

Honorable Members of the Board of Selectmen and Members of the Advisory Committee:

In accordance with Chapter 270 of the Acts of 1985 (as amended) and with Section 2.2.5 of the Town's By-Laws, it is my privilege to submit the Fiscal Year 2007 Financial Plan for your review and consideration. I want to thank all those who contribute so much to the formulation of the annual budget. Under the general leadership of the Board of Selectmen, many boards and commissions participate directly in the policy deliberations that shape the Annual Financial Plan. The Town/School Partnership Committee and Labor Advisory Committee, which include Selectmen, School Committee members, and Advisory Committee members, meet regularly as the budget nears final preparation.

Other boards and commissions, such as the Library Trustees and Park and Recreation Commission, actively develop the departmental budgets incorporated into the Financial Plan. Some boards carryout responsibilities beyond the jurisdictions of their own departments. For example, each year the Planning Board, in unsung fashion, reviews the Capital Improvements Program (CIP), which is a critical component of every Annual Financial Plan. And, of course, the Department Heads are indispensable to the budget process. Without their creative abilities and management acumen, the Financial Plan could not be effectively balanced. Finally, and perhaps most importantly, the work of the Selectmen's Office staff, particularly Deputy Town Administrator Sean Cronin, is essential for the professional preparation of the Annual Financial Plan. The Deputy Town Administrator functions as the Town's Budget Officer and he brings extraordinary skill and determination to this role. He and Assistant Town Administrator Jennifer Grams were just recognized by the National Government Finance Officers Association (GFOA) for their exceptional work.

The GFOA presented the Town with its Distinguished Budget Presentation award last year, a recognition granted to just a handful of communities in Massachusetts. In an effort to maintain that prestigious award, a number of enhancements have been made to this year's Financial Plan:

- User Friendly Index – More detailed to enable the reader to quickly find information.
- Long Range Financial Plan – Enhanced presentation of the Town's financial forecast, providing readers with greater insight into the future fiscal challenges facing the Town.
- New Budget Summaries – Easy to understand overviews based on fund-accounting to provide a more complete view of the funds that comprise the Financial Plan. Other summaries include total expenditures by expenditure category (i.e., personnel, services, etc.), Full-Time Equivalent (FTE) positions, and item-by-item changes by department.
- Capital Improvements Program (CIP) – Greatly expanded to provide better understanding of the relationship between the CIP and the Operating Budget and the impact debt and debt service have on the Town's long-term financial position. Much effort has also gone into distinguishing debt paid with General Fund revenues, debt paid with enterprise fund receipts, and debt paid by the State. Also included are narrative descriptions for each project recommended in the CIP, the first time this has been made available in the Financial Plan.

We are hopeful that these enhancements will be included to help ease the transition to the new formats. Any feedback – whether positive or negative – is welcome!

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The cumulative result of everyone's effort is a FY2007 Financial Plan totaling \$202,051,658. This is the first time that the Annual Financial Plan has reached the \$200 million level. Rolling up into this total are: a General Fund Operating Budget of \$167,582,364; enterprise/revolving funds totaling \$20,026,328 (net of reimbursements to the General Fund) unappropriated expenses of \$7,727,481 and Revenue-Financed CIP of \$6,715,483. The Operating Budget increase is 4.6% over current year levels.

LOCAL GOVERNMENT CONTEXT

Over the past year, several extremely informative reports were released addressing various aspects of the financial condition of Massachusetts local government. The Federal Reserve Bank, Kennedy School of Government, Northeastern Center for Urban and Regional Policy, the Massachusetts Taxpayers Foundation, and a Special Municipal Finance Task Force led by Sovereign Bank Chairman John Hamill analyzed topics ranging from municipal health costs to long-term revenue growth.

A number of these reports were spurred by observations made by some state officials that the financial difficulties in local government are largely of our own making. The previous Secretary of Administration and Finance last fall blamed what he characterized “the crisis of attrition” in Massachusetts local government on municipal inability to curb spending on items like overly generous labor contracts.

Much of the data generated by the independent reports present quite a different picture. For example, the Hamill Report found that between 1981-2005, per capita annual growth for municipal budgets averaged only 1.1% after adjusting for inflation. Since 1987, per capita expenditures for core municipal services (excluding schools, health insurance and some fixed costs) have averaged -0.3% growth in real terms. State budget growth has averaged 2.0% in real terms since 1981.

In the summer of 2005, the Federal Reserve Bank of Boston reported that total Massachusetts local government employment rates were more than 10% below national averages and in line with those throughout New England. The Federal Reserve Bank had similar findings in comparing Massachusetts local government compensation levels to national and New England averages.

Just as informative, a Massachusetts Taxpayers Foundation study reported that group health costs for local governments increased by a mind-boggling 60% between 2001 and 2005. This was twice the rate of group health cost increase for our state government. This report stressed that group health is not a mandatory subject of bargaining for state employees as it is in local government. Several initiatives have emerged to put municipal group health on the same footing as the State, including the proposal in the Governor’s FY07 budget to allow municipalities to establish local Group Insurance Commissions.

Benchmarking Brookline against these findings is particularly informative:

- Brookline budgets grew by 1.0% annually between 1981 and 2005 on a per capita basis when adjusted for inflation, as compared to the 1.1% local average across the Commonwealth and 2.0% for state government itself. Here, too, school spending has grown at a rate higher (1.4%) than basic municipal services (0.6%) since 1987.
- Employment levels proposed for FY07 for Police, Fire, DPW and other non-School departments in Brookline mirror the Massachusetts statewide findings reported by the Federal Reserve Bank. The Town funds 744 full-time equivalent positions (all funds), or about 131 per 10,000 population. The Federal Reserve Bank reports that non-education local government employment in Massachusetts averages about 128 per 10,000 population.
- For Brookline, while employee health coverage as a share of our total General Fund budget mirrors that of local government (10.4% for us in FY07 vs. 10.6% statewide in FY05), our rate of increase from FY01 to FY04 was less than the statewide experience -- 50% vs 60% -- because of our change to a single insurer in 2004. Nevertheless, our double-digit rate increases on average have seriously curtailed our ability to consider either meaningful program expansion or taxpayer relief.

Both the Massachusetts Taxpayers Foundation and the Center for Urban and Regional Planning at Northeastern University argue that the State has woefully under-invested in its cities and towns. Both organizations call for a permanent Revenue Sharing Program. The Taxpayers Foundation even goes so far as to estimate that there is a \$1 billion shortfall in aid to municipalities that the State needs to make up. The Brookline proportionate share of this local aid shortfall is in the order of magnitude approaching \$5 million, depending on the type of distribution formula. The \$1 million local aid increase proposed by the Governor in his proposed FY0 budget is a good start in making up this shortfall. However, as this Budget Message will describe, it is not enough to avoid line-item reductions in FY07 and certainly does not offer the possibility of service expansion or tax relief.

FY2007 BUDGET OVERVIEW

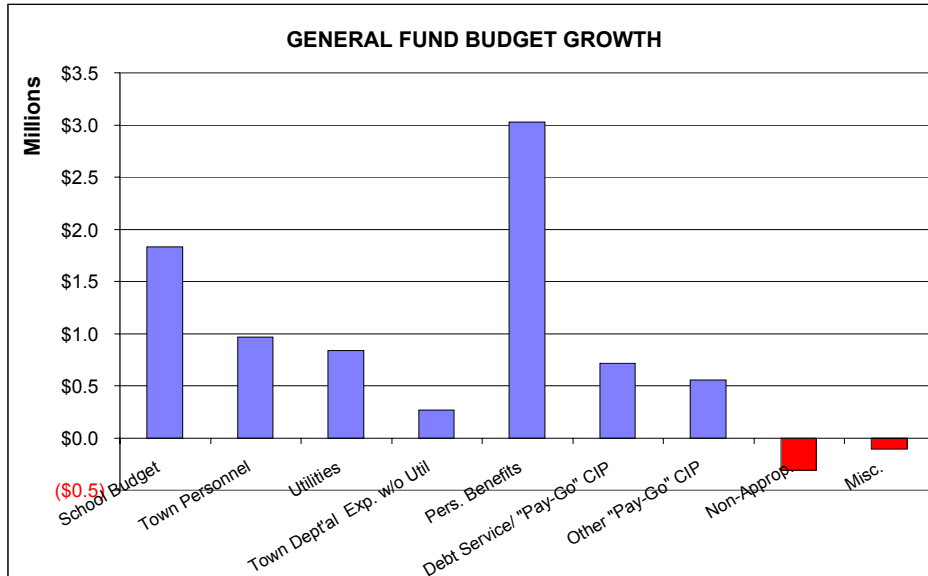
One would assume that if the revenue assumptions underlying the General Fund operating budget for FY07 are ultimately realized, then the outlook for the coming fiscal year should be encouraging. But why isn't it? After all, General Fund Operating Budget revenues are projected to increase over 50% more than average revenue increases projected for the past four years. The answer lays in the growth in expenditures in the Town's larger cost centers, which in some instances are based on estimates that are by no means guaranteed to hold fast in the coming year. The following graphically illustrates why we continue to experience budget stress, even when anticipated revenue growth substantially exceeds expectations of prior years:

Additional Operating Revenue	\$7.2 million
Town/School Collective Bargaining, Steps, etc.	-\$3.4
Group Health Insurance and other benefits	-\$2.8
Utility Increases	-\$0.8
SPED	-\$0.7
Other Town/School	-\$0.7

The collective bargaining estimate is predicated on compensation increases limited to 2.5%. Crushing group health rate increases (14%) and skyrocketing energy costs (21%) --which is beyond the 24% experienced this fiscal year-- are squeezing the Town's ability to continue just a maintenance-of-effort level budget.

As a result of all this, even though recommended appropriations for Town and School related operations are increasing by 4.1% and 5.2%, respectively (when school costs are fully allocated), there is no room within the limitations of the resources identified in the Financial Plan to consider program and/or service expansion. The experience with town departmental (non-school) budgets is illustrative. As part of the budget preparation process, Town departments submitted more than \$1.5 million in expansion requests. Only a small fraction of these requests could be accommodated. Further, another \$263,000 in reductions from the maintenance of effort budget had to be exercised, including: 1.2 full time positions (Assessors and Selectmen's Offices); 1.3 part-time house worker positions in the Building Department and part-time funding for Police Department Park Security Interns; contracted services (DPW); and capital outlay (Fire).

As already noted, several aspects of the FY07 Financial Plan are anything but certain and developments in the coming months will dictate whether further adjustments might be necessary. Electricity prices are estimated at 10¢/kwh, nearly doubling the current contract price of 5.6¢/kwh that expires in May. Collective bargaining is predicated on 2%-1% settlements, but contracts with the Teachers, Firefighters, and Police have yet to be negotiated.



The Financial Plan also assumes the Governor’s local aid proposals that are about threefold higher than the estimates used in the Town’s Financial Forecast. While his proposals are certainly most welcome, the Legislature must agree, especially in regard to the revamped approach to Chapter 70 Education funding.

And finally, town revenue, particularly local receipts, must approximate the projection included in the Financial Plan. Local receipts are projected to increase by \$1.4 million, or 7% (prior to the reallocation of all Recreation Department revenue to the Recreation Revolving Fund). However, experience through the first six months of the current fiscal year shows flattening in the some key revenue accounts, including building permits and parking fines.

FISCAL POLICIES

As has been the case since the 1994 Override, town budgeting is framed by Fiscal Policies and Practices that were formally updated in 2004 by a citizen Fiscal Policy Review Committee. The formal policies are printed in full in the Appendix of this Financial Plan:

- Retention of Adequate Reserves
- CIP Financing Policies
- Town/School Partnership Agreement
- Collective Bargaining Guidelines
- Position Freeze on Total Employees
- Directives Re: Free Cash
- Override Requirements of 1994

These Policies are part of the 1994 Program adopted by the Board of Selectmen in 1994. The Town/School Partnership Agreement was executed by the Superintendent of Schools and Town Administrator in 1995. In 1997, a special Capital Financing Committee formalized the overall approach to the CIP, Free Cash, and Stabilization Fund. The Town has received a Aaa Credit Rating from Moody’s Investor’s Service each year since the Policies have been in effect. Only 12 other of the 351 cities and towns in this state are similarly rated.

Retention of Adequate Reserves- An important factor in the reaffirmation of the Town’s Aaa bond rating has been the retention of adequate reserves. The Town’s Financial Policies include guidelines for the establishment of reserves along with recommended funding levels. Maintaining reserves at a level

approximately 5% of budget is widely recommended by municipal finance authorities. The preponderance of funding FY07 reserves over FY06 levels is from Free Cash. Only \$51,997 in additional FY07 operating revenue is set aside for reserve purposes.

The Operating Budget Reserve is a critical line-item of the budget, as it protects the Town against unanticipated events such as weather emergencies, unanticipated public safety requirements, extraordinary SPED growth, and medical payments for public safety employees injured in the line of duty. Set at a level equivalent to 1% of the prior year's net revenue, the Reserve Fund has been spent down entirely in three of past five fiscal years. The \$1.59 million recommended for FY07 complies with the Town's policy.

The Catastrophe and Liability Reserve was established to protect the community against major facility disaster and/or a substantial negative financial impact of litigation. The Town is self-insured for liability purposes and carries a \$100,000 deductible in its property policy. The Reserve's recommended funding level is an amount equivalent to 1% of the prior year's net revenue. The \$1.59 million recommended for FY07 complies with the Town's policy. The Stabilization Fund is available to support both operating and capital needs when revenue drops below specified levels. The Stabilization Fund is set at 3% of the prior year's net revenue and the level proposed for FY07 also complies with the Town's policy.

Capital Improvement Program (CIP)- Over the past decade, the Town has made a significant commitment to its CIP to address the backlog of capital needs created by the under-investment in infrastructure during the late-1970's and the 1980's. Over the past 10 years, the Town has invested \$177 million in the CIP. Although there is more to do in the areas of street repairs, parks/open space improvements, and school and town facilities upgrades, the commitment to capital improvements is clearly showing positive results.

The FY07 – FY12 CIP continues the Town's aggressive approach toward improving the Town's physical assets. Developed within the parameters of the Board of Selectmen's CIP Policies, the proposed CIP incorporates a number of major projects along with a financing plan that includes outside funding sources and grant opportunities. The fundamental policy that 5.5% of the prior year's net revenue be allocated to the CIP is observed, avoiding additional burdens on the operating budget.

The recommended CIP calls for an investment of \$104.3 million over the next six years, for an average of \$17.4 million per year. Section VI of this Financial Plan provides an in-depth discussion of the CIP and how it relates to and impacts the Operating Budget.

The most significant challenge in preparing this CIP was complying with the Town's CIP Financing Policies while funding major facility rehab projects in a difficult bid environment, coupled with the significant change in the assumptions surrounding School Building Assistance (SBA) from the State. Further complicating matters is the need for additional funding for projects previously approved (e.g., the Swimming Pool and Landfill Closure) and the emergence of projects at levels that last year were not anticipated (e.g., work at the High School).

These cost factors have placed such a burden on the CIP that some projects included in last year's CIP had to be delayed (e.g., work at the Old Lincoln School) or cancelled (e.g., work on the High School Quad). In addition, a number of new projects requested by departments for the out-years could not be included in this CIP. Overall, although the proposed CIP is fundamentally and financially sound, it is "tight".

Major projects in the proposed CIP include:

- Devotion School - \$24 million of Town funds, with the potential of an additional \$24 million from SBA funds.
- Town Hall - \$13 million.
- Runkle School - \$12 million of Town funds, with the potential of an additional \$12 million from SBA funds.
- Newton St. Landfill - \$5.7 million to complete the closure of the front and rear landfills.
- Fisher Hill Reservoir Re-Use - \$4.6 million, of which \$3.25 million comes from outside funding.
- High School projects - \$3.1 million for roof, pointing, wiring, floors, and the Tappan St. Gym windows.
- Gateway East - \$2 million, funded primarily with outside funding (i.e., CDBG and state/federal grants).

Town/School Partnership Agreement- Although this Agreement is based on a formula that equally shares net revenue between town and school departments aft agreed schedules of fixed costs are funded, the hallmark of the Agreement has been flexibility in its application. For example, three years ago the schools were allocated additional funds beyond initial distributions to meet technology needs. On previous occasions the schools have had access to town reserves to meet unanticipated special education and enrollment pressures. In FY05 the Town did not pursue the statutory option to reduce the school budget commensurate with an unexpected circuit-breaker (SPED funding) distribution from the state of more than \$1 million. Last year, alternatively the town budget was credited with \$380,000 in anticipated growth in circuit breaker funding.

As the Superintendent’s FY07 Budget Message indicates, accrued circuit breaker funding is playing a significant role in mitigating the impact of fixed costs on the operating budget for the Brookline Public Schools. Continuation of this collaborative approach has again served as the foundation for the FY07 Financial Plan. For example, even though the Town is eligible to receive an additional \$45,000 of circuit funding in FY07 (based upon actual growth in funding in FY06), the Town is opting to have the Schools keep the entirety of that additional funding. While the Superintendent’s Budget calls for an increase in direct education spending of 3.2%, total recommended appropriations to support school operations (maintenance, benefits, energy; etc.) are up 5.2%. The comparable increase for the Town (non-School) is 4.1%. The tables below provide this information:

SCHOOL				
	<u>FY06</u>	<u>FY07</u>	<u>\$ Change</u>	<u>% Change</u>
Appropriation	58,007,124	59,836,680	1,829,556	3.2%
Pers Benefits	11,455,928	12,867,218	1,411,290	12.3%
Bldg Dept Exp's	2,155,993	2,611,038	455,045	21.1%
TOTAL	71,619,045	75,314,936	3,695,891	5.2%

TOWN				
	<u>FY06</u>	<u>FY07</u>	<u>\$ Change</u>	<u>% Change</u>
Town Dept's	56,965,259	59,040,308	2,075,048	3.6%
Less Sch Dept Exp in Bldg Bgt	(2,155,993)	(2,611,038)		
Net Town Dept's	54,809,266	56,429,270	1,620,003	3.0%
Pers Benefits	17,517,759	18,885,900	1,368,141	7.8%
TOTAL	72,327,025	75,315,170	2,988,144	4.1%

Collective Bargaining Guidelines- Over the past three years (FY04-FY06), cumulative cost of living adjustments have been 8.5% for administrative and labor personnel; 9% for public safety; and 9.5% for teachers. Among the various bargaining units, there were also other negotiated compensation adjustments that have generally not exceeded the 0.5% range in the year of implementation. With the cooperation of the unions, these settlements were structured to step-up over the three-year period (e.g., 2% (yr. 1), 2.5% (yr. 2), 3%-1% (yr. 3)) and were partially offset by savings from restructuring the group health program

Police, Fire, and School Department contracts expire this summer. A contract for 380 town employees represented by AFSCME is in effect through June 30, 2007. The AFSCME Agreement includes a wage adjustment of 2% on 7/1/06 and 1% on 1/1/07. The total effective cost of this 2%-1% "split" is equivalent to a 2.5% adjustment.

The total amount budgeted for compensation increases in FY07 is \$3.4 million. About \$0.5 million is the result of carrying forward a ½% cost from a 1% wage increase granted on 1/1/06. Another \$0.5 million is for annual steps and other negotiated adjustments. The balance of \$2.4 million is the estimated cost of a general wage adjustment of 2%-1% for all town and school employees. Obviously, any settlements exceeding this range in FY07 would require reallocation of funds from other areas of the budget.

Generally, the approach taken over the last three-year contract cycle could well serve as a guide for future multi-year agreements. Stepped-up wage increases over time offset by savings in other areas (likely group health) could provide a formula for successful negotiations in the future. As we have learned from experience, group health change is extremely time consuming and would be quite difficult to achieve by the time contracts expire on June 30, 2006. However, experience in the last round of negotiations demonstrates that an approach based upon consideration of mutual interests can be successful.

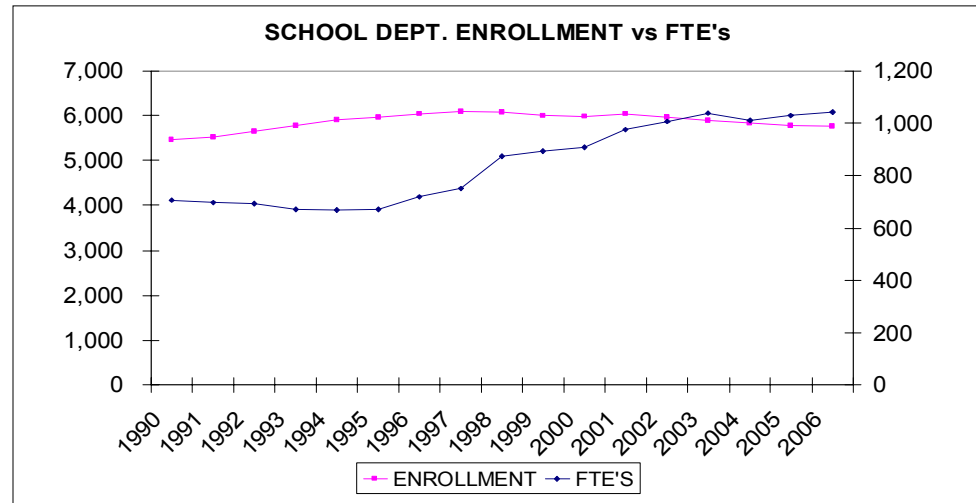
Finally, it is expected that adjustments for non-union personnel will generally mirror the pattern set for unionized employees. In addition, it is anticipated that a pay plan study for Department Heads will be conducted. In recent years pay and classification studies have been carried out for clerical, labor force and mid-management personnel. Several Department Heads will be at a maximum step in FY07, which has prompted an unusually high number of upgrade requests. Rather than evaluate these positions on a piecemeal basis, an across the board assessment is a more appropriate approach.

Position Freeze— In virtually every fiscal year since FY95, Town staffing has been allowed to increase only in very specific circumstances. For example, when the Public Safety Dispatch operation was civilianized in 2000, the police officers formerly assigned those duties were reassigned to other functions. Otherwise, town (n school) personnel levels have been either held constant or reduced.

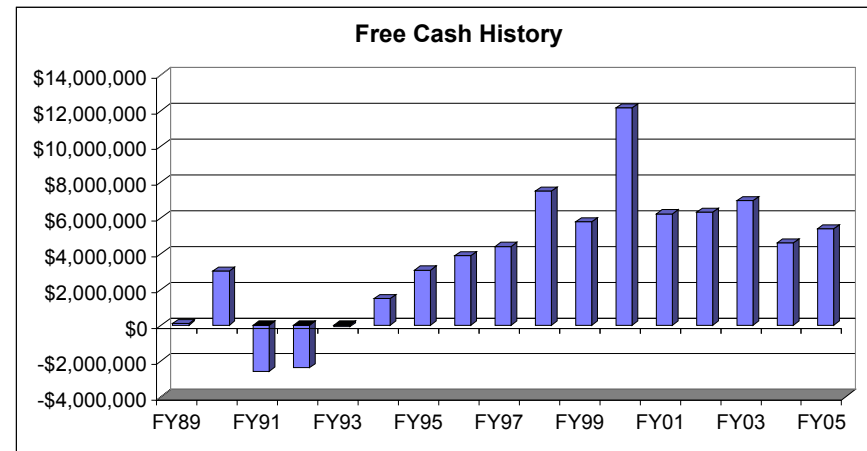
The budget proposed for FY07 is no different in this regard. **NO NEW PERMANENT FULL TIME POSITIONS ARE RECOMMENDED FOR ANY TOWN DEPARTMENT.** In fact, General Fund positions are down slightly due to the elimination of 1.2 full time positions and 1.3 part-time house worker positions. This type of position control is critically important especially given the growth in fringe benefit obligations. The only upward adjustments are for full-year funding for positions that had already been partially funded in the FY06 budget, such as the Coolidge Corner Assistant Librarian and the Zoning Administrator. The pay-as-you-go costs for group health and other benefits are consuming an ever increasing share of Town resources, and unfunded retiree benefit obligations have been estimated the hundreds of millions of dollars.

A cautionary observation is noted concerning the growth in staffing levels in the Brookline Public Schools. Between FY00 and FY05, school personnel numbers have grown from 907 to 1,030, an increase of 13.5%.

Perceptible cost shifts onto the education budget are emerging as a result. For the first time this year, the School budget allocation accounts for more than 50% of the growth in group health costs. The amounts allocated to Schools for retirement (non-teaching) is also up. The growth in the Town's unfunded pension obligation is also driven up by these staff increases. Even the addition of part-time aides – as long as they work more than 20 hours a week – will exacerbate these pressures. Attention to this trend will be critically important over the long-term as the Brookline Schools look to sustain educational excellence within the resource levels likely to be available to the Town.



Free Cash - Another key policy of the Town involves the use of Free Cash. Free Cash is defined as “remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items.” While it may be an oversimplification, Free Cash is basically the year-end surplus or deficit of the Town as certified by the State Department of Revenue (DOR). Free Cash is quite volatile, as shown in the graph to the right.



Due to its unpredictable nature, using Free Cash to support the Operating Budget can cause unnecessary budgetary fluctuations: if used in one year to support on-going programs, but then falls below that level the next year, budgetary cutbacks would be necessary. Therefore, the Town's Free Cash policy dictates that it be used for one-time expenses.

While using Free Cash to support on-going expenses may appear palatable in times of budget stress, doing so can lead to serious long-term budget difficulties. This FY07 Financial Plan adheres to the Town's Free Cash Policy. The table below shows how Free Cash is allocated for FY07:

Free Cash	5,387,435
Operating Budget Reserve - 0.25% of Prior Year Net Rev	398,444
Worker's Comp	250,000
Stabilization Fund	22,248
Liability / Catastrophe	225,039
CIP	4,491,704

Override Requirements of 1994– The Override of 1994 directed \$2.5 million of additional tax levy for specific expenditures. For Schools, \$1.1 million was allocated for class size stabilization, technology, and education supplies while another \$400,000 was earmarked for school and town building maintenance. For DPW capital outlay, \$700,000 was set aside in addition to \$300,000 for Police (\$200,000) and Fire (\$100,000) equipment. Each Financial Plan since the Override has attempted to be faithful to the allocations of the Override, even though they were legally binding only in the year immediately following the vote.

A few years ago, the Selectmen appointed a committee to review the provisions of the Override as they relate to the Town’s budgeting practices. The Committee’s Report was published in the Combined Reports presented to Town Meeting in May, 2003. The Report reflects the difficulty that has arisen, due to cutbacks in local aid, in preserving the Override allocations as originally adopted.

The FY07 Financial Plan meets the baseline override allocations as modified in the Committee’s recommendations. However, given persistent budget pressures, the recommendation to add another \$100,000 to facility maintenance could again not be met. This Financial Plan provides a full \$700,000 for DPW equipment and it does not exercise the proposed option of using a portion of these funds for sidewalks. The CIP sidewalk allocation remains at \$200,000 for FY07 and is adequate for this purpose. The combined capital outlay of Police and Fire equipment exceeds the \$412,000 set in the Report. In addition, fire and police equipment needs are once again augmented in the CIP. All other Override targets have been met.

LONG-RANGE FINANCIAL PROJECTION

The cornerstone of our budgeting process is the Long-Range Financial Projection, often referred to as “the Forecast”. It is essential that a government have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve its goals. The Forecast also acts as a bridge between a municipality’s annual operating budget and its capital improvement program, bringing all of the fiscal policy and economic variables together to establish coordinated managerial direction. Revenue and expenditure forecasting, along with capital planning and debt management, are the key elements in developing a strong municipal fiscal position.

Financial forecasting enables the Town to provide an analysis to key decision makers that shows potential impacts on the community of any financial decision, such as collective bargaining packages, revenue expansion / reduction plans, new debt, and unfunded pension obligations. Without a forecasting model, financial decisions are made without the full understanding of their long-term effects, much to the detriment of the community. The Forecast has been a key component of the Town’s ability to weather the tough budgetary climate cities and towns have been living in for the past few years. It has allowed the Town to take a long-term view of decisions, thereby avoiding further pressures on the its budget.

Prepared annually, the five-year Forecast serves as the starting point for the ensuing budget year - - and also enables decision makers, taxpayers, and employees to garner an understanding of the long-term financial challenges the Town faces. In late-November / early-December, the Deputy Town Administrator and the Director of Finance present the Forecast to the Board of Selectmen. This presentation is the culmination of months of work for those two individuals, work that involves analyzing hundreds of revenue and expenditure line-items, making assumptions about economic conditions, and understanding state budget conditions.

The FY07 – FY11 Long Range Financial Projection for the General Fund makes the following key assumptions:

- \$1.75 million of New Growth in the Property Tax levy each year
- Small annual growth in the Lottery and no additional Chapter 70 funding for “above foundation” communities
- A 2.5% wage increase for FY07 and 2% wage increases for FY08 – FY11
- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5%
- Annual utility increases of \$200,000
- Annual SPED growth of \$600,000 - \$700,000
- Inflation in the School Department of \$195,000 per year
- Step increases in the School Department of \$400,00 - \$500,000 per year and \$100,000 per year for Town Departments
- Health insurance rate increases of 10% (FY08), 9% (FY09), and 8% (FY10 –FY11)
- Additional enrollment in the health insurance program of 30 (FY008), 40 (FY09 – FY10), and 60 (FY11)
- A Pension funding schedule based on the 1/1/05 valuation with an 8% earnings estimate
- A debt service schedule predicated upon the Proposed Capital Improvement Program (CIP)

These assumptions create an escalating deficit position for FY08 and beyond, starting at \$3.4 million in FY08 and reaching \$8.9 million by FY11. The Long Range Financial Projection is detailed on the following pages.

**TOWN OF BROOKLINE
FY2007 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUE					
Property Taxes	129,825,273	134,734,626	139,786,961	144,967,458	150,273,945
Local Receipts	19,948,300	20,198,560	20,321,190	20,613,957	20,722,913
Motor Vehicle Excise (MVE)	5,250,000	5,407,500	5,407,500	5,569,725	5,569,725
Licenses & Permits	809,500	809,500	809,500	809,500	809,500
Parking / Court Fines	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
General Government	2,779,500	2,807,875	2,836,674	2,870,906	2,881,002
Recreation	0	0	0	0	0
Interest Income	2,160,000	2,204,750	2,250,434	2,297,071	2,344,681
PILOT's	679,300	649,810	652,406	655,054	657,755
Refuse Fee	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Departmental & Other	2,170,000	2,219,125	2,264,676	2,311,701	2,360,249
State Aid	18,916,419	19,000,471	19,085,972	19,172,949	19,261,429
General Government Aid	8,642,883	8,726,935	8,812,436	8,899,413	8,987,893
School Aid	8,965,343	8,965,343	8,965,343	8,965,343	8,965,343
Tax Abatement Aid	27,191	27,191	27,191	27,191	27,191
Offset Aid	1,281,002	1,281,002	1,281,002	1,281,002	1,281,002
Other Available Funds	7,947,903	7,686,571	7,563,922	7,619,804	7,844,959
Parking Meter Receipts	1,930,000	1,870,000	1,870,000	1,870,000	1,870,000
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	50,000
Chapter 90	0	0	0	0	0
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	5,366,787	5,568,370	5,429,724	5,479,684	5,595,853
Reimb. from Rec Revolving Fund	145,601	156,645	167,695	178,565	189,051
School Special Funds Reimbursement	0	0	0	0	0
Stabilization Fund	0	0	4,948	0	98,500
Tax Abatement Reserve Surplus	0	0	0	0	0
Capital Project Surplus	413,960	0	0	0	0
Free Cash	5,387,435	4,000,000	4,000,000	4,000,000	4,000,000
Capital Improvements	4,491,704	3,355,781	3,515,177	3,343,784	3,492,674
Operating Budget Reserve	398,444	417,204	430,420	442,921	456,628
<u>Strategic Reserves</u>	<u>497,287</u>	<u>227,015</u>	<u>54,403</u>	<u>213,296</u>	<u>50,698</u>
TOTAL REVENUE	182,025,329	185,620,228	190,758,045	196,374,168	202,103,245
\$\$ Increase	7,784,293	3,594,898	5,137,817	5,616,123	5,729,077
% Increase	4.5%	2.0%	2.8%	2.9%	2.9%

**TOWN OF BROOKLINE
FY2007 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EXPENDITURES					
Departmental	57,940,308	59,661,108	61,446,501	63,028,779	64,638,113
Personnel	42,386,696	43,586,705	44,896,705	45,996,705	47,116,705
Services	11,503,805	11,907,941	12,296,679	12,690,136	13,088,430
Supplies	2,291,533	2,348,822	2,407,542	2,467,731	2,529,424
Other	219,735	225,228	230,859	236,631	242,546
Capital	1,538,529	1,592,412	1,614,715	1,637,576	1,661,008
Personnel Services Reserve	750,000	750,000	750,000	750,000	750,000
Collective Bargaining - Town	1,100,000	1,210,000	1,000,000	1,020,000	1,040,000
Schools	58,586,690	61,033,190	63,548,190	65,883,190	68,238,190
Collective Bargaining - School	1,250,000	1,270,000	1,040,000	1,060,000	1,080,000
Non-Departmental - Benefits	32,003,118	35,508,376	38,278,789	41,056,345	44,230,229
Pensions	10,165,009	11,740,650	12,162,225	12,554,763	12,829,063
Group Health	18,936,109	20,999,176	23,237,216	25,531,420	28,336,564
EAP	25,000	30,000	30,000	30,000	35,000
Group Life	157,000	160,925	163,339	165,789	168,276
Workers' Compensation	1,450,000	1,224,000	1,248,480	1,248,480	1,248,480
Unemployment Compensation	125,000	125,000	125,000	130,000	130,000
Medical Disabilities	30,000	30,000	30,000	30,000	35,000
Medicare Coverage	1,115,000	1,198,625	1,282,529	1,365,893	1,447,847
Non-Departmental - General	711,882	719,513	577,573	775,183	649,652
Liability/Catastrophe Fund	225,039	109,984	11,145	6,959	10,539
Stabilization Fund	22,248	117,031	43,258	206,337	40,159
General Insurance	276,175	303,792	334,172	367,589	404,348
Audit/Management Services	138,987	138,987	138,987	143,987	143,987
Misc.	49,433	49,718	50,011	50,312	50,619
Non-Departmental - Debt Service	14,396,621	15,954,956	15,715,510	15,875,215	17,031,382
General Fund	11,461,601	12,927,740	12,816,575	12,901,442	14,044,210
Enterprise Funds	2,935,020	3,027,216	2,898,935	2,973,773	2,987,172
Non-Departmental - Reserve Fund	1,593,756	1,668,816	1,721,681	1,771,682	1,826,514
Tax Supported	1,195,312	1,251,612	1,291,261	1,328,762	1,369,885
Free Cash Supported	398,444	417,204	430,420	442,921	456,628
Special Appropriations	6,715,483	4,066,279	4,600,791	4,593,914	3,871,821
Tax Supported	1,809,819	710,498	1,085,615	1,250,130	379,147
Free Cash Supported	4,491,704	3,355,781	3,515,177	3,343,784	3,492,674
Capital Project Surplus	413,960	0	0	0	0
Non-Appropriated	7,727,481	7,883,156	8,042,722	8,206,278	8,373,922
State Assessments	5,221,479	5,347,154	5,475,970	5,608,007	5,743,345
Cherry Sheet Offsets	1,281,002	1,281,002	1,281,002	1,281,002	1,281,002
Overlay	1,200,000	1,230,000	1,260,750	1,292,269	1,324,575
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	182,025,329	188,975,393	195,971,758	203,270,586	210,979,823
\$\$ Increase	7,784,292	6,950,065	6,996,364	7,298,829	7,709,237
% Increase	4.5%	3.8%	3.7%	3.7%	3.8%

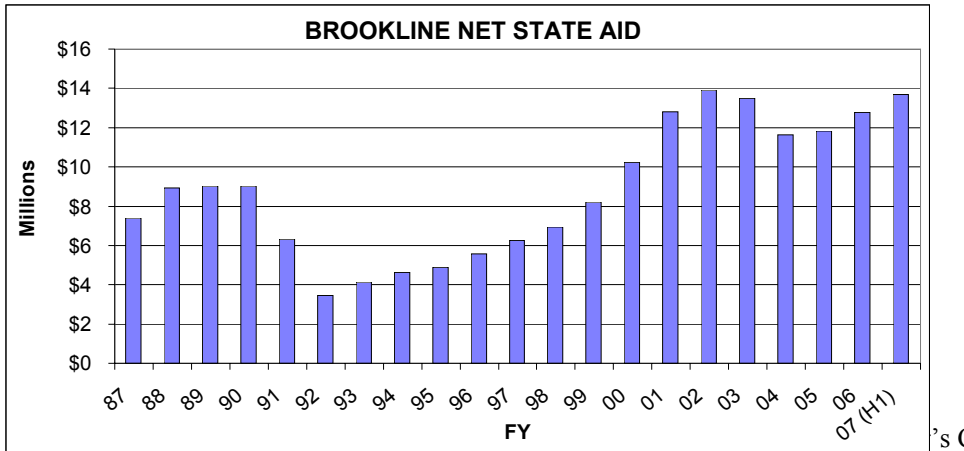
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
CUMULATIVE SURPLUS/(DEFICIT)	0	(3,354,984)	(5,213,344)	(6,895,859)	(8,875,822)
DEFICIT AS A % OF OP REV	0.0%	-1.8%	-2.8%	-3.6%	-4.5%
Surplus / (Deficit) Prior to Collective Bargaining	2,350,000	(874,975)	(3,173,344)	(4,815,859)	(6,755,822)
Town Share of Surplus / (Deficit)	1,100,000	(595,988)	(1,550,165)	(2,133,555)	(2,714,056)
Town Collective Bargaining	1,100,000	1,210,000	1,000,000	1,020,000	1,040,000
Total Town Surplus / (Deficit)	0	(1,805,988)	(2,550,165)	(3,153,555)	(3,754,056)
School Share of Surplus / (Deficit)	1,250,000	(278,987)	(1,623,180)	(2,682,303)	(4,041,767)
School Collective Bargaining	1,250,000	1,270,000	1,040,000	1,060,000	1,080,000
Total School Surplus / (Deficit)	0	(1,548,987)	(2,663,180)	(3,742,303)	(5,121,767)

As the tables show, annual revenue growth of approximately 2.9% is outpaced by annual expenditure growth of approximately 3.8%. The growth in expenditures is driven primarily by wages (assumed 2% growth per year), health insurance (annual budget growth of between 10% - 11%), pensions (a whopping 15.5% increase in FY08, followed by growth of approximately 3.5% per year), and School Department non-collective bargaining (approximately 2% per year), driven mainly by SPED. These are significant issues the Town must cope with over the next few years - - unless, of course, more positive actions occur, such as state aid being more plentiful than currently assumed; health care costs falling back to more “normal” inflationary levels; employees settling for smaller wage increases; a slowdown in the growth of SPED; or the Town’s pension system realizing larger than expected gains and a reduction in the number of disability retirements.

CONCLUSION

As noted repeatedly throughout this Budget Message, there are several assumptions built into the Financial Plan, which if they do not materialize, hold some degree of potential risk for planned service levels. The four principal sources of risk are state aid assumptions, local receipt assumptions, collective bargaining assumptions, and energy costs.

Local Aid– The net increase for the Town in “Cherry Sheet” aid proposed in the Governor’s House 1 budget is approximately \$889,000, coming primarily from Lottery distributions (\$589,000) and Chapter 70 Aid (\$308,000). As detailed in the Local Aid segment of Section III, this increase in non-earmarked aid from the state is among the highest levels allocated for the Town in recent years.



Most of the Lottery increase is the result of the Governor proposing the complete restoration of Lottery distributions that had been diverted from cities and towns over the past three years in order to help balance the state budget. Rather than phasing out the diversion over another three years, the Governor has rightfully proposed that the funds be completely restored next fiscal year because the State’s budget surplus makes it impossible to justify continued diversion. While the Legislature will undoubtedly be sympathetic to this approach, it constitutes a sizable unexpected budgetary commitment. Local officials will have to work extremely hard to ensure that the Legislature votes full-funding of this important local aid account.

increase in the funding level (\$164 million statewide), but he has also changed the distribution formula to give greater weight to factors such as community income levels and enrollment growth. The proposed increase for Brookline is \$308,302, or 5.9%.

While it is questionable whether the Legislature will embrace the Governor’s proposed changed distribution formula, the Financial Plan nevertheless does assume the increased level of Chapter 70 funding. This assumption approximates \$50 per pupil, which is the more traditional method of distributing “minimum aid” and is, in fact, the approach the Legislature adopted for the current FY06 budget. Once again, while it will take considerable effort on the part of local officials, it is not unreasonable to assume that the Legislature will provide at least this level to non-foundation aid communities like Brookline, especially in light of the sizable funding increase the Governor has put forth.

Local Receipts - Local receipts (Brookline based fees, fines, etc.) are projected to increase 7%. This quite sizable jump is among the higher increases proposed in town budgets over the past decade. Continued growth in interest earnings should enable this increase to be realized. However, the total rate of growth in recurring local receipts halfway through FY06 is slightly less than the rate of growth halfway into FY05. When the RMV releases the commitment for 2006 Motor Vehicle Excise (MVE) Taxes, a more conclusive assessment of FY07 projections can be made.

Collective Bargaining – The current status of negotiations suggest that it might not be possible to confirm the actual FY07 costs of bargaining until after the Jul 1, 2006 start of the fiscal year. To the extent that the last round of negotiations is indicative of the future, none of the larger unions who have expiring contracts reached settlements before the end-date of the prior agreements. Any settlements that exceed budgeted collective bargaining reserves would have to be supported either by offsetting savings in other compensation areas and/or from outright reductions in budget accounts. It is critically important that Town and School negotiating teams adhere to bargaining guidelines so as not to destabilize other areas of the FY07 Budget.

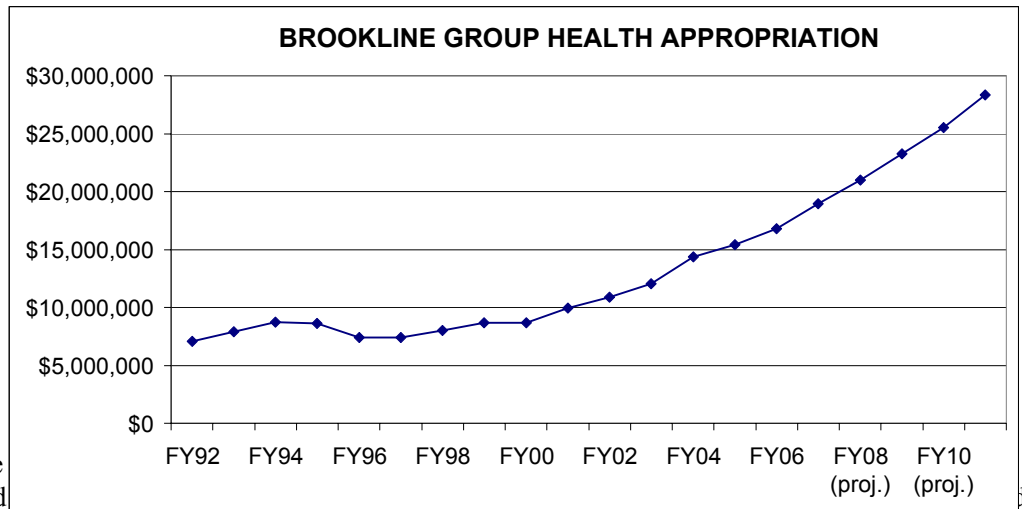
In light of these uncertainties, particularly relative to revenue estimates for local aid and local receipts, contingency planning is being conducted with Town Departments. If, for example, this April when the House unveils its budget, local aid is proposed at levels less than the Governor's, then additional budget reductions might have to be proposed. If such a contingency does arise warranting additional budget changes, then a Revised Financial Plan will be submitted to the Board of Selectmen and Advisory Committee in time for final recommendations to be taken up at the Annual Town Meeting.

Finally, beyond the immediate horizon, a serious cautionary note must be made about budget prospects for FY08. The Financial Forecast is assuming a 10% or \$2 million increase in group health rates; a 15.5% or \$1.6 million increase in pension costs; and a 4% or \$200,000 increase in utility costs. These three items alone consume virtually all of operating revenue growth projected for that year.

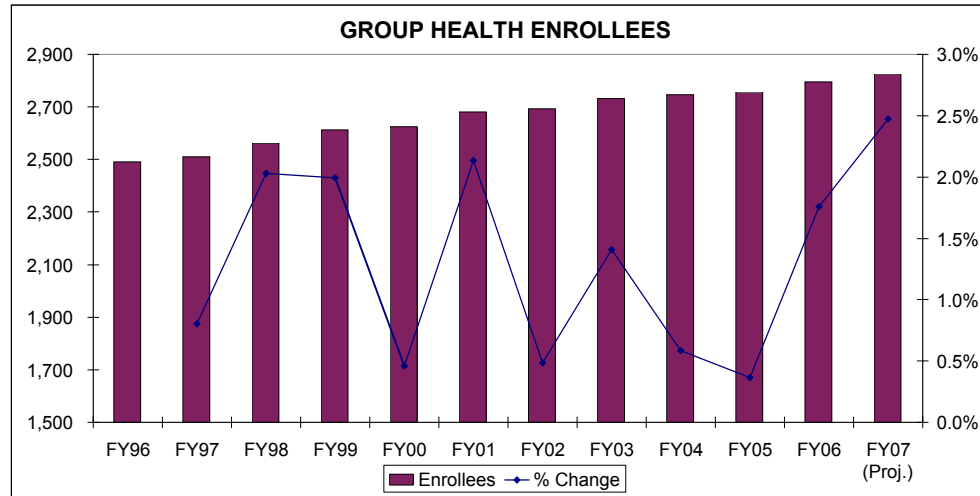
Group health is obviously a chronic budget buster challenging Brookline and all other municipalities. The Mass Taxpayers Foundation reported that:

- Municipal health coverage costs increased by 63% from 2001-2005, more than four times the growth in local budgets.
- Health care as a share of local budgets jumped from 7.4% in 2001 to 10.6% in 2005, a 42% increase, which if continued at this rate will absorb 15% of local budgets by 2009.
- Between 2001 and 2005, increased health costs consumed over half the property tax growth allowed statewide under Proposition 2 1/2.
- Group health costs for municipal employees have

Not only grown at twice the rate than that of state employees. are
Town he and
both active employees and retirees. As payroll expands, this too exacerbates group health budget pressure.



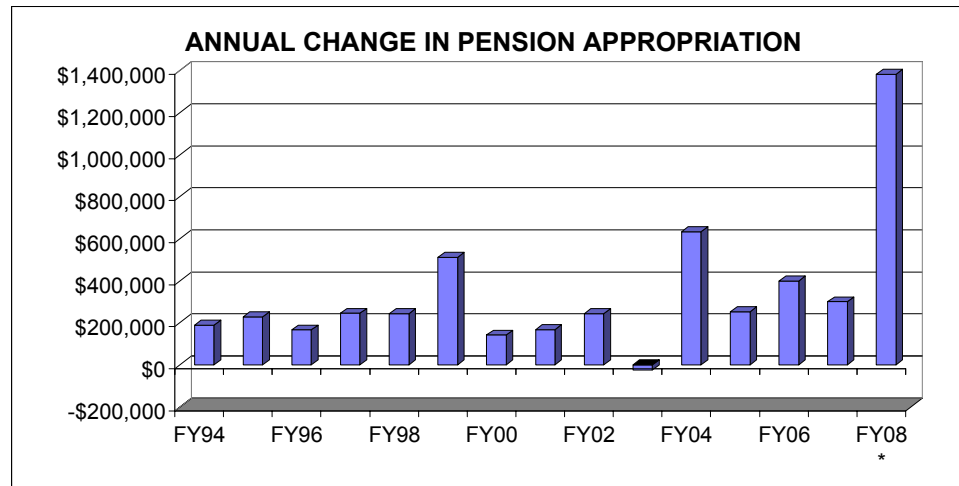
Earlier in this Message it was noted that school staff levels have increased by 123 FTE's between 2000 and 2005. On average, the cost to the Town for each group health plan participant is over \$6,000. This situation cries out for structural reform.



Retirement Costs – The recent astronomical growth in unfunded pension obligations – from less than \$60 million in 2000 to over \$90 million in 2005 – fueled the current initiative to consider Pension Obligation Bonds (POBs). The estimate of unfunded pension liability will be updated in a few months. This update will have to be addressed in the FY08 budget. If the legally independent Retirement Board decides in response to this new estimate to lower retirement fund investment assumptions in order to more closely reflect recent earnings experience, then the impact on the Town Budget in FY08 could be unprecedented.

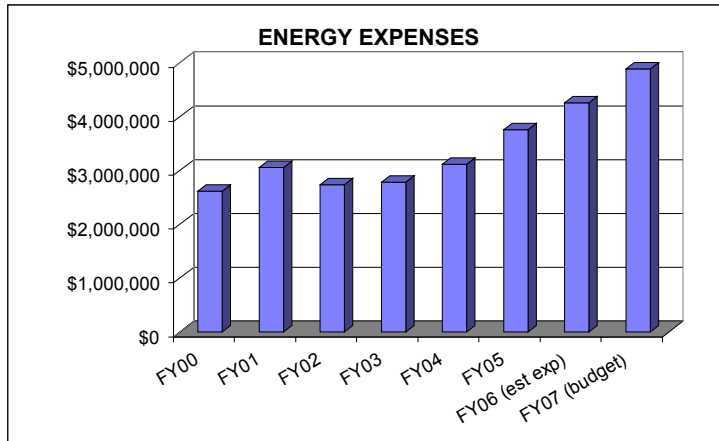
Since FY2000, increases in Town pension appropriations have ranged from a high of \$600,000 in FY04 to a slight decline in FY03. If the Retirement Board were to change earning assumptions from 8.25% to 8%, it is estimated that the Town’s FY08 appropriation would have to increase by approximately \$1.6 million, with Town budgets absorbing 75% of this impact and the schools 25%.

Coupled with the impact of double-digit group health increases, this will have a potentially crippling effect on the Town’s FY08 Budget. Steps need to be taken now to prepare for this possibility.



Energy Costs - The cost of energy has become the newest “budget buster” for the Town, increasing close to \$1.9 million over a two-year period (more than \$850,000 in FY07 after increasing close to \$1 million in FY06). This enormous growth is due to the increase in the prices of the commodities. The run-up in oil and natural gas prices has been the result of increasing global demand and tight supplies. The increase in the price of oil and natural gas, in turn, directly impacts the cost of electricity, since most of the region’s power plants use natural gas or oil to produce electricity.

In FY05, heating oil, natural gas, and vehicle fuels increased between 20% - 30%. In FY06, the cost of these same energy sources increased 69%, 58%, and 33%, respectively. Fortunately, the Town has been locked in to a fixed rate contract for electricity during this same period, so per kwh costs have remained at 5.65 cents. That contract expires in May, 2006, however, and we are expecting prices in the 10 cent / kwh range. If this is the price at which the Town procures electricity, the budget will increase more than \$800,000. The Town chose not to lock in to a long-term natural gas contract since the prices we could obtain on the open market were so high. Instead, we went back onto basic service with KeySpan, who had winter rates of approximately \$1.30 / therm - - rates that were well below the \$1.90 / therm we were quoted in the open market. This Spring, the Town will go back out to bid, with the hope that the long-term price will be closer to the \$1.30 / therm than the \$1.90 / therm.



In an effort to offset the price increases, the Town has made efforts to reduce its demand (i.e., usage). The Board of Selectmen appointed an Omnibus Utility Committee who, among other issues, is focusing on a new electricity contract. In addition, I have established an Inter-Departmental Energy Task Force whose task is reducing consumption, with the focus being energy efficiency measures.

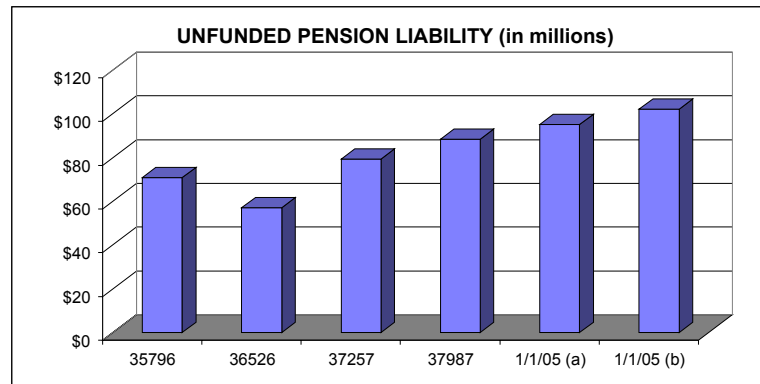
The Director of Public Buildings is working on a three-pronged approach to energy conservation: (1) utilizing NStar’s rebate programs, which were recently increased at the request of the Governor, (2) investigating the use of “shared savings” programs with companies specializing in energy efficiency projects, and (3) procuring the services of a consultant who will undertake energy audits of the Town’s facilities, with the desired outcome being a menu of energy efficiency projects the Town could choose to fund. An additional \$160,000 is included in the CIP for this purpose.

In summary, the FY07 Financial Plan presents what is truly a maintenance-of-effort budget. Despite an increase in the operating budget of 4.0%, energy costs, group health costs and other personnel costs consume most of the anticipated budget capacity. While initiatives started last year such as the Zoning Administrator and Coolidge Corner library staff can be completed and while on-going commitments to capital and technology do not have to be curtailed, the FY07 Financial Plan does not allow for any significant program expansion.

FY07 is not only constrained in the short-term by the sizable growth in certain costs centers, but it also had to be prepared in the context of longer-term

factors anticipated for FY08. Not only is continued price escalation projected for group health and energy, but an unprecedented impact from the Retirement system could well occur because of the need to meet unfunded pension obligations. A significant upsurge in this fixed cost, coupled with on-going double digit increases in group health and energy, will be beyond any budgetary capacity we could reasonably expect to materialize in FY08.

The specter of unfunded retirement obligations has only become more ominous with the passage of time. Brookline's unfunded pension obligation grew by more than 50% between 2000 and 2005. We are part of a surging national trend. It is reported that 2,000 different states, cities, and other non-federal entities owe \$2.37 trillion to 20 million employees and retirees. In 2003 alone, states and localities allocated \$46 billion for retirement purposes. These figures do not even take into account other unfunded post-retirement benefits, the largest of which, of course, is group health. Governmental bodies like the Town of Brookline will be required to formally calculate this liability in FY08. The last actuarial study of the Town's obligation in this regard was conducted in 2001, at which time the unfunded obligation was estimated at \$118 million.



It increasingly appears that sea change is ahead for municipal government in the not too distant future. There is no reason to expect future growth in municipal budgets to be any greater than the historical trend described at the outset of this Message. There is little margin to absorb the impacts of unrelenting double-digit group health increases plus colossal unfunded post-retirement benefit obligations. The FY07 Financial Plan has been prepared with this longer-term outlook ve much in mind. Our sincerest hope is that the Financial Plan not only constitutes a balanced approach for the coming fiscal year, but also provides a solid footing to address adverse longer-term conditions that, regrettably, are likely to arise.

Sincerely yours,

Richard J. Kelliher
Town Administrator

**TOWN OF BROOKLINE
FY2007 PROGRAM BUDGET**

BUDGET MESSAGE

NOTE: THERE ARE NUMEROUS SUMMARY TABLES IN SECTION II OF THIS FINANCIAL PLAN. PLEASE REVIEW THOSE FOR MORE SUMMARY INFORMATION

FY2007 FINANCIAL PLAN SUMMARY

	FY2006	FY2007	INCREASE/DECREASE	
			\$	%
REVENUE				
General Fund Revenue	174,241,038	182,025,329	7,784,291	4.47%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	21,486,296 (4,554,526)	22,981,333 (4,995,385)	1,495,037 (440,859)	6.96% 9.68%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,197,523 (379,553)	1,222,128 (371,402)	24,605 8,151	2.05% -2.15%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	1,075,741 (119,737)	1,335,256 (145,602)	259,515 (25,865)	24.1% 21.6%
TOTAL REVENUE	192,946,782	202,051,658	9,104,876	4.7%
APPROPRIATIONS				
General Fund Operating Budget	160,140,767	167,582,364	7,441,598	4.6%
Non-Appropriated Budget *	8,039,468	7,727,481	(311,987)	-3.9%
<u>Free Cash-Supported / Revenue-Financed CIP Budget</u>	<u>6,060,803</u>	<u>6,715,483</u>	<u>654,680</u>	<u>10.8%</u>
General Fund Total	174,241,038	182,025,329	7,784,291	4.5%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	21,486,296 (4,554,526)	22,981,333 (4,995,385)	1,495,037 (440,859)	6.96% 9.68%
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Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	1,075,741 (119,737)	1,335,256 (145,602)	259,515 (25,865)	24.1% 21.6%
TOTAL APPROPRIATIONS	192,946,782	202,051,658	9,104,876	4.7%
BALANCE	0	0	0	

* State and County Charges/Offsets, Overlay, Deficits/Judgments.

**TOWN OF BROOKLINE
FY2007 PROGRAM BUDGET**

BUDGET MESSAGE

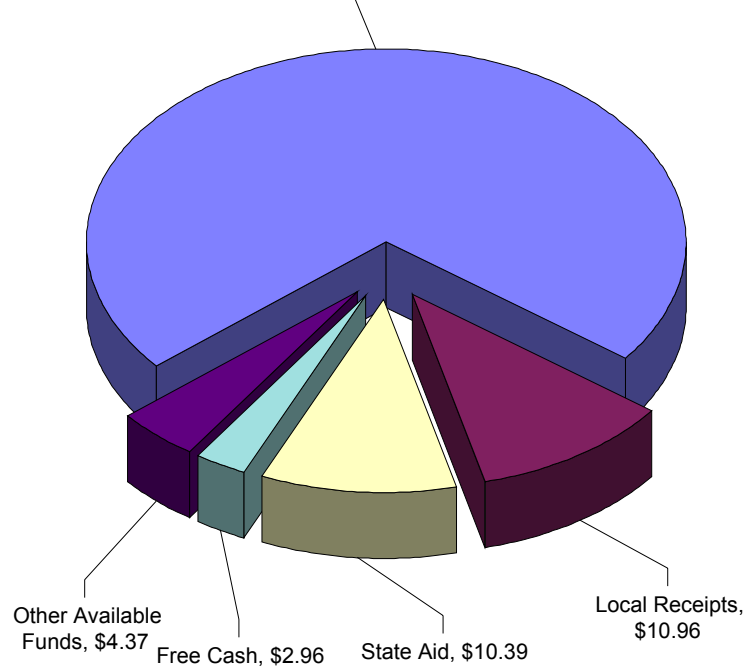
FY2007 GENERAL FUND SUMMARY

	FY2004 ACT.	FY2005 ACT.	FY2006 BGT.	FY2007 BGT.	INCREASE/DECREASE	
					\$	%
REVENUE						
Property Tax	114,247,135	119,549,759	125,014,839	129,825,273	4,810,434	3.8%
Local Receipts	19,033,233	21,229,625	18,900,300	19,948,300	1,048,000	5.5%
State Aid	17,298,584	17,420,087	18,027,706	18,916,419	888,713	4.9%
Free Cash	5,602,961	6,966,241	4,606,534	5,387,435	780,901	17.0%
Other Available Funds	7,884,671	11,116,554	7,691,659	7,947,902	256,243	3.3%
TOTAL REVENUE	164,066,583	176,282,266	174,241,038	182,025,329	7,784,291	4.5%
(LESS) NON-APPROPRIATED EXPENSES						
State & County Charges	5,460,231	5,352,984	5,243,739	5,221,479	(22,260)	-0.4%
Tax Abatement Overlay	1,500,000	1,800,995	1,490,442	1,200,000	(290,442)	-19.5%
Deficits & Judgments	6,387	0	25,000	25,000	0	0.0%
Cherry Sheet Offsets	1,013,561	1,157,237	1,280,287	1,281,002	715	0.1%
TOTAL NON-APPROPRIATED EXPENSES	7,980,179	8,311,216	8,039,468	7,727,481	(311,987)	-3.9%
AMOUNT AVAILABLE FOR APPROPRIATION	156,086,404	167,971,050	166,201,570	174,297,847	8,096,278	4.9%
APPROPRIATIONS						
Town Departments	52,336,452	53,769,760	56,965,260	59,040,308	2,075,048	3.6%
School Department	53,774,922	56,220,591	58,007,124	59,836,680	1,829,556	3.2%
Non-Departmental Total	40,461,741	41,754,453	45,168,383	48,705,375	3,536,992	7.8%
General Fund Non-Departmental	35,108,540	36,548,193	40,114,567	43,192,987	3,078,420	7.7%
Water and Sewer Enterprise Fund Overhead *	4,849,472	4,750,571	4,554,526	4,995,385	440,859	9.7%
Golf Enterprise Fund Overhead *	376,581	342,908	379,553	371,402	(8,151)	-2.1%
Recreation Revolving Fund Overhead *	127,148	112,781	119,737	145,602	25,865	21.6%
OPERATING BUDGET SUBTOTAL	146,573,115	151,744,804	160,140,767	167,582,363	7,441,597	4.6%
Revenue-Financed Special Appropriations	7,066,117	11,438,708	6,060,803	6,715,483	654,680	10.8%
TOTAL APPROPRIATIONS	153,639,232	163,183,512	166,201,570	174,297,847	8,096,278	4.9%
BALANCE			0	0	0	

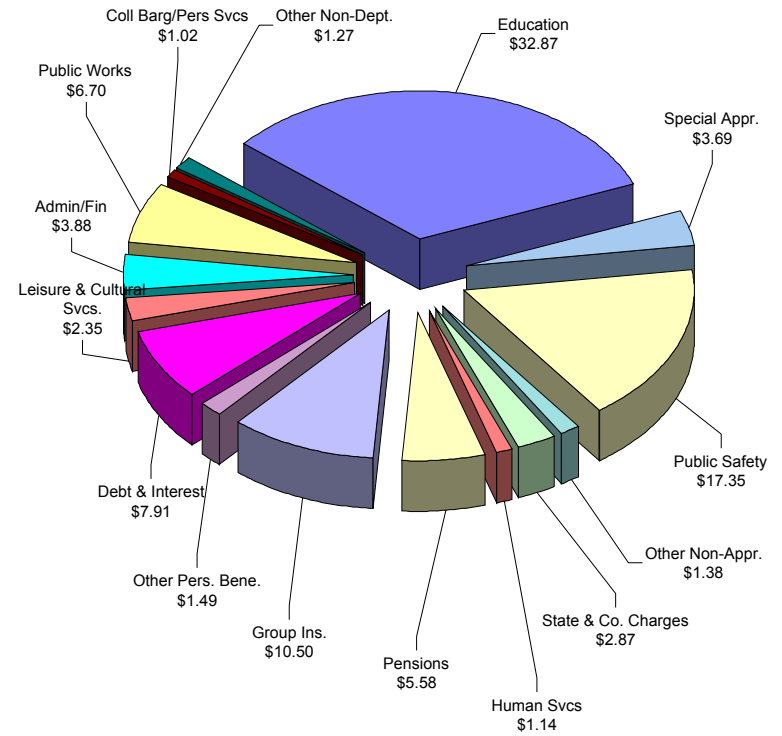
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

**FY2007 GENERAL FUND TOTAL BUDGET
\$182,025,329**

How Each \$100 Will Be Received

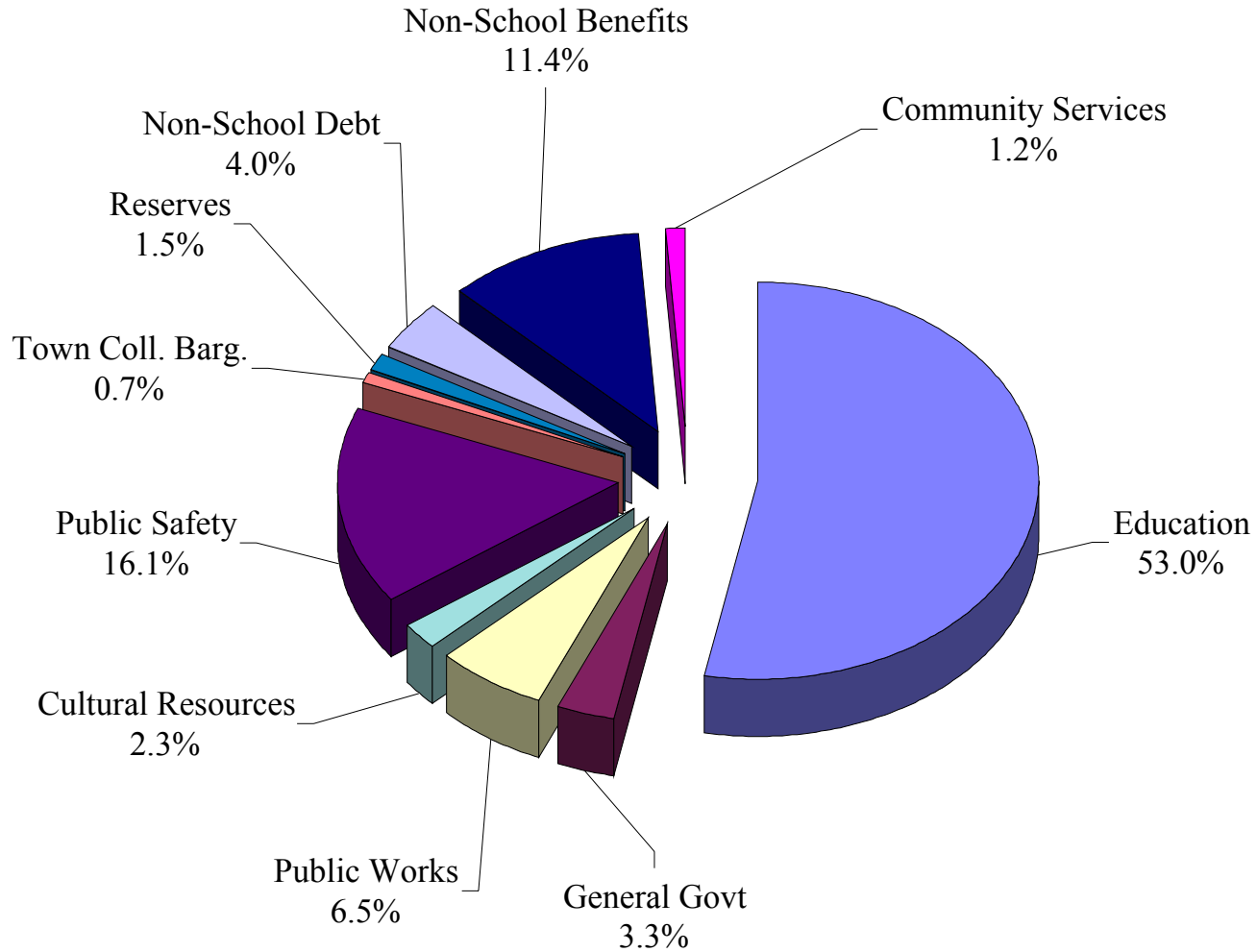


How Each \$100 Will Be Appropriated



FY2007 GENERAL FUND OPERATING BUDGET
\$167,582,363

FULLY ALLOCATED FY2007 GENERAL FUND OPERATING BUDGET



This chart reflects the allocation of all education-related appropriations (some of which are not appropriated in the school budget, such as building maintenance and energy) as reported annually to the State Department of Education (DOE).