



February 16, 2016

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

I am pleased to submit for your consideration the Fiscal Year (FY) 2017 Budget and Financial Plan. The FY 2017 Budget balances over \$291 million in revenue and expenses, including operation of the Town's enterprise activities. This budget represents an increase of 4.1% over the prior fiscal year. FY 2017 represents the second year of a three-year financial plan that allocates additional taxing and other revenue/expenditure capacity to the School Department to support programs and services in an increasing enrollment environment. Approved by Brookline voters in April of 2015 by a 62% margin, a Proposition 2½ General Tax Override provided \$7,665,000 in additional taxing capacity. \$6,200,000 was allocated last year (FY 2016) and the balance of \$1,465,000 will be allocated in FY 2017. In addition, \$1 million will be allocated to the School Department in FY 2017 from non-tax revenue increases and expenditure reductions/efficiencies generated within municipal department operations.

GENERAL FRAMEWORK OF THE THREE-YEAR PLAN

In millions of \$'s				
<u>Revenue</u>				
	\$7.665	Override Funds		
	<u>\$2.289</u>	Non-property tax efficiencies and revenues		
	\$9.954	Total Plan		
<u>Expenditures</u>				
	Year 1	Year 2	Year 3	Total
Override funds	\$6.20	\$1.465	\$0	\$7.665
Non-override funds		\$1.00	\$1.29	\$2.289
	\$6.20	\$2.465	\$1.29	\$9.954

This additional taxing capacity and other revenue are on top of the annual revenue allocation process the Town employs. As part of the Town School Partnership program, a formula is used to allocate the budget by dividing new general revenue 50/50 between Town Departments and the School Department. This formula further modifies the budget allocation by assessing actual benefit (e.g. health insurance) costs and offsetting the impact of mandated fixed costs (e.g. special education and enrollment). After all of these factors are considered in the formula, the FY 2017 Budget allocates an additional \$4,776,173 in new revenue to the School Budget, representing a 5% increase over FY 2016. Town departments will be allocated an additional \$1,719,425 representing a 2.5% increase.

Despite this new taxing capacity and additional revenue, pressures on the expenditure side of the ledger are making the FY 2017 Budget a difficult year. Enrollment in the public schools continues unabated in FY 2017. As of October, 2015, 7,412 students were enrolled in Brookline Public Schools, representing an increase of 165 students from the previous year and 1,034 since 2010. After several years of modest growth in the Town's health insurance costs, inflation in the health care industry is back. This Budget assumes 7.5% composite growth in the health insurance plans offered by the Commonwealth's Group Insurance Commission (GIC). To put this in perspective, a 7.5% increase in the Town's health insurance costs is \$1,888,052 representing two-fifths of the new annual taxes allowed under Proposition 2½. As a result, funding for municipal departments was very tight, mostly limited to contractual wage and benefit increases. Capital equipment purchases were scrutinized and no increase in permanent staffing was recommended. In the event the actual costs for health insurance come in lower than projected, we will reallocate funding to the high priority areas that are discussed in the Policy Issues and Initiatives section.

In summary, the FY 2017 Budget:

- Allocates the remaining \$1,465,000 in additional property tax revenue made available from last year's Proposition 2½ Tax Override referendum to the School Department.
- Allocates \$1 million in "budget capacity" made available from non-property tax revenue and operating expenditure efficiencies within Town departments to the School Department.
- Projects \$10.1 million in new general revenue, including a 2.5% increase in the tax levy, an additional \$2.65 million in taxes resulting from new construction (New Growth), an increase in State Aid of \$688,971, and \$268,013 in Local Receipts.

- Recommends an increase of 5% in the appropriation to the School Department and an increase of 2.5% in Town Departments.
- Develops a long range Capital Improvement Plan including the funding of a Capital Budget in FY 2017 of \$25.9 million.
- Meets all of the financial policies of the Town with respect to funding reserves and long term financial obligations of the Town.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
REVENUES				
Property Tax	195,049,924	204,023,297	8,973,373	4.6%
Local Receipts	23,568,685	23,836,698	268,013	1.1%
State Aid	18,837,306	19,526,277	688,971	3.7%
Free Cash	5,016,500	5,311,538	295,038	5.9%
Other Available Funds	7,925,643	7,840,067	(85,576)	-1.1%
Enterprises (net)	29,566,993	30,877,664	1,310,671	4.4%
TOTAL REVENUES	279,965,051	291,415,541	11,450,490	4.1%
EXPENDITURES				
Municipal Departments	69,403,454	71,122,877	1,719,423	2.5%
School Department	95,916,093	100,692,256	4,776,163	5.0%
Non-Departmental	66,563,621	71,546,531	4,982,910	7.5%
Special Appropriations	10,113,000	8,879,374	(1,233,626)	-12.2%
Enterprises (net)	29,566,993	30,877,664	1,310,671	4.4%
Non-Appropriated	8,401,892	8,296,837	(105,055)	-1.3%
TOTAL EXPENDITURES	279,965,051	291,415,542	11,450,491	4.1%

In the sections that follow, a more detailed review of revenues and expenditures is addressed.

REVENUES

Taxes: Property taxes represent over two-thirds of the total revenue available to the Town. Under Proposition 2½, a municipality’s tax levy is capped to no more than 2.5% greater than the prior year. Periodically, a town may seek an “override” of this limit through a voter referendum. A General Override increases taxes permanently, since the additional taxes become part of the base which future annual 2.5% increases are calculated upon. Last year, voters approved a General Override of \$7,665,000. However, as part of this Override plan, it was agreed that \$6,200,000 would be levied in FY 2016 with the remaining \$1,465,000 to be levied in FY 2017.

Overall, property taxes are projected to increase by \$8.97 million in FY 2017, or 4.6% over FY 2016. The FY 2017 Property Tax Levy is made up of:

<u>PROPERTY TAXES</u>	
FY16 base levy (less yr. 2 funds)	193,973,924
FY17 remaining override funds	1,465,000
Prior Year Levy Limit	195,438,924
2 1/2 % Increase	4,885,973
New Growth	2,650,000
Debt Exclusion (Debt Service Costs)	1,048,400
Annual Levy FY 2017	204,023,297

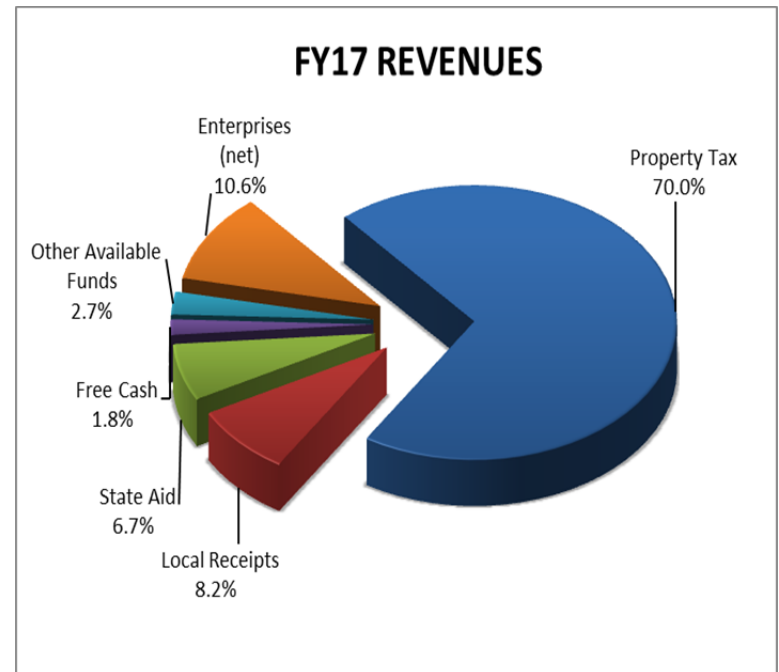
The \$1.048 million referenced above is attributable to meet the debt service on the prior High School project that the voters excluded from the Proposition 2½ levy limit. This tax amount will be eliminated in FY 2020. The Debt Exclusion vote passed last year to rebuild and enlarge the Devotion School is projected at \$49,576,000 and commences in FY 2019. This debt will be amortized over a 25 year period.

The Town’s goal is to increase the relative share of the commercial tax base. In addition to increased taxes from new commercial construction, such development provides relief to residential taxpayers because the Town employs a dual tax rate (classification). In FY 2016, the tax rate for the commercial sector is 171.5% higher than the residential rate. Additional commercial development adds jobs, vitality and residual revenue (e.g. meals taxes and parking meter receipts) for the Town. FY 2017 represents the first year of new taxes of the former Red Cab site, where a new “extended stay” hotel is being built. Progress has also been made on two other major commercial projects that will contribute to this growth, including the development of a hotel and related retail/residential development at the former Circle Cinema site in Cleveland Circle and a major office complex at 2 Brookline Place.

Local Receipts: FY 2017 Local Receipts are projected to increase by \$268,013, or 1.1% over FY 2016. This category of revenue includes a variety of sources generated by Town fees and charges. Most prominent are the Motor Vehicle Excise (MVE) tax, Parking and Traffic fines, Building Permit fees, the Trash Collection charge, and Local Option taxes (meals and lodging). The modest increase in Local Receipts is understated due to the conversion of a rental housing project from a special taxing agreement (121A) to a traditional property tax payment. This special tax agreement has expired and the regular tax payment will now be recorded in the Property Tax category of revenue. Local receipts is also understated due to the accounting of the Town’s parking meter revenue. State law requires this revenue to be accounted in a special fund that we include in the Other Available Funds category. As part of the three-year Override plan, the Town committed to an increase in the on street parking meter rate of \$.25/hour (for a total rate of \$1.25/hour). This increase will generate \$850,000 in FY 2017. As part of this revenue increase, we have programmed funding in the CIP to upgrade the remaining coin operated meters to digital units that

accept credit/debit cards. In addition, the Town will be experimenting with pay by cell technology that allows users the ability to pay their meter charge through a mobile phone application.

The Town has been aggressive in negotiating Payment In Lieu of Taxes (PILOT) agreements with non-profit entities that are exempt from paying local property taxes. In FY 2017, several new agreements were reached. The major PILOT agreement is with Boston University, which includes a provision to capture increasing real estate market value. A new revenue source beginning in FY 2017 is a payment to the General Fund from a Host Community Agreement (HCA) negotiated with New England Treatment Access for their operation of a medical marijuana dispensary in Brookline. This agreement provides that NETA will pay 3% of gross revenue split evenly between the Town and to the Brookline Community Foundation. For FY 2017, we have projected \$125,000 in revenue will come to the Town from this agreement. The Town's success in developing this revenue source is directly attributable to Steve Cirillo, the Town's Finance Director. Finally, the Town negotiated a new agreement with its Emergency Medical Services provider, Fallon Ambulance. In addition to providing this valuable service at no cost to the Town, the new agreement requires Fallon to make certain payments to the Town.



State Aid: Overall, aid from the Commonwealth of Massachusetts is projected to increase by \$688,971, or 3.7% over FY 2016. In recent years, the Town has benefitted from implementation of a state policy guaranteeing a minimum of 17.5% state funding contribution for local education. The Commonwealth has nearly reached this level in FY 2017, meaning the increase in annual aid will be moderate in the future. The increase seen this year is largely driven by an increase in enrollment which is part of the foundation budget formula. Governor Baker has proposed an increase in the Unrestricted General Government Aid category by the same rate of increase in state revenue, meeting his commitment for “revenue sharing” between the state and its municipalities. All other state aid categories are projected to remain level. Each year, revenue from State Aid can be uncertain given the politics of the state budget process. This year, we believe that the Governor’s state aid recommendations represent a likely outcome of this process and we have used them without modification.

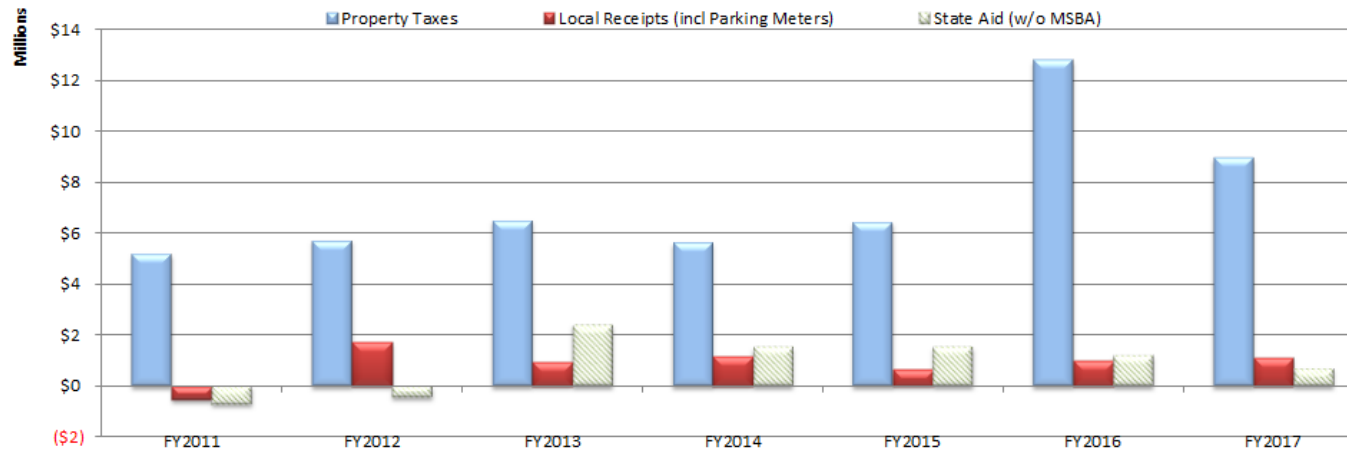
Other Available Funds: The Town will allocate \$7,840,067 from a number of revenue sources comprising this category. Mostly, this revenue comes from charges to separate Enterprise or Revolving Funds that are raised to offset general government expenses benefitting those funds. As previously discussed in the Local Receipts section, the Town will realize an additional \$850,000 in Parking Meter revenue resulting from a \$.25/hour increase. Unlike the last two budget cycles, the Town will not be projecting any surpluses from prior year capital projects to fund the Capital Budget in FY 2017. As a result, Other Available Funds is actually reduced from FY 2016 by \$85,576, or a reduction of 1.1%.

Free Cash: Free Cash is a term specific to Massachusetts local government. Essentially, it is the State’s approved amount of a municipality’s unreserved fund balance from the prior year’s Budget. The Town has a very detailed policy on the use of Free Cash. It is used only for non-recurring purposes such as reserves and capital expenses. The amount of Free Cash to support these purposes in FY 2017 is \$5,311,538 (see table to the rights). Please note that the total certified Free Cash available for the Town to appropriate is \$7,811,538. In order to meet the Town’s policies on maintaining a sufficient level of unrestricted reserves, we will leave \$2.5 million unappropriated in FY 2017.

Enterprises: The Town maintains three special funds to account for its business like activities. These include the Golf Course, the Water and Sewer Utility, and the Recreation Revolving Fund. This revenue is offset 100% on the expenditure side of this Budget. In FY 2017, the revenue (and expenses) of these funds will increase by about \$1.3 million, or 4.4% over FY 2016. The Recreation Department believes that it has reached the threshold of what is tolerable for cost recovery in the revolving fund and, as a result, no further shift in general fund expenses to the revolving fund is possible in FY 2017.

Free Cash Certification		\$7,811,184
1. Operating Budget Reserve		\$587,184
2. Unreserved Fund Balance/Stabilization Fund		\$2,500,000
3. Liability Reserve (to get fund to 1% of Prior Yr Net Revenue)		\$144,322
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)		\$3,523,105
5. Affordable Housing Trust Fund (since Fund Balance below \$5M)		<u>\$158,539</u>
Sub-Total		\$6,913,150
Amt available for Special Use (#6)		\$898,034
<u>6. Special Use:</u>		
Additional CIP		\$898,034

ANNUAL CHANGE IN BUDGETED REVENUE



EXPENDITURES

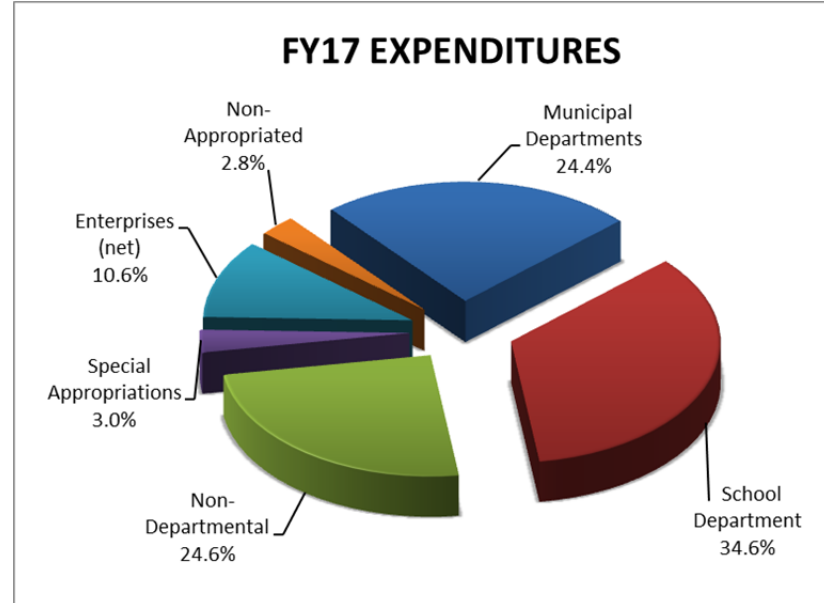
Municipal Departments: For FY 2017, it is proposed that funding for all municipal (non-school) departments be \$71,122,877, an increase over FY 2016 of 2.5%. This amount is inclusive of a reserve for wage and salary increases for municipal employees, conditional upon negotiated settlements. For the most part, increases in municipal departments were limited to funding the fixed costs of contractual step increases for eligible personnel.

As committed to in last year's Override proposal, \$500,000 worth of FY 2017 budget capacity otherwise allocated to Municipal Departments was reallocated to the School Budget through the Town School Partnership formula. In order to meet this commitment and to absorb higher than projected health insurance cost increases, equipment replacement in most municipal departments was limited and investments in additional personnel or expenses was not possible.

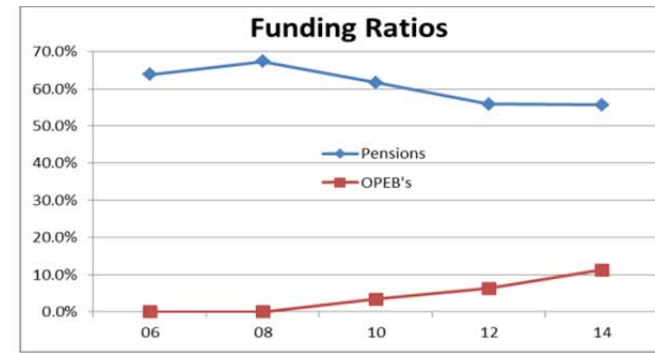
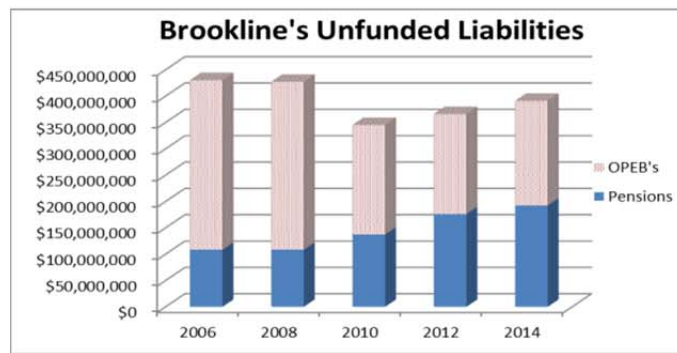
Please refer to the Departmental Budget section for a more detailed review of changes in individual municipal department budgets. The following highlights some of these changes:

- The Department of Public Works budget reflects savings associated with the implementation an automated Pay as You Throw Program (PAYT) and results in the reduction of three laborer positions.
- The Information Technology budget increases \$62,186 (3.41%) and reflects the shift away from Capital needs (servers and software) to operating expenses (software subscription and cloud based services) highlighted in the Preliminary CIP.
- Additional funding has been recommended for Outside Counsel based on higher than projected litigation expenses. This cost center has resulted in consecutive year reserve fund transfer requests. While the funding has been allocated to the Town Counsel budget it will also be used to support the Human Resources Department and allow for improved coordination among these departments on the overall legal strategy exercised by the Town.
- Credit Card Service charges have been consolidated under the Finance Department for FY2017. This recognizes the importance of managing the impacts of microtransactions related to parking meters, over the counter credit card usage, and expanded usage online. This is being done in parallel to the Town's consideration of whether or not it is appropriate to absorb these costs or pass some, or all, of the charge onto the customer.
- Expenses in the Town Clerk are increased based on three elections during FY2017.

School Department: The Town determines its proposed budget for the School Department through a comprehensive formula established in connection with the Town School Partnership agreement. Essentially, this formula splits general revenue growth equally between Municipal and School budgets, adjusting for certain fixed costs that are difficult to control (enrollment and special education for example). In FY 2017, further adjustments to the formula were made by allocating the remaining Override tax capacity and \$500,000 of budget capacity otherwise allocated to Municipal Departments. The overall budget allocation to the School Department in FY 2017 is \$100,692,256, representing an increase over FY 2016 of 5%, inclusive of reserve accounts for collective bargaining and personnel benefits. Please refer to the Superintendent’s budget proposal for a more detailed review of this budget. It should be noted that the current budget only includes school enrollment growth of 30 enrollees for year-over-year turnover, and does not include staff growth associated with year 2 of the override plan. Once the GIC rates are announced in March the School Department should have a better understanding of projected employee growth which will inform an update to these budget assumptions.



Non-Departmental: This is a large category of expenses that incorporates personnel benefits for municipal and school employees, debt service on bonds, insurance coverages and special reserve funds. The proposed budget for FY 2017 is \$71,546,530, an increase of 7.5% over FY 2016. The



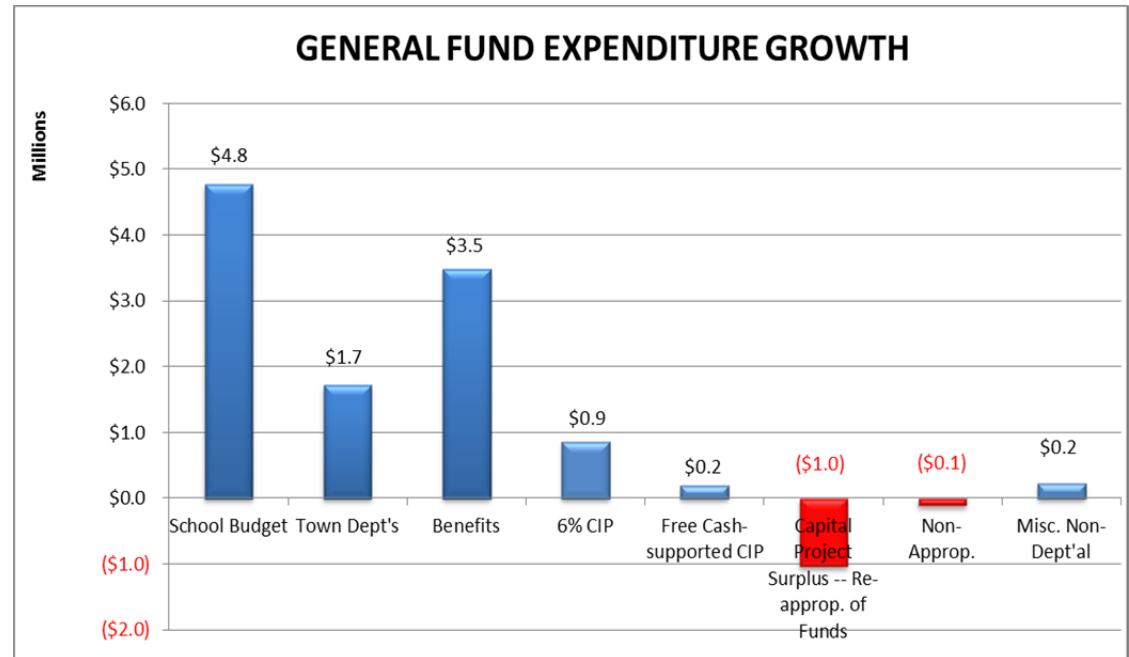
largest component of these expenses is the cost of health insurance for the Town’s eligible employees and retirees (including employees and retirees of the School Department). After many years of extremely low rate increases from the Group Insurance Commission, health care inflation has reverted back to its historic levels. We are budgeting for a 7.5% composite rate increase in GIC plans increase for Group Health Insurance. This, combined with a reserve for enrollment changes, represents an overall increase of over \$2.2 million. Fortunately, the effect of this increase is partially offset by the remarkable reduction in world oil prices, resulting in cost savings in the Town’s diesel, gasoline and heating fuel costs of \$121,000.

The Town continues to proactively fund its long-term liability for pensions and retiree health care benefits (OPEB). I am particularly pleased to be able to maintain the Town’s allocation of revenue to the OPEB Trust Fund. In FY 2017, we are appropriating an additional \$275,000 for a total sum of \$3,774,838 for this purpose. This will allow the Town to reach the Annual Required Contribution (ARC), which is an actuarially determined long term funding plan similar to the one underway to eliminate our unfunded Pension obligation. The Town of Brookline remains one of a handful of municipalities who are proactively addressing the OPEB problem.

Special Appropriations: The Town funds its Capital Improvement Program (CIP) through a combination of current funding and debt. The current revenue-financed portion of the CIP is \$8.9 million in FY 2017. This includes \$4.5 million funded by general operating revenue combined with \$4.4 million from Free Cash. Together, these funds represent 7.9% of the Town’s prior year net revenue. For a more detailed review of the CIP, please see the Capital Improvement Plan section of this Budget Message and Section VII of this Financial Plan.

Non-Appropriated: This category includes required expenses that are raised directly without appropriation by Town Meeting. This includes State Charges, of which the largest sum is the Town’s assessment to the MBTA (\$5.12 million); the Overlay, which is a reserve for tax abatements and exemptions issued by the Board of Assessors (\$1.8 million); and the Norfolk County assessment (\$863K). Overall, the cost of Non-Appropriated items in FY 2017 is \$8,296,837 million, representing a slight decrease from FY 2016.

Enterprises: The Town funds its Water/Sewer, Recreation and Golf activities largely through self-supporting revenues. These are accounted for separately from the Town’s General Fund through formal enterprise and revolving funds. The net cost of Enterprises in FY 2017 is \$30.9 million, an increase over FY 2016 of 4.4%. Increased cost pressures from the new sick leave policy and statewide minimum wage increases have limited the Recreation Department’s ability to shift expenses from the General Fund to the Revolving Fund.



FY 2017 POLICY ISSUES AND INITIATIVES

A Budget is intended to be a policy and management tool, not just a collection of numbers that balance. It is with this in mind that we label our Budget document a Financial Plan. This section of my Budget Message relates to some fundamental policy issues impacting the FY 2017 Budget and Town government operations.

Diversity and Inclusion: The confluence of unfortunate employee incidents, the lack of diversity in the ranks of Town management and a growing unrest with race relations nationally has placed the Town in the crosshairs of a controversial and contentious debate about racism. The issue is a very personal and emotional one for all involved. In some cases, the disputes involve legal claims and conflicting laws or regulations. There is no easy answer to address this matter, but it will require the investigation of allegations of discriminatory behavior, the defense/adjudication of claims for damages, the participation of stakeholders and the facilitation of trusted third parties. Funding is available throughout the Town's Budget to support such activities, including programs of the Diversity, Inclusion and Community Relations Commission, the Legal Department, the Human Resources Department and the Selectmen's Office.

Creating a Culture of Performance Management: Over the last few years, Brookline's town government has begun to focus on the use of data to improve performance and set funding priorities. This Financial Plan requires each department to establish objectives and identify ways to measure performance consistent with these objectives. It is not enough to simply count the number of potholes filled or books loaned. Rather, performance management seeks to measure the quality of those services and to benchmark this quality against others in an effort to improve results. Many of our departments have had success in converting output measures to more meaningful performance data that helps improve results and ultimately the quality of municipal services. But it has not permeated the organization. Greater use of performance management in Brookline's local government is essential to meet increased citizen demands for public services, greater interest on the part of elected leaders and advisory committees to make informed budgetary decisions, and to create accountability in the management of the Town's financial resources.

In FY 2017, I have prioritized discretionary professional services funding under my control to provide practical training and development to the Town's department heads and mid management personnel. It is my goal to create a culture of performance management in Brookline, where the use of data will become the fundamental way in measuring performance, improving results and tracking progress towards meeting goals and objectives. I will also use this funding to create formal mechanisms linking the use of performance management with the budget process and the evaluation of management personnel.

On a related matter, the Town continues to enhance its use of technology and social media applications to make its government data more accessible and transparent.

Finally, in FY 2017 we will be reviewing the result of the second edition of the National Citizen Survey. This survey is a tested instrument designed to survey the opinions of Brookline's residents on a host of questions about municipal policies, programs and services. Last issued in 2014, we look forward to comparing the results of the newer survey and to benchmark this data with hundreds of other municipalities who employ this product.

Building Operations and Maintenance: Last year, I reported on the need to study the operations of the Building Division, which is responsible for the repair, operations and management of most Town and School buildings. A study was completed by Matrix Consulting in January of 2016 that involved a comprehensive evaluation of this organizational unit. They studied the Management, Organization, Staffing and Operations of the division and identified many findings and recommendations, including among them;

- The need to develop a longer term strategic plan
- The value of investing in preventative maintenance
- The enhanced use of technology and the Town's web site
- The need for increased staffing and other resources to meet demands
- The importance of coordinated energy monitoring and reporting

In coordination with the School Department, I will be developing plans to address this important study.

Technology: The adaptation to and use of technology is an ongoing policy priority of the Town. In FY 2017, we will be testing the use of mobile technology in the Town's on street parking meter program. As mentioned previously in the Revenues section of this Budget Message, a general rate increase for on-street parking demands investment into the outdated state of our parking meter equipment. We intend to upgrade as many meters as possible to "smarter" meters that can accommodate multiple forms of payment and communicate wirelessly. An added benefit is the ability for enforcement personnel to employ handheld electronic devices to communicate with the meters to efficiently and effectively monitor and enforce violations. I am personally excited about testing the use of mobile technology to pay for parking. As many have experienced in neighboring Boston and other jurisdictions, the ability to conveniently calculate/pay the meter without getting out of your car is a very pleasant experience.

The cost of using technology and credit card usage to facilitate public services is not cheap. In addition to the upfront investment in equipment, the ongoing cost of wireless service charges, credit card charges and other third party fees is becoming prohibitive. As reported in the Expenditures section of this Message, we have decided to consolidate these costs in the Finance Department's budget in order to keep track of them. It is likely that the Town will be faced with assessing "service fees" in order to retain these convenient services that citizens have come to expect. It is my experience that users will support such a fee if it is reasonable and helps them save time and aggravation.

Long Range and Strategic Planning: The Town is engaged in several long term planning studies and processes. None is more important than the need to plan to accommodate the increasing enrollment in our public schools. This effort is being led jointly by the Board of Selectmen and School Committee. The two priorities are to find a suitable site to construct a new (9th) elementary school and to develop a solution to expand classroom and related space at the high school level. Siting of a new public school is a complex matter that is complicated by geographic, physical, financial and political challenges. Commencing with a study by Civic Moxie, the two elected boards and staff are committed to using a comprehensive process and public engagement to reach a decision in the fall of 2016.

One of the lasting contributions of the Override Study Committee was its recommendation to engage in a coordinated approach at long term planning of the Town's assets and priorities. A series of sequential studies have been identified beginning with a strategic study of the Town's assets (its buildings, facilities and land). With this information in hand, we will begin to study large parcels of land in the community, both public and private. It is hoped that this information and process will result in ideas to more efficiently use Town resources and assets and to create value and opportunity whenever possible.

Another related study is the Housing Production Plan, an effort to more proactively plan for the provision of affordable housing in Brookline. In addition to the merits of planning this outcome, the study may provide a temporary relief (safe harbor) from the onslaught of Chapter 40B housing developments that are inconsistent with the land use and character of Brookline's neighborhoods.

It should be noted that the diversion of staff resources and focus to the School Expansion and Chapter 40B affordable housing projects necessarily impact the amount of time and progress we can make in other planning initiatives. This is especially the case in the Economic Development and Regulatory Planning divisions with the Planning Department.

Finally, I have identified funding to perform a review of parking capacity and policies at Town facilities and on the streets in the neighborhoods bordering a Town building or School. As a regulator of private land use, the Town has begun to consistently require the use of Transportation Demand Management (TDM). TDM is the application of strategies and policies to reduce travel demand or to redistribute this demand in space or in time. It is my intent to fund a consultant who will employ TDM as part of its solution to address the Town's parking challenges.

Solid Waste Collection: Last year, I reported in detail about plans to implement the automation of solid waste collection and the development of a modified Pay as You Throw (PAYT) program. The automation of solid waste collection is a key component of making Town government more cost efficient and to meet the Board of Selectmen's commitment to reallocate cost savings to support school enrollment needs. PAYT is a method to create incentives and/or disincentives to reduce solid waste disposal and to more equitably assess the costs of the service. While the plans for automation are well underway, the issues in developing a successful PAYT system are challenging. To assist the Board of Selectmen in their consideration of this matter, I am in the process of working with a task force to recommend the default trash bin size and options/costs for additional capacity. The plan is to implement the new system sometime in the fall of 2016.

Succession Planning: Like many organizations of this era, the Town is facing an impending wave of retirements from its top level department personnel. The loss of such deep institutional knowledge, leadership and experience will be impossible to replace immediately. It is essential to create capacity in the Town's lower and mid-level management ranks to help fill this pipeline and/or to step up temporarily during transitions. We look forward to partnering with a team of graduate students from Northeastern University to explore this issue and to seek best practices from other municipalities who are dealing with this issue.

Energy Efficiency and Sustainability: The Department of Public Works' LED Streetlight Replacement Program is underway and the FY2017 budget is reduced by approximately \$33,000 as a result. This project meets the Town's goal of saving money by reducing energy while enhancing the effectiveness of the service. Once fully-implemented, the Town's streetlight bill will decrease by approximately \$180,000 per year. The payback period is estimated to be less than 10 years.

The Town continues to procure substantial savings in the FY 2017 Budget by acting upon the market downturn of Gasoline and Diesel prices. The result is a reduction of over \$121,000 in expenditures. Favorable market conditions also allowed the Town to lock in a supply contract for Gasoline and Diesel that will mitigate potential price increases and market corrections.

Growth in the Cost of Employee Wages and Benefits: As a service oriented business, the Town of Brookline's most valuable asset is its employees. Employee wages and salaries are also the Town's biggest cost driver. The cost of salaries/wages and benefits of the Town's employees is projected to be \$198 million in FY 2017 (combined Town and School departments). This represents approximately 81.2% of the General Fund budget and growing. The many fixed costs in the operation of local government and the rate of increases for health insurance creates an unsustainable situation for the Town. This is felt within the current budget but also in a dramatic way in the calculation of our long term liability for health insurance to all municipal retirees (referred to as OPEB). When the public is asked to fund additional taxes (which was done successfully last year), they inevitably compare the benefit packages in municipal government with much different trends in the private sector and demand accountability. From the employee's perspective, the economy appears fragile despite a low inflation factor. Certain sectors of the economy are growing at a much higher rate than inflation, including health care and college expenses. During the most recent recession, wage increases were limited and the Town negotiated hard to switch its health insurance plans to higher deductible products in the state's Group Insurance Commission. All of this has contributed to a collective bargaining environment that results in unmet expectations for both sides. This is especially the case with the Town's public safety unions. Impasses in collective bargaining with public safety unions are ultimately resolved through a third party arbitration procedure called the Joint Labor Management Committee (JLMC). The current labor impasse with the Town's Firefighters union is currently in the JLMC process and the Town is very concerned with its ability to pay an unfavorable arbitration outcome.

In addition, the Town's agreement with its employees over the current health insurance arrangement with the Commonwealth's Group Insurance Commission (GIC) is expiring this year. Despite the rapidly increasing costs in the health care world, the GIC has been a relatively stable option for the Town and it provides employees with flexibility in plan design and their associated risk/cost.

We are hopeful to have meaningful dialogue with our employees and unions about these cost pressures and to find mutually beneficial solutions to create a more financially sustainable path going forward.

LONG RANGE FINANCIAL PLANNING

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

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

The FY 2017 – FY 2021 Long Range Financial Projection for the General Fund makes the following key assumptions:

- New Growth in the Property Tax Levy of \$1.8 million per year, augmented by the redevelopment of the former Red Cab Site (\$500,000 in FY 2017, and \$107,500 in FY 2018) and by the re-development of 2 Brookline Place (\$365,000 in FY18, \$1.356 million in FY 2019, and \$579,000 in FY 2020).
- For State Aid in FY 2017, full use of the Governor's proposal. For FY 2018 - FY 2021, annual 2.5% increases in Ch. 70 and Unrestricted General Government Aid (UGGA).
- For Local Receipts, FY 2017 reflects an increase of \$823,460 (3.6%). In FY's 2017-2020, limited growth is expected (approximately \$300,000 / yr, or 1.2%), augmented by \$325,000 in additional Hotel Excise Taxes from the redevelopment of the former Red Cab Site (\$50,000 in FY 2017 and \$275,000 in FY 2018).
- Use of Free Cash continues to follow the Town's Free Cash Policy, as recently updated by the Selectmen in 2011.
- A 2% wage increase for all years for all unions.

- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$240,000 per year for the Schools and \$250,000 for Town departments).
- Annual utility increases of \$150,000.
- Annual Special Education growth of \$775,000 - \$800,000.
- Enrollment growth cost increases of \$800,000 - \$900,000 per year.
- Step increases in the School Department of \$750,000 per year and \$250,000 per year for Town Departments.
- For FY 2017, a Health Insurance rate increase of 7.5% and an increase in enrollment of 40. For FY's 2018-2020, assume a 4% annual rate increase and 40 new enrollees per year.
- A Pension appropriation based on the most recent funding schedule approved by PERAC for FY 2017 and an additional \$200,000 projected in 2018 based on current market conditions in calendar year 2015 that will trigger an increase in the required appropriation.
- Continue to fund OPEB's by increasing the appropriation by at least \$250,000 per year from on-going revenues.
- Debt Service and pay-as-you-go CIP that reflects full-funding of the CIP (6% of net revenue plus the use of Free Cash).

These assumptions create an escalating deficit position for FY 2018 and beyond, starting at \$2.5 million in FY 2017 and reaching \$8.5 million by FY 2020. It should be noted that the deficits in the out years are inflated because they are built upon a deficit in the prior fiscal year. In fact, the Town must balance its budget each year, and that balanced budget will become the base for the following year's projection. Nonetheless, the cumulative deficits in the Long Range Projection are a reminder that the Town must find ways to support a sustainable budget in the long term.

The Long Range Financial Projection is detailed on the following pages:

**TOWN OF BROOKLINE
FY2017 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
REVENUE					
Property Taxes	204,023,297	211,342,570	223,541,553	231,459,848	237,983,016
Local Receipts	23,836,698	24,446,093	24,981,632	25,604,799	26,240,131
Motor Vehicle Excise (MVE)	5,500,000	5,610,000	5,722,200	5,836,644	5,953,377
Local Option Taxes	2,638,500	2,802,410	2,858,458	2,915,627	2,973,940
Licenses & Permits	1,165,775	1,165,775	1,165,775	1,165,775	1,165,775
Parking / Court Fines	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
General Government	3,932,179	4,190,902	4,485,324	4,862,875	5,255,500
Interest Income	727,250	745,431	764,067	783,169	802,748
PILOT's	890,000	916,800	943,636	970,509	989,919
Refuse Fee	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000
Departmental & Other	2,232,994	2,264,775	2,292,172	2,320,200	2,348,873
State Aid	19,526,277	19,994,204	20,473,830	20,843,351	21,347,257
General Government Aid	6,213,185	6,365,796	6,522,223	6,682,560	6,846,906
School Aid	13,181,313	13,496,629	13,819,827	14,029,011	14,368,572
Tax Abatement Aid	41,913	41,913	41,913	41,913	41,913
Offset Aid	89,866	89,866	89,866	89,866	89,866
Other Available Funds	7,840,067	7,945,200	8,051,181	8,162,256	8,283,610
Parking Meter Receipts	5,150,000	5,150,000	5,150,000	5,150,000	5,150,000
Walnut Hill Cemetery Fund	75,000	75,000	75,000	75,000	75,000
Reimb./Pymts from Enterprise Funds	2,239,167	2,323,808	2,411,332	2,502,962	2,600,204
Reimb. from Rec Revolving Fund	375,900	396,392	414,849	434,295	458,406
Free Cash (for Appropriation)	5,311,538	4,200,000	4,400,000	4,500,000	4,650,000
Capital Improvements/Other Spec Approp.	4,420,965	3,688,217	3,813,199	3,957,696	4,090,469
Operating Budget Reserve	587,184	614,703	635,533	659,616	681,745
Strategic Reserves	<u>303,389</u>	<u>73,134</u>	<u>58,289</u>	<u>58,883</u>	<u>51,299</u>
TOTAL REVENUE	260,537,877	267,928,067	281,448,195	290,570,254	298,504,014
\$\$ Increase	10,139,819	7,390,190	13,520,128	9,122,059	7,933,760
% Increase	4.0%	2.8%	5.0%	3.2%	2.7%

**TOWN OF BROOKLINE
FY2017 PROGRAM BUDGET**

BUDGET MESSAGE

	2017	2018	2019	2020	2021
EXPENDITURES					
Departmental	69,992,879	71,715,148	73,378,349	75,266,679	77,183,343
Personnel	51,446,374	52,701,374	54,176,374	55,581,374	57,006,374
Services	8,891,449	9,113,735	9,341,578	9,575,118	9,814,496
Supplies	2,159,893	2,213,891	2,269,238	2,325,969	2,384,118
Other	559,132	573,110	587,438	602,124	617,177
Utilities	4,844,463	4,994,463	5,144,463	5,294,463	5,444,463
Capital	2,071,568	2,098,575	1,839,257	1,867,632	1,896,715
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Coll. Barg. - Town	1,130,000	1,150,000	1,180,000	1,200,000	1,230,000
Schools	99,012,257	104,249,953	109,690,852	114,098,990	118,552,381
Coll. Barg. - School	1,680,000	1,720,000	1,750,000	1,790,000	1,820,000
Non-Departmental - Benefits	57,555,261	60,459,442	63,980,283	67,294,806	71,621,804
Pensions	19,718,677	20,966,624	22,070,558	23,242,132	24,509,795
Group Health	29,749,122	30,921,885	32,873,158	34,516,816	37,105,577
Retiree Group Health Trust Fund (OPEB's)	3,774,838	4,030,080	4,275,543	4,573,651	4,831,338
EAP	28,000	33,000	33,000	33,000	33,000
Group Life	145,000	148,625	152,341	156,149	160,053
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,450,000	1,500,000	1,537,500	1,575,938	1,615,336
Public Safety IOD Medical Expenses	250,000	275,000	275,000	275,000	275,000
Unemployment Compensation	300,000	300,000	325,000	325,000	325,000
Medical Disabilities	40,000	45,000	50,000	50,000	50,000
Medicare Coverage	2,083,625	2,223,228	2,372,184	2,531,120	2,700,706
Non-Departmental - General	899,594	689,889	696,059	718,711	734,280
Liability/Catastrophe Fund	144,322	104,203	77,175	89,976	81,919
Affordable Housing	158,539	0	0	0	0
General Insurance	394,148	413,855	434,548	456,276	479,089
Audit/Management Services	137,000	137,000	137,000	137,000	137,000
Misc.	65,585	34,832	47,336	35,460	36,271
Non-Departmental - Debt Service	10,742,939	13,176,649	17,330,413	18,317,859	16,771,440
General Fund	10,742,939	13,176,649	17,330,413	18,317,859	16,771,440
Non-Departmental - Reserve Fund	2,348,737	2,458,811	2,542,133	2,638,464	2,726,979
Tax Supported	1,761,553	1,844,108	1,906,600	1,978,848	2,045,234
Free Cash Supported	587,184	614,703	635,533	659,616	681,745
Special Appropriations	8,879,374	6,169,179	6,194,301	5,823,565	7,084,930
Tax Supported	4,457,881	2,657,017	2,488,122	2,042,063	3,167,973
Free Cash Supported	4,420,965	3,512,163	3,706,178	3,781,502	3,916,957
Other	528	0	0	0	0
Non-Appropriated	8,296,837	8,493,993	8,696,078	8,903,215	9,115,530
State Assessments	6,381,971	6,534,127	6,690,087	6,849,945	7,013,801
Cherry Sheet Offsets	89,866	89,866	89,866	89,866	89,866
Overlay	1,800,000	1,845,000	1,891,125	1,938,403	1,986,863
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	260,537,877	270,283,065	285,438,466	296,052,288	306,840,686
\$\$ Increase	10,139,820	9,745,188	15,155,401	10,613,821	10,788,399
% Increase	4.0%	3.7%	5.6%	3.7%	3.6%

**TOWN OF BROOKLINE
FY2017 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
CUMULATIVE SURPLUS/(DEFICIT)	0	(2,354,998)	(3,990,271)	(5,482,033)	(8,336,672)
DEFICIT AS A % OF OP REV	0.0%	-0.9%	-1.4%	-1.9%	-2.8%
Surplus / (Deficit) Prior to Collective Bargaining	2,810,000	515,002	(1,060,271)	(2,492,033)	(5,286,671)
Town Share of Surplus / (Deficit)	1,130,000	346,492	591,615	838,923	460,111
Town Collective Bargaining	1,130,000	1,150,000	1,180,000	1,200,000	1,230,000
Total Town Surplus / (Deficit)	(0)	(803,508)	(588,385)	(361,077)	(769,889)
School Share of Surplus / (Deficit)	1,680,000	168,510	(1,651,887)	(3,330,957)	(5,746,782)
School Collective Bargaining	1,680,000	1,720,000	1,750,000	1,790,000	1,820,000
Total School Surplus / (Deficit)	0	(1,551,490)	(3,401,887)	(5,120,957)	(7,566,782)

CAPITAL IMPROVEMENT PROGRAM (CIP)

Capital planning and budgeting is a critical undertaking for all government organizations and is central to the delivery of essential services and the quality of life for its residents. In fact, without a sound plan for long-term investment in infrastructure and equipment, the ability of local government to accomplish its goals is greatly hampered. Since FY 1995, the Town has invested more than \$400 million in the CIP. These efforts, which have been supported by the Board of Selectmen, the Advisory Committee, Town Meeting, and, ultimately, the taxpayers of Brookline, have helped address the backlog of capital projects, have dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investment in technology and energy efficiency. However, the overcrowding situation in Brookline's public schools is a major capital issue that cannot be addressed solely within the general revenue available for the CIP. Since the projects necessary to address this issue are so expensive, this CIP assumes future proposals to seek voter approved "debt exclusions", which are temporary tax increases for the life of the debt incurred for these projects. Last year, a debt exclusion was approved for the replacement and enlargement of the Devotion School.

It was a challenge to develop a balanced CIP that continues to reflect the various priorities of the Town while simultaneously addressing the overcrowding issue in the schools. The number of students in Brookline's schools has been growing dramatically over the last 8 years. Over the last 5 years we have added an average of 207 students per year. Recent enrollment projection reports indicate this enrollment growth will continue with the K-8 enrollments projected to increase by 628 students through school year 2020/2021. The grade 9-12 enrollments are

projected to increase by 603 students over that same time period. Over the last five years we have dealt with the need to add classrooms by leasing modular classrooms, building new classrooms, converting non-classroom space into classrooms, and renting space. Finding available school space to support this “expand in place” approach is becoming more difficult each year.

The recommended FY2017 – FY2022 CIP calls for an investment of \$154.3 million, for an average of approximately \$22 million per year and complies with the Town’s CIP and Free Cash policies. This continues the Town's commitment to prevent the decline of its infrastructure, upgrade its facilities, improve its physical appearance, and invest in opportunities that positively impact the Operating Budget. Over the last 10 years (FY06 - FY16), the Town has authorized expenditures of \$323 million, for an average of nearly \$29 million per year. These efforts have helped address a backlog of capital projects, have allowed for the creation of additional classroom spaces necessitated by the surge in enrollment, have dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investments in technology and energy efficiency.

This proposed \$155.8M six-year CIP continues to provide funding for a portion of a High School Project (\$35.1M) and includes funding for a feasibility study for a Major K-8 project (likely a 9th elementary school). This CIP does not include funding beyond the feasibility study for a Major K-8 Project. Therefore, a Debt Exclusion Override is assumed for the remainder of what would be required at the High School and for the full cost of the K-8 project. In the meantime, this CIP includes \$992,000 for various leases to accommodate classroom or related space in private buildings and for modular classroom space at the Baker School. As previously mentioned, these costs create very limited funding to modify smaller spaces within existing buildings.

\$3.4 million is also included for major repairs at the Driscoll School. The funding will provide a new HVAC system (equipment, piping, ductwork and controls) and conversion of the boilers from steam to a forced hot water system. The work would be done over two years (primarily in the summer months) with phasing to allow the building to remain occupied.

Additional work has been identified at the Old Lincoln School. Now that the building will be used as a school for the foreseeable future, an upgrade is needed to the electrical system (the system was previously allowed to remain under “temporary use”). The plumbing system is also in need of an upgrade.

The funding plan for the High School has been adjusted by one year based on the assumption that the Town will be partnering with the Massachusetts School Building Assistance (MSBA) on this project. We were recently informed that the Town’s formal request (Statement of Interest) for MSBA participation in the High School project was deferred for the current year. Moving this project back one year allows for the funding of a preliminary design for the 9th Elementary School and assumes the Town will not seek MSBA participation for that project. This means that there is funding in FY2020 for a portion of a High School project, with the MSBA funding 35% (\$18.9M) and the Town funding the balance (\$35.1M). Any amount above the \$35.1M Town share will have to be funded via a Debt Exclusion. In addition, \$1.75M is included in FY2018 for the feasibility / schematic design portion of the project, with \$1.14M (65%) being the assumed Town’s share and \$613K (35%) the MSBA’s.

**TOWN OF BROOKLINE
FY2017 PROGRAM BUDGET**

BUDGET MESSAGE

Even with the pressure placed on the CIP by the overcrowding issue, this recommended CIP continues the Town's commitment to public works projects, including upgrading its parks/playgrounds, streets/sidewalks, water/sewer infrastructure, and other areas. There is \$25.1M of specific park projects included:

		Total	Prior Year (FY16)	FY2017 Amount	FY2018 Amount	FY2019 Amount	FY2020 Amount	FY2021 Amount	FY2022 Amount	Future Years Amount
Pierce Playground		980,000	980,000							
Brookline Ave Playground		890,000	890,000							
Emerson Garden Playground		830,000	60,000	770,000						
Corey Hill Playground		740,000	40,000	700,000						
Boylston St. Playground		1,180,000								1,180,000
Brookline Reservoir Park		2,340,000		140,000	2,200,000					
Harry Downes Field & Playground		990,000		80,000		910,000				
Murphy Playground		860,000			70,000	790,000				
Schick Playground		1,060,000					1,060,000			
Soule Athletic Fields		705,000					70,000	635,000		
Larz Anderson Park		8,400,000				2,700,000		2,200,000		3,500,000
Kraft Family Athl. Field Turf Repl.		1,070,000					90,000	980,000		
Heath School Playground Accessibility		1,030,000								1,030,000
Griggs Park		970,000								970,000
Robinson Playground		1,175,000					100,000	1,075,000		
Riverway Park		625,000								625,000
Cypress Playground/Athl. Field		1,760,000						140,000	1,620,000	
		25,605,000	1,970,000	1,690,000	2,270,000	4,400,000	1,320,000	5,030,000	1,620,000	7,305,000

There is also funding to replace the remaining 1,320 coin only single head parking meter mechanisms with smart credit card accepting parking meters. The impact on DPW's operating budget for data storage and credit card service charges is quite significant, so the recommendation is to implement over a five-year period. This will give the Town time to evaluate the impact of an anticipated pay-by-cell program and whether or not full implementation is needed given the convenience pay-by-cell technology provides.

The Water and Sewer Division has several major projects scheduled in FY2017. The Deputy Town Administrator met with the Finance Director and the Director of Water and Sewer to discuss the funding plans for improvements to Singletree Tank, the Singletree Gatehouse, the Stormwater system and Netherlands Road. They believe it is prudent to use fund balance to pay for long term liabilities and/or capital projects when above 5% of the budget. Fund balance at the end of last fiscal year was approximately 9%. It is recommended that Stormwater and Netherlands Road improvements (\$490K total) be funded with retained earnings and that the work at Singletree Hill be funded via an interest-free MWRA loan.

A few years ago, a study was made of the conditions of the fire stations and what was needed to maintain the integrity of the floors and building in regard to the newer, larger fire equipment. The work outlined in the report included flooring, shoring, beams, columns, and structural work. The report also included recommendations for the HVAC systems, generators, lighting, life safety, and mechanical, electrical, plumbing (MEP), along with other peripheral systems. In FY12, \$650,000 was appropriated to undertake the structural component. The next phase for implementation was the life safety component, which was funded between FY13 – FY15 (\$890,000). The final phase (mechanical, electrical, plumbing) is included (\$1.8 million) in this recommended CIP, starting with \$350,000 in FY17.

This recommended CIP also addresses a long-standing need in the Fire Department: a modern fleet maintenance facility. The current maintenance facility is located in Station #1 and the shop is not large enough to allow access to many of the Department’s vehicles, leaving the mechanics no choice but to do repairs out in the street, the drill yard at Station #6, or on occasion inside another fire station. This is obviously unsafe when on the street and inefficient when working in locations away from the shop and all its tools and equipment. The limited size of the shop and its inability to house the apparatus leaves the Fire Department looking to costly outside repair vendors more often than would be necessary if the Department had an adequate facility. The plan is to construct a new facility behind Station #6. In addition, the Fire Chief has expressed his desire to modernize the Department’s training facility, which is located at Station #6. In FY15, \$40,000 was appropriated for feasibility. In FY17, \$4.5 million is included for design and construction.

The Town has an excellent fire apparatus rehab/replacement schedule that calls for rehabbing engines every 10 years and ladders every 12 years and for replacing front line engines every 17 years and front line ladder trucks every 20 years. Because of this policy, the Fire Department has an excellent and young stable of engines and ladders. This recommended CIP continues to follow the policy and replaces Tower #1 in FY17 (\$800,000) and Engine #6 in FY19 (\$660,000). It also includes \$700,000 for rehabs.

The Gateway East/ Village Square Circulation Improvements Project is slated for FY2017 and involves reconfiguration of the existing circulation system in Brookline Village at Washington Street, Route 9, Walnut Street, High Street, and Pearl Street. Funding for the project is assumed to come from multiple sources:

	FY2016	FY2017	TOTAL
Federal Grant (via State TIP)		4,818,000	4,818,000
(1% Off-Site Improvements--2 Brookline Place)	750,000		750,000
SAFETEALU earmark		500,000	500,000
CDBG		250,000	250,000
CDBG (Section 108 Loan)		750,000	750,000
	750,000	6,318,000	7,068,000

The right-of-way acquisition costs are preliminary estimates. Under State statute, the Town may not discuss acquisition costs with property owners until we have an approved 25% design. Similarly, construction estimates are being revised since the project has been modified.

It should be noted that the Town previously sought and received Town Meeting authorization to utilize a Section 108 loan, which is a tool that can be used to undertake CDBG-eligible activities when a lump sum is needed to move a project forward. The Town may once again seek authorization from Town Meeting to secure a Section 108 loan as a funding source to pay for the acquisition of needed permanent and temporary right-of-way to accommodate the Gateway East project. Under a Section 108 loan, a community borrows against its future CDBG funds. Like a conventional loan, the Section 108 loan would have an amortization term, but instead of making payments, the Town's loan is paid back once per year off the top of its CDBG entitlement. The loan must be backed by the Town's full faith and credit.

Some of the major projects proposed in the CIP include:

- Parking Meter Technology Upgrade - \$805,200 (FY17, FY18, FY20, FY21)
- BHS - \$36.2 million of Town funding + \$19.5 million of State funding (FY18, FY20)
- Classroom Capacity - \$6.37 million (FY17-22)
- Village Square - \$7.1 million (FY17) - - all outside funding
- Coolidge Corner Improvements - \$515K (FY18)*
- Larz Anderson - \$4.9 million (FY19, FY21)
- Fire Fleet Maintenance / Training Facility - \$4.5 million (FY17)
- Fire Sta. Renovations - \$2.3 million (FY17-21)
- Brookline Reservoir Park - \$2.3 million (FY17-18)
- Robinson Playground - \$1.2 million (FY20-FY21)
- Cypress Playground - \$1.8 million (FY22)

* Funding for windows, carpeting and an elevator/HP lift at the Coolidge Corner Library had been postponed pending the outcome of a feasibility study for the Coolidge Corner Library, which is nearing conclusion. Given the current capacity in the CIP any major renovation/expansion project on this site would be largely dependent on grant funding from the Massachusetts Board of Library Commissioners (MLBC) and from private sources. The next MLBC grant cycle which opens next summer and will be awarded in January, 2017.

Continued major investments include:

- Street and Sidewalk Rehab - \$20.9 million
- Parks and Open Space - \$19.2 million
- Town/School Bldg Envelope/Fenestration Repairs - \$11.1 million
- Town/School Roofs - \$5.5 million
- Fire Apparatus- \$2.2 million
- Water & Sewer Infrastructure - \$5.8 million -- enterprise fund
- Information Technology - \$1.2 million
- Tree Replacement - \$1.4 million
- Energy Conservation - \$920,000

Please read Section VII of this Financial Plan for an in-depth explanation of the CIP process, financing policies, and debt management.

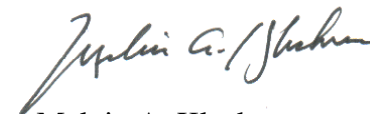
CONCLUSION

FY 2017 represents the second of a three year financial plan to support funding for high growth in school enrollment. This year's budget is balanced but constrained by having to absorb a large increase in premiums for employee health insurance. The Capital Budget is also limited by having to cover temporary but costly leases for classrooms in privately owned facilities while at the same time trying to assemble funding and financing plans for large scale school construction. Still, the FY 2017 Budget maintains all existing levels of personnel and services and addresses important needs in the School Department resulting from increased enrollment and other cost drivers. The Budget also meets the financial principles and policies of the Town, which are designed to promote long term stability and guarantee preservation of the Town's premier Aaa bond rating.

I wish to thank all of the department heads and their staff for a fine job in developing their budget proposals and narrative sections within this document. I am deeply appreciative of the efforts of Melissa Goff, Deputy Town Administrator and Austin Faison, Assistant Town Administrator for their central role in producing a balanced budget and publishing this award winning document. This is Melissa's first year in charge of the budget process and Austin's initial budget. They have done a great job. And finally, I must sadly acknowledge the final budget for our long time Finance Director, Steve Cirillo who will be retiring this year. Steve has been a valuable asset to the Town for 20 years, serving as the Budget Analyst (Assistant Town Administrator) for four years, while also acting as the Commissioner of Health for a brief period of time, and then for a year as Deputy Town Administrator, and ultimately fifteen years as the Finance Director and Treasurer. Steven Cirillo is a consummate professional and highly regarded expert in municipal finance. He will be missed.

I look forward to working with the Board of Selectmen and the Advisory Committee over the next few months as we prepare for the adoption of the Budget by Town Meeting in May.

Respectfully,



Melvin A. Kleckner
Town Administrator

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

FY2017 FINANCIAL PLAN SUMMARY

	FY2016	FY2017	INCREASE/DECREASE	
			\$	%
REVENUE				
General Fund Revenue	250,398,058	260,537,877	10,139,819	4.05%
Water and Sewer Enterprise Fund	27,828,674	28,985,259	1,156,585	4.16%
(less Water & Sewer Overhead included in General Fund Revenue)	(1,988,729)	(2,057,070)	(68,341)	3.44%
Golf Enterprise Fund	1,376,311	1,522,831	146,520	10.65%
(less Golf Overhead included in General Fund Revenue)	(177,791)	(182,097)	(4,307)	2.42%
Recreation Revolving Fund	2,882,651	2,984,641	101,990	3.5%
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(354,124)	(375,900)	(21,776)	6.1%
TOTAL REVENUE	279,965,051	291,415,542	11,450,491	4.1%
APPROPRIATIONS				
General Fund Operating Budget	231,883,167	243,361,665	11,478,498	5.0%
Non-Appropriated Budget *	8,401,892	8,296,837	(105,055)	-1.3%
Revenue-Financed CIP Budget	10,113,000	8,879,374	(1,233,626)	-12.2%
General Fund Total	250,398,059	260,537,876	10,139,817	4.0%
Water and Sewer Enterprise Fund	27,828,674	28,985,259	1,156,585	4.2%
(less Water & Sewer Overhead included in General Fund Revenue)	(1,988,729)	(2,057,070)	(68,341)	3.4%
Golf Enterprise Fund	1,376,311	1,522,831	146,520	10.6%
(less Golf Overhead included in General Fund Revenue)	(177,791)	(182,097)	(4,307)	2.4%
Recreation Revolving Fund	2,882,651	2,984,641	101,990	3.5%
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(354,124)	(375,900)	(21,776)	6.1%
TOTAL APPROPRIATIONS	279,965,051	291,415,542	11,450,491	4.1%
BALANCE	0	0	0	

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

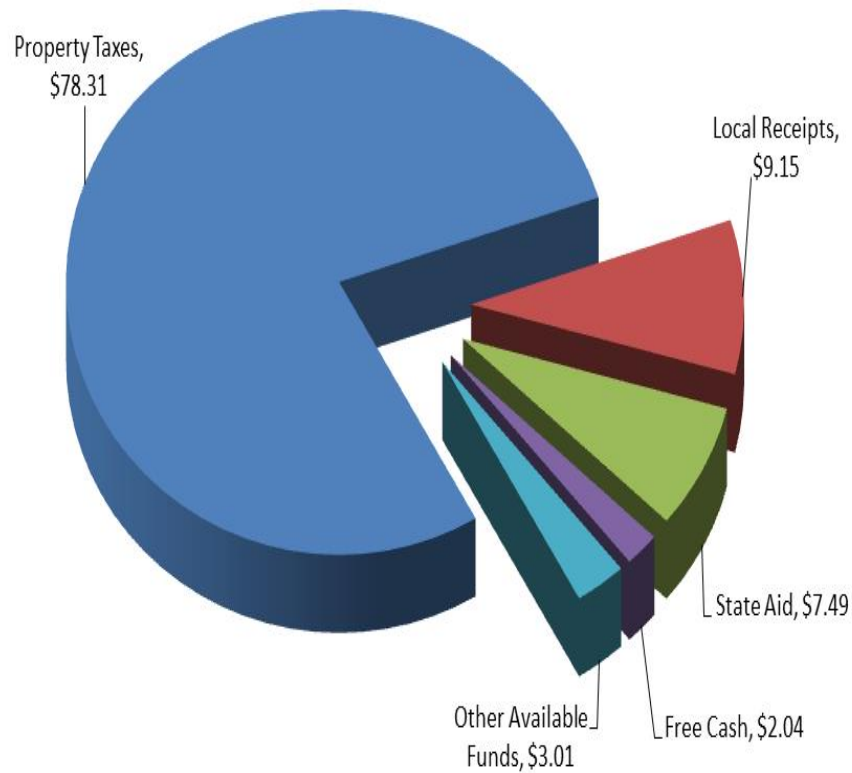
FY2017 RECOMMENDED GENERAL FUND BUDGET SUMMARY

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 BUDGET	FY2017 BUDGET	INCREASE/DECREASE	
						\$	%
REVENUE							
Property Tax	169,029,414	175,783,902	182,239,297	195,049,924	204,023,297	8,973,373	4.6%
Local Receipts	24,480,797	25,522,496	25,481,380	23,568,685	23,836,698	268,013	1.1%
State Aid	15,125,059	16,633,741	11,798,793	18,837,306	19,526,277	688,971	3.7%
Free Cash	5,336,413	7,655,155	0	5,016,500	5,311,538	295,038	5.9%
Other Available Funds	11,894,344	6,852,688	6,903,508	7,925,643	7,840,067	(85,576)	-1.1%
TOTAL REVENUE	225,866,027	232,447,982	226,422,978	250,398,058	260,537,877	10,139,819	4.0%
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	6,105,553	6,196,321	6,201,541	6,319,715	6,381,971	62,256	1.0%
Tax Abatement Overlay	1,958,780	1,726,503	2,080,721	1,965,726	1,800,000	(165,726)	-8.4%
Deficits & Judgments	16,784	3,049	25,000	25,000	25,000	0	0.0%
Cherry Sheet Offsets	109,160	111,026	126,443	91,451	89,866	(1,585)	-1.7%
TOTAL NON-APPROPRIATED EXPENSES	8,190,277	8,036,899	8,433,705	8,401,892	8,296,837	(105,055)	-1.3%
AMOUNT AVAILABLE FOR APPROPRIATION				241,996,168	252,241,040	10,244,872	4.2%
APPROPRIATIONS							
Town Departments	64,244,598	65,964,138	68,477,847	69,403,454	71,122,877	1,719,423	2.5%
School Department	79,079,823	82,780,770	82,780,770	95,916,093	100,692,256	4,776,163	5.0%
Non-Departmental Total	56,022,030	60,329,975	60,667,787	66,563,619	71,546,530	4,982,911	7.5%
General Fund Non-Departmental	53,729,242	57,700,095	58,180,834	64,042,976	68,931,463	4,888,487	7.6%
Water and Sewer Enterprise Fund Overhead *	1,855,987	2,125,747	1,973,970	1,988,729	2,057,070	68,341	3.4%
Golf Enterprise Fund Overhead *	155,037	150,416	163,049	177,791	182,097	4,307	2.4%
Recreation Revolving Fund Overhead *	281,764	353,717	349,934	354,124	375,900	21,776	6.1%
OPERATING BUDGET SUBTOTAL	199,346,451	209,074,883	211,926,404	231,883,167	243,361,665	11,478,498	5.0%
Revenue-Financed CIP (Special Appropriations)	7,379,001	12,933,500	8,581,000	10,113,000	8,879,374	(1,233,626)	-12.2%
TOTAL APPROPRIATIONS	206,725,452	222,008,383	220,507,404	241,996,168	252,241,040	10,244,872	4.2%
BALANCE				0	0	0	

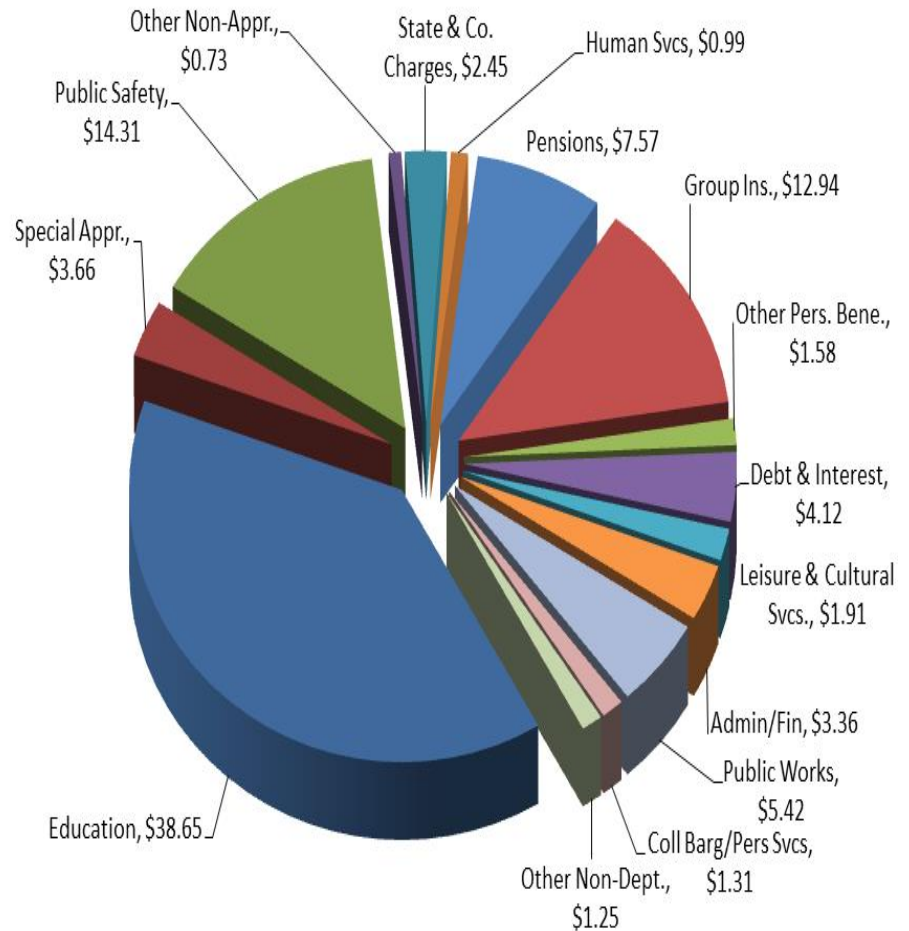
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

**FY2017 GENERAL FUND TOTAL BUDGET
\$260,537,876**

How Each \$100 Will Be Received



How Each \$100 Will Be Spent



FY2017 GENERAL FUND OPERATING BUDGET
\$243,361,665

FULLY ALLOCATED FY2017 GENERAL FUND OPERATING BUDGET

