

Fiscal Year 2009 Proposed Budget

| Town of Needham Town Wide Expenses FY 2009 | | | |
|---|--|----------------|----------------|
| Description | Casualty, Liability and Self Insurance Program | | |
| Operational Considerations | | | |
| <p>The Assistant Town Manager/Finance oversees the Town's non-employee insurance programs. This includes insurance for general liability, boiler and machinery, public official liability, school board liability, EMT liability, police professional liability, and automobile insurance. Based on the advice of the Insurance Advisory Committee, the Town began insuring in FY 2002 with MIIA (Massachusetts Inter-local Insurance Agency), the insurance branch of the Massachusetts Municipal Association through which the Town has seen favorable rates in comparison to the overall insurance market. The premiums for Fiscal Year 2009 are not yet known. This budget also pays administrative expenses, insurance deductibles, small claims, uninsured losses, and other related claims. This request is \$25,000 higher than the current budget for year.</p> <p>Insurance premiums relating to the three enterprise activities and actual uninsured claims paid are treated as indirect costs which are recovered from the enterprise funds and reflected in the funding sources for the general fund operating budget. The Town has seen an increase in the number of defective road claims, although payment is usually not required, but does require more time to acknowledge and process the claims.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Insurance Premiums, Expenses - Including Self Insurance (Chapter 40 Section 13) and Small Claims | 450,000 | 475,000 | 500,000 |
| Total | 450,000 | 475,000 | 500,000 |

Fiscal Year 2009 Proposed Budget

| Town of Needham Town Wide Expenses FY 2009 | | | |
|--|------------------------------------|------------------|------------------|
| Description | Debt Service – General Fund | | |
| Operational Considerations | | | |
| <p>The debt service budget includes the amounts required to be paid on current outstanding long term general fund debt, new long term general fund debt issues which were previously approved by Town Meeting, other principal amounts that will be paid, and the interest and other related temporary borrowing costs. Beginning in fiscal year 2005, this budget includes both general fund debt service within the levy, and excluded debt.</p> <p>This budget does not contain any funding for debt that may be authorized at any additional Special Town Meeting held during FY 2008 or at the 2008 Annual Town Meeting. Debt service related to the RTS, Sewer, and Water enterprise funds are contained in those budgets and are therefore not included in this budget. The general fund debt service budget reflects a 1.45% increase over the FY 2008 budget.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Debt Within the Levy | 2,423,921 | 2,557,295 | 2,654,127 |
| Debt Excluded from Levy | 20,479,107 | 6,868,256 | 6,908,136 |
| Total | 22,903,028 | 9,425,551 | 9,562,263 |

| Town of Needham Town Wide Expenses FY 2009 | | | |
|---|---|-------------|-------------|
| Description | Employee Benefits and Employer Assessments | | |
| Operational Considerations | | | |
| <p>The expenses covered under this program include all employee insurance plans, deferred compensation payments, Medicare tax, Social Security tax, Unemployment assessments, Workers Compensation and Public Safety injured on duty payments, professional services, and incidental expenses.</p> <p>The health insurance line item includes the Town's share of health insurance for all active, benefit-eligible General Government and School Department employees, as well as the Town's portion of their Medicare Insurance, Social Security, life insurance, EAP services, and drug and alcohol testing services.</p> <p>This budget assumes a 9% increase in health insurance premiums for fiscal year 2009, and assumes an increase of 20 active subscribers. The budget assumes a current enrollment of 776 active subscribers. Current FY08 enrollment reflects 20 fewer subscribers than the November 2006 census, and 29 fewer than the FY06 peak. This is a decline in active enrolment of 4% since FY07, and represents the first decline since FY97. While retiree enrollment is up slightly, total enrollment (active and retired) is down 1% from FY07 to FY08. This line item is estimated at this time, as actual health insurance rates will not be available until February or March of 2008.</p> <p>The amount the Town budgets for Medicare Insurance increases with salary growth, as all employees hired after 1986 must participate in this program. Similarly, the Social Security appropriation has been increased by the expected overall salary growth of 4%.</p> <p>The Town is self-insured for unemployment. Benefits are provided by the Commonwealth and the Town is billed for its share of the cost. The Town may be responsible for the entire benefit, or for a portion, based on the former employee's employment status over the previous year. This budget funds unemployment benefits for all Town employees, including General Government and School Department employees. The unemployment budget has been increased to reflect actual experience over the past few years.</p> <p>This budget provides funding for costs associated with workers compensation for all General Government and School Department employees (and injury in duty benefits for public safety employees). The Town of Needham is self-insured for the purpose of workers compensation. The workers compensation line item also includes funding for pre-employment physicals for General Government employees. The Town has accepted the provisions of M.G.L. c. 13C, which allows the Town to roll forward unused appropriations for the purpose of establishing a reserve for large claims. The balance in the workers compensation reserve as of July 1, 2007 was \$624,084. No increase is contemplated for this program.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Employee Benefits | 10,295,000 | 8,078,000 | 8,308,510 |

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| Town of Needham Town Wide Expenses FY 2009 | | | |
|--|--|------------------|------------------|
| Description | Employee Benefits and Employer Assessments | | |
| WC & PS F111 | 385,000 | 385,000 | 385,000 |
| Unemployment | 73,118 | 85,000 | 88,400 |
| Total | 10,753,118 | 8,548,000 | 8,781,910 |

Fiscal Year 2009 Proposed Budget

| Town of Needham Town Wide Expenses FY 2009 | | | |
|--|------------------------|------------------|------------------|
| Description | Retirement Assessments | | |
| Operational Considerations | | | |
| <p>This line item funds pensions for Non-contributory (c. 34) and Contributory (c. 32) retirees. Non-contributory retirees are those who entered the retirement system prior to 1937. There are currently six (6) retirees and survivors receiving pensions under Chapter 34.</p> <p>Contributory retirees are those who participate in the Needham Contributory Retirement System. This includes all General Government and non-teaching School Department employees working a minimum of 20 hours per week. As of January 2007, there were 648 active participants, 474 retirees, 93 inactive participants, and 39 disability retirees. This appropriation funds both the normal cost (the cost of current employees' future pensions) as well as the System's unfunded pension liability. The funded status of the System was 79.5% on January 1, 2007, up from 75% as of January 1, 2005. The system will be fully funded no later than 2021.</p> <p>Chapter 34 (Non-contributory) retirees are eligible for the same cost of living adjustments as are contributory retirees. This amount is anticipated to be 3% on the first \$12,000 of pension for FY09.</p> <p>The FY09 budget request for c. 32 retirees is based on the Retirement Board's actuarial analysis dated January 1, 2007.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Chapter 34 Retirements | 135,000 | 117,000 | 119,000 |
| NCRS Assessments | 3,835,000 | 3,979,000 | 4,121,326 |
| Total | 3,970,000 | 4,096,000 | 4,240,326 |

| Town of Needham Town Wide Expenses FY 2009 | | | |
|--|---|------------------|------------------|
| Description | Retiree Insurance Program & Insurance Liability Fund | | |
| Operational Considerations | | | |
| <p>This budget incorporates both the "pay as you go" funding for benefits for current retirees, and the normal cost for future benefits for future retirees. The budget assumes a current enrollment of 775 retired subscribers.</p> <p>The Town has been funding its post-employment benefit obligation since FY02. Chapter 10 of the Acts of 2002 created a separate fund for this purpose. In FY06, the Town conducted an actuarial analysis of its other post employment benefits ("OPEB") liability. As of July 1, 2005, the Town's Actuarial Accrued Liability was \$43,172,705, and our funded ratio was 4.9%</p> <p>Post-employment benefits are part of the compensation for services rendered by employees, and the Town's obligations accrue during the life of an individual's employment. Beginning in FY08, the Town began appropriating for retiree insurance and OPEB liability in one line item in accordance with the actuarial schedule. The funding schedule includes both the "normal cost" (the projected cost of current employees' expected future benefits) and the amortization of unfunded accrued liability.</p> <p>A major benefit of pre-funding in this manner is that investment returns will supplement contributions, acting as a reserve to mitigate large increases in medical costs. Disclosure of a community's unfunded liability is a requirement of GASB 45, and is an increasing factor considered by rating agencies. According to Standard and Poors (Commentary, December 1, 2004): "The funding of these obligations (<i>OPEB</i>) is of an increasing credit concern, exacerbated by the rapid cost acceleration in many health-related areas. Government jurisdictions have a wide range of OPEB liabilities in terms of absolute size and relationship to budget resources, depending on how generous they have been in awarding benefits. The disparities between employers will now be made more apparent under the new GASB 45 reporting."</p> | | | |
| REQUEST RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Retiree Insurance and Health Liability Fund (Chapter 10 Acts of 2002) | 380,000 | 3,502,950 | 3,702,211 |
| Total | 380,000 | 3,502,950 | 3,702,211 |

Fiscal Year 2009 Proposed Budget

| Town of Needham Town Wide Expenses FY 2009 | | | |
|---|---|---------------|----------------|
| Description | Classification, Performance and Settlements | | |
| Operational Considerations | | | |
| <p>The Classification, Performance, Settlements line provides a reserve for funding personnel-related items as they occur during the fiscal year and as authorized by Town Meeting. Examples include performance-based increases for management employees in accordance with personnel policy, funding of collective bargaining agreements approved by Town Meeting, and funding for any changes to the classification and compensation plan.</p> <p>The original fiscal year 2008 appropriation for this line was \$575,000, of which \$504,891 has been allocated to department budgets. Transfers from the Fund provided for the DPW, Fire, ITWA, and Police collective bargaining unit settlements.</p> <p>At the time of this request, the Town does not yet have an Agreement with the AFSCME unit for FY 2009, and the DPW contract includes language for implementation of an on-going classification study. This line also funds any cost of living increase granted to the non-represented employees.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| PPP/CPS | 480,000 | 575,000 | 265,000 |
| Amendments | | | |
| Payments/Transfers Through November 2007 | (440,729) | (504,891) | |
| Year End Balance | 39,521 | | |
| Total | | 70,109 | 265,000 |

Fiscal Year 2009 Proposed Budget

| Town of Needham Town Wide Expense FY 2009 | | | |
|---|--------------|------------------|------------------|
| Description | Reserve Fund | | |
| Operational Considerations | | | |
| <p>The Reserve Fund is appropriated as part of the annual operating budget. The purpose of the reserve fund is to provide an annual budgetary reserve for unforeseen or extraordinary expenditures. Any town department may request that the Finance Committee transfer funds from the reserve fund to its budget for a specific unforeseen or extraordinary event. No transfer from the reserve fund is allowed without an affirmative vote by the Finance Committee in public session. Any balance remaining in the account at the end of the fiscal year is closed out to free cash.</p> <p>The Fiscal 2007 reserve fund was amended to \$1,039,679. Expenses for Snow and Ice removal were unusually low in FY 2007 resulting in a transfer of funds at the May 2007 Special Town Meeting of \$631,164 to fund cash capital items that could not otherwise have been funded. Approved reserve fund requests for FY 2007, excluding snow and ice expenses and excluding the STM cash capital funding, totaled \$312,375. The reserve fund for FY 2008 was set at \$1,255,313 at the 2007 Annual Town Meeting and amended to \$1,453,450 at the November 2007 Special Town Meeting; \$6,000 has been approved for transfer against the reserve fund through November 2007. The Fiscal 2009 reserve fund submission is \$1,312,422. The FY 2009 reserve fund submission is based on a total reserve fund amount equal to 1.25% of the projected total operating budget. The percentage is the average of the approved percentage over the past five fiscal years (2004 - 2008). The Finance Committee believes that \$1,312,422 is a fiscally prudent amount given uncertainties surrounding energy costs.</p> | | | |
| BUDGET RECAP | | | |
| Description | 2007 | 2008 | 2009 |
| Reserve Fund | 725,000 | 1,255,313 | 1,312,422 |
| Amendments | (316,485) | 198,137 | |
| Transfers through November 2007 | (408,235) | (6,000) | |
| Year End Balance | 280 | | |
| Total | 280 | 1,447,450 | 1,312,422 |