

Town of Needham
General Fund
Revenue and Expense
FY2015 – FY2019 Pro Forma

Revised and Released

September 12, 2013

Intentionally Blank

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

Overview

The purpose of developing the Pro Forma budget is to provide a resource to use for planning the upcoming fiscal year budget and to allow for early planning for the next several budget cycles. An underlying purpose of the Pro Forma is to anticipate and prepare contingency plans for the operation of the government and continuation of the primary services and functions in a sustainable way. The annual update of the five-year Pro Forma is done to provide a tool that assists the Town in its planning and to allow for proactive steps to maintain a sustainable operation within reasonable anticipated revenues and other funding sources. Pro Forma expense amounts are not necessarily where department budgets will be or should be, but rather represent an outlook of expenses on a macro level, taking into consideration expected changes based on known (contractual obligations) and forecasted trends on major (key) expenditures, as compared to revenue trends.

As in prior years, we forecast revenues and expenditures in a conservative manner, reflective of current and anticipated trends. Although each year the variance between the revenue estimates and expenditure estimates grows, the line of focus should be the incremental gap. Because the Town can not approve a deficit budget, (so the gap between revenue and expenses is closed every year), the deficit is not growing by the amount shown on Line I, but rather the gap to be closed in each year is the incremental amount shown on Line II. With any forecast based on past trends and future assumptions, revenues and expenses are better known as we come into the actual year. It is important to note that, even in the best of recent economic climates, the Pro Forma budget reflected a gap between estimated revenues and expenditures.

In this analysis, we present the current FY2014 operating budget and revenue estimate, the immediate three prior fiscal year final adjusted budgets (2013, 2012, and 2011), and a five year outlook. Unless otherwise stated, the FY2014 operating budget is the base year on which annual changes are based. For the purposes of this report, we have removed the debt exclusions and CPA debt service amounts that are part of the actual General Fund operating budget which are budgetarily neutral.

The estimated expenditure requests for FY2015 at \$126,126,644 are \$5,887,452 more than the current expenditure total for FY2014. The projected revenue figure is \$125,016,609 compared to \$120,239,192 currently estimated for FY2014 - an increase of \$4,777,417. The gap between estimated revenue and estimated expenditures for FY2015 is slightly lower at \$1,110,035 when compared to the \$1,237,990 figure shown as the

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

incremental gap for FY2015 in the September 11, 2012 Pro Forma. The incremental gap between estimated revenue and estimated expenditures is less in each of the out years (FY2016 – FY2018) when compared to the September 11, 2012 report. The incremental gap for FY2019 is \$1,329,249.

Revenues

As in prior reports, we have assumed no operating overrides for any of the fiscal years. As stated earlier, because we have removed the excluded debt and CPA debt service from the expenditure side, we have also removed the debt-excluded revenue and MSBA payments, if any, and Community Preservation Act funds from the revenue projections, as they are offsetting. We have adjusted the FY2014 revenue budget to reflect the adoption of the 2014 State Budget. The current estimate for property tax new growth revenue has been increased by \$250,000 from that assumed for the May 2013 Annual Town Meeting. Total available revenue is estimated to increase by 4% in FY2015, then dropping to 3.4% in FY2016, and down to a 3.0% rate for the out years. However, core revenue (property taxes, state aid, and local receipts), most of which is considered recurring revenue, runs between 3.0% and 3.5% over the FY2015 – FY2019 timeframe.

Property Taxes and Local Receipts

With the development of several commercial facilities in Needham Crossing, we expect New Growth tax revenue to be higher in FY2015 and FY2016. Needham's residential market did not show a downturn during the last couple of years, so although residential construction remains solid in Needham; it is more of the same, so we would not expect any significant bump up in New Growth residential property tax when compared to recent years. We allow for the annual 2.5% increase in the tax levy each year, and have increased the New Growth revenue assumption for FY2015 to 1.2%, and FY2016 to 1.5%. However, we continued the New Growth assumption for FY2017 and beyond at the same 0.9% in prior years. As noted previously, we have made no allowance for operating overrides, and we have removed the debt exclusion revenue as we have removed the debt exclusion payments from this report.

The Town plans on a certain level of recurring Free Cash, so our practice is to estimate receipts, principally local receipts, in such a manner as to generate surplus to provide for the following year's Free Cash estimate. For FY2015 and the out years we estimate local receipts to be increased by a flat 3% per year, except as noted below for motor vehicle excise, license and permit fees, and investment (interest) income.

As was assumed for Pro Forma last year, pent up demand for new vehicles should generate more excise tax revenue for the Town. Many reports indicate that vehicle sales are indeed much improved over recent years and

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

sales going into the fall are forecasted to remain strong. This allows us to keep the 3.5% excise revenue budget estimate increase for FY2015, but then as the auto purchasing cycle goes, there will likely be a slowdown in the number of new vehicle purchased. We account for this by lowering the percentage change to 2.0% in FY2016, increasing to 2.5% for FY2017; and the FY2018 and FY2019 estimate are the same as our allowance for other local receipts at 3.0%. Given that motor vehicle excise is usually the largest local receipt category, a shortfall in this revenue stream could materially impact the Town's Free Cash position in the succeeding year, and therefore our estimates continue to be conservative and are held below actual collections.

License and permit revenue continues to be strong, coming in comfortably above the estimates, but the actual revenue for FY2013 was less than FY2012. We expect this revenue, particularly building permit revenue, to be higher in FY2015 with the anticipated development in Needham Crossing. We assume the revenue estimate will be nearly 10% more for FY2015, due to the activity in the commercial areas, but unlike the additional property tax revenue that the development will bring, the permit revenue is one-time. Therefore the revenue estimate is assumed to decline by 1.7% in FY2016, then increase by 1.4% in FY2017 and increase at the 3.0% level for FY2018 forward.

Interest income came in above the budget estimate for FY2013, the first time in more than three years that this has happened. The FY2013 unaudited actual revenue is \$84,803 compared to a budget estimate of \$80,000. The \$80,000 estimate was a significant reduction in the budget estimate from those in prior years. In each of the three years prior, even after a downward estimate from the amount assumed at the time of the Annual Town Meeting, investment income came in under the budget estimate. FY2012 actual revenue is \$103,130 compared to a budget estimate of \$150,000; FY2011 actual revenue was \$222,981 compared to a budget estimate of \$325,000; FY2010 actual was \$497,129 compared to a budget estimate of \$545,000; and FY2009 actual was \$714,066 compared to a budget estimate of \$650,000. Looking back further than FY2009, actual investment income was \$1,253,286 (FY2008) and \$1,573,613 (FY2007). The original estimate for FY2013 was level dollar to the FY2012 budget, but based on actual interest income for FY2012 and no expectation that rates would increase appreciably, we lowered the estimate for FY2013 to \$80,000 and level dollar for FY2014. We assumed a growth rate of 1% for FY2015 and 2% for FY2016. With interest rates increasing, and the expectation of the markets that rates will continue to rise, we maintain the 1% revenue increase for FY2015, but now assume a budget estimate growth rate of 3% for FY2016 and the out years.

State Aid

Although state aid for FY2014 is estimated higher than FY2013, the approved state budget for FY2014 has less aid

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

coming to Needham than was estimated for the Annual Town Meeting. The reduction was in the Education Cherry Sheet aid (Chapter 70), from that which was suggested earlier in the budget cycle. This reduction from the amount estimated for the Annual Town Meeting was offset by a higher amount in the Unrestricted General Government Aid (UGGA) account and an increase in New Growth revenue. We still have concerns whether the Commonwealth will be able to sustain a growing aid allocation to the communities, given the reductions that will be seen as Washington D.C. moves to narrow the deficit.

We continue to forecast a 1.0% annual reduction in all state aid accounts for each of the five years except for two of the major state aid programs. We expect Chapter 70 funding will be challenged, but we assume it will be level funded for FY2015. Politics may well play a role, as the budget formation for FY2015 will precede a state election that will bring a new Governor, so the Chapter 70 program is the least likely to be reduced for FY2015. However, we then assume a 1.0% annual decline in the out years for this program. With the continued growth in state lottery proceeds and the expectation that one or more casinos will be open in Massachusetts within the next four years, we assume UGGA will increase by 1.0% for FY2015, be level funded for FY2016 and FY2017, and then increase by 0.5% for FY2017 and doubled to 1.0% for FY2019. The growth factor in the out years is based on the assumption that the State will not divert lottery funds from the municipalities, when the lottery is growing and it would not want the cities and towns to see less revenue if lottery revenue declines due to casinos opening in the Commonwealth.

Because all Massachusetts School Building Authority (MSBA) funds are used to offset the excluded debt service, and since we have removed excluded debt expense from the Pro Forma, we have not included the remaining MSBA payments in this analysis.

Other Revenues

We continue to assume that abatement and exemption activity will remain predictable, and have made allowances that \$500,000 in overlay surplus should be available for appropriation each year. We are still in the process of tabulating FY2013 financial activities and preparing for the financial audit. We will not have a firm estimate of Free Cash until the fall. We do know that because of the lower amount of undesignated fund balance that was certified as Free Cash by the Department of Revenue in FY2013, that the Free Cash that is certified in FY2014 will be astonishingly high. However, for the purposes of this Pro Forma, we look at and forecast Free Cash at levels we would usually estimate. Therefore, we have taken a similar approach as we have in the past for estimating. We are assuming Free Cash for the upcoming year will be \$3,475,000 which is approximately 85% of the budget years 2008 – 2013 average. The Free Cash amount is then assumed to increase annually by the rate of growth in core

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

revenues (property tax, state aid, and local receipts); the annual change in this revenue category is in the three percent range. Free Cash is also affected by extraordinary turn backs, one-time revenue, allowances made for uncollectable receivables, and deficits in other funds. The Pro Forma continues to assume that any Free Cash amount in excess of the operating budget allocation will be used for increased capital investment or reserved in the capital funds for ongoing future needs. This strategy reduces the Town's dependence on reserves to fund recurring operating expenses, and/or to fund other non-operating costs. In recognition that most every year there are some additional resources which become available for appropriation, we have included \$51,500 in the FY2015 revenue assumption and grow the amount by 3.0% per year. The estimates are the same as used in the prior year's Pro Forma based on a five year average, after excluding operating budget reallocation towards capital and reserves that have been appropriated for capital and special warrant articles. Parking meter revenue is projected to provide \$40,000 annually.

Expenditures

The FY2014 budget is the base year on which the out year estimates are calculated. With respect to department expenditures, we continue to assume a 4.0% annual increase in total wage and salary expenses, except where otherwise noted. Furthermore, other than as outlined below, all other budget items are assumed at a 2.20% annual increase, consistent with the average increase in the consumer price index (Northeast Index of all urban consumers) of the past five full calendar years (2008 – 2012). This index is used in consideration of the fact that the marketplace in which the Town purchases goods and services extends beyond the local Boston Metropolitan area, and this index is therefore more reflective of the mix of vendors from which the Town purchases. The calculated average with the same index in the prior three years was: 2.32%, 2.43%, and 2.77%, respectively.

Town Wide Expenses

We still see favorable news with a continued moderation in health insurance costs. Therefore we have held our rate increase assumption at the same levels as used in the previous year report, lowering the rate of increase for FY2015 through FY2017 to 4.75%, and the out years at 4.5%. With respect to retiree health insurance and other post employment benefit costs (OPEB), we have relied upon the July 2011 actuarial schedule for FY2015. The schedule will be updated based on a July 2013 date and an increase is expected. The update is not expected until the spring. We are anticipating an increase in the annual cost due to the investment climate, which we assume will be buffered in part by movement to higher deductible plans by retirees. For the purposes of this Pro Forma we assume a 10% increase in the FY2016 assessment then growing at 5.0% annual in the out years.

The general insurance budget is expected to grow at the five-year CPI average of 2.20% per year with a final one-

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

time adjustment of \$1,875 to reflect the annualized premium for the Senior Center operating costs were phased in over FY2014 and FY2015, and the new Senior Center is expected to open this fall. This line also covers deductibles, small claims, and risk management expenses.

The retirement assessment is based on the current actuarial funding schedule. The noncontributory retirement growth is pegged at the same rate of growth as general salaries and wages. The Retirement System assessment for FY2015 is \$5,621,400 which will increase by approximately 3.7% per year based on the updated actuarial analysis. The system is projected to be fully funded in 2030.

The unemployment budget is assumed to increase 2.2% or the five-year CPI average. The workers compensation budget line and the updated classification performance and settlements reserve are based on the same averages as the salary and wage lines. Debt service within the levy limit is maintained at approximately 3% of general revenue.

The reserve fund allowance is based on the same approach that was introduced in the 2012 Pro Forma. The formula assumes a reserve fund of 1.4% of the estimated operating budget, excluding debt, OPEB, and retirement. Those three budgets are excluded from the calculation because they are known amounts each budget year and therefore a call on the reserve fund from these programs should not be expected. The formula provides for a reserve fund at a level similar to recent budgets.

Public Schools

We have assumed a 4.0% increase in the personnel expenditure line, the same as municipal departments. As assumed in the previous Pro Forma, SPED tuition costs to the Town have moderated, so the FY2015 estimate remains at a 4.0% growth rate; the FY2014 budgeted amount is \$3,522,184. The SPED budget is projected to increase by 3.75% for the out years. The Needham Public Schools has allocated \$1,432,460 (\$472,229 for regular transportation and \$960,231 for SPED transportation) for school transportation in FY2014. Transportation has been a faster growing cost than many other expenses, but some moderation in pricing is being seen by districts. We assume a 3.75% increase for FY2015 and 3.25% increase for the out years. Another cost that is now seen as growing faster than expenses in general is software licensing. With greater use of software, and the industry changing its economic model to provide the products, cost for the school department and the Town overall is estimated at 4.0% per year. All other expenses are projected at a 2.2% increase annually.

The Minuteman School assessment fluctuates significantly year to year, because the assessment is a factor of the

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

Department of Education's net school spending calculation, the number of students attending from Needham, and the percentage that the Needham student enrollment bears to the total enrollment. For the purposes of this Pro Forma, we have used the FY2014 budget figure of \$733,961 and assume a 5% annual increase thereafter.

Energy and Fuel Costs

The five year average change in gasoline prices in the Boston area has been flat, but the year-to-year differences have been significant. The June over June average price dropped by more than 36% in FY2009, but then increased by more than 5% in FY2010 and by more than 37% in FY2011. June 2012 saw the average price drop by more than 7% from the previous fiscal year, but increased by .66% for FY2013. When looking at the average price by calendar year, every year shows a higher price. The 2009 average price per gallon was \$2.31, which increased to \$2.75 per gallon in 2010, up to \$3.51 for 2011, and then to \$3.63 for 2012. Diesel fuel pricing also reflects wide swings, yet the five year annual percentage change average shows as a negative .3%. A similar picture for heating oil plays out, with the five year average showing as a decline of more than 0.6%. For the purpose of the Pro Forma we assume budget increases for gasoline of 4.5% for FY2015, dropping to a 3.5% increase for FY2016, then a 2.5% increase for FY2017. The out years are based on the CPI. Diesel fuel budgets are assumed to increase at 8.0% for FY2015, at 6.0% for FY2016, 4.0% for FY2017, and then the CPI rate thereafter. Heating oil, after taking into account that more sites are being converted over to natural gas that the FY2014 budget amount of \$170,415 will grow at 8.0% for FY2015, 5.0% in FY2016, 4.0% for FY2017, and then CPI in the out years. These costs are expected to be volatile and be subject to wide swings.

However, the news with electricity and natural are still positive, with pricing for both declining over the last five years. This has been especially good news as the Town has been converting its facilities to natural gas heat. We continue to add/change buildings to natural gas heat, so our assumption holds the current dollar allocation level for FY2015, and then grows at the CPI rate for FY2016 forward. Electricity is also assumed level funded for FY2015 and then grows at the CPI rate in the out years.

New Facilities and Building Maintenance

We have also incorporated the balance of the operating cost estimates to the various budgets for the new Senior Center. The Center is scheduled to open in the fall of 2013. The added costs associated with the new Senior Center are being phased in over two fiscal years; 75% of the annualized cost was included in FY2014 operating budget and the remaining 25% is to be added to FY2015. This additional cost by department is shown in an attached table. The Public Facilities Department budget accounts for most of the energy costs incurred by the

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

Town to run its facilities. This budget also pays for the basic maintenance and repairs to Town and School buildings. Steps undertaken by the Town, through management, energy efficiency efforts, and favorable bid pricing, have ensured that this expense is not growing at the rates seen previously. The Town is locked into a favorable electric supply contract with TransCanada until December 2014. However, diesel fuel, gasoline, and heating oil prices continue to have large swings in pricing over the past five years.

The Town has invested much into its facilities over the past 15 years, enlarged several buildings, reopened a school, and added two new buildings. An increased level of repair and maintenance of the buildings is to be expected. For the purposes of this Pro Forma we have assumed the non-personnel costs for repair and maintenance will grow at 4.0% per year. The FY2014 provides for \$400,745 for outside repair and maintenance services and \$401,697 for parts and equipment. Salary and wage expenses are estimated to increase by 4.3% for FY2015, by 4.2% in FY2016, and then by the 4.0% average for FY2017 and beyond. We assume an overall increase in all other non-salary lines of 2.2% per year for public facilities expenses.

Municipal Departments

The Town Clerk's budget, in addition to the assumed growth rate in salary and wage expenses 4%, also provides for the annual increase/decrease for budget years that a State or Presidential election is held (FY2015 will be \$26,000 more, FY2017 will be \$27,040 more, and FY2019 will be \$28,122 more, the higher amount will be backed out in the subsequent years respectively.) We have assumed that the legal expense budget will increase at a 6.2% annual rate, but the salary line will grow at a lower rate of 2.5% per year.

The Finance Department, which includes the Information Technology Center, is charged with providing and supporting data processing services for all Town departments, which insofar as practical or otherwise necessitated, are centralized under that department. A major cost item is software licensing, which similar to the school department, the Town is seeing this cost item growing faster than CPI, and it estimated to grow at 4% per year. After removing the \$40,000 from the FY2014 that is for software costs that were related to the transitional activities to a new accounting and financial software package. The FY2014 budget also include \$15,000 in salary and wage expense associated with the implementation of the new software, which is backed out of the base, before applying the assume annual growth rate of 4.0% for personnel costs. All other expenses including operating capital are carried at the 2.2% CPI rate for each of the five years.

The Town has taken deliberate steps over the past several years toward increasing staff and resources in the land use departments of the Town. As the Community Development Department weans off use of wetland funds over

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

several years, the growth in the salary and wage line is expected to be higher than the Town overall. The increase in salary and wages for FY2015 is factored at 4.75%, and then decreasing by a 0.25% per fiscal year (FY2016 at 4.50%; FY2017 at 4.25%), so that by FY2018 the growth rate will be the same as the Town overall at 4.0%.

Salary and wage expenses for the Police Department is assumed to increase by approximately 4.3% for FY2015, and then at the same rate as the other general government departments of 4% a year. The gasoline budget for the Police Department is estimated at the same rates are noted above under energy and fuel cost, except with the move to DPW to fuel the police vehicles with the lower octane fuel, the change in FY2015 should be less due to the price differential in octane, and hence the budget is assume to grow at 2.0% rather than 4.5%.

The Fire Department fuel line will also be impacted by the overall trend in the cost of fuel, but with a greater reliance on diesel fuel than gasoline, this budget expense is assumed at increases noted above. Again similar to the School Department and Finance, the Fire Department's software related costs are expected to grow at 4.0% per year. All other expenses are estimated at the CPI and salary and wages will be the same as the Town overall.

The Town has been working towards a plan to increase general parking in the downtown business area. This will include an expansion of parking spaces in some lots, and retention of existing parking on other property for which the Town has a use license. The program budget is estimated at 2.2% per year, but additional funding will be needed and is estimated to add another \$15,000 in FY2015 and \$5,000 in FY2016.

DPW salary and wages are pegged at the same rates as all other departments and expenses are estimated at an annual rate of 2.2%. However, similar to public safety and public facilities, DPW incurs expense for diesel and gasoline. The DPW vehicle supplies line, which includes fuel, is assumed to grow at the rates noted above. The price of energy does impact the cost of materials and contractors used in roadwork. The cost of these expenses is assumed to grow at 3% per year, rather than the 2.2% assumed for other costs. The budget allocation for FY2014 is \$456,060. Another specific adjustment we continue to recommend is an annual increase in the snow and ice budget, however we recommend a 1.0% annual change rather than the 2.5% per year suggested in previous reports. This is the only operating budget line in which deficit spending is allowed. However, any such deficit must be extinguished by the next fiscal year.

The Human Service budget has several assumed adjustments in addition to the increases in salary and wages and general expenses. The Council on Aging programs are anticipated to have additional costs, which are not supported by donations, revolving funds, or other external sources, that will result with the opening of the new

Town of Needham
General Fund Revenue and Expense Pro Forma
FY2015 – FY2019

senior center. The Department also pays costs associated with veterans' services. We continue to see greater utilization of services provided by the Veterans District. We have assumed an annual growth rate of 4% per year.

The Library expense budget is assumed to grow at a 2.5% rate for each of the five years. Salary and wages would be the same as general government.

For Park and Recreation, with the increasing costs associated with the Rosemary Pool and need to maintain park buildings we assume that the repairs and maintenance expenses, budgeted at \$41,500 for FY2014, will increase at the same 4.0% per year as the Department of Public Facilities. All other expenses and salary and wages are assumed at the same levels as the Town overall.

Other Appropriations and Expenditures

Lastly, for the purpose of this forecast, we have maintained the recommended approach towards increasing the General Fund cash capital investment with Free Cash. The amount of Free Cash that is used to offset the operating budget is an amount not more than 2.0% of the prior year's appropriated departmental budgets or the actual turn back, whichever is lower. However, reducing reliance on Free Cash (even on the portion that we have a high degree of confidence will be available from year to year) is considered a credit enhancement, and provides an added source of security against an unexpected drop in revenue. The balance of Free Cash is directed to cash capital investment or reserved for future capital investment. The annual cash capital investment is assumed at the recommended Tier One amounts found in the FY2014-FY2018 Capital Improvement Plan with the FY2019 amount based on the estimated percent change in core revenue.

The RTS payment is assumed to increase by three percent per year, as is the drains program in the Sewer Enterprise budget. The total for other financial warrant articles is assumed to increase at an annual rate of 2.5% per year which is based on the current FY2014 amount of \$248,095. The provision for abatements and exemptions is estimated to be set at an adjusted amount of approximately \$1.4 million for FY2015 and then increases annually at average rate of 3.4%. FY2015 is a revaluation year, so abatement application activity may be higher than usual. The provision for abatements would be increased by additional new growth revenue that was not otherwise committed at the time the Tax Rate is set. We have assumed a 2.5% increase for Other Amounts to be Provided, and assessments from the State and County governments.

End.

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
FY2015 - FY2019**

Description	Final Budget 2011 June 30, 2011	Final Budget 2012 June 30, 2012	Final Budget 2013 June 30, 2013	Current 2014	Pro Forma 2015 September 10, 2013	Pro Forma 2016 September 10, 2013	Pro Forma 2017 September 10, 2013	Pro Forma 2018 September 10, 2013	Pro Forma 2019 September 10, 2013
General Fund									
Property Tax Revenue*	85,815,852	89,620,217	93,736,831	97,597,508	101,208,616	105,256,960	108,835,697	112,536,111	116,362,339
State Aid*	8,227,013	8,578,273	9,314,364	9,601,356	9,614,590	9,533,709	9,453,638	9,382,000	9,318,864
Local Receipts*	7,107,929	7,580,290	7,654,632	8,193,450	8,556,904	8,698,763	8,914,404	9,181,836	9,457,291
Other Revenues and Sources	1,404,029	703,192	1,703,018	1,123,070	591,500	593,045	594,636	596,275	597,964
Free Cash & Reserves	3,568,037	3,380,269	5,366,720	2,153,808	3,475,000	3,594,617	3,702,736	3,816,149	3,933,706
Reimbursements	1,659,715	1,615,715	1,608,539	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000
Revenues	\$107,782,575	\$111,477,956	\$119,384,104	\$120,239,192	\$125,016,609	\$129,247,095	\$133,071,111	\$137,082,371	\$141,240,163
* CORE Revenue Change	3.6%	4.6%	4.7%	4.2%	3.5%	3.4%	3.0%	3.1%	3.1%
Appropriations and Other Commitments									
Operating Budget	101,645,519	103,977,812	110,041,274	114,991,496	119,528,130	124,432,469	129,337,771	134,310,936	139,583,516
Special Financial Articles	66,446	574,587	372,699	248,095	254,297	260,655	267,171	273,850	280,697
Capital Funded by Cash	2,271,749	1,817,051	3,786,633	1,034,584	2,158,433	1,970,933	2,031,645	2,321,961	2,393,489
Appropriated to Other Funds	975,434	1,050,283	1,993,428	1,320,844	1,358,956	1,399,724	1,441,716	1,484,968	1,529,517
Other Obligations & Adjustments	2,823,427	4,058,223	3,190,070	2,644,173	2,826,828	2,910,522	2,996,751	3,085,593	3,177,130
Total	\$107,782,575	\$111,477,956	\$119,384,104	\$120,239,192	\$126,126,644	\$130,974,304	\$136,075,054	\$141,477,308	\$146,964,349
I Surplus/(Deficit)	0	0	0	0	(1,110,035)	(1,727,209)	(3,003,944)	(4,394,937)	(5,724,186)
II Incremental Gap						(617,173)	(1,276,735)	(1,390,993)	(1,329,249)

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
General Fund Revenue**

Description	Final Budget 2011 June 30, 2011	Final Budget 2012 June 30, 2012	Final Budget 2013 June 30, 2013	Current 2014	Pro Forma 2015 September 10, 2013	Pro Forma 2016 September 10, 2013	Pro Forma 2017 September 10, 2013	Pro Forma 2018 September 10, 2013	Pro Forma 2019 September 10, 2013
Real & Personal Property Tax									
Real & Personal Property Tax w/o Exclusions	85,815,852	89,620,217	93,736,831	97,597,508	101,208,616	105,256,960	108,835,697	112,536,111	116,362,339
General Override									
SUBTOTAL	85,815,852	89,620,217	93,736,831	97,597,508	101,208,616	105,256,960	108,835,697	112,536,111	116,362,339
State Aid									
State Aid for Education	6,622,455	7,084,895	7,708,707	7,968,430	7,967,764	7,888,086	7,809,205	7,731,113	7,653,802
State Aid For General Government	1,604,558	1,493,378	1,605,657	1,632,926	1,646,826	1,645,623	1,644,433	1,650,887	1,665,062
SBA/MSBA Programs									
SUBTOTAL	8,227,013	8,578,273	9,314,364	9,601,356	9,614,590	9,533,709	9,453,638	9,382,000	9,318,864
Local Receipts									
Motor Vehicle Excise	3,250,000	3,500,000	3,670,000	3,850,000	3,984,750	4,064,445	4,166,056	4,291,038	4,419,769
Licenses & Permits	800,000	800,000	1,115,000	1,440,000	1,583,200	1,555,696	1,577,367	1,624,688	1,673,429
Investment Income	325,000	150,000	80,000	80,000	80,800	83,224	85,721	88,292	90,941
Other Local Receipts	2,732,929	3,130,290	2,789,632	2,823,450	2,908,154	2,995,398	3,085,260	3,177,818	3,273,152
SUBTOTAL	7,107,929	7,580,290	7,654,632	8,193,450	8,556,904	8,698,763	8,914,404	9,181,836	9,457,291
Other Revenues and Sources									
Overlay Surplus	500,199	500,000	500,000	1,000,000	500,000	500,000	500,000	500,000	500,000
Parking Meter Receipts	25,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Restricted Proceeds			28,018						
Unexpended Articles and Other Sources	87,645	73,192	485,000	83,070	51,500	53,045	54,636	56,275	57,964
Reuse of Operating Budget	791,185	90,000	650,000						
SUBTOTAL	1,404,029	703,192	1,703,018	1,123,070	591,500	593,045	594,636	596,275	597,964
Free Cash & Reserves									
Free Cash	3,568,037	3,380,269	5,366,720	2,153,808	3,475,000	3,594,617	3,702,736	3,816,149	3,933,706
SUBTOTAL	3,568,037	3,380,269	5,366,720	2,153,808	3,475,000	3,594,617	3,702,736	3,816,149	3,933,706
Total General Fund Revenue	\$106,122,860	\$109,862,241	\$117,775,565	\$118,669,192	\$123,446,609	\$127,677,095	\$131,501,111	\$135,512,371	\$139,670,163
Reimbursements									
Reimbursements due from Other Funds	1,659,715	1,615,715	1,608,539	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000	1,570,000
Available for Expenditure	\$107,782,575	\$111,477,956	\$119,384,104	\$120,239,192	\$125,016,609	\$129,247,095	\$133,071,111	\$137,082,371	\$141,240,163

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget**

Description	Final Budget 2011 June 30, 2011	Final Budget 2012 June 30, 2012	Final Budget 2013 June 30, 2013	Current 2014	Pro Forma 2015 September 10, 2013	Pro Forma 2016 September 10, 2013	Pro Forma 2017 September 10, 2013	Pro Forma 2018 September 10, 2013	Pro Forma 2019 September 10, 2013
General Government	3,544,486	3,644,860	3,943,093	3,943,011	4,081,838	4,190,038	4,397,329	4,516,264	4,738,726
Land Use and Development	348,934	375,645	385,926	411,156	428,067	445,349	462,986	480,961	499,644
Public Safety	11,812,664	12,041,847	12,511,942	13,027,952	13,555,635	14,089,532	14,642,475	15,216,003	15,812,193
Education	46,910,339	49,094,360	51,892,719	54,729,548	56,882,569	59,104,475	61,414,041	63,814,747	66,310,211
Public Works	5,443,079	5,089,984	5,308,896	5,309,956	5,505,435	5,695,383	5,884,372	6,077,807	6,278,165
Public Facilities	7,387,362	7,754,286	7,772,462	8,003,190	8,253,296	8,538,500	8,812,548	9,096,073	9,389,422
Community Services	2,919,344	2,960,198	3,023,195	3,182,254	3,306,869	3,430,780	3,559,449	3,693,061	3,831,809
Department Budgets	78,366,208	80,961,180	84,838,233	88,607,067	92,013,709	95,494,058	99,173,200	102,894,915	106,860,169
Change from Prior Year	1.6%	3.3%	4.8%	4.4%	3.8%	3.8%	3.9%	3.8%	3.9%
Townwide Expense Group	23,279,311	23,016,632	25,203,041	26,384,429	27,514,421	28,938,412	30,164,572	31,416,021	32,723,347
Change from Prior Year	9.4%	-1.1%	9.5%	4.7%	4.3%	5.2%	4.2%	4.1%	4.2%
General Fund Operating Budget	\$101,645,519	\$103,977,812	\$110,041,274	\$114,991,496	\$119,528,130	\$124,432,469	\$129,337,771	\$134,310,936	\$139,583,516
Change from Prior Year	3.3%	2.3%	5.8%	4.5%	3.9%	4.1%	3.9%	3.8%	3.9%

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget**

Description	Final Budget 2011 June 30, 2011	Final Budget 2012 June 30, 2012	Final Budget 2013 June 30, 2013	Current 2014	Pro Forma 2015 September 10, 2013	Pro Forma 2016 September 10, 2013	Pro Forma 2017 September 10, 2013	Pro Forma 2018 September 10, 2013	Pro Forma 2019 September 10, 2013
Non-Contributory Retirement Payments	59,400	32,700	33,400	34,100	35,464	36,883	38,358	39,892	41,488
Contributory Retirement System	4,552,978	4,722,775	4,997,421	5,420,454	5,621,400	5,830,107	6,046,888	6,272,069	6,505,989
Group Health Insurance	9,549,125	9,019,724	9,508,775	10,091,409	10,574,757	11,077,058	11,603,218	12,125,363	12,671,004
Retiree Insurance & Insurance Liability Fund	3,626,375	4,406,275	4,923,887	4,727,462	4,940,198	5,434,218	5,705,929	5,991,225	6,290,786
Unemployment Compensation	140,000	140,000	250,000	250,000	255,500	261,121	266,866	272,737	278,737
Debt Service	2,967,712	3,121,297	3,231,127	3,470,211	3,581,403	3,704,683	3,816,112	3,932,998	4,054,155
Workers Compensation	400,000	450,000	450,000	467,550	486,252	505,702	525,930	546,967	568,846
Casualty Liability & Self Insurance Program	525,000	525,000	525,000	525,000	538,425	550,270	562,376	574,749	587,393
Classification Performance & Settlements #	14,358	112,689	25,000	25,000	26,000	27,040	28,122	29,246	30,416
Reserve Fund ##	1,444,363	486,172	1,258,431	1,373,243	1,455,021	1,511,330	1,570,773	1,630,774	1,694,533
Townwide Expense Group	23,279,311	23,016,632	25,203,041	26,384,429	27,514,421	28,938,412	30,164,572	31,416,021	32,723,347
Board of Selectmen/Town Manager	806,094	806,425	826,252	794,348	824,197	855,198	887,395	920,836	955,569
Town Clerk/Board of Registrars	321,578	319,953	341,853	321,912	380,082	347,763	408,865	375,699	439,897
Town Counsel	262,164	298,664	300,039	305,790	322,093	339,340	357,588	376,898	397,334
Personnel Board	11,600	11,600	11,600	15,600	15,954	16,316	16,687	17,066	17,454
Finance Department	2,114,432	2,178,619	2,431,985	2,472,468	2,505,326	2,595,890	2,689,864	2,787,381	2,888,577
Finance Committee	28,618	29,599	31,364	32,893	34,187	35,532	36,930	38,383	39,895
Planning Board	234,488	251,482	255,442	269,399	279,879	290,771	302,092	313,860	326,091
Community Development	114,446	124,163	130,484	141,757	148,188	154,578	160,893	167,101	173,553
Police Department	5,279,417	5,229,665	5,506,940	5,624,023	5,858,095	6,087,525	6,324,853	6,571,167	6,827,173
Fire Department	6,071,646	6,340,806	6,515,443	6,844,275	7,116,059	7,397,837	7,689,868	7,992,570	8,307,271
Building Inspector	461,601	471,376	489,559	559,654	581,481	604,170	627,753	652,267	677,748
Needham Public Schools	46,541,078	48,501,371	51,112,681	53,995,587	56,111,910	58,295,283	60,564,390	62,922,612	65,373,470
Minuteman Assessment	369,261	592,989	780,038	733,961	770,659	809,192	849,652	892,134	936,741

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget**

Description	Final Budget 2011 June 30, 2011	Final Budget 2012 June 30, 2012	Final Budget 2013 June 30, 2013	Current 2014	Pro Forma 2015 September 10, 2013	Pro Forma 2016 September 10, 2013	Pro Forma 2017 September 10, 2013	Pro Forma 2018 September 10, 2013	Pro Forma 2019 September 10, 2013
Public Works Department	4,906,879	4,778,984	5,020,896	5,021,902	5,196,043	5,374,186	5,556,108	5,742,321	5,935,298
Municipal Parking Program	282,900	55,000	55,000	70,250	86,796	93,705	95,767	97,873	100,027
Municipal Lighting Program	253,300	256,000	233,000	217,804	222,596	227,493	232,498	237,613	242,840
Public Facilities Department	7,387,362	7,754,286	7,772,462	8,003,190	8,253,296	8,538,500	8,812,548	9,096,073	9,389,422
Health Department	459,841	465,494	488,712	515,549	534,420	554,008	574,340	595,445	617,353
Human Services	566,156	569,087	588,016	670,348	702,177	729,774	758,464	788,291	819,299
Commission on Disabilities	550	550	550	550	562	574	587	600	613
Historical Commission	1,050	1,050	1,050	1,050	1,073	1,097	1,121	1,145	1,171
Library	1,336,937	1,369,274	1,382,743	1,419,551	1,471,597	1,525,606	1,581,654	1,639,820	1,700,185
Park & Recreation Commission	554,060	553,993	561,374	574,456	596,273	618,938	642,482	666,942	692,352
Memorial Park	750	750	750	750	767	783	801	818	836
Department Budgets	78,366,208	80,961,180	84,838,233	88,607,067	92,013,709	95,494,058	99,173,200	102,894,915	106,860,169
	-	-	-	-	-	-	-	-	-
Total Operating Budget	101,645,519	103,977,812	110,041,274	114,991,496	119,528,130	124,432,469	129,337,771	134,310,936	139,583,516

**General Fund
Changes in Salary and Wage Accounts
FY05 to FY14**

Description	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
General Government	\$1,821,122	\$1,861,841	\$2,096,237	\$2,149,201	\$2,256,559	\$2,319,861	\$2,365,752	\$2,428,957	\$2,667,668	\$2,712,075
Percent Change for Group from Prior Year	2.8%	2.2%	12.6%	2.5%	5.0%	2.8%	2.0%	2.7%	9.8%	1.7%
Land Use	\$169,110	\$179,096	\$202,066	\$275,146	\$289,157	\$305,662	\$320,366	\$347,327	\$363,475	\$382,838
Percent Change for Group from Prior Year	1.9%	5.9%	12.8%	36.2%	5.1%	5.7%	4.8%	8.4%	4.6%	5.3%
Public Safety	\$9,199,598	\$9,616,189	\$9,794,881	\$10,045,611	\$10,568,291	\$10,938,454	\$11,142,517	\$11,407,320	\$11,669,543	\$12,286,252
Percent Change for Group from Prior Year	1.4%	4.5%	1.9%	2.6%	5.2%	3.5%	1.9%	2.4%	2.3%	5.3%
Public Works - General Fund Only	\$2,615,781	\$2,708,592	\$2,962,632	\$2,971,552	\$3,137,945	\$3,258,049	\$3,393,323	\$3,049,989	\$3,109,481	\$3,207,178
Percent Change for Group from Prior Year	6.9%	3.5%	9.4%	0.3%	5.6%	3.8%	4.2%	-10.1%	2.0%	3.1%
Public Facilities	\$2,330,197	\$2,327,509	\$2,432,903	\$2,540,529	\$2,608,373	\$2,875,501	\$2,870,212	\$3,087,351	\$3,227,402	\$3,407,208
Percent Change for Group from Prior Year	4.9%	-0.1%	4.5%	4.4%	2.7%	10.2%	-0.2%	7.6%	4.5%	5.6%
Community Services	\$1,919,096	\$2,054,106	\$2,162,084	\$2,238,383	\$2,329,580	\$2,418,957	\$2,391,287	\$2,403,792	\$2,437,935	\$2,546,032
Percent Change for Group from Prior Year	2.4%	7.0%	5.3%	3.5%	4.1%	3.8%	-1.1%	0.5%	1.4%	4.4%
Municipal Departments	\$18,054,904	\$18,747,333	\$19,650,803	\$20,220,422	\$21,189,905	\$22,116,484	\$22,483,457	\$22,724,736	\$23,475,504	\$24,541,583
Percent Change for Group from Prior Year	2.9%	3.8%	4.8%	2.9%	4.8%	4.4%	1.7%	1.1%	3.3%	4.5%
Total Town Departments w/o PFD	\$15,724,707	\$16,419,824	\$17,217,900	\$17,679,893	\$18,581,532	\$19,240,983	\$19,613,245	\$19,637,385	\$20,248,102	\$21,134,375
Percent Change From Prior Year Comparable	2.6%	4.4%	4.9%	2.7%	5.1%	3.5%	1.9%	0.1%	3.1%	4.4%
School Department	\$29,835,477	\$32,139,137	\$33,251,907	\$34,895,067	\$37,287,966	\$39,247,086	\$40,264,790	\$40,908,300	\$43,903,789	\$46,737,632
Percent Change from Prior Year	3.6%	7.7%	3.5%	4.9%	6.9%	5.3%	2.6%	1.6%	7.3%	6.5%
Board of Selectmen	397,189	430,590	488,912	504,290	586,099	630,398	644,644	649,992	669,819	687,407
Town Clerk	219,465	205,048	251,009	258,026	276,327	263,081	282,308	281,663	296,301	282,647
Town Counsel	61,244	63,081	64,637	65,464	66,989	68,664	68,664	70,039	71,790	71,790
Personnel Board	1,562	3,109	1,641	1,601	1,641	1,128	600	600	600	600
Finance Department	1,116,037	1,133,619	1,262,829	1,291,273	1,296,242	1,326,597	1,342,043	1,399,514	1,600,620	1,637,963
Finance Committee	25,625	26,394	27,209	28,547	29,261	29,993	27,493	28,524	30,289	31,668
General Government Total	1,821,122	1,861,841	2,096,237	2,149,201	2,256,559	2,319,861	2,365,752	2,428,957	2,667,668	2,712,075
Planning Department	124,160	131,664	137,811	188,469	196,791	207,833	218,028	235,022	244,849	252,939
Community Development	44,950	47,432	64,255	86,677	92,366	97,829	102,338	112,305	118,626	129,899
Land Use and Development Total	169,110	179,096	202,066	275,146	289,157	305,662	320,366	347,327	363,475	382,838
Police Department	3,950,138	4,096,350	4,256,517	4,307,656	4,529,149	4,771,895	4,884,190	4,863,916	4,959,157	5,175,845
Fire Department	4,970,245	5,159,042	5,152,611	5,330,631	5,616,784	5,722,539	5,812,408	6,100,123	6,249,767	6,581,793
Building Inspector	279,215	360,797	385,753	407,324	422,358	444,020	445,919	443,281	460,619	528,614
Public Safety Total	9,199,598	9,616,189	9,794,881	10,045,611	10,568,291	10,938,454	11,142,517	11,407,320	11,669,543	12,286,252
Department of Public Works (including enterprise employees)	4,433,572	4,596,122	4,881,325	5,058,938	5,286,997	5,501,152	5,705,831	5,603,635	5,693,797	5,853,827
Department of Public Facilities	2,330,197	2,327,509	2,432,903	2,540,529	2,608,373	2,875,501	2,870,212	3,087,351	3,227,402	3,407,208
Health Department	289,816	304,968	318,046	344,624	364,066	377,408	383,012	388,665	401,658	418,295
Human Services	449,286	478,503	468,797	469,698	501,839	525,393	488,996	498,717	510,811	555,478
Needham Public Library	791,118	867,514	963,323	1,000,410	1,033,541	1,075,014	1,076,094	1,073,225	1,071,967	1,103,803
Park & Recreation Department	388,876	403,121	411,918	423,651	430,134	441,142	443,185	443,185	453,499	468,456
Community Services Total	1,919,096	2,054,106	2,162,084	2,238,383	2,329,580	2,418,957	2,391,287	2,403,792	2,437,935	2,546,032
Town Departments (including enterprise employees)	19,872,695	20,634,863	21,569,496	22,307,808	23,338,957	24,359,587	24,795,965	25,278,382	26,059,820	27,188,232
School Department	29,835,477	32,139,137	33,251,907	34,895,067	37,287,966	39,247,086	40,264,790	40,908,300	43,903,789	46,737,632
Total Salary and Wages	\$49,708,172	\$52,774,000	\$54,821,403	\$57,202,875	\$60,626,923	\$63,606,673	\$65,060,755	\$66,186,682	\$69,963,609	\$73,925,864
	3.4%	6.2%	3.9%	4.3%	6.0%	4.9%	2.3%	1.7%	5.7%	5.7%

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions
New Facilities Operational Cost Estimate**

Description	FY2015 Senior Center	FY2016	FY2017	FY2018	FY2019
Townwide Expense Group					
Town Wide Expenses	5,881				
Department of Public Works Salary & Wages Expenses					
Department of Public Works					
Department of Public Facilities Salary & Wages Expenses	12,139 18,460				
Department of Public Facilities	30,599				
Human Services Salary & Wages Expenses					
Human Services					
Total	\$36,480				

**Town of Needham
General Fund
Five Year Pro Forma
Energy Prices**

Year	Regular Unleaded Gasoline Per Gallon - Boston Area			Fuel Oil #2 - Northeast			Electricity per kWh - Northeast		
	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price
2009	\$2.579	-36.10%	\$2.31	\$2.454	-46.74%	\$2.54	\$0.17	0.00%	\$0.16
2010	\$2.725	5.66%	\$2.75	\$2.743	11.78%	\$2.92	\$0.17	0.00%	\$0.17
2011	\$3.738	37.17%	\$3.51	\$3.805	38.72%	\$3.69	\$0.17	0.00%	\$0.16
2012	\$3.468	-7.22%	\$3.63	\$3.473	-8.73%	\$3.72	\$0.16	-5.88%	\$0.16
2013	\$3.491	0.66%	NA	\$3.529	1.61%	NA	\$0.16	0.00%	NA
	Annual % Change Average over 5 Years	0.04%		Annual % Change Average over 5 Years	-0.67%		Annual % Change Average over 5 Years	-1.18%	
	Annual % Change Average over 3 Years	10.20%		Annual % Change Average over 3 Years	10.53%		Annual % Change Average over 3 Years	-1.96%	
	June 2013 Average Price % Change from the June 2009 Average Price	35.4%		June 2013 Average Price % Change from the June 2009 Average Price	43.81%		June 2013 Average Price % Change from the June 2009 Average Price	-5.88%	
	June 2013 Average Price % Change from the June 2009 Average Price	-6.6%		June 2013 Average Price % Change from the June 2009 Average Price	-7.25%		June 2013 Average Price % Change from the June 2009 Average Price	-5.88%	

Year	Natural Gas Per Therm - Northeast			Automotive Diesel Fuel Per Gallon		
	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price
2009	\$1.259	-25.77%	\$1.36	\$2.672	-45.61%	\$2.68
2010	\$1.231	-2.22%	\$1.28	\$3.061	14.56%	\$3.10
2011	\$1.184	-3.82%	\$1.23	\$4.113	34.37%	\$4.00
2012	\$1.052	-11.15%	\$1.11	\$3.988	-3.04%	\$4.13
2013	\$1.153	9.60%	NA	\$3.912	-1.91%	NA
	Annual % Change Average over 5 Years	-6.67%		Annual % Change Average over 5 Years	-0.33%	
	Annual % Change Average over 3 Years	-1.79%		Annual % Change Average over 3 Years	9.81%	
	June 2013 Average Price % Change from the June 2009 Average Price	-8.42%		June 2013 Average Price % Change from the June 2009 Average Price	46.41%	
	June 2013 Average Price % Change from the June 2009 Average Price	-2.62%		June 2013 Average Price % Change from the June 2009 Average Price	-4.89%	