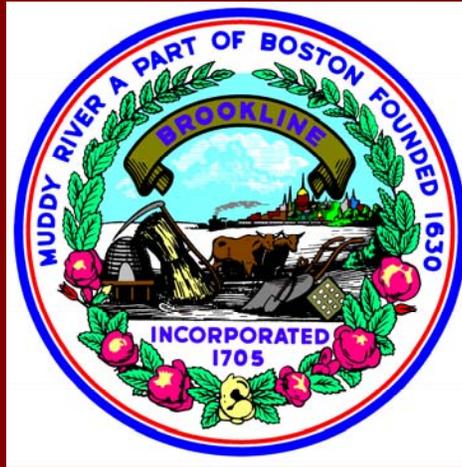


TOWN OF BROOKLINE



FY2006 – FY2010 LONG RANGE FINANCIAL PLAN

HEADLINES

- Projected FY06 deficit of \$1.8 million.
- Projected on-going structural deficit of \$7.6 million by FY10.
- ***Health Insurance*** costs continue to place a **major** burden on the budget.
- ***Collective Bargaining*** increases have a significant impact in FY06 and FY07.
- ***Debt Service*** reflects the CIP as preliminarily prepared, which includes major town and school projects.
- Many unknowns about the future of ***State Aid*** (Hancock case, Lottery Phase-Out, Add'l Assistance)

MAJOR FACTORS IN FY06

- *State Aid* is level-funded.
- “*New Growth*” of \$1.75 million.
- Limited increase in *Local Receipts* of \$470K (less than 3%).
- 10% rate increase for *Health Insurance*, which increases the budget by \$1.4 million.
- *Collective Bargaining* increase of \$3.4 million townwide.
- Result of Town/School Allocation is the *Schools* receive a \$1.93M increase in new revenue and the *Town* receives a \$1.7M increase in new revenue.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUE						
Property Taxes	119,852,046	124,540,213	129,328,619	133,975,557	138,758,915	143,663,711
Local Receipts	17,981,628	18,450,300	18,612,676	18,779,004	18,949,381	19,123,907
Motor Vehicle Excise (MVE)	5,052,500	5,250,000	5,381,250	5,515,781	5,743,676	5,887,268
Licenses & Permits	683,000	694,500	694,500	694,500	694,500	694,500
Parking / Court Fines	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
General Government	2,045,500	2,191,500	2,191,500	2,191,500	2,191,500	2,191,500
Recreation	350,000	330,000	333,300	336,633	339,999	343,399
Interest Income	900,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
PILOT's	850,000	738,800	743,176	747,640	752,192	756,836
Refuse Fee	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Departmental & Other	2,000,628	2,065,500	2,088,950	2,112,950	2,137,514	2,162,654
State Aid	17,094,030	17,106,238	17,314,510	17,523,031	17,731,807	17,940,842
General Government Aid	7,543,492	7,555,700	7,763,972	7,972,493	8,181,269	8,390,304
School Aid	8,364,841	8,364,841	8,364,841	8,364,841	8,364,841	8,364,841
Tax Abatement Aid	28,460	28,460	28,460	28,460	28,460	28,460
Offset Aid	1,157,237	1,157,237	1,157,237	1,157,237	1,157,237	1,157,237
Other Available Funds	11,255,330	7,773,274	7,954,144	7,398,556	7,351,618	7,546,992
Parking Meter Receipts	1,925,000	1,977,500	1,830,000	1,870,000	1,870,000	1,870,000
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	50,000	50,000
Chapter 90	568,739	710,924	853,108	0	0	0
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	5,232,255	4,773,558	4,952,889	5,201,428	5,145,566	5,332,241
Reimb. from Rec Revolving Fund	112,781	119,737	126,592	135,573	144,497	153,196
School Special Funds Reimbursement	100,000	100,000	100,000	100,000	100,000	100,000
Tax Abatement Reserve Surplus	3,000,000	0	0	0	0	0
Capital Project Surplus	225,000	0	0	0	0	0
Free Cash	6,966,241	4,500,000	4,000,000	4,000,000	4,000,000	4,000,000
Capital Improvements	5,675,360	3,673,275	3,467,436	3,480,914	3,455,060	3,454,487
Operating Budget Reserve	369,076	381,105	394,482	406,483	419,424	431,795
Strategic Reserves	921,804	445,620	138,082	112,603	125,516	113,717
TOTAL REVENUE	173,149,274	172,370,025	177,209,950	181,676,148	186,881,721	192,367,702
\$\$ Increase	9,708,736	(779,249)	4,839,925	4,466,198	5,205,573	5,485,981
% Increase	5.9%	-0.5%	2.8%	2.5%	2.9%	2.9%

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
EXPENDITURES						
Departmental	53,897,275	54,775,768	56,907,175	58,662,838	60,262,391	61,611,059
Collective Bargaining - Town	0	1,700,000	1,400,000	1,210,000	1,000,000	1,020,000
Schools	55,817,215	56,958,615	60,041,315	62,697,115	65,465,915	68,034,691
Collective Bargaining - School	0	1,744,000	1,470,000	1,270,000	1,040,000	1,060,000
Non-Departmental - Benefits	27,400,704	28,946,960	31,047,687	33,042,429	35,008,550	36,862,327
Non-Departmental - General	1,242,911	980,976	706,516	717,399	770,288	806,039
Liability/Catastrophe Fund	172,896	406,616	35,216	29,068	32,253	30,254
Stabilization Fund	246,892	39,005	102,866	83,535	93,263	87,064
Affordable Housing	348,312	0	0	0	0	0
General Insurance	285,000	327,750	360,525	396,578	436,235	479,859
Audit/Management Services	137,000	154,500	154,500	154,500	154,500	154,500
Misc.	52,811	53,106	53,409	53,719	54,037	54,363
Non-Departmental - Debt Service	13,605,246	14,171,495	14,492,402	15,013,405	14,650,566	14,628,913
General Fund	10,955,165	11,601,640	11,874,015	12,238,555	12,023,603	11,908,212
Enterprise Funds	2,650,081	2,569,855	2,618,387	2,774,850	2,626,963	2,720,701
Non-Departmental - Reserve Fund	1,476,306	1,524,420	1,577,929	1,625,932	1,677,696	1,728,082
Tax Supported	1,107,229	1,143,315	1,183,446	1,219,449	1,258,272	1,296,061
Free Cash Supported	369,076	381,105	394,482	406,483	419,424	432,020
Special Appropriations	11,438,708	5,706,406	5,630,793	4,644,733	5,091,727	5,454,220
Tax Supported	1,919,608	1,322,208	1,310,249	1,163,819	1,636,668	2,003,558
Free Cash Supported	5,675,360	3,673,275	3,467,436	3,480,914	3,455,060	3,450,662
Overlay Supported	3,000,000	0	0	0	0	0
Capital Project Surplus	225,000	0	0	0	0	0
Water & Sewer	50,000	0	0	0	0	0
Ch. 90	568,739	710,924	853,108	0	0	0
Non-Appropriated	<u>8,270,909</u>	<u>7,717,507</u>	<u>8,148,819</u>	<u>8,337,605</u>	<u>8,531,394</u>	<u>8,730,054</u>
TOTAL EXPENDITURES	173,149,273	174,226,148	181,422,636	187,221,456	193,498,528	199,935,385
\$\$ Increase	9,708,735	1,076,874	7,196,489	5,798,820	6,277,072	6,436,857
% Increase	5.9%	0.6%	4.1%	3.2%	3.4%	3.3%
CUMULATIVE SURPLUS/(DEFICIT)	(0)	(1,856,123)	(4,212,687)	(5,545,308)	(6,616,807)	(7,567,684)
Surplus / (Deficit) Prior to Collective Bargaining		1,587,877	(1,342,687)	(3,065,308)	(4,576,807)	(5,487,684)
Town Share of Surplus / (Deficit)		797,428	(326,713)	(1,192,358)	(1,089,250)	(704,844)
Town Collective Bargaining		1,700,000	1,400,000	1,210,000	1,000,000	1,020,000
Total Town Surplus / (Deficit)		(902,572)	(1,726,713)	(2,402,358)	(2,089,250)	(1,724,844)
School Share of Surplus / (Deficit)		790,449	(1,015,974)	(1,872,950)	(3,487,558)	(4,782,840)
School Collective Bargaining		1,744,000	1,470,000	1,270,000	1,040,000	1,060,000
Total School Surplus / (Deficit)		(953,551)	(2,485,974)	(3,142,950)	(4,527,558)	(5,842,840)

ANNUAL CHANGES IN REV. & EXP.

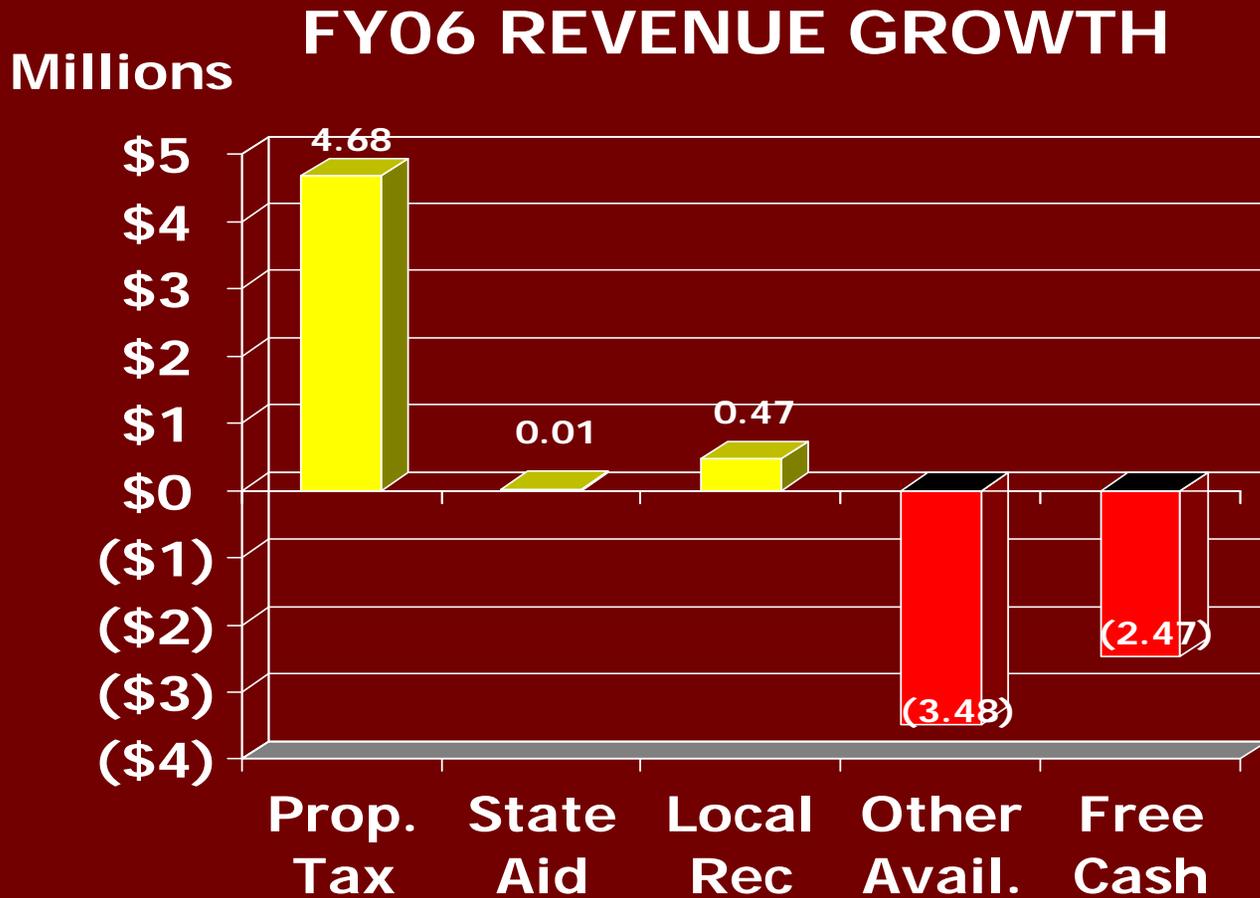
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue Increase	9,708,736	(779,249)	4,839,925	4,466,198	5,205,573	5,485,981
Property Taxes	5,191,564	4,688,167	4,788,406	4,646,937	4,783,358	4,904,796
Local Receipts	(40,107)	468,672	162,376	166,328	260,377	176,776
State Aid	3,605	12,208	208,273	208,521	208,776	209,035
Other Available Funds	3,190,395	(3,482,055)	180,870	(555,588)	(46,938)	195,374
Free Cash	1,363,280	(2,466,241)	(500,000)	0	0	0
Expenditure Increase	9,708,735	1,076,874	7,196,489	5,798,820	6,277,072	6,436,857
Departmental	1,446,050	878,493	431,408	355,662	389,554	348,667
Collective Bargaining - Town	0	1,700,000	1,400,000	1,210,000	1,000,000	1,020,000
Schools	2,057,483	1,141,400	1,338,700	1,185,800	1,498,800	1,528,776
Collective Bargaining - School	0	1,744,000	1,470,000	1,270,000	1,040,000	1,060,000
Non-Departmental - Benefits	784,436	1,546,256	2,100,727	1,994,741	1,966,121	1,853,777
Non-Departmental - General	406,933	(261,934)	(274,461)	10,884	52,889	35,751
Non-Departmental - Debt Service	(18,450)	566,248	320,907	521,003	(362,839)	(21,653)
Non-Departmental - Reserve Fund	406,306	48,114	53,509	48,003	51,764	50,386
Special Appropriations	4,372,591	(5,732,302)	(75,613)	(986,060)	446,994	362,493
Non-Appropriated	253,387	(553,402)	431,312	188,786	193,789	198,660
Annual Growth in Deficit	1	(1,856,123)	(2,356,564)	(1,332,622)	(1,071,499)	(950,876)
Cumulative Deficit		(1,856,122)	(4,212,686)	(5,545,308)	(6,616,807)	(7,567,683)

ANNUAL CHANGES IN REV. & EXP.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue Increase	5.9%	-0.5%	2.8%	2.5%	2.9%	2.9%
Property Taxes	4.5%	3.9%	3.8%	3.6%	3.6%	3.5%
Local Receipts	-0.2%	2.6%	0.9%	0.9%	1.4%	0.9%
State Aid	0.0%	0.1%	1.2%	1.2%	1.2%	1.2%
Other Available Funds	39.6%	-30.9%	2.3%	-7.0%	-0.6%	2.7%
Free Cash	24.3%	-35.4%	-11.1%	0.0%	0.0%	0.0%
Expenditure Increase	5.9%	0.6%	4.1%	3.2%	3.4%	3.3%
Departmental	2.8%	1.6%	0.8%	0.6%	0.7%	0.6%
Collective Bargaining - Town						
Schools	3.8%	2.0%	2.4%	2.0%	2.4%	2.3%
Collective Bargaining - School						
Non-Departmental - Benefits	2.9%	5.6%	7.3%	6.4%	6.0%	5.3%
Non-Departmental - General	48.7%	-21.1%	-28.0%	1.5%	7.4%	4.6%
Non-Departmental - Debt Service	-0.1%	4.2%	2.3%	3.6%	-2.4%	-0.1%
Non-Departmental - Reserve Fund	38.0%	3.3%	3.5%	3.0%	3.2%	3.0%
Special Appropriations	61.9%	-50.1%	-1.3%	-17.5%	9.6%	7.1%
Non-Appropriated	3.2%	-6.7%	5.6%	2.3%	2.3%	2.3%
Annual Growth in Deficit			127.0%	31.6%	19.3%	14.4%
Cumulative Deficit						

REVENUE SUMMARY

- For FY06, total decrease in revenue of \$780K (-0.5%).
- Operating Budget revenue increases \$4.8M (3%)



- In the out-years, annual increases between 2.5% - 2.9%

PROPERTY TAXES

- In FY06, increase \$4.68 million (3.9%)
 - 2 ½% Increase = \$2.95 million
 - New Growth = \$1.75 million

- In the out-years, average annual increases of 3.6%.

PROPERTY TAXES	2005	2006	2007	2008	2009	2010
Prior Year Levy Limit	112,976,154	118,186,808	122,891,479	127,713,766	132,406,610	137,216,775
2 1/2 % Increase	2,824,404	2,954,670	3,072,287	3,192,844	3,310,165	3,430,419
New Growth	2,386,251	1,750,000	1,750,000	1,500,000	1,500,000	1,500,000
<i>SUB-TOTAL ANNUAL LEVY LIMIT</i>	<i>118,186,808</i>	<i>122,891,479</i>	<i>127,713,766</i>	<i>132,406,610</i>	<i>137,216,775</i>	<i>142,147,194</i>
Excess Capacity	(11,147)					
<i>ANNUAL LEVY LIMIT</i>	<i>118,175,661</i>	<i>122,891,479</i>	<i>127,713,766</i>	<i>132,406,610</i>	<i>137,216,775</i>	<i>142,147,194</i>
Debt Exclusion (Debt Service Costs)	4,507,187	4,479,537	4,445,657	4,399,750	4,372,943	4,347,320
LESS SBAB Reimb.	(2,830,803)	(2,830,803)	(2,830,803)	(2,830,803)	(2,830,803)	(2,830,803)
Net Debt Exclusion	1,676,384	1,648,734	1,614,854	1,568,947	1,542,140	1,516,517
ANNUAL LEVY	119,852,046	124,540,213	129,328,619	133,975,557	138,758,915	143,663,711
\$\$ Increase	5,191,564	4,688,167	4,788,406	4,646,937	4,783,358	4,904,796
% Increase	4.5%	3.9%	3.8%	3.6%	3.6%	3.5%

STATE AID

- In FY06, local aid is level-funded. However, we cannot rule out the possibility of a cut in local aid due to the State's FY06 projected deficit (\$900M).
 - *"I thought this was going to get easier. It doesn't look like it's going to get any easier. I know we have a \$900M structural deficit. I know we have the Hancock case pending. I know we have the federal (Medicaid) waiver piece pending... These are all conditions that could have a catastrophic effect on the budget situation."* – Senate President Travaglini
- For the out-years, the only annual increase we can expect is the Phase-Out of the Lottery Cap. For Brookline, it equals approx. \$210K per year, making the annual growth in local aid slightly more than 1%.

LOCAL RECEIPTS

- In FY06, an increase of \$470K (2.6%).
- 98% of the growth in Local Receipts for FY06 comes from just three revenue sources - - MVE, Interest Income, and Building Permits.
- In the out-years, the annual increase will average less than 1%.

LOCAL RECEIPTS – RECENT HISTORY

- Between FY00 and FY05, the amount of revenue budgeted for locally-generated receipts increased \$3.4M (20%), due to actions taken by the Board of Selectmen and the economy:
 - Parking Ticket Fine Increase - \$1.35 million
 - MVE - \$1.25 million
 - Parking Meter Rate Increase - \$925,000
 - Building Permits - \$350,000
 - Hotel / Motel Excise - \$250,000
 - Parking Fees - \$110,000
 - Other Departmental Fee Increases – (\$285,000)
 - Interest Income – (\$550,000)

OTHER AVAILABLE FUNDS

- For FY06, a decrease of \$3.5M (31%) due primarily to the elimination of the FY05 one-time infusion of funds to support the CIP (\$3M in declared Overlay Reserve Surplus and \$225K in Capital Project Surplus).
- Overhead Costs associated with the W & S Enterprise Fund, Golf Course Enterprise Fund, and the Recreation Revolving Fund reflect the costs of fringe benefits and debt service.
- The "Town Fee" from the Golf Course Enterprise Fund is reduced by \$136K (61%) to \$89K.

FREE CASH

- For FY06, a decrease of \$2.5M (35.4%).
- Free Cash is used in accordance with the Town's Free Cash Policies, as recently amended by the FPRC.

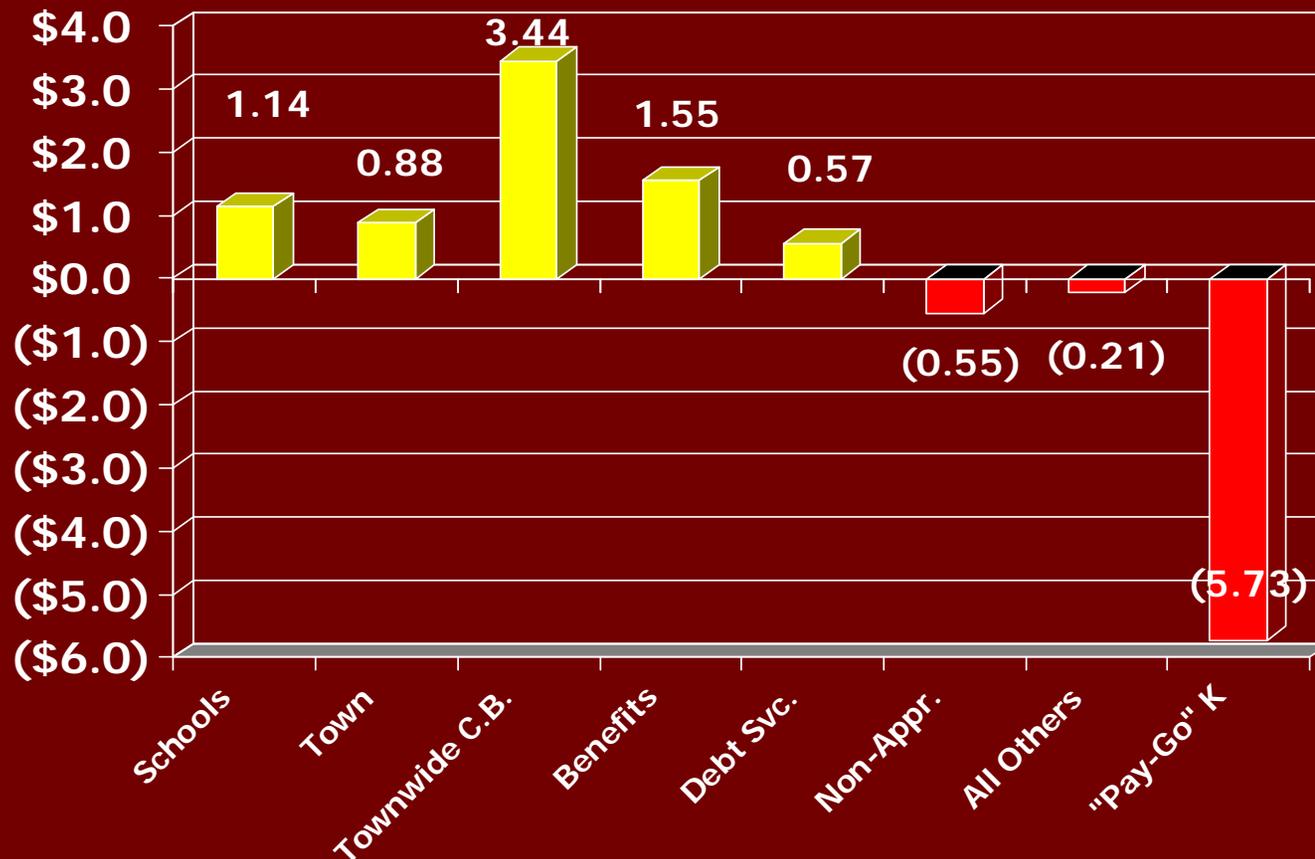
FREE CASH	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Certified Free Cash for Use in:	6,966,241	4,500,000	4,000,000	4,000,000	4,000,000	4,000,000
Free Cash appropriated for:						
Capital Improvements	5,675,360	3,673,275	3,467,436	3,480,914	3,455,060	3,454,487
Op Bgt Reserve (0.25% of Prior Yr Net Rev)**	369,076	381,105	394,482	406,483	419,424	431,795
Stabilization Fund	246,892	39,005	102,866	83,535	93,263	84,364
Affordable Housing Trust Fund	348,312	0	0	0	0	0
Retiree Group Health Trust Fund	0	0	0	0	0	0
Liability Reserve	172,896	406,616	35,216	29,068	32,253	29,354
Worker's Comp. Trust Fund	153,704	0	0	0	0	0
TOTAL FREE CASH	6,966,241	4,500,000	4,000,000	4,000,000	4,000,000	4,000,000
\$\$ Increase	1,363,280	(2,466,241)	(500,000)	0	0	0
% Increase	24.3%	-35.4%	-11.1%	0.0%	0.0%	0.0%

** Prior to FY05, an amount equivalent to 0.5% of prior year net rev was set aside as an Unapprop. Reserve. Beginning in FY05, the amount was reduced to 0.25% of prior year net rev and became part of the Town's 1% operating budget reserve.

EXPENDITURE SUMMARY

- For FY06, total increase in expenditures of \$1.08M (0.6%).
- Operating Budget expenditures increase \$6.8M (4.2%).

Millions FY06 EXPENDITURE GROWTH



- In the out-years, annual increases of between 3% - 4.4%

BENEFITS

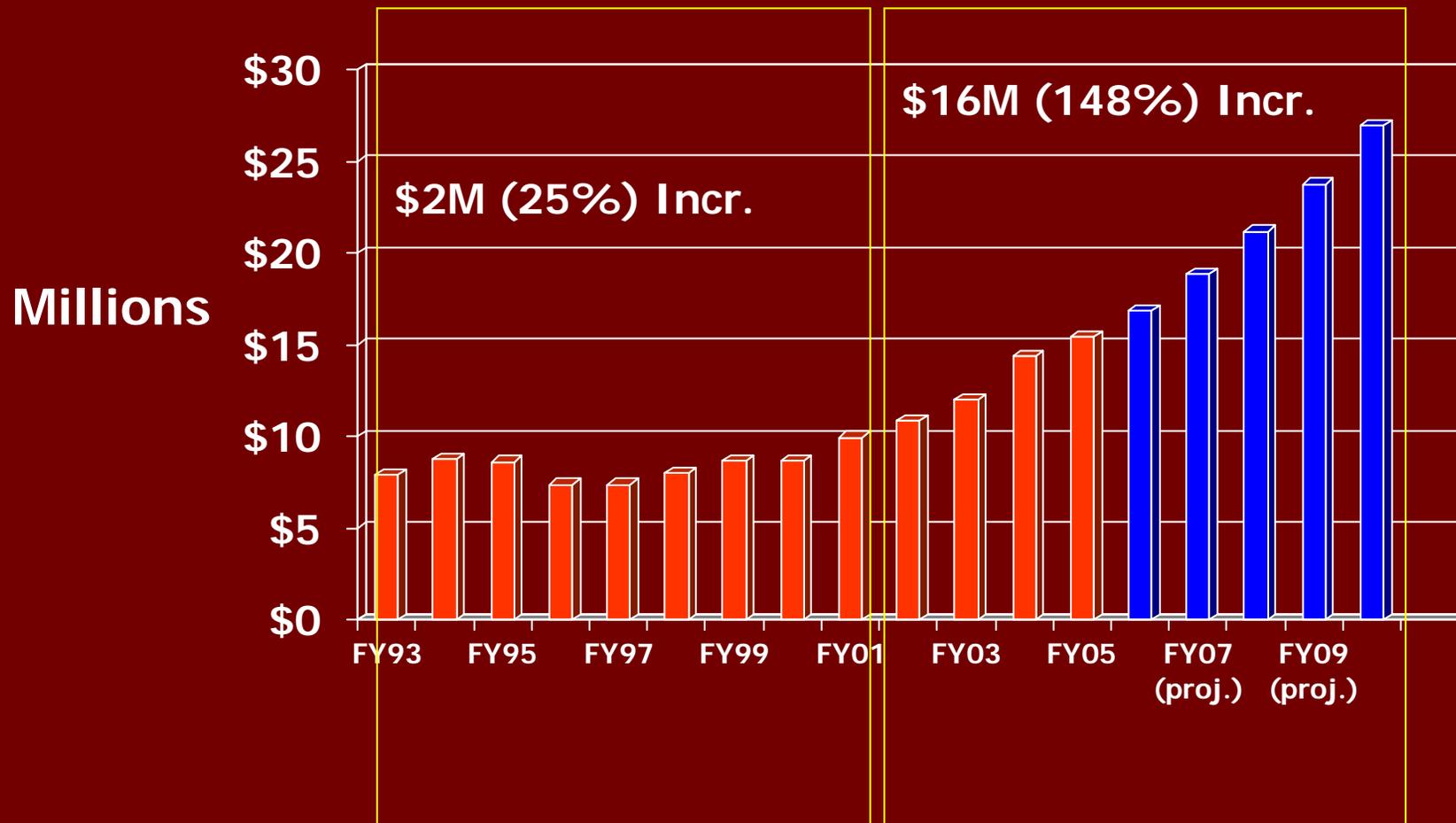
■ Health Insurance

- Assuming a 10% rate increase.
- Assuming 30 new enrollees.
- Total increase of \$1.4 million.
- Each 1% increase in rates equals approximately \$140,000.

■ Pension Costs increase \$363K (3.8%)

BENEFITS – HEALTH INSURANCE TREND

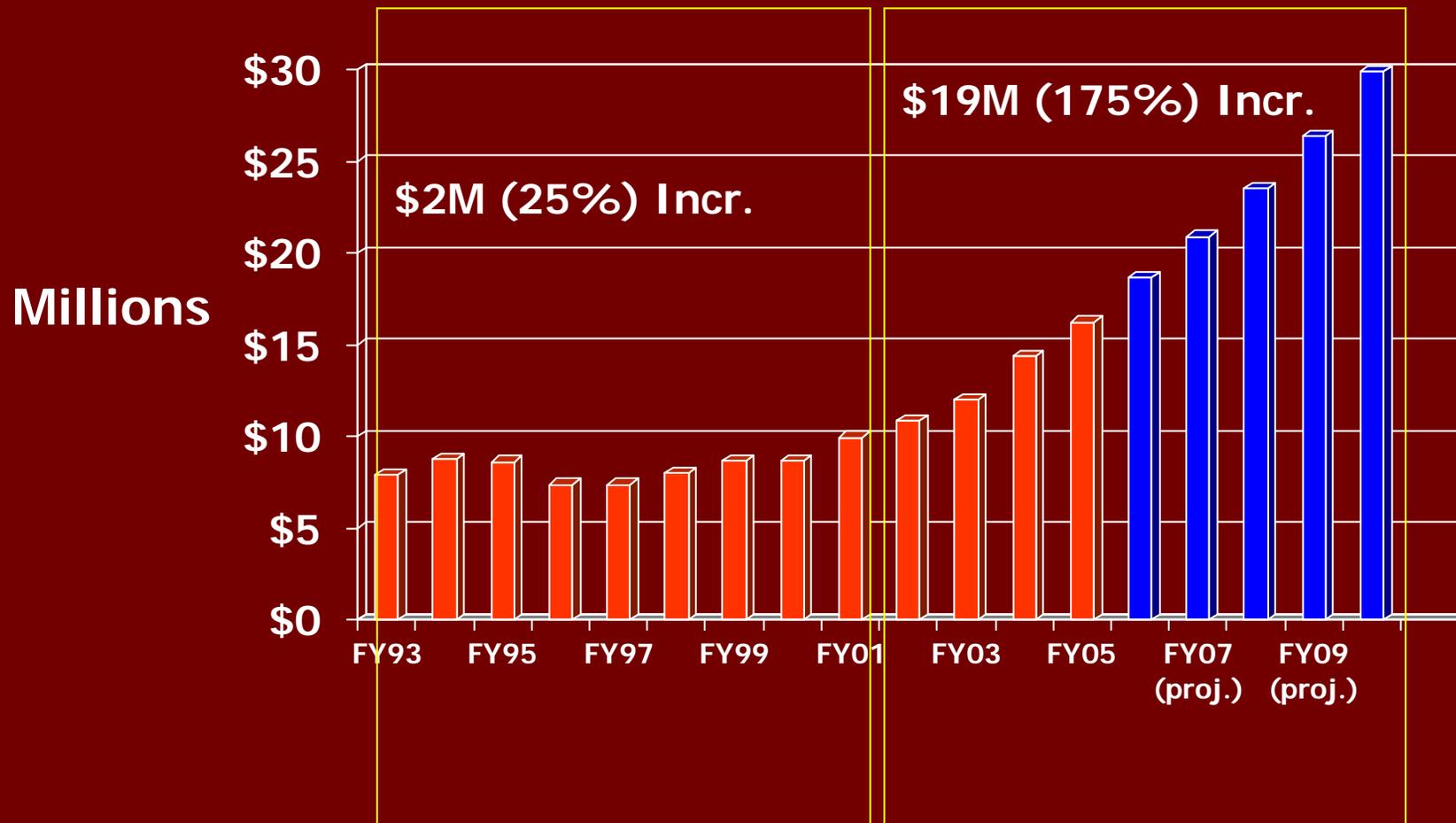
GROUP HEALTH APPROPRIATION



BENEFITS – HEALTH INSURANCE TREND

If FY05 Change had not occurred.

GROUP HEALTH APPROPRIATION

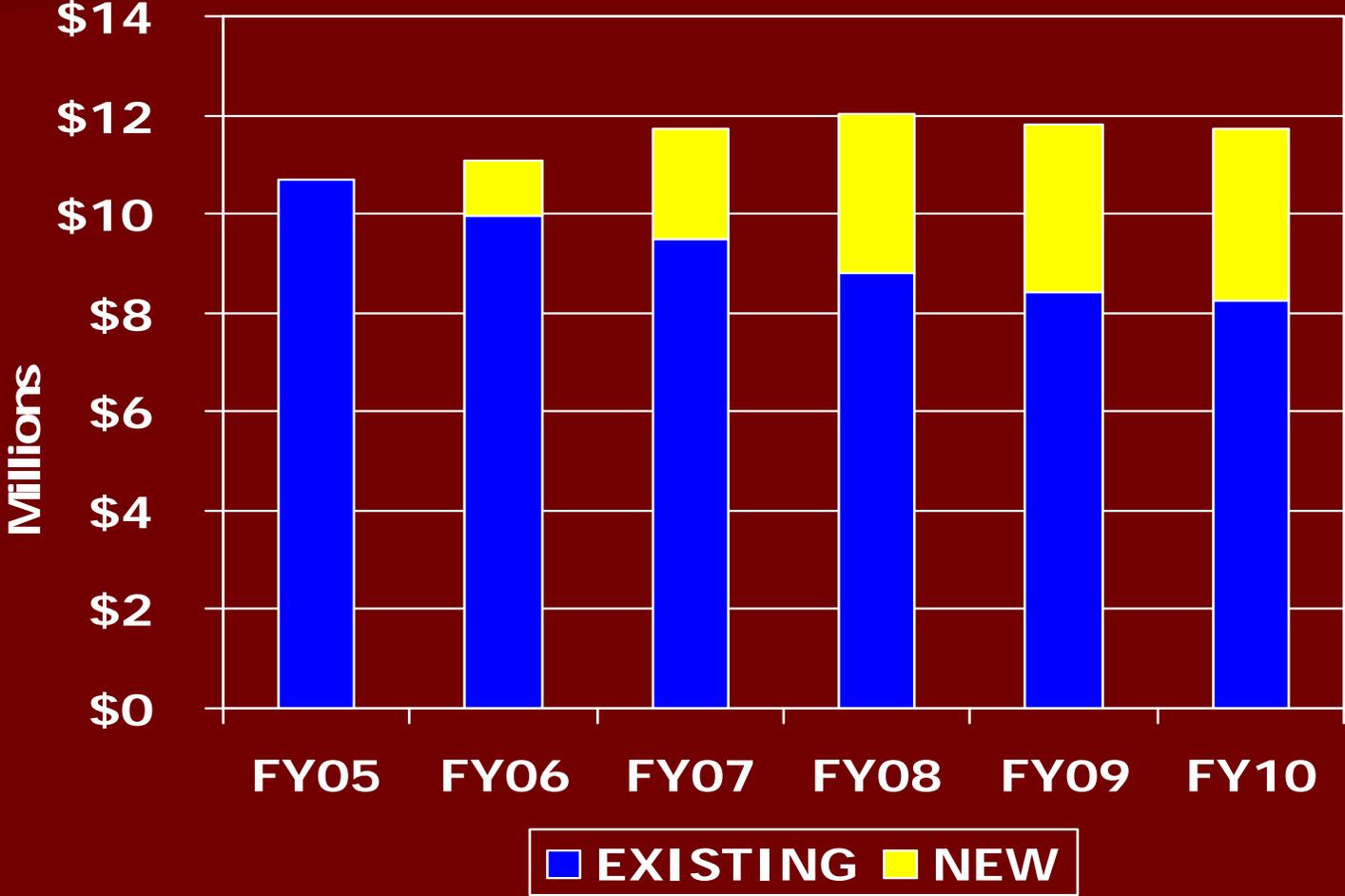


DEBT SERVICE / TAX-SUPPORTED CIP

- FY06 total decrease of \$31K.
- Debt Service +\$566K (4.2%) while tax-supported CIP -\$597K (-31.1%).
- Increase in Debt Service is due to:
 - \$7.89M bond issue for the Landfill Project
 - \$2.6M bond issue for the Beacon St. Project
- In the out-years, the Debt Service supports:
 - Muddy River Restoration (\$745K)
 - Fisher Hill Project (\$1.35M)
 - Health Building Renovation (\$4.1M)
 - Town Hall Renovation - Design (\$1.26M)
 - Town Hall Renovation - Construction (\$10.5M)
 - Old Lincoln HVAC / Sprinklers (\$1.98M)
 - Runkle School Renovation – Design (\$925K)
 - Runkle School Renovation – Construction (\$7.7M)
 - Devotion School Renovation – Design (\$2.88M)
 - Devotion School Renovation – Construction (\$24M)

GENERAL FUND DEBT SERVICE

DEBT SERVICE



"SIMPLE MATH"

- FY06
- Long Range Financial Plan (LRFP)

"SIMPLE MATH" FOR FY06

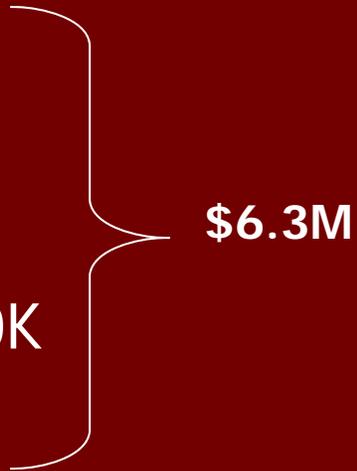
Add'l Operating Revenue	4.8
less Town / School CB	3.4
less Town / School Steps / Other Contract. Obligations	0.5
less Benefit Increases	1.5
Remaining Funds Available	-0.6
less Utility Increases	0.2
less Town Non-Personnel Increases for Maint. Budget	0.3
less School Non-Personnel Increases for Maint. Budget	0.6
less Non-Dept'al Increases	0.1
Deficit	-1.8

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	-0.9	-5%	1.2	11%
FY04	-1.8	-9%	2.3	20%
FY05	0	0%	1.0	7%
FY06	0	0%	1.4	9%

* exclusive of SBAB incr.

"SIMPLE MATH" FOR LRFP

- Average Annual Revenue Increases of \$5M
- Average Annual Expenditure Increases:
 - Townwide Coll Barg of \$2.4M
 - Benefits of \$2M
 - School Non-Personnel of \$1M
 - Town Non-Personnel of \$400K
 - Townwide Steps/Contract. Obl. of \$400K
 - State Assessments of \$100K

\$6.3M
- In a structural deficit situation when on-going expenditures for existing services exceed annual revenue increases