

# Fiscal Year 2013 Proposed Budget

## Revenue Summary

Town of Needham  
Revenue Summary  
Table 2.1

Description*	FY2011 Recap	FY2012 Recap	FY2013 Estimate	\$ Change	% Change
General Fund	114,561,620	117,323,963	123,202,335	5,878,372	5%
Enterprise Funds	16,492,878	17,203,266	16,609,747	(593,519)	-3%
CPA	2,065,199	2,179,771	2,122,000	(57,771)	-3%
<b>Total Revenues</b>	<b>133,119,697</b>	<b>136,706,999</b>	<b>141,934,082</b>	<b>5,227,083</b>	<b>4%</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 **\$122,640,171** (Table 2.2) **or approximately \$6.8 million more than FY2012**. Revenue from property tax is estimated to grow by approximately \$3.5 million; state aid to increase by \$608,469, and the local receipts estimate will be increased by \$123,853. The amount from of Other Available Funds is lower by \$192,114. Free Cash has not yet been certified by the Department of Revenue at the time this budget went to print but is estimated to be \$1.8 million higher than the current year. 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.

Summary of General Fund Resources  
Table 2.2

Description	FY2009 Actual	FY2010 Actual	FY2011 Actual <sup>^</sup>	FY2012 Recap	FY2013 Estimate	\$ Change	% Change
Property Taxes	81,472,619	87,311,147	92,977,737	96,246,451	99,767,884	3,521,433	3.7%
State Aid	8,469,623	8,374,544	9,078,042	9,323,654	9,932,123	608,469	6.5%
Local Receipts	9,325,648	8,945,903	9,867,827	7,585,147	7,709,000	123,853	1.6%
Other Available Funds	1,490,662	1,376,871	1,823,779	788,442	596,328	(192,114)	-24.4%
Free Cash	5,810,170	3,145,416	3,568,037	3,380,269	5,197,000	1,816,731	53.7%
<b>Total General Fund Revenue</b>	<b>106,568,722</b>	<b>109,153,881</b>	<b>117,315,422</b>	<b>117,323,963</b>	<b>123,202,335</b>	<b>5,878,372</b>	<b>5.0%</b>
<b><u>Adjustments to General Fund Revenue</u></b>							
Other Amounts Required to be Provided	(80,675)	(78,278)	(82,096)	(74,513)	(74,736)	(223)	0.3%
State & County Assessments	(1,103,256)	(1,068,405)	(1,080,311)	(1,198,244)	(1,202,428)	(4,184)	0.3%
Provisions for Abatements & Exemptions	(1,100,000)	(960,626)	(1,584,557)	(2,135,466)	(1,300,000)	835,466	-39.1%
Adjustments, Reimbursements & Subsidies	1,710,496	1,760,595	1,659,715	1,615,715	1,465,000	(150,715)	-9.3%
CPA Share of Debt Service				300,000	550,000	250,000	83.3%
<b>Total</b>	<b>(573,435)</b>	<b>(346,714)</b>	<b>(1,087,249)</b>	<b>(1,492,508)</b>	<b>(562,164)</b>	<b>930,344</b>	<b>-62.3%</b>
<b>Available for GF Appropriation</b>	<b>105,995,287</b>	<b>108,807,167</b>	<b>116,228,173</b>	<b>115,831,455</b>	<b>122,640,171</b>	<b>6,808,716</b>	<b>5.9%</b>

<sup>^</sup>subject to final audit

### 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, 2011 is \$7,833,149,550. This puts the tax levy ceiling at \$195,828,738. The current tax

levy including debt exclusions for FY2012 is \$96,246,451, so the Town is well below its legal ceiling.

The new growth tax revenue is derived from improvements to property by its use, reconstruction, or new construction, and is added to the tax base. The annual levy limit may 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 FY2013 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 was released on Wednesday, January 25, 2012; a day after the Town Manager Budget overview was presented to the Board of Selectmen. The revenue estimate has been adjusted to incorporate the Governor's budget figures. However, to provide a hedge for decreases, the local receipt estimate has been lowered. The FY2013 State Aid estimate is \$608,469 higher than the current year, or approximately 6.5% more. 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.

The Governor's budget is presented to the Legislature, and the House of Representatives reviews 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 a committee to resolve any differences between the two budgets plans. A single budget document is then presented to the full body of the House and subsequently to 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 seventh annual contract assistance payment of \$745,381 for the Broadmeadow School project. The Massachusetts School Building Authority (MSBA) began making payments for its share of the school project in 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 second phase of the Newman School HVAC project has begun, and the significant portion of the project will be completed by the end of FY2012. The school is expected to reopen for students in the fall 2012 (first quarter of FY2013). The Town expects to receive progress payments from the MSBA for the Newman School project. Under the MSBA progress payment program, the State pays its agreed percentage of the approved project cost as the expense is incurred up to an agreed maximum amount. The Newman School project is approved at 40% of the eligible costs with a maximum of \$8,427,981 (as amended August 8, 2011). A benefit of this approach, to both the State and the Town, is lower interest expense. Since the Newman project funding was approved by debt exclusion, this means that the interest savings realized will result in a lower property tax bill than would otherwise have been levied.

### **Local Receipts**

Our time-honored approach for estimating local receipts conservatively is a target range approach. Our goal is to have a local estimate, by the time the tax rate is sent to the

## Fiscal Year 2013 Proposed Budget

Department of Revenue (DOR) for review that is less than 80 percent of the prior year's actual receipts excluding non-recurring revenue. This estimate, excluding nonrecurring revenue, is now projected at 81% of the 2011 amount. Prior to the release of the Governor's budget, local receipts were estimated over 84 percent of FY2011 actual receipts.

Local receipts in FY2011 showed improvement over the previous several years. However, there are still exceptions; the Town's actual receipts through December are lower now than they were at this same time last year. Economic reports still suggest that the economy is recovering, but at a slow pace. This was also true last year at this time.

The FY2010 local receipts were sluggish and ran behind FY2009 revenues, and FY2009 local receipts were significantly lower than FY2008. FY2010 actual receipts were more than \$379 thousand less than FY2009 actual receipts. FY2011 receipts did increase by more than \$921 thousand, most notably from meals and room excises, permits, and premiums received on the sale of bonds. The FY2012 local receipts estimate was increased from the original estimate at the time the FY2012 budget plan was released but within the target range for estimating. As mentioned previously, with the uncertainty with state aid, the FY2013 local receipt estimate has been scaled back to provide a means to cover a minor reduction in the Governor's proposed aid plan to Needham, but it is still higher than the FY2012 estimate.

Consequences of overly aggressive 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.

We prepare the projections of local receipts by comparing FY2011 estimated receipts to actual receipts; FY2011 actual receipts to FY2010 actual receipts, and FY2012 estimated receipts to the FY2011 actual and FY2012 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 FY2012 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2012 activity demonstrates a trend that deviates from projections. It is also important to note that if certain budgetary reductions are made to departments that generate or manage the collection of receipts, the estimate may need to be revisited.

### **Other Available Funds and Free Cash**

Projections of reserves follow past budget methodology. The estimated Free Cash for the FY2013 budget year is \$5,197,000. It is important to note that until Free Cash is certified it is not available for appropriation. The proposed allocation of Free Cash may be adjusted after the actual certified figure is known. 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. The overlay is lower in FY2013 than FY2012 as FY2012 was the required triennial Townwide property revaluation. In the revaluation year there is a higher probability, especially with the continued sluggish commercial real estate market, that disputes over property assessments will be greater and hence it is possible that additional abatements will result therefore the overlay is higher than average for this contingency.

**FY2013 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS**

**PROPERTY TAX LEVY**

The property tax levy (Table 2.3) represents approximately 81.0% of all general fund revenues before adjustments. The FY2013 property tax limit is estimated to increase approximately 3.7% over the FY2012 actual tax levy, or approximately \$3.5 million. The limit is calculated by increasing the FY2012 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 FY2012 tax rate. There is no operating override proposed for FY2013; 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. The base tax levy, before accounting for debt exclusions, is expected to increase by \$3.4 million over the FY2012 base levy. The amount of debt that is to be paid by property taxes is expected to be essentially flat for an increase of less than one percent or \$79,206 for FY2013 which reflects an overall lower percentage change in tax revenue; the tax revenue to support operations within the level limit is increasing by an estimate of 3.8% over FY2012.

New Growth tax revenue is expected to continue to grow more slowly from the more than \$2.1 million realized in FY2009 to a level more inline with the earlier part of the prior decade. New Growth tax revenue has been declining for three consecutive years and this estimate does not deviate from that trend. Although it should be noted that the real estate market, especially residential, remains solid in Needham compared too many areas in the state and the nation. 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 would be used to lower the percentage of the estimated local receipts is of the prior fiscal year actual, and to increase the overlay reserve for FY2013 as an added hedge should the economy slow or stop in its tepid recovery.

Fiscal Year Tax Levy  
Table 2.3

Description	FY2009 Recap	FY2010 Recap	FY2011 Recap	FY2012 Recap	FY2013 Estimate	\$ Change
Prior Year Base	72,292,283	76,202,247	82,052,951	85,840,586	89,636,531	
2-1/2 Allowance	1,807,307	1,905,056	2,051,324	2,146,015	2,240,913	
New Growth	2,102,657	1,870,805	1,731,827	1,649,930	1,185,000	
General Override		1,887,929				
Excess Levy (Taxes Not Raised)	(35,024)	(38,375)	(20,250)	(16,314)		
<b>General Tax Levy Limit</b>	<b>76,167,223</b>	<b>81,827,662</b>	<b>85,815,852</b>	<b>89,620,217</b>	<b>93,062,444</b>	<b>3,442,227</b>
Total Excluded Debt	6,908,132	7,196,912	8,438,590	7,461,721	7,507,149	
Less Excluded Debt Offsets	(1,149,705)	(1,192,448)	(1,182,696)	(835,487)	(801,709)	
Excluded Debt to be Raised on Tax Levy	5,758,427	6,004,464	7,255,894	6,626,234	6,705,440	79,206
<b>Property Tax Levy</b>	<b>81,925,650</b>	<b>87,832,127</b>	<b>93,071,745</b>	<b>96,246,451</b>	<b>99,767,884</b>	<b>3,521,433</b>
<b>Collections by Year End</b>	<b>81,472,619</b>	<b>87,311,147</b>	<b>92,977,737</b>			

## STATE AID

At the 2012 Massachusetts Municipal Association Annual Meeting, the Lieutenant Governor addressed the body and foretold that Chapter 70 would be increased and that Unrestricted General Government Aid (UGGA) would be level funded. The budget plan released the following week by the Governor did reflect those comments. However, the Chairman of the House Ways and Means Committee also spoke at the Conference and was not as encouraging as the Lieutenant Governor. Based on these statements, continued forecasts of slow economic recovery, the requirements of the Education Reform law, and the level of funding from the State the past few years during the recession, we have included the Governor's figures, but have made provisions with local receipts to offset a minor reduction in state aid from that which was proposed by the Governor. Chapter 70 will be increased but several aid programs including ones that the Town receives will be level dollar or reduced. Reimbursement programs are a factor of both the amount the program is funded by the state and the Town's actual expense.

State aid (Table 2.4) represents approximately 8.1% of the total general fund before adjustments and offsets. Total state aid for FY2013 is projected to increase by \$608,469. 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. The Town received \$5,996,469 in FY2010, a reduction of \$122,377 from that which was originally proposed by the State in FY2009. The Town did receive \$6,590,957 in FY2011 or \$594,488 more than FY2010 and the FY2012 State Budget allocation is \$6,991,720 for the Town.

Based on the comments by the Governor and the fact that the State still has not yet met its foundation payment obligation (minimum state share per the Education Reform law) to the Town of Needham, we are estimating the Governor's figure of \$7,633,990 for FY2013 or more than 9% over the current year. Although state aid may be reduced for some communities, the belief is that the Legislature intends to keep to its prior funding promise of bringing all school districts to at least their foundation budget.

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

## Fiscal Year 2013 Proposed Budget

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 called **Unrestricted General Government Aid (UGGA)** in FY2010. 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. The Town received \$1,476,550 in FY2011, a loss of \$61,523 from FY2010. The FY2012 UGGA allocation to Needham is \$1,369,789 or \$106,761 less than FY2011. The FY2013 UGGA is estimated at level dollar of \$1,369,789 which is based on the Governor's budget plan.

The Quinn program (police career incentive) 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 Town is scheduled to receive \$12,624 in FY2011, but received \$13,368. There is no funding for FY2012 and no funding proposed for FY2013 by the Governor. The total estimate for the other Cherry Sheet programs is \$182,963 for FY2013, compared to an estimated \$216,764 for FY2012. This represents a nearly a 16% reduction.

Cherry Sheet Aid  
Table 2.4

Description	FY2009 Recap	FY2010 Recap	FY2011 Recap	FY2012 Recap	FY2013 Estimate	\$ Change
Chapter 70	6,118,846	5,996,469	6,590,957	6,991,720	7,633,990	642,270
School Transportation						
Charter School Tuition Reimbursement	63,184	5,865	4,479	61,276	20,674	(40,602)
School Lunch	26,983	29,573	27,019	31,899	32,448	549
<b>State Aid for Education</b>	<b>6,209,013</b>	<b>6,031,907</b>	<b>6,622,455</b>	<b>7,084,895</b>	<b>7,687,112</b>	<b>602,217</b>
Lottery	1,705,544					
Lottery - Hold Harmless	261,136					
Additional Assistance	205,993					
Unrestricted General Government Aid		1,538,073	1,476,550	1,369,789	1,369,789	
Police Career Incentive	122,793	22,071	12,624			
Veterans Benefits		5,875	9,724	16,077	18,469	2,392
Chapter 58 Chapter 59 Exemptions	77,429					
Chapter 59 Elderly Exemptions	11,546					
Exemption Reimbursements		85,661	76,620	77,398	81,584	4,186
Public Library Aid	37,540	27,163	29,040	30,114	29,788	(326)
<b>State Aid for General Government</b>	<b>2,421,981</b>	<b>1,678,843</b>	<b>1,604,558</b>	<b>1,493,378</b>	<b>1,499,630</b>	<b>6,252</b>
<b>Total Cherry Sheet Aid</b>	<b>8,630,994</b>	<b>7,710,750</b>	<b>8,227,013</b>	<b>8,578,273</b>	<b>9,186,742</b>	<b>608,469</b>
MSBA Payments	745,381	745,381	745,381	745,381	745,381	
<b>Total State Aid</b>	<b>9,376,375</b>	<b>8,456,131</b>	<b>8,972,394</b>	<b>9,323,654</b>	<b>9,932,123</b>	<b>608,469</b>

### LOCAL RECEIPTS

Local receipts represent approximately 6.3% 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

## Fiscal Year 2013 Proposed Budget

departmental activities and services. The estimate for FY2013 of **\$7,709,000** (Table 2.5) is an increase of \$123,853 from the revised FY2012 budget. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2012 receipts based on FY2011 results. There was a pick-up in economic activity driven receipts especially in the last quarter of FY2011, but several local receipts categories through the first six months of FY2012 (excise, interest, services) are running slightly behind the same period last year. Overall, FY2011 actual receipts were \$921,924 more than FY2010; recurring receipts were \$815,426 more than FY2010 recurring receipts. FY2010 receipts were \$379,746 lower than the FY2009 actual receipts, and FY2009 actual was \$1,817,827 lower than FY2008 receipts. 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. We had expected the total receipts for FY2010 to be flat, the adjusted budget estimate for FY2010 was \$8,085,545, and actual receipts were \$8,945,903 or \$860,358 more than the estimate; just under \$17,000 less than the prior year difference between estimated and actual. Because the Town adopted the meals excise during FY2010, the Town received \$110,509 from this revenue; so the true comparison between FY2010 and FY2009 would have shown an even greater drop in revenue.

We also knew that one revenue stream would disappear in FY2012. The Town maintained and managed the commuter lots since the MBTA reinstated the commuter rail service to Needham. This arrangement worked well for the Town, after accounting for the expenses to maintain the lots and the lease payments to the MBTA, the Town realized a surplus which helped to pay for other services. The Town and the MBTA had been in negotiations for a new lease arrangement. However, the MBTA has decided to assume control of its properties and will operate and manage the commuter parking lots in Needham. The revenue lost is approximately \$300,000, and the net "profit" (revenues less expenses) was more than \$80,000.

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 FY2012 are projected at approximately **\$3.6 million**, or 15% below the FY2011 actual. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate for FY2013 any higher because a negative swing with this revenue item can have a notable impact on 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. The Town of Needham also 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 received its first distribution of meals tax revenue from DOR in the spring of 2010. Collections from both the room excise and the meals excise have been positive and growing, but should slow in its

## Fiscal Year 2013 Proposed Budget

growth as now we have a full year activity and the Department of Revenue has successfully notified all establishments of the need to collect and turnover the proceeds to the state for distribution to the Town. The total receipts in FY2010 were \$389,215 and in FY2011 \$802,840. For the first six months of FY2012, the total is \$482,473. The budget estimate for FY2012 is \$645,000. Based on collections to date, this is one of the revenue sources that we are confident can be estimated higher than we would traditionally do at this time. The estimate is **\$690,000** or \$45,000 (7%) over the current year. This estimate is 86% of the FY2011 actual.

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 FY2013 is level at **\$265,000**.

**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 FY2013 estimate is currently being held at the same dollar amount as the FY2012 budget of **\$45,000**. This revenue source could decrease if the Federal Government reduces its support for some state programs such as affordable housing.

The category of **Charges for Services** includes charges for ambulance services, fire alarm connections, parking receipts and charges by the DPW. The increase in revenue for FY2009 was related to the doubling of the parking rates that was ordered by the MBTA effective November 15, 2008 (FY2009). Commuters were then paying \$4 per day to park at the "T" commuter lots. As mentioned previously, the MBTA has now assumed control and management of the commuter lots and therefore a reduction of in revenue will occur in FY2012. The FY2013 estimate is level dollar at **\$720,000**.

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, because they had 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 FY2008 revenue was due to both higher fees and some extraordinary permits issued. The FY2009 revenue dropped significantly by nearly \$900,000 (\$2,086,461 to \$1,192,088) as few new large building projects have been permitted. FY2010 revenues declined further by \$41,556, but did show strong improvement in FY2011 growing by \$290,732. Building permit activity still remains strong, with some increase in commercial activity, but mostly residential projects. The estimate for FY2013 is **\$1,050,000** or \$250,000 more than FY2012 (approximately 31%). This revenue source is estimated more aggressively to offset the necessary reduction in both the Library and Park and Recreation revenue estimates. The estimates for those two revenue sources have been much closer to their actual receipts.

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 FY2009 was \$130,515, which was an increase from the prior year, but dropped in FY2010 to \$92,046, only to increase again to \$104,778 for FY2011. The estimate for FY2012 is \$75,000. The estimate for FY2013 is increased by \$10,000 to **\$85,000**.

## Fiscal Year 2013 Proposed Budget

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, a recovery in FY2007 to \$155,975, an increase in FY2008 to \$199,101 and again in FY2009 to \$206,953. FY2010 showed a decrease of \$17,855 to \$189,098. 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 parking enforcement. The department increased support by using temporary help to provide greater enforcement coverage in the downtown areas during the business day. This has been successful in ensuring business district customer parking spots are not tied up by all-day parking. As expected, the free parking that the Board approved due to construction in the downtown area contributed to the reduction in 2010 and with tighter enforcement an increase in FY2011. The estimate for FY2012 was reduced to **\$165,000** and will be held level dollar for FY2013.

**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 was lowered to \$250,000 because of the issues related to the Rosemary Pool activities which reduced attendance; FY2012 is also \$250,000, but has been lowered by \$15,000 to **\$235,000** for FY2013 or approximately 86% of the FY2011 actual.

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

The Town had enjoyed a period of increased **Investment Income** in FY2006 and FY2008 from \$1,041,352 earned during FY2006 to \$1,253,286 for FY2008. In FY2007 \$1,573,613 in interest income was generated, due to a number of significant one-time cash flow events during the year which resulted in the Town's average invested balance to be higher, earning greater amount of 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. 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 total General Fund interest income received in FY2010 was \$497,129 or \$284,937 less than FY2009. The FY2011 estimate was furthered reduced to \$325,000, yet the actual revenue still came in under at \$222,981. The original level dollar estimate for FY2012 of \$325,000 to had to be reduced to \$150,000. As of December 31, 2011 the Town had earned \$95,149. The estimate for FY2013 is **\$150,000**. This is another local receipt line that we monitor regularly. It is revised if necessary 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 FY2013 is **\$320,000** the same as FY2012.

**Library Income** includes book fines and other fees charged by the Needham Free Public Library. 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. Revenues increased in FY2009 to \$57,614, and increased in FY2010 to

Fiscal Year 2013 Proposed Budget

\$61,491. Library revenue slid in FY2011 to \$57,901 and receipts for the first six months of FY2012 show \$26,886. Similar to Park and Recreation receipts the estimate for FY2013 has been lowered to approximately 86% of the FY2011 actual or **\$50,000**.

**Rental Income** is collected on a lease with the Needham Golf Club. No income has been realized from the Ridge Hill facility since mid 2008 when use of the site ceased. The Town has a long term lease with the Needham Golf Club (NGC) which runs for twenty years. The **\$140,000** estimate is being held level for FY2013. The decline in rental income from FY2008 to FY2009 was due to both the loss of Ridge Hill rentals, and treatment of the property leased to the NGC. The land which the NGC leases is considered taxable. The income in FY2009 was \$151,887 and increased to \$172,796 in FY2010, and increased again to \$176,478 all attributable to the lease with the NGC.

**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 decrease in FY2009 to \$185,544 or a 34% drop in revenue. This revenue continued to decline in FY2010 with only \$85,863 being received. The FY2011 revenue reversed the trend with the Town receiving \$228,690 by year end. There has been an increase in Medicaid reimbursements in FY2012, so the FY2013 estimate has been increased to **\$140,000** (32%).

**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 we are anticipating \$54,000 from energy rebates that should be realized in FY2013 and the sale of equipment that is scheduled to be replaced this year and next. No other revenue meeting this criterion has been identified.

Local Receipts  
Table 2.5

Description	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Recap	FY2012 Actual+	FY2013 Estimate	\$ Change
Motor Vehicle Excise	4,129,367	3,879,790	4,256,790	3,500,000	491,652	3,600,000	100,000
Other Excise	284,274	389,215	802,840	645,000	482,473	690,000	45,000
Penalties & Interest	270,991	310,910	336,773	265,000	160,461	265,000	0
Payment in Lieu of Tax	120,809	82,040	47,109	45,000	24,294	45,000	0
Charges for Services	1,016,683	1,045,245	901,013	720,000	302,921	720,000	0
Fees	130,515	92,046	104,778	75,000	49,615	85,000	10,000
Rents	151,887	172,796	176,478	140,000	48,833	140,000	0
Library Department Income	57,614	61,491	57,901	55,000	26,886	50,000	(5,000)
Recreation Department Income	264,862	278,220	274,830	250,000	79,872	235,000	(15,000)
Other Department Income	338,804	371,067	371,291	320,000	239,073	320,000	0
Licenses & Permits	1,192,088	1,150,532	1,441,264	800,000	781,199	1,050,000	250,000
Special Assessments	4,739	4,854	1,594	0	0	0	0
Fines & Forfeits	206,953	189,098	201,391	165,000	86,478	165,000	0
Investment Income	714,066	497,129	222,981	150,000	95,149	150,000	0
Miscellaneous Income	185,544	85,863	228,690	106,000	379,808	140,000	34,000
Nonrecurring Income	256,454	335,606	442,104	349,147	376,248	54,000	(295,147)
<b>Total</b>	<b>9,325,648</b>	<b>8,945,903</b>	<b>9,867,827</b>	<b>7,585,147</b>	<b>3,624,961</b>	<b>7,709,000</b>	<b>123,853</b>

## Fiscal Year 2013 Proposed Budget

### OTHER AVAILABLE FUNDS AND FREE CASH

Other available funds represent 0.5% of the total general fund before adjustments and offsets, and Free Cash represents approximately 4.2%.

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.

The Free Cash that will be available for FY2013 has not yet been certified by the Massachusetts Department of Revenue. However, our preliminary estimate has Free Cash at \$5,197,000. This is would be an increase of \$1,816,731 over the current year approximately a 54% change. This increase is attributable to several one-time revenue events including a recapture of approximately \$600 thousand in personal property taxes from FY2009 and FY2010, over \$300 thousand in Bond premiums, the close out of several prior appropriation balances, and an increase in local receipts especially during the last quarter of FY2011, as was previously mentioned.

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 be expected to support operating expenses. Our practice now is that not more than 2% of the adjusted operating budget of the prior fiscal year or the actual turn back, whichever is less be used for operating expenses in the next fiscal year. The final budget for FY2011 was \$110,084,279. Excluding the budgets for the retirement assessment, OPEB assessment, debt service, and the reserve fund, the FY2011 operating budget was \$89,054,091. Two percent of the adjusted budget would be approximately \$1.8 million, which is more than the actual turn back for FY2011. The budget plan has approximately \$1.3 million of the estimated Free Cash being used for operating expenses. The term Undesignated Fund Balance has been discontinued with the implementation of the Government Accounting Standards Board Statement 54, which has reclassified how certain reserves are reported, and now is referred to as Unassigned Fund Balance. The process by which the Department of Revenue determines what portion, if any, of those funds are available as Free Cash has not changed.

Town of Needham  
Free Cash History  
Table 2.6

Budget Year	General Fund Unassigned Fund Balance	Free Cash Certified	Percentage Fund Balance Certified by DOR	Free Cash Reserved for Budget Year	Fund Balance Rolling to the Next Fiscal Year
FY 2011	8,863,948	Pending		FY 2013	
FY 2010	6,184,718	3,380,269	55%	FY 2012	2,804,449
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

Fiscal Year 2013 Proposed Budget

**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 FY2013 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 yet 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. \$40,000 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 2011 which lowered the amount of revenue that will be collected in FY2012.

FY2013 is the second operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be \$550,000 in FY2013. We reflect \$550,000 as another financing source for the CPA debt as the debt service is reflected under the general operating budget of the Town.

Revenue Group as a % of Total General Fund Revenue  
Table 2.7

Description	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Recap	FY2013 Estimate
Property Taxes	76.5%	80.0%	79.3%	82.0%	81.0%
State Aid	7.9%	7.7%	7.7%	7.9%	8.1%
Local Receipts	8.8%	8.2%	8.4%	6.5%	6.3%
Other Available Funds	1.4%	1.3%	1.6%	0.7%	0.5%
Free Cash	5.5%	2.9%	3.0%	2.9%	4.2%
<b>Total General Fund Revenue*</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*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, information technology, 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 FY2013 is based on the current year and is estimated at \$235,000.

## Fiscal Year 2013 Proposed Budget

Enterprise Reimbursements to the General Fund  
Table 2.8

Description	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Recap	FY2013 Estimate	\$ Change
Solid Waste	134,890	134,180	241,778	250,625	235,000	(15,625)
Sewer	580,923	632,483	480,971	420,647	395,000	(25,647)
Water	994,683	993,932	936,966	944,443	835,000	(109,443)
<b>Total</b>	<b>1,710,496</b>	<b>1,760,595</b>	<b>1,659,715</b>	<b>1,615,715</b>	<b>1,465,000</b>	<b>(150,715)</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, information technology, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The projected amounts for FY2013 for sewer and water are estimated at \$395,000 and \$835,000, respectively.

The total estimate is lower due the continued restructuring of the DPW and fewer expenses being incurred by the general fund and positive trends with employee benefit costs. Some of the lower cost is related to the move of the drains program from the DPW operating budget to the sewer enterprise. The work that is performed in the drains program is performed by sewer and water personnel. In prior years, a portion of those two enterprise fund personnel budgets was funded in the DPW operating budget. The drains program is now accounted for in the sewer enterprise budget, but the salary and expenses will still continue to be supported by General Funds. This will be accomplished by a transfer appropriation vote by Town Meeting at the time Town Meeting acts on the Sewer Enterprise Fund operating budget article.

Because other indirect costs associated with the three funds are a factor of Town Meeting appropriations, the actual FY2013 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 **\$1,202,428** for FY2013 is an increase of 0.3% over FY2012.

**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 FY2013 is estimated at **\$62,236**, or a 0.4% increase from FY2012.

**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 **\$1,300,000**. The final amount is determined by the Department of Revenue when it approves the tax rate in December. Approximately \$210,000 is intended to fund statutory exemptions that are granted to the elderly, the infirmed, and veterans. The State should reimburse the Town approximately \$82,000 of this amount through the Cherry Sheet for these exemptions. The projection is the minimum recommended for the year; should additional new growth tax revenue be realized for FY2013, the amount of overlay may be increased.

## Fiscal Year 2013 Proposed Budget

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 had 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, FY2010 was \$535,681, and the current year was based on \$654,215. However, due to the drop in RTS revenue and given the restrictions on estimating revenue above the actual amount of the prior year, an additional \$138,457 of General Fund revenue was required in order to balance the RTS budget. During 2010, the Board of Selectmen held several public meetings regarding the rates and methods of charging for use of the RTS. The Board last year approved increases in the RTS sticker rates, and changed the discount sticker program by lowering the fee and allowing residents to buy discounted RTS stickers at any time. Previously, a resident had to purchase the discounted sticker at the time the primary sticker was purchased, and the discount was limited to one sticker per household. Even with the increase in the rates, the adjustments to the budget, and the use of retained earnings, the FY2012 transfer of \$547,673 needed to be supplemented with an additional \$33,000 for a total of \$580,673. The estimate for FY2013 is **\$547,100**, a decrease of \$33,573 from the actual payment in FY2012. If the designated amount is appropriate, no increase in the RTS sticker rates will be necessary. The RTS pay-per-throw rates will likely need to be increased, as the rates charged to the Town for disposal are higher.

The Town approved a change effective with the FY2012 budget that the expenses associated with the Drains Program that were carried in the DPW General Fund Operating Budget are now part of the **Sewer Enterprise Fund Budget**. The staff who perform a majority of the drains-related work are assigned to either the water or sewer division. There are benefits for the Town to have the water and sewer staff perform the drains-related work rather than hiring additional staff for the sole purpose of drain work. The drains program is considered a general fund expense and not a sewer or water fund expense. The weekly tracking and processing of drains related procurement, accounts payable, and payroll, as well as the budgeting process is easier and more efficient (less cross-fund accounting work) to process the finance-related tasks through one of the enterprise funds, rather than the prior three fund process (general fund, sewer fund, and water fund). The General Fund still pays the drains-related costs, but the appropriation will now be made from the General Fund to the Sewer Enterprise Fund Budget. The General Fund appropriation to the Sewer Fund will be **\$493,932** for FY2013. The FY2012 drains budget is \$469,610

**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 items provided for in this allowance. No amount has been set aside for this purpose for FY2013. However, the amount certified by the tax collector for tax title purposes is assumed to be level dollar for FY2013 at \$12,500.

### OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2011 is \$3,506,731. The Stabilization Fund may be appropriated, by a two-thirds vote of Town Meeting, for any

## Fiscal Year 2013 Proposed Budget

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, 2011 is \$561,688.

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, 2011 is \$734,117.

### 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 operation, sewer operation, 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 FY2013, enterprise fund revenues will be estimated at \$16,609,747 although \$1,661,100 of this amount reflects use of retained earnings for capital investment in the three operations and another \$687,125 of retained earnings used to fund non-capital appropriations. Although there has been an increase in recycling revenues for the RTS Enterprise it still is not at the level necessary to keep rates at current levels, therefore **\$273,483** in retained earnings is proposed to be used to offset RTS expenses in FY2013. The plan also provides for **\$413,642** in Sewer Enterprise retained earnings to be used to mitigate MWRA and debt expenses. No sewer or water user rate increases are necessary under this budget plan. At the time of release of the budget plan, the water use assessment was not yet released by the MWRA, so the amount was level-funded. We do expect the assessment to be higher for FY2013 due to the greater amount of water used by the Town from the MWRA system. The budget plan would use Water Enterprise Fund retained earnings to cover the assessment increase from the amount currently in the budget so not to change rates. The budget plan also provides for a **\$547,100** general fund appropriation to the RTS Enterprise (payment for avoided general fund related costs). The \$273,483 of RTS retained earnings proposed to fund the RTS operation is to ensure that a subsidy will not be required for FY2013. In FY2011 an additional subsidy of \$138,457 and in FY2012 an additional subsidy of \$33,000 by the General Fund was necessary because RTS revenues could not be estimated at the amount required for approval by the Department of Revenue. Rate increases may be necessary if the recommended amounts are not appropriated or if the market for recyclable products does not improve. The budget plan also provides for a **\$493,932** General Fund appropriation to the Sewer Enterprise for the costs for the Drains Program that was transferred to the Enterprise effective for FY2012. This represents approximately a five percent increase over the FY2012 payment.

### 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

## Fiscal Year 2013 Proposed Budget

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 have not yet been certified by the Department of Revenue. Our preliminary estimate of the amount for each fund is as follows:

RTS Enterprise Fund -	\$ 499,000
Sewer Enterprise Fund -	\$2,550,000
Water Enterprise Fund -	\$2,930,000

### 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. The distribution rate that Needham received on its FY2011 CPA surcharge revenue in October 2011 was 26.64%. We believe the distribution range in FY2013 will be between 20% and 30% and our revenue estimate is at the middle. The current estimate based on FY2012 collections that will be received as state matching funds in FY2013 is \$411,000 or 25%. The 2% CPA surcharge on FY2013 property tax bills is estimated at \$1,711,000. The total estimated FY2013 CPA revenue is \$2,122,000.

The \$2,122,000 estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$233,420 credited to both the Community Housing Reserve and Open Space Reserve. The \$233,420 figure is approximately 11% of the new revenue estimate for FY2013. Because the final revenue estimate is usually not known until the actual tax rate has been approved and the bills calculated, the practice has been to appropriate an amount of 11% of the revenue estimate to each of the required reserves to better ensure that the minimum CPA use requirement is satisfied. The FY2013 debt budget includes \$550,000 of debt service for the Town Hall project. The amount that is recommended is usually adjusted downward to reflect amounts that may be appropriated to specific qualifying projects. The Town Hall project was previously designated as a historic preservation project, and therefore the \$550,000 appropriation to the General Fund operating budget will satisfy minimum requirement for Historic Resources. The balance of the CPA revenue estimate of 1,023,160 would be transferred to the Community Preservation Fund General Reserve for FY2013. The amount that is actually appropriated to each reserve would be adjusted as needed based on the CPC's project funding recommendations and Town Meeting votes on those recommendations.

The certified CPA Free Cash balance as of December 31, 2011 is **\$1,570,853** and remains available for appropriation until June 30, 2012. The CPC has not yet made any funding recommendations for FY2013. The amounts currently held in the three required reserves as of December 31, 2011 are as follows:

Open Space Reserve -	\$426,900
Community Housing Reserve -	\$485,100
Historic Reserve -	\$148,320

Fiscal Year 2013 Proposed Budget

<b>Town of Needham Community Preservation Fund Revenue and Appropriations FY2013</b>
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**FY2013 Community Preservation Fund Revenue Estimates**

FY2013 Surcharge Revenue Estimate	1,711,000
State Trust Fund Distribution Estimate	411,000

<b>Total CPA Revenue Estimate</b>	<b>2,122,000</b>
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**FY2013 Community Preservation Fund Appropriation Estimates without Projects**

Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	233,420
Historic Resources Reserve	0
Open Space Reserve	233,420
Community Preservation Fund Reserve	1,023,160
Specific Appropriations (see below)	550,000

<b>Total</b>	<b>2,122,000</b>
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**Specific Appropriation Requests**

Town Hall Project Debt Service (GF Debt Operating Budget)	550,000
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<b>Total</b>	<b>550,000</b>
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