

**TOWN OF BROOKLINE  
FY2008 FINANCING PLAN**

**REVENUE GROUP: Overall Summary  
SUB-GROUP: Overall Summary**

**OVERALL SUMMARY**

Until the late-1970's, Massachusetts local government budgets were controlled by expenditure projections. Property taxes were raised to the extent needed to finance the level of expenditures adopted by the local appropriating authority. In the early-1980's, tax limitation legislation, including Proposition 2 1/2, was enacted, making revenue limitations the beginning of the budget process. Projected revenues have now replaced expenditures as the budget base. As a result of this change, a greater amount of care and caution go into the development of revenue forecasts.

In Brookline, there are four primary funds that support operations: General Fund, Water and Sewer Enterprise Fund, Golf Course Enterprise Fund, and Recreation Revolving Fund. The General Fund is the largest, totaling \$186.56 million, or 90% of total Financial Plan revenues. Total Financial Plan revenue, which includes revenue from the Town's two Enterprise Funds and the Recreation Revolving Fund, is \$208.16 million. This represents an increase of \$4.95 million, or 2.4%.

FY08 General Fund revenues are projected to increase by \$3.65 million (2%) from the FY07 budgeted amounts. Exclusive of Free Cash, Tax Abatement Reserve (Overlay) Surplus, and Capital Project Surplus revenue, all of which directly support the CIP, the increase is \$5.8 million, or 3.3%. The State Aid figures used in this Financial Plan are based on the Governor's FY08 budget proposal, which was submitted on February 28th. For Brookline, House 1 (as the Governor's budget is commonly referred to) resulted in an increase of \$305,750 (1.7%). (It should be noted that on a Net State Aid basis, the increase is just \$53,522, or 0.4%.) Since the final State Aid figures could be different by the time a final FY08 state budget is approved, there is the possibility of amendments to the Financial Plan. Under the Local Receipts category, three revenue sources drive the \$709,871 (3.5%) increase: Building Permits (+\$400,000), Interest Income (+\$102,071), and Motor Vehicle Excise (+\$100,000). The table below details the increase in General Fund revenue.

<u>SOURCE</u>	<u>AMOUNT (Millions)</u>	<u>% INCR./DECR.</u>
Proposition 2 1/2 annual levy limit increase	\$3.21	2.5%
New growth previously not on the tax rolls	\$1.75	-12.0%
Tax Levy Debt Exclusion	-\$0.05	-2.8%
<b>Property Tax Sub-Total</b>	<b>\$4.92</b>	<b>3.8%</b>
Building Permits	\$0.40	21.1%
Interest Income	\$0.10	3.9%
Motor Vehicle Excise	\$0.10	1.9%
Misc. Local Receipts	\$0.11	1.0%
State Aid	\$0.31	1.7%
"Free Cash"	-\$1.57	-29.2%
Overlay Reserve Surplus	-\$0.10	-10.5%
Capital Project Surplus	-\$0.45	-72.9%
Overhead Reimb. (Water & Sewer, Golf, Rec. Revolving)	-\$0.28	-5.2%
Remaining "Other Available Funds"	\$0.12	5.9%
<b>TOTAL</b>	<b>\$3.65</b>	<b>2.0%</b>

A detailed description and analysis of the FY08 revenue items and related changes are found within the pages that follow. The FY05 and FY06 columns represent revenues collected during those respective years. The FY07 Budget column reflects the revenue projections used in setting the FY07 tax rate, while the FY07 Estimate column contains current expectations of revenues for the fiscal year based upon actual receipts through December 31, 2006 and revised estimates for the remaining six months. The FY08 Budget column is the current estimate for the ensuing fiscal year. The Budget Increase column is the increase (or decrease), expressed in both dollar and percentage terms, expected in FY08 versus the FY07 Budget.

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Property Taxes	119,549,759	121,812,454	130,076,534	130,076,534	134,994,153	4,917,619	3.8%
Local Receipts	21,229,625	22,986,108	20,477,229	21,905,100	21,187,100	709,871	3.5%
State Aid	17,420,087	17,951,657	18,021,104	18,021,104	18,326,854	305,750	1.7%
Free Cash	6,966,241	4,606,534	5,387,435	5,387,435	3,814,792	(1,572,643)	-29.2%
Other Available Funds	11,116,554	7,691,658	8,948,053	8,948,053	8,233,729	(714,324)	-8.0%
<b>General Fund Revenues</b>	<b>176,282,266</b>	<b>175,048,412</b>	<b>182,910,355</b>	<b>184,338,226</b>	<b>186,556,628</b>	<b>3,646,273</b>	<b>2.0%</b>
Water and Sewer Enterprise *	15,735,924	15,880,810	18,175,104	18,175,104	19,421,937	1,246,833	6.9%
Golf Enterprise *	835,051	816,977	850,586	850,586	880,164	29,578	3.5%
Recreation Revolving Fund *	752,050	819,035	1,271,601	1,271,601	1,303,085	31,484	2.5%
<b>Total Financial Plan Revenues</b>	<b>193,605,290</b>	<b>192,565,234</b>	<b>203,207,646</b>	<b>204,635,517</b>	<b>208,161,814</b>	<b>4,954,168</b>	<b>2.4%</b>

\* These figures are net of Reimbursements to the General Fund, as those amounts are accounted for in the "Other Available Funds" category

TOWN OF BROOKLINE FY2008 FINANCING PLAN			REVENUE GROUP: Overall Summary SUB-GROUP: Overall Summary			
DETAILED REVENUE SUMMARY						
GENERAL FUND	FY05	FY06	FY07	FY08	FY08 vs FY07	
	ACTUAL	ACTUAL	BUDGET	BUDGET	\$	%
<b>Property Taxes</b>	<b>119,549,759</b>	<b>121,812,454</b>	<b>130,076,534</b>	<b>134,994,153</b>	<b>4,917,619</b>	<b>3.8%</b>
<b>Local Receipts</b>	<b>21,229,625</b>	<b>22,986,108</b>	<b>20,477,229</b>	<b>21,187,100</b>	<b>709,871</b>	<b>3.5%</b>
Motor Vehicle Excise (MVE)	5,314,315	5,468,444	5,250,000	5,350,000	100,000	1.9%
Licenses & Permits	773,208	901,641	809,500	839,300	29,800	3.7%
Parking / Court Fines	4,127,095	4,263,962	4,000,000	3,900,000	(100,000)	-2.5%
General Government	3,411,507	3,911,939	2,779,500	3,172,000	392,500	14.1%
Recreation	432,915	362,446	0	0	0	-
Interest Income	1,617,681	2,585,036	2,616,929	2,719,000	102,071	3.9%
PILOT's	1,009,139	763,359	679,300	648,800	(30,500)	-4.5%
Refuse Fee	2,164,841	2,257,936	2,100,000	2,150,000	50,000	2.4%
Departmental & Other	2,378,923	2,471,346	2,242,000	2,408,000	166,000	7.4%
<b>State Aid</b>	<b>17,420,087</b>	<b>17,951,657</b>	<b>18,021,104</b>	<b>18,326,854</b>	<b>305,750</b>	<b>1.7%</b>
General Government Aid	7,870,316	7,987,902	8,643,465	8,650,682	7,217	0.1%
School Aid	4,922,047	5,214,247	5,789,916	6,090,116	300,200	5.2%
School Construction Aid	3,442,794	3,442,794	3,442,794	3,442,794	0	0.0%
Tax Abatement Aid	27,693	26,427	27,191	26,427	(764)	-2.8%
Offset Aid	1,157,237	1,280,287	117,738	116,835	(903)	-0.8%
<b>Other Available Funds</b>	<b>11,116,554</b>	<b>7,691,658</b>	<b>8,948,053</b>	<b>8,233,729</b>	<b>(714,324)</b>	<b>-8.0%</b>
Parking Meter Receipts	1,925,000	1,977,500	1,930,000	2,000,000	70,000	3.6%
Walnut Hill Cemetery Fund	50,000	50,000	50,000	100,000	50,000	100.0%
Chapter 90	568,739	568,786	0	0	0	-
State Aid for Libraries	41,555	41,555	41,555	41,555	0	0.0%
Golf Enterprise Fund Reimb.	342,908	379,554	371,542	373,004	1,462	0.4%
Recreation Revolving Fund Reimb.	112,781	119,737	145,601	186,355	40,754	28.0%
Water and Sewer Enterprise Fund Reimb.	4,750,571	4,554,526	4,836,316	4,513,660	(322,656)	-6.7%
School Special Funds Reimb.	100,000	0	0	0	0	-
Tax Abatement Reserve Surplus	3,000,000	0	950,000	850,000	(100,000)	-10.5%
Capital Project Surplus	225,000	0	623,039	169,155	(453,884)	-72.9%
<b>Free Cash</b>	<b>6,966,241</b>	<b>4,606,534</b>	<b>5,387,435</b>	<b>3,814,792</b>	<b>(1,572,643)</b>	<b>-29.2%</b>
Capital Improvements	5,675,360	3,779,809	4,491,704	2,891,385	(1,600,319)	-35.6%
Operating Budget Reserve	369,076	381,105	398,444	418,778	20,334	5.1%
Strategic Reserves	921,804	445,620	497,287	504,629	7,342	1.5%
<b>TOTAL GENERAL FUND REVENUE</b>	<b>176,282,266</b>	<b>175,048,412</b>	<b>182,910,355</b>	<b>186,556,628</b>	<b>3,646,273</b>	<b>2.0%</b>
<b>ENTERPRISE FUND / REVOLVING FUND REVENUE</b>						
Water and Sewer Enterprise Fund *	15,735,924	15,880,810	18,175,104	19,421,937	1,246,833	6.9%
Golf Course Enterprise Fund *	835,051	816,977	850,586	880,164	29,578	3.5%
Recreation Revolving Fund *	752,050	819,035	1,271,601	1,303,085	31,484	2.5%
<b>TOTAL ENTERPRISE / REVOLVING FUND REVENUE</b>	<b>17,323,025</b>	<b>17,516,822</b>	<b>20,297,291</b>	<b>21,605,186</b>	<b>1,307,895</b>	<b>6.4%</b>
<b>TOTAL REVENUES</b>	<b>193,605,290</b>	<b>192,565,234</b>	<b>203,207,646</b>	<b>208,161,814</b>	<b>4,954,168</b>	<b>2.4%</b>

\* These figures are net of Reimbursements to the General Fund, as those amounts are accounted for in the "Other Available Funds" category.

FY2008 REVENUE BY FUND

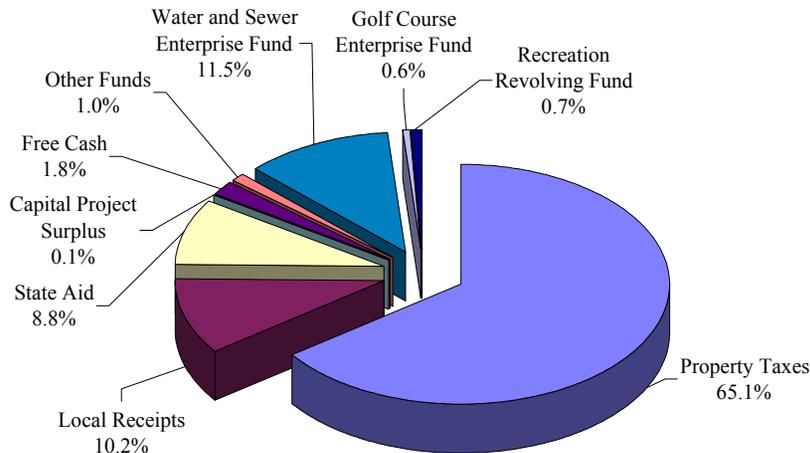
	General Fund <sup>1</sup>	Water & Sewer Enterprise	Golf Enterprise	Recreation Revolving Fund	Parking Meter Fund <sup>2</sup>	Cemetery Fund <sup>2</sup>	State Library Aid <sup>2</sup>	TOTAL
Property Taxes	134,994,153							134,994,153
Local Receipts	21,187,100							21,187,100
State Aid	18,326,854							18,326,854
Parking Meter Receipts					2,000,000			2,000,000
Walnut Hill Cemetery Fund						100,000		100,000
State Aid for Libraries							41,555	41,555
Golf Enterprise Fund Reimbursement			373,004					373,004
Recreation Revolving Fund Reimbursement				186,355				186,355
Water and Sewer Enterprise Fund Reimbursement		4,513,660						4,513,660
Capital Project Surplus	169,155							169,155
Free Cash	3,814,792							3,814,792
<b>TOTAL GENERAL FUND</b>	<b>179,342,054</b>	<b>4,513,660</b>	<b>373,004</b>	<b>186,355</b>	<b>2,000,000</b>	<b>100,000</b>	<b>41,555</b>	<b>186,556,628</b>
Water and Sewer Enterprise Fund <sup>3</sup>		19,421,937						19,421,937
Golf Course Enterprise Fund <sup>3</sup>			880,164					880,164
Recreation Revolving Fund <sup>3</sup>				1,303,085				1,303,085
<b>TOTAL FINANCIAL PLAN</b>	<b>179,342,054</b>	<b>23,935,597</b>	<b>1,253,168</b>	<b>1,489,440</b>	<b>2,000,000</b>	<b>100,000</b>	<b>41,555</b>	<b>208,161,814</b>

<sup>1</sup> Includes revenue from property taxes, local receipts, state aid, and Free Cash (not the "Other Available Funds" category).

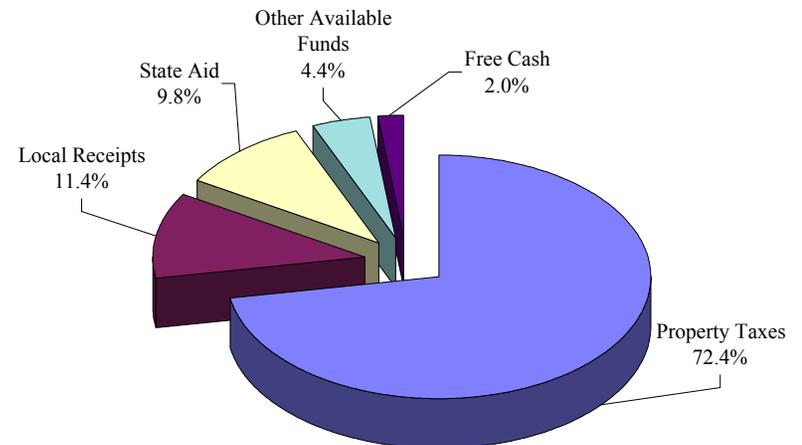
<sup>2</sup> The revenue from these funds are transferred into the General Fund.

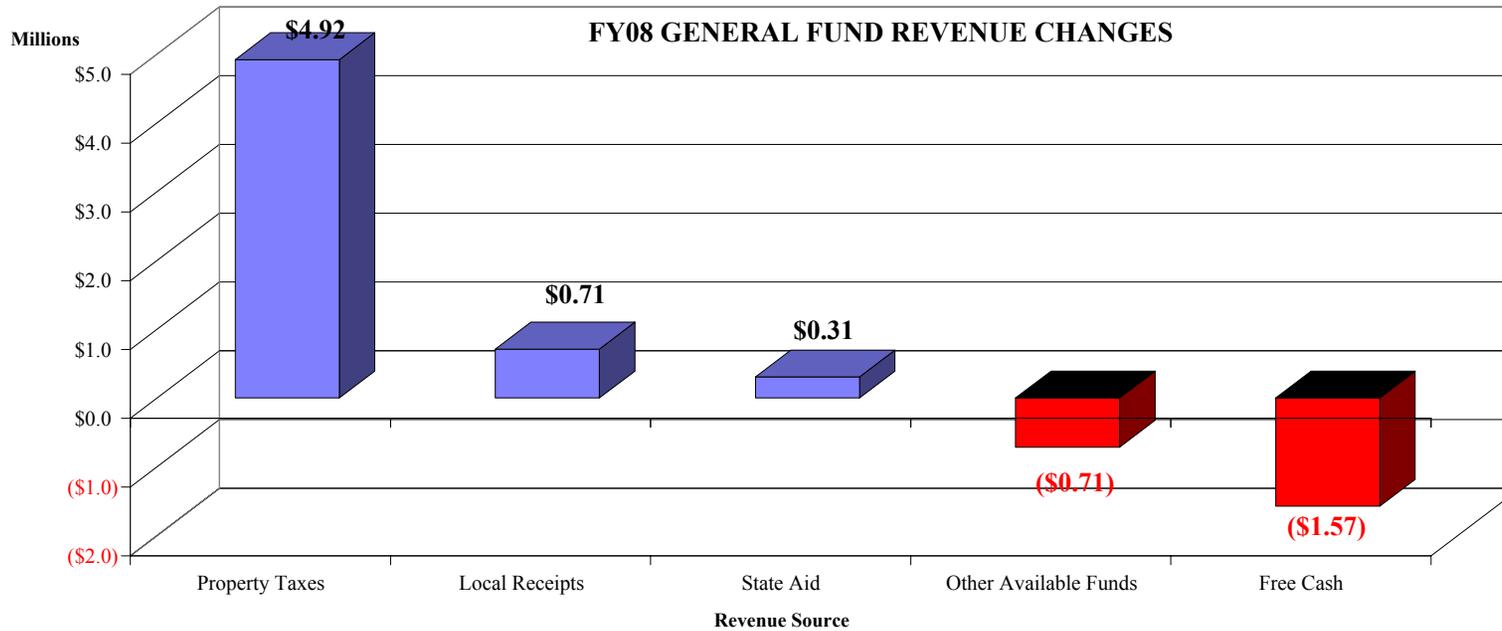
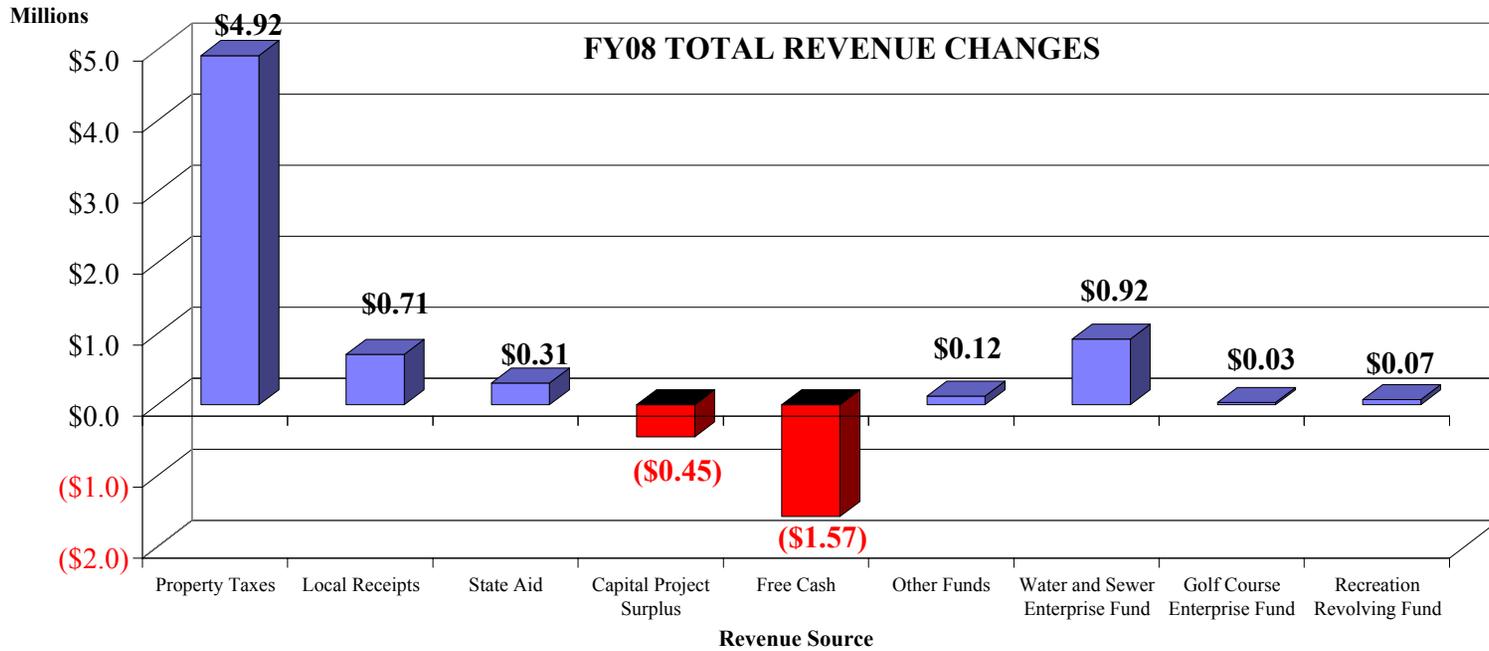
<sup>3</sup> These are net of Reimbursements to the General Fund, as those amounts are accounted for in the "reimbursement" figures listed under the General Fund.

FY08 TOTAL REVENUE COMPOSITION



FY08 GENERAL FUND REVENUE COMPOSITION





**TOTAL REVENUES**

\$ (millions)  
% of General Fund Budget

REVENUE SOURCE	FY81	FY82	FY99 ACT.	FY00 ACT.	FY01 ACT.	FY02 ACT.	FY03 ACT.	FY04 ACT.	FY05 ACT.	FY06 ACT.	FY07 BUD.	FY08 BUD.
<b>PROPERTY TAX</b>	\$45.8 76.4%	\$40.8 71.0%	\$91.1 70.3%	\$96.0 67.5%	\$99.5 65.3%	\$103.7 64.2%	\$108.2 66.1%	\$114.2 69.6%	\$119.5 67.8%	\$121.8 69.6%	\$130.1 71.1%	\$135.0 72.4%
<b>LOCAL RECEIPTS</b>	\$3.8 6.4%	\$5.3 9.2%	\$18.9 14.6%	\$21.7 15.3%	\$22.2 14.5%	\$19.4 12.0%	\$23.0 14.0%	\$19.0 11.6%	\$21.2 12.0%	\$23.0 13.1%	\$20.5 11.2%	\$21.2 11.4%
<b>STATE AID</b>	\$5.5 9.2%	\$7.2 12.5%	\$13.9 10.7%	\$15.5 10.9%	\$19.3 12.7%	\$20.0 12.4%	\$19.1 11.6%	\$17.3 10.5%	\$17.4 9.9%	\$18.0 10.3%	\$18.0 9.9%	\$18.3 9.8%
<b>FEDERAL REVENUE SHARING</b>	\$1.1 1.8%	\$1.0 1.7%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%
<b>FREE CASH</b>	\$3.4 5.7%	\$2.7 4.7%	\$3.6 2.7%	\$6.6 4.6%	\$4.8 3.2%	\$11.5 7.1%	\$5.3 3.2%	\$5.6 3.4%	\$7.0 4.0%	\$4.6 2.6%	\$5.4 2.9%	\$3.8 2.0%
<b>OTHER AVAIL. FUNDS</b>	\$0.3 0.5%	\$0.5 0.9%	\$2.2 1.7%	\$2.3 1.6%	\$6.5 4.3%	\$6.8 4.2%	\$8.3 5.1%	\$7.9 4.8%	\$11.1 6.3%	\$7.7 4.4%	\$8.9 4.9%	\$8.2 4.4%
<b>GENERAL FUND BUDGET TOTAL</b>	\$59.9	\$57.5	\$129.7	\$142.2	\$152.4	\$161.4	\$163.9	\$164.1	\$176.3	\$175.0	\$182.9	\$186.6
<b>WATER &amp; SEWER ENT FUND (1) (2)</b>	\$2.1	\$2.9	\$16.7	\$17.9	\$17.0	\$13.3	\$14.2	\$15.0	\$15.7	\$15.9	\$18.2	\$19.4
<b>GOLF COURSE ENT FUND (1)</b>	\$0.0	\$0.0	\$0.7	\$0.6	\$1.0	\$0.8	\$0.6	\$0.8	\$0.8	\$0.8	\$0.9	\$0.9
<b>RECREATION REVOLVING FUND (1)</b>	\$0.0	\$0.0	\$0.3	\$0.4	\$0.4	\$0.5	\$0.6	\$0.6	\$0.8	\$0.8	\$1.3	\$1.3
<b>TOTAL FINANCIAL PLAN</b>	\$62.0	\$60.4	\$147.4	\$161.1	\$170.7	\$176.0	\$179.3	\$180.5	\$193.6	\$192.6	\$203.2	\$208.2

(1) These figures are net of Reimbursements to the General Fund, as those amounts are accounted for in the "Other Available Funds" category.

(2) Prior to FY02, all Water & Sewer revenue was accounted for in the General Fund.

**ANNUAL REVENUE INCREASES BY SOURCE**

\$ (millions)

REVENUE SOURCE	FY82	FY99 ACTUAL	FY00 ACTUAL	FY01 ACTUAL	FY02 ACTUAL	FY03 ACTUAL	FY04 ACTUAL	FY05 ACTUAL	FY06 BUDGET	FY07 BUDGET	FY08 BUDGET
<b>PROPERTY TAX</b>	(\$5.1) -11.1%	\$3.5 4.0%	\$4.8 5.3%	\$3.6 3.7%	\$4.1 4.2%	\$4.5 4.4%	\$6.0 5.5%	\$5.3 4.6%	\$2.3 1.9%	\$8.3 6.8%	\$4.9 3.8%
<b>LOCAL RECEIPTS</b>	\$1.5 39.1%	\$0.5 2.8%	\$2.8 15.1%	\$0.4 2.0%	(\$2.8) -12.5%	\$3.6 18.4%	(\$3.9) -17.1%	\$2.2 11.5%	\$1.8 8.3%	(\$2.5) -10.9%	\$0.7 3.5%
<b>STATE AID</b>	\$1.7 31.1%	\$1.2 9.5%	\$1.7 12.1%	\$3.8 24.4%	\$0.7 3.4%	(\$0.9) -4.6%	(\$1.8) -9.3%	\$0.1 0.7%	\$0.5 3.1%	\$0.1 0.4%	\$0.3 1.7%
<b>FEDERAL REVENUE SHARING</b>	(\$0.1) -5.5%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%	\$0.0 0.0%
<b>FREE CASH</b>	(\$0.6) -17.9%	\$0.6 21.6%	\$3.0 85.0%	(\$1.8) -27.0%	\$6.7 139.8%	(\$6.3) -54.4%	\$0.3 6.5%	\$1.4 24.3%	(\$2.4) -33.9%	\$0.8 17.0%	(\$1.6) -29.2%
<b>OTHER AVAIL. FUNDS</b>	\$0.2 70.8%	(\$0.0) -1.3%	\$0.1 3.5%	\$4.2 183.4%	\$0.2 3.6%	\$1.6 22.9%	(\$0.5) -5.4%	\$3.2 41.0%	(\$3.4) -30.8%	\$1.3 16.3%	(\$0.7) -8.0%
<b>GENERAL FUND BUDGET TOTAL</b>	(\$2.4) -4.1%	\$5.8 4.7%	\$12.5 9.6%	\$10.2 7.2%	\$9.0 5.9%	\$2.5 1.5%	\$0.2 0.1%	\$12.2 7.4%	(\$1.2) -0.7%	\$7.9 4.5%	\$3.6 2.0%
<b>WATER &amp; SEWER ENT FUND (1) (2)</b>	\$0.9 41.0%	\$1.1 7.2%	\$1.2 7.3%	(\$1.0) -5.5%	(\$3.7) -21.6%	\$0.9 6.8%	\$0.8 5.8%	\$0.7 4.7%	\$0.1 0.9%	\$2.3 14.4%	\$1.2 6.9%
<b>GOLF COURSE ENT FUND (1)</b>	\$0.0 0.0%	(\$0.0) -3.6%	(\$0.0) -6.4%	\$0.3 57.3%	(\$0.1) -14.3%	(\$0.2) -23.0%	\$0.2 25.3%	\$0.0 5.4%	(\$0.0) -2.2%	\$0.0 4.1%	\$0.0 2.3%
<b>RECREATION REVOLVING FUND (1)</b>	\$0.0 0.0%	\$0.0 3.4%	\$0.0 15.8%	(\$0.0) -1.2%	\$0.2 42.4%	\$0.1 15.4%	\$0.0 7.4%	\$0.1 17.9%	\$0.1 8.9%	\$0.5 0.2%	\$0.0 0.0%
<b>TOTAL FINANCIAL PLAN</b>	(\$1.5) -2.6%	\$6.9 4.9%	\$13.7 9.3%	\$9.6 6.0%	\$5.4 3.1%	\$3.3 1.9%	\$1.2 0.7%	\$13.1 7.2%	(\$1.0) -0.5%	\$10.6 5.5%	\$5.0 2.4%

(1) These figures are net of Reimbursements to the General Fund, as those amounts are accounted for in the "Other Available Funds" category.

(2) Prior to FY02, all Water & Sewer revenue was accounted for in the General Fund.

**PROPERTY TAX**

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Brookline, Property taxes represent 72% of annual General Fund revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Brookline's non-manufacturing business firms. State law mandates that communities update their property values every three years and obtain state certification that such values represent full and fair cash value. A comprehensive town-wide revaluation was completed in FY06, with the next one scheduled for FY09.

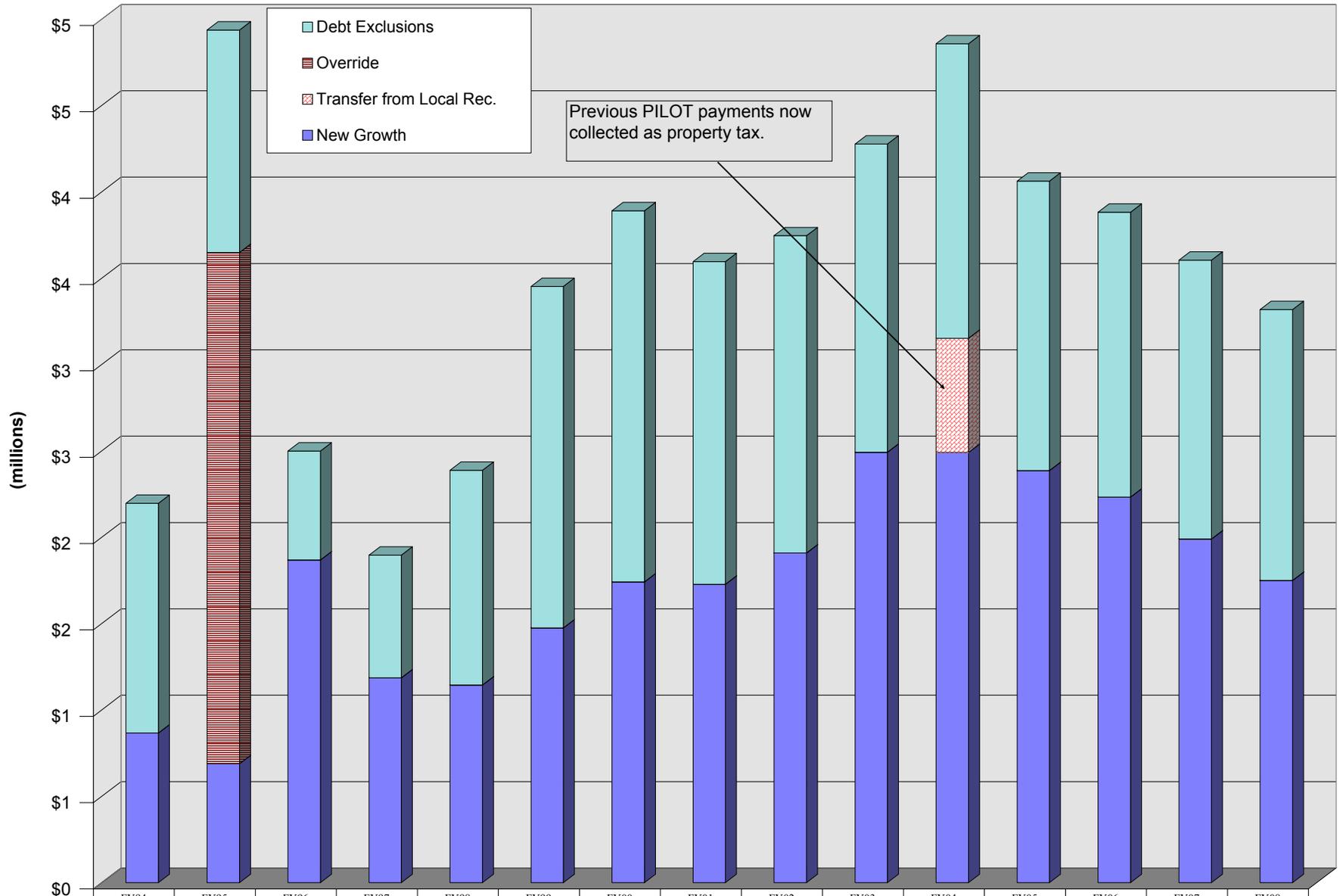
Under the provisions of Proposition 2 1/2, property taxes, in the aggregate, may not exceed 2 1/2% of their "full and fair cash value". This limit is known as the "levy ceiling". In addition, annual levy increases may not exceed 2 1/2% more than the previous year's levy plus the taxes added from any new properties, renovations to existing properties, or condominium conversions added to the tax rolls (known as "new growth"). This is known as the "levy limit". Any Proposition 2 1/2 override or debt exclusion amounts voted are added to the levy limit while all related school construction reimbursements from the State (SBA) are similarly subtracted.

Property values and new growth for FY08 are preliminary estimates used to project the levy limit. The FY08 maximum allowable levy is projected to total \$134,994,153, representing an increase of \$4,917,619 (3.8%) over the FY07 Levy. The figures below detail how the estimated FY08 levy is calculated:

FY07 LEVY LIMIT	\$128,463,616
<u>PROP. 2 1/2 INCREASE</u>	\$3,211,590
SUB-TOTAL	\$131,675,206
<u>NEW GROWTH (est.)</u>	\$1,750,000
ESTIMATED FY08 LEVY LIMIT	\$133,425,206
DEBT EXCLUSIONS	\$4,399,750
<u>STATE SBA REIMBURSEMENTS</u>	<u>(\$2,830,803)</u>
FY08 TOTAL PROPERTY TAX LEVY	\$134,994,153

REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE \$\$	%
Property Tax Levy	119,549,759	121,812,454	130,076,534	130,076,534	134,994,153	4,917,619	3.8%

NEW GROWTH, OVERRIDE, AND DEBT EXCLUSIONS FY94-FY08 (est.)

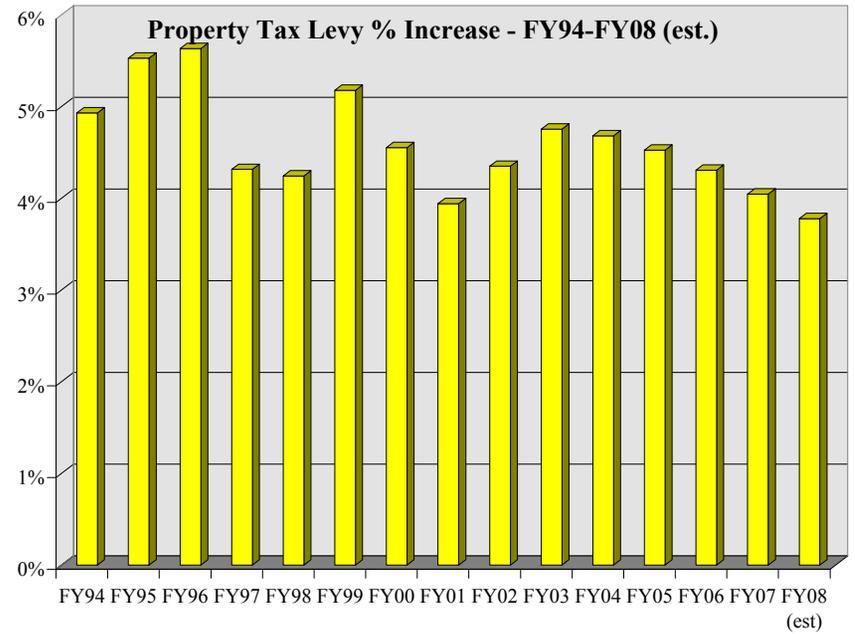
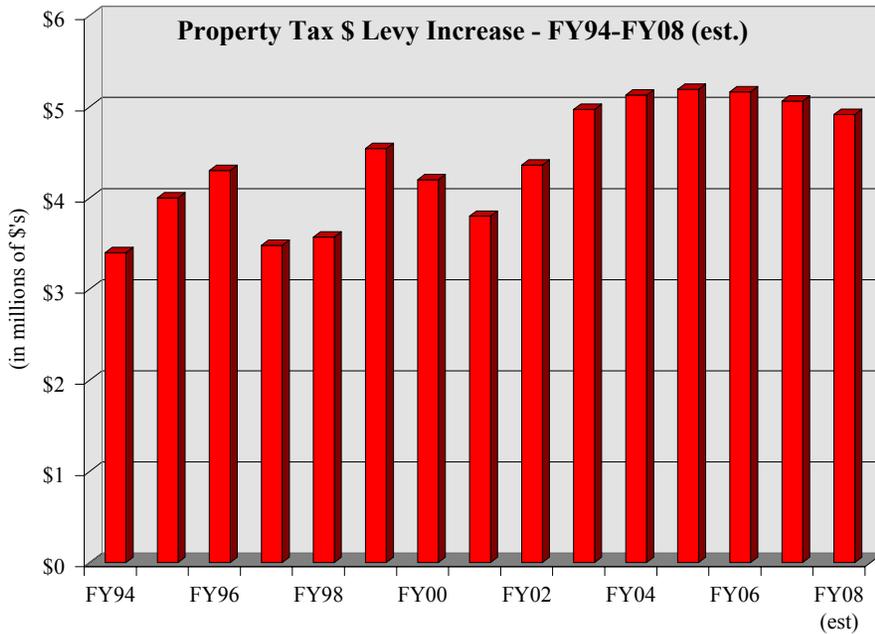
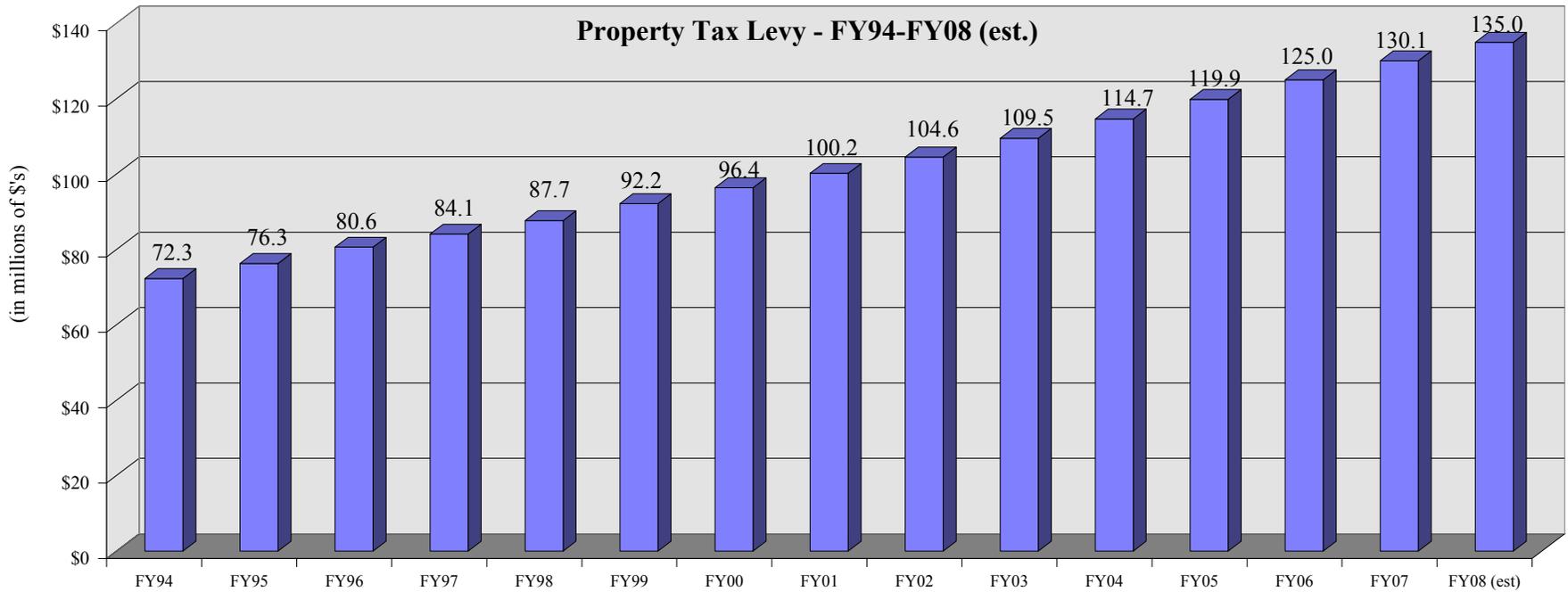


	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Debt Exclusions	1.3294	1.2883	0.6311	0.7101	1.2438	1.977223	2.149	1.868	1.837	1.785	1.705	1.676	1.64873441	1.615	1.569
Override	0	2.96	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer from Local Rec.	0	0	0	0	0	0	0	0	0	0	0.661	0	0	0	0
New Growth	0.867	0.6889	1.8687	1.1866	1.1443	1.475516	1.742	1.728	1.909	2.491979	2.491073	2.386251	2.232945	1.99	1.75

PROPERTY TAXES  
COLLECTIONS AND UNPAID BALANCES  
FOR FISCAL YEARS ENDED JUNE 30

Fiscal Year	Real Estate and Pers. Property Levy	(1) Collections As Of Base Yr End	% As Of Base Yr End	Uncollected Bal As Of Base Yr End	(2) Cumulative Pr Yr Collections Yr End As Of Dec 31, 2006	Uncollected Real Estate, Pers. Prop., & Tax Title As Of Dec 31, 2006	% Collected As Of Dec 31, 2006	(3) Tax Titles / Foreclosures Receivable As of Yr-End
1992	66,069,188	63,091,733	95.5%	2,977,455	2,977,455	0	100.00%	1,388,687
1993	68,820,895	67,169,184	97.6%	1,651,711	1,651,711	0	100.00%	1,521,401
1994	72,293,772	69,529,948	96.2%	2,763,824	2,763,824	0	100.00%	1,410,950
1995	77,700,314	75,817,926	97.6%	1,882,388	1,882,388	0	100.00%	1,203,962
1996	80,893,488	79,015,942	97.7%	1,877,546	1,877,546	0	100.00%	1,832,383
1997	84,086,279	82,401,669	98.0%	1,684,610	1,684,610	0	100.00%	861,700
1998	87,880,687	86,352,738	98.3%	1,527,949	1,527,949	0	100.00%	852,386
1999	92,203,063	91,376,684	99.1%	826,379	826,379	0	100.00%	384,660
2000	96,399,645	95,425,278	99.0%	974,367	974,367	0	100.00%	446,610
2001	100,217,510	99,792,628	99.6%	424,882	424,882	0	100.00%	437,625
2002	104,560,815	104,041,776	99.5%	519,039	371,210	147,829	99.86%	396,040
2003	109,532,058	108,596,481	99.1%	935,577	876,192	59,385	99.95%	545,592
2004	114,660,482	113,242,093	98.8%	1,418,389	1,318,152	100,237	99.91%	657,047
2005	119,871,025	118,861,627	99.2%	1,009,398	792,686	216,711	99.82%	602,897
2006	125,192,168	123,383,654	98.6%	1,808,515	481,703	1,326,812	98.94%	909,734

1. Accounts Receivable Balance on June 30 of Base Year.
2. Each year-end sum of activities is added to the previous year. This Column changes every year until the uncollected balance is \$0. The balance may equal Tax Title balance for that year.
3. Base Year Tax Title Amount.



ASSESSED VALUE AND TAX BILL HISTORIES

DESCRIPTION	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Median Single Family Assessed Value	384,450	414,500	451,550	523,050	602,000	667,000	756,750	837,050	903,850	1,017,100	1,023,550
% Change	3.7%	7.8%	8.9%	15.8%	15.1%	10.8%	13.5%	10.6%	8.0%	12.5%	0.6%
Median Two Family Assessed Value	329,050	353,750	387,800	471,200	548,650	592,800	702,000	777,900	837,200	950,000	950,900
% Change	5.1%	7.5%	9.6%	21.5%	16.4%	8.0%	18.4%	10.8%	7.6%	13.5%	0.1%
Median Three Family Assessed Value	348,750	375,300	418,700	491,100	577,400	624,800	786,500	870,250	931,150	1,088,000	1,102,900
% Change	8.9%	7.6%	11.6%	17.3%	17.6%	8.2%	25.9%	10.6%	7.0%	16.8%	1.4%
Median Condo Assessed Value	146,800	158,400	172,200	198,500	231,300	257,000	322,200	346,900	373,700	411,400	424,800
% Change	5.8%	7.9%	8.7%	15.3%	16.5%	11.1%	25.4%	7.7%	7.7%	10.1%	3.3%
Median Commercial Assessed Value	394,000	388,000	399,000	499,000	547,000	655,700	738,400	790,100	875,000	943,500	914,300
% Change	12.9%	-1.5%	2.8%	25.1%	9.6%	19.9%	12.6%	7.0%	10.7%	7.8%	-3.1%
Median Single Family Tax Bill	5,861	6,121	6,432	6,522	6,809	7,247	7,057	7,412	7,716	8,137	8,341
% Change	1.8%	4.4%	5.1%	1.4%	4.4%	6.4%	-2.6%	5.0%	4.1%	5.5%	2.5%
Median Two Family Tax Bill	4,857	5,055	5,354	5,753	6,091	6,290	6,443	6,783	7,034	7,497	7,634
% Change	3.5%	4.1%	5.9%	7.5%	5.9%	3.3%	2.4%	5.3%	3.7%	6.6%	1.8%
Median Three Family Tax Bill	5,214	5,433	5,877	6,049	6,478	6,703	7,391	7,765	7,995	8,815	9,113
% Change	8.1%	4.2%	8.2%	2.9%	7.1%	3.5%	10.3%	5.1%	3.0%	10.2%	3.4%
Median Condo Tax Bill	1,552	1,626	1,708	1,709	1,820	1,958	2,186	2,202	2,292	2,353	2,515
% Change	4.8%	4.8%	5.0%	0.1%	6.5%	7.6%	11.6%	0.7%	4.1%	2.6%	6.9%
Median Commercial Tax Bill	10,807	11,171	11,132	12,235	12,100	13,816	13,424	13,637	14,534	14,587	14,519
% Change	13.2%	3.4%	-0.3%	9.9%	-1.1%	14.2%	-2.8%	1.6%	6.6%	0.4%	-0.5%
Residential Tax Rate (per \$1,000 of value)	18.13	17.55	16.91	14.83	13.46	12.90	11.21	10.63	10.23	9.55	9.73
Commercial Tax Rate (per \$1,000 of value)	27.43	28.79	27.90	24.52	22.12	21.07	18.18	17.26	16.61	15.46	15.88

**LOCAL RECEIPTS SUMMARY**

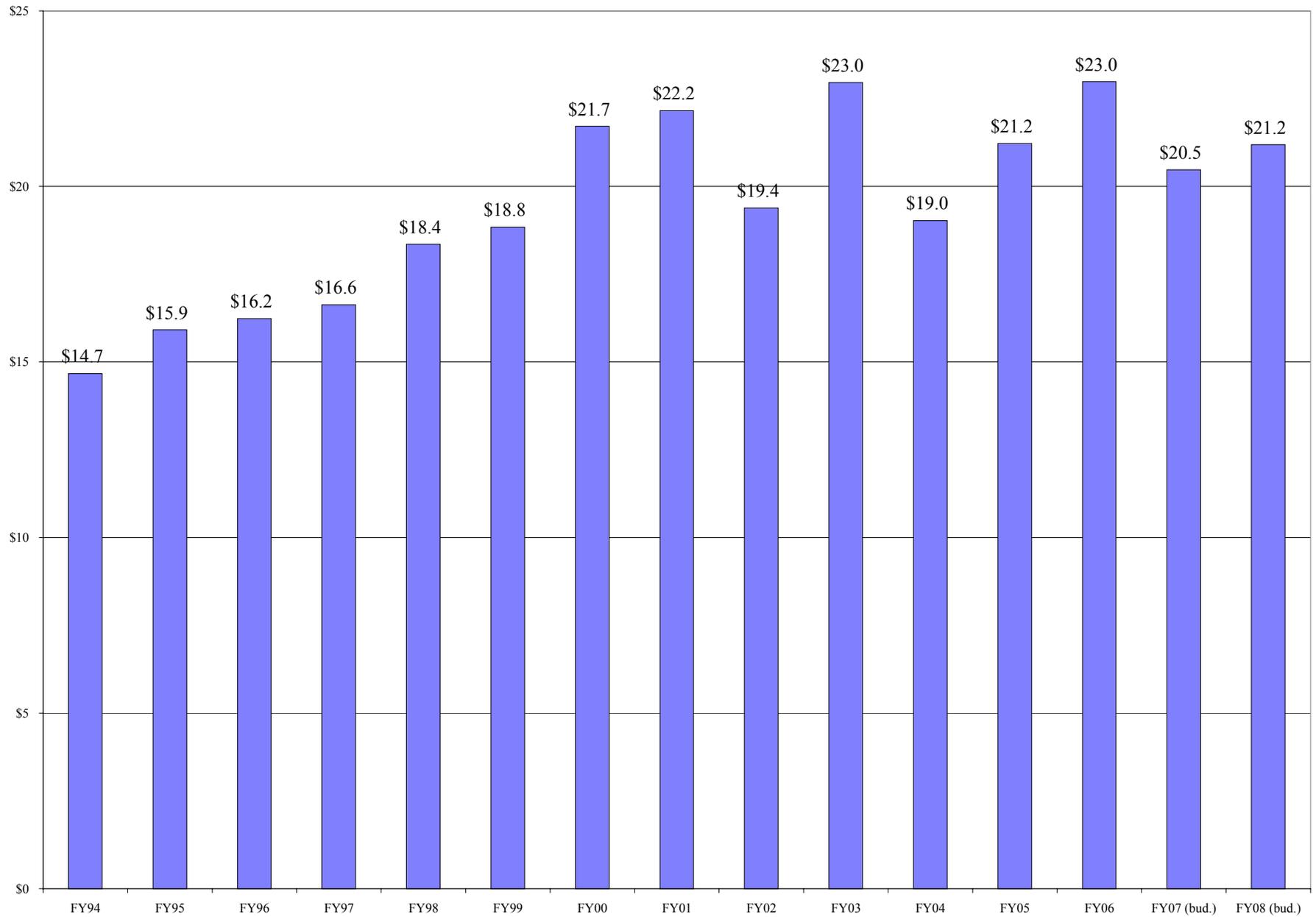
Local Receipts, estimated to add \$21.2 million to the Town's revenue stream, represent 11.4% of total General Fund revenues. They include motor vehicle excise, fees, fines, charges for licenses and permits, violations, investment earnings, and other similar non-tax type items. These items are reviewed by departments to ensure that they continue to cover their fair share of the related administrative costs and are in accordance with the policies adopted by the respective oversight boards and commissions. The projected increase of \$709,871 (3.5%) over FY07 is due primarily to the following:

- 1.) **General Government** - increases \$392,500 (14.1%) due primarily to Building Permits (\$400,000, 21.1%).
- 2.) **Departmental and Other** - increases \$166,000 (7.4%) to \$2.4 million because of the Hotel / Motel Excise Tax (\$80,000, 11.9%), the Cable Television Franchise Fee, (\$55,000, 13.3%), Parking Fees (\$16,000, 4.9%), and Library Fines (\$15,000, 15.8%).
- 3.) **Interest Income** - as a result of 13 cuts in the interest rate between January, 2001 and June, 2003, the amount of interest the Town earned on its investments had been dramatically reduced. This trend began to change when the Federal Reserve started increasing interest rates: since June, 2004, the Federal Reserve increased rates 17 times, from 1% to 5.25%. Since the Town will be earning more, the FY08 estimate is \$2.7 million, an amount that is \$102,071 (3.9%) greater than FY07.
- 4.) **Motor Vehicle Excise (MVE)** - increases \$100,000 (1.9%) to \$5.35 million.
- 5.) **Parking and Court Fines** - decrease \$100,000 (2.5%) to \$3.9 million.

Further details of these and other revenue sources are discussed on the following pages.

REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE	
						\$	%
Motor Vehicle Excise	5,314,315	5,468,444	5,250,000	5,250,000	5,350,000	100,000	1.9%
Licenses and Permits	773,208	901,641	809,500	839,300	839,300	29,800	3.7%
Parking and Court Fines	4,127,095	4,263,962	4,000,000	3,900,000	3,900,000	(100,000)	-2.5%
General Government	3,411,507	3,911,939	2,779,500	3,791,500	3,172,000	392,500	14.1%
Recreation	432,915	362,446	0	0	0	0	-
Interest Income	1,617,681	2,585,036	2,616,929	2,910,000	2,719,000	102,071	3.9%
In Lieu of Tax Payments	1,009,139	763,359	679,300	679,300	648,800	(30,500)	-4.5%
Refuse Fees	2,164,841	2,257,936	2,100,000	2,150,000	2,150,000	50,000	2.4%
Departmental and Other	2,378,923	2,471,346	2,242,000	2,385,000	2,408,000	166,000	7.4%
Total	21,229,625	22,986,108	20,477,229	21,905,100	21,187,100	709,871	3.5%

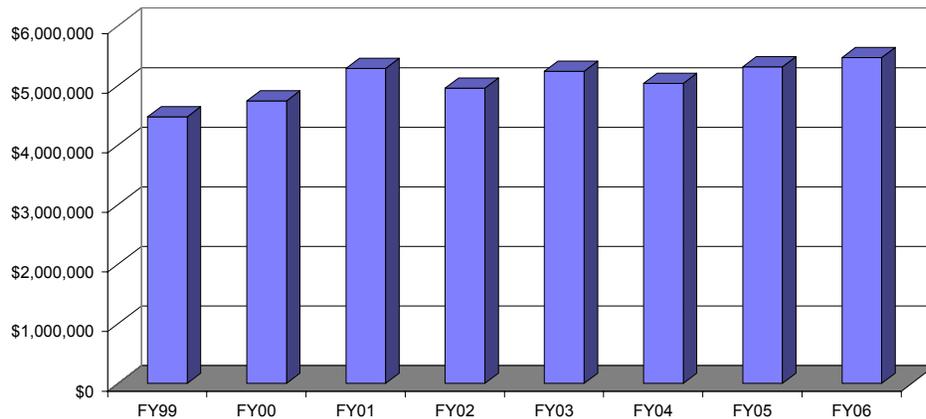
15-YEAR LOCAL RECEIPT HISTORY (in millions)



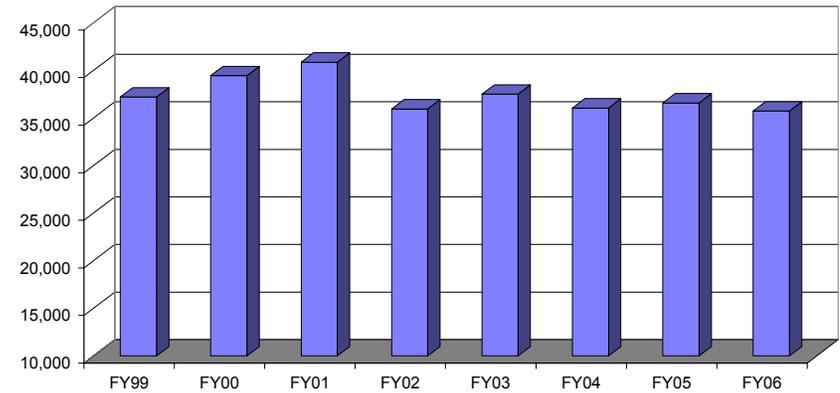
**MOTOR VEHICLE EXCISE**

State law establishes the Motor Vehicle Excise (MVE) tax rate. Proposition 2 1/2 set the rate of \$25 per \$1,000 in automobile value. In the first year of ownership, the rate of \$25 per \$1,000 is assessed on 90% of the value of the vehicle; in year two, it is 60%; in year three, it is 40%; in year four, it is 25%; and in year five and thereafter, it is 10%. The actual billings are prepared by the Registry of Motor Vehicles (RMV) and then turned over to the Town for printing, distribution, and collection. The MVE tax is the Town's largest local receipt source and is expected to generate \$5.35 million in FY08, an amount that is \$100,000 (1.9%) greater than the FY07 estimate.

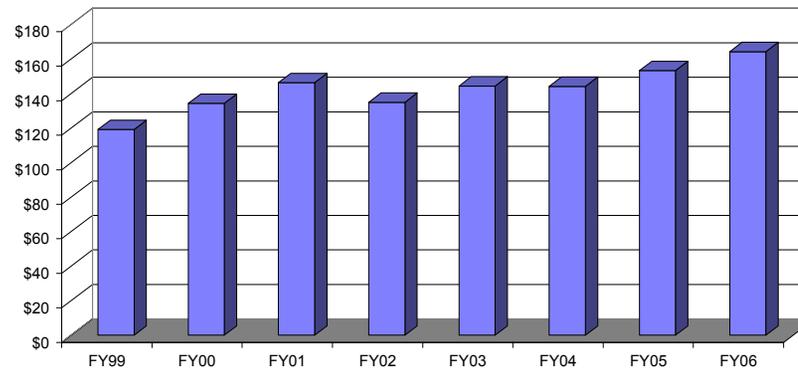
**MVE COLLECTIONS**



**NUMBER OF MVE BILLS**



**AVERAGE MVE BILL**



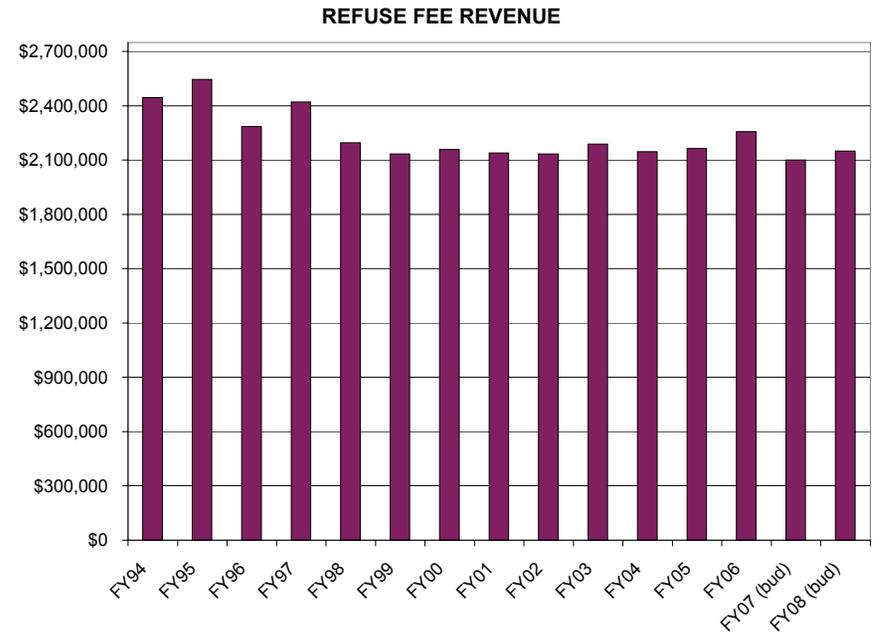
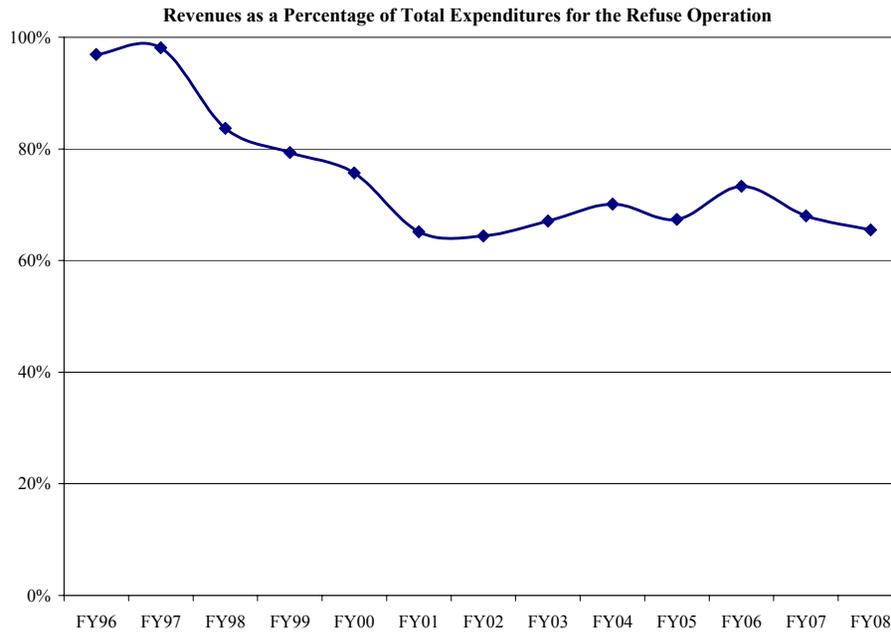
REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE	
						\$	%
Motor Vehicle Excise	5,314,315	5,468,444	5,250,000	5,250,000	5,350,000	100,000	1.9%

**REFUSE FEE**

For FY08, the Refuse Fee is assumed to remain level at \$165 per annum. This should generate \$2,115,000 from residential collections and \$35,000 from commercial collections, for a total of \$2.15 million. The Residential Refuse Fee was first instituted in FY89 when the Town was faced with a 300% increase in refuse disposal costs. The fee was set at \$150 per dwelling unit and has changed since then as follows:

FY89-FY91	FY92	FY93-FY94	FY95-FY07	FY08 est.
\$150	\$175	\$200	\$165	\$165

The Proposition 2 1/2 override of 1994 included restoring a portion of the fee back to the tax levy. The amount of \$460,000 was added to the override and reduced from refuse fee revenue, resulting in a fee reduction from \$200 to \$165. The fee revenue covers approximately two-thirds of the service costs. The below left graph shows how the level of expenses covered by the refuse fee has declined since 1996, meaning the property tax subsidy has increased.

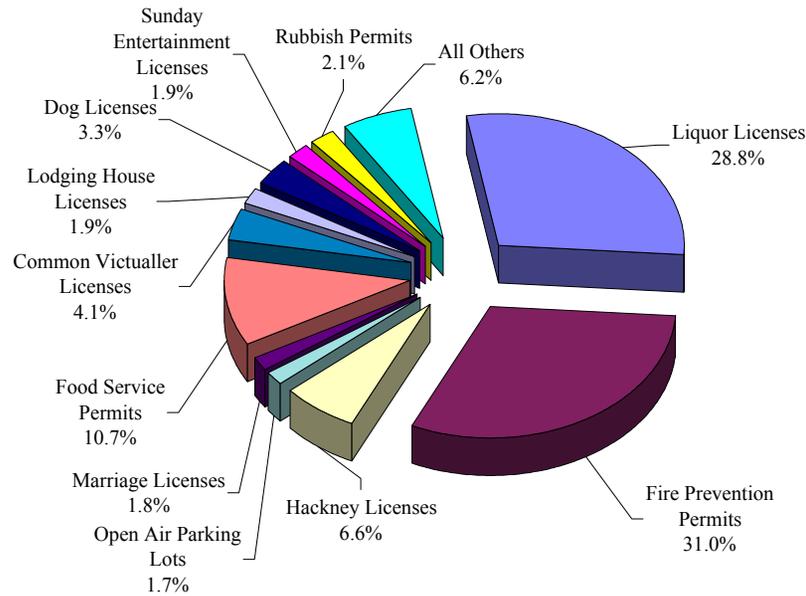


REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE	
						\$	%
Refuse Fee	2,164,841	2,257,936	2,100,000	2,150,000	2,150,000	50,000	2.4%

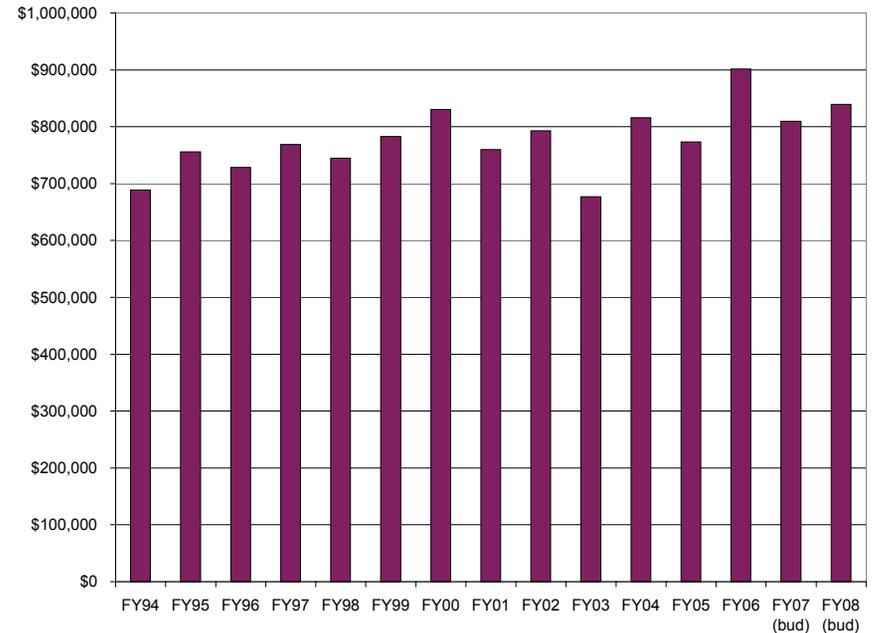
LICENSES AND PERMITS

The majority of the revenue from Licenses and Permits is derived from fire prevention permits, liquor licenses, and licenses from a variety of food establishments. For FY08, revenues from this category are expected to total \$839,300, an increase \$29,800 (3.7%) from FY07 levels. Of the increase, \$11,100 is due to an increase in the estimate for Massage permits, which is under the "All Others" category.

FY08 LICENSES/PERMITS REVENUE



LICENSES & PERMITS REVENUE

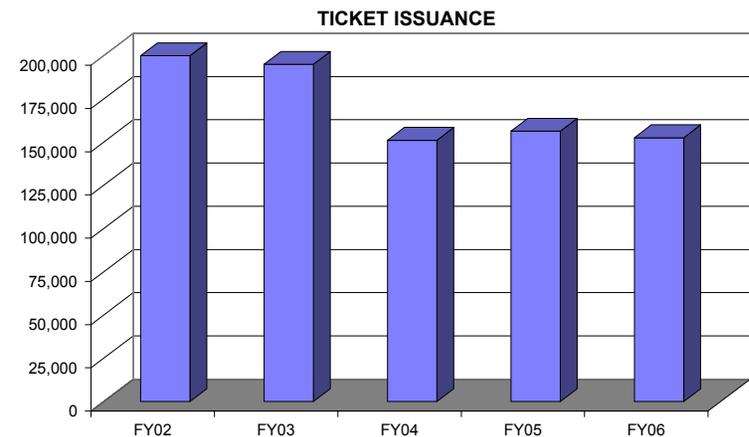
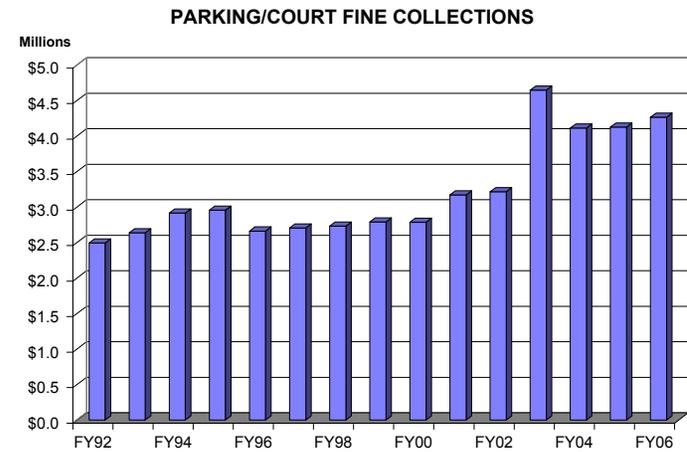


REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Liquor Licenses	249,670	267,065	241,500	241,500	241,500	0	0.0%
Fire Prevention Permits	175,650	287,246	260,000	260,000	260,000	0	0.0%
Hackney Licenses	53,082	53,500	55,000	55,000	55,000	0	0.0%
Open Air Parking Lots	14,565	14,465	12,000	14,000	14,000	2,000	16.7%
Marriage Licenses	19,095	15,390	15,000	15,000	15,000	0	0.0%
Food Service Permits	91,752	93,400	82,000	90,000	90,000	8,000	9.8%
Common Victualler Licenses	33,950	34,850	32,000	34,000	34,000	2,000	6.3%
Lodging House Licenses	15,670	16,170	16,500	16,000	16,000	(500)	-3.0%
Dog Licenses	29,476	29,157	25,500	28,000	28,000	2,500	9.8%
Sunday Entertainment Licenses	19,375	16,875	15,000	16,000	16,000	1,000	6.7%
Rubbish Permits	17,350	19,820	17,100	17,500	17,500	400	2.3%
All Others	53,573	53,703	37,900	52,300	52,300	14,400	38.0%
<b>Totals</b>	<b>773,208</b>	<b>901,641</b>	<b>809,500</b>	<b>839,300</b>	<b>839,300</b>	<b>29,800</b>	<b>3.7%</b>

**PARKING AND COURT FINES**

Parking and Court Fines are the second largest local receipt of the Town. Approximately two-thirds of the revenue is derived from parking tickets for expired meters and violation of the Town's overnight parking ban. In September of 2002, the Board of Selectmen increased the fines for certain parking violations. This was made possible by the passage of Home Rule legislation, approved by the 2001 Annual Town Meeting and signed into law in November, 2001 after approval by the Legislature and Governor. This legislation allowed the Board of Selectmen to raise parking violations to a maximum of \$50. The adopted fine schedule is found below.

<u>FINE</u>	<u>OLD FINE</u>	<u>AS OF SEPT. 2002</u>	<u>CHANGE</u>
Overnight Permit Parking Violation	\$25	\$30	\$5
Parking Within an Intersection	\$15	\$25	\$10
Stopping Violation	\$15	\$25	\$10
Bus or Trolley Stop	\$15	\$25	\$10
Loading Zone	\$15	\$25	\$10
No Parking/Restricted Area	\$15	\$25	\$10
Upon a Sidewalk	\$15	\$25	\$10
Crosswalk	\$15	\$25	\$10
On-Street Overnight Parking Violation	\$15	\$30	\$15
Off-Street Overnight Parking Violation	\$15	\$30	\$15
Taxi Cab Stand	\$15	\$25	\$10
Meter Overtime	\$15	\$25	\$10
Within 20 Feet of an Intersection	\$15	\$25	\$10
In Excess of Posted Time Limit	\$15	\$25	\$10
Standing Violation	\$15	\$25	\$10
Meter Fee Unpaid (5 or 10 Hour Meter)	\$15	\$25	\$10
Meter Space Violation	\$15	\$25	\$10
Meter Fee Unpaid (1, 2, or 3 Hour Meter)	\$15	\$25	\$10



While there is a significantly higher amount of parking fine revenue being collected than prior to the fine increase (the \$3.9 million estimate is \$1.2 million, or nearly 50%, higher than the average annual collections prior to the fine increase), there has been a decrease since the FY03 peak. In FY04, there were 44,000 fewer tickets written, resulting in a decrease of \$533,000. In FY06, the number of tickets issued decreased by 3,700 (2.4%) to 153,000. The graph to the above right shows fine revenue since FY92 while the graph immediately to the right shows the number of tickets issued annually.

Through the first half of FY07, there was a 6% decrease in the number of tickets issued. As a result, the estimate for FY07 has been reduced to \$3.9 million. That amount is carried forward to FY08, resulting in a decrease of \$100,000, or 2.5%.

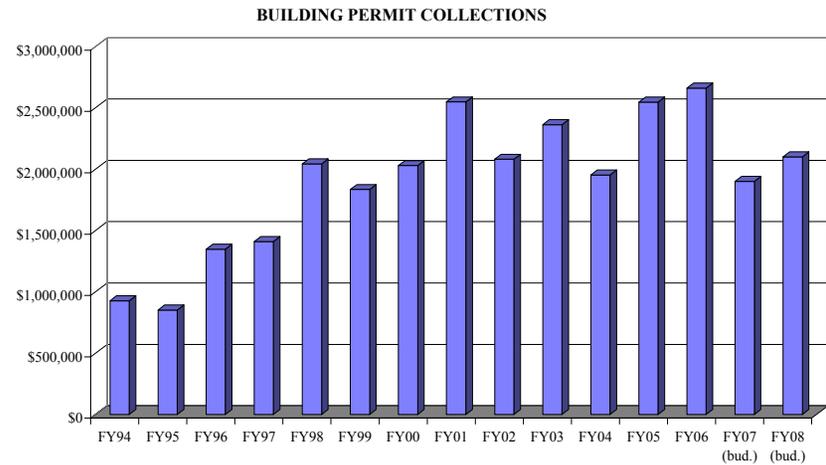
REVENUE SOURCE	FY2005 <u>ACTUAL</u>	FY2006 <u>ACTUAL</u>	FY2007 <u>BUDGET</u>	FY2007 <u>ESTIMATE</u>	FY2008 <u>BUDGET</u>	<u>BUDGET INCREASE</u>	
						\$	%
Parking and Court Fines	4,127,095	4,263,962	4,000,000	3,900,000	3,900,000	(100,000)	-2.5%

**GENERAL GOVERNMENT**

Revenues derived from this category are expected to increase over the amount budgeted for FY07 by \$392,500 (14.1%) due primarily to Building Permits, which are estimated to increase \$400,000 (21.1%). As shown in the graph below, Building Permit collections remained relatively flat in FY94 and FY95 due to the economic climate. A sharp increase was realized in FY96, and construction demand continued to escalate from FY97 through FY01. In FY02, a sizeable decrease was realized (\$467,000, 18%), an indication of the weakened economy. While there was an increase in FY03 (\$280,000, 14%), it proved to be a one-year blip, as the amount collected during FY04 was significantly less than in FY03 (\$410,000 less, or 17%). In FY05, it realized a sizeable increase, followed by a small increase in FY06. This is all proof of the volatile nature of this revenue source. The estimate for FY08 is \$2.3 million, an increase of \$400,000, or 21.1%.

Collector's Fees, which consist primarily of Municipal Lien Certificates (MLC's) and Tailings, are expected to decrease \$10,000 (6.3%) while Town Clerk Fees, including fees for records and certified copies, are also expected to decrease \$10,000 (11.8%). The Property Rental payments decrease since the ground lease agreement between the Town and the developer of Parcel B-2B has expired. The only rental revenue coming to the Town now is the \$7,000 paid by the Town's ambulance provider for space at Fire Station #7.

The Medicare Part D Subsidy is an outcome of the Medicare Prescription Drug Improvement and Modernization Act of 2003, which added a prescription drug coverage component for seniors. The subsidy serves as an incentive for those employers that currently offer prescription drug coverage to its retirees to continue to offer the coverage. In order to qualify for the subsidy, an employer sponsored drug plan must demonstrate that it offers benefits at least as generous as the standard Part D benefits by satisfying an actuarial equivalence test. The Town meets this requirement. The estimate for FY08 is \$390,000, an increase of \$15,000 (4%).



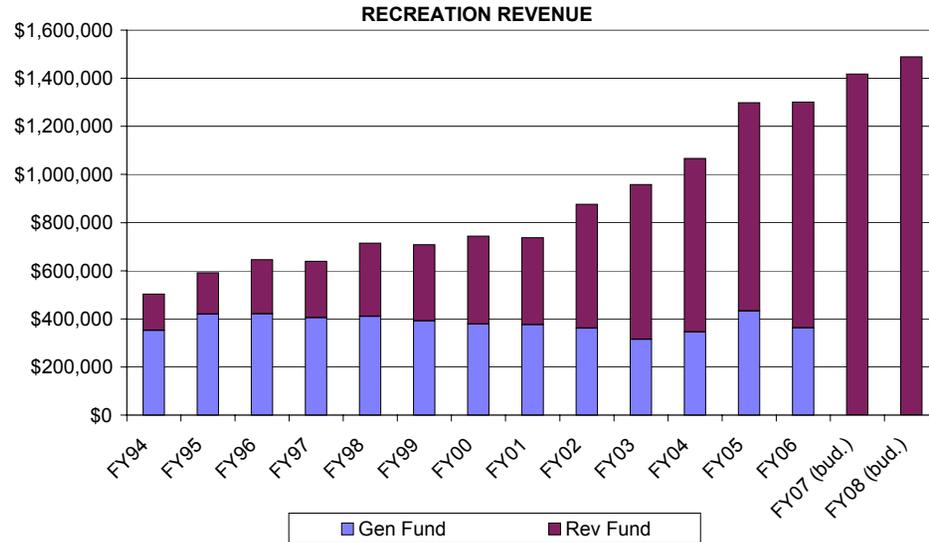
Legal Damage Recovery revenue results from certain legal actions undertaken by the Town. The amounts collected vary greatly year to year because they are derived from unpredictable events that are the basis for the Town's recoveries. Plan Design Review fees are charged by the Building Department when a project requires approval from the Zoning Board of Appeals (ZBA). That budget is increased \$5,000 (11.1%) for FY08. The Benefits Reimbursement item consists primarily of reimbursements from the School Department for employees who have benefits and are paid from special revenue funds, in addition to COBRA fees and reimbursements for those Town employees paid for from CDBG funds. That budget is increased \$8,000 (5.8%). The All Others category is comprised of Board of Appeals fees, fees for copying documents of various departments, and many one-time reimbursements for miscellaneous expenditures. The budget for those are increased \$7,500 (17.6%) for FY08.

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Building Permits and Inspections	2,630,566	2,660,513	1,900,000	2,400,000	2,300,000	400,000	21.1%
Legal Damage Recovery	0	631,477	5,000	5,000	5,000	0	0.0%
Town Clerk's Fees	88,555	75,568	85,000	75,000	75,000	(10,000)	-11.8%
Collector's Fees	336,618	187,709	160,000	150,000	150,000	(10,000)	-6.3%
Plan Design Review	55,475	57,785	45,000	50,000	50,000	5,000	11.1%
Property Rental Payments	37,000	37,000	30,000	7,000	7,000	(23,000)	-76.7%
Medicare Part D Subsidy	0	0	375,000	375,000	390,000	15,000	4.0%
Benefits Reimbursement	61,167	155,033	137,000	137,000	145,000	8,000	5.8%
All Others	202,126	106,853	42,500	592,500	50,000	7,500	17.6%
<b>Totals</b>	<b>3,411,507</b>	<b>3,911,939</b>	<b>2,779,500</b>	<b>3,791,500</b>	<b>3,172,000</b>	<b>392,500</b>	<b>14.1%</b>

**RECREATION**

The Recreation Department charges user fees for its programs in order to generate revenue and cover costs associated with those programs. Prior to FY07, the Department's revenue was either deposited in the General Fund or in the Recreation Revolving Fund. Commencing in FY07, all Recreation Department revenue is deposited in the Revolving Fund. This was made possible by the passage of Chapter 79 of the Acts of 2005, which enabled the Town to have a revolving fund revenue ceiling equal to 2 1/2% of the property tax levy as opposed to the 1% ceiling imposed by Chapter 44, Sec. 53E1/2 of Massachusetts General Laws. See page III-36 for a description of the Recreation Department's Revolving Fund.

The Recreation Department is also responsible for the operation of the Town-owned "Brookline Golf Club at Putterham" municipal golf course. Please see the Enterprise Fund piece of this Revenue Section (page III-35), as well as the expenditure breakdown of the Enterprise Fund in the Recreation Department's budget in Section IV of this Financial Plan.



REVENUE SOURCE	FY2005 <u>ACTUAL</u>	FY2006 <u>ACTUAL</u>	FY2007 <u>BUDGET</u>	FY2007 <u>ESTIMATE</u>	FY2008 <u>BUDGET</u>	BUDGET INCREASE	
						\$	%
Swimming	98,553	93,770	0	0	0	0	0
Summer Day Camps	243,778	157,354	0	0	0	0	0
Tennis	29,267	26,893	0	0	0	0	0
Physical Education Facility	2,546	3,148	0	0	0	0	0
Skating	30,266	33,066	0	0	0	0	0
Picnic Charges	22,395	33,120	0	0	0	0	0
Other	6,110	15,095	0	0	0	0	0
Totals	432,915	362,446	0	0	0	0	0

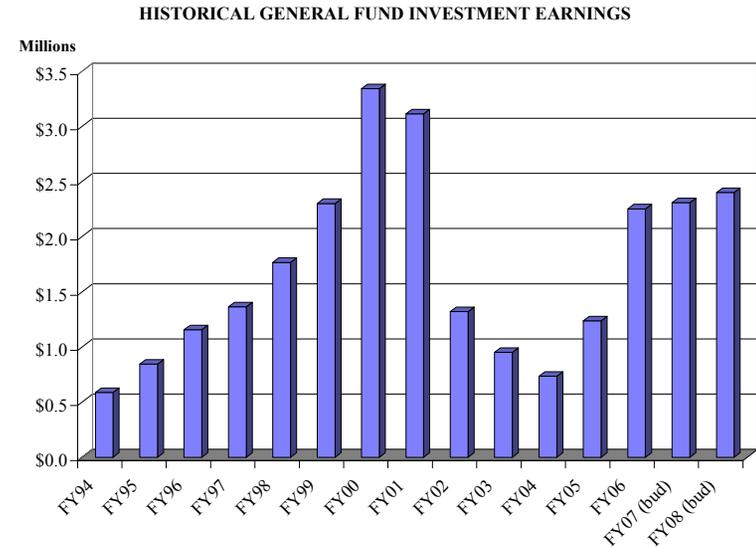
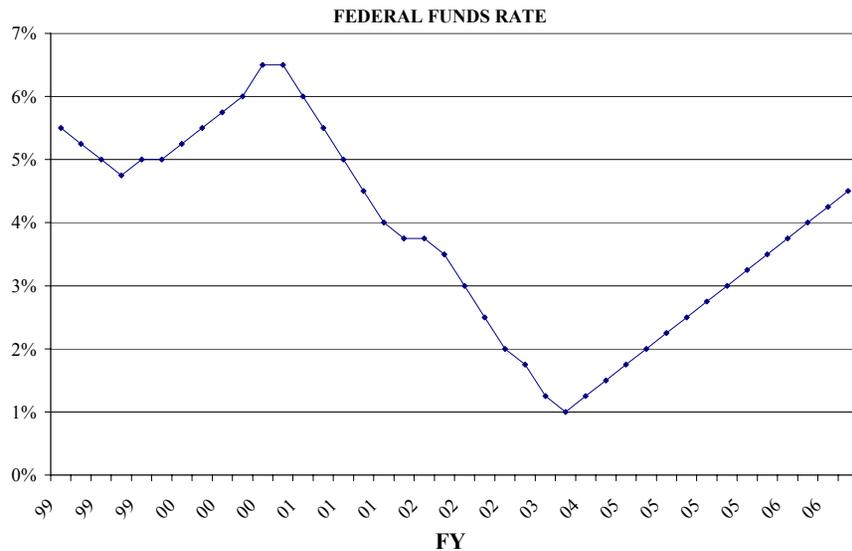
**INTEREST INCOME**

The Town Treasurer regularly invests any cash not required for current disbursements. The interest earned from these investments is credited to the Interest Income account. The amount of investment income earned in any given year is dependent upon a number of variables, the most important of which are:

1. Market interest rates
2. Available cash balances
3. Anticipated cash flows
4. Cash management policies and practices

Investment income accounted for more than 85% of the interest income earned in FY06. The other significant source of interest is from payments made by delinquent taxpayers.

The estimate for interest earned on investments for FY08 is \$2.4 million, which represents an increase of \$93,071 (4%). Between January, 2001 and June, 2003, the Federal Reserve lowered the Federal Funds Rate 13 times, from 6.5% to 1%. Since funds available for investment in FY04 were earning approximately 1% (compared to 5% - 6.5% in FY00; 3.75% - 6.5% in FY01; 1.75% - 3.75% in FY02; and 1% - 1.25% in FY03), actual earnings were well below the levels realized during FY's 00-02. From FY00 to FY04, there was a drop of \$2.6 million, or 78%. Since June, 2004, the Federal Reserve has increased rates 17 times, bringing the rate to 5.25%. Therefore, the estimate for interest on investments for FY08 can be increased. The two graphs below show the drop and subsequent increase in the Federal Funds rate (left) and the historical Investment Income earnings (right).



The amount budgeted in FY08 for interest earned from delinquent taxpayers is increased \$9,000 (2.9%) to \$319,000.

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ESTIMATE</u>	<u>BUDGET</u>	\$	%
Interest Income	1,236,663	2,251,178	2,306,929	2,600,000	2,400,000	93,071	4.0%
Delinquent Tax Interest	<u>381,018</u>	<u>333,858</u>	<u>310,000</u>	<u>310,000</u>	<u>319,000</u>	<u>9,000</u>	<u>2.9%</u>
Totals	1,617,681	2,585,036	2,616,929	2,910,000	2,719,000	102,071	3.9%

**PAYMENTS IN LIEU OF TAXES**

Payments In lieu of Taxes (PILOTs) are made to the Town by the Brookline Housing Authority (BHA) and corporations that have entered into a State authorized agreement, known as Chapter 121A agreements. Under the provisions of Chapter 121A, a community may enter into an agreement with a developer, under certain conditions, to pay a percentage of their income from a project rather than pay property taxes. The Town has agreements on two Chapter 121A properties that call for payments of a percentage of gross income varying from 10% to 16.5%. This payment is subject to a minimum and maximum amount set by state law. The minimum payment is \$10.00 per thousand of property value, plus 5% of gross income for the project. A portion of the minimum payment is considered an excise tax and is paid to the State and then turned over to the Town. The difference between the excise tax portion and the total payment (based on 10% to 16.5% of gross income) is directly billed and collected by the Town. The Ch. 121A agreements, along with their estimated FY08 PILOT payment, are as follows: \$110,000 for 1371 Beacon St. (Beacon Park Associates) and \$410,000 for 55 Village Way, for a total of \$520,000.

Total in lieu of tax payments are estimated to yield \$648,800 for FY08, a decrease of \$30,500 (4.5%). The decline between FY07 and FY08 is the result of the renegotiated PILOT agreement with the BHA. There had been a longstanding agreement with the BHA to base a major portion of the Housing Authority's payment upon a percentage of its expenses. During FY05, the Town and BHA concluded negotiations to adjust the PILOT down to the levels that other communities receive for state-subsidized housing units.

The "Other" category of PILOT payments are miscellaneous agreements the Board of Assessors has entered into with some non-profits in Brookline that are tax-exempt. The PILOT agreement with these non-profits is to cover the cost of public safety services.



REVENUE SOURCE	FY2005 <u>ACTUAL</u>	FY2006 <u>ACTUAL</u>	FY2007 <u>BUDGET</u>	FY2007 <u>ESTIMATE</u>	FY2008 <u>BUDGET</u>	BUDGET INCREASE	
						\$	%
Chapter 121A Projects	777,573	608,406	520,000	520,000	520,000	0	0.0%
Brookline Housing Authority	176,120	129,805	133,800	133,800	103,800	(30,000)	-22.4%
Other	55,446	25,148	25,500	25,500	25,000	(500)	-2.0%
Totals	1,009,139	763,359	679,300	679,300	648,800	(30,500)	-4.5%

**DEPARTMENTAL AND OTHER**

All other local receipt sources combined are expected to total \$2.4 million, an amount that is \$166,000 (7.4%) above the FY07 budgeted amount. This is due to four revenue sources:

1. Hotel/Motel Excise - this revenue source is a 4% tax on gross receipts from room rentals of hotels and motels. It is estimated to increase \$80,000 (11.9%) to \$750,000, an amount that includes the excise taxes from both hotels in town.
2. Cable Television Franchise Fee - this is a 3% tax on the gross receipts of the local cable television companies. It is estimated to increase \$55,000 (13.3%) to \$470,000 because of previous experience and the fact that the fee is based upon gross receipts of the companies.
3. Parking Fees - these fees include revenues from overnight parking permits, municipal parking space rentals, and rental vehicle lease surcharges. They are expected to increase \$16,000 (4.9%) to \$345,500.
4. Library - these consist of overdue fines and miscellaneous fees and are increased \$15,000 (15.8%) to \$110,000.

The remaining revenue sources in this category are:

- Public Safety Fees - these include Towing Fees and Firearms Licenses and are increased \$2,000 (2.1%) to \$97,000.
- Health and Sanitation - these fees, which include Tobacco and Asbestos Fees, are collected by the Health Department. They are level-funded at \$50,000.
- Public Works Fees - these consist primarily of street cutting permits, which are expected to decline in FY08.
- Recycling - this comes from the Town's recycling contract. Entered into in September of 2005, the contract guarantees the Town a minimum of \$10 per ton for recycled paper. Based upon the historical tonnage and the price received for paper, the FY08 estimate is \$108,000.
- Credit Card Convenience Fees - this is derived from the \$2 convenience fee charged to users of the On-Line Parking Ticket Payment application. (The \$2 fee is added to the fine amount in an effort to fully recover the costs of the application.) This is level-funded at \$45,000.
- Schools (Medicaid Reimbursement) - this is the Federal Medicaid reimbursement for medical services provided to qualified Brookline special education students. It is level-funded at \$215,000.
- Detail Surcharge - this represents the 10% surcharge imposed on private police detail rates, the maximum percentage allowed under Massachusetts General Law, Chapter 44, Section 53C. It is level-funded at \$135,000.
- Pension Reimbursement - this includes the annual reimbursement from the State for cost of living adjustments (COLA's) for Brookline's non-contributory retirees, along with reimbursements from other Massachusetts pension systems for retirees who worked in other municipalities at some time during their career. As the number of non-contributory retirees declines, so too will the reimbursement. An overpayment by the State for the past several years will result in this category being reduced to \$0 for the next few years.

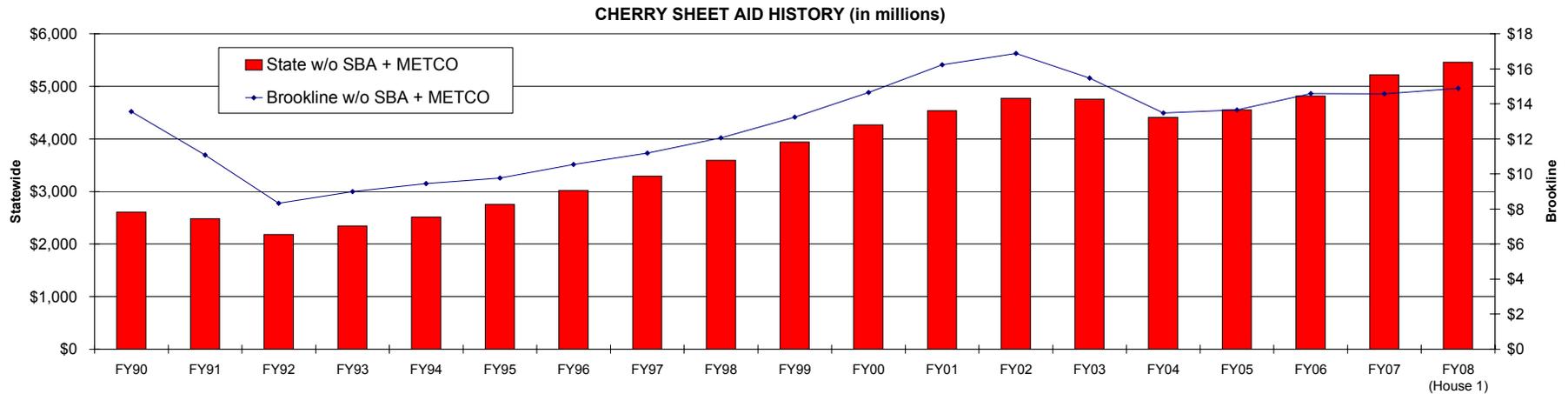
REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Public Safety	80,272	103,209	95,000	97,000	97,000	2,000	2.1%
Health and Sanitation	57,577	51,166	50,000	50,000	50,000	0	0.0%
Public Works	96,569	85,801	84,500	82,500	82,500	(2,000)	-2.4%
Recycling	0	135,949	108,000	140,000	108,000	0	0.0%
Parking Fees	418,872	359,060	329,500	345,500	345,500	16,000	4.9%
Credit Card Convenience Fees	32,250	39,310	45,000	45,000	45,000	0	0.0%
Schools (Medicaid Reimbursement)	321,697	234,346	215,000	215,000	215,000	0	0.0%
Library	112,900	116,919	95,000	110,000	110,000	15,000	15.8%
Detail Surcharges	126,192	131,909	135,000	135,000	135,000	0	0.0%
Hotel/Motel Excise	681,127	732,178	670,000	750,000	750,000	80,000	11.9%
Cable TV Franchise	433,027	471,069	415,000	415,000	470,000	55,000	13.3%
Pension Reimbursement	18,441	10,430	0	0	0	0	=
Totals	2,378,923	2,471,346	2,242,000	2,385,000	2,408,000	166,000	7.4%

**STATE AID SUMMARY**

Since the passage of Proposition 2 1/2, municipalities have been dependent upon the State to provide an equitable share of all growth tax revenues. (Growth taxes include income, sales, and corporate taxes.) Since the intergovernmental relationship between municipalities and the State is a vital component of service delivery for cities and towns, any reductions in local aid inevitably leads to service cuts at the local level. This is especially true in Massachusetts, where the only local tax revenue is property tax; no local sales or income taxes are allowed under current law. Therefore, it is important that the State and municipalities work toward an equitable distribution of state revenue.

After sustaining major cuts in the early-1990's, local aid began to increase significantly in FY94 when the Legislature adopted a major Education Reform bill. Another source of the increase was Lottery revenue, which began in FY93 when the cap on disbursements back to municipalities was phased out. (The cap was put into effect in the early-1990's to help balance the State budget.) Two other significant sources of increased revenue for cities and towns from the State have been School Building Assistance (SBA) reimbursements for eligible school building projects and the Police Education Incentive (Quinn Bill) reimbursement.

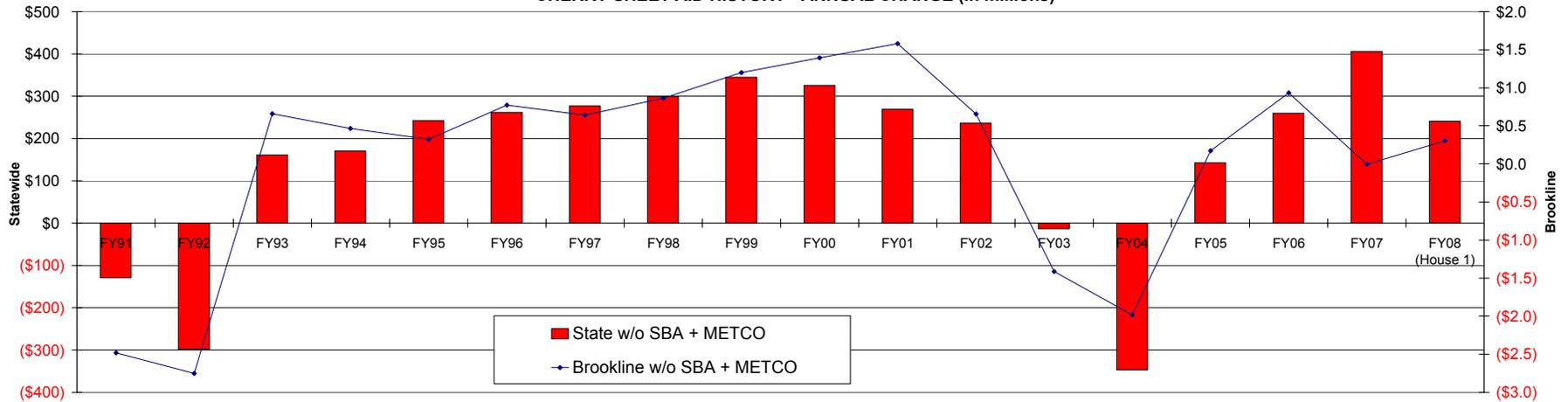
Unfortunately, local aid started being reduced in FY03, both for Cherry Sheet programs (e.g., Education Aid, Additional Assistance, Lottery) and discretionary grant programs (e.g., Kindergarten Grants, MCAS Assistance, Early Literacy Grants, MWRA Debt Assistance, DARE). The cuts came as the State grappled with consecutive multi-billion dollar deficits. At the beginning of FY02, Cherry Sheet aid totaled \$5.14 billion; by FY04, it had been reduced by more than 6% (\$327.9 million) to \$4.81 billion. For Brookline, over this same period, Cherry Sheet aid was cut by 15% (\$2.9 million) to \$17.1 million. The final FY05 state budget increased state aid by \$142.3 million (3%), but Brookline's state aid increased by less than one-half of 1% (\$44,000). FY06 saw the State begin restoring some of the cuts it imposed in FY03 and FY04: statewide, local aid increased \$253 million (5.6%) and for Brookline, the increase was \$934,000 (5.5%). In FY07, there was another increase of \$424 million (8.8%) statewide, \$1.2 million (8.6%) for Brookline. These figures are reflected in the graph below. The graph on the following page shows, in millions of dollars, the annual increase or decrease in gross Cherry Sheet aid since FY90.



\* The State moved School Building Assistance (SBA) funding "off-budget" in FY06 and METCO off of the Cherry Sheet in FY07, so they are removed from all other years for a more accurate comparison.

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
General Government Aid	7,870,316	7,987,902	8,643,465	8,643,465	8,650,682	7,217	0.1%
School Aid	4,922,047	5,214,247	5,789,916	5,789,916	6,090,116	300,200	5.2%
School Construction Aid	3,442,794	3,442,794	3,442,794	3,442,794	3,442,794	0	0.0%
Tax Exemptions	27,693	26,427	27,191	27,191	26,427	(764)	-2.8%
Education Offset Items	1,157,237	1,280,287	117,738	117,738	116,835	(903)	-0.8%
Totals	17,420,087	17,951,657	18,021,104	18,021,104	18,326,854	305,750	1.7%

CHERRY SHEET AID HISTORY - ANNUAL CHANGE (in millions)



\* The State moved School Building Assistance (SBA) funding "off-budget" in FY06 and METCO off of the Cherry Sheet in FY07, so they are removed from all other years for a more accurate comparison.

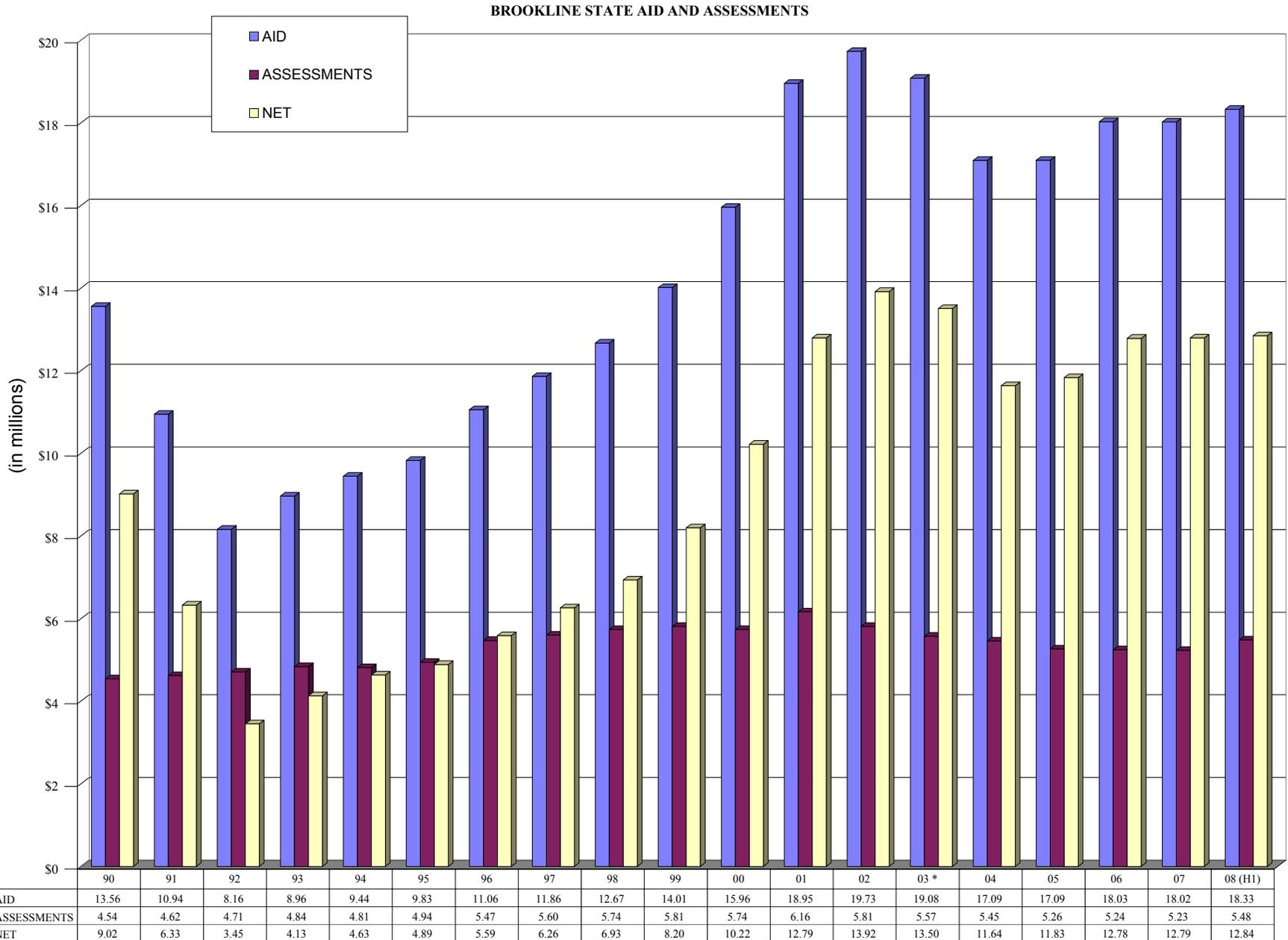
As previously stated, the State began to cut back its allocations to municipalities due to its own budget crises, placing an added burden on municipalities and the property tax in these tight financial times. Between FY02 and FY05, the following cuts were made:

- **Lottery proceeds** -- \$116.7 million (15%)
- **Additional Assistance** -- \$97.8 million (20.5%)
- **School Transportation** -- \$57.5 million (100%)
- **Ch. 70 Education Aid** -- \$29.5 million (0.9%)
- **Class Size Reduction** -- \$18 million (100%)
- **Ch. 81 Highway Fund** -- \$10.9 million (100%). [In FY01, this account totaled \$43.5 million.]

In addition to these Cherry Sheet accounts, other local aid accounts that are not found on the Cherry Sheet (i.e., grants) realized large cuts, including tobacco tax funded programs (e.g., health education and school nurses), MCAS Support grants, Early Childhood grants, Educational Technology grants, Kindergarten Expansion grants, Early Literacy grants, Community Partnership grants, and the DARE and SAFE programs. Another large cut that had an immediate and dramatic impact on those municipalities served by the MWRA, of which Brookline is one, was the nearly \$50 million reduction in Debt Assistance for the MWRA, which provided rate relief for ratepayers. In Brookline's case, the level of cutbacks was severe: \$2.8 million, or 15%, from the "Big Three" local aid accounts (Additional Assistance, Chapter 70 Education Aid, and Lottery) alone. In addition, grants were cut, all of the Ch. 81 Highway money was lost, and all of the School Transportation funding was cut.

The Governor's FY08 budget proposal, referred to as House 1, increases total Cherry Sheet aid by \$240.9 million (4.6%). For Brookline, this translates into a \$305,750 (1.7%) increase. The majority of the growth comes from the proposal to increase Ch. 70 funding statewide by \$200 million (5.7%), of which Brookline receives \$300,200, representing a 5.2% increase. The \$200 million increase is the amount required to (a) bring all districts up to the foundation budget and (b) provide minimum-aid communities, of which Brookline is one, \$50 per pupil. The Governor also proposes increasing the amount of Lottery proceeds sent back to cities and towns by \$15 million (1.6%). This yields \$58,304 (a 1.3% increase) for Brookline, bringing the FY08 amount to \$4.4 million. On the negative side, the State's statewide reimbursement for Quinn (educational incentive for police officers) is level-funded, which results in a loss of \$53,166 (7%) for Brookline. That loss is compounded by the fact that the Town's costs have grown and an increase in FY08 was expected.

When increases in State Assessments are included, the Net State Aid increase for FY08 is just \$54,425 (0.4%). The chart on the next page shows Brookline's total state aid amounts since FY90, as well as state assessments and net state aid for the same period.



\* The FY03 State Aid figure reflects the \$756,647 mid-year cut announced by Governor on January 30, 2003.

**ADDITIONAL ASSISTANCE**

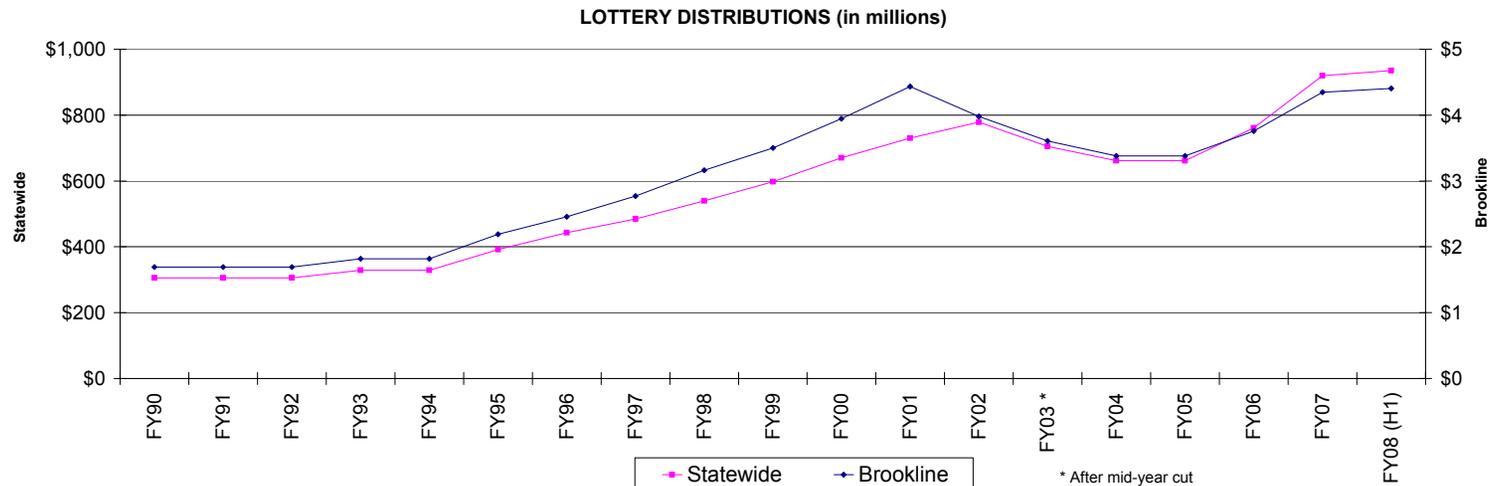
Additional Assistance is intended to provide flexible unrestricted aid to towns. In the 1980's, the Legislature adopted a needs-based formula to allocate the then-new Resolution Aid. Prior to the Education Reform Act of 1993, additional aid was the difference between School Chapter 70 aid and the needs-based Resolution Aid. After the Education Reform Act of 1993 was enacted, Additional Assistance became a static Cherry Sheet program, but nonetheless, considered a critical component of the "base aid" for the 159 eligible cities and towns.

In FY's 89 and 90, Additional Assistance was funded statewide at \$765 million. For Brookline, this meant \$6.9 million. Between FY90 and FY92, the State cut this account by \$288.7 million (37.7%) to \$476.3 million. For Brookline, the result was a reduction of \$2.5 million to \$4.4 million (36.2%). For FY's 93-02, additional assistance was level-funded at the FY92 level. This changed in FY03, when the final state budget cut Additional Assistance by \$31 million (6.5%), resulting in a loss of \$286,459 for Brookline. The mid-year state aid cuts imposed by the Governor on January 30, 2003 resulted in a further reduction in Additional Assistance of \$41.6 million statewide, resulting in an additional loss of \$384,751 for Brookline. The FY04 appropriation was further reduced by \$25.2 million statewide, or \$232,497 for Brookline. When taken together, the cuts since FY02 total \$97.8M statewide and \$903,707 for Brookline. The Governor's FY08 budget proposal level-funds Additional Assistance at \$378.5 million statewide. Therefore, \$3.5 million is budgeted.

**LOTTERY**

Proceeds from the State Lottery, net of prizes and expenses, are intended to be distributed to cities and towns through a formula that is meant to be "equalizing", which means that communities with lower property values receive proportionately more aid than communities with higher values. The formula is based on population and Equalized Property Valuations (EQV), shown below:

$$\text{LOTTERY AID} = (\text{State Wide EQV Per Capita} / \text{Local EQV Per Capita}) \times \$10 \text{ per Capita}$$



REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Additional Assistance	3,497,741	3,497,741	3,497,741	3,497,741	3,497,741	0	0.0%
Lottery	3,380,871	3,756,449	4,345,694	4,345,694	4,403,998	58,304	1.3%
One-Time Municipal Relief	293,731	0	0	0	0	0	-
Veteran's Benefits	53,448	70,618	45,376	45,376	47,455	2,079	4.6%
Police Career Incentive	644,525	663,094	754,654	754,654	701,488	(53,166)	-7.0%
Totals	7,870,316	7,987,902	8,643,465	8,643,465	8,650,682	7,217	0.1%

**LOTTERY (con't.)**

In FY90, the State placed an artificial cap on the distributions to cities and towns and used the balance of the revenues for state budgetary purposes in disregard of the original Lottery enabling legislation. In FY91 and FY92, the Legislature capped the lottery distributions at \$306 million, the FY90 level. For FY93 and FY94, the Legislature increased the distribution by \$23 million to a total of \$329 million. At that point, the "diversion" totaled \$170 million. As a result of increased pressure from local government, the Legislature authorized an additional \$42 million during FY95. They also pledged to continue to add, in the minimum, \$20 million per year for the next four years to restore the previously diverted growth proceeds. This commitment expired with the FY00 distribution, which totaled \$670 million. In FY01, the amount increased to \$730 million and in FY02 it further increased to \$778 million, which was also the FY03 amount. During this period, Brookline's share of lottery proceeds increased 73%, from \$2.3 million to \$3.98 million.

Unfortunately for cities and towns, the State began to cut the level of revenue distributed back to municipalities when the Governor issued his mid-year cuts in January, 2003. The FY04 level of \$661.4 million was \$116.7 million (15%) below the original FY03 budgeted amount. For Brookline, the 15% cut translated into \$596,624. In FY06, this account was increased \$100M (15.1%) to \$761.4 million. For Brookline, it resulted in an increase of \$376K (11.1%) to \$3.76M. This occurred because the final state budget approved a plan to phase-out the diversion over a four-year period: 45% in FY06; 65% in FY07; 85% in FY08; and 100% in FY09. The final FY07 state budget eliminated the four-year phase-in and included full restoration of Lottery proceeds. As a result, statewide funding increased \$158.7 million, or 20.8%. For Brookline, this translated into an increase of \$589,245 (15.7%) to \$4.3 million. In FY08, the statewide appropriation is increased \$15 million (1.6%) to \$935 million, with Brookline's amount increasing \$58,304 (1.3%) to \$4.4 million. These changes are shown in the graph on the preceding page.

**VETERANS' BENEFITS**

Chapter 115, Section 6, provides for reimbursement to communities for amounts expended to assist needy veterans and/or their dependents. Benefits paid out in accordance with state guidelines and approved by the Commissioner of Veterans' Services are reimbursed 75%. Total statewide funding in FY07 was \$14.4 million, an increase of \$607,301, or 4.4%. Brookline's FY07 reimbursement was \$45,376. The Governor's FY08 budget proposal increases statewide funding by \$752,784 (5.2%). Based on the Preliminary Cherry Sheets, Brookline will receive \$47,455, an increase of \$2,079 (4.6%).

**POLICE CAREER INCENTIVE REIMBURSEMENT (QUINN BILL)**

In 1996, Town Meeting accepted the provisions of G.L. Ch. 41, S.108L, which established a police career incentive program. The program encourages police officers to earn degrees in law enforcement and criminal justice through salary increases. Officers are eligible for 10%, 20%, or 25% base salary pay increases for associates, bachelor's, or master's degrees, respectively. The Town pays the full cost of the program and is then reimbursed by the State for 50% of the cost. The Governor's FY08 budget proposal level-funds the statewide appropriation at \$51.2 million. Since the estimated cost to reimburse cities and towns in FY08 is greater than \$51.2 million, level-funding results in a cut to municipalities. Based on the Preliminary Cherry Sheets, Brookline will receive \$701,488, a decrease of \$53,166, or 7%.

**SCHOOL AID - CHAPTER 70**

Chapter 70 Aid was revised in FY94 as a result of the historic enactment of the Education Reform Act of 1993. Education reform was undertaken in an effort to ensure both fair and adequate funding through a universal "foundation budget" formula to establish base spending levels for all of the Commonwealth's public school systems. The law seeks to ensure a constitutionally adequate educational opportunity for all public school students regardless of the property wealth of the community in which they live. Fundamental to the goal of funding equity is the creation of a school finance structure that includes a base spending level that becomes an annual spending target known as the Foundation Budget. Over a seven-year period ending in FY00, through increased state and local funding, all communities were expected to bring their education spending up to the minimum foundation budget level.

Education reform legislation completely revised the previous Chapter 70 formula. The formula is quite complex, comprised primarily of the following components:

- |                                    |                               |                       |                                    |
|------------------------------------|-------------------------------|-----------------------|------------------------------------|
| 1. Foundation Budget               | 2. Net School Spending        | 3. Local Contribution | 4. Standard of Effort              |
| 5. Municipal Revenue Growth Factor | 6. Minimum Local Contribution | 7. Aid Calculations   | 8. Net School Spending Requirement |

Under the provisions of the Act, every school system must meet certain minimum levels of spending. Two key factors are the Standard of Effort, which measures the local contribution toward education, and the Foundation Budget, which measures the minimum amount necessary to provide a quality education on a per pupil basis. These two measures determine which types of aid a community is entitled. They also highlight those communities that need to increase their own contribution.

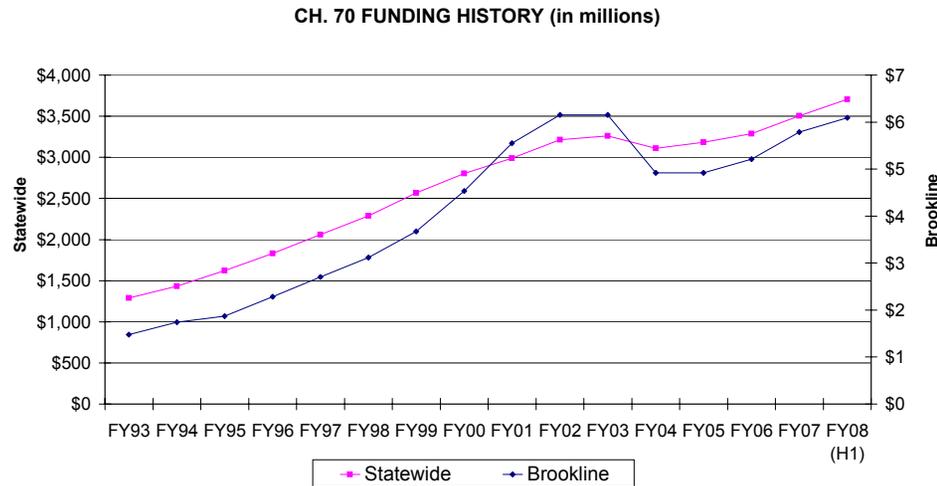
The reform legislation targeted the majority of funds to poorer communities and required them to increase school spending. Communities such as Brookline are considered to be relatively affluent and, therefore, not as needy. Minimum aid communities were originally entitled to a minimum increase of \$25 per student. The Legislature changed this to \$100 per student for FY99, \$150 per student for FY00, and \$175 per student for FY01. While the original formula expired after FY00 and a successor formula was supposed to be developed, no permanent changes have been made to the formula since it expired.

Between FY93 and FY03, the amount of Ch. 70 aid appropriated by the State increased significantly, as the chart on the following page shows. Total funding increased nearly 153%, going from \$1.29 billion in FY93 to \$3.26 billion in FY03. For Brookline, during that same period, funding increased \$4.7 million (316%), going from \$1.48 million to more than \$6 million. In FY03, statewide Ch. 70 funding increased \$45.8 million (1.4%), but only 260 of 361 school districts received any increase. The additional amount was to ensure that spending in all municipal and regional school districts at least reached the "foundation budget" amount and that no school district received less aid in FY03 than it did in FY02. In FY04, total statewide funding was reduced \$147.4 million (4.5%) and was allocated in a manner such that no community fell below "foundation" and no community was cut more than 20%. Brookline's aid was cut the maximum 20% (\$1.2 million). In FY05, it was increased \$72.2 million statewide, the amount needed to keep all communities at foundation, but Brookline received no increase.

In FY06, statewide Ch. 70 funding was increased \$105.6 million (3.3%). For Brookline, the increase was \$292,200 (5.9%), the result of \$50 per pupil being added to the final state budget. In FY07, statewide Ch. 70 funding was increased \$216.6 million (6.6%). In addition, there were changes to the Chapter 70 formula for FY07, including a consolidation of the Foundation Budget into 11 categories, removal of an inflation cap in the Foundation Budget, a slight expansion of the Foundation Budget calculation for non-English-speaking and low-income students, inclusion of an aggregate income factor, a state aid target share floor of 17.5% to be phased in, hold-harmless and \$50 per-student minimum aid provisions, and setting an overall state-local education share (at 59% local – 41% state) for FY07. The Governor's FY08 budget proposal increases funding by \$200 million (5.7%) statewide to \$3.7 billion, the amount required to (a) bring all districts up to the foundation budget and (b) provide minimum-aid communities, of which Brookline is one, \$50 per pupil. It does not, however, allow for the full-funding of the formula used in FY07: it is \$56 million short of that level. For Brookline, the increase is \$300,200 (5.2%).

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ESTIMATE</u>	<u>BUDGET</u>	\$	%
School Aid Chapter 70	4,922,047	5,214,247	5,789,916	5,789,916	6,090,116	300,200	5.2%
School Transportation	0	0	0	0	0	0	-
School Construction Aid	3,442,794	3,442,794	3,442,794	3,442,794	3,442,794	0	0.0%
Totals	8,364,841	8,657,041	9,232,710	9,232,710	9,532,910	300,200	3.3%

The graph below shows the funding history.



**SCHOOL TRANSPORTATION**

Chapter 71, Section 7A, provides for reimbursement of the previous year's costs of transporting students who live more than 1.5 miles from school. Reimbursement is subject to a \$5 deductible per student and is usually pro-rated due to short funding by the State. Section 37D provides for reimbursement of the transportation costs associated with the program for eliminating racial isolation without the 1.5 miles minimum requirement. Chapter 71A, Section 8, and Chapter 71B, Sections 13 and 14, provide for reimbursement of the incremental costs of transportation for bilingual and special needs students without the 1.5 miles minimum requirement. In FY02, total municipal statewide funding was \$55.3 million. In FY03, it was cut 10%. In FY04, all funding was eliminated, resulting in a loss of \$217,681 for the Town. Since then, no funding has been restored.

**SCHOOL CONSTRUCTION AID**

In 2004, the State enacted a major overhaul of the School Building Assistance (SBA) program, which provides for the partial reimbursement of the costs of local school construction projects that involve the renovation or replacement of unsound or unsafe buildings. By the late-1990's, the program began to outstrip the State's ability to finance the program. In FY04, more than \$400 million was appropriated to fund the program, an amount that was more than double the amount required in FY97. (Brookline's share increased nearly \$3 million, or 479%, during the same period). Therefore, on July 1, 2003, the State put in place a moratorium that assured a.) none of the 425 approved projects on the wait list would be funded (one of which was the Lawrence School) and b.) no new projects could be added to the wait list.

An independent state authority was created to operate the new SBA program, which is governed by a seven-member board led by the State Treasurer. An 18-member advisory board has been established, including municipal officials, to provide advice to the new authority. The new law provides an "off budget" revenue stream for future projects after the new project moratorium expires in July, 2007. Using mainly a combination of long-term state-level borrowing and a dedicated portion of the sales tax, the revised SBA program will meet its obligations in full for projects already receiving payments and current wait list projects. Roughly 20% of the sales tax revenues are dedicated to a new special trust fund to finance the State's share of projects. Also, \$150 million from surplus FY04 state revenues was transferred to the new fund. Lastly, \$1 billion in state bonds was authorized to help finance the new SBA program. (The State pays the debt service on those bonds, not the Trust.) For post-moratorium projects, the state's reimbursement rate has been reduced by 10 percentage points. This change will result in an average increase in the local contribution to future school projects of more than 30%.

The new law pays in full the State's share of projects already receiving payments and projects on the current waiting list. Projects already receiving payments will continue to receive annual reimbursement of principal and interest for the rest of the payment period for the project. Projects on the waiting list, including already-built schools and not-yet-started schools, will receive up-front payment of the full state share of principal and interest on temporary borrowing. Municipalities and school districts will borrow only for the local share of any project. Special rules will apply to the few wait list projects for which permanent borrowing has already occurred and to other unusual situations.

**SCHOOL CONSTRUCTION AID (con't.)**

The new law also keeps in place the current moratorium that prohibits review or approval of new projects by the new SBA authority until after July 1, 2007. Reimbursement rates for all post-2007 major construction projects have been reduced by 10 percentage points. The reform legislation cuts the "base rate" for all projects by eight points and eliminates the two incentive points that now apply to projects when a project manager is hired. (Separate construction reform legislation signed by the Governor requires that a project manager be hired for all projects costing more than \$1.5 million.) Separate reimbursement rules apply to racial balance projects. The maximum state reimbursement rate is reduced from 90% to 80%, and the maximum local contribution is increased from 50% to 60%. The law also forbid the new SBA authority from approving new school building cost and size standards needed to design and determine the cost of a project or approve any new regulations before January 1, 2006. The authority promulgated new regulations on September 22, 2006.

While there is much to be desired in the restructured SBA program, including the elimination of the waiting list in 3 1/2 years versus the current 10 - 12 year time frame (which allowed the Town to receive its reimbursement for the Lawrence School in FY06), a dedicated funding stream, and no cuts in subsidy levels for current projects and current waitlist projects, the fact that there will be a reduction in reimbursement rates for future projects means that an outcome of the new law is that municipalities will have to pay more for a school project. It has also become quite evident that the dedicated sales tax will not fund many projects annually. While \$500 million (the estimate for FY08) may sound like a large funding level, based on current construction costs, that would fund a minimal number of school projects.

Since the number of approved projects will be based on strict statutory criteria and funding will be minimal, there has been an impact on the Town's CIP. The FY08 - FY13 CIP, which is detailed in Section VI of this Financial Plan, shows that the Town can afford \$12 million for the Runkle School project and \$25 million for the Devotion School project. Since the current estimates for the two projects are \$24 million (Runkle) and \$50 million (Devotion), the only way the full projects can be undertaken is with SBA assistance. If the SBA rejects the Town's applications, then the projects will be \$12 million for Runkle and \$25 million for Devotion.

Under the new program, the Town will continue to receive payments under the existing schedule, which totals \$3.44 million. That funding supports the following four projects:

1. Lincoln School - beginning in FY96, the Town received the first of 20 annual \$616,287 payments for the State's 61% share of the Lincoln School construction costs.
2. Heath School - beginning in FY00, the Town received the first of 20 annual \$286,161 payments for the State's 61% share of the Heath School project. There has been a change to the reimbursement schedule. For years FY05-FY19, the Town will receive \$122,095 per year. When added to the first five annual payments (FY00-FY04) of \$286,161, the total reflects the State's 61% share of the project.
3. High School - beginning in FY00, the Town received the first of 20 annual \$2,214,516 payments for the State's 61% share of the remodeling of the High School.
4. Baker School - beginning in FY03, the Town received the first of 20 annual \$489,896 payments for the State's 61% share of the Baker School project.

As for the Lawrence School, the Town received 75% of its anticipated reimbursement in FY06, which allowed the Town to pay off a \$7.9 million BAN. The remaining 25% was received in FY07, once the normal auditing process was completed by the State.

**VETERANS/BLIND PERSONS/SURVIVING SPOUSES AND OTHERS**

Chapter 59, Section 5, includes so-called "clause exemptions" that provide property tax exemptions for veterans, blind persons, and surviving spouses and others. Each of these are detailed below:

Veterans - Chapter 59, Section 5, Clauses 22A-22E provide for tax exemptions for veterans that meet certain criteria. The amount of the exemption ranges from \$250 to \$1,500. Chapter 58, Section 8A provides a total tax exemption to paraplegic veterans who have been certified as such by the Veterans Administration. Exemptions that qualify under these provisions are partially reimbursed by the State.

Blind Persons - Chapter 59, Section 5, Clause 37A, which was accepted by the Town, provides for a tax exemption of \$500 for eligible blind persons. The State reimburses the Town \$87.50 for each exemption granted.

Surviving Spouses and Others - Chapter 59, Section 5, Clause 17D, which was accepted by the Town, provides a tax exemption to persons over the age of 70, to minors with a parent deceased, or to widows or widowers. The amount of the exemption is \$175. To be eligible, the person must meet certain requirements, including a provision that his/her total estate does not exceed \$40,000 exclusive of the value of the domicile except so much of the domicile as produces income and exceeds two dwelling units. At the November, 2003 Special Town Meeting, the Town adopted the state statute that allows cities and towns to increase the \$40,000 estate provision annually by a cost of living adjustment (COLA) as determined by the Commissioner of the Department of Revenue (DOR). In FY07, the impact of the COLA increased the estate provision to \$44,211. The State partially reimburses the Town for this exemption.

Total FY07 statewide funding for the above three reimbursements was \$8.4 million. For Brookline, the total was \$25,685. In the Governor's FY08 budget proposal, these are increased \$8.8 million (105%). For Brookline, \$24,921 is estimated, a decrease of \$764 (3%).

**ELDERLY PERSONS**

Chapter 59, Section 5, Clause 41C, provides that a person who has reached his/her 70th birthday prior to the fiscal year for which an exemption is sought, and who owns and occupies property, may qualify for a tax exemption of \$500 from the tax bill. In determining eligibility, gross income of said person for the preceding calendar year must be less than \$13,000, if single, or if married, combined income must be less than \$15,000. In addition, the whole estate, real and personal, less the value of the domicile, except so much of the domicile as produces income and exceeds two dwelling units, cannot exceed \$28,000, if single, or, if married, combined income cannot exceed \$30,000. If the applicant receives Social Security, a deduction is applied to determine income eligibility. At the November, 2003 Special Town Meeting, the Town adopted the state statute that allows cities and towns to increase the income and whole estate provisions annually by a cost of living adjustment as determined by the Commissioner of the Department of Revenue (DOR). In FY07, the impact of the COLA increased the income provision to \$14,368 single / \$16,579 married and increased the asset provision to \$30,947 single / \$33,158 married.

The State determines its reimbursement by dividing the total number of exemptions throughout the State into the total appropriation, which was \$9.9 million in FY07. Brookline's reimbursement entitlement is calculated by multiplying the statewide unit reimbursement by the number of exemptions granted by the Town. In FY07, the reimbursement was \$1,506. In the Governor's FY08 budget proposal, total statewide funding is level-funded at \$9.9 million. For Brookline, the reimbursement is estimated at \$1,506, an amount that represents level-funding.

All of the above exemptions have been doubled annually by Town Meeting in accordance with Chapter 73, Section 4 of the Acts of 1986, as amended by Chapter 126 of the Acts of 1988.

REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE \$\$	%
Veterans/Blind/Surviving Spouse	25,685	24,921	25,685	25,685	24,921	(764)	-3.0%
Elderly Taxpayer	2,008	1,506	1,506	1,506	1,506	0	0.0%
Totals	27,693	26,427	27,191	27,191	26,427	(764)	-2.8%

**CHERRY SHEET OFFSETS**

Cherry Sheet Offsets are amounts that constitute categorical aid and must be spent for specific municipal and regional school district programs. Funds received under programs designated as Offset items may be spent without appropriation in the local budget. The School Department reserves the Lunch Program funds for direct expenditure while the Library does the same with the Public Libraries appropriation. The School Department expends the Lunch Programs monies above and beyond the appropriated budget while the Library uses the funds to augment the Town's appropriation. Statewide FY07 funding totaled \$14.7 million. The Governor's FY08 budget proposal totals \$14.8 million, an increase of \$92,898 (0.6%). For Brookline, the FY08 funding is estimated at \$116,835, a decrease of \$903 (0.8%).

**LUNCH PROGRAMS**

Under Chapter 871 of the Acts of 1970, the State reimburses cities and towns a small portion of the costs of providing breakfasts and lunches to school children. The majority of funding for the lunch programs comes from the federal government and fees paid by the diners. Commencing in FY93, elderly lunch reimbursements were no longer included on the Cherry Sheet. Statewide FY07 funding totaled \$5.4 million. The Governor's FY08 budget proposal level funds the account. For Brookline, funding is estimated at \$22,427, an increase of \$2,434 (12.2%).

**PUBLIC LIBRARIES**

Public Libraries include three programs: the Library Incentive Grant (LIG), the Municipal Equalization Grant (MEG), and the Non-resident Circulation Offset. The LIG is intended to maintain and promote improved services. The MEG is meant to provide for some equalization amongst communities based upon their relative revenue raising capacities. Non-resident Circulation helps offset costs incurred through permitting non-residents access to the community's library facilities.

Three different funding formulas are used to distribute these funds. The LIG formula provides for \$0.50 per capita to communities who have populations over 2,500 and who have appropriated at least \$1,250 for public library services during the preceding year. The MEG formula is the same as the lottery formula, which is related to a community's comparative wealth and can be found on page III-25. The Non-resident Circulation Offset is determined annually by the (State) Board of Library Commissioners, based upon each community's share of the total statewide-circulated items. Statewide FY07 funding totaled \$9.3 million. The Governor's FY08 budget proposal increases the account by \$92,898 (1%) to \$9.4 million. For Brookline, funding is estimated at \$94,408, a decrease of \$3,337 (3.4%).

Until FY07, the **Racial Imbalance (METCO)** account was considered a Cherry Sheet Offset. In FY07, the Division of Local Services (DLS), in consultation with the Department of Education (DOE), removed METCO from the Cherry Sheet, as they viewed it as a grant that has no impact on the local tax rate setting process. Chapter 76, Section 12A, provides financial assistance to communities that educate children who reside in other towns where a racial imbalance exists. Each school system must submit a plan to the Board of Education that shall include an estimate of the costs associated with its implementation. If the plan is approved by the Board of Education, it enters into an agreement for reimbursement with the school system.

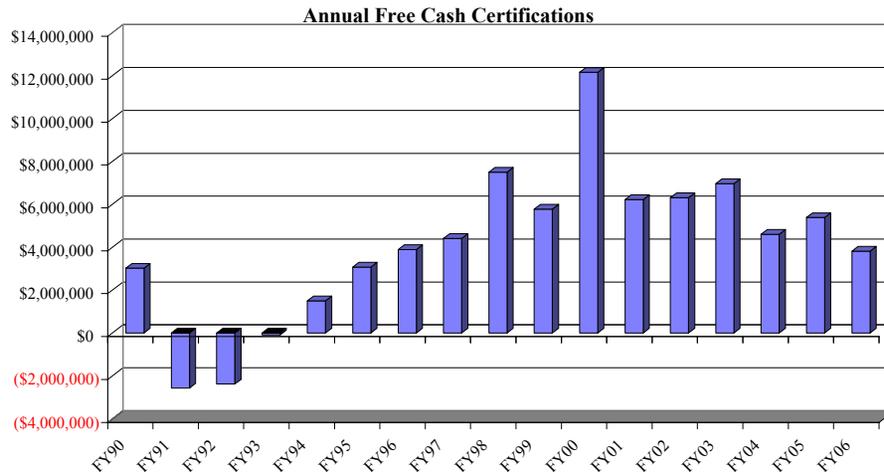
REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Racial Imbalance	1,056,407	1,164,886	0	0	0	0	-
Lunch Programs	17,721	21,742	19,993	19,993	22,427	2,434	12.2%
Public Libraries	83,109	93,659	97,745	97,745	94,408	(3,337)	-3.4%
Totals	1,157,237	1,280,287	117,738	117,738	116,835	(903)	-0.8%

**FREE CASH**

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, or to reduce the tax levy. The Town's Free Cash Policy, which can be found in its entirety in the Appendix of this Financial Plan, states that all Free Cash, after funding reserves at target levels, goes to support the Town's Capital Improvement Program (CIP).

Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/or when actual expenditures are less than appropriated. It is also affected by increases or decreases in uncollected property taxes, non-General Fund deficit balances, and any other legally incurred operating deficits. Massachusetts General Law permits an updated Free Cash determination during the fiscal year. Any community may request the DOR to compute an Adjusted Free Cash based upon their collections, net of refunds, of the previous years' property taxes. The collection period, under normal circumstances, begins July 1, the first day of the new fiscal year, and may not go beyond March 31, or nine months later, except in years when bills are late. Special rules apply to those unusual years.

From FY91 through FY93, Free Cash was certified with negative balances, as can be seen in the graph below. Very tight budgeting and unusually large delinquent tax balances created this situation. This condition began to improve in FY94. Since then, the combination of adopting prudent fiscal policies, more conservative revenue estimates, and the strong economy of the late-1990's have contributed to the favorable levels of Free Cash. The Free Cash certification for funds available for use in FY08 (i.e., Free Cash as of 7/1/06) decreased \$1.57 million (29.2%) to \$3.8 million, the lowest level since FY95.



Due to the difficulty in predicting Free Cash and the need to provide some reserve for potential unforeseen or extraordinary expenses, especially in a tight budgeting environment, the Selectmen have adopted a formal Free Cash appropriation policy. An amount equivalent to 0.25% of the prior year's net revenue (approximately \$420,000) is appropriated for use as part of the Town's operating budget. When combined with the tax-supported portion of the budget reserve, which is an amount equivalent to 0.75% of the prior year's net revenue, the result is a total budget reserve equivalent to 1% of the prior year's net revenue.

The Free Cash balance as of the close of FY06 has been certified at \$3,814,792. After making the following appropriations, \$2,891,385 million is available for capital improvements:

- \$418,778 to the Operating Budget Reserve Fund
- \$254,629 to the Liability/Catastrophe Fund
- \$250,000 to the Worker's Compensation Trust Fund

REVENUE SOURCE	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 BUDGET	FY2007 ESTIMATE	FY2008 BUDGET	BUDGET INCREASE	
						\$	%
Free Cash appropriated for:							
Capital Improvements	5,675,360	3,779,809	4,491,704	4,491,704	2,891,385	(1,600,319)	-35.6%
Operating Budget Reserve Fund	369,076	381,105	398,444	398,444	418,778	20,334	5.1%
Stabilization Fund	246,892	39,004	22,248	22,248	0	(22,248)	-100.0%
Affordable Housing Trust Fund	348,312	0	0	0	0	0	-
Worker's Compensation Trust Fund	153,704	0	250,000	250,000	250,000	0	0.0%
Liability Reserve	172,896	406,616	225,039	225,039	254,629	29,590	13.1%
Totals	6,966,241	4,606,534	5,387,435	5,387,435	3,814,792	(1,572,643)	-29.2%

**OTHER AVAILABLE FUNDS**

Other Available Funds are derived from legally restricted funds and can only be used to offset related appropriations. The anticipated amount available to defray FY08 appropriations is \$8.4 million, a decrease of \$714,324 (8%) from the amount available in FY07. The decrease is the result of the following changes:

1. **Capital Project Surplus** - \$169,155 of remaining balances from existing capital projects is being re-appropriated to support the CIP, a reduction of \$453,884 (72.94%) from FY07.
2. **Water and Sewer Enterprise Fund Reimbursement** - this reimbursement to the General Fund consists of debt service, fringe benefits, and interdepartmental expenses. The 6.7% (\$322,656) decrease is due primarily to decreases in debt service and in the overhead reimbursement.
3. **Tax Abatement Reserve Surplus** - also known as the Overlay Reserve Surplus, the \$100,000 reduction is due to the fact that in FY07, \$950,000 of the \$1.8 million surplus declared by the Board of Assessors was used as part of the FY07 Capital Improvement Program (CIP), and in FY08, the balance (\$850,000) is planned for use in the FY08 CIP.
4. **Parking Meter Receipts** - an increase of \$70,000 (3.6%) is anticipated due to (a) current year collections and (b) the prior year year-end fund balance.
5. **Walnut Hills Cemetery Funds** - these are receipts from the sale of lots and income from the perpetual care fund, which are deposited into separate funds. The transfer from these funds to the General Fund is to reimburse the General Fund for the expenses associated with the operation of the cemetery, which is funded in the DPW budget. The FY08 Financial Plan recommends doubling this reimbursement to help reduce the General Fund subsidy.
6. **Recreation Revolving Fund Reimbursement** - this reimbursement to the General Fund represents the fringe benefit costs associated with those employees whose salaries are funded in the Revolving Fund. Massachusetts General Law, Chapter 44, Section 53E1/2, the statute under which the Recreation Revolving Fund was established, mandates that "[N]o revolving fund expenditures shall be made for the purpose of paying any wages or salaries for full time employees unless such revolving fund is also charged for the costs of fringe benefits associated with the wages or salaries so paid." Therefore, with full-time employees being charged to the fund, fringe benefits must be charged. The FY08 reimbursement increases \$40,754 (28%).
7. **Golf Enterprise Fund Reimbursement** - this reimbursement to the General Fund consists of debt service, the fringe benefit costs associated with those employees whose salaries are charged to the Enterprise Fund, supervision/overhead, re-payment of the FY01 loan from the Town, the Town Fee (i.e., year-end surplus), and property insurance. The \$1,462 (0.4%) increase in the FY08 reimbursement is due to a combination of an increase in fringe benefits and other charges (\$13,174), partially offset by decreases in debt service (\$8,036) and in the Town Fee (\$3,676).

The State Aid for Libraries account is the portion of the Cherry Sheet Offset aid, previously described under the "Cherry Sheet Offsets" section, that is used as a direct offset to the Library. It is level-funded in FY08. Chapter 90 is a State reimbursement-type grant for eligible road repairs and maintenance. These funds are earmarked for approved road and related State Highway Department approved projects. They are reimbursed to the Town after local funds are expended. The projects covered by this grant are included within the annual CIP and the level of appropriation is limited to the amount authorized by the State. Upon the recommendation of the Town's independent auditor, expenditures are charged directly to the Special Revenue Fund instead of transferring the money into the General Fund. Therefore, \$0 is included in the Financial Plan.

REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Parking Meter Receipts	1,925,000	1,977,500	1,930,000	1,930,000	2,000,000	70,000	3.6%
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	100,000	50,000	100.0%
Chapter 90	568,739	568,786	0	0	0	0	-
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555	0	0.0%
Golf Enterprise Fund Reimbursement	342,908	379,554	371,542	371,542	373,004	1,462	0.4%
Recreation Revolving Fund Reimbursement	112,781	119,737	145,601	145,601	186,355	40,754	28.0%
Water and Sewer Enterprise Fund Reimb.	4,750,571	4,554,526	4,836,316	4,836,316	4,513,660	(322,656)	-6.7%
School Special Funds Reimbursement	100,000	0	0	0	0	0	-
Tax Abatement Reserve Surplus	3,000,000	0	950,000	950,000	850,000	(100,000)	-10.5%
Capital Project Surplus	225,000	0	623,039	623,039	169,155	(453,884)	-72.9%
Totals	11,116,554	7,691,658	8,948,053	8,948,053	8,233,729	(714,324)	-8.0%

**WATER AND SEWER ENTERPRISE**

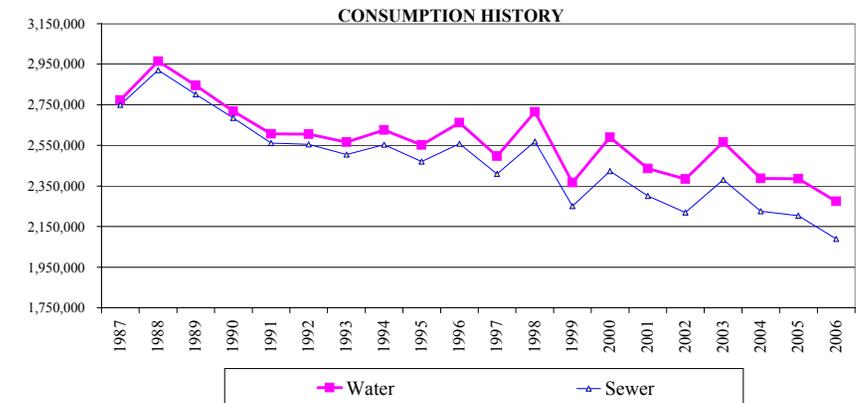
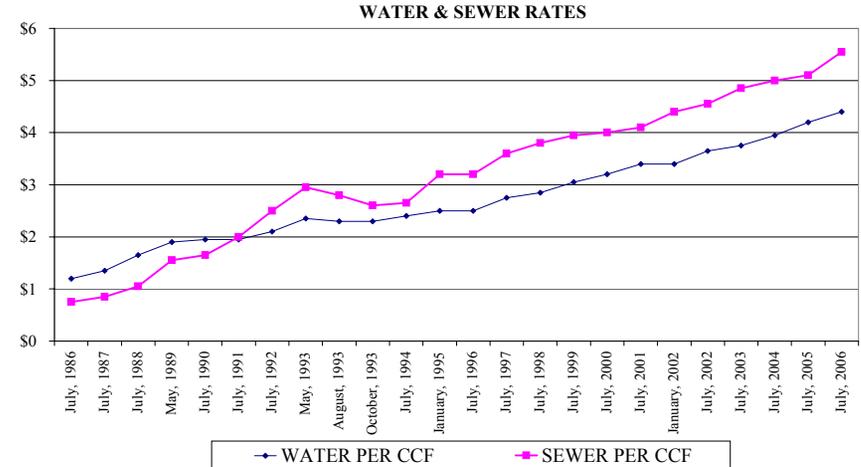
The Department of Public Works is responsible for the operation of the Water and Sewer Division. The Division is responsible for maintaining and operating the municipal water distribution system in accordance with industry standards promulgated by the American Water Works Association and all applicable state and federal regulations, as well as for maintaining and operating the municipal sewer and surface water drain systems in accordance with all applicable state, federal, and MWRA regulations for the collection and discharge of wastewater.

The operation is treated as an enterprise fund under Massachusetts General Laws, Ch. 44, Sec. 53F1/2. The Enterprise Fund was established by Town Meeting in 2001. Prior to that vote, the Water and Sewer operation was accounted for in the General Fund. Treating the operation as an enterprise fund allows for the use of the full accrual basis of accounting, a requirement of the Government Accounting Standards Board's (GASB) financial reporting standard GASB statement #34. The Enterprise Fund fully reimburses the General Fund for expenses incurred on behalf of its operation, including debt service and fringe benefits. The Fund covers 100% of its expenses.

Early indications are that the costs for water and sewer services for FY08 will increase by \$1.8 million (8.1%) over FY07. The increase is driven primarily by the MWRA Assessment (\$1.8 million), Personnel (\$56,598), Capital (\$22,700), adding back the Liquidity Reserve, which was eliminated in FY07 (\$239,413), and going to monthly billing (\$44,000). Those are partially offset by a decrease in the Overhead Reimbursement (\$322,796). (The difference between the \$1.8 million increase in expenditures and the \$924 thousand growth in revenue is due to the fact that in FY07, rates had to be increased to generate an additional \$856 thousand in order to cover a deficit from FY06. Therefore, that amount is already in the base revenue figure for FY07.)

The financial condition of the enterprise fund has improved greatly over the past few years. After budgetary deficits were realized in three consecutive years (FY01-FY03), FY04 and FY05 produced surpluses, reducing the overall negative fund balance. Unfortunately, FY06 realized a deficit that had to be covered as part of the FY07 rate setting process. When consumption estimates (i.e., sales estimates) are not met, revenue is not generated at the estimated levels and a revenue deficit occurs. The FY06 deficit was the result of a record low consumption level. As the chart to the right shows, there has been a gradual decrease in consumption since FY88. The consumption estimates for FY07 and FY08 more accurately reflect the historical experience. The Town will continue to reduce the estimate for annual consumption.

Please see the Enterprise Fund section of the Department of Public Works' budget in Section IV of this Financial Plan for a breakdown of the expenditures associated with the Water and Sewer Division.



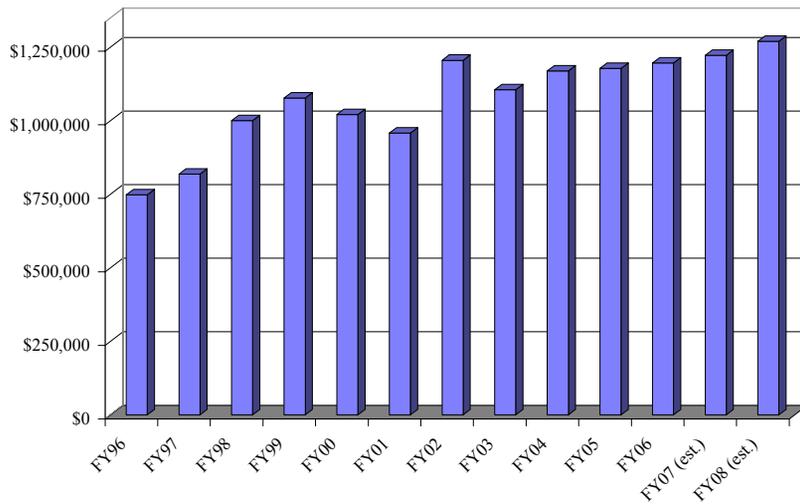
REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$\$	%
Water and Sewer Charges	20,228,691	20,270,014	22,750,286	22,750,286	23,674,463	924,177	4.1%
Late Payment Fees	114,604	76,347	120,000	120,000	120,000	0	0.0%
Service Fees	105,009	67,841	120,000	120,000	120,000	0	0.0%
Rate Relief (State Aid)	0	21,134	21,134	21,134	21,134	0	0.0%
Transfers In	38,191	0	0	0	0	0	-
Gross Total	20,486,495	20,435,336	23,011,420	23,011,420	23,935,597	924,177	4.0%
less Reimbursement to the General Func	4,750,571	4,554,526	4,836,316	4,836,316	4,513,660	(322,656)	-6.7%
Net Total	15,735,924	15,880,810	18,175,104	18,175,104	19,421,937	1,246,833	6.9%

**GOLF COURSE ENTERPRISE**

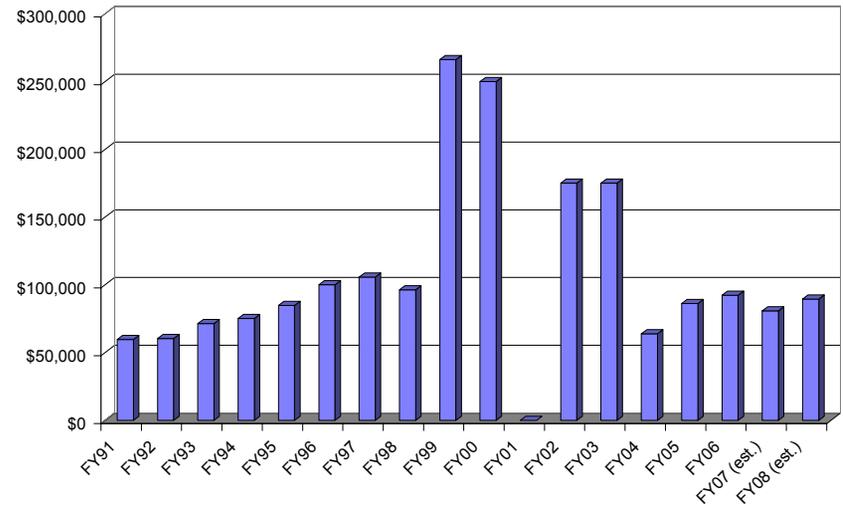
The Recreation Department is responsible for the operation of the Town-owned "Brookline Golf Club at Putterham" municipal golf course. In doing so, the Department collects golf course-related revenues for green fees, golf cart rentals, concessions, and Pro Shop sales that are deposited into the Golf Course Enterprise Fund, as allowed for under Massachusetts General Laws, Ch. 44, Sec. 53F1/2. The golf course operation has been treated as an enterprise fund since FY91. Treating the operation as an enterprise fund allows for the use of the full accrual basis of accounting, a requirement of the Government Accounting Standards Board's (GASB) financial reporting standard GASB statement #34. The Enterprise Fund fully reimburses the General Fund for expenses incurred on behalf of the golf operation, including debt service and fringe benefits. In addition, the Enterprise Fund sends to the General Fund its year-end operating surplus, thereby supplying the General Fund with an annual source of revenue to support other operations. The history of this so-called "Town Fee" is shown in the bottom-right graph.

In FY08, collections are estimated to total \$1.25 million, an increase of \$31,040 (2.5%) from the budgeted FY07 figure and will cover increases in personnel (\$12,495), supplies (\$11,038), services (\$6,486), and the reimbursement to the General Fund (\$1,462). Please see the Enterprise Fund section of the Recreation Department's budget in Section IV of this Financial Plan for a breakdown of the expenditures associated with the Golf Course.

**GOLF COURSE ENTERPRISE FUND REVENUE**



**GOLF COURSE ENTERPRISE FUND "TOWN FEE" PAYMENTS**



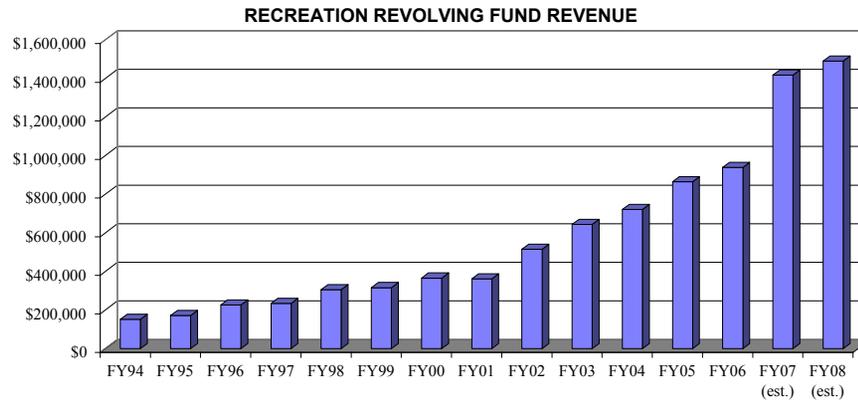
REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$	%
Green Fees / Permits	984,684	1,005,503	986,000	986,000	1,030,168	44,168	4.5%
Cart Rentals	86,923	72,795	110,000	110,000	85,000	(25,000)	-22.7%
Pro Shop	90,387	87,406	95,000	95,000	100,000	5,000	5.3%
Concessions	0	15,672	15,000	15,000	20,000	5,000	33.3%
Other	15,965	15,155	16,128	16,128	18,000	1,872	11.6%
Gross Total	1,177,959	1,196,531	1,222,128	1,222,128	1,253,168	31,040	2.5%
less Reimbursement to the General Fund	342,908	379,554	371,542	371,542	373,004	1,462	0.4%
Net Total	835,051	816,977	850,586	850,586	880,164	29,578	3.5%

**RECREATION REVOLVING FUND**

Established by Town Meeting in 1992 per the provisions of Massachusetts General Laws Chapter 44, Section 53E1/2, the Recreation Revolving Fund holds the fees collected for the programs the Recreation Department sponsors. Beginning in FY07, all Recreation Department revenue is deposited in the Revolving Fund, as opposed to being split between the General Fund and the Revolving Fund. This was made possible by the passage of Chapter 79 of the Acts of 2005, which enabled the Town to have a revolving fund revenue ceiling equal to 2 1/2% of the property tax levy instead of the 1% ceiling imposed by the state statute.

Approved every year by Town Meeting as part of the annual appropriations article, the FY08 estimate for the Revolving Fund is \$1.49 million, an increase of \$72,238 (5.1%). The major factor impacting the FY08 revenue estimate is the re-opening of the swimming pool after its renovation during FY07. As a result, programs can be offered again, thereby generating additional Aquatic revenue.

Please see the Revolving Fund section of the Recreation Department's budget in Section IV of this Financial Plan for a breakdown of the expenditures associated with the programs accounted for under the Revolving Fund.



REVENUE SOURCE	FY2005	FY2006	FY2007	FY2007	FY2008	BUDGET INCREASE	
	ACTUAL	ACTUAL	BUDGET	ESTIMATE	BUDGET	\$\$	%
After School Activities	316,971	382,055	420,154	418,248	406,054	(14,100)	-3.4%
Amory & Main Gym	0	7,250	37,000	37,000	47,031	10,031	27.1%
Aquatic	218,828	204,211	63,040	63,040	307,612	244,572	388.0%
Environmental Programs	0	24,778	30,000	30,000	25,378	(4,622)	-15.4%
Facility Program	47,247	27,191	103,336	103,336	83,795	(19,541)	-18.9%
Ice Skating	34,492	27,221	84,422	84,422	65,288	(19,134)	-22.7%
Retained Earnings	0	0	25,500	27,406	0	(25,500)	-100.0%
Ski Programs and Trips	14,898	13,580	24,895	24,895	17,350	(7,545)	-30.3%
Summer Camp	11,960	0	325,145	325,145	258,000	(67,145)	-20.7%
Teen Programs	15,140	28,825	38,907	38,907	30,000	(8,907)	-22.9%
Youth Soccer	117,060	116,460	171,100	171,000	136,840	(34,260)	-20.0%
Youth Sports Leagues	87,194	107,201	93,703	93,803	112,092	18,389	19.6%
Misc.	1,041	0	0	0	0	0	-
Gross Total	864,831	938,772	1,417,202	1,417,202	1,489,440	72,238	5.1%
less Reimbursement to the General Func	112,781	119,737	145,601	145,601	186,355	40,754	28.0%
Net Total	752,050	819,035	1,271,601	1,271,601	1,303,085	31,484	2.5%

**FUND ACCOUNTING**

The financial operations of the Town are organized into funds and account groups, each of which is a separate fiscal and accounting entity. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**1. GOVERNMENTAL FUNDS** - most Town functions are financed through what are called governmental funds. There are three types of governmental funds maintained by the Town: the General Fund, Special Revenue Funds, and the Capital Projects Fund.

A. General Fund - this is the major operating fund of the Town and it accounts for the vast majority of Town operations. The General Fund is supported by revenues from real estate and personnel property taxes, state and federal aid, excise taxes, investment income, fines and forfeitures, and fees, fines and charges. Most of the Town's departments, including the Schools, are supported in whole or in part by the General Fund.

B. Special Revenue Funds - these are used to account for those types of revenues that are legally restricted to being spent for a specific purpose (except for expendable trusts or major capital projects). These revenues must be accounted for separately from the General Fund for a variety of reasons. The Town's Special Revenue Funds are grouped into five categories:

1. Revolving Funds - these allow the Town to raise revenues from a specific service and use those revenues to support the service. Revolving Funds are established by state statute and may require reauthorization each year at Town Meeting. There are four revolving funds on the Town side that require annual reauthorization: the Recreation Revolving Fund, the Sidewalk Betterment Fund, the Facade Improvement Loan Fund, and the Rental of Town Property Fund. Examples of revolving funds on the School side include the School Lunch Fund, the School Athletics Fund, and Summer School Fund.

2. Receipts Reserved for Appropriation - these are restricted to a specific use but also require appropriation by Town Meeting such as Parking Meter Receipts and the Sale of Town-owned real estate.

3. School Grants - these are state and federal grants for School programs including smoking cessation, drug free school programs, community partnership, education technology, health services, Title I, and special education.

4. Other Intergovernmental Funds - these are state and federal grants for Town programs, such as community policing, Chapter 90 (road repairs), state elections, Council on Aging programs, and library aid.

5. Other Special Revenue Funds - these account for miscellaneous special revenues often including private donations for a specific purpose, such as gifts for Police and Fire equipment, numerous Health Department sponsored programs, and Senior Center programs.

C. Capital Projects Fund - this is used to account for monies used for the acquisition or construction of major capital facilities. It is funded primarily by the receipts of bond proceeds resulting from the Town's issuance of bonds for a specific project. Other funding sources include private donations and grants.

**2. PROPRIETARY FUNDS** - these are used to account for a government's business-type activities. There are two types of proprietary funds - enterprise funds and internal service funds. Both fund types use the same generally accepted accounting principles (GAAP) as similar to businesses in the private sector. Both enterprise and internal service funds recover the full cost of providing services (including capital costs) through fees and charges on those who use their services.

A. Enterprise Funds - these allow for a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. The Town has two enterprise funds: the Water and Sewer Enterprise Fund and the Golf Course Enterprise Fund. Both were established per the provisions of Ch. 44, Sec. 53F1/2.

B. Internal Service Funds - these are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities, worker's compensation benefits, and municipal insurance.

**3. FIDUCIARY FUNDS** - these are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. Fiduciary Funds include expendable trusts, non-expendable trusts, and agency funds.

A. Expendable Trusts - these are used to account for monies received by the Town in a trustee capacity where both the principal and earnings of the fund may be expended. Examples include the Town's Stabilization Fund, the BAA Trust Fund, and the Friends of Brookline Health.

B. Non-Expendable Trusts - these are used to account for trusts where the principal must remain intact. Generally, income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. Examples include the Cemetery Perpetual Trust, the Ben Alper Tree Trust, and the Abbie Deanne School Trust.

C. Agency Funds - these are used to account for funds that are custodial in nature and do not involve the measurement of operations. An example is the private details fund.

The table on the following page shows the Combined Summary of Revenues and Expenditures, on a budgetary basis, for the Town. It shows the beginning and year-end fund balances for the Town's funds.

**TOWN OF BROOKLINE  
FY2008 FINANCING PLAN**

**FUND ACCOUNTING: Actual FY06 Consolidated Summary**

**COMBINED SUMMARY OF REVENUES AND EXPENDITURES (Budgetary basis) - FY05**

	Governmental General Fund	Special Revenue - Recreation Revolving Fund	Other Special Revenue	Enterprise - Water & Sewer	Enterprise - Golf	Capital Projects	Trust & Agency Funds	Private Purpose Trust Funds	Internal Service Funds	Total All Funds
<b>Revenues</b>										
Real & Personal Property Taxes, net of refunds	121,562,695									\$ 121,562,695.49
Motor Vehicle & other Excise Taxes	5,482,662									\$ 5,482,662.48
hotel/Motel Tax	732,178									\$ 732,178.00
Charges for Services	2,629,442	938,771	6,549,011	20,435,336	1,196,531					\$ 31,749,091.83
Penalites & Interest on Taxes	298,218									\$ 298,217.72
PILOT	763,359									\$ 763,358.80
Licenseses and Permits	3,528,496									\$ 3,528,495.71
Fines & forfeitures	4,157,624		10,515							\$ 4,168,138.55
Intergovernmental	17,141,897		11,369,734			7,898,210				\$ 36,409,841.09
Departmental & other	1,704,999		1,806,385			750,000	1,574,332			\$ 5,835,715.68
Contributions	-						123,683	82,434	-	\$ 206,117.11
Other Revenue	893,999						555,011			\$ 1,449,010.42
Investment Income	2,250,854	-	52,773				513,599	162,307	331,985	\$ 3,311,517.69
<b>Total Revenues</b>	<b>\$ 161,146,423</b>	<b>\$ 938,771</b>	<b>\$ 19,788,418</b>	<b>\$ 20,435,336</b>	<b>\$ 1,196,531</b>	<b>\$ 8,648,210</b>	<b>\$ 2,766,625</b>	<b>\$ 244,740</b>	<b>\$ 331,985</b>	<b>\$ 215,497,041</b>
<b>Expenditures:</b>										
Current:										
General Government	7,997,760		509,221			68,464	14,999		220,500	\$ 8,810,944.18
Public Safety	33,402,700		666,231			21,913	1,548,398			\$ 35,639,241.91
Education	57,876,666		12,991,488			2,104,233		228,451		\$ 73,200,837.99
Public Works	16,342,394		258,127	16,468,482		3,027,470				\$ 36,096,473.12
CDBG	-		1,950,252							\$ 1,979,465.34
Human Services	2,016,748		373,765			3,718,117	29,213			\$ 6,119,692.80
Leisure Services	4,528,449	793,497	207,589		744,712	23,784	152,908			\$ 6,450,937.75
Pension benefits	10,065,229									\$ 10,065,229.09
Fringe Benefits	17,879,959									\$ 19,156,036.90
State and county charges	5,084,477								1,276,078	\$ 5,084,477.00
Debt Service:										\$ -
Principal	9,218,951									\$ 9,218,951.48
Interest	4,612,515									\$ 4,612,515.20
<b>Total Expenditures</b>	<b>\$ 169,025,848</b>	<b>\$ 793,497</b>	<b>\$ 16,956,674</b>	<b>\$ 16,468,482</b>	<b>\$ 744,712</b>	<b>\$ 8,963,981</b>	<b>\$ 1,756,581</b>	<b>\$ 228,451</b>	<b>\$ 1,496,578</b>	<b>\$ 216,434,803</b>
<b>Excess (deficiency) of Revenues over Expenditures</b>	<b>\$ (7,879,425)</b>	<b>\$ 145,275</b>	<b>\$ 2,831,744</b>	<b>\$ 3,966,854</b>	<b>\$ 451,819</b>	<b>\$ (315,771)</b>	<b>\$ 1,010,045</b>	<b>\$ 16,289</b>	<b>\$ (1,164,593)</b>	<b>\$ (937,762)</b>
<b>Other Financing Sources (Uses):</b>										
Proceeds from bonds & notes										\$ -
Premium from issuance of bonds	52,538					11,068,000				\$ 11,120,538.33
Overlay Transfer	-									\$ -
Insurance recovery										\$ -
Transfers in	7,691,658		48,043				39,004	25,000	1,570,828	\$ 9,374,533.00
Transfers out	(1,609,832)	(119,737)	(2,675,884)	(4,554,526)	(379,554)		(10,000)	(25,000)		\$ (9,374,533.00)
<b>Total Other Financing Sources (Uses):</b>	<b>\$ 6,134,364</b>	<b>\$ (119,737)</b>	<b>\$ (2,627,841)</b>	<b>\$ (4,554,526)</b>	<b>\$ (379,554)</b>	<b>\$ 11,068,000</b>	<b>\$ 29,004</b>	<b>\$ -</b>	<b>\$ 1,570,828</b>	<b>\$ 11,120,538</b>
<b>Other Adjustments to Fund Balance</b>	<b>\$ 116,974</b>	<b>\$ 160</b>	<b>\$ 74,394</b>	<b>\$ 9,342</b>				<b>\$ 6,182</b>		<b>\$ 207,052</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,745,060)</b>	<b>\$ 25,538</b>	<b>\$ 203,903</b>	<b>\$ (587,672)</b>	<b>\$ 72,265</b>	<b>\$ 10,752,229</b>	<b>\$ 1,039,049</b>	<b>\$ 16,289</b>	<b>\$ 406,235</b>	<b>\$ 10,182,776</b>
<b>Fund Balance at Beginning of Year</b>	<b>\$ 37,321,565</b>	<b>\$ 111,312</b>	<b>\$ 8,546,767</b>	<b>\$ (246,813)</b>	<b>\$ 1,240</b>	<b>\$ 3,537,620</b>	<b>\$ 10,831,161</b>	<b>\$ 4,391,090</b>	<b>\$ 6,292,801</b>	<b>\$ 70,786,743</b>
<b>Fund Balance at End of Year</b>	<b>\$ 35,693,479</b>	<b>\$ 137,009</b>	<b>\$ 8,825,064</b>	<b>\$ (825,142)</b>	<b>\$ 73,505</b>	<b>\$ 14,289,850</b>	<b>\$ 11,870,209</b>	<b>\$ 4,413,560</b>	<b>\$ 6,699,036</b>	<b>\$ 81,176,570</b>