

TOWN OF BROOKLINE

BOARD OF SELECTMEN

Robert L. Allen, Jr.
Chairman

Joseph T. Geller
Gilbert R. Hoy, Jr.
Michael S. Sher
Michael W. Merrill

Richard J. Kelliher
Town Administrator



Brookline**at**300

Open. Since 1705.

FY-2006 FINANCIAL PLAN

FINANCIAL SUMMARY

- Financial Plan Total = \$192.08 million
 - Operating Budget = \$159.77 million (+4.1%)
 - Non-Approp. Budget = \$7.94 million (-4.0%)
 - Special Approp. (Rev-Fin CIP) = \$5.81 million (-49.2%)
 - Enterprise Funds / Other (Gross) = \$23.62 million (+2.1%)
- Town Departments Increase = 4.3% * (+\$2.30M)
- School Department Increase = 3.9% ** (+2.19M)
- Non-Departmental Increase = 4.2% (+\$1.83M)
- Assumes Governor's Local Aid package

* When the \$177K of School increases budgeted for in the Building, Finance, and IT Dept's are backed out, increase is 3.9%.

** Does not include the \$1 million of SPED Circuit Breaker carry-forward

The background of the slide is a dense, overlapping pattern of various US coins. Visible are pennies (Lincoln), nickels (Jefferson), dimes (Roosevelt), and quarters (Washington). The coins are scattered across the entire frame, creating a textured, metallic appearance. The text 'THE RECENT PAST' is centered over this background in a dark red, serif font.

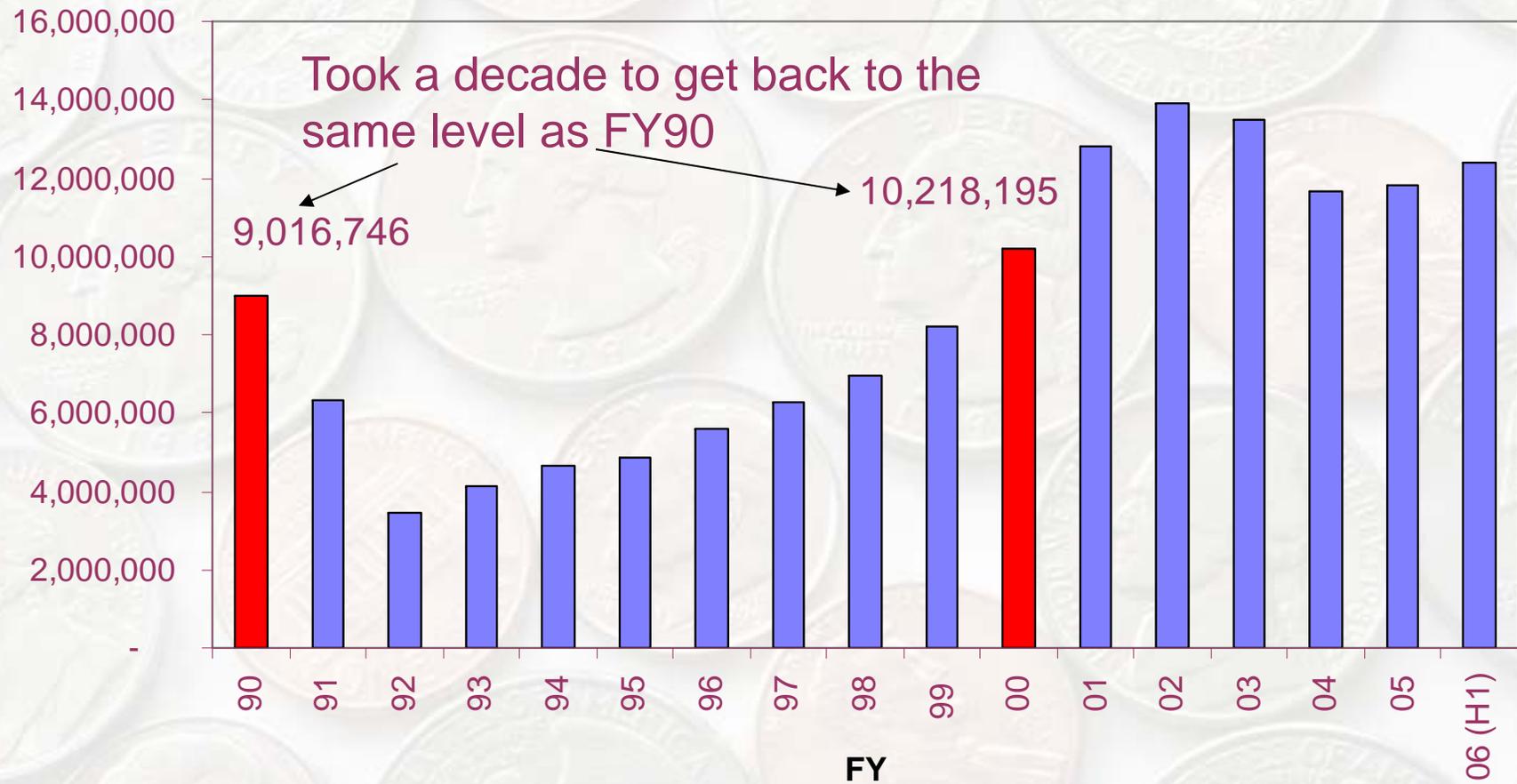
THE RECENT PAST

RECENT PAST – STATE AID

- In just a year and a half period (mid-FY03 – FY04), lost \$2.8 (14%) million in State Aid
- Since then, have seen only one year with increases (the Governor's FY06 proposal, \$542K) - - and \$76K of that is tied to the \$100K Assessment for Charter Schools

RECENT PAST – STATE AID

NET STATE AID



RECENT PAST – HEALTH INSURANCE

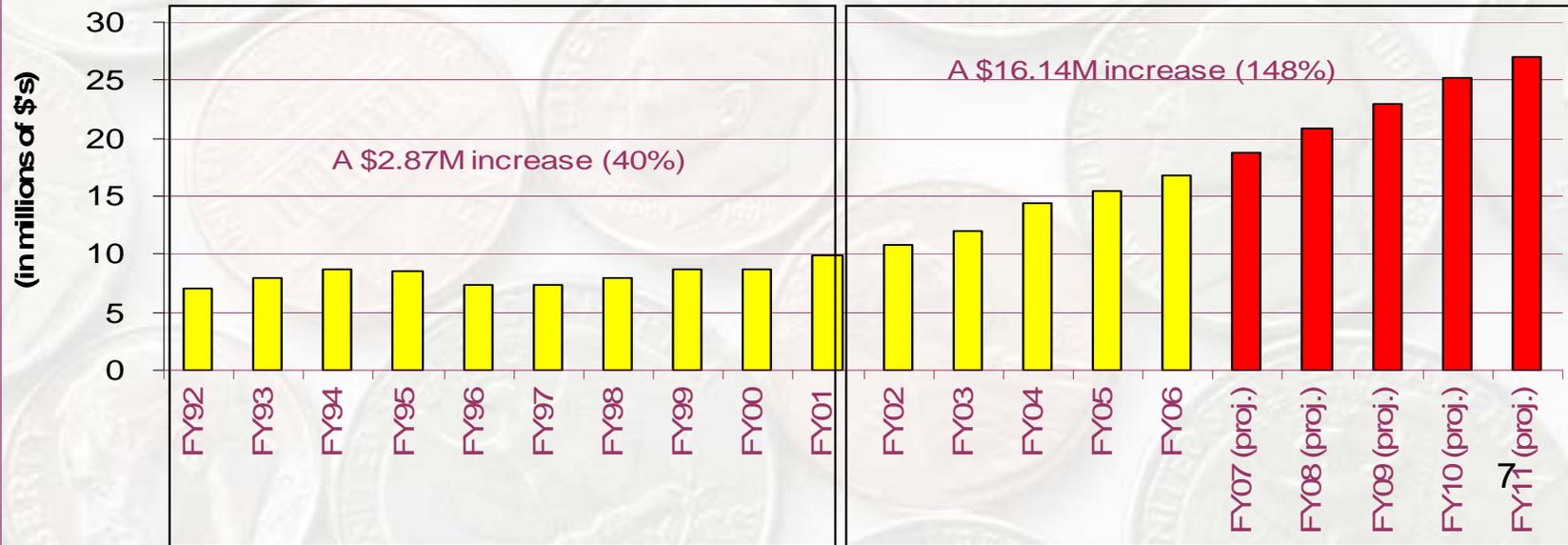
- Brookline implemented a new self-insured, managed health care plan in FY96
- This, along with a moderation of national health care costs, kept expenditures under reasonable control through FY00
- Since then, health insurance has increased \$8.1 million (93%)
- During this same period, health insurance costs have increased close to \$380K more than general wage increases for employees

RECENT PAST – HEALTH INSURANCE

| FY | RATE CHANGE | | |
|--------------|-------------|-----------------|--------------------|
| | BC / BS | HARVARD PILGRIM | BUDGET CHANGE |
| 2001 | 20% | 13% | \$1,250,000 |
| 2002 | 5% | 1% | \$925,000 |
| 2003 | 5% | 14.79% | \$1,150,000 |
| 2004 | 20% | 17.56% | \$2,400,000 |
| 2005 * | -2% | 20% | \$1,050,000 |
| 2006 | 10.3% | na | \$1,360,000 |
| Total | | | \$8,135,000 |

* While Hvd Pilgrim no longer offered as of 10/1/04, those employees who went from Hvd Pilgrim to BC/BS realized a 20% increase. Those enrolled in BC/BS realized a decrease of 2% for 8 months.

GROUP HEALTH APPROPRIATION



RECENT PAST: STATE AID & GROUP HEALTH

Annual Change in millions of \$'s and as a percentage

| | STATE AID CHANGE | | HEALTH INS CHANGE | |
|------|------------------|-----|-------------------|------|
| FY96 | 1.4 | 14% | -1.2 | -14% |
| FY97 | 0.6 | 6% | 0 | 0% |
| FY98 | 0.9 | 7% | 0.6 | 8% |
| FY99 | 1.2 | 10% | 0.7 | 8% |
| FY00 | 1.7 | 12% | 0.03 | 0.5% |
| FY01 | 1.6* | 11% | 1.3 | 14% |
| FY02 | 0.7 | 3% | 0.9 | 9% |
| FY03 | -0.8 | -5% | 1.2 | 11% |
| FY04 | -2.1 | -9% | 2.3 | 20% |
| FY05 | 0 | 0% | 1.0 | 7% |
| FY06 | 0.5 | 3% | 1.4 | 9% |

* exclusive of SBAB incr.

RECENT PAST - INITIATIVES

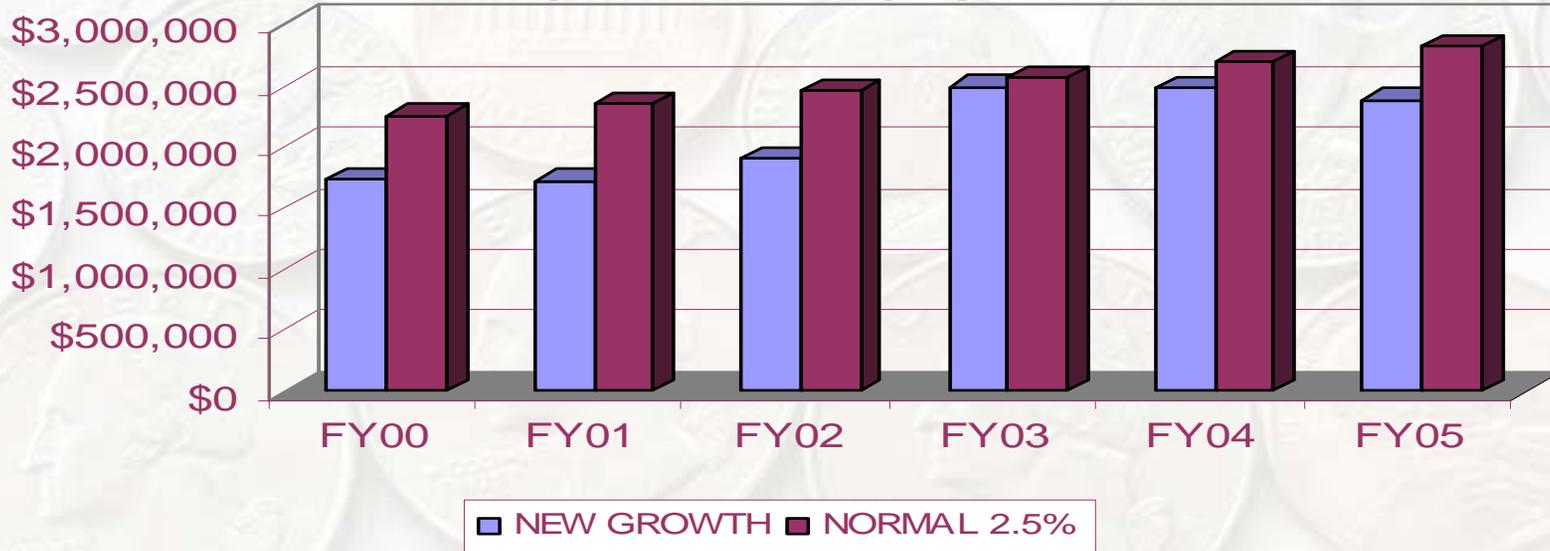
- Even with this difficult recent history, the Town has:
 - Re-Organized the HRD, P&CD, ITD, and P&OS Division
 - Invested in IT, increasing productivity
 - Created a much-needed mid-management level
 - Developed a Comp Plan
 - Created a Combined Dispatch operation
 - Created a Public Safety Business Office
 - Established an Executive Officer position in the BPD
 - Built a Senior Ctr, staffed it, and funded O&M
 - Continued to address the Capital back-log and invest in the Town's physical assets
- All done with NO LAYOFFS and have not reduced commitment to these initiatives during the recent tight fiscal times

HOW HAS THE TOWN DONE THIS?

- Multi-year effort to meet the economic downturn
 - Not only followed Fiscal Policies, but had FPRC review them and improve them
 - Continued the “No Net New Hire” policy
 - Collective Bargaining strategies
 - Didn’t rush to spend the increased Local Receipts that wouldn’t be there when economy turned
 - No reliance on one-time revenue (e.g., Free Cash)
 - Proper development, which fuels New Growth in tax levy
 - Negotiated a Solid Waste contract with a 2.5% annual growth cap
 - Procured Electricity contracts at rates well below the standard offer / default service
 - Purchased street lights
 - Put health insurance out to bid
 - Changed fee / fine structures

RECENT PAST - "NEW GROWTH"

PROP TAX LEVY GROWTH

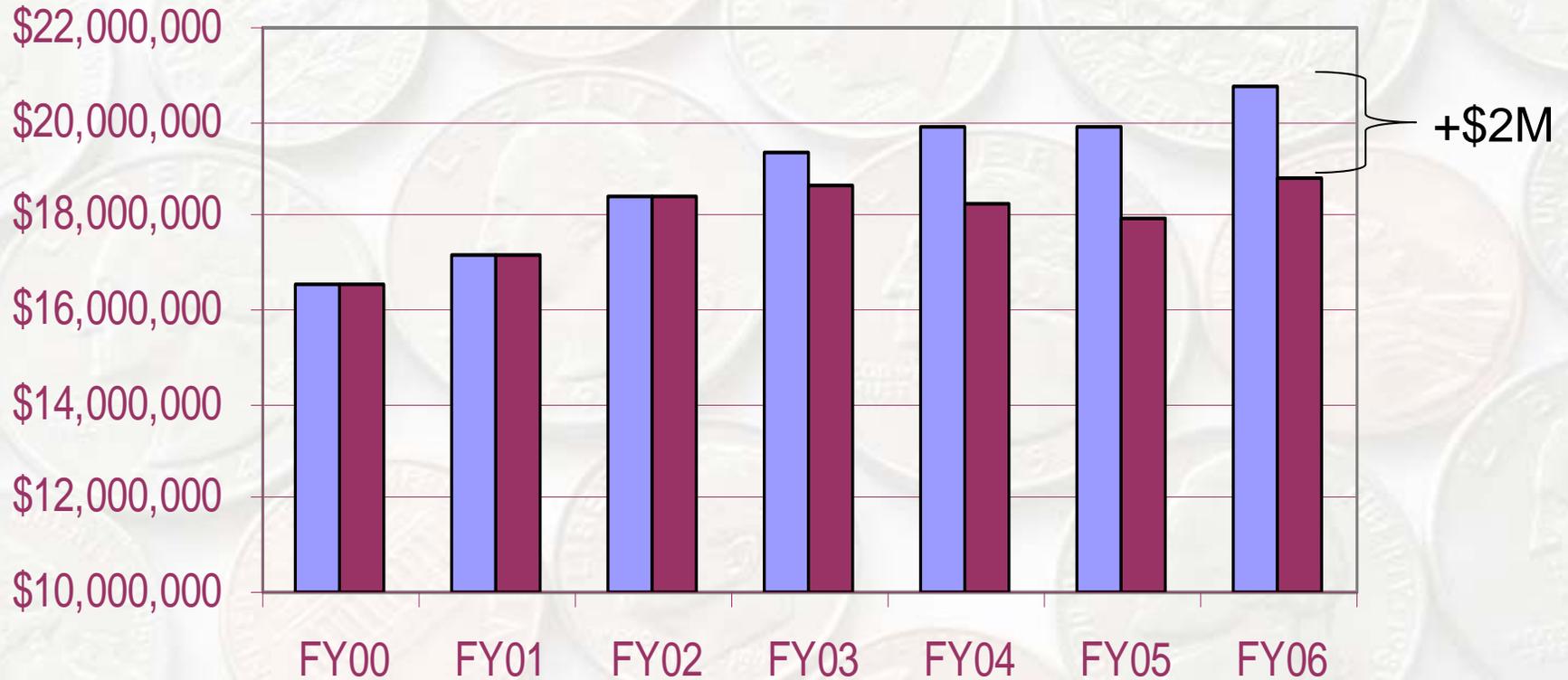


NEW GROWTH AS % OF PRIOR YR'S LEVY



RECENT PAST – LOCAL RECEIPTS

LOCAL RECEIPT BUDGETS *



(* incl Prk Meters)

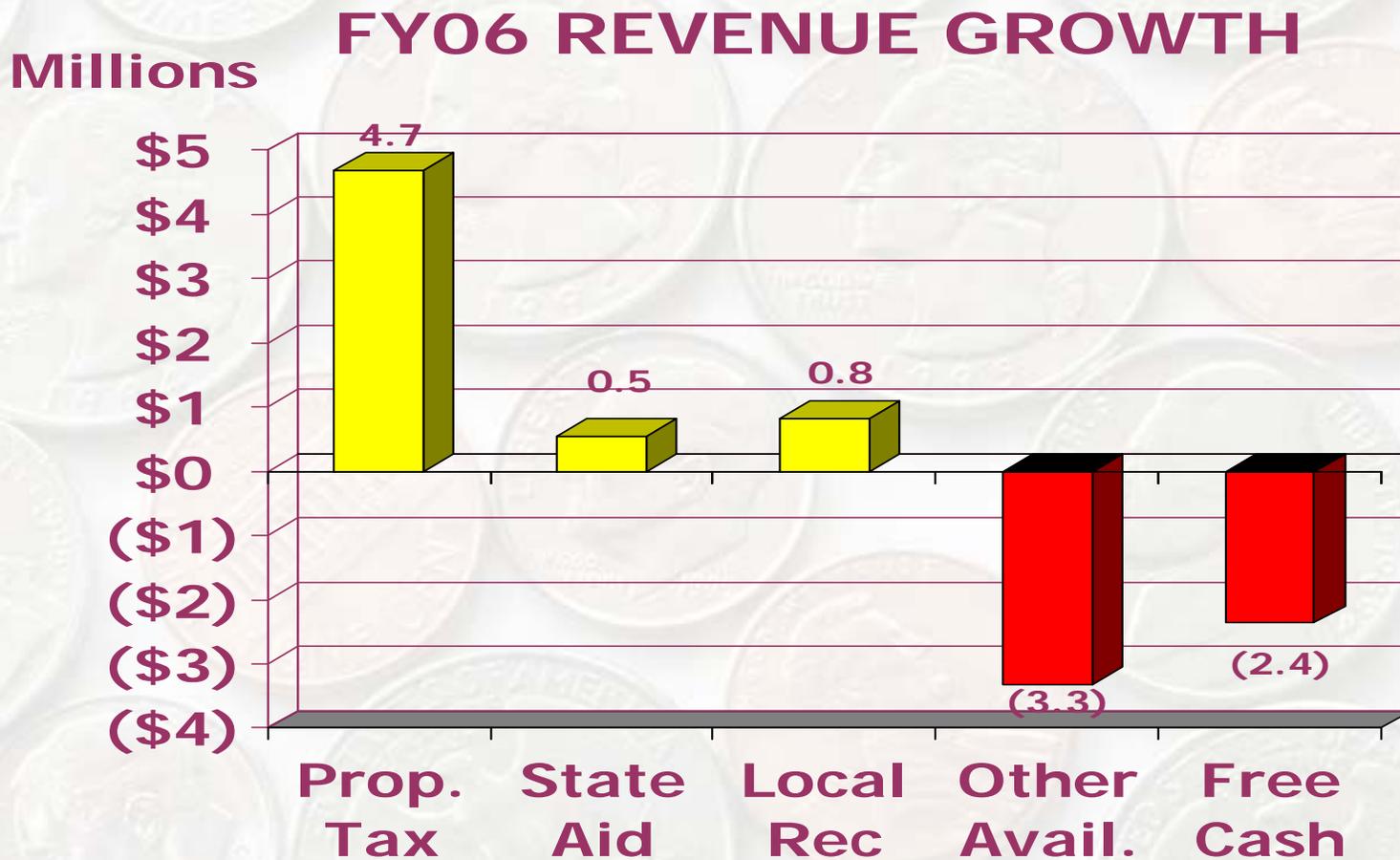
Local Rec Budget * Without Increases



THE PRESENT – FY06 FINANCIAL PLAN

FY06 FINANCIAL PLAN - REVENUE

- Total increase in General Fund revenue of \$368K (0.2%).
- Operating Budget revenue increases \$5.8M (3.6%)

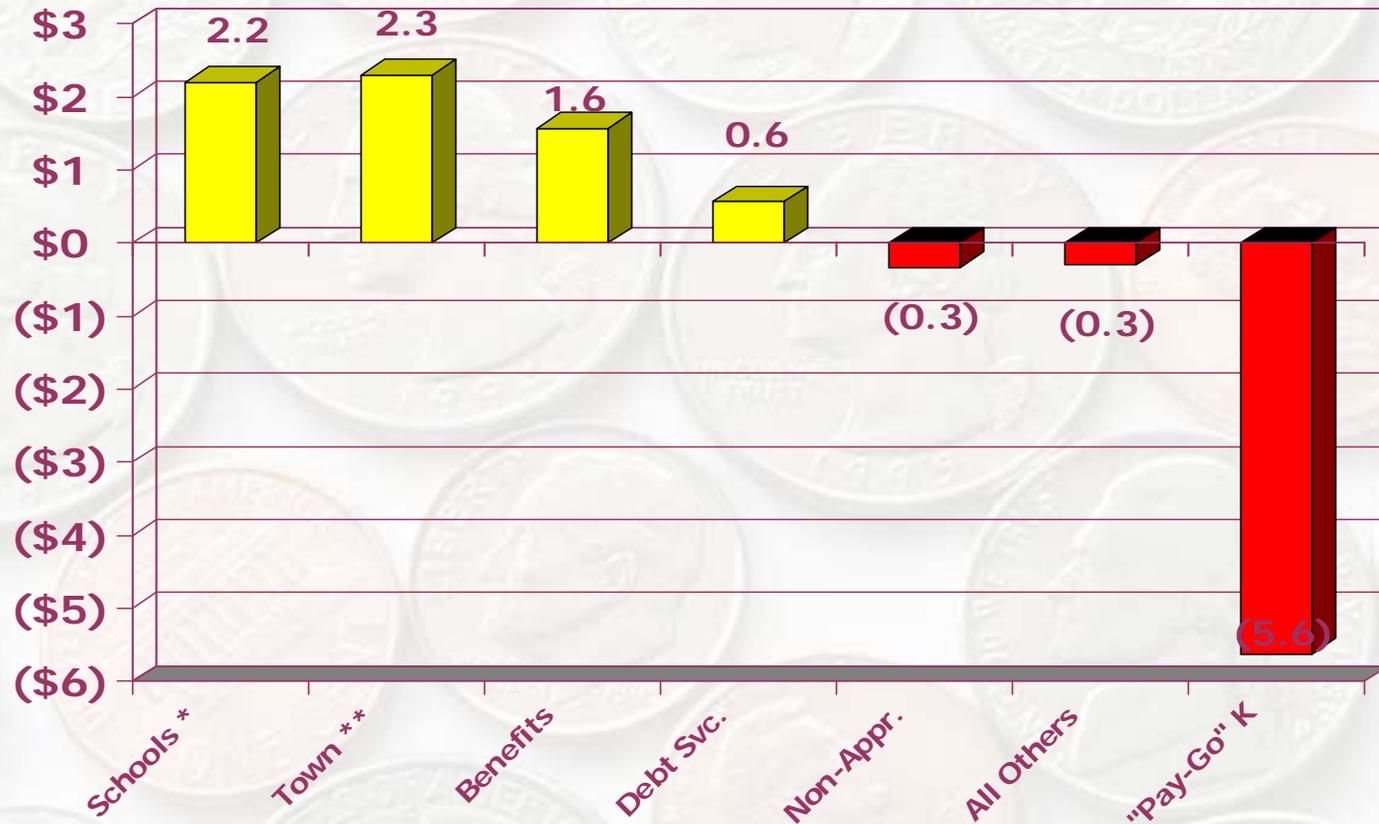


FY06 FINANCIAL PLAN - SPENDING

- Total increase in General Fund expenditures of \$368K (0.2%).
- Operating Budget expenditures increase \$6.3M (4.1%).

Millions

FY06 EXPENDITURE GROWTH



* Does not include the \$1 million of SPED Circuit Breaker carry-forward

** \$177K of the increase is for School expenses budgeted for in Town Dept's (Bldg, Finance, ITD)

INCREASES IN FY2006 BUDGET

- REQUIRED FOR A MAINTENANCE OF EFFORT BUDGET
 - Town / School Collective Bargaining = \$3.4M
 - Group Health Insurance = \$1.4M
 - Debt Service = \$566K (Rev-Financed CIP decreases \$597K)
 - Pensions = \$389K
 - Town / School Step Increases = \$350K
 - Utilities = \$300K
 - Elimination of charge-offs to GHTF = \$96K
 - Carry-forward of AFSCME Pay Plan = \$70K
 - Buybacks (Personnel Services Reserve) = \$70K
 - Maintenance Contracts for IT Applications = \$57K
 - Library PT Pers./MLN/Bldg Cleaning/Delivery Svcs/Capital = \$46K
 - Police Telecomm/Wireless = \$45K
 - School Network Support = \$40K
 - Contracts for Visiting Nurse Services (VNS) and the Brookline Mental Health Center (BMHC) = \$6,500

FY2006 FINANCIAL PLAN vs FORECAST

| | |
|----------------------------------|----------------|
| Town Deficit per Forecast | 903,000 |
|----------------------------------|----------------|

| | |
|---------------------------------------|----------|
| Add'l Pension Cost (Town Share) | 23,000 |
| Add'l Utilities (Town Share) | 111,000 |
| Impact of Zoning Administration Study | 30,000 |
| Changes in Town / School Allocation | 28,000 |
| Reduced Gen Ins Cost (Town Share) | (38,000) |

| | |
|-----------------------------|------------------|
| Revised Town Deficit | 1,057,000 |
|-----------------------------|------------------|

| | |
|-----------------------------------|-----------|
| Adjustments to W&S Overhead | (126,000) |
| SPED Credit | (139,000) |
| Add'l State Aid (Town Share) | (157,000) |
| Add'l Local Receipts (Town Share) | (175,000) |
| Elimination of General Inflation | (217,000) |
| Budget Cuts | (242,000) |
| Public Safety | (98,000) |
| DPW | (45,000) |
| Finance | (37,000) |
| Building | (24,000) |
| Health | (23,000) |
| General Consulting (Selectmen) | (16,000) |

| | |
|----------------------------|----------|
| Surplus / (Deficit) | 0 |
|----------------------------|----------|

CAPITAL IMPROVEMENT PROGRAM (CIP)

- Developed within the parameters of the Board of Selectmen's CIP Policies
 - 5.5% of the prior year's net revenue allocated to the CIP
- Financing plan includes outside funding sources and grant opportunities
- Calls for an investment of \$73.48 million over the next six years, for an average of \$12.25 million per year

MAJOR CIP PROJECTS

- Devotion School Rehab- \$27.1M (FY10, FY12-13)
- Town Hall Rehab - \$11.8M (FY06-FY07)
- Runkle School Rehab - \$8.7M (FY07, FY09-FY10)
- Wastewater System - \$6M (FY07)
- Fisher Hill Reservoir Re-Use - \$4.6M (FY06-FY07)
- Health Center Rehab - \$4.1M (FY06)
- Old Lincoln School - \$3.95M (FY06-FY11)

CONTINUED MAJOR INVESTMENT

- Open Space/Playgrounds - \$12.5M (FY06–FY11)
- Street & Sidewalk Rehab - \$10.2M (FY06-FY11)
- Water Meters - \$2M (FY06)
- Specific Elem. School Proj's - \$1.6M (FY06-FY11)
- Specific High School Proj's - \$1.4M (FY06-FY11)
- Information Technology - \$1.5M (FY06-FY11)
- General Town/School Bldg. Repairs (ADA, Security, Roofs) - \$1.375M (FY07-FY10)
- Fire Apparatus/Equipment - \$825K (FY06-FY10)
- Branch Libraries - \$685K (FY06-FY11)
- RFID Tech. in Libraries - \$520K (FY08-FY11)

CIP FINANCING STRATEGY

- **5.5% funding policy**

- In FY06, 4.63% is earmarked for debt service and 0.87% to pay-as-you-go
- The Debt Service portion declines each year until the goal of 4.25% is reached in FY11

- **Free Cash**

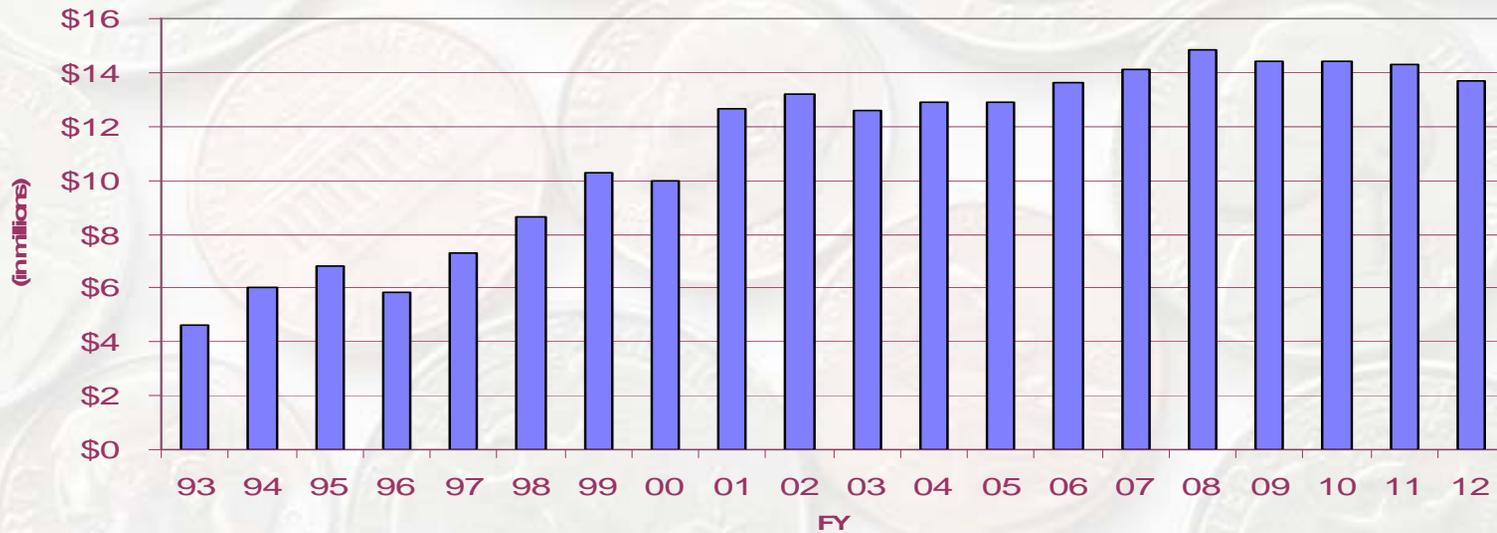
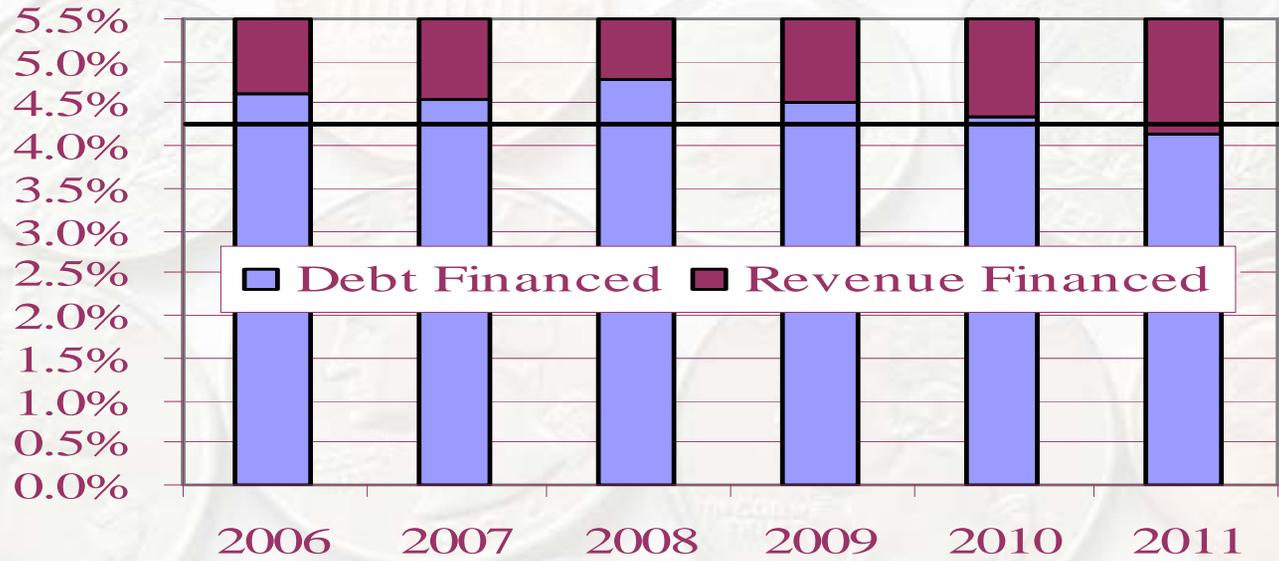
- In FY06, \$3.8 million of Free Cash is used to support the CIP
- Free Cash estimate for the out-years of the CIP is lowered, resulting in less funding available for projects

- **“Other” Funds / Grant Funds**

- \$3.25 million from the sale of the Town-owned Fisher Hill Reservoir to be used to fund the construction of a playing field on the State-owned site across the street
- \$3.8 million in State grants and CDBG funds

DEBT-FINANCED vs "PAY-AS-YOU-GO"

CAPITAL FINANCING POLICY



The background of the image is a dense, overlapping field of various United States coins. Visible are pennies (one-cent), nickels (five-cent), dimes (ten-cent), and quarters (twenty-five-cent). The coins are scattered across the frame, with some showing the profile of George Washington, the Union Shield, and the Statue of Liberty. The overall color palette is muted, with a light beige or cream tone overlaying the natural colors of the metal coins.

THE FUTURE

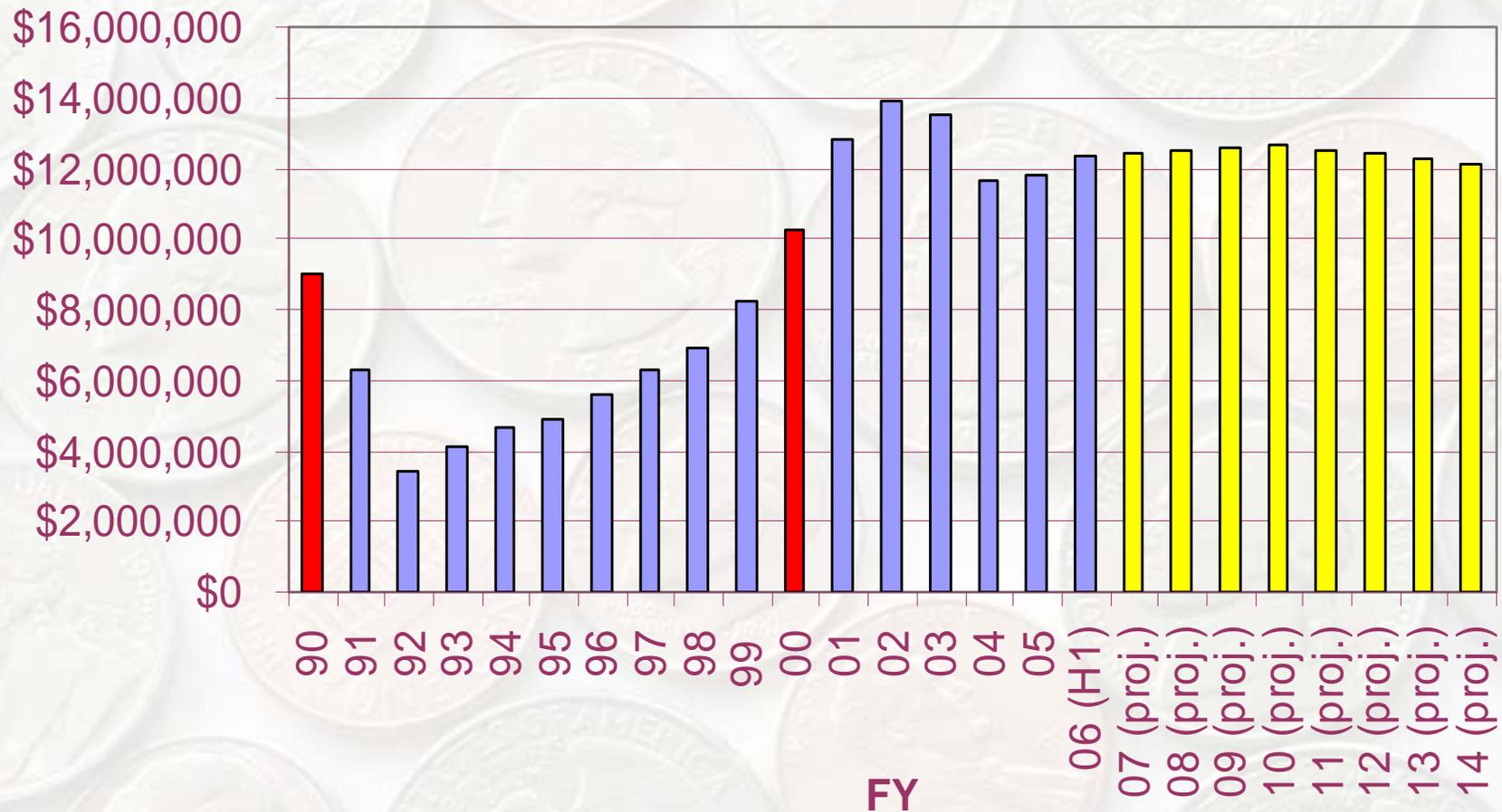
LONG RANGE FINANCIAL PROJECTION - GENERAL FUND

FY2006-FY2010

| | FY2006 EST | FY2007 EST | FY2008 EST | FY2009 EST | FY2010 EST |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| REVENUES | | | | | |
| Property Taxes | \$124,540,213 | \$129,328,619 | \$133,975,557 | \$138,758,915 | \$143,663,711 |
| Local Receipts | \$18,800,300 | \$19,029,126 | \$19,264,017 | \$19,505,142 | \$19,752,676 |
| State Aid | \$17,636,724 | \$17,826,873 | \$18,017,295 | \$18,207,995 | \$18,398,979 |
| Other Available Funds | \$7,933,797 | \$8,138,372 | \$7,561,127 | \$7,501,830 | \$7,642,171 |
| Free Cash | \$4,606,534 | \$4,000,000 | \$4,000,000 | \$4,000,000 | \$4,000,000 |
| TOTAL REVENUE | \$173,517,567 | \$178,322,991 | \$182,817,996 | \$187,973,882 | \$193,457,537 |
| EXPENSES | | | | | |
| Municipal Services | \$54,550,090 | \$56,721,665 | \$58,674,404 | \$60,468,461 | \$62,008,995 |
| School Services | \$56,267,124 | \$60,075,874 | \$62,862,374 | \$65,527,374 | \$67,962,374 |
| Non-Departmental - Personnel Benefits | \$28,973,687 | \$31,359,008 | \$33,779,209 | \$36,233,855 | \$38,886,652 |
| Debt Service | \$14,171,495 | \$14,293,203 | \$15,019,820 | \$14,656,981 | \$14,635,328 |
| Revenue-Financed CIP | \$5,812,940 | \$5,840,235 | \$4,686,832 | \$5,149,812 | \$5,457,715 |
| Reserve Fund | \$1,524,420 | \$1,586,123 | \$1,637,946 | \$1,690,266 | \$1,740,432 |
| Non-Departmental - General | \$888,781 | \$639,432 | \$623,660 | \$654,204 | \$733,187 |
| Non-Appropriated Expenses | \$7,939,029 | \$8,060,479 | \$8,222,465 | \$8,388,501 | \$8,558,687 |
| TOTAL EXPENSES | \$170,127,567 | \$178,576,020 | \$185,506,709 | \$192,769,453 | \$199,983,370 |
| SURPLUS / (DEFICIT) - BEFORE COLL BARG | \$3,390,000 | (\$253,029) | (\$2,688,713) | (\$4,795,571) | (\$6,525,833) |
| TOWN COLLECTIVE BARGAINING | \$1,650,000 | \$1,400,000 | \$1,210,000 | \$1,000,000 | \$1,020,000 |
| SCHOOL COLL BARGAINING | \$1,740,000 | \$1,490,000 | \$1,270,000 | \$1,040,000 | \$1,060,000 |
| TOTAL COLLECTIVE BARGAINING | \$3,390,000 | \$2,890,000 | \$2,480,000 | \$2,040,000 | \$2,080,000 |
| TOTAL EXPENSES INCL. COLL. BARG. | \$173,517,567 | \$181,466,020 | \$187,986,709 | \$194,809,453 | \$202,063,370 |
| TOTAL DEFICIT AFTER COLL BARG | \$0 | (\$3,143,029) | (\$5,168,713) | (\$6,835,571) | (\$8,605,833) |
| TOWN SHARE OF DEFICIT | \$0 | (\$877,060) | (\$2,081,930) | (\$2,277,748) | (\$2,774,565) |
| SCHOOL SHARE OF DEFICIT | \$0 | (\$2,265,969) | (\$3,086,783) | (\$4,557,823) | (\$5,831,269) |

THE FUTURE – STATE AID

NET STATE AID



THE FUTURE – LOCAL RECEIPTS

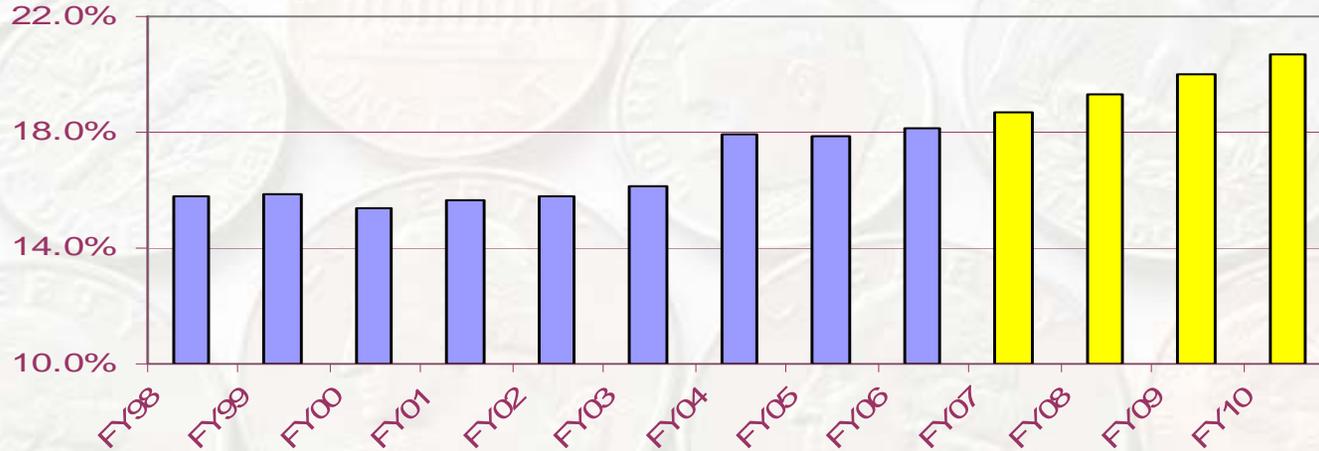
- Large increases of the past cannot be expected (\$2M of recent increases came from Meter and Parking Fine increases)
- Growth in FY06 primarily coming from 3 sources: Interest Income, Building Permits, and MVE
- Since all 3 impacted by interest rates in some fashion, future total growth could be less than in recent years

THE FUTURE - GROUP HEALTH INSURANCE

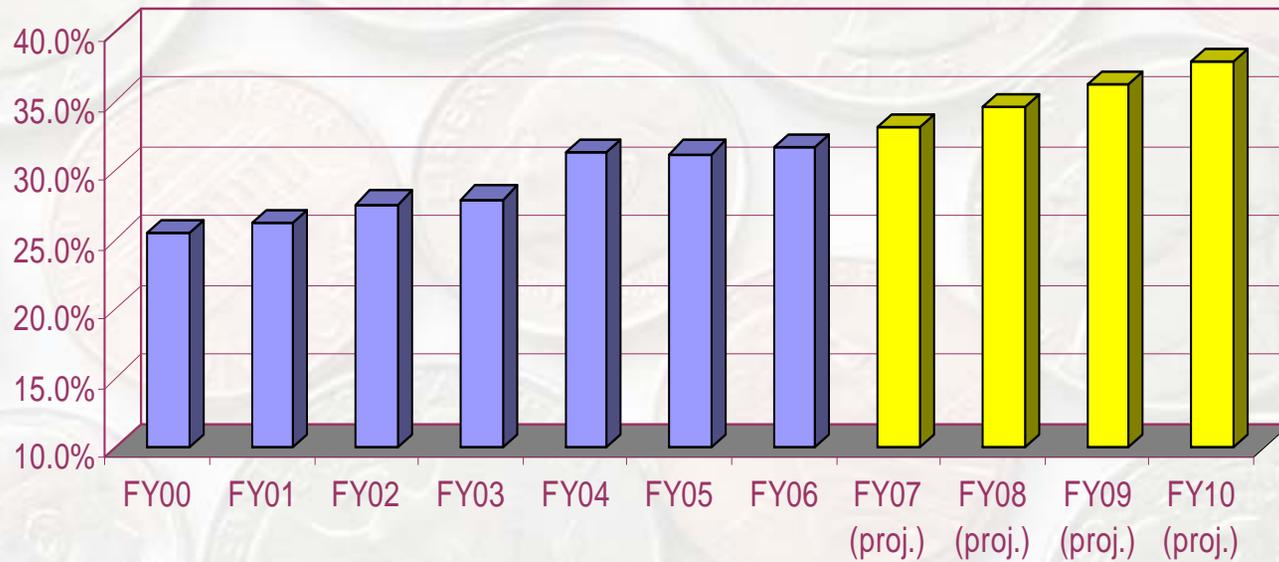
- Much work is required to control the cost of health insurance
- The issue is not just rate increases, it's also enrollment
 - since FY00, there has been an increase of 133 enrollees, a 5% increase, all in the School Dept, further squeezing their budget
- Further complicating the issue is the number of employees reaching “maximum” pension benefit over the next 5 years
 - approx. 110 town employees will be at 80% in 5 years; in the School Dept, there are more than 90 employees over the age of 55 with at least 25 years of experience

THE FUTURE – PERSONNEL BENEFITS

PERSONNEL BENEFITS AS % OF OP. BUDGET



Pers. Benefits as a Percentage of Salaries



CONCLUSION

- **PAST**: During economic downturn and ensuing tight budget environment, have not only maintained all services, but have also improved service delivery and gained efficiencies
- **PRESENT**: FY06 budget is balanced without cutting core services or layoffs
- **FUTURE**: Budgetary challenges will continue in FY07 and beyond