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

Unprecedented developments have set the stage for the preparation of this FY2010 Financial Plan. Obviously, the most far-reaching is what has been described as the worst economic decline since the Great Depression, which in turn has propelled a massive Federal Recovery effort. Closer to home, other events have occurred which are also having a tangible impact on the Town's budgeting position. Last May Brookline voters decisively approved a $6.2 million property tax general override, only the second and also the largest since Proposition 2 ½ was adopted in 1980. An indispensable dimension of the override experience was the widely regarded work of the Override Study Committee (OSC). The Committee's Report not only defined Brookline's underlying fiscal imbalance, endemic throughout Massachusetts local government, but also set in motion the Efficiency Initiative Committee (EIC); prompted the creation of an OPEBs Task Force; and reinforced the efforts for Town participation in the State Group Insurance Commission (GIC).

Fortunately, Brookline's longstanding observance of formal Fiscal Policies and long-term approach to budgeting has helped mitigate the adverse impacts of the recession to date. These practices enabled the Town to take preventative measures to offset the $770,000 Local Aid cut directed by the Governor on January 28th for the current fiscal year under his emergency "9C" powers. Unfortunately, the 28% roll back in FY10 Lottery Aid and Additional Assistance and net reduction of other aid totaling $2.58 million, along with a projected decline in the Town's local revenue growth, combine with the underlying imbalance identified by the Override Study Committee to create a $4 million deficit in the Town's General Fund budget for the fiscal year beginning July 1, 2009.

In this admittedly daunting environment, I remain privileged to present the Annual Financial Plan as an instrument to address the Town's formidable fiscal challenges by marshalling the assets so painstakingly established through both our standing Fiscal Policies and the much more recent initiatives generated in the aftermath of the override. The FY2010 Financial Plan attempts to harness the best efforts of our department heads, town employees, and citizen committees into a balanced approach to the numerous and sometimes conflicting considerations involved in budgeting within such a tumultuous environment – maintaining service levels; increasing efficiencies; limiting individual harm; and perhaps most importantly, providing for long-term sustainability in what is generally expected to be a protracted downturn.

Therefore, please accept for your review and consideration this Financial Plan proposed per the provisions of Chapter 270 of the Acts of 1985 and Section 2.2.5 of the Town By-Laws. As it must, the FY2010 Financial Plan provides a complete presentation of revenue, expenses, and capital improvements totaling $229,830,065: including a General Fund operating budget of $187,832,427; enterprise/revolving funds of $24,556,532 (net of General Fund Reimbursements); unappropriated expenses of $7,330,535; and a revenue financed CIP/other special appropriations of $10,110,572.

BACKGROUND

The Override Study Committee concluded:

> "[T]hat even with an override, the Town will face an on-going structural deficit in the coming years as health care and SPED costs continue to grow at rates that exceed revenue growth and under-funded retiree benefits add additional financial burden."

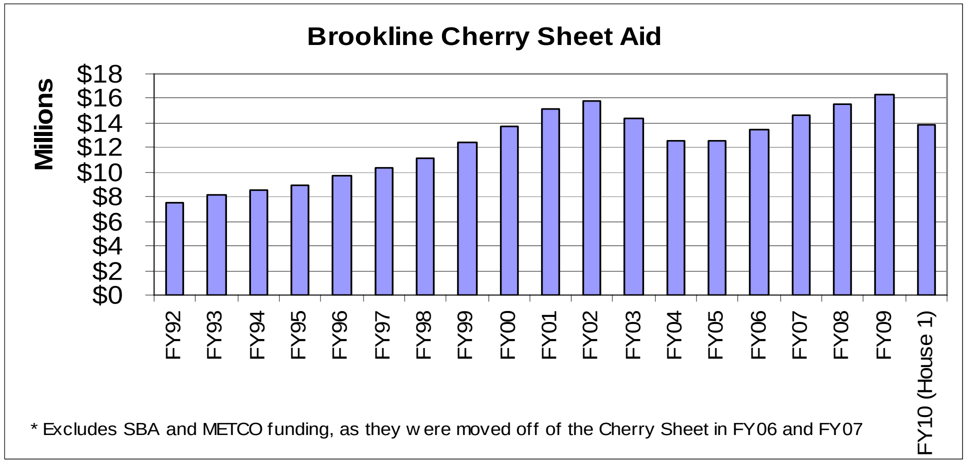
The OSC Report went on to delineate the "dramatic steps" the Town must take to address the ongoing structural deficit as well as future financial developments:

- Do not ignore long-term fiscal challenges
- Hold growth in total personnel costs to a sustainable level
- Join the Group Insurance Commission (GIC) as soon as possible
- Address long-term Retiree Health Cost Issues (Other Post Employment Benefits, or OPEBs)
- Sustain scheduled contributions for pensions
- Pursue savings opportunities in municipal operations

The FY2010 Financial Plan has no choice but to squarely address each of these steps. In stark contrast to revenue increases averaging 4% over the past five years, FY10 operating revenue is projected to increase by just 1.5%. For the foreseeable future, not only will Local Aid be reduced, but the Town's own municipal revenue growth will be in a state of flux.

Local Aid - The Governor and his Administration deserve much credit for presenting a state budget that attempts to buffer local government from the effects of the downturn. As has been widely reported, however, the Governor's budget generally, and his proposals for local government specifically, involve a number of contingencies that are far from guaranteed. Further, even if the House 1 assumptions for new taxes, federal funding, greater contributions by state employees for group health premiums, etc. are realized, the one-time nature of rainy day and stimulus funds coupled with an unrelenting recession make for a very uncertain FY11. Therefore our FY2010 assumptions about Local Aid are based upon the reductions the Governor has proposed and do not rely on the revenue proposals earmarked for local government.

As detailed in Section III, the FY10 Local Aid cutback reverses the increases the Town experienced over the past five fiscal years since the last round of cuts in FY03-04. Despite the Governor's pronouncements that Chapter 70 education aid is not being cut, it is important to note that the 28% reduction in the Town's General Government Aid has a direct negative impact on the Brookline Public Schools because operating budget revenues from virtually all sources are allocated on a 50%-50% basis to Town and School budgets.



As part of the attempt to mitigate Local Aid cuts, the Governor, in his Emergency Recovery Bill, is urging the statewide adoption of a 1¢ increase in the meals tax and the hotel excise tax earmarked for cities and towns in order to offset $155 million of the $375 million proposed statewide Local Aid reduction. Because of the recommendation to distribute these funds through a formula, Brookline's estimated share of the new revenue is $906,000 based on 2007 figures. In addition, the Governor also proposes that by local option, municipalities themselves can impose an additional 1¢ in meals and hotels taxes. Because the local option would return collections to the community of origin, as opposed to distribution through formula, this estimate is approximately $1.3 million, again based on 2007 figures. Finally, the Recovery Bill proposes the elimination of telecommunications tax loopholes, which our Chief Assessor calculates could generate $460,000 for Brookline. However, again, due to the contingent nature of these long-advocated proposals, this Financial Plan does not factor new meals, hotel or telecommunications tax proceeds into FY10 revenue assumptions. While there seems to be more positive speculation that these proposals might receive more favorable consideration than in the past, no one at this time can predict exactly whether, when, and in what form such actions will occur. If additional revenue does become available from these sources, they could be considered for a range of possibilities including budget restoration, CIP restoration, reducing unfunded obligations, or reserving for future needs.

Town Revenue- The rate of growth in local revenues will be substantially scaled back for 2010. The Chief Assessor estimates that "New Growth" in the property tax levy allowed beyond the basic Proposition 2 ½ increase over the prior year net levy will be $1.6 million. This compares to the average increase in New Growth of $2.3 million between FY04 – FY09.

Even more sensitive to economic fluctuations are Local Receipts -- excise taxes, fees, fines, interest earnings, etc. -- which are expected to experience a year-to-year drop of 1.3%, potentially the first actual decline since the 1994 Override. The three revenue sources most significantly impacted by the recession are the motor vehicle excise tax (MVE), building permits, and interest income. Taken together, these three sources of revenue are estimated to bring in $8.04 million in FY10, an amount that is $790,000 (8.9%) less than budgeted in FY09. When compared to actual collections in FY08, the decline is far more telling of the impact of the recession on local receipts: $2.41 million, or 23.1%.

(in millions of $'s)					FY10 vs FY08	
	FY08 Act.	FY09 (bud.)	FY09 (est.)	FY10	$$	%
MVE	5.29	5.02	5.09	4.85	-0.44	-8.3%
Building Permits	2.79	2.2	2.5	2.0	-0.79	-28.3%
Interest Income	2.37	1.61	1.6	1.19	-1.18	-49.8%
TOTAL	10.45	8.83	9.19	8.04	-2.41	-23.1%

It is important to note that the amount of locally-generated revenues available for operating budget purposes is significantly less than simply taking total revenues and subtracting State Aid. Section III of this Financial Plan goes into great detail about all revenue sources. The table below is from that section and illustrates how operating revenue for FY10 is determined. The calculation of operating revenue for Town and School departments excludes one-time revenue and revenues legally earmarked for specific purposes. The 1.5% growth in revenue available for departments is the lowest since FY04, when it rose by just 2.15%.

	FY09	FY10	$ Change	% Change
Total Gen Fund Rev	199,313,718	205,273,534	5,959,816	3.0%
Less:				
SBA Reimbursements	3,267,372	3,267,372	0	0.0%
Net Debt Exclusions	1,692,697	1,667,074	(25,623)	-1.5%
Revenue for CIP	7,094,963	10,238,295	3,143,332	44.3%
Free Cash	5,954,963	7,053,295	1,098,332	18.4%
Tax Abatement Reserve Surplus	0	1,505,000	1,505,000	-
Sale of Town-owned Land Fund	550,000	0	(550,000)	-100.0%
Capital Project Surplus	590,000	1,680,000	1,090,000	184.7%
OPERATING REVENUE	**187,258,687**	**190,100,794**	**2,842,107**	**1.5%**

Budget Deficit - Personnel costs and fixed obligations as described in the OSC Report continue to put pressure on budget capacity. While some of these pressures have lessened with the recession, in key instances their growth remains widely at variance with revenue growth. For example, group health rates are increasing 7.8%, a seeming relief in comparison to the average double-digit increases over the past several years. However, this rate increase is about five times greater than the projected operating revenue increase of 1.5%.

The deficit would have been more extensive had not the cost for fuel and other accounts decreased with the recession. The 10 member municipal purchasing group for gasoline and fuel oil led by the Town's Procurement Officer solicited bids last month – much earlier than usual – to catch the recent trough in fuel prices. Unleaded regular gasoline and #2 heating oil are locked in for the next year at $1.97 and $2.24 per gallon, respectively, large decreases from the previous contract prices of $3.76 and $4.28 per gallon.

Additional Operating Revenue (Prior to proposed fee increases)	$2.7 million
Town/School Collective Bargaining, Steps	-$2.4 million
Group Health Insurance	-$1.2 million
Other Benefits, including OPEB's	-$1.0 million
Other School (e.g., SPED, class size growth, program)	-$1.8 million
Other	-$0.3 million
Projected Deficit	**-$4.0 million**

BUDGET FRAMEWORK

Leaving it solely to Town and School operating budgets to absorb the impact of a $4 million deficit would result in an across-the-board rollback of services. To avoid this outcome, the FY2010 Financial Plan proposes reductions in capital spending, redirection of Free Cash, and modest increases in a limited number of local fees. Combined, these steps reduce by more than $1 million the exposure of the operating budgets to the projected deficit. It is recommended that (i) the policy of dedicating appropriations equaling 5.5% of prior year revenue for the pay-as-you-go capital be adjusted downward to 5.0%; (ii) the Free Cash appropriation that would have been scheduled for the Affordable Housing Trust Fund be redirected to the CIP; and (iii) several local fees be increased to levels that more accurately correspond to the cost of service provided.

CIP Reduction: $564,000

Reducing the CIP commitment from 5.5% to 5.0% frees up $917,000 in operating revenue for appropriation to town and school budgets. Parking lot reconstruction, installation of "smart" multi-space meters, and window/roof work at the Putterham Library will be placed on hold, thereby deferring $564,000. The other $353,000 is covered by using Free Cash that otherwise would go to the Affordable Housing Trust Fund (see below). The CIP outlines a three year restoration schedule to bring the levels back to 5.5% policy commitment. The possibility of stimulus funds for "shovel ready" projects might also ultimately lessen the extent of CIP rollback.

	(in millions)
Projected Deficit	($4.0)
CIP Reduction (from 5.5% to 5%)	$0.56
Affordable Housing Trust Fund	$0.35
Fee Increases	$0.15
Town / School Deficit	($2.9)

Affordable Housing Trust Fund: $353,000

To avoid CIP cuts in priority areas like public safety equipment, parks and open space maintenance, and the street/sidewalk reconstruction just voted as part of the override, the $353,000 that would have been recommended for the Affordable Housing Trust Fund (AHTF) is to be redirected to the CIP. The AHTF has a balance of $5.8 million, which is more than adequate to meet all current obligations.

Fee Increases: $150,000

The Town Clerk and Fire Chief have recommended some increases to their fee schedules. These include certified copies, marriage certificates, ZBA fees (Town Clerk); master box fees, multiple dwelling unit inspections, and certificate of occupancy inspections (Fire Prevention).

The $1.1 million in budget mitigation outlined above is urged as a deliberate alternative to the non-recommendation of reducing reserves to balance the budget at this time. As noted previously, both the heavy reliance on one-time funds to balance the state budget and the apparently deepening recession do not bode well for FY11. Cutting the Reserve Fund or reaching into the Stabilization Fund are steps that should be considered only as unavoidable measures of last resort. In two recent consecutive fiscal years (FY04 and FY05) the Town had to use virtually the entirety of the Reserve Fund to cover extraordinary and unforeseen circumstances. Already for the current fiscal year, snow and ice expenditures combined with projected deficits in gasoline and diesel accounts exceed appropriations by $1 million. Moreover, Moody's Rating Service has expressed caution about the Town's declining Fund Balance and last year dropped one Massachusetts community's Aaa rating for this very reason, among others. And finally, perhaps the worst of all scenarios would be to simultaneously reduce reserves in addition to cutting capital as is already proposed. Taking these actions at the same time in the upcoming fiscal year would put even more pressure on both operating and capital budgets the following year because of the effects of the use of unsustainable one-time funds on the former and the severe diminution of Free Cash availability for the latter.

Town/School Partnership – The Town/School Partnership has been central to the successful implementation of Town fiscal policies. At the core of the Partnership is an Agreement signed in 1995 by the School Superintendent and Town Administrator that apportions revenue on a 50%-50% basis subject to the allocation of fixed costs to school and town budgets. This process has brought invaluable stability and predictability to the annual budget process for well over a decade. It is important to note that the budget allocations under the Partnership Agreement classify Special Education as a fixed cost. This has the effect of increasing the Schools share of allocated revenue by an amount equal to about one-third (36%) of the total SPED increase, or approximately $218,000.

For FY2010, after all fixed costs (debt service, benefits, utilities, SPED, etc.) are allocated respectively for town and school purposes, there is $953,000 in revenue growth available for appropriation to the Schools and ($153,222) for Town Departments. However, because FY10 school expenditures are projected to increase at a greater rate than those of town departments, the Brookline Schools must eliminate a larger deficit than the Town. Growth in personnel costs are the single greatest contributing factor to this outcome. While some of the greater school growth is attributable to anticipated enrollment and SPED increases, much is the result of compensation differences including contractually obligated step increases, higher COLA adjustments, and a growing level of group health enrollments due to staffing increases. For example, the cost of step increases for school personnel in the coming year is estimated at $600,000 while that for town personnel is approximately $100,000. When all of these factors are taken into account, the Brookline Schools must reduce their FY2010 projected budget by $1.95 million and Town Departments by $1 million.

FY10 TOWN BUDGET REDUCTIONS

As outlined above, Town operating budgets must be reduced by approximately $1 million. Several key considerations have shaped the approach to addressing these cutbacks:

- No lay-offs; personnel reductions through attrition or other means.
- Curtailment of functions without elimination of essential services.
- Hold harmless capital and repair/maintenance increases included in the override.
- Adoption of Efficiency Initiative Committee and OPEBs Task Force recommendations where feasible.

The Town's Hiring Freeze implemented last October and corresponding Retirement Incentive Plan have created flexibility that otherwise might not have existed. There are now 40 vacant positions subject to the Freeze. Twelve of these vacancies resulted from the Retirement Incentive Program. Of the existing vacancies, 15.5 account for almost the entirety of the personnel cuts proposed for FY10, thereby avoiding layoffs. A number of these vacancies could also provide invaluable flexibility for avoiding layoffs that might otherwise result from other initiatives such as private contracting of curbside trash collection and other outsourcing options.

It is important to note the elimination of 18 FTE positions listed below brings to 30 the total net number of positions removed from Town department budgets back through 2007. Inclusive of the positions identified for 2010, these reductions will have occurred across the board in Public Works (11.2) Public Safety (9) Town Hall (5.3) Leisure Services (2.5) Human Services (2.5). This represents a 4% overall staffing reduction during this period.

DEPARTMENT	ITEM	FTE	SAVINGS
Building	PT Data Entry Clerk (C-4)	(0.40)	(14,727)
	Sub-Total Building	**(0.40)**	**(14,727)**
DPW	Traffic System Technician (LN-7)	(1.00)	(51,637)
DPW	MEO II (LN-3)	(1.00)	(43,901)
DPW	Town Arborist (GN-13)	(1.00)	(66,149)
	Sub-Total DPW	**(3.00)**	**(161,687)**
Finance	Senior Clerk Typist (C-5) - Assessor's	(1.00)	(40,490)
	Sub-Total Finance	**(1.00)**	**(40,490)**
Fire	Firefighter - Suppression	(4.00)	(220,316)
Fire	Firefighter - Prevention	(2.00)	(128,452)
Fire	Clerk - Prevention	1.00	50,000
	Sub-Total Fire	**(5.00)**	**(298,768)**
COA	Group Leader (GN-2) - from 30 hrs to 20	(0.21)	(6,552)
COA	Outreach Worker (GN-2)	(0.53)	(18,853)
Health	Senior Clerk Typist (C-4)	(1.00)	(38,386)
	Sub-Total Human Services	**(1.74)**	**(63,791)**
Legal	Senior Clerk Typist (C-4) - from 24 hrs to 20	(0.11)	(4,035)
	Sub-Total Legal	**(0.11)**	**(4,035)**
Library	Materials		(20,199)
	Sub-Total Library	**0.00**	**(20,199)**
Planning	Zoning Administrator	(1.00)	(78,046)
Planning	Commercial Areas Coordinator - from 37.5 hrs to 20	(0.47)	(32,336)
	Sub-Total Planning	**(1.47)**	**(110,382)**
Police	Police Officer	(2.00)	(146,206)
Police	Police Officer	(2.00)	(146,206)
Police	Civilian Meter Collector	2.00	90,000
Police	Vehicles		(68,054)
	Sub-Total Police	**(2.00)**	**(270,466)**
Selectmen	Head Clerk (C-9) - from 37.5 hrs to 20	(0.47)	(21,272)
	Sub-Total Selectmen	**(0.47)**	**(21,272)**
Various	Take Home Vehicles		(6,500)
	Sub-Total Various	**0.00**	**(6,500)**
TOTAL		**(15.18)**	**(1,012,317)**

Police Department ($202,412) – In FY96 four officer positions were added to the patrol staff (initially through temporary federal COPS funding) and in FY02 another six were redeployed from dispatch functions when the joint Police/Fire operation was established with civilian personnel. The proposed elimination of four vacant positions will not reduce patrol strength. The two positions assigned to parking meter collections will be replaced by civilians as recommended by the EIC and two other positions will be eliminated from non-patrol units -- Traffic and Community Services. (An additional $68,054 will be reduced from capital outlay for vehicles. See on next page.) Assignments could change during the year based on the Chief's discretion.

Fire Department ($298,768) - A total of six vacant firefighter positions are proposed for elimination. Two come from the Prevention Division, one of which is replaced with a civilian clerk position. The other four positions are from Suppression. Staffing five engines and two ladders with a minimum of four firefighters 24 hours/day 365 days/yr with a 24-hour schedule (1 day on, 3 days off) requires a certain staffing ratio, reflecting the need for coverage for vacation leave, sick leave, etc. That ratio results in the need for 147 firefighters in Suppression. The Town currently budgets 151, so there are four additional budgeted positions. By reducing the number from 151 to 147, the Department will need to improve overall leave utilization and, quite possibly, pull one piece of apparatus from service when fewer than 28 firefighters report to work for their shift. The frequency of such an action will depend on leave utilization: improvements in leave use will result in fewer absences, which in turn will lead to fewer occurrences of needing to call back firefighters on an overtime basis.

Public Works ($161,687) – Per the EIC Report, it is recommended that Fire call box maintenance be transferred from the Fire Department to DPW. As a result of the transfer of the Superintendent of Fire Alarm and Signal Maintainer positions to DPW, a vacant DPW Traffic System Technical position can be eliminated. One vacant Motor Equipment Operation position is to be eliminated from street sweeping duties. The functions of the vacant Town Arborist position, who participated in the ERI, are to be taken over by the Conservation Administrator, thereby allowing for the elimination of the full-time Arborist position.

Human/Leisure Services ($83,990) - As recommended by the EIC, the clerical staffing assigned to the various human services departments in the Train Building will be reduced by one FTE by relocating the Clerk/Stenographer position from Human Relations/Youth Resources into the Health Department and in turn transferring the most junior clerical position from Health to the vacant clerk/typist position in the Building Department (also a product of the ERI). In the Council on Aging, the vacant half-time Outreach Worker will be eliminated and the hours of the part-time Group Leader position will be reduced from 30 to 22 per week. The materials budget of the Library Department will be cut by 2% from FY09 levels.

Planning and Community Development ($110,382) - The vacant Zoning Administrator position will be eliminated. The hours of the Commercial Areas Coordinator in the Economic Development Office will be reduced to 20 per week as opposed to the outright elimination proposed by the EIC. External funding could possibly be received to lessen the reduction in hours. Funding for the 1st Light Festival will be continued in either case.

Administration ($80,524) – Administrative support positions equivalent to 1.97 FTE's in Assessing, Town Counsel, Building Department, and the Selectmen's Office will be either eliminated or cut back. No lay-offs, but hours reduced for two positions. Expanded utilization of technology and reassignment of duties will compensate in part for reduced staffing capacity. Also, the Plans Review Inspector in the Building Department will be returned to the General Pay Plan (G Schedule).

Vehicles ($74,554) - The purchase of two police cruisers will be deferred at a savings of $68,054. Vehicles assigned year round for commuting will be reduced by 25%. In addition, seasonal assignment of vehicles will be discontinued with only temporary assignment allowed in the event of specific need (e.g., storms) with prior approval. A formal policy will also be developed per the recommendation of the EIC.

Retirement Obligations ($98,000) – In addition to the budget savings (salaries and other direct payments) that result from the elimination of benefit eligible positions, the Town's exposure to future retirement obligations is also reduced by these staff reductions. Appendix 1B of the EIC Report estimates the per employee OPEB liability to be incurred in FY10 to be $5,400. This is calculated by dividing the actuarially determined "normal cost" of $7.8 million by 1,444 eligible Town and School employees. In addition, the per position normal cost for pension obligation is estimated at $2,140, which is also avoided with each FTE that is eliminated. Given the net elimination of 13 benefit eligible positions, the retirement costs avoided by not filling these positions is approximately $98,000 (13 positions x ($5,400 + $2,140)). *These savings are not included in the calculation for FY10 budget reductions because OPEB obligations are not funded and pension obligations are not recalculated until FY12.*

*The normal cost is defined as the portion of the plan's unfunded OPEB liability that is attributable to the current year's service.

OVERRIDE STUDY COMMITTEE PRESCRIPTIONS

In March 2008, both the Board of Selectmen and the School Committee unanimously adopted Resolutions endorsing the financial sustainability goals outlined by the Override Study Committee. This Financial Plan not only advances sustainability objectives, but it also incorporates approaches that have been adopted to carry out the strategic steps prescribed by the OSC as itemized at the outset of this Message.

Do Not Ignore Long-Term Fiscal Challenges – The long-term financial trends are undeniable. The Override Study Committee found that between 2000-2006 core revenues increased 3.8% on average and spending increased 4.2% on average. In FY08, planning for the economic decline started and the Town increased fees and fines by more than $1.2 million to balance that year's budget. For FY09, $2.1 million of the $6.2 million override was used to shore up this year's shortfall. With the recession, the Town now faces a $4 million deficit for the upcoming fiscal year.

The future as laid out in detail on pgs. I-19 through I-23 in the Long-Range Financial Projection offers no prospect of relief, even if the economy does not continue to worsen. The following illustrates the projected trend lines for revenues and expenses through 2014. We see a worsening shortfall each year potentially reaching $14.7 million in FY14.

	2010	2011	2012	2013	2014
TOTAL REVENUE	$205.3	$204.1	$209.9	$216.4	$222.2
TOTAL EXPENDITURES	$205.3	$207.6	$218.6	$227.8	$236.8
CUMULATIVE SURPLUS/(DEFICIT)	**$0.0**	**($3.5)**	**($8.7)**	**($11.4)**	**($14.7)**

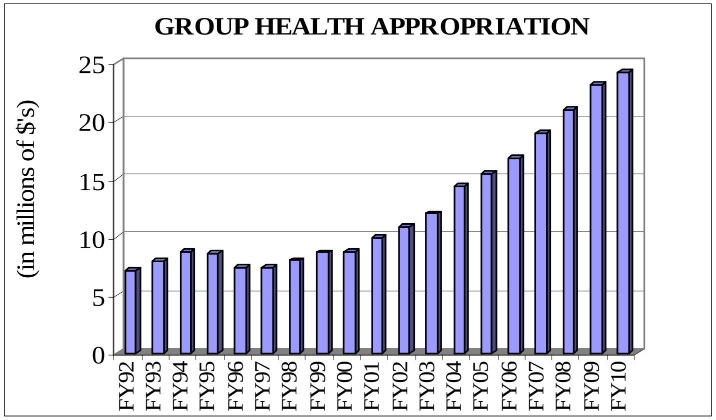
The overall approach of FY10 Financial Plan takes a very sober accounting of the long-term fiscal picture. It reflects the concerns about the underlying budget shortfall and the revenue decline triggered by the recession, along with limitations and contingencies of House 1. The FY10 Financial Plan does not rely on the possibility of additional revenue from new taxes nor does it not draw down reserves. It does temporarily curtail commitment to capital funding, but proposes a deliberate plan for restoration over a three-year period. Finally, as detailed below, this is the Town's first Financial Plan to recommend setting aside operating revenue to start up a funding schedule for unfunded OPEB's.

<u>Hold Growth in Total Personnel Costs to a Sustainable Level</u> - The OSC made very clear that the totality of personnel costs – staffing levels, wage adjustments, and fringe benefits – must be considered as a whole in relation to town revenue availability. Town and School labor agreements expire at the end of the current fiscal year. This provides an opportunity for consultation and collaboration in developing collective bargaining strategies through the Labor Advisory Committee, established by Town Meeting Resolution back in 1992.

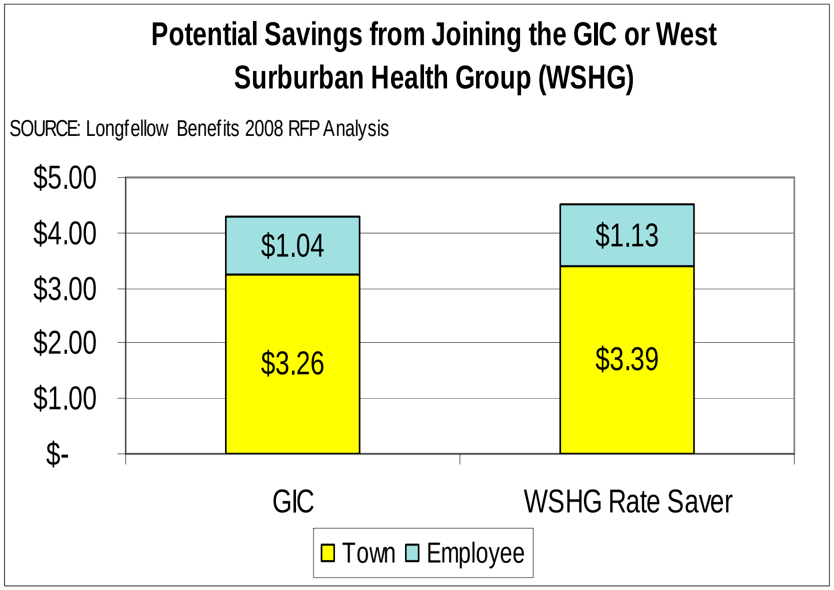
In its approach to collective bargaining, the Town has little choice given the economic climate and the OSC findings but to tie wage adjustments to sustainability. Therefore, without the assurance of a manageable rate of growth in group health costs, the Town will be constrained in its ability to enter into multi-year labor agreements that include wage adjustments embedded into the salary base for the long-term.

Group health costs are set for FY10. It is too late in the budget cycle to anticipate any meaningful change in the Town's group health plan for the coming year. Communities opting into the state Group Insurance Commission (GIC) on July 1, 2009 were required by statute to notify the GIC last December 1st of their decision to join. Short of statutory change, the likely next opportunity for meaningful change in the Town's group health program will be FY2011.

In order to avoid the possibility of being caught underfunded if multi-year labor agreements were eventually to be executed, the FY10 Financial Plan does fund reserve accounts for both the Town and School budgets. However, as a result of adopting a bargaining strategy premised on sustainability, the Town will be most mindful of this bargaining strategy in negotiations, cautious in its consideration of multi-year labor agreements and will be seeking settlements within the parameters of total personnel costs including staffing levels, COLA's, health benefits, and retirement obligations. If viable multi-year agreements can not be negotiated, these reserved funds could be used alternatively to reduce the magnitude of the Town's extensive unfunded obligations.



<u>Join the GIC As Soon As Possible</u> – Statewide, the overall experience of communities joining the Group Insurance Commission has fallen far short of the expectations associated with its heralded enactment by the Municipal Partnership Act. Since Chapter 67 was adopted in July 2007, three enrollment rounds for joining the GIC have passed, but only 17 communities and a handful of small regional school districts or planning entities have joined. Of the local subscribers who have been enrolled to date, nearly one-third are from the City of Springfield, which was required to join as part of the State's oversight of that City's troubled finances.



The Town of Brookline has taken several key steps over the past 18 months to advance the GIC option or equivalent group health change. In 2007 the Selectmen accepted Section 19 of G.L.c 32B, that established coalition bargaining for group health which is currently the only statutorily allowed procedure for joining the GIC. In conjunction with the union Public Employee Committee (PEC), established under Section 19, the Town chose a new group health insurance advisor – Longfellow Benefits – and issued an RFP for the most current rate information from the insurance industry, the GIC and other government purchasing consortia. The Town's RFP process in 2008 revealed the potential for premium savings from joining the GIC at more than $4 million, 75% of which could be for the town budget and 25% for reduced employee contributions. Employee premium savings could in the aggregate offset exposure to increased employee out-of-pocket costs.

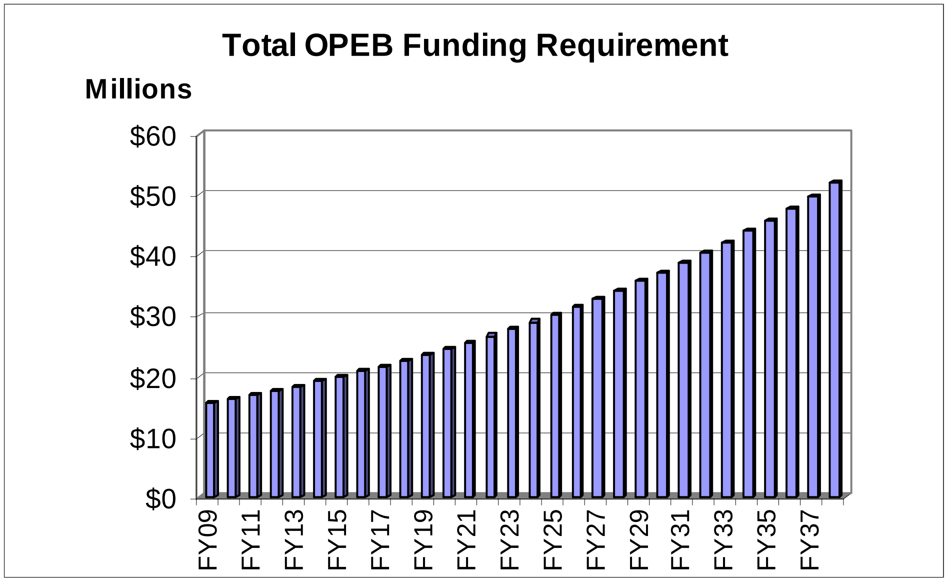
In an admittedly tight timeframe, the Town and PEC could not come to agreement by the initial GIC deadline of October 1, 2008. However, the Legislature subsequently extended the deadline to December 1st. After further negotiations over both the GIC and other options, agreement could still not be reached with the PEC. In fact, only two municipalities in the state joined during this extended period. On a cautionary note, it is important to recognize that many of the communities that have joined the GIC have done so only after agreeing to recycle rate savings back into increased contributions to premium, thereby dissipating some of the potential positive effects on both current costs and future obligations. In fact, one community agreed to use GIC premium savings to ramp up its share of premium to 90% in addition to increasing wage levels.

In light of the overall lack of progress statewide, there have been many calls to change the legislation governing the process for opting in to the GIC. Most notably, the former Speaker of the House raised the possibility of “taking the unions out of the picture” (for bargaining over the decision whether or not to join). While no meaningful legislation has yet been filed to accomplish what the former Speaker expressed, both the Governor and the Mass Municipal Association have filed bills that could materially change the ground rules. The Governor’s bill reduces to 50% the vote required by the PEC to join the GIC, but also imposes financial penalties on communities that do not join. In a very different tact, the MMA bill indirectly influences the GIC process by allowing municipalities to make plan design equivalent to those of the GIC without having to negotiate the changes in design. Local officials and many other opinion leaders consider the approach put forth by the Governor as a step backward. The alternative approach proposed by the MMA much more squarely addresses the statewide inertia.

Cities and towns, however, should not bank in the near-term on statewide legislative change to resolve this situation. This further reinforces the need for the Town to proceed in accordance with the overall bargaining guidelines outlined in the preceding section. If the group health “budget buster” can not be controlled directly, then other areas of the total personnel costs must be constrained accordingly.

Address Longer Term Retiree Costs and Sustain Pension Contribution Schedules – The FY10 Financial Plan not only fully funds the growth in pension requirements for the coming year, but it also recommends that the Town begin for the first time to set aside current operating revenue for OPEBs. In addition, this is the first Financial Plan that attempts to illustrate the value of OPEBs in budgetary decisions as described earlier in connection with proposed budget reductions.

In keeping with Override Study Committee recommendations, the Board of Selectmen appointed a Task Force to address the issues of cost containment and funding. The Task Force Funding Sub-Committee has completed its work and has recommended to the full Task Force a series of actions that could bring the Town to full funding within 30 years.



One of the key recommendations of the Sub-Committee is that new funding should be committed to this obligation as soon as possible. In an attempt to meet that goal, while seeking to minimize undue budget stress in this cutback environment, the Sub-Committee recommended that an annual appropriation in the amount of $250,000, beginning in FY2010, be included in the Financial Plan. This appropriation would increase by $250,000 each year over the 30 year funding period.

In 1998 Special Legislation was enacted for the Town to create a Retiree Health Trust Fund. In FY2000 the Town began to set aside funding on an intermittent basis, and to date has accumulated more than $5 million for this purpose. The language of the 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. This regulation 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.

Although the OPEB Task Force has not yet completed its work, it is anticipated that a series of cost containment and funding recommendations will be included in the final report. On a biennial basis, the unfunded obligation is re-calculated, and a funding schedule is adjusted. The current actuary analysis has identified a liability in the range of $230 million to $343 million, depending upon the rate of return estimates on existing funding. Adding $250,000 annually to the Financial Plan would generate funding of more than $116 million over a 30 year period. The effect of compounded interest on our rate of return would further aid in fully funding the obligation. Obviously this funding approach is not a complete solution, but in conjunction with other potential Task Force recommendations, if formally proposed and adopted, it could serve as a critical component to meeting both OPEB obligations and GASB regulations.

Pursue Savings Opportunities in Municipal Operations – The Efficiency Initiative Committee issued its report to the Board of Selectmen on February 3, 2009. It contains well over 50 separate recommendations for possible cost savings in the areas of private contracting, public safety, and organization wide reductions. A number of these recommendations are already reflected in this Financial Plan.

Beyond FY10, the EIC Report offers a potential framework for addressing the expectation that there will be ongoing consideration of savings in municipal operations. As noted in the Report, "On the Town side the EIC's recommendations will be considered by the Town Administration. The ultimate decision to adopt any of these recommendations, to implement other savings or eliminate programs will be the product of the political process involving the Board of Selectmen, the Advisory Committee and Town Meeting." And as also noted, "In addition many of the recommendations will involve the need for collective bargaining."

It is obvious that several key areas will require attention over the longer term. Fire and police staffing levels involve complex and important quality of life issues. Multiple recommendations involving technology range from consolidating Town/School help-desks to transforming the fire alarm system to a wireless platform. And, of course, the often thorny question of outsourcing involves many operational and labor relations issues.

The substantive and procedural factors inherent in the question whether the Town should contract for curbside collection services are illustrative. Even though curbside recycling is already done under contract and residential refuse is transported away from the Town's transfer station by a private hauler, collection of residential waste is still done internally. As noted in the EIC Report, bids for residential waste collection have been solicited in the past. This has also worked to help make internal operations more efficient. For example, in cooperation with the unions, the number of personnel per truck was reduced from three to two in 1998 and in 2007 the number of trucks were reduced – one from solid waste operations and one from yard waste operations.

The operative presumption of the past has been basically if the union proposal is "close enough", then keep the service in-house. However, the environment is different now than it was ten years ago or even two years ago. First, the extent to which curbside collection is contracted by Massachusetts communities has become quite pervasive. The survey in the EIC Report shows how widespread the practice is in the metro Boston area.

Community	**Solid Waste Collection**	**Favorable/ Not Favorable/ NA**
Arlington	Contracted out	Favorable
Belmont	Contracted out	Favorable
Boston	Contracted out	Favorable
Braintree	Contracted out	Favorable
Dedham	Contracted out	Favorable
Framingham	Both	Favorable
Lexington	Contracted out	Favorable
Malden	Contracted out	Favorable
Melrose	In House	N/A
Milton	Contracted out	Favorable
Needham	In House	N/A
Newton	Contracted out	Favorable
Quincy	Contracted out	Favorable
Revere	Contracted out	Favorable
Saugus	Contracted out	Favorable
Somerville	Contracted out	Favorable
Waltham	Contracted out	Favorable

Of the 16 responding communities, only two conduct curbside collection fully in-house. It is reported that at least one of those remaining two is considering private contracting for July 1, 2009. Also worth noting, nearly all of the contracting communities have expressed favorable opinion about the service.

Second, emerging concern about OPEBs has dramatically changed the outlook on retirement obligations. As reported by the EIC, despite the internal efficiencies gained from the negotiations conducted around the 2007 RFP, there could be limited additional budgetary savings by contracting out. However, there could be another $100,000 of avoided annualized retirement obligations for both pensions and OPEB's in FY10 terms. As urged by the EIC, the evaluation of bids "should include the cost of benefits including health care workers compensation, pensions and OPEBs' as well as capital costs (including acquisition and maintenance)".

The Town is currently engaged in another RFP process. Impact bargaining over the possibility of a change has also begun. It will likely take several weeks to determine whether turning to private contracting for curbside collection, some time this year is a viable option. Due to vacancies from the Hiring Freeze it is a near certainty that changing to a contract operation could happen without layoffs. Other issues involved in protecting the well-being of current Town employees, which is of paramount importance to the Town, will also be addressed in negotiations. Because of all these factors, including the very core issue of whether contracting this function will occur at all, no impacts one way or the other have been included in the calculations for the FY10 budget.

Finally, in regard to the question of contracting generally, beyond the immediate question of curbside collection a long-term process will need to be established to address the other possibilities raised by the EIC: including street sweeping; grounds maintenance; fleet maintenance; parking ticket administration; school lunch program; technology support; golf course management. It is recommended that the Board of Selectmen direct the Town Administrator to propose a coordinated process for examining these and possibly other areas for private contract purposes.

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 $288 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 far in addressing the backlog of capital needs created by the under-investing in infrastructure in the late 70's and 80's and have substantially improved the Town's physical assets and landscape. 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 FY10 - FY15 CIP calls for an investment of $148.3 million, for an average of approximately $24.7 million per year. As previously noted in this Budget Message, the plan to balance the FY2010 budget includes a reduction in the 5.5% funding level to 5%, freeing-up $917,000 for the Operating Budget. Those funds are used to reduce the level of cuts in the Operating Budget. The impact to the CIP is somewhat blunted, however, by the recommendation to forego the deposit into the Affordable Housing Trust Fund ($353,000). The net reduction to the CIP, therefore, is $564,000 ($917,000 - $353,000). An essential element of this approach is the phasing back up to the full 5.5% level, hitting 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. Without it, the Devotion School project will not be affordable.

	FY10	FY11	FY12	FY13	FY14	FY15
@ 5.5%	$10,087,459	$10,232,070	$10,515,070	$10,833,910	$11,146,914	$11,481,947
As proposed	$9,170,365	$9,766,976	$10,515,070	$10,833,910	$11,146,914	$11,481,947
$ Variance	($917,093)	($465,094)	$0	$0	$0	$0
% Variance	-9.1%	-4.5%				

It was a challenge to develop a balanced CIP that addresses the priorities of the community while staying within the funding guidelines. This year was particularly challenging because many of the new requests that arose from the process were clearly priority needs. In addition, there were complexities involved with needing to fund these new requests that meet the criteria for CIP projects while at the same time having to fund $9.7 million of additional liabilities associated with the landfill and budget for two large school renovation projects.

The CIP accommodates $5.125 million for corrective actions associated with the landfill closing, $4.275 million of which is funded via a new bond authorization. The balance comes from existing CIP accounts. In addition, the FY10 Financial Plan outside the CIP had to include $4.6 million for the costs associated with the settlement of this issue, which breaks down as follows:

- $2.03 million from Free Cash budgeted in the Special Appropriations category
- $1.25 million from the Overlay Surplus also accounted for in the Special Appropriations category
- $1.32 million from Free Cash budgeted for in the Liability/Catastrophe Fund. This amount is budgeted here in order to replenish the fund for the drawdown in FY09 for the settlement

The core of any CIP must be the maintenance / repair of and improvement to a community's infrastructure, and many of the new requests do just that. 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 - $33.2 million of Town funding plus the possibility of $22.1 million of State funding in FY11-FY14 for feasibility, design, and construction

- Runkle School Rehab - $15.8 million of Town funding plus the possibility of $10.6 million of State funding in FY10-FY11 for design and construction

- Newton St. Landfill - $5.1 million (FY10) + $4.4 million (FY15)

- Fisher Hill Reservoir Re-Use - $3.25 million (FY11)

- Village Square - $3 million (FY11)

- Town Hall/Main Libr. Garages and Driveway - $1.2 million (FY10)

Continued major investments include:

- Street and Sidewalk Rehab - $15.6 million

- Parks and Open Space - $11.9 million

- Water and Sewer Infrastructure - $5 million

- General Town/School Building Repairs - $4.3 million

- Town/School Roof Repairs/Replacement - $2.6 million

- Information Technology - $1.5 million

- Public Safety Equipment - $1.3 million

- Pierce School Auditorium - $825 thousand

- Branch Libraries - $585 thousand

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 enables decision makers, taxpayers, and employees to garner 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 FY10 – FY14 Long Range Financial Projection for the General Fund makes the following key assumptions:

- In FY10, $1.6 million of New Growth in the Property Tax Levy is assumed. For FY11-FY13, a base of $1.5 million is used, augmented by additional levy growth from the 2 Brookline Place re-development. For FY14, New Growth is set at $1.7 million.

- A 5% cut in General Government Aid (Lottery and Additional Assistance) in FY11 and level-funding of Chapter 70 funding.

- Limited growth in Local Receipts (approximately $250,000 / yr, or 1%).

- A 2% wage increase for FY10-FY14 for all (municipal and school) unions.

- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately $200,000 per year for the schools and $270,000 for town departments).

- Annual utility increases of $100,000.

- Annual SPED growth of $650,000 - $700,000.

- Enrollment growth cost increases of approximately $200,000 per year.

• Step increases in the School Department of $500,000 per year and $150,000 per year for Town Departments.

• Annual Health insurance rate increases of 10%, plus additional enrollment in the health insurance program of 40 per year.

• A Pension appropriation based on the most recent funding schedule approved by PERAC, including an assumption for a large increase in FY12 to reflect the CY08 pension fund performance.

• 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.

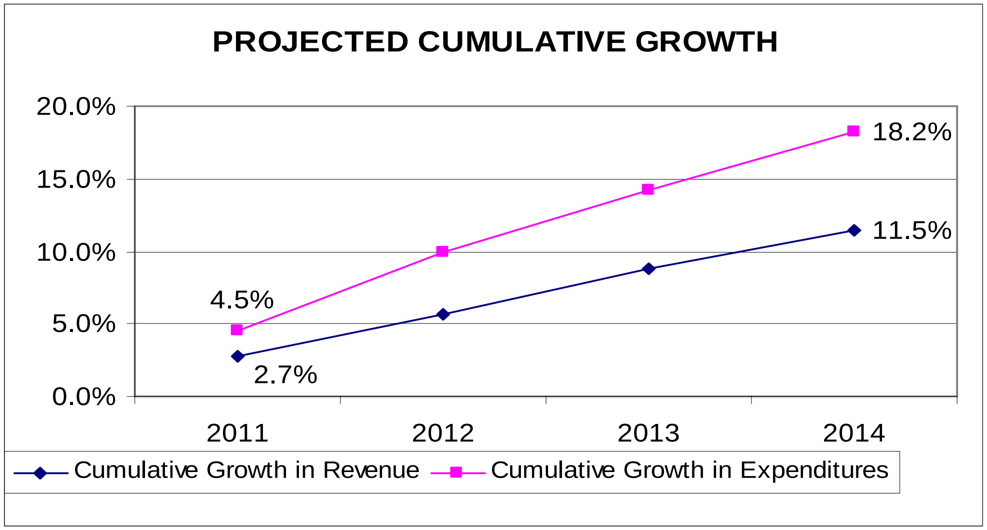
These assumptions create an escalating deficit position for FY11 and beyond, starting at $3.5 million in FY11 and reaching $14.7 million by FY14. The Long Range Financial Projection is detailed on the following pages:

	2010	2011	2012	2013	2014
REVENUE					
Property Taxes	**152,552,834**	**157,995,191**	**163,498,919**	**170,225,575**	**175,630,643**
Local Receipts	**20,217,125**	**20,230,749**	**20,456,962**	**20,707,928**	**20,959,345**
Motor Vehicle Excise (MVE)	4,850,000	4,850,000	4,971,250	5,095,531	5,222,920
Licenses & Permits	975,475	975,475	975,475	975,475	975,475
Parking / Court Fines	4,750,000	4,750,000	4,775,000	4,800,000	4,800,000
General Government	2,518,500	2,510,163	2,513,746	2,538,127	2,562,817
Interest Income	1,193,500	1,200,370	1,232,877	1,266,290	1,300,633
PILOT's	816,650	820,816	825,079	829,441	833,904
Refuse Fee	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Departmental & Other	2,513,000	2,523,925	2,563,535	2,603,065	2,663,596
State Aid	**17,157,180**	**16,888,650**	**16,902,759**	**16,276,712**	**16,291,536**
General Government Aid	6,258,126	5,989,596	6,003,705	6,018,167	6,032,991
School Aid	10,745,047	10,745,047	10,745,047	10,104,538	10,104,538
Tax Abatement Aid	41,896	41,896	41,896	41,896	41,896
Offset Aid	112,111	112,111	112,111	112,111	112,111
Other Available Funds	**8,293,101**	**5,207,580**	**5,330,918**	**5,427,735**	**5,534,520**
Parking Meter Receipts	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
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	2,255,675	2,343,348	2,454,196	2,537,764	2,630,494
Reimb. from Rec Revolving Fund	210,870	222,676	235,167	248,416	262,471
Tax Abatement Reserve Surplus	1,505,000	0	0	0	0
Capital Project Surplus	1,680,000	0	0	0	0
Free Cash	**7,053,295**	**3,750,000**	**3,750,000**	**3,750,000**	**3,750,000**
Capital Improvements/Other Spec Approp.	5,151,351	3,284,906	3,272,042	3,257,550	3,241,209
Operating Budget Reserve	458,547	465,094	477,958	492,450	506,678
Strategic Reserves	1,443,397	0	0	0	2,113
TOTAL REVENUE	**205,273,534**	**204,072,169**	**209,939,558**	**216,387,951**	**222,166,044**
$$ Increase	5,959,816	(1,201,365)	5,867,389	6,448,392	5,778,093
% Increase	3.0%	-0.6%	2.9%	3.1%	2.7%

	2010	2011	2012	2013	2014
EXPENDITURES					
Departmental	**61,302,426**	**62,882,560**	**64,333,385**	**65,905,043**	**67,347,680**
Personnel	43,694,848	44,904,848	45,979,848	47,169,848	48,224,848
Services	7,892,889	8,086,412	8,283,710	8,484,879	8,690,014
Supplies	1,940,635	1,989,151	2,038,880	2,089,852	2,142,098
Other	433,500	444,338	455,446	466,832	478,503
Utilities	5,179,952	5,279,952	5,379,952	5,479,952	5,579,952
Capital	1,390,601	1,407,859	1,425,548	1,443,679	1,462,264
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	**960,000**	**975,000**	**990,000**	**1,005,000**	**1,020,000**
Schools	**67,774,272**	**70,649,272**	**73,549,272**	**76,464,272**	**79,394,272**
Coll. Barg. / Extraordinary Reserve- School	**1,200,000**	**1,200,000**	**1,215,000**	**1,230,000**	**1,245,000**
Non-Departmental - Benefits	**40,270,929**	**43,833,636**	**49,563,100**	**53,720,030**	**58,276,851**
Pensions	12,293,565	12,765,355	15,173,524	15,682,688	16,214,133
Group Health	24,245,364	26,921,932	29,825,357	33,057,734	36,656,310
Retiree Group Health Trust Fund (OPEB's)	250,000	500,000	750,000	1,000,000	1,250,000
EAP	28,000	28,000	33,000	33,000	33,000
Group Life	162,000	166,049	170,201	174,456	178,817
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	300,000	300,000	300,000	300,000	300,000
Unemployment Compensation	166,000	166,000	166,000	166,000	171,000
Medical Disabilities	30,000	35,000	35,000	35,000	40,000
Medicare Coverage	1,430,000	1,551,550	1,675,674	1,801,350	1,927,444
Non-Departmental - General	**1,918,402**	**489,610**	**504,939**	**521,026**	**540,023**
Liability/Catastrophe Fund	1,443,397	0	0	0	2,113
Stabilization Fund	0	0	0	0	0
Affordable Housing	0	0	0	0	0
General Insurance	286,198	300,508	315,533	331,310	347,875
Audit/Management Services	138,987	138,987	138,987	138,987	138,987
Misc.	49,820	50,116	50,419	50,729	51,047
Non-Departmental - Debt Service	**12,572,214**	**12,788,382**	**13,625,799**	**12,853,859**	**12,672,989**
General Fund	12,572,214	12,788,382	13,625,799	12,853,859	12,672,989
Enterprise Funds					
Non-Departmental - Reserve Fund	**1,834,186**	**1,860,376**	**1,911,831**	**1,969,802**	**2,026,712**
Tax Supported	1,375,640	1,395,282	1,433,873	1,477,351	1,520,034
Free Cash Supported	458,547	465,094	477,958	492,450	506,678
Special Appropriations	**10,110,572**	**5,429,001**	**5,241,295**	**6,274,749**	**6,275,147**
Tax Supported	1,005,471	1,356,126	1,161,585	2,189,340	2,185,382
2008 Override	768,750	787,969	807,668	827,860	848,556
Free Cash Supported	3,121,351	3,284,906	3,272,042	3,257,550	3,241,209
Overlay Supported	255,000	0	0	0	0
Capital Project Surplus	1,680,000	0	0	0	0
Landfill Settlement (Free Cash + Overlay Surp)	3,280,000	0	0	0	0
Sale of Town-owned Land Fund	0	0	0	0	0
Non-Appropriated	**7,330,535**	**7,501,783**	**7,677,312**	**7,857,230**	**8,041,646**
State Assessments	5,543,424	5,673,422	5,806,670	5,943,249	6,083,243
Cherry Sheet Offsets	112,111	112,111	112,111	112,111	112,111
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	**205,273,534**	**207,609,620**	**218,611,933**	**227,801,010**	**236,840,318**
$$ Increase	5,959,816	2,336,087	11,002,312	9,189,077	9,039,308
% Increase	3.0%	1.1%	5.3%	4.2%	4.0%

	2010	2011	2012	2013	2014
CUMULATIVE SURPLUS/(DEFICIT)	**0**	**(3,537,451)**	**(8,672,374)**	**(11,413,059)**	**(14,674,274)**
DEFICIT AS A % OF OP REV	**0.0%**	**-1.8%**	**-4.2%**	**-5.4%**	**-6.7%**
Surplus / (Deficit) Prior to Collective Bargaining		(1,362,449)	(6,467,374)	(9,178,059)	(12,409,274)
Town Share of Surplus / (Deficit)		(337,160)	(2,842,228)	(3,702,128)	(4,742,463)
Town Collective Bargaining		975,000	990,000	1,005,000	1,020,000
Total Town Surplus / (Deficit)		**(1,312,160)**	**(3,832,228)**	**(4,707,128)**	**(5,762,463)**
School Share of Surplus / (Deficit)		(1,025,289)	(3,625,146)	(5,475,931)	(7,666,810)
School Collective Bargaining		1,200,000	1,215,000	1,230,000	1,245,000
Total School Surplus / (Deficit)		**(2,225,289)**	**(4,840,146)**	**(6,705,931)**	**(8,911,810)**

As the tables show, annual revenue growth of approximately 3% is outpaced by annual expenditure growth of approximately 4.5%. The growth in expenditures is driven primarily by wages, health insurance (annual budget growth of 11%), pensions (growth of 3.5% per year, except for FY12), and School Department non-collective bargaining (approximately 2% per year), due primarily to SPED, step increases, and enrollment growth. These are significant issues the Town must cope with over the next few years - - unless, of course, more favorable developments occur, such as State Aid being greater than currently assumed; health care costs falling back to more general inflationary levels; compensation adjustments lower than past patterns; or a slowdown in the growth of SPED or school enrollment.



CONCLUSION

The pressure on municipal finance is as intense now as any time in nearly two decades. This in turn can place stress on the structure, practices, and most importantly the inter-relationships involved in local government – among employees, board & commission members, department heads, and elected officials.

The collaborative contributions of all those who have had a role in shaping this Financial Plan are gratefully acknowledged and deeply appreciated. A special note of thanks goes to the Town Department Heads who every day and all day do what it takes to keep town services available on a 24/7 basis. Emergency response services, snow removal functions, the uninterrupted flow of water and so on, can not occur without the ongoing stewardship of those entrusted to oversee town operations. They, more than anyone else, must in this period of retrenchment manage in a cutback environment while expected to maintain services. Their dedication and creativity will be challenged in the next few years more than any time in a generation. I can imagine no other group in Massachusetts local government who will be more up to the task.

Finally, I wish to thank the Board of Selectmen not only for their support and faith in the Town Administration, but also for their ongoing expectation for excellence, the standard by which the Brookline community justifiably measures Town services. And of course a special word of appreciation for Deputy Town Administrator Sean Cronin and Assistant Town Administrator Melissa Goff whose professional craftsmanship is apparent throughout this Financial Plan, without which national budget recognition would not have been awarded by the Government Finance Officers Association (GFOA) for four years running.

We look forward to addressing the many questions and concerns that will arise in the course of the review of the FY2010 Financial Plan.

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.

FY2010 FINANCIAL PLAN SUMMARY

	FY2009	FY2010	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE				
General Fund Revenue	199,313,719	205,273,534	**5,959,815**	**2.99%**
Water and Sewer Enterprise Fund	23,419,452	24,049,943	**630,491**	**2.69%**
(less Water & Sewer Overhead included in General Fund Revenue)	(1,877,687)	(2,069,326)	**(191,639)**	**10.21%**
Golf Enterprise Fund	1,246,200	1,266,201	**20,000**	**1.60%**
(less Golf Overhead included in General Fund Revenue)	(179,064)	(186,349)	**(7,286)**	**4.07%**
Recreation Revolving Fund	1,657,363	1,706,933	**49,571**	**3.0%**
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(198,027)	(210,870)	**(12,843)**	**6.5%**
TOTAL REVENUE	**223,381,957**	**229,830,065**	**6,448,108**	**2.9%**
APPROPRIATIONS				
General Fund Operating Budget	183,630,562	187,832,427	**4,201,865**	**2.3%**
Non-Appropriated Budget *	7,107,410	7,330,535	**223,125**	**3.1%**
Revenue-Financed CIP Budget / Other Special Appropriations	8,575,748	10,110,572	**1,534,824**	**17.9%**
General Fund Total	199,313,720	205,273,534	**5,959,814**	**3.0%**
Water and Sewer Enterprise Fund	23,419,452	24,049,943	**630,491**	**2.69%**
(less Water & Sewer Overhead included in General Fund Revenue)	(1,877,687)	(2,069,326)	**(191,639)**	**10.21%**
Golf Enterprise Fund	1,246,200	1,266,201	**20,000**	**1.60%**
(less Golf Overhead included in General Fund Revenue)	(179,064)	(186,349)	**(7,286)**	**4.07%**
Recreation Revolving Fund	1,657,363	1,706,933	**49,571**	**3.0%**
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(198,027)	(210,870)	**(12,843)**	**6.5%**
TOTAL APPROPRIATIONS	**223,381,957**	**229,830,065**	**6,448,109**	**2.9%**
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.

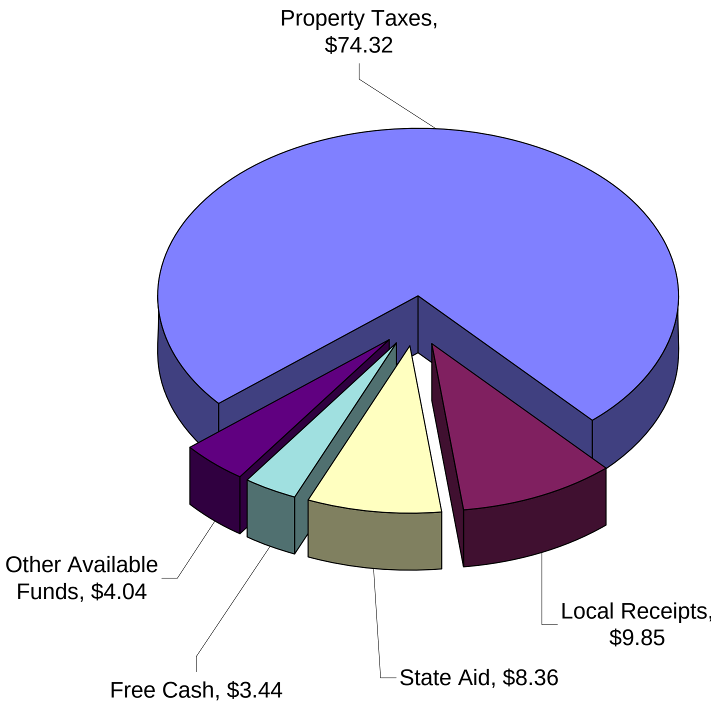
FY2010 GENERAL FUND SUMMARY

	FY2006 ACT.	FY2007 ACT.	FY2008 ACT.	FY2009 BGT.	FY2010 BGT.	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE							
Property Tax	121,812,454	128,871,387	133,849,950	147,273,069	152,552,834	**5,279,765**	**3.6%**
Local Receipts	22,986,108	23,281,093	24,524,074	20,475,664	20,217,125	**(258,539)**	**-1.3%**
State Aid	17,951,657	18,023,846	18,946,277	19,623,691	17,157,180	**(2,466,511)**	**-12.6%**
Free Cash	4,606,534	5,387,435	3,814,792	5,954,963	7,053,295	**1,098,332**	**18.4%**
Other Available Funds	7,691,658	8,948,053	8,603,612	5,986,332	8,293,101	**2,306,768**	**38.5%**
TOTAL REVENUE	**175,048,412**	**184,511,814**	**189,738,706**	**199,313,719**	**205,273,534**	**5,959,815**	**3.0%**
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	5,084,477	5,375,086	5,410,405	5,424,518	5,543,424	**118,906**	**2.2%**
Tax Abatement Overlay	1,490,442	1,451,262	1,858,148	1,535,026	1,650,000	**114,974**	**7.5%**
Deficits & Judgments	0	0	0	25,000	25,000	**0**	**0.0%**
Cherry Sheet Offsets	1,280,287	117,738	120,749	122,866	112,111	**(10,755)**	**-8.8%**
TOTAL NON-APPROPRIATED EXPENSES	**7,855,206**	**6,944,086**	**7,389,302**	**7,107,410**	**7,330,535**	**223,125**	**3.1%**
AMOUNT AVAILABLE FOR APPROPRIATION	**167,193,206**	**177,567,728**	**182,349,404**	**192,206,310**	**197,942,999**	**5,736,689**	**3.0%**
APPROPRIATIONS							
Town Departments	56,348,332	57,545,709	59,352,831	62,415,647	62,262,425	**(153,222)**	**-0.2%**
School Department	58,236,785	60,671,696	62,924,864	68,021,240	68,974,271	**953,031**	**1.4%**
Non-Departmental Total	43,682,516	47,431,058	49,058,075	53,193,676	56,595,732	**3,402,057**	**6.4%**
General Fund Non-Departmental	38,628,700	42,077,599	43,985,056	50,938,898	54,129,187	**3,190,289**	**6.3%**
Water and Sewer Enterprise Fund Overhead *	4,554,526	4,836,456	4,513,660	1,877,687	2,069,326	**191,639**	**10.2%**
Golf Enterprise Fund Overhead *	379,553	371,402	373,004	179,064	186,349	**7,286**	**4.1%**
Recreation Revolving Fund Overhead *	119,737	145,601	186,355	198,027	210,870	**12,843**	**6.5%**
OPERATING BUDGET SUBTOTAL	158,267,633	165,648,463	171,335,770	183,630,563	187,832,427	**4,201,864**	**2.3%**
Revenue-Financed Special Appropriations	6,060,803	7,874,562	5,928,000	8,575,748	10,110,572	**1,534,824**	**17.9%**
TOTAL APPROPRIATIONS	**164,328,436**	**173,523,025**	**177,263,770**	**192,206,310**	**197,942,999**	**5,736,689**	**3.0%**
BALANCE				**0**	**0**	**0**	

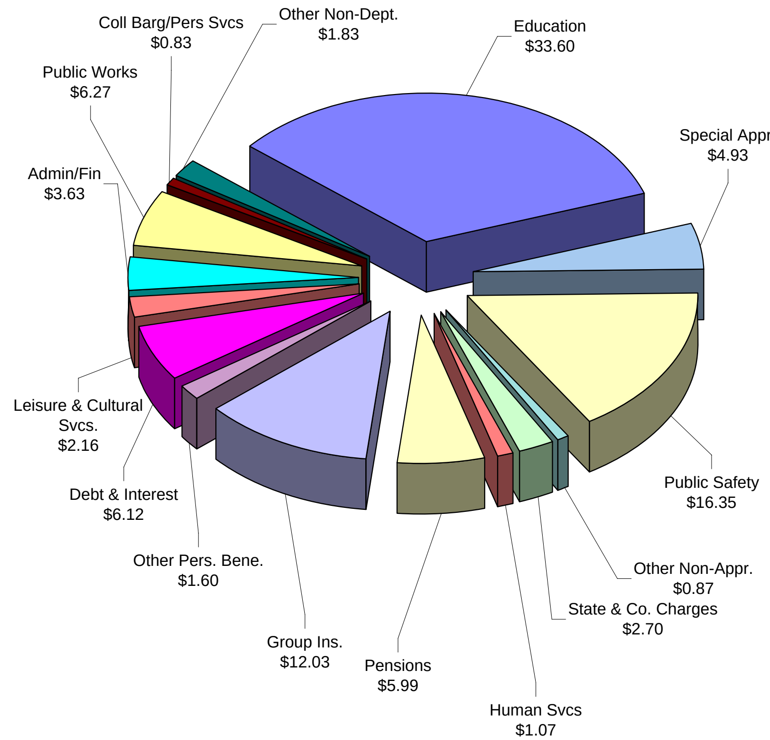
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

FY2010 GENERAL FUND TOTAL BUDGET
$205,273,534

How Each $100 Will Be Received

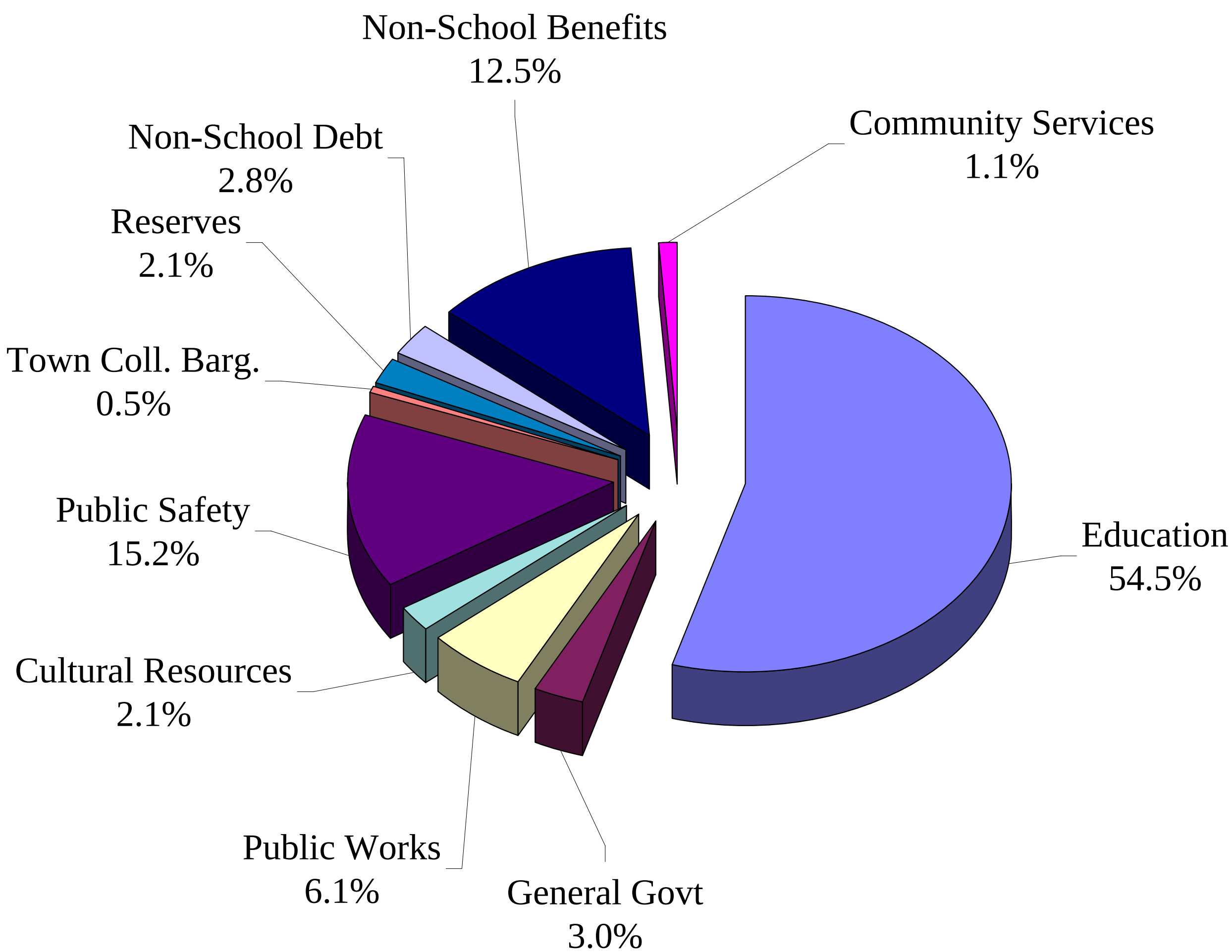


How Each $100 Will Be Appropriated



FY2010 GENERAL FUND OPERATING BUDGET
$187,832,427

FULLY ALLOCATED FY2010 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).