

New Beginnings: Looking Optimistically to a New Needham Century

"The people will save their government if the government itself will do its part only indifferently well." Abraham Lincoln, July 4, 1861

It is safe to say that the government of the Town of Needham is doing its part more than indifferently well. And, for the first time in several years, we look optimistically to a return to a sustainable level of revenue growth. In this first year of our fourth century as a Town, we have much to be proud of.

The Town has managed to make truly extraordinary investments in facilities, infrastructure and equipment, even during a period of economic downturn. We have implemented a formal facility maintenance program to ensure that our buildings that have been renovated are not left to slide back to disrepair. We have taken major steps already and have a formal plan in place to continue to improve our roads – a flexible plan that can withstand years when investment is limited. We have tremendous assets in our premier athletic facilities, and we have new maintenance and capital planning programs in place to ensure their continued condition. We have taken major steps forward in slowing growth in fixed costs and lowering legacy costs, including tackling the funding of our post employment health insurance liability. We continue to be on pace to eliminate our pension liability by 2027. We have implemented zoning changes to unlock the potential of the New England Business Center that already show signs of life. We have successfully petitioned for a new ramp from I-95/Route 128 to further enhance the Town's attraction for business development. Perhaps most importantly, a statistically valid survey of Needham's citizens reveals that residents are more than satisfied - 98% of them ranked Needham as a place to live as good or excellent.

As required by the General By-laws of the Town of Needham, and after consultation with the Board of Selectmen, School Committee and Finance Committee, we present the Town's seventh balanced budget proposal based on the principles of sustainability – meeting the needs of today without compromising the ability of future generations to meet their own needs, and resilience – withstanding the unexpected and continuing to provide high quality services.

The FY2011 budget was presented as the first year of a "Bridge to 2013." That budget message noted that a bridge is a structure carrying a pathway or roadway over a depression or obstacle, or a time, place or means of connection or transition. The FY2012 budget included \$500,900 in Federal stimulus and other one-time funds used to support Departmental expenditures in FY2012. The allocation of these funds enabled the Town to meet FY2012 expenses, while also providing more time for the Town to devise strategies for continuing service delivery in FY2013. Now, after the period of transition, the FY2013 budget is balanced without recourse to one-time funding, and only modest reductions to departmental budgets.

Budget in Brief

The FY2013 General Fund operating budget totals **\$117,705,784**, or **\$5,316,250** more than FY2012, representing a change of 4.7%.

Department spending requests were submitted to the Finance Committee on December 14, 2011. Department spending requests represented an increase of 5.2% over FY2012, with the School Superintendent's initial request consisting of a 5.7% increase over FY2012, and General Government departments representing an increase of 1.8%. Submitted spending plans for Townwide expenses increased 7.2% over FY2012.

Budgeting Best Practices

In developing the FY2013 budget, we continue to use the following best practices in order to produce a budget that preserves the Town's fiscal sustainability: current revenues must be sufficient to support current expenditures; debt must not be used to fund on-going operating expenses; the use of Free Cash to fund operations should be minimized; adequate contingency funds should be maintained; and sufficient maintenance and replacement funds should be allocated to ensure that capital facilities and equipment are properly maintained.

Core Budget Priorities

In consultation with the Board of Selectmen, we have adopted the following core budget priorities for general government operations. These priorities served as a key guideline in our evaluation of departmental spending requests. As in FY2011 and FY2012, the primary goal of the Board of Selectmen in consideration of the FY2013 operating budget is the maintenance and optimization of existing Town services given the availability of revenue for appropriation. In addition to maintenance and optimization of existing services, the Board's priorities for FY2013 include:

1. Support for items that contribute to the achievement of the Board's goals and objectives;
2. Support for initiatives that contribute to the preservation of existing Town assets;
3. Support for initiatives that contribute to sustainability, such as reducing energy use and planning for ongoing, long term balance of foreseeable revenues and financial commitments;
4. Support for initiatives aimed at achieving greater coordination and efficiency among departments and providing adequate resources to address the general administrative needs of the Town;
5. Promote initiatives that contribute to the long-term economic vitality of Needham;
6. Support the stewardship of existing land and resources, including expansion of town-owned open space for both active and conservation uses; and
7. Promote initiatives that contribute to the appearance of the Town.

Budget Process

The Town Manager, the Finance Committee, the Board of Selectmen, and the School Committee all play different and important roles in the budget process. The General By-laws of the Town of Needham provide for the following process:

Fiscal Year 2013 Proposed Budget

2.2.1 Operating Budget The Town Manager shall issue budget guidelines and instructions for all Town departments to submit their spending requests for the ensuing fiscal year. The Town Manager shall consult with the Finance Committee prior to the issuance of said guidelines and instructions. The Town Manager and School Superintendent will provide the Finance Committee with copies of their respective departmental spending requests on or before the 2nd Wednesday of December. Following receipt of these spending requests, the Finance Committee may begin its consideration of same, including the commencement of budget hearings. The Town Manager, after consultation with the Board of Selectmen and School Committee, shall not later than the 31st day of January, present to the Finance Committee a balanced budget recommendation in the form of an executive budget, which shall include the spending priorities of all Town departments for the ensuing fiscal year, including in addition thereto, the voted School Committee budget request if different than that contained in the proposed balanced budget. The Town Manager's executive budget recommendation shall not be binding on the Finance Committee. Said executive budget recommendation shall include the estimates of Town revenues and proposed expenditures of all Town departments, including debt service and other amounts required to be raised for the ensuing fiscal year. The Town Manager may amend or otherwise revise revenue estimates as may be warranted. All such revisions shall be provided in writing to the Board of Selectmen, School Committee and Finance Committee.

The FY2013 budget calendar is shown in Table 1.1.

**Table 1.1
FY2013 Budget Calendar**

Date			Activity
August	3	2011	Town Manager issues capital improvement budget guidelines
August	16	2011	Town Manager budget consultation with the Board of Selectmen
September	7	2011	Town Manager budget consultation with the Finance Committee
September	13	2011	Town Manager budget consultation with the Board of Selectmen
September	15	2011	Town Manager issues budget guidelines
October	21	2011	Capital Requests Due
October	31	2011	Department Spending Requests Due
November	29	2011	Town Manager budget consultation with the Board of Selectmen
December	6	2011	Town Manager's preliminary five year capital improvement plan presented to the Board of Selectmen
December	14	2011	Department spending requests are due to the Finance Committee from the Town Manager and School Superintendent
December	20	2011	Board of Selectmen Votes CIP Recommendation

Fiscal Year 2013 Proposed Budget

January	3	2012	FY2013 – FY2017 Capital Improvement Plan is Distributed
January	10	2012	Board of Selectmen opens the Annual Town Meeting Warrant
January	17	2012	Town Manager consultation with the School Committee
January	24	2012	Town Manager's Budget Presentation
January	31	2012	Town Manager's Budget is due to the Finance Committee
February	6	2012	Warrant articles for the Annual Town Meeting are due to the Board of Selectmen
February	14	2012	Board of Selectmen closes the Annual Town Meeting Warrant
February	22	2012	Finance Committee's FY2013 draft budget is due to the Town Manager
March	15	2012	Finance Committee's budget recommendations are due for inclusion in the Annual Town Meeting Warrant
April	10	2012	Town Election
May	7	2012	Annual Town Meeting Begins
July	01	2012	Start of Fiscal Year 2013

Budget guidelines were distributed to departments, boards, and committees on September 15, 2011, with spending requests due on October 31, 2011. The senior management team held budget review meetings with all departments during the month of November. Finance Committee and Community Preservation Committee liaisons were invited to attend these meetings in order to prepare for their own deliberations. Discussions with the Board of Selectmen, Finance Committee, and School Committee continued during the fall and winter, and the School Committee held a public hearing on the budget for the Needham Public Schools on January 17, 2012. At its meeting on January 24, 2012, the School Committee voted to recommend a budget of **\$51,179,831**, representing a 5.5% increase.

Departments were asked to use the following guidelines in preparing their requests:

Base Budget Request

The initial budget request reflects the amounts necessary to provide the same level of service in FY2013 as in FY2012. Spending requests include increases for contractual or mandated items, items subject to significant inflationary pressure, and/or any other item deemed appropriate by the Town Manager.

Performance Budget

Departments wishing to request additional funding did so under the performance improvement budget. Priority is given to performance improvement requests that are directly related to the identified goals and objectives of the department, the need for which can be demonstrated by performance measures and data, and those that demonstrate forward movement toward sustainability. When seeking performance improvement requests for additional headcount, department managers were required to include a detailed evaluation of other options for providing the proposed service,

such as increased hours for other staff members, use of overtime, or use of contracted service providers. This was a critical component of the budget review process.

Personnel-Related Costs: Emphasis on Legacy Cost

Because the primary product of local government is services, the operating budget is heavily weighted to salaries and other personnel-related costs. Table 1.2 details the number of General Fund and Enterprise Fund benefit-eligible employees by department.

**Table 1.2
General and Enterprise Fund Full-time Equivalent Benefit-Eligible Positions
FY08 to FY12**

	Funded FY08	Funded FY09	Funded FY10	Funded FY11	Funded FY12	FY08-12 % Change
Town Manager/Selectmen	6.8	7.9	8.0	8.0	8.0	17.6%
Town Clerk	4.0	4.0	4.0	4.0	4.0	0.0%
Finance	21.0	21.0	21.0	21.0	21.0	0.0%
Police	58.0	58.0	58.0	58.0	57.0	-1.7%
Fire	74.0	74.0	74.0	74.0	72.0	-2.7%
Building	7.0	7.0	7.0	7.0	7.0	0.0%
DPW	87.0	88.0	89.0	89.0	86.0	-1.1%
Public Facilities	52.7	53.2	53.8	53.8	54.8	4.0%
Health	4.6	4.6	4.6	4.6	4.6	0.0%
Human Services	8.1	8.3	8.3	8.3	7.8	-3.6%
Planning & Community Development	4.9	4.9	4.9	5.6	5.6	13.9%
Library	14.0	14.0	14.0	14.0	13.0	-7.1%
Park and Recreation	4.0	4.0	4.0	4.0	4.0	0.0%
Total	346.1	348.9	350.6	351.3	344.8	-0.4%
Needham Public Schools	607.2	607.6	621.4	618.5	624.4	2.8%

The number of General Government full-time equivalent employees remained essentially the same from FY2008 to FY2012, decreasing by 0.4%. The number of School Department FTEs has grown by 2.8% over that same period.

Approximately 72% of the Town's budget is allocated to personnel-related costs, including salary and wages, health insurance, retirement assessments, unemployment and workers compensation. The total increase in employee benefits and assessments costs for FY2013 is lower than might have been expected this time last year, as the Town's employees and bargaining units have actively participated in efforts to moderate salary growth and reduce legacy costs. Employee groups have accepted very modest wage increase (in many cases, more than one year with no increase) in order to allow the Town to continue to provide services - generally uninterrupted - in a period of decreasing resources. Most employee associations have also agreed to participate in the so-called Rate Saver health insurance plans.

Fiscal Year 2013 Proposed Budget

These plans have a lower premium but higher out-of-pocket costs. Without the conversion to these Rate Saver plans, the FY2013 operating budget for health insurance would be as much as \$1.8 million higher than currently projected.

Initial projections assumed an increase of 7% for health insurance rates for FY2013. However, the West Suburban Health Group – a consortium of regional towns and districts joining together to purchase health insurance – recently issued rates that include no increase for the Rate Saver plans. As a result, the health insurance portion of this budget is expected to increase by only 0.7%. Employee participation in the Town’s group health insurance program continues to experience significant fluctuations. As evidenced in Table 1.3, health insurance enrollment for active employees grew 1.61% from FY2011 to FY2012, and is up 2.76% in the last five years.

**Table 1.3
Health Insurance Enrollment
FY08 to FY12**

Fiscal Year	Town	School	Total Actives	Retirees	Total Active & Retired
FY08	287	509	796	775	1,571
FY09	293	491	784	804	1,588
FY10	286	541	827	796	1,623
FY11	290	515	805	799	1,604
FY12	288	530	818	806	1,624

Total Change FY08-FY12	0.35%	4.13%	2.76%	4.00%	3.37%
---------------------------------------	--------------	--------------	--------------	--------------	--------------

Total Change FY11-FY12	-0.69%	2.91%	1.61%	0.88%	1.25%
---------------------------------------	---------------	--------------	--------------	--------------	--------------

Note: Retiree enrollment is expressed in covered lives. In FY12, 472 individuals who retired from the Town of Needham are receiving health insurance benefits.

As noted on Table 1.4, annual increases in salary line items from FY2008 to FY2012 are consistent with the Town’s sustainability guideline by mirroring the historical annual increase in revenue (4.0% overall, 4.6% for the Needham Public Schools, and 2.9% for General Government departments).

Fiscal Year 2013 Proposed Budget

Table 1.4
Changes in Salary Line Items FY2008 - FY2012

	FY2008	FY2009	FY2010	FY2011	FY2012 Current	Average % Change
Board of Selectmen	504,290	586,099	630,398	644,644	646,680	5.9%
Town Clerk	258,026	276,327	263,081	282,308	279,390	2.3%
Town Counsel	65,464	66,989	68,664	68,664	68,664	1.2%
Personnel Board	1,601	1,641	1,128	600	600	-15.6%
Finance Department	1,291,273	1,296,242	1,326,597	1,342,043	1,385,756	1.9%
Finance Committee	28,547	29,261	29,993	27,493	28,382	1.0%
Total Municipal Administration	2,149,201	2,256,559	2,319,861	2,365,752	2,409,472	2.8%
Police Department	4,307,656	4,529,149	4,771,895	4,884,190	4,859,711	2.7%
Fire Department	5,330,631	5,616,784	5,722,539	5,812,408	6,095,891	3.4%
Building Inspector	407,324	422,358	444,020	445,919	440,113	2.7%
Total Public Safety	10,045,611	10,568,291	10,938,454	11,142,517	11,395,715	3.1%
Education	34,895,067	37,287,966	39,247,086	40,264,790	41,542,579	4.6%
Public Works*	2,971,552	3,137,945	3,258,049	3,393,323	3,041,684	0.7%
Public Facilities	2,540,529	2,608,373	2,875,501	2,870,212	3,058,620	4.7%
Planning Department	188,469	196,791	207,833	218,028	232,476	11.7%
Community Development	86,677	92,366	97,829	103,188	108,584	11.6%
Total Development	275,146	289,157	305,662	321,216	341,060	11.6%
Health Department	344,624	364,066	377,408	383,012	385,301	3.9%
Human Services	469,698	501,839	525,393	488,996	493,873	1.2%
Needham Public Library	1,000,410	1,033,541	1,075,014	1,076,094	1,073,225	2.2%
Park & Recreation Department	423,651	430,134	441,142	443,185	440,395	1.4%
Total Community Services	2,238,383	2,329,580	2,418,957	2,391,287	2,392,794	2.1%
Total	55,115,489	58,477,871	61,363,570	62,749,097	64,181,924	4.0%
Total General Government	20,220,422	21,189,905	22,116,484	22,484,307	22,639,345	2.9%

* Effective with FY2012 the drains program and related expenses were moved from Public Works to the Sewer Enterprise budget; the average percentage change with the drains program for Public Works would be 2.5% and Total General Government would be 3.2%.

Balanced Budget Highlights

The following is a summary of key considerations that serve as the basis of the balanced budget recommendations. The full discussion of each department is included in the submitted departmental spending requests contained in Section 4.

Townwide Expenses

The **Casualty, Liability and Self-Insurance** line has been level funded. The Town participates in the Massachusetts Interlocal Insurance Agency (MIIA) which has agreed to continue the FY2012 rates for FY2013 with no increase in premium. The Newman School is scheduled reopen in FY2013, and therefore must be added back to the Town's insurance coverage. However, since the Town was required to cover the modular units placed at Newman, we expect the addition of Newman School to be offset by the removal of the modular units. In addition, the Town continues to earn

premium credits based on our on-going loss control efforts to keep premium growth low.

General Fund Debt Service reflects the amounts to be paid on current and authorized but not issued debt, and includes both general fund debt service within the levy and excluded debt. This budget also includes a line for debt service supported by Community Preservation Funds. Of the total budget of \$11,288,276, \$7,507,149 or 67% is allocated for excluded debt approved by the voters for major capital projects such as the Newman School, High School, Library, High Rock School, Broadmeadow School, and Eliot School, and \$550,000 is allocated for the Town Hall projected from the Community Preservation Fund.

Employee Benefits and Employer Assessments The expenses covered under this program include group insurance for active employees, 401(a) Plan deferred compensation payments, employee benefit administration costs, a temporary HRA program associated with conversion to Rate Saver health insurance plans, Medicare tax, Social Security tax, Unemployment assessments, Workers Compensation and Public Safety injured on duty payments, Employee Assistance services, professional services, and incidental expenses. As noted previously, the health insurance portion of this budget is expected to increase by only 0.7% from FY2012 to FY2013. Amounts needed for Medicare and Social Security taxes paid on behalf of employees are increasing at 8% and 14% respectively. The Town has increased its reliance on temporary, seasonal, and non-benefit-eligible employees, which results in an increase in the Social Security tax obligation. However, use of non-benefit eligible employees, where appropriate, helps the Town moderate legacy costs in the future. The unemployment budget has been increased to reflect actual projected spending in FY2013 and to reflect the extension of benefits to 99 weeks by the Federal government.

Retirement Assessments includes funding for Town's share of pension costs for non-contributory and contributory retirees. Non-contributory retirees are those who entered the retirement system prior to 1937. This budget has been reduced as there are only two remaining non-contributory surviving spouses. 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. 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 77.9% on January 1, 2011, down just slightly from 78.2% on January 1, 2010. It is anticipated that the system will be fully funded no later than 2027.

The **Retiree Insurance and Insurance Liability Fund** incorporates both the "pay as you go" funding for benefits of current retirees, and the normal cost of benefits for future retirees. The Town has been funding its post-employment benefit obligation ("OPEB") since FY2002. Chapter 10 of the Acts of 2002 created a separate fund for this purpose. As of July 1, 2011, the Town's Unfunded Actuarial Liability (UAL) was \$59,122,322, with a funded ratio of 10.9% (as compared to a UAL of \$43,879,127 and a funded ratio of 10.2% as of July 1, 2009). The increase in the unfunded actuarial liability is attributable to several factors, including the conversion to a new mortality table recognizing that retirees are living longer, a reflection of the percentage of retirees who will likely elect health insurance at retirement, the trend in health care spending, and the age and years of service of current employees (which makes them more likely to retire from Needham). Conversion of most of the

Town's existing employees and all future employees to the higher out-of-pocket Rate Saver health insurance plans will continue to have a positive impact on the Town's unfunded OPEB liability.

The **Classification, Performance and Settlements** line provides a reserve for funding General Government personnel-related items as they occur during the year. The Town has four collective bargaining agreements that are not yet settled for FY2013, and the Classification, Performance and Settlements line includes a placeholder amount. The Classification, Performance and Settlements line has been increased by \$89,700 over FY2012.

The purpose of the **Reserve Fund** is to provide an annual budgetary reserve for unforeseen or extraordinary expenses. The FY2013 Reserve Fund request presented by the Finance Committee is calculated at 1.4% of the projected operating budget.

General Government

Board of Selectmen/Town Manager The Board of Selectmen/Town Manager's budget increased 2.9% from FY2012 to FY2013 due to projected salary increases for existing staff.

Town Clerk/Board of Registrars The Town Clerk/Board of Registrars budget increased 7.6% from FY2012 to FY2013 due to projected salary increases for existing staff and an increase in the number of elections in FY2013 from two to three, including a Presidential election.

Town Counsel The legal budget increased by 0.5% due to projected salary increases for existing staff.

Personnel Board This line item is level-funded for FY2013.

Finance Department The Finance Department budget increased by 2.6% from FY2012 to FY2013 attributable to projected salary increases for existing staff and the number and cost of software license agreements.

Finance Committee This budget increased by 6.5% from FY2012 to FY2013 due to projected salary increases for existing staff.

Planning and Community Development

The consolidated Planning and Community Development Department was created in 2010 by combining the existing Conservation and Zoning Board of Appeals budgets. The Director of Planning and Community Development oversees both the Planning budget and the Community Development budget. In keeping with the consolidation plan, this budget assumes an allocation of targeted wetlands funds to support the Director of Conservation – the reliance on wetlands funds is expected to decrease beginning in FY2014. The Planning budget increased by 2.6% from FY2012 to FY2013 due to projected salary increases for existing staff. With respect to the Community Development budget, we continue to see significant Conservation and Board of Appeals activity. The Department previously had an administrative staff

person dedicated 60% to ZBA and 40% to Conservation. When that position was vacated, the Town hired two part-time employees with very different skill sets to fill the positions, which has been more effective. The Conservation work requires a highly technical, wetlands professional position, and the ZBA requires a professional level employee to help provide uniformity and consistency in the writing of decisions. The Community Development budget increased 8.3% from FY2012 to FY2013, consistent with the Town's plan to realign and support what has in the past been a chronically underfunded program.

Public Safety

The Police Department budget increased 1.9% from FY2012 to FY2013. The Town and the two Police unions have not reached agreement on a collective bargaining agreement for fiscal year 2012 or fiscal year 2013. The Department has experienced significant staff turnover over the past several years, as a large number of long-serving officers retired and new recruits were hired. This budget includes one additional front-line vehicle in the FY2013 replacement schedule – six vehicles compared to five in FY2012.

Fire Department The recommended Fire Department budget is lower in FY2013 than FY2012 by 0.1%. However, the budget does not include funding for wage increases for members of the Fire Union, as the Town and the Union have not yet reached agreement on a contract for fiscal year 2013. The Department has also experienced staff turnover over the past several years, as a number of long-serving employees retired and new recruits were hired.

Building Department The recommended budget for the Building Department is 4.6% higher than FY2012 due to projected salary increases for existing staff, and an increase of **\$6,900** for additional substitute inspectors and overtime. The Department continues to experience a high level of permit activity. Use of substitute inspectors and overtime provides an increase in our ability to meet the demand without increasing headcount and incurring legacy costs. In FY2012, the Town outsourced the responsibility for its sealer of weights and measures function to the Commonwealth. As a result, the funds that were previously included in the salary line are now included in the expense line. The new service delivery method provides a greater level of continuity for the program.

Education

Minuteman School The Town has received a preliminary assessment from the Minuteman School which is \$217,401 higher than the FY2012 assessment, based primarily on the number and mix of students attending the school from Needham. The proposed Minuteman School budget overall increase is approximately 5%.

Needham Public Schools At its meeting on January 24, 2012, the Needham School Committee approved a budget request of **\$51,179,831**, 5.5% higher than the fiscal year 2012 spending plan. Based upon available revenue, the Town Manager's recommended budget for the School Department is **\$51,007,074**, or 5.2%. As noted previously, the Department's fiscal year 2012 budget was balanced using \$500,900 in one-time funds as part of the "Bridge to 2013" strategy. The actual increase in the Department's budget from FY2012 to FY2013 is 4.1%.

Public Works

The Department of Public Works General Fund operating budget is recommended to increase by 3.6%, due primarily to projected salary increases for existing employees, and inflationary pressure on expenses such as fuel and asphalt. The Town Manager's recommended budget reduces the DPW request by a total of **\$50,742**. The Parks and Forestry budget was reduced by \$27,000 for Memorial Park root zone improvements (plans for an alternative source of funding for this project are underway) and landscape improvements. The Parks and Forestry and Highway Departments were reduced by \$13,742 based on a change in overtime calculation methodology. A GIS monument grid system project in the Engineering Division was also deferred. The Parks and Forestry budget has been increased by **\$27,624** over FY2012 levels for contracted maintenance and supplies as part of a recently formalized grass field maintenance protocol.

Municipal Parking The Municipal Parking budget has been level funded for FY2013. Town's relationship with the MBTA for management of the Needham commuter lots changed in the winter of 2011, with the "T" assuming responsibility for management of the lots and collection of fees. The municipal parking line includes payment for leasing parking spaces in Needham Center.

Municipal Streetlight Program The Municipal Streetlight Program budget was initially submitted with no increase. The recommend budget reflects a reduction of **\$23,000** over FY2012 – reflective of actual average energy consumption.

Public Facilities

The recommended budget for Public Facilities is virtually unchanged from FY2012. The budget has been reduced by **\$62,143** to reflect refined estimates of projected energy use. The Public Facilities budget includes an increase of **\$9,318** to reflect the fact that the Administrative Specialist in the Construction Division has been working a full-time schedule. The budget includes no general wage increase for custodial and trades employees whose contract is not yet settled for fiscal year 2013.

Human Services

Health Department The Health Department budget is recommended to increase by 6.8%. This increase is attributable to projected salary increases for existing staff, and to a recommended increase of **\$10,000** for contracted mental health services. The proposed increase will enable the Town to provide additional services with no increase in headcount or legacy costs. The budget request was reduced by **\$7,660** for increased staff hours and benefits.

Human Services The Human Services budget is recommended to increase by 4.2%. This increase is primarily attributable to projected salary increases for existing staff, and an increase in the projected level of benefits paid to Needham veterans. The Town is reimbursed for 75% of these expenditures by the Commonwealth.

Fiscal Year 2013 Proposed Budget

Historical Commission No change is recommended for the Historic Commission budget in FY2013.

Commission on Disabilities No change is recommended for the Commission on Disabilities budget in FY2013.

Public Library The recommended Library budget is 1.3% higher than FY2012 due to projected salary increases for existing staff, and the inclusion of the Library Technology Replacement Program - **\$16,250** - in the operating budget. Over the past few years, the Library has used its dedicated State Aid account to meet a growing service demand, but such funding is unsustainable. Although we are not able to recommend the transfer of additional services to the operating budget in FY2013, we continue to recommend that these services be converted to Town funding over a period of several years. The submitted budget was reduced by a total of **\$43,212** for a part-time Children's Librarian, additional circulation hours, network pages, and museum pass software.

Park and Recreation The Park and Recreation budget increased by 1.8% from FY2012 to FY2013 due to projected salary increases for existing staff.

Memorial Park No change is proposed for the Memorial Park budget for FY2013.

Changes from submitted budgets, and performance improvement recommendations are outlined in Table 1.5.

**Table 1.5
FY2013 Changes to General Fund Operating Budget Requests**

Employee Benefits/Health Insurance	Townwide	(\$186,687)	
Salary Line	BOS/TM	(\$1,109)	
Building Inspection Substitutes and Overtime	Building		\$6,900
Radios for Vehicles	Building	(\$2,018)	
Salaries/OT	Public Works	(\$13,742)	
Memorial Park Root Zone	Public Works	(\$17,000)	
Monument Grid System	Public Works	\$10,000	
Landscape Beautification	Public Works	\$10,000	
Energy Projection Estimate	Municipal Lighting	(\$23,000)	
Additional Hours - Administrative Specialist	Public Facilities		\$9,318
Revised Energy Estimate	Public Facilities	(\$62,143)	
Operating Budget	Public Schools	(\$257,751)	
Mental Health/Riverside Contract	Public Health		\$10,000
Additional Hours - Health Coordinator	Public Health	(\$2,160)	
Automobile Stipends	Public Health	(\$4,000)	
Professional Development	Public Health	(\$1,500)	
Children's Librarian	Public Library	(\$19,615)	
Circulation Hours	Public Library	(\$14,343)	
Network Pages	Public Library	(\$8,529)	
Museum Pass Software	Public Library	(\$725)	
Technology Replacement	Public Library		\$16,250
		(\$594,322)	\$42,468

Beyond the General Fund Operating Budgets

Capital Budget Summary

The focus of this document is the FY2013 General Fund, Enterprise Fund, and Community Preservation Fund budgets. The FY2013 – FY2017 Capital Improvement Plan (CIP) is published as a separate document. Section 5 of this document contains the executive summary of the FY2013 - FY2017 CIP. An integral part of the balanced budget proposal contained herein, however, is the funding of capital and other non-operating budget items.

The general fund cash capital recommendation is broken into two components – primary (**\$1,813,865**) and secondary (**\$960,268**). Based on the extraordinary level of Free Cash expected from FY2011, the Town Manager’s recommended cash capital budget consists of both primary and secondary cash capital for a total of **\$2,774,133**.

Enterprise Fund Summary

RTS As in FY2012, the RTS budget includes measures to help align revenue with expenses. RTS user fees were increased in 2010 and 2011 as non-fee revenue continued to drop dramatically. Also in FY2011, the sticker fee structure was realigned, to include an increase in the primary sticker and the availability of additional stickers at \$10 each. We propose that **\$273,483** in retained earnings be used to support the RTS budget for FY2013. This measure is intended to mitigate the loss of recycling and miscellaneous revenue that has decreased sharply during the current recession, but has shown signs of improvement this year. The recommended RTS budget is 4.2% higher in FY2013 due primarily to projected salary increases for existing personnel. The submitted budget was reduced by **\$57,011**. The proposed reductions include \$20,014 from the salary/overtime line reflecting a change to the calculation methodology, \$12,000 from operating capital resulting from the deferral of the increase in one transfer trailer for recyclables, \$16,667 representing the phasing of funding for the materials processing program which was eliminated from the Highway budget in FY2012 and not included in the RTS fund, and \$8,330 from expenses to reflect the five year average of tipping fee increases for solid waste disposal.

Sewer The recommended Sewer Enterprise Fund budget is 0.6% higher than FY2012. The submitted sewer budget has been reduced by **\$14,053** to reflect revised projections for overtime requirements. The MWRA Assessment line has been level-funded as the Town’s 2013 assessment is not yet available. Any increase in the assessment is proposed to be funded through retained earnings.

Water The recommended Water Enterprise Fund budget is 0.52% higher than the FY2012 budget. The submitted budget has been reduced by **\$51,731** to account for revised projections for overtime requirements and new estimates for the cost of brass fitting equipment and certain chemicals. The MWRA Assessment line has been

level-funded as the Town's 2013 assessment is not yet available. The anticipated increase in this line is proposed for funding through Water Enterprise Fund receipts.

Community Preservation

The administrative budget of the Community Preservation Fund is unchanged from FY2012.

Other Financial Warrant Articles

Compensated Absences Fund As in fiscal year 2012, given the projected level of retirements and existing fund balance, there is no request for compensated absences funding this year. Upon retirement, certain employees are compensated for a portion of their unused sick leave. All employees are entitled to payment of unused vacation leave upon termination of Town service.

Senior Corps Program The balanced budget includes **\$15,000** funding for the Senior Corps Program, unchanged from the FY2012 budget. The Senior Corps program provides an opportunity for qualified elderly or disabled property owners to work up to 100 hours for the Town. Over the last 10 years, the appropriation has ranged from \$7,500 to \$15,000. The Senior Corps Program has averaged more than 14 participants over the last ten year period and over 16 participants in the last four year period. The requested appropriation will support 18 participants.

Property Tax Relief Fund The balanced budget includes **\$13,353** in funding for the Property Tax Relief Fund. The 2009 Annual Town Meeting voted to establish a Property Tax Assistance Program. The goal of the Board of Selectmen is to set a target annual appropriation for the fund equal to the amount of private contributions to the Town's statutory voluntary tax relief program during the preceding fiscal year, up to a maximum appropriation of \$25,000 (2008 dollars). The voluntary fund received \$13,353 in fiscal year 2011.

Wireless Municipal Radio Master Box Fire Alarm Feasibility Study This article would provide **\$10,000** in funding for evaluation of the benefits and costs of eliminating the Town's older style fire alarm master boxes and replacing some with a new style wireless radio master box system. The current telephone pole and pedestal-mounted fire alarm boxes would be eliminated. Overtime time, buildings with master boxes would be replaced with wireless radio transmitters.

GF/RTS Contribution The balanced budget includes a **\$547,100** contribution to the RTS Enterprise Fund. It is the policy of the Town to annually support the RTS Enterprise Fund by means of a transfer from the General Fund in an amount equal to the average of the "avoided cost" for the most recent three complete fiscal years. Avoided cost is the value of the services provided to Town Departments by the Recycling and Transfer Station. Included in these services are: receiving, processing and recycling DPW construction debris; disposal of trash from public trash receptacles; composting of leaves and yard waste which is then used by the Town; collecting and processing recyclables from Town departments, including schools; and disposal of snow and other normal trash from Town property. The expense of Recycling and Transfer Station labor, vehicles, and equipment used to provide these services and repairs and maintenance are factored into the calculation of the avoided cost.

Drains/Sewer Contribution The balanced budget includes a **\$493,392** contribution to the Sewer Enterprise Fund to offset the cost of the Drains program. The Drains program, which is a General Fund expense, is appropriated to the Sewer Enterprise Fund as it is more efficient to account for the program in that manner.

Athletic Facility Stabilization Fund The balanced budget proposal includes a recommendation to create an athletic facility stabilization fund to set aside capital funds for renovation and reconstruction of the Town's athletic facilities, particularly Memorial and DeFazio, which were renovated as part of a remarkable public/private partnership at a cost of more than \$7 million. Replacement of the synthetic turf fields is expected to be in the \$1.6 to \$1.8 million range in the coming years. The Town Manager's recommendation for funding the Athletic Facility Stabilization Fund in FY2013 is at least **\$32,728**. In future years, we propose that the fund be credited with at least the amount equal to the Park and Recreation administrative fee receipts.

Stabilization Funds/Workers' Compensation Fund/Other One-time Uses No recommendation for appropriation to the Town's reserve funds is included in the balanced budget proposal, as funds available for such appropriation, and the most beneficial use of such funds, are typically determined later in the budget process. The Capital Improvement Fund is a reserve for future acquisition and replacement of new equipment and certain building and facility improvements. The Capital Facility Stabilization Fund is a reserve for future design, maintenance, renovation or reconstruction relating to the structural integrity, building envelope or MEP (mechanical, electrical, plumbing) systems of then existing capital facilities. The Workers' Compensation Fund is the Town's reserve fund for paying workers' compensation claims of a prior year and for lump sum settlements up to the limit of the Town's reinsurance limit.

Based upon the final Free Cash certification, the balanced budget proposal includes an allocation of approximately \$1 million for contributions to these funds and/or for other one-time expenditures.

In Conclusion

This balanced budget proposal is promulgated prior to the start of the budget process for the Commonwealth. As revenue estimates are refined in the winter and spring, we will work with the various Town boards and committees in preparing the final budget to be presented to Town Meeting.

I continue to be impressed with the commitment to sustainability and optimism for the future that has been demonstrated by the Board of Selectmen, School Committee, Finance Committee, Town Meeting, and ultimately the community. We are fortunate as a community to have a dedicated, loyal, and hardworking staff who, like board and committee members, often put the needs of the community ahead of their own personal interests. I thank you for the opportunity to serve the residents and businesses in the Town of Needham.

Kate Fitzpatrick

Town Manager

INTENTIONALLY LEFT BLANK

Fiscal Year 2013 Proposed Budget

Town of Needham Appropriation Lines Budget	Town Manager Recommendation					FY2013 % Change over FY2012
	FY2012 Amended 11/7/2011	FY2013 Total Submitted Request	FY2013 \$ Change	FY2013 DSR2	FY2013 DSR4	
Town Wide Expense						
Casualty, Liability and Self Insurance Program	525,000	525,000		525,000		
Debt Service - General Fund	10,883,020	11,288,276	405,256	11,288,276		3.7%
Employee Benefits and Employer Assessments	10,109,724	10,860,556	750,832	10,673,869		5.6%
Retirement Assessments	4,755,475	5,030,821	275,346	5,030,821		5.8%
Retiree Insurance Program & Insurance Liability Fund	3,906,275	4,523,887	617,612	4,523,887		15.8%
Classification, Performance and Settlements	202,000	291,700	89,700	291,700		44.4%
Reserve Fund	1,166,524	1,333,364	166,840	1,333,364		14.3%
Group Total	31,548,018	33,853,604	2,305,586	33,666,917	2,118,899	6.7%
Board of Selectmen & Town Manager						
Personnel	646,680	670,928	24,248	669,819		
Expenses	156,433	156,433		156,433		
Total	803,113	827,361	24,248	826,252	23,139	2.9%
Town Clerk and Board of Registrars						
Personnel	279,390	296,301	16,911	296,301		
Expenses	38,290	45,552	7,262	45,552		
Total	317,680	341,853	24,173	341,853	24,173	7.6%
Town Counsel						
Personnel	68,664	70,039	1,375	70,039		
Expenses	230,000	230,000		230,000		
Total	298,664	300,039	1,375	300,039	1,375	0.5%
Personnel Board						
Personnel	600	600		600		
Expenses	11,000	11,000		11,000		
Total	11,600	11,600		11,600		

Town of Needham Appropriation Lines Budget	Town Manager Recommendation							
	FY2012 Amended 11/7/2011	FY2013 Total Submitted Request	FY2013 \$ Change	FY2013 DSR2	FY2013 DSR4	FY2013 Balance Budget	FY2013 \$ change from FY2012	FY2013 % Change over FY2012
Finance Department								
Personnel	1,385,756	1,437,620	51,864	1,437,620		1,437,620	51,864	
Expenses	741,605	746,495	4,890	746,495		746,495	4,890	
Operating Capital	37,500	37,500		37,500		37,500		
Total	2,164,861	2,221,615	56,754	2,221,615		2,221,615	56,754	2.6%
Finance Committee								
Personnel	28,382	30,289	1,907	30,289		30,289	1,907	
Expenses	1,075	1,075		1,075		1,075		
Total	29,457	31,364	1,907	31,364		31,364	1,907	6.5%
General Government Group	3,625,375	3,733,832	108,457	3,732,723		3,732,723	107,348	3.0%
Planning Department								
Personnel	232,476	238,982	6,506	238,982		238,982	6,506	
Expenses	16,460	16,460		16,460		16,460		
Total	248,936	255,442	6,506	255,442		255,442	6,506	2.6%
Community Development								
Personnel	108,584	118,626	10,042	118,626		118,626	10,042	
Expenses	11,858	11,858		11,858		11,858		
Total	120,442	130,484	10,042	130,484		130,484	10,042	8.3%
Land Use & Development Group	369,378	385,926	16,548	385,926		385,926	16,548	4.5%
Police Department								
Personnel	4,859,711	4,842,392	(17,319)	4,842,392		4,842,392	(17,319)	
Expenses	239,858	280,835	40,977	280,835		280,835	40,977	
Operating Capital	125,891	200,000	74,109	200,000		200,000	74,109	
Total	5,225,460	5,323,227	97,767	5,323,227		5,323,227	97,767	1.9%
Fire Department								
Personnel	6,095,891	6,079,147	(16,744)	6,079,147		6,079,147	(16,744)	
Expenses	240,683	253,965	13,282	253,965		253,965	13,282	
Total	6,336,574	6,333,112	(3,462)	6,333,112		6,333,112	(3,462)	-0.1%

Fiscal Year 2013 Proposed Budget

Town of Needham Appropriation Lines Budget	Town Manager Recommendation					FY2013 Balance Budget	FY2013 \$ change from FY2012	FY2013 % Change over FY2012
	FY2012 Amended 11/7/2011	FY2013 Total Submitted Request	FY2013 \$ Change	FY2013 DSR2	FY2013 DSR4			
Building Inspector								
Personnel	440,113	460,619	20,506	453,719	6,900	460,619	20,506	
Expenses	28,095	30,958	2,863	28,940		28,940	845	
Total	468,208	491,577	23,369	482,659	6,900	489,559	21,351	4.6%
Public Safety Group	12,030,242	12,147,916	117,674	12,138,998	6,900	12,145,898	115,656	1.0%
Minuteman	562,637	758,878	196,241	780,038		780,038	217,401	38.6%
Needham Public Schools	48,501,371	51,264,825	2,763,454	51,007,074		51,007,074	2,505,703	5.2%
Department of Public Works								
Personnel	3,041,684	3,123,223	81,539	3,109,481		3,109,481	67,797	
Expenses	1,322,295	1,453,915	131,620	1,416,915		1,416,915	94,620	
Operating Capital	6,700	6,500	(200)	6,500		6,500	(200)	
Snow and Ice Budget	400,000	410,000	10,000	410,000		410,000	10,000	
Total	4,770,679	4,993,638	222,959	4,942,896		4,942,896	172,217	3.6%
Municipal Parking Program								
Program Total	55,000	55,000		55,000		55,000		
Municipal Lighting Program								
Program Total	256,000	256,000		233,000		233,000	(23,000)	-9.0%
Public Works Group	5,081,679	5,304,638	222,959	5,230,896		5,230,896	149,217	2.9%
Department of Public Facilities								
Personnel	3,058,620	3,182,993	124,373	3,173,675	9,318	3,182,993	124,373	
Expenses	4,666,935	4,607,203	(59,732)	4,545,060		4,545,060	(121,875)	
Operating Capital								
Total	7,725,555	7,790,196	64,641	7,718,735	9,318	7,728,053	2,498	0.0%
Public Facilities Group	7,725,555	7,790,196	64,641	7,718,735	9,318	7,728,053	2,498	0.0%

Fiscal Year 2013 Proposed Budget

Town of Needham Appropriation Lines Budget	Town Manager Recommendation							
	FY2012 Amended 11/7/2011	FY2013 Total Submitted Request	FY2013 \$ Change	FY2013 DSR2	FY2013 DSR4	FY2013 Balance Budget	FY2013 \$ change from FY2012	FY2013 % Change over FY2012
Health Department								
Personnel	385,301	412,882	27,581	406,722	10,000	406,722	21,421	
Expenses	76,829	88,554	11,725	77,054		87,054	10,225	
Total	462,130	501,436	39,306	483,776	10,000	493,776	31,646	6.8%
Human Services								
Personnel	493,873	510,811	16,938	510,811		510,811	16,938	
Expenses	70,370	77,205	6,835	77,205		77,205	6,835	
Total	564,243	588,016	23,773	588,016		588,016	23,773	4.2%
Commission on Disabilities								
Expenses	550	550		550		550		
Total	550	550		550		550		
Historical Commission								
Expenses	1,050	1,050		1,050		1,050		
Total	1,050	1,050		1,050		1,050		
Needham Public Library								
Personnel	1,073,225	1,114,454	41,229	1,071,967		1,071,967	(1,258)	
Expenses	292,061	311,501	19,440	294,526	16,250	310,776	18,715	
Total	1,365,286	1,425,955	60,669	1,366,493	16,250	1,382,743	17,457	1.3%
Parks and Recreation Department								
Personnel	440,395	453,499	13,104	453,499		453,499	13,104	
Expenses	110,875	107,875	(3,000)	107,875		107,875	(3,000)	
Total	551,270	561,374	10,104	561,374		561,374	10,104	1.8%
Memorial Park								
Expenses	750	750		750		750		
Total	750	750		750		750		
Community Services Group	2,945,279	3,079,131	133,852	3,002,009	26,250	3,028,259	82,980	2.8%

Town of Needham Appropriation Lines Budget	Town Manager Recommendation							
	FY2012 Amended 11/7/2011	FY2013 Total Submitted Request	FY2013 \$ Change	FY2013 DSR2	FY2013 DSR4	FY2013 Balance Budget	FY2013 \$ change from FY2012	FY2013 % Change over FY2012
Department Budgets	80,841,516	84,465,342	3,623,826	83,996,399	42,468	84,038,867	3,197,351	4.0%
Town Wide Expense Group	31,548,018	33,853,604	2,305,586	33,666,917		33,666,917	2,118,899	6.7%
Total General Fund Operating Budget	112,389,534	118,318,946	5,929,412	117,663,316	42,468	117,705,784	5,316,250	4.7%