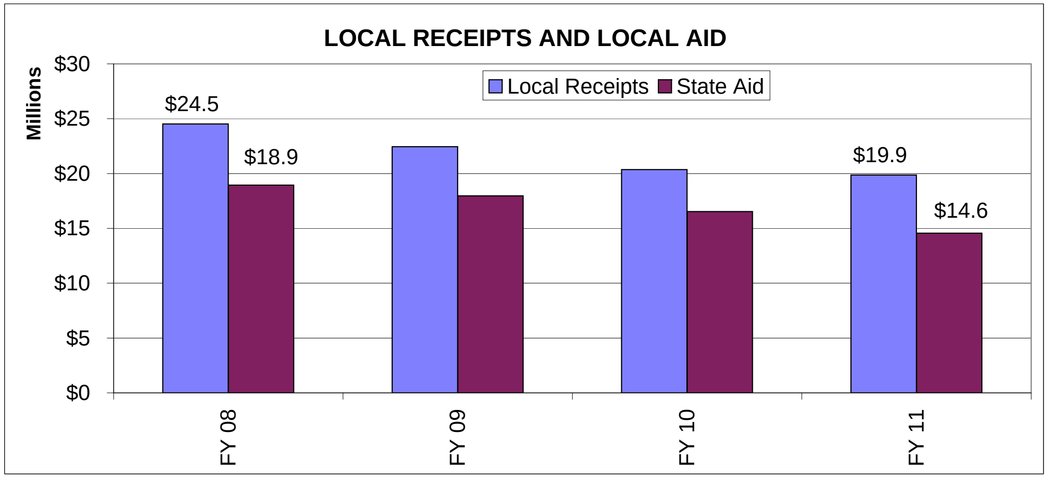
Honorable Members of the Board of Selectmen and Members of the Advisory Committee:

It is once again my privilege to present for your consideration the Annual Financial Plan per Chapter 270 of the Acts of 1985, as amended (The Town Administrator Enabling Act) and Section 2.2.5 of the Town By-Laws. As always, the Annual Financial Plan for Fiscal Year 2011 is balanced and provides a complete presentation of revenue, expenses, and capital improvements totaling $228,352,100. Included are the General Fund Operating Budget of $188,964,206; enterprise/revolving funds of $25,483,955 (net of General Fund Reimbursement); non-appropriated expenses of $7,331,939; and revenue financed CIP of $6,572,000.

Total General Fund revenues will remain stagnant in FY11 in comparison to FY10 levels. The Town's General Fund non-property tax collections (Local Receipts) will drop below prior year actuals to the lowest level in six years. Despite welcomed Local Aid proposals announced by the Governor, until a final determination is made by the Legislature in the wake of last year's 19% cutback, estimates about State assistance have to be tempered by the cautions expressed by many other state leaders. Without the relative stability of the property tax (up 3.5%), overall Town revenues would be in a state of decline.

Yet, because of the actions the Town has taken in recent years, most recently culminating in the agreement to join the state Group Insurance Commission (GIC) in FY11, we will not have to employ the extreme measures that, unfortunately, are being increasingly utilized nationally by state and local governments. Even though the FY11 Financial Plan calls for the exercise of significant restraint in light of the overall long-term outlook, it does not have to resort to severe cutbacks, unpaid furloughs, compensation rollbacks, and lay-offs. Nevertheless, while seeking to preserve essential health, safety, and education services in the near-term, the recommended budget also attempts to strategically position the Town for continued economic and fiscal stress.



BACKGROUND

Since FY08, the Town and Brookline community have fully utilized virtually all of the major tools available to Massachusetts municipalities for stabilizing budgets in the face of the dual challenges of structural shortfalls and economic decline:

FY08 CLOSED $3.2 MILLION BUDGET GAP

- **$1.5 million in increased local fees and fines**
- **Group health plan design changes**
- **DPW initiatives**
- **Budget cuts**

FY09 APPROVAL OF $6.2 MILLION PROP 2 ½ OVERRIDE

- **$2.1 million for structural deficit**
- **$1.5 million for infrastructure**
- **$2.6 million for education**

FY10 ADDRESSED $5 MILLION DEFICIT

- **$4 million reduction via reorganizations, consolidations, cuts**
- **COLAs 0% for all employee groups**
- **First round implementation of Efficiency Initiative Committee recommendations**
- **Launched OPEBs funding plan**
- **Newly adopted local option taxes earmarked for pension funding**

FY11 EXECUTED GIC AGREEMENT

- **$4+ million town budget savings**
- **$1+ million net employee savings (premium savings less out-of-pocket costs)**
- **Provides capacity for salary reserve; expanded OPEB funding; and continuation of pension funding plan**

This multi-year strategy involving reductions, revenue, and reforms has brought the Town in FY11 to a point of relative budgetary respite from long-term fiscal tumult that will undoubtedly continue beyond the upcoming fiscal year. Some of the principal actions by which the FY11 Financial Plan attempts to sustain services near-term and brace for long-term uncertainty are:

• WORKFORCE MANAGEMENT – In recent years, the Town has sought reduced workforce levels without layoffs from efficiencies, cutbacks, and hiring freezes. While the FY11 budget does not require lay-offs, past inroads made in these levels are preserved and, in fact, slightly reduced below FY10 counts. Since FY06, Town General Fund FTEs are down nearly 5%.

• BALANCED APPROACH TO COMPENSATION – Due to the budget cuts required in FY10 and lack of reform in the local government group health system for that year, cost of living adjustments were not provided to any employee groups in FY10. The FY11 Financial Plan does not retroactively increase this base budget item, but does set aside a prospective salary reserve equivalent to 1% in light of the group health change taking place on July 1, 2010.

• INCREASED FUNDING FOR OPEBs – The OPEBs funding schedule initiated in the FY10 budget is not only continued but expanded. The Financial Plan now projects that annual OPEBs allocation will exceed $1 million a year by FY12, with the Trust Fund balance likely approaching the $10 million mark by that time.

• CONTINUED DEDICATION OF LOCAL OPTION TAXES TO PENSION FUNDING – For FY11, newly adopted local option taxes of approximately $1 million are again earmarked for pension funding in order to ramp up to an adequate appropriations level by FY12 as part of the overall strategy to recover from 2008 investment losses.

• TOWN/SCHOOL PARTNERSHIP – By continuing the past practice of evenly dividing net revenue after accounting for fixed costs inclusive of Special Education as a fixed cost, funding for the Schools can be increased 4.5%. Recent education program expansion can therefore be continued.

• NO PUBLIC SAFETY STAFF REDUCTIONS – Fire suppression levels and uniformed police enforcement are maintained after the reductions experienced in both areas in the current fiscal year. It is important to note that, according to the Chiefs, losses due to fire and reported crime are both down notwithstanding these reductions.

• ON-GOING EMPHASIS ON EFFICIENCIES THROUGH TECHNOLOGY AND OTHER MEANS – Continuation of Efficiency Initiative as identified in the 2009 Report of that Committee, often utilizing technology for greater productivity in areas such as parking management/enforcement.

• PRESERVATION OF RESERVES – All reserve policies are followed and operating reserves, along with reserve funds for liability, stabilization, and property tax overlay, are fully-funded.

• CIP FUNDING RESTORED – CIP appropriations, which were reduced in FY10 from 5.5% of net revenue to 5.0% of net revenue, are increased to 5.25% per the recommendation when the FY10 reduction was taken. It is fully expected that this allocation will increase to 5.5% in FY12 as originally planned.

As a result of the Town's multi-year approach in its fiscal strategy, Moody's Credit Service this past year once again renewed the Town's Aaa rating. In addition to citing the Town's stable property tax base and favorable debt profile, Moody's noted "Brookline's well managed financial position…given the Town's proactive and conservative budgeting strategies." There is every reason to expect that the Aaa credit rating will be assigned once more in 2010 as a result of continuing the practices that have been followed every year since the Aaa was reinstituted in 1995.

FY 11 BUDGET ACTIONS

Group Health - The cornerstone for the balanced FY11 Financial Plan that also advances the objective of addressing long-term concerns is the upcoming transition for health coverage into the State's Group Insurance Commission (GIC). This switch is expected to save a total of approximately $7 million in avoided premium costs, creating more than $4 million in freed-up budget capacity for the Town and providing over $2 million for employee/retiree subscribers in the form of reduced withholdings. The figures below illustrate how significant the budget variance is from what had been expected to be a $25.7 million line-item had the change not been made.

NON-GIC

	FY2010	FY2011
Approp.	24,073,604	25,757,341
$$ Var.		1,683,737
% Var.		6.99%

WITH GIC

	FY2010	FY2011
Approp.	24,073,604	21,227,416
$$ Var.		(2,846,188)
% Var.		-11.82%

$$ Var.	**(4,529,924)**
% Var.	**-17.6%**

The impetus for this change began with a 2006 Metro Mayors study, chaired by an area bank executive, that recommended allowing municipalities to join the State-administered health program for the employees and retirees of the Commonwealth covering 300,000 members inclusive of dependents. This concept took shape over the course of year-long deliberations between statewide union and municipal representatives who came to consensus on an approach for localities to make this switch through a concept called coalition bargaining. The Municipal Partnership Act that was enacted into law in July, 2007 allowed cities and towns for the first time ever the opportunity to join the GIC through coalition bargaining, which requires 70% approval of the unions and retirees.

The Override Study Committee, whose January 2008 Report led to only the Town's second property tax override since Proposition 2 ½ was enacted in 1981, recommended that the Town take advantage of the new law and join the GIC. Subsequently, the Efficiency Initiative Committee and the OPEBs Task Force likewise urged the same action. Even Town Meeting in 2008 resolved that town management and labor should negotiate in earnest over joining the GIC.

In anticipation of this possible course of events, the Board of Selectmen in 2007 adopted Section 19 of G.L. Ch. 32B, which authorizes the coalition bargaining process. The Town and the union Public Employee Committee (PEC) could not come to agreement about the GIC in 2008. However, in November 2009 the parties signed an MOA allowing the Town to transfer its group health subscribers to the GIC on July 1, 2010. The core of the Agreement calls for the Town to increase its percentage share of premium from the current 75% to 78%-80%-83% over the three years of the MOA term. In exchange, the PEC agreed to decrease the Town's premium share for the more costly indemnity coverage from 75% to 65% and to relinquish union bargaining rights over future plan design changes.

Because of the substantial variance between GIC premiums and current Town premiums (family coverage is currently $1,834/mo, 30% greater than the initial FY10 premium for comparable GIC coverage at $1,273/mo), the Town ultimately agreed with the PEC to share with the employees and retirees about one quarter of the Town's savings through increasing the Town's percentage contribution of premiums to 83%. The pro forma below, prepared by the Town's consultant Longfellow Benefits, shows the potential amount of premium cost avoided annually assuming 12% growth rates for current Town plans and 9% for the GIC. It also illustrates and how the Town and PEC negotiated the allocation of these savings inclusive of the subscribers' pre-existing 25% share of savings enhanced by the Town shifting additional savings through reducing employee premium withholdings from 25% to 17% over the term of the agreement. It is important to note that these figures do not reflect the estimated $1 million a year increase in subscriber out-of-pocket costs due to the higher co-pays of the GIC.

Fiscal Year	**FY11**		**FY12**		**FY13**	
Projected Savings						
Total Savings	$7,147,065		$8,743,485		$10,591,656	
Town Savings	$4,753,061	67%	$5,390,709	62%	$5,858,066	55%
Employee/Retiree Savings	$2,394,004	33%	$3,352,776	38%	$4,733,590	45%

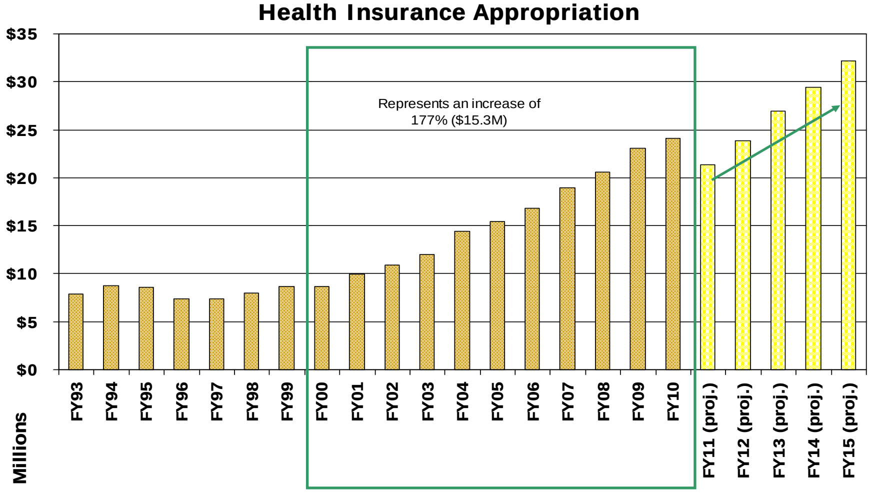
Notes: 10% Indemnity Migration is assumed

CUMULATIVE SAVINGS

Total Savings	$26,482,206	
Town Savings	$16,001,836	60%
Employee/Retiree	$10,480,370	40%

The three-year effort to transfer into the GIC is indicative of the obstacles associated with coalition bargaining as the means of making this change. Of the state's 351 cities and towns, only 20 have joined thus far (along with several regional schools and planning agencies) despite the potential for significant savings. Fear of change, loss of local control, and the need for a super majority of 70% union approval and many other factors are contributing to the lack of movement.

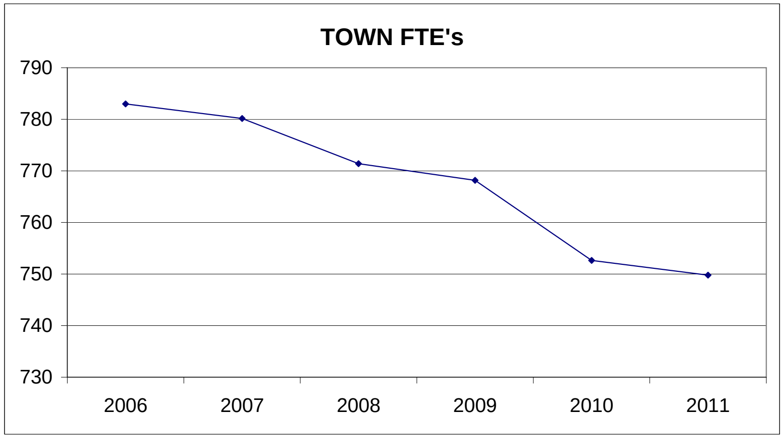
The stakes are obviously huge. Notwithstanding this change, the following projection of 9% annual increases shows that in two years, Town group health costs even under the GIC will exceed current FY10 costs. The GIC is not in and of itself an ultimate solution. FY11 actual savings, while still quite substantial, might turn out to be slightly less than projected because final rate increases (which are not determined until March) could end up being greater than the projected 9%. For this reason $400,000 of Town savings have been set aside as a contingency reserve for group health purposes. However, without this switch to the GIC, the Town would be facing a formidable cutback budget and a severely constricted ability to take meaningful actions addressing unfunded long-term obligations.



<u>WORKFORCE PLANNING/MANAGEMENT</u> – Since FY03, the Town has imposed a hiring freeze in all but two years in order to manage the workforce downsizing necessary to cope both with year-to-year deficits and long-term structural shortfalls. This period of episodic suspensions of hiring was preceded by several years of a "NO NET NEW HIRE POLICY" that mandated back in those times of economic growth that the Town control against workforce expansion by requiring new positions to be offset by the elimination of old positions. In two instances - FY08 and FY10 - the Hiring Freeze was augmented by a Retirement Incentive Program designed to encourage employment separation without expanding retirement costs themselves.

As is shown in the Table on pp. II-29, over the past five fiscal years the Town has reduced General Fund FTEs by more than 30 positions, or nearly 5% of the workforce. Enterprise and Revolving Fund supported positions have been held virtually constant during this same period. These reductions have occurred across departments and throughout all levels of the organization.

This overall downward trend has not only allowed the Town to avoid lay-offs, but has also greatly assisted the Town in the fiscal years when there were mid-year State Aid cuts (FY03 and FY09). In addition, these reductions also help mitigate unfunded retirement obligations for both pensions and group health.



Despite the budget capacity created for FY11 by the change to the Group Insurance Commission, this Financial Plan not only preserves the past inroads made in workforce levels, but actually expands them slightly by further implementation of last year's recommendations of the Efficiency Initiative Committee.

The Hiring Freeze currently in effect was initially authorized by the Board of Selectmen in October 2008. Even though there have been a few "authorizations to hire" during this period based upon the formal exemption provision of the policy, the Town has recently had as many as 27 vacant positions subject to the Freeze. As a result of the recommendations outlined in this Financial Plan, it is expected that several of these positions will remain unauthorized. Authorizations to hire for the remainder are now being sought as requested by the involved departments in order to continue the service levels that are actually budgeted in the FY11 Financial Plan.

BALANCED APPROACH TO COMPENSATION – Through the last two labor contract cycles (two 3-year agreements back to FY04), contractual COLA's have been held within the growth of the CPI as measured on a compounded basis against the Northeast Urban Index.

With the exception of the Police, the Town has not settled successor agreements to its other contracts that expired on June 30, 2009. In exchange for a long-term agreement on police education incentive pay after last year's reduction in Quinn Bill funding by the State, the Police Union settled a two-year contract for an unconditional 0% in FY10 and another 0% in FY11, subject to a re-opener if the Town reached agreement to shift to the GIC.

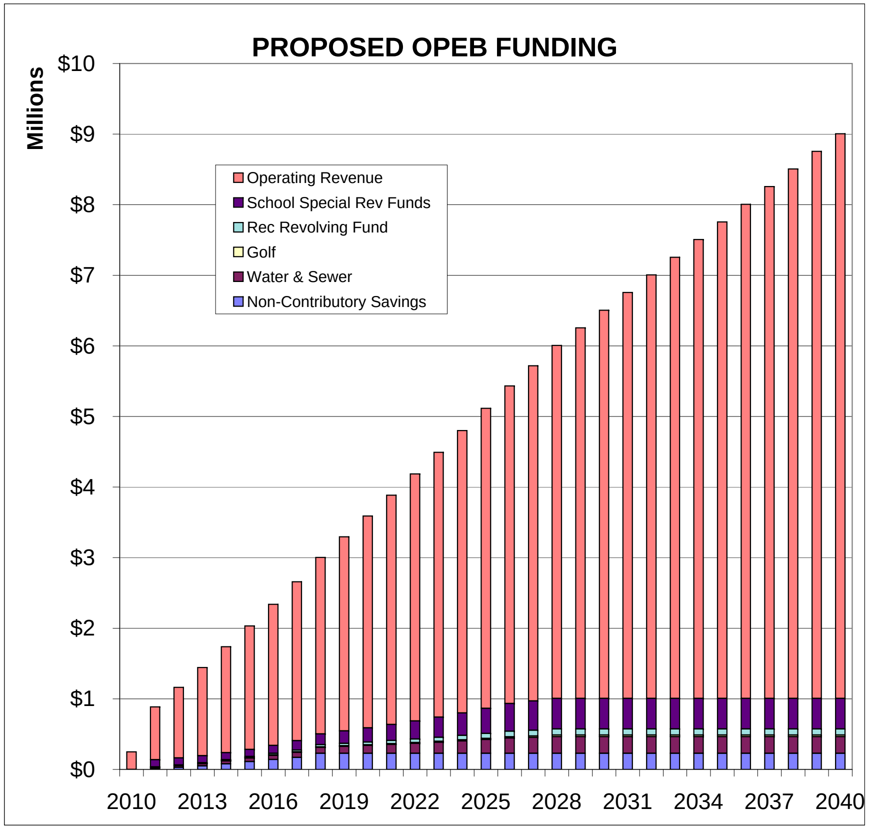
FY	% INCR.	CPI (Jul vs Jul)	
2004	2	3.9	
2005	2.5	3.4	
2006	3 + 1	4.6	
2007	2 + 1	2.0	
2008	2	5.7	
2009	2 + 1	(1.9)	
2010 *	0	(0.2)	> Jan-Nov
Cum.	17.70	18.9	

* Not agreed to yet.

In order to balance the $5 million deficit in FY10 budget, the Town eliminated the entirety of the Salary Reserve that had initially been set aside in last year's Financial Plan. The FY11 Financial Plan does not propose any restoration funding for purposes of retroactivity. However, a Salary Reserve equivalent to a 1% COLA for all Town employees is set aside. No wage adjustment in FY10 and a COLA in the order of magnitude of 1% for FY11 will not likely push the Town's cumulative long-term COLA trend beyond the CPI trend through FY11.

INCREASED FUNDING FOR OPEBs - In 1998 Special Legislation was approved to create the Retiree Health Trust Fund. In FY2000 the Town began to set aside funding for this purpose, and has accumulated more than $7 million for this long-term obligation. The language of that Trust identified the Town's Finance Director as the custodian of funds. The legislation that created this Trust Fund pre-dated the Government Accounting Standards Board (GASB) # 43 regulation that identified the "best practice" to have OPEB funds controlled by an independent autonomous board. In June, 2008 the Town took steps to convert the existing Trust Fund to conform to GASB # 43, authorizing Special Legislation to create an autonomous board to control the funds. The transfer of the Trust to the autonomous board took place in December 2009.

In June, 2008 a Task Force was appointed by the Board of Selectmen to address both the issues of cost containment and funding. This OPEBs Task Force completed its work in June, 2009 and recommended to the Board of Selectmen and School Committee a series of actions that could bring the Town to full funding of this obligation within 30 years. One of the key recommendations was that new funding should be committed to this obligation as soon as possible.

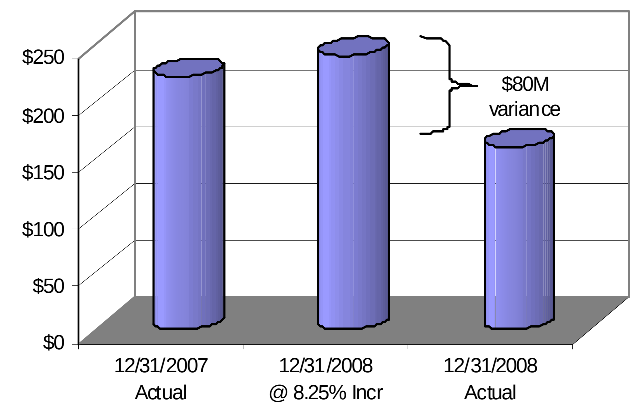


In response to that recommendation, the Town included an appropriation in the amount of $250,000 in the current year's budget, with the further intention to increase this appropriation by $250,000 each year over the 30-year funding period. This FY11 Financial Plan includes an accelerated appropriation of $750,000. In addition, a strategy to phase-up funding of the OPEB unit cost per FTE in the Town and School enterprise, revolving and special funds is incorporated in this Financial Plan. This will add $122,000 to the Fund in FY 2011.

Joining the GIC will also have an impact on the Town's OPEBs obligation, which will be measured once the next biennial actuary analysis is completed during the summer of 2010. The Actuary has preliminarily indicated that entering the GIC could reduce the unfunded liability by as much as $800,000 per year, or $24 million over the next 30 years.

Based upon the last actuary analysis, it is assumed that by committing to the above funding recommendations, the Town will accumulate more than 60% of the required funding over a 30-year period. In addition, we will review a strategy that would allocate the annual pay-as-you-go retiree health portion of the overall health insurance appropriation directly to the Trust Fund and make all necessary expenditures out of the Fund. Other OPEB Task Force cost containment and funding recommendations will also be considered. Once the biennial actuary analysis is completed later this Summer, there will be more complete information to gauge the potential impact of the totality of these tangible actions and conceptual possibilities.

CONTINUED DEDICATION OF LOCAL OPTION TAXES TO PENSION FUNDING - In CY08, pension systems across the country realized steep losses in their assets as a result of the dramatic downturn in the stock market. Brookline's Retirement System was not immune: it lost 28% of its value, or approximately $62 million. For comparison purposes, the S&P 500 lost 47% of its value; CalPERS, the country's largest public pension system, lost 25% ($60 billion); and the State's system (PRIT) lost 29% ($16 billion). Further compounding this loss is the unrealized gain of 8.25% that was expected in CY08, leaving a total gap approaching $80 million between actual assets and expected assets as of December 31, 2008. This is shown in the graph to the right.



The Retirement Board's actuary performed an analysis last year that estimated the impact of the CY08 losses on future pension funding schedules. This initial analysis indicated that the originally scheduled FY12 appropriation would have to increase between $3 million and $5 million in order to absorb the losses and be fully-funded by 2028.

As a result, it was recommended to Town Meeting that the new local option taxes adopted in August, 2009 be allocated to augment the FY10 pension appropriation in an effort to start ramping-up for this massive FY12 budget hit. Town Meeting approved the plan and appropriated nearly $1 million for this purpose. This FY11 Financial Plan continues this allocation. As a result of this approach and the 28% return in CY09, the Town will be much better positioned to handle the FY12 appropriation increase.

More recently, the actuary performed a preliminary analysis to ascertain what the impact of the 28% return, the stepped-up appropriation schedule, and ability to have until 2030 to fully-fund the pension system could mean for the FY12 appropriation. This more recent analysis shows that the Town's FY12 appropriation could be approximately $14.5 million, an amount that is $1.5 million more than the FY12 appropriation required under the current funding schedule. However, by using the local option taxes to start funding this pension spike, growth in FY12 over FY11 could be limited to about $700,000 compared to close to $2 million if the Town were not taking these anticipatory actions. This is shown in the table below:

	FY10	FY11	FY12
Original funding schedule	12,063,565	12,565,355	13,083,124
Augmented with local option taxes	13,028,716	13,784,954	
Revised Preliminary FY12			14,500,000
Revised Preliminary FY12 vs Original FY11			**1,934,645**
Revised Preliminary FY12 vs Augmented FY11			**715,046**

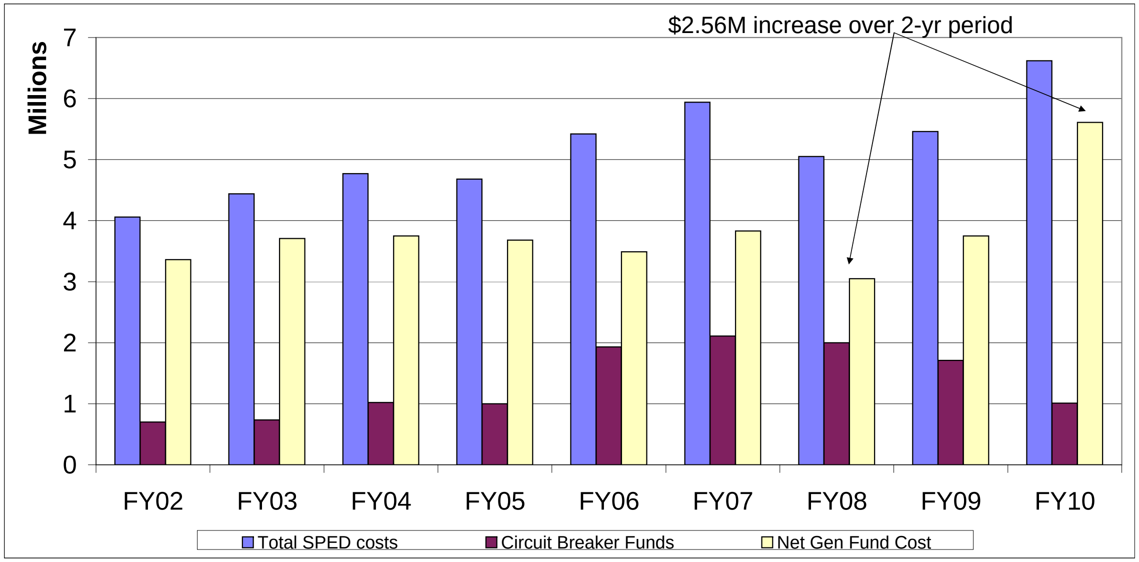
The final numbers for FY12 will not be known until the actuary completes her work (Spring/Summer) and the Retirement Board votes to adopt a new funding schedule (Summer/Fall). If the various factors above fall into place as outlined, then the untenable FY12 budget demand can be avoided.

TOWN/SCHOOL PARTNERSHIP – The Town/School Partnership was established to provide the Town generally and the Brookline Schools specifically with a greater measure of predictability in financial planning. The School Superintendent and Town Administrator entered into a written agreement in 1995, approved by the then Board of Selectmen and School Committee, that established a framework for the predictable allocation of revenue for municipal and educational purposes. To simplify a bit, the schools receive 50% of the year-to-year change in all General Fund operating revenue less fixed costs as defined in the Agreement – capital costs, benefits, insurance, etc.

The Partnership Agreement has also provided a framework of collaboration that has reinforced efforts to more closely integrate common operations. The Municipal IT Department serves the non-classroom technology needs of the schools; payroll functions were consolidated in 2009; employee benefits are administrated centrally as are financial systems, purchasing and legal services. Facility maintenance was actually centralized in the Town Building Department even prior to the Partnership. The School Committee and Board of Selectmen have even gone so far as to retain the same outside law firm for their respective labor counsel services.

The viability of the Partnership is understandably tested in periods of budget stress. For FY11, the Partnership is once again eliminating any public sense of Town and School competition for resources that is all too common within Massachusetts municipalities. Because of the formula underlying the Partnership, the Schools were a direct stakeholder in the GIC negotiations. The pre-established expectations were that savings from reforming the means by which the Town provides group health coverage would be realized by the Schools in the same proportion that their employees/retirees account for group health costs. There was never the need for Town and School Administrations to determine anew the allocation of group health savings because of their shared expectations about such matters spanning two decades. This is the primary reason why the FY11 budget for the Brookline Schools can increase by 4.5% while total growth in the General Fund remains relatively flat.

The Partnership will also come into play during the current fiscal year. The Brookline Schools are projecting a FY10 budget shortfall of approximately $1.2 million. Skyrocketing costs for out-of-district special education expenses are primarily fueling this deficit.



Under the Partnership, both special education and the Town budget reserve are considered fixed costs with both entities sharing responsibility for funding. The School Administration has declared that it will take internal steps to reduce the shortfall through expenditure controls in other areas of its budget. The Schools also have a reported $900,000 accumulated surplus in State special education assistance called Circuit Breaker funds. This, too, will be employed by the Schools to help address the problem. However, the Town should be prepared to stand ready to utilize Town reserve funds to some extent if by the end of the current year a School deficit remains.

PUBLIC SAFETY STAFFING - The budget deficit in FY10 necessitated cutbacks in both the Police and Fire Departments. Police staffing was reduced by four positions, back to the level last deployed in 1994. Fire personnel were reduced by six positions with four taken from Suppression and two from Prevention. Combined, these are the lowest levels of police and fire staffing since Proposition 2 ½ was enacted in 1981.

Yet, with a measure of relief, it can be reported that crime rates dropped in 2009 and loss due to fire also declined. It is particularly encouraging to note that the current fire suppression staffing levels have not forced a jump in overtime requiring the temporary removal of apparatus for budget balancing purposes. Leave utilization levels in the Department have lessened, thereby taking pressure off the budget that minimum manning contractual obligations would have otherwise caused in the context of reduced staffing.

The FY11 budget does not entail further reductions in public safety staffing, although efficiencies are being pursued in administrative functions as described later in this Message. In conjunction with the partial lift of the Hiring Freeze described earlier, authorizations to hire were recently recommended for the current 10 Police vacancies and for four additional Fire vacancies. In fact, two of the Fire positions are to be supported by State stimulus funds, actually pushing the hirings above levels originally budgeted that, over time, are expected to fall back to initially authorized levels due to attrition.

Nevertheless, budgetary conditions for FY11 should not mislead anyone about the highly likely potential for long-term pressure on all town budgets, including public safety. Use of technology in both departments, especially in Fire operations, must continue to be expanded. While information technology is quite advanced for police operations, administrative processes – especially parking enforcement – should be the focus of continuous improvement.

The recently released Fire Department Technology Integration Assessment is especially telling. It found that the Department is having a "difficult time incorporating technology into operations" and recommends changes in both personnel and systems that are reflected in this Financial Plan. Fortunately, through informal but extensive interaction with union leadership on the findings of this report, both departmental management and labor have expressed commitment to carry out the Report's recommendations. Additionally, the Town has presented the separate Report on Fire Department Operations to the union as part of the formal negotiations that are underway for a successor contract. Because this Report involves matters that are subject to active negotiations, the Town, as a matter of good faith bargaining practice, is not unilaterally releasing that document. However, at some point the findings of the Operations Report will likely become part of future budget deliberations as the Town continues to cope with the budget constraints.

<u>FY11 INITIATIVES/EFFICIENCY MEASURES</u> – the Financial Plan includes a number of initiatives and efficiency measures that continue the actions taken in recent budget cycles to help streamline operations and realize budgetary savings.

- **<u>Efficiencies from Technology</u>** – over the past decade, the Town has continued to place more emphasis on technology to both gain efficiencies and bring government closer to citizens. Examples are: on-line bill payment options; meeting notification system; town-wide Wi-Fi network; Voice Over IP (VOIP) telecommunications system; and a model GIS application. Direct benefits to the FY11 budget result from three recent IT investments: handheld technology for the issuance of parking tickets, RFID in the libraries, and "Green Technology".

    <u>Handheld technology</u> – the EIC report recommended to concurrently explore the privatization of parking ticket administration and the use of handheld technology for the issuance of tickets. Both options were analyzed and it became clear that investing in handheld technology had the greatest potential for cost savings. After reviewing various types of technology available, the Town chose to procure exciting new technology from Velosum, a Utah-based company. The so-called "magic pens" have allowed for approximately 2/3's of all tickets to be automatically entered into the parking ticket database once they are written, eliminating the need to manually data enter approximately 7,000 tickets / month. As a result, a clerical position within the Traffic Division of the Police Department can be eliminated for a savings of $38,386, or approximately $50,000 including benefits. In addition, long-term pension and OPEB liabilities are avoided.

Radio Frequency Identification (RFID) – while a widely debated appropriation in FY09, support of the Library Trustees and Board of Selectmen for this highly promising technology was unwavering. By April, the Library will have two vacant positions. The Director feels confident if he fills only one of the positions that the library will be able to maintain current service levels without significant deterioration of services to patrons. He has come to this conclusion because of the anticipated efficiencies of RFID. As a result, a Library Assistant II position can be eliminated for a savings of $38,193, or approximately $50,000 including benefits. In addition, long-term pension and OPEB liabilities are avoided.

"Green Technology" – the new "smart building technology" used in the renovated Town Hall has not only helped "green" the facility, but also has resulted in significant cost savings: since re-opening, kWh use has been cut in half. As a result, the utility budget for Town Hall has been reduced by $170,000. This technology enables the Town to better control building access, climate, security, power consumption, and electronics, all of which can now be managed automatically and be controlled to account for off-hours, holidays and unforeseen usage.

• **Fire Department Technology** – since 2004, when the Fire Department was awarded a Federal grant to purchase laptops for fire apparatus, the Department has been working to better utilize technology in its operations. Benefits of technology in the fire services range from firefighter safety (placing critical information in the hands of firefighters on the way to and at the scene of an incident) to better records management (fire prevention and training records). While some advancements have been made over the past six years, technology has not been widely integrated into day-to-day operations of the Department.

In an effort to help expedite the incorporation of technology into the Department, Emergency Services Consulting International (ESCI), a well-regarded consulting firm that specializes in fire department operations, was retained in CY09. Their assessment was blunt: the Department continues to rely heavily of log books and paper; the Department was generally comfortable in the use of outdated methods of data capture; and there is no ability to perform meaningful data analysis and performance measurement.

In response, the Chief convened a group of stakeholders to discuss next steps for the formulation of a Strategic IT Plan for the Department. The stakeholders agreed that the services of ESCI should be retained again to assist in this endeavor. This Financial Plan reflects a number of the recommendations included in the reports:

- A new records management system (RMS) is funded
- Additional PC's for the fire stations are funded
- The current civilian IT staff position is replaced with a higher graded position
- The replacement of the older apparatus laptops is funded

• **Personnel Consolidations** – in FY10, a number of initiatives were undertaken to consolidate and re-organize departments. One involved the consolidation of the Fire Department Wires Division into the Department of Public Works (DPW), which resulted in the reduction of one FTE. Further benefits of this consolidation are reaped in this FY11 Financial Plan: the streetlight maintenance contract is reduced by a net of $50,000 because of DPW's ability to utilize these personnel for streetlight maintenance needs.

A new consolidation initiative is included in this Financial Plan: the merger of the DPW IT position and the IT Department. The position currently budgeted for in DPW is being eliminated and the vacant position in ITD is being re-classified as part of an effort to help DPW meet its IT goals. This merger makes sense since DPW's major IT applications are currently serviced by ITD. The upgraded position within ITD will be responsible for supporting enterprise-wide applications, a number of which DPW currently utilize, and for aiding DPW in their efforts to further integrate technology across the Department. As a result of this consolidation, the DPW budget is reduced by $69,727. Including benefits, the total savings to the Town budget is approximately $95,000. In addition, long-term pension and OPEB liabilities are avoided.

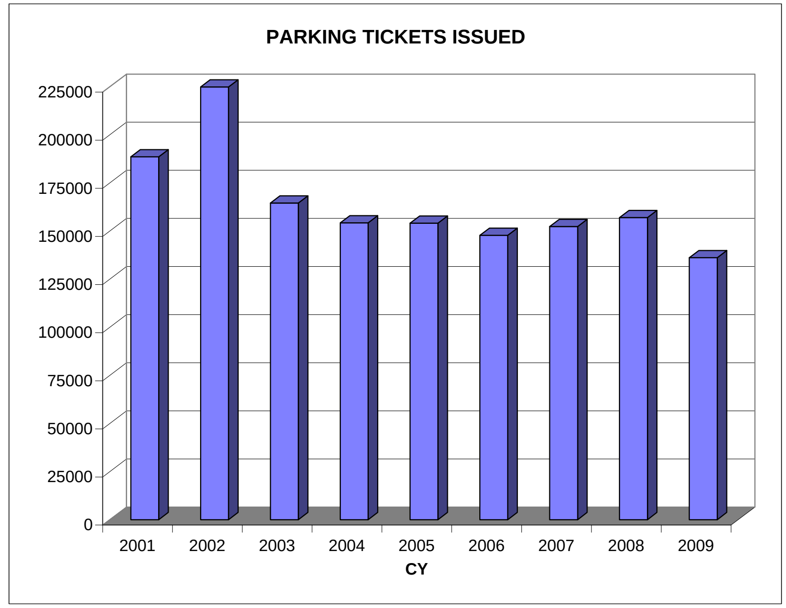
• **Contracting Out** – the EIC recommended the exploration of privatizing a number of functions. Many have been analyzed:

- solid waste collection and street sweeping proved to be more cost-effective in-house
- parking ticket administration was more cost-effective in-house, but utilizing handheld technology, as explained above, yielded cost savings
- meter collection services, while not privatized, have been civilianized
- grounds maintenance bids have been received, but the Town is still in the process of analyzing them
- specifications for a fleet services bid are being prepared

This Financial Plan includes contracting out custodial / houseworker services in two areas: DPW and Building Department. At the Municipal Service Center (MSC), the custodian has retired and the utilization of contractual cleaning services is being recommended. While the budgetary impact on DPW is limited ($11,709), the savings to the budget is approximately $25,000 when benefits are included. In addition, long-term pension and OPEB liabilities are avoided. In the Building Department, it has been determined that hiring contract cleaners instead of houseworkers is more efficient. By eliminating two part-time houseworkers and one full-time houseworker, approximately $8,000 is saved when benefits are included. In addition, long-term pension and OPEB liabilities are avoided.

Conversely, this Financial Plan includes a proposal to establish an Operations Manager in the Public Buildings Division of the Building Department in an effort to reduce the cost of maintenance and repair items that are currently done by outside contractors. In addition, this position will provide increased oversight of the Division's maintenance resources. The cost of the position ($66,655 in base salary, or approximately $90,000 with benefits) is offset by a reduction is the repair and maintenance budget of the Division.

• **Parking Enforcement** – the Selectmen's Parking Committee has been reviewing a number of issues over the past year that have a direct bearing on both the daily experience many residents / visitors have in Brookline and the budget. One of the Committee's primary findings is that parking enforcement is not as consistently carried out as regulations stipulate. There is an enforcement gap on Saturdays and after 2:00 on weekdays, and that results in a loss of revenue. While not totally void of enforcement during those time periods, resources are not currently available to enforce then as is done between 8:30 a.m. and 2:00 p.m. during the week.



This Financial Plan includes two additional full-time Parking Control Officers (PCO's), whose hours will include Saturdays and up to 6:00 p.m. during the week. The cost ($80,778, or approximately $109,000 with benefits) is covered by the generation of additional revenue. If these funds were not included in the Police Department's budget, the FY11 Parking Ticket revenue estimate would be $100,000 less. In order for this revenue to be realized, each new PCO will have to issue an average of one ticket per hour per day, a rate that should easily be exceeded. This initiative should enable the Town to increase its revenue estimate in FY12 and beyond.

Also related to parking enforcement and the Parking Committee is the recommendation contained in the CIP to invest $1.4 million in a new parking meter system. There is a detailed project description on page VII-34; the simple summary of the wisdom behind this investment is increased revenue, reduced operating costs, enhanced user-friendliness, and improved aesthetics. By further utilizing multi-space meters in commercial areas and Town-owned lots, initiatives such as variable pricing and increased rates on lower Beacon during Red Sox games can be implemented. This initiative should enable the Town to increase its Parking Meter revenue estimate in FY12 and beyond.

• **Recreation Department Resource Allocation** – in 2009, the Town contracted with GreenPlay, LLC of Colorado to produce a Cost Recovery Study. One of the most challenging parts of running a public recreation department can be both how to fund needed facilities and programs as well as how to price programs and services. GreenPlay, LLC facilitated a seven month study during which several public meetings were held and a large amount of research was collected to produce Brookline Recreation's "Cost Recovery Pricing Model".

Developing a cost recovery model answers the question "Where should subsidy from revenue sources be directed, and why?" The 2009 Cost Recovery Study helped to identify the recreational needs of the Brookline Community and establish a consistent approach to pricing programs based on benefit to the community as a whole. Cost recovery reserves a higher percentage of tax revenue for those programs and services that should be supported by the entire Brookline population, and allows less subsidy for more individualized programs and services. Additionally, applying a cost recovery model creates a justifiable, transparent method of introducing fees for programs and services. Cost recovery does not imply that the target is 100% total cost recovery for the Brookline Recreation Department, but that subsidy follows the goals established by the staff and community.

The immediate impact on the FY11 Financial Plan is the better alignment of administrative expenses and program expenses. By moving program-related expenses from the General Fund to the Revolving Fund and moving administrative expenses from the Revolving Fund to the General Fund, there is a reduction of $24,525 in the General Fund. This alignment allows the Department to consistently assess and align costs associated with programs and to price programs and services accordingly. The long-term effects of the pricing methodology will be seen over the course of the next several budget cycles, as the Brookline Recreation Department implements the cost recovery model throughout the programs and services offered.

CAPITAL IMPROVEMENT PROGRAM (CIP)

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 FY95, the Town has invested more than $300 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 gone a long way toward addressing 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. 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 FY11 - FY16 CIP calls for an investment of $126.3 million, for an average of approximately $21.1 million per year. Part of the plan to balance the FY10 budget was to reduce the 5.5% funding level to 5% for FY10, freeing-up $917,000 for the Operating Budget. Those funds were used to reduce the level of cuts in the Operating Budget. The Proposed CIP follows the plan to phase up to 5.5%, reaching 5.25% in FY11 and 5.5% in FY12. It is critical to return to the 5.5% level, as the amount of projected debt service in the out-years requires that level of funding for projects such as the Devotion School and Classroom Capacity.

There were a number of challenges presented during the development of the CIP that made balancing it difficult, including space needs for the schools, additional funding for Town Hall/Main Library Garages, and increased Runkle costs, which placed pressure on each of the out-years of the CIP. This required the deferral of numerous projects. The issue of classroom space in the elementary schools is one of the most pressing matters for the Town, and the Proposed CIP addresses it more comprehensively than in the past. The $5 million programmed for FY12 follows the $400,000 approved in both FY08 and FY10 for carving out additional classrooms in various schools and the $29.1 million approved in FY10 for the renovation of and addition to the Runkle School.

The core of any CIP should be the maintenance / 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.

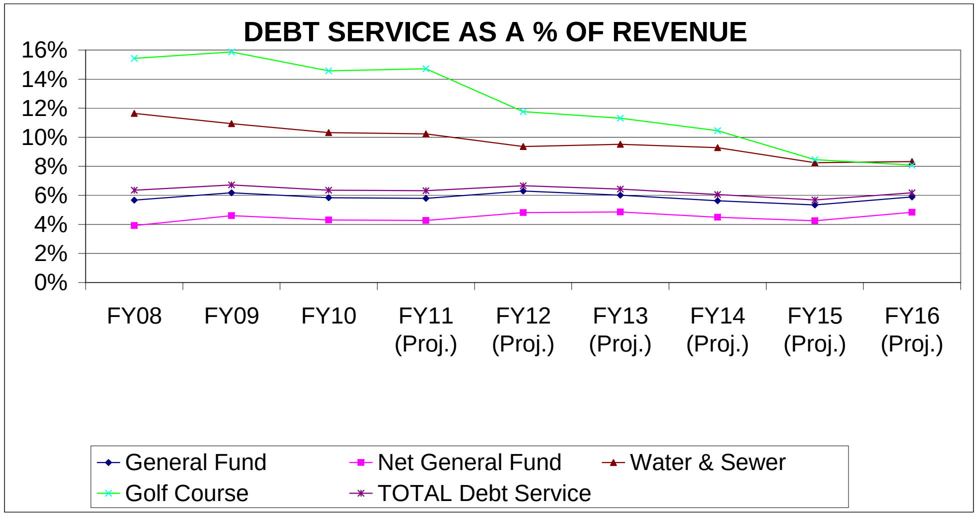
Major projects in the proposed CIP include:

- Devotion School Rehab - $33.8 million of Town funding plus the possibility of $22.5 million of State funding in FY14-FY15 for feasibility / schematic design and design / construction
- Classroom Capacity - $5 million in FY12
- Newton St. Landfill (Rear Landfill Closure) - $4.5 million in FY15
- Fisher Hill Reservoir Re-Use - $3.25 million in FY14 (outside funding)
- Village Square - $3 million in FY12 (outside funding)
- Town Hall/Main Library Garages - $1.8 million in FY11, bringing the total project cost to $3 million
- Brookline Reservoir Park - $1.4 million in FY16
- Parking Meters - $1.4 million in FY11
- Pierce School - $1 million in FY12-FY14
- Ladder #2 Replacement - $1 million in FY15

Continued major investments include:

- Street and Sidewalk Rehab - $15.6 million
- Parks and Open Space - $12.4 million
- General Town/School Building Repairs - $7.6 million
- Water and Sewer Infrastructure - $5 million
- Information Technology - $1.6 million
- Public Safety Equipment - $1.3 million
- Tree Replacement - $1 million
- Energy Conservation - $750 thousand
- Branch Libraries - $505 thousand

In an effort to take advantage of the current low interest rate environment, the Town is in the process of refinancing bonds sold in CY2000. That original bond sale in the amount of $55.8 million included the reconstruction of the High School and construction of the Senior Center, along with other smaller projects. The High School project was supported by both a 61% grant from the Massachusetts School Building Authority (MSBA) and a debt exclusion override. With the completion of this refinancing, it is anticipated that the property tax levy would be reduced by more than $5 million over a period of the next 10 years, resulting in savings for the taxpayer. In addition, the refinancing of the smaller, non-debt exclusion projects should yield an additional $500,000 savings over the next 10 years that will be used for future capital improvements.



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

LONG-RANGE FINANCIAL PROJECTION

The cornerstone of the Town 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 helps 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 FY11 – FY15 Long Range Financial Projection for the General Fund makes the following key assumptions:

- In FY11 and FY12, $1.5 million of New Growth in the Property Tax Levy. For FY13-FY15, a base of $1.6 million, augmented by additional levy growth from the 2 Brookline Place re-development.

- For State Aid in FY11, a 15% cut in Unrestricted General Government Aid and level-funding of Chapter 70 funding. For FY12, a 10% cut across all aid categories. For FY13-FY15, level funding.

- Limited growth in Local Receipts (approximately $230,000 / yr, or 1%).

- A 1% wage increase for FY11 for all (municipal and school) unions. For FY12-FY15, a 2% wage increase.

- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately $200,000 per year for the schools and $275,000 for town departments).

- Annual utility increases of $100,000.

- SPED growth of $1 million in FY11 and $700,000 annually thereafter.

- Enrollment growth cost increases of $250,000 per year.

- Step increases in the School Department of $600,000 per year and $225,000 per year for Town Departments.

- Annual Health Insurance rate increases of 9%, plus additional enrollment of 30 per year.

- A Pension appropriation based on the most recent funding schedule approved by PERAC for FY11, plus the additional funding provided by the local option taxes. For FY12-FY15, the preliminary analysis of the Retirement Board's actuary is used, which results in an appropriation increase of $700,000 in FY12 with annual 4% increases thereafter.

• Debt Service and pay-as-you-go CIP that reflect the plan to get back to fully funding the CIP at 5.5% by FY12 (in FY11, it is set at 5.25%).

These assumptions create an escalating deficit position for FY12 and beyond, starting at $4.1 million in FY12 and reaching $11.3 million by FY15. It should be noted that these figures do not include the approximately $1 million of Federal Stimulus (ARRA) monies currently built into the School Department budget that are due to expire in FY12.

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

	2011	2012	2013	2014	2015
REVENUE					
Property Taxes	**157,961,458**	**163,264,343**	**169,685,135**	**175,316,691**	**181,754,416**
Local Receipts	**19,868,475**	**20,102,745**	**20,357,077**	**20,488,468**	**20,723,217**
Motor Vehicle Excise (MVE)	4,700,000	4,817,500	4,937,938	5,061,386	5,187,921
Local Option Taxes	1,550,000	1,567,000	1,584,340	1,602,027	1,620,067
Licenses & Permits	986,975	986,975	986,975	986,975	986,975
Parking / Court Fines	4,400,000	4,425,000	4,450,000	4,450,000	4,450,000
General Government	2,352,500	2,374,795	2,405,616	2,438,161	2,472,621
Interest Income	600,000	614,500	634,515	649,909	665,692
PILOT's	880,000	899,125	918,346	822,664	842,083
Refuse Fee	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Departmental & Other	1,799,000	1,817,850	1,839,348	1,877,346	1,897,859
State Aid	**15,644,111**	**14,406,437**	**13,765,928**	**13,765,928**	**13,765,928**
General Government Aid	4,894,253	4,404,828	4,404,828	4,404,828	4,404,828
School Aid	10,605,917	9,872,062	9,231,553	9,231,553	9,231,553
Tax Abatement Aid	41,905	37,715	37,715	37,715	37,715
Offset Aid	102,036	91,832	91,832	91,832	91,832
Other Available Funds	**4,804,023**	**4,927,467**	**5,028,074**	**5,125,453**	**5,277,414**
Parking Meter Receipts	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	50,000
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	1,861,683	1,973,905	2,060,408	2,142,606	2,278,515
Reimb. from Rec Revolving Fund	200,784	212,007	226,111	241,293	257,345
Free Cash	**4,590,079**	**3,750,000**	**3,750,000**	**3,750,000**	**3,750,000**
Capital Improvements/Other Spec Approp.	3,670,340	3,276,728	3,191,453	3,189,943	3,146,963
Operating Budget Reserve	464,239	473,272	487,257	500,712	516,156
Strategic Reserves	455,500	0	71,289	59,346	86,881
TOTAL REVENUE	**202,868,146**	**206,450,992**	**212,586,214**	**218,446,540**	**225,270,975**
$$ Increase	(1,180,804)	3,582,846	6,135,222	5,860,327	6,824,435
% Increase	-0.6%	1.8%	3.0%	2.8%	3.1%

	2011	2012	2013	2014	2015
EXPENDITURES					
Departmental	**61,388,358**	**62,410,504**	**64,013,390**	**65,472,161**	**66,994,463**
Personnel	43,796,797	44,446,797	45,671,797	46,746,797	47,921,797
Services	7,809,165	8,000,295	8,195,140	8,393,793	8,553,851
Supplies	2,010,186	2,060,440	2,111,951	2,164,750	2,218,869
Other	436,963	447,887	459,084	470,561	482,325
Utilities	5,071,465	5,171,465	5,271,465	5,371,465	5,471,465
Capital	1,493,782	1,513,619	1,533,952	1,554,793	1,576,156
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Personnel Services Reserve	750,000	750,000	750,000	750,000	750,000
Coll. Barg. / Unfunded Liabilities- Town	**475,000**	**950,000**	**950,000**	**950,000**	**950,000**
Schools	**71,237,765**	**73,797,765**	**76,847,765**	**79,897,765**	**82,897,765**
Coll. Barg. / Unfunded Liabilities- School	**710,000**	**1,200,000**	**1,200,000**	**1,200,000**	**1,200,000**
Non-Departmental - Benefits	**40,348,666**	**43,533,565**	**47,523,163**	**51,042,446**	**54,789,658**
Pensions	13,999,954	14,627,595	15,184,698	15,754,886	16,349,082
Group Health	21,227,416	23,751,080	26,832,844	29,368,172	32,111,584
Group Health Enrollment Allocation Reserve	400,000	0	0	0	0
Retiree Group Health Trust Fund (OPEB's)	887,295	1,162,741	1,444,672	1,738,274	2,032,556
EAP	28,000	28,000	33,000	33,000	33,000
Group Life	130,000	130,000	133,250	136,582	139,996
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,350,000	1,383,750	1,418,344	1,453,802	1,490,147
Public Safety IOD Medical Expenses	325,000	325,000	325,000	325,000	325,000
Unemployment Compensation	400,000	400,000	300,000	250,000	200,000
Medical Disabilities	30,000	30,000	30,000	35,000	35,000
Medicare Coverage	1,555,000	1,679,400	1,805,355	1,931,730	2,057,292
Non-Departmental - General	**934,603**	**493,906**	**514,117**	**540,830**	**569,825**
Liability/Catastrophe Fund	455,500	0	4,675	15,084	21,968
General Insurance	290,000	304,500	319,725	335,711	352,497
Audit/Management Services	138,987	138,987	138,987	138,987	143,987
Misc.	50,116	50,419	50,729	51,047	51,374
Non-Departmental - Debt Service	**12,012,861**	**13,391,443**	**13,169,553**	**12,656,000**	**12,399,190**
General Fund	12,012,861	13,391,443	13,169,553	12,656,000	12,399,190
Non-Departmental - Reserve Fund	**1,856,956**	**1,893,088**	**1,936,652**	**1,990,470**	**2,052,247**
Tax Supported	1,392,717	1,419,816	1,452,489	1,492,852	1,539,185
Free Cash Supported	464,239	473,272	484,163	497,617	513,062
Special Appropriations	**6,572,000**	**5,377,252**	**5,780,345**	**6,088,893**	**6,679,464**
Tax Supported	2,113,691	1,292,856	1,691,324	2,003,039	2,594,724
2008 Override	787,969	807,668	827,860	848,556	869,770
Free Cash Supported	3,670,340	3,276,728	3,261,161	3,237,299	3,214,970
Non-Appropriated	**7,331,939**	**7,503,677**	**7,679,707**	**7,860,139**	**8,045,082**
State Assessments	5,554,903	5,685,391	5,819,140	5,956,234	6,096,754
Cherry Sheet Offsets	102,036	102,036	102,036	102,036	102,036
Overlay	1,650,000	1,691,250	1,733,531	1,776,870	1,821,291
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	**202,868,146**	**210,551,200**	**219,614,693**	**227,698,704**	**236,577,694**
$$ Increase	(1,180,804)	7,683,054	9,063,493	8,084,011	8,878,990
% Increase	-0.6%	3.8%	4.3%	3.7%	3.9%

	2011	2012	2013	2014	2015
CUMULATIVE SURPLUS/(DEFICIT)	**0**	**(4,100,208)**	**(7,028,479)**	**(9,252,164)**	**(11,306,719)**
DEFICIT AS A % OF OP REV	**-1.8%**	**-4.2%**	**-5.4%**	**-6.7%**	**-6.7%**
Surplus / (Deficit) Prior to Collective Bargaining	1,185,000	(1,950,208)	(4,878,479)	(7,102,164)	(9,156,719)
Town Share of Surplus / (Deficit)	475,000	(299,600)	(1,183,421)	(1,748,027)	(2,183,011)
Town Collective Bargaining	475,000	950,000	950,000	950,000	950,000
Total Town Surplus / (Deficit)	**0**	**(1,249,600)**	**(2,133,421)**	**(2,698,027)**	**(3,133,011)**
School Share of Surplus / (Deficit)	710,000	(1,650,609)	(3,695,059)	(5,354,137)	(6,973,708)
School Collective Bargaining	710,000	1,200,000	1,200,000	1,200,000	1,200,000
Total School Surplus / (Deficit)	**0**	**(2,850,609)**	**(4,895,059)**	**(6,554,137)**	**(8,173,708)**

CONCLUSION

As this Message has attempted to portray, there are a number of noteworthy features of the FY11 Financial Plan that, when taken together, amount to a formidable measure of work by all the stakeholders in Brookline Town government – citizen leaders, town administration, unions, school parents, and the citizenry at large – to maintain essential services in the face of structural shortfalls and economic decline. Moving to the Group Insurance Commission; labor agreements in line with ability to pay; workforce planning and management; adherence to fiscal policies and many of the other efforts outlined above directly assisted with achieving a balanced and effective FY11 budget.

But no conversation about FY11 can take place without focus quickly moving to FY12 and beyond. While this Financial Plan involves a number of critically important measures that help lay the groundwork for a relatively stable FY12, several significant factors loom on the horizon that argue for even more emphasis on the future NOW! On the upside leading into 2012 are:

- A viable plan for an adequate funding schedule to address 2008 pension losses that must be in place by FY12.

- Bending the group health cost curve so that FY12 health insurance budgets should still be less than FY10 levels, although the '11 to '12 increase could be in the double-digit range.

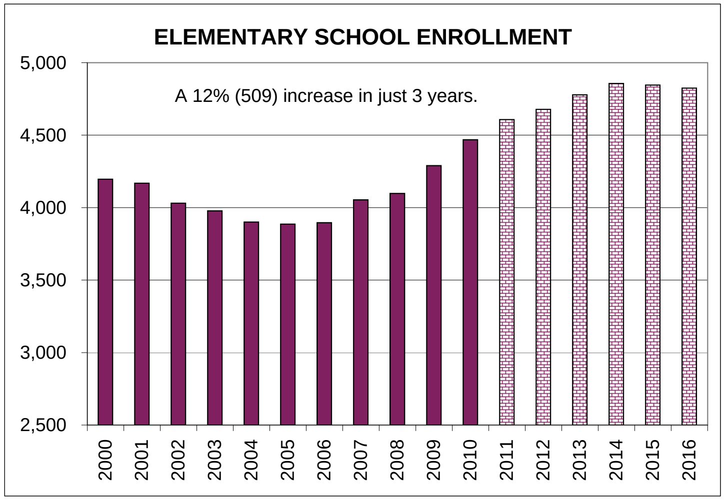
- A respectable, but admittedly less than fully-funded, OPEBs plan, that according to the Finance Director, would in 30 years provide for more than 60% of the Town's unfunded obligations as calculated in last year's actuarial study.

- Preservation of reserves and fund balances during the worst of the recessionary period that do not have to be replenished, and can still serve as a safety net if there is an economic relapse.

• Fact based studies in place from the Efficiency Initiative Committee Report and subsequent spin-offs such as the Fire Technology Integration Assessment and Fire Operations Report.

However, there are looming conditions that can not be controlled this far in advance, but necessitate that anticipatory actions be taken immediately. Among the more worrisome are:

• The State's reliance on nearly $2 billion in one-time sources to support its own FY11 budget, the preponderance of which will more than likely not be available in FY12.
• The combined impacts on the Brookline School budget of losing about $1 million of its own one-time funding by FY12 while continuing to experience unprecedented enrollment growth.
• The expiration in the summer of 2011 of all town and school labor contracts along with the trigger in FY12 for a potential arbitration process in the GIC agreement with the Public Employee Committee.
• And, of course, the persistently uncertain look for the economy, particularly if inflationary pressures begin to emerge in wage and consumer costs.



Beyond the groundwork now being set in the FY11 budget for longer-term concerns, a number of other factors can emerge as assets in coping with future pressures. The Workforce Planning memo appended to the January 2009 EIC Report indicted at that time there were 35 employees still working who had already reached retirement maximums and another 57 who reach that level in the coming five years. This level of workforce turnover can be a significant factor in responding to pressures to downsize, particularly if attention to this outlook can become an area of concentrated focus throughout the organization.

Expansion of efforts to "Green" town operations can also have a mitigating effect on projected expenditure growth. While these potential operational savings in the form of reduced fuel and utility cost might require considerable upfront investment, the anecdotal evidence of payback is just too strong to leave unheeded – e.g. the 50% reduction in Town Hall electric power costs post-building renovation. Shifting from long-term energy contracts to more activist "portfolio management" should also be examined. In addition, energy efficiency efforts undertaken through both the CIP and the EECBG block grant program should be continued.

Continued emphasis on the utilization of technology for greater productivity should continue to yield budgetary benefits for the Town. This Financial Plan's anticipation of expected staff savings related to technology, such as the library position elimination related to the implementation of RFID in FY09, is illustrative. As technology becomes more integrated with code enforcement and other municipal functions, potential for efficiencies will undoubtedly materialize.

Finally, longstanding Economic Development efforts, especially at 2 Brookline Place, will eventually begin to yield new growth in Town revenues. This potential for new revenue capacity should be managed so as to be made available at the point of most critical need in upcoming fiscal cycles. None of the initiatives noted above can individually make a decisive difference in resolving the on-going budgetary stress the Town is likely to encounter. On the other hand, meeting the challenges ahead has very little chance of success without efforts such as these.

Both Town government and the Brookline Public Schools will have to continue to examine options from fresh perspectives that can not be unnecessarily tied to the status quo. For the Town, further consideration should be given to additional private contracting and examination of Fire Department staffing levels. For the Schools, a renewed look at consolidating non-education functions with Town operations should be taken along with a frank assessment of core education functions such as class size.

Whatever the challenges ahead, the collaborative efforts of the past bode well for the future. Board of Selectmen expectations for the efficient delivery of quality services have been vitally important. The Board's constructive interactions with other Town leadership such as the School Committee and Advisory Committee on behalf of Town Meeting should only be reinforced. The on-going professional efforts of all Town Department heads should continue to be encouraged. Their leadership is indispensable for success.

And finally, a note of special appreciation for the efforts of the Selectmen's Office staff, especially Deputy Town Administrator Sean Cronin and Assistant Town Administrator Melissa Goff, whose craftsmanship once again brought to the Town the GFOA Recognition for Excellence in Budget Presentation for the fifth consecutive year. Particularly indispensable has been the work of Deputy Town Administrator Cronin to implement recommendations of the Efficiency Initiative Committee along with seeking other opportunities for productivity enhancements. Advances in reforms, revenues, and reductions require hard work year round, not just during the period of annual budget preparation. His endeavors and those of the entire Town Administration clearly demonstrate that unwavering focus and unrelenting actions can make a genuine difference in the well-being of this Town historically known for its committment to excellence.

Respectfully,

Richard J. Kelliher
Town Administrator

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

FY2011 FINANCIAL PLAN SUMMARY

	FY2010	FY2011	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE				
General Fund Revenue	204,048,949	202,868,146	**(1,180,804)**	**-0.58%**
Water and Sewer Enterprise Fund	23,953,371	24,498,222	**544,852**	**2.27%**
(less Water & Sewer Overhead included in General Fund Revenue)	(2,046,265)	(1,680,462)	**365,803**	**-17.88%**
Golf Enterprise Fund	1,266,201	1,251,200	**(15,001)**	**-1.18%**
(less Golf Overhead included in General Fund Revenue)	(186,349)	(181,222)	**5,128**	**-2.75%**
Recreation Revolving Fund	1,661,795	1,797,000	**135,205**	**8.1%**
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(210,870)	(200,784)	**10,086**	**-4.8%**
TOTAL REVENUE	**228,486,831**	**228,352,100**	**(134,732)**	**-0.1%**
APPROPRIATIONS				
General Fund Operating Budget	187,490,396	188,964,206	**1,473,810**	**0.8%**
Non-Appropriated Budget *	7,297,982	7,331,939	**33,957**	**0.5%**
Revenue-Financed CIP Budget / Other Special Appropriations	9,260,572	6,572,000	**(2,688,572)**	**-29.0%**
General Fund Total	204,048,950	202,868,145	**(1,180,805)**	**-0.6%**
Water and Sewer Enterprise Fund	23,953,371	24,498,222	**544,852**	**2.27%**
(less Water & Sewer Overhead included in General Fund Revenue)	(2,046,265)	(1,680,462)	**365,803**	**-17.88%**
Golf Enterprise Fund	1,266,201	1,251,200	**(15,001)**	**-1.18%**
(less Golf Overhead included in General Fund Revenue)	(186,349)	(181,222)	**5,128**	**-2.75%**
Recreation Revolving Fund	1,661,795	1,797,000	**135,205**	**8.1%**
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(210,870)	(200,784)	**10,086**	**-4.8%**
TOTAL APPROPRIATIONS	**228,486,831**	**228,352,100**	**(134,731)**	**-0.1%**
BALANCE	**0**	**0**	**0**	

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

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

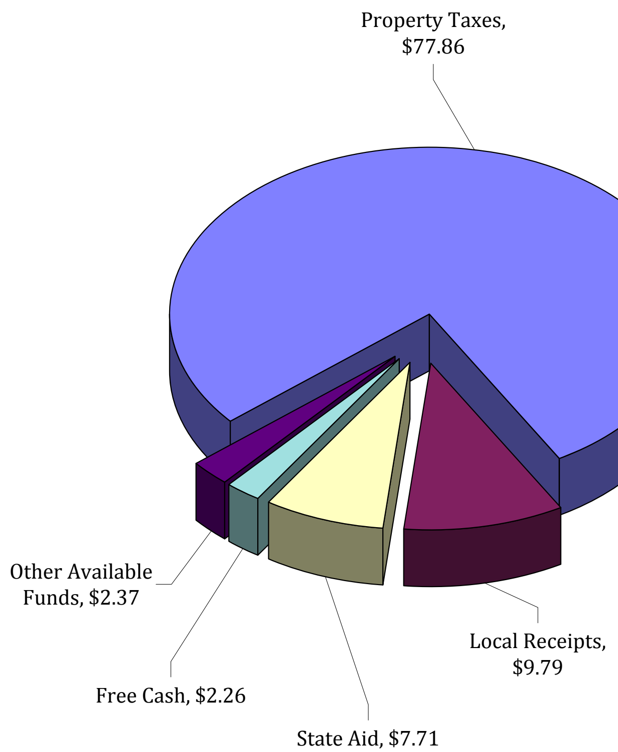
FY2011 GENERAL FUND SUMMARY

	FY2007 ACT.	FY2008 ACT.	FY2009 ACT.	FY2010 BGT.	FY2011 BGT.	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE							
Property Tax	128,871,387	133,849,950	146,542,184	152,681,998	157,961,458	**5,279,460**	**3.5%**
Local Receipts	23,281,093	24,524,074	22,455,149	20,357,125	19,868,475	**(488,650)**	**-2.4%**
State Aid	18,023,846	18,946,277	17,962,793	16,536,492	15,644,111	**(892,381)**	**-5.4%**
Free Cash	5,387,435	3,814,792	5,954,963	7,053,295	4,590,079	**(2,463,216)**	**-34.9%**
Other Available Funds	8,948,053	8,603,612	5,986,333	7,420,040	4,804,023	**(2,616,017)**	**-35.3%**
TOTAL REVENUE	**184,511,814**	**189,738,706**	**198,901,422**	**204,048,949**	**202,868,146**	**(1,180,804)**	**-0.6%**
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	5,375,086	5,410,405	5,493,891	5,550,741	5,554,903	**4,162**	**0.1%**
Tax Abatement Overlay	1,451,262	1,858,148	1,535,026	1,619,162	1,650,000	**30,838**	**1.9%**
Deficits & Judgments	0	0	0	25,000	25,000	**0**	**0.0%**
Cherry Sheet Offsets	117,738	120,749	122,866	103,079	102,036	**(1,043)**	**-1.0%**
TOTAL NON-APPROPRIATED EXPENSES	**6,944,086**	**7,389,302**	**7,151,783**	**7,297,982**	**7,331,939**	**33,957**	**0.5%**
AMOUNT AVAILABLE FOR APPROPRIATION				**196,750,968**	**195,536,206**	**(1,214,763)**	**-0.6%**
APPROPRIATIONS							
Town Departments	57,545,709	59,352,831	62,287,183	61,277,427	61,863,357	**585,930**	**1.0%**
School Department	60,671,696	62,924,864	68,000,450	68,823,845	71,947,765	**3,123,920**	**4.5%**
Non-Departmental Total	47,431,058	49,058,075	49,100,298	57,389,123	55,153,085	**(2,236,038)**	**-3.9%**
General Fund Non-Departmental	42,077,599	43,985,056	46,845,520	54,945,639	53,090,618	**(1,855,022)**	**-3.4%**
Water and Sewer Enterprise Fund Overhead *	4,836,456	4,513,660	1,877,687	2,046,265	1,680,462	**(365,803)**	**-17.9%**
Golf Enterprise Fund Overhead *	371,402	373,004	179,064	186,349	181,222	**(5,128)**	**-2.8%**
Recreation Revolving Fund Overhead *	145,601	186,355	198,027	210,870	200,784	**(10,086)**	**-4.8%**
OPERATING BUDGET SUBTOTAL	165,648,463	171,335,770	179,387,931	187,490,396	188,964,206	**1,473,811**	**0.8%**
Revenue-Financed Special Appropriations	7,874,562	5,928,000	8,575,748	9,260,572	6,572,000	**(2,688,572)**	**-29.0%**
TOTAL APPROPRIATIONS	**173,523,025**	**177,263,770**	**187,963,679**	**196,750,968**	**195,536,206**	**(1,214,760)**	**-0.6%**
BALANCE				**0**	**0**	**0**	

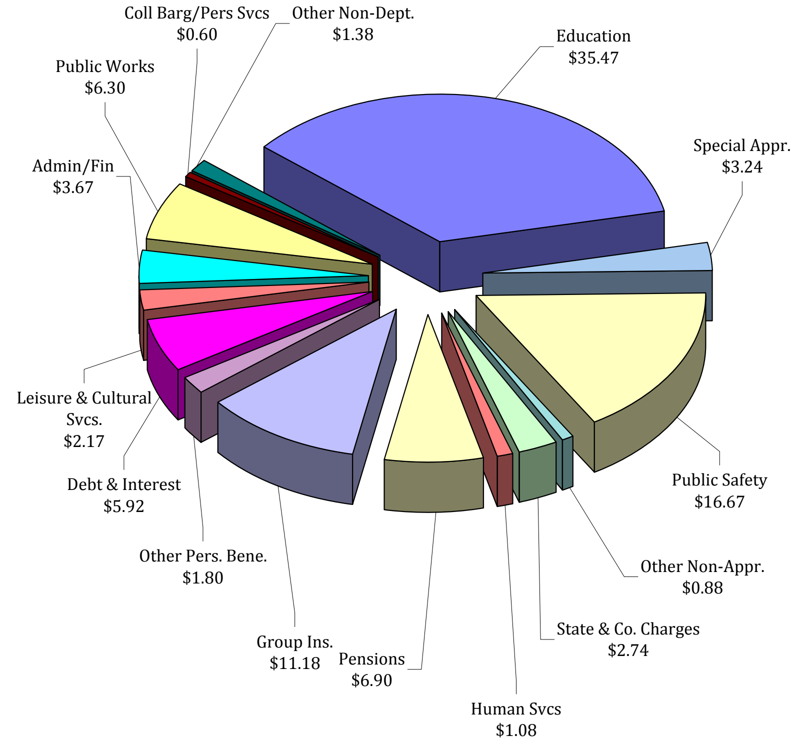
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

FY2011 GENERAL FUND TOTAL BUDGET
$202,868,146

How Each $100 Will Be Received

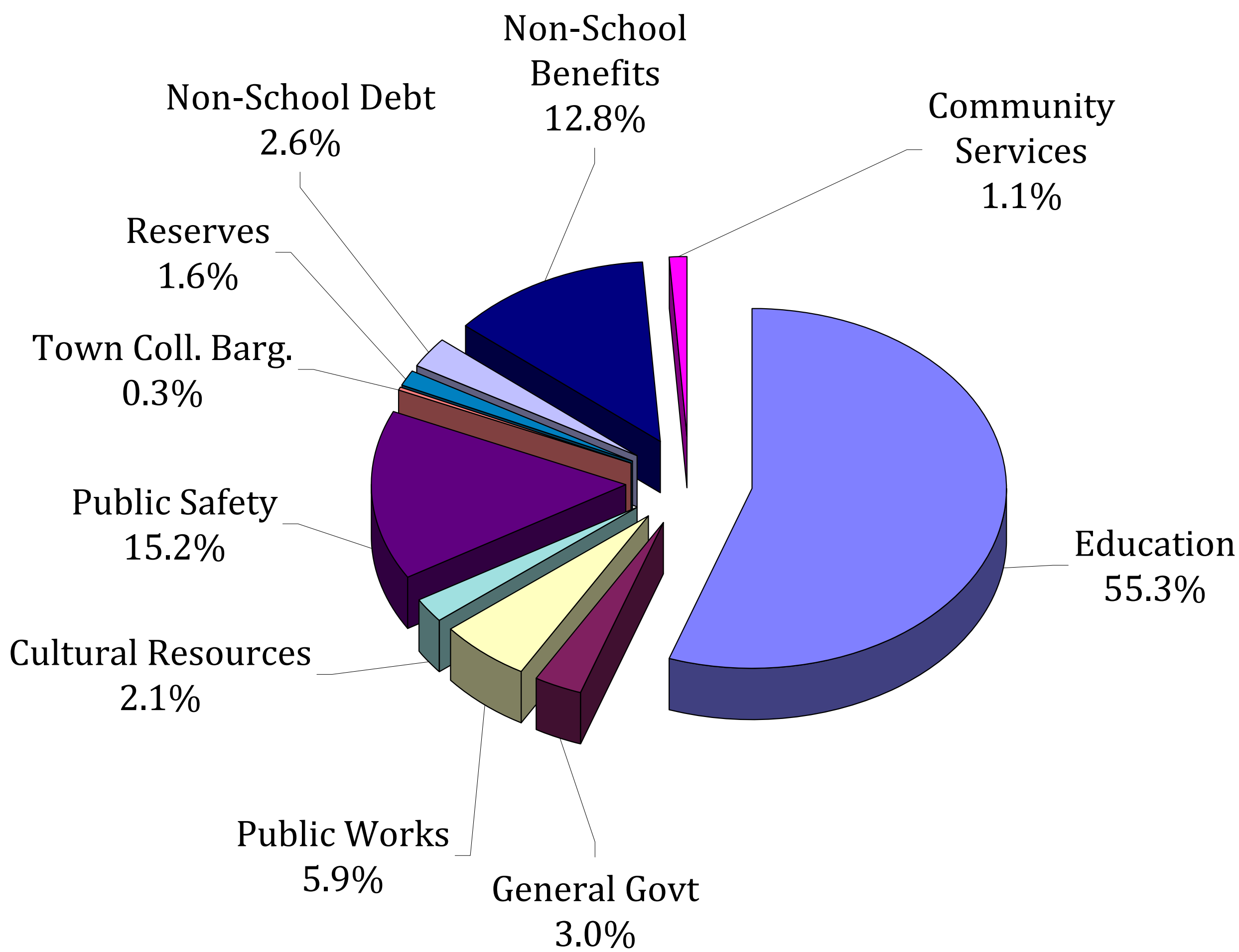


How Each $100 Will Be Appropriated



FY2011 GENERAL FUND OPERATING BUDGET
$188,964,206

FULLY ALLOCATED FY2011 GENERAL FUND OPERATING BUDGET



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