

## Revenue Summary

Town of Needham  
Revenue Summary  
Table 2.1

Description	FY14 Recap	FY15 Recap	FY16 Estimate	\$ Change
General Fund	133,826,001	136,898,971	144,746,097	7,847,126
Enterprise Funds	18,104,258	16,399,044	17,390,303	991,259
Community Preservation Act Fund	3,207,339	2,857,818	6,134,750	3,276,932
<b>Total Revenues*</b>	<b>155,137,598</b>	<b>156,155,833</b>	<b>168,271,150</b>	<b>12,115,317</b>

\* Revenue before adjustments, reimbursements, and subsidies

### GENERAL FUND

The General Fund accounts for revenues and expenditures necessary to provide governmental services and expenses. By definition, all financial resources that are not required to be accounted for in other funds are accounted for in the General Fund. The above table 2.1 shows the total estimate revenue for FY2016 will increase by more than \$12.1 million or 7.8%. However the total revenue estimated for FY2016 includes an extraordinary amount of one-time monies and use of reserves, especially in the Community Preservation Act (CPA) fund. The CPA revenue estimate of \$6,134,750 assumes the use of \$3,577,000 in reserves to fund projects for FY2016; absent this assumption the CPA revenue estimate would be \$2,557,750 and conversely the total revenue change would be \$8.5 million or 5.5%.

Summary of General Fund Resources  
Table 2.2

Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate	\$ Change
Property Taxes	95,712,032	99,676,528	105,364,396	113,303,760	117,685,993	4,382,233
State Aid	9,287,432	9,957,566	10,372,414	10,661,337	10,661,337	0
Local Receipts	10,679,567	11,371,581	11,216,189	8,136,500	8,543,325	406,825
Other Available Funds	788,442	1,759,346	1,344,380	645,026	1,647,567	1,002,541
Free Cash	3,380,269	5,366,720	8,135,372	4,152,348	6,207,875	2,055,527
<b>Total General Fund Revenue</b>	<b>119,847,743</b>	<b>128,131,742</b>	<b>136,432,751</b>	<b>136,898,971</b>	<b>144,746,097</b>	<b>7,847,126</b>
<b><u>Adjustments to General Fund Revenue</u></b>						
Other Amounts Required to be Raised or Otherwise Provided	(107,054)	(101,576)	(466,375)	(514,246)	(581,735)	(67,489)
State & County Assessments	(1,198,244)	(1,238,429)	(1,273,564)	(1,274,075)	(1,325,038)	(50,963)
Provisions for Abatements & Exemptions	(2,135,466)	(1,876,905)	(2,151,633)	(3,258,232)	(2,236,824)	1,021,408
Adjustments, Reimbursements & Subsidies	1,615,715	1,608,539	1,668,967	1,696,408	1,520,000	(176,408)
CPA Share of Debt Service	300,000	550,000	711,000	475,763	464,438	(11,325)
<b>Total</b>	<b>(1,525,049)</b>	<b>(1,058,371)</b>	<b>(1,511,605)</b>	<b>(2,874,382)</b>	<b>(2,159,159)</b>	<b>715,223</b>
<b>Available for General Fund Appropriation</b>	<b>118,322,694</b>	<b>127,073,370</b>	<b>134,921,146</b>	<b>134,024,589</b>	<b>142,586,938</b>	<b>8,562,349</b>

Table 2.2 shows total revenue available for General Fund appropriations is projected at **\$142,586,938** or **\$8,562,349** more than FY2015. Revenue from property tax is estimated to grow by approximately \$4.4 million, state aid is assumed to be level dollar, and the local receipts

estimate is \$406,825 more. The amount of Other Available Funds is higher by more than \$1.0 million. Free Cash that is available for FY2016 appropriations is \$2,055,527 more than was used for FY2015. It is important to note that these are preliminary revenue projections. They are subject to change and should be viewed in this context for reasons discussed later.

## **FY2016 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS**

### **Property Taxes**

Under Massachusetts General Laws, property taxes overall are restricted to increases of 2.5% plus tax revenues derived from new growth. This is referred to as the annual levy limit. An additional taxing limitation under Proposition 2½ is the levy ceiling. The levy ceiling is equal to 2.5% of the Town's valuation. The total taxable value as of January 1, 2014 was \$8,838,727,746. This puts the tax levy ceiling at \$220,968,194. The tax levy including the debt exclusions for FY2015 was \$113,303,760, so the Town is well below its legal ceiling.

The new growth tax revenue is derived from improvements to property by its use, reconstruction, or new construction, and is added to the tax base. The annual levy limit may also be increased by the amount of any general override (usually for operating expenses), and capital exclusion override. The annual levy limit is also increased by the amount of debt service that is payable during the year for debt that has been approved by the voters as a debt exclusion override. The increase in the FY2016 tax levy attributable to new growth is estimated based upon consultation with Assessing and Building Departments.

Fiscal Year Tax Levy  
Table 2.3.1

Description	FY12 Recap	FY13 Recap	FY14 Recap	FY15 Recap	FY16 Estimate	\$ Change
Prior Year Base	85,840,586	89,636,531	93,758,800	98,926,269	106,870,366	
2-1/2 Allowance	2,146,015	2,240,913	2,343,970	2,473,157	2,671,759	
New Growth	1,649,930	1,879,442	2,823,111	3,922,530	2,030,537	
General Override				1,548,410		
Excess Levy (Taxes Not Raised)	(16,314)	(20,055)	(27,754)	(118,456)		
<b>General Tax Levy Limit</b>	<b>89,620,217</b>	<b>93,736,831</b>	<b>98,898,127</b>	<b>106,751,910</b>	<b>111,572,662</b>	<b>4,820,752</b>
Total Excluded Debt	7,461,721	7,507,149	8,016,076	7,352,024	6,908,029	
Less Excluded Debt Offsets	(835,487)	(801,709)	(906,091)	(800,174)	(794,698)	
Excluded Debt to be Raised on Tax Levy	6,626,234	6,705,440	7,109,985	6,551,850	6,113,331	(438,519)
<b>Property Tax Levy</b>	<b>96,246,451</b>	<b>100,442,271</b>	<b>106,008,112</b>	<b>113,303,760</b>	<b>117,685,993</b>	<b>4,382,233</b>
Collections by Year End	95,712,032	99,676,528	105,364,396			

### **Property Tax Levy**

The property tax levy (Table 2.3.1) represents approximately 81.3% of all general fund revenues before adjustments. The FY2016 property tax limit is estimated to increase approximately 3.9% over the FY2015 actual tax levy, or approximately \$4.4 million. The tax revenue to support operations within the levy limit is increasing by an estimate of **4.5% over FY2015** which is a higher estimate at this point in the budget process due to the increased new growth in commercial activity in 2013 and 2014. The limit is calculated by increasing the FY2015 levy limit, exclusive of debt exclusions, by 2.5% and then adding a component for new growth. New growth is a function of the additional value generated by construction during the preceding year. The additional tax dollar amount for new growth is determined by the value on the January 1 assessment date and is then multiplied by the

applicable FY2015 tax rate. The increase in the levy limit above the allowable annual limit and new growth is limited to the amount to be raised to pay the debt that has been excluded from the levy limit by the voters of Needham. The base tax levy, before accounting for debt exclusions, is expected to increase by \$4.8 million over the FY2015 base levy. The amount of tax excluded debt that is to be paid by property taxes is 6.7% lower or \$438,519 less for FY2016, than was part of the FY2015 tax levy (see Table 2.3.2). The decrease is due to the fact that all the debt-excluded projects have been completed and closed out, no additional debt will be issued, and the existing debt exclusion obligations will decline.

Debt Exclusions Added to Tax Levy  
Table 2.3.2

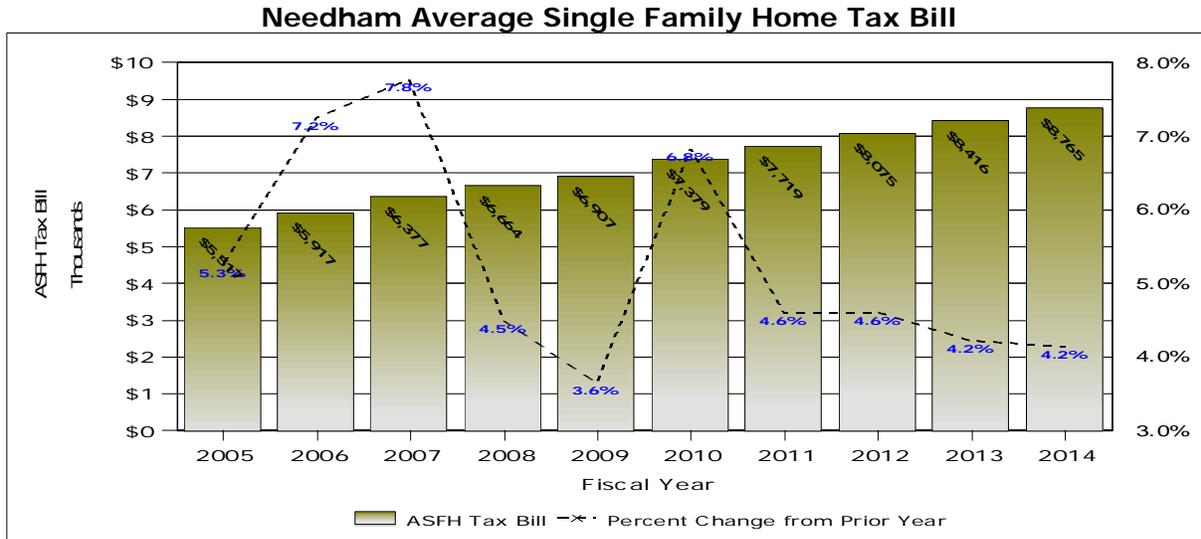
Description	2012	2013	2014	2015	2016
<b>Debt Service</b>					
Broadmeadow School	1,066,100	963,643	939,450	914,325	886,300
Eliot School	408,894	399,794	390,694	421,594	411,094
High Rock & Pollard Schools	1,645,844	1,416,806	1,398,679	1,369,869	1,345,406
High School	2,144,169	2,098,806	2,047,069	1,999,931	1,952,544
Library	1,187,518	1,128,456	1,088,046	1,057,445	933,750
Newman School	1,009,197	1,499,641	2,152,138	1,591,011	1,378,935
<b>Total</b>	<b>7,461,721</b>	<b>7,507,146</b>	<b>8,016,076</b>	<b>7,354,174</b>	<b>6,908,029</b>
<b>Offsets and Credits</b>					
MSBA Credits	(745,381)	(745,381)	(695,148)	(695,148)	(695,148)
Premium Credits	(90,106)	(45,763)	(126,271)	(105,026)	(99,550)
Other Adjustments		(10,561)	(84,672)		
<b>Total</b>	<b>(835,487)</b>	<b>(801,706)</b>	<b>(906,091)</b>	<b>(800,174)</b>	<b>(794,698)</b>
<b>Net Raised on Tax Rate</b>	<b>6,626,234</b>	<b>6,705,440</b>	<b>7,109,985</b>	<b>6,554,000</b>	<b>6,113,331</b>
Tax Levy	96,246,451	100,442,271	106,008,113	113,303,760	117,685,993
Exclusions % of the Total Tax Levy	6.9%	6.7%	6.7%	5.8%	5.2%

The property tax that one pays is primarily influenced by three factors: 1) Town Meeting appropriations and other amounts that the Town is required to pay, 2) the property tax allocation between commercial and residential, and 3) property values (assessments). The real estate market in Needham has remained strong compared to other areas in the state and the nation. New Growth tax revenue has been very good the past three years compared to peer-communities. Both residential and commercial activity has been exceptionally strong during the last 24 months with major developments in Needham Crossing. We expect new construction activity in Needham Crossing to be higher than normal with the build out of Trip Advisor, and notwithstanding the Tax Increment Financing (TIF) agreement with Trip Advisor, an uptick in commercial property tax revenue is expected this year and next. The actual New Growth figure will not be finalized until the fall, and cannot be incorporated in the tax recap until certified by the Massachusetts Department of Revenue.

The most current state-wide data available from the Department of Revenue shows that the average single

Average Single Family Home Tax Bill Area Communities	
Municipality*	FY2014
Weston	\$17,832
Wellesley	\$12,469
Concord	\$12,249
Sudbury	\$11,544
Lexington	\$11,481
Wayland	\$10,974
Belmont	\$10,566
Winchester	\$10,195
Newton	\$9,907
Westwood	\$9,601
<b>Needham</b>	<b>\$8,765</b>
Bedford	\$8,461
Milton	\$7,740
Arlington	\$7,099
Natick	\$6,459
Walpole	\$6,405
Dedham	\$6,217
Frammingham	\$5,922
Norwood	\$4,205
Group Average (excluding Needham)	\$9,407
State-Wide Average	\$5,020
Source: DOR	
*Because DOR does not calculate the ASFH tax bill for Brookline and Watertown, those communities are not included in this sample.	

family home (ASFH) property tax bill for FY2014 in the Town of Needham was \$8,765. This places Needham's average single family home property tax bill in middle of 19 nearby or comparable communities, but well over the state-wide average of \$5,020. Other than the Town of Norwood, all the communities in the group are above the state-wide average. This should not be unexpected as the values of homes in this area are much greater than in the state overall.



### State Aid

Most state aid, especially Cherry Sheet aid, is a function of the state budget. The new Governor is not required to file his FY2016 state budget plan until the first week in March. However, **FY2016 State Aid is estimated to be level dollar.** This assumption is based on statements made by the newly elected Governor that he will not cut state aid to cities and towns in order to close a projected budget gap of upwards of one billion dollars in the current year. One of the first actions taken by Governor Charles Baker after being sworn into office was to release the \$100 million in Chapter 90 funds which were held back by the prior Governor. This release was effectively a 50% increase in available funding state-wide to municipalities for public works infrastructure. During the winter and spring months, the Legislature will review the Governor's budget proposal, and will release its own budget proposal. In past years, such changes to local aid have altered both the amount of aid and the method of distribution.

The Governor's budget is presented to the Legislature, and the House of Representatives reviews it. The House Ways and Means Committee will develop its own recommendations to present to the full House for debate and amendment. After the House adopts a budget plan, it is forwarded to the Senate for a similar process. After the Senate prepares and votes on its budget plan, the House and Senate conference by way of a committee to resolve any differences between the two budgets plans. A single budget document is then presented to the full body of the House and subsequently to the Senate for final debate and vote. The approved budget is then sent to the Governor for approval or veto. During this entire process, amendments are usually made which can alter the amount of aid the Town will actually receive.

The Town is also expecting the ninth annual contract assistance payment for the Broadmeadow School project. The payment was decreased from \$745,381 to \$695,148 in

FY2014. The decrease reflected lower interest expense the Town realized when it issued refunding bonds on the then existing Broadmeadow School project bonds. The reduction allows the **Massachusetts School Building Authority** (MSBA) to capture its share of the lower debt costs. The Town also issued refunding bonds for the Library project. The effect of the two refunding bonds was a decrease in the overall interest expense, and the annual interest payments. Because both projects were funded by debt exclusion votes, this means the amount that is paid by the taxpayers of Needham is also less. The MSBA will continue making payments for its share of the school project at \$695,148 annually through FY2023, the last year of the bond. The payment is applied as a credit against the annual debt service for the Broadmeadow School and hence reduces the amount that is paid on the property tax bill.

State aid (Table 2.4) represents approximately 7.4% of the total general fund before adjustments and offsets. As noted earlier, the Governor's budget plan is not expected until early March and at this time is assumed to be level funded for FY2016. The Governor's budget proposal is subject to review and amendment, and final figures are not expected until late spring.

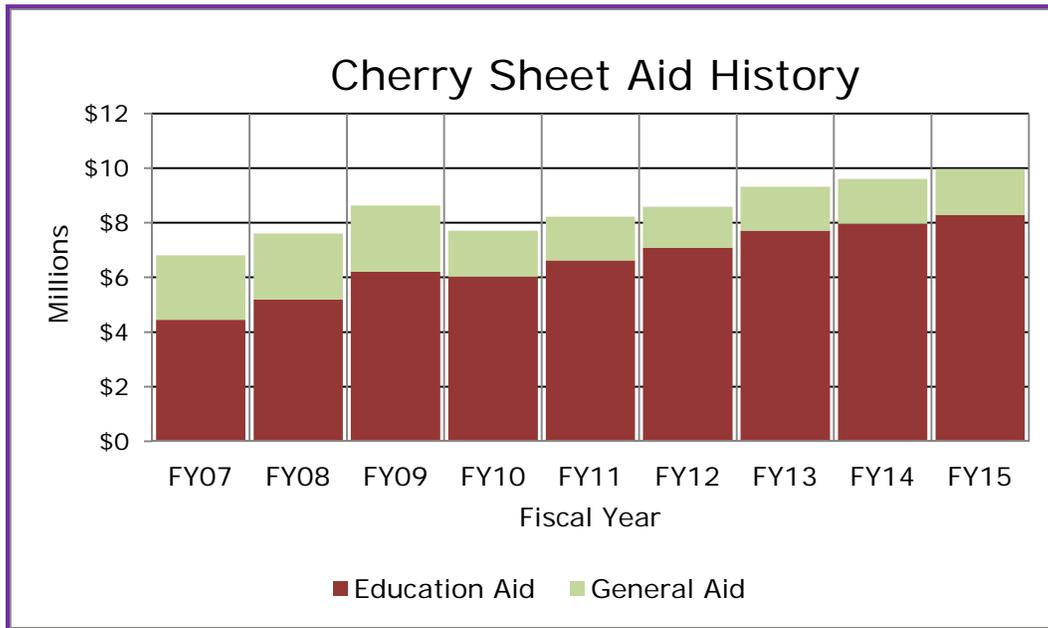
State Aid  
Table 2.4

Description	FY12 Recap	FY13 Recap	FY14 Recap	FY15 Recap	FY16 Estimate	\$ Change
Chapter 70	6,991,720	7,633,990	7,901,802	8,239,740	8,239,740	
School Transportation						
Charter School Tuition	61,276	42,269	36,217	5,358	5,358	
School Lunch	31,899	32,448	30,411	31,807	31,807	
<b>State Aid for Education</b>	<b>7,084,895</b>	<b>7,708,707</b>	<b>7,968,430</b>	<b>8,276,905</b>	<b>8,276,905</b>	
Unrestricted General Government Aid (UGGA)	1,369,789	1,476,550	1,511,453	1,553,368	1,553,368	
Police Career Incentive						
Veterans Benefits	16,077	17,735	22,877	34,352	34,352	
Exemption Reimbursements	77,398	81,584	68,897	64,136	64,136	
Public Library Aid	30,114	29,788	29,699	37,428	37,428	
<b>State Aid for General Government</b>	<b>1,493,378</b>	<b>1,605,657</b>	<b>1,632,926</b>	<b>1,689,284</b>	<b>1,689,284</b>	
<b>Total Cherry Sheet Aid</b>	<b>8,578,273</b>	<b>9,314,364</b>	<b>9,601,356</b>	<b>9,966,189</b>	<b>9,966,189</b>	
MSBA Payments	745,381	745,381	695,148	695,148	695,148	
<b>Other State Aid</b>	<b>745,381</b>	<b>745,381</b>	<b>695,148</b>	<b>695,148</b>	<b>695,148</b>	
<b>Total State Aid</b>	<b>9,323,654</b>	<b>10,059,745</b>	<b>10,296,504</b>	<b>10,661,337</b>	<b>10,661,337</b>	

### Cherry Sheet Aid

Cherry Sheet aid comes from the Commonwealth where funds are allocated either through distribution formulas or reimbursement formulas. Distribution formulas often incorporate equity factors such as property wealth, income and effort. Reimbursement formulas provide full or partial funding for program expenditures or foregone revenues. In addition to

reimbursements and distributions, there are also Cherry Sheet programs designated as Offset Items. These items are amounts that constitute categorical aid, i.e., funds that must be spent for specific programs. The funds received under programs designated as Offset Items may be spent without appropriation by the Town for the intended purpose (see Adjustments to General Fund Revenue). All other receipt items on the Cherry Sheet are considered revenues of the Town's general fund and may be spent for any purpose, subject to appropriation.



Key State Aid Programs:

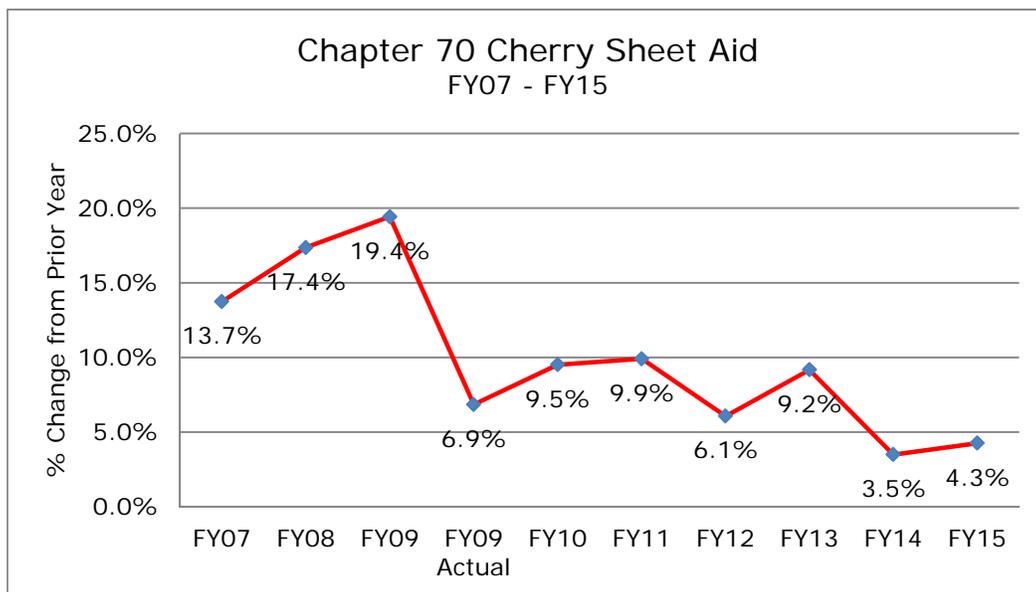
**Chapter 70** aid is commonly referred to as general school aid. The State explains that Chapter 70 is a formula aid program that is based on a Foundation Budget that is calculated by the Commonwealth for each school system, which takes into account enrollment, pupil characteristics, inflation and geographical differences in costs such as wages. The Foundation Budget is what the State has determined to be the minimum spending level for a school system. The formula takes into consideration a community's ability to pay the costs of education based on property values and income. This information is based on equalized property valuation calculated by the Massachusetts Department of Revenue every other year and income data from State tax returns. With the FY2007 amendments to the program, the State's goal was to get each school system at its Foundation Budget within five years by a combination of local and State monies. The State's goal was to ensure that a minimum of 17.5% of the calculated budget for each school system was State aid. This is not 17.5% of what a community may choose to fund.

The Town of Needham saw an increase in Chapter 70 funding from FY2007 through FY2009, when during fiscal year 2009 the Governor reduced the amount of Chapter 70 aid for Needham from the \$6,118,846 that was appropriated to \$5,475,362, a loss of \$643,484. This cut by the Governor to the local aid programs was due to the significant drop in state tax receipts as the recession became worse. The Town received \$5,996,469 in FY2010, although less than what the Town was budgeted to receive in FY2009, it was an increase

over that amount that was actually received from the Commonwealth in FY2009. Each year thereafter, the Town received increases in Chapter 70; FY2011 \$594,488 or 9.9% more, in FY2012 \$400,763 or 6.1% more, in FY2013 the amount was \$642,270 or 9.2% more, and in FY2014 the Town received \$267,812 or 3.5% more. The FY2015 budget calls for the Town to receive \$8,239,740 or 4.3% more than FY2014. We have assumed a zero percent change for FY2016.

The Additional Assistance and the Lottery aid programs were consolidated into a new aid category called **Unrestricted General Government Aid (UGGA)** in FY2010. The combination of these two programs resulted in a net loss of \$422,882 from what the Town actually received in FY2009, and \$634,600 from what the State had budgeted for the Town. The Town received \$1,476,550 in FY2011, a loss of \$61,523 from FY2010. The FY2012 UGGA amount was \$1,369,789 or \$106,761 less than FY2011. The Town received \$1,476,550 in UGGA funds in FY2013, the same amount as FY2011, and received \$1,511,453 in FY2014 or \$34,903 more. The Town is scheduled to receive \$1,553,368 in FY2015, an increase of \$41,915 or 2.8% from FY2014.

The total for all the **other Cherry Sheet aid** programs that have been identified for Needham: charter school tuition, veterans' benefits, and property tax exemption reimbursements, and the direct pass-through programs for school lunch and public library total \$173,081 for FY2015, a reduction of \$15,020 from that which the Town was budgeted to receive in FY2014.



### Local Receipts

Our time-honored approach of conservatively estimating local receipts is a target range approach. Our goal is to have a local estimate total, by the time the tax rate is sent to the Department of Revenue (DOR) for review, which is less than 80 percent of the prior year's actual receipts excluding non-recurring revenue. This estimate, excluding nonrecurring revenue, is currently projected at approximately 78% of the 2014 amount. The economy has provided three consecutive years of improved revenue and FY2014 saw a leveling off in total revenue, 2015 has shown growth in other excise and interest revenue, but other major local revenue sources such as permits are running behind 2014 at this time.

Local receipts in FY2013 were higher than FY2012, as were local receipts in FY2012 higher than FY2011, and FY2011 receipts were much improved over FY2010, but the amount by which the revenue increased was smaller in each year. FY213 actual receipts were \$692,014 more than FY2012 actual receipts, yet FY2012 receipts were \$811,740 more than FY2011, and FY2011 receipts were \$921,924 more than FY2010 actual receipts, the trending is showing a tightening in revenue which further supports keeping the estimate at the lower end of a target range. There are exceptions; but Town's actual receipts through December are again lower now than they were at this same time last year.

Consequences of overly aggressive local receipt estimation include a reduction in the margin between budgeted and actual receipts to cover unanticipated drops in other revenue sources and unexpected increases in expenses (particularly non-appropriated costs), and lower Free Cash certification for the future year than would otherwise be possible. A tighter margin could also negatively impact the Town's credit rating, and hence increase borrowing costs for the Town and consequently higher tax bills for residents.

We prepare the projections of local receipts by comparing FY2014 estimated receipts to actual receipts; FY2014 actual receipts to FY2013 actual receipts, and FY2015 estimated receipts to the FY2014 actual and FY2015 year-to-date numbers. We also look at trend lines over three and five years. The Department of Revenue will only allow a community to forecast local revenue up to the level of collection in the previous fiscal year. Under certain circumstances and with appropriate documentation, the Department of Revenue may allow a community to exceed its prior year actual revenue, e.g., for establishing a new fee or significantly increasing an existing fee or charge. During this analysis, the FY2015 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2015 activity demonstrates a trend that deviates from projections. It is also important to note that if certain budgetary reductions are made to departments that generate or manage the collection of receipts, the estimate may need to be revisited.

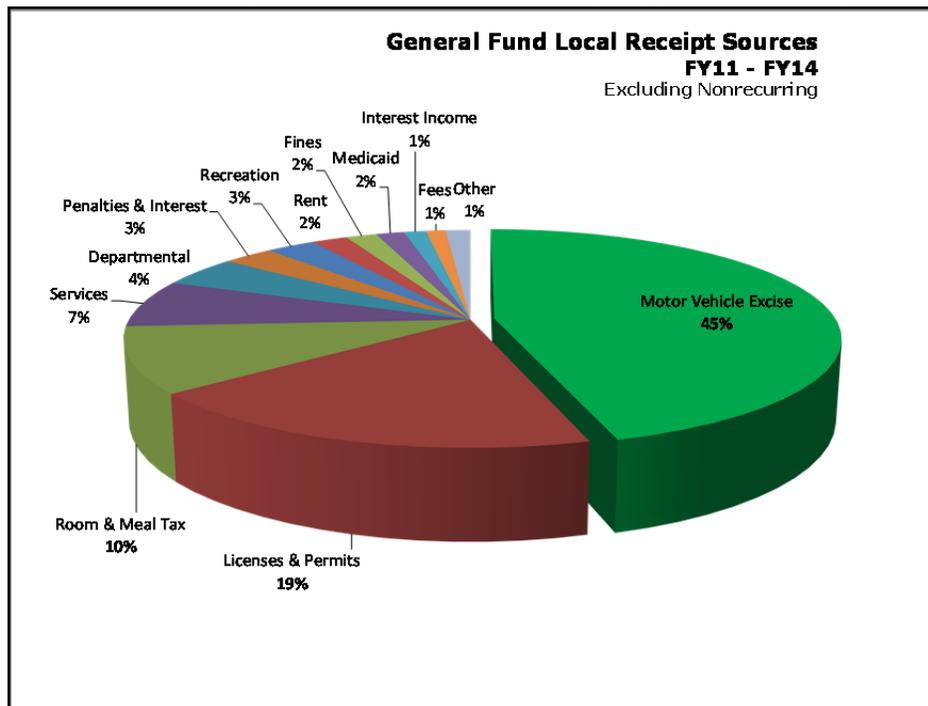
Local Receipts  
Table 2.5

Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate	\$ Change
Motor Vehicle Excise	4,357,996	4,620,449	4,923,980	3,925,000	4,085,000	160,000
Other Excise	858,786	982,743	1,288,328	935,000	1,035,000	100,000
Penalties & Interest	285,450	257,070	244,733	195,000	195,000	
Payment in Lieu of Tax	65,687	49,926	83,433	45,000	48,525	3,525
Charges for Services	620,195	613,376	670,395	555,000	570,000	15,000
Fees	110,196	108,282	110,907	90,000	90,000	
Rents	199,772	208,277	209,000	167,000	180,000	13,000
Library Department Income	56,770	57,510	54,421	50,000	50,000	
Recreation Department Income	285,697	250,621	288,404	200,000	210,000	10,000
Other Department Income	407,870	596,892	417,396	354,000	354,000	
Licenses & Permits	1,950,768	1,869,446	2,306,750	1,427,700	1,532,500	104,800
Special Assessments	1,594	1,594	1,594			
Fines & Forfeits	177,315	162,051	140,523	112,000	112,000	
Investment Income	103,130	84,803	77,523	67,500	67,500	
Medicaid Reimbursement	134,618	203,297	73,511	3,300	3,300	
Miscellaneous Income	25,178	16,339	17,993	10,000	10,500	500
Nonrecurring Income	1,038,545	1,288,907	307,299			
<b>Total</b>	<b>10,679,567</b>	<b>11,371,581</b>	<b>11,216,189</b>	<b>8,136,500</b>	<b>8,543,325</b>	<b>406,825</b>

Local receipts represent approximately 5.9% of the total general fund before adjustments and offsets. Local receipts consist of items such as other taxes and excises, licenses, permits, and penalties, fines and forfeitures, investment income, and income from departmental activities and services. The estimate for FY2016 of **\$8,543,325** (Table 2.5) is an increase of \$406,825 or 5.0% from the revised FY2015 budget of \$8,136,500. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2015 receipts based on FY2014 results and trends. The total is within the target range for estimating. Therefore the FY2016 local receipts estimate over the FY2015 budget figure is prudent.

Actual local receipts in FY2014 were \$155,393 less than FY2013 receipts, a decrease of just 1.4%. When one removes the nonrecurring revenue from FY2014 (\$307,299) and FY2013 (\$1,288,907), receipts were \$826,216 more or 8.2%. However a significant amount of the increase came from license and permit revenue (\$2,306,750 in FY2014 vs \$1,869,446 in FY2013) which is not expected to continue indefinitely, as several major developments (although not fully constructed) have been permitted and therefore will not make major payments for new permits in the out years. The receipts for FY2013 were \$692,014 more than FY2012 receipts, but after backing out the nonrecurring revenue of \$1,288,907 received in FY2013 and the \$1,038,545 received in FY2012, the increase was \$441,652 or 4.6%. Although this was better than the comparable FY2012 data, the FY2012 data included a greater amount of building and permit revenue, as did FY2014. Local receipts in FY2012, after backing out the nonrecurring revenue of \$1,038,545, were \$215,300 more than the prior year.

The three major sources of local receipts which made up more than 70% of total receipts over the last four years are Motor Vehicle Excise, License and Permits, and Room and Meal taxes. Motor vehicle excise tax is year after year always the major revenue source accounting for as much as 50% or more, and therefore an overestimation of this revenue will have negative impact on the Town's position. The three receipt types are all impacted by the economy, locally and nationally. Many of the other receipts have been stable, but flat, e.g., fees, rents, library and recreational income, while others have been flat or trending downward e.g., fines and forfeits, investment income, and Medicaid reimbursements. Revenue should be stable for FY2016, with increases expected for charge for services, rent, and payment in lieu of tax. We are increasing the



estimate of each of the three major receipts, excise, permits, and lodging and meals excises, however pushing these receipt estimates too high would not be prudent. Other local receipts categories through the first six months of FY2015 are flat and others (rent, library revenue, and Medicaid) are running behind compared to last year at this time.

All vehicle owners who have their vehicles registered in the Commonwealth of Massachusetts pay an annual **Motor Vehicle Excise** tax to the community in which the vehicle is principally garaged. The Registry of Motor Vehicles provides listings several times during the year with the vehicles that are registered in Needham, along with the value for each. The Town relies on this information to calculate and issue excise bills. The motor vehicle excise tax rate is set by State law at \$25 per \$1,000 valuation. The rate is uniform through the Commonwealth. We have assumed approximately a 4% increase or \$160,000 over the FY2015 estimate. Motor vehicle excise receipts for FY2016 are projected at approximately **\$4.1 million**. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate any higher because a negative swing with this revenue item can have a notable impact on Free Cash.

In 1986, the Town of Needham adopted a local option room excise tax at 4%; the Town increased the rate to 6% effective January 1, 2010. Hotels, motels, and certain other establishments collect this excise on the taxable portion of rents they collect. The businesses remit the funds to the State. The State sends payments to the Town during the year, which is accounted for as **Other Excise** under the local receipts group. The Town of Needham also accepted the 0.75% local option meals tax effective January 1, 2010. The local establishments report and remit the sales tax to the Department of Revenue (DOR). Collections from both the room excise and the meals excise have been positive and growing, but have recently been moderating. The total receipts in FY2012 were \$858,786, \$982,743 in FY2013, and \$1,288,328 for FY2014. The original estimate for FY2015 was \$835,000, but the budget estimate was revised upward to \$935,000 after review in December. The estimate for FY2016 is **\$1,035,000** which is 10.7% more than the FY2015 estimate and is approximately 80% of the FY2014 actual.

The **Penalties & Interest** category includes penalties charged for the late payment of real estate and motor vehicle excise bills, tax lien redemptions, and interest accrued on deferred taxes. The fluctuations in actual collections reflect the unpredictability of the timing of payments, particularly settlements on deferred taxes and tax title accounts. The original budget estimate for FY2015 was \$230,000, but was reduced to \$195,000 based on the continued decline in the actual receipts from FY2012 to FY2014. The estimate for FY2016 is level at **\$195,000**, approximately 80% of the FY2014 actual

**Payment In Lieu of Tax** is a voluntary payment made by certain tax-exempt entities. Based on the actual collection and agreements in place, the FY2016 estimate is increased slightly to **\$48,525**. This is approximately 58% of the FY2014 actual revenue.

The category of **Charges for Services** includes charges for ambulance services, fire alarm connections, parking permits and charges by the DPW. The original estimate for FY2014 was \$620,000, but was lowered to \$555,000 based on the actual revenue for FY2013 of \$613,376 which was a decline from the FY2012 actual, which too was a decline from the prior year. Revenue increased in FY2014 to \$670,395, so we were able to hold the FY2015 estimate at \$555,000. Several rates have been adjusted, and we are seeing an increase in the revenue so we have estimated **\$570,000** for FY2016 which is approximately 85% of the FY2014 actual revenue.

The Town collects various **Fees** which include returned checks, FID cards, administrative fees for details, and Registry of Motor Vehicle license and registration non-renewal releases. The total collected in FY2012 was \$110,196, \$108,282 in FY2013, and \$110,907 in FY2014. The **\$90,000** estimate for FY2016 is the same as the FY2015 estimate, which is approximately 81% of the FY2014 actual.

**Rental Income** is collected on a lease with the Needham Golf Club. The Town has a long term lease with the Needham Golf Club (NGC) which runs for twenty years. The land which the NGC leases is considered taxable. Rental income in FY2012 was \$199,772 which came from both the Golf Course and use of Powers Hall at Town Hall. The rental income increased in FY2013 to \$208,277, and was an even \$209,000 in FY2014. The Powers Hall rental payments are now accounted for through a revolving fund. The original estimate for FY2015 was \$173,000 but was lowered to \$167,000 after the December review. The estimate for FY2016 is **\$180,000**, an increase of 7.8% or \$13,000. This increases the estimate to approximately 86% of the FY2014 actual income.

**Library Income** includes book fines and other fees charged by the Needham Free Public Library. The revenue collected in FY2012 was \$56,770, and \$57,510 in FY2013, but decreased to \$54,421 for FY2014. The estimate for FY2016 remains the same as FY2015 at **\$50,000** which is approximately 92% of the FY2014 actual.

**Recreation** fees are collected by the Park and Recreation Department for Rosemary Pool, summer programs, and rental of fields. Other Park and Recreation programs are accounted for separately in a revolving fund. The original estimate for FY2014 is was \$254,450 but was lowered to \$225,000 because of the drop in actual revenue in FY2013 from FY2012. This was attributable to the pool. With continued concerns about the pool remaining open for an entire season, the revenue estimate last year for FY2015 was lowered by approximately 11% to \$200,000; however with the increase in actual receipts in FY2014 to \$288,404, we have increased the estimate for FY2016 to **\$210,000** which is approximately 73% of the FY2014 actual total receipt and a 5% increase over the FY2015 estimate.

**Other Department Income** includes revenue collected by the various Town departments, which are not properly accounted for in the other accounts. This would include amounts received by planning and conservation departments. The total receipts for FY2012 \$407,870 and jumped to \$596,892 in FY2013, but dropped to 417,396 for FY2014. The original FY2015 budget estimate was \$475,000 but was decreased to \$354,000 because of both the FY2014 drop and the FY2015 year-to-date. The estimate for FY2016 has been level at **\$354,000**, which is approximately 85% of FY2014 actual.

The category of **Licenses and Permits** includes licenses issued by the Selectmen and Town Clerk, and permits issued by the Building, Fire, and Health Departments. The Town has increased many of its fees in this category, some due to added demands on the departments, which provide the related services and others, because they had not been adjusted for a number of years. FY2012 actual was \$1,950,768 or \$509,504 more than FY2011, and FY2013 total was \$1,869,446, this was good but it was a decline from FY2012 of \$81,322. FY2014 was the highest year yet, with actual revenue of \$2,306,750. Even though building activity remains strong, the amount received in 2014 was an aberration. The original estimate for FY2015 was \$1,400,000 but was increased to \$1,427,700 prior to submitting to DOR for approval. The FY2016 estimate is **\$1,532,500** which is an increase of 7.3% over FY2015. This is approximately 67% of the FY2014 actual. License and

permits have been the second largest contributor to local receipts in recent years, and is much more volatile than excise receipts, so being too aggressive in estimating could have negative consequences.

**Special Assessments** are usually one-time events and are projected as they become known.

The category of **Fines and Forfeits** includes parking ticket and court fines. Revenue in this category has fluctuated due to staff resources over the years, FY2010 showed a decrease of \$17,855 from FY2009 to \$189,098. FY2011 revenue increased to \$201,391 but only to decline in FY2012 to \$177,315, and decline again in FY2013 to \$162,051, the decline continued for FY2014 with receipts coming in at \$140,523. The original estimate for FY2014 was \$160,000 but was lowered to \$129,500 when the tax rate was set. The FY2015 estimate was also lowered to \$112,000 before submitting to DOR for approval. We have level dollar the estimate for FY2016 at **\$112,000** which is based on the higher parking fine schedule which is now in effect. The FY2016 estimate is approximately 80% of the FY2014 actual.

The Town had enjoyed a period of increased **Investment Income** in FY2006 and FY2008 from \$1,041,352 earned during FY2006 to \$1,253,286 for FY2008. In FY2007 \$1,573,613 in interest income was generated, due to a number of significant one-time cash flow events during the year which resulted in the Town's average invested balance to be higher, earning greater amount of interest income than would normally be expected. The Town was in the middle phase of its \$62 million High School reconstruction project during FY2007. Between the notes issued during the year and the payments from the MSBA, the Town had a higher cash balance earning interest. Another factor is that interest rates have continued to remain low; therefore, the earnings on the Town's funds continue to decline. The Town's estimate for FY2010 was reduced from the \$650,000 estimate to \$545,000; the FY2010 estimate of \$545,000 was \$169,066 less than FY2009 actual. The total General Fund interest income received in FY2010 was \$497,129 or \$284,937 less than FY2009. The FY2011 estimate was further reduced to \$325,000, yet the actual revenue still came in under at \$222,981. The original estimate for FY2012 of \$325,000 had to be reduced to \$150,000, yet the total for the year came in at \$103,130. The FY2013 original estimate of \$150,000 was dropped to \$80,000 which we believed was as low as the revenue could drop; the actual income was \$84,803. The original estimate for FY2014 was \$80,000, but for a greater margin the estimate was revised downward to \$67,500; actual income came in at \$77,523 for FY2014, the lowest yet. Interest earnings year-to-date have exceeded the FY2015 estimate of \$67,500 and may remain strong. However, at this point in the budget process we have held the FY2016 estimate at the same amount of **\$67,500**, or approximately 87% of the FY2014 actual income.

**Medicaid and Miscellaneous Income** Medicaid reimbursement has been at times, very significant revenue, but often fluctuates from year to year. In FY2012 the Town received \$134,618 in Medicaid revenue, and then saw it increase to \$203,297 in FY2013, followed by a significant drop in FY2014 to \$73,511 – a drop of more than 63% from the prior year. The original FY2015 estimate was \$145,000 but because of the uncertainty of whether this funding source will continue as Washington makes reductions in Federal outlays the estimate was dropped to just \$3,300 which was based on actual receipts posted as of December. The estimate for FY2016 is the same as FY2015, **\$3,300**, or just 4.5% of the FY2014 actual. Miscellaneous receipts represent various revenues that are not associated with one of the recognized local receipt categories. The actual revenue in FY2012 was

\$25,178, which dropped to \$16,339 in FY2013 and slightly increased to \$17,993 in FY2014. The FY2015 estimate is \$10,000 and we increased the FY2016 estimate by \$500 to \$10,500, or approximately 59% of the FY2014 actual.

**Nonrecurring Income** represents funds that may be received but are not expected to reoccur, e.g., one-time grants, financial assistance for an event, etc. The fiscal 2012 actual receipts of \$1,038,545 are revenues that are classified as nonrecurring which consisted of \$311,319 from a Medicare Part D reimbursement to the Town and \$35,122 in legal settlements that the Attorney General secured related to prescription drug overcharges. The Town received premiums on the sale of bonds/notes in the amount of \$137,238. The Town received reimbursements for expenses incurred in prior fiscal years from FEMA \$145,936, property and casualty premium credits of \$130,049; and prior year revenue recovery of \$104,777. The Town received \$10,618 in energy efficiency rebates, \$9,277 from the sale of surplus equipment, and various other low dollar payments, refunds, and recoveries that totaled approximately \$19,151. The balance of the nonrecurring revenue came from the Commonwealth which was \$106,761 identified by the State as one time and the other was a storm damage reimbursement distribution of \$28,297. The FY2013 nonrecurring receipts totaling \$1,288,907 resulted mostly to one major source, a very sizable premium received on the sale of bonds last year in the amount of \$811,162. The Town also received a distribution of \$303,727 from a Medicare Part D reimbursement, the last payment to the Town as future reimbursements will be incorporated in the premiums (lower) that the Town pays for certain retiree health insurance. The bond premiums and the Medicare reimbursements together, accounted for 86% of the total nonrecurring revenue in FY2013. The Town was successful in collecting some old receivables, previously considered uncollectible in the amount of \$43,157. The Town also received \$20,945 from MEMA for Hurricane Irene related expenses. The balance of \$109,916 came from other sources. The Town received \$307,299 in nonrecurring receipts in FY2014. One major source was premiums received on the sale of bonds in the amount of \$146,553. This receipt accounted for approximately 48% of the total nonrecurring revenue. The Town received \$51,263 from the sale of surplus equipment, and \$41,342 was from FSA returns. The Town also received \$26,600 in energy efficiency rebates from Northeast Utilities. The balance of \$41,541 came from various sources, reimbursements, and returns which are not recurring. No revenue meeting this criterion has been identified for FY2016.

#### **Other Available Funds**

Other available funds (\$1,548,017) represent 1.1% of the total general fund before adjustments and offsets. Projections of reserves follow past budget methodology. The uses of the funds are based on historical uses of these funds. The three available funds that have been recurring are Debt Exclusion Offsets, Overlay Surplus, and Parking Meter Fund. Other available funds are correlated to expenses. These funds must be specifically identified by Town Meeting in the motion in order to be used.

The **Debt Exclusion Offset** is an amount equal to the amortized value of a premium that may have been received on debt-excluded bond or note and is provided over the life of the loan. The offset reduces the amount of the excluded debt service that is raised on the tax levy. The amount for FY2016 is \$99,550.

**Overlay Surplus** is generated when it is determined that all claims for abatements and exemptions on property tax levies of a particular fiscal year have been resolved, and uncollected taxes for the year have been secured with a tax taking lien filed with the Registry of Deeds or Land Court, depending upon the type of property, leaving a balance in

the overlay account of that fiscal year. When the Board of Assessors makes that determination, it can declare the balance surplus and available for appropriation by Town Meeting. The Board has released \$1,000,000 in residual overlay account balances and is now available to fund FY2015 and FY2016 appropriations. Per state statute, the Board of Assessors must formally vote to release any determined surplus before it is available for appropriation. The use of the funds would be \$500,000 for the operating budget; a similar amount has been appropriated for a number of years and \$500,000 for nonrecurring type of expenditures.

The **Parking Meter Fund** is reserved for appropriation and the revenues are derived from parking meters, which under State Law must be used for parking-related purposes. \$65,000 is proposed for appropriation from the Parking Meter Fund to support parking enforcement and ticket processing, maintenance, and snow removal from affected parking lots. This is the first increase in the allocation in a number of years and is possible with the change in the parking meter rates approved by the Board of Selectmen last year (2014); this was the first change in the rates since 2001. The Board of Selectmen approved a parking meter fee holiday for the end of November and the month of December 2014 which lowered the amount of revenue that may have been collected in FY2015.

Other available funds in prior years have included items such as unexpended balances of prior warrant articles, insurance proceeds in excess of \$20,000, and special grants. There are several articles for which a portion or all of the remaining balance has been identified as no longer needed for the appropriated purpose and are available to fund other appropriations. Every effort is made to match unused appropriations to a purpose that is similar in nature to that which the original appropriation was intended. A total of \$483,017 has been identified of which \$450,000 is proposed to partially fund the High School classroom expansion capital improvement, \$20,712 to be transferred to the Athletic Facility Fund, and \$12,305 to partially fund a DPW relocation study.

**Free Cash**

Free Cash balance is largely a function of actual revenue collections in excess of estimates and expenditures less than appropriations. Given the nature of Free Cash, it should not be depended upon as an operating revenue source, but rather a supplemental source. We have taken deliberate steps to reduce the level of Free Cash that is used to support ongoing operating expenses, and recommend using it to improve reserves, invest in capital assets, and support one-time or short duration programs, or as a temporary funding source for recurring expenses if an increase in recurring revenue is anticipated.

The Free Cash that was certified in FY2015 and is available for FY2016 appropriations is **\$6,207,875**. This represents 4.3% of the total general fund before adjustments and offsets. This is an increase of \$2,055,527 over the amount that was used for the current year, but a decrease of \$3,926,037 from the amount certified last year. The amount of Free Cash certified in FY2013 was \$2,153,808 and the entire amount was appropriated, and the Free Cash certified in FY2014 was \$10,133,912 of

Free Cash History Table 2.6		
Certification Year	Budget Year Use	Certified Free Cash
FY2011	FY2012	3,380,269
FY2012	FY2013	5,366,720
FY2013	FY2014	2,153,808
FY2014	FY14/15	10,133,912
FY2015	FY2016	6,207,875
Five Year Average (2011 - 2015)		5,448,517

which \$5,981,564 was used for FY2014 appropriations and \$4,152,348 was used for FY2015 appropriations.

Operating Budget Turn Back Table 2.7						
Fiscal Year Activity	Final Budget	Total Turn Back	Turn Back Percent of Total Budget	Departmental Turn Back	Departmental TB as % of Total TB	Two Percent of the Adjusted Departmental Budgets
FY2010	105,634,966	2,242,116	2.12%	1,642,570	73.3%	1,543,308
FY2011	110,084,279	1,936,213	1.76%	1,141,375	58.9%	1,567,324
FY2012	111,739,534	2,313,340	2.07%	1,767,497	76.4%	1,619,224
FY2013	118,098,423	2,672,092	2.26%	1,442,255	54.0%	1,696,882
FY2014	124,101,249	2,463,826	1.99%	1,413,076	57.4%	1,772,360

Given that the Town of Needham develops its annual operating and capital budgets in such a way that Free Cash can be counted upon each year, some amount of Free Cash has been used to support operating expenses. Our

recommended practice is that not more than 2% of the adjusted departmental operating budget of the prior completed fiscal year or the actual turn back, whichever is less should be used for operating expenses in the upcoming fiscal year. The FY2014 final adjusted General Fund departmental operating budgets totaled \$88,618,021 which compares to \$84,844,100 in FY2013. We define the adjusted departmental operating budget as the total of the departmental budgets approved at the annual Town Meeting, plus any budget amendments made at a Special Town Meeting, and plus any transfer from the Classification Performance & Settlements budget line into the department budget; we do not include any transfer from the Reserve Fund line into the departmental budget. Two percent of the FY2014 adjusted General Fund departmental operating budget amount equals \$1,772,360; the actual FY2014 departmental budget turn back was \$1,413,076 which is less than two percent and is less than \$1,442,255 returned by the departments in FY2013 (Table 2.7). The budget plan has approximately \$1.9 million of the estimated Free Cash being used for operating expenses. The amount is greater than the formula, but the higher amount allows funding of \$259,520 of school technology and equipment requests which do not meet the standard for cash capital and the dollar amount has been included in the recommended school department operating budget in the Town Manager's Balanced Budget. The additional \$226,149 in Free Cash use for the FY2016 operating budget above the formula approach should be offset with recurring revenue next year. The balance of Free Cash for FY2016 is proposed to be used to fund cash capital, reserves, and warrant articles. The Town has been following the recommended practice of limiting the amount of Free Cash that supports the operating budget by using the funds to pay not only for needed cash capital, but also to put aside funds for future demands that may arise unexpectedly and for various one-time financial warrant articles.

Revenue as a % of Total General Fund Revenue Table 2.8					
Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate
Property Taxes	79.9%	77.8%	77.2%	82.8%	81.3%
State Aid	7.7%	7.8%	7.6%	7.8%	7.4%
Local Receipts	8.9%	8.9%	8.2%	5.9%	5.9%
Other Available Funds	0.7%	1.4%	1.0%	0.5%	1.1%
Free Cash	2.8%	4.2%	6.0%	3.0%	4.3%
Total General Fund Revenue*	100.0%	100.0%	100.0%	100.0%	100.0%
*May not equal 100% due to rounding					

## ADJUSTMENTS TO GENERAL FUND REVENUE

While the majority of solid waste and recycling center service costs are accounted for in the Recycling Center and Transfer Station (RTS) Enterprise Fund, certain costs of the department are reflected in the general fund budgets of other Town departments (e.g., treasurer/collector, information technology, personnel, insurance, etc.). These RTS-related general fund expenditures are funded with transfers of revenue from the enterprise fund to the general fund. The amount projected for FY2016 is based on the current year and is estimated at \$250,000.

Enterprise Reimbursements to the General Fund  
Table 2.9

Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate	\$ Change
Solid Waste	250,625	267,128	276,871	278,317	250,000	(28,317)
Sewer	420,647	389,453	429,205	464,518	415,000	(49,518)
Water	944,443	951,958	962,891	953,573	855,000	(98,573)
<b>Total</b>	<b>1,615,715</b>	<b>1,608,539</b>	<b>1,668,967</b>	<b>1,696,408</b>	<b>1,520,000</b>	<b>(176,408)</b>

As with the RTS fund, while the majority of sewer and water related service costs are accounted for in the Sewer Enterprise Fund and Water Enterprise Fund, certain costs of the departments are reflected in the general fund budgets of other Town departments (e.g., treasurer/collector, information technology, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The projected amounts for FY2016 for sewer and water are estimated at \$415,000 and \$855,000, respectively. Because indirect costs associated with the three funds are a factor of Town Meeting appropriations, the actual FY2016 transfers may be adjusted accordingly.

FY2016 is the fifth operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be **\$464,438**, which is a decrease of \$11,325 from the FY2015 amount of \$475,763. The annual debt service will decline each year on the Town Hall project until it is paid off in 2031. We reflect \$464,438 as another adjustment to General Fund revenue because the CPA debt is included in the general operating budget of the Town.

**Cherry Sheet Assessments** are charges levied for services provided to the Town by State and other governmental agencies (e.g., MBTA assessment, county tax, mosquito control, etc.). The estimate of **\$1,325,038** for FY2016 which is 4% over the FY2015 assessment approximately the average percent change over the past five years.

**Allowance for Abatements and Exemptions** are funds reserved for property tax abatements and statutory exemptions. The preliminary estimate, subject to the approval of the Board of Assessors and the Department of Revenue, has been set at **\$2,236,824**, which is a decrease of **\$1,021,408** from the current year. FY2015 was the required triennial property valuation which is reviewed by the Bureau of Local Assessment to ensure the Town's assessment of property values are at full and fair market value. This increased the workload on the Town's assessing division and may impact the number of abatement and exemption applications received. We expect the exposure to be less in FY2016 than FY2015, but also include an allowance for the accounting of the TIF which becomes effective this year. The final amount of the reserve is determined by the Department of Revenue when it approves the tax rate in December.

**Amounts required to be raised or otherwise provided** is a contingency for those items that are required to be raised but as of this date are not known. Expenses such as overlay deficits for prior years, snow and ice deficits, or revenue deficits or shortfall in other estimates are items provided for in this allowance. The reserved estimate is **\$581,735** for FY2016. This amount includes Cherry Sheet Offsets which are programs that are classified by the State as "Offset Items"; that is, these funds are expended without appropriation for specific purposes (i.e., remediation assistance, school lunches and public libraries). As they are estimated as a component of State Aid, they must be shown as a reduction in revenue because of their categorical nature (i.e., they are not available for general appropriation purposes). Expenditure of these funds does not require Town Meeting appropriation. The amount for FY2016 is based on the assumption that state aid will be level funded so the total is the same as FY2015 at \$69,235. Another requirement is the amount certified by the tax collector for tax title purposes is assumed to be level dollar for FY2016 at \$12,500. The contingency for deficit in other funds is \$500,000. The total of these items in FY2015 was \$514,246.

#### OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2014 is \$3,844,865. The Stabilization Fund may be appropriated, by a two-thirds vote of Town Meeting, for any municipal purpose. No assumption about an appropriation from the Stabilization Fund to support the Town's operating budget is made in this projection.

The Town also established a **Capital Improvement Fund** for the purpose of general fund capital equipment. The balance in the fund as of December 31, 2014 is \$650,786.

The Town also established a **Capital Facility Fund** for the purpose of reserving funds for future extraordinary capital facility maintenance costs. The balance in the fund as of December 31, 2014 is \$1,297,062.

The Town also established an **Athletic Facility Fund** for the purpose of reserving funds for future extraordinary athletic field and artificial turf replacement and maintenance costs. The balance in the fund as of December 31, 2014 is \$942,764. The budget plan calls for an appropriation of \$866,412.

#### ENTERPRISE FUNDS

An enterprise fund is used to account for those operations that are financed and operated in a manner similar to a private business. The Department of Revenue states that Enterprise Funds allow a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy or other available funds, if any. The Town has established an Enterprise Fund for its water operation, sewer operation, and for the Recycling Center and Transfer Station. The enterprise funds are fully reimbursing the general fund for their related indirect costs (e.g., enterprise employee benefits, property insurance, shared staff, etc.).

Enterprise Receipts  
Table 2.10

Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate	\$ Change
RTS	1,659,380	1,718,850	1,621,182	998,794	1,005,679	6,885
Sewer	7,897,310	8,241,583	7,949,827	7,674,115	7,661,550	(12,565)
Water	5,451,542	6,188,215	6,374,765	5,537,990	5,919,021	381,031
<b>Total</b>	<b>15,008,232</b>	<b>16,148,649</b>	<b>15,945,774</b>	<b>14,210,899</b>	<b>14,586,250</b>	<b>375,351</b>

For FY2016, enterprise fund revenues are estimated at \$17,390,303. This figure is inclusive of the use of \$1,534,536 in retained earnings, plus \$298,068 in other available funds for capital investment in the sewer and water operations, and another \$923,449 of retained earnings used to fund non-capital appropriations. The estimated use of enterprise fund receipts for FY2016 is \$375,351 more than FY2015. The combined estimate of the three funds is \$14,586,250 for FY2016 compared to \$14,210,899 for FY2015 (Table 2.10). The increase in current receipts is attributable to the RTS enterprise receiving a rental payment for the solar array that is to be constructed within the next 12 months, and the higher irrigation rate that is producing more revenue in the Water Enterprise. The Sewer Enterprise fund decrease is due to the predicted drop in water consumption through meters which are linked to a sewer account (irrigation meter water use does NOT generate a sewer charge) as higher prices to offset conservation efforts impact behavior. The budget also calls for the use of **\$703,449** in Sewer Enterprise retained earnings to replace the General Funds that were required to be provided for FY2015 and to be a stop gap measure as a new sewer rate structure is considered by the Board of Selectmen in 2015. The plan also assumes that **\$110,000** in retained earnings for both the RTS and Water enterprise funds will be used for the operating budget as a hedge against possible income loss. The total use of RTS retained earnings for FY2016 is due to the lack of capital request funding, and the financial warrant article for **\$48,000** to purchase containers for the RTS will be funded from the balance of prior warrant articles no longer needed.

Use of Enterprise Reserves and Other One-Time Funds  
Table 2.11

Description	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Recap	FY16 Estimate	\$ Change
RTS	200,000	448,683	337,100	321,095	158,000	(163,095)
Sewer	1,118,546	1,215,555	987,597	706,000	1,373,949	667,949
Water	1,464,000	772,009	1,922,667	1,161,050	1,272,104	111,054
<b>Total</b>	<b>2,782,546</b>	<b>2,436,247</b>	<b>3,247,364</b>	<b>2,188,145</b>	<b>2,804,053</b>	<b>615,908</b>

The **Solid Waste Enterprise Fund** was established pursuant to a vote of the Special Town Meeting held on November 19, 1997, which established an enterprise fund to account for receipts and expenditures of the Town's solid waste operation at the Recycling and Transfer Station (RTS) effective July 1, 1998. Sticker and bag fees help support tipping and recycling expenses. A transfer from the tax levy has historically funded the general operations of the RTS. However, the amount had been declining since the inception of the enterprise fund until recent years. The Board of Selectmen and the Finance Committee approved a policy to determine the amount that should be used to offset costs incurred by the RTS. However, the formula has not been sufficient in every year to meet the required revenue. Given the restrictions on estimating revenue above the actual amount of the prior

year, an additional amount from the General Fund has been required in some years in order to balance the RTS budget. The General Fund transfer for FY2011 was \$792,673, FY2012 was \$580,673, and in FY2013 the amount was \$576,938. The appropriation to the RTS for FY2014 was \$801,458. Effective for FY2015 and with the elimination of the fee for a residential sticker, a greater General Fund contribution to the operation was approved. The voted amount for FY2015 was \$1,420,000. However, due to the restrictions in revenue estimation, the Town needed to provide a subsidy of \$72,270 to be approved by the DOR. With the increase usage of the RTS in the few months that the sticker fee has been eliminated, and the expected rental payment, this subsidy will not be required and the General Fund contribution for FY2016 is level funded at **\$1,420,000**.

The Town approved a change effective with the FY2012 budget that the expenses associated with the Drains Program that were carried in the DPW General Fund Operating Budget are now part of the **Sewer Enterprise Fund Budget**. The employees who perform a majority of the drains-related work are assigned to either the water or sewer division. There are benefits for the Town to have the water and sewer employees perform the drains-related work rather than hiring additional staff for the sole purpose of drain work. The drains program is considered a general fund expense and not a sewer or water fund expense. The weekly tracking and processing of drains related procurement, accounts payable, and payroll, as well as the budgeting process is easier and more efficient (less cross-fund accounting work) to process the finance-related tasks through one of the enterprise funds, rather than the prior three fund process (general fund, sewer fund, and water fund). The General Fund still pays the drains-related costs, but the appropriation will now be made from the General Fund to the Sewer Enterprise Fund Budget. The payment in FY2012 was \$469,610, FY2013 was \$493,932, for FY2014 was \$468,936 and for FY2015 the amount was \$463,430. The recommended sewer budget includes **\$496,078** in drains related expense and will be the General Fund appropriation to the Sewer Fund for FY2016.

ENTERPRISE FUND RETAINED EARNINGS

These sources are not available to support the General Fund and are shown for informational purposes only.

Similar to Free Cash, retained earnings are a function of the operations of the prior fiscal year and are generated by revenues collected in excess of estimates and unexpended balances of appropriations, as of June 30<sup>th</sup>. Once certified by the Massachusetts Department of Revenue, retained earnings are then available for appropriation or reserved to support the enterprise. Retained earnings have been certified by the Department of Revenue. The amounts proposed to be used at the Annual Town Meeting (Table 2.12) take into consideration future actions appropriations.

Available Retained Earnings		
Table 2.12		
Enterprise Fund	Certified	Proposed for Use at ATM
RTS	690,498	110,000
Sewer	1,667,645	1,257,806
Water	2,049,563	1,090,179

COMMUNITY PRESERVATION FUNDS

Town voters approved a 2% Community Preservation Act surcharge on real estate property tax bills effective July 1, 2005. The 2% surcharge is assessed on the total property tax due, adjusted for certain exemptions. The tax on the first \$100,000 of residential valuation is

not included in the CPA surcharge, and there are also exemptions for certain low and/or moderate-income taxpayers. Actual CPA revenues collected by the Town in the prior year are eligible for matching funds from the State. The match is equal to a percentage determined annually based on available funds for distribution, not to exceed 100% of the receiving community's actual receipts. The distribution rate that Needham received on its FY2011 CPA surcharge revenue in October 2011 was 26.64%; 26.83% was the rate received on the FY2012 CPA surcharge revenue; which increased to a 52.23% match rate that was received in November 2013 on the FY2013 revenue, and the Town received a match rate of 31.46% on the FY2014 surcharge revenue in November 2014. We believe the distribution range in FY2016 on the FY2015 revenue will be between 20% and 30% and our revenue estimate is at the mid-point. The current estimate based on FY2015 collections that will be received as state matching funds in FY2016 is \$492,750 or 25%. The 2% CPA surcharge on FY2016 property tax bills is estimated at \$2,065,000. The estimate receipts for FY2016 are currently at \$2,557,750; the total revenue which assumes the use of \$3,577,000 in various CPA reserves brings the total estimated FY2016 CPA revenue to \$6,134,750.

The \$2,557,750 estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$281,353 credited to both the Community Housing Reserve and Open Space Reserve. The \$281,353 figure is approximately 11% of the new revenue estimate for FY2016. Because the final revenue estimate is usually not known until the actual tax rate has been approved and the bills calculated, the practice has been to appropriate an amount of 11% of the revenue estimate to each of the required reserves to better ensure that the minimum CPA use requirement is satisfied. The FY2016 debt budget includes \$464,438 of debt service for the Town Hall project. The Town Hall project was previously designated as a historic preservation project, and therefore the \$464,438 appropriation to the General Fund operating budget will satisfy minimum requirement for Historic Resources. The balance of the CPA revenue estimate of \$1,448,606 would be transferred to the Community Preservation Fund General Reserve for FY2016. The amount that is actually appropriated to each reserve would be adjusted as needed based on the CPC's project funding recommendations and Town Meeting votes on those recommendations.

The certified CPA Free Cash balance as of December 31, 2014 is **\$5,257,018** and remains available for appropriation until June 30, 2015. The CPA General Reserve has a balance of \$1,272,117 and the funds remain available for appropriation until June 30, 2015 as well. The CPA Free Cash and General Reserve will close out to the CPA fund balance after the end of the FY2015 and does not become available for use in FY2016 until after the CPA Free Cash is certified for FY2016. The Community Preservation Committee (CPC) has not yet made any funding recommendations for FY2016. The amounts currently held in the three required reserves as of December 31, 2014 are as follows:

Open Space Reserve	\$271,901
Community Housing Reserve	\$956,520
Historic Reserve	\$ 15,820

**Town of Needham  
Community Preservation Fund  
Revenue and Appropriations  
FY2016**

**FY2016 Community Preservation Fund Revenue Estimates**

FY2016 Surcharge Revenue Estimate	2,065,000
State Trust Fund Distribution Estimate	492,750
Use of Reserves	3,577,000

Revenue Estimate	6,134,750
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**FY2016 Community Preservation Fund Appropriation Estimates without Projects**

Town Hall Project Debt Service (GF Debt Operating Budget)	464,438
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	281,353
Historic Resources Reserve	0
Open Space Reserve	281,353
Community Preservation Fund Reserve	1,448,606
Specific Appropriations (see below)	3,577,000

Appropriation Estimates	6,134,750
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**Specific Appropriation Requests**

Canoe Launch	30,000
Chapel Village	400,000
Mills Field Improvements	510,000
Newman School Field Improvements	1,527,000
Rail Trail	100,000
Ridge Hill/Student Conservation Association	10,000
Rosemary Pool Complex	1,000,000

Total	3,577,000
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