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

Since the Town adopted its only Proposition 2 ½ general override in 1994, the Board of Selectmen, Advisory Committee, School Committee and Town Administration, with the continuous authorization from Town Meeting, have fully collaborated to fulfill the vision presented to the voters 13 years ago. Now for the first time in over a decade, the vision embodied in the approval of that 1994 ballot question is threatened. It is both timely and appropriate that the Annual Financial Plan calls attention to this developing situation and provides a framework for moving ahead.

With this purpose foremost in mind, I remain privileged to have the opportunity to submit for your review and consideration the FY08 Financial Plan prepared in accordance with Chapter 270 of the Acts of 1985 (the Town Administrator Act) and Section 2.2.5 of the Town's By-Laws. This Financial Plan provides a complete presentation of revenues, expenses, and capital improvements totaling $208,161,814 with an Operating Budget of $173,504,843, enterprise/revolving funds totaling $21,605,185 (net of reimbursements to the General Fund); unappropriated expenses of $7,123,786; and Revenue Financed CIP of $5,928,000.

- Total General Fund Revenues are up just 2%.

- Operating revenue is up $5.8 million (3.3%), but personnel and benefit costs alone increase $7.6 million.

- After fixed costs, the School Department budget is up only 2.1% and the budgets for Town departments just 1.1%.

- The sweeping reforms of the Governor's Municipal Partnership Act are not assumed in this FY08 Financial Plan because they will not be fully effective until FY09 at the earliest.

Overall, taking into account collective bargaining increases, fringe benefits, fixed costs, and minimal state assistance, the FY08 budget must remedy a $3.2 million shortfall. In previous years forecasted deficits could be resolved, for the most part, prior to the submittal of the Financial Plan. Unfortunately, for FY08 the cumulative effects of these mounting pressures require corrective actions too far-reaching to be carried out purely on an administrative basis.

Our sincerest hope is that the FY08 Financial Plan outlines an approach that the Brookline community will consider to be an appropriate balance of the multiple and occasionally differing needs involved in the complexities of municipal budgeting.

OVERVIEW

Last year's Budget Message concluded with the observation that:

"It appears that a sea change is ahead for municipal government. There is no reason to expect growth in municipal budgets to be any greater than historical trends (1% annually on a per capita basis when adjusted for inflation). There is little margin to absorb the impacts of unrelenting double-digit group health increases plus colossal unfunded post-retirement benefit obligations."

That conclusion for FY07 is now prologue for FY08.

In the period between the FY95 General Override and FY02, Town budgets could sustain growth in education services, an expended CIP to address a backlog of capital needs, and the requirements of collective bargaining agreements with traditional public employee benefits The combination of override revenue, unprecedented new growth in the tax levy, consecutive local aid increases, minimal inflation, declining school enrollments and adherence to fiscal policies enabled the Town to target resources to meet specific needs. For example, both in FY00 and FY02 the school budget increased by more than 6%, and in FY02 Town funds were appropriated into the Affordable Housing Trust Fund for the first time ever.

Since the economic downturn earlier this decade resulting in 28% local aid cuts in FY03-04, Annual Financial Plans have increasingly reflected the struggle to sustain maintenance-of-effort budgets, a relatively fortunate position in comparison to the experience of other cities and towns. While other municipalities experienced either cutbacks and/or record property tax increases, Brookline educational and municipal services have at least been maintained in the face of skyrocketing fixed costs and slowing revenue growth. By 2004 a reported 14,000 municipal positions were eliminated statewide. Brookline to date has not been forced to lay off any certified teachers or sworn public safety personnel. And, since 2000 Brookline residential property tax bills have gone up 10 percentage points less than the statewide average.

It now appears that Brookline's ability to continue with even a maintenance-of-effort approach is coming to an end. We remain 21% below FY02 local aid levels adjusted for inflation despite last year's first step at restoration. While Town local receipts have continued to grow, they are now well below the growth levels of just a few years ago. The effects of this decline in revenue growth have been compounded by five consecutive years of double-digit group health rate increases, incessant special education cost increases, unprecedented retirement increases, skyrocketing fuel and construction prices, and unanticipated growth in kindergarten enrollment.

Employee benefits -- primarily health insurance and pensions -- have grown at rates well above the rate of inflation. Further complicating the budgetary pressures caused by benefits has been the rapid increase in the cost of energy. The table below shows how these two areas have consumed almost 18% more than the entire normal 2.5% allowable growth in the property tax levy since FY06.

	FY06	FY07	FY08	TOTAL
Growth in Personnel Benefits	1,572,983	3,184,431	4,127,268	8,884,682
Growth in Utilities	1,108,531	1,223,180	(328,534)	2,003,177
Total	2,681,514	4,407,611	3,798,734	10,887,858
2.5% Growth in Prop. Tax Levy	2,954,709	3,084,730	3,211,590	9,251,030
Growth in Bene's and Utilities as a % of 2.5% Growth in Property Tax Levy	**90.8%**	**142.9%**	**118.3%**	**117.7%**

During the same three year period, State Aid growth has totaled just 5.3%, or approximately $915,000. The Town has had to increase revenues under its control (local receipts), encourage neighborhood-sensitive development to grow the tax levy above the allowable 2.5% increase, settle labor contracts within cost of living indices, otherwise absorb inflation in non-personnel accounts, defer the replacement of capital outlay, avoid increasing any services or programs, and make outright budget cuts. Under the circumstances, attempting new programs has been rendered virtually impossible.

The Town continues to carry out reorganizations and seek efficiencies to help offset the growth in benefits and utilities. Technology has helped immeasurably in the effort. In addition, the Town has followed its Fiscal Policies, which are reprinted in their entirety in the Appendix of this Financial Plan. Primary among them have been the following:

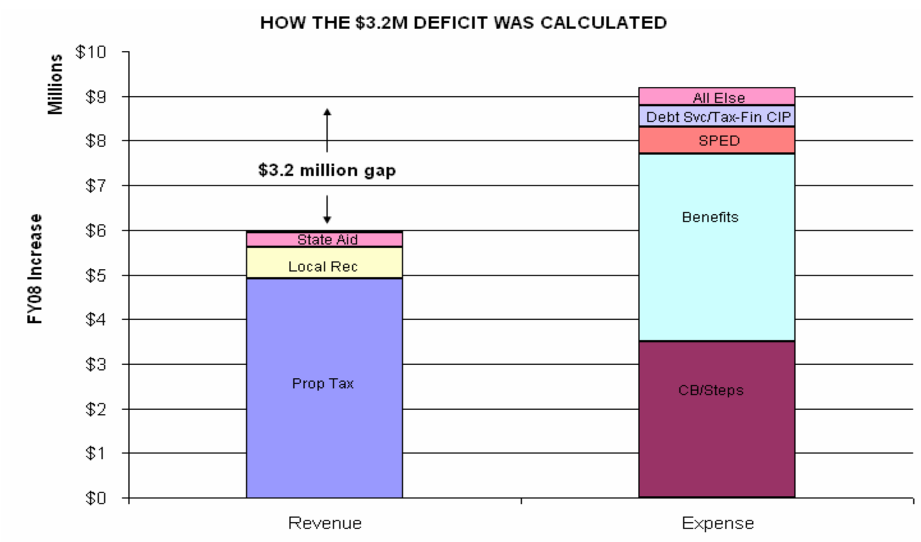
- <u>CIP Financing Policies</u>- adhering to these financing policies has enabled the Town to structure a debt management plan that has controlled the impact of debt service on the Operating Budget.

- <u>Collective Bargaining Guidelines</u>– labor contracts have, for the most part, fallen within the guidelines established by the Board of Selectmen. In instances where wage settlements exceeded guidelines, there were agreements with the unions to help offset the cost. For example when the unions agreed in 2004 to move to a single health insurance provider, some of these savings were negotiated with employee unions in the form of a higher wage increase.

• Position Freeze on Total Employees - a key factor in the Town's ability to counter the growth in fixed costs has been the position freeze on the Town side of the budget. With just a couple of deliberate exceptions, the Town has followed this policy, helping to offset the pressure on the wage and benefit budgets. If employment levels had grown, the pressures brought on by health insurance and pensions would have been magnified. Somewhat related to this policy wa the Town's decision, on two separate occasions, to avoid adopting state-enabled Early Retirement Incentive Programs. Those programs, if not implemented carefully, only worsen unfunded pension liabilities.

• Use of Fee Cash - the Town's policy on the use of Free Cash states clearly that it should be appropriated only for the CIP, strategic reserves, or other one-time uses. The Town has resisted the urge to use Free Cash as a stop-gap measure to plug Operating Budget deficits.

The FY08 Financial Plan must address the $3.2 million deficit identified in the Long-Range Financial Projection. The chart and table below summarize how the $3.2 million forecasted deficit is calculated.



(in millions)	
Add'l Operating Revenue	$6.0
less Town / School CB	$2.5
less Town & School Steps / 0.5% Carry Fwd from FY07	$1.0
less Benefit Increases	$4.1
Remaining Funds Available	($1.7)
less Town Non-Personnel Increases for Maint. Budget	$0.4
less School Non-Personnel Increases for Maint. Budget	$0.9
less Non-Dept'al Increases	$0.2
Deficit	**($3.2)**

This deficit means that the school budget can grow just 2.1% and the operating budgets for town departments only 1.1%. For town departments this results in the removal of 13.9 FTE positions from the General Fund after more than a decade-long position freeze that held the total number of FTE's virtually constant since the override. For the schools, the Superintendent's budget is anticipated to call for cutting over 35 FTE positions from the more than 150 that have been added since 2000. Town departments must absorb approximately $1.25 million of the forecasted shortfall while the schools absorb nearly $1.95 million. (The single largest factor in the difference between Town/School cutback levels is the assumption of 2% wage adjustments for Town employees in comparison to the 3% carried in the school budget.) The forecasted shortfall for the schools has been $1.95 million, which the School Superintendent reports has now grown to more than $2 million as will be described in his budget message.

MITIGATION PLAN

To offset the $3.2 million forecasted deficit, I have urged a three-part Mitigation Plan that asks all stakeholders in the Financial Plan – departments, employees/retirees, and the community at large – to contribute to the resolution of the shortfall. We have proposed to the unions revamping the plan design of our group health program to save at least $1 million. We are also recommending that the Town adopt approximately $1 million in increased fees and fines. The remainder would be made up by efficiencies and reductions, including a cutback for CIP expenditures below the guideline of 5.5% of prior year net revenue. As explained in the conclusion of this Message, the FY08 Financial Plan can not rely on relief from the Governor's Municipal Partnership Act because many of its provisions would not generate substantial savings or revenue until FY09.

Group Health Plan Design Changes – Last summer the Town sought proposals from the area's leading group health insurers to revamp Town health benefits to mirror the comparable program offered by the state's Group Insurance Commission (GIC), which covers over 200,000 state and regional employees. A bill has been filed in the current legislative session to allow municipalities to opt into the GIC. However, earlier this year Town employees expressed visible opposition to home rule legislation that would have provided this option directly to Brookline. Further, the earliest any community could opt into the GIC is July, 2008 and only if the bill is enacted in the next few months. Otherwise, municipalities will not be able to exercise the GIC option until July, 2009, provided that their unions agree.

The proposal received from Blue Cross Blue Shield could yield $1.9 million in premium savings, if fully implemented. Of these savings, $1.425 million (75%) would accrue to the Town budget and $475,000 (25%) would be realized by the employees. Plan co-pays would be increased in the following manner:

	CURRENT	PROPOSED	SAVINGS
Office Visits	$5	$15	$496,099
Emergency Room	$25	$50	$22,550
Prescriptions	$5, $10	$10, $20, $45 (2 months co-pay)	$631,399
Outpatient Surgery	N/A	$75 /procedure	$248,049
In-patient Admission	N/A	$500	$473,549

These changes were reviewed in detail by the Town's employee Health Insurance Advisory Committee between August and December. That Committee is comprised of union leadership and per its statutory provisions is purely advisory in nature. Last November the unions wrote to the Town that they opposed the proposed changes and that they would insist that any negotiations about the changes be conducted through what is called coalition bargaining. Coalition bargaining is a collective negotiation process authorized by state statute for group health negotiations only.

Municipalities have generally been reluctant to engage in coalition bargaining. Although the coalition bargaining option has been available for approximately 15 years, only about a dozen communities have reached agreements through this approach. Among the principle reasons for municipal reluctance is that coalition bargaining actually expands bargaining rights. In addition, coalition bargaining is also extremely difficult to conclude given that decisions require 70% union approval, including any decision to terminate coalition bargaining and revert to traditional bargaining.

Despite considerable reluctance about coalition bargaining, the Board of Selectmen authorized the Town Administration to engage in coalition bargaining for a period of 90 days in an attempt to avoid an impasse over the method of negotiations creating an obstacle to negotiating the substance of the group health proposal themselves. Discussions have commenced using the coalition bargaining format, but it is just too soon to tell how negotiations about this complex topic might progress. The 90-day period concludes in late-April. As a result, group health savings can not be factored into the budget at this time.

Increased Fees and Fines - There are three distinct possibilities for raising revenue to mitigate potential cuts in the FY08 budget:

- Parking Fines & Fees - $250,000 (as recommended by Transp. Bd)
- Parking Meter Rates - $700,000 (increase from 50¢/hr to 75¢/hr as recommended by Transp. Bd)
- Trash Fee - $500,000 (increase from $165 to $205/household)

I am recommending that the Board of Selectmen consider revenue increases of approximately $1 million from any combination of the above sources. It is not necessary to approve maximum increases in all three areas to reach the proposed $1 million target.

Parking Fees and Fines -- Most of the increase resulting from parking fees and fines have already been presented to the Board of Selectmen and need not be rehashed here. More than half the estimated revenue from the sources are unrelated to the residential permit parking program and could still be raised if the permit program is delayed for further review.

Permit Parking Fee	($25 x 2,000 permits)	$50,000
2-Hour Parking Fine	(Increase from $15 to $30)	$123,450
Misc. Other Fines	(Various adjustments)	($21,195)
Misc. Other Fees	(Various adjustments)	$41,000
Increase Late Penalty	(From $10 to $15)	$112,500
Gross Revenue		$305,755
Less up to $50,00 for Permit Program Admin costs		($50,000)
Net Parking Fees + Fines		**$255,755**

Parking Meter Rates -- The Transportation Board has recommended that parking meter rates be increased from 50¢/hour to 75¢/hour. This change could result in a revenue increase of at least $700,000 depending upon a number of variables including usage rates, consistency in enforcement, and temporary loss of meter revenue from situational circumstances such as the Beacon Street restoration project.

While the Transportation Board has sound regulatory reasons for recommending this increase, current parking meter rates have fallen behind those in some adjoining communities and Town costs associated with parking/traffic regulation, control and management far exceed total meter revenue. Rates in Boston and Cambridge are currently $1/hr. Increased meter income will free up general revenue capacity that can be allocated to the schools budget on the 50%/50% split provided in the Town/School Partnership agreement. Long-term upgrades for the meters themselves are scheduled as part of the CIP, so revenue capacity generated in FY08 from the proposed rate increase need not be earmarked for this purpose.

Residential Trash Fees -- Finally, the Board also has the option of increasing the residential trash fee. If the parking-related fines and fees described above are adopted effective July 1, 2007, then the trash fee would not also have to be increased to the maximum proposed to reach the target mitigation figure of $1 million. If, however, the parking fines/fees and the meter rate increase from 50¢/hr to 75¢/hr ar delayed or not approved, then a trash fee increase would most likely have to be seriously considered, especially if relief from group health savings can not be anticipated with certainty.

The current residential trash fee is $165/household and, when collected from approximately 13,200 households, is projected to result in $2.2 million in revenue for FY08. The total cost of DPW sanitation operations is $3.4 million. The $1.2 million difference between revenue and cost is funded by the property tax levy, $460,000 of which was sanctioned by the voters in the 1994 Override. The Board of Selectmen has the authority to establish and set refuse fees, which under law can be set to approximate the full cost of the service. In this instance, the fee could theoretically be set in the $260 range. However, the existence of the override subsidy and the current cost of privat market alternative services would most certainly militate against increasing the refuse fee to that extent.

In 1992 and 1993 immediately before the 1994 override, the refuse fee was set at $200 per household, the highest rate since the Fee was instituted in 1988. As is illustrated in the following table, when the override was adopted and the fee rolled back to $165, the level of property tax subsidy for refuse collection and disposal was about 20%. Because the costs of sanitation services have increased since the override while the fee has remained constant at $165, the amount of the property tax levy necessary for these purposes has also grown considerably. If the refuse fee were to be increased by $40, then the extent of property tax subsidy would return to the level that existed when the override was adopted.

	Budget 1994	Budget 2008	Budget 2008
TOTAL COST	**2,305,000**	**3,458,075**	**3,458,075**
$ SUBSIDIZED BY PROPERTY TAX	460,000	1,200,075	691,075
$ PAID BY USER FEE ($2.1M) + RECYCLING REV ($108K)	1,845,020	2,258,000	2,767,000
% SUBSIDIZED BY PROPERTY TAX	19.96%	34.70%	19.98%
% PAID BY USER FEE ($2.1M) + RECYCLING REV ($108K)	80.04%	65.30%	80.02%
User Fee per Household	$ 165	$ 165	$ 205
Tax Subsidy per Household	$ 10	$ 97	$ 57
Total Cost per Household (13,200 Units)	$ 175	$ 262	$ 262

Increasing the trash fee might justifiably be perceived as another departure from the 1994 override. However, an increase within $40 would at least recognize the proportionate shares of fee support and property tax support at the time the override was adopted. Therefore an increase over $40 is not advised. The table to the right indicates how much revenue can be generated by $5 increments when the trash fee is raised from $165/household to anywhere between $185-205/household.

FEE	%COST COVERED BY FEE	ADDITIONAL 08 REVENUE
$165	65.3%	-0-
$185	72.7%	$255,000
$190	74.5%	$318,000
$195	76.3%	$382,000
$200	78.2%	$445,000
$205	80%	$509,000

CUTBACK STRATEGY

Because the two key elements of the proposed Mitigation Plan -- $1 million Group Health Savings and $1 million revenue increases -- are not in effect at the time of finalizing this FY08 Financial Plan, there is no alternative but to present a cutback strategy for more than $3 million in budget reductions. As noted in the introduction of this Budget Message, this is the first time since the adoption of the override in 1994 that the fiscal vision underlying that ballot question will be less than completely fulfilled. If steps are not taken to mitigate the FY08 deficit, the consequences will far exceed the effects of the local aid cuts experienced in FY03-04.

As in the past, the anticipated budget shortfall will be absorbed in accordance with the principles of the Town/School Partnership Agreement. Accordingly, the Town portion of the $3.2 million deficit is $1,251,031, as initially identified in the Forecast already presente to the Selectmen. This deficit will be $400,000 - 500,000 worse if wage adjustments for town employees turn out to be in 3% range as carried in the school budget. The Superintendent’s Budget Message is expected to identify a shortfall over $2 million due to factors that have emerged since the Forecast was released.

The following illustrates how the deficit in the Town (non-school) budget is addressed. First, there are $203,571 in adjustments that reduce the actual cutback figure to $1,047,460. These are adjustments that have emerged since the Forecast, including the news just last week that the net local aid proposed by the Governor is actually less than what had been forecasted. In a more positive direction, the Chief Procurement Officer in his lead role on behalf of a regional purchasing group locked in February's downturn in oil prices. By soliciting quotes much earlier than usual, the positive bids received for fuel reduced estimated FY08 utility figures by $193,806 for Town budgets. (These bids also reduced the school deficit by more than $190,000.)

Town Deficit per Forecast	**(1,251,031)**

Change in Health Insurance Rate Increase (Town Share)	**(76,546)**
Reduction in Utilities (Town Share)	**(193,806)**
Net State Aid Loss (Town Share)	**66,781**
Revised Town Deficit	**(1,047,460)**

Eliminate Certain Inflation/Maint. Growth	**(25,125)**
Additional Special Revenue Fund Transfer (to support Ceme.)	**(50,000)**
CIP Cutback (Town Share)	**(210,000)**
Departmental Budget Cuts	**(762,335)**
Surplus / (Deficit)	**0**

The approach to the remaining shortfall of $1,047,460 in cutbacks has been guided by the the following principles:

• Cutbacks were spread among departments to the extent feasible. Public safety, public works, human/leisure services, and general administration all are being asked to absorb reductions (see below).

• No single service is targeted for elimination, but several functions will be significantly curtailed.

• Vacancies have been identified for attrition, thereby avoiding layoffs for any permanent full-time personnel.

• Consistent with the approach of service curtailment as opposed to elimination, part-time positions, to the greatest extent possible, have been reduced.

• To lessen the extent of reductions in the operating budget, the Capital Improvement Program (CIP) is proposed to be cut by $420,000.

This approach was greatly facilitated by both the Hiring Freeze and the Early Retirement Incentive Program. These steps ensured the success of the strategy to reduce positions through the attrition of vacancies. The removal of 11 permanent positions from General Fund funding is accomplished without a single layoff. By adopting the Hiring Freeze in December, vacancies were generated that could be reviewed for possible staff reductions. The Early Retirement Incentive Program (ERI) brought additional flexibility to bear in that of the seven positions that participated in the ERI, two have been included in the list of vacancies identified for attrition. Overall, the cost of the Early Retirement payments were well within existing appropriations, thereby not adding any costs to the budget and resulting in virtually no impact on the pension system itself.

In total, 13.9 town department positions are recommended for elimination from General Fund funding at a savings of $580,781. Ten permanent positions (all currently vacant or to be vacant in FY08) are proposed to be eliminated altogether. Another will be shifted onto the Recreation Revolving fund. In addition, several part-time slots equaling 2.9 FTE's will be eliminated. Beyond personnel cutbacks, reductions are also proposed for capital outlay ($134,554) and services/supplies ($47,000). Below is a complete list by Department of the recommended operating budget cuts:

DEPT	ITEM	FTE	AMT.
Building	Capital		(25,500)
	Sub-Total Building	**0.00**	**(25,500)**
DPW	Laborer (LN-1)	(1.00)	(37,885)
DPW	Park Maint. Craftsman (LN-3)	(1.00)	(41,779)
DPW	Civil Engineer III (EN-3)	(1.00)	(58,192)
DPW	Seasonals - Park	(0.70)	(16,546)
DPW	Engineering Coop Student Intern	(0.36)	(11,000)
DPW	Pest Control Svcs		(5,000)
	Sub-Total DPW	**(4.06)**	**(170,402)**
Econ. Devel.	Intern	(0.50)	(12,000)
	Sub-Total Econ Devel	**(0.50)**	**(12,000)**
Purchasing	Telephone Operator (C-4)	(1.00)	(24,229)
	Sub-Total Finance	**(1.00)**	**(24,229)**
Fire	2 Firefighters (Apparatus Out-of-Service)	(2.00)	(101,411)
Fire	Capital		(17,000)
	Sub-Total Fire	**(2.00)**	**(118,411)**

DEPT	ITEM	FTE	AMT.
Health	Capital		(24,000)
Health	Intern	(0.14)	(3,000)
Health	Mental Health Contract		(10,000)
Health	Misc Svcs/Supp		(7,000)
	Sub-Total Health & Human Svcs	**(0.14)**	**(44,000)**
ITD	Consulting		(20,000)
ITD	Training		(5,000)
	Sub-Total ITD	**0.00**	**(25,000)**
Library	Library Assistant II	(1.00)	(36,346)
	Sub-Total Library	**(1.00)**	**(36,346)**
Police	2 Police Officers	(2.00)	(113,355)
Police	Capital		(68,054)
Police	TPT Clerical Workers	(1.20)	(26,155)
	Sub-Total Police	**(3.20)**	**(207,563)**
Recreation	Recreation Supervisor I (T-6)	(1.00)	(61,441)
Recreation	Locker Attendent	(1.00)	(37,443)
	Sub-Total Police	**(2.00)**	**(98,884)**
TOTAL		**(13.90)**	**(762,335)**

Finally, pay-as-you-go CIP will be reduced by $420,000 on a one-time basis. Complying with the Town/School Partnership results in the schools and town each receiving 50% of the operating budget relief from that recommendation, or $210,000 respectively. The $420,000 reduction, in effect, reduces the capital budget from 5.5% of revenue to 5.25% of prior year's net revenue. The four projects scheduled to be deferred in FY08 are:

- Larz Anderson Park ($100,000)- Roadway resurfacing, entrance lighting, structural and historical renovation of walls.
- Pathway Reconstruction ($110,000)- Replacement/repair of stairs at Summit Path.
- Parking Lot Rehab ($115,000)- Rehabilitation of the Babcock Street and School Street parking lots.
- Walstein Building Renovations ($120,000)- New windows, doors, electrical fixtures, roof and plumbing fixtures.

Among the primary service impacts resulting from the town operating budget reductions are:

Fire Department – In each of the past two years, reserve fund transfers were necessary to balance the Fire Department budget. Cutting the budget by approximately $100,000 in FY08 through not filling two of 10 existing vacancies will require taking one of the Department's seven pieces of apparatus out of service an estimated 50-70 tours during the year. This estimate is predicated upon minimum manning and leave utilization continuing at past levels. The Fire Chief estimates that average response times will increase significantly on those tours when all seven apparatus are not deployed that inter-community mutual aid will be weakened; and that workloads will be distributed within the department at virtually unacceptable levels.

Police Department – Special services will be curtailed by not filling two of ten existing vacancies. The Chief will recommend that the Animal Control position be discontinued and animal control functions will be distributed throughout the Department. A Traffic Division position will also go unfilled, curtailing traffic enforcement. The impacts of these reductions will be exacerbated considerably by the elimination of the community policing grant program.

Other – *DPW:* Discontinuation of seasonal flower barrel program; reduction in rodent control applications; limitation of project engineer support. *Human Cultural Services*: Cutback in Brookline Center support; deferral of Recreation Master Plan implementation. *Administrative Services*: Reduced investment in information technology.

ADD-BACK STRATEGY

If additional budget capacity emerges as the budget process unfolds, then add-backs will also proceed according to the Town/School Partnership. The Schools will receive either 50% of available revenue and/or proportionate share of fixed cost savings which in the case of group health would be slightly more than 50%.

If approximately $1 million in budget capacity were to become available through either increased revenue or increased revenue in combination with group health savings, then about $500,000 would immediately be made available for the school budget. The balance remaining for all other Town departments is proposed to be restored along the following lines:

- Public Safety– Police and fire personnel reductions will receive priority consideration for restoration. Approximately $225,000 of non-school budget capacity would be utilized to add back the two police officer positions and two firefighter positions proposed for elimination. This is particularly an appropriate linkage for funding that might result from parking regulation revenue.

- Non-Public Safety– Up to $75,000 is recommended for restoration of non-public safety accounts such as extended Senior Center hours.

- Building Repair and Maintenance– After the above restorations, it is urged that up to $200,000 be earmarked, on a one time basis, for the Building Department repair and maintenance account. The capacity of this account, which has been level funded since the 1994 Override, has been eroded by inflation over time. Significant shortfalls this year are being covered by balances in other Building Department accounts, and a Reserve Fund transfer could be required.

Building Maintenance Impact of Level Funding-Town

	FY00	FY08	%Change
Annual service contracts			
Burner/boiler service	34,500	56,000	62%
Painting/Glazing service	19,500	9,500	-51%
Hvac/Pneumatic/Generator service	30,500	103,500	239%
Elevator service	11,500	47,000	309%
Fire safety service	12,500	43,500	248%
Electrical & Plumbing service	37,500	60,000	60%
Interior/Exterior general	67,000	80,500	20%
	213,000	**400,000**	88%
Repairs	**187,000**	**0**	-100%
TOTAL	**400,000**	**400,000**	**(0)**

The table to the left illustrates the impact cost increases for annual service contracts such as elevator and fire safety services have had on the overall allocation of the budget for Town buildings. The need is just as great for the Schools. The result of price increases for such items has seriously limited the ability of the Department to provide a preventative maintenance program that is consistent with the ongoing need. Unscheduled repairs in our widespread and heavily used public facilities have als become increasingly challenging, if not impossible.

Finally, any budget capacity restored for Town departments beyond $500,000 (one-half of $1 million townwide) should be reserved for collective bargaining purposes. All Town contracts – Police, Fire, AFSCME, Engineers, Teamsters – will be open as of July 1, 2007 unless unexpectedly settled in the interim. Given the uncertainties of the collective bargaining process, particularly when it involves outside mediation and arbitration or other impasse proceedings, it will be important to retain some capacity in this regard. Alternatively, school contracts are settled with the exception of a group health re-opener.

CAPITAL IMPROVEMENT PROGRAM (CIP)

Since the override, the Town has made a significant commitment to its CIP to address the backlog of capital needs created by the under-investment in infrastructure during the late-1970's and the 1980's. During this period, the Town has invested $255 million in the CIP. Although there is more to do in the areas of street repairs, parks/open space improvements, and school and town facilities upgrades, the commitment to capital improvements is clearly showing positive results.

The FY08 – FY13 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, the proposed CIP incorporates a number of major projects along with a financing plan that includes outside funding sources and grant opportunities. One key fact that has been addressed previously in this Budget Message is the recommendation to deviate from the standing policy that 5.5% of the prior year's net revenue be allocated to the CIP. For FY08 only, it is being recommended to reduce the CIP by shifting $420,000 to the operating Budget, thereby helping to reduce cuts to departmental budgets. This effectively reduces the allocation to 5.25%.

The recommended CIP calls for an investment of $146.5 million over the next six years, for an average of $24.4 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.

The most significant challenge in the preparation of this CIP was complying with the Town's CIP Financing Policies while funding major facility rehab projects in a difficult bid environment, coupled with the uncertainty surrounding School Building Assistance (SBA) funding by the State. Further complicating this challenge was the need to fund new requests, such as modular classrooms to help address the increase in Kindergarten enrollment. Lastly, Free Cash available for FY08 will be less than the amount planned for FY08 in the FY07 – FY12 CIP. The level of Free Cash has also been reduced in each of the "out-years". These factors have placed such a burden on the CIP that some projects carried in last year's CIP have had to be reduced (e.g., traffic calming, technology applications), delayed (e.g., Warren Field / Playground), or cancelled (e.g., tree/shrub management, small green open spaces). In addition, a number of new projects requested by departments for the out-years could not be included in this CIP. Overall, although the proposed CIP is fundamentally and financially sound, it is "tight".

Major projects in the proposed CIP include:

- Devotion School - $27.65 million of Town funding plus the possibility of $27.7 million of State funding in FY10-FY13 for feasibility, design, and construction.

- Town Hall - $15.95 million in FY08.

- Runkle School - $13.2 million of Town funding plus the possibility of $13.2 million of State funding in FY09-FY10 for design and construction.

- Newton St. Landfill - $3.8 million in FY10 to complete the closure of the rear landfill.

- Fisher Hill Reservoir Re-Use - $4.6 million in FY08-FY09, of which $3.25 million comes from outside funding.

- High School projects - $4 million in FY09 for roof, pointing, floors, and the Tappan St. Gym windows.

- Village Square - $2 million in FY09, funded primarily with outside funding (i.e., CDBG and state/federal grants).

- Baldwin School - $2 million in FY13 for HVAC, electrical, elevator, windows, and ADA.

- UAB - $1.4 million in FY11-FY12 for roof, chimney pointing, and gutters / downspouts.

- Parking Meters - $1.3 million in FY10.

Recent developments associated with the Town Hall Project and the Landfill Closing will put previously unanticipated pressure on the CIP. The estimate at the 60% phase of the Town Hall Project have come in $800,000 more than in the schematics. Around the landfill site additional corrective action requirements have been identified. Until an approach is finalized with both DEP and the abutters the nature and scope of remediation steps will not be known.

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 capital improvement program, 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 FY08 – FY12 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.
- No growth in the Lottery and minimal Chapter 70 funding ($50/pupil) for "above foundation" communities.
- A 2% wage increase for each year for municipal unions. For the Schools, the approved contract figures are used (3% in FY08 and a base increase of 3% in FY09). In addition, the 4.5% in FY09 for the lengthened school day is assumed.
- 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 $100,000.
- 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 $125,000 per year for Town Departments.
- Health insurance rate increases of 10% (FY09), 9% (FY10), 8% (FY11), and 7% (FY12).
- Additional enrollment in the health insurance program of 65 per year.

- A Pension appropriation based on the 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 FY09 and beyond, starting at $5.8 million in FY09 and reaching $13.5 million by FY12. The Long Range Financial Projection is detailed on the following pages.

	2008	2009	2010	2011	2012
REVENUE					
Property Taxes	**134,994,153**	**140,052,976**	**145,240,124**	**150,553,427**	**155,924,875**
Local Receipts	**21,187,100**	**21,380,751**	**21,583,213**	**21,761,116**	**21,942,784**
Motor Vehicle Excise (MVE)	5,350,000	5,403,500	5,457,535	5,512,110	5,567,231
Licenses & Permits	839,300	839,300	839,300	839,300	839,300
Parking / Court Fines	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
General Government	3,172,000	3,204,750	3,242,974	3,253,217	3,263,717
Recreation	0	0	0	0	0
Interest Income	2,719,000	2,774,975	2,832,109	2,890,427	2,949,953
PILOT's	648,800	651,376	654,004	656,684	659,417
Refuse Fee	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
Departmental & Other	2,408,000	2,456,850	2,507,291	2,559,378	2,613,165
State Aid	**18,326,854**	**18,644,391**	**18,962,367**	**19,280,792**	**19,599,677**
General Government Aid	8,650,682	8,668,219	8,686,195	8,704,620	8,723,505
School Aid	9,532,910	9,832,910	10,132,910	10,432,910	10,732,910
Tax Abatement Aid	26,427	26,427	26,427	26,427	26,427
Offset Aid	116,835	116,835	116,835	116,835	116,835
Other Available Funds	**8,233,729**	**7,127,236**	**7,188,550**	**7,251,609**	**7,278,754**
Parking Meter Receipts	2,000,000	1,850,000	1,850,000	1,850,000	1,850,000
Walnut Hill Cemetery Fund	100,000	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	4,886,664	4,986,734	5,035,626	5,086,606	5,100,928
Reimb. from Rec Revolving Fund	186,355	198,948	211,368	223,448	236,271
School Special Funds Reimbursement	0	0	0	0	0
Stabilization Fund	0	0	0	0	0
Tax Abatement Reserve Surplus	850,000	0	0	0	0
Capital Project Surplus	169,155	0	0	0	0
Free Cash	**3,814,792**	**3,750,000**	**3,750,000**	**3,750,000**	**3,750,000**
Capital Improvements	2,891,385	3,088,160	3,131,266	3,161,760	3,199,597
Operating Budget Reserve	418,778	432,575	445,931	459,990	474,308
Strategic Reserves	504,629	229,265	172,802	128,250	76,095
TOTAL REVENUE	**186,556,628**	**190,955,354**	**196,724,253**	**202,596,943**	**208,496,090**
$$ Increase	3,646,273	4,398,726	5,768,899	5,872,690	5,899,147
% Increase	2.0%	2.4%	3.0%	3.0%	2.9%

EXPENDITURES					
Departmental	**58,442,678**	**59,982,035**	**61,388,001**	**63,000,741**	**64,540,425**
Personnel	42,367,864	43,542,864	44,577,864	45,812,864	46,967,864
Services	11,332,548	11,615,105	11,902,227	12,194,027	12,490,622
Supplies	2,327,173	2,385,353	2,444,987	2,506,111	2,568,764
Other	224,540	230,154	235,907	241,805	247,850
Capital	1,420,552	1,438,559	1,457,016	1,475,933	1,495,324
Intergovernmental	20,000	20,000	20,000	20,000	20,000
Personnel Services Reserve	750,000	750,000	750,000	750,000	750,000
Collective Bargaining - Town	**1,000,000**	**1,010,000**	**1,010,000**	**1,030,000**	**1,050,000**
Schools	**61,329,714**	**62,771,714**	**68,126,714**	**70,794,714**	**73,485,714**
Collective Bargaining - School	**0**	**3,910,000**	**1,170,000**	**1,190,000**	**1,220,000**
Non-Departmental - Benefits	**36,285,386**	**39,573,355**	**43,196,927**	**46,872,994**	**50,673,479**
Pensions	11,277,159	11,728,303	12,200,083	12,640,087	13,179,391
Group Health	21,655,227	24,417,677	27,440,452	30,550,356	33,693,211
Retiree Group Health Trust Fund	0	0	0	0	0
EAP	25,000	25,000	25,000	30,000	30,000
Group Life	161,000	161,000	176,091	180,494	185,006
Disability Insurance	16,000	16,000	16,000	16,000	16,000
Workers' Compensation	1,550,000	1,565,000	1,583,250	1,604,913	1,630,158
Public Safety IOD Medical Expenses	200,000	200,000	200,000	200,000	200,000
Unemployment Compensation	166,000	135,000	140,000	140,000	140,000
Medical Disabilities	30,000	30,000	30,000	35,000	35,000
Medicare Coverage	1,205,000	1,295,375	1,386,051	1,476,145	1,564,713
Non-Departmental - General	**719,041**	**521,576**	**550,781**	**589,942**	**624,849**
Liability/Catastrophe Fund	254,629	9,121	5,843	7,182	6,673
Stabilization Fund	0	20,144	16,959	21,068	19,423
Affordable Housing	0	0	0	0	0
General Insurance	276,175	303,792	334,172	367,589	404,348
Audit/Management Services	138,987	138,987	143,987	143,987	143,987
Misc.	49,251	49,532	49,820	50,116	50,419
Non-Departmental - Debt Service	**14,052,910**	**15,370,532**	**15,782,816**	**17,005,809**	**16,234,477**
General Fund	11,236,105	12,745,577	13,362,203	14,669,597	14,208,207
Enterprise Funds	2,816,805	2,624,955	2,420,613	2,336,212	2,026,270
Non-Departmental - Reserve Fund	**1,675,113**	**1,730,299**	**1,783,726**	**1,839,960**	**1,897,232**
Tax Supported	1,256,335	1,297,725	1,337,794	1,379,970	1,422,924
Free Cash Supported	418,778	432,575	445,931	459,990	474,308
Special Appropriations	**5,928,000**	**4,552,381**	**4,473,228**	**3,535,727**	**4,461,833**
Tax Supported	2,017,460	1,464,221	1,341,961	373,968	1,262,236
Free Cash Supported	2,891,385	3,088,160	3,131,266	3,161,760	3,199,597
Overlay Supported	850,000	0	0	0	0
Capital Project Surplus	169,155	0	0	0	0
Water & Sewer	0	0	0	0	0
Ch. 90	0	0	0	0	0
Non-Appropriated	**7,123,786**	**7,290,658**	**7,461,702**	**7,637,021**	**7,816,724**
State Assessments	5,481,951	5,611,323	5,743,929	5,879,851	6,019,170
Cherry Sheet Offsets	116,835	116,835	116,835	116,835	116,835
Overlay	1,500,000	1,537,500	1,575,938	1,615,336	1,655,719
Tax Titles - Deficits/Judgements	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	**186,556,629**	**196,712,552**	**204,943,894**	**213,496,909**	**222,004,732**
$$ Increase	3,646,273	10,155,923	8,231,343	8,553,015	8,507,823
% Increase	2.0%	5.4%	4.2%	4.2%	4.0%

CUMULATIVE SURPLUS/(DEFICIT)	**(1)**	**(5,757,197)**	**(8,219,642)**	**(10,899,966)**	**(13,508,642)**
DEFICIT AS A % OF OP REV	**0.0%**	**-3.1%**	**-4.3%**	**-5.5%**	**-6.6%**
Surplus / (Deficit) Prior to Collective Bargaining	2,520,000	(837,197)	(6,039,642)	(8,679,966)	(11,238,642)
Town Share of Surplus / (Deficit)	1,000,000	2,179	(706,104)	(1,564,409)	(1,432,085)
Town Collective Bargaining	1,000,000	1,010,000	1,010,000	1,030,000	1,050,000
Total Town Surplus / (Deficit)	**0**	**(1,007,821)**	**(1,716,104)**	**(2,594,409)**	**(2,482,085)**
School Share of Surplus / (Deficit)	1,520,000	(839,377)	(5,333,537)	(7,115,557)	(9,806,557)
School Collective Bargaining	1,520,000	3,910,000	1,170,000	1,190,000	1,220,000
Total School Surplus / (Deficit)	**0**	**(4,749,377)**	**(6,503,537)**	**(8,305,557)**	**(11,026,557)**

As the tables show, annual revenue growth of 2.3% - 3% is outpaced by annual expenditure growth of 4.0% - 5.4%. The growth in expenditures is driven primarily by wages, health insurance (annual budget growth of between 10% - 13%), pensions (growth of 4% per year), and School Department non-collective bargaining (approximately 2.5% 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 "normal" inflationary levels; employees settling for smaller wage increases; or a slowdown in the growth of SPED.

CONCLUSION

As noted at the outset of this Budget Message the vision embodied in the 1994 Override is threatened. Unless sizable mitigation steps ar taked, education cutbacks are unavoidable; town service reductions must be proposed; and longstanding fiscal policies are not fully carried out. This is the first Financial Plan since FY95 that must recommend actions which are at such variance with the expectations associated with the general override.

A Mitigation Plan is recommended that could stem the worst of the FY08 budget impacts. However, preserving core services in FY08 b following the recommended mitigation steps does not blunt an even more pronounced shortfall forecasted for FY09. Next year the projected deficit is nearly twice the level of the FY08 deficit with which we are currently grappling.

The picture emerging for FY09 has understandably prompted consideration of whether another Proposition 2 ½ override should be considered. In comparison to other Aaa rated communities, it is clear that these other municipalities have expanded their tax levies by ballot questions to a greater extent than Brookline. Since 2000 Aaa rated communities have adopted general overrides during the same period as follows:

Community (Pop.)	# Overrides since 2000	Override Levy Increase
Belmont (23,600)	2	$5,400,000
Brookline (57,000)	-	--
* Cambridge (101,000)	-	--
* Concord (17,000)	6	$10,788,159
Dover (5,600)	3	$1,900,000
* Hingham (21,000)	1	$753,682
* Lexington (30,400)	3	$9,523,604
* Newton(84,000)	1	$11,500,000
* Wayland (13,000)	4	$6,550,000
* Weston (11,600)	4	$3,560,000
Winchester (21,000)	1	$4,550,000

Those with asterisks have also adopted the Community Preservation Act tax surcharge. Finally, Brookline is below the median in the extent of levy growth resulting from debt exclusions that were approved here for the Lincoln and High School renovation projects.

Clearly there appears to be a basis for evaluating whether an override should be considered as part of the Town's financial strategy going forward. In addition, however, there are at least four other vitally important elements that also need to be considered for any long-term approach to town finances:

- General Revenue Sharing (local aid)
- Municipal Partnership Act
- Group Health/Retiree Benefits
- Ongoing Expenditure Controls

General Revenue Sharing – The FY08 net local aid increase proposed by the new Governor for Brookline is only 0.4% over last year. While this might be understandable in the context of a $1 billion state budget deficit, it bespeaks the core problem inherent in the existing non-system of Massachusetts intergovernmental revenue. Local aid is neither adequate nor predictable.

This year local officials across the state unanimously endorsed a new Revenue Sharing program that would index local aid to 40% of stat growth revenues. This program would be phased in over five years and include Chapter 70 education aid (based upon the Senate's FY07 formula), SBA school building assistance, SPED circuit breaker, and a new general Partnership Aid formula replacing outdated additional assistance/lottery distribution formulas.

The new Partnership Aid replacing additional assistance/lottery is particularly desirable. Additional Assistance has been cut back over the years to the point where its original needs-based formula has become useless. Lottery proceeds are currently in a state of decline with a very uncertain future. The Partnership Aid formula would provide a minimum aid of $15/capita of population under a statewide distribution level of about $150 million. When coupled with last year's Senate version for Chapter 70 education aid, the revenue sharing approach in total could mean more than an additional $1 million a year in predictable local aid increases for Brookline.

Municipal Partnership Act - The Governor's proposed revenue package of hotel and restaurant local option taxes coupled with closing telecommunication industry tax loopholes could reportedly yield in the area of $2 million of additional revenue annually for Brookline if fully enacted by the Legislature and fully adopted by the Town. While this can have quite a substantial impact over the long-term, none of these options can be fully realized in FY08 even if the Legislature were to approve them this year. Based upon the numbers available at this time, these items could provide the following amounts if fully implemented as proposed by the Governor:

Increase Hotel Tax from 4% to 5%	$140,000
Institute New 2% Meals Tax	$975,000
Close Telecommunications Tax Loopholes	$800,000
	$1,915,000

Group Health Reform - This budget message already outlines a detailed approach for changing group health benefits for FY08. For th long-term, however, this should be seen as only the first step in attempting to get group health costs under control.

The proposed FY08 changes would reduce the premium increase from 12% to 3%, a significant first step. Over the long-term further changes such as the option of joining the State's Group Insurance Commission (GIC) will also have to be considered. It is possible that participation in the GIC could more regularly bring the Town single digit annual rate increases. In addition, steps also need to be taken t address the Town's unfunded post-retirement obligation for group health, which is estimated in the $200 million to $300 million range. Co-pays for prescription drugs need to be reviewed. And the fundamental disparity of providing 75% contribution to group health premium for an increasing number of pensions over $50,000 a year also should be evaluated.

Ongoing Expenditure Controls – Between FY2000 and FY2006 annual wage adjustments for Town employees have ranged between 18.26% and 18.8% for municipal workers and public safety personnel respectively. The CPI during this same period has increased 19.8%. Because personnel constitutes such a high proportion of Town expenditures, the Town must continue to work with unions for equitable collective bargaining agreements within the community's ability to pay.

Beyond the core economics of labor agreements, additional steps need to be taken in the future to control not only the annual costs of functioning in such a labor intense service environment, but also the legacy costs associated with traditional public sector fringe benefits. The town's historical hesitation about outsourcing services should be revisited. While there have been a number of notable successes -- private EMS service since the early 80's; private recycling collection since the 90's; contractual IT support services --- this approach should be more widely considered in the future.

Long term contracts that lock in the costs for goods and services need to be continued for both cost stability and control. The Town's energy contracts have demonstrated this point. Since deregulation, electric power contracts have been constantly below available utility prices. Unfortunately, even these long-term contracts have seen incredible price escalation from about 3¢/kwh when deregulation first occurred to the current contract of 10.816¢ kwh (all-in, inclusive of green certificates) . However, even the current five year contract remains below the current utility supply rate of 12.4¢ kwh.

Another example of long term price stability and control is the most recent contract for solid waste hauling and disposal. This contract held annual escalation to 2.5%/year despite skyrocketing energy costs in the waste industry. Future agreements like this need to be pursued. These efforts should also include innovative utilization of Town assets. The Town controlled transfer station, for example, holds the potential to process waste materials from private operators that under strict controls could yield significant financial benefit to the Town.

The FY08 budget will be balanced one way or another. The Annual Financial Plan outlines the alternatives of either $3.2 million in budget reductions or some lower level of cutbacks in combination with mitigation steps of increasing revenue and/or reducing group health costs. However, balancing the budget for FY08 is only the beginning. Next year another deficit is projected at nearly twice the level of this year's deficit. Clearly steps must be taken now to anticipate this eventuality.

The prospects for some measure of long term relief from the Governor's Municipal Partnership Act and from a Revenue Sharing Prograr are encouraging. However, as hard as we might work to enact these possibilities we simply can not assume that they will be available. Further, even if they do materialize, they will not anywhere near offset the totality of the structural deficit ahead of us. Expenditure controls will help, but they too alone will not resolve the situation unless the Town is willing to accept service cutbacks at what heretofore have been considered unacceptable levels.

Inevitably, all of this brings the Town back to the question of whether an override should be considered as part of the Town's overall budgetary strategy going forward. Assuming that the town wants to maintain service levels, then it appears that the answer to the override question is ultimately a matter of when. More specifically, when and what amount. The experience of reviewing the FY08 budget over the next few months and community reaction to that experience will likely go a long way to answering these questions. Meanwhile, the Board of Selectmen is well advised to proceed with its efforts to establish an Override Study Committee. If an override is going to be considered as an option for FY09, then it is not too soon to take steps to fully assess the advisability of undertaking that action.

In closing I want to thank everyone who had a hand in formulating the Annual Financial Plan for FY08. First and foremost Deputy Town Administrator Sean Cronin has done an extraordinary job in conducting what is fast becoming one of the more highly regarded municipal budgeting processes in this state. Massachusetts local and state administrators alike regularly comment on the quality of the Town's Financial Plan. In fact, this past year the National Government Finance Officers Association (GFOA) recognized the Brookline budget for the second consecutive fiscal cycle. He and Assistant Town Administrator Melissa Goff have produced another effort that I am more than confident will meet GFOA standards.

Of course, the annual budget involves the hard work and collaboration of individuals and organizations throughout the Town governmen and community. Town Department Heads have been key in this consensus based effort. Their creative leadership is essential for the Town to navigate successfully through the challenges inherent in implementing the first budget since 1994 that prepares for widespread service cutbacks. We are particularly appreciative of the cooperation of the School Superintendent and his staff through the Town/School Partnership.

Naturally, professional staff work in a local government setting simply can not be maintained over time without exacting politic leadership of elected and appointed officials. The support and insistence upon excellence by the Board of Selectmen is indispensable to the Town's effective budget process. The Advisory Committee, School Committee, along with the citizen members of the boards and commissions, and ultimately Town Meeting itself are all essential partners in ensuring Brookline's long-term financial stability.

We look forward to working with everyone not only in the implementation of this Financial Plan, but also in shaping a reemerging fiscal vision that will sustain the Town as a cosmopolitan and caring community well beyond the upcoming fiscal year.

Sincerely yours,

Richard J. Kelliher
Town Administrator

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

FY2008 FINANCIAL PLAN SUMMARY

	FY2007	FY2008	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE				
General Fund Revenue	182,910,354	186,556,628	**3,646,274**	**1.99%**
Water and Sewer Enterprise Fund	22,154,743	23,935,597	**1,780,854**	**8.04%**
(less Water & Sewer Overhead included in General Fund Revenue)	(4,836,456)	(4,513,660)	**322,796**	**-6.67%**
Golf Enterprise Fund	1,222,128	1,253,168	**31,039**	**2.54%**
(less Golf Overhead included in General Fund Revenue)	(371,402)	(373,004)	**(1,602)**	**0.43%**
Recreation Revolving Fund	1,417,202	1,489,440	**72,238**	**5.1%**
(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(145,602)	(186,355)	**(40,753)**	**28.0%**
TOTAL REVENUE	**202,350,968**	**208,161,813**	**5,810,846**	**2.9%**
APPROPRIATIONS				
General Fund Operating Budget	168,212,069	173,504,843	**5,292,774**	**3.1%**
Non-Appropriated Budget *	6,823,723	7,123,786	**300,063**	**4.4%**
Free Cash-Supported / Revenue-Financed CIP Budget	7,874,562	5,928,000	**(1,946,562)**	**-24.7%**
General Fund Total	182,910,354	186,556,629	**3,646,275**	**2.0%**
Water and Sewer Enterprise Fund	22,154,743	23,935,597	**1,780,854**	**8.04%**
(less Water & Sewer Overhead included in General Fund Revenue)	(4,836,456)	(4,513,660)	**322,796**	**-6.67%**
Golf Enterprise Fund	1,222,128	1,253,168	**31,039**	**2.54%**
(less Golf Overhead included in General Fund Revenue)	(371,402)	(373,004)	**(1,602)**	**0.43%**
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(less Rec. Revolving Fund Overhead included in General Fund Revenue)	(145,602)	(186,355)	**(40,753)**	**28.0%**
TOTAL APPROPRIATIONS	**202,350,968**	**208,161,814**	**5,810,847**	**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 INFORMATIOI

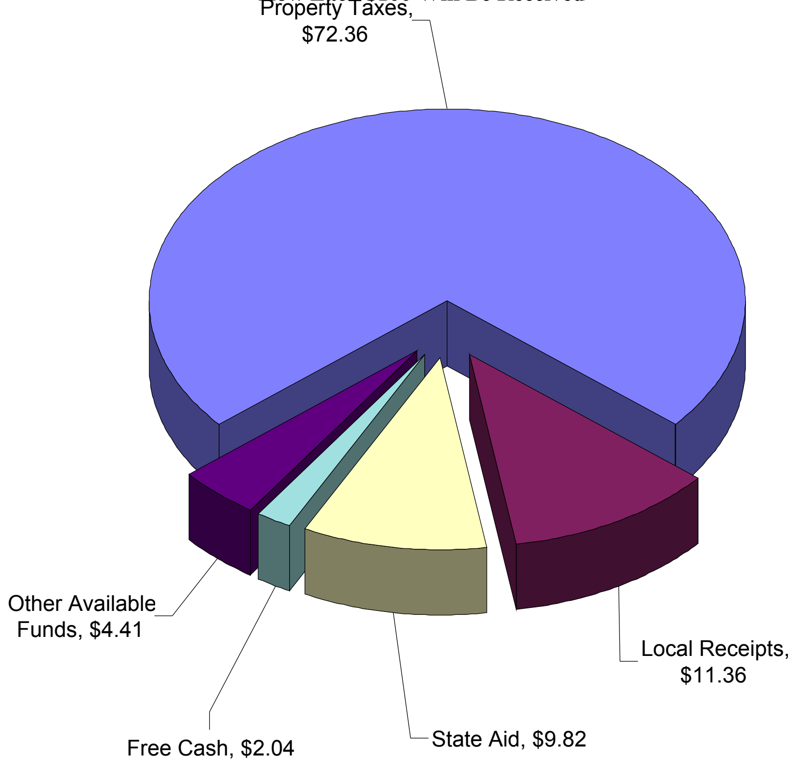
FY2008 GENERAL FUND SUMMARY

	FY2004 ACT.	FY2005 ACT.	FY2006 ACT.	FY2007 BGT.	FY2008 BGT.	INCREASE/DECREASE $	INCREASE/DECREASE %
REVENUE							
Property Tax	114,247,135	119,549,759	121,812,454	130,076,534	134,994,153	**4,917,619**	**3.8%**
Local Receipts	19,033,233	21,229,625	22,986,108	20,477,229	21,187,100	**709,871**	**3.5%**
State Aid	17,298,584	17,420,087	17,951,657	18,021,104	18,326,854	**305,750**	**1.7%**
Free Cash	5,602,961	6,966,241	4,606,534	5,387,435	3,814,792	**(1,572,643)**	**-29.2%**
Other Available Funds	7,884,671	11,116,554	7,691,658	8,948,052	8,233,729	**(714,323)**	**-8.0%**
TOTAL REVENUE	**164,066,583**	**176,282,266**	**175,048,412**	**182,910,354**	**186,556,628**	**3,646,274**	**2.0%**
(LESS) NON-APPROPRIATED EXPENSES							
State & County Charges	5,460,231	5,352,984	5,084,477	5,229,723	5,481,951	**252,228**	**4.8%**
Tax Abatement Overlay	1,500,000	1,800,995	1,490,442	1,451,262	1,500,000	**48,738**	**3.4%**
Deficits & Judgments	6,387	0	0	25,000	25,000	**0**	**0.0%**
Cherry Sheet Offsets	1,013,561	1,157,237	1,280,287	117,738	116,835	**(903)**	**-0.8%**
TOTAL NON-APPROPRIATED EXPENSES	**7,980,179**	**8,311,216**	**7,855,206**	**6,823,723**	**7,123,786**	**300,063**	**4.4%**
AMOUNT AVAILABLE FOR APPROPRIATION	**156,086,404**	**167,971,050**	**167,193,206**	**176,086,631**	**179,432,843**	**3,346,212**	**1.9%**
APPROPRIATIONS							
Town Departments	52,336,452	53,769,760	56,348,332	59,255,307	59,442,678	**187,371**	**0.3%**
School Department	53,774,922	56,220,591	58,236,785	60,096,385	61,329,714	**1,233,329**	**2.1%**
Non-Departmental Total	40,461,741	41,754,453	43,682,516	48,860,375	52,732,451	**3,872,076**	**7.9%**
General Fund Non-Departmental	35,108,540	36,548,193	38,628,700	43,506,915	47,659,432	**4,152,516**	**9.5%**
Water and Sewer Enterprise Fund Overhead *	4,849,472	4,750,571	4,554,526	4,836,456	4,513,660	**(322,796)**	**-6.7%**
Golf Enterprise Fund Overhead *	376,581	342,908	379,553	371,402	373,004	**1,602**	**0.4%**
Recreation Revolving Fund Overhead *	127,148	112,781	119,737	145,602	186,355	**40,753**	**28.0%**
OPERATING BUDGET SUBTOTAL	146,573,115	151,744,804	158,267,633	168,212,068	173,504,843	**5,292,775**	**3.1%**
Revenue-Financed Special Appropriations	7,066,117	11,438,709	6,060,803	7,874,562	5,928,000	**(1,946,562)**	**-24.7%**
TOTAL APPROPRIATIONS	**153,639,232**	**163,183,513**	**164,328,436**	**176,086,631**	**179,432,843**	**3,346,212**	**1.9%**
BALANCE				**0**	**0**	**0**	

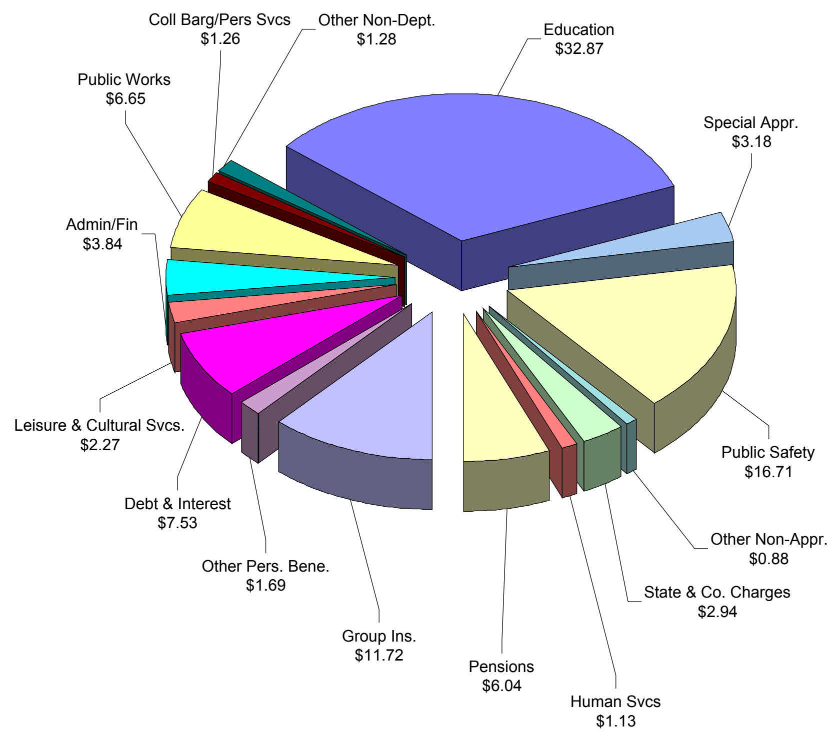
* These Overhead figures match the Water and Sewer Enterprise Fund Reimbursement, Golf Enterprise Fund Reimbursement, and Recreation Revolving Fund Reimbursement revenue sources found under the "Other Available Funds" revenue category.

FY2008 GENERAL FUND TOTAL BUDGET
$186,556,628

How Each $100 Will Be Received

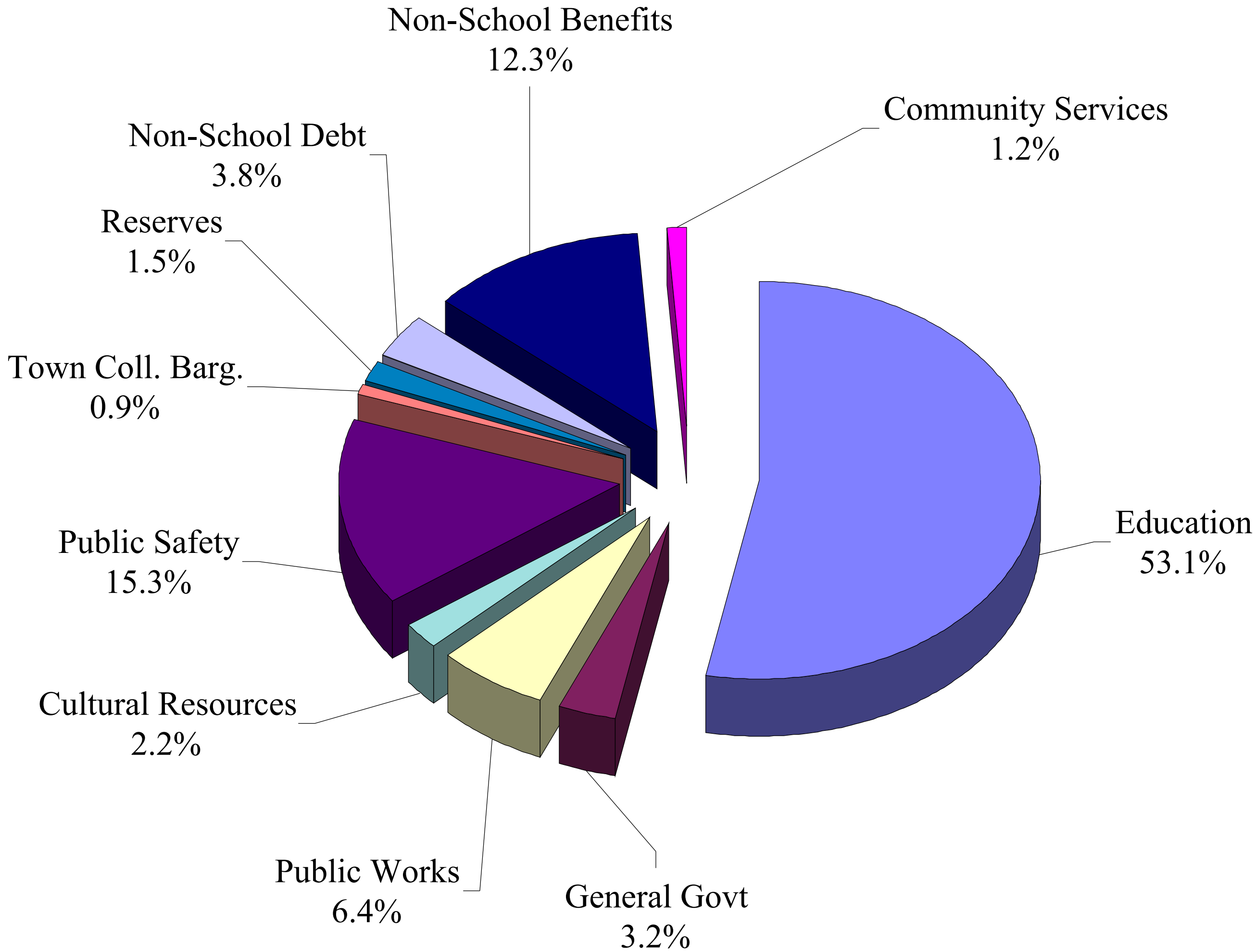


How Each $100 Will Be Appropriated



FY2008 GENERAL FUND OPERATING BUDGET
$173,504,843

FULLY ALLOCATED FY2008 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