



February 12, 2013

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) 2014 Budget and Financial Plan. The FY 2014 Budget balances \$257.4 million in revenue and expenses, including operation of the Town's enterprise activities. This budget represents an increase of 2.5% over the prior fiscal year. However, this rate of increase is understated for three reasons: (1) the accounting of \$3.25 million of one-time revenues and expenses last year attributable to the sale of Town property at Fisher Hill and the use of those proceeds for the development of new parkland at Fisher Hill, (2) the use of \$1.75 million from Overlay Surplus in FY 2013 for the feasibility/schematic design phase of the Devotion School project, and (3) the re-use of \$560,000 of surpluses from prior Capital Improvement Program (CIP) accounts for new FY 2013 projects. When those are factored out, the growth of the budget in FY 2014 is 4.8%.

The highlights of the FY 2014 Financial Plan include:

- Increased State Aid reflecting the Governor's commitment to adequately fund public education.
- Additional funding for long-term Pension and OPEB liabilities in order to offset prior investment losses in the pension fund and reach the Annual Required Contribution (ARC) for OPEB's more quickly.
- Strong Free Cash position allowing for additional funding of the Capital Improvement Program (total CIP funding is equivalent to 8.4% of prior year net revenue).
- Proposed reorganization/consolidation of Human Relations/Youth Resources Department.
- Unprecedented growth in school enrollment restricting the School Department's ability to maintain class size and educational programs.

The FY 2014 Budget reflects a stabilizing economic situation after several years of retrenchment. All operating revenue sources are expected to experience positive growth in FY 2014. Most notably is growth in State Aid, reflecting a major policy commitment from the Governor to support local education. After suffering major losses in State Aid between FY 2008 and FY 2012, the Town's Chapter 70 education aid experienced a rebound in FY 2013. FY 2014 will continue growth in Chapter 70 aid of \$1.75 million. However, this projection is less than the Governor's proposal given our concern over the Legislature's willingness to adopt the broad based tax increases that the Governor's budget is reliant upon. The Town also continues to benefit from a reduced rate of increase in employee health insurance premiums. Since the Town's decision to join the State's Group Insurance Commission (GIC) in FY 2011, the costs for this major expense has moderated. We have allocated funds for a 5% increase in premiums but are hopeful that the final rates approved by the GIC in March will reflect an even lower rate.

Despite an allocation of revenue providing the School Department with a 4.4% increase over their FY 2013 budget, unprecedented growth in school enrollment continues to place enormous pressure on the ability to maintain class size and educational programs. Clearly, this pressure will continue to be felt as school enrollment continues to increase and the Town is forced to re-open the Old Lincoln School in 2014. A new School Committee and Board of Selectmen initiated committee will be defining the manner in which the old Lincoln School will be used and how other school space issues will be implemented in order to meet the classroom crunch. In addition, the Committee will be addressing longer-term budgetary consequences from the impacts of increasing school enrollment.

The FY 2014 Budget continues the conservative and modest approach that has served the Town well during the protracted economic downturn. Overall, funding for municipal departments is limited to a 2.4% increase, including the projected costs of increased salaries and wages. Full-time equivalent staffing in municipal departments is up slightly from FY 2013, resulting from targeted investments in the Health Department to meet demands imposed by new regulations (e.g., plastic bags and styrofoam bans) and in the DPW Transportation division to implement the new taxi medallion program.

The FY 2014 Budget complies with all Town financial policies, including a requirement to maintain an amount equivalent to no less than 10% of the Town's operating revenues in reserve. Investments in Pension and OPEB funding plans will help offset prior investment losses and increase on-going funding commitments. Finally, the FY 2014 Financial Plan includes a strong Capital Improvement Plan (CIP) that meets the challenges of expanding classroom capacity in public school buildings and the renovation of the Town's buildings, facilities and physical infrastructure.

On the next page is a summary table of the FY 2014 Budget. In the sections that follow, a more detailed review of revenues and expenditures is addressed.

**TOWN OF BROOKLINE
FY2014 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>FY 2013</u>	<u>FY 2014</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
REVENUES				
Property Tax	170,137,611	175,604,001	5,466,389	3.2%
Local Receipts	21,084,438	21,997,366	912,928	4.3%
State Aid	15,131,276	16,875,381	1,744,105	11.5%
Free Cash	5,336,413	7,655,155	2,318,742	43.5%
Other Available Funds	11,894,344	6,846,435	(5,047,909)	-42.4%
Enterprises (net)	27,631,196	28,418,511	787,315	2.8%
TOTAL REVENUES	251,215,279	257,396,848	6,181,568	2.5%
EXPENDITURES				
Municipal Departments	64,888,410	66,427,740	1,539,330	2.4%
School Department	79,079,824	82,547,188	3,467,364	4.4%
Non- Departmental	58,501,588	63,363,650	4,862,062	8.3%
Special Appropriations	12,933,500	8,581,000	(4,352,500)	-33.7%
Enterprises (net)	27,631,196	28,418,511	787,315	2.8%
Non-Appropriated	8,180,759	8,058,759	(122,000)	-1.5%
TOTAL EXPENDITURES	251,215,279	257,396,848	6,181,569	2.5%

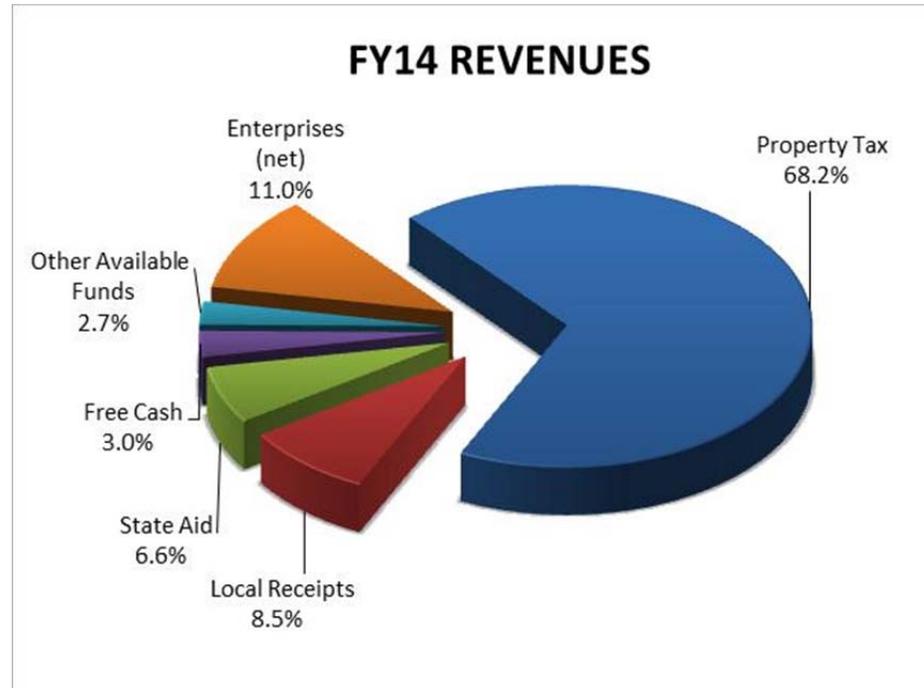
Revenues

Taxes: Property Taxes are projected to increase \$5.5 million (3.2%) to \$175,604,001 in FY 2014, representing more than two-thirds of the total revenue available to the Town. Of this amount, \$4.2 million reflects the annual 2.5% allowable growth in the tax levy, \$1.6 million from the value of new construction (New Growth) and \$1.1 million for debt service on the High School project that the voters have excluded from the Proposition 2½ levy limit. The Town’s property tax is overly reliant on residential property values. Despite the establishment of a higher tax rate for commercial property, the value of commercial, industrial and personal property in Brookline represents only 16.4% of the Town’s total tax levy. The Town’s goal is to increase the relative percentage of commercial and industrial tax base with development that is compatible with the neighborhood and limits negative impacts of traffic, noise and costly municipal services. In addition to the relief provided to residential taxpayers, additional commercial development adds jobs, vitality and residual revenue (e.g., meals taxes and parking meter receipts) for the Town. We look forward to improvement in the overall economy necessary to facilitate planned commercial development such as the project at 2 Brookline Place along the Brookline Avenue corridor.

Under state law, taxes on the value of automobiles (Motor Vehicle Excise) and taxes on hotels and on meals are included in the Local Receipts category.

Local Receipts: FY 2014 Local Receipts are projected to increase \$912,928 (4.3%) to \$21,997,366. This category of revenue represents 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). In FY 2014, Local Receipts are increasing for the third consecutive year, following the trend of the economic recovery. However, this level of Local Receipts has still not rebounded to the level the Town generated in FY 2008. This year, the projected growth comes from Benefit Reimbursements (\$212,175), Local Option Taxes (\$200,000), Parking Tickets (\$200,000), MVE (\$100,000), and the Medicare Part D Subsidy (\$100,000), among other smaller increases.

State Aid: FY 2014 State Aid is projected to increase \$1.7 million (11.5%) to \$16,875,381, including reimbursement of school construction costs under the old SBA program. This level of aid represents the second consecutive year of an increase, after FY 2013 represented the first increase since FY 2008. Governor Patrick has proposed a statewide increase of \$226.2 million (5.4%) in the Chapter 70 Education funding category. For Brookline, which has experienced a dramatic increase in student enrollment with related impacts on the cost of special education and English learning services, the increase in aid is substantial (\$2.8 million, 31.1%). However, the Financial Plan assumes a smaller rate of growth (\$1.75 million, 19.6%) since the Governor’s proposal is dependent upon the Legislature’s willingness to adopt the broad based tax

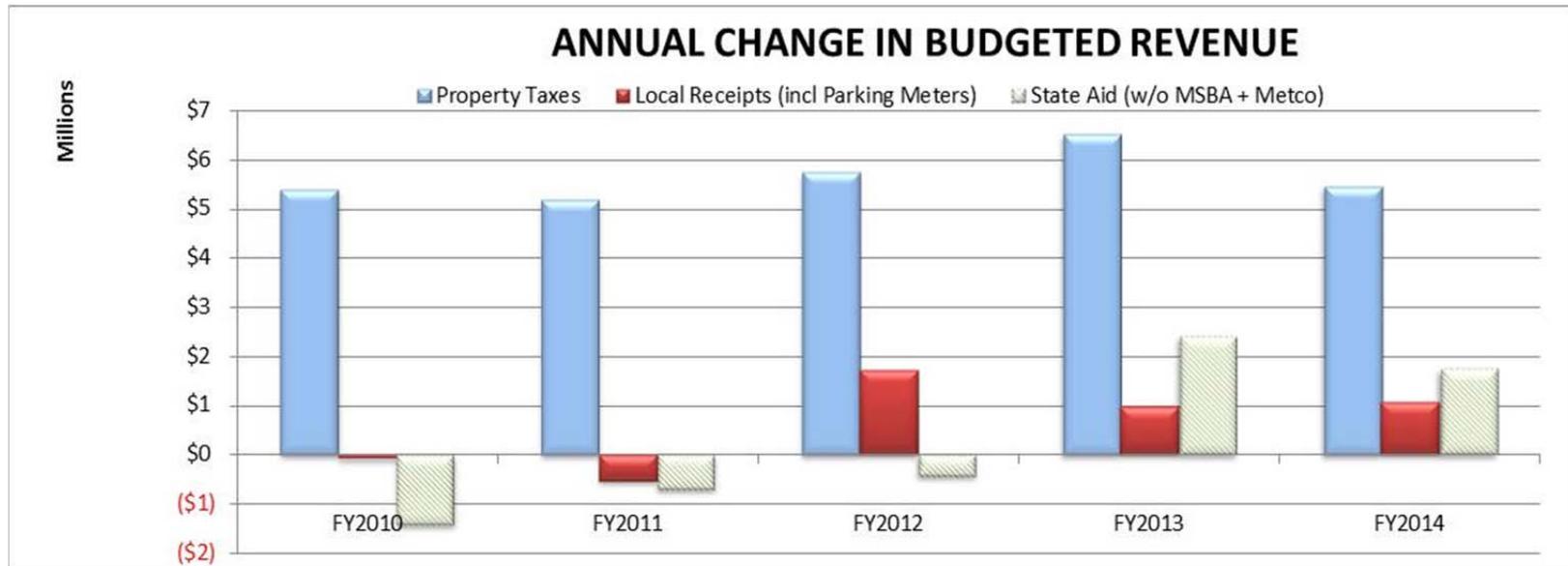


increases he included in his budget. (See Section III for a more detailed explanation of the Ch. 70 increase.) Unrestricted General Government Aid (UGGA) will be level funded in FY 2014. Because of the concern noted above regarding the likelihood of the Legislature to approve the new taxes proposed by the Governor, the new \$31 million “Annual Formula Local Aid” that was included in the Governor’s budget is not assumed in this Financial Plan. If ultimately included in the Legislature’s budget, it would yield \$120,753 for Brookline.

Free Cash: FY 2014 Free Cash proposed to fund the Budget is \$7,655,155, an increase of \$2.3 million (43.5%) from FY 2013. Free Cash represents the unrestricted fund balance from the prior fiscal year as certified by the State Department of Revenue. FY 2014 is the second year of the new financial policy that mandates a minimum level of operating reserves. The amount of certified Free Cash available for appropriation in FY 2014 is \$9,654,859. In order to ensure that the Town’s operating reserves will exceed 10% of operating revenues, I have recommended that only \$7.7 million of Free Cash be available for allocation in the FY 2014 Budget. Pursuant to the Town’s financial policies, Free Cash is used only to support non-operating purposes. More than \$4.8 million of the \$7.7 million of Free Cash allocated to the FY 2014 Budget is being used to fund the CIP, with the remainder going toward reserves and employee benefit related trust funds.

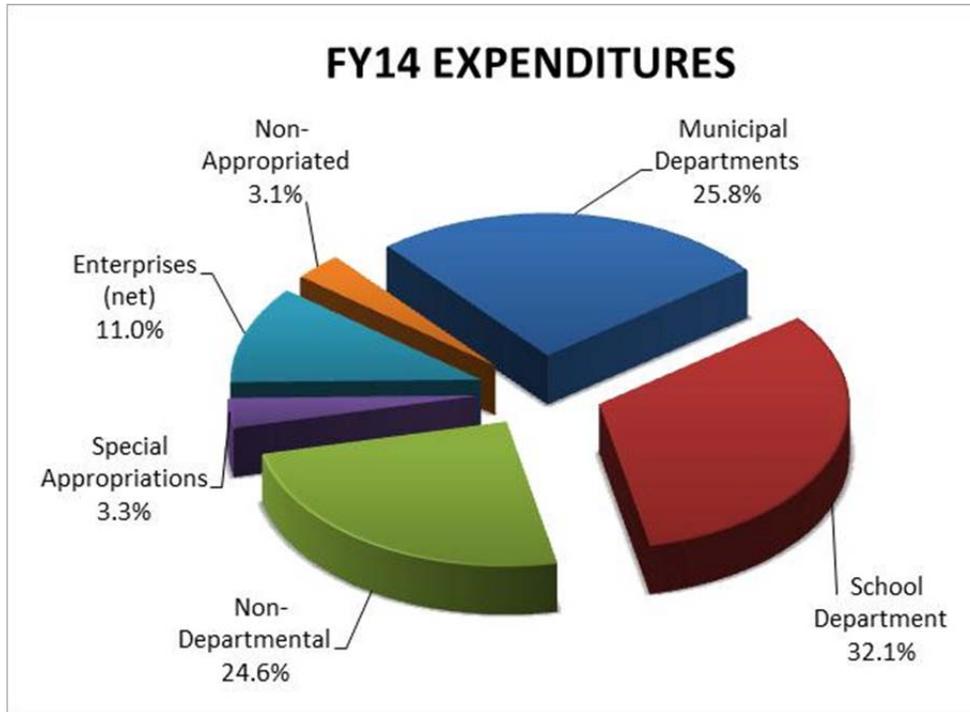
Other Available Funds: The FY 2014 Budget proposes the use of \$6,846,435 in other funding sources. Of this amount, \$4.1 million is from Parking Meters and \$2.6 million is due to reimbursements from Enterprise/Revolving Funds. The \$5 million (42.4%) decline in this category of revenue is the result of one-time monies used in FY 2013 for CIP purposes (\$3.25 million from the proceeds of the sale of the Fisher Hill property that was earmarked for development of new parkland on Fisher Hill, \$1.75 million from Overlay Surplus that funded the feasibility / schematic design phase of the Devotion School project, and \$560,000 of “re-captured” funds from old capital projects). It should also be noted that an additional \$25,000 (50% increase) from Cemetery trust funds are being used to reimburse the General Fund for expenses budgeted for in the DPW budget.

Enterprises: The Town operates and accounts for its Water/Sewer system and Golf Course as self-supporting enterprises. Similarly, most programs and services of the Recreation Department are accounted for in a separate Revolving Fund. The fees and other revenues attributable to these operations are proposed to be \$28,418,511, net of the reimbursements to the General Fund mentioned above under Other Available Funds, an increase of \$787,315 (2.8%). An equal amount is included in the expenditure side of the budget.



Expenditures

Municipal Departments: In FY 2014, the projected cost for all municipal (non-school) departments is \$66,427,740, an increase over FY 2013 of 2.4% (\$1.5 million). This amount includes a reserve for wage and salary increases for municipal employees, conditional upon negotiated settlements. The number of full-time equivalent personnel in municipal departments is being increased slightly from FY 2013 in response to unique demands. This includes targeted staffing in the Health Department to meet demands imposed by new regulations (e.g., plastic bags and styrofoam bans) and in the DPW Transportation Division to implement the new taxi medallion program. We have also brought the Building Department’s pest control operation in-house after an unfavorable contractual experience. In anticipation of future reductions in the federal Community Development Block Grant (CDBG) program, we have transferred \$26,506 in Planning and Community Development staff expenses from the grant back to the Town’s budget. Finally, we have budgeted for a long overdue increase in the compensation rate for part-time election workers.



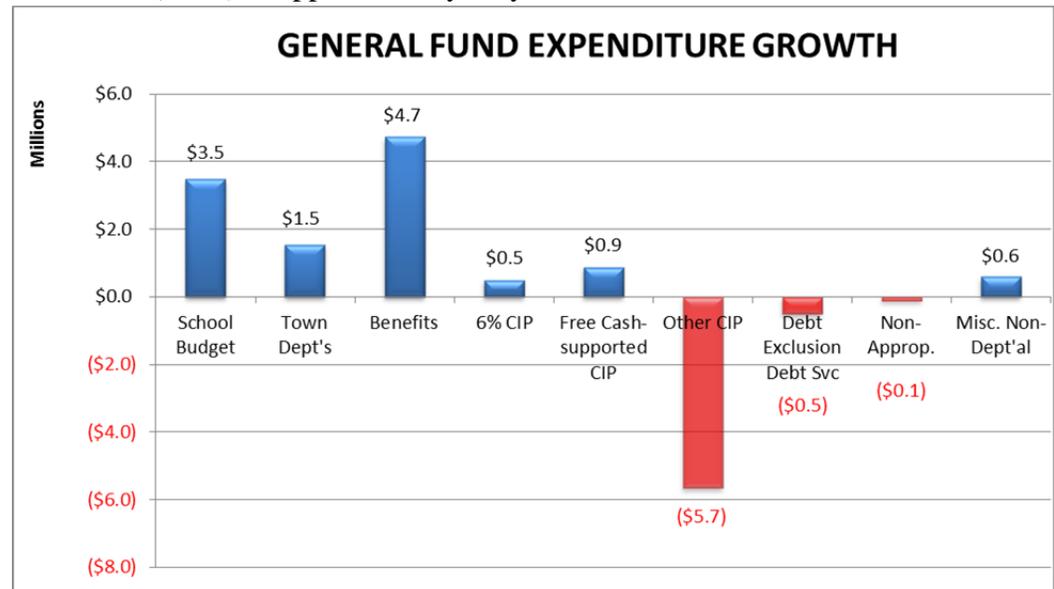
In general, any increase in departmental expenses was limited to an actual increase in personnel costs, materials or contracted services. A more detailed review of issues involving municipal department operations is included in Sections II and IV.

School Department: The allocation of funds to the School Department acknowledges the “bottom-line” budget authority of the School Committee. A formula has been developed that shares the projected change in the Town’s general fund revenue from one year to the next on a 50/50 basis between municipal departments and the School Department, offset by respective shares of fixed costs such as personnel benefits and energy. The School Department continues to be impacted in FY 2014 by increasing enrollment. As a result, I am maintaining a temporary adjustment of the formula that takes into consideration the extraordinary impacts of increased enrollment. This was achieved by distributing the projected increase of \$750,000 in enrollment costs 50/50, with the Town absorbing \$375,000. The proposed FY 2014 School budget is

\$82,547,188, inclusive of negotiated salary increases. This budget represents an increase of 4.4% (\$3.5 million).

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 2014 is \$63,363,650, an increase of 8.3% (\$4.9 million) from FY 2013. The largest 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). In July of 2010, the Town joined the State’s Group Insurance Commission (GIC), which provides health insurance for all state employees and retirees. The GIC plan has been very favorable for both the Town and its employees, resulting in substantial cost savings. In FY 2013, the rate of premium increase for the GIC plans increased in the aggregate by 2.2%. For the FY 2014 Budget, we are projecting a premium increase of 5%. We are hopeful that the final rate approved by the GIC in March will be even less. The Town continues to proactively fund its long-term liability for retiree health care benefits. Referred to as Other Post Employment Benefits (OPEB), the FY 2014 Budget increases base funding by \$450,000, adds an allocation of \$400,000 from anticipated reimbursements from the Town’s participation in the Medicare Part D (drug prescription) program, includes an allocation of \$100,000 from the run-off in the Non-Contributory Pension line-item and adds \$311,000 of reimbursements from Special Revenue Funds. Finally, I have included an additional allocation of \$500,000 from Free Cash. If the Town continues to fund this liability in this manner, we will reach the actuarially determined Annual Required Contribution (ARC) in approximately 10 years.

Special Appropriations: The Town funds its Capital Improvement Program (CIP) through a combination of current funding and debt. A portion of the cost of large school building projects is reimbursed by the Commonwealth of Massachusetts. The Town has successfully concluded its expansion/renovation of the Health and Runkle Schools, and has begun planning for a comprehensive project at the Devotion School, the Town’s largest elementary school. We are pleased to report approval to reimburse approximately 40% of this project by the Massachusetts School Building Authority. An additional appropriation of \$1,750,000 will be used to increase existing school classroom capacity and a \$3 million bond authorization is included to make necessary improvements to the Old Lincoln School so that it can open as the “9th school” in September, 2014. The revenue-financed portion of the 6% CIP Policy is \$3,762,255 in FY 2014. When adding in a \$4,818,745 allocation from available Free Cash, the total revenue-financed CIP is \$8,581,000, representing a healthy 8.4% of the Town’s prior year net revenue. A more detailed discussion of the CIP is included in Section VII.



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 million); the Overlay, which is a reserve for tax abatements and exemptions issued by the Board of Assessors (\$1.7 million); and the Norfolk County assessment (\$766,133). Overall, the cost of Non-Appropriated items in FY 2014 is \$8,058,759, a decrease of 1.5% (\$122,000) from FY 2013.

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 2014 is \$28,418,511, an increase over FY 2013 of 2.8% (\$787,375). The Town is continuing to refine the costs of the enterprises, both direct and indirect, to ensure that the financial relationship between these funds and the General Fund is appropriate.

FY 2014 POLICY ISSUES AND INITIATIVES

A Financial Plan should be a management tool in addition to a plan to legally balance the Town's revenues and expenses for the following year. As a result, we use the budget process to strategically address certain management and operational issues for the Town. Below, please find those policy areas which received our attention this year.

Human Relations/Youth Resources Reorganization: After 39 years of dedicated service to the Town of Brookline, Human Relations/Youth Resources Director Steve Bressler announced his retirement effective April 30, 2013. We wish Steve well and thank him for his countless contributions to Brookline town government and community life. Brookline is a very diverse and progressive community. Its commitment to human rights and opportunities for youth and other groups was strengthened by Steve's leadership and efforts.

Since its inception in 1970, the scope of the Human Relations/Youth Resources Department has changed as society, the law and the organization of town government have evolved. Over time, the staffing for the Department has been reduced to just the Director. The departure of the Director provides an appropriate time to review the services that are provided under the Human Relations/Youth Resources umbrella. It is my intent to reorganize the staffing and jurisdiction of the Department to more effectively support human relations and youth services programming and to coordinate related human service functions of the Town. It is not my intent to lessen the Town's commitment to human relations or to eliminate the Human Relations/Youth Resources Commission. The Commission will remain an important Town body to advocate, oversee and advise the Board of Selectmen on matters relating to opportunities for disadvantaged persons in employment, housing and public services.

Essentially, the reorganization involves merging and consolidating the Human Relations/Youth Resources Department within the Health and Human Services Department. The efficiencies in this consolidation will result in better

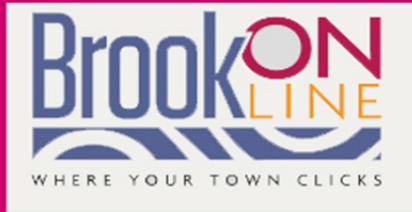
coordination and expansion of a range of human services provided by the Town. The existing Human Services Coordinator position will be expanded to become the Human Relations and Human Services Administrator. An additional professional position will be created to manage human relations and human services programming and to support the Administrator in staffing the Human Relations/Youth Resources Commission and other related citizen committees, including the Women’s Commission and the Commission for the Disabled. In addition to making sense organizationally, the reorganization proposal results in a positive budget consequence. As the table below indicates, a budget savings of \$42,000 will be realized through the reorganization.

Summary of Health and HRYR changes FY14							
	<u>Personnel</u>	<u>Services</u>	<u>Supplies</u>	<u>Other</u>	<u>Utilities</u>	<u>Capital</u>	<u>Variance</u>
Health Proposed	963,409	196,963	19,700	4,570	40,896	28,550	
Health Pre Re-org	908,051	194,423	15,100	4,120	40,896	28,300	
	55,357	2,540	4,600	450	-	250	63,197
HRYR Proposed	0	0	0	0	0	0	
HRYR Pre Re-org	100,357	1,540	2,600	450	-	250	
	(100,357)	(1,540)	(2,600)	(450)	-	(250)	(105,197)
Savings							(42,000)

Open Government: The Town of Brookline continues to move forward in providing access to information, increased convenience of key transactions on-line and improving the responsiveness and communication of Town departments. To accomplish this, we must align our departmental operations to be more responsive to the needs of the public and to provide convenient and effective access to key information and services.

Building Better Tools: With the launch of BrookOnLine in 2011, our vision was to create a framework within our BrooklineMA.gov Website that would serve as the primary electronic access point for the public to “Interact and Transact” with the Town. While the initial goal was to provide added convenience by offering a consolidated suite of services that enable easier access to popular transactions, information our added focus will be to increase efficiency in servicing requests and improve communication with the public.

Last year, the Town introduced its BrookOnLine suite of mobile applications, including: 1.) Citizen Reporter - providing citizens with a more direct and effective way to file complaints; 2.) E-Mail Notifications - giving citizens the power to tailor their electronic notifications from the Town; and 3.) On-Line Bill Presentment - offering a paperless and centralized payment system introducing notifications, automated payments and the ability to view payment history.



Citizen Reporter Statistics

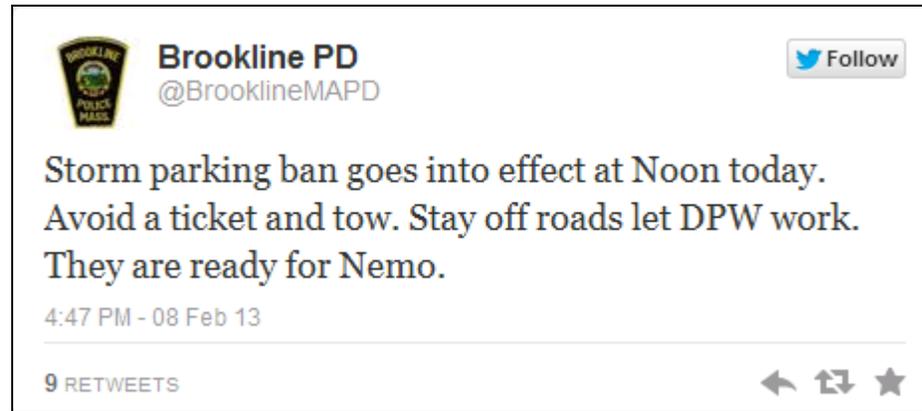
	Broken			Park			Public	Roadway	Sidewalk	Unshoveled			Grand Total
	Abandoned Bike	Parking Meter	Damaged Sign	Graffiti	Other	Playground Equipment				Pothole	Trees	Plowing/Sanding	
All	30	514	331	246	40	26	139	98	7	186	272	96	1,985
CY 2012	26	348	234	186	0	24	112	96	4	149	228	22	1,429
Oct '12 - Jan '13	18	465	24	87	0	9	27	15	4	30	128	88	895
	% CLOSED WITHIN 7 DAYS												
All	36.7%	95.3%	54.7%	31.3%	65.0%	76.9%	76.3%	67.3%	42.9%	53.2%	36.4%	99.0%	64.1%
CY 2012	42.3%	93.7%	53.8%	30.1%	0.0%	75.0%	73.2%	66.7%	50.0%	49.7%	28.5%	95.5%	59.1%
Oct '12 - Jan '13	16.7%	98.9%	41.7%	14.9%	0.0%	66.7%	70.4%	80.0%	25.0%	43.3%	33.6%	98.9%	74.5%

In addition to being essential to improve the interaction with the public and the delivery of services, this app collects data that will enable important feedback to key departments for use in strategic planning. We envision BrookOnLine serving as a Virtual Town Hall, an intuitive, convenient and responsive complement to our existing departmental organizations.

Improving Communication: During FY 2013, The Town embraced and leveraged Social Media to improve communication with the public by providing better distribution of information, timely updates on key events and general and consolidation of many of the Town's important notices.

The Town's Facebook page, www.facebook.com/brooklinema and Twitter account, @townofbrookline, were

put to work during Hurricane Sandy in October, 2012 and the blizzard known as Nemo in February, 2013.



In complimenting the existing BrooklineMA.gov website and its mobile counterpart, Social Media has proven to be effective as a large scale communication method better tailored to the public's interest in some instances. With the continued growth of smartphones and digital communications, the Town is well positioned to increase outreach and public engagement in Governmental affairs among our constituents.

Performance Management: A major initiative in this year's Financial Plan is the use of Performance Management in the Town's budgeting and operations. Unlike other trends or fads in management practices, I believe Performance Management is an established practice that is here to stay. The building blocks of Performance Management are basic and effective management principles: establishing strategic goals and objectives, regularly measuring progress towards these goals and making this information transparent to citizens and stakeholders. Performance management is the next and logical step from our requirement that each Department Head establish **SMART** goals (**S**pecific, **M**easurable, **A**ttainable, **R**ealistic and **T**imely). Performance management is a tool that will allow a Department to better represent its successes and challenges. The ultimate goal is to bring more rigor and rationality to the process of budgeting and management and to use data and facts as much as possible to drive our decision-making.

The manner in which the Town will implement Performance Management is varied and, to some degree, a work in progress. Over the last year, we have researched and experimented with many different approaches to using departmental data strategically. In 2012, we were fortunate to have been selected to participate in the Massachusetts Municipal Performance Management Program run by the Collins Center for Public Management in the McCormack Graduate School of Policy and Global Studies at UMass Boston. Our Public

Works and Police Departments were the participants in this initiative and developed skills and experience to implement performance management in its operations. Along with the Human Resources Department, these departments will help mentor and train other departments in this process.

With respect to the FY 2014 budget process, we have encouraged departments to focus more on Efficiency and Effectiveness Performance Measures. Specifically, each department head has prepared at least three new measures that relate to their departmental objectives and help document actual progress toward meeting them. While we have retained prior Workload Indicators that help quantify aspects of each department's activities, we are hopeful that the new Performance Measures will better explain how effective a department is and help them achieve their objectives. Examples of the new Performance Measures include:

Department	Objective	Measure	FY13 EST	FY14 EST
Health	To continue to implement hand-held tablets for inspections with Information Technology Department and enhance GIS applications using updated software for all inspections, with a goal of providing on-line access to inspectional information and permit renewals.	% of inspectional and permit information available online.	6%	31%
IT	To continue to manage the lifecycle management strategy for all enterprise applications.	Enterprise Applications % Uptime	99.5%	99.5%
Police	To reduce crime in all categories through a variety of patrol procedures, tactics and emphasis on problem areas.	Part A Crime- Clearance Rate	45%	47%
DPW	To Measure the Effectiveness of Implemented Traffic Calming Projects	Reduction of Motor Vehicle Speed Post Traffic Calming measures	> 5 MPH	> 5 MPH
Building	To implement a new work order system (SchoolDude) as part of an effort to track work orders more closely, improve the time it takes to respond to and complete work orders, and look at the total allotment of time to complete jobs.	% of Work Orders Completed in less than 3 days	36%	45%

Public Feedback: Another component within our Performance Management initiative is the decision to use the National Citizen Survey™ (NCS) to assess citizen attitudes toward and level of satisfaction with Town programs and services. In addition to statistics that demonstrate performance toward meeting objectives, it is actual citizen feedback that ultimately determines success in departmental performance. Within the FY 2014 Budget is \$15,000 to implement the Survey. Developed by ICMA and the National Research Center, the NCS is a low-cost survey instrument for local governments that has been developed by outside experts free of bias and establishes a neutral benchmark that all parties can accept. If done periodically, the survey will enable the Town to measure performance as viewed by residents. The NCS is currently used by over 500 municipalities in most states. In Massachusetts, the towns of Needham and Andover have used the NCS effectively. As a result, Brookline will also be able to compare itself with other “like” communities.

Achieving the Goal of Open Government: By combining data collected by departments, outside entities and measuring against generally accepted benchmarks, the Town will be well positioned to quantify the level and public satisfaction associated with key services. It is our goal to easily represent the key service categories at multiple levels to aid in strategic planning for future budget sessions.

The use of “dashboards” has become a popular way of summarizing key performance indicators for government agencies. Dashboards are a quick and easy way to show citizens and others important performance indicators and the status of major projects or activities. They provide municipalities with a stage on which to articulate goals, priorities and strategies, and to monitor activity through performance metrics. Over time, it is our goal to have each department produce a dashboard that represents the status of its major priorities and activities. Meanwhile, this FY 2014 Financial Plan includes an “executive level” dashboard that lists some of the major factors that makes a community successful. We have chosen to list the following factors: Quality of Community, Fiscal Strength, Public Safety, Public Health, and Education.

In addition to the Dashboard, the Town continues to explore ways to engage its citizenry. This year, we have begun to explore a way to open the Town’s financial “books” to the public. Referred to as “Open Checkbook”, this web based feature has been used by the Commonwealth of Massachusetts and many other governments allowing users to review the details of expenditures in real time. We hope to establish a modest “proof of concept” during FY14 to best gauge the functionality and useful components to be fully implemented in the future.

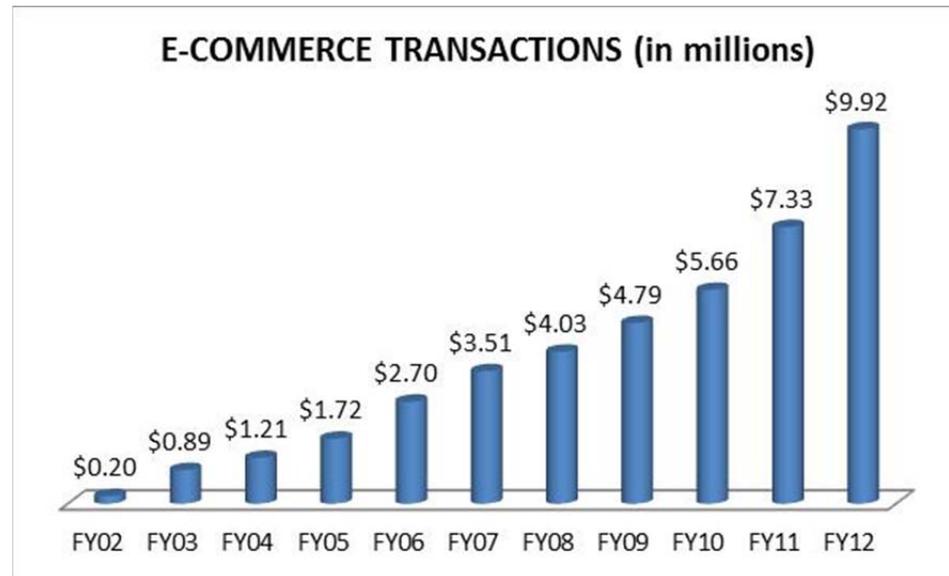
By combining performance metrics, financial data and key information in one portal, the public will have open and transparent access to governmental activities. It is our hope that Brookline becomes the model which others hope to follow.

Town of Brookline Community Dashboard

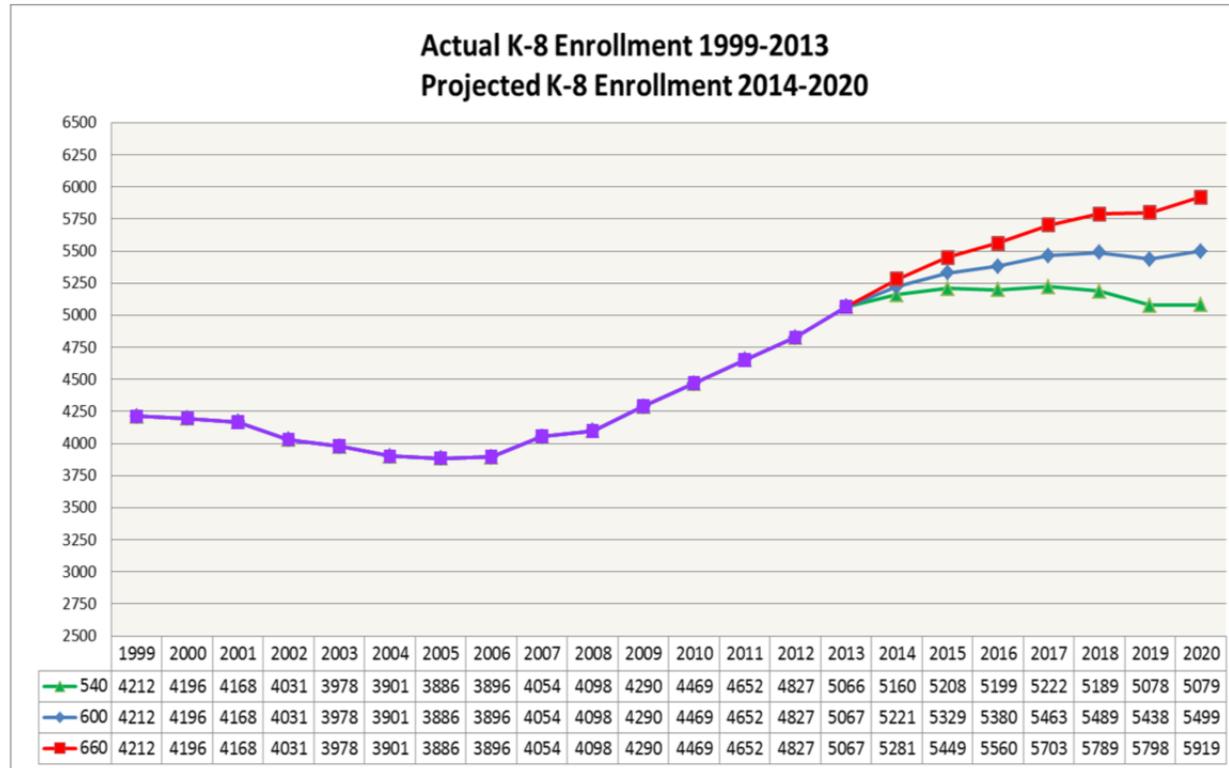
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Quality of Community			
Bachelor's Degree or higher, % of persons age 25+			
Brookline			80%
Massachusetts			39%
Property Value	\$14,841,644,460	\$14,926,437,080	\$15,264,163,420
Percentage of Affordable Housing Stock	8.03%	8.03%	8.08%
Storefront Vacancy Rates	6.1%	5.9%	5.2%
Recycling Rate	30.7%	34.3%	36.8%
Fiscal Strength			
Credit Rating	Aaa	Aaa	Aaa
Funding of Long-Term Liabilities (Funding Ratio)			
Pensions	67.3%	61.6%	55.9%
OPEB's	3.4%	6.3%	10.0%
Unreserved Fund Balance as a Percent of Revenue	10.5%	10.6%	11.2%
Residential Tax Bill	\$7,370	\$7,573	\$7,840
Average Assessed Value of Single Family Home	\$1,022,400	\$1,027,300	\$1,059,400
Average Assessed Value of Condo	\$423,000	\$423,900	\$421,900
Public Safety			
Total Part A Crimes	1,048	961	944
Fire Response Time (Avg.)	3:30	3:37	3:48
Ambulance Response Time (% of Calls Responded to in <6 min)	94.10%	94.80%	93.40%
Public Health			
Life Expectancy			
Brookline	na	na	87 yrs old
Massachusetts	na	na	81 yrs old
Obesity Rate Among School-age Children			
Brookline	na	na	20.5%
Massachusetts	na	na	32.4%
Education			
SAT Scores			
Critical Reading	564	588	599
Math	598	613	630
Writing	571	594	606
Percentage of Students Enrolling in College	98	96	99
Four-Year Graduation Rate	90	90	91

On-Line Transactions - The Town believes that use of the Internet will continue to revolutionize the way citizens transact business with their local government. In addition to providing more flexibility and convenience to users, on-line transactions should help the Town minimize time and labor to process them. Each department has been directed to enhance their information and transactions available on-line. In addition to the BrookOnLine features, other initiatives to enhance on-line transactions include the application for building permits and health permits. The Selectmen's Office has been working with a new agenda management system that integrates the setting of the meeting agenda with producing minutes of the meetings. The documentation associated with each agenda item is scanned and attached electronically to the agenda, which is then posted on-line for public access.

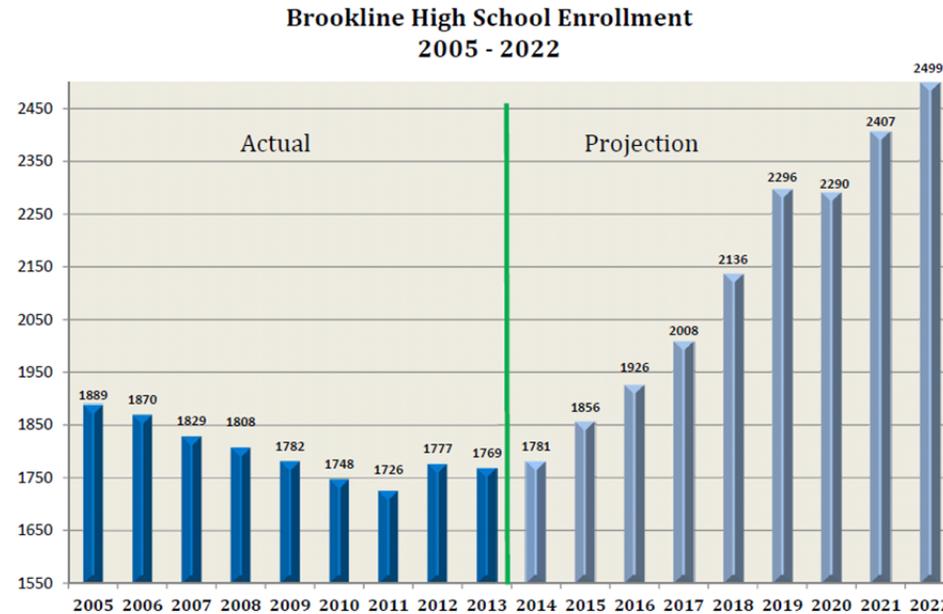
One obvious concern for the Town is the costs associated with processing third party credit card transactions. In FY 2014, the Town has budgeted \$319,000 to fund the costs associated with in-line and on-line credit card transactions. The largest piece is \$135,000 for accepting credit cards at parking meters. While these costs are a concern and will continue to be monitored, the use of credit cards in society is growing and is quickly becoming an expected form of payment to be accepted by government. Credit card acceptance is ubiquitous and the Town is well-positioned to continue to offer this payment option to residents.



School Enrollment Challenge: Much has been written and said about the unprecedented increase in school enrollment within the Brookline school system. A few statistics bear repeating. In Fiscal Year 2013, 660 new Kindergarten students entered the system, continuing a trend of increasing enrollment in this grade. Overall, K-8 enrollment has increased by 240 students this year, up to 5,067. It is expected that this trend will continue for the foreseeable future, with a projection of up to 5,900 students by FY 2020.



Naturally, this growth will impact the High School within a few years. As shown in the chart on the next page, the current High School population of 1,769 will steadily increase, reaching a projected 2,500 students within 10 years.

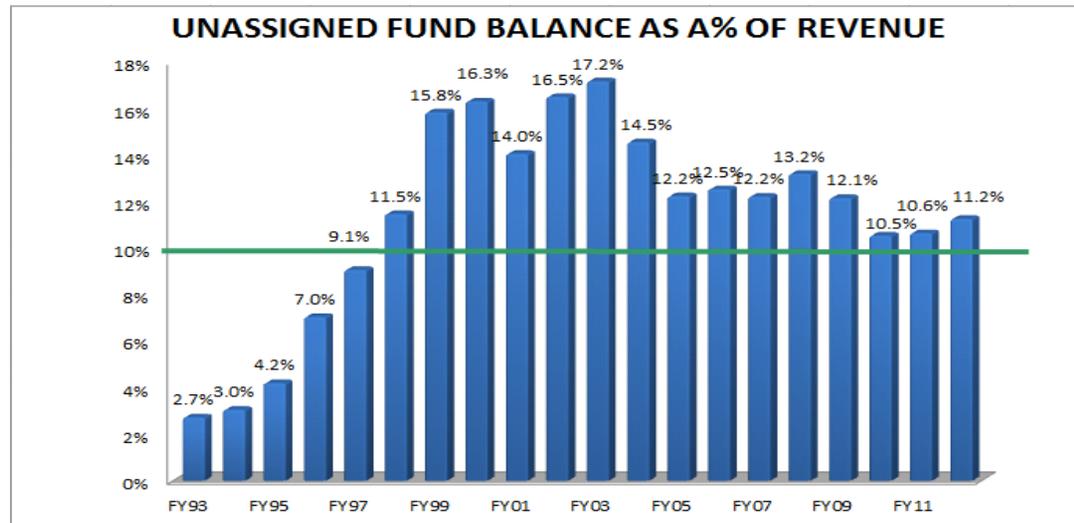


Much of the focus on the enrollment issue to date has been on the physical space necessary to house all students within the existing K-8 school buildings. The Capital Improvement Program has allocated funding over the last few years to renovate/convert space within existing school buildings to create additional classrooms. This creative work has yielded the 37 new classrooms required to house the students. In addition, the Town recently completed expansion and renovation to the Heath and Runkle Schools. Planning is underway for the Devotion School renovation/addition project, the Town’s largest elementary school building. Even with all of this work, classroom space will be insufficient in 2014 and beyond. For the mid-term, the School Department is evaluating the most effective way to re-open the Old Lincoln School on Route 9 to help accommodate this growth. In the shorter term, the School Department is aggressively pursuing the lease of private classroom space within Brookline to house the Pre-K school population, which will in turn free-up necessary classroom space in the K-8 grades. The use of modular classrooms at Lawrence and Baker schools are also being explored. Finally, difficult choices on assignment of school districts and creation of flexible ‘buffer zones’ will be necessary to ensure that available space within the school system is used to its capacity. A feasibility study of the High School is also underway to begin planning classroom expansion of that building.

In addition to the space crunch, the effects of increasing enrollment on the operating budget are significant. It

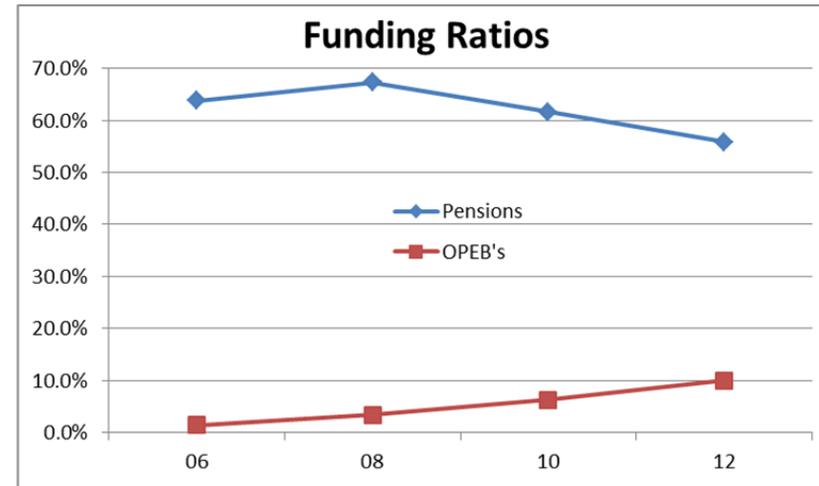
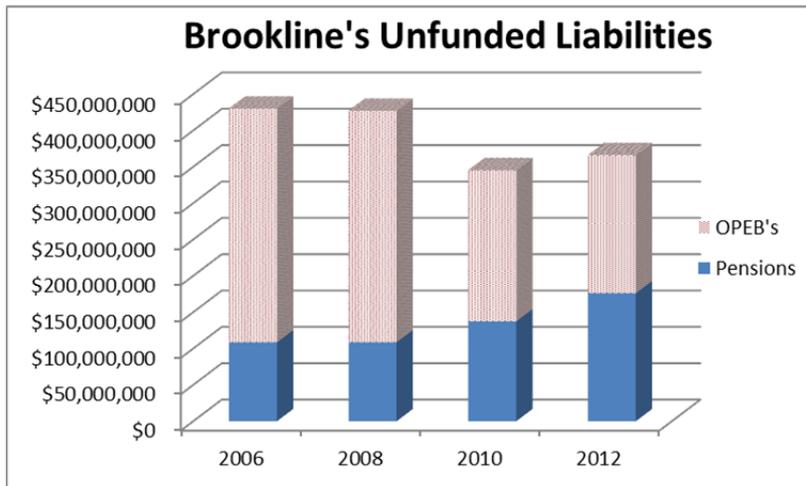
is estimated that the costs associated with enrollment growth (teaching personnel and related benefits) will total approximately \$1 million in FY 2014 . When the Town is required to re-open the Old Lincoln School in the fall of 2014, these costs will expand even further. With this in mind, the Board of Selectmen and the School Committee have established a special committee to consider a range of concepts for the new school and to evaluate the use of space and necessary renovations across the entire system. Referred to as B-SPACE (Brookline School Population & Capacity Exploration), this new committee will inevitably need to identify options to fund the costs of school space expansion within the constraints of the Town’s revenue capacity. This shall include options for budget efficiencies as well as raising additional revenue.

Financial Reserves and Long-Term Liabilities: The maintenance of financial reserves and funding of long-term liabilities are crucial to the Town’s financial well-being and bond rating. In 2010, the Town was warned by the independent rating agency, Moody’s Investors Service, of concerns over a downward trend in the Town’s financial reserves. As a result, I re-convened the Fiscal Policy Review Committee (FPRC) to review the Town’s financial policies and recommend revisions where necessary. The Committee produced a report with several recommendations, all of which the Board of Selectmen ultimately adopted. Two of the major recommendations were: 1.) that Unreserved Fund Balance (UFB) be formally considered a priority in the Town’s fiscal policies, and that the allocation of Free Cash be done in a manner that ensures the Town’s year-end UFB not fall below an amount equivalent to 10% of General Fund revenues and 2.) that long-term funding of the Town’s unfunded financial liabilities, including employee Pensions and Other Post-Employment Benefits (OPEB’s), be adopted as a formal fiscal policy of the Town.



These recommendations were fully implemented in FY 2013 and are proposed for FY 2014 as well. The Town's year-end Free Cash was certified at \$9.6 million. Of this amount, \$2 million will be unallocated and another \$250,000 will be appropriated to the Stabilization Fund. These two actions will ensure that the Town's UFB level will remain above 10%. Free Cash will also be used to supplement the funding of long-term financial liabilities (pensions and OPEB's).

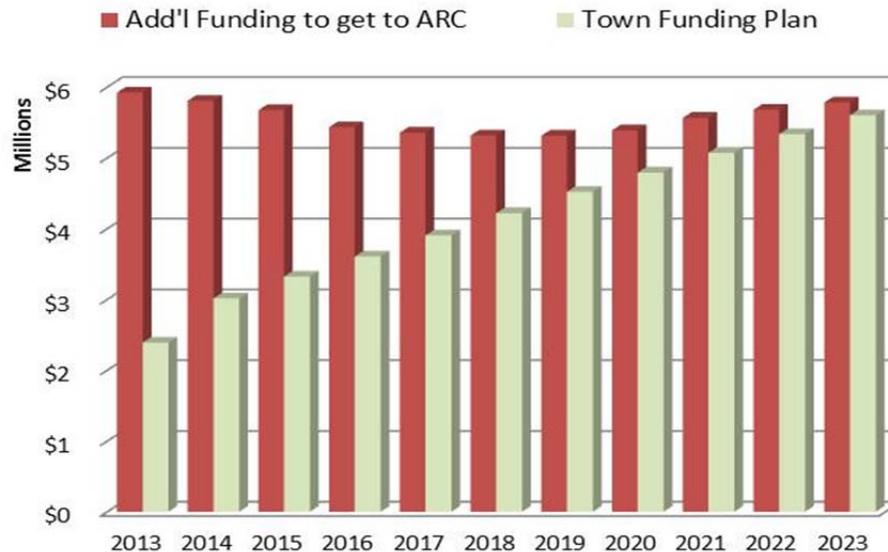
Unfunded liabilities for pensions and retiree health insurance (OPEB's) are significant for Brookline, the other 350 municipalities, and for the Commonwealth. According to the State Commission to Study Retiree Healthcare and Other Non-Pension Benefits, the unfunded OPEB liability for state and local government totals approximately \$46 billion, a liability that is larger than the unfunded pension liability, which is \$34 billion. As shown in the graph below left, Brookline's total unfunded liability for both pensions and OPEB's is approximately \$365 million. The graph below right shows the funding ratios for both pensions and OPEB's. These graphs show that while a lot of prudent steps have been taken by the Town over the past few years, more work must be done.



Since our last actuarial study, the Town's Pension liability increased as a result of poor investment performance representative of underlying economic conditions. The Retirement Board voted to reduce the annual assumed rate of return from 8.15% to 7.75%, a prudent step many governments with defined benefit pensions are taking. In order to accomplish that and make up for the investment losses, two things occurred: (1) Town Meeting approved additional funding for the FY 2013 pension appropriation and (2) the Retirement Board extended the full-funding date two years from FY 2028 to FY 2030. With an eye toward being able to

return to FY 2028 and / or further reducing the annual assumed rate of return, the Budget includes an additional \$200,000 in the base pension appropriation (above the \$933,000 increase required per the new schedule). In addition, a \$500,000 allocation from Free Cash into the Pension fund is recommended for FY 2014.

The Town’s OPEB funding plan calls for an annual \$250,000 increase in on-going revenues. In an effort to reach the Annual Required Contribution (ARC) more quickly, a total of \$450,000 of on-going revenue is added to the OPEB appropriation, for a total of \$2.2 million. In addition, \$400,000 from the Medicare Part D Subsidy and \$100,000 from the run-off in the Non-Contributory Pension line-item is included in the appropriation. Lastly, \$311,000 of reimbursements from non-General Fund accounts that support personnel are added to the on-going appropriation. This brings the total base OPEB appropriation to \$3 million. Similar to the recommendation for pensions, the budget calls for an investment of \$500,000 from Free Cash to go toward the Town’s OPEB liability in FY 2014. What seemed like an insurmountable problem a few years ago, the Town’s ability to address the OPEB liability is becoming a reality. With \$3 million in the base for FY 2014, the goal of reaching the ARC level is within our sights in about 10 years, as shown in the graph below. In addition to the funding side of the equation, the Town has been supportive of statewide efforts to reform the pension and retiree health insurance systems. Various pension reforms have already been enacted and the State is on the verge of reforming entitlement to health insurance benefits for retirees. These actions will have the effect of moderating the long-term liabilities for these benefits.



The maintenance of healthy reserves and the funding of long-term liabilities are essential to the Town and cannot be compromised, even in the face of constrained annual operating budgets.

Other Initiatives: The FY 2014 Financial Plan includes a host of other initiatives worth mentioning. In most cases, these initiatives build upon progress made in prior years. They include:

Payroll System - The Town is in the process of converting its contracted payroll service in-house utilizing the existing MUNIS financial system. This conversion will ultimately save the Town approximately \$65,000 annually and will integrate payroll with other components of the MUNIS system. In addition, the new MUNIS module to support payroll will include basic components to advance automation of human resource functions. Lastly, moving to this system will enable the Town to address the auditor's concerns regarding the segregation of duties between payroll and HR. On a related matter, the Town is strongly encouraging its employees to accept an electronic (paperless) paycheck with direct deposit to a bank.

Parking Meters - The Town has completed its plan to convert the on-street multi-space parking kiosks to single-space digital meters. The kiosks will remain in the municipal lots (and in the Beacon Street median near Fenway Park) but be converted to a "pay-by-space" system to avoid the necessity to print out a ticket and place it back in the vehicle. In connection with this new system, the Town has upgraded its enforcement technology with handheld/wireless devices. These devices will work with the multi-space machines to automatically detect violations and allow for the scanning of bar codes on Massachusetts vehicles, making the enforcement process easier, quicker and more accurate.

Energy Conservation and Efficiency – The Town continues its commitment to energy conservation and efficiency through the implementation of projects funded through the CIP, the Green Community grant program, and through operating budget investments like energy efficient vehicles. Following the success of the LED pilot program, the CIP includes funding to replace the remaining high-pressure sodium street lights with LED's over the next four years. The Town is also exploring creative ways to "go green" by utilizing partnerships with other communities and agencies in order to install solar panels on Town sites. We recently participated in the Metropolitan Area Planning Council's (MAPC's) regional procurement of SEMS (Solar Energy Management Services) along with 17 municipalities in the MAPC region. A SEMS contract allows us to benefit from low-cost solar electricity without the costs/risks of ownership and with no upfront cost to the community. We anticipate engaging with the selected vendor this spring and look forward to moving forward with this process.

Cemetery Trust Funds - In last year's Budget Message, I noted that I began a dialogue with the Trustees of Walnut Hill Cemetery about the level of revenue they allocate to support the on-going operation and maintenance of this beautiful facility. Historically, the Trustees authorize \$50,000 in fee revenue annually to support the facility. As a result of the discussions with the Trustees, the FY 2014 budget increases the amount of cemetery fees that reimburse the General Fund for expenses to \$75,000, a 50% increase. In addition, the CIP includes \$250,000 in FY's 2014 – 2016 for roadwork and \$770,000 in Future Years for lot expansion, both of which will be funded via cemetery trust funds. I thank the Trustees for their willingness to work with me on this issue and ask that further discussions continue regarding the most prudent and reasonable manner of allocating and expending cemetery revenue.

Consolidated Infrastructure Work Order System (CIWOS) - The Town preserves and maintains 55 buildings that contain the majority of the approximately 1,950 Town and School employees. In addition, there is an inventory of approximately 1,700 computers for personnel, 2,100 for students, and several hundred handheld computing devices with an enterprise-wide high-speed computing network as the common infrastructure across all facilities. The Technology Applications item in the CIP includes funding for a CIWOS that will allow for the consolidation of disparate systems into a uniform trouble ticketing and asset management application. Specifically, the application will:

1. Create a singular ticketing system for town and school employees to report/request computing and building-related infrastructure services.
2. Integrate asset management capabilities to maximize Brookline's capital investment and planning capabilities.
3. Enable the public to better reserve public building facilities, schedule resources and increase efficient facility usage.

By implementing this system, the Town will be able to better operate our facilities by streamlining the staff process for requesting and receiving assistance, managing assets and providing increased access and use by the public.

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 2014 – FY 2018 Long Range Financial Projection for the General Fund makes the following key assumptions:

- In FY 2014 and FY 2015, \$1.6 million of New Growth in the Property Tax Levy. In FY 2016, \$1.7 million. In FY 2017 – FY 2018, a base of \$1.7 million, augmented by additional levy growth from the 2 Brookline Place re-development.
- For State Aid in FY 2014, partial use of the Governor's budget proposal. The Financial Plan assumes an increase in Ch. 70 aid of \$1.75 million and level-funding of Unrestricted General Government Aid (UGGA). For FY 2015, a 2.5% increase in Ch. 70 and level-funding of all other aid categories. For FY 2016 – FY 2018, annual 2.5% increases in Ch. 70 and UGGA and level-funding of all other aid categories
- For Local Receipts, FY 2014 reflects an increase of \$913,000 (4.3%). In FY 2015 – FY 2018, limited growth is expected (approximately \$275,000 / yr, or 1.2%). (A decrease in Ch. 121A payments is expected in FY 2017 due to the expiration of an agreement; those monies become part of the Property Tax base in that year.)
- Use of Free Cash continues to follow the Town's Free Cash Policy.
- A 2% wage reserve for all years for all municipal unions and increases as called for in the most recent contract with the teacher's union for FY 2013 and FY 2014, followed by 2% annual wage reserve for all school unions for FY 2015-2018.

- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$225,000 per year for the Schools and \$250,000 for Town departments).
- Annual utility increases of \$200,000.
- Annual Special Education growth of \$750,000.
- Enrollment growth cost increases of \$750,000 per year.
- Net Step increases in the School Department of \$750,000 per year and \$250,000 per year for Town Departments.
- Health Insurance rate increase of 5%, plus an increase in enrollment of 40, for FY 2014. For FY 2015-2018, assume 30 new enrollees per year and annual rate increases of 6% for FY 2015 – FY 2017; 5% for FY 2018.
- A FY 2014 OPEB appropriation that augments the Town’s funding plan by both increasing the on-going appropriation by \$200,000 above the regular \$250,000 increase (\$450,000 increase in on-going funding) and using \$500,000 in Free Cash to increase the assets in the fund. For FY 2015 – FY 2018, a continued commitment to increase the annual appropriation by \$250,000 per year.
- A Pension appropriation based on the most recent funding schedule approved by PERAC (begun in FY 2014 and concluding in FY 2015) plus an additional \$200,000 added to the base in FY 2014 and FY 2015. Also for FY 2014, a \$500,000 deposit from Free Cash to increase the assets in the fund.
- 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 to get to 7.5%).

These assumptions create an escalating deficit position for FY 2015 and beyond, starting at \$3.4 million in FY 2015 and reaching \$9.5 million by FY 2018. 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
FY2014 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUE					
Property Taxes	175,604,001	181,547,881	187,740,818	194,729,838	201,844,274
Local Receipts	21,997,366	22,272,795	22,530,439	22,258,616	22,536,232
Motor Vehicle Excise (MVE)	4,950,000	5,049,000	5,149,980	5,252,980	5,358,039
Local Option Taxes	2,150,000	2,193,000	2,236,860	2,281,597	2,327,229
Licenses & Permits	1,180,975	1,180,975	1,180,975	1,180,975	1,180,975
Parking / Court Fines	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
General Government	3,237,391	3,302,945	3,346,649	3,391,738	3,457,028
Interest Income	700,000	717,500	735,438	753,823	772,669
PILOT's	1,125,000	1,152,700	1,180,654	673,867	687,344
Refuse Fee	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Departmental & Other	1,854,000	1,876,675	1,899,883	1,923,636	1,952,948
State Aid	16,875,381	17,142,881	17,551,319	17,969,968	18,399,084
General Government Aid	5,454,692	5,454,692	5,588,943	5,726,550	5,867,597
School Aid	11,270,933	11,538,433	11,812,621	12,093,663	12,381,731
Tax Abatement Aid	38,730	38,730	38,730	38,730	38,730
Offset Aid	111,026	111,026	111,026	111,026	111,026
Other Available Funds	6,846,435	6,961,108	7,100,238	7,327,434	7,409,924
Parking Meter Receipts	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
Walnut Hill Cemetery Fund	75,000	75,000	75,000	75,000	75,000
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	2,276,163	2,389,126	2,510,476	2,640,888	2,781,100
Reimb. from Rec Revolving Fund	353,717	355,427	373,207	392,130	412,269
Free Cash	7,655,155	4,000,000	4,000,000	4,000,000	4,150,000
Capital Improvements/Other Spec Approp.	4,818,745	3,182,274	3,278,724	3,381,052	3,487,751
Operating Budget Reserve	507,190	530,379	546,454	563,509	581,292
<u>Strategic Reserves</u>	<u>2,329,220</u>	<u>287,347</u>	<u>174,822</u>	<u>55,439</u>	<u>80,957</u>
TOTAL REVENUE	228,978,337	231,924,664	238,922,814	246,285,857	254,339,514
\$\$ Increase	5,394,256	3,080,577	7,001,506	7,366,484	8,057,183
% Increase	2.4%	1.3%	3.0%	3.1%	3.3%

**TOWN OF BROOKLINE
FY2014 PROGRAM BUDGET**

BUDGET MESSAGE

	2014	2015	2016	2017	2018
EXPENDITURES					
Departmental	65,477,739	67,223,380	68,835,161	70,563,236	72,287,764
Personnel	47,286,270	48,586,270	49,746,270	51,016,270	52,276,270
Services	8,447,108	8,602,943	8,762,675	8,926,400	9,094,218
Supplies	2,082,804	2,134,875	2,188,246	2,242,953	2,299,026
Other	496,590	509,005	521,730	534,773	548,142
Utilities	5,432,006	5,632,006	5,832,006	6,032,006	6,232,006
Capital	1,712,962	1,738,281	1,764,234	1,790,835	1,818,101
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Coll. Barg. - Town	950,000	960,000	970,000	1,110,000	1,130,000
Schools	80,247,189	85,022,189	89,378,389	93,203,389	97,128,389
Coll. Barg. - School	2,300,000	1,881,200	1,350,000	1,400,000	1,430,000
Non-Departmental - Benefits	50,272,872	51,961,928	54,950,288	58,232,923	61,509,264
Pensions	17,385,688	17,839,471	18,661,483	19,727,200	20,857,564
Group Health	24,791,324	26,426,973	28,169,530	30,025,974	31,705,017
Health Reimbursement Account (HRA)	70,000	70,000	70,000	0	0
Retiree Group Health Trust Fund (OPEB's)	3,514,360	3,321,860	3,607,110	3,903,335	4,219,346
EAP	28,000	28,000	28,000	33,000	33,000
Group Life	132,500	132,500	135,813	139,208	142,688
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,720,000	1,500,000	1,550,000	1,588,750	1,628,469
Public Safety IOD Medical Expenses	400,000	400,000	400,000	400,000	400,000
Unemployment Compensation	450,000	350,000	325,000	300,000	305,000
Medical Disabilities	40,000	40,000	40,000	45,000	45,000
Medicare Coverage	1,725,000	1,837,125	1,947,353	2,054,457	2,157,180
Non-Departmental - General	1,478,907	609,196	597,700	624,750	646,686
Liability/Catastrophe Fund	154,115	72,468	43,085	46,361	48,592
Stabilization Fund	250,000	0	0	0	0
Affordable Housing	555,106	0	0	0	0
General Insurance	335,000	351,750	369,338	387,804	407,195
Audit/Management Services	130,000	130,000	130,000	135,000	135,000
Misc.	54,686	54,979	55,278	55,585	55,900
Non-Departmental - Debt Service	9,583,111	9,979,936	10,873,946	10,635,589	14,308,068
General Fund	9,583,111	9,979,936	10,873,946	10,635,589	14,308,068
Non-Departmental - Reserve Fund	2,028,761	2,121,516	2,185,816	2,254,035	2,325,167
Tax Supported	1,521,571	1,591,137	1,639,362	1,690,526	1,743,876
Free Cash Supported	507,190	530,379	546,454	563,509	581,292
Special Appropriations	8,580,999	7,300,715	6,787,411	7,387,151	4,243,853
Tax Supported	3,762,255	3,903,562	3,376,950	3,997,020	723,737
Free Cash Supported	4,818,745	3,182,274	3,278,724	3,381,052	3,487,751
Other	0	214,879	131,737	9,078	32,365
Non-Appropriated	8,058,759	8,248,667	8,443,323	8,642,846	8,847,356
State Assessments	6,222,733	6,370,141	6,521,235	6,676,106	6,834,848
Cherry Sheet Offsets	111,026	111,026	111,026	111,026	111,026
Overlay	1,700,000	1,742,500	1,786,063	1,830,714	1,876,482
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	228,978,337	235,308,727	244,372,034	254,053,920	263,856,548
\$\$ Increase	5,394,255	6,330,390	9,063,307	9,681,885	9,802,629
% Increase	2.4%	2.8%	3.9%	4.0%	3.9%

**TOWN OF BROOKLINE
FY2014 PROGRAM BUDGET**

BUDGET MESSAGE

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
CUMULATIVE SURPLUS/(DEFICIT)	0	(3,384,063)	(5,449,220)	(7,768,062)	(9,517,034)
DEFICIT AS A % OF OP REV	0.0%	-1.5%	-2.3%	-3.2%	-3.7%
Surplus / (Deficit) Prior to Collective Bargaining	3,250,000	(542,863)	(3,129,220)	(5,258,062)	(6,957,034)
Town Share of Surplus / (Deficit)	950,000	(223,911)	(983,502)	(1,371,363)	(1,866,229)
Town Collective Bargaining	950,000	960,000	970,000	1,110,000	1,130,000
Total Town Surplus / (Deficit)	0	(1,183,911)	(1,953,502)	(2,481,363)	(2,996,229)
School Share of Surplus / (Deficit)	2,300,000	(318,952)	(2,145,719)	(3,886,700)	(5,090,804)
School Collective Bargaining	2,300,000	1,881,200	1,350,000	1,400,000	1,430,000
Total School Surplus / (Deficit)	0	(2,200,152)	(3,495,719)	(5,286,700)	(6,520,804)

CAPITAL IMPROVEMENT PROGRAM

Capital planning and budgeting is a critical undertaking for any government and is central to the delivery of essential services and the quality of life for 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 \$370 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 appearance, and have helped yield savings in the Operating Budget through investments in technology and energy efficiency. Although there is more to do in the areas of street and sidewalk repairs, parks/open space improvements, and school and town facilities upgrades, the commitment to capital improvements is clearly showing positive results.

The recommended FY 2014 – FY 2019 CIP calls for an investment of \$170.9 million, for an average of approximately \$28.5 million per year. Each year, many challenges present themselves when putting together a balanced CIP that addresses the priorities of the community while staying within CIP financing policies. This year has been a challenge like no other. The financial pressure exerted by the school overcrowding issue and other new, legitimate demands, coupled with maintaining other projects that are priorities of the Town, presents a number of challenges. The facts concerning school enrollment growth continue to be simple, yet daunting: what were recently Kindergarten classes of approximately 400 – 425 students are now classes of 600 – 666. As those classes move forward through the system, there will

continue to be annual classroom space deficiencies. This not only results in immediate classroom space needs in the elementary schools, it also means that the High School will face space constraints in four to five years. This CIP continues to address the overcrowding issue in a comprehensive manner:

- \$1.75 million is included in FY14 for Classroom Capacity. In both FY08 and FY10, Town Meeting appropriated \$400,000 to address space needs, followed by \$530,000 in FY11 and \$1.75 million in FY13. All but approximately \$1 million has been spent to fund the costs associated with creating additional classroom spaces in the school facilities. That \$1 million plus the \$1.75 million proposed in this CIP will go toward funding the actions required to create the 15 additional classrooms projected to be needed over the next two years. Those monies are planned for the potential creation of temporary classrooms at the Baker and Lawrence schools, renting/leasing of space outside of school buildings, and undertaking work in those remaining schools where it is still possible to convert areas not currently used for educational space into classrooms.
- \$3 million is requested for the improvements at the Old Lincoln School that are required in order to make it the “9th School” starting in SY14-15, a need the School Superintendent has spoken about at length. This is a critical component of the overall plan to address space needs, as it is expected to pull students from the schools that are currently pressed for space, thereby reducing enrollment at those schools. The exact type of school (“concept”, 8th grade, etc.) will be determined by the School Committee with review and recommendations from the new B-SPACE Committee.
- The estimate for the Devotion School project has been increased to \$90 million, reflecting the analysis done by HMFH as part of the Concept Study finalized in October, 2012. In order to fund this project without a Debt Exclusion Override, this CIP utilizes a 25-year bond term and uses short-term borrowing to coordinate timing with reductions in other debt costs. If the project cost exceeds \$90 million or if the MSBA reimbursement is less than 40%, this project could very well require a Debt Exclusion Override. Even if these conditions are met, this project will have an enormous impact on the CIP. In both FY18 and FY19, the revenue-financed CIP will be compromised, eliminating or deferring smaller revenue-financed projects. Given this impact, and recognizing the Devotion School project’s role in the overall classroom capacity solution, the Town must seriously consider whether it should seek tax override relief for this project. This is another issue that will be considered by the B-SPACE Committee.

All of this is being addressed while at the same time continuing to address on-going infrastructure improvements including streets, sidewalks, parks/playgrounds, and water/sewer systems. The core of any CIP should be the repair of and improvement to a community’s infrastructure, and that is the case with this Proposed CIP. Governmental jurisdictions across the country continue to struggle with the issue of funding infrastructure needs, especially in these economic and budgetary times. Fortunately, Brookline’s CIP policies (dedicated CIP funding) and taxpayer support (debt exclusions for Schools and an Override that included infrastructure needs) have allowed the community to fund these needs far more adequately than would otherwise be the case. For example, even with the pressure placed on the CIP by the school overcrowding issue and other high priority demands, this CIP continues the Town’s commitment to upgrading its parks, playgrounds, and other open spaces. As proposed, this CIP renovates the following parks/playgrounds:

**TOWN OF BROOKLINE
FY2014 PROGRAM BUDGET**

BUDGET MESSAGE

	TOTAL	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	Future Years
Fisher Hill - Field/Playground - Grant	400,000	400,000						
Fisher Hill - Field/Playground - Town	1,200,000	1,200,000						
Brookline Ave Playground	957,000	87,000		870,000				
Larz Anderson Park	9,060,000	660,000					2,700,000	5,700,000
Pierce Playground	1,010,000		90,000	920,000				
Playground Skatespot	220,000		20,000	200,000				
Corey Hill Playground	600,000			40,000	560,000			
Emerson Garden Playground	670,000			60,000	610,000			
Brookline Reservoir Park	1,580,000				80,000	1,500,000		
Harry Downes Field & Playground	880,000				80,000	800,000		
Murphy Playground	780,000				60,000		720,000	
Schick Playground	770,000						70,000	700,000
Soule Athletic Fields	550,000						50,000	500,000
TOTAL	18,677,000	2,347,000	110,000	2,090,000	1,390,000	2,300,000	3,540,000	6,900,000

In addition to the funding for parks and open spaces shown in the table above, the CIP also includes a plan to utilize Cemetery Funds for roadwork (\$250,000 between FY14-16) and lot expansion (\$770,000 in Future Years).

Another example of the CIP maintaining a commitment to a critical need while under the pressure brought on by school overcrowding is the funding of new fire apparatus and upgrades to fire stations. 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. The table below shows the funding included in order to maintain the commitment to modern fire apparatus:

	TOTAL	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Engine #1 Rehab	185,000			185,000			
Spare Engine #5 Rehab	75,000			75,000			
Tower 1 Rehab	500,000					500,000	
Ladder #2 Replacement	850,000		850,000				
Engine #3 Replacement	510,000	510,000					
Engine #5 Replacement	550,000		550,000				
Engine #6 Replacement	600,000						600,000
TOTAL	3,270,000	510,000	1,400,000	260,000	0	500,000	600,000

A number of new non-School related demands were raised during this year's CIP process, the most significant in terms of cost being renovations at the Municipal Service Center (MSC), additional funding for the Fisher Hill Park project, and a proposal to replace all existing streetlights with LED's.

- The FY13 – FY18 CIP includes funding for floor repairs at the MSC. During CY12, DPW and the Building Department worked with consultants to develop the best plan to address both the structural issue with the floor and the space needs of DPW. Preliminary findings of the study have suggested that the underlying cause of the MSC floor deterioration is due to the marginal sizing of the structural systems supporting the floor, causing the slab to move under heavy equipment loading. The preferred solution is to reconfigure the upper floor space to remove heavy equipment traffic and storage from the structural floor to significantly reduce the loading on the floor and relocate the existing shop space on the non-structural slab to provide additional space for heavy equipment storage. The floor could then be repaired permanently without the fear of future damage occurring due to slab movement. A \$2.5 million bond authorization is requested in order to fund this project.
- In FY13, \$3.25 million was appropriated for the Fisher Hill Park project, with funding coming from the sale of the Town-owned reservoir property across the street. This came after a \$1.35 million bond was authorized in FY08 for the purchase of the land and for making it safe and accessible. The current estimate for the project as approved by the Design Review Committee (DRC) is \$6.4 million. Several reasons for the increase in anticipated construction cost include:
 - The condition of the historic gatehouse has deteriorated significantly and should be stabilized beyond what was originally assessed.
 - Over the last 12 years, inflation has impacted the cost of all materials/supplies.
 - The extent of stormwater management and underground utilities was not known until final design.
 - The emphasis on significant tree planting and the need for invasive and hazard tree removal.
 - The cost of implementing universal accessibility.

After accounting for both the \$3.25 million appropriation and the two State grants the Town received for the project (\$500,000 and \$400,000), the gap in funding is \$2.2 million. This CIP includes a \$1.2 million bond authorization for the project, leaving \$1 million to be raised from non-Town sources.

- Over the past year, the Town managed a pilot LED Streetlight project, installing 62 LED's. They were placed in both a commercial area and a residential area in order to gauge how they performed in both settings and to ascertain public acceptance. By all accounts, the pilot has been a success. This CIP includes a plan to replace all 3,600 streetlights with LED's over a four-year period, costing \$540,000 per year. It is recommended for a FY14 commencement because of the significant operating budget relief this project promises. Once fully implemented, a 10-year payback is expected. With the life expectancy of LED's at 20 years, that means after paying off the purchase cost in the first 10 years, each of the next 10 years results in annual savings of \$223,200, or \$2.2 million over that second 10-year period.

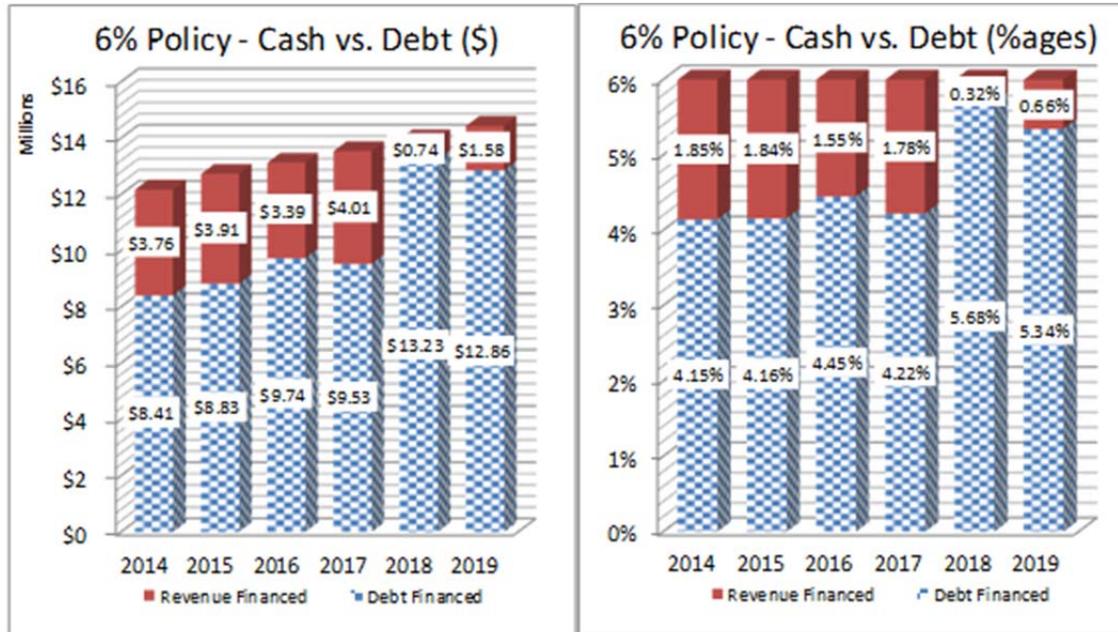
Some of the major projects proposed in the CIP include:

- Devotion School Rehab - \$54 million of Town funding plus the possibility of \$36 million of State funding (FY14)
- Village Square - \$5.6 million (FY16) - - all outside funding
- Newton St. Landfill (Rear Landfill Closure) - \$4.6 million (FY15)
- Larz Anderson Park - \$3.4 million (FY14 and FY19, plus \$5.7 million in Future Years)
- Old Lincoln School - \$3 million (FY14)
- MSC Renovations - \$2.5 million (FY14)
- LED Streetlights - \$2.2 million (FY14-FY17)
- Driscoll School HVAC - \$2.2 million (FY15, FY17)
- Fire Station Renovations - \$2 million (FY14-15, FY17, FY19, Future Years)
- Classroom Capacity – \$1.75 million (FY14)
- Brookline Reservoir Park - \$1.6 million (FY17-FY18)
- Fisher Hill Park - \$1.2 million (FY14)
- Walnut Hills Cemetery - \$1 million (FY14-FY16, Future Years)
- Pierce Playground - \$1 million (FY15-FY16)

Continued major investments include:

- Street and Sidewalk Rehab - \$17.2 million
- Parks and Open Space - \$15.3 million
- Town/School Roofs - \$5.4 million
- General Town/School Building Repairs - \$4.7 million
- Fire Apparatus- \$3.3 million
- Energy Conservation - \$3.3 million
- Water & Sewer Infrastructure - \$3 million
- Information Technology - \$1.6 million
- Tree Replacement - \$1.1 million

The CIP is very “tight” due to (1) the costs associated with addressing the school space issue, (2) the revised cost estimate for the Devotion School project, and (3) new debt service associated with the Old Lincoln School, MSC Renovations, and Fisher Hill Park. The graphs on the following page show the split between revenue-financed and debt-financed CIP.



As the graphs show, the split between cash and debt is relatively consistent from FY14 – FY17. Then in FY18 and FY19, the split is more heavily weighted toward debt, with FY18 having very little revenue-financed CIP availability. Looking at it in dollar terms, there is only \$739 thousand in revenue-financed CIP in FY18. In FY19, there is \$1.6 million. While more than twice the availability than FY18, it is well below the normal levels of \$3.5 million - \$4 million. This poses significant challenges to funding “standard” revenue-financed projects such as streets/sidewalks, park projects, and smaller-scale Town/School facility upgrades.

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

CONCLUSION

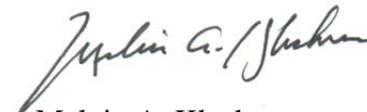
This Financial Plan represents a prudent and realistic approach to funding the FY 2014 Budget and for planning the Town's operating and capital needs over the next several years. The ability of the Town to plan ahead was instrumental in surviving the economic downturn and will be essential to meeting the future challenge of increased enrollment in our public schools.

We are pleased that the financial condition of the Commonwealth of Massachusetts and the Town of Brookline have improved and can help support a Budget in FY 2014 that maintains municipal programs and services. We acknowledge the unique challenges that school enrollment and other factors create for the FY 2014 School budget and are committed to working closely with the Board of Selectmen, School Committee and Advisory Committee to address them.

I am very appreciative of the efforts of all department heads and financial personnel in preparing their budgets this year. I am especially grateful for the contributions of Deputy Town Administrator Sean Cronin and Assistant Town Administrator Melissa Goff in preparation of this budget and financial planning document. It provides a very informative and useful document for the Board of Selectmen, Advisory Committee and Town Meeting, and creates transparency and confidence among the Town's citizenry and other stakeholders. I am proud to announce that the Town was awarded the Government Finance Officers Association's (GFOA) award for Excellence in Budget Presentation for the eighth consecutive year.

I look forward to working with the Board of Selectmen, School Committee and Advisory Committee in the months ahead as we prepare the best possible budget for Town Meeting approval 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.

FY2014 FINANCIAL PLAN SUMMARY

	FY2013	FY2014	INCREASE/DECREASE	
			\$	%
REVENUE				
General Fund Revenue	223,584,082	228,978,337	5,394,255	2.41%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	26,331,330 (1,855,987)	27,214,322 (2,125,747)	882,992 (269,759)	3.35% 14.53%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,204,000 (155,037)	1,210,000 (150,416)	6,000 4,621	0.50% -2.98%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,388,655 (281,764)	2,624,069 (353,717)	235,414 (71,953)	9.9% 25.5%
TOTAL REVENUE	251,215,279	257,396,848	6,181,570	2.5%
APPROPRIATIONS				
General Fund Operating Budget	202,469,822	212,338,578	9,868,756	4.9%
Non-Appropriated Budget *	8,180,759	8,058,759	(122,000)	-1.5%
<u>Revenue-Financed CIP Budget</u>	<u>12,933,500</u>	<u>8,581,000</u>	<u>(4,352,500)</u>	<u>-33.7%</u>
General Fund Total	223,584,081	228,978,337	5,394,256	2.4%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	26,331,330 (1,855,987)	27,214,322 (2,125,747)	882,992 (269,759)	3.4% 14.5%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,204,000 (155,037)	1,210,000 (150,416)	6,000 4,621	0.5% -3.0%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,388,655 (281,764)	2,624,069 (353,717)	235,414 (71,953)	9.9% 25.5%
TOTAL APPROPRIATIONS	251,215,279	257,396,848	6,181,569	2.5%
BALANCE	0	0	0	

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

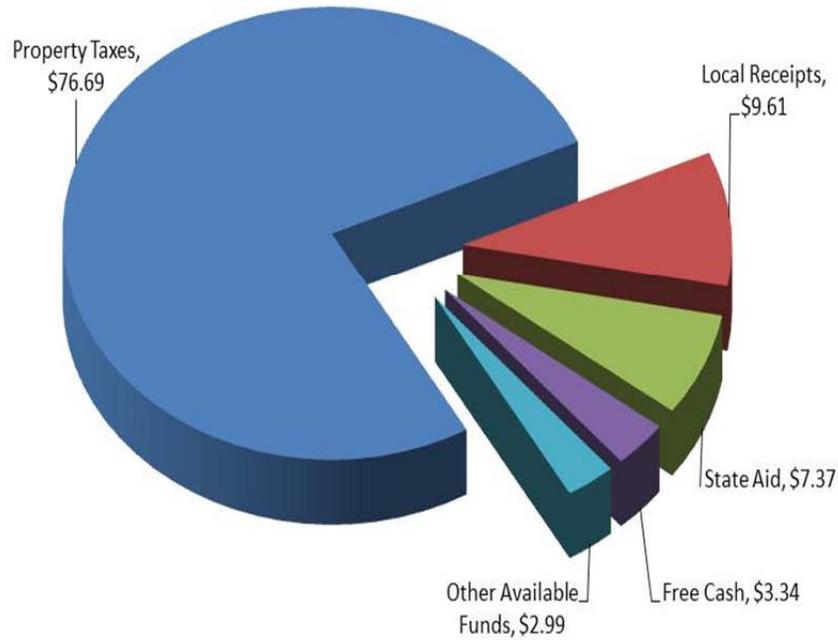
FY2014 RECOMMENDED GENERAL FUND BUDGET SUMMARY

	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 ACTUAL	FY2013 BUDGET	FY2014 BUDGET	INCREASE/DECREASE	
						\$	%
REVENUE							
Property Tax	152,586,904	155,898,463	162,674,174	170,137,611	175,604,001	5,466,389	3.2%
Local Receipts	21,038,710	22,611,569	23,849,795	21,084,438	21,997,366	912,928	4.3%
State Aid	16,542,765	13,808,845	13,796,975	15,131,276	16,875,381	1,744,105	11.5%
Free Cash	7,053,295	4,590,079	5,380,264	5,336,413	7,655,155	2,318,741	43.5%
Other Available Funds	7,420,038	5,080,435	6,618,966	11,894,344	6,846,435	(5,047,909)	-42.4%
TOTAL REVENUE	204,641,711	201,989,391	212,320,174	223,584,082	228,978,337	5,394,255	2.4%
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	5,559,230	5,576,032	5,671,508	6,087,819	6,222,733	134,914	2.2%
Tax Abatement Overlay	1,619,163	1,795,169	1,910,493	1,958,780	1,700,000	(258,780)	-13.2%
Deficits & Judgments	9,428	8,615	7,374	25,000	25,000	0	0.0%
Cherry Sheet Offsets	103,079	102,036	106,839	109,160	111,026	1,866	1.7%
TOTAL NON-APPROPRIATED EXPENSES	7,290,900	7,481,852	7,696,214	8,180,759	8,058,759	(122,000)	-1.5%
AMOUNT AVAILABLE FOR APPROPRIATION				215,403,322	220,919,578	5,516,256	2.6%
APPROPRIATIONS							
Town Departments	60,121,307	62,463,090	62,444,693	64,888,411	66,427,740	1,539,329	2.4%
School Department	69,323,844	72,043,133	75,387,189	79,079,823	82,547,188	3,467,365	4.4%
Non-Departmental Total	54,146,512	50,059,905	52,808,923	58,501,589	63,363,650	4,862,062	8.3%
General Fund Non-Departmental	51,703,029	47,742,201	50,481,512	56,208,800	60,733,770	4,524,970	8.1%
Water and Sewer Enterprise Fund Overhead *	2,046,264	1,869,338	1,867,647	1,855,987	2,125,747	269,759	14.5%
Golf Enterprise Fund Overhead *	186,349	191,161	163,852	155,037	150,416	(4,621)	-3.0%
Recreation Revolving Fund Overhead *	210,870	257,205	295,912	281,764	353,717	71,953	25.5%
OPERATING BUDGET SUBTOTAL	183,591,663	184,566,128	190,640,805	202,469,822	212,338,578	9,868,756	4.9%
Revenue-Financed CIP (Special Appropriations)	9,260,572	7,102,000	7,379,001	12,933,500	8,581,000	(4,352,500)	-33.7%
TOTAL APPROPRIATIONS	192,852,235	191,668,128	198,019,806	215,403,322	220,919,578	5,516,256	2.6%
BALANCE				0	0	0	

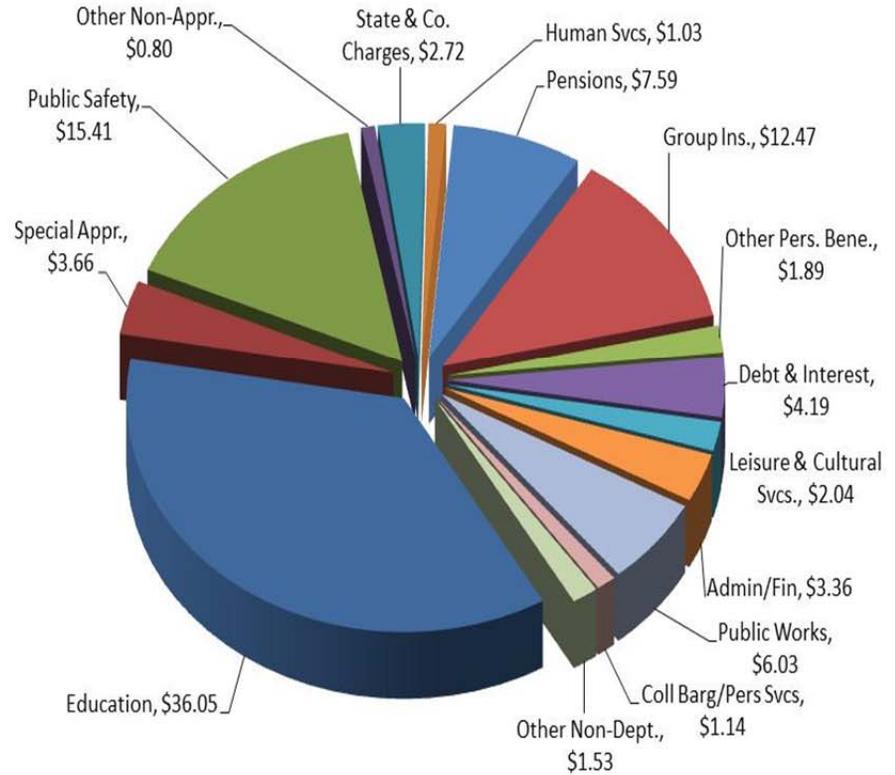
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

**FY2014 GENERAL FUND TOTAL BUDGET
\$228,978,337**

How Each \$100 Will Be Received



How Each \$100 Will Be Spent



FY2014 GENERAL FUND OPERATING BUDGET
\$220,919,578

FULLY ALLOCATED FY2014 GENERAL FUND OPERATING BUDGET

