

**Revenue Summary**

Town of Needham  
Revenue Summary  
Table 2.1

Description*	FY2009 Recap	FY2010 Recap	FY2011 Estimate	\$ Change	% Change
General Fund	107,051,151	108,896,090	112,130,649	3,234,559	3%
Enterprise Funds	15,695,813	16,232,419	17,579,920	1,347,501	8%
CPA	2,998,000	9,063,224	1,830,000	(7,233,224)	-80%
<b>Total Revenues</b>	<b>125,744,964</b>	<b>134,191,733</b>	<b>131,540,569</b>	<b>(2,651,164)</b>	<b>-2%</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.

Total revenue available for General Fund appropriations is projected at **\$ 111,979,261** (Table 2.2) **or \$ 3.4 million more than FY2010**. Revenue from property tax is estimated to grow by more than \$4 million; state aid to decrease by more than \$1 million, and local receipts would be flat. The combination of Other Available Funds and Free Cash will be only \$48 thousand more than FY2010. 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.

Town of Needham  
Summary of General Fund Resources  
Table 2.2

Description	FY2007 Actual*	FY2008 Actual	FY2009 Actual	FY2010 Budget	FY2011 Estimate	\$ Change	% Change
Property Taxes	73,690,425	77,188,642	81,472,619	87,832,127	92,081,469	4,249,342	5%
State Aid	22,627,790	8,336,715	8,469,623	8,456,131	7,393,698	(1,062,433)	-13%
Local Receipts	10,568,059	11,143,475	9,325,648	8,085,545	8,085,000	(545)	0%
Other Available Funds	1,017,751	918,532	1,490,662	1,376,871	1,002,445	(374,426)	-27%
Free Cash	3,895,235	3,266,326	5,810,170	3,145,416	3,568,037	422,621	13%
<b>Total General Fund Revenue</b>	<b>111,799,260</b>	<b>100,853,690</b>	<b>106,568,722</b>	<b>108,896,090</b>	<b>112,130,649</b>	<b>3,234,559</b>	<b>3%</b>
<i>Adjustments to General Fund Revenue</i>							
Other Amounts Required to be Provided	(93,621)	(69,736)	(77,023)	(80,602)	(45,388)	35,214	-44%
State & County Assessments	(1,045,299)	(1,057,780)	(1,103,256)	(1,068,405)	(1,096,000)	(27,595)	3%
Provisions for Abatements & Exemptions	(1,094,344)	(919,602)	(1,100,000)	(960,626)	(800,000)	160,626	-17%
Adjustments, Reimbursements & Subsidies	1,249,578	1,602,801	1,710,496	1,760,595	1,790,000	29,405	2%
<b>Total</b>	<b>(983,686)</b>	<b>(444,317)</b>	<b>(569,783)</b>	<b>(349,038)</b>	<b>(151,388)</b>	<b>197,650</b>	<b>-57%</b>
<b>Available for GF Appropriation</b>	<b>110,815,574</b>	<b>100,409,373</b>	<b>105,998,939</b>	<b>108,547,052</b>	<b>111,979,261</b>	<b>3,432,209</b>	<b>3%</b>

\* Inclusive of an extraordinary lump sum payment from the MSBA

\*\* May not equal 100% due to rounding

### **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, 2009 is \$7,431,763,903 or 1.37% higher than the previous year. This puts the levy ceiling at \$185,794,098. As the current actual tax levy including debt exclusions for FY2010 is \$87,832,127, 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 FY2011 tax levy attributable to new growth is estimated based upon consultation with the assessing and building department staff.

### **State Aid**

Most state aid, especially Cherry Sheet aid, is a function of the state budget. The Governor's budget had not yet been released at the time this budget was released to the Town. All early indications lead us to presume less revenue for FY2011 than in FY2010. Our FY2011 estimate is \$1,062,433 lower than the current year, approximately 13.8% less. 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.

After the Governor's budget is presented to the Legislature, the House of Representatives will review 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 committee to resolve any difference between the two budgets 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 fifth annual contract assistance payment of \$745,381 for the Broadmeadow School project. We do not expect any reduction in this payment. The Massachusetts School Building Authority (MSBA) began making payments for its share of the school project in FY2007 and is expected to pay its share in equal installments annually through FY2023. 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. Under the new program for approved school projects, the State pays 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.

We expect the final MSBA payment (approximately \$1.4 million) for the state's share of the High School project will be received late in FY2010 or early FY2011. This payment will retire an outstanding Note that was issued in anticipation of the state grant.

### **Local Receipts**

We continue to estimate local receipts conservatively. Our time-honored approach for estimating local receipts is a target range, in which the estimate should not exceed 80 to 90 percent of the prior year's actual receipts excluding non-recurring revenue. This estimate (89%) is at the high end of the range. Although some economic reports suggest the economy is beginning to recover, revenues are sluggish and are still running behind last year at this time, and are significantly lower than FY2008. 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 and unexpected increases in expenses (particularly non-appropriated costs), 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 FY2009 estimated receipts to actual receipts; FY2009 actual receipts to FY2008 actual receipts, and FY2010 estimated receipts to the FY2009 actual and FY2010 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 FY2010 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2010 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 manage the collection of receipts, the estimate may need to be revisited.

The FY2011 local receipts include an estimate for meals tax revenue. The Town of Needham accepted the local option meals tax at the November 2, 2009 Special Town Meeting. The Department of Revenue notified local establishments to begin collecting the additional 0.75% meals tax effective January 1, 2010. The local establishments report and remit the sales tax to the Department of Revenue (DOR). The Town will not receive its first distribution of meals tax revenue from DOR until March 31, 2010. The estimate for FY2011 is based on the guidance provided by DOR.

### **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 must be approved by the Board of Assessors and are based on historical uses of these funds. Other reserves are correlated to expenses.

## **FY2011 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS**

### PROPERTY TAX LEVY

The property tax levy (Table 2.3) represents approximately 82.1% of all general fund revenues before adjustments. The FY2011 property tax limit is estimated to increase approximately 4.8% over the FY2010 actual tax levy, or approximately \$4.2 million. The limit is calculated by increasing the FY2010 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 applicable FY2010 tax rate. There is no operating override

proposed for FY2011; therefore 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.

New Growth tax revenue is expected to slow from the more than \$2.1 million gained in FY2009 to a level seen during the earlier part of the prior decade. 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. Any additional new growth revenue that may be realized above the estimate for this budget plan should be used to increase the overlay reserve for FY2011 and to provide further cushion should other revenues decline below the estimates for the upcoming year.

Town of Needham  
Fiscal Year Tax Levy  
Table 2.3

Description	FY2007 Recap	FY2008 Recap	FY2009 Recap	FY2010 Recap	FY2011 Estimate	\$ Change
Prior Year Base	64,742,338	68,056,796	72,292,283	76,202,247	81,866,037	
2-1/2 Allowance	1,618,558	1,701,420	1,807,307	1,905,056	2,046,651	
New Growth	1,096,944	1,376,465	2,102,657	1,870,805	900,000	
General Override	597,370	1,128,670		1,887,929		
Excess Levy (Taxes Not Raised)	(6,430)	(53,724)	(35,024)	(38,375)		
<b>General Tax Levy Limit</b>	<b>68,048,780</b>	<b>72,209,627</b>	<b>76,167,223</b>	<b>81,827,662</b>	<b>84,812,688</b>	<b>2,985,026</b>
Total Excluded Debt	20,476,844	6,868,256	6,908,132	7,196,912	8,411,607	
Less Excluded Debt Offsets	(14,597,920)	(1,126,537)	(1,149,705)	(1,192,448)	(1,142,826)	
Excluded Debt to be Raised on Tax Levy	5,878,924	5,741,719	5,758,427	6,004,464	7,268,781	1,264,317
<b>Property Tax Levy</b>	<b>73,927,704</b>	<b>77,951,346</b>	<b>81,925,650</b>	<b>87,832,127</b>	<b>92,081,469</b>	<b>4,249,342</b>

## STATE AID

State aid (Table 2.4) represents approximately 6.6% of the total general fund before adjustments and offsets. Total state aid for FY2011 is projected to decrease by \$1,062,433. At this time we have assumed a 20% across-the-board reduction in all aid programs, except Chapter 70, for which we assume a 12% reduction. Overall the budget plan assumes a 12.6% reduction (13.8% excluding MSBA funds) in this revenue category. As noted earlier, the Governor's budget plan 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.

### Key State Aid Programs:

**Chapter 70** aid is commonly referred to as general school aid. The Town of Needham saw an increase in Chapter 70 funding each fiscal year since Education Reform was enacted, until FY2003, when it was level funded at \$4,054,497, then reduced during the year. Beginning again in FY2006, Chapter 70 funding increased: in FY2006 the Town received \$234,950 more, in FY2007 \$527,325 more, and in FY2008 \$757,934 more. It is important to note that the Town's budget for FY2009 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 Chapter 70 amount for Needham at \$6,118,846. This amount was cut by the Governor during the year as the State's revenues deteriorated. The loss was \$643,484. The State

made other Cherry Sheet cuts in aid which totaled over \$900,000. Federal ARRA funds were distributed by the State at the end of FY2009 to backfill the loss of Chapter 70 funds, but Chapter 70 was reduced for FY2010. The Town is budgeted to receive \$5,996,469 in FY2010. We are estimating \$5,276,893 for FY2011 or \$719,576 less than FY2010.

Town of Needham  
Cherry Sheet Aid  
Table 2.4

Description	FY2007 Cherry Sheet	FY2008 Cherry Sheet	FY2009 Cherry Sheet	FY2010 Cherry Sheet	FY2011 Estimate	\$ Change
Chapter 70	4,366,273	5,124,207	6,118,846	5,996,469	5,276,893	(719,576)
Charter School Tuition Reimbursement	65,233	41,541	63,184	5,865	4,692	(1,173)
METCO **						
School Lunch	22,150	24,429	26,983	29,573	23,658	(5,915)
<b>State Aid for Education</b>	4,453,656	5,190,177	6,209,013	6,031,907	5,305,243	(726,664)
Lottery	1,935,797	1,966,680	1,705,544			
Lottery - Hold Harmless			261,136			
Additional Assistance	205,993	205,993	205,993			
Unrestricted General Government Aid				1,538,073	1,230,458	(307,615)
Police Career Incentive	121,907	121,798	122,793	22,071	17,657	(4,414)
Veterans Benefits				5,875	4,700	(1,175)
Chapter 58 Chapter 59 Exemptions	46,034	72,224	77,429			
Chapter 59 Elderly Exemptions	7,028	12,048	11,546			
Exemption Reimbursements				85,661	68,529	(17,132)
Public Library Aid	31,385	32,807	37,540	27,163	21,730	(5,433)
<b>State Aid for General Government</b>	2,348,144	2,411,550	2,421,981	1,678,843	1,343,074	(335,769)
<b>Total Cherry Sheet Aid</b>	6,801,800	7,601,727	8,630,994	7,710,750	6,648,317	(1,062,433)
MSBA Payments	14,338,168	745,381	745,381	745,381	745,381	
<b>Total State Aid</b>	21,139,968	8,347,108	9,376,375	8,456,131	7,393,698	(1,062,433)

\*\* METCO was changed to a direct grant program where school districts file applications for funding.

The Additional Assistance Cherry Sheet program was level funded by the Legislature for more than ten years before being reduced in FY2003 to \$219,686. This was a 15.3% reduction from the prior year. It is important to note that the Town's budget for FY2003 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. Additional Assistance was further reduced in FY2004 to \$205,993, a reduction of another 6.2%. The Town was budgeted to receive \$205,993 for FY2009, the same as FY2008, but this too was cut \$20,073 by the Governor. Lottery distribution aid program was cut in FY2009 from that which was scheduled to be paid to the Town. This reduction was \$191,645. The Additional Assistance and the Lottery aid programs were consolidated into a new aid category so-called **Unrestricted General Government Aid (UGGA)**. 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. FY2011 UGGA is estimated at \$1,230,458 or \$307,615 less than FY2010.

The remaining Cherry Sheet items include reimbursement programs, police career incentive (Quinn), and direct aid to schools and libraries, which total \$176,208 for FY2010. Funding for the METCO program previously appeared as a Cherry Sheet receipt, but beginning in FY2007, the State converted the program to a direct grant program, based on available funds and school department applications. The **Quinn** program has been cut significantly from \$121,907 for FY2007 to \$22,071 for FY2010, a \$99,836 reduction or a loss of nearly 82%. The FY2011 estimate assumes \$17,657. The total estimate for the other Cherry Sheet programs is \$123,309 for FY2011.

### LOCAL RECEIPTS

Local receipts represent approximately 7.2% 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 FY2011 of **\$8,085,000** (Table 2.5) is a essentially level dollar. When completing the tax rate setting process, we reduced the estimate of FY2010 local receipts. This action was taken after the new growth figure was approved by the Department of Revenue, and in anticipation of lower receipts in FY2010 as compared to FY2008 and FY2009. The local receipt estimate for the FY2009 budget year was set at \$8,448,294; actual receipts for FY2009 were \$9,325,648 or \$877,354 more than the estimate. However, FY2009 receipts were more than \$1.8 million below FY2008 receipts. We do expect the total receipts for FY2010, net of the meals tax revenue (no data exist as of the date of publication), to be flat, hence the flat estimate. When the FY2010 balanced budget was released, many economic forecasts suggested that the economy would begin to improve by the fourth quarter of CY2009 or first quarter of CY2010; this forecast has been pushed off to later in CY2010.

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 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. Motor vehicle excise receipts for FY2011 are projected at approximately **\$3.7 million**, or 9.8% below the FY2009 actual. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate for the foreseeable future, until motor vehicle excise revenue recovers to a level that will generate a minimum of 15% towards 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. This change was approved by Town Meeting on November 2, 2009. 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 twice a year, which payment is accounted for as **Other Excise** under the local receipts group. From FY2005 to FY2008 the actual room excise revenue increased, but declined in FY2009, a reflection of the economy. Collections have improved but not at a level that would support increasing the estimate for FY2011. However, we can keep the estimate level due to the increase in the excise rate. The receipts for FY2011 are held level at **\$270,000**.

As mentioned earlier, this revenue estimate includes an assumption for **Meals Excise** for FY2011. The estimate is based on guidance from the DOR. The estimate is **\$165,000**.

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 FY2011 is **\$270,000**. If the economy remains weak, this revenue source may increase due to an increase in delinquent payments.

**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 FY2011 estimate is increased by \$5,000 to **\$75,000**.

The category of **Charges for Services** includes charges for ambulance services, fire alarm connections, parking receipts and charges by the DPW. 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 increase in receipts to \$908,870 in revenue for FY2008 was due to mostly changes in various fee schedules, and some due to reclassification. The increase in revenue for FY2009 is related to the doubling of the parking rates that was ordered by the MBTA effective November 15, 2008 (FY2009). Commuters pay \$4 per day to park at the "T" commuter lots. 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. The FY2011 estimate is level dollar at **\$905,000** based on FY2009 actual and FY2010 collections to date.

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; the actual FY2007 revenue was \$1,450,615 and grew to \$2,086,461 in FY2008 based on both higher fees and some extraordinary permits issued. FY2009 revenues drop significantly by nearly \$900,000 (\$2,086,461 to \$1,192,088) as few new large building projects have been approved. Interestingly, building permit activity remains high, but most are for small residential projects. The estimate of **\$900,000** is level for FY2011.

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 FY2007 was \$180,074 and the amount declined to \$121,422 in FY2008. This was related to both a slow down in activity and reclassification of some fees as mentioned previously under charges for services. FY2009 revenue increased to \$130,515 and is budgeted at \$130,000 for FY2010. The estimate of **\$130,000** for FY2011 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 FY2005, a decline in FY2006 to \$139,354, only to recover in FY2007 to \$155,975, and increased further in FY2008 to \$199,101 and even more in FY2009 with \$206,953. The decline in

FY2006 was directly related to limited staff resources during part of the year. The increase in revenue in from FY2007 to FY2009 was related to changes the Police Department made with enforcement. The department increased support by using temporary help to provide greater enforcement coverage in the downtown areas during the business day. We do expect moderation as the Board of Selectmen approved a holiday season reprieve from meter fees in the downtown area which reduces meter receipts and fines. The estimate for FY2011 is **\$188,000** or \$3,000 more than FY2010. This is one of items which tend to increase because of poorer economic times.

**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 FY2011 projection of **\$260,000** is also level dollar.

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

The Town had realized a significant increase in **Investment Income** over past few years from \$1,041,352 earned during FY2006 to \$1,253,286 for FY2008. The \$1,573,613 generated in FY2007 was, as previously noted, due to a number of cash flow events during the year which resulted in 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 FY2007. 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 performed. Interest rates have continued to remain low; therefore, the earnings on the Town's funds continue to decline. Hence 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 FY2011 estimate of **\$495,000** is a decrease. This is another local receipt line that we monitor regularly. It is revised if necessary up until the submission of the tax rate to the Department of Revenue.

**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 budget estimate for FY2011 is level at **\$330,000**.

**Library Income** includes book fines and other fees charged by the Needham Free Public Library. Library receipts declined significantly in FY2005, which was 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 FY2006 to \$49,782, and increased again in FY2007 to \$64,667, but declined to \$54,027 for FY2008. This recent decline has been attributed to the new electronic notification system implemented by the Minuteman Library Network. Patrons are notified that materials checked out are coming due and this has reduced the number of overdue items, and has made such material more readily available to other patrons. The FY2011 estimate has been lowered by \$3,000 to **\$52,000**.

**Rental Income** from the Ridge Hill facility is now nonexistent due to elimination of advance bookings as the Town decides the future use of the facility. The increase from \$26,740 in FY2006 to \$356,106 in FY2007 was due to the reclassification of a payment previously classified as PILOT and receipt of two years of payments in a single year. The rental income in FY2007 from the Ridge Hill facility decreased by more than 57% to \$11,480; income in

FY2008 of \$14,500 was generated in the early part of the year. No income has been realized from the Ridge Hill facility since mid 2008. The balance of the income was rent paid to the Town by the Needham Golf Club. The **\$140,000** estimate for FY2011 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 FY2007 \$259,951 was collected, but only \$219,811 was received in FY2008. FY2009 saw even a greater drop to \$143,747. Total miscellaneous revenue (including Medicaid) was \$280,770 in FY2007 which declined in FY2008 to \$269,448 with a significant decreased in FY2009 to \$185,544 or a 34% drop in revenue. The FY2010 estimate for miscellaneous income is \$185,683 and has been reduced by \$5,683 to **\$180,000** for FY2011.

**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	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Recap	FY2010 Actual#	FY2011 Estimate	\$ Change
Motor Vehicle Excise	4,124,378	4,392,444	4,129,367	3,800,000	486,021	3,725,000	-75,000
Other Excise	326,696	338,278	284,274	270,000	140,337	270,000	
Meals Tax						165,000	165,000
Penalties & Interest	348,102	201,421	270,991	250,000	208,244	270,000	20,000
Payment in Lieu of Tax	75,226	78,196	120,809	70,000	56,332	75,000	5,000
Charges for Services	790,303	908,870	1,016,683	905,000	495,546	905,000	
Fees	180,074	121,422	130,515	130,000	49,559	130,000	
Rents	356,106	245,090	151,887	140,000	85,440	140,000	
Library Department Income	64,667	54,027	57,614	55,000	28,851	52,000	-3,000
Recreation Department Income	305,562	265,967	264,862	260,000	77,028	260,000	
Other Department Income	327,397	326,362	338,804	330,000	199,331	330,000	
Licenses & Permits	1,450,615	2,086,461	1,192,088	900,000	517,880	900,000	
Special Assessments	5,887	4,202	4,739	4,700			-4,700
Fines & Forfeits	155,975	199,101	206,953	185,000	104,566	188,000	3,000
Investment Income	1,573,613	1,253,286	714,066	545,000	255,995	495,000	-50,000
Miscellaneous Income	280,770	269,448	185,544	185,683	19,592	180,000	-5,683
Nonrecurring Income	202,688	398,900	256,454	55,162	320,915		-55,162
<b>Total</b>	<b>10,568,059</b>	<b>11,143,475</b>	<b>9,325,648</b>	<b>8,085,545</b>	<b>3,045,636</b>	<b>8,085,000</b>	<b>-545</b>

# Revenue through December 2009

**OTHER AVAILABLE FUNDS AND FREE CASH**

Other available funds represent 0.9% of the total general fund before adjustments and offsets, and Free Cash represents approximately 3.2%.

The Free Cash amount that will be available for FY2011 was certified by the Massachusetts Department of Revenue at \$3,568,037. This is a \$422,621 increase (13.4%) over that which was available for the FY2010 budget. Due to certain calculations that the Department

of Revenue uses when certifying a community's Free Cash, the amount certified for FY2010 was lower. This will benefit the Town for the FY2011 budget because the Free Cash certification is higher than it otherwise would have been. However, this again is why Free Cash should not be counted upon as a funding source for annual recurring expenses such as personnel and contractual services.

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. It is recommended that **not more than \$2.0 million** be used for operating expenses in FY2011.

Town of Needham  
Free Cash History  
Table 2.6

Budget Year	General Fund Undesignated Fund Balance at Year End	Free Cash Certified	Percentage of Undesignated Fund Balance Certified by DOR	Free Cash Reserved for Budget Year	Undesignated Fund Balance Rolling to the Next Fiscal Year
FY 2009	6,140,369	3,568,037	58%	FY 2011	2,572,332
FY 2008	6,347,010	3,145,416	50%	FY 2010	3,201,594
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
FY 2001	5,038,901	3,226,740	64%	FY 2003	1,812,161
FY 2000	5,106,550	3,749,945	73%	FY 2002	1,356,605

**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 \$500,000 in residual overlay account balances will be available for declaration as overlay surplus to fund FY2011 appropriations. Per state statute, the Board of Assessors must formally vote this estimate 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, which under State Law must be used for parking-related purposes. \$25,000 is proposed for appropriation from the Parking Meter Fund to support parking enforcement and ticket processing, maintenance, and snow removal from affected parking lots. The Board of Selectmen

approved a parking meter fee holiday during November and December of 2009 which lowered the amount of revenue that will be collected for FY2010. We also anticipate that the reconstruction of Town Hall will reduce the amount of paid spaces and activity during FY2011.

**Town of Needham**  
Revenue Group as a % of Total General Fund Revenue  
**Table 2.7**

Description	FY2007 Actual*	FY2008 Actual	FY2009 Actual	FY2010 Budget	2011 Estimate
Property Taxes	65.9%	76.5%	76.5%	80.7%	82.1%
State Aid	20.2%	8.3%	7.9%	7.8%	6.6%
Local Receipts	9.5%	11.0%	8.8%	7.4%	7.2%
Other Available Funds	0.9%	0.9%	1.4%	1.3%	0.9%
Free Cash	3.5%	3.2%	5.5%	2.9%	3.2%
<b>Total General Fund Revenue**</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Inclusive of an extraordinary lump sum payment from the MSBA

\*\*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, 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 projected for FY2011 is based on the current year and is estimated at **\$195,000**.

**Town of Needham**  
Enterprise Reimbursements  
**Table 2.8**

Description	FY2007 Recap	FY2008 Recap	FY2009 Recap	FY2010 Recap	FY2011 Estimate	\$ Change
Solid Waste	171,582	120,734	134,890	134,180	195,000	60,820
Sewer	514,015	660,019	580,923	632,483	625,000	(7,483)
Water	756,681	822,048	994,683	993,932	970,000	(23,932)
<b>Total</b>	<b>1,442,278</b>	<b>1,602,801</b>	<b>1,710,496</b>	<b>1,760,595</b>	<b>1,790,000</b>	<b>29,405</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, data processing, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The projected amounts for FY2011 for sewer and water are estimated at **\$625,000** and **\$970,000**, respectively.

The total estimate is higher due the reorganization of the DPW which now includes an Assistant Director of Public Works and an Assistant Purchasing Agent/Office Manager. A portion of the salary for the two positions is reimbursed by the enterprise funds. The contribution from the three funds is \$45,000. Because other indirect costs associated with

the three funds are a factor of Town Meeting appropriations, the actual FY2011 transfers 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 **\$1,096,000** for FY2011 is an increase of **2.58%** over FY2010.

**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 FY2011 is estimated at **\$45,388** or a decrease of **20%** from FY2010.

**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 **\$800,000**. The final amount is determined by the Department of Revenue when it approves the tax rate in December. Approximately \$205,000 is intended to fund statutory exemptions that are granted to the elderly, the infirmed, and veterans. The State should reimburse the Town approximately \$85,000 through the Cherry Sheet for exemptions. The projection of \$800,000 is the minimum recommended for the year; should additional new growth tax revenue be realized for FY2011, the amount of overlay should 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. A transfer from the tax levy has historically funded the general operations of the RTS; however, the amount has 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. The transfer for FY2009 was \$510,270, and \$535,681 for the current year. The estimate for FY2011 is **\$654,216**, an increase of \$118,535. This increase reflects the higher volume of activity over the prior three year period. Should funding at this level not be approved, the RTS rates will have to increase for FY2011.

**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 common items provided for in this allowance. No amount has been set aside for this purpose for FY2011.

#### OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2009 is \$3,364,372. 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, 2009 is \$475,941.

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, 2009 is \$630,119.

#### 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 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 FY2011, Enterprise Fund revenues will be estimated at **\$17,579,920**, although \$3,076,400 of this amount reflects use of retained earnings for capital investment in the three operations. **No sewer or water user rate increases are required under this budget plan.** The budget plan also provides for a **\$654,216** tax subsidy for RTS (payment for avoided general fund costs). A rate increase will be necessary if the recommended amount is not transferred and/or if the market for recyclable products does not improve to generate income.

#### 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 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 were certified on November 19, 2009 by the Department of Revenue. Below are the amounts certified that are available:

RTS Enterprise Fund -	<b>\$666,365</b>
Sewer Enterprise Fund -	<b>\$3,371,868</b>
Water Enterprise Fund -	<b>\$2,811,316</b>

#### 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. We believe the range is between 20% and 35% and our state revenue estimate is at the low end. The current estimate based on FY2010 collections that will be received as state matching funds in **FY2011** is **\$292,000**. The 2%

CPA surcharge on FY2011 property tax bills is estimated at **\$1,538,000**. The total estimated FY2011 CPA revenue is \$1,830,000. This estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget; \$201,000 credited to each of the three required reserves: Community Housing, Historic Resources, and Open Space Reserve; and the balance of \$1,145,000 to be transferred to the Community Preservation Fund General Reserve. The amount that is actually appropriated to each reserve will be adjusted as the CPC makes recommendations for project funding.

The certified CPA Free Cash balance as of December 31, 2009 is **\$523,166** and remains available for appropriation until June 30, 2010. The CPC has not yet made any funding recommendations for FY2011. The amounts currently held in the three required reserves as of December 31, 2009 are as follows:

Open Space Reserve-	<b>\$40,180</b>
Community Housing Reserve	<b>\$233,380</b>
Historic Reserve -	<b>\$0</b>

<b>Town of Needham Community Preservation Fund Revenue and Appropriations FY2011</b>	
FY2011 Surcharge Revenue Estimate	1,538,000
State Trust Fund Distribution Estimate	292,000
CPA Historic Reserve	0
CPA FY2009 General Reserve	0
CPA Free Cash	0
<b>Total CPA Revenue Estimate</b>	<b>1,830,000</b>
FY2011 Community Preservation Fund Appropriation Estimates without Projects	
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	201,000
Historic Resources Reserve	201,000
Open Space Reserve	201,000
Community Preservation Fund Reserve	1,145,000
Specific Appropriations	0
<b>Total</b>	<b>1,830,000</b>
Specific Appropriation Requests	
Community Housing	0
Historic Resources	107,500
Open Space	1,055,000
Other	0
<b>Total</b>	<b>1,162,500</b>