



February 14, 2017

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

In accordance with the requirements of the Town Administrator Act, I am pleased to submit this Fiscal Year (FY) 2018 annual financial plan (the Budget) and the Capital Improvement Plan (CIP) for your consideration. Overall, this FY 2018 Budget balances \$303,757,442 in revenues and expenses, including enterprises and other self-supporting operations. This represents an increase of 4.2% over FY 2017.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>\$\$\$ CHANGE</u>	<u>% CHANGE</u>
<b>REVENUES</b>				
Property Tax	204,064,199	211,298,230	7,234,031	3.5%
Local Receipts	23,836,698	29,556,650	5,719,952	24.0%
State Aid	19,657,251	20,273,713	616,462	3.1%
Free Cash	5,311,538	8,354,017	3,042,479	57.3%
Other Available Funds	7,840,067	3,045,386	(4,794,681)	-61.2%
Enterprises (net)	30,877,664	31,229,446	351,782	1.1%
<b>TOTAL REVENUES</b>	<b>291,587,417</b>	<b>303,757,442</b>	<b>12,170,025</b>	<b>4.2%</b>
<b>EXPENDITURES</b>				
Municipal Departments	71,523,394	72,720,981	1,197,587	1.7%
School Department	101,118,783	104,500,312	3,381,529	3.3%
Non-Departmental	70,839,465	77,211,691	6,372,226	9.0%
Special Appropriations	8,879,375	9,724,903	845,528	9.5%
Enterprises (net)	30,877,664	31,229,446	351,782	1.1%
Non-Appropriated	8,348,739	8,370,109	21,370	0.3%
<b>TOTAL EXPENDITURES</b>	<b>291,587,417</b>	<b>303,757,442</b>	<b>12,170,025</b>	<b>4.2%</b>

FY 2018 represents the third and final year of the “Override Plan” that was authorized by the voters in May of 2015 to take effect in FY 2016. This plan raised nearly \$10 million in additional taxes and non-tax revenue to support the costs of increased enrollment in the public schools for a three year period. \$7.6 million of this amount was raised in additional property taxes in Years 1 and 2 of the plan. The remaining \$2.3 million was targeted as non-tax revenue/municipal expenditure cuts in Years 2 and 3.

**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	<b>Total</b>
Override funds	\$6.20	\$1.465	\$0	<b>\$7.665</b>
Non-override funds		\$1.00	\$1.29	<b>\$2.289</b>
	\$6.20	\$2.465	\$1.29	<b>\$9.954</b>

Most of the non-tax revenue increase was the result of a comprehensive parking meter rate increase that was implemented in FY 2017. However, the target for other components of the non-tax revenue did not materialize for a variety of reasons. As the table on the next page shows, the actual non-tax revenue is \$770,430 short of the projected amount. Still, the commitment to fully fund the School Department’s enrollment needs from the Override Plan has not diminished, and the full \$2.3 million from the projected non-tax revenue component has been built into the Town School partnership formula. As a result, the impact of not meeting the full non-tax revenue amount has been borne by the municipal department side of the budget.

<u>Override Targets Compared to Actual Experience</u>			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
Override Funds	\$7,665,000	\$7,665,000	\$0
			\$0
Parking Meter Rates	\$850,000	\$850,000	\$0
Refuse Fee	\$615,000	\$150,000	(\$465,000)
Library Materials Fines	\$20,000	\$0	(\$20,000)
Cemetery Fees	\$16,000	\$25,000	\$9,000
Soule Childcare Rates	\$100,000	\$50,000	(\$50,000)
PILOT/Other	\$50,000	\$225,000	\$175,000
Online credit card fee for MVExcise	\$45,000	\$0	(\$45,000)
Total Town Operating Revenue	\$1,696,000	\$1,300,000	(\$396,000)
School Revenue	\$88,000	\$88,000	\$0
Town Expenditure Reductions	\$513,000	\$130,570	(\$382,430)
<b>Projected Allocation to School</b>	<b>\$9,962,000</b>	<b>\$9,183,570</b>	
<b>Target used for Override</b>	<b>\$9,954,000</b>	<b>\$9,183,570</b>	<b>(\$770,430)</b>

As a starting point in the budget process, the Town Administrator and the School Superintendent are committed to the use of a process referred to as the Town School Partnership. The Partnership uses a formula that essentially splits increases (or decreases) in projected revenue and then makes several adjustments to account for unique or extraordinary expenses. For example, the formula accommodates the extraordinary impact on the Schools from enrollment and special education. The overall increase in the School Department budget for FY 2018, based on the Override Plan as run through the Town School Partnership formula, is \$3,381,529 or 3.3% over FY 2017.

Overall, the assessment of the FY 2018 budget is that “it could be worse”. Just a few weeks ago, it was anticipated that the Town and School departments would be forced to initiate substantial reductions in programs and services due to the lack of budget capacity. Primarily, this was the result of a projected 7.5% increase in employee health insurance costs through the Group Insurance Commission (GIC). But just recently, the GIC announced a series of measures that would reduce the projected rate of increase. As a result, the Town modified its projected increase in health insurance costs down to 5.0%, freeing up \$725,000 in funding capacity that was added back into the formula (final rates will be known in March). In addition, our earlier projection of state aid was increased following Governor Baker’s submission of his budget, allowing for an additional \$185,000 to be included in the formula.

Overall, the Budget is \$303.8 million, representing a 4.2% increase over FY 2017. I am pleased to report that this Budget accomplishes the following;

1. Meets the commitment to use \$2.3 million in non-tax revenue or municipal department efficiencies to fund the 3-year Override Plan to meet school enrollment needs.
2. Funds \$20.8 million in capital expenditures, meeting the Town's policy of allocating at least 7.5% of prior year's operating revenue for this purpose.
3. Retains \$2.5 million in Free Cash, ensuring that the Town's unreserved fund balance will remain at least 10% of general fund revenue. This is a key factor in maintaining the Town's Aaa bond rating.
4. Continues to appropriate additional funds to meet the Town's funding schedule to eliminate the unfunded liability in the pension system and to address the major unfunded liability in Other Post Employment Benefits (OPEB), which is mostly the future cost of retiree health insurance.
5. Meets all other financial policies of the Town, including the appropriation of Free Cash for reserves or capital expenses.
6. Funds the cost of a special municipal election in the fall of 2017 to vote on a debt exclusion(s) for the new 9th Elementary School at Baldwin and the expansion of Brookline High School.

While the FY 2018 Budget "could be worse", the Town must plan for budget conditions to truly worsen in FY 2019 and beyond. The enrollment increases in the public school system continue to place pressures on the Town's ability to adequately fund the School Budget, and several years of level budgeting for municipal departments is insufficient to make investments in service levels, especially when considering the cumulative impact of mandated programs at the federal and state levels and Town Meeting's focus on new regulatory initiatives. It is expected that the Board of Selectmen will consider the establishment of a new committee and process to evaluate the Town's financial condition and make recommendations for the future.

In the sections that follow is a more detailed analysis of the revenues and expenses that make up Budget along with a discussion of the associated policy issues.

**REVENUES**

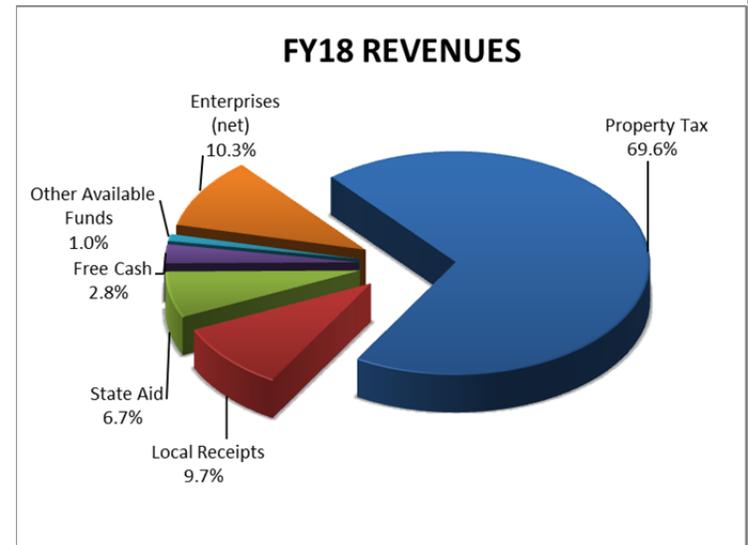
The following summarizes the major categories of revenues that make up the Town’s FY 2018 Budget.

**TAXES:** The property tax levy represents the Town’s most prominent (and stable) source of revenue. For FY 2018, property taxes are projected to total \$211.3 million, representing nearly 70% of the Town’s total revenue. Traditionally, the Town collects 99% of its property tax bills within the fiscal year they are assessed. For FY 2018, the property tax will increase by the allowed 2.5% increment of \$5,075,913, plus \$2,165,000 in taxes resulting from the increased property value from new construction (referred to as New Growth). Finally, \$1,020,800 is added to the tax levy from prior approved “Debt Exclusion” overrides to fund school construction. The table below shows a breakdown of property taxes.

<u>PROPERTY TAXES</u>	
Prior Year Levy Limit	203,036,517
2 1/2 % Increase	5,075,913
New Growth	2,165,000
Debt Exclusion (Debt Service Costs)	1,020,800
<b>Annual Levy FY 2018</b>	<b>211,298,230</b>

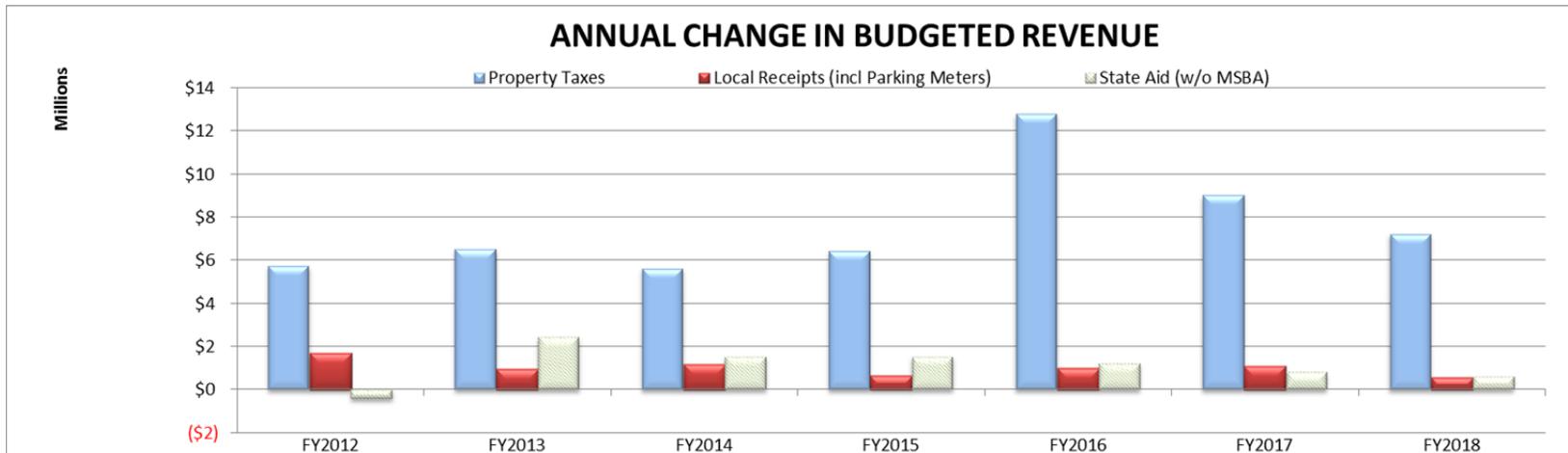
Proposition 2½ allows the Town to levy additional taxes from new construction or development. In FY 2018, the major project contributing to this New Growth is the new hotel at the former Red Cab site. This development will generate \$200,000 in property taxes and an additional \$143,000 in the municipal share of the state room tax (accounted in the local receipts category). There are several other major developments in Brookline that are in the planning or construction phase. The Town is counting on these developments to create new taxes and budget relief, and we have incorporated them into our long range budget forecast.

There are other Town revenues that are tax related, including the Motor Vehicle Excise Tax and the Payment in Lieu of Tax (PILOT) program. However, this revenue is accounted for in the Local Receipts revenue category and will be discussed further in that section.



**LOCAL RECEIPTS:** This is the category of Town revenue that is generated through licenses, permits, and other fees for municipal services. In FY 2018, we project that \$29.5 million will be generated from this category, representing a 24% increase from FY 2017. The major increase over FY 2017 is attributable to an accounting shift enacted under the Municipal Modernization Act, a bill initiated by Governor Baker and passed by the Legislature in 2016. Specifically, the Act modified the accounting of parking meter receipts from a special fund to general revenue. As a result, about \$5.15 million in parking meter receipts will now be accounted for in the Local Receipts category. This represents no overall net increase in revenue since an equivalent amount has been eliminated from the Other Available Funds revenue category. It should be noted that the timing of this accounting shift will create a one time “windfall” of revenue from the prior Parking Meter Fund.

As previously mentioned, the motor vehicle excise taxes and the PILOT revenue are accounted for in the Local Receipts category, despite the tax nature of these receipts. In general, the Town has assumed the same level of revenue from Local Receipts as the prior year. One major source of local receipts is the Refuse Fee, an annual fee that is charged to residents using the Town’s collection of trash. FY 2018 will represent the first full year of a new Pay as You Throw (PAYT) fee system. This new system will change the uniform \$200 fee for unlimited trash collection to one that employs a variable fee depending upon the volume of trash generated by the household. This is accomplished through the use of a wheeled trash cart (bin) similar to that used for disposal of recycled material. The trash carts come in different sizes, thus the variable fee schedule. Overflow trash that does not fit in the selected cart may be disposed of in special plastic bags that are sold for a fee. In general, we have assumed the same amount of revenue will be generated from the new PAYT system that was generated with the former flat fee, except for an assumption of some residual revenue from the overflow bag system. Any decision to modify the fee schedule, including the goal to reduce the property tax subsidy for trash collection, will be deferred until a full year of experience under the new PAYT system can be evaluated.



**STATE AID:** Despite a relatively modest state revenue picture, the Baker administration has committed to grow general state aid to cities and towns at the same rate of increase as general state tax revenue. This concept of revenue sharing is embraced by cities and towns as an appropriate partnership between the Commonwealth of Massachusetts and local government. In FY 2018, the Governor has proposed that Brookline’s unrestricted general government aid will grow by \$222,478, or equivalent to the 3.6% increase in general state revenue. The major Chapter 70 Education Aid program will grow at a lower rate of 3.1%, or an increase of \$398,381. The Town believes the Chapter 70 state formula for education does not adequately reflect the costs incurred by cities and towns in public education. We support reforms proposed by the Foundation Budget Review Commission and hope that the House or Senate will reflect some of these reforms in the FY 2018 Budget it will submit shortly. However, to be prudent we have assumed the Governor’s proposed state aid numbers in this Budget.

**OTHER AVAILABLE FUNDS:** This category of revenue mainly accounts for receipts from the Town’s Enterprise Funds or other self-supporting funds, including the Water/Sewer program, the Lynch Golf Course and the Recreation Revolving Fund. All revenue generated under this category is offset through related expenses in these funds, including indirect charges for their share of Pension and OPEB funding. As previously mentioned, receipts from the Parking Meter Fund will no longer be accounted for in this category, instead shifting to Local Receipts. As a result, the overall amount from Other Available Funds will be decreased from FY 2017 by \$5,190,394. Again, this represents no net increase or decrease in the overall Budget. The transfer from the Cemetery Trust Fund will increase \$25,000, based off of the recommendation of the Override Study Committee. This increase will help support the Parks and Open Space Division of the Department of Public Works, and is much appreciated.

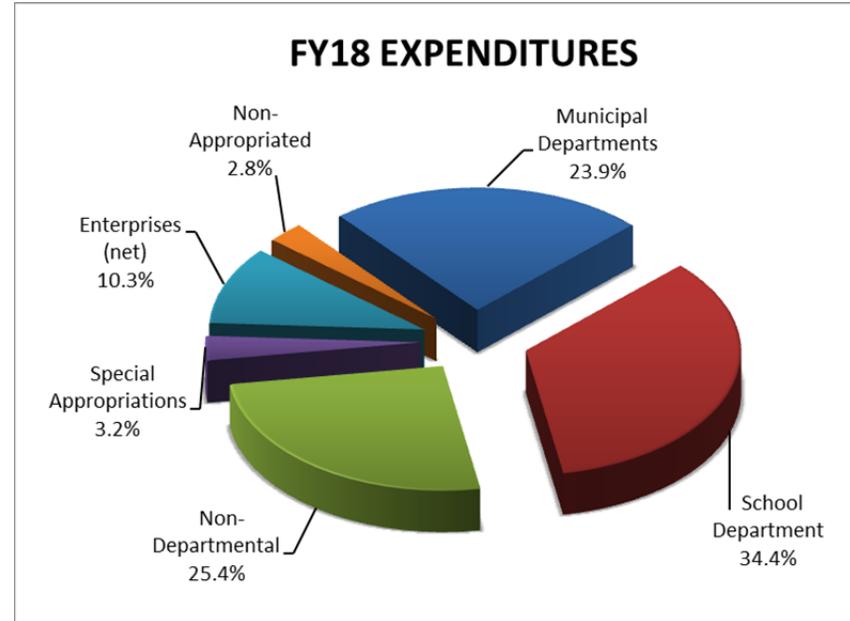
**FREE CASH:** Free Cash represents the State approved amount of the prior year’s fund balance available for appropriation. The Town of Brookline maintains a very rigorous financial policy for the use of Free Cash, essentially precluding its use for ongoing, recurring expenses of the Town. Following the conclusion of FY 2017, the State certified \$10,854,017 in Free Cash that was available for appropriation. Of this amount, the Town will leave \$2,500,000 unappropriated to meet our Unreserved Fund Balance policy, ensuring that at least 10% of general revenue will be maintained in reserve. \$3,960,016 will be used to meet the 7.5% CIP policy and the remainder will be used to fund various special reserve accounts of the Town, including additional CIP projects. A breakdown of the use of Free Cash is found to the right.

<b>Free Cash Certification</b>		<b>\$10,854,017</b>
1. Operating Budget Reserve (25% of Operating Budget Reserve)		\$615,003
2. Fund Balance		\$2,500,000
a. Unreserved Fund Balance (left unappropriated)		\$2,500,000
b. Stabilization Fund (appropriated)		\$0
3. Liability Reserve (to get fund to 1% of Prior Yr Net Revenue)		\$203,644
4. Capital Improvements (to get to 7.5% of Prior Yr Net Revenue)		\$3,690,016
5. Affordable Housing Trust Fund (since Fund Balance below \$5M)		\$576,803
Sub-Total		\$7,585,466
Amount available for Special Use (#6)		\$3,268,551
6. <u>Special Use:</u>		
Additional CIP		\$2,368,551
OPEB's		\$600,000
Pension Fund		\$300,000

**EXPENDITURES**

The Expenditures category of the Budget is comprised of four main sections; Municipal Departments, the School Department, Non Departmental , Special Appropriations and Enterprise Funds. Overall, expenditures in the FY 2018 Budget are up by \$12,170,025 or an increase of 4.2% over FY 2017.

**MUNICIPAL DEPARTMENTS:** The total amount of all municipal department budgets is recommended to be \$72,720,983 in FY 2018, or an increase of 1.7% over FY 2017. This amount includes a reserve for collective bargaining with the various municipal unions. With few exceptions, funding in municipal departments is flat, maintaining existing staffing levels and expenses. For the most part, increases reflect the step increases and impacts of prior collective bargaining agreements on municipal wages and a small inflation factor for some expense accounts. As previously mentioned, the cumulative impact of Town Meeting actions mandating new regulations or encouraging stricter enforcement of existing regulations is having an effect upon the departments’ ability to meet current service levels. This includes restrictions on tobacco, the use of plastic bags and styrofoam in retail establishments, sidewalk snow removal, the use of leaf blowers and the provision of paid sick leave for part-time employees. In addition, the commitment to fund the Override Plan for the School Budget, despite our inability to meet the non-tax revenue/municipal efficiencies target, has had an impact on our capacity to initiate investments in municipal departments. Some modest changes to municipal departments include:



- Funding of a special municipal election
- Increased funding of legal expenses resulting from complex employment claims and lawsuits
- Funding to study the classification and compensation of management employees
- Funding to acquire a Human Resources applicant tracking system
- Funding to upgrade a DPW position to support the new PAYT program
- Funding to upgrade an IT position to work with departments on new initiatives
- Reduction in expenses during the temporary shutdown of the Coolidge Corner Library branch for renovations

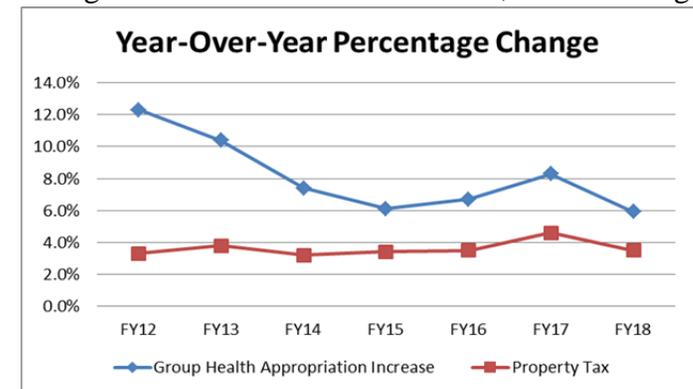
There are other changes in municipal department budgets that can be reviewed in more detail in the Departmental Budget recommendations section.

**THE SCHOOL DEPARTMENT:** The School Department’s Budget is recommended to be funded at \$104,500,311 in FY 2018, an increase of 3.3% over FY 2017. This amount is inclusive of all salary and wage adjustments for teachers and other school employees. The total enrollment for the current school year is 7,417. Less than ten years ago, the enrollment was 5,919, an increase of 1,498 students. Continued enrollment growth has had, and will continue to have, both operating and capital implications on the School Department. This historic trend and steep enrollment increase of over 28% since 2005 has not allowed the district to keep pace despite the infusion of \$10 million in new revenue over the past three years from the 2016 Override.

For a more detailed review of the School Budget, see the School Department submission in Section IV of this document.

**NON-DEPARTMENTAL:** This category of Expenditures is a large component of the Town’s Budget, including pensions, health insurance, other insurances and debt service. Overall, this category of expenditures is recommended at \$77,211,691 in FY 2018, an increase over FY 2017 of 9.0%. This category includes many of the Town’s “budget busters”, which are those expenses that rise much higher than the general rate of inflation. They include; Pensions and OPEB- Eligible employees of the Town and School departments are part of the Massachusetts Contributory Retirement System and receive a defined benefit upon retirement. The Town of Brookline is responsible for funding this expense, and does so through a multi-year funding schedule. Funds appropriated to meet this schedule are invested for the long term to derive a reasonable rate of return. An actuarial analysis is completed every other year to evaluate the multiple assumptions associated with the funding schedule, including rate of investment return, rate of increase in salaries and wages, life expectancy, etc. The analysis completed in January 2016, showed an increase in the unfunded liability of the Pension Fund, requiring the Town to increase its funding schedule. In addition to making up for losses in CY 2015, the Retirement Board decreased the rate of return assumption from 7.6% to 7.4%. The funding schedule previously increased 5.6% annually. The new funding schedule will require an annual appropriation increase of 7.85%. For FY 2018, the \$1,780,508 increase over FY 2107 includes an additional \$300,000 added from Free Cash. Similarly, the unfunded liability for OPEB has increased, but the Town is not yet on a formal funding schedule. We are able to allocate \$4,480,080 to the OPEB Fund in FY 2018 as a multi-year goal of reaching the annual required contribution of a formal funding schedule. Similar to Pensions, we are using \$600,000 in Free Cash to support this appropriation.

The Town is obligated to provide health insurance to permanent employees (and their families) who work more than 18.5 hours per week. The Town also covers retirees and their spouse/survivor. The Town procures its insurance coverage through the Massachusetts Group Insurance Commission (GIC), a governmental entity that manages the health care benefit for employees of all state agencies and dozens of cities and towns. The decision in FY 2011 to move the Town’s health insurance to the GIC has been a financial success for both the Town and its employees. But the GIC is not insulated from the economic and political forces that are contributing to rate increases in the double digits.



Last year, the GIC employed some creative measures to keep the rate increase down without impacting benefits or out of pocket expenses. FY 2018 will not be as easy. Faced with a 10.5% rate increase, the GIC is in the process of taking action to reduce the rate of increase by about half. However, this is being accomplished through difficult decisions that will increase deductibles and copayments and restrict employees from joining certain high cost plans. The high costs of the Boston hospitals, the outrageously expensive pharmaceutical market and a volatile political environment that has placed the federal affordable care law in jeopardy all contribute to a system that cannot be sustained. The Town will assume a composite rate increase of 5.0% for GIC plans and also create an assumption for new subscribers that may initiate coverage during the annual open enrollment period. The total health insurance budget for FY 2018 is \$30,758,441.

The cost of health insurance for future retirees and their spouse/survivor is staggering. This future cost represents an unfunded liability that could cripple budgets when those costs come due. This liability is referred to as OPEB. A recent actuarial study pegged the unfunded OPEB liability at \$280.7 million! The Town is setting aside funds to cover this liability, including appropriating an additional \$600K in Free Cash, as has been discussed previously in this message. Currently, the OPEB Fund has assets of about \$30 million.

Another expense within the Non-Departmental category is Debt Service. This is the cost of principal and interest charges on debt (usually issued in municipal bonds). Incurring debt as a way to spread the cost of major capital purchases or projects is a major strategy in the Town's financial system. In FY 2018, the Town will fund \$12,322,428 in debt service. Of this amount, \$1,020,800 is debt service that the voters have excluded in the calculation of the Town's Proposition 2½ tax levy limit. As discussed in the CIP section of this document, the Town will seek to exclude the debt service costs for the new 9th Elementary School at Baldwin and the expansion of Brookline High School sometime late in 2017.

**SPECIAL APPROPRIATIONS:** This category of expense is mainly the annual appropriations for projects within the Capital Improvement Plan (CIP). The CIP is funded through a combination of direct appropriations and the issuance of debt. In FY 2018, the direct appropriations to fund capital projects is \$9,724,903. This level of appropriation is bolstered through the use of over \$6 million in Free Cash. A much more detailed review of projects funded through special appropriation is discussed in the CIP Section of this document.

**ENTERPRISE:** The Town funds its Water/Sewer and Golf Course operations through formal Enterprise Funds. The Recreation Department programs are funded through a special Revolving Fund separate from the Town's General Fund. The net cost of all Enterprises and Revolving Funds in FY 2018 is \$31.2 million, a modest 1.1% increase over FY 2017. All Enterprise and Revolving Funds are assessed their share of benefits and contributions to the Town's Pension and OPEB funds.

**NON-APPROPRIATED:** This category of expenses relates to state and county assessments that are directly deducted from the state aid the Town receives. While these costs are not appropriated by Town Meeting, they nonetheless must be accounted for in the Town's Budget. The largest of these assessments are for the MBTA (\$5,146,859) and Norfolk County (\$948,309). Another expense that is covered in the Non-Appropriated category is the Tax Overlay account (\$1.75 million). This is an account that is under the control of the Board of Assessors and is used to fund the cost of property tax abatements and exemptions. Overall, the costs added to the FY 2018 Budget for non-appropriated expenses is \$8,370,109.

## FY 2018 POLICY ISSUES AND INITIATIVES

The Financial Plan should not simply be a document of numbers. Rather, the Plan should be a management tool, linked to overall Town goals and policies. This section addresses a number of policy issues and initiatives that are relevant to the FY 2018 budget process.

**Land Use and Chapter 40B Developments:** As the rental housing market peaks and the Town edges closer to complying with the state's 10% affordable housing goal, developers are aggressively pursuing Chapter 40B housing developments. Chapter 40B is a state law that prioritizes affordable housing over local land use regulations (zoning). If a project includes a 20-25% affordable housing component, the Town is subject to large market rate housing developments that are not required to meet typical zoning restrictions such as building height, density, setbacks and the like. If the Town, through its Zoning Board of Appeals, denies the development or places conditions that the developer considers uneconomic, it may be appealed to the Housing Appeals Committee (HAC), a special state agency with the power to overrule the local community. The likelihood of prevailing before the HAC is not good, forcing the Town to attempt to negotiate the developments and/or impose conditions on the projects that can be upheld in an appeal.

Over the last couple of years, the Town has faced 12 separate Chapter 40B housing development proposals that could add over 1,000 units of housing. Most are concentrated in the Coolidge Corner area but a very significant development has been submitted at Hancock Village in south Brookline. The budget implications of Chapter 40B development are substantial. More housing will undoubtedly bring more students to Brookline schools, which have already reached their breaking point. The Planning Department's focus on the intensive and contentious 40B process has limited staff attention to other projects and programs, including more appropriate commercial or mixed development. It is possible that the Town can meet a "safe harbor" provision in the Chapter 40B law that will close the door on new applications for a period of time. If, during that period, the Town reaches its 10% affordable housing goal, new applications for Chapter 40B developments can be denied.

**Uncertain Federal Landscape:** With the election of Donald Trump as President in November, a new era of federal/state/local relations has emerged. It is unclear what direction this relationship will go, but it would appear that the Town of Brookline has much to lose. As a large municipality, Brookline is entitled to receive \$1.4 million in Community Development Block Grants directly from the federal government each year. These funds are critical to provide essential programs for low and moderate income individuals living in Brookline. In particular, public housing and the elderly are major beneficiaries of this funding. The Town of Brookline also receives about \$3.1 million in direct federal education aid (Title 1, Title 3 and IDEA).

In addition, many grants the Town receives are federal funds that “pass through” state agencies. When including these grants, the total amount of federal aid at risk is \$6.4 million. President Trump has signaled that he intends to restrict federal funding to cities and towns who will not actively work with the federal customs and immigration agencies to enforce illegal immigration. With prior Town Meeting resolutions proclaiming Brookline as a “sanctuary city”, we are exposed to this political risk.

The risk associated with the fate of the CDBG program is limiting the Town’s willingness to borrow against future grant entitlements for large capital projects. A plan to take out a “Section 108” loan for the Town’s share of the Gateway East transportation project to be repaid using future grant proceeds is now being reconsidered.

Finally, the Town will indirectly suffer if the federal government reduces aid or somehow modifies the formula for distribution of aid to the states. The Town relies on the Commonwealth of Massachusetts to share its revenue in the form of local aid. To the extent that the federal government reduces the federal dollars to Massachusetts, all cities and towns will suffer.

**Trash Collection and PAYT:** FY 2018 will be the first full year of the new trash collection system. By modifying the fee schedule to account for how much trash a household generates, we believe the new system will incentivize less trash and more recycling, thereby saving the Town from costly and environmentally unfriendly means of solid waste disposal. Combining PAYT with automated collection will also save labor costs. The Town has already reduced the DPW workforce through attrition in anticipation of this change. It was a recommendation of the Override Study Committee to modify the trash fee in a way that would reduce the subsidy the Town’s general fund contributes to the service. The delay in implementing PAYT will also delay this fee review. The DPW intends to carefully document all costs and savings generated through the PAYT system in Year 1 before making recommendations to modify the fee schedule and reduce the subsidy.

**Diversity and Inclusion:** The Town continues to focus its efforts on proactively increasing the diversity of the Town’s workforce, especially in its management ranks. The ability to effectively measure the Town’s efforts in this area are essential, and I have authorized in this Budget the acquisition of an automated applicant tracking system that will allow the Human Resources department to document the Town’s recruitment and hiring activities. I have also authorized a study of the classification and compensation system for management employees of the Town. The goal of this study is to ensure there is equity within the organization and that our compensation system is adequate to attract and retain quality managers. This study will also assure that the Town’s systems do not discriminate against women or minority employees/applicants.

**Shifting Nature of Information Technology:** Previously, IT departments have been focused on building hardware and software capacity for organizations. More recently, the focus has shifted to developing robust Internet access and networks that allow users to effectively share information and reduce manual and repetitive tasks. The use of web based applications will shift costs from hardware/software acquisitions to fee based service agreements. IT staff are also focusing more efforts on the security of its data, which can be attacked in a number of direct or indirect ways. Finally, the explosion in the use of social media to communicate to our residents has created a new challenge and capacity for IT professionals. For FY 2018, the Budget has approved the reorganization of staff to include a Business and Administrative Manager who will assume a proactive role in working with Town staff to promote technology comfort, confidence and responsibility to better serve the community.

**Performance Management:** The Town has embraced the use of performance management in its budgeting and service delivery processes. In my FY 2017 Budget proposal, I identified training for performance management capacity as a priority. I am pleased to report that, on Wednesday October 26, forty-one department heads and upper level management of the Town participated in a several hour training program provided by the Government Finance Officers Association (GFOA). The training focused on the background and method of performance management, including ways to align the measurement of data with a department's or community's goals. We also discussed how one department's performance data is useful to other departments, especially when that data relates to a town wide goal.

This training has been reinforced during regular management meetings and in the FY 2018 budget process. While GFOA did not discourage us from documenting existing workload or output indicators within the Budget, they did challenge us to identify other measures that relate more closely to the Town's overall goals and can be more relevant to improving service levels or reducing costs. Overall, the training was very valuable as both a learning experience and to enhance team building among the Town's management staff.

**Employee Wages and Benefits:** The ability to provide reasonable wages and benefits to municipal employees within the structural gap that Proposition 2½ creates is a challenge. In addition to normal step increases and general wage increases, collective bargaining with municipal employee unions also involves costly benefits such as sick leave, vacation leave, longevity payments and specialty pay for nighttime assignments or hazardous duty. Bargaining with public safety unions that results in impasse move to a state controlled process under the Joint Labor Management Committee (JLMC). While the JLMC attempts to resolve disputes through mediation, they maintain the ability to engage in an arbitration process through a "neutral" party. This arbitration procedure is not effectively coordinated or consistently applied and as a result, tends to favor labor. The Town supports reform of the JLMC process that would compel the parties to work out their differences at the bargaining table like all other municipal unions.

Unlike Massachusetts state government, health insurance is a mandated subject of collective bargaining for municipal employment. In an effort to facilitate necessary changes in health insurance programs, the Town adopted a separate collective bargaining process referred to as Coalition Bargaining. This is a consolidated process involving weighted representation from all town and school unions and retirees that comprise a Public Employee Committee (PEC). This process was essential in moving the Town to the GIC a few years ago. We are currently engaged in a comprehensive review of the Town's health insurance program in order to develop cost effective and adequate benefits for the Town's employees and retirees.

**School Expansion:** The decision to pursue the construction of a 9th elementary school at the Town owned Baldwin site and the expansion of Brookline High School to accommodate the unprecedented enrollment increase are well underway. Both projects are in the feasibility stage and will develop clearer options and costs for future consideration. Due to the timing of these projects and the participation of the current Devotion School project with the Massachusetts School Building Authority (MSBA), state reimbursement is not an option for these new projects. It is expected that the Town will seek funding for schematic level design this spring in order to facilitate Town Meeting and voter approval as early as the fall of 2017. Both sites are very challenging given the space constraints and the traffic/parking challenges that exist in their neighborhoods.

**Focus on Townwide Obligations and Mandates:** The ability of staff to focus on their own departmental priorities has been challenged by a series of Townwide obligations and mandates. One area is the school expansion challenge, which has required the Administration, Legal, Planning, DPW, Recreation and Building departments to devote sufficient time and energy to help resolve the school space challenge. Similarly, the overabundance of Chapter 40B applications has required these same departments to help manage this process, which is a very time consuming and public procedure requiring multiple public hearings for each project. The negotiation of a possible settlement of the Hancock Village projects also took a great deal of effort which will be considered at the upcoming Town Meeting in the spring. Finally, the use of non-binding resolutions at Town Meeting to compel changes in Town policy creates many challenges for Town management. Taken individually, the resolutions can appear to compel a modest increase in staff involvement. However, when viewed in a cumulative manner, the burdens imposed by these resolutions can be very costly or time consuming. I call on our Town Meeting members, the Board of Selectmen and the Advisory Committee to be judicious in their review and approval of non-binding resolutions and to be cognizant of the administrative and financial burdens these actions can create.

## **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 year the Comptroller was able to provide this assist). This presentation is the culmination of months of work involving the analysis of hundreds of revenue and expenditure line-items, making assumptions about economic conditions, and understanding state budget conditions.

The FY 2018 – FY 2023 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 (\$200,000 in FY 2018), re-development at the former Circle Cinema site (\$25K in FY 2018, \$350K in FY 2019 and \$25K in FY 2020), the new hotel proposed at 25 Washington Street (\$250K in FY 2020 and FY2021), by the re-development of 2 Brookline Place (\$1,356,000 in FY19, \$579K in FY 2020, and \$579,000 in FY 2020) and by the re-development of the Holiday Inn/Waldo Durgin site (\$1.65 million in FY21 and \$500K in FY 2022).
- For State Aid in FY 2018, full use of the Governor's proposal. For FY 2019 - FY 2022, annual 2.5% increases in Ch. 70 and Unrestricted General Government Aid (UGGA).
- For Local Receipts, excluding parking meter receipts, FY 2018 reflects an increase of \$566,952 (2.4%). In FY's 2019-2022, limited growth is expected (approximately \$300,000 / yr, or 1.2%), augmented by \$166,500 in additional Hotel Excise Taxes from the redevelopment of the former Red Cab Site and Circle Cinema sites, in FY 2021 \$250K from 25 Washington St. and \$150K from Holiday Inn/Waldo Durgin and \$150K from Holiday Inn/Waldo Durgin in FY2022.
- 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 \$400,000 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.
- For FY 2018, a Health Insurance rate increase of 5.0% and an increase in enrollment of 40. For FY's 2018-2020, assume a 5.0% annual rate increase and 40 new enrollees per year.
- A Pension appropriation based on the most recent funding schedule approved by PERAC (for FY's 2018 and 2019).
- 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 to get to 7.5%).

These assumptions create an escalating deficit position for FY 2019 primarily for the Schools, starting at \$2.3 million in FY 2019 and reaching \$9 million by FY 2021. 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  
FY2018 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>REVENUE</b>					
<b>Property Taxes</b>	<b>211,298,230</b>	<b>223,746,105</b>	<b>231,844,514</b>	<b>240,277,299</b>	<b>248,496,293</b>
<b>Local Receipts</b>	<b>29,556,650</b>	<b>29,864,146</b>	<b>30,182,689</b>	<b>30,889,056</b>	<b>31,334,028</b>
Motor Vehicle Excise (MVE)	5,610,000	5,722,200	5,836,644	5,953,377	6,072,444
Local Option Taxes	2,805,910	2,993,738	3,053,613	3,514,685	3,734,979
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	4,001,902	3,897,084	3,967,903	4,028,616	4,064,839
Interest Income	732,875	751,197	769,977	789,226	808,957
PILOT's	916,800	983,636	1,010,509	1,030,719	1,051,333
Refuse Fee	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
Departmental & Other	7,423,388	7,450,517	7,478,269	7,506,658	7,535,700
<b>State Aid</b>	<b>20,273,713</b>	<b>20,760,968</b>	<b>21,138,310</b>	<b>21,650,233</b>	<b>22,174,954</b>
General Government Aid	6,437,816	6,596,379	6,758,907	6,925,497	7,096,252
School Aid	13,709,194	14,037,886	14,252,701	14,598,033	14,951,998
Tax Abatement Aid	39,720	39,720	39,720	39,720	39,720
Offset Aid	86,983	86,983	86,983	86,983	86,983
<b>Other Available Funds</b>	<b>3,045,386</b>	<b>3,000,729</b>	<b>3,110,815</b>	<b>3,230,855</b>	<b>3,357,023</b>
Walnut Hill Cemetery Fund	100,000	100,000	100,000	100,000	100,000
Reimb./Pymts from Enterprise Funds	2,413,716	2,504,263	2,595,694	2,692,727	2,794,426
Reimb. from Rec Revolving Fund	383,770	396,466	415,121	438,127	462,597
Capital Project Surplus	147,900	0	0	0	0
<b>Free Cash (for Appropriation)</b>	<b>8,354,017</b>	<b>4,400,000</b>	<b>4,500,000</b>	<b>4,650,000</b>	<b>4,775,000</b>
Capital Improvements/Other Spec Approp.	6,058,567	3,819,528	3,964,477	4,095,552	4,253,278
Operating Budget Reserve	615,003	636,588	660,746	682,592	708,880
Strategic Reserves	<u>1,680,447</u>	<u>(56,115)</u>	<u>(125,223)</u>	<u>(128,145)</u>	<u>(187,158)</u>
<b>TOTAL REVENUE</b>	<b>272,527,996</b>	<b>281,771,949</b>	<b>290,776,328</b>	<b>300,697,442</b>	<b>310,137,297</b>
\$\$ Increase	11,818,243	9,243,952	9,004,379	9,921,114	9,439,854
% Increase	4.5%	3.4%	3.2%	3.4%	3.1%

**TOWN OF BROOKLINE  
FY2018 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>EXPENDITURES</b>					
<b>Departmental</b>	<b>71,570,981</b>	<b>73,366,245</b>	<b>75,180,004</b>	<b>77,021,982</b>	<b>78,902,384</b>
Personnel	52,909,231	54,510,755	55,845,755	57,200,755	58,585,755
Services	9,027,977	9,253,676	9,485,018	9,722,144	9,965,197
Supplies	2,215,278	2,270,660	2,327,426	2,385,612	2,445,252
Other	565,232	579,363	593,847	608,693	623,910
Utilities	4,818,753	4,978,753	5,128,753	5,278,753	5,428,753
Capital	2,014,510	1,753,038	1,779,205	1,806,025	1,833,516
Intergovernmental	20,000	20,000	20,000	20,000	20,000
<b>Coll. Barg. - Town</b>	<b>1,150,000</b>	<b>1,110,000</b>	<b>1,130,000</b>	<b>1,160,000</b>	<b>1,180,000</b>
<b>Schools</b>	<b>102,712,330</b>	<b>108,139,948</b>	<b>113,927,990</b>	<b>120,008,901</b>	<b>126,170,612</b>
<b>Coll. Barg. - School</b>	<b>1,787,982</b>	<b>1,898,881</b>	<b>1,898,881</b>	<b>1,898,881</b>	<b>1,980,000</b>
<b>Non-Departmental - Benefits</b>	<b>61,039,934</b>	<b>64,098,089</b>	<b>68,423,683</b>	<b>73,415,451</b>	<b>78,766,154</b>
Pensions	21,499,185	22,823,218	24,582,486	26,512,211	28,593,420
Group Health	30,758,441	32,598,269	34,674,180	37,274,743	40,070,349
Retiree Group Health Trust Fund (OPEB's)	4,480,080	3,975,543	4,266,151	4,516,151	4,766,151
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	1,486,250	1,523,406	1,561,491	1,600,529
Public Safety IOD Medical Expenses	200,000	275,000	275,000	275,000	275,000
Unemployment Compensation	200,000	325,000	325,000	325,000	325,000
Medical Disabilities	40,000	45,000	45,000	45,000	45,000
Medicare Coverage	2,223,228	2,372,184	2,531,121	2,700,706	2,881,653
<b>Non-Departmental - General</b>	<b>1,389,319</b>	<b>707,027</b>	<b>741,404</b>	<b>754,631</b>	<b>801,025</b>
Liability/Catastrophe Fund	203,644	77,535	90,267	80,776	98,325
Affordable Housing	576,803	0	0	0	0
General Insurance	405,972	426,271	447,584	469,963	493,462
Audit/Management Services	137,000	137,000	137,000	137,000	142,000
Misc.	65,900	66,222	66,553	66,891	67,239
<b>Non-Departmental - Debt Service</b>	<b>12,322,428</b>	<b>16,628,464</b>	<b>17,188,358</b>	<b>15,844,846</b>	<b>16,403,098</b>
General Fund	12,322,428	16,628,464	17,188,358	15,844,846	16,403,098
<b>Non-Departmental - Reserve Fund</b>	<b>2,460,011</b>	<b>2,546,352</b>	<b>2,642,984</b>	<b>2,730,368</b>	<b>2,835,519</b>
Tax Supported	1,845,008	1,909,764	1,982,238	2,047,776	2,126,639
Free Cash Supported	615,003	636,588	660,746	682,592	708,880
<b>Special Appropriations</b>	<b>9,724,903</b>	<b>6,901,263</b>	<b>6,947,674</b>	<b>8,000,534</b>	<b>8,155,349</b>
Tax Supported	3,518,436	3,215,385	3,198,687	4,114,903	4,187,554
Free Cash Supported	6,058,567	3,685,878	3,748,987	3,885,631	3,967,795
Other	147,900	0	0	0	0
<b>Non-Appropriated</b>	<b>8,370,109</b>	<b>8,567,763</b>	<b>8,770,359</b>	<b>8,978,019</b>	<b>9,190,871</b>
State Assessments	6,508,126	6,662,030	6,819,782	6,981,478	7,147,216
Cherry Sheet Offsets	86,983	86,983	86,983	86,983	86,983
Overlay	1,750,000	1,793,750	1,838,594	1,884,559	1,931,673
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
<b>TOTAL EXPENDITURES</b>	<b>272,527,997</b>	<b>283,964,032</b>	<b>296,851,338</b>	<b>309,813,614</b>	<b>324,385,012</b>
\$\$ Increase	11,818,243	11,436,035	12,887,306	12,962,276	14,571,399
% Increase	4.5%	4.2%	4.5%	4.4%	4.7%

**TOWN OF BROOKLINE  
FY2018 PROGRAM BUDGET**

**BUDGET MESSAGE**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>(2,192,083)</b>	<b>(6,075,010)</b>	<b>(9,116,171)</b>	<b>(14,247,716)</b>
<b>DEFICIT AS A % OF OP REV</b>	<b>0.0%</b>	<b>-0.8%</b>	<b>-2.1%</b>	<b>-3.0%</b>	<b>-4.6%</b>
Surplus / (Deficit) Prior to Collective Bargaining	2,937,982	515,002	(1,060,271)	(2,492,033)	(5,286,671)
Town Share of Surplus / (Deficit)	1,150,000	1,251,310	728,862	1,005,496	2,137,782
Town Collective Bargaining	1,150,000	1,110,000	1,130,000	1,160,000	1,180,000
<b>Total Town Surplus / (Deficit)</b>	<b>0</b>	<b>141,310</b>	<b>(401,138)</b>	<b>(154,504)</b>	<b>957,782</b>
School Share of Surplus / (Deficit)	1,680,000	1,787,982	(434,511)	(3,774,992)	(7,063,787)
School Collective Bargaining	1,680,000	1,787,982	1,898,881	1,898,881	1,898,881
<b>Total School Surplus / (Deficit)</b>	<b>0</b>	<b>(2,333,392)</b>	<b>(5,673,873)</b>	<b>(8,962,668)</b>	<b>(15,205,498)</b>

**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. In 2015, such 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 overcrowding issue in the schools continues to be the most urgent CIP need, consuming more of the CIP and necessitating additional Debt Exclusion Overrides. Our K-12 student population has grown by 28.6% since FY 2006 from 5,766 students to 7,412. While the increase in size of Brookline's kindergarten enrollment has driven the growth these larger elementary grades

will soon begin to enter the high school. Brookline High School has grown 4.1% in the last ten years, with a five-year growth of 12.7%. Currently, grades Kindergarten through 4th average 651 students this year, while grades 8-12 are still averaging only 490 students. The School Department projects that there will be more than 2,400 students attending Brookline High School in grades 9-12 by the school year 2020-2021.

As a result the Town is in the midst of two feasibility studies for the High School renovation and expansion project as well as the 9th School at the Baldwin site. This CIP is only able to provide minimal funding for additional classroom capacity in the interim years prior to the High School and K-8 projects coming online. This CIP also alters the plan for the High School due to an accelerated timetable proposed by the School Committee combined with the decision to proceed with the project without partnering with the Massachusetts School Building Authority (MSBA). The debt plan for this project now assumes that debt exclusion funding source will be accessed prior to using CIP capacity. We will seek authorization for the entire amount in FY2019 once a project has been defined by the schematic design process.

As presented, this proposed \$115.8M six-year CIP continues to provide funding for a portion of a High School Project (\$35M) no capacity exists beyond the schematic design phase for the 9th School at Baldwin project. The Soule Athletic Field renovation is also included as part of this project. Therefore, a Debt Exclusion Override is assumed for the remainder of what would be required at the High School and 9th School at Baldwin Project.

The recommended FY2018 – FY2023 CIP calls for an investment of \$115.8 million, for an average of approximately \$19.3 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 (FY08 - FY17), the Town has authorized expenditures of \$337 million, for an average of nearly \$31 million per year. 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 a backlog of capital projects. This has allowed for the creation of additional classroom spaces necessitated by the surge in enrollment, dramatically improved the Town's physical assets, and have helped yield savings in the Operating Budget through investments in technology and energy efficiency.

This CIP adjusts for the projected timetables for the High School and 9th School at Baldwin Projects and reflects the decision to proceed without MSBA partnership. The current plan calls for Feasibility to conclude sometime this spring with funding for Schematic Design Planned for FY2018. For the High School this is estimated at \$1.5M which is planned for bond financing while the \$1.5M for the 9th School at Baldwin will be funded with cash.

**TOWN OF BROOKLINE  
FY2018 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 \$25.6M of specific park projects included, as shown in the table below:

CC	Total	Prior Year (FY17)	FY2018		FY2019		FY2020		FY2021		FY2022		FY2023		Future Years	
			Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC
	<u>Parks and Playgrounds</u>															
3	Brookline Reservoir Park	2,340,000	140,000	2,200,000	B											
3	Corey Hill Park	700,000	700,000													
3	Cypress Playground/Athl. Field	2,640,000				240,000	A	2,400,000	B							
3	Emerson Garden Playground	770,000	770,000													
3	Harry Downes Field & Playground	1,070,000	80,000			990,000	B									
3	Heath School Playground Accessibility	1,050,000													1,050,000	A
3	Kraft Family Athl. Field Turf Repl.	1,078,000						98,000	A	980,000	A					
3	Larz Anderson Park	9,000,000				2,700,000	B	600,000	A	2,200,000	B				3,500,000	B
3	Murphy Playground	890,000		70,000	A	820,000	B									
3	Riverway Park	625,000													625,000	A
3	Robinson Playground	1,190,000						100,000	A	1,090,000	B					
3	Schick Playground	1,060,000							90,000	A	970,000	B				
3	Boylston St. Playground	1,180,000													1,180,000	A
3	Griggs Park	970,000													970,000	A
3	Soule Athletic Fields	1,110,000				90,000	K	1,020,000	K							

It should be noted that the projected timeframe for both the 9th School at Baldwin and the High School have necessitated an accelerated schedule for both Cypress Playground/Athletic Field Renovations and the Soule Athletic Field Renovation. In order to meet that timetable within the constraints of the CIP it is recommended that the funding for the Soule project be part of what will be requested as part of the Debt Exclusion for the 9th School at Baldwin Project.

There is also funding allocated in FY2018 for a Traffic Calming/Safety Improvement project that calls for a Pedestrian Crossing LED Warning System at various locations. Flashing warning lights will be installed at either end of the existing cross walks. Lights will be activated by pushing a pedestrian button. These lights are similar to the flashing stop lights at High Street and Allerton Road. There is also funding for improvements to the Carlton Street / Monmouth Street Traffic Signal. The Fire Alarm Call box System project is currently in “future years”. This was a project that had previously been in the CIP, but subsequently removed. The DPW commissioned a study in partnership with the Fire Department. The recommendations of the study need to be prioritized under the current CIP constraints and a larger conversation on reinvestment in this system needs to be had considering that a project this large would likely result in the deferment of several significant projects.

This CIP makes some changes to the Town’s apparatus replacement program. 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. While it was thought that Ladder #12 could be rehabbed for approximately \$200,000 attempting a rehab is not recommended based on extensive rust and corrosion that currently exists and would only be worse in two years from now. This condition combined with the need to replace Tower 1 during FY2017 left the Town in a less than desirable position while waiting for the arrival of a new ladder truck (expected around January, 2018) and necessitated the purchase of a lightly used ladder truck funded via a reserve fund transfer. We will be working with the Department to reassess the replacement and refurbishment schedule based on this experience. The Department has also requested the acceleration of the Engine 6 Replacement by one fiscal year so a minimal rehab can be performed on the engine it is replacing to be a quality reserve.

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 FY2012, \$650K was appropriated to undertake the Structural component. The next phase for implementation was the Life Safety component, which was funded between FY2013 – FY2015 (\$890K). Given the work planned for Station 6 the funding schedule for Station 6 MEP work was moved from FY2021 to FY2017 in order to allow efficiencies with bids and project schedules. MEP work for the remaining stations is as follows:

Sta 5 (Babcock Street)	\$220,000 (FY18)
Sta 4 (Rt. 9/Reservoir Road)	\$445,000 (\$60K FY18, \$385K FY19)
Sta 1 (Brookline Village)	\$450,000 (FY21)
Sta 7 (Washington Square)	\$620,000 (\$350K FY21, \$270K FY23)

Work at Station 7 also includes a second means of egress and work on the second floor living area.

Some of the major projects proposed in the CIP include:

- Larz Anderson - \$4.9 million (FY19, FY21)
- Fire Sta. Renovations - \$2.4 million (FY18-22)
- Brookline Reservoir Park - \$2.3 million (FY17-18)
- Robinson Playground - \$1.2 million (FY20-FY21)
- Larz Anderson Park - \$9.0 million (FY19-21)
- Cypress Playground - \$2.6 million (FY19-20)

Continued major investments include:

- Street and Sidewalk Rehab - \$21.3 million
- Parks and Open Space - \$19.8 million
- Town/School Bldg Envelope/Fenestration Repairs - \$3.2 million
- Town/School Roofs - \$3.1 million
- Water & Sewer Infrastructure - \$5.8 million -- enterprise fund
- Town/School Energy Mgmt/Conservation - \$1.8 million
- Information Technology - \$1.1 million
- Tree Replacement - \$1.4 million

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

**CONCLUSION**

The FY 2018 Budget represents the final year of a three-year funding plan to address the impacts of increasing enrollment in the Brookline Public Schools. The plan raised \$7.665 million in taxes and \$2.3 million from non-tax sources. While the non-tax portion of the plan did not meet its target by \$770,000, this shortfall was absorbed by the municipal side of the Budget and allocated to the School Budget through the Town School Partnership formula. Fortunately, the GIC health insurance rates and the Governor's state aid proposal were more favorable than expected and helped to avoid reductions in staffing or programs. Still, the cumulative impact of level budgets and the need to absorb expenses that exceed the Budget have limited the ability of municipal departments to grow and address expanding expectations. The FY 2018 Budget is balanced based upon a realistic assumption of revenues and expenses. It continues to meet the financial policies that the Town has established to meet its short term and long term obligations with best practices, ensuring that the Town can retain its Aaa bond rating.

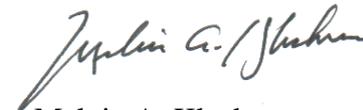
As the three-year funding plan concludes, the Town must face the reality that the underlying structural gap between revenues and expenses has not been resolved. This gap must be reconciled each year, usually by trimming staffing and expenses to balance the Budget. While staff makes extraordinary efforts to find new recurring revenue and to reduce expenses with minimal impact upon the services it provides, there is a limit. As the Town looks towards FY 2019 and beyond, it would make sense to convene a group to review the Override Study Committee report, issued August 2014, and begin to identify some alternatives. Already, the Advisory Committee has begun to engage in a long range budget planning process beyond FY 2018 that will focus the Town's attention.

I wish to acknowledge the extraordinary efforts of my staff for assembling this Financial Plan document. Led by Melissa Goff, Deputy Town Administrator, and assisted by Austin Faison, Assistant Town Administrator, this document is an outstanding tool to communicate the Town's priorities and detail the many facets of the Town's complex financial and budgeting system to the public. I am especially grateful to Melissa for her leadership and success in creating a multi-year Capital Improvement Plan that meets the Town's goals. The department heads of the Town and School should receive special recognition for their tremendous support in preparing and defending reasonable budget requests. This is a very uncertain time and it can be stressful to consider the impacts of multiple funding scenarios throughout the budget process.

Finally, I am extremely proud to announce that this document for FY 2017 has again received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA).

Over the next several months leading to the Annual Town Meeting in May, my staff and I look forward to working with the Board of Selectmen and Advisory Committee on reviewing this Financial Plan.

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.**

**FY2018 FINANCIAL PLAN SUMMARY**

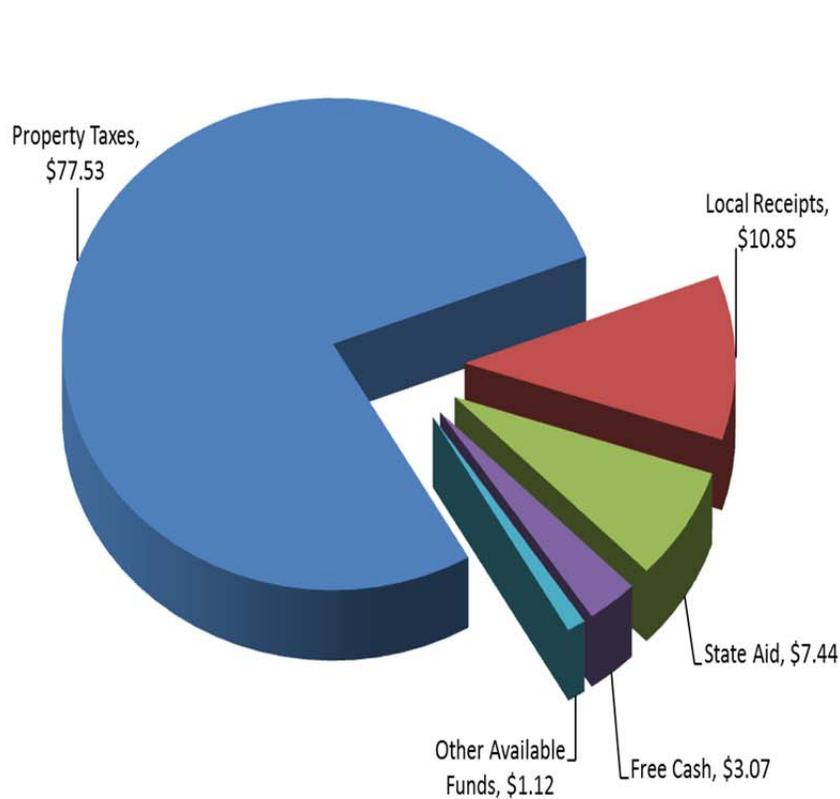
	FY2017	FY2018	INCREASE/DECREASE	
			\$	%
<b>REVENUE</b>				
General Fund Revenue	260,709,753	272,527,996	11,818,243	4.53%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	28,985,259 (2,057,070)	29,271,308 (2,233,725)	286,049 (176,656)	0.99% 8.59%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,522,831 (182,097)	1,647,098 (179,992)	124,267 2,105	8.16% -1.16%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,984,642 (375,900)	3,108,526 (383,770)	123,884 (7,870)	4.2% 2.1%
<b>TOTAL REVENUE</b>	<b>291,587,419</b>	<b>303,757,441</b>	<b>12,170,022</b>	<b>4.2%</b>
<b>APPROPRIATIONS</b>				
General Fund Operating Budget	243,481,638	254,432,986	10,951,347	4.5%
Non-Appropriated Budget *	8,348,741	8,370,109	21,368	0.3%
Revenue-Financed CIP Budget	8,879,375	9,724,903	845,528	9.5%
General Fund Total	260,709,754	272,527,998	11,818,243	4.5%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	28,985,259 (2,057,070)	29,271,308 (2,233,725)	286,049 (176,656)	1.0% 8.6%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,522,831 (182,097)	1,647,098 (179,992)	124,267 2,105	8.2% -1.2%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	2,984,642 (375,900)	3,108,526 (383,770)	123,884 (7,870)	4.2% 2.1%
<b>TOTAL APPROPRIATIONS</b>	<b>291,587,419</b>	<b>303,757,441</b>	<b>12,170,022</b>	<b>4.2%</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	

**FY2018 RECOMMENDED GENERAL FUND BUDGET SUMMARY**

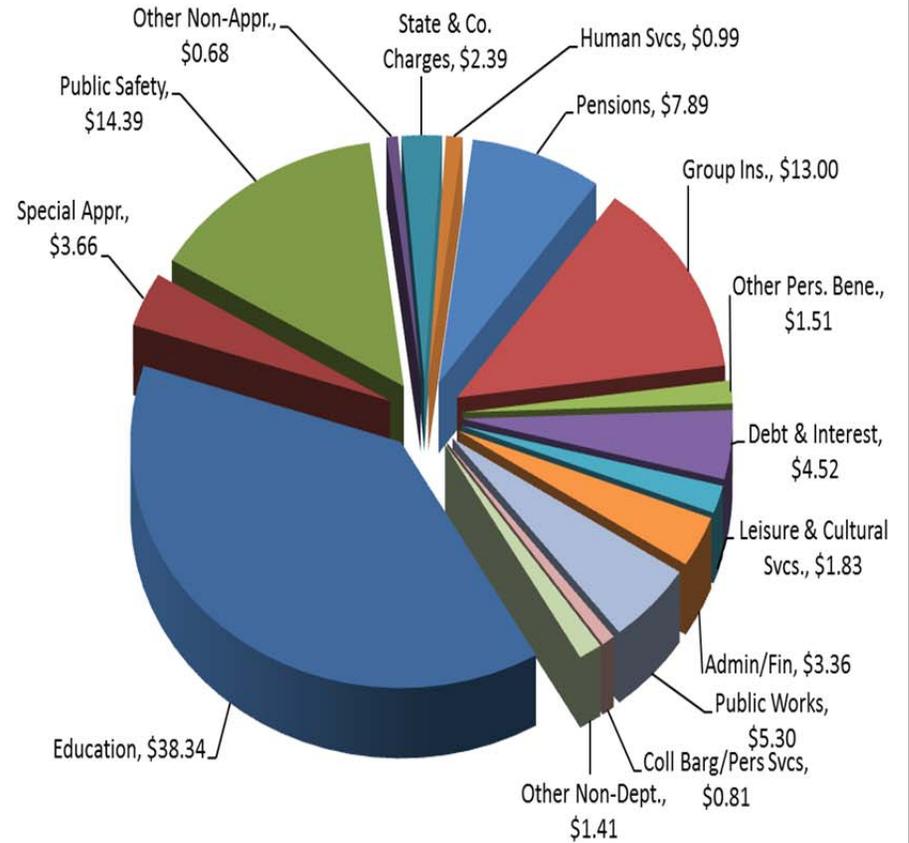
	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGET	FY2018 BUDGET	INCREASE/DECREASE	
						\$	%
<b>REVENUE</b>							
Property Tax	175,783,902	182,239,297	195,049,924	204,064,199	211,298,230	7,234,031	3.5%
Local Receipts	25,522,496	25,847,019	29,377,154	23,836,698	29,556,650	5,719,952	24.0%
State Aid	16,633,741	17,675,450	18,837,306	19,657,251	20,273,713	616,462	3.1%
Free Cash	7,655,155	5,084,152	5,016,501	5,311,538	8,354,017	3,042,479	57.3%
Other Available Funds	6,852,688	9,003,508	6,895,644	7,840,067	3,045,386	(4,794,681)	-61.2%
<b>TOTAL REVENUE</b>	<b>232,447,982</b>	<b>239,849,426</b>	<b>255,176,529</b>	<b>260,709,753</b>	<b>272,527,996</b>	<b>11,818,243</b>	<b>4.5%</b>
<b>(LESS) NON-APPROPRIATED EXPENSES</b>							
State & County Charges	6,196,321	6,201,541	6,319,715	6,393,642	6,508,126	114,484	1.8%
Tax Abatement Overlay	1,726,503	2,080,721	1,965,726	1,840,902	1,750,000	(90,902)	-4.9%
Deficits & Judgments	3,049	25,000	25,000	25,000	25,000	0	0.0%
Cherry Sheet Offsets	111,026	126,443	91,451	89,197	86,983	(2,214)	-2.5%
<b>TOTAL NON-APPROPRIATED EXPENSES</b>	<b>8,036,899</b>	<b>8,433,705</b>	<b>8,401,892</b>	<b>8,348,741</b>	<b>8,370,109</b>	<b>21,368</b>	<b>0.3%</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>				<b>252,361,017</b>	<b>264,157,887</b>	<b>11,796,870</b>	<b>4.7%</b>
<b>APPROPRIATIONS</b>							
Town Departments	65,964,138	68,477,847	68,442,342	71,523,392	72,720,981	1,197,590	1.7%
School Department	82,780,770	82,780,770	95,916,093	101,118,783	104,500,312	3,381,529	3.3%
Non-Departmental Total	60,329,975	60,749,287	63,465,863	70,839,464	77,211,691	6,372,227	9.0%
General Fund Non-Departmental	57,700,095	58,262,334	60,945,219	68,224,397	74,414,203	6,189,806	9.1%
Water and Sewer Enterprise Fund Overhead *	2,125,747	1,973,970	1,988,729	2,057,070	2,233,725	176,656	8.6%
Golf Enterprise Fund Overhead *	150,416	163,049	177,791	182,097	179,992	(2,105)	-1.2%
Recreation Revolving Fund Overhead *	353,717	349,934	354,124	375,900	383,770	7,870	2.1%
<b>OPERATING BUDGET SUBTOTAL</b>	<b>209,074,883</b>	<b>212,007,904</b>	<b>227,824,298</b>	<b>243,481,638</b>	<b>254,432,986</b>	<b>10,951,347</b>	<b>4.5%</b>
Revenue-Financed CIP (Special Appropriations)	12,933,500	8,581,000	10,113,000	8,879,375	9,724,903	845,528	9.5%
<b>TOTAL APPROPRIATIONS</b>	<b>222,008,383</b>	<b>220,588,904</b>	<b>237,937,298</b>	<b>252,361,017</b>	<b>264,157,887</b>	<b>11,796,870</b>	<b>4.7%</b>
<b>BALANCE</b>				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.

**How Each \$100 Will Be Received**



**How Each \$100 Will Be Spent**



FULLY ALLOCATED FY2018 GENERAL FUND OPERATING BUDGET

