10 to 12 percent rate, COLAs and other increases in expenditures per employee will need to be held below 2 percent if staffing levels remain constant.

### **9.1 Join the GIC as Soon as Possible**

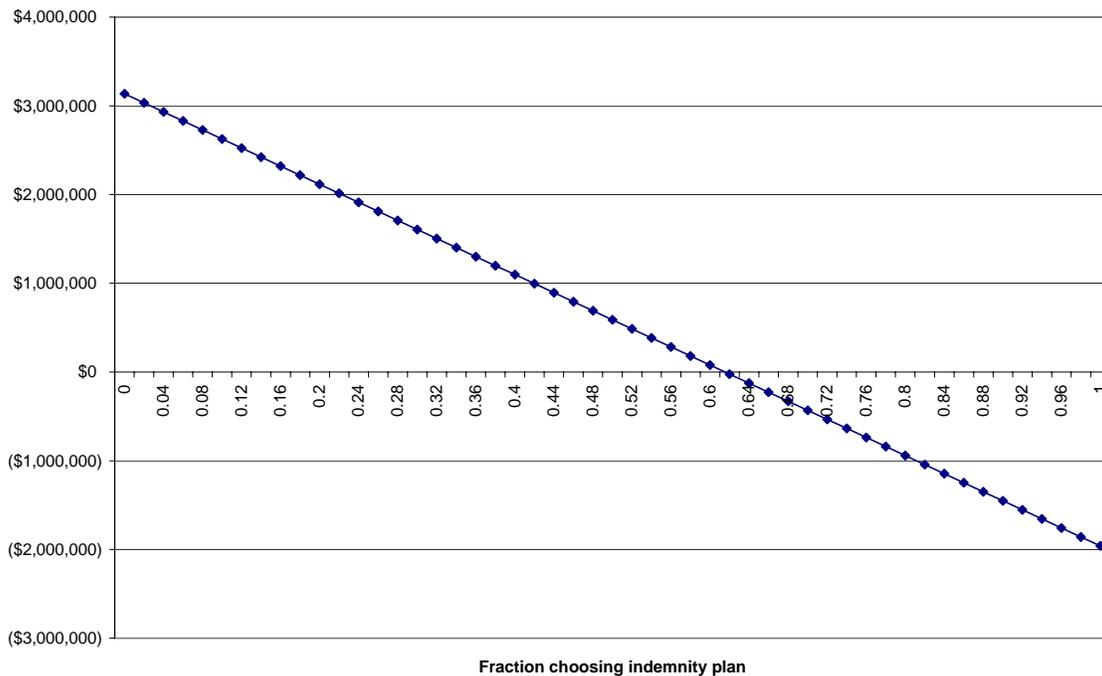
If the town continues to experience double digit group health increases, its collective bargaining position should be to restrain COLAs until the town joins the Group Insurance Commission (GIC) and that COLAs can return to higher levels again once the town joins the GIC.

The GIC is the health system for state government employees. The legislature recently gave municipalities the option of joining the GIC if the municipality adopts coalition bargaining and gets 70 percent of the bargaining units to agree to the change. Premiums for health plans similar to that offered to Brookline employees are significantly cheaper in the GIC, and GIC premium growth rates have been significantly lower in the past few years than those achieved in Brookline. It is unclear why the GIC is able to offer cheaper premiums. It is possible that state employees are younger and healthier on average than municipal employees. Alternatively, it is possible that the GIC has more bargaining power.

It is likely that the town would save between \$1 million and \$2 million per year by joining the GIC. However, it is not guaranteed that these savings will be achieved. While the cost through the GIC of plans similar to those currently offered by Brookline is considerably less, the GIC also offers a higher cost indemnity plan that is not currently offered to Brookline employees. If enough Brookline employees chose the indemnity plan, costs could actually go up with entry into the GIC. Figure 4 shows the potential annual saving from joining the GIC as a function of the fraction of employees choosing the indemnity plan.

**Figure 4**

**Potential Saving from Joining GIC**



**9.2 Address Longer-Term Retiree Health Costs Issue**

Ideally, the town should set aside \$4 million per year to finance future retiree health costs and increase this amount by 4 percent each year. This would allow the town to fill the 20-year gap until pensions become fully funded (at which time the annual pension contribution could be shifted over to pay retiree health costs). We realize that this is unlikely to happen. At a minimum though, the town should set aside the \$1-2 million per year saved from joining the GIC in a fund to pay future retiree health costs (and increase this amount by 4 percent per year). If the town receives other large one-time revenues such as the proceeds from selling taxi licenses, the town should add these to the fund for retiree health.

**9.3 Sustain Scheduled Contributions for Pensions**

If there is good news on the pension front – either because the fund’s investments perform better than the assumed rate or because the state lengthens the permitted funding period -- the town should not reduce its scheduled contributions. Instead, it should either maintain its current funding schedule or, if a new schedule is adopted, deposit freed-up amounts in the retiree health fund. If the town manages to fully fund its pension obligations in advance of the current 2026 target, the town should similarly shift the freed-up amounts to the retiree health fund.

**9.4 Do Not Ignore Longer-Term Fiscal Challenges**

No matter how the FY09 budget is brought into balance, the town’s budget is likely to become increasingly out of balance over the coming decade due to four factors. First, it is unlikely that the town will be successful via collective bargaining in holding COLAs to the targets discussed

above. Second, during the coming decade there will be more teachers with less than 12 years of service who will be receiving both COLAs and STEP adjustments, raising the growth rate of school personnel spending. Third, under the pension funding schedule the town’s contributions are scheduled to grow at a 4.5 percent rate, which is faster than the predicted rate of revenue growth. Fourth, SPED costs are likely to continue to grow faster than revenues.

There is considerable uncertainty about the size of each of these longer-term fiscal challenges. Table 11 is designed to give a rough sense of the magnitude of the fiscal challenge that will remain once the FY09 budget is brought into balance. It shows that if revenue grows at a 3.75 percent annual rate, then the budget shortfall will be \$1-2 million per year. In other words, the town will each year need to find another \$1-2 million in efficiency savings, service cuts, and/or new revenue.

**Table 11**  
**Selected Expenditures Likely to Grow Faster than 3.75 Percent Annually (\$M)**

<b>Year</b>	<b>Excess Personnel Costs</b>	<b>Teacher Demographic Changes</b>	<b>Excess Pension Funding</b>	<b>Excess SPED</b>	<b>Total Shortfall</b>
2010	0.354	0.5	0.089	0.578	1.521
2011	0.735	0.53	0.186	1.218	2.669
2012	1.145	0.592	0.29	1.925	3.952
2013	1.586	0.596	0.402	2.705	5.289
2014	2.059	0.631	0.524	3.564	6.778
2015	2.567	0.669	0.654	4.508	8.398
2016	3.111	0.709	0.795	5.545	10.16
2017	3.693	0.752	0.946	6.681	12.072
2018	4.316	0.797	1.108	7.924	14.145
2019	4.981	0.845	1.282	9.284	16.392

Notes: The columns shows the amount by which spending in each category exceeds the level that would occur if spending grew at 3.75% per year from the 2009 base

Assumptions: Personnel costs grow 0.25% faster than sustainable level. School retirements fall to 15 per year. Pension funding grows at 4.5%. SPED grows at 7.0% (down from historic average of 9.5%).

Therefore, we recommend that the revenue and efficiency options discussed elsewhere in the report be aggressively enacted to close this gap.

## III.2 School Subcommittee Report

### 1 Overview

In FY07 the Town of Brookline spent more than \$73 million to fund direct education accounts and another \$28.6 for indirect services (administrative services and health, utilities, building and grounds maintenance, benefits, and debt service).. Of this, over \$62 million represents direct spending through the general fund. In addition, Grant Funds (e.g. from Mass Department of Education) and Revolving Funds (e.g. from athletic fees) each contributed more than \$5 million to overall spending.

In order to assure that schools receive a fair share of growth revenue in each year, Brookline established the town/school partnership. The “town/school Partnership,” which was originally established in 1995, represents a framework for the division of annual growth revenue. Essentially, the formula divides any net growth between the schools and all other town operating Departments after setting aside for the growth of certain “fixed costs” (i.e., employee benefits, energy costs, etc.)

The town/school partnership formula has been used to determine a division for the base budget with variances made to accommodate specific situations or identified needs as they arise in the annual review process. The Fiscal Year (FY) 08 Budget development represents an example of this process -- the division of new local revenue and new state revenue were both divided on a basis that favored the schools over town services in later stages of budget development as the negative impact of initial funding on school programs and services became evident.

This report:

- Reviews Brookline’s overall per pupil spending relative to comparable towns;
- Considers savings opportunities within mandated spending categories;
- Details all non-mandated spending (defined as all spending that is not required by law) to show all program areas that would need to be considered for cuts by the School Committee and Superintendent’s office should this be required;
- Analyzes the growing Special Education (SPED) budget and examines steps that are being taken to curtail its growth;
- Reviews new spending initiatives proposed by the School Committee
  - Lengthened instructional day and associated increase in teacher salaries
  - Elementary World Language Program; and
- Provides recommendations.

### 2 Comparative per Pupil Spending

The following table shows Brookline’s expenditures per pupil as compared to comparable towns in FY06 (Note that throughout this section, Brookline schools are compared to 23 other towns. This is the list of towns agreed to for comparison purposes by both sides in negotiations between the town of Brookline and the teachers’ union). The data come from the Massachusetts Department of Education (DOE). As shown, Brookline is in the top quartile of spending as compared to these towns. The question that arises from this high level view is: If Brookline were forced to reduce spending per pupil, where could savings be realized? To answer this question, this report analyzes current spending in detail.

### Comparison of Brookline's per Pupil Expenditures

District	FTE Pupils			Expenditures (\$)			
	At the District	Tuitioned Outside <sup>1</sup>	Total Pupils	Per Pupil Outside	Total	Total Per Pupil	Per Minute Per Pupil
Weston	2,356	24	2,380	45,380	38,198,232	16,052	13.60
Lincoln	1,244	10	1,254	27,683	19,621,752	15,651	13.79
Concord-Carlisle	1,225	47	1,272	58,378	19,618,781	15,424	12.83
<b>Brookline</b>	<b>6,012</b>	<b>78</b>	<b>6,091</b>	<b>62,369</b>	<b>90,923,797</b>	<b>14,929</b>	<b>13.23</b>
Concord	1,919	60	1,979	51,919	28,512,442	14,411	13.04
Newton	11,553	149	11,702	55,382	161,745,239	13,822	12.00
Lincoln-Sudbury	1,566	34	1,600	50,821	21,671,797	13,546	10.80
Bedford	2,282	108	2,391	38,633	32,259,071	13,495	11.27
Lexington	6,271	104	6,374	50,327	80,318,374	12,600	10.50
Wayland	2,941	38	2,979	36,161	36,691,615	12,317	10.74
Westwood	2,916	44	2,960	56,199	35,184,227	11,885	9.68
Carlisle	807	7	814	69,279	9,652,604	11,858	10.03
Wellesley	4,547	72	4,619	60,698	53,087,456	11,494	10.19
Needham	4,939	61	5,000	52,995	56,453,034	11,291	9.88
Natick	4,559	165	4,724	21,738	52,401,182	11,092	9.61
Arlington	4,578	133	4,711	36,106	51,069,221	10,841	9.42
Marblehead	3,114	201	3,315	13,389	35,830,517	10,810	9.20
Belmont	3,694	88	3,782	44,126	39,229,465	10,374	8.87
Winchester	3,859	53	3,912	39,904	39,658,540	10,139	8.72
Sudbury	3,268	41	3,308	58,716	32,591,571	9,851	8.61
Lynnfield	2,181	32	2,213	44,445	21,545,067	9,737	10.40
Hingham	3,755	84	3,839	35,341	35,669,826	9,292	7.93
MA (325/328 districts)	930,456	49,911	980,368	18,523	10,976,178,112	11,196	

1. Outside the school district

## 2.0 Core (Mandated) Spending

Before considering non-mandated spending categories, we looked at opportunities for savings in core spending areas. Within this analysis, we looked at demographics to determine if fewer students would be enrolling in schools going forward, allowing for a planned reduction in staff. This analysis shows that demographics will not provide an opportunity to bring costs down anytime soon. The town is experiencing continued high kindergarten enrollment rates and birth data makes it clear that total enrollment should continue to rise through at least 2012.

The school department has several unique features that represent higher costs. Among these is a K-8 grade school system and small class sizes in both the grade schools and the high school. These are the two areas that contribute to higher per pupil spending.

### 2.0.1 The Kindergarten through Eighth Grade System

Brookline does not have a middle school. The middle school grades are included within each of its eight elementary schools. Overall, this is probably (we did not do an analysis to determine actual numbers) more expensive than a single separate middle school because each of the eight schools has to have staff and facilities (e.g. labs) to support middle school education. Consolidating into a common middle school would likely result in spending efficiency.

Before considering the potential for savings here, we recognized that undoing this system would be very costly up front so would actually increase costs in the early years and would not provide any relief in dealing with the short term budget pressures under question – it would actually

intensify them. For this reason, we did not pursue a detailed analysis of the potential long term cost savings of undoing this system.

### 2.0.2 Low Class Sizes

In the elementary schools, the average class size is less than 20 students. In the high school, academic classes average at about 20 students, while electives are at just over 15. Overall, high school classes average just fewer than 19 students. Research strongly supports the educational benefit of small class sizes. Nonetheless, by increasing average class size, over time staff could be reduced and thus per pupil spending would go down. Should the schools face large budget cuts involving head count reduction, there is no doubt that class size increases would be up for discussion. Also note that increasing class sizes would not yield significant cost savings in the short term (FY09). This policy change would take several years to implement.

Beyond the above two areas, there are no opportunities for savings in core spending that would have a significant positive impact on the budget. Non-mandated spending areas are the only categories that could be considered for cuts in order to yield short term savings.

### 2.1 Analysis of Non-Mandated Spending

If the town is forced to make cuts to the school budget, the following table and sections detail non-mandated spending. (Note: many consider these areas as core school offerings, but they are not required by law). These are the areas that the School Committee and Superintendent’s Office would have to consider for cuts and/or fee increases.

Area	Cost	Notes
After School Program	\$300K	Net of Revenue
Enrichment & Challenge (formerly Gifted & Talented)	\$330K	
Literacy & Math Specialists	\$1.675M	
Social Workers	\$440K	7 FTEs
Computer Equipment Purchases	\$325K	
Guidance & Career Center Staffing	\$780K in Elementary Schools \$1.65M in High School	
Libraries	\$760K in Elementary Schools \$321K in High School	
Professional Development	\$1M	
Program Review	\$ 25.4K	
Early Childhood	\$1.54M	Net of Revenue

#### 2.1.1 Athletics

The schools’ athletics programs are funded by a combination of a General Fund appropriation supplemented by user fees set at \$175 per sport, per season. This fee was recently increased from \$125 making a recommendation to raise these fees again inadvisable.

	FY06 Actual	FY07 Actual	FY08 Budgeted
Athletics General Fund	\$604,197	\$560,432	\$485,060
Athletics Revolving Fund	\$245,994	\$351,674	\$325,744
<b>Total Expended</b>	<b>\$850,191</b>	<b>\$912,106</b>	<b>\$810,804</b>

### 2.1.2 Early Childhood Program

In FY07, the Early Childhood Program cost \$3.4M. The operating budget included the following revenues and expenditures:

	<b>Expenses</b>	<b>Revenues</b>
FY07 Revolving Fund Expenses	\$1,490,648.91	\$969,804.66
FY07 Community Partnership Grant Expenses	\$305,864.00	\$305,864.00
FY07 SPED Grants Direct Staff and Summer School	\$576,024.99	\$576,024.99
General Fund Aides	\$351,455.00	
Other General Fund Direct Staff	\$252,503.26	
SPED Out of District Costs/Contracted Services	\$413,686.00	
General Fund Support		\$1,538,488.51
<b>Total</b>	<b>\$3,390,182.16</b>	<b>\$3,390,182.16</b>

Brookline’s investment in early childhood education meets the federal mandate to provide integrated mainstream settings for SPED students while also providing high quality Early Education settings for typically developing students at a fee.

### 2.1.3 Performing Arts

Costs associated with the Performing Arts program totaled \$1,527,349.62. Costs to this program are heavily people-driven, as evidenced by the following FY07 expenditure table.

Salaries	\$1,496,932.77
Outside Services	\$5,449.70
Supplies	\$16,925.18
Other Charges	\$445.00
Budgeted Capital	\$7,596.97
FTE	24.4
<b>Total</b>	<b>\$1,527,349.62</b>

Performing Arts classes are provided to enrich students’ educational opportunities and are generally scheduled at the Elementary level to allow for classroom teachers contractual planning and development periods.

### 2.1.4 Intern Opportunities

The schools currently offer internship opportunities via two means. These two programs are as follows:

1. SPED (Lesley Interns)
  - o FY07 - \$72,000 – 9 interns @ \$8,000 each
  - o FY08 - \$72,000 – 9 interns @ \$8,000 each
2. Teaching and Learning
  - o FY07 - \$75,250 – 20 full year interns @ \$3,500 each and 3 half year interns @ \$1,750 each
  - o FY08 - \$84,000 – 24 full year interns @ 3,500 each

Internships allow classroom teachers to work closely with college programs in educational settings. Interns provide low-cost energetic assistance to teachers willing to invest time.

### **2.1.5 Brookline High School (BHS) Tutorial**

The BHS Tutorial program was designed to provide tutorial services to help students “on-the-margin” achieve at a higher level. BHS teachers meet their contractual obligation of five teaching periods by teaching four scheduled subject teaching periods and one Tutorial period. In FY07 the Tutorial periods were the Full Time Equivalent (FTE) of 9.3 teachers at \$601K.

Additionally, the 21<sup>st</sup> Century Fund pays for staff at the “Freshman Center”, which provides support and tutorial services at 3.4 FTE teachers at a cost of \$187K.

### **2.1.6 Chinese Exchange Program**

BHS participates in a China Exchange program with the Gao Xing school in Sian, China through which 6-8 Chinese students and one teacher come to Brookline for half of a year and 6-8 BHS students and one teacher travel to China for half of a year.

The cost of the Chinese Exchange Program is comprised of a teacher who travels to China with Brookline students for half of a school year and who receives planning time for the balance of the year at .2 FTE. Additional training and support is provided for Chinese students who spend half a school year in Brookline. The resources expended in support of the China Exchange Program are the equivalent of a .9 FTE teacher or \$57K.

### **2.1.7 Capital Improvement/Massachusetts School Building Assistance (MSBA)**

The town’s current Capital Improvement Program (CIP) includes two proposed school renovations: one at the Runkle School and the other at Devotion School.

The Runkle School effort is projected to cost \$26.4 million and is scheduled for plans and specifications in FY09 with project work occurring in FY10. The CIP presumes \$13.2 million of state funding.

The Devotion School renovation is projected to cost \$55.3 million and is scheduled for plans and specifications in FY12 with project work occurring in FY13. The CIP presumes \$27.65 million of state funding.

If either school does not qualify for MSBA funding or if MSBA funding is delayed, the funding plan of the CIP will need to be reset, delaying one – or both – of those projects, as well as other CIP projects.

### **2.1.8 METCO**

The FY07 grant for METCO awarded to the schools was \$1,389,437. The Commonwealth of Massachusetts announced on July 27, 2007 that an additional \$1 million in total funding would be available in two allocations:

- Out of a pool of approximately \$750K, an additional \$200 per student (which, at 291 students would be an additional \$58,200 in per-pupil funding) and;
- \$250,000 in transportation costs for those districts whose transportation costs exceed their current allotments. At the current level of expense, Brookline did not qualify for this funding.

As a result, Brookline should expect an increase of approximately \$58K for FY08, bringing the METCO funding to \$1.447 million (\$4,974 per pupil).

Without considering the qualitative reasons to maintain the METCO program, the Subcommittee limited its review to a financial analysis of METCO’s cost. Brookline’s regular education per-

pupil cost is approximately \$14,000. The 291 METCO students enrolled in the schools therefore have a theoretical annual cost (above provided funding) of just over \$9,000 per student or just over \$2.6 million in total. However, given that these students are dispersed throughout the system, and no single entire class could be eliminated, ending the program would yield little to no cost savings. In fact, it is likely that the loss of METCO funding would actually reduce revenue available for general use in the school system. Note the following:

- METCO Grant: Approximately \$1.447 Million
- Brookline’s Use of Grant (approximate):
  - METCO-Specific Staff: \$600K
  - Transportation: \$300K
  - General Use: \$500K+ – Funds more than 8 teachers across the system

**Conclusion:** Given there is no potential to eliminate classes based on the METCO student distribution, Brookline would realize a net loss in revenue and a deeper deficit were the METCO program discontinued.

### 2.1.9 Material Fees

Material fees are charged to non-resident town employees for sending a child to Brookline schools. Currently, 120 students attend under this program at a cost of \$2,000 per student. Given an average per-pupil cost of approximately \$14,000, one can argue that these students are costing the town approximately \$12,000 each, for a total cost of approximately \$1.4 million. This theoretical cost is actually difficult to justify. These 120 students are not all in one class but are spread throughout the system. Looking at how they are distributed, it is unlikely that any reduction in staff could be realized by eliminating this program – so it would just yield a net loss in revenue.

On the revenue side, the fee charged has been increased twice in the last few years to \$2,000. Based on the education provided and as compared to the cost of private schools, there is capacity to charge more per student. However it is likely that if the fees become significantly higher, the number of students enrolled would drop, impacting any potential revenue increases. Also note that the town believes this to be a critical tool for recruiting and maintaining talented employees. To conclude, we believe there is limited potential for revenue increase here.

### 2.1.10 Other

In addition, other areas that could be looked at are mentoring, maintenance and repair, and the opportunity to charge fees for non-mandated transportation and other services provided (e.g. performing arts).

## 3 Special Education

By Federal and State law, the town is required to provide children with special educational needs a "free appropriate public education (FAPE)."<sup>12</sup> Under these laws an “appropriate” education

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<sup>12</sup> Section 504 of the *Rehabilitation Act of 1973* protects the rights of individuals with disabilities in programs and activities that receive federal funds including public school districts. Section 504 requires a school district to provide a “free appropriate public education” (FAPE) to each qualified person with a disability who is in the school district’s jurisdiction, regardless of the nature or severity of the person’s disability. See <http://www.ed.gov/about/offices/list/oct/docs/edlite-FAPE504.html> for more information.

includes education services designed to meet the individual education needs of students with disabilities as adequately as the needs of non-disabled students are met.

Due to significant changes in medical, economic, and social factors including advances in medical technology, an increase in the number of children living in poverty, and the requirement to educate children in their local schools rather than in outside institutions, more children with special needs are entering and being served in the public schools. As a result, SPED expenditures nationally and across the state have risen. Brookline's expenditures on SPED programs have increased \$6.4 million (69%) since FY01. As a result, SPED now accounts for 25% of the overall school budget and between 1994 and 2006, the schools have increased mandated (SPED) FTEs from 95 to 251.

Funding for SPED services comes from a combination of federal, state and local funds. The amount of funding Brookline receives is directly tied to the number of children receiving SPED services and is also related to the average and total cost of the services provided.

Last year, 1,212 received SPED services from the schools, which represents 19.9% of total enrollment. The statewide average for SPED enrollment is slightly lower at 16.9% of total enrollment. This difference can likely be attributed to the quality of the SPED services offered in Brookline. The following chart compares Brookline SPED enrollment to several peer communities.

**SPED Enrollment as a % of Total Enrollment**

<b>Community</b>	<b>Percent</b>
Brookline	19.9
Newton	19.1
Lexington	17.3
Wellesley	15.5
Weston	14.9
Dover	14.2
Belmont	14.2
<b>Statewide Average</b>	<b>16.9</b>

**SPED Spending Growth by Comparable Communities, FY97 – FY06**

District	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Growth 97-06	Rank
Arlington	15.9	15.6	15.8	15.5	16.1	16.5	17.1	18.4	18	18.9	18.9%	20
Bedford	15.6	16.2	16.9	17.1	16.3	17.3	19.3	19.1	21.2	22.2	42.3%	5
Belmont	15.5	15.3	15.3	16.5	19.3	18	18.3	17.6	18.3	19.4	25.2%	12
Brookline	15.7	16.2	16.9	17.3	17.9	18.9	19.4	19.9	19.5	20.3	29.3%	9
Carlisle	20.5	21.4	23.4	22	25.4	22.7	22.5	22.3	23.1	22.8	11.2%	21
Concord	14.6	16.2	19.7	20.3	20.9	22.7	23.5	26.8	26.7	25.6	75.3%	2
Dedham	15.6	16.9	17.4	17.6	17.9	18.7	19.7	21.1	21	21.6	38.5%	6
Hingham	14.3	14.6	15.2	14.9	16.2	17.2	15.9	17.2	17.1	18	25.9%	13
Lexington	17.4	18.5	19.7	19.5	19.5	18	17.5	18.9	19.9	21.4	23.0%	14
Lincoln	13	12.4	19.5	15.2	21.8	17.8	17.9	16.6	17.5	16.8	29.2%	10
Lynnfield	14.7	15.2	15.3	15.9	18.3	18.4	17.7	17.7	19.9	18.1	23.1%	11
Marblehead	14.8	15.1	14.9	15.1	17.1	16	16	16.9	16.9	15.1	2.0%	23
Natick	15.3	16.5	17	16.3	18.3	17.2	17.3	17.5	15.6	17	11.1%	22
Newton	16.2	17.4	17.3	19	20.6	20.6	19.9	21.4	22.1	21.2	30.9%	8
Sudbury	18.2	18.3	16.6	17.1	17.7	18.9	20.4	20.9	21.1	21.7	19.2%	19
Watertown	19.8	19.3	21.6	21.4	22.3	23.7	25.2	25.8	27.3	27	36.4%	7
Wayland	12.8	13.7	13.4	16.4	14.7	15.5	18.6	15.1	16	15.5	21.1%	18
Wellesley	16.7	16.1	16.9	18.1	19.2	17.8	18.9	22.3	23.2	24.6	47.3%	4
Weston	10.4	12.1	12.1	12.8	11.5	11.9	12.7	12	13	12.7	22.1%	15
Westwood	15	15.8	17.7	14.9	16.1	16.5	16.7	17.1	18.1	18.3	22.0%	16
Winchester	12.4	13.3	14.1	15.2	16.4	17.5	18.9	18.3	18.1	18.3	47.6%	3
Concord- Carlisle	11.8	12.7	14.2	15.6	15.9	17.7	16.5	19.7	21.9	22.3	89.0%	1
Lincoln- Sudbury	14.2	14.9	15.1	15.1	16.9	15.5	14.1	16.7	17.9	17.3	21.8%	17
<b>Average</b>	<b>15.2</b>									<b>19.8</b>	<b>30.2%</b>	

As illustrated in this table, SPED costs grew, on average, by 30.2% (as a% of budget) across all 23 communities, Brookline tracks to average with 29.3% growth. The subcommittee notes that based on this analysis the exceptional growth in SPED expenditures is a statewide as well as national issue that will require not only aggressive local action but the pursuit of state level solutions/relief as well.

### ***3.0 Initiatives Underway to Maintain Legal Requirements and Limit SPED Spending Growth:***

The schools are currently in the process of implementing a multi-prong strategic management plan to contain SPED costs, while also meeting is mandated obligations. The following are highlights of these efforts:

1. **Earlier identification** of children with special educational needs through the use of the Student Study Team process, which will allow for meaningful intervention at an earlier level thereby reducing the number of referrals to SPED and the severity of the services delivered in the long run.
2. **Consolidated/Coordinated Administration** of SPED services including reducing the number of people with authority to commit system resources during the IEP process; and coordinating oversight of K-8 schools and the early childhood program

3. Continue to work toward **implementation of the “free appropriate public education (FAPE)”** standard, rather than “maximum feasible benefit.” Effective January 1, 2002, Massachusetts moved to the standard of FAPE, empowering school districts to program for students with disabilities, still on an individual basis, but in keeping with the United States Supreme Court’s definition of “free and appropriate public education as the provision of publicly-funded individualized instruction with sufficient support services to permit the student to benefit educationally from the instruction. This education must be provided in the least restrictive environment.” (MA DOE Administrative Advisory SPED 2002-1). Implementation of this must, by nature, be incremental with both students on current IEPs and those newly entering the system.
4. Utilizing the **District Curriculum Accommodation Plan (DCAP)**, which enables Principals to support teachers to address the needs of all students within their classrooms, limiting the use of specialized instruction and support services.
5. **Limiting placements in district-wide programs** by “building capacity” to work with all children in their neighborhood school (e.g., least restrictive setting); and better/more clearly defining eligibility for placing “out,” in district-wide programs (e.g., more restrictive setting).
6. **Limiting placements outside of district** by having individual schools carefully review recommendations for any placement in a separate program, with the goal that FAPE can be provided within the district schools at a lower cost and with better outcome for children (1.3% of student population is currently served outside of district -- state average is 1.2%-1.8%-- with an average per capita annual cost of \$62,500).
7. **Better use of student service data** provided through eSped (state level and Brookline specific) to identify, analyze and address trends and patterns in SPED growth. These data are also being used to inform the equity project and district initiatives to close the achievement gap.

## **4 Expanding Learning Opportunities/Maintaining Educational Competitiveness**

The schools have identified two new educational initiatives that expand learning opportunities for children in the schools and maintain a commitment to teaching excellence. Each has an associated cost and represents spending growth for the district.

### **4.0 World Language Program**

The K-6 World Language proposal is based on current pedagogical research about effective approaches to language acquisition and is based on the recognition that Brookline students will be increasingly required to function in a multi-culture, global economy. The proposal (draft January 2007) has the following three overall program goals: 1) to acquire proficiency in speaking, listening, reading and writing the target language; 2) to reinforce learning of the general curriculum content through the study of a world language; and 3) to acquire an understanding of and appreciation for other cultures.

The proposal includes a full-time (1.0 FTE) K-8 World Languages Program Coordinator and a minimum of a 1.0 FTE world language teacher in each school. Classroom teachers will be encouraged to be present during world language lessons and to participate in curriculum development. The projected budget for the draft proposal of a full K – 6 implementation totals approximately \$800,000.

### 4.1 Lengthening the School Instructional Day

Current curriculum demands cannot be met within the current school day. As shown in the following Table, when compared to the 23 districts used above, Brookline’s teaching day is in the bottom nine among elementary schools, last among middle schools, and three from the bottom in high school.

School	Length of School Day Elementary	Length of School Day Middle School	Length of School Day High School	Length of Teacher Year
Arlington	360	386	386	183
Bedford	365	393	401	186
Belmont	360	380	410	183
Brookline	360	360	390	183
Carlisle	375	392	N/A	185
Concord	355	362	N/A	185
Concord-Carlisle	N/A	N/A	390	185
Hingham	370	370	400	185
Lexington	369	405	400	184
Lincoln	368	368	N/A	185
Lincoln-Sudbury	N/A	N/A	409	184
Lynnfield	360	370	386	184
Marblehead	375	380	395	184
Natick	360	375	407	182
Needham	360	375	395	182
Newton	354	381	398	183
Sudbury	380	370	N/A	183
Wayland	361	379	391	182.5
Wellesley	358	361	384	184
Weston	365	399	391	184
Westwood	380	395	420	185
Winchester	365	390	389	183

Brookline	Elementary	T12-17th (out of 20)	
	Middle School	20th (out of 20)	
	High School	T13-14th (out of 18)	
	Length of Year	T14-19th (out of 22)	

Lengthening the instructional day will have the following benefits at the high school, middle school and elementary grade levels:

#### Brookline High School

- BHS would create a new schedule that would allow for extended blocks in order to have the integrity of the traditional academic courses by meeting four times per week with all students in attendance every day.
- Elective courses would not to be isolated into “z-block” (7:45 a.m.)” There would be a legitimate eighth block, providing significantly increased scheduling opportunities.

#### Middle School

- A new schedule for grades 6, 7, and 8 would allow one long block each week, thereby providing teachers with increased instructional flexibility and more time for core subjects and for specials (health, art, music, physical education, etc.)

**Grades K-6**

- Would allow for the implementation of the Elementary World Language Program (if funding for this program is passed through an Override) and more time for core subjects and for health, art, music, and physical education.

To lengthen the instructional day, the schools negotiated a new salary structure for teachers. Before this negotiated agreement, teachers would have realized a 3% increase. Under the new agreement, teachers will be given a 7 1/2% increase if the lengthened instructional day is implemented in FY09. Due to this negotiated salary increase, the cost of implementing the lengthened instructional day is \$1.8 million. If this is not implemented, the increase will be 3.5% (this is reflected in the current forecast shown in Appendix I). In this negotiation, the schools considered the need for Brookline teachers to maintain salary parity with comparable towns. The town recognized that Brookline teachers had been falling behind relative to comparable towns in average salary.

As the following two tables show, teachers in Brookline, on average, are paid less than teachers in nine comparable, nearby communities. Also note in the second Table, that the salary gap grows at higher experience levels in each category (BA, MA and Doctoral).

**Average Teacher Salaries, Comparable Communities**

<b>School District</b>	<b>Total Teachers</b>	<b>Average Salaries</b>
Lincoln	109.5	77,541
Weston	182.9	69,360
Boston	4,436.1	69,076
Wellesley	314.7	67,310
Newton	931.8	66,911
Wayland	225.3	65,817
Concord-Carlisle	94.0	65,798
Carlisle	63.8	65,384
Lincoln-Sudbury	125.5	65,179
Brookline	537.9	64,662
Bedford	197.2	62,705
Concord	165.1	61,901
Lexington	537.3	61,093
Winchester	291.7	60,827
Westwood	217.3	60,012
Lynnfield	157.0	59,291
Hingham	258.8	59,018
Needham	363.8	58,914
Marblehead	243.3	57,118
Belmont	259.4	56,786
Natick	341.7	55,897
Sudbury	211.5	52,600
Arlington	341.3	51,189

**Teacher Salaries by Level of Education and Experience, Comparable Communities**

System	Bachelor's		Master's					Doctorate		
	Min.	Max./ steps	Min.	Max./ steps	+1 Min.	+1 Max./ steps	+45 Min.	+45 Max./ steps	Min.	Max/ steps
Arlington	34,748	58,243/12	37,388	63,014/12	38,700	64,205/12	--	--	40,901	67,062/12
Bedford	36,132	63,189/11	39,091	70,130/13	40,024	71,158/14	--	--	41,872	73,202
Belmont	37,192	64,724/14	39,941	71,697/14	42,189	75,016/14	43,444	76,972/14	44,693	78,933/14
Brookline Rank	38,707 5 <sup>th</sup>	64,076/13 9 <sup>th</sup>	41,271 7 <sup>th</sup>	69,570/14 13 <sup>th</sup>	43,923 6 <sup>th</sup>	75,257/15 10 <sup>th</sup>	45,242 4 <sup>th</sup>	76,576/15 8 <sup>th</sup>	46,501 8 <sup>th</sup>	81,261/16 9 <sup>th</sup>
Carlisle	37,030	60,314/11	40,914	66,642/11	47,815	77,888/11	--	--	49,250	82,231/12
Concord	35,762	66,982/17	41,842	78,368/17	43,986	82,388/17	45,061	84,396/17	47,287	88,567/17
Concord/Carlisle	35,762	66,982/17	41,842	78,368/17	43,986	82,388/17	45,061	84,396/17	47,287	88,567/17
Hingham	34,639	57,563/12	37,686	65,307/13	40,697	73,559/14	--	--	44,275	80,020
Lexington	38,174	62,444/12	40,558	69,991/12	42,973	75,113/12	44,192	78,366/12	45,441	81,619/12
Lincoln	38,361	63,854/12	42,476	74,642/12	46,209	76,034/12	56,522	79,116	--	--
Lincoln/Sudbury	39,147	66,519/16	42,741	73,993/16	44,023	80,099/17	45,344	81,709/17	--	--
Lynnfield	38,115	57,810/11	40,645	63,887/11	43,511	66,855/11	--	--	46,212	69,648/11
Marblehead	35,437	51,990/09	39,353	61,687/11	40,883	63,276/11	41,699	64,121/11	42,413	64,853/11
Natick	38,571	57,534/14	42,428	63,289/14	46,671	69,617/14	--	--	51,338	76,579/14
Needham	37,631	55,141/10	40,451	68,265/13	43,576	72,006/13	45,150	73,966/13	46,481	76,482/13
Newton	39,711	66,997/13	43,260	73,790/13	46,546	78,345/13	47,927	79,725/13	49,577	83,161/13
Sudbury	36,363	64,239/15	39,227	72,184/16	41,483	76,334/16	--	--	43,462	79,976/16
Wayland	38,843	65,273/10	41,187	74,348/12	43,056	81,796/12	--	--	48,658	90,866/12
Wellesley	39,364	66,722/14	42,108	73,559/14	45,823	79,238/14	--	--	49,032	84,783/14
Weston	37,544	63,521/12	41,137	73,602/12	43,459	78,476/12	44,515	80,241/12	45,566	82,012/12
Westwood	38,349	64,134/16	39,627	71,077/16	43,093	74,649/16	45,049	76,840/16	52,380	85,298/16
Winchester	35,407	53,878/12	40,758	64,817/13	44,630	71,276/14	47,103	73,824/14	49,575	76,370/14

## 5 Recommendations

In determining our recommendation to the full committee, the school subcommittee considered three alternatives:

1. Accepting the current projected deficit for FY09 and expecting the school committee and superintendent to make the cuts necessary to achieve a balanced budget– Approximately \$2 million. To address this deficit the schools would need to:
  - Reduce non-mandated spending: we identified approximately \$12 million in non-mandated spending that would need to be considered for cuts (see above);
  - Increase Fees: we identified several areas that could be considered for fee increases as detailed in the main report (increasing athletic fees, charging for non-mandated transportation, increasing fees to non-resident town employees for sending their children to Brookline schools, etc.)
  - Consider increasing class size in the long term: while this change would not result in FY09 budget saving it would likely need to be considered to address future budget pressures.
2. Maintain the current level of services, which means raising enough revenue to sustain the current levels of service (i.e. status quo).
3. Maintain the current level of services and support the two new educational initiatives identified by the school committee and superintendent :
  - The World Language program: approximately \$800K for full implementation in Grades K-6
  - Lengthening the school day: requires increasing cumulative teacher salaries by approximately \$1.8 million

Of the above alternatives, we recommend Option 3. When reviewing the areas available for cuts outlined in this report, there are no obvious areas that wouldn't negatively impact current school quality. We also do not believe the potential fee increases are advisable given the current structure. More importantly, we believe that Brookline should rectify the fact that it has one of the shortest teaching days of any comparable town. Also, at \$800K, provided language education in the elementary schools will greatly enhance the curriculum at a very low incremental cost. While the required increase in FTEs (10.4) is a difficult recommendation to make during these difficult times, our belief is that this is an important enhancement to the curriculum in preparing our children to compete in an increasingly global economy. We recognize that over time, savings may have to be realized elsewhere in the schools to maintain this program should stress on the budget remain. We also acknowledge that for many citizens, enhancing the schools will be a major reason that they support an override to also address the structural deficit.

Additional recommendations:

- After closely reviewing Special Education spending, we believe that current spending, while significant and growing, is consistent with the experience and impact in comparable towns. The subcommittee recommends that the School Committee and the Superintendent continue aggressively implementing the current multi-pronged approach underway to contain spending growth. The Committee further recommends that, given that all school districts across the state are facing similar challenges in special education spending, the town and school staff along with the School Committee continue to seek state level legislative solutions and budget relief. As the move from “Maximum Feasible Benefit” to “Free Appropriate Public Education (FAPE)” takes affect, there may be a slowdown in overall spending growth, but this is impossible to predict from where we are.

- The School Committee and the Superintendent need to continue to assess current programs/expenditures to realize efficiencies annually and/or reduce spending on outdated program models. New ideas, priorities and programs will most certainly be identified in future years. The subcommittee recommends that the School Committee and Superintendent, where possible, should attempt to implement new initiatives within current spending levels to minimize the need for additional overrides when new initiatives are identified. This is a key component of our recommendation. When you look at spending and trends, it is clear that the school budget will continue to be under stress. As a result, finding efficiencies and trimming costs in all areas will continue to be a requirement – whether there is an override or not. So, while we do not recommend any specific cuts, inherent in our conclusions is the recognition that some cost cutting is and will continue to be a requirement.

## **III.3 New Revenue Opportunities Subcommittee Report**

### **1 Overview**

The New Revenue Opportunities Subcommittee focused on four main areas for potential new revenue opportunities, not included in the FY09 budget that could possibly help mitigate the projected structural deficit: 1) Local Receipts/Cost Recovery, 2) Local Option Taxes, 3) Payments in Lieu of Taxes, and 4) Economic Development.

After much analysis, the subcommittee came to the conclusion that the only real potential for any new revenue opportunities for FY09 exists in the area of Local Receipts/Cost Recovery – possibly as much as \$1.2 million. This could be achieved through:

- Increasing parking meter fees
- Increasing refuse fees
- Increasing taxi licensing fees.

There also appears to be significant long-term potential for increasing (non FY09) town revenue through:

- Selling taxi medallions (and accompanying regulatory fees)
- Instituting a fire service water charge
- Shifting additional Recreation expenses to the Revolving Fund (requiring fee increases)
- Shifting additional Cemetery expenses to the trust funds under the control of the Cemetery Trustees (requiring fee increases)
- Lobbying for support of the Local Option Taxes initiative
- Formalizing a town PILOT policy
- Continuing to fine tune the economic development process.

### **2 Local Receipts/Cost Recovery**

The town has increased its local receipts in an effort to diversify the town's revenue mix. In the last five years, more than \$4 million in new local receipts have been authorized: \$3.73 million from parking (tickets, meters, and permits) and refuse revenue increases, and \$333,000 in other fee increases (Town Clerk, Health, DPW, and Treasurer Collector).

The town also totally or partially recovers the costs associated with enterprise funds – Water/Sewer, Golf, Recreation Revolving Fund, and School Food Service.

Based on past history, and current needs, the subcommittee believes the following areas of local receipts/cost recovery possess the most potential for short- and long-term new revenue opportunities:

### **3 Parking Meter Fees**

A survey of surrounding communities finds that the Brookline's parking meter rate of \$0.75/hr is higher than Newton's (\$0.50/hr.), but lower than Boston's (\$1.00/hr.).

The town raised meter fees from \$0.50 to \$0.75 per hour in March '07 to help close the FY08 budget gap.

Each \$0.25 increase brings in an additional \$700,000 in revenue, which would have a direct impact on the projected FY09 budget deficit.

**Recommendation:** Increase parking meter rates from \$0.75 to \$1.00 per hour for an additional \$700,000 in new revenue.

## 4 Refuse Fees

The total cost to Brookline to collect, handle, and dispose of all matters of refuse is approximately \$3.5 million, including all fringe benefit costs.

The total annual revenue from the current \$200 fee is \$2,595,000, which represents approximately 75% of total cost recovery.

The town increased the refuse fee from \$165 to \$200 in March '07 to help close the FY08 budget gap. The \$165 rate was in place since '94, and was a roll-back from \$200 as part of the '94 override package.

Each \$5 increase in the refuse fee would result in approximately \$65,000 in additional revenue/cost recovery.

**Refuse Fee Revenue/Cost Recovery**

<b>Annual Fee</b>	<b>Add. Revenue</b>	<b>Cost Recovery</b>
\$205	\$64,875	77%
\$210	\$129,750	79%
\$215	\$194,625	81%
\$220	\$259,500	83%
\$225	\$324,375	85%
<b>\$230</b>	<b>\$389,250</b>	<b>87%</b>
<b>\$235</b>	<b>\$454,125</b>	<b>88%</b>
\$240	\$519,000	90%
\$245	\$583,875	92%
\$250	\$648,750	94%
\$255	\$713,625	96%
\$260	\$778,500	98%
\$265	\$843,375	100%

Although a refuse fee of \$265 would represent 100% cost recovery for the town, any fee above \$230-\$235 would most likely push many local residents towards private refuse disposal. This would lower the anticipated revenue, but not the town's overall costs.

Increasing the refuse fee by \$30-\$35 (87-88% cost recovery) would have an immediate impact of towards the FY09 projected deficit.

**Recommendation:** Increase refuse fees by \$30-\$35 – especially if an override is not put forth, or is put forth but not passed – for \$389,250-\$454,125 in additional revenue.

## 5 Taxi Licensing Fees

There are currently 170 taxi licenses, with an annual fee of \$300 each. The Transportation Board believes that the license fee could be set as high as \$1,000.

The town is currently considering whether to switch over to a taxi medallion system (see next section), which would eventually do away with the current licensing structure.

A \$700 increase in taxi licensing fees could bring in an additional \$119,000 taxi license fees. It might be more realistic to assume an increase of \$350.

**Recommendation:** Increase taxi license fees to \$650 – or the maximum level the market will bear – for at least \$59,500 (based on a \$350 increase) in additional revenue.

## **6 Longer-Term Revenue Opportunities**

### **6.0 Taxi Medallions**

The Brookline Transportation Board is studying the potential of selling medallions to taxicab operators as a way to raise revenue for the Town of Brookline. This initiative has been under discussion for more than five years.

The town engaged a New York-based expert on taxi medallions, to review the program in Brookline who recommended that of the 187 potential medallions to be sold – 70% to fleets of 40 vehicles each and 30% to individuals, who would have to join one of the dispatch services.

The town would earn money in three ways:

1. Sale of medallions estimated at \$65,000 per license (non-litigated price) payable over a 7-year period, for a total of \$12,155,000
2. Annual regulatory fees of \$93,500 (plus an additional \$5,000 or so in Hackney License Fees)
3. Transaction fees on any subsequent transfers.

The Transportation Board is beginning to prepare potential bid documents and regulations. It is possible for the program to be in place in June '08.

More details about this proposal are presented at the end of this Subcommittee Report.

The \$12,155,000 in revenue derived from the sale of medallions would most likely be allocated for a specific one-time purpose, so it would have no direct effect on FY09 budget deficit.

If the town starts selling medallions in '08, it could start to realize a percentage of the \$93,500 in annual regulatory fees, which would have an impact on the FY09 deficit. This would, however, be offset by the loss of revenue from the current taxi licensing process.

**Recommendation:** Continue to actively pursue the medallion sales initiative to as a way to raise revenue for the town.

### **6.1 Fire Service Charge (Water/Sewer Enterprise)**

There are currently 433 private fire service connections to the town's water distribution system. Initial costs to install a fire service pipe are paid by the property owner at the time of the installation and cover labor and materials only. Once the system has been installed, no further charges are levied by the town even in the event of significant water use during a fire.

The existing fire service connections range in size from 2-inch to 8-inch in diameter. These connections provide water for fire sprinkler systems and building standpipes. Using the concept of "equivalent pipes" the capacity of a 4, 6, and 8-inch pipe is 4, 9, and 16 times that of a 2-inch pipe, respectively.

Using these equivalent pipe capacity ratios as a basis for establishing charges based on pipe size, the annual charges for fire protection services could range from \$100.00 to \$1,600.00 and generate over \$300,000.00 in annual revenues according to the following table:

Pipe Size	Equivalent Pipes	Quantity	Annual Charge	Total Revenue
2-inch	1	28	\$100	\$28,000
4-inch	4	168	\$400	\$67,200
6-inch	9	212	\$900	\$190,800
8-inch	16	225	\$1,600	\$40,000
<b>Total Projected Revenue</b>				<b>\$300,800</b>

More details about this proposal are presented at the end of this Subcommittee Report.

Because the water and sewer systems are operated as a full enterprise, revenues must be applied back to the enterprise and used to offset rate revenue requirements when calculating retail rates for water use.

Revenues could not be used to offset property taxes, but could give residents some relief in the form of lower water bills.

**Recommendation:** Institute a Fire Service Charge, which would bring in an additional \$300,000 into the Water/Sewer Enterprise Fund, thereby lowering rates for residents.

## 6.2 Recreation Revolving Fund

The Recreation Department charges fees for all of its programs, and those fees are deposited into the Recreation Revolving Fund.

Currently, approximately 62% of all direct (i.e., not including benefits) Recreation costs are funded by fees. This percentage could be increased by shifting additional costs from the Recreation Department’s General Fund budget to the Revolving Fund. Doing so could well require fee increases.

**Recommendation:** The town should follow up on the recommendation contained in the Recreation Master Plan to study the current cost recovery structure to ascertain whether a larger share of Recreation costs could be borne by user fees.

## 6.3 Cemetery Trust Funds

The Cemetery Trustees charge fees for burials and care, and those revenues are deposited into two funds: 1) a special revenue fund to cover the costs associated with the cemeteries and 2) non-expendable trust fund that generates interest for the Trustees to expend for cemetery-related expenses.

Currently, the special revenue contributes \$50,000 to the General Fund to reimburse for expenses that are accounted for in DPW’s budget. This equates to approximately 25% of cemetery-related expenses.

**Recommendation:** The town should begin working with the Cemetery Trustees to develop a more equitable cost sharing relationship between town tax dollars and cemetery fees, with an eye toward impacting FY10.

## 6.4 LOCAL OPTION TAXES

Governor Patrick has proposed a menu of local option taxes and tax loophole closures that would have a positive impact upon the town’s future forecasted deficit.

<b>Proposed Local Option Taxes</b>	
Local Meals Tax (up to 2% less ¼ to state fund)	1,495,800
Additional Hotel Excise Tax (additional 1% less ¼ to state fund)	140,000
Telecommunications Loopholes	997,200
<b>Total Potential Revenue</b>	<b>\$2,633,000</b>

These proposals have been delayed in the Massachusetts legislature and there is doubt as to whether they will be approved. No impact on FY09 budget deficit.

**Recommendations:** town policymakers should support these local options as a way to diversify the town revenue mix. Town policymakers should continue to lobby the town legislative delegation to support this menu of initiatives.

## 6.5 Pilot Policy (*Payments In Lieu Of Taxes*)

The Town of Brookline currently has approximately 45% of its overall land mass in the tax exempt category. Of this amount, approximately 40% is made up of local, state & federally owned land, the Housing Authority, affordable housing and cemeteries. The remaining categories of religion, education, charitable organizations, Mental Health organizations and Veteran’s Organizations are granted a legal tax exemption status by M.G.L. Chap 59, Sec. 5.

A review of PILOT Policies of surrounding communities (Newton, Boston, Cambridge, etc.) reveals that an effort is made to secure a PILOT Agreement when a tax exempt organization requires aid from the community, such as a zoning variance or extension of a lease.

Brookline’s location adjacent to Boston, and its easy access to mass transportation and major roadways, makes the town attractive for non-profit organizations to locate within the community. This demand for land and buildings to operate non-profit organizations has absorbed taxable property in Brookline at an alarming rate.

The town is concerned that a continuing shift in tax burden to a smaller tax base will have a negative impact on the residents and businesses of Brookline.

In order to maintain a balance between the cost of community services and the payment of those services, the town has recently implemented a policy to address the payments in lieu of tax (PILOT) for tax exempt properties.

**Recommendations:** The town should continue to improve its Master Tax Exempt List, in order to determine tax policy and inform the policy makers about the tax implications of parcels going off of and onto the taxable property list.

PILOT agreements should be pursued among the categories not owned by government or housing and these categories should be subject to consistent PILOT policies.

Negotiations on PILOT agreements should begin when the above categories of exempt property owners approach the town for aid in zoning, leases, or any other action that is required of the town.

## **6.6 ECONOMIC DEVELOPMENT**

Town policy makers have made great efforts to encourage development that would add to both the quality of life and long term financial health of the community.

Neighborhood concerns regarding over development have led to down-zoning and other strategies to limit tear-downs and over-building.

There is a strong demand emanating from the Longwood medial area for clinical, research, and office space to support hospital and biomedical research operations.

There is no imminent development project that would have any impact upon the FY09 forecasted deficit. Large scale projects beginning construction in FY08 can be expected to generate revenue for the town by FY11.

**Recommendations:** Continue to pursue new development, as this action can help mitigate the structural budget deficit projected for future town budgets.

Continue to focus on removing obstacles to greater utilization of the Brookline Ave/Route 9 corridor, through zoning, master planning and appropriate development.

Continue to be sensitive to appropriate neighborhood compatible development.

Continue to pursue new development, as this action can help mitigate the structural budget deficit projected for future town budgets.

## **7 CONCLUSION**

The New Revenue Opportunities Subcommittee was asked to come up with ways through the investigation of potential new revenue opportunities that might help the town mitigate the projected FY09 budget deficit.

We found that there are substantial immediate opportunities if the town is willing to increase certain fees that could bring in approximately \$1.2 million in additional revenue on an annual basis. We also found that there are a number of significant longer-term opportunities if the town continues to actively pursue the policies and initiatives recommended in this report.

### **Potential for Revenue from Sales of Taxi Medallions**

The Brookline Transportation Board is studying the potential of selling medallions to taxicab operators as a way to raise revenue for the Town of Brookline. Bill Schwartz spoke with Michael Sandman, Chair of the Transportation Board, to obtain information on the status of this effort, which has been under discussion for more than five years.

The town engaged Bruce Schaller, a New York-based expert on taxi medallions, to review the program in Brookline. Brookline's 187-cab taxicab business is primarily driven by dispatch calls as opposed to street-hailing (such as Boston or New York). In addition, Brookline drivers can only pick up from cab stands or street-hailing in Brookline; they can be dispatched anywhere. Because the town is relatively small compared to Boston, the value of the medallions is far lower than in Boston (market price: over \$200,000). In addition, given that the bulk of the business is dispatch based, in order to capture the dispatch business, taxi operators have to participate in a dispatch group.

Schaller recommended that of the 187 potential medallions to be sold, 70% should be sold to fleets of 40 vehicles each and 30% should be offered to individuals, who would have to join one of the dispatch services.

A medallion license would then be transferable. Having a medallion would enable a person to get financing. Limitations would be placed on transferability from a company to an individual.

The town would earn money in three ways:

1. Sale of medallions estimated at \$65,000 per license (non-litigated price) payable over 7-year period
2. Annual regulatory fees of \$93,500 (plus an additional \$5,000 or so in Hackney License Fees)
3. Transaction fee on any subsequent transfers

Estimating potential revenue is possible but market forces will determine the true potential. It is not clear if the restrictions being considered would limit the sales either in terms of cost per medallion or the number of medallions purchased.

Process: The Transportation Board is beginning to prepare potential bid documents and regulations. It is possible for the program to be in place in June 2008.

### Proposed Fire Service Charge

There are currently 433 private fire service connections to the town’s water distribution system. Initial costs to install a fire service pipe are paid by the property owner at the time of the installation and cover labor and materials only. Once the system has been installed, no further charges are levied by the town even in the event of significant water use during a fire.

The town’s water utility must hold itself in readiness and be prepared to meet the demand of a large fire which necessitates a large capital investment. Over the past 40 years, the town completed a \$34 million renovation of the water distribution system with the goals of improving water quality and restoring capacity for fire protection. This substantial capital improvement cost has been and continues to be paid by all ratepayers through debt service added to the retail rate structure for water use charges and has provided direct benefits to those properties with fire protection systems, without any additional cost.

According to the American Water Works Association (AWWA), which provides the national standards for the water industry, private fire protection service provides a special personal service that is not enjoyed by the community in general. Because the installation of a private fire protection system is optional for the property owner and he is the principal beneficiary, it is only proper that he pay for the associated expense. Throughout the country, many utilities have established such a charge including the City of Boston.

The existing fire service connections range in size from 2-inch to 8-inch in diameter. These connections provide water for fire sprinkler systems and building standpipes. Using the concept of “equivalent pipes” the capacity of a 4, 6, and 8-inch pipe is 4, 9, and 16 times that of a 2-inch pipe, respectively.

Using these equivalent pipe capacity ratios as a basis for establishing charges based on pipe size, the annual charges for fire protection services could range from \$100.00 to \$1,600.00 and generate over \$300,000.00 in annual revenues according to the following table:

<b>Pipe Size</b>	<b>Equivalent Pipes</b>	<b>Quantity</b>	<b>Annual Charge</b>	<b>Total Revenue</b>
2-inch	1	28	\$100	\$28,000
4-inch	4	168	\$400	\$67,200
6-inch	9	212	\$900	\$190,800
8-inch	16	225	\$1,600	\$40,000
<b>Total Projected Revenue</b>				<b>\$300,800</b>

While these base rates are used as an example to illustrate the magnitude of the revenue expected, the base charge could be altered within reasonable ranges to increase projected revenues. Because the water and sewer systems are operated as a full enterprise, revenues must be applied back to the enterprise and used to offset rate revenue requirements when calculating retail rates for water use. Revenues could not be used to offset property taxes.

## III.4 Capital Plan/Financial Plan (CIP) Subcommittee Report

### 1 Committee Overview

The Capital Improvements Subcommittee was initially formed to look at the town's Capital Improvements Plan (CIP) and Financial Plan. Work on the Financial Plan was covered by other committees, so the focus of the work was on the capital expenditures. The committee collected information in discussions and meetings with the Capital Subcommittee of the Financial Advisory Committee, the Building Commission, the Planning and Community Development Department, the Public Works Department, the Building Department, the schools, and the Town Administrator's office.

Topics investigated included:

- Appropriateness of spending 5.5% of the prior fiscal year's (FY) net revenue for CIP funding and potential impacts of reducing spending to 5.25 percent, which would continue the policy implemented in FY08 as a one-time cost-saving measure
- Basic policies and process of CIP development
- Role of the Building Department and Building Commission
- Investment needs for Roads and Sidewalks
- Impacts of landfill-related legal obligations
- Other needs for park and building maintenance funding

### 2 The CIP's 5.5 Percent Policy

In FY08, the CIP funding level was cut to 5.25% of prior year net revenues from the prior 5.5% rate. This was undertaken to help reduce cuts in the town's operating budget. Town staff analyzed the potential for continuing this funding level into the future. For the FY09 budget, each reduction of 0.25% results in \$437,000 less for the CIP. Any permanent reduction in the percentage dedicated to the CIP would, depending on the level, dramatically impact the CIP in terms of its current debt management plan and the ability to finance needed projects. The analysis of an extended cutback of the CIP is presented at the end of the report.

**Recommendation:** Because the town's current debt management plan would not be affordable and because the town has other unmet capital needs, the town should continue to fund the CIP with 5.5% of prior year net revenue.

### 3 The CIP Process and Policies

#### 3.0 *The CIP Process*

The town's CIP process is described in detail on the town's [website](#). In meetings with town staff, it appeared that management of CIP process is well organized, but prioritization within departments is left to department heads using their own expertise and differing methods.

#### 3.1 *Project Development Process*

Each department head is relied upon to develop a list of projects for that department. The process by which the departmental requests—once presented for review—are evaluated both by town staff and the Advisory Committee's Capital Subcommittee appears sound. But there is no uniform process for determining how projects within each department's purview compare.

Projects are not ranked, are not shown with evaluation criteria, and not all cost estimates are developed to the same level of detail. Further, it is not clear if there are unmet capital needs that are simply not presented because funding is limited.

### **3.2 Asset Management**

Asset Management Systems are used to maximize the cost effective use of physical assets over their lifetime. For Brookline, capital assets can cover many infrastructure items, including water and sewer pipes, parks, buildings, roads, trees, etc. Assets are valued, assessed, and compared in a prioritization process that determines whether they are to be repaired or replaced among other decisions. The town currently has limited asset management systems in place, including a roof management system for buildings, which is now being implemented, and a pavement management system, which is being re-deployed (see below).

**Recommendation:** Because capital resources are limited and because the prioritization process is not as robust as possible, the town should deploy additional resources to implement stronger asset management systems in the future.

## **4 Role of the Brookline Building Commission**

According to the town’s website, “the Building Commission, as required by Article XV-A of the town By-Laws, participates in the selection of design consultants, reviews and approves plans and specifications, receives proposals, awards contracts, and oversees the town’s building program. The Building Commission works closely with the Board of Selectmen, using departments and all regulatory agencies. There are five members of the Building Commission all of whom are appointed by the Board of Selectmen. The members include a registered architect, a registered engineer, an attorney, a licensed builder and a developer. There are three staff people who serve as agents of the Commission, two who administer projects, and one on-site Clerk-of-Works. These three individuals are the town’s day-to-day representatives for the work. They coordinate with various town agencies for study, design, construction and renovations to public buildings.”

Although the Building Commission is established to oversee the town’s entire building program, its emphasis has been on the overseeing the actual projects themselves as opposed to the planning activities that precede the development of the actual project. As projects have become more costly to implement in an environment of limited resources, the expertise of the Commission is being sought more regularly in planning building needs earlier in the process. Because the Commission has valuable experience and expertise, it can assist all departments involved in construction projects in determining how to set priorities, undertake planning studies, and make informed decisions. This is particularly important for larger projects prior to the feasibility stage.

**Recommendation:** Based on input from the Commission’s Chairman and others, it is recommended that any department contemplating a project over a certain size should seek the input of the Building Commission.

## **5 Roads and Sidewalks**

### **5.0 Pavement Management System has been Under-funded**

The town’s CIP discussion on roads specifies a stated goal: to bring the condition of the streets in the town to a point where only periodic maintenance is required to keep the streets in good condition.” This goal was the basis for the town’s institution of a pavement management system (PMS) in 1992. This system included a full condition assessment of town-owned roads, laid out an investment and maintenance plan aimed at achieving the goal over a period of 20-30 years,

depending upon funding. A new study, which will determine the current state of the PMS, is being undertaken to complete a condition assessment and funding needs analysis.

CIP funding was made available beginning in 1992 but was variable until 1997, when a commitment level of \$1 million per year was established. This commitment has continued on a level-funding basis for the past ten years. Unfortunately, the cost of labor and materials for road construction and maintenance has continued to rise (35% over 10 years) such that the amount of work that can be accomplished each year is diminishing. Had the program funding commitment been indexed to cover rising prices, the funding level would be approximately \$1.35 million per year.

**Recommendation:** Increase funding for road construction and maintenance, as part of a PMS, by \$350,000 and index this amount to growth in annual revenues so that funds will keep pace with cost increases in the future.

### 5.0.1 Deferral of Ongoing Maintenance of Rebuilt Roads

The PMS was intended to ensure that any major investments made through roadway reconstruction (i.e. full removal of pavement down to the road bed, resetting of curbs and drainage structures, etc.) would be followed up by regular maintenance beginning in the seventh year after a roadway was built. Ongoing maintenance to reconstructed roads would enable the road to be maintained without the need for fully rebuilding the road in the future. This is akin to replacing the brake pads on an automobile before the pads begin to wear out the rotors, a much less costly proposition if kept up over time. Unfortunately, due to funding constraints, the town has not been able to invest in maintenance of reconstructed roads. This means that some of the roads already rebuilt by the town may have fallen into disrepair. Town staff has estimated that an annual allocation of \$150,000 for maintaining rebuilt roadway assets should have been committed each year, beginning in 1999 and continuing for the past eight years. Eight years at \$150,000 is \$1.2 million.

**Recommendation:** Allocate \$1.2 million (one time) to pay for the deferred maintenance on the roadway investments we have already made. This funding could be spread over three years (\$400,000 per year).

### 5.0.2 Investment in Sidewalk Repair and Maintenance

The town's sidewalk construction program, which has received CIP funding for several years, has benefited from ongoing efficiency programs within the DPW. Cross training of DPW staff has increased the number of personnel who can work on sidewalk projects. As with the road program, however, costs of materials continue to increase, and as such, the level of funding going forward should also be indexed to the growth in annual revenues.

## 6 Landfill Closure Obligations

The town has successfully conducted the closure of the front landfill at the Newton Street site (\$7.89 million) along with carrying out corrective actions for contaminated soils on 16 private residential properties (\$3 million) on the southeastern perimeter of the landfill. However, additional landfill materials have been subsequently identified on more than 25 properties on the western boundary of the landfill. Although \$2.8 million is recommended for the FY09 CIP to begin to address this situation, the full extent of the financial requirements for this purpose is not currently known. It is critically important to note that the town's long-term CIP does not provide for this potential exposure beyond

FY09 and it also does not fall within the scope of the recommendations of this Subcommittee given the impossibility of calculating this obligation at this time.

## **7 Park and Building Maintenance Obligations**

The town has made many investments in building renovations and park projects, including some new parks. As with roads, costs of maintenance have grown over time and new project obligations have increased the need for more funding. This is described in further detail in the Municipal Services report.

**OFFICE OF SELECTMEN**

**MEMORANDUM**

TO: Members of the CIP Sub-Committee of the Override Study Committee  
 FROM: Sean Cronin, Deputy Town Administrator  
 RE: CIP CUT-BACK SCENARIOS  
 DATE: August 17, 2007

At the meeting of the Override Study Committee on Thursday evening, August 9, I suggested developing various cut-back scenarios for the CIP. I did so because a way to provide revenue capacity for the operating budget is to reduce the funding commitment to the CIP.

Each reduction of 0.25% of the 5.5% results in \$437K less for the CIP. In FY09, at 5.5%, \$9.6 million is available; at 5.25%, \$9.2 million is available. A reduction of a full percentage point would reduce CIP funding by \$1.7M, to \$7.9M. The table below summarizes this for each year of the CIP:

		<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
		174,679,213	180,241,960	185,831,827	191,547,914	197,360,784	203,284,738
(a)	5.50%	9,607,357	9,913,308	10,220,750	10,535,135	10,854,843	11,180,661
(b)	5.25%	9,170,659	9,462,703	9,756,171	10,056,265	10,361,441	10,672,449
(c)	5.00%	8,733,961	9,012,098	9,291,591	9,577,396	9,868,039	10,164,237
(d)	4.75%	8,297,263	8,561,493	8,827,012	9,098,526	9,374,637	9,656,025
(e)	4.50%	7,860,565	8,110,888	8,362,432	8,619,656	8,881,235	9,147,813
(a)-(b)		436,698	450,605	464,580	478,870	493,402	508,212
(a)-(c)		873,396	901,210	929,159	957,740	986,804	1,016,424
(a)-(d)		1,310,094	1,351,815	1,393,739	1,436,609	1,480,206	1,524,636
(a)-(e)		1,746,792	1,802,420	1,858,318	1,915,479	1,973,608	2,032,847

Any permanent reduction in the percentage dedicated to the CIP would, depending on the level, dramatically impact the CIP in terms of its current debt management plan. As the table on the following page shows, at certain percentages, the current debt management plan would not be affordable.

<b>AT:</b>		<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
5.50%	Bond	4.77%	4.69%	5.24%	4.78%	4.63%	5.47%
	Pay-Go	0.73%	0.81%	0.26%	0.72%	0.87%	0.03%
5.25%	Bond	4.77%	4.69%	5.24%	4.78%	4.63%	5.47%
	Pay-Go	0.48%	0.56%	0.01%	0.47%	0.62%	-0.22%
5.00%	Bond	4.77%	4.69%	5.24%	4.78%	4.63%	5.47%
	Pay-Go	0.23%	0.31%	-0.24%	0.22%	0.37%	-0.47%
4.75%	Bond	4.77%	4.69%	5.24%	4.78%	4.63%	5.47%
	Pay-Go	-0.02%	0.06%	-0.49%	-0.03%	0.12%	-0.72%
4.50%	Bond	4.77%	4.69%	5.24%	4.78%	4.63%	5.47%
	Pay-Go	-0.27%	-0.19%	-0.74%	-0.28%	-0.13%	-0.97%

The shaded areas show the scenario and year combinations in which the current debt management plan would not be affordable. For example, if the 5.5% was permanently reduced to 5.25%, by FY14, the amount needed for debt service would exceed the new 5.25% figure (net debt service would be equal to 5.47%, an amount that is 0.22% above the 5.25%). That would result in the

operating budget absorbing the approx. \$450K shortfall (i.e., the amount of funds available for the operating budget would decrease by \$450K).

If such a decision was made to go to 5.25%, significant changes in already planned for bond-funded projects would have to be made (e.g., reduce the scope and/or delay the timing of the Runkle, Devotion, and High School projects). Another possibility would be eliminating currently planned for pay-as-you-go projects and use that capacity to pay for some portion of the planned for bond-funded projects (i.e., decrease future debt service by paying for part of the project with cash). This is a primary reason why the FY08 CIP cut made to help relieve pressure on the operating budget was clearly stated as being a one-time change. If not, then the CIP needs to be substantially revised.

In addition to this major issue, there would also be impacts in FY’s 09-13 if such a decision was made. The table below shows what changes could be made in order to live within a 5.25% CIP policy:

ADJUSTMENTS TO GET TO 5.25% PERMANENTLY					
	FY09	FY10	FY11	FY12	FY13 COMMENT
Commercial Areas Streetscape Improv.		150,000		175,000	Eliminate projects
Park Div. Facility - Feas. Study	50,000				Do not undertake study
Library Interior Painting / Facelift		100,000			Would have to be part of R&M budget
Warren Field / Playground		60,000	540,000	(600,000)	Move project back 1-yr
Tennis Courts / Basketball Courts		100,000			Move back 1 yr + make every 3 yrs
Waldstein Playground			80,000	(80,000)	118,000 Move back 1 yr (FY13 savings = from debt svc)
Clark Playground					40,000 Move project back 1-yr
Parking Lot Rehab	115,000			75,000	175,000 Eliminate and have work pd from st rehab
Traffic Calming	50,000	50,000	50,000	50,000	50,000 Eliminate
Cypress / High Traffic Signal Study					25,000 Eliminate
Underground Wires Feas Study		30,000			Eliminate
Larz Anderson Park	100,000				Delay project until mid-20teens
Old Burial Ground	100,000			100,000	Have Cemetery funds pay for projects
Town/School Energy Conservation Projects			(100,000)	100,000	Move fwd 1 yr
Pierce - Elec. Distrib. Upgrade			16,000	160,000	Delay project until system goes
Baldwin-HVAC/Elec./Elev./Windows/ADA				167,500	Delay projects indefinitely
Town/School Energy Management System			(180,000)	180,000	Move fwd 1 yr
Fire Apparatus Rehab				130,000	15,000 Move back 1 yr
Public Bldg Furnishings & Equipment			25,000	25,000	Eliminate funding
Furniture Upgrades (Schools)	25,000	25,000	25,000	25,000	25,000 Eliminate funding
<b>TOTAL</b>	<b>440,000</b>	<b>515,000</b>	<b>456,000</b>	<b>507,500</b>	<b>448,000</b>

It should be noted that the elimination of some of these projects would not mean that they would not get done; rather, they would be undertaken with other CIP funds (e.g., Library Interior Painting would have to be funded from the Building Dept’s R&M line-item in the operating budget, Parking Lot Rehab would have to come from Street Rehab funds), thereby putting further pressure on other accounts.

At levels below 5.25%, the issues become even more acute: the issue of planned-for debt exceeding the revised total CIP percentage would hit in FY11 if the 5.5% was reduced to 5%, and the type of cuts to balance would have a significant impact on the town’s infrastructure and physical landscape. At 5% and below, cuts of between 25% - 50% in “annual” CIP accounts (street rehab, sidewalks, IT, town/school grounds maintenance, and parks/playgrounds rehab) would be required.

The other significant issue that would be impacted by any reduction in CIP funding is the anticipated environmental corrective actions for the residential properties adjacent to the Newton St. Landfill, which could exceed several million dollars. The CIP does not have any funds programmed for this, so any reduction in funding levels would require even more cutbacks than those detailed above.

## III.5 Energy Subcommittee Report

The Town of Brookline spent \$4.6 million on all forms of energy in FY07, which represented 2.6% of its budget. Since FY00, the town's energy expenditures have doubled. The actual consumption of energy units increased only 14% during that same period. Therefore, the overwhelming majority (86%) of the energy expenditure increase has come from price increases.

The town has done a credible job of minimizing price increases by adroitly negotiating long-term fixed-price contracts whenever possible. As these favorable contracts expire, the town's expenditures for energy will approach current market prices which presently reflect the perceived balance between worldwide demand for energy and its supply. In the absence of a severe global economic downturn, the prices of energy will most likely continue to rise, or perhaps even accelerate. This outlook makes the town's budget projections over the next several years of a \$100,000, or 2.2% per year increase, appear to be overly optimistic.

Under these conditions, the town must continue to not only negotiate favorable energy contracts, but more importantly, to reduce consumption wherever possible. In recent years, the Building Department has upgraded electronic HVAC controls, and automated lighting switches on a piecemeal basis with good results. However, the renovation of buildings that oftentimes triggers bringing them up to code has actually increased energy consumption as a result of increased air handling capacity and additional computer systems. The town must therefore redouble its efforts to reduce consumption which not only saves the town money but also reduces its carbon emissions. The Local Action Plan on Climate Change for Brookline written in 2002 contains many thoughtful recommendations for energy conservation some of which have been implemented leaving others to be reconsidered at this time.

### **Recommendations**

We recommend the creation of an Energy Conservation Committee which would subsume the existing Interdepartmental Energy Task Force and be given authority over the budget for energy conservation items. This Committee should be given a mandate to survey all of the town's energy consumers and initiate the installation of energy saving controls and equipment wherever the payback of initial cost is most favorable. The Committee should also review and approve all plans for building renovations to select the most efficient design within the limits of current building codes and budget. One of the Committee's first tasks should be to formulate the town's vehicle procurement policy with particular emphasis on public safety vehicles and their modes of operation. A fleet of smaller, energy-saving vehicles operated in a frugal manner will be a highly visible indicator of the town's efforts to reduce consumption.

The town should also consider creating programs to motivate all town employees and building occupants to meet specific energy saving guidelines and devise contests to reward with special recognition and prizes those who exceed their goals. Through a combination of more efficient equipment and individual employee resolve to cut consumption it is not unreasonable to expect a \$100,000 improvement in the town's energy bill. As reported in the Globe, Medway, Framingham, Waltham, and Sudbury are expecting to save at least this amount this year. If this is achieved in Brookline, we should be able to stay within the budgeted net \$100,000 energy increase during the upcoming periods of extraordinary price increases.

## III.6 Municipal Services Subcommittee Report

Over the past decade total town and school general fund expenditures have increased at a pace below the average growth rates for Massachusetts local governments:

### FY97-06 General Fund Expenditure Growth Per Capita

Brookline	Aaa Median	Statewide Median
46.8 %	52.3 %	52.1 %

## 1 Strategic Fiscal Policies

Town fiscal policies/practices along with generally applied expenditure controls are among the principal reasons why the cost of services has stayed within norms since the 1994 override. For FY06, Brookline's total spending per capita was \$3,179, exactly matching the median for all Aaa rated communities of \$3,179 per capita.

Town (non-school) staffing levels and personnel costs have been particularly stable during this period while school staffing has risen.

Fiscal Year	Town	School
FY97	674.5 FTE	750.4 FTE
FY06	687.6 FTE	894.1 FTE

The town's standing "No Net New Hire" policy, hiring freezes during periods of budget stress, and position control systems have contributed to the stable staffing levels. During this same ten-year period, town annual wage adjustments totaled 32.5%, while the CPI increase during this period totaled 31.8%. Average annual adjustments for education and staff were slightly higher than those provided to other employees.

Since the last override there have also been a number of initiatives and efficiencies that have occurred among the municipal departments.

- Police and fire dispatch functions have been combined and civilianized.
- A joint public safety Business Office has been established.
- Long-term fixed-price contracts for solid waste and energy have helped mitigate market price escalation.
- A non-union supervisory structure has been gradually adopted in DPW.
- Street light maintenance, IT help desk and other functions have been outsourced.
- Town/School, (non-custodian) maintenance functions merged in the early 1990's.
- The Town/School Partnership has fostered a collaborative climate, under which Town/School IT administrative functions have been merged into one IT Department under a single CIO.

## 2 Strategic Cost-Saving Initiatives

In contrast to the town's formal fiscal policies there has not been a strategic policy approach to cost savings. When there has been a change in law or a turnover in key staff, the town has attempted to take advantage of changing conditions as they have arisen to seek efficiencies. Without question, this opportunistic approach has directly contributed to the check on expenditure growth. In an environment of ever increasing demands for service, a "No New Net Hire" policy cannot succeed without staff reductions in some areas to offset growth in other segments of the organization.

The Municipal Services Sub-committee is not in a position to make a complete list of recommendations for specific efficiencies in service delivery. However, enough information has

been brought to our attention to estimate that \$400,000 to \$700,000 in savings might be achievable over time by changes in municipal operations. For example, we **recommend** that the town eliminate fire call boxes. They are outdated and based on obsolete technology. The town has invested in an enhanced 911 in addition to combining the Police and Fire Dispatch operations. At the time the Fire Call Boxes were implemented, universal telephone service was not yet achieved. Today, we have universal telephone service plus widespread cell phone service. In light of this, we do recommend the establishment of a *Town-wide Efficiency Initiative* to identify and prioritize areas of potential change that would be incorporated into a long-term plan to pursue such changes.

Before outlining how such a long-term approach might be formulated, it is important to provide some contours of the areas where possible savings could be realized. There are several areas that can be pursued - more widespread use of technology; further cross departmental integration; more merger of town and school administrative functions; departmental consolidation; outsourcing non-essential services; position reduction rather than position freeze. These are outlined below.

## **2.0 Information Technology**

When the WiFi network becomes operational, it is expected that the Police Department can save approximately \$35,000 when it shifts its cruiser connectivity from cellular to WiFi. Over the next two to four years parking meter management can potentially move to a WiFi platform. In addition, technology applications across the board can result in less labor intense operations.

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Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	1-4 years

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## **2.1 Integration of Functions Across Departments**

As the town's use of technology advances, possibilities can arise for considering integration of street light maintenance, traffic signal maintenance and fire alarm system operations.

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Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	3-5 years

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## **2.2 Town and School Operations**

The town and school administrations already have a history of merging administrative operations. School building maintenance, purchasing, and IT are among the areas where this has occurred. Two examples of like functions that remain separated are Human Resources and custodial services.

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Estimated Savings/Revenue Enhancements	\$50,000-\$100,000
Time Frame	3-5 years

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## **2.3 Departmental Consolidation**

Most town Human Service Operations -- Health, Veterans, Human Relations, and Commission for the Disabled -- are located in the Health Building. Only the Council on Aging at the Senior Center functions in a different site. Formal consolidation of some type in this area could yield savings of at least one FTE. Recently, the town began moving in this direction as the formerly separate Economic Development Department is now under the umbrella of Planning and Community Development.

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Estimated Savings/Revenue Enhancements	\$50,000
Time Frame	2-5 years

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## 2.4 Outsourcing

The town should use outsourcing where possible. For example, use bonded contracted services for parking meter coin collection and maintenance and some DPW functions. Along these lines, during the course of the current year, DPW issued RFPs for private contract work in several areas. As a result, over \$300,000 in potential savings and/or revenue enhancements were realized.

- School grounds maintenance is now to be performed by a private contractor at an estimated annual savings of \$46,000.
- The town transfer station will be used by the town’s waste/hauler contractor for non-town trash, saving the town \$125,000 annually.
- Negotiations over contracting out leaf collection resulted in an internal reorganization that is expected to provide annual net savings of more than \$200,000, including benefits.

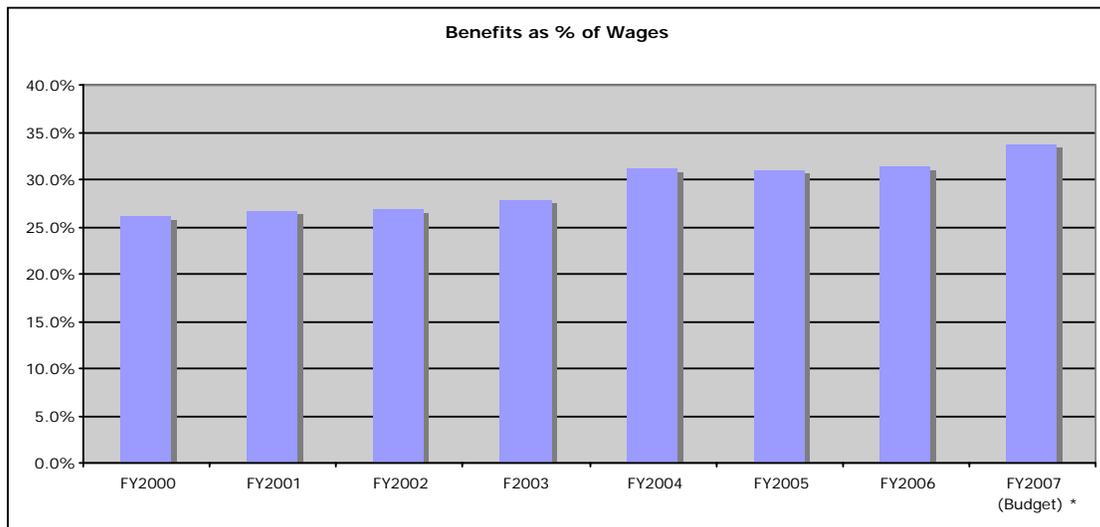
Estimated Savings/Revenue Enhancements	\$200,000-\$350,000
Time Frame	3-5 years

Other areas remain possibilities for outsourcing in public safety and general administration. Currently two patrol officers are deployed for meter revenue collection and counting. Civilianizing this function could likely yield net savings if the police positions were eliminated by attrition. Many metropolitan area communities contract out parking ticket processing; Brookline does not. In addition, other major DPW functions could be considered for outsourcing including curbside trash collection, street sweeping, and vehicle maintenance. The first-year annual savings from outsourcing curbside collection is estimated to be approximately \$135, 000, but would require the attrition of more than a dozen positions.

## 3 Long-term Position Reduction Policy

Personnel costs: total wages, salaries and benefits, are the largest expenditure in the operating budget: 70 %, in FY-08, up from 65 % in FY-2000. Much of this increase is the result of employee benefit costs rising much faster than the rate of inflation and municipal revenue growth.

- Benefits as a percentage of personnel costs have risen from 26% to about 34%.
- Benefits, including health and pensions, have grown from about 12% to 18% of the operating budget in spite of renegotiated group health plans resulting in cost savings. Group Health, in particular, has grown from \$8.7 million to just under \$22 million.



It is clear that this trend is unsustainable. If sufficient savings cannot be achieved by other identified measures to resolve the long-term structural financial pressures, particularly by controlling the growth in benefits themselves, the town should give serious consideration to a position reduction policy with the goal of lowering the total number of employees over a given period. Since opportunities for consolidation and productivity increases vary considerably from department to department, this policy should be implemented over time as positions become vacant. It is also likely that the impact of force reductions might require collective bargaining. An objective analysis of these options must be undertaken to determine whether pursuing them is viable. Some potential reductions:

Change the Fire Department's minimum manning requirements. On a per capita basis, Brookline spends 23% more than the average of its peer communities and 31% more than the average of its peers if Boston is excluded. Were Brookline to spend at the average rate of its nine peer communities the town could save more than \$2.2 million annually. One way to reduce costs is to modify the Fire Department's minimum manning requirements. The town's current contract requires four firefighters per apparatus at all times based on needs for fire suppression operations. However, many of the department's vehicle runs are not for fire suppression operations (e.g., responding to medical emergencies) and could potentially be operated with fewer than four firefighters.

Eliminate Police Department grant-funded positions. On a per capita basis, spending on police averaged were 20% higher than the average of its peer communities and 37% higher if Boston (arguably the least comparable community) is excluded. Were Brookline to spend at the average rate of its peer communities, the town could save \$2.2 million per year. The town has maintained additional positions in the Police Department originally funded by an external grant. There should be an assessment of the critical need for the town to continue funding these additional positions.

## **4 Additional Maintenance Funding is Needed**

The mounting fiscal pressures on the town's budget since FY00 have necessitated level dollar funding for certain maintenance activities that cannot persist in the face of escalating costs. Specifically, the funds allocated for the repair and maintenance of our streets, sidewalks, and buildings have not increased significantly in the last seven years. This raises legitimate concerns over whether maintenance left undone will result in much higher costs in the long run. The issue of sidewalk and road repair has been considered by the CIP sub-committee.

This subcommittee examined the maintenance of town and school buildings. For budget purposes the work done on buildings is classified into two areas: General Services which include the scheduled annual maintenance of buildings, and Line Items which cover wear and tear as well as requested small, non CIP improvements. General Services are required to keep the buildings operational and safe whereas Line Items may be deferred temporarily or possibly indefinitely if the occupants of the buildings are willing to put up with less than optimal conditions such as worn carpets and faded paint. From FY00 to FY08, the funds spent on General Services for town and school buildings combined increased at an average annual rate of 10.4%, whereas the amount spent on less necessary Line Items was actually reduced by more than 50% over the same period. This reduction allowed the General Services to increase as required. The rate of increase in General Services was generally in line with the rise in contractor's fees during the same period, but more than three times the average annual increase of the northeast urban cost-of-living index. Several of our buildings were completely renovated during this period which included new HVAC systems and some additional elevators. Although the new equipment installed was less prone to failure, it was more complex and required more scheduled maintenance. Therefore, the only significant savings in General Services for a renovated building occurred while the building

was under repair. On the other hand, the Line Item expenditures for a renovated building are reduced during the first several years after completion.

With the above background information, the sub-committee concludes that the town will face predictable, ongoing increases in General Services expenditures that will be necessary to keep the town's buildings operating properly. These increases should therefore be built into the town's budget. Since General Services expenditures have been restrained during the most recent eight years, and there have been no failures of the town's basic building systems, it is reasonable to assume that the historical growth rate for General Services, which averaged 10.4% over the period, is a workable projection for FY09. This will allow for near-term escalating costs, yet will require that the Building Department continue doing a good job of supervising maintenance operations, and economizing wherever feasible.

Determining the appropriate budget level for Line Items is somewhat more difficult because Line Items can be postponed, yet they can be very desirable. Also, the Building Department receives requests for Line Item expenditures which total five to ten times the funds available, and projects must therefore be prioritized. The sub-committee recommends that the budget for Line Items be set at a percentage of the General Services budget. Based on conversations with the building department, we recommend that Line Items should equal 15% of the General Services budget, and that the Building Department be given discretion to alter the allocation between General Services and Line Items to reflect particular circumstances in any one year. These recommendations would result in a total and maintenance budget for FY09 of \$1,730,000, which represents a \$490,000 increase over the original \$1,240,000 budget appropriation for fiscal year 2008. (The final maintenance budget for FY08 was increased by a one-time \$400,000 reallocation.)

After FY09, we recommend that the building maintenance budget increase by a figure approximating the general rate of revenue increases for the town each year augmented, if necessary, by some of the savings achieved by the *Town-wide Efficiency Initiative* mentioned above. This will "earn" some relief in the event that contracted maintenance costs over the long term continue to increase at a rate greater than town revenues.

## **5 Park and Open Space Obligations**

As a result of newly created and/or renovated parks and recreation areas, the town will face additional obligations totaling \$250,000 annually. The largest of these is the \$93 million renovation of the Emerald Necklace, which includes the restoration of the Muddy River (for which our town was originally named). The funds for this project have been promised by the federal government, and as part of the funding agreement, the town has committed to provide \$100,000 per year in maintenance services as its share of the overall cost. This includes river maintenance, wetlands management, turf and tree maintenance, and pathway maintenance. The timing of this obligation is dependent upon the completion of the entire project, but there is little doubt that it will commence within a few years.

The next largest project is the maintenance of the Beacon Street landscape improvements. The Parks Division does not have the capacity to perform this work with in-house resources, and the additional cost of contracted watering, mulching, pruning, cutting and weeding of the Beacon Street landscape improvements is \$86,000 annually.

The Newton Street Landfill Park requires mowing and playground cleaning which cannot be entirely covered by existing in-house capacity. The additional annual cost is \$33,000.

Finally, the town is considering the creation of a 10 acre passive and active community park on the site of the Fisher Hill Reservoir. The timing of this project is dependent upon several real

estate transactions that may occur as early as 2008. The design team estimates that the annual maintenance requirements of this park will be \$50,000.

While the town considers itself legally obligated for the maintenance of the Emerald Necklace project, the remaining three projects are not contractual obligations, but do reflect the requirements of maintaining projects in which the town has already invested considerable sums. These projects also contribute significantly to the attractiveness of the town. The sub-committee therefore recommends a \$250,000 ongoing annual expenditure for the maintenance of these projects, but with the strongest caveat, also made by other sub-committees, that the total cost of any future project undertaken by the town must include the full present value of ongoing maintenance expenditures.



**APPENDIX IV  
STATUS OF 1994 FPAC RECOMMENDATIONS**

## 1 Introduction

As already noted in the main body of this report, the Board of Selectmen appointed a Financial Planning Advisory Committee (FPAC) in 1993 to determine how to best respond to the “continuing fiscal crisis” that was occurring in the town at that time. In addition to recommending that an override question be placed on the ballot, the 1994 FPAC Report proposed a series of immediate and long-term steps calling on town and school management along with the unions to meet the challenge of cutting costs.

The current Override Study Committee suggests that useful perspective could be provided to the readers of this 2007 Report, if a summary of FPAC recommendations and subsequent town actions are also available. The itemization below was prepared by town staff for this purpose and the full text of the FPAC Report can be found on the town website at [www.townofbrooklinemass.com/Selectmen/FinancialReports](http://www.townofbrooklinemass.com/Selectmen/FinancialReports)

The very first page of the executive summary of the FPAC Report lists most of the immediate and long-term proposals urged in 1994. The summary below is arranged according to that listing. The resulting town action is described in the status paragraph included in each segment. Additional recommendations were presented in other sections of the FPAC Report and the principal findings relative to financial planning are also listed.

## 2 Immediate Actions from the FPAC Report

### 2.0 Restrict Wage and Salary Increases to 2%

**Citation:** “Lower ceiling on compensation increases of 2% annually for the next three years” (p. 1) and further suggestion of “switching to a preferred provider health plan... would result in significant savings” (p. 4).

**Status:** The town negotiated wage adjustments totaling 8% rather than 6% for the three years after the override, but also negotiated a conversion to all managed care health plans during this period. For subsequent negotiations wage adjustments have paralleled inflation indices. COLAs of 38.5 vs. CPI of 36.5 from FY95 to FY07.

### 2.1 Increase Fees for After School Sports and Recreational Activities

**Status:** Since the 1994 override athletic fees have been increased periodically from \$85/student/sport to \$175/student/sport. As of FY07 revenue from athletic fees total \$323,209.

### 2.2 Save Money in the Schools through Changes in Physical Education and Adult Education

**Citation:** “By increasing exemptions and class sizes in physical education, using full cost accounting for adult education...”(p.2).

**Status:** Physical education staff positions have been reduced at the High School by increasing both class size and exemptions. Adult Ed now reimburses schools for group health obligations incurred by the town and also for total compensation of a full time custodial management position.

### **3 Actions in One Year (from publication of report)**

#### **3.0 Reduce the Number of Firemen**

**Citation:** *“Decreasing the number of Fire Employees (by) considering 9 companies with 3-person minimum manning or 6 companies with 4-person minimum manning (from) current 7.5 companies with 4-person manning” (p. 3).*

**Status:** Fire suppression force reduced from 7.5 companies to 7.0 companies in 1998. Four out of five uniformed Fire Alarm positions were eliminated over time starting in 2000 as a result of the implementation of Combined Dispatch (see below).

#### **3.1 Decrease per Pupil Cost in Special and Bilingual Education**

**Citation:** *“Significant savings possible in the schools by decreasing per pupil costs in special and bilingual education, changing the House Structure at BHS and making other administration changes, privatizing custodial work,... and using buffers and limited busing....” (pp. 3-4).*

**Status:** Change in state law has dramatically modified bilingual education. Special education costs remain a significant challenge, but starting in 2004 the state substantially increased reimbursement for SPED costs through Circuit-Breaker funding. Revamped administrative organization at BHS, thereby eliminating House Structure in 1996. Number of buses decreased by 1/3 since 2003.

#### **3.2 Reorganizing custodial functions, possibly privatizing parts of it**

**Citation:** *“Moving all custodial services under single department” and “consider using a contract cleaning service staff” (pp.2-3).*

**Status:** Since FY95 schools have eliminated seven custodial positions, a reduction of 15%. This has been accomplished by expanding the use of contractual night cleaners in over half the schools; by redeployment of personnel; and establishing expanded supervisory structures within the town. Custodial services for Town Hall, Public Safety Building, Senior Center and Main Library have been integrated along with expanded use of part time and contractual night cleaners.

#### **3.3 Eliminate the box alarm system in the Fire Department**

**Citation:** *“Eliminate the Fire Box Alarm system and rely on E-9-1-1 and combine police and fire dispatch instead” (p. 3).*

**Status:** Eliminated Fire Alarm Center and created combined dispatch in 1999 which freed up six police positions that were redeployed to enforcement operations rather than eliminated.

#### **3.4 Rollback maximum allowable annual vacation for Town Employees from five weeks to four**

**Status:** Not done, with exception of reducing Fire Dept. maximum vacation leave from six weeks to five weeks in 1996.

### **3.5 Eliminate the Subsidy of the Recreation Department by Increasing Fees**

**Citation:** “Increasing Recreation User Fees... saving \$100,000 next year” and “ provide more fee based recreational services” (p.2)

**Status:** User fees now account for nearly 2/3’s of total recreation spending at an amount of approximately \$1.5 million a year up from \$600,000 in 1994.

### **3.6 Reduce Administrative and Supervision Cost In School (and Town)**

**Citation:** “Combining small departments...sharing or switching responsibilities among departments...limiting the scope of the Health Department” (pp. 3-4).

**Status:** In 1999 consolidated Preservation and Housing into Planning Department. Combined town and school IT in 2002. In 2004 folded Veterans Services into Health and Human Services. Integrated Economic Development into Planning in 2007.

### **3.7 Planning and Budgeting Subcommittee**

**Citation:** “Brookline should develop and implement long range planning process” (p.III-1). “Capital planning and budgeting system is inadequate” (p.II-2) “Reserve Fund should be increased” and “Major Event Reserve established” (p.III-2).

**Status:** Comprehensive fiscal policies adopted in 1995. Long range financial projections integrated into Annual Financial Plan. Fiscal policies reviewed by independent committee in 2004. Budget Presentation Award from national Government Finance Officers Association FY06-08.

CIP process revamped and credit rating upgraded to Aaa in 1995. CIP serves as model for rest of state.

Reserve fund increased in FY95. Contingency Reserve established in FY95. Liability Trust fund enacted in 1998. Began funding the Stabilization Fund in 1998.

**APPENDIX V  
OVERRIDE STUDY COMMITTEE PUBLIC HEARING  
MINUTES**

**OVERRIDE STUDY COMMITTEE  
PUBLIC HEARING  
WEDNESDAY, OCTOBER 17, 2007  
MINUTES**

**In attendance: Vince McGugan (Chair), Betsy DeWitt, Gordon Bennett, Bill Schwartz, Will Slotnick, Lloyd Dahmen, Jeff Liebman, Amy Kershaw, Tony Friscia, and Neil Wishinsky.**

**Selectman DeWitt made the following opening statement: Welcome to a public hearing on Town financial issues held by the Override Study Committee, which was established by the Board of Selectmen in February “to evaluate whether substantially more revenue capacity than what is currently projected is unavoidably necessary in order to maintain desired levels of services through a comprehensive examination of Town finances, municipal /school expenditures, and community ability to pay in comparison to other municipalities”.**

**Members were appointed for their areas of expertise as a panel of neutral evaluators, with 3 ex officio, nonvoting members from the Board of Selectmen, School Committee, and Advisory Committee serving as resources to the members.**

**In 1994 Brookline passed its only Proposition 2-1/2 general override for operating revenues. At the same time, a set of prudent fiscal policies was adopted, including provision for contingent liability reserves and a formula for financing capital improvements. In 1995, a partnership agreement for funding the school budget was instituted, with full allocation of fixed costs. In 2004 all fiscal policies were reviewed and further refined.**

**Several critical pressures on Town budgeting have lead to the current consideration of a general operating override:**

- **Substantial increases in fixed costs such as group health, retirement benefits, and energy**
- **Decreased or level funded state aid**
- **A school collective bargaining agreement adding time to the classroom day**

**We welcome your comments. Thank you for participating in this public hearing. Now I would like to introduce the Committee Co-chairs, Vince McGugan and Lloyd Dahmen.**

**Mr. McGugan stated that the Committee was divided into sub-committees and each one focused on critical topics. Tonight each subcommittee will provide a brief report and answer any questions from the public. He added that the main purpose tonight is to hear from their fellow citizens to help determine whether an override**

**should be considered by the Board of Selectmen. The public has the next ten days to submit input on this discussion**

**Each member introduced themselves.**

**Mr. McGugan then stated that the Committee has focused largely on gathering relevant facts on the FY'09 budget and on what lies ahead a number of years depending on current decisions. Deliberating on the facts and the pros and cons of a potential override in the context of data and information is the next step. He said the Committee may not have time to fully explore all issues and will note those cases for future Town and Citizen groups to follow-up.**

**Mr. McGugan then made a few comments about the Big Picture, as Chair of that sub-committee. He noted that the 5 year financial plan projects deficits in each coming year of on average 1-2% of total spending and in FY '09 about 3% for that one year if the school day is extended. Past 5 year plans have projected similar deficits, with Town and School managements adjusting budgets to achieve the required balance. But it is getting harder. He said a major goal for the Committee will be to come up with suggestions for a fair and balanced approach to both 1) addressing the immediate projected deficit while 2) proposing ways to stabilize Brookline's longer term finances by addressing the major structural factors causing those deficits.**

**Mr. McGugan noted the great diversity of Brookline's Citizens, including diversity in household incomes. Most Brookline Citizens face the same family cost and income budget pressures the Town government is facing. He noted that one source, city-data.com, suggests that over the past 6 years or so, median Brookline household income has increased only a little over 2% per year. He also said the Committee is emphasizing distinguishing--for the Selectmen and Citizens--spending required to maintain existing services from spending for new services and programs.**

**Mr. McGugan said the Big Picture also considers the role of productivity, a concept called "the Cost of Delay", budget concepts to address the structural deficit, Systems Opportunities, Privatization, Unfunded Mandates, ideas for better aligning Town and citizen interests in economic development opportunities, additional Citizen Communication Opportunities and more in an effort to achieve budget sustainability. He concluded by emphasizing that Brookline is a great town and we all need to work together to figure out a way to address the financial challenges we face ahead in a fair, responsible and sustainable way.**

**Personnel and Benefits: Jeff Liebman outlined the work of the personnel benefits subcommittee which has focused on salaries, pensions, and health insurance. Mr. Liebman noted that the trends in personnel spending over the last 12 years on the Town side have remained sustainable. Personnel spending on the School side has grown more rapidly as the number school employees has increased -- both in the**

instruction and special ed categories. He added that 2/3 of the reason why Brookline faces a budget shortfall is an increase in school services while the remaining 1/3 is rising health care costs. He noted that the town is facing a large unfunded liability in costs for retiree health insurance. He recommends that the Town start putting away money to fund this. As much as \$4 million a year would be needed to stabilize spending on retiree health. He noted that having the town join the State Group Insurance Commission could produce savings of \$1-2 million a year and that setting aside this saving to fund future retiree health costs would be a good first step toward stabilizing these costs.

**Education:** Tony Friscia stated that the sub-committee took a detailed look at School spending, and proposed spending. The Capital Improvement Program and pensions were excluded from the report. The sub-committee looked at if the schools were required to make cuts where could those cuts come from. The only place in the core spending and core curriculum that could be cut was class size, reducing the number of teachers. If they were to look beyond that to what he called discretionary spending it would include: libraries, after school programs, enrichment and gifted and talented programs, guidance and career programs, athletic, performing arts, early childhood programs, metco, and implementing higher fees in athletics and transportation. Special Education is the largest growing area in school spending. It currently represents 25% of the total school budget. Special Education is growing at 29% compared to comparable Towns which are growing at an average of 30%. They have looked at ways to contain the growth here, and a lot is being done within the School Administration to achieve this. New pending initiatives include world language program in K-6. This would require about \$730k in new school spending. Extending the school day is another area that was looked at. Brookline has considerably shorter school days than comparable towns. Salaries were looked at. Brookline teachers are paid on average in the middle relative to teachers in 23 comparable towns. To summarize they took a look at current spending and new spending.

**New Revenue Opportunities:** Economic Development: Wil Slotnick stated that among the areas the sub-committee considered for new revenue were the PILOT (payment in lieu of taxes); local action and cost recovery, both short term and long term. The PILOT program has not been formalized yet; the Town staff is working on putting it together. This would be long term revenue; however it would not be included in fiscal 2009. The parcel at 2 Brookline Place would not be included in the fiscal 2009 plan either. This parcel will have the potential of bringing in \$1 million in yearly revenue. State aid may be another source of revenue for the Town. This includes meal tax, and closing communication tax loop holes. On cost recovery, parking and refuse fees were looked at. This would result in another increase in meter rates and refuse fees. Taxi medallions could bring in a significant amount of revenue for the Town as well as increasing taxi license fees.

**Municipal Services:** Lloyd Dahmen stated that Municipal Services represents 45% of the annual budget. This includes public safety, public works, building, library,

health, recreation, and finance, which is the smallest part of the budget. The sub-committee looked at these areas to see where the cost could be reduced while maintaining the quality of service. Some unanticipated areas where there may be an increase are parks and recreation because of the addition of Landfill Park and the Fisher Hill Reservoir. Some savings could be found in information technology that could replace some existing communication methods in public safety. The sub-committee looked at integration of functions across departments, merging Town and School administration, for example, maintenance, and consolidating departments by bringing them under one roof, saving on overhead. Outsourcing was looked at and could bring in considerable savings in the DPW and public safety areas like meter collection and parking tickets. This is being done in other towns successfully. Over the long term, a policy on position reduction where they can be maintained and not added to would be beneficial. This would require a deliberate plan to ensure that there would not be a reduction in service.

**Capital Plan:** Bill Schwartz stated that the capital plan looks ahead to what is needed to keeping the Town running like roadwork, buildings, and major projects. The Sub committee looked at the current level to see if the Town should cut back on the capital plan, and how effectively is the plan developed. They agreed that the 5 ½% of revenue which is currently budgeted in the capital plan is appropriate. Some big ticket items coming up are the Runkle and Devotion School renovations, the High School, and the Landfill Project. They looked at how projects are processed, and if they are implemented in the right order. It was noticed that whenever space is renovated, it needs to be up to code, and by doing so it increases air flow which increases energy consumption.

**Energy:** Lloyd Dahmen stated that the energy committee looked at the consumption and cost of electricity, heating oil, natural gas and vehicles. Over the last seven years the total amount of money spent on energy has doubled. It is now \$4.6 million which is only 2.6% of the budget, but with the price of crude oil it will continue to go up. The Town has done an excellent job on controlling this crisis by locking into favorable long term contracts with suppliers, and has taken steps to reduce consumption. An area to look at is the public safety vehicles used in the Town. Could the town benefit from using smaller more fuel efficient vehicles in the public safety sector?

### **PUBLIC COMMENT**

Peter Ames, 90 Ivy Street and Town Meeting Member Precinct 1, asked about personnel benefits and what percent does the staff pay, and when was the last increase.

Gordon Bennett replied that 25% of health care is paid by the employee. The plan has changed recently requiring larger co-pays.

**Laura Weisel 87 Ivy Street, and Town Meeting Member Precinct 1, asked about the Municipal Services Department and how much do we spend per capita, and if there are any Departments that stand out. She also inquired about the longer school day, the actual hours of instruction, and about the PILOT program.**

**Lloyd Dahmen replied that the Town is spending right in the median of all AAA rating communities in Municipal Service. Brookline pays a higher per capita in Public Safety, which could be attributed to the proximity to Boston.**

**Director of Finance Steve Cirillo stated that right now Brookline does not have a formal PILOT Program. The Town is making progress with one. However it is important to understand that by law non-profits are not required to make any pilot payments, and it is a volunteer program making it a sensitive issue between both parties.**

**Myra Trachtenberg 45 Longwood Ave, and Town Meeting Member Precinct 3, stated that even though PILOTS are not required, there should be other ways to receive revenue from the non-profits since they use the Town's services.**

**Mr. Cirillo replied that the Town is looking into all aspects that are legally available.**

**An Amory Street resident asked how things are classified between maintenance efforts and growth. How will they mandate positions as to what is needed to maintain the schools and what is needed because of growth.**

**Vince McGugan replied that this is a diverse group of citizens with a breadth of experience. However they are not the decision makers. The Committee's report will be submitted to the Board of Selectmen and it will go from there**

**Johanna Klein, 36 Thorndike Street inquired about staffing at the Schools, and what positions were added. She has noticed an increase in class size. She feels that there could not be any more cuts in the School Department.**

**Jeff Liebman replied that there has been growth in Special Education staffing. Tony Friscia added that the data showed that class sizes have come down over the last couple of years.**

**Rusty True Browder, 177 Aspinwall Avenue, asked if there will be any additional public forums before the final presentation goes to the Board of Selectmen and what kind of options would the ballot have.**

**Selectmen DeWitt replied that comments will be taken within the next ten days. There are a number of options at this time and no decision has been made. If an override is considered, it could contain a specific set of categories in a menu approach, or itemized programs with the costs associated listed.**

**Superintendent of Schools, William Lupini stated that the School Strategic Planning process will function as a guide for the budget.**

**Catherine R. Cohen, 305 Buckminster Road was concerned about the education of students and why this does not seem to be top priority. Teacher supplies and school lunches are two areas where cuts are very evident. Also what is the consequence of extending the school day?**

**Tony Friscia replied that this is just a presentation on how the budget is broken down. There have been no suggestions on school cuts at this time. This is a result of looking at the data. The benefit of extending the school day will add time to the structural day. At the High school there are more opportunities to add curriculum to the school day.**

**Rosemary McElroy, 5 Druce Street asked about the current status of the renovations at Runkle and Devotion Schools. She also inquired about the longer day and world languages.**

**Superintendent Lupini replied that School Building Assistance is going over the list for possible State reimbursement. Runkle was listed by the Town as top priority. This is the first phase, and he expects to here from the State on this in the near future. He added that he endorses the extended day and world language.**

**Debbie Reches, 26 Asheville Road stated that it is important to keep teachers, and perhaps the larger class size may be worth it to keep good teachers at the schools. She would rather look at guidance's councilor positions before teachers if cuts are needed.**

**Stacey Dogan, 1 Francis Street stated that she moved here because of the school system. The teachers are fantastic, but are struggling. The schools are already at the basic level just to stay at the status quo. She would like to see what it would take to make the school system truly aspirational and perhaps present it in that way.**

**Lloyd Dahmen replied that ultimately the decision is the residents on whether to pass an override or not. He encouraged everyone to work with their Town Meeting Members. The Override Committee is presenting choices, not making decisions.**

**Commissioner of Department of Public Works, Tom DeMaio, presented a statement on the importance of Public Works, and how it is a major role not only to the schools but all residents of the Town. In 1979 Public Works had 340 employees, now it has about 170 employees due to overhead cost and reduction cost, and it continues to lose positions. It seems that DPW takes the brunt of cuts. The Department has been able to adjust, however, materials and labor cost have continued to go up, but their budget has remained level funded, and the job is still getting down. Sidewalks, trees, lights, and signs remain a priority especially in high elderly and school areas. These costs continue to go up, but the budget does not.**

**Certain maintenance needs to be done twice a year, the residents deserve it twice a year however the budget only allows them done once a year. The Town has a new soccer field and park at the old landfill which will add to the cost of maintenance as well as the future Fisher Hill Reservoir Park. The Town continues to remain competitive in its services. The Department of Public Works is always looking at ways to save money and works very hard doing it.**

**School Committee Chair Judy Meyers thanked Mr. DeMaio. She added that everything he said is so true. During snow days, Mr. DeMaio and Mr. Lupini are working at 4 a.m. trying to get the sidewalks and streets clean and ready for the day. She also thanked the Committee which has invested so many hours in this study. Ms. Meyers added that over the last few years the School Department has had to do more with less and it has become difficult to maintain their excellence. The State mandates what is required from the School System. The extended School day is needed at the High School because there is an expectation from the State that is not being fulfilled because the day is too short. Scheduling at the High School has been difficult due to the limited hours. This will give them an opportunity to give the students an extra block. In Middle School grades, the Town has the shortest school day compared to comparable communities. At the elementary level the extension of the school day will provide time for more subjects. This may include a world language program.**

**Director of Buildings Charlie Simmons stated that it has been difficult trying to make a balanced budget within the Building Department. Money for routine maintenance and repairs has been less and less. This includes code enforcement and State mandates. Any repairs that is non life-safety has been put on hold. The cost of materials and labor has greatly increased over the last few years, but the budget has stayed level funded. Although it is very difficult, he will continue to make sure that the Town Buildings are safe and maintained.**

**John Elcock, 103 Francis Street commented on the nice job at the new soccer field. He then added that the new two hour parking program has not been observed as far as he can see, on Kent Street in particular. This could bring in well needed revenue if enforced better.**

**Stanley Spiegel 39 Stetson Street, and Town Meeting Member Precinct 2, thanked the Committee but added that he wished the Committee was more diverse, perhaps having some members of Public Safety on it. He is hoping that a list of alternatives would not be presented. The same distribution of funds that was on the ballot in 1994 has remained year after year. What may be needed one year may not be needed he next.**

**Deborah Costoloe, 25 Stanton Street stated that when she grew up here Town Buildings were healthy, and roads were smooth, and schools had many enrichment programs, and many public employees were able to live here. Although she has deep concerns about funding problems, she also is quite troubled of the cost of living**

**in Brookline. Ms. Costoloe asked about the 25% of the school budget that goes towards Special Education and wanted to know the percentage of students that require special education. She believes that inefficiencies could be reduced instead of school cuts.**

**Selectman DeWitt replied that it is not that inefficiency can't be changed, but that it does take time to change them.**

**Superintendent Lupini replied that the 25% of the school budget spent on Special Education, 20 % represents the students. There is a plan of action being implemented without violating the rights of the students or their parents. It comes down to what is in the best interest of those students.**

**Sarah Moghtader, 45 Naples Road, and a teacher at Devotion School expressed concerns on the renovations at Devotion School, and hopes it proceeds as planned. She also praised the Chinese language program at Driscoll School.**

**Ponnie Katz, 55 St. Paul Street and Town Meeting Member Precinct 7, stated that by having a menu of items on the ballot will bring a broad constituency out to the polls. She too expressed support for the need for resources for infrastructure.**

**Roger Blood, 66 Cleveland Road, and Town Meeting Member Precinct 13 said that from a tax payer's perspective, the taxpayers are now paying closer to 4% not 2 ½%. His organization is not necessarily opposed to an override. He would also see benchmarks of what is coming in, and what is going out. He pointed to the need for detailed analysis of teacher compensation not just focusing on the compensation of annual salaries, but getting down to the cost of staff as a per hour of instruction basis.**

**Kevin Lang 179 Winchester Street, Town Meeting Member precinct 9 and School Committee Member stated that this is an investment in our homes. Attractive schools bring in residents, and keeps up the value of our property. Mr. Lang does not recommend a menu selection, he would rather see a combination of recommendations that may bring out the most voters.**

**Melvin Clouse, 59 Monmouth Street stated that the objective is an assessment on what is being spent and how it is being spent. He added that it is unacceptable that the school day is currently shorter and not up to State code. He endorses core subjects like science. He also added that the roadways are unacceptable and that there should not be cuts in that area, which are sometimes the result of special interest groups. .**

**Myra Trachtenberg wanted to add that Town and School Employees fund their pensions by contribution where it earns interest and dividends. A large portion of their pensions are self funded,**

**Vince McGugan stated that the Committee will meet for the next several weeks and take into consideration everything said tonight.**

**There being no further business, the Chair adjourned the meeting at 9:55 p.m.**