

FY2011 Free Cash

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