

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

It is again my privilege to present the Annual Financial Plan in accordance with the provisions of Chapter 270 of the Acts of 1985 (the Town Administrator Act) and By-Law Section 2.2.5. This Financial Plan for the fiscal year beginning July 1, 2008 presents total revenue, expenses and capital improvements of \$217,075,292. This includes an operating budget of \$178,835,561; enterprise/revolving funds totaling \$23,909,044 (net of reimbursements to the General Fund); unappropriated expenses of \$7,154,940; and the revenue-financed CIP of \$7,175,748.

- Total General Fund Revenues are up 2.4%, which is nearly 1/4 less than forecasted revenue and 1/3 less than revenue trends projected by the Override Study Committee.
- While net state aid is now expected to be \$1,100,000 higher than forecasted, local receipts are anticipated to be \$900,000 below forecast.
- Operating revenue is up \$5.5 million (3.1%), but personnel and benefit costs alone increase \$6.5 million.
- After fixed costs, Town Department budgets and the School Department budget are up only 1.9% including salary adjustments.

In response to the serious budget stress reflected in the FY08 Financial Plan for the current fiscal year, the Board of Selectmen voted in April 2007 to appoint an Override Study Committee (OSC). After thoroughly examining and validating the Town's approach to the FY09 Financial Forecast, this independent group of financial managers, policy analysts, and executives came to the conclusion that there would be a deficit in the range of \$2.6 million to \$3.5 million for the FY09 operating budget. In addition, they found that infrastructure needs have been underfunded by approximately \$1.5 million. The OSC voted unanimously to recommend that the Selectmen proceed with an override ballot question, with seven of the nine members voting for full override funding of the structural deficit and all nine voting favorably on override funding for infrastructure needs. (Additional favorable votes were taken for override funding for a lengthened instructional school day and an elementary world language program. These proposed programs are addressed in the Superintendent's Budget.)

Now that the Governor's local aid recommendations are known, group health rates are finalized, and the full first six months of current fiscal year revenues have been reviewed, this Financial Plan projects a structural deficit of \$2.1 million for the FY09 operating budget. Further, this Financial Plan does not remedy the \$1.5 million in underfunding of infrastructure identified by the OSC – approximately \$750,000 in the operating budget for facilities/parks requirements and \$750,000 in the CIP for streets and sidewalks. This Budget Message will recap the major factors contributing to these shortfalls; recommend expense reductions to offset the deficit; and describe how the proposed override can restore the cutbacks otherwise recommended for purposes of balancing the budget.

**BACKGROUND**

As past Financial Plans have repeatedly documented and the OSC has reaffirmed, group health increases, energy costs, and state aid reductions have contributed directly to the fiscal pressure the Town is experiencing. The current FY08 budget required the elimination of 8.9 FTE Town positions, school budget cuts, and a reduction of the CIP, along with the raising parking meter rates by 50% and the trash fee over 20% to be brought into balance.

Additionally, the OSC Report brings more specific focus on the unsustainability of total personnel costs when benefits such as group health are considered in conjunction with wage adjustments and staffing increases. The Report holds that the structural deficit can be avoided only if total personnel costs -- inclusive of school staffing levels -- do not increase more than 3.75% a year (the Committee's long-term projected rate of revenue growth). The Report urges when group health rates rise more than 10% that COLA's be held to less than 2%, assuming revenue growth around 3.75%.

**Maintaining a Sustainable Growth Rate for Personnel Costs**

Assumptions		Affordable COLA if annual growth rate for group health costs is:				
Revenue Growth Rate	Growth Rate of Non-Personnel Spending	6%	8%	10%	12%	14%
<i>Base case</i>						
3.75	3.75	3.2	2.6	1.8	1	0
3.75	2.5	3.8	3.2	2.5	1.7	0.7

The reality for the FY09 budget is that group health rates are up 13%, teacher salaries will increase at least 3.5 %, Town COLA's will likely not be limited to the OSC recommended 2% benchmark, and utility costs will be up 6.5%. Further, the Town's most recent revenue data for the first six months of the current fiscal year offers little choice but to make a downward adjustment in local receipts from the original forecast projections. Total local receipts are precisely at 50% of budget through the first six months of the current fiscal year. This is precariously "too close" in light of the expected continuing decline of the economy. As will be detailed later in this Message, interest earnings, hotel excise taxes, and building permit fees are below last year's levels for the first half of the current fiscal year.

The conditions that have contributed to the Town's budgetary shortfall have not arisen overnight; rather have they been emerging over an extended period of time. They have long been highlighted and addressed in Annual Financial Plans. It is crucially important context to understand the steps that have been taken for both short-term and long-term purposes in anticipation of the growing budgetary pressures:

**Long Range Strategies** – The OSC favorably cited the many strategies employed by the Town to manage its affairs in order to control the underlying structural deficit. Going back to the Financial Planning Advisory Committee (FPAC) report of 1994, the OSC report cites the following examples of Town long-term actions:

- Formal fiscal polices for reserves, free cash, capital spending/debt management
- Long-term fixed price contracts for solid waste and energy
- Outsourcing street light maintenance, IT Help Desk, night cleaning, school grounds maintenance, recycling, etc.
- Mergers of town/school administrative technology functions, building maintenance, and purchasing
- Combined and civilianized police/fire dispatch operations
- “No Net Hire Policy” for municipal staff
- Collective bargaining increases in line with CPI—38.5% vs 36.3% between FY96 and FY07
- Town hiring freezes in five out of the last six years.

**FY08 Budget Reductions** - As already noted, the FY08 Town budget eliminated 8.9 FTE positions in the following areas: DPW (Laborer, Park Maintenance Craftsman, Civil Engineer); Administration (Telephone Operator); Library (Library Assistant II); Recreation (Supervisor); and 2.9 Part-Time FTE’s (Park Seasonals, Clerical Workers, Interns). In addition, one position was shifted off the property tax-supported General Fund to the Recreation Revolving Fund. Also, the Cemetery Trust Fund increased the amount of revenue transferred to the General Fund on a one-time basis.

Additional efforts were made even after the FY08 budget was adopted. The DPW pursued an extensive outsourcing initiative that resulted in the discontinuation of six more positions. Two of these positions were eliminated from the Parks Division because a private contractor is now being utilized for maintaining the grounds of all school buildings, not just four of the ten that had previously been the case.

In addition, because of efficiencies negotiated through impact bargaining with the union over the leaf collection program, four other positions can be eliminated in the 09 budget as an alternative to outsourcing. As importantly, the restructuring of the long-term contract for trash hauling from the transfer station actually reduced the tonnage rate charged to the Town, saving an estimated \$875,000 over seven years.

**Group Health** - As part of the Mitigation Plan put forth in the FY08 Budget Message, I proposed pursuing changes in group health benefits for both active employees and retirees. Last October a major step in this direction was taken by doubling co-pays for office visits and prescriptions, as well as instituting co-pays for the first time for in-patient and out-patient services. Further, a 3-tier wrap

FY08 Plan Design Changes and Related Savings			
	OLD	NEW	TOTAL SAVINGS
Office Visits	\$5	\$10	\$250,000
Prescriptions - Actives	\$5 / \$10	\$10 / \$20	\$405,000
Prescriptions - Retirees	\$5 / \$10	\$10 / \$20 / \$25	\$590,000
Out-patient Surgery	N/A	\$150	\$250,000
In-patient Admission	N/A	\$250 /procedure	\$250,000
<b>TOTAL</b>			<b>\$1,745,000</b>

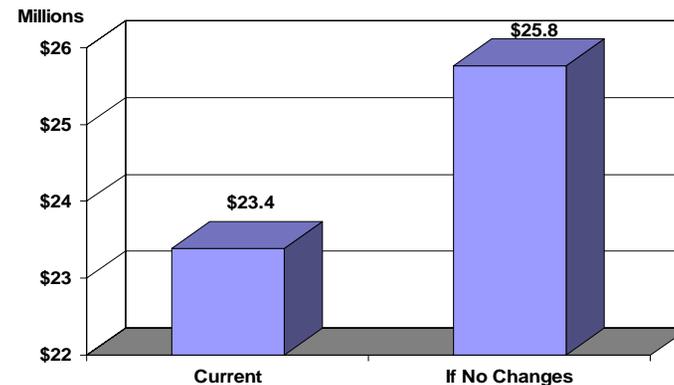
around prescription drug program was established for retirees. Coupled with the fact that the Town is already at a 75%/25% premium share with employees, Brookline's plan is among the most advanced within the metropolitan area. By way of contrast, a nearby city endured a teachers strike last summer to reduce employer contributions from 85% to 80%, a level still higher than what is in effect here. In addition, that community's plan design is not at the level of Brookline's revised co-pay schedule.

The changes implemented by the Town were negotiated with the unions through a method called coalition bargaining. The unions negotiate as a group with each bargaining unit having a weighted vote. This alternative bargaining method has been available since the early-90's, but municipalities have understandably been reluctant about it because it puts the unions in a veto position and, short of special legislation, there is no local way out of it. As significantly, coalition bargaining extends negotiating rights to retirees, an area of considerable future concern in light of the Town's \$200-\$300 million unfunded retiree health obligation.

The Town agreed to coalition bargaining for two principal reasons. First, the plan design changes negotiated with unions were considerable and immediately implementable. The changes reduced the FY08 health care increase from 12% to 6% and did so without having to wait for completion of serial bargaining with each unit separately as is required by traditional bargaining. And second,

coalition bargaining is the only statutorily allowed path for joining the State Group Insurance Commission (GIC). If this were not required for opting to the GIC, then it is quite unlikely the Town would have participated in coalition bargaining. Because of the health plan changes adopted by the Town in FY08 and FY05 (consolidating coverage with a single insurer), the Town's group health budget is \$2 million less than would otherwise be the case. (This is net of losing approximately \$450,000 in Medicare Part D reimbursement because of the senior plan design changes.) Unfortunately, despite squeezing more than \$2 million out of our budget base, we have been notified of a 13% rate increase for active plans for FY09. Overall, the FY09 health budget will increase by

Impact of Town's Group Health Initiatives



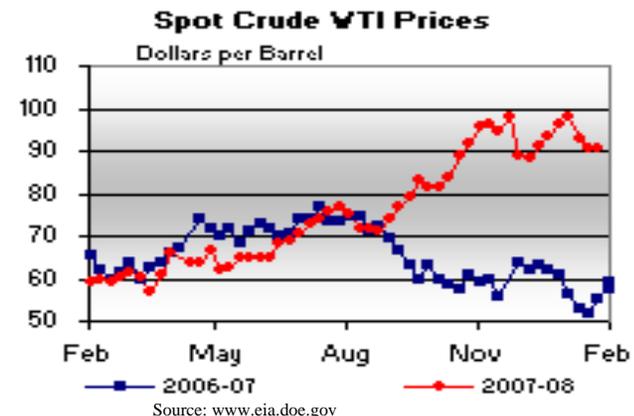
\$1.9 million, consuming 34% of total anticipated operating revenue growth. This is not quite as high as the Financial Forecast increase of 15%, or \$2.4 million, but is still a very significant increase.

A collateral benefit of changes made to the group health plan over the past three years is that a sizable trust fund balance remains from the transition from self-insured to a fully-insured program. The Town has been advised by BC/BS that run-off claims from the previously self-insured coverage have been satisfied. As part of coalition bargaining the unions waived any claims on the fund. While some trust fund retention is necessary to provide reimbursements negotiated with the unions for in-patient and out-patient co-pays, it is recommended that \$1 million be appropriated for future Retiree Group Health Obligations.

In January 1999, the Town gained approval for special legislation to establish a new trust fund to begin funding the long-term retiree group health obligation. Appropriations were made to this fund each year through 2004, when local aid cutbacks caused the Town to place a moratorium on future funding. Nevertheless, this fund now has a balance of \$4.7 million. Further, the Audit Committee is recommending that this existing special legislation be replaced to provide for a more favorable fund investment structure as recommended by the Government Accounting Standards Board (GASB) after the Town's special legislation was adopted. Setting aside another \$1 million for this purpose, coupled with the pursuit of new special legislation to maximize return on investment for these funds, affirmatively signals that the Town is prepared to renew its commitment to addressing this long-term obligation.

**Energy Costs** - In 2006 the Town locked into a five-year electric supply contact with a base price of \$10.114 per kilowatt hour. For the coming year, when adding green energy certificates and regulatory pass-throughs, the total cost is anticipated to be 10.99¢/kwh. This long-term contract has provided the Town with stability for the largest portion of its energy budget. When distribution charges are added to supply costs, the electric power budget is \$2.9 million, or 56% of the total energy budget. The kwh consumption for town/school buildings, street lights, traffic signals and all other purposes is approximately 17 million kwh. It is estimated for calendar year 2007 that our electric power costs were approximately \$68,000 lower than utility regulated supply would have been.

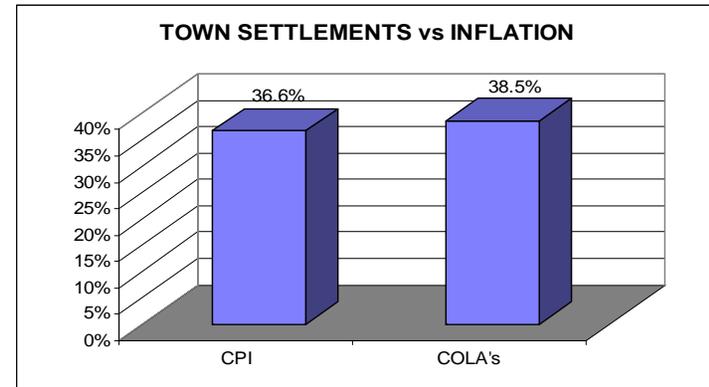
The Town was fortunate in FY08 to lock into a downturn in oil, gasoline, and diesel fuel prices in February of last year, which resulted in over \$350,000 of savings. Unfortunately, the possibility of locking into a similar price structure for FY09 is slim considering that, according to the Energy Information Administration, the national average price for residential heating oil is currently almost \$1 per gallon higher than at this time last year. The Town has tried to mitigate this uncertainty by converting some of our buildings to natural gas, which is typically lower than the price of oil. The Town recently locked into a four-year fixed price contract for natural gas at \$1.229/therm, which is below the current contract for FY08 of \$1.33/therm. Vehicle fuel is the cause



of the majority of the increase in utility budgets for FY09. This Spring, the Town will go back out to bid. Unfortunately the FY09 budget must assume a 40% increase in cost considering that today's prices are nowhere near the \$2.20/gallon the Town currently pays at the pump. The total increase in the FY09 General Fund budget for utility costs is \$320,000.

**Collective Bargaining** - As observed by the OSC, the COLA's negotiated by the Town and unions have roughly aligned with the CPI. Between FY96 and 2007 the consumer price index (Northeast All Urban) increased 36.6% and Town COLA's have been 38.5%.

Police, Fire, and Teacher contracts negotiated by the School Committee expired on June 30, 2006. AFSCME contracts expired on June 30, 2007. Town wage guidelines for the municipal union negotiations have been 2%. Successor agreements have not yet been reached with the Town unions, but the School Committee did settle a three-year contract through FY09. The teachers' settlement for the third year of that three-year contract (FY09-FY10) is at least 3.5%.



Town negotiations with the police and fire unions have been taken under the jurisdiction of the state Joint Labor Management Committee (JLMC). A formal mediation process for the firefighter negotiations did not result in a settlement agreement. Those negotiations will be taken up by an arbitrator beginning in late-February. An arbitration decision is not expected for months.

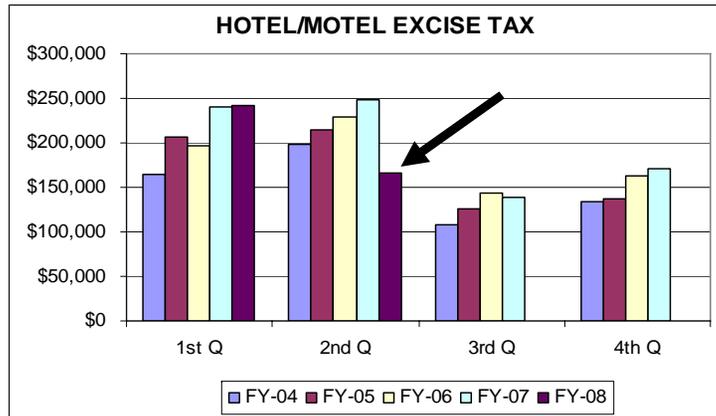
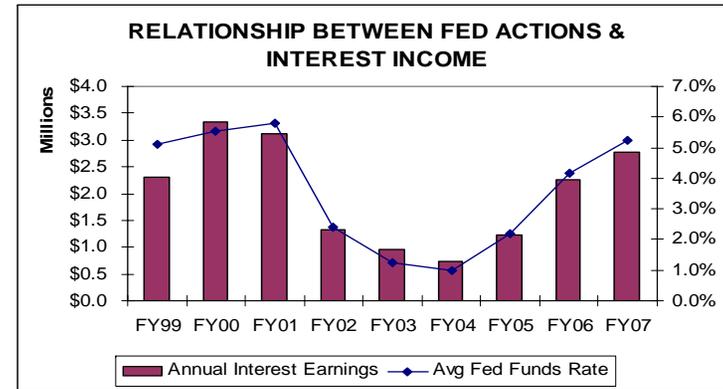
In light of the above, the Town can not assume that the settlement which ultimately emerges will be in line with its 2% guidelines. The Financial Plan has had to be adjusted accordingly. As a result of a 13% health increase and revenue growth less than 3.75%, we are already outside the realm of the OSC's sustainability guidelines. The lack of conclusive negotiations has created more uncertainty for FY09 budget planning than had usually been the case in previous years.

**Local Receipts/State Aid** – For the time being, FY09 revenue estimates for the property tax levy are status quo. As has been the case in recent years, 2 1/2 % plus new growth estimated at \$1.75 million are included in the revenue budget. The Selectmen and Town administration have worked very hard at keeping local receipts consistent with trends among our comparable communities and also at advocating at the state level for adequate and equitable local aid distributions. The local receipt adjustments the Selectmen voted for the FY08 budget and the State's continuation toward the goal of the 17.5% floor of foundation budget funding for Chapter 70 are just two examples.

Not surprisingly, expectations for local receipts and state assistance (local aid) are much more in flux than for the property tax. As outlined in Section III, several key local receipts, unfortunately, appear to be in decline. As a result of the formal FY08 half-year revenue review, a number of warnings signs had to be heeded in terms of local receipt estimates for FY09.

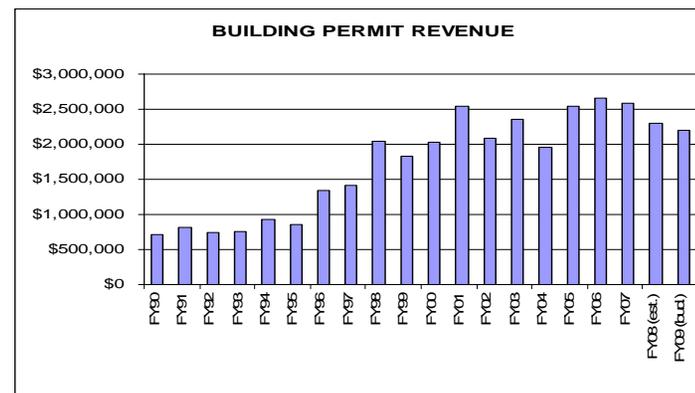
Three important revenue sources -- Interest Income, Hotel/Motel Excise Tax, and Building Permits -- had to be adjusted, as detailed below:

- **Interest Income** – through the first six months of FY08, Interest Income was down 22% from the same period in FY07. This trends to a full-year total of \$2.1 million, compared to FY07's \$2.7 million. In addition, the Federal Reserve has been very aggressive on lowering rates (in just an eight day period from January 22 – January 30, it lowered rates by 125 basis points, from 4.25% to 3%). As a result, Interest Income will decline even further, meaning FY09 will be less than the FY08 figures. Therefore, the FY09 estimate used in the Forecast (\$2.4 million) was reduced by \$725,000 to \$1.67 million.



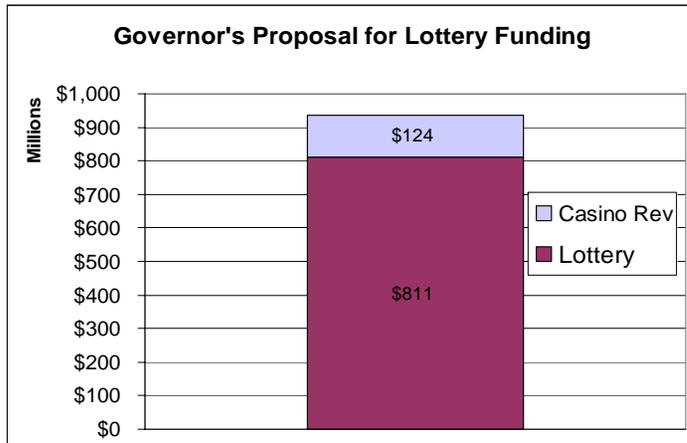
- **Hotel / Motel Tax** – the December payment, which reflected lodging activity from September – November, was the lowest amount since the December, 2002 (FY03) payment. If the YTD trend were to continue, the FY08 actual would be \$665,000, compared to FY07's \$799,000 actual. Further complicating this revenue source, when the economy weakens, it declines. In recognition of both the YTD figure and the expectation of a further economic slowdown in FY09, the estimate for FY09 was reduced by \$100,000 (to \$685,000) from the estimate used in the Forecast.

- **Building Permits** – these permits can be broken into two components: new construction and renovations. While the total was essentially level through the first six months, the renovations component was down 16%. (New Construction was up -- \$275,000 in FY09 vs. \$49,000 in FY08.) This is worrisome, as it could well indicate the beginning of a slowdown in the number of or value of home renovations. Such a trend would also negatively impact future New Growth. As a result, the FY09 estimate used in the Forecast was reduced by \$150,000 to \$2.2 million.



The local receipts projected in this FY09 Financial Plan are \$900,000 lower than presented in the Financial Forecast provided to the Board of Selectmen (and Override Study Committee) in December. The initial Forecast had local receipts increasing by \$600,000 or 3%. Now they are budgeted as decreasing by \$289,000. Fortunately, the decline in local receipts is slightly more than offset by an increase in net state aid above what the Forecast had initially projected. However, even this positive news comes with a somewhat mixed message.

The Forecast assumed a Chapter 70 education aid increase of \$300,000, based upon a \$50/pupil Minimum Aid formula. Thankfully, Governor Patrick is recommending that the State continue with the second year of the plan to bring Minimum Aid communities up to 17.5% of Foundation funding. This is a remarkable step in light of the State’s overall budget picture and increases this local aid account for Brookline by \$500,000 above the Forecast projections. The Forecast also included a \$400,000 reduction in Lottery distributions



in light of the decline in overall Lottery revenue. Here, too, the Governor has proposed welcomed assistance to the cities and towns by replicating FY09 lottery distributions at FY08 levels despite the decline in Lottery revenue. However, an element of risk is associated with this proposal by the Governor’s linking this \$124 million in lottery support to an uncertain revenue sources – casino gambling license income. With some measure of hesitation, this Financial Plan assumes the Governor’s proposed level of lottery funding in our own budget planning, because not doing so will undermine the rationale for the Legislature to level fund the lottery by whatever means. Assuming the State ultimately decides to fund the Lottery shortfall, cities and towns must insist that this be supported by sustainable revenue, whatever the funding source.

**FY09 CUTBACKS**

As a result of all the adjustments that have occurred since the FY09 Forecast was presented to the Board of Selectmen in December (collective bargaining, group health, local receipts, state aid, etc.), the deficit that this Financial Plan must address for municipal (non-school) budgets is \$1.3 million. The recommended approach for bringing the FY09 budget into balance has been guided by the following considerations:

- Personnel savings through attrition, rather than layoffs
- Inclusion of benefit savings in all calculations of personnel reductions
- Cutback areas consistent with OSC recommendations
- Curtailment of functions rather than complete elimination of services
- Follow through on phase-down initiatives set in motion in FY08

As a result, this Financial Plan recommends for Town (non-school) departments the elimination of another 9.1 FTE's, bringing the total to about 20 FTE positions over a two-year period; implementation of the public safety cutbacks that were forestalled in the current fiscal year by the increase in parking rates and fines; foregoing critical parks/open space maintenance requirements; a second consecutive year of library reductions; rollback of the one-time increase of \$400,000 for facility repair and maintenance also provided in 08 by increases in local fees; and deferral of purchasing police cruisers.

FY09 RECOMMENDED CUTS BY DEPARTMENT

DEPT	ITEM	FTE	AMT.	DEPT	ITEM	FTE	AMT.
Building	Repair and Maintenance		(400,000)	Fire	Partial Apparatus Pulling		(150,000)
	<b>Sub-Total Building</b>	<b>0.00</b>	<b>(400,000)</b>		<b>Sub-Total Fire</b>	<b>0.00</b>	<b>(150,000)</b>
DPW	Asst. Garage Clerk (C-5)	(1.00)	(38,532)	Library	Materials Budget		(47,143)
DPW	Carpenter/Laborer (LN-3)	(1.00)	(41,779)	Library	Temp. Part-Time Positions	(1.10)	(32,010)
DPW	Highway Craftsmen (LN-3)	(1.00)	(41,779)		<b>Sub-Total Library</b>	<b>(1.10)</b>	<b>(79,153)</b>
DPW	Sanitation Truck Supervisor (LN-5)	(1.00)	(46,500)	Police	4 Police Officers	(4.00)	(226,708)
DPW	Benefits		(30,000)	Police	4 Police Officers - Benefits		(30,000)
DPW	Landscape Services		(119,000)	Police	Police Cruisers		(102,081)
	<b>Sub-Total DPW</b>	<b>(4.00)</b>	<b>(317,590)</b>		<b>Sub-Total Police</b>	<b>(4.00)</b>	<b>(358,789)</b>
<b>TOTAL</b>						<b>(9.10)</b>	<b>(1,305,532)</b>

**Police Staffing** – (\$260,000) The OSC found that Brookline Police Department spending per capita was approximately 21% higher than comparable communities in 2006. In FY02 six uniformed positions were redeployed from dispatch to enforcement duties when the combined dispatch operation was established. The proposed reduction of four positions will roll back most of the patrol/enforcement capacity that the FY02 redeployment produced. The Police Chief anticipates that the proposed staffing reductions will occur primarily in the Traffic Division where much of the original redeployment occurred. (This item is recommended for restoration for at least one year, if an override is approved.)

**Fire Overtime** – (\$150,000) The OSC also reported that Fire Department spending per capita was 25% higher than average spending per capita in comparable communities for 2006. Through the first six months of the current fiscal year 2008, Fire Department overtime spending is 41% above last year. A budget deficit is considered unavoidable for the current fiscal year. Because minimum manning requirements must be negotiated, the least disruptive approach to budget savings is to take a piece of apparatus out of service when current manning requirements are triggered. In order to achieve the estimated \$150,000 in budget savings, a piece of apparatus would have to be taken out of service for the months of July-August 2008 and May-June 2009 when fewer than 28 firefighters report to work for their shift. (This item is recommended for restoration for at least one year, if an override is approved.)

**Police Cruisers** – (\$105,000) The 1994 override increased Police Department equipment by \$200,000. This was approved in response to years of deferred replacement. This amount plus additional funding have been allocated for police vehicles since that override. The optimal cruiser turnover schedule is 11 vehicles per year. This proposed budget reduction would allow for the purchase of eight vehicles. Continued deferral can not be practiced indefinitely as a budget reduction strategy. However, this level of proposed reduction will at least continue to sustain the 1994 override amounts. (This item is recommended for restoration for at least one year, if an override is approved.)

**DPW Staffing** – (\$200,000) As already noted earlier in this Message, the Department of Public Works carried out an extensive outsourcing initiative during the current fiscal year. One outcome of that initiative was the negotiation with AFSCME of a more efficient assignment of personnel for sanitation and leaf collection functions in order to maintain this function in-house. As a result, four vacant positions have been unfilled and can be eliminated from the FY09 budget. (Because of the efficiencies gained, the positions can be removed from the budget and restoration from an override is not necessary.)

**Library Materials & Part-time Staff** – (\$80,000) This is a 10% reduction for both accounts -- \$47,000 for materials and \$33,000 for temporary part-time staff. The reduction proposed for materials will not drop funding below required levels for state grants. Nevertheless, reduced funding over the long-term will erode the general quality of the collection. More immediately, the part-time staffing reduction could pose a challenge for maintaining current service levels. The Library Director is preparing a list of options involving some type of reduction in hours and/or other programs. (This item is recommended for restoration for at least one year, if an override is approved.)

**Facility Repair and Maintenance** - (\$400,000) This item was increased to \$1.2 million by the 1994 Override. The account was level funded most of the years following the override. The consequences of inflation were so erosive over this period that sub-accounts for day to day repairs were zeroed out and funding for standing contracts for HVAC maintenance, elevator service, etc., had become inadequate. For the current fiscal year 08, this budget item was temporarily increased by \$400,000 for urgently needed town and school work. The OSC estimates that an inflation adjustment of 40% is necessary to bring this item current. (This is recommended for restoration, if an override is approved, and the OSC recommends an additional \$100,000 in funding to bring the total recommended override amount to \$500,000, to be adjusted upward each subsequent year.)

**Open Space Services** – (\$119,000) As part of the reconstruction of Beacon Street, the former hardscape of crushed stone, asphalt, and weeds has been replaced by what amounts to an acre and a half of new landscaping that will need to be watered, weeded and pruned. Contractual services including materials, equipment and supplies will be required in the amount of \$86,000 to perform this work. The new park at the former Newton Street landfill also requires additional maintenance services. Contract services in the amount of \$33,000 will be utilized to maintain the sideslopes, the entrance drive and stormwater swale. (These items are recommended for restoration if an override is approved. The OSC recommends an additional \$131,000 landscape services for Muddy River and Fisher Hill Reservoir, bringing the total for landscape services to \$250,000.)

**OVERRIDE RESTORATIONS AND RECOMMENDATIONS**

The approach for balancing the FY09 budget presented in this Financial Plan corresponds to the funding provisions for the structural deficit and infrastructure shortfalls identified in the OSC Report. Override funding in the amount of \$2.1 million is required for structural deficit purposes. This is at the lower end of the range posited by the OSC. The principal factors contributing to this change are the unanticipated increase in net local aid (\$1.1 million over the revenue forecast) and the slight drop in the group health rate increase (\$400,000 less than the expenditure forecast). Of the \$1.5 million recommended by the OSC for infrastructure shortfalls, \$750,000 would be allocated to the CIP and \$750,000 to the operating budget, of which \$519,000 is for restorations and \$131,000 in additions.

The OSC also made favorable recommendations for a longer instructional school day (\$1,800,000) and world languages program (\$800,000). While recommended by the School Superintendent and School Committee, these proposals concern new programs and therefore are beyond the scope of this Financial Plan for addressing structural deficits and infrastructure shortfalls in order to sustain current services and/or carry-out existing commitments.

**Components of Override Recommended by the OSC**

Of the \$2.1 million necessary for what the OSC identified as **structural deficit**, restorations of \$1.5 million for the schools and approximately \$600,000 for the Town budget would be required.

Police Staffing	(restoration)	\$260,000
Fire Overtime	(restoration)	\$150,000
Police Cruisers	(restoration)	\$105,000
Library Materials and Positions	(restoration)	\$80,000
Schools		\$1,500,000
	<i>Subtotal structural deficit</i>	<u>\$2,100,000</u>

Override funding for **infrastructure maintenance** purposes can restore the reductions for facilities R&M (\$400,000) and open space landscape services (\$119,000). The OSC earmarked additional funds for R&M (\$100,000) and also for open space (\$131,000) anticipated for Muddy River and Fisher Hill Reservoir maintenance obligations.

Facility repair and maintenance	(restoration)	\$400,000
	(addition)	\$100,000
Open Space Services	(restoration)	\$119,000
	(addition)	\$131,000
	<i>Subtotal infrastructure maintenance</i>	<u>\$750,000</u>

The OSC also recommended **infrastructure** funding for streets and sidewalks. These funds would be added to the CIP (not the operating budget) and adjusted upward annually to offset inflation.

Street base budget increase	\$350,000
Street catch-up (\$1.2M for 3-4 years)	\$350,000
Sidewalks	\$50,000
	<u>\$750,000</u>
	<i>Subtotal infrastructure for CIP</i>

<b>Total for Structural Deficit and Infrastructure Shortfall</b>	<b><u><u>\$3,600,000</u></u></b>
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The Report of the Override Study Committee makes abundantly clear that an override alone can not stabilize the Town's financial position. In addition to its votes relative to an override, the OSC also voted:

“Even with a successful override, the Town will face structural deficits beyond FY09 unless changes are made to the rate of growth of certain costs, particularly personnel costs. To avoid the need for additional overrides in the near future, the OSC recommends that the Board of Selectmen and School Committee pursue a series of short- and long-term cost-saving measures and new revenue initiatives for FY10 and beyond that are necessary to support sustainable levels of services. (passed by a vote of 9-0).”

Throughout its Report, the OSC points to a number of ways in which the Town has attempted to manage its affairs in order to control the underlying structural deficit driven by double-digit group health increases, mandated school staffing increases, energy costs, etc.

- In a comparison with 17 other Greater Boston communities – including all the Aaa rated communities – Brookline is one of only three communities that has neither had an override nor adopted the CPA tax surcharge since 2000. (The other two are Medford and Andover, which will have a CPA ballot question this March).
- The OSC found that the Town followed the principal recommendations of the 1994 Financial Planning Advisory Committee (FPAC), which had been convened to examine the “continuing fiscal crisis” at that time. The OSC report states that as a result of the FPAC recommendations, the Town adopted a set of financial policies for reserves, free cash, capital spending/debt management, along with entering into the Town/School Partnership Agreement “which continue to guide town budgeting.” In Appendix IV, follow-through on other FPAC recommendations such as collective bargaining, user fees, and lowering administrative costs are also recounted.
- The Municipal Services Subcommittee report notes that over the past 10 years, Brookline's general fund total expenditures have grown at a lower rate (about 4.7%/yr) than the Aaa median (5.23%) or the statewide median (5.21%). Both this Subcommittee and the full OSC cite a number of initiatives taken by the Town to respond to continuing budget pressures, such as the Town's (non-school) position freeze policy.

Yet, not even these actions have proven over the long-term to be enough to indefinitely forestall cutback budgets. The Municipal Services Subcommittee correctly observes that while the Town has been quite strategic in its approach to fiscal policies, “there has not been a strategic policy approach to cost savings.” It characterizes the Town's efforts in this regard as more “opportunistic”, such as when there has been a change in law or turnover in staff to capitalize on changing conditions to achieve efficiencies.

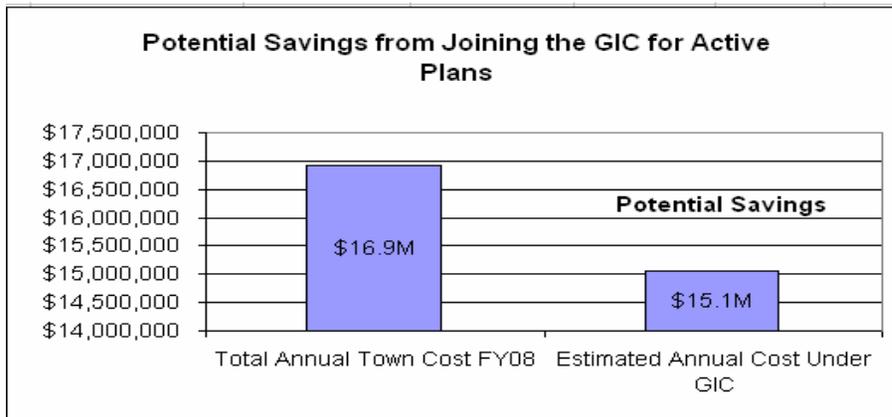
Perhaps no experience more graphically illustrates this observation that the tactics of the past will not be adequate to meet the realities of the future than our 15-year history with group health. Over this period, the Town has moved to 75% contribution rates for all group health plans; mandated retiree enrollment in Medicare; eliminated traditional indemnity programs; consolidated coverage with one insurer; and most recently revamped the schedule of benefits. However, the sobering reality is that it has taken a decade and a half to

make this progress. There is little consolation to be taken from the fact that Brookline’s efforts in this area have been as advanced as any in the state. For example, only last year did the Commonwealth’s second largest city begin mandating Medicare participation, something that Brookline did in the early-90’s.

This torturously slow going is not simply a matter of labor relations. The unions have been willing to negotiate in good faith to address group health concerns. Last year’s experience with coalition bargaining is a case in point. In fact, Brookline’s employee Group Health Advisory Committee is one of the most active in the state. However, to put in all the effort that was invested last year to cut our rate increases in half only to turn around and be hit with double-digit increases again this year is a source of extreme frustration for everyone involved. Market forces and statutory restrictions play a major role, along with bargaining requirements, in slowing down change.

The OSC urges a complete paradigm shift for group health by recommending that the Town join the Group Insurance Commission (GIC). Last year municipalities were granted the option to join the GIC, which covers 250,000 state/county employees and retirees. In fact, the personnel at our own Brookline Housing Authority are also members. However, only a handful of communities have joined, reflective of the difficulties inherent in making such a change.

The financial benefits of participating in the GIC for both the municipal employers and their employees are potentially quite significant. The graph below illustrates how, based upon FY08 rates, the Town could save up to \$2 million by joining the GIC, although the OSC Report cautions that savings could be considerably lower depending upon GIC plans chosen by employees.



Perhaps even more compelling than the chance for outright savings is the prospect of annual single-digit rate increases that the GIC enjoys. That alone would provide much needed flexibility for the Town to manage the structural deficit and provide adequate cost of living adjustments to appropriately compensate personnel and attract the talent and skills sought for teachers, public safety officers, public works, human services, etc. However, because of the statutory requirements for joining the GIC and the necessity of union consensus, the earliest the Town could opt into the GIC would be FY2010.

### 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. In 1994, as part of the override discussion that year, the Board of Selectmen implemented a Financial Improvement Program. A key area addressed in the Program was capital planning and, since then, the Town has made a significant commitment to address the backlog of capital needs created by the under-investment in infrastructure during the late-1970's and the 1980's. Since FY95, the Town has invested \$277 million in the CIP. 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 FY09 – FY14 CIP continues the Town's aggressive approach toward maintaining and improving the Town's physical assets. Developed within the parameters of the Board of Selectmen's CIP Policies, including the policy that states an amount equivalent to 5.5% of the prior year's net revenue be dedicated to the CIP, the proposed CIP incorporates a number of major projects along with a financing plan that includes outside funding sources and significant grant opportunities. The recommended CIP calls for an investment of \$141.9 million over the next six years, for an average of \$23.6 million per year. Section VI of this Financial Plan provides an in-depth discussion of the CIP and how it relates to and impacts the Operating Budget.

Again it was a challenge to prepare a CIP that both complies with the Town's CIP Financing Policies and funds major facility rehab projects in an environment that is best described as uncertain in terms of state assistance for school building projects. Further complicating this challenge is the need to fund new requests, most notably the need to fund expenses associated with the removal and restoration of certain soils around the Newton St. Landfill and to ensure on-going compliance with Department of Environmental Protection (DEP) guidelines with respect to restoring the effected properties. In addition, important requests were made that truly form the basis of a systematic, long-term plan for various needed preventative facility improvements. These factors have placed such a burden on the CIP that some projects included in last year's CIP had to be deferred, eliminated, or funded with other sources. In addition, a number of new projects requested by departments for the out-years could not be included in this CIP. It was these actions, in conjunction with additional Free Cash, that enabled the CIP to be balanced.

Major projects in the proposed CIP include:

- Devotion School Rehab - \$27.7M of Town funding plus the possibility of \$27.7M of State funding in FY11-FY14 for feasibility, design, and construction
- Runkle School Rehab - \$13.2M of Town funding plus the possibility of \$13.2M of State funding in FY10-FY11 for design and construction

- Newton St. Landfill - \$2.7M (FY09) and 3.9M (FY10)
- High School - \$4M (FY09)
- Fisher Hill Reservoir Re-Use - \$3.25M (FY10)
- Village Square - \$3M (FY10)
- Baldwin School - \$2M (FY13-FY14)
- Unified Arts Building (UAB) - \$1.4M (FY11-FY12)
- Parking Meters - \$1.3M (FY10)
- Town Hall/Main Library Garages and Driveway - \$1.3M (FY09-FY10)

Continued major investments include:

- Street & Sidewalk Rehab - \$11.8M
- Parks & Open Space - \$9.2M
- Water & Sewer Infrastructure - \$4.75M
- General Town/School Bldg. Repairs - ADA, Security, Roof, Masonry, Elevators, Emergency Generators, Energy Management/Conservation - \$3.6M
- Information Technology - \$1.4M
- Public Safety Equipment - \$875K
- RFID Technology in Libraries - \$675K
- Branch Libraries - \$770K

### **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 FY09 – FY13 Long Range Financial Projection for the General Fund makes the following key assumptions:

- \$1.75 million of New Growth in the Property Tax levy each year, except for FY11 and FY12, where \$2.25 million is used to reflect the impact of the 2 Brookline Place re-development.
- No reductions in the Lottery and minimal Chapter 70 funding (\$50/pupil) for “above foundation” communities.
- A 2% wage increase for FY10-FY13 for all (municipal and school) unions.
- Inflation in most Services, Supplies, and Capital Outlay accounts of 1.5% - 2.5% (approximately \$195,000 per year for the schools and \$250,000 for town departments).
- Annual utility increases of \$150,000.
- Annual SPED growth of \$600,000 - \$700,000.
- Enrollment growth cost increases of approximately \$150,000 per year.
- Step increases in the School Department of \$450,000 - \$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 40-50 per year.
- A Pension appropriation based on the most recent funding schedule approved by PERAC.
- Debt Service and pay-as-you-go CIP that reflects current CIP Policies.

These assumptions create an escalating deficit position for FY10 and beyond, starting at \$2 million in FY10 and reaching \$8.8 million by FY13. The Long Range Financial Projection is detailed on the following pages:

TOWN OF BROOKLINE  
FY2009 PROGRAM BUDGET

BUDGET MESSAGE

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>REVENUE</b>					
<b>Property Taxes</b>	<b>141,059,080</b>	<b>146,267,616</b>	<b>152,102,843</b>	<b>158,009,262</b>	<b>164,248,677</b>
<b>Local Receipts</b>	<b>20,953,925</b>	<b>21,102,028</b>	<b>21,252,721</b>	<b>21,406,057</b>	<b>21,623,765</b>
Motor Vehicle Excise (MVE)	5,200,000	5,252,000	5,304,520	5,357,565	5,463,641
Licenses & Permits	863,475	863,475	863,475	863,475	863,475
Parking / Court Fines	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
General Government	2,648,000	2,673,250	2,698,883	2,724,908	2,751,956
Recreation	0	0	0	0	0
Interest Income	2,014,455	2,054,744	2,095,839	2,137,756	2,180,511
PILOT's	719,545	723,222	726,938	730,692	738,040
Refuse Fee	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000
Departmental & Other	2,663,450	2,690,336	2,718,067	2,746,662	2,781,143
<b>State Aid</b>	<b>19,606,949</b>	<b>19,925,321</b>	<b>20,244,153</b>	<b>20,563,456</b>	<b>20,242,733</b>
General Government Aid	8,687,715	8,706,088	8,724,920	8,744,223	8,764,009
School Aid	10,758,849	11,058,848	11,358,848	11,658,848	11,318,339
Tax Abatement Aid	42,059	42,059	42,059	42,059	42,059
Offset Aid	118,326	118,326	118,326	118,326	118,326
<b>Other Available Funds</b>	<b>5,591,332</b>	<b>4,885,864</b>	<b>4,934,688</b>	<b>5,070,632</b>	<b>5,164,849</b>
Parking Meter Receipts	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Walnut Hill Cemetery Fund	50,000	50,000	50,000	50,000	50,000
Chapter 90	0	0	0	0	0
State Aid for Libraries	41,555	41,555	41,555	41,555	41,555
Reimb./Pymts from Enterprise Funds	2,056,751	2,084,783	2,121,622	2,244,844	2,325,554
Reimb. from Rec Revolving Fund	198,027	209,526	221,511	234,233	247,740
School Special Funds Reimbursement	0	0	0	0	0
Stabilization Fund	0	0	0	0	0
Tax Abatement Reserve Surplus	0	0	0	0	0
Capital Project Surplus	195,000	0	0	0	0
Sale of Town-owned Land Fund	550,000	0	0	0	0
<b>Free Cash</b>	<b>5,954,963</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>
Capital Improvements	5,020,852	3,155,953	3,192,024	3,226,497	3,210,388
Operating Budget Reserve	436,636	444,047	457,976	473,503	489,612
Strategic Reserves	497,475	150,000	100,000	50,000	50,000
<b>TOTAL REVENUE</b>	<b>193,166,249</b>	<b>195,930,829</b>	<b>202,284,404</b>	<b>208,799,408</b>	<b>215,030,023</b>
\$\$ Increase	4,593,789	2,764,580	6,353,576	6,515,004	6,230,615
% Increase	2.4%	1.4%	3.2%	3.2%	3.0%

TOWN OF BROOKLINE  
FY2009 PROGRAM BUDGET

BUDGET MESSAGE

	2009	2010	2011	2012	2013
<b>EXPENDITURES</b>					
<b>Departmental</b>	<b>60,030,645</b>	<b>61,972,422</b>	<b>63,620,993</b>	<b>65,196,528</b>	<b>66,799,202</b>
Personnel	43,482,571	45,002,571	46,222,571	47,362,571	48,522,571
Services	11,615,289	11,950,503	12,290,348	12,634,939	12,984,394
Supplies	2,569,808	2,634,053	2,699,904	2,767,402	2,836,587
Other	228,150	233,854	239,700	245,693	251,835
Capital	1,364,828	1,381,441	1,398,470	1,415,924	1,433,815
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Personnel Services Reserve	750,000	750,000	750,000	750,000	750,000
<b>Collective Bargaining - Town</b>	<b>1,470,000</b>	<b>970,000</b>	<b>990,000</b>	<b>1,010,000</b>	<b>1,030,000</b>
<b>Schools</b>	<b>64,053,240</b>	<b>65,498,240</b>	<b>68,163,240</b>	<b>70,848,240</b>	<b>73,563,240</b>
<b>Collective Bargaining - School</b>	<b>0</b>	<b>1,170,000</b>	<b>1,190,000</b>	<b>1,220,000</b>	<b>1,150,000</b>
<b>Non-Departmental - Benefits</b>	<b>38,140,598</b>	<b>41,438,719</b>	<b>44,801,753</b>	<b>48,547,454</b>	<b>52,712,967</b>
Pensions	11,651,618	12,128,182	12,564,950	13,100,873	13,662,037
Group Health	22,917,980	25,612,537	28,416,531	31,501,949	34,935,680
Retiree Group Health Trust Fund	0	0	0	0	0
EAP	28,000	28,000	28,000	33,000	33,000
Group Life	161,000	166,500	170,663	174,929	179,303
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,550,000	1,567,500	1,588,375	1,612,794	1,690,933
Public Safety IOD Medical Expenses	300,000	300,000	300,000	300,000	300,000
Unemployment Compensation	166,000	171,000	171,000	171,000	171,000
Medical Disabilities	30,000	30,000	35,000	35,000	35,000
Medicare Coverage	1,320,000	1,419,000	1,511,235	1,601,909	1,690,014
<b>Non-Departmental - General</b>	<b>765,484</b>	<b>487,272</b>	<b>502,240</b>	<b>517,950</b>	<b>534,438</b>
Liability/Catastrophe Fund	297,475	0	0	0	0
Stabilization Fund	0	0	0	0	0
Affordable Housing	0	0	0	0	0
General Insurance	279,490	293,465	308,138	323,545	339,722
Audit/Management Services	138,987	143,987	143,987	143,987	143,987
Misc.	49,532	49,820	50,116	50,419	50,729
<b>Non-Departmental - Debt Service</b>	<b>12,629,046</b>	<b>12,677,240</b>	<b>13,066,423</b>	<b>13,647,115</b>	<b>13,175,095</b>
General Fund	12,629,046	12,677,240	13,066,423	13,647,115	13,175,095
Enterprise Funds					
<b>Non-Departmental - Reserve Fund</b>	<b>1,746,545</b>	<b>1,776,186</b>	<b>1,831,905</b>	<b>1,894,014</b>	<b>1,958,448</b>
Tax Supported	1,309,909	1,332,140	1,373,929	1,420,510	1,468,836
Free Cash Supported	436,636	444,047	457,976	473,503	489,612
<b>Special Appropriations</b>	<b>7,175,748</b>	<b>4,655,059</b>	<b>4,578,611</b>	<b>4,268,770</b>	<b>5,016,044</b>
Tax Supported	1,409,896	1,499,105	1,386,587	1,042,273	1,805,656
Free Cash Supported	5,020,852	3,155,953	3,192,024	3,226,497	3,210,388
Capital Project Surplus	195,000	0	0	0	0
Sale of Town-owned Land Fund	550,000	0	0	0	0
<b>Non-Appropriated</b>	<b>7,154,940</b>	<b>7,323,245</b>	<b>7,495,757</b>	<b>7,672,581</b>	<b>7,853,827</b>
State Assessments	5,411,614	5,539,919	5,671,431	5,806,230	5,944,400
Cherry Sheet Offsets	118,326	118,326	118,326	118,326	118,326
Overlay	1,600,000	1,640,000	1,681,000	1,723,025	1,766,101
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
<b>TOTAL EXPENDITURES</b>	<b>193,166,249</b>	<b>197,968,383</b>	<b>206,240,923</b>	<b>214,822,653</b>	<b>223,793,261</b>
\$\$ Increase	4,593,788	4,802,134	8,272,540	8,581,729	8,970,608
% Increase	2.4%	2.5%	4.2%	4.2%	4.2%

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>(2,037,554)</b>	<b>(3,956,519)</b>	<b>(6,023,245)</b>	<b>(8,763,237)</b>
<b>DEFICIT AS A % OF OP REV</b>		<b>-1.1%</b>	<b>-2.0%</b>	<b>-2.9%</b>	<b>-4.1%</b>
Surplus / (Deficit) Prior to Collective Bargaining	102,444	(1,776,519)	(3,793,245)	(6,583,237)	
Town Share of Surplus / (Deficit)	407,588	(60,098)	(532,921)	(1,399,388)	
Town Collective Bargaining	970,000	990,000	1,010,000	1,030,000	
<b>Total Town Surplus / (Deficit)</b>		<b>(562,412)</b>	<b>(1,050,098)</b>	<b>(1,542,921)</b>	<b>(2,429,388)</b>
School Share of Surplus / (Deficit)	(305,144)	(1,716,421)	(3,260,324)	(5,183,850)	
School Collective Bargaining	1,170,000	1,190,000	1,220,000	1,150,000	
<b>Total School Surplus / (Deficit)</b>		<b>(1,475,144)</b>	<b>(2,906,421)</b>	<b>(4,480,324)</b>	<b>(6,333,850)</b>

As the tables show, annual revenue growth of approximately 3% is outpaced by annual expenditure growth of approximately 4%. The growth in expenditures is driven primarily by wages, health insurance (annual budget growth of 11%), pensions (growth of 4% per year), and School Department non-collective bargaining (approximately 2.3% per year), driven mainly by 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.

### CONCLUSION

Like the current FY08 budget, this FY09 Financial Plan also contains several changes that will unquestionably reduce costs and help position the Town for the long-term. In addition to the group health changes and the corresponding effort to increase appropriations for unfunded retiree group health (OPEBs), the following initiatives are included among the many objectives presented in each departmental budget:

Public Safety Wi-Fi – believed to be the first border-to-border network of its kind in New England, allowing the public safety applications that currently run off of cellular signals can be migrated to Wi-Fi, this initiative saves the Town \$21,600 annually.

DPW Two-Year Staffing Changes – in FY08 and FY09, DPW will realize a total decrease of more than 10 FTE’s, including nine full-time positions, the result of the outsourcing initiative described earlier in this Budget Message.

Leadership Training – the DPW budget includes \$10,000 to provide more supervisory training at the operational level for Working Foreman, Foreman and General Foreman. Issues to be targeted include management and leadership skills, communication, and union/employee relations.

AWPA Accreditation – DPW is in the process of pursuing accreditation through the American Public Works Association (APWA). Conformance to these recommended practices acknowledges commitment to professional excellence and enables the Department to deliver effective services to the community.

Mass Notification System – this FY09 budget proposal includes \$20,000 for a mass notification system that will allow for instantaneous notification to residents in the event of local or regional emergencies.

Police Accreditation Program – the Police Department is in the process of pursuing accreditation through the Coalition of Accreditation Managers of Massachusetts (CAMM). Benefits of this program include the generation of ideas and exchange of information on a wide range of contemporary law enforcement topics, as well as access to training and the exchange of resources.

Next-Generation Permitting System – the current PermitsPlus application is at the end of its useful life and a new system will be required. A permitting working group has begun preparing specifications for a new application and is certain to be web-based and allow for the use of mobile technology.

Re-structured PC Replacement Program – the Finance Division, in partnership with the Information Technology Department, is exploring opportunities for improving the current lease program for PC's. The goal of this initiative is to achieve savings by securing a better interest rate while improving the current asset management system.

Multi-Space Meter Program – an interdepartmental task force has begun the exploration of new meter technologies. Multi-Space meters have been identified as a technology that will not only improve customer service, but also will enhance the streetscape and increase revenue. A pilot program is being formulated.

Unfunded OPEBs – \$1 million of the balance remaining in the former Group Health Trust Fund will be applied against the Town's unfunded retiree group health obligation.

Employee Wellness - the Human Resources Department will continue to target its existing resources towards wellness initiatives in an effort to lower our health care costs by improving employee health. Focused efforts include offering specific opportunities to improve health (e.g., smoking cessation programs), holding workshops on healthy living (e.g., health care consumerism workshop), and encouraging employees to explore the tools made available by our current providers (e.g., confidential, on-line health assessments).

However, these efforts do not entail the sweeping functional changes that a comprehensive Efficiency Initiative as envisioned by the OSC Report could potentially involve. Public safety minimum Manning requirements have remained unchanged since the 1994 FPAC report, which urged that they be revamped. The Town continues to employ traditional public sector leave policies that are prone to excessive use. Widespread private contracting for core functions like street sweeping, trash collection, parking ticket processing, and meter coin collection have not been implemented. And, of course, the overall municipal fringe benefit model, particularly for retirement benefits, will increasingly be subject to pressure.

To aid with the pursuit of an Efficiency Initiative, I propose that the Selectmen establish a committee designed and constituted solely for the purpose of assisting the Town Administration in formulating the long-term plan envisioned by the OSC for an Efficiency Initiative. Too readily initial consideration of controversial subjects like public safety minimum Manning can be impeded by the need to conduct even preliminary discussion in a political arena, e.g. televised meetings of an elected governing body. As a result, data collection and other basic evaluative factors do not get launched in order to help inform comprehensive discussion and assessment of such options.

I would recommend that the Board appoint a Committee of five persons with expertise in finance and management to work with the Town Administration, to formulate this long-range plan before the end of this calendar year prior to the FY2010 budget cycle. Ex-officio members each from the Board of Selectmen, School Committee, and Advisory Committee would likely be advisable to foster communications among the Town's key governing boards. Without an explicit mandate to pursue efficiencies, comprehensive structural change will most likely continue to be pursued on an ad-hoc basis.

As a final note, I do want to comment on the experience of having undergone the kind of thorough examination that the Override Study Committee conducted. We most certainly learned some things along the way: we grievously underestimated the corrosive effects of prolonged level-funding of maintenance accounts; our financial policies, however, remain sound and should be continued; total personnel spending of COLA's and benefits and staffing need to be considered holistically; municipal personnel spending has been sustainable, but mandated spending for school personnel has contributed greatly to the Town's overall unsustainable trend.

Perhaps the most rewarding aspect of the experience has been the recognition by the OSC of the commitment and competence of those entrusted by this community to conduct the affairs of the Town. Even the Minority Statement in the OSC Report is laudatory: "Brookline is fortunate to have experienced administrators, town and school officials, and Selectmen in leadership positions. As outlined in the OSC report, they work hard on an on-going basis finding efficiencies and controlling costs."

In this regard it was a professional pleasure to see members of our Town Administration and Department Heads step up in this challenging environment. Deputy Town Administrator Sean Cronin, Assistant Town Administrator Melissa Goff, and Finance Director Stephen Cirillo form as strong a municipal budget/finance team as any in this state. We are particularly cognizant of the work of our Deputy Town Administrator in once again preparing an annual budget that is a model of accuracy and integrity. DPW Commissioner DeMaio, Public Buildings Director Charles Simmons and many of our other Department/Division Heads performed admirably in their interactions with the Committee. And as much as anything else, the OSC members themselves demonstrated once more that Brookline is blessed with an abundance of citizen talent, caring enough to enlist for the most demanding of volunteer efforts.

As always, I look forward to your review and consideration of this Annual Financial Plan. This year we face not only the challenges of our second consecutive cutback budget, but also the possibility of the demands of an override ballot question. Whatever the developments, the Town Administration and Department Heads are ready to present the information necessary for the Town to make the most informed decisions possible.

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.**

**FY2009 FINANCIAL PLAN SUMMARY**

	FY2008	FY2009	INCREASE/DECREASE	
			\$	%
<b>REVENUE</b>				
General Fund Revenue	188,572,460	193,166,249	4,593,789	2.44%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	22,622,625 (4,513,660)	23,317,468 (1,877,687)	694,842 2,635,973	3.07% -58.40%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,253,168 (373,004)	1,246,200 (179,064)	(6,967) 193,940	-0.56% -51.99%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	1,525,906 (186,355)	1,600,153 (198,027)	74,247 (11,672)	4.9% 6.3%
<b>TOTAL REVENUE</b>	<b>208,901,140</b>	<b>217,075,292</b>	<b>8,174,152</b>	<b>3.9%</b>
<b>APPROPRIATIONS</b>				
General Fund Operating Budget	175,129,436	178,835,561	3,706,126	2.1%
Non-Appropriated Budget *	7,515,026	7,154,940	(360,086)	-4.8%
Free Cash-Supported / Revenue-Financed CIP Budget	5,928,000	7,175,748	1,247,748	21.0%
General Fund Total	188,572,462	193,166,249	4,593,788	2.4%
Water and Sewer Enterprise Fund (less Water & Sewer Overhead included in General Fund Revenue)	22,622,625 (4,513,660)	23,317,468 (1,877,687)	694,842 2,635,973	3.07% -58.40%
Golf Enterprise Fund (less Golf Overhead included in General Fund Revenue)	1,253,168 (373,004)	1,246,200 (179,064)	(6,967) 193,940	-0.56% -51.99%
Recreation Revolving Fund (less Rec. Revolving Fund Overhead included in General Fund Revenue)	1,525,906 (186,355)	1,600,153 (198,027)	74,247 (11,672)	4.9% 6.3%
<b>TOTAL APPROPRIATIONS</b>	<b>208,901,140</b>	<b>217,075,292</b>	<b>8,174,152</b>	<b>3.9%</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	

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

**TOWN OF BROOKLINE  
FY2009 PROGRAM BUDGET**

**BUDGET MESSAGE**

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

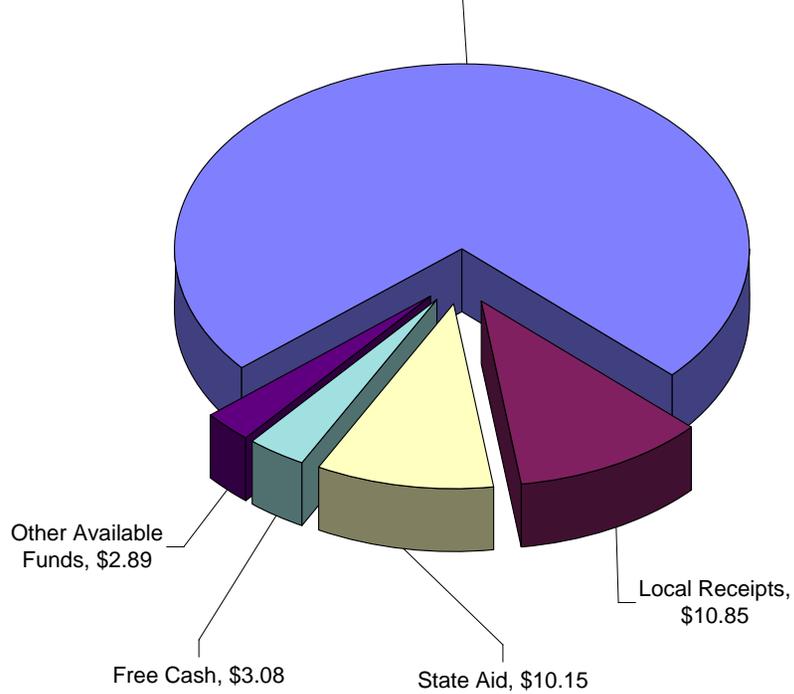
**FY2009 GENERAL FUND SUMMARY**

	FY2005 ACT.	FY2006 ACT.	FY2007 ACT.	FY2008 BGT.	FY2009 BGT.	INCREASE/DECREASE	
						\$	%
<b>REVENUE</b>							
Property Tax	119,549,759	121,812,454	128,871,387	135,811,901	141,059,080	5,247,179	3.9%
Local Receipts	21,229,625	22,986,108	23,281,093	21,243,421	20,953,925	(289,496)	-1.4%
State Aid	17,420,087	17,951,657	18,023,846	18,973,131	19,606,949	633,818	3.3%
Free Cash	6,966,241	4,606,534	5,387,435	3,814,792	5,954,963	2,140,171	56.1%
Other Available Funds	11,116,554	7,691,658	8,948,053	8,729,215	5,591,332	(3,137,883)	-35.9%
<b>TOTAL REVENUE</b>	<b>176,282,266</b>	<b>175,048,412</b>	<b>184,511,814</b>	<b>188,572,460</b>	<b>193,166,249</b>	<b>4,593,789</b>	<b>2.4%</b>
<b>(LESS) NON-APPROPRIATED EXPENSES</b>							
State & County Charges	5,352,984	5,084,477	5,375,086	5,511,129	5,411,614	(99,515)	-1.8%
Tax Abatement Overlay	1,800,995	1,490,442	1,451,262	1,858,148	1,600,000	(258,148)	-13.9%
Deficits & Judgments	0	0	0	25,000	25,000	0	0.0%
Cherry Sheet Offsets	1,157,237	1,280,287	117,738	120,749	118,326	(2,423)	-2.0%
<b>TOTAL NON-APPROPRIATED EXPENSES</b>	<b>8,311,216</b>	<b>7,855,206</b>	<b>6,944,086</b>	<b>7,515,026</b>	<b>7,154,940</b>	<b>(360,086)</b>	<b>-4.8%</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>167,971,050</b>	<b>167,193,206</b>	<b>177,567,728</b>	<b>181,057,436</b>	<b>186,011,309</b>	<b>4,953,873</b>	<b>2.7%</b>
<b>APPROPRIATIONS</b>							
Town Departments	53,769,760	56,348,332	57,545,709	60,057,364	61,500,645	1,443,281	2.4%
School Department	56,220,591	58,236,785	60,671,696	62,924,864	64,053,240	1,128,376	1.8%
Non-Departmental Total	41,754,453	43,682,516	47,030,604	52,147,206	53,281,676	1,134,469	2.2%
General Fund Non-Departmental	36,548,193	38,628,700	41,677,145	47,074,187	51,026,898	3,952,711	8.4%
Water and Sewer Enterprise Fund Overhead *	4,750,571	4,554,526	4,836,456	4,513,660	1,877,687	(2,635,973)	-58.4%
Golf Enterprise Fund Overhead *	342,908	379,553	371,402	373,004	179,064	(193,940)	-52.0%
Recreation Revolving Fund Overhead *	112,781	119,737	145,601	186,355	198,027	11,672	6.3%
<b>OPERATING BUDGET SUBTOTAL</b>	<b>151,744,804</b>	<b>158,267,633</b>	<b>165,248,009</b>	<b>175,129,436</b>	<b>178,835,560</b>	<b>3,706,125</b>	<b>2.1%</b>
Revenue-Financed Special Appropriations	11,438,709	6,060,803	8,121,849	5,928,000	7,175,748	1,247,748	21.0%
<b>TOTAL APPROPRIATIONS</b>	<b>163,183,513</b>	<b>164,328,436</b>	<b>173,369,858</b>	<b>181,057,436</b>	<b>186,011,309</b>	<b>4,953,874</b>	<b>2.7%</b>
<b>BALANCE</b>				<b>0</b>	<b>0</b>	<b>0</b>	

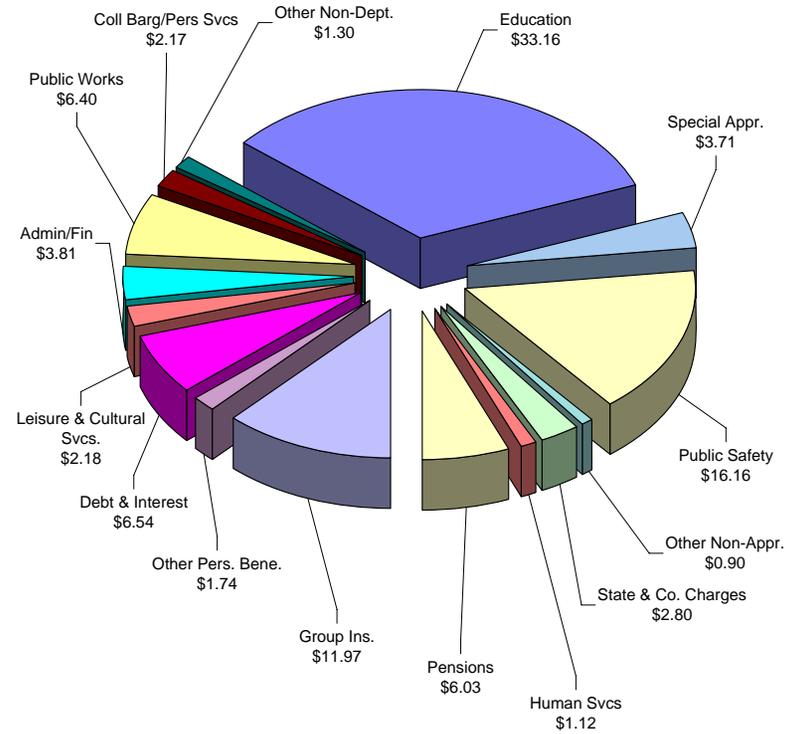
\* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

**FY2009 GENERAL FUND TOTAL BUDGET  
\$193,166,249**

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

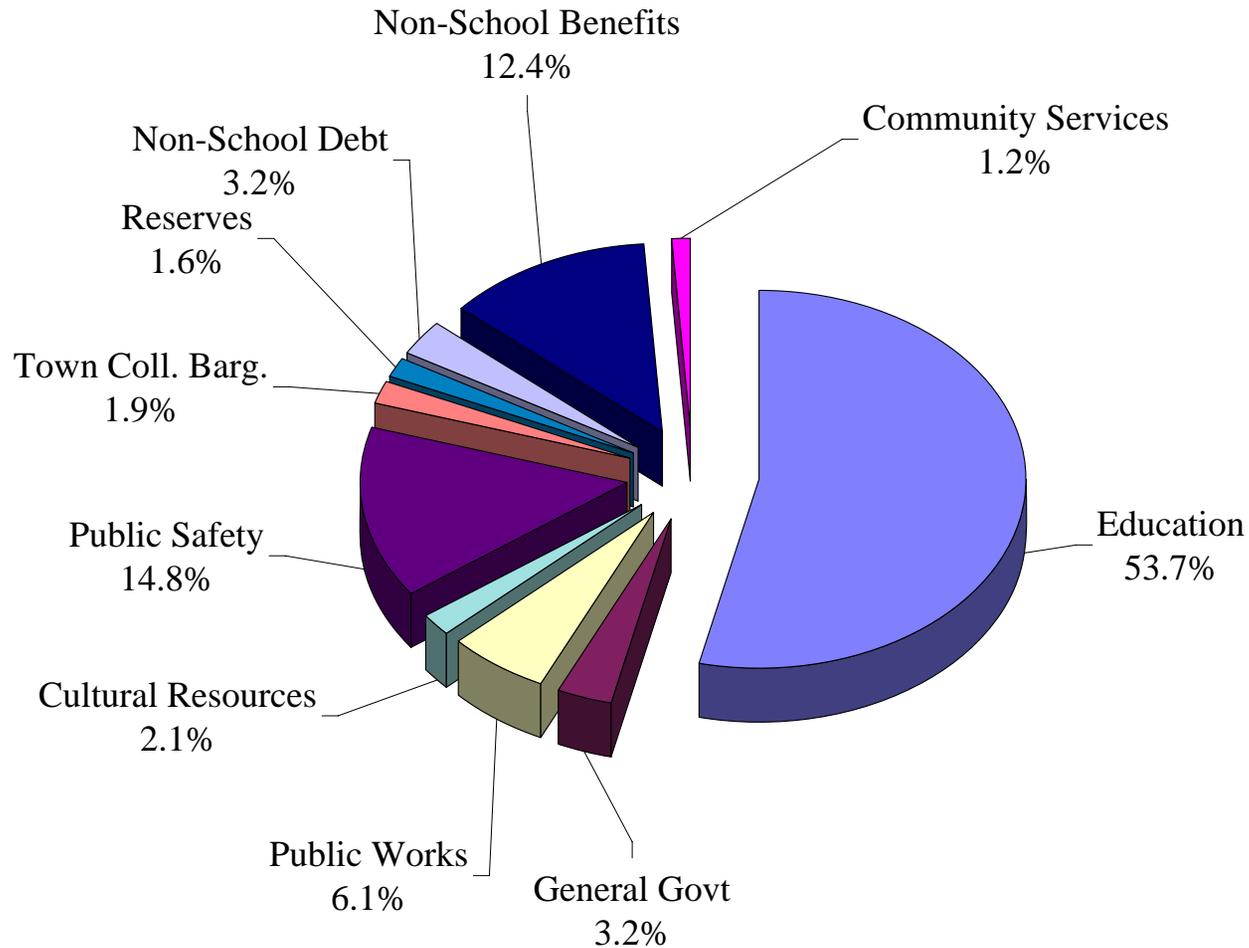


**How Each \$100 Will Be Appropriated**



FY2009 GENERAL FUND OPERATING BUDGET  
\$178,835,561

**FULLY ALLOCATED FY2009 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).