TOWN OF BROOKLINE
OVERRIDE STUDY COMMITTEE
Revenue Subcommittee

Final Report
June 17, 2014

Submitted by:
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Override Study Committee
Revenue Subcommittee Report as of June 17, 2014

Executive Summary

Brookline's budgetary difficulties may be addressed by increasing property taxes through an override or debt exclusion, reducing costs, which often entails cutting services impacting residents and the schools, and/or by increasing other revenues. The Revenue Subcommittee is charged with addressing the last of these. In a few cases we also propose changes to revenues that would appear as reduced costs in the town's budget.

Perhaps the most important message is that revenues are highly unpredictable. While, as a community, we are somewhat cautious, our projections of property taxes have been within about 5% of the actual figures even five years ahead. On the other hand, our projections of state aid have been fairly consistently optimistic. Free cash is also difficult to predict although Brookline has addressed this by allocating free cash to undertakings for which we have more year-to-year flexibility. Overall, there is a good chance that revenues in FY2018 will be substantially higher than currently projected, but there are plausible scenarios under which it will be lower than projected.

The Revenue Subcommittee believes that all the potential revenue increases identified below should be given consideration. Revenue sources impact constituents differently. Each proposal ought to be considered not just in isolation but as part of a package. While some revenue increases have not previously been considered, others have been considered but not adopted. Nevertheless, the Revenue Subcommittee believes that they, too, merit serious consideration.
We have identified revenue generation options and grouped them in the following categories:

A. **Easily Implementable Options** – These options require an approval by the Board of Selectmen and/or some other Board/Committee with oversight. While some or all may be considered politically difficult, they are actionable, fair / balanced, and in line with charges in comparable towns and cities. In aggregate, these options can generate revenue (and/or savings) between **$1.8 million** and **$3.7 million**.[1]

B. **Longer Term Implementable Options –** These options, one of which is the Community Preservation Act,[2] require additional planning or consideration and may require voter approval. These options tend to have greater dollar impact, but also require careful strategic planning. In aggregate, these options can generate revenue between **$ 2.7 million** and **$4.4 million**.

C. **Hard-to-Forecast Option** – This option has impacts that are hard to quantify at this time but are clearly desirable.

D. **School Related Options for Consideration** – These options are related to the School Subcommittee whose members are working on other School Department specific revenue

[1] The estimated figures do not consider the revenue impact from the new solid waste contract approved by the Board of Selectmen in July 2014 and the potential change in solid waste pick-up.
[2] See Appendix 1

generation options and not further addressed in this report.

E. **Other Options Meriting Further Investigation** – These options require further research and consideration. Some of these options may be considered radical. However, the Revenue Subcommittee feels that they merit consideration and vetting.

Revenue Subcommittee Override Model		Annual	Implementation Factors						
DRAFT as of June 17, 2014 - Amounts Subject to Change	Check One (x)	Impact (in $000s)	Time Frame	BOS Approval	Other Approval	Voter Approval	Costs to Achieve	Constituents Impacted	Degree of Change
A. Easily Implementable Recommendations									
Options									
1 Parking Meters									
a) Do nothing		0							
b) Up to $1.25/hr.		850	FY16	Yes	Trans. Board	No	Minimal	Meter Users	Minimal
c) Up to $1.25/hr. (peak hours only)		TBD	FY16	Yes	Trans. Board	No	Minimal	Meter Users	Minimal
d) Up to $1.50/hr.		1,700	FY16	Yes	Trans. Board	No	Minimal	Meter Users	Minimal
e) Up to $1.50/hr. (peak hours only)		TBD	FY16	Yes	Trans. Board	No	Minimal	Meter Users	Minimal
2 Refuse Fees (note a)									
a) Do nothing		0							
b) Increase to $225		330	FY16	Yes	No	No	None	Users	None
c) Increase to $250		615	FY16	Yes	No	No	None	Users	None
d) Increase to $275		900	FY16	Yes	No	No	None	Users	None
3 Parking Fines									
a) Do nothing		0							
b) Increase fine to state limit		150	FY16	Yes	Trans. Board	No	Some	Violators	None
c) Increase fine & reduce late fee		263	FY16	Yes	Trans. Board	No	Some	Violators	None
4 Commercial Parking Permits									
a) Do nothing		0							
b) Increase permit fees (low est.)		88	FY16	Yes	Trans. Board	No	Minimal	Biz Users	None
c) Increase permit fees (high est.)		138	FY16	Yes	Trans. Board	No	Minimal	Biz Users	None
5 Temp Permits fees									
a) Do nothing		0							
b) $1.00 per day fee		60	FY16	Yes	No	No	Minimal	Biz Users	None
6 Recreation Department Fees									
a) Do nothing		0							
b) Increase cost recovery to 80%		137	FY16	Yes	Park & Rec	No	Minimal	Users	None
c) Increase cost recovery to 82.5%		271	FY16	Yes	Park & Rec	No	Minimal	Users	None
7 Credit Card Surcharge									
a) Do nothing		0							
b) Recover cost (Motor Vehicle Ex)		45	FY16	Yes	No	No	Minimal	CC Users	None
8 Library Fines									
a) Do nothing		0							
b) Inc. 5c (books) & 25c (dvds) (low)		40	FY16	Yes	Lib. Trus.	No	None	Violators	None
c) Inc. 5c (books) & 25c (dvds) (high)		52	FY16	Yes	Lib. Trus.	No	None	Violators	None
9 Library Trust Fund									
a) Do nothing		0							
b) 4% payout rate (low est)		34	FY16	Yes	Lib. Trus.	No	None	Fund	Minimum
c) 5% payout rate (high est)		79	FY16	Yes	Lib. Trus.	No	None	Fund	Minimum
10 Cemetery Perpetual Care Fund									
a) Do nothing		0							
b) Modify 50/50 split to 75/25		21	FY16	Yes	Cem. Trus.	No	None	Fund	Minimum
c) Modify 50/50 split to 100/0		42	FY16	Yes	Cem. Trus.	No	None	Fund	Minimum
11 Cemetery Rates (eff. July 2013)									
a) Do nothing		0							
b) Increase rates by 10%		16	FY16	Yes	Cem. Trus.	No	None	Users	Minimum
c) Increase rates by 20%		31	FY16	Yes	Cem. Trus.	No	None	Users	Minimum
Subtotal (Easily Implementable)		-							

Note a: The revenue impact figures do not consider the impact from the new solid waste contract approved by the Board of Selectmen in July 2014 and the potential change in solid waste pick-up.

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Revenue Subcommittee Override Model DRAFT as of June 17, 2014 - Amounts Subject to Change	Check One (x)	Annual Impact (in $000s)	Implementation Factors: Time Frame	BOS Approval	Other Approval	Voter Approval	Costs to Achieve	Constituents Impacted	Degree of Change
B. Longer Term Implementable Recommendations									
12 Community Preservation Act									
a) Do nothing		0							
b) 25% state match @ 1.0%		1,900	FY16	Yes	No	Yes	Some	All Owners	Tax Increase
c) 50% state match @ 1.0%		2,300	FY16	Yes	No	Yes	Some	All Owners	Tax Increase
d) 25% state match @ 1.5%		2,900	FY16	Yes	No	Yes	Some	All Owners	Tax Increase
e) 50% state match @ 1.5%		3,400	FY16	Yes	No	Yes	Some	All Owners	Tax Increase
13 Real Estate Transfer Tax									
a) Do nothing		0							
b) Tax at 0.1% of Sales Price		800	FY17	Yes	Yes (State)	No	Some	R/E Trans.	Tax Increase
c) Tax at 0.2% of Sales Price		1,500	FY17	Yes	Yes (State)	No	Some	R/E Trans.	Tax Increase
Subtotal (Longer Term Implementable)		-							
C. Hard-to-Forecast Recommendations									
14 Payment-in-Lieu of Taxes									
a) Do nothing		0							
b) Establish new PILOTS (low)		500	FY16	No	No	No	Some	Non-Profits	Tax Increase
c) Establish new PILOTS (high)		1,000	FY16	No	No	No	Some	Non-Profits	Tax Increase
Subtotal (Hard-to-Forecast)		-							

D. School Related Options for Consideration

Recover additional Program Costs (BEEP, etc.) by increasing fees
Partner with Corporate Sponsors (lower expenditures on supplies)
Leverage Donation from Alumni of Brookline Schools (generate financial support)
Establish Capital Campaigns for Schools (generate financial support)

E. Other Options Meriting Further Investigation

Establish Naming Opportunities (adopt park, adopt space, etc.)
Revisit Municipal Impact Fees (new construction / renovation fees)
Adopt 40R and 40S
Advocate for increased state aid (e.g., Chapter 70 Funding)
Consider eminent domain for certain properties (esp. for not for profits)
Recommend additional zoning changes to facilitate commercial development
Consider leasing rooftop for photovoltaic related income
Consider selling Town assets or leasing space
Consider charging child-care organizations for use of outdoor space
Establish additional tax rate for medical marijuana dispensaries

Total Impact (All Recommendations)	-

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Overview

The Override Study Committee is reviewing a request from the Town and Schools of a potential $19.3M total tax increase (including both operating override and debt exclusion). The expected impact to Town Residents assuming residential exemption for single-family and condo could be an 11 % tax increase. For each 1% tax increase, the impact:

Typical Single-Family Home ($1,114,000)[3]	$1,175	(11% tax increase)
Typical Condo ($447,000)[1]	$340	(11% tax increase)
Typical Commercial Property	$2,380	(11% tax increase)

To determine the degree of additional burden an override would impose on residents and other taxpayers, some people find it helpful to know whether Brookline is currently a high-tax or low-tax community. It depends in part on which measure you use. Only 28% of taxable residential parcels are single family homes, while 60% are condominiums. So for Brookline, a more accurate measure of the tax burden is when all residential taxpayers, including condominiums, single and multifamily homes, are included in the analysis. This measure is the average residential tax bill. The average residential parcel tax bill in Brookline for FY14 was $8,209, a 34% increase from $6,148 in FY04. Brookline has the 35th highest average residential tax bill in Massachusetts.

Potential Sources of Revenue for FY 15 that can be Enacted by Town Government

The amounts below represent what we believe could be raised in FY15:

	Revenue Sources	FY15 Revenue Estimate Range	
1	Parking meter rates	$850,000	$1,700,000
2	Refuse fee	330,000	990,000
3	Parking Fines	150,000	263,000
4	Recreation department fees	137,000	271,000
5	Commercial parking permits	88,000	138,000
6	Library fines and endowment change	74,000	131,000
7	Temporary parking permits	60,000	60,000
8	Cemetery rates and funding change	37,000	73,000
9	Credit card charge for motor vehicle excise tax payments	25,000	45,000
	Total Estimated FY15 Revenue	1,751,000	3,671,000

The total amount that could be raised by decisions of Town government could be between $1.8 and $3.7 million.

The Community Preservation Act

Brookline currently spends or plans to spend an average of $3 million per year on items eligible for expenditure from funds generated through the Community Preservation Act (CPA). Since

[3] Average assessed value in 2013

CPA funds are matched by the state, paying for these items through a CPA property tax surcharge is less costly to residents and businesses than paying for them through the regular property tax. A 1.5% surcharge with exemptions for the first $100,000 of residential property value and for low income and low/moderate income senior housing would raise roughly $2.4 million. We anticipate a state match of roughly 25%, bringing the total to $3 million.

Despite the obvious advantage of the state match, there are some disadvantages of using the CPA:

1. The determination of spending under the CPA imperfectly parallels the usual process.
2. Because spending on CPA projects is irregular, coordinating the spending with the Capital Improvement Plan (CIP) in order to reduce the magnitude of a debt exclusion will be difficult. Coordinating with the operating budget to provide immediate relief and reduce the magnitude of a general override would require some creativity and notable changes to our capital policies.

Despite these concerns, the Revenue Subcommittee proposed and the Override Study Committee subsequently voted on or around February 5, 2014 to unanimously recommend the adoption of the CPA as one of its recommendations to the Board of Selectmen. To adopt the CPA for FY15 would require the OSC and the Selectmen to give priority to a review of this topic in order to be placed on the ballot in May 2014.

Potential Sources of Revenue Beyond FY 15 that do not Require State Legislation

Some considerations for the Selectmen to consider include:

- Payments in Lieu of Taxes (PILOTs) could raise an additional $1 million or more in the long run. This program should receive strong support from the Town's administrative and political leadership
- The Board of Selectmen and Town Meeting should develop guidelines for personal and corporate sponsorships. And the Town and School Naming Committees should be open to naming opportunities commensurate with the magnitude of the gift.
- Brookline should consider adopting 40R (Smart Growth zoning) in areas under threat of 40B development. This enables the Town to take advantage of 40S to offset some of the additional cost of schools associated with the new development.
- The Town should continue to review its zoning laws to support appropriate commercial development.

Potential Sources of Revenue Beyond FY2014-15 that Require State Legislation

Some considerations for the Selectmen to consider include:

- Explore support for legislation permitting a local option real estate transfer tax, possibly set aside for the renovation of municipal and school buildings and infrastructure.
- Explore support for legislation permitting municipal impact fees to address the cost of the expansion of school buildings to accommodate new growth associated with new development

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Goals and Process

The Revenue Subcommittee viewed its objectives as:

1. Comparing the level and sources of revenues in Brookline with other comparable Massachusetts towns in order to provide a basis for comparison when assessing the tax burden on its residents,

2. Identifying potential sources of additional revenues other than a Proposition 2½ general override and/or debt exclusion except that the review of fees set by the School Department was left to the Schools Subcommittee, and

3. Reviewing Town revenue projections in order to assess whether they are too optimistic or pessimistic.

To pursue these objectives, the Revenue Subcommittee performed the following procedures:

1. Reviewed data from the Massachusetts Municipal Databank,

2. Reviewed the status of revenue related recommendations from the January 2008 Override Study Committee and the January 2009 Efficiency Initiative Committee (see the summary in Appendix A),

3. Met and worked closely with a large number of senior staff including the following departments: Town Administrator, Treasurer, Parks and Recreation, Transportation, Library, Council on Aging, Cemetery, Planning and Community Development and Assessors,

4. Cast our net widely to review additional sources of revenue not currently used by Brookline, and

5. Reviewed Town and School Financial Plans.

Benchmarking: Comparison with Comparable Communities

Selection of Communities

In past analyses and reports, Brookline has often looked at the following peer communities for comparisons: Arlington, Belmont, Boston, Cambridge, Dedham, Framingham, Lexington, Medford, Natick, Needham, Newton, Somerville, Waltham, Watertown and Wellesley (called "municipal peers"). While there is no community with Brookline's exact characteristics, these municipal peers have certain similarities to Brookline. Among the characteristics considered were geographic proximity, population size, income per capita, and high credit rating (Brookline is rated Aaa by Moody's).

Because a potential override may in large part support the schools, we also looked at other communities with a comparably strong commitment to education. These communities include: Dover-Sherborn, Concord-Carlisle, Lexington, Lincoln-Sudbury, Newton, Wayland, Wellesley, Weston and Winchester (called "school peers"). However, it is important to note that several of these school peers are not demographically similar to Brookline in terms of population size and income distribution.

Comparison of Residential Tax Bills

A common measure of tax burden is the average tax bill for single family homes. Averages are used in this comparison because medians are not available from the Massachusetts Department of Revenue. Yet only 28% of taxable residential parcels are single family homes, while 60% are condominiums. So for Brookline, a more comprehensive representation of the tax burden includes all residential taxpayers – single family, condominiums and multifamily homes. This measure is the average residential tax bill.

The average residential tax bill in Brookline for FY14 was $8,209, a 34% increase from $6,148 in FY04. Brookline's ranking has fallen from 24th highest in the state 10 years ago to 35th today, and the rate of increase in its tax bill has been less than peers (49% over the same period). On average, municipal peers have a residential tax bill of $7,117 and for school peers it is $11,908. Several of Brookline's school peers continue to make up the top 10 single family and residential tax bills in the state (see Figure 1 below).

Figure 1: Average Single Family and Residential Tax Bills

	2014				2004			
	Average S.F. Tax Bill	**Rank**	**Average Residential Tax Bill**	**Rank**	**Average S.F. Tax Bill**	**Rank**	**Average Residential Tax Bill**	**Rank**
Brookline	TBD w/ exemption	TBD	$ 8,209	35	TBD w/ exemption	TBD	$ 6,148	24
Weston	$ 17,832	1	$ 17,795	2	$ 11,238	1	$ 11,579	1
Sherborn	$ 14,333	2	$ 14,944	3	$ 9,591	2	$ 10,144	2
Lincoln	$ 13,742	3	$ 12,694	6	$ 9,394	3	$ 8,740	5
Dover	$ 13,245	4	$ 14,285	4	$ 8,412	5	$ 9,174	4
Carlisle	$ 12,732	5	$ 13,263	5	$ 9,016	4	$ 9,444	3
Wellesley	$ 12,469	6	$ 12,454	7	$ 7,320	11	$ 7,323	10
Concord	$ 12,249	7	$ 12,031	8	$ 7,987	7	$ 7,741	8
Sudbury	$ 11,544	8	$ 11,635	9	$ 8,025	6	$ 8,330	6
Lexington	$ 11,481	9	$ 11,301	10	$ 6,428	20	$ 6,330	23
Wayland	$ 10,974	10	$ 10,900	12	$ 7,595	8	$ 7,760	7

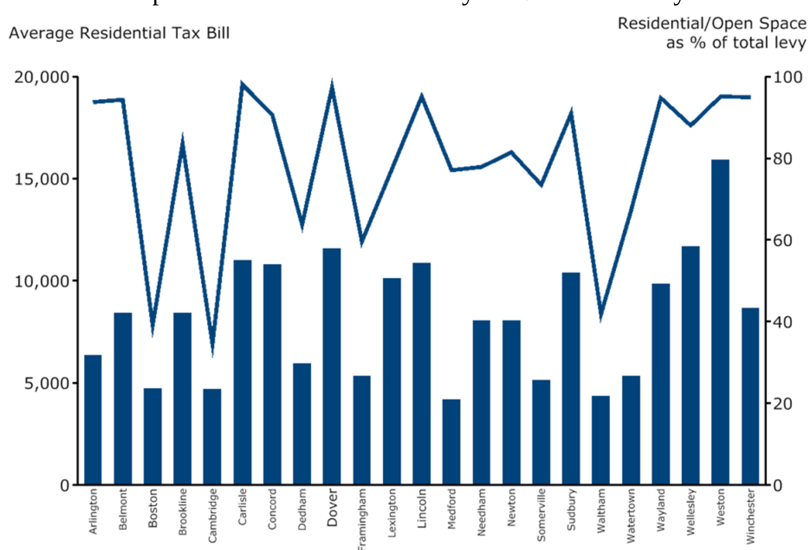
There are three underlying trends to highlight that influence Brookline's average residential tax bill: residential tax rate, property values, and residential tax levy as a % of the overall tax levy.
Brookline's residential tax rate is 11.39% in FY14, up 7% from 10.63% in FY04. While Brookline's tax rate has remained relatively flat over the last ten years, municipal peers' tax rates have increased by 31% on average, and school peers have increased by 34% on average. Brookline also has the second lowest residential tax rate among both peer groups. Only

Cambridge at 8.38% is lower. It is also worth noting that Brookline, Boston, Cambridge, Somerville, Waltham and Watertown are among 14 communities in Massachusetts with a residential tax exemption. In Brookline in FY14, a homeowner eligible for a residential exemption will have $175,127 deducted from the property's assessed value for purposes of calculating the tax bill. So for qualified properties, Brookline's effective tax rate is even lower than 11.39%.

Even though Brookline's residential tax rate is lower than most peers, residential tax bills remain among the highest because property values are relatively high. Brookline's average assessed residential property value is $895,853 in FY14, up 25% from $718,194 in FY04. The only towns in either peer group that have higher average assessed values in FY14 are Weston ($1,397,841), Wellesley ($1,079,238) and Dover ($1,092,149). Municipal peers have an average residential property value of $581,702, up 15% since FY04. School peers have an average property value of $828,392, up 12% since FY04.

Another trend to note is the correlation between the size of the average residential tax bill in peer communities and the percent of the tax levy that is raised from commercial and industrial properties. The majority of Brookline's annual budget is generated from its tax levy – 68.3% in 2013 – and 83% of the tax levy comes from residential properties, while commercial and industrial properties account for 17%. Among municipal peers, residential properties accounted for 70% of the tax levy on average. The communities that are able to draw more revenue from commercial taxes as a percent of the total tax levy also tend to have lower residential tax bills (see Figure 2 below).

Figure 2: Residential Tax Bill compared to Residential Tax Levy as % of Total Levy



For the full list of peers and comparison data, please refer to the Appendix 1 Benchmark Data.

Comparison of Past Overrides

Brookline is considering passing two different types of overrides:

1) A general override, which is a permanent increase to the base from which the tax levy is calculated and would be used primarily to cover operating expenses, and

2) A debt exclusion override, which increases taxes by the amount needed to pay the debt service on a bond and disappears when the bond is fully repaid. A debt exclusion override would potentially be used to cover the expansion and renovation costs in school buildings.

Brookline last placed a general override on the ballot in 2008, and before that in 1994. This puts Brookline in favorable contrast to other school peers, who on average had 6 general overrides since 2000. While several of the municipal peers had no overrides yet, municipal peers on the average have had two general overrides (see Figure 3). While most peer communities have passed more frequent overrides, only Newton and Arlington have passed overrides larger than Brookline's 2008 override at $6.2 million. The largest override was $11.5 million passed by Newton in 2003. Nonetheless, Brookline's 2008 override represents a relatively small percentage of its total 2014 tax levy at 3.5%. This is compared to an average of 4.1% for municipal peers and 9.7% for school peers (for overrides since 2000).

Figure 3: Overrides Passed by Brookline and peers since 2000

	General Override		Debt Exclusions		Total		% of 2014 tax burden	
Town	$ since 2000	# since 2000	$ added to tax levy in FY14	# voted since 2000	$	# since 2000	2014 Total Tax Levy	%
Arlington	$ 12,490,000	2	$ 1,199,114	2	$ 13,689,114	4	$ 101,737,509	13.5%
Belmont	$ 5,400,000	2	$ 4,358,413	5	$ 9,758,413	7	$ 73,993,705	13.2%
Boston	$ -	0	$ -	0	$ -	0	$ 1,778,801,240	0.0%
Brookline	$ 6,200,000	1	$ 1,112,800	0	$ 7,312,800	1	$ 175,783,903	4.2%
Cambridge	$ -	0	$ -	0	$ -	0	$ 328,544,945	0.0%
Carlisle	$ 2,045,726	11	$ 2,269,568	14	$ 4,315,294	25	$ 23,093,506	18.7%
Concord	$ 8,528,537	19	$ 4,801,422	7	$ 13,329,959	26	$ 74,135,634	18.0%
Dedham	$ -	0	$ 3,654,036	5	$ 3,654,036	5	$ 79,873,682	4.6%
Dover	$ 1,900,000	3	$ 1,631,156	5	$ 3,531,156	8	$ 28,347,903	12.5%
Framingham	$ 7,173,239	1	$ 387,637	1	$ 7,560,876	2	$ 170,290,442	4.4%
Lexington	$ 13,505,193	10	$ 6,927,653	3	$ 20,432,846	13	$ 148,770,137	13.7%
Lincoln	$ 2,285,000	7	$ 1,507,272	7	$ 3,792,272	14	$ 25,683,860	14.8%
Medford	$ -	0	$ -	0	$ -	0	$ 93,004,734	0.0%
Natick	$ 4,327,000	2	$ 4,276,702	2	$ 8,603,702	4	$ 93,436,666	9.2%
Needham	$ 6,073,287	5	$ 7,109,986	9	$ 13,183,273	14	$ 106,008,114	12.4%
Newton	$ 19,900,000	2	$ -	0	$ 19,900,000	2	$ 279,224,275	7.1%
Sherborn	$ 3,030,500	7	$ -	0	$ 3,030,500	7	$ 22,163,337	13.7%
Somerville	$ -	0	$ -	0	$ -	0	$ 116,112,598	0.0%
Sudbury	$ 11,329,161	5	$ 3,380,476	7	$ 14,709,637	12	$ 72,951,707	20.2%
Waltham	$ -	0	$ -	0	$ -	0	$ 158,922,345	0.0%
Watertown	$ -	0	$ 278,050	0	$ 278,050	0	$ 82,556,024	0.3%
Wayland	$ 8,446,000	5	$ 5,274,886	7	$ 13,720,886	12	$ 54,588,839	25.1%
Wellesley	$ 13,907,927	6	$ 9,369,533	4	$ 23,277,460	10	$ 112,574,261	20.7%
Weston	$ 3,560,000	4	$ 7,671,685	11	$ 11,231,685	15	$ 67,990,017	16.5%
Winchester	$ 5,897,000	4	$ 2,221,133	2	$ 8,118,133	6	$ 71,760,544	11.3%

Brookline last placed a debt exclusion override on the ballot in 1995 for renovation of Brookline High School, and before that in 1990 for the Lincoln School. The 1990 debt is paid off; in FY14 Brookline added $1.1million to the tax levy for the high school and that debt will be paid off in the future. Brookline peers on average added $8.1 million to the FY14 tax levies for debt exclusions ($8 million on average for municipal peers; $11.3 million on average for school peers, see Figure 4).

Adding both general overrides and debt exclusions voted in since 2000, municipal peers have on average passed 4 and school peers passed 12. And in total, recent overrides also represent a relatively smaller portion of Brookline's FY14 tax levy at 4.2% (includes general overrides passed since 2000 and debt exclusions paid in FY14). This compares to 6.2% on average for municipal peers and 15.1% for school peers. An 11% total new override would place Brookline on par with school peers.

Figure 4: Average Overrides Passed by Brookline and its peers since 2000

	General Override		Debt Exclusions		Total		% of 2014 tax burden	
Town	$ since 2000	# since 2000	$ added to tax levy in FY14	# voted since 2000	$	# since 2000	2014 Total Tax Levy	%
Overall Avg	$ 5,439,943	4	$ 2,697,261	4	$ 8,137,204	7	$ 173,613,997	10.2%
Municipal Avg	$ 5,561,040	2	$ 2,417,120	2	$ 7,978,161	4	$ 243,727,161	6.5%
School Avg	$ 7,733,465	6	$ 3,551,353	5	$ 11,284,818	12	$ 89,005,225	15.1%

Potential Sources of Revenue for FY2014-15 that can be Enacted by Town Government

Parking
Several parking options exist and are discussed below:

Meter Rates:
Currently parking meter rates are $1.00 per hour for most meters. These rates have been in effect since April 2011. Recently the Board of Selectman approved an increase to $1.25 per hour for certain long-term parking. The current rate is $1.25 per hour in Boston but is only $1.00 per hour in Cambridge and $0.75 per hour in Newton.

In areas and at times with significant vacancy rates, the increase in the rate would be partially offset by a reduction in demand. In addition to any effect on revenues, there would be an adverse on commercial properties. In areas and at times when parking is in high demand, the reduction in demand would be minimal, commercial properties would benefit from higher turnover of parking spaces, and the environment would benefit from reduced consumption of gas by drivers searching for parking. *We have not yet received data on usage by time and location*.

Based on the effect of raising the parking rate from $.75 to $1.00, our staff estimates that raising the parking fee a quarter per hour would increase revenues by approximately $850,000. In other words, if parking rate could be increased to $1.25 per hour or $1.50 hour and accordingly would generate **$850,000** or **$1.7 million**, respectively.

Commercial Parking Permits:
In order to relieve pressure on parking for customers and to make it feasible for employees of businesses to park near work, there are a limited number of employee parking permits are available for purchase. Commercial on-street permits allow qualified businesses located in a commercial district to receive an employee parking permit that allows parking on a designated residential side street within a 1/4 mile of the commercial district. Holders of these permits are guaranteed a parking space on the street. The Centre Street West and John Street parking lots

have a total of 70 unmetered spaces available to qualified businesses located in the Coolidge Corner commercial district. Holders of these permits are guaranteed a parking space in the permitted lot. Qualified businesses located in the Brookline Village commercial district are eligible to receive an employee parking permit that allows them to park at 10-hour meters on Kent Street that have been reserved for commercial use. Holders of these permits are not guaranteed a parking space and must pay the meter fees when parking.

The program is at or near capacity in the Coolidge Corner and St. Mary's districts. Our ability to raise the fees is limited by law since revenues from the fees cannot exceed program costs. Nevertheless, there is some leeway.

Our staff estimates that raising the commercial parking rates to fully fund the program would raise an additional **$88,000 to $138,000**.

<u>Temporary Parking Permits for Construction and other Uses:</u>
The Town issues numerous temporary parking permits, primarily associated with construction projects. Currently there is no charge for such permits.

Our staff estimates that charging $1.00 per day for such permits would raise about **$60,000**.

<u>Fines:</u>
Parking fines are capped by state law. The cap includes both the initial fine and the late fee, currently $15 in Brookline. If we retain the $15 late fee, we can nevertheless increase many of our parking fines by $5. We could also choose to lower the late fee to, say, $10, and increase the base fine by an additional $5. Unfortunately, we were unable to obtain data on the frequency with which fines are paid on time, paid with the additional late fee penalty or referred to the state. Lowering the late fee would undoubtedly increase the proportion of late payments. In principle, it should not affect the frequency with which fines have to be referred to the state since the cost to drivers of such a referral is unchanged. However, we expect that some drivers will defer payment because of the reduced late fee and then forget to pay within the longer period. Nevertheless, raising the base fine and reducing the late fee should also increase revenues. According to our staff, increasing fines temporarily reduces offenses but has no long-term effect except in unusual cases (e.g., if the fine is less than the cost of paying for overnight parking).

Our staff estimates that raising fines within the limits consistent with our current late fee of $15 would raise revenues by approximately **$150,000**. This number would rise somewhat if the base fine was increased and the late fee reduced to approximately **$263,000**.

Refuse Fee

In FY14, the total cost to Brookline to collect, handle and dispose of all matters of refuse is approximately $ 3.6 million, including all fringe benefit costs and as well a portion of management's salary and benefits. The total annual revenue from the current $200 fee is $2.65 million, which represents approximately 72% cost recovery.

If the Town chose to get to 100% cost recovery, then the refuse fee would need to increase from

$200 to $275. That would generate an additional $990,000. To get to the "traditional" 80% cost recovery level, it would need to increase to $225, which would generate an additional $330,000.

We note that the Town increased refuse fee from $165 to $200 in March 2007 to help close the FY08 budget gap. The $165 rate had been in place since 1994, and was a roll-back from $200 as part of the 1994 override package when Brookline voters chose to add $460,000 to the tax bill in order to lower the trash fee from $200 to $165.

Whether we should fully fund refuse collection depends in part on how we interpret the 1994 vote. There is no legal commitment to abide by that vote. One view is that after 20 years, elected officials are no longer morally bound either and should raise the fee to $275 if they believe that is the prudent course. A second view is that we are morally bound to use the nominal subsidy of $460,000 for refuse collection. In this case, the fee would not be set above $240. A third view is that the trash fee should be set at no higher than needed to recover a proportion of the costs roughly comparable to what has been traditional since the override rate, or $225. Finally, if the $165 fee promised to the voters in 1994 had increased with inflation as measured by the CPI-U, the fee would be approximately $260.

Increasing the refuse fee would generate additional revenue of **$330,000 to $990,000**.

Library Fines and Use of Trust Fund

The library receives about $3.7 million from the town budget. In addition, it receives roughly $80,000 from the state, which it banks for the following year. The *Friends of the Brookline Public Library* organization provides about $20,000 for projects of its choosing, while the Brookline Library Foundation tends to focus on larger renovation projects. Their total fund-raising appears to be on the order of $100,000 per year, but their contributions to the libraries are lumpy in keeping with their project orientation.

The Library receives funding from three other sources: room rentals (about $12,000), the fees for which were raised recently); library fines ($92,000) and endowment funds ($139,000). It should be evident that policy changes are unlikely to raise significant additional funds. Nevertheless, we make two recommendations.

1. Under state law, the revenue from such fines goes into the General Fund and is not returned directly to the Library. Because fines are set by the Library Trustees, we have an unusual situation in which the party that determines the fine does not directly benefit from the revenue generated by the increase. It is therefore natural for the Trustees to weigh only the effects on its clients (faster turnover of items, reduced use) and not the revenue. We expect that an arrangement under which increased revenues were implicitly returned to the Library Department would benefit all parties.

2. The Library currently has trust funds of approximately $4.5 million. Last year it allocated spending out of the endowment of 3.25% of the average of the endowment over the previous three years or roughly $140,000. This is a very low rate of spending out of the endowment. Private foundations are required to spend 5% of their endowment. 4% is

> standard for educational institutions such as universities. The Brookline Senior Center Corporation, whose policy we also reviewed, has a floating percentage bounded between 4% and 6%. We highly recommend a policy that makes spending of 4% the norm, if not the minimum as in the case of the Senior Center Corp.

Raising fines by 5 cents for books and 25 cents for DVDs and CDs would increase revenues by between **$40,000 and $52,000**. By increasing payout rate to either 4% or 5%, additional estimated revenue could be between **$34,000 and $79,000**, respectively.

Cemetery

There is a fundamental imbalance in the cemetery accounts. Across three separate accounts (one for annual expenditures, one for capital expenditures, and an endowment fund), the cemetery has a total balance of roughly $1.75 million. Using our 4% payout suggested for the library, this covers approximately $70,000 of expenses per year.

In FY14, the cemetery will spend approximately $200,000 of its own funds and will receive further support of roughly $150,000 from the general fund.[4] This suggests that when it is fully built out, the cemetery will require an endowment of close to $10 million in real dollars to support the cemetery fully. Under current policies, the fund balances will total about $4.4 million in FY2034 (assuming a 5% real return on investment), far below the requisite amount. To reach the requisite fund balance *without reducing the cemetery's current subsidy from the general fund* would require roughly doubling revenues. Any decrease in the subsidy from the general fund will simply transfer the shortfall from current to future taxpayers.

Our understanding is that our cemetery prices are similar to those charged by other municipalities but well below those charged by private cemeteries. While doubling fees is probably inconsistent with the mission of the cemetery as a municipal burial ground and may even be infeasible, serious consideration should be given to raising fees.

The extent to which increased fees should be used to reduce current rather than future subsidies is not an issue on which we have a strong opinion.

We recommend raising cemetery fees by either 10% or 20% in order to generate additional revenues of **$16,000** and **$31,000**, respectively. Furthermore, we would recommend modifying the current 50/50 revenue split to either 75/25 or 100/0 with respect revenue that is transferred to the Cemetery Perpetual Care Fund. This would generate an additional revenue amount from **$21,000** to **$42,000**.

Recreation

The Recreation Department has a detailed program for recovering costs. Moreover, it has a thoughtful process for determining whether those activities which do not cover their costs should

[4] Roughly $200,000 is included in the financial plan of which $75,000 is transferred from cemetery funds. There is an additional cost of roughly $40,000 in fringe benefits, but a small part of the costs ascribed to the cemetery are actually used for landscaping and similar services near but outside the cemetery.

be eliminated, charge higher fees or be subsidized by the taxpayers.

We encourage the Recreation Department to continue to review its fees. However, we have one concern about the review process. By law, fees cannot exceed the cost of producing the service. Therefore, for purposes of determining the maximum fee, it is important to allocate all costs including those, such as the salary of the department head, which would be incurred even in the absence of the program. As far as we can tell, the Recreation Department does this appropriately.

However, when determining whether a program is “profitable” or how heavily it is subsidized, it is important to count only the true marginal cost of the program and not the allocated fixed costs. For example, the Dolphin swim team appears to be heavily subsidized because it is charged for a portion of the very high cost of maintaining the pool. If we believe that the Town would continue to maintain the pool regardless of whether the swim team existed than the actual cost of the team’s pool use is either the savings that would arise if the pool were not used at the times the team currently uses it or the additional revenues that could be raised were the pool used for some other purpose. We expect that this analysis would provide a very different perspective on the degree to which the team is subsidized.

We recommend increasing cost recovery to either 80% or 82.5% as it would generate approximate additional revenue of **$137,000** or **$271,000**.

Credit Card Surcharge

The Town spends considerable sums on credit card fees. In some cases (e.g., water and sewage bills) the Town’s expenses associated with accepting credit cards is covered in the fee paid by all residents, regardless of whether they pay by credit card. In other cases (e.g., parking violations, property taxes), individuals who pay by credit card face a surcharge. The two domains in which the Town’s costs are not covered in one of these two ways are parking meters and motor vehicle excise taxes. Despite the high cost to the Town of credit card fees for meters, it does not appear to be feasible to recoup these fees through a two-tier structure in which individuals who choose to pay by credit card are charged extra. It does, however, appear to us to be feasible to apply such a few to the individuals paying their motor vehicle excise tax by credit card. According to our staff, it is less expensive to process checks than to process credit card payments, the proportion of checks that bounce is small, and the cost of bounced checks is recovered through an additional charge.

Establishing a fee to fully offset the cost to the Town of accepting credit card payments for motor vehicle excise taxes would raise additional revenues or lower costs by about **$25,000** to **$45,000**.

Potential Revenue Requiring Voter Approval: The Community Preservation Act

Brookline currently spends or plans to spend an average of $3 million per year on items eligible for expenditure from funds generated through the Community Preservation Act (CPA). Since CPA funds are matched by the state, paying for these items through a CPA property tax surcharge is less costly to residents and businesses than paying for them through the regular property tax. A 1.5% surcharge with exemptions for the first $100,000 of property value and for low income and low/moderate income senior housing would raise roughly $2.4 million. We anticipate a state match of roughly 25%, bringing the total to $3 million.

Despite the obvious advantage of the state match, there are some disadvantages of using the CPA:

1. The determination of spending under the CPA imperfectly parallels the usual process.
2. Because spending on CPA projects is irregular, coordinating the spending with the CIP in order to reduce the magnitude of a debt exclusion will be difficult. Coordinating with the operating budget to provide immediate relief and reduce the magnitude of a general override would require some creativity and notable changes to our capital policies.

Despite these concerns, the Revenue Subcommittee proposed and the Override Study Committee subsequently voted on or around February 5, 2014 to unanimously recommend the adoption of the CPA as one of its recommendations to the Board of Selectmen. To adopt the CPA for FY15 would require the OSC and the Selectmen to give priority to a review of this topic in order to be placed on the ballot in May 2014.

Summary of Rules Governing the CPA

Communities may establish a special "Community Preservation Fund" for certain open space, historic resource and affordable housing purposes. The CPA is funded by a *real estate* property tax surcharge of up to 3% (the personal property tax is excluded) and is not subject to the Proposition 2½ levy limit. Funds raised through the property tax surcharge are partially matched from the state "Massachusetts Community Preservation Trust Fund" which is funded by surcharges on fees charged for recording various documents with the Registry of Deeds or Land Court.

In each fiscal year, the Town would have to spend or reserve at least 10% of the annual revenues in the fund for each of open space, historic resources and affordable housing. The remaining 70% may be spread in any proportion among these three uses and up to 5% may be spent on administrative costs. Open space includes acquisition, creation and preservation of open space or land for open space or recreational use. "Historic resources" refers to the acquisition, preservation, rehabilitation and restoration of historic resources. Restoration must meet the requirements of the Standards for Rehabilitation stated in the United States Secretary of the Interior's Standards for the Treatment of Historic Properties codified in 36 C.F.R. Part 68. To be historic, the property must have been determined by the local historic preservation commission to be significant in the history, archeology, architecture or culture of the community. Funds may be used for the creation, preservation and support of community (affordable for individuals and families whose annual income is less than 100% of the area-wide median income) housing. Note that funds may *not* be used for ordinary maintenance. There was disagreement between a knowledgeable member of the CPA Study Committee and the Division of Local Services as to whether funds could be allocated for small portions of regular staff time (e.g., the Deputy Town Administrator). Brookline could also issue bonds against the future value of the surcharge. Such bonds may be repaid on a "level debt service" basis or other schedule providing for more rapid amortization of principal.

Note that monies need not be expended in the year that they are raised. They may instead be allocated to named reserves (e.g., CPA affordable housing reserve). It is not clear whether funds in excess of those needed to meet the minimum 10% requirement can be allocated to an unallocated reserve.

Brookline would have to establish a Community Preservation Committee (CPC) to recommend spending to Town Meeting. Any expenditure requires the approval of *both* the CPA Committee and Town Meeting. The Study Committee recommended that the Community Preservation Committee be composed of the five members required by law (representatives of the Preservation Commission, Conservation Commission, Housing Authority, Parks and Recreation Commission and Planning Board) and four additional members. Three of the additional members should be representatives of the Board of Selectmen, the School Committee and the Advisory Committee. Brookline is unusual in having both a Housing Authority whose role is to manage public housing and a separate Housing Advisory Board (HAB) whose role is to promote privately-owned affordable housing. The Study Committee supported including a representative of HAB on the CPC. It recommended that the other three members be representatives of the Selectmen, School Committee and Advisory Committee. Town Meeting supported these recommendations. Given that we now know that any support for the Housing Authority is likely to be channeled through HAB, an alternative would be to recommend that the Housing Authority representative on the CPA committee also be the Authority's representative on HAB and to include a fourth town-wide official on the CPA committee.

To adopt the CPA, Town Meeting, by a majority vote, would have to vote in favor of placing the proposal on the ballot for the **next** town-wide or state election (subject to some notification requirements). Alternatively 5% of registered voters may petition to place the CPA on the ballot. Town Meeting (or the petitioners) would need to specify the amount of the surcharge (up to 3%) and any exemptions from the surcharge (there are 3 possible exemptions allowed under the CPA). The general electorate would then also have to vote in favor of the surcharge by a majority vote. After 5 years, the CPA could be revoked by a vote of Town Meeting, and then a vote of the general electorate. However, it was the view of a knowledgeable attorney on the CPA Study Committee that, if the state were to divert the CPA matching funds, which are derived from the accumulation of filing fees collected at the Registry of Deeds and the Land Court, Town Meeting and the general electorate could effectively eliminate the CPA by voting to reduce the surcharge to 0.01%. If any CPA projects had been bonded, however, the surcharge would have to continue to the level necessary to pay the debt on the bond.

The proposal adopted by Town Meeting and voted on by the electorate may include exemptions for a) property owned and occupied as a domicile by a person who would qualify for low income housing or low or moderate income senior housing, bi) commercial, and industrial, property, bii) the first $100,000 of assessed valuation of commercial and industrial property and c) $100,000 of the assessed valuation of residential parcels. The CPA Study Committee recommended the first and third of these. This was the outcome of the Town Meeting vote to put the CPA on the ballot.

State match

The attraction of the CPA is that the funds raised are matched by the state. The history of the state match is shown below (downloaded from http://www.mass.gov/dor/local-officials/municipal-data-and-financial-management/data-bank-reports/cpa/)

Fiscal Year	State Match	Number of Communities	Percentage Matched
2003	17,854,420	34	100.00%
2004	27,161,342	54	100.00%
2005	30,822,218	61	100.00%
2006	46,337,391	82	100.00%
2007	58,666,783	102	100.00%
2008	68,131,814	113	100.00%
2009	54,614,430	127	67.62%
2010	31,581,103	135	34.81%
2011	25,867,695	142	27.20%
2012	26,182,297	143	26.64%
2013	27,722,042	148	26.83%
2014	54,894,003	148	52.22%

The 2014 match of 52.22% represents only the first round match. Additional matches are only available to communities that choose to raise the 3% maximum and are distributed under a complicated formula that is not favorable to Brookline. Brookline would be a 10th decile community for purposes of computing the match. By way of comparison, Cambridge's final match was 53.04 and Lexington's was 54.09%. It seems implausible that Brookline's final match would have exceeded 57% and would probably have been closer to 53%.

The fund balance file is not up to date, making it difficult to determine the future of the match. One time funds were appropriated in FY2014, reflecting political pressures to raise the match and suggesting that there may be political pressure to raise the match in the future. On the other hand, an additional 7 communities have joined the CPA which will tend to lower the match. We have used a 25% match in our calculations, which we believe to be a conservative, but certainly not worst case, scenario.

Revenues

A 1% surcharge would raise roughly $1.8 million assuming that no exemptions were included. In rough numbers, the $100,000 residential exemption would reduce revenues by $190,000, the low and low-moderate senior exemption would lower revenues by about $13,000 and the commercial and industrial exemption would lower revenues by about $270,000. *Limiting the commercial exemption to the first $100,000 of assessed valuation would have a very modest cost, perhaps on the order of $15,000.*

Assuming a 1% surcharge and the residential and low/low-moderate exemptions and roughly a 25% match, again in rough numbers, the revenue would be about $1.95 million.

Eligible current and projected expenditures

Our Town staff has identified the following projects currently in the CIP as CPA eligible (see table below):

CPA ELIGIBLE PROJECTS	FY15	FY16	FY17	FY18	FY19	FY20
Brookline Ave Playground		870,000				
Brookline Reservoir Park			80,000	1,800,000		
Corey Hill Playground		40,000	560,000			
Cypress Playground/Athl. Field						100,000
Emerson Garden Playground		60,000	610,000			
Brookline Reservoir Gatehouse Roof		250,000				
Harry Downes Field & Playground			80,000	800,000		
Larz Anderson Park					2,700,000	2,200,000
Murphy Playground				60,000	720,000	
Pierce Playground	90,000	920,000				
Robinson Playground					90,000	900,000
Schick Playground				70,000	700,000	
Soule Athletic Fields					50,000	500,000
Playground Skatespot		20,000	200,000			
Old Burial Ground						
Walnut Hills Cemetery	100,000	50,000				

In the table, we do not distinguish between those planned for bonding and those scheduled to be tax-funded. In light of the uncertainty surrounding matching funds, we recommend that all CIP projects be tax-funded.

Total planned funding over the six years is $14,620,000 or an average of $2,437,000 per year. This figure is somewhat low because many projects that will be funded in FY15 have already been authorized and are therefore ineligible for the CPA. In FY16-FY20, eligible items average $2,886,000, which is probably a more reasonable long-run average in real terms.

Walnut Hills cemetery is slated for funding from cemetery funds of $150,000 in FY15 and FY16 and 770,000 in additional future years. The Town spends over $200,000 for maintenance of cemeteries only $75,000 of which is paid for from cemetery funds. While the CPA cannot cover maintenance, if the CPA were able to pick up capital funds, this might make it possible for cemetery funds to be used for maintenance.

Many of the parks and open spaces in Brookline are historic. By allocating these rehabilitations to “historic preservation” and renovation of other recreational facilities to “open space,” it should be easy to meet the 10% requirements.

Other eligible expenditures:

1. Affordable housing - budgeted amounts for the trust fund were close to $400,000 over the

last three years. This could be funded on a regular basis from CPA, freeing up free cash for other uses.

2. As noted above, there was disagreement about whether the 5% administrative costs (roughly $150,000) could be allocated in small amounts to staff not primarily associated with the CPA. It is possible that the housing sub-program of planning and community development could be charged in whole or in part to the CPA ($43,000) even if smaller amounts could not.

Therefore we have $2.437 million for open space/historic preservation, $400,000 for the Affordable Housing Trust and, possibly, $150,000 for administrative costs. The total surcharge plus match needed would therefore be approximately $3.0 million. Assuming a 25% match, the surcharge would be $2.4 million. Again in very rough numbers, this would require a surcharge of about 1.5%.

Estimated CPA Revenue

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Est. FY15 Property Tax Revenues	181,835,286	181,835,286	181,835,286	181,835,286
Est. FY 15 Personal Property Tax	3,657,610	3,657,610	3,657,610	3,657,610
Est. Property Tax Subject to Surcharge	178,177,676	178,177,676	178,177,676	178,177,676
Our recommended CPA Surcharge Rate	1.0%	1.0%	1.5%	1.5%
Gross CPA Surcharge:	1,781,777	1,781,777	2,672,665	2,672,665
Less:				
$100K Residential exemption*	(188,000)	(188,000)	(282,000)	(282,000)
Low and low-moderate senior exemption**	(23,000)	(23,000)	(34,500)	(34,500)
Commercial and industrial exemption ($270k)				
Adjusted CPA Surcharge:	1,570,777	1,570,777	2,356,165	2,356,165
Add:				
Estimated State Match %	25%	50%	25%	50%
Estimated State Match $	392,694	785,388	589,041	1,178,083
Estimated CPA Revenue:	1,963,471	2,356,165	2,945,206	3,534,248
subject to:				
Historic preservation minimum (10%)	196,347	235,617	294,521	353,425
Open space minimum (10%)	196,347	235,617	294,521	353,425
Affordable housing minimum (10%)	196,347	235,617	294,521	353,425
Administrative expenses maximum (5%)	98,174	117,808	147,260	176,712

*Assumes no change in the tax rate.

**Based on average experience of CPA communities with this exemption

CPA in Our Comparison Communities

Of our comparison communities, including both municipal and school peers, ten (Arlington, Boston, Dedham, Framingham, Medford, Somerville, Watertown, Dover, Sherborn and

Winchester) have no adopted the CPA and thirteen (Belmont, Cambridge, Needham, Waltham, Lexington, Newton, Wellesley, Carlisle, Concord, Lincoln, Sudbury, Wayland and Weston) have at an average rate of somewhat more than 2%. Including those that have not adopted the surcharge, the average surcharge is 1.1%. More detail is included below.

Vendor Name	Peer Group	Fiscal Year Adopted	Net Surcharge Raised	Surcharge Percent Adopted (3% Max)	FY12 Match	First Rnd % Match	Final % Match
BELMONT	MP	2012	868,072	1.50%	232,884	26.83	26.83
CAMBRIDGE	MP	2002	7,745,548	3.00%	2,109,989	26.83	27.24
NEEDHAM	MP	2006	1,629,164	2.00%	437,068	26.83	26.83
WALTHAM	MP	2006	2,392,800	2.00%	641,935	26.83	26.83
LEXINGTON	MP & SP	2007	3,344,371	3.00%	929,252	26.83	27.79
NEWTON	MP & SP	2002	2,430,859	1.00%	652,145	26.83	26.83
WELLESLEY	MP & SP	2003	936,256	1.00%	251,176	26.83	26.83
CARLISLE	SP	2002	358,206	2.00%	96,099	26.83	26.83
CONCORD	SP	2005	899,735	1.50%	241,379	26.83	26.83
LINCOLN	SP	2005	640,827	3.00%	216,763	26.83	33.83
SUDBURY	SP	2003	1,534,878	3.00%	443,805	26.83	28.91
WAYLAND	SP	2002	669,515	1.50%	179,616	26.83	26.83
WESTON	SP	2002	1,730,733	3.00%	502,755	26.83	29.05

Timing

It may be possible to vote the CPA for FY15 during FY15, but even if it is, it would clearly be preferable for planning purposes to have it voted on during FY14, which in practice means as part of the May 6 Town election. This, in turn, requires that Town Meeting pass the CPA by March 31. We understand that the BOS can call a Special Town Meeting on 14 days' notice. It therefore appears that a recommendation from the OSC by March 1 would give the BOS the opportunity to hold a public hearing, debate and vote on whether to call a Special Town Meeting on March 4 and March 11.

Coordination with Town Budget

The major advantage of adopting the CPA is that it would allow Brookline to raise roughly $3 million per year for planned activities while only increasing taxes by $2.4 million. The major difficulty is that, as currently included in the CIP and other parts of the budget, the projects do not involve a constant annual expenditure of $3 million. Instead they are higher in some years and lower in others. In particular, there are only $190,000 of CPA-eligible capital projects in the FY15 CIP because funds for most potentially eligible projects have already been appropriated. Assuming that free cash is sufficient to generate a payment to the affordable housing trust, CPA monies would substitute for that payment, and there may be some small administrative items that can be picked up. However, the bulk of the $3 million collected on FY15 would be set aside for future capital items.

If the CPA is adopted with a view to reducing pressure on the CIP and thus reducing the size of a future debt exclusion, then "saving" CPA monies for future use is consistent with the goal. The CIP and the associated funding stream will require adjustment to ensure that the timing of CPA-eligible projects helps reduce the bottleneck in the CIP.

However, the CPA can also be used to meet our capital spending requirements under current policies and thereby reduce pressure on the operating budget. Under this scenario, the magnitude of a future debt exclusion would be unaffected, but the goal of adopting the CPA would be to provide immediate operating budget relief and reduce the size of a future general override. This will require considerable modification of our current capital policies so that expenditures that are easily shifted across years are used to smooth the "contributions" from the CPA. For example, if in FY15, the CPA substitutes for $600,000 of expenditures, the additional $2.4 million would have to be "borrowed" from various reserve funds and "repaid" in years in which CPA expenditures exceed CPA revenues.

The Override Study Committee recommended that the Board of Selectmen give serious consideration to including the CPA in its strategy for addressing the budget shortfall.

Potential Sources of Revenue Beyond FY2014-15 Not Requiring State Legislation

Payments In Lieu of Taxes (PILOTs)

M.G.L. Chapter 59 section 5 enables the granting of tax exempt status to certain non-profit organizations. Once an organization is granted an exemption, the Town can not legally require that organization to pay a property tax or bind that organization to give up the rights to these legal exemptions. As a consequence the Town has adopted a policy of seeking voluntary PILOT Agreements with tax-exempt institutions that own real estate in Brookline. The Town believes that the amount that should be paid is at least 25% of the full levy. It has adopted a practice of phasing in the PILOT over a period of years (typically reaching the full amount over a period of ten years). The focus of the program is on larger non-profits. Community-based non-profit organizations with properties assessed at less than about $5 million may count their contributions to the community towards the PILOT amount.

The Town has limited leverage with which to encourage non-profits to sign PILOT agreements. While some institutions simply believe that it is appropriate for them to help fund the services with which Brookline provides them, others will only consider a PILOT because they have reasons to establish or solidify relations with the Town or because a portion of their property can be construed as taxable, and it is simpler to agree on a PILOT than to have part of the property taxed.

The Town's administrative and political leaders should make PILOTs an important element of their financial strategy. The four largest private schools in Brookline are a potential source of almost $1 million per year in such payments.

Sponsorships/Naming Opportunities

In recent years, despite rare exceptions (notably the Kraft Family Athletic Facility), Brookline has been reluctant to use naming opportunities to encourage significant donations. This stands in sharp contrast with a much older tradition (e.g. Edward Devotion School, Larz Anderson Park) in which Brookline benefitted from and acknowledged large gifts from its wealthy citizens.

While corporations were not major sponsors in the time of Edward Devotion or even in 1951 at the time that the Anderson estate was donated to the town, the situation has changed dramatically. While we recognize that there are good reasons for not bombarding our students with advertising in school, as a community we do not exclude all advertising from the schools. The BHS student newspaper, the *Sagamore*, and various organizations that raise money for the schools solicit corporate advertising or sponsorships.

Modest signs indicating sponsorship of a rotary, a corner park or similar seating area do not seem to us to transgress tradition or propriety. The Board of Selectmen and Town Meeting should develop guidelines for personal and corporate sponsorships. And the Town and School Naming Committees should be open to naming opportunities commensurate with the magnitude of the gift.

Consider 40R and 40S

Since many parts of Brookline are already very dense, Brookline has been understandably reluctant to adopt 40R "Smart Growth" zoning. However, in areas under threat of 40B development, 40R may provide a more acceptable alternative to the community by giving the Town more control over the development process and allowing it to use Chapter 40S to recoup some of the costs of the new development. Under 40S, Chapter 70 funding (for schools) would increase to offset increased costs of education not paid for by property taxes on the new growth.

Commercial Development

Strong commercial districts not only contribute to the vibrancy of our community but play an important role in reducing the tax burden on residents. To the extent that through our personal and collective actions we increase the value of commercial properties in Brookline, we shift the burden of taxation away from residential properties. Moreover, new commercial development is particularly beneficial because it is generally accompanied by less of an increase in demand for services than are comparably priced residential developments.

Therefore, the Town should continue to review its zoning laws. While zoning is a complex issue that cannot be addressed adequately in the time available to the subcommittee, we note the following issues identified at our meetings:

- Concerns that our zoning laws are excessively antagonistic to bio labs – the hospital area will be expanding along Brookline's border in any event.

- Concerns that our commercial parking requirements are excessive and encourage car-friendly development

- Concerns that the Coolidge Corner branch library space is under-utilized – it may be possible to develop this lot in a way that is compatible with maintaining the library on the lower floors (e.g. an assisted living or retirement community) or to include the library as part of the development of Waldo Street.

Potential Sources of Revenue Beyond FY2014-15 Requiring State Legislation

Real Estate Transfer Tax

A real estate transfer tax is a tax that may be imposed by states, counties, or municipalities on the transfer of real property. Transfer taxes range from very small (for example, .01% in Colorado) to relatively large (4% in the city of Pittsburgh). Some states exempt certain types of buyers based on buying status or income level. For example, Maryland exempts certain "first time buyers" from a percentage of the total or excludes a portion of the property's sales price from taxation altogether.

Such taxes may be formally the responsibility of the seller, the buyer or, frequently, split equally between the two parties. Since the sales price may be affected by the transfer tax, it is difficult to know whether the tax will actually be paid by the seller in the form of a lower price, the buyer in the form of a higher price or somewhere in between. Economic theory suggests when the supply of a good is unresponsive to price (the stock of housing is relatively fixed) and demand is very responsive (potential buyers have many alternative options in other communities), regardless of who formally pays the tax, the true incidence will fall primarily on the seller. Still at least some of the tax is likely to be paid by purchasers who are not currently Brookline residents, making the real estate transfer tax an attractive alternative to a property tax increase raising the same amount of revenue.

From 2003 through 2012 sales of real estate averaged $780 million per year (excluding a small number of sales involving exempt institutions). A transfer tax of 0.5% would therefore raise approximately $3.9 million per year assuming that there was no significant effect on the number and size of transactions. If the tax were split between buyer and seller, then on an average single-family sales price in 2012 of $1,502,355, the buyer and seller would each owe $3,756. The corresponding figure for an average condo in 2012 would be $1,415.

An important question that we have not been able to answer fully is whether the tax would fall more heavily on Brookline residents than the property tax does. Sales of commercial property appear to be roughly proportional to their share of assessed value. Assuming that no “tax shift” were permitted, this means that, relative to the property tax, the transfer tax would fall somewhat more heavily on residential real estate. It appears to us that residential properties that are not owner-occupied are more likely to be sold than are those that are owner-occupied but without data on sales price by ownership status, we cannot determine whether owner-occupied properties would end up paying more or less than the share of the property tax that they currently pay.

We note that an additional advantage of the transfer tax is that it discourages rapid flipping of properties.

Brookline cannot adopt a real estate transfer tax without legislative approval. While not impossible, it is implausible that the legislature would permit Brookline to adopt such a tax through Home Rule Legislation giving Brookline a unique status. The process is more likely to be akin to that leading to the Community Preservation Act. Based on that experience, we expect that the legislation would require at least the support of the electorate, if not Town Meeting.

Because property sales vary significantly over the business cycle, a real estate transfer tax would be much less stable than the property tax. Consistent with the legislature's willingness under CPA to permit a surcharge aimed at specific uses, the real estate transfer tax might be targeted at a set of overlapping or a set of distinct areas such as the renovation and rehabilitation of public buildings and infrastructure.

We note that there is already a state-wide real estate transfer tax in the form of "deed stamps." In most Massachusetts counties (or former counties) the rate is 0.456%. As of 2010, three counties (Barnstable, Nantucket and Dukes) have additional transfer taxes that bring the rate to 0.612% and Dukes and Nantucket counties have an additional 2% tax that goes directly to their local land bank commission.

Municipal Impact Fee

As new residential development strains available municipal resources, Massachusetts communities have turned to impact fees to address the costs associated with this development. Impact fees are municipal assessments, typically imposed upon developers or builders at the time a town issues a building permit, to finance the capital improvements and expansion of capital facilities necessitated by new development, such as roads and water and sewer plants. In Massachusetts, cities and towns may assess fees in connection with the provision of municipal services pursuant to their Home Rule authority under the state constitution and by state statute. Impact fees related to improvements such as expanded water or sewer connections have been held constitutionally valid.

More recently, Massachusetts courts have struck down certain municipal impact fees as unconstitutional. In *Greater Franklin Developers Association v. Town of Franklin*, the Appeals Court declared unconstitutional an impact fee ordinance enacted to fund additional educational infrastructure, and in *Dacey v. Town of Barnstable*, the Superior Court invalidated an impact fee related to the need for additional affordable housing.

In the short-term, Brookline should revisit its impact fees assessment although our staff believe that we are unlikely to be able to increase these fees.

More importantly, in the long run, we should work with other towns to enact legislation to allow impact fees to cover additional education expenses that arise from new residential development. It appears that MA House Bill 1859 might provide for such impact fees. It is currently sponsored by Representative Smizik but not, to the best of our knowledge, by the other Brookline representatives.

Other Revenue Option Topics

The Revenue Subcommittee has not exhausted the range of potential revenue enhancements. Some, such as installing solar energy panels or cell phone towers on Town buildings, have been studied extensively by other groups. Some, such as forming an in-house development office to raise funds from alumni/ae of the Public Schools of Brookline appear to be promising but require more investigation than we are able to provide at this point.

We hope and trust that the citizens of Brookline will continue to raise suggestions for additional sources of revenue and will endeavor to review those that are within our purview and appear promising.

Revenue Projections

A key issue that the OSC must take on is the time period over which any override should address budget shortfalls. To help the committee address this issue, the revenues subcommittee reviewed the revenue projections for FY2001 through FY2013 and compared them with the projections made in those same years. Certain enterprise funds are treated differently in the Financial Plan, making it challenging to compare earlier predictions with subsequent outcomes.

The attached tables show actual revenues, projected revenues at the time of the financial plan, and in each of the four previous plans, labeled “2 year,” “3 year,” etc. Thus, for example, for FY2013 (July 1, 2012 - June 30, 2013), we have projected revenues from February 2012 (financial plan), February 2011 (2 years) and so on back to February 2008 (5 years).

We provide these tables for total revenues and for each of the sub-categories: property tax, local receipts, state aid, free cash and other available funds. In the case of the property tax and total revenues, we inflate each projection for FY2009 by $6.2 million, each projection for FY2010 made before May 2009 by 1.025 times $6.2 million, and so on.

We view each projection made in February 2008 or earlier for FY2009 or later as potentially affected by the crisis and take this into account in both our presentation of the data and our analysis.

Overview

The financial plans have generally been quite accurate in predicting actual revenues for the year directly addressed in that plan. Actual property taxes have, on average, equaled projected property taxes as have free cash (generally known at the time of financial plan) and state aid. However, local receipts and other available funds have been consistently underestimated. We expect that a significant part of the underestimation of local receipts is due to deliberate policy decisions to raise fees and fines in response to pressures revealed in the financial plan, a point confirmed by our staff.

We also note that underestimation of revenues and/or overestimation of expenditures is largely responsible for generating free cash. If instead of projecting revenues at 98.34% of their actual value (the average over the thirteen-year period; see table 2), we succeeded in projecting revenues perfectly (and appropriating them), then we would generate about $4 million less in free cash. This would represent a very substantial shift from the capital to the operating budget.

Perhaps the most important message is that revenues are highly unpredictable. While, as a community, we are somewhat cautious, our projections of property taxes have been within about 5% of the actual figures even five years ahead. On the other hand, our projections of state aid have been fairly consistently optimistic. Free cash is also difficult to predict although Brookline has addressed this by allocating free cash to undertakings for which we have more year-to-year flexibility. Overall, there is a good chance that revenues in FY2019 will be substantially higher than currently projected, but there are plausible scenarios under which it will be lower than projected.

Tables 1 and 2 present our data regarding total revenues. As noted in the overview, projections in the financial plan have generally been quite accurate. Projections in the financial plan for future years have been somewhat more conservative on average. When we include all years, projections two to five years in advance hover around 96.5% of the actuals. However, if we exclude the projections affected by the crisis, we see what appears to us to be a more plausible pattern, in which the town has been increasingly conservative with its projections the further in the future it is projecting. Projected total revenues five years in advance were only 93.8% of total revenues for fiscal years before the crisis.

Table 1: Actual and Projected Total Revenues

	Actual	Financial Plan	2 years	3 years	4 years	5 years
2013	226,974,226	221,220,083	213,188,978	212,586,214	216,387,951	221,873,663
2012	213,266,491	208,587,543	206,450,992	209,939,558	215,476,130	215,172,812
2011	203,969,215	202,868,146	204,072,169	208,798,279	209,110,818	208,617,120
2010	204,736,805	205,273,534	202,285,829	203,079,253	202,729,168	199,812,537
2009	199,632,305	199,366,249	197,155,354	196,958,045	194,173,882	191,773,407
2008	191,700,656	186,556,628	185,620,228	182,817,996	180,436,989	182,005,599
2007	185,716,961	182,025,329	178,322,991	175,758,533	177,161,253	176,367,008
2006	175,048,412	173,517,567	170,992,617	172,409,238	170,608,323	169,775,037
2005	176,282,266	171,944,606	166,254,564	164,746,830	166,139,013	155,823,304
2004	164,066,583	164,219,677	160,174,888	161,419,491	151,366,035	
2003	163,864,715	158,336,726	159,755,813	147,319,977		
2002	161,391,467	159,307,709	143,597,649			
2001	152,386,492	146,404,817				

YELLOW INDICATES AFFECTED BY CRISIS

Table 2: TOTAL REVENUES PREDICTED AS A FRACTION OF ACTUAL TOTAL REVENUES					
	Financial Plan	2 years	3 years	4 years	5 years
2013	97.46%	93.93%	93.66%	95.34%	97.75%
2012	97.81%	96.80%	98.44%	101.04%	100.89%
2011	99.46%	100.05%	102.37%	102.52%	102.28%
2010	100.26%	98.80%	99.19%	99.02%	97.59%
2009	99.87%	98.76%	98.66%	97.27%	96.06%
2008	97.32%	96.83%	95.37%	94.12%	94.94%
2007	98.01%	96.02%	94.64%	95.39%	94.97%
2006	99.13%	97.68%	98.49%	97.46%	96.99%
2005	97.54%	94.31%	93.46%	94.25%	88.39%
2004	100.09%	97.63%	98.39%	92.26%	
2003	96.63%	97.49%	89.90%		
2002	98.71%	88.97%			
2001	96.07%				
AVERAGE EXCLUDING	98.34%	96.44%	96.60%	96.87%	96.65%
AVERAGE EXCLUDING YEARS IN YELLOW	98.21%	95.97%	95.29%	94.80%	93.82%

There are several reasons for treating the analysis of overall revenues with caution. First, it deals with averages. In two of the nine years for which we have five-year projections, the five-year projection exceeded actual revenue. Second, at least some cost projections may be comparably low. Third of all, free cash accounts for an important part (albeit a minority) of the underestimation. Under current policies when free cash is higher than projected, it supports capital and similar projects, not the operating budget. Fourth, the under-estimation of local receipts is also an important element of the total. To the extent that the OSC recommends increases in fees and fines to address the current budget shortfall, such funds will not "appear" to address future shortfalls.

Property Taxes

Tables 3 and 4 summarize the data for property tax projections.

TABLE 3 Actual and Projected Property Taxes						
	Actual	Financial Plan	2 years	3 years	4 years	5 years
2013	170,137,612	169,848,463	169,352,134	169,685,135	170,225,575	171,092,317
2012	163,620,490	163,159,995	163,264,343	163,498,919	164,685,984	162,601,597
2011	157,878,286	157,961,458	157,995,191	158,616,718	157,067,302	156,787,820
2010	152,681,998	152,552,834	152,622,616	151,595,124	151,322,458	150,018,711
2009	147,273,068	147,259,080	146,252,976	145,986,961	144,958,915	143,448,780
2008	135,811,901	134,994,153	134,734,626	133,975,557	132,502,255	129,840,833
2007	130,076,534	129,825,273	129,328,619	127,891,252	125,782,547	124,387,395
2006	121,812,454	124,540,213	123,381,806	121,812,338	120,448,553	118,542,684
2005	119,549,759	118,976,942	117,933,558	116,606,496	114,747,112	113,549,469
2004	114,247,135	114,151,367	112,859,119	111,045,086	109,982,182	
2003	108,240,242	108,911,693	107,141,905	106,209,405		
2002	103,690,844	103,649,158	102,821,499			
2001	99,542,462	99,516,377				
YELLOW INDICATES AFFECTED BY CRISIS						

TABLE 4: PREDICTED AS A FRACTION OF ACTUAL PROPERTY TAXES					
	Financial Plan	2 years	3 years	4 years	5 years
2013	99.83%	99.54%	99.73%	100.05%	100.56%
2012	99.72%	99.78%	99.93%	100.65%	99.38%
2011	100.05%	100.07%	100.47%	99.49%	99.31%
2010	99.92%	99.96%	99.29%	99.11%	98.26%
2009	99.99%	99.31%	99.13%	98.43%	97.40%
2008	99.40%	99.21%	98.65%	97.56%	95.60%
2007	99.81%	99.43%	98.32%	96.70%	95.63%
2006	102.24%	101.29%	100.00%	98.88%	97.32%
2005	99.52%	98.65%	97.54%	95.98%	94.98%
2004	99.92%	98.79%	97.20%	96.27%	
2003	100.62%	98.99%	98.12%		
2002	99.96%	99.16%			
2001	99.97%				
AVERAGE	100.07%	99.51%	98.94%	98.31%	97.60%
AVERAGE EXCLUDING YEARS IN YELLOW	100.08%	99.49%	98.69%	97.57%	95.88%

Estimates for the upcoming fiscal year and the year after have been very accurate. At the same time, even a deviation of one percent is over $1.5 million. Our three year projections have averages 1.06 to 1.31 percent too low, depending on whether we exclude projections affected by the crisis.

Local Receipts

Tables 5 and 6 summarize the data for local receipts.

Table 5: Actual and Projected Local Receipts						
	Actual	Financial Plan	2 years	3 years	4 years	5 years
2013	24,480,797	21,084,438	21,090,551	20,357,077	20,707,928	21,623,765
2012	23,849,795	20,525,792	20,102,745	20,456,962	21,406,057	21,942,784
2011	22,611,569	19,868,475	20,230,749	21,252,721	21,761,116	20,722,913
2010	21,038,710	20,217,125	21,102,028	21,583,213	20,613,957	19,752,676
2009	22,455,149	20,953,925	21,380,751	20,321,190	19,505,142	19,593,015
2008	24,524,074	21,187,100	20,198,560	19,264,017	19,382,727	19,930,827
2007	23,281,092	19,948,300	19,029,126	19,178,311	19,663,024	18,585,760
2006	22,986,108	18,800,300	19,002,600	19,078,197	17,994,820	18,706,534
2005	21,229,625	18,975,225	18,822,271	17,742,755	18,449,389	17,494,661
2004	19,033,233	18,572,844	17,497,025	18,198,642	17,231,641	
2003	22,956,311	17,023,513	17,920,175	16,680,625		
2002	19,390,028	17,187,907	16,435,460			
2001	22,151,691	16,196,000				
YELLOW INDICATES AFFECTED BY CRISIS						

Table 6: LOCAL RECEIPTS PREDICTED AS A FRACTION OF ACTUAL LOCAL RECEIPTS					
	Financial Plan	2 years	3 years	4 years	5 years
2013	86.13%	86.15%	83.16%	84.59%	88.33%
2012	86.06%	84.29%	85.77%	89.75%	92.00%
2011	87.87%	89.47%	93.99%	96.24%	91.65%
2010	96.09%	100.30%	102.59%	97.98%	93.89%
2009	93.31%	95.22%	90.50%	86.86%	87.25%
2008	86.39%	82.36%	78.55%	79.04%	81.27%
2007	85.68%	81.74%	82.38%	84.46%	79.83%
2006	81.79%	82.67%	83.00%	78.29%	81.38%
2005	89.38%	88.66%	83.58%	86.90%	82.41%
2004	97.58%	91.93%	95.62%	90.53%	
2003	74.16%	78.06%	72.66%		
2002	88.64%	84.76%			
2001	73.11%				
AVERAGE	86.63%	87.13%	86.53%	87.46%	86.45%
AVERAGE EXCLUDING YEARS IN YELLOW	86.07%	85.01%	83.09%	83.97%	81.22%

Local receipts are too a significant degree governed by decisions of the Board of Selectmen governing the levels of fees and fines. While it might be plausible to anticipate that, when the budget is tight, the Board will respond by increasing such charges, possible increases are not included in the long-range projections.

Experience suggests that some portion of the budget shortfall would, in the absence of an override, be addressed by increases in the areas identified by this subcommittee.

State Aid

Tables 7 and 8 summarize the data for state aid.

TABLE 7: Actual and Projected State Aid						
	Actual	Financial Plan	2 years	3 years	4 years	5 years
2013	15,125,059	14,806,425	12,662,016	13,765,928	16,276,712	20,242,733
2012	13,796,975	13,302,525	14,406,437	16,902,759	20,563,456	19,599,677
2011	13,808,845	15,644,111	16,888,650	20,244,153	19,280,792	19,261,429
2010	16,542,765	17,157,180	19,925,321	18,962,367	19,172,949	18,398,979
2009	17,962,793	19,606,949	18,644,391	19,085,972	18,207,995	16,952,493
2008	18,946,277	18,326,854	19,000,471	18,017,295	16,951,193	19,055,963
2007	18,023,846	18,916,419	17,826,873	16,938,794	18,747,819	20,484,558
2006	17,951,657	17,636,724	16,926,639	18,440,388	19,310,132	23,039,045
2005	17,420,087	16,933,683	18,133,646	18,839,438	22,359,574	21,136,941
2004	17,298,584	17,827,570	18,519,723	21,071,972	20,122,359	
2003	19,071,684	18,756,510	20,751,709	19,811,656		
2002	19,993,861	19,919,390	19,012,055			
2001	19,339,431	18,564,779				
YELLOW INDICATES AFFECTED BY CRISIS						

TABLE 8: STATE AID PREDICTED AS A FRACTION OF ACTUAL STATE AID					
	Financial Plan	2 years	3 years	4 years	5 years
2013	97.89%	83.72%	91.01%	107.61%	133.84%
2012	96.42%	104.42%	122.51%	149.04%	142.06%
2011	113.29%	122.30%	146.60%	139.63%	139.49%
2010	103.71%	120.45%	114.63%	115.90%	111.22%
2009	109.15%	103.79%	106.25%	101.37%	94.38%
2008	96.73%	100.29%	95.10%	89.47%	100.58%
2007	104.95%	98.91%	93.98%	104.02%	113.65%
2006	98.25%	94.29%	102.72%	107.57%	128.34%
2005	97.21%	104.10%	108.15%	128.36%	121.34%
2004	103.06%	107.06%	121.81%	116.32%	
2003	98.35%	108.81%	103.88%		
2002	99.63%	95.09%			
2001	95.99%				
AVERAGE	101.13%	103.60%	109.70%	115.93%	120.54%
AVERAGE EXCLUDING YEARS IN YELLOW	100.46%	101.90%	104.90%	108.89%	115.98%

In contrast with other areas, Brookline has been consistently optimistic about state aid. Even excluding years affected by the crisis, the long-range estimates have been an average of 16% too high five years in advance and 5% too high three years in advance.

Free Cash

Tables 9 and 10 summarize the data for free cash.

Table 9: Actual and Projected Free Cash						
	Actual	Financial Pl	2 years	3 years	4 years	5 years
2013	5,336,413	5,336,413	3,750,000	3,750,000	3,750,000	3,750,000
2012	5,380,264	5,380,264	3,750,000	3,750,000	3,750,000	3,750,000
2011	4,590,079	4,590,079	3,750,000	3,750,000	3,750,000	4,000,000
2010	7,053,295	7,053,295	3,750,000	3,750,000	4,000,000	4,000,000
2009	5,954,963	5,954,963	3,750,000	4,000,000	4,000,000	4,083,219
2008	3,814,792	3,814,792	4,000,000	4,000,000	4,094,749	4,449,594
2007	5,387,435	5,387,435	4,000,000	4,107,032	4,455,158	4,250,496
2006	4,606,534	4,606,534	4,117,886	4,590,375	4,385,850	1,763,241
2005	6,966,241	6,597,165	3,260,961	3,270,378	3,060,367	1,200,000
2004	5,602,961	5,602,961	3,290,842	3,813,085	1,600,000	
2003	5,261,797	5,541,797	6,569,304	2,200,000		
2002	11,536,850	11,536,850	3,000,000			
2001	4,810,908	4,908,408				
YELLOW INDICATES AFFECTED BY CRISIS						

Table 10: FREE CASH PREDICTED AS A FRACTION OF ACTUAL FREE CASH					
	Financial Plan	2 years	3 years	4 years	5 years
2013	100.00%	70.27%	70.27%	70.27%	70.27%
2012	100.00%	69.70%	69.70%	69.70%	69.70%
2011	100.00%	81.70%	81.70%	81.70%	87.14%
2010	100.00%	53.17%	53.17%	56.71%	56.71%
2009	100.00%	62.97%	67.17%	67.17%	68.57%
2008	100.00%	104.85%	104.85%	107.34%	116.64%
2007	100.00%	74.25%	76.23%	82.70%	78.90%
2006	100.00%	89.39%	99.65%	95.21%	38.28%
2005	94.70%	46.81%	46.95%	43.93%	17.23%
2004	100.00%	58.73%	68.05%	28.56%	
2003	105.32%	124.85%	41.81%		
2002	100.00%	26.00%			
2001	102.03%				
AVERAGE	100.16%	71.89%	70.87%	70.33%	67.05%
AVERAGE EXCLUDING YEARS IN YELLOW	100.17%	74.66%	72.19%	71.33%	62.76%

Except for the year addressed in the financial plan, when free cash for the coming year is already known, we generally significantly underestimate future free cash. We remind readers, however, that the actual amount of free cash is known sufficiently in advance to allow us to make adjustments to tax-financed capital and that, under current financial policies, free cash is not used to address operating budget shortfalls.

Other Available Funds

Tables 11 and 12 summarize the data for local receipts.

Table 11: Actual and Projected Other Available Funds						
	Actual	Financial Plan	2 years	3 years	4 years	5 years
2013	11,894,344	10,144,344	6,334,277	5,028,074	5,427,735	5,164,849
2012	6,618,966	6,218,966	4,927,467	5,330,918	5,070,632	7,278,754
2011	5,080,435	4,804,023	5,207,580	4,934,688	7,251,609	7,844,959
2010	7,420,038	8,293,101	4,885,864	7,188,550	7,619,804	7,642,171
2009	5,986,333	5,591,533	7,127,236	7,563,922	7,501,830	7,695,899
2008	8,603,612	8,233,729	7,686,571	7,561,127	7,506,064	8,728,382
2007	8,948,053	7,947,903	8,138,372	7,643,145	8,512,705	8,658,797
2006	7,691,658	7,933,796	7,563,687	8,487,940	8,468,968	7,723,533
2005	11,116,554	10,461,591	8,104,128	8,287,763	7,522,571	
2004	7,884,671	8,064,935	8,008,180	7,290,706		
2003	8,334,680	8,103,213	7,372,720			
2002	6,779,885	7,014,404				
2001	6,542,000					
YELLOW INDICATES AFFECTED BY CRISIS						

Table 12: PREDICTED AS A FRACTION OF ACTUAL OTHER AVAILABLE FUNDS					
	Financial Plan	2 years	3 years	4 years	5 years
2013	85.29%	53.25%	42.27%	45.63%	43.42%
2012	93.96%	74.44%	80.54%	76.61%	109.97%
2011	94.56%	102.50%	97.13%	142.74%	154.42%
2010	111.77%	65.85%	96.88%	102.69%	102.99%
2009	93.40%	119.06%	126.35%	125.32%	128.56%
2008	95.70%	89.34%	87.88%	87.24%	101.45%
2007	88.82%	90.95%	85.42%	95.13%	96.77%
2006	103.15%	98.34%	110.35%	110.11%	100.41%
2005	94.11%	72.90%	74.55%	67.67%	0.00%
2004	102.29%	101.57%	92.47%	0.00%	
2003	97.22%	88.46%	0.00%		
2002	103.46%	0.00%			
2001	0.00%				
AVERAGE	89.52%	79.72%	81.26%	85.31%	93.11%
AVERAGE EXCLUDING YEARS IN YELLOW	89.19%	77.18%	71.69%	67.63%	74.66%

Certain elements of other available funds such as parking meter receipts are, similarly to local receipts, heavily influenced by decisions of the Board of Selectmen. Such decisions are not anticipated in the long-range financial estimates but are likely to increase revenues in difficult fiscal circumstances.

Implications for Projections and an Override

One option that has been raised is to propose an override for the May 2015 ballot that would address projected revenue needs through FY2018. Any such proposal would, in all likelihood, be develop in March 2015.

Using the historical data from projections three years in advance and the current projected revenues for 2018 (which are four years in advance), the expected difference between actual and projected revenues for property taxes and state aid of between $300,000 and $1,800,000. We would expect an additional $1.2 million in free cash which would help address capital shortfalls. Historical analysis suggests that something in the range of $3.5-$6.0 million could be raised in local receipts and other available funds, a range that is consistent with the part of our report that addresses revenue increases.

But we emphasize that there is considerable uncertainty around these numbers. Our analysis should not be taken to imply that increases in fees and fines should substitute for an override. However, depending on the strategies proposed by the OSC and adopted by the BOS and voters, they have historically served as a buffer for the large element of unpredictability regarding revenues, in general, and state aid, in particular.

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Appendix 1 Footnote on Community Preservation Act

Brookline currently spends or plans to spend an average of $3 million per year on items eligible for expenditure from funds that are raised through the Community Preservation Act ("CPA"). Since CPA funds are matched in part by the state, paying for these items through a CPA property tax surcharge is less costly to residents and businesses than paying for them through the regular property tax. A 1.5% surcharge with exemptions for the first $100,000 of property value and for low income and low/moderate income senior housing would raise roughly $2.4 million. We anticipate a state match of roughly 25%, bringing the total to $3 million.

Despite the obvious advantage of the state match, there are some disadvantages of using the CPA:

1) The determination of spending under the CPA imperfectly parallels the usual process; and
2) Because spending on CPA projects is irregular, coordinating the spending with the CIP in order to reduce the magnitude of a debt exclusion will be difficult. Coordinating with the operating budget to provide immediate relief and reduce the magnitude of a general override would require some creativity and notable changes to our capital policies.

Despite these concerns, the Revenue Subcommittee proposed and the Override Study Committee subsequently voted on or around February 5, 2014 to unanimously recommend the adoption of the CPA as one of its recommendations to the Board of Selectmen. To adopt the CPA for FY15 would require the OSC and the Selectmen to give priority to a review of this topic in order to be placed on the ballot in May 2014.

Override Study Committee
Revenue Subcommittee Report as of June 17, 2014

Appendix 2 Benchmark Data

Peer Tax Comparison, DRAFT 2/8/2014

			Demographic data			Credit rating		Total Assessed Residential Values			Residential Property Value			Residential Tax rates			Avg. Residential Tax Bill			% of total levy	
Data Year	Municipal Peer	School Peer	Population 2010	Per Capita Income ($) 2012	Median Household Income ($) 2012	Moody's 2013	S&P 2012	Total Assessed Residential Value ($) 2004	Total Assessed Residential Value ($) 2014	% change	Average Assessed Residential Value ($) 2004	Average Assessed Residential Value ($) 2014	% change	Residential Tax rates 2004	Residential Tax rates 2014	% change	Avg. Residential Tax Bill ($)* 2004	Avg. Residential Tax Bill ($)* 2014	% change	Residential & Open Space as % of total levy 2014	Comm., Ind. & Personal as % of total levy 2014
Source			Census	2008-12 American Community Survey	2008-12 American Community Survey	Mass. DOR	Mass. DOR	Mass. DOR	Mass. DOR		Mass. DOR	Mass. DOR		Mass. DOR	Mass. DOR		Mass. DOR and Brookline Assessor	Mass. DOR and Brookline Assessor		Mass. DOR	Mass. DOR
Arlington	x		42,844	49,166	87,525	Aa1	AAA	5,627,884,519	6,924,743,377	23%	424,810	495,368	17%	10.64	13.79	30%	4,520	6,831	51%	93.9	6.1
Belmont	x		24,729	56,356	105,717	Aaa	-	4,509,578,650	5,172,953,450	15%	609,320	654,887	7%	10.71	13.50	26%	6,526	8,841	35%	94.4	5.6
Boston*	x		617,594	33,589	53,136	Aaa	AA+	44,313,799,040	64,541,402,530	46%	398,434	501,686	26%	10.15	12.58	24%	3,118	4,998	60%	38.1	61.9
Brookline*	x	x	58,732	64,102	95,471	Aaa	-	10,587,621,430	14,744,840,400	39%	718,194	895,853	25%	10.63	11.39	7%	6,148	8,209	34%	83.2	16.8
Cambridge*	x		105,162	48,509	72,225	Aaa	AAA	12,157,499,831	16,642,348,024	37%	653,629	734,956	12%	7.63	8.38	10%	3,979	4,976	25%	34.6	65.4
Carlisle		x	4,852	75,856	160,000	Aa1	-	1,235,963,436	1,215,263,695	-2%	757,331	711,513	-6%	12.47	18.64	49%	9,444	13,263	40%	98.1	1.9
Concord		x	17,668	69,288	131,507	Aaa	-	3,945,294,989	4,646,613,799	18%	731,016	832,577	14%	10.59	14.45	36%	7,741	12,031	55%	90.6	9.4
Dedham	x		24,729	41,878	82,193	-	AA+	2,812,113,841	3,214,058,863	14%	372,120	411,584	11%	10.23	16.08	57%	3,807	6,618	74%	64.7	35.3
Dover		x	5,589	84,070	187,598	Aaa	AAA	1,894,936,777	2,111,123,812	11%	1,018,236	1,092,149	7%	9.01	13.08	45%	9,174	14,285	56%	97.4	2.6
Framingham	x		68,318	34,286	68,906	Aa2	-	5,085,649,349	5,569,402,378	10%	293,493	312,712	7%	13.31	18.29	37%	3,906	5,720	46%	59.8	40.2
Lexington	x	x	31,394	70,132	138,095	Aaa	-	6,018,408,000	7,411,620,000	23%	604,622	728,630	21%	10.47	15.51	48%	6,330	11,301	79%	77.3	22.7
Lincoln		x	6,362	54,811	119,205	-	AAA	1,769,018,160	1,695,785,179	-4%	951,085	880,927	-7%	9.19	14.41	57%	8,740	12,694	45%	95.1	4.9
Medford	x		56,173	34,983	72,773	A1	A+	5,215,678,648	5,930,338,991	14%	354,880	383,990	8%	9.48	12.25	29%	3,364	4,704	40%	78.1	21.9
Natick	x		33,006	49,792	95,059	Aa1	AAA	4,282,650,500	5,071,958,730	18%	387,570	428,809	11%	10.17	14.18	39%	3,942	6,081	54%	77.0	23.0
Needham	x		28,886	60,388	125,170	-	AAA	5,061,500,608	7,003,705,577	38%	548,851	740,819	35%	9.45	11.64	23%	5,187	8,623	66%	76.9	23.1
Newton	x	x	85,146	61,530	113,416	Aaa	-	15,105,379,601	18,687,096,235	24%	622,748	745,218	20%	10.20	12.12	19%	6,352	9,032	42%	81.1	18.9
Somerville*	x		75,754	33,352	64,603	Aa2	AA-	5,712,928,622	7,894,327,349	38%	438,579	516,814	18%	11.17	12.66	13%	3,903	5,351	37%	71.3	28.7
Sudbury		x	17,659	67,166	164,337	-	AAA	3,345,758,101	3,695,489,903	10%	618,897	648,104	5%	13.46	18.03	34%	8,330	11,635	40%	90.9	9.1
Waltham*	x		60,632	35,161	72,332	Aa1	AA+	5,429,509,969	5,772,320,361	6%	417,847	404,394	-3%	9.21	13.43	46%	3,159	4,481	42%	41.1	58.9
Watertown*	x		31,915	43,167	83,053	Aa2	AA+	3,753,239,748	4,170,633,977	11%	429,727	433,538	1%	10.35	14.96	45%	3,854	5,652	47%	66.3	33.7
Wayland		x	12,994	65,981	124,702	Aaa	-	2,691,489,000	2,813,813,895	5%	591,016	594,635	1%	13.13	18.33	40%	7,760	10,900	40%	94.5	5.5
Wellesley	x	x	27,982	71,369	155,000	Aaa	AAA	6,687,379,000	8,550,806,000	28%	855,492	1,079,238	26%	8.56	11.54	35%	7,323	12,454	70%	87.7	12.3
Weston		x	11,261	97,822	176,875	Aaa	AAA	4,150,331,500	5,082,551,510	22%	1,197,441	1,397,841	17%	9.67	12.73	32%	11,579	17,795	54%	95.2	4.8
Winchester		x	21,374	64,489	128,199	Aaa	AAA	4,054,507,318	5,381,679,426	33%	577,483	734,500	27%	11.38	12.66	11%	6,572	9,299	41%	94.9	5.1
Overall Average			61,281	56,968	111,546			6,893,671,693	8,914,369,894	20%	607,201	681,698	12%	10.47	13.94	33%	6,032	8,991	49%	78.4	21.6
Municipal Average			85,812	49,235	92,792			8,897,551,335	11,706,409,765	24%	508,145	591,781	15%	10.15	13.27	31%	4,714	7,117	50%	70.3	29.7
School Average			25,084	70,551	141,200			5,123,840,609	6,336,390,321	17%	770,297	861,765	12%	10.73	14.41	34%	7,958	11,908	50%	90.5	9.5

* Notes communities that offer residential tax exemptions. The average residential tax bill includes the residential exemption.