

Revenue Summary

**Town of Needham
Revenue Summary**

Table 2.1

Description*	2008	2009	\$ Change	% Change
General Fund	100,174,177	106,010,694	5,836,518	6%
Enterprise Funds	15,744,087	15,658,833	(85,254)	-1%
CPA	2,540,000	2,290,000	(250,000)	-10%
Total Revenues	118,458,264	123,959,527	5,501,264	5%

* Revenue before adjustments, reimbursements, and subsidies

GENERAL FUND

The General Fund accounts for revenues and expenditures necessary to provide general 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.

**Town of Needham
Summary of General Fund Resources**

Table 2.2

Description	2005 - Actual	2006 - Actual	2007 - Actual	2008 - Current	2009 - Estimate	\$ Change	% Change
Property Taxes	63,935,642	69,186,159	73,690,425	77,951,346	80,968,004	3,016,658	4%
State Aid	8,064,045	7,898,554	22,569,523	8,347,108	9,342,334	995,226	12%
Local Receipts	9,372,870	9,789,820	10,586,874	9,059,700	9,082,500	22,800	0%
Other Available Funds	655,600	2,259,742	1,017,751	1,549,696	807,686	(742,010)	-48%
Free Cash	3,270,834	3,260,346	3,895,235	3,266,326	5,810,170	2,543,844	78%
Total General Fund Revenue	85,298,991	92,394,621	111,759,809	100,174,176	106,010,694	5,836,518	6%
<i>Adjustments to General Fund Revenue</i>							
Other Amounts Required to be Provided	(723,814)	(902,554)	(93,621)	(69,736)	(121,315)	(51,579)	74%
State & County Assessments	(965,791)	(981,582)	(1,045,299)	(1,057,780)	(1,078,346)	(20,566)	2%
Provisions for Abatements & Exemptions	(736,731)	(1,086,199)	(1,094,344)	(919,602)	(1,000,000)	(80,398)	9%
Adjustments, Reimbursements & Subsidies	893,371	965,377	806,078	875,512	1,025,028	149,516	17%
Total	(1,532,965)	(2,004,958)	(1,427,186)	(1,171,606)	(1,174,633)	(3,027)	0%
Available for GF Appropriation	83,766,026	90,389,663	110,332,623	99,002,570	104,836,061	5,833,491	6%

Total revenue available for General Fund appropriations is projected at \$104,836,061 (Table 2.2) or \$5.8 million more than FY08. This, however, is misleading because the Town realized a substantial increase (\$2,543,844) in the Certified Free Cash account which was due in part to several one-time items. The investment income for the year was substantially higher than expected due to a higher available average balance earning interest during parts of the year because of cash flows relating to school projects. The Town received several large lump sum

payments from the Massachusetts School Building Authority (MSBA) for various school building projects that had been on the State's waiting list. The payments from the MSBA were used to pay down debt. The Town also received during FY07 two years of rental payments which contributed to the higher local receipt revenue contribution towards the Free Cash. The Department of Revenue also certified a greater percentage of the Town's overall undesignated fund balance as Free Cash (Table 2.6) which benefits the Town this year with the higher available balance, however we know that the source from which Free Cash is certified for FY10 will start at a lower balance than in previous years. The net change in General Fund revenue available for appropriation without the increase in Free Cash is \$3,289,646. Revenue from property tax is estimated to grow just over \$3.0 million; Cherry Sheet state aid is \$995,226 higher than FY08; the local receipt estimate has been increased by only \$22,800 due to concerns both with the impact of a tightening economy on receipts and also that a portion of the Cherry Sheet aid proposed by the Governor is linked to passage and receipt of casino money. Other Available Funds is \$742,010 lower than in FY08. 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.

Property Taxes

Under Massachusetts General Laws, property taxes on the whole 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 2-1/2 is the levy ceiling. The levy ceiling is equal to 2-1/2% of the Town's valuation. The total taxable value as of January 1, 2007 is \$7,209,038,765 or 1.2% higher than the previous year. This puts the levy ceiling at \$180,225,969. As the current actual tax levy including debt exclusions for FY08 is \$77,951,346, the Town is far below its legal ceiling.

The new growth amount is derived from improvements to property by its use, reconstruction, or new construction, and is added to the tax base. The annual levy limit can also be increased by the amount of any general override (usually operating), 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 which has been approved by the voters as a debt exclusion override. The increase in the FY09 tax levy attributable to new growth is estimated based upon consultation with the assessing and building department staff and the extra one-time funding being recommended for the Finance Department to hire a professional consulting firm to conduct a personal property (business equipment) reporting compliance review and update of values. The new growth estimate includes an additional \$100,000 conservatively estimated to be generated by the audit. This income would be recurring; the one-time cost is \$50,000.

State Aid

Most state aid, especially "Cherry Sheet" aid, is a function of the state budget. The amount of state aid projected for FY09 is based on Governor Patrick's State Budget Plan for FY09 which was released on Wednesday, January 23, 2008. As previously noted, the Governor's proposal includes passage of legislation to allow for casino gambling in the Commonwealth. A portion of the Administration's local aid proposal is identified to be funded from casino gambling licensing, which for Needham has been pegged at \$261,136. Members of the legislature have expressed doubts about the passage of this legislation. During the winter and spring months, the legislature will review the Governor's proposals, 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.

After the Governor's budget is presented to the Legislature, it is reviewed by the House of Representatives which charges the House Ways and Means Committee to 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 committee to resolve any difference between the two budget plans. A single budget document is then presented to the full body of the House and then 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 third annual contract assistance payment of \$745,381 for the Broadmeadow School project. The Massachusetts School Building Authority (MSBA) began making payments for its share of the school project in FY07 and is expected to pay its share in equal installments annually through FY23. 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. The Town continues to receive monthly payments from the MSBA for the current High School project. The new program for approved school projects has the state paying its agreed percentage of the approved project cost as the expense is incurred. The benefit of this approach, to both the State and the Town, is lower interest expense. Since the High School project was approved by debt exclusion, this means that the interest savings is realized with a lower property tax bill than would have otherwise have been levied.

Local Receipts

Local receipts have been estimated somewhat more conservatively than last year at this point in the budget process. This has been done in part because of the tightening economy and a slower growth rate in certain key receipts, which the Town relies upon to replenish the undesignated fund balance. Also, as previously mentioned, given the uncertainty about the revenue estimated to be raised from casino gambling in FY09, we are relying upon local receipts to offset the potential loss of that revenue proposed by the Governor and recognized in this budget proposal. The consequences of being more aggressive in the local receipt estimation include: a reduction in the margin between budgeted and actual receipts to cover unanticipated drops in other revenue sources, unexpected increases in expenses, (particularly non-appropriated costs such as County and State assessments), and lower Free Cash certification for the future year than would otherwise be possible. As a result we continue to recommend that only a portion of Free Cash be used to fund ongoing operating costs.

We prepare the projections of local receipts by comparing FY07 estimated receipts to actual receipts, FY07 actual receipts to FY06 actual receipts, and FY08 estimated receipts to the FY07 actual and FY08 year-to-date numbers. 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, DOR will 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 FY08 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2008 activity demonstrates a trend that deviates from projections. It is also important to note that if certain budgetary reductions are made to departments which generate or cause the collection of receipts, the estimate may need to be revisited.

Other Available Funds and Free Cash

Projections of reserves follow past budget methodology. Free cash has been certified and is incorporated into the budget projections. Overlay surplus amounts are voted by the Board

Fiscal Year 2009 Proposed Budget

of Assessors and are based on historical uses of these funds. Other reserves are correlated to expenses.

FY09 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS

PROPERTY TAX LEVY

The property tax levy (Table 2.3) represents approximately 76% of all general fund revenues before adjustments. The FY09 property tax limit is estimated to increase approximately 3.9% over the FY08 actual tax levy, or approximately \$3.0 million. The limit is calculated by increasing the FY08 levy limit, exclusive of debt exclusions, by 2.5 percent 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 FY08 tax rates. We have included an additional \$100,000 in the new growth estimate that is expected from the business property reporting compliance work that is proposed for funding in FY 2009. Inclusive of the additional personal property revenue, new growth revenue to be generated for the purpose of this revenue projection is \$1,100,000. 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.

**Town of Needham
Fiscal Year Tax Levy
Table 2.3**

Description	2005	2006	2007	2008	2009 Estimate
Prior Year Base	59,116,936	61,600,681	64,742,338	68,056,796	72,263,350
2-1/2 Allowance	1,477,923	1,540,017	1,618,558	1,701,420	1,806,584
New Growth	1,005,822	1,601,640	1,096,944	1,376,465	1,100,000
General Override			597,370	1,128,670	
Excess Levy (Taxes Not Raised)	(52,677)	(78,773)	(6,430)	(53,724)	
General Tax Levy Limit	61,548,004	64,663,565	68,048,780	72,209,627	75,169,934
Total Excluded Debt	3,558,516	7,276,222	20,476,844	6,868,256	6,908,136
Less Excluded Debt Offsets	(665,061)	(2,957,868)	(14,597,920)	(1,126,537)	(1,110,066)
Excluded Debt to be Raised on Tax Levy	2,893,455	4,318,354	5,878,924	5,741,719	5,798,070
Property Tax Levy	64,441,459	68,981,919	73,927,704	77,951,346	80,968,004

STATE AID

State aid (Table 2.4) represents approximately 9% of the total general fund before adjustments and offsets. The increase in the Cherry Sheet aid estimate is based on Governor Patrick's January 23, 2008 budget proposal which provides funding for the next year of Chapter 70 under the new aid formula and reduces lottery revenue, to be offset by casino revenue. Total state aid for FY09 is projected to increase by \$995,226. The change in Cherry Sheet aid is attributable to two major factors. First, the Governor has pledged to hold local government harmless from the drop in lottery revenue. Second, full funding of the new education aid funding formula provides minimum funding for every school district. This provides an increase of \$994,639 over FY08. As noted earlier, the Governor's budget

Fiscal Year 2009 Proposed Budget

plan for FY09 is subject to review and amendment, and assumes certain actions to be approved by the Legislature. The final figures are not expected until late spring.

Chapter 70, commonly referred to as general school aid, is projected to increase by **\$994,639** to **\$6,118,846**, a **19.4%** increase over the current year. The Town of Needham realized an increase in Chapter 70 funding each fiscal year since Education Reform was enacted, until FY03, when it was level funded at \$4,054,497, then reduced during the year. Chapter 70 was increased by \$234,950 for FY06, increased by another \$527,325 for FY07 and for the current year Chapter 70 was increased by \$757,934 to \$5,124,207.

The **Additional Assistance** Cherry Sheet line was level funded by the Legislature for more than ten years, before being reduced in FY03 to \$219,686. This was a 15.3% reduction from the prior year. It is important to note that the Town's budget for FY03 was approved based on the final Cherry Sheet (which is released after the State Budget is signed into law by the Governor) which set the figure for Needham at \$242,345 but the amount was further reduced by the Governor to \$219,686. This reduction had to be offset by other revenues which had to exceed the projection for the fiscal year. Additional Assistance was further reduced in FY04 to \$205,993, a reduction of another 6.2%. This line has been projected to be level funded at **\$205,993**.

Lottery aid is being estimated at \$1,705,544 or **\$261,136** (13.3%) less than FY08. The Governor proposes to makeup the shortfall with casino revenue.

Gaming Proceeds for Lottery Gap (casinos) is a new local aid account proposed by the Governor for FY09 and is estimated at **\$261,136** or the amount equal to that which is being reduced under lottery aid.

The remaining Cherry Sheet line items, which include various reimbursement programs, police career incentive (Quinn), and direct aid to schools and libraries, are estimated to grow by only **\$587**. Funding for the METCO program previously appeared as a Cherry Sheet receipt. Effective with the FY07 budget, the State converted the program to a direct grant program, based on available funds and school department applications.

(continued on next page)

Fiscal Year 2009 Proposed Budget

Town of Needham
Summary of State Aid
Table 2.4

Description	2005 - Cherry Sheet	2006 - Cherry Sheet	2007 - Cherry Sheet	2008 - Cherry Sheet	2009 - Estimate	\$ Change
Chapter 70	3,603,998	3,838,948	4,366,273	5,124,207	6,118,846	994,639
School Construction SBA	508,522					
Charter School Tuition Reimbursement		37,290	65,233	41,541	34,851	(6,690)
Charter School Capital Reimbursement		2,906				
METCO **	658,438	691,600				
School Lunch	22,249	23,778	22,150	24,429	26,008	1,579
State Aid for Education	4,793,207	4,594,522	4,453,656	5,190,177	6,179,705	989,528
Lottery	1,418,675	1,619,031	1,935,797	1,966,680	1,705,544	(261,136)
Casinos					261,136	261,136
Additional Assistance	205,993	205,993	205,993	205,993	205,993	
Police Career Incentive	118,577	121,929	121,907	121,798	122,793	995
Veterans Benefits	5,932					
Chapter 58 Chapter 59 Exemptions	47,072	47,911	46,034	72,224	77,429	5,205
Chapter 59 Elderly Exemptions	8,534	7,028	7,028	12,048	11,546	(502)
Public Library Aid	33,127	34,229	31,385	32,807	32,807	
State Aid for General Government	1,837,910	2,036,121	2,348,144	2,411,550	2,417,248	5,698
Total Cherry Sheet Aid	6,631,117	6,630,643	6,801,800	7,601,727	8,596,953	995,226
MSBA Payments	1,293,126	1,293,126	14,338,168	745,381	745,381	
Supplemental Lottery	142,917					
Other State Aid	1,436,043	1,293,126	14,338,168	745,381	745,381	
Total State Aid	8,067,160	7,923,769	21,139,968	8,347,108	9,342,334	995,226

LOCAL RECEIPTS

Local receipts represent approximately 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 FY09 is **\$9,082,500** (Table 2.5) which is effectively level dollar over the FY08 estimate.

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 Vehicle provides listings several times during the year with vehicles that are registered in Needham along with the value for each. The Town relies on this information to calculate and issue the 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. Motor vehicle excise receipts for FY09 are projected at approximately **\$4.0 million**. This estimate is level dollar due to the flat actual growth in receipts over the three prior fiscal years (FY05 through FY07).

In 1986, the Town of Needham adopted a local option room excise tax at 4%. This excise is collected by hotels, motels, and certain other establishments on the taxable portion of rents they collect. The businesses remit the funds to the State. The State sends payments to the Town twice a year, which payment is accounted for as **Other Excise** under the local

receipts group. From FY05 to FY07, the actual room excise revenue has increased, but not at a level which would suggest increasing the estimate for FY09. The receipts for FY09 are held level at **\$300,000**.

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 estimate for FY09 is **\$300,000**, or **\$25,000** higher than the FY08 figure.

Payment In Lieu of Tax is a voluntary payment made by certain tax exempt entities. Based on the actual collection in FY07, the FY08 target was reduced to \$70,000. The decline is attributable to both a reduction in payments, and a reclassification of another annual payment as just rent, because the parcel is now classified as taxable. The FY09 revenue target is being held level at **\$70,000**.

The category of **Charges for Services** includes charges for ambulance service, fire alarm connections, and charges by the DPW. The traveling meals program was included in this group in past years, but is now accounted for in a Revolving Fund that was authorized at the November 2005 Special Town Meeting. This change was made in recognition of the uncertainty of the number of meals that will actually be delivered during any year. The Health Department was requiring reserve fund transfers annually, sometimes more than once per year, because the original estimate on which the budget was set would be too low. The change better matches receipts to expenses, and the traveling meals program is no longer dependent on a budget estimate made 18 months prior to the time the demand is determined. The FY05 actual receipts were \$647,373, and as expected, the loss of the Traveling Meals receipts was greater than the increase in other receipts, hence FY06 actual receipts declined to \$638,268. The increase to \$790,303 in revenue for FY07 was due to both reclassification of certain receipts and changes in the rates. The reclassification of some local receipts involved items tracked under charges for services, fee income, rental income, and other departmental receipts. The changes were done in accordance with the State's UMAS definitions for each of these items. The FY09 estimate of **\$750,000** is the same as FY08.

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 which have not been adjusted for a number of years. The changes were made after analysis of the costs, comparable rates in other communities, and market demands. Some of the changes were effective immediately, while others were phased in over a two or three year period. As expected, total receipts are up from the actual FY04 revenue of \$792,224 to \$1,641,574 for FY06. There was a decline in revenue during FY07 to \$1,450,615. Although building permit activity still remains solid, given concerns with the real estate housing market in general, we do not believe at this time increasing the revenue estimate for FY09 would be prudent. The estimate of **\$1,300,000** is held level for FY09.

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. This revenue category has grown basically due to the increases in various fees over the past two years. The total collected in FY05 was \$213,069, increasing to \$239,185 in FY06. The decline for FY07 to \$180,074 is due to both some slow down in activity and

Fiscal Year 2009 Proposed Budget

reclassification of some fee as mentioned previously under charges for services. The estimate of **\$180,000** for FY09 is level dollar.

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, with \$170,811 for FY05, a decline in FY06 to \$139,354, only to recover in FY07 to \$155,975. The decline in FY 2006 was directly related to limited staff resources during part of the year. The estimate for FY09 is **\$145,000** level dollar to the FY08 amount.

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 FY08 projection of **\$300,000** is also level dollar for FY09.

Special Assessments are usually one-time events and are projected as they become known. Presently we assume level dollar for FY09.

The Town had realized a significant increase in **Investment Income** over past few years from \$542,729 earned during FY05 to \$1,573,613 for FY07. However, as previously noted, there were a number of cash flow events during FY07 which caused the Town's average invested balance to be higher, earning greater interest income than would normally be expected. The Town was in the middle phase of its \$62-million High School reconstruction project during FY 2007. Between the notes issued during the year and the payments from the MSBA, the Town had a higher cash balance earning interest. This money is no longer available now that funds have been used to retire debt and pay the general contractor for the work that was done. Furthermore, interest rates have also begun to drop; therefore the earnings on the Town's funds have also declined from FY07. The amount estimated for FY09 is level at **\$900,000**.

Other Department Income includes revenue collected from the MBTA commuter parking lots which makes up the largest part of this category. Commuters pay \$2 per day to park at the "T" commuter lot. The Town pays a fixed monthly license payment to the MBTA and shares 50% of the revenue collected in excess of \$10,120.38 per month. Total receipts for FY05 were \$278,623, which was lower than FY04. Ridership declines contributed to the decrease. The increase to \$295,086 in FY06 was due by and large to parking permit activity rather than an increase in commuter parking at the MBTA lots. Income increased again in FY07 with receipts of \$327,397. The increase is attributable to both reclassification (\$23,915) and increased parking permit sales, which income increased by approximately 27%; income from the commuter lots remained flat for another year bringing in \$271,372 in FY07 compared to \$269,821 in FY06. The budget estimate for FY09 is **\$310,000**.

Library Income includes book fines and other fees charged by the Needham Free Public Library. Library receipts declined significantly in FY05 which is attributable to the relocation of the library to High Rock School, while the construction of the new facility took place. The new and larger library opened in the spring of 2006, and as expected revenues increased in FY06 to \$49,782, and increased again in FY07 to \$64,667. The FY09 estimate is held at **\$55,000**.

Rental Income from the Ridge Hill facility is now almost nonexistent due to elimination of advance bookings as the Town decides what the future use of the facility will be. The increase from \$26,740 in FY06 to \$356,106 is due to the reclassification of a payment previously classified as PILOT and receipt of two years of payments in a single year. The

Fiscal Year 2009 Proposed Budget

rental income in FY07 from the Ridge Hill facility decreased more than 57% to \$11,480; income during FY08 is expected to fall even more. The **\$225,000** estimate for FY09 is being held level.

Miscellaneous Income represents various revenues that are not associated with one of the recognized local receipt categories. One major component of this category is Medicaid reimbursement which often fluctuates from year to year. In FY01 \$98,862 was collected, but only \$47,908 was collected in FY02. This figure increased to \$149,350 in FY03, with a minor decline to \$136,398 in FY04. However, in FY05, yet another significant decline in Medicaid revenue was realized with \$46,644 received. Medicaid revenue increased significantly in FY06 to \$186,363, and then again in FY07 to \$259,951; receipts for FY08 are running behind FY07 through the first six months of the year. Total miscellaneous revenue (including Medicaid) for FY05 was \$138,263 only to more than double in FY06 to \$286,858, and increased again for FY07 to \$280,770. The FY09 estimate for miscellaneous income is **\$250,000**.

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. At this time no revenue meeting this criterion has been identified and therefore the projection is zero.

Town of Needham

Local Receipts

Table 2.5

Description	2005 Actual	2006 Actual	2007 Actual	2008 Recap	2009 - Estimate	\$ Change
Motor Vehicle Excise	4,301,123	4,300,194	4,124,378	3,995,000	3,995,000	
Other Excise	296,878	313,962	326,696	300,000	300,000	
Penalties & Interest	316,256	262,371	348,102	275,000	300,000	25,000
Payment in Lieu of Tax	279,077	131,865	75,226	70,000	70,000	
Charges for Services	647,373	638,268	790,303	750,000	750,000	
Fees	213,069	239,185	180,074	180,000	180,000	
Rents	20,560	26,740	356,106	225,000	225,000	
Library Department Income	37,860	49,782	64,667	55,000	55,000	
Recreation Department Income	279,129	313,466	305,562	300,000	300,000	
Other Department Income	278,623	295,086	327,397	310,000	310,000	
Licenses & Permits	938,366	1,641,574	1,450,615	1,300,000	1,300,000	
Special Assessments	2,484	3,584	5,887	2,500	2,500	
Fines & Forfeits	170,811	139,354	155,975	145,000	145,000	
Investment Income	542,729	1,041,352	1,573,613	900,000	900,000	
Miscellaneous Income	138,263	286,858	280,770	250,000	250,000	
Nonrecurring Income	910,269	106,179	202,688	2,200		(2,200)
Total	9,372,870	9,789,820	10,568,059	9,059,700	9,082,500	22,800

OTHER AVAILABLE FUNDS AND FREE CASH

Other available funds represent less than 1% of the total general fund before adjustments and offsets, and Free Cash represents approximately 5%.

Fiscal Year 2009 Proposed Budget

The Free Cash amount that will be available for FY09 was certified by the Massachusetts Department of Revenue at \$5,810,170. This was a \$2,543,844 increase (78%) over that which was available for the FY08 budget. The 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.

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 can, and should be expected to support operating expenses, but not at the same level. It is recommended that **at least \$3.8 million** be used for non-operating expenses.

**Town of Needham
Free Cash
Table 2.6**

Budget Year	General Fund Undesignated Fund Balance at Year End	Certified Free Cash	Percentage of Undesignated Fund Balance Certified by DOR	Free Cash Reserved for FY	Undesignated Fund Balance Rolling to the Next Fiscal Year
FY 2007	7,751,792	5,810,170	75%	FY 2009	1,941,622
FY 2006	5,948,846	3,266,326	55%	FY 2008	2,682,520
FY 2005	6,284,759	3,895,235	62%	FY 2007	2,389,524
FY 2004	5,753,159	3,260,346	57%	FY 2006	2,492,813
FY 2003	5,601,925	3,270,834	58%	FY 2005	2,331,091
FY 2002	5,770,274	3,473,452	60%	FY 2004	2,296,822

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.

We anticipate that **\$400,000** in residual overlay account balances will be available for declaration as overlay surplus to fund FY08 appropriations. Per state statute, this estimate must be formally voted by the Board of Assessors before it is available for appropriation. As of the date of this projection, this vote has not occurred.

The **Parking Meter Fund** is reserved for appropriation and the revenues are derived from parking meters and the downtown parking permit program which under State Law, must be used for parking-related purposes. **\$43,000** is proposed for appropriation from the Parking Meter Fund. Parking meter funds are proposed to fund the parking program,

Fiscal Year 2009 Proposed Budget

including support for parking enforcement and ticket processing, maintenance and replacement of meters, and snow removal from affected parking lots. This fund is experiencing revenue declines, but with the new parking meters that are being installed in the downtown area and a renewed commitment to the support services, this revenue should be able to support the level dollar recommendation. Recommended in the 2009 – 2013 CIP is \$42,000 for the replacement of parking meters. The funding source for this expense will also be the parking meter fund which would bring the total for FY09 to **\$85,000**.

The so-called **Landfill C&D** account was also reserved for appropriation. The **\$21,895** used for **FY08** depleted this account and is now closed.

Town of Needham
Revenue Group as a % of Total General Fund Revenue

Table 2.7

Description	2005 Actual	2006 Actual	2007 Actual	2007 *	2008	2009
Property Taxes	75.0%	74.9%	65.9%	77.6%	77.8%	76.4%
State Aid	9.5%	8.5%	20.2%	7.9%	8.3%	8.8%
Local Receipts	11.0%	10.6%	9.5%	9.6%	9.0%	8.6%
Other Available Funds	0.8%	2.4%	0.9%	0.9%	1.5%	0.8%
Free Cash	3.8%	3.5%	3.5%	4.1%	3.3%	5.5%
Total General Fund Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Represents the revenue as a % without the Lump Sum MSBA payments in FY07

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, data processing, 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 for FY09 is based on the current transfer of **\$120,734**. Because the indirect costs associated with the fund are a factor of town meeting appropriations, the actual FY09 transfer may be adjusted accordingly.

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, data processing, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The reduced amounts for FY09 for sewer and water are based on personnel changes that have lowered some costs; the current estimates are **\$633,618** and **\$780,946**. Because the indirect costs associated with the two funds are a factor of town meeting appropriations, the actual FY09 transfer may be adjusted accordingly.

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 **1,078,346** for FY09 is an increase of **1.9%** over FY08.

Cherry Sheet Offsets are the 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 figure for FY09 is estimated at **\$58,815** or increase of **2.8%** over FY08.

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, has been set at **\$1,000,000**. The final amount is determined by the Department of Revenue when it approves the tax rate in December. Approximately \$200,000 of the \$1,000,000 is intended to fund statutory exemptions that are granted to the elderly, the infirmed, and veterans. The State should reimburse the Town approximately \$89,000 through the Cherry Sheet for exemptions. FY09 is the triennial revaluation year, and in revaluation years there can be an increase in abatement activity. However, the amount being reserved for abatement and exemptions is the minimum recommended for the year; should additional revenue become available for FY09, the amount of overlay will be increased.

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. The general operations of the RTS have historically been funded by a transfer from the tax levy; however the amount has been reduced each year since 2003. 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. The transfer for FY09 is estimated at **\$510,270**, this represents a \$217,019 decline from the current year.

Other Amounts to be provided for on the Tax Recap is a contingency amount 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 are the better known items provided for in this allowance.

OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2007 is \$3,031,807. 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, 2007 is \$219,048.

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, 2007 is \$19,018.

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 further 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 department, the sewer department, 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).

For FY09, Enterprise Fund revenues have been estimated at **\$15.7** million, which is basically level dollar. Although the recommended budget for the RTS is lower for FY09 from FY08, an increase in user fees at the RTS is expected and was anticipated when rates were held constant for FY08. **No sewer or water user rate increases are required under this budget plan.** The budget plan also provides for a **\$510,270** tax subsidy for RTS.

ENTERPRISE FUND RETAINED EARNINGS

These sources are not available to support the general fund and are shown for informational purposes only.

Similar to the 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 30th. Once certified by the Massachusetts Department of Revenue, retained earnings are then available for appropriation or reserved to support the enterprise. Retained earnings were certified on November 15, 2007 by the Department of Revenue. Below are the amounts certified that are available:

RTS Enterprise Fund -	\$376,351
Sewer Enterprise Fund -	\$1,954,029
Water Enterprise Fund -	\$1,132,892

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.

Current forecasts suggest that the 100% match from the State in FY09 will be difficult. We believe the range is between 70% and 100%, and our estimate is at the low end. The current estimate based on FY08 collections that will be received as state matching funds in **FY09 is \$910,000.** The 2% CPA surcharge on FY09 property tax bills is estimated at **\$1,380,000.** The total estimated FY09 CPA revenue is \$2,290,000. The budget plan provides for \$114,500 to be appropriated to the Community Preservation Committee's (CPC) administrative budget; \$294,873 credited to each of the three required reserves:

Fiscal Year 2009 Proposed Budget

Community Housing, Historic Resources, and Open Space Reserve; and the balance of \$1,290,881 to be transferred to the Community Preservation Fund General Reserve.

The certified CPA Free Cash balance as of December 31, 2007 is \$2,921,459 and remains available for appropriation until June 30, 2008. The CPC has not yet made any funding recommendations for FY09.

Town of Needham Community Preservation Fund Revenue and Appropriations	
FY09 Surcharge Revenue Estimate	1,380,000
State Trust Fund Distribution Estimate	910,000
Total CPA Revenue Estimate	2,290,000
<i>FY 2009 Community Preservation Fund Appropriation Estimates</i>	
Community Preservation Committee Administrative Budget	114,500
Community Housing Reserve	294,873
Historic Resources Reserve	294,873
Open Space Reserve	294,873
Community Preservation Fund Reserve	1,290,881
Specific Appropriations	
Total	2,290,000