

APPENDICES

Town of Needham
Capital Improvement Plan

Appendix A

**Town of Needham
Capital Improvement Policies**

A. General Provisions

1. Capital items for the purpose of this Capital Improvement Plan shall be defined as follows:
 - Items requiring an expenditure of at least \$25,000 and having a useful life of more than five years.
 - Projects consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of and existing capital item, as distinguished from a normal operating expenditure.
 - Items obtained under a long-term lease.
2. Town departments will propose operating budgets that provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.
3. All assets will be maintained at a level that protects capital investment and minimizes maintenance and replacement costs.
4. All equipment replacement needs for the coming five years will be projected and the projection will be updated each year.
5. Future operating and maintenance costs for all new capital facilities will be fully costed out.

B. Capital Improvement Fund

1. In accordance with the provisions of M.G.L. c. 40 Section 5B, as amended by Section 14 of Chapter 46 of the Acts of 2003 and Section 19 of Chapter 140 of the Acts of 2003, the Town of Needham has established a General Fund Cash Capital Equipment and Facility Improvement Fund hereinafter referred to as the Capital Improvement Fund or CIF (Article 58/2004 ATM). The purpose of the CIF is to allow the Town to reserve funds to use for general fund cash capital.
2. Appropriations from the CIF are restricted to the following items for which the Town may borrow for a period of five years or more: the acquisition of new equipment; the replacement of existing equipment; and building and facility improvements which cost less than \$250,000.
3. Only General Fund capital items that have been identified in the CIP for a period of three (3) years or more, and that have been recommended in the Capital Improvement Plan for the current year, are eligible for funding from the CIF.

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4. The CIF may be used to pay for recurring equipment replacement needs that have been identified in the CIP and funded in at least three (3) of the five (5) immediately preceding fiscal years.
5. Appropriations into the CIF and interest earnings on the Fund become part of the Fund.

Approved May 1991; Revised December 20, 2005.

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Appendix B

**Town of Needham
Debt Management Policies**

1. Proceeds for long-term debt will not be used for current, ongoing operations.
2. The Town will strive to limit total debt service, including debt exclusions and self-supporting debt, to 10 percent of gross revenues.
3. The town will limit annual increases in debt service to a level that will not materially jeopardize the Town's credit rating.
4. For those previously authorized bonded projects with residual balances, the Town Administrator shall propose the reallocation of these balances for other capital projects in conformance with MGL Chapter 44, Section 20.
5. For those previously authorized projects funded with available revenue (tax levy or reserves), that have residual balances in excess of \$5,000, the Town Administrator shall propose the reallocation of these balances for other future capital projects in conformance with MGL Chapter 44, Section 33B. This practice will avoid abnormally inflating general fund surplus with one-time receipts.
6. For those previously authorized projects funded with available revenue (tax levy or reserves), with residual balances of less than \$5,000, the Comptroller shall be authorized to close these balances to the appropriate fund surplus.
7. The Town will attempt to limit bond sales in any calendar year to \$10,000,000 in order to maintain bank qualifications and thereby receive lower interest rates on bonded debt.
8. Long-term borrowing will be confined to capital improvements too expensive to be financed from current revenues. In general, the Town will attempt to finance purchases costing less than \$25,000 with operating revenues.
9. Bonds will be paid back within a period not to exceed the expected useful life of the capital project.
10. To the extent practicable, user fees will be set to cover the capital costs of enterprise type services or activities - whether purchased on a pay-as-you-go basis or through debt financing - to avoid imposing a burden on the property tax levy.
11. Ongoing communications with bond rating agencies will be maintained, and a policy of full disclosure on every financial report and bond prospectus will be followed.

Approved May 1991; Revised December 1998

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Appendix C

**Town of Needham
Retained Earnings Policy for Water and Sewer Enterprise Funds**

It shall be the policy of the Board of Selectmen to maintain a level of unreserved retained earnings sufficient to address the financing of: working capital; revenue shortfalls; unanticipated increases in MWRA wastewater assessments; and unanticipated and emergency expenditures.

Unreserved retained earnings are cumulative surplus funds, as certified by the Massachusetts Department of Revenue, that are available for appropriation by Town Meeting to support any capital expense of the enterprise or to reduce user charges.

The rationale for, and the calculation of, unreserved retained earnings to be maintained by the Town are described below and are referred to as the “Liquidity Method” and the “Credit Quality Method.” Retained earnings targets shall be calculated using both methods, and shall be set using the method which represents the higher number in any given year. Under the Liquidity Method, the total amount of retained earnings to be maintained shall be equal to 80 percent of the sum of the following individual calculations. The factor of 80 percent is based on the assumption that the likelihood of all factors occurring in one fiscal year is small; therefore there is no need to maintain one hundred percent of the calculated level of retained earnings. Under the Credit Quality Method, the total amount of retained earnings to be maintained shall be equal to ten percent of the operating revenue of the most recent audited fiscal year.

Liquidity Method

Working Capital: For those periods where monthly expenses exceed available cash, the water and sewer enterprises must have access to working capital to finance operations. In the absence of retained earnings, operations would require the use of General Fund cash which would reduce General Fund cash available for investment, and consequently reduce General Fund Revenue. To avoid the use of General Fund cash as working capital for the water or sewer operations, retained earnings shall be maintained at a level to provide sufficient working capital to finance the operations of these enterprise funds. The amount retained for this purpose shall be equal to the average of the largest monthly operating deficit of the prior three years.

Consumption Contingency: Annual water and sewer revenue is a function of the amount of water purchased by customers. If, in any year, purchases are less than projected, a revenue shortfall will occur. Retained earnings shall be maintained at a level sufficient to offset any loss in revenue due to unanticipated decreases in purchases. That level shall be equal to the difference of the consumption used for rate making purposes versus the lowest level of consumption for the prior six fiscal years, multiplied by the current sewer rates and water rates shown as Step 3 of the Town’s step rate structure. Step 3 is selected as it generally represents the point at which discretionary purchases of water begin. The scenario envisioned here is a wet year in which customers will not need to make discretionary purchases of water.

MWRA Assessment Mitigation: The Town’s MWRA wastewater assessment is levied on a fiscal year basis, yet it is a function of the volume of effluent discharged into the MWRA system in the prior calendar year. The Town’s wastewater system is subject to high levels of infiltration and inflow (I/I) given its age. Infiltration and inflow can substantially increase the volume of effluent discharged into the MWRA system. Following a year in which high levels of I/I occur, the Town’s MWRA assessment will increase at a rate that substantially exceeds the average increase for all

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MWRA members. An increase of this magnitude can adversely affect rates charged to Town customers. Consequently, retained earnings shall be maintained at a level sufficient to mitigate rate increases needed to fund large increases in the Town's assessment. That level shall be equal to the largest annual difference - for the prior six year period - between the average rate of increase in assessments for all MWRA members and the rate of increase in the Town's assessment, multiplied by the most current MWRA assessment.

Unanticipated Budgetary Fluctuation: Retained earnings shall be maintained at a level sufficient to fund unanticipated or emergency capital or operating expenditures. It shall be a goal to maintain an amount equal to 6% of the annual sewer operating budget and 10% of the annual water-operating budget.

Restoration of Depleted Retained Earnings: If, in any year, retained earnings fall below the targets established by this policy, it shall be the policy of the Board of Selectmen to set future rates to restore retained earnings to the target level over the following three year period.

Approved April 20, 1999; Revised June 6, 2003

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Appendix D

**Town of Needham
Retained Earnings Policy for the Solid Waste Enterprise Fund**

It shall be the policy of the Board of Selectmen to maintain a level of unreserved retained earnings sufficient to address the financing of: working capital; unanticipated and emergency expenditures; revenue shortfalls; depreciation expense; pollution control surcharges; and unanticipated increases in the recycling costs.

Unreserved retained earnings are cumulative surplus funds, as certified by the Massachusetts Department of Revenue. In proposing the annual Solid Waste Disposal/Recycling operating budget, the Board of Selectmen shall recommend to Town Meeting the use of retained earnings that are available for appropriation by Town Meeting to support any capital expense of the enterprise or to reduce user charges, or both, as provided by State Law.

The rationale for, and the calculation of, unreserved retained earnings to be maintained by the Town are described below. The total amount of retained earnings to be maintained shall be equal to 80 percent of the sum of the individual calculations for working capital, unanticipated and emergency expenditures, revenue shortfalls, pollution control surcharges, and, unanticipated increases in the recycling costs and 100 percent of cumulative depreciation expense net any amounts appropriated for equipment replacement. The factor of 80 percent is based on the assumption that the likelihood of all factors occurring in one fiscal year is small; therefore there is no need to maintain one hundred percent of the calculated level of retained earnings. The use of a factor of 100 percent for depreciation expense is based on the assumption that all of these funds will be needed for equipment replacement.

Working Capital: For those periods where monthly expenses exceed available cash, the RTS enterprise must have access to working capital to finance operations. In the absence of retained earnings, operations may require the use of General Fund cash which would reduce General Fund cash available for investment, and consequently reduce General Fund Revenue. To avoid the use of General Fund cash as working capital for the RTS operation, retained earnings shall be maintained at a level to provide sufficient working capital to finance the operations of this enterprise fund. The amount retained for this purpose shall be equal to the average of the largest cumulative monthly operating deficit of the prior three years.

Further, any general fund support of the RTS enterprise fund shall be made on a 1/12 basis throughout the fiscal year to preclude the RTS fund's use of general fund cash before the need truly exists.

Reserve for Unanticipated and Emergency Expenditures: Retained earnings shall be maintained at a level sufficient to fund unanticipated or emergency capital or operating expenditures as recommended to the Board of Selectmen annually by the Director of the Department of Public Works and the Director of Finance.

Reserve for Revenue Shortfall: Annual RTS revenue is, in part, a function of the amount of solid waste disposed of by Town residents. If, in any year, the amount disposed is less than projected, a revenue shortfall may occur. Retained earnings shall be maintained at a level sufficient to offset any loss in revenue due to unanticipated decreases in disposal.

Reserve for Depreciation Expense: Annually, the Director of Finance shall procure from the Director

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of Public Works, an inventory of all capital equipment used to support the operation of the RTS. This list shall be comprised of those pieces of equipment that cost \$50,000 or less and will include the purchase price and estimated useful life of each piece. Based on this information, the annual depreciation expense for each piece shall be calculated and revenues shall be raised to finance this expense. At the end of each fiscal year, the amount of revenue raised to offset depreciation expense shall constitute a reservation of retained earnings for the future replacement of capital equipment and shall be added to existing reservations attributable to prior years' depreciation. The purpose of this policy is to limit annual increases or decreases in RTS fees to fund small capital replacement.

Reserve for Pollution Control Surcharge - The Town's contract with Wheelabrator/Millbury for the tipping of solid waste contains a provision that allows Wheelabrator/Millbury to impose a pollution control surcharge on the Town to recoup the costs of installing pollution control equipment required by state and federal regulatory agencies. Retained earnings shall be maintained at a level needed to finance one year of pollution control surcharges imposed on the Town. Based on a surcharge imposed in FY 1992 that level shall be calculated annually at an amount equal to 3% of the current tipping fee multiplied by the tonnage tipped at the Wheelabrator Facility in the prior fiscal year.

Reserve for Unanticipated Increases in the Recycling Market - Notwithstanding any contract the Town may have for the collection and disposal of recyclable material collected at the RTS, the volatile nature of the recycling market poses the possibility that any contractor with whom the Town has an agreement could go out of business on short notice, leaving no alternative but to pay current market prices for disposal of recyclables. This exposure shall be calculated annually by the Directors of Public Works and Finance and shall be based on a comparison of costs reflected in any of the Town's active recycling contracts and the spot market for tipping and hauling at the time of this annual assessment. The amount of the exposure shall be recommended to the Board of Selectmen as a reservation of retained earnings.

Restoration of depleted Retained Earnings: If, in any year, retained earnings fall below the targets established by this policy, it shall be the policy of the Board of Selectmen to set future rates to restore retained earnings to the target level over the following three year period.

Approved November 1999

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Appendix E

NEEDHAM DPW PROJECTED EQUIPMENT REPLACEMENT LIST

Unit	Division	Year	Equipment Description	Life Years	Rplmt 2008	Rplmt 2009	Rplmt 2010	Rplmt 2011	Rplmt 2012	Rplmt 2013	Rplmt 2014	Rplmt 2015	Rplmt 2016	Rplmt 2017	
SEDANS, WAGONS & VANS															
1	Admin.	2000	Sedan	7				\$ 25,934							
44	Engineering	2000	Sedan	7				\$ 25,934							
45	Engineering	2006	Van	7						\$ 22,491					
92	Engineering	2003	Expedition	7					\$ 41,807						
52	Highway	2000	Sedan	7		\$ 24,210							\$ 30,801		
12	Park	1999	Station Wagon	7		\$ 24,210								\$ 31,880	
301	Parks	2002	Van	7		\$ 30,155							\$ 38,365		
General Fund Total						\$ 78,574		\$ 51,868	\$ 41,807	\$ 22,491			\$ 69,167	\$ 31,880	
15	Sewer	1998	Sedan	7	\$ 23,391							\$ 29,760			
Sewer Enterprise Fund Total						\$ 23,391						\$ 29,760			
20	Water	1998	Sedan	7			\$ 25,057					\$ 29,760			
46	Water	1992	Van	7							\$ 25,446				
Water Enterprise Fund Total							\$ 25,057				\$ 25,446	\$ 29,760			
Sedans, Wagons & Vans SUB TOTAL						\$ 23,391	\$ 78,574	\$ 25,057	\$ 51,868	\$ 41,807	\$ 22,491	\$ 25,446	\$ 59,520	\$ 69,167	\$ 31,880
PICKUP TRUCKS															
2	Garage	2005	Pickup Truck	6			\$ 18,848						\$ 23,169		
4	Garage	2006	4WD Pickup Truck	6						\$ 40,043					
36*	Garage	1999	Pickup Truck	6											
32	Highway	2005	4WD Pickup Truck	6					\$ 49,883						
43	Highway	2007	4WD Pickup Truck	6						\$ 51,629					
57	Highway	2006	4WD Pickup Truck	6					\$ 49,883						
50	Parks	1997	Pickup Truck	6	\$ 27,842						\$ 34,224				
41	Parks	2001	4WD Pickup Truck	6		\$ 44,991						\$ 55,306			
65	Parks	2002	4WD Pickup Truck	6	\$ 43,470						\$ 53,436				
General Fund Total						\$ 71,312	\$ 44,991	\$ 18,848		\$ 99,766	\$ 91,672	\$ 87,660	\$ 55,306	\$ 23,169	
56	Landfill	2002	Pickup Truck	6			\$ 26,609						\$ 32,710		
Solid Waste/Recycling Enterprise Fund Total							\$ 26,609						\$ 32,710		
11	Sewer	2001	Pickup Truck	6		\$ 28,816						\$ 35,422			
18	Sewer	2000	Pickup Truck	6		\$ 23,567						\$ 28,970			
Sewer Enterprise Fund Total							\$ 52,383					\$ 64,392			

* Repair Pool Vehicle, not included in replacement schedule

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NEEDHAM DPW PROJECTED EQUIPMENT REPLACEMENT LIST

Unit	Division	Year	Equipment Description	Life Years	Rplmt 2008	Rplmt 2009	Rplmt 2010	Rplmt 2011	Rplmt 2012	Rplmt 2013	Rplmt 2014	Rplmt 2015	Rplmt 2016	Rplmt 2017	
21	Water	2001	Pickup Truck	6			\$ 29,825						\$ 36,662		
24	Water	2000	Pickup Truck	6		\$ 22,496					\$ 26,718				
26	Water	2005	Pickup Truck	6				\$ 19,508						\$ 23,980	
27	Water	2005	Pickup Truck	6				\$ 19,508						\$ 23,980	
31	Water	2005	Pickup Truck	6				\$ 19,508						\$ 23,980	
Water Enterprise Fund Total						\$ 22,496	\$ 29,825	\$ 58,524			\$ 26,718		\$ 36,662	\$ 71,941	
Pickup Truck SUB TOTAL						\$ 71,312	\$ 119,870	\$ 75,282	\$ 58,524	\$ 99,766	\$ 91,672	\$ 114,378	\$ 119,698	\$ 92,541	\$ 71,941
ONE TON DUMP TRUCKS & UTILITY BODIES															
3	Garage	1997	Utility Body	7				\$ 50,491							
39	Highway	1999	Dump Truck	7						\$ 66,380					
48	Highway	1990	Utility Body	7	\$ 58,000								\$ 73,793		
55	Highway	1996	Dump Truck	7				\$ 61,966							
66	Highway	2007	Dump Truck	7							\$ 68,703				
70	Parks	1996	Dump Truck	7			\$ 59,871							\$ 76,172	
71	Parks	1996	Dump Truck	7			\$ 59,871							\$ 76,172	
72	Parks	2007	Dump Truck	7							\$ 68,703				
73	Parks	1996	Dump Truck	7		\$ 57,846								\$ 73,596	
74	Parks	1996	Dump Truck	7		\$ 57,846								\$ 73,596	
75	Parks	2001	Dump Truck	7	\$ 55,890							\$ 71,108			
General Fund Total						\$ 113,890	\$ 115,692	\$ 119,742	\$ 112,457		\$ 66,380	\$ 137,406	\$ 144,900	\$ 147,193	\$ 152,345
17	Sewer	1997	Dump Truck	7					\$ 64,135						
23	Sewer	1997	Cab & Chassis	7				\$ 45,901							
Sewer Enterprise Fund Total								\$ 45,901	\$ 64,135						
22	Water	1997	Utility Body	7		\$ 42,849									
25	Water	1999	Chass. & Cab/Util.	7					\$ 47,507						
30	Water	1999	Dump Truck	7						\$ 66,380					
40	Water	2000	Utility Pick Up	7						\$ 49,170					
Water Enterprise Fund Total						\$ 42,849			\$ 47,507	\$ 115,550					
One Ton Dump Trucks & Utility Bodies						\$ 113,890	\$ 158,541	\$ 119,742	\$ 158,358	\$ 111,643	\$ 181,930	\$ 137,406	\$ 144,900	\$ 147,193	\$ 152,345
LARGE SIX WHEEL DUMP TRUCKS															
9	Drains	1996	Dump Truck	10					\$ 124,707						
6	Highway	2000	Dump Truck	10							\$ 133,589				

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NEEDHAM DPW PROJECTED EQUIPMENT REPLACEMENT LIST

Unit	Division	Year	Equipment Description	Life Years	Rplmt 2008	Rplmt 2009	Rplmt 2010	Rplmt 2011	Rplmt 2012	Rplmt 2013	Rplmt 2014	Rplmt 2015	Rplmt 2016	Rplmt 2017
7	Highway	2000	Dump Truck	10								\$ 138,265		
8	Highway	1996	Dump Truck	10						\$ 129,072				
10	Highway	1994	Dump Truck	10			\$ 116,415							
47	Highway	2007	Dump Truck	10										\$ 145,292
49	Highway	2002	Dump Truck	10									\$ 163,548	
General Fund Total							\$ 116,415		\$ 124,707	\$ 129,072	\$ 133,589	\$ 138,265	\$ 163,548	\$ 145,292
5	Landfill	1995	Dump Truck	10				\$ 120,490						
Solid Waste/Recycling Enterprise Fund Total								\$ 120,490						
19	Sewer	1994	Dump Truck	10			\$ 116,415							
Sewer Enterprise Fund Total							\$ 116,415							
14	Water	1998	Dump Truck	10	\$ 124,200									
Water Enterprise Fund Total					\$ 124,200									
Large Six Wheel Dump Truck SUB TOTAL					\$ 124,200		\$ 232,831	\$ 120,490	\$ 124,707	\$ 129,072	\$ 133,589	\$ 138,265	\$ 163,548	\$ 145,292
GRAND TOTAL					\$ 332,793	\$ 356,986	\$ 452,911	\$ 389,240	\$ 377,922	\$ 425,165	\$ 410,819	\$ 462,383	\$ 472,448	\$ 401,456

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Appendix F

Glossary

Provided below are some of the most commonly used terms in capital planning and debt management.

BOND – A written promise to pay a specified sum of money (called the face value or principal amount) at a specified date or dates in the future (called the maturity date), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

BOND ANTICIPATION NOTE – Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. Notes are retired from proceeds from the bond issue to which they are related (also referred to as a BAN).

CAPITAL IMPROVEMENT PLAN (CIP) – A financial planning and management tool that identifies public facility and equipment requirements and schedules them for funding and implementation.

CAPITAL PROJECT – Major, non-recurring expenditure involving one or more of the following: acquisition of land for a public purpose; construction of or addition to a facility such as a public building, water or sewer lines, play field, etc.; rehabilitation or repair of a building, facility, or equipment, provided the cost is \$25,000 or more and the improvement will have a useful life of five years or more; purchase of equipment costing \$25,000 or more, with a useful life of five years or more; and any planning, engineering, or design study related to an individual capital project.

CHAPTER 90 – Massachusetts General Laws (M.G.L.) Chapter 90, Section 34 authorizes the Commonwealth to allocate funds to municipalities, through the Transportation Bond Issue, for highway construction, preservation and improvement projects that create or extend the life of capital facilities; routine maintenance operations such as pothole filling and snow and ice removal are not covered. The formula for determining the Chapter 90 level of funding is based on a municipality's miles of public ways, population and level of employment. Municipalities receive Chapter 90 reimbursement only for pre-approved projects.

DEBT EXCLUSION – A *temporary* increase in a municipality's levy limit (and possibly the levy ceiling) when a municipality's voters elect to exclude the payment of particular debt service from the constraints of Proposition 2 1/2. The debt service is then added to the levy limit for the life of the debt only. To place a debt exclusion question on the ballot requires a 2/3 vote of the entire Board of Selectmen. A simple majority vote by the voters is required for passage.

DEBT LIMIT – The maximum amount of gross or net debt that is legally permitted under State Law.

DEBT SERVICE – The amount paid annually to cover the cost of *both* principal and interest on a debt issuance until its retirement.

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ENTERPRISE FUND – A municipal fund established for the operation of a municipal utility, health care, recreational, or transportation facility whereby the operations are fully funded by the fees associated with that enterprise rather than by the tax levy. The "surplus" or retained earnings generated by the operation of the enterprise remain with the fund to offset future capital improvements, extraordinary maintenance expenses, or to reduce future fees and charges of the fund.

FIXED ASSETS – Assets of a long-term character, which are intended to continue to be held or used, such as land, building, and improvements other than buildings, machinery, and equipment.

FULL FAITH AND CREDIT – A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds.

GENERAL OBLIGATION BONDS – Bonds for the payment of which the full faith and credit of the issuing government are pledged.

INFRASTRUCTURE – The underlying foundation or basic framework of an organization or system, e.g., roads, bridges, buildings, land, and natural resources.

LEASE-PURCHASE AGREEMENTS – Contractual agreements which are termed "leases," but which in substance amount to purchase contracts in which the financing is provided by an outside party.

LEVY LIMIT – Property tax levy limits that constrain the total amount of revenue that can be raised from the property tax. In Massachusetts, the levy limit is governed by Proposition 2 1/2.

NOTE PAYABLE – In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable time either to the bearer or to the person designated therein.

OVERRIDE – A *permanent* increase of a municipality's levy limit (but not the levy ceiling) when the majority of voters in a municipal election approve such an override. The override amount becomes part of the levy base when setting the next year's levy limit. To place an Override question on the ballot requires a majority vote of the Board of Selectmen. A simple majority by voters is required for passage.

PAY-AS-YOU-GO – A term used to describe the financial policy of a government which finances all of its capital outlay from current revenues rather than by borrowing. A government which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

PAY-AS-YOU-USE – A term used to describe the financial policy of a government which finances its capital outlays from borrowing proceeds and pays for capital assets over their useful life.

PROPOSITION 2 1/2 -- That measure which limits municipal property taxes to 2.5 percent of the community's full and fair cash value (levy ceiling), and which limits the amount of revenue a municipality can raise through property taxes (levy limit) to 2.5 percent each year, plus a factor for

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new growth. A municipality may exceed its levy limit in two ways: override or debt exclusion.

STABILIZATION FUND – M.G.L. Ch. 40, Sec. 5B allows a municipality to appropriate annually to such fund an amount to be raised in the preceding fiscal year; the aggregate amount in the fund shall not exceed ten percent of the equalized valuation of the municipality. The treasurer shall be custodian of the fund and may invest the proceeds legally; any interest earned shall remain with the fund. The Stabilization Fund may be appropriated in a town at a town meeting by two-thirds vote. The appropriation may be used for any lawful purpose.

UNRESERVED FUND BALANCE (ALSO CALLED FREE CASH) – A community's unrestricted available funds that may be used as a funding source for appropriations. Unreserved Fund Balance is generated when the actual operating results compare favorably with the budget. It can only be used after the certification process by the Department of Revenue is complete. For example, the July 1, 2005 certified amount may be used to fund supplemental appropriations voted during fiscal year 2006, or applied as a revenue source to support the fiscal 2007 budget voted in the spring of 2006.

OTM 1.2.07