

Fiscal Year 2015 Proposed Budget

Revenue Summary

Town of Needham
Revenue Summary
Table 2.1

Description	FY13 Recap	FY14 Recap	FY15 Estimate	\$ Change
General Fund	125,282,714	133,826,002	133,518,526	(307,476)
Enterprise Funds	16,806,244	18,104,258	16,854,584	(1,249,674)
Community Preservation Act Funds	2,902,000	3,207,339	2,346,000	(861,339)
Total Revenues*	144,990,958	155,137,599	152,719,110	(2,418,489)

* 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. The above table (2.1) shows the total estimate revenue for FY2015 is declining by more than \$2.4 million or 1.6%. However the total revenue used for FY2014 included an extraordinary amount of one-time monies and use of reserves, especially in the General Fund.

Total revenue available for General Fund appropriations is projected at **\$132,134,087** (Table 2.2) **or \$574,075 less than FY14**. Revenue from property tax is estimated to grow by approximately \$3.7 million; state aid to increase by \$326,352, and the local receipts estimate is \$301,367 more. The amount from of Other Available Funds is lower by \$699,354. Free Cash that is available for FY2015 appropriations is \$3,983,024 less than was used for FY2014. However, the FY2014 Free Cash amount was effectively two years of Free Cash appropriated in one fiscal 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	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate	\$ Change
Property Taxes	92,977,737	95,712,032	99,676,528	106,008,113	109,755,296	3,747,183
State Aid	9,078,042	9,287,432	9,957,566	10,296,504	10,622,856	326,352
Local Receipts	9,867,827	10,679,567	11,371,581	8,041,633	8,343,000	301,367
Other Available Funds	1,823,779	788,442	1,759,346	1,344,380	645,026	(699,354)
Free Cash	3,568,037	3,380,269	5,366,720	8,135,372	4,152,348	(3,983,024)
Total General Fund Revenue	117,315,422	119,847,743	128,131,742	133,826,002	133,518,526	(307,476)
<u>Adjustments to General Fund Revenue</u>						
Other Amounts Required to be Raised	(82,096)	(74,054)	(71,738)	(72,610)	(83,999)	(11,389)
State & County Assessments	(1,080,311)	(1,198,244)	(1,238,429)	(1,273,564)	(1,274,570)	(1,006)
Provisions for Abatements & Exemptions	(1,584,557)	(2,135,466)	(1,876,905)	(2,151,633)	(2,151,633)	
Adjustments, Reimbursements & Subsidies	1,659,715	1,615,715	1,608,539	1,668,967	1,650,000	(18,967)
CPA Share of Debt Service		300,000	550,000	711,000	475,763	(235,237)
Total	(1,087,249)	(1,492,049)	(1,028,533)	(1,117,840)	(1,384,439)	(266,599)
Available for GF Appropriation	116,228,173	118,355,694	127,103,208	132,708,162	132,134,087	(574,075)

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FY2015 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS

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, 2013 was \$8,068,732,995. This puts the tax levy ceiling at \$201,718,325. The tax levy including the debt exclusions for FY2014 was \$106,008,113, so the Town was 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 for operating expenses), 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 FY2015 tax levy attributable to new growth is estimated based upon consultation with the Assessing and Building Department staff.

Fiscal Year Tax Levy
Table 2.3.1

Description	FY11 Recap	FY12 Recap	FY13 Recap	FY14 Recap	FY15 Estimate	\$ Change
Prior Year Base	82,052,951	85,840,586	89,636,531	93,758,800	98,925,881	
2-1/2 Allowance	2,051,324	2,146,015	2,240,913	2,343,970	2,473,147	
New Growth	1,731,827	1,649,930	1,879,442	2,823,111	1,681,268	
General Override						
Excess Levy (Taxes Not Raised)	(20,250)	(16,314)	(20,055)	(27,753)		
General Tax Levy Limit	85,815,852	89,620,217	93,736,831	98,898,128	103,080,296	4,182,168
Total Excluded Debt	8,438,590	7,461,721	7,507,149	8,016,076	7,475,174	
Less Excluded Debt Offsets	(1,182,696)	(835,487)	(801,709)	(906,091)	(800,174)	
Excluded Debt to be Raised on Tax Levy	7,255,894	6,626,234	6,705,440	7,109,985	6,675,000	(434,985)
Property Tax Levy	93,071,745	96,246,451	100,442,271	106,008,113	109,755,296	3,747,183
Collections by Year End	92,977,737	95,712,032	99,676,528			

Property Tax Levy

The property tax levy (Table 2.3.1) represents approximately 82.2% of all general fund revenues before adjustments. The FY2015 property tax limit is estimated to increase approximately 3.5% over the FY2014 actual tax levy, or approximately \$3.7 million. The tax revenue to support operations within the levy limit is increasing by an estimate of **4.2% over FY2014** which is a higher estimate at this point in the budget process due to the increased new growth in commercial activity in 2013. The limit is calculated by increasing the FY2014 levy limit, exclusive of debt exclusions, by 2.5% 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 FY2014 tax rate. 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

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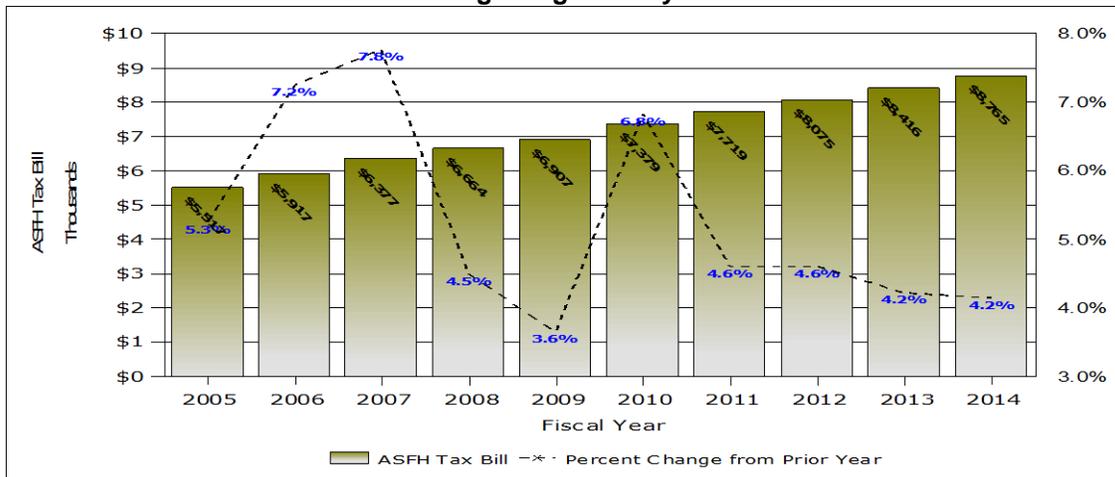
exclusions, is expected to increase by \$4.2 million over the FY2014 base levy. The amount of debt that is to be paid by property taxes is expected to be 6% lower or \$434,985 less for FY2015, than was part of the FY2014 tax levy (see Table 2.3.2). The decrease is due, in part, to the fact that all the debt-excluded projects except for the Newman School HVAC project have been closed out and no additional debt will be issued, and the existing debt exclusion obligations will decline.

Debt Exclusions Added to Tax Levy
Table 2.3.2

Description	2011	2012	2013	2014	2015
Debt Service					
Broadmeadow School	1,089,725.00	1,066,100.00	963,642.56	939,450.00	914,325.00
Eliot School	417,343.76	408,893.76	399,793.76	390,693.76	421,593.76
High Rock & Pollard Schools	1,651,980.90	1,585,637.50	1,377,837.50	1,355,512.50	1,332,525.00
High Rock	166,316.38	60,206.67	38,968.75	43,166.94	37,343.75
High School	2,814,647.91	2,144,168.75	2,098,806.25	2,047,068.75	1,999,931.25
Library	1,255,270.40	1,187,517.50	1,128,456.33	1,088,046.25	1,057,445.00
Newman School	845,705.76	1,009,196.66	1,499,640.50	2,152,137.64	1,712,010.00
Wiswall	197,600.00				
Total	8,438,590.11	7,461,720.84	7,507,145.65	8,016,075.84	7,475,173.76
Offsets and Credits					
MSBA Credits	-1,110,067.00	-745,381.00	-745,381.00	-695,148.00	-695,148.00
Premium Credits	-50,324.41	-90,105.88	-45,763.17	-126,271.00	-105,026.00
Other Adjustments	-22,305.00		-10,561.48	-84,672.00	
Total	-1,182,696.41	-835,486.88	-801,705.65	-906,091.00	-800,174.00
Net Raised on Tax Rate	7,255,894	6,626,234	6,705,440	7,109,985	6,675,000
Tax Levy	93,071,745	96,246,451	100,442,271	106,008,113	109,755,296
Exclusions % of the Total Tax Levy	7.8%	6.9%	6.7%	6.7%	6.1%

The real estate market in Needham has remained strong compared to other areas in the state and the nation. New Growth tax revenue has been very good the past three years compared to peer-communities. However, growth has its limits and opportunities may diminish as parcels with older smaller residential buildings that may be converted, significantly rebuilt, or razed are no longer available. There are several projects now underway in the commercial districts in Town which should keep property tax revenue stable, and therefore at this point in the budget process, we have estimated tax revenue from new growth at a higher amount than we were last fall. 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.

Needham Average Single Family Home Tax Bill



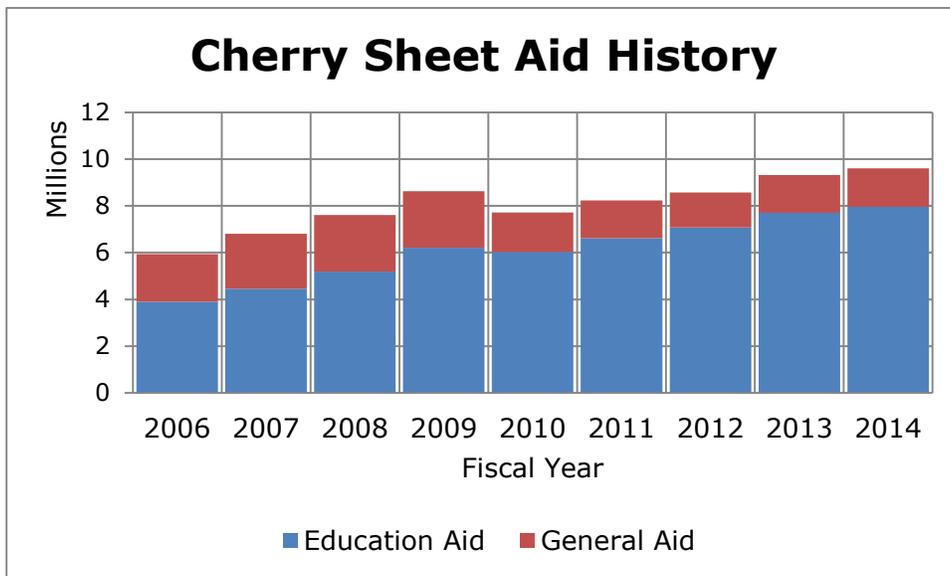
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The most current state-wide data available from the Department of Revenue shows that the average single family home (ASFH) property tax bill for FY2013 in the Town of Needham was \$8,416. This places Needham's average single family home property tax bill in middle of the 19 nearby or comparable communities, but well over the state-wide average of \$4,707. Other than the Town of Norwood all the communities in the group are above the state-wide average. This should not be unexpected as the values of homes in this area are much greater than the state overall.

Average Single Family Home Tax Bill	
Municipality*	FY2013
Weston	\$16,921
Wellesley	\$12,198
Concord	\$11,802
Sudbury	\$11,205
Lexington	\$10,906
Wayland	\$10,529
Belmont	\$10,359
Winchester	\$9,839
Westwood	\$9,287
Newton	\$9,258
Needham	\$8,416
Bedford	\$7,963
Milton	\$7,471
Arlington	\$6,842
Walpole	\$6,231
Natick	\$6,216
Dedham	\$5,937
Framingham	\$5,783
Norwood	\$4,034
Group Average (excluding Needham)	\$9,043
State-Wide Average	\$4,707
Source: DOR	
<i>*Because DOR does not calculate the ASFH tax bill for Brookline and Watertown, those communities are not included in this sample.</i>	

State Aid

Most state aid, especially Cherry Sheet aid, is a function of the state budget. The FY2015 State Aid estimate is \$326,352 higher than the current year, or approximately **3.2%** more. The Governor's budget was released on Wednesday, January 22, 2014. The revenue estimate has been adjusted to incorporate the Governor's budget figures. The Governor's budget provides approximately a two percent increase in State Aid to cities, towns and school districts for FY2015. The Town of Needham under his budget plan is to receive more than the overall statewide percent increase, but the percent change for Needham is lower than in recent years. 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

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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 ninth annual contract assistance payment for the Broadmeadow School project. The payment was decreased from \$745,381 to \$695,148 last year. The decrease reflected lower interest expense the Town realized when it issued refunding bonds on the then existing Broadmeadow School project bonds. The reduction allows the **Massachusetts School Building Authority** (MSBA) to capture its share of the lower debt costs. The Town also issued refunding bonds for the Library project. The effect of the two refunding bonds was a decrease in the overall interest expense, and the annual interest payments. Because both projects were funded by debt exclusion votes, this means the amount that is paid by the taxpayers of Needham is also less. The MSBA will continue making payments for its share of the school project at \$695,148 annually through FY2023, the last year of the bond. 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.

State Aid Table 2.4						
Description	FY11 Recap	FY12 Recap	FY13 Recap	FY14 Recap	FY15 Estimate	\$ Change
Chapter 70	6,590,957	6,991,720	7,633,990	7,901,802	8,239,740	337,938
School Transportation						
Charter School Tuition	4,479	61,276	42,269	36,217	15,925	(20,292)
School Lunch	27,019	31,899	32,448	30,411	31,807	1,396
State Aid for Education	6,622,455	7,084,895	7,708,707	7,968,430	8,287,472	319,042
Unrestricted General Government Aid (UGGA)	1,476,550	1,369,789	1,476,550	1,511,453	1,511,453	
Police Career Incentive	12,624					
Veterans Benefits	9,724	16,077	17,735	22,877	34,352	11,475
Exemption Reimbursements	76,620	77,398	81,584	68,897	64,136	(4,761)
Public Library Aid	29,040	30,114	29,788	29,699	30,295	596
State Aid for General Government	1,604,558	1,493,378	1,605,657	1,632,926	1,640,236	7,310
Total Cherry Sheet Aid	8,227,013	8,578,273	9,314,364	9,601,356	9,927,708	326,352
MSBA Payments	745,381	745,381	745,381	695,148	695,148	
Other State Aid	745,381	745,381	745,381	695,148	695,148	
Total State Aid	8,972,394	9,323,654	10,059,745	10,296,504	10,622,856	326,352

State aid (Table 2.4) represents approximately 8.0% of the total general fund before adjustments and offsets. Total state aid for FY2015 is projected to increase by \$326,352. 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. The Governor's budget proposes that Needham receives a 4.3% increase in Chapter 70 (education) and level dollar in Unrestricted General Government Aid (UGGA). The changes to all the other Cherry Sheet aid items nets out to be a decrease of

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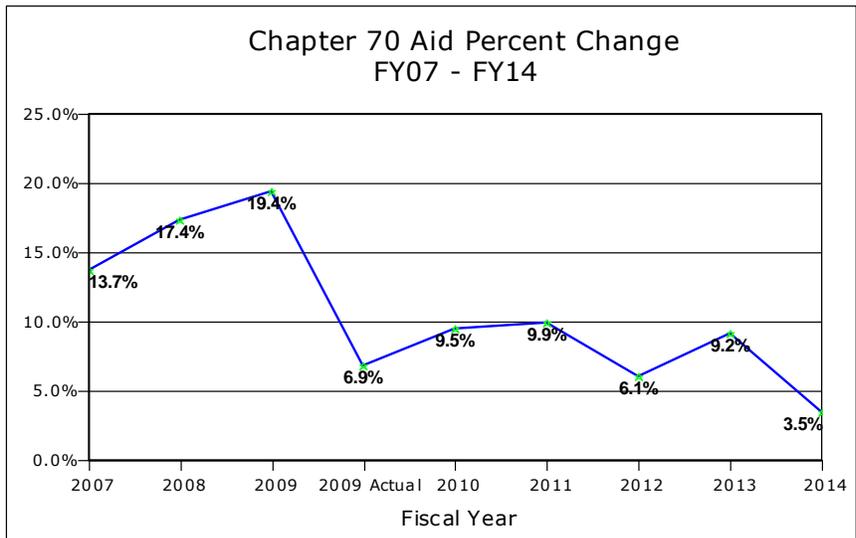
\$11,586 or 6.2% less than the current year. The result of those changes nets an increase in **Cherry Sheet aid of 3.4% over FY2014**; when comparing total aid (Cherry Sheet and MSBA funds combined) the change represents a 3.2% increase from FY2014. We have assumed for the purposes of this budget that the bottom line number for Needham in Governor’s plan will not be lowered through the state budget process.

Cherry Sheet Aid

Cherry Sheet aid comes from the Commonwealth where funds are allocated either through distribution formulas or reimbursement formulas. Distribution formulas often incorporate equity factors such as property wealth, income and effort. Reimbursement formulas provide full or partial funding for program expenditures or foregone revenues. In addition to reimbursements and distributions, there are also Cherry Sheet programs designated as Offset Items. These items are amounts that constitute categorical aid, i.e., funds that must be spent for specific programs. The funds received under programs designated as Offset Items may be spent without appropriation by the Town for the intended purpose (see Adjustments to General Fund Revenue). All other receipt items on the Cherry Sheet are considered revenues of the Town's general fund and may be spent for any purpose, subject to appropriation.

Key State Aid Programs:

Chapter 70 aid is commonly referred to as general school aid. The State explains that Chapter 70 is a formula aid program that is based on the Foundation Budget that is calculated by the Commonwealth for each school system which takes into account enrollment, pupil characteristics, inflation and geographical differences in costs such as wages. The Foundation Budget is what the State has determined to be the minimum spending level for a school system. The formula takes into consideration a community’s ability to pay the costs of education based on property values and income. This information is based on equalized property valuation done by the Massachusetts Department of Revenue every other year and income data from state tax returns. With the FY2007 amendments to the program, the State’s goal was to get each school system at its Foundation Budget within five years by a combination of local and state monies. The State’s goal was to ensure a minimum of 17.5% of the calculated budget for the school system was state aid. This is not 17.5% of what a community may choose to fund.



The Town of Needham saw an increase in Chapter 70 funding from FY2006 through FY2009, when during fiscal year 2009 the Governor reduced the amount of Chapter 70 aid for Needham from the \$6,118,846 that was appropriated to \$5,475,362, a loss of \$643,484. This cut by the Governor to the local aid programs was due to the significant drop in state tax receipts as the recession became worse.

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The Town received \$5,996,469 in FY2010, although less than what the Town was budgeted to receive in FY2009, it was an increase over that amount that was actually received from the Commonwealth in FY2009. Each year thereafter, the Town received increases in Chapter 70; FY2011 \$594,488 or 9.9% more, in FY2012 \$400,763 or 6.1% more, in FY2013 the amount was \$642,270 or 9.2% more, but for FY2014 the Town is scheduled to receive \$7,901,802 or \$267,812 more than FY2013, an increase of just 3.5%. The Governor's FY2015 Chapter 70 allocation calls for a 4.3% increase for Needham, a total of \$8,239,740 or \$337,938 more than FY2014.

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 amount was \$1,369,789 or \$106,761 less than FY2011. The Town received \$1,476,550 in UGGA funds in FY2013, the same amount as FY2011. The Town is scheduled to receive \$1,511,453 in FY2014, an increase of \$ 34,903 or 2.4% from FY2013. The FY2015 UGGA estimate by the Governor for Needham is level at \$1,511,453.

The total for all the **other Cherry Sheet aid** programs that have been identified for Needham: charter school tuition, veterans' benefits, and property tax exemption reimbursements, and the direct pass-through programs for school lunch and public library total \$176,515 in the Governor's budget plan for FY2015, reduction of \$11,586.

Local Receipts

Our time-honored approach of conservatively estimating local receipts is a target range approach. Our goal is to have a local estimate total, by the time the tax rate is sent to the 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 currently projected at approximately 83% of the 2013 amount. The economy has provided three consecutive years of improved revenue and 2014 was hinting at more growth, but pessimism exists among various economists. Needham itself did not suffer the worst of the downturn and has done better than the overall area, but how much longer will this continue is a concern.

Local receipts in FY2013 were higher than FY2012, as were local receipts in FY2012 were higher than FY2011, and FY2011 receipts were much improved over FY2010, but the amount by which the revenue increased was smaller in each year. FY213 actual receipts were \$692,014 more than FY2012 actual receipts, yet FY2012 receipts were \$811,740 more than FY2011, and FY2011 receipts were \$921,924 more than FY2010 actual receipts, the trending is showing a tightening in revenue which further supports keeping the estimate at the lower end of a target range. There are exceptions; but Town's actual receipts through December are again lower now than they were at this same time last year.

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. A tighter margin could also negatively impact the Town's credit rating, and hence increase borrowing costs for the Town and consequently higher tax bills for residents.

We prepare the projections of local receipts by comparing FY2013 estimated receipts to actual receipts; FY2013 actual receipts to FY2012 actual receipts, and FY2014 estimated

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receipts to the FY2013 actual and FY2014 year-to-date numbers. We also focus on trend lines over three and five years. 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, the Department of Revenue may 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 FY2014 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2014 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.

Local Receipts
Table 2.5

Description	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate	\$ Change
Motor Vehicle Excise	4,256,790	4,357,996	4,620,449	3,850,000	3,925,000	75,000
Other Excise	802,840	858,786	982,743	795,000	835,000	40,000
Meals						
Room						
Penalties & Interest	336,773	285,450	257,070	230,000	230,000	
Payment in Lieu of Tax	47,109	65,687	49,926	45,000	45,000	
Charges for Services	901,013	620,195	613,376	555,000	555,000	
Fees	104,778	110,196	108,282	90,000	90,000	
Rents	176,478	199,772	208,277	165,000	173,000	8,000
Library Department Income	57,901	56,770	57,510	50,000	50,000	
Recreation Department Income	274,830	285,697	250,621	225,000	200,000	(25,000)
Other Department Income	371,291	407,870	596,892	400,000	475,000	75,000
Licenses & Permits	1,441,264	1,950,768	1,869,446	1,300,000	1,400,000	100,000
Special Assessments	1,594	1,594	1,594			
Fines & Forfeits	201,391	177,315	162,051	129,500	140,000	10,500
Investment Income	222,981	103,130	84,803	67,500	70,000	2,500
Medicaid Reimbursement						
Miscellaneous Income	228,690	159,796	219,636	134,000	155,000	21,000
Nonrecurring Income	442,104	1,038,545	1,288,907	5,633		(5,633)
Total	9,867,827	10,679,567	11,371,581	8,041,633	8,343,000	301,367

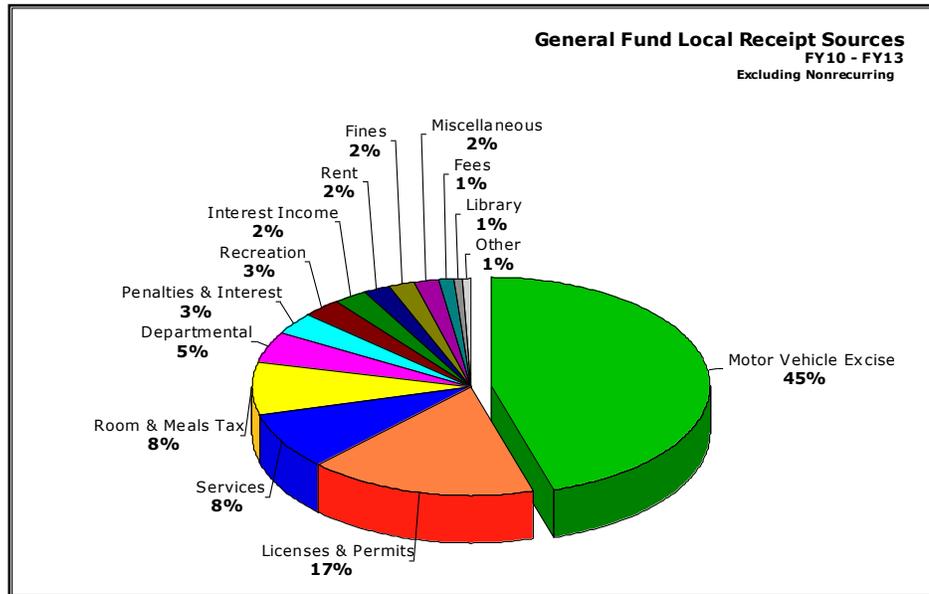
Local receipts represent approximately 6.2% of the total general fund before adjustments and offsets. Local receipts consist of items such as other taxes and excises, licenses, permits, and penalties, fines and forfeitures, investment income, and income from departmental activities and services. The estimate for FY2015 of **\$8,343,000** (Table 2.5) is an increase of \$301,367 from the revised FY2014 budget of \$8,041,633 – an increase of 3.7%. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2014 receipts based on FY2013 results and trends. The total is within the target range for estimating. Therefore the FY2015 local receipts estimate over the FY2014 budget figure is prudent.

Actual local receipts in FY2013 were \$692,014 more than FY2012 receipts - a 6.4% increase; but when backing out the nonrecurring revenue of \$1,288,907 received in FY2013 and the \$1,038,545 received in FY2012, the increase was \$441,652 or 4.6%. Although this was better than the comparable FY2012 data, the FY2012 data included a greater amount of building and permit revenue, which declined in FY2013. Local receipts in FY2012 were \$811,740 higher than FY2011, an increase of more than 8%; however, backing out the nonrecurring revenue of \$1,038,545 received in FY2012 and the \$442,104 received in FY2011, the actual over actual growth was only 2.3%. The FY2011 actual receipts were \$921,924 more than FY2010; recurring receipts were \$815,426 more than FY2010 recurring receipts. Building permit and license revenue remained strong for the second year in a row.

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The total actual revenue declined in FY2013, but FY2014 is expected to be very high as major developments approved for the Needham Crossing area have begun. Other than the Library and Park and Recreation departments, departmental receipts have been strong and growing. Greater growth is not expected for FY2015, but should be stable through FY2016 and perhaps decline in FY2017. Pushing this revenue estimate too high would not be prudent. Other key local receipts categories through the first six months of FY2014 (motor vehicle excise and interest) are flat and others (charges and fees) are running behind compared to last year at this time.

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 Vehicles 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. We have assumed approximately a 2% increase or \$75,000 over the FY2014 estimate. Motor vehicle excise receipts for FY2015 are projected at approximately **\$3.9 million**. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate 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. 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 during the year, which is accounted for as **Other Excise** under the local receipts group. The Town of Needham also accepted the 0.75% local option meals tax effective January 1, 2010. The local establishments report and remit the sales tax to the Department of Revenue (DOR). Collections from both the room excise and the meals excise have been positive and growing, but have recently been moderating. The total receipts in FY2011 were \$802,840, \$858,786 in FY2012, and \$982,743 in FY2013. The original estimate for FY2014 was \$706,000, but the budget estimate was revised upward to \$795,000 after review in December. The estimate for FY2015 is **\$835,000** which is 5% more than the FY2014 estimate and is 85% of the FY2013 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

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payments, particularly settlements on deferred taxes and tax title accounts. The original budget estimate for FY2014 was \$265,000, but was reduced to \$230,000 based on the decline in the actual receipts for FY2013. The Town collected \$257,070 in FY2013, which was under both the actual receipts for FY2012 and the FY2013 budget estimate. The estimate for FY2015 is level at **\$230,000**, approximately 90% of the FY2013 actual

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 FY2015 estimate is level dollar at **\$45,000**. This is approximately 90% of the FY2013 actual revenue.

The category of **Charges for Services** includes charges for ambulance services, fire alarm connections, parking permits and charges by the DPW. The significant drop in this revenue from FY2011 was related to the MBTA's assuming the control and management of the commuter lots and hence the revenue. The original estimate for FY2014 was \$620,000, but was lowered to \$555,000 based on the actual revenue for FY2013 of \$613,376 which was a decline from the FY2012 actual, which too was a decline for the aforementioned reasons. The estimate for FY2015 is the same as the FY2014 revised estimate of **\$555,000**. This is 90% of the FY2013 actual revenue.

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 FY2011 was \$104,778, \$110,196 was collected in FY2012, and \$108,282 collected in FY2013. The estimate for FY2015 is the same as the FY2014 estimate, **\$90,000** which is approximately 83% of the FY2013 actual.

Rental Income is collected on a lease with the Needham Golf Club. The Town has a long term lease with the Needham Golf Club (NGC) which runs for twenty years. The land which the NGC leases is considered taxable. The rental income was \$176,478 in FY2011 all from the NGC. Rental income in FY2012 was \$199,772 which came from both the Golf Course and use of Powers Hall at Town Hall. The rental income increased in FY2013 to \$208,277. The Powers Hall rental payments are now accounted for through a revolving fund. The original estimate for FY2014 was \$160,000 but was increased to \$165,000 after the December review. The estimate for FY2015 is **\$173,000**, an increase of 4.8% or \$8,000. This increases the estimate to approximately 83% of the FY2013 actual income.

Library Income includes book fines and other fees charged by the Needham Free Public Library. The revenue collected in FY2011 was \$57,901 and declined slightly to \$56,770 in FY2012. FY2013 improved to \$57,510 over FY2012, but the amount was less than FY2011. The estimate for FY2015 remains the same as FY2014 at **\$50,000** which is approximately 87% of the FY2013 actual.

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 original estimate for FY2014 is was \$254,450 but was lowered to \$225,000 because of the drop in actual revenue in FY2013 from FY2012. This was attributable to the pool. With continued concerns about the pool remaining open for an entire season, the revenue estimate for FY2015 has been lowered by approximately 11% to **\$200,000** or 80% of the FY2013 actual total receipt.

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 total receipts for FY2011 were \$371,291, increased to \$407,870 in FY2012, and jumped to \$596,892 in FY2013. The

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original FY2014 budget estimate was \$335,000 but was increased to \$400,000. The estimate for FY2015 has been increased by another \$75,000 (19%) to **\$475,000**, which is 80% of FY2013 actual.

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. As mentioned previously this revenue stream is expected to be very good in FY2014 but may moderate in FY2015 and FY2016. FY2012 actual was \$1,950,768 or \$509,504 more than FY2011, and FY2013 total was \$1,869,446, this was good but it was a decline from FY2012 of \$81,322. Building activity remains strong. However, this receipt has been the second largest contributor to local receipts in recent years, and is much more volatile than excise receipts, so being too aggressive in estimating could have negative consequences. The original estimate for FY2014 was \$1,440,000 but was lowered to \$1,300,000 prior to submitting to DOR for approval. The FY2015 estimate is **\$1,400,000** is \$100,000 more than the current FY2014 estimate, a 7.7% increase. This is approximately 75% of the FY2013 actual.

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

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, FY2010 showed a decrease of \$17,855 from FY2009 to \$189,098. FY2011 revenue increased to \$201,391 but only decline in FY2012 to \$177,315, and decline again in FY2013 to \$162,051. The original estimate for FY2014 was \$160,000 but was lowered to \$129,500 before sending to the DOR for review. The FY2015 estimate has been increased over the FY2014 amount to **\$140,000** based on the fact that the parking fine rates were increased by the Board of Selectmen after a public meeting. The FY2015 estimate is 86% of the FY2013 actual.

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. Another factor is that 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 further reduced to \$325,000, yet the actual revenue still came in under at \$222,981. The original estimate for FY2012 of \$325,000 had to be reduced to \$150,000, yet the total for the year came in at \$103,130. The FY2013 original estimate of \$150,000 was dropped to \$80,000 which we believed was as low as the revenue could drop; the actual income was \$84,803. The original estimate for FY2014 was kept at \$80,000, but for a greater margin the estimate was revised downward yet again to **\$67,500**. However we are assuming an increase in the estimate for FY2015 of \$2,500 to \$70,000. This would be 83% of the FY2013 actual.

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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, but declined again in FY2012 with only \$159,796 received. FY2013 the Town received \$219,636 in monies classified under miscellaneous income. The estimate for FY2015 has been increased by \$21,000 or approximately 16% over the FY2014 estimate to \$155,000. This is approximately 71% of the 2013 actual.

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. The fiscal 2012 actual receipts of \$1,038,545 are revenues that are classified as nonrecurring which consisted of \$311,319 from a Medicare Part D reimbursement to the Town and \$35,122 in legal settlements that the Attorney General secured related to prescription drug overcharges. The Town received premiums on the sale of bonds/notes in the amount of \$137,238. The Town received reimbursements for expenses incurred in prior fiscal years from FEMA \$145,936, property and casualty premium credits of \$130,049; and prior year revenue recovery of \$104,777. The Town received \$10,618 in energy efficiency rebates, \$9,277 from the sale of surplus equipment, and various other low dollar payments, refunds, and recoveries that totaled approximately \$19,151. The balance of the nonrecurring revenue came from the Commonwealth which was \$106,761 identified by the State as one time and the other was a storm damage reimbursement distribution of \$28,297. The FY2013 nonrecurring receipts totaling \$1,288,907 resulted mostly to one major source, a very sizable premium received on the sale of bonds last year in the amount of \$811,162. The Town also received a distribution of \$303,727 from a Medicare Part D reimbursement, the last payment to the Town as future reimbursements will be incorporated in the premiums (lower) that the Town pays for certain retiree health insurance. The bond premiums and the Medicare reimbursements together, accounted for 86% of the total nonrecurring revenue in FY2013. The Town was successful in collecting some old receivables, previously considered uncollectible in the amount of \$43,157. The Town also received \$20,945 from MEMA for Hurricane Irene related expenses. The balance of \$109,916 came from various sources, reimbursements, and sale of equipment. The \$5,633 identified as miscellaneous nonrecurring receipts for FY2014 was a premium received on a BAN issued this fiscal year, of which the applicable portion was reflected as an adjustment (reduction on the amount raised on the tax rate) on the excluded debt. No revenue meeting this criterion has been identified for FY2015.

Other Available Funds

Other available funds represent just 0.5% of the total general fund before adjustments and offsets. Projections of reserves follow past budget methodology. The uses of the funds are based on historical uses of these funds. Other available funds are correlated to expenses.

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.

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We anticipate that \$500,000 in residual overlay account balances will be available for declaration as overlay surplus to fund FY2015 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 use of the funds would be \$500,000 for the operating budget; a similar amount has been appropriated for a number of years.

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 2013 which lowered the amount of revenue that may have been collected in FY2014. The Board of Selectmen held a public hearing to revise the parking meter rate structure (this would be the first change in rate since 2001) to help offset the increased costs of on street parking enforcement in the business districts and, if approved, should contribute more to the cost in the future.

Other available funds in prior years have included items such as unexpended balances of prior warrant articles, insurance proceeds in excess of \$20,000, and special grants; no such funds have yet been identified for this coming budget season.

Free Cash

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 FY2015 appropriations is **\$4,152,348**, which represents 3.1% of the total general fund before adjustments and offsets. This is a decrease of \$3,983,024 over the current year or 49%. The decrease from the current year however was due to the fact that FY2014 appropriations included the use of effectively two years of Free Cash. Free Cash included both a delay in funds from one year, and an extraordinary amount of one-time monies received during FY2013 along with some greater budget turn backs from some key budget lines that usually do not return much. The amount of Free Cash certified last year (FY2013) was \$2,153,808 and the entire amount was appropriated, and the Free Cash certified this year (FY2014) was \$10,133,912 of which \$5,981,564 was used for FY2014 appropriations for a combined total for FY2014 of \$8,135,372. The lower Free Cash certification for FY2013 was not attributable to the typical timing differences but from the scheduling of two major construction projects - the Newman School HVAC and Pollard School Roof. The reduction in

Free Cash History Table 2.6		
Certification Year	Budget Year Use	Certified Free Cash
FY2007	FY2008	3,266,326
FY2008	FY2009	5,810,170
FY2009	FY2010	3,145,416
FY2010	FY2011	3,568,037
FY2011	FY2012	3,380,269
FY2012	FY2013	5,366,720
FY2013	FY2014	2,153,808
FY2014*	FY2014/15	10,133,912
Five Year Average (2008 - 2012)		4,254,122

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Free Cash resulted from a combination of the timing of reimbursements from the MSBA, and the timing of the borrowing for those projects. The Town recaptured those funds with the FY2014 certification that was completed by DOR in the late summer. As discussed last year, the effects of the delay were 1. the amount that was available to appropriate in May 2013 was extraordinarily low in comparison to recent years; and 2. the amount available for appropriation after July was going to be exceptionally high.

Operating Budget Maximum Table 2.7		
Fiscal Year Activity	Departmental Budgets Turn Back	Departmental Budgets Two Percent
FY2009	1,497,814	1,458,937
▲ FY2010	1,642,570	1,543,308
FY2011	1,141,375	1,567,324
FY2012	1,767,497	1,619,224
FY2013	1,442,255	1,696,882

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 has been used to support operating expenses. Our recommended practice is that not more than 2% of the adjusted departmental operating budget of the prior completed fiscal year or the actual turn back, whichever is less should be used for operating expenses in the upcoming fiscal year. The

FY2013 final adjusted General Fund departmental operating budgets totaled \$84,844,100. Two percent of this amount equaled \$1,696,882; the actual FY2013 departmental budget turn back was \$1,442,255. The budget plan has approximately \$1.65 million of the estimated Free Cash being used for operating expenses. The amount is greater than formula, but the higher amount allows funding of certain operating expenses that can be offset with recurring revenue next year and some operating expenses will not recur next year, i.e., an extra vehicle in the Police Department operating capital. The balance of the Free Cash for FY2015 is proposed to be used to fund cash capital and warrant articles. The Town has been following the recommended practice of limiting the amount of Free Cash that supports the operating budget by using the funds to pay not only for needed cash capital, but also to put aside funds for future demands that may arise unexpectedly and for various one-time financial warrant articles (Table 2.8).

Effective Use of Certified Free Cash
Table 2.8

Certification Year	Amount Certified	Operating Statement Maximum	Appropriated Reserves	Cash Capital	Financial Warrant Articles	Operating Budget Use (OB)	OB Allocation Variance
▲ FY2010	3,568,037	1,458,937	82,761	1,500,564	182,715	1,801,997	343,060
FY2011	3,380,269	1,543,308	450,000	1,703,859	524,339	702,071	(841,237)
FY2012	5,366,720	1,141,375	473,098	3,421,633	168,353	1,303,636	162,261
FY2013	2,153,808	1,619,224		534,584		1,619,224	-
FY2014*			566,530	5,032,357	-	382,677	382,677
FY2014	10,133,912						-
FY2014#		1,442,255		2,467,260	35,000	1,650,088	207,833

* Used for FY2014 appropriations; # Planned for FY2015 appropriations

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Revenue as a % of Total General Fund Revenue Table 2.9					
Description	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate
Property Taxes	79.3%	79.9%	77.8%	79.2%	82.2%
State Aid	7.7%	7.7%	7.8%	7.7%	8.0%
Local Receipts	8.4%	8.9%	8.9%	6.0%	6.2%
Other Available Funds	1.6%	0.7%	1.4%	1.0%	0.5%
Free Cash	3.0%	2.8%	4.2%	6.1%	3.1%
Total General Fund Revenue*	100%	100%	100%	100%	100%

*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 FY2015 is based on the current year and is estimated at \$275,000.

Enterprise Reimbursements to the General Fund Table 2.10						
Description	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate	\$ Change
Solid Waste	241,778	250,625	267,128	276,871	275,000	(1,871)
Sewer	480,971	420,647	389,453	429,205	425,000	(4,205)
Water	936,966	944,443	951,958	962,891	950,000	(12,891)
Total	1,659,715	1,615,715	1,608,539	1,668,967	1,650,000	(18,967)

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 FY2015 for sewer and water are estimated at \$425,000 and \$950,000, respectively.

The total estimate is lower due to continued restructuring of the DPW, fewer expenses being incurred by the general fund, and positive trends with employee benefit costs. Because other indirect costs associated with the three funds are a factor of Town Meeting appropriations, the actual FY2015 transfers may be adjusted accordingly.

FY2015 is the fourth operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be **\$475,763** which a decrease of \$235,237 (33%) from the FY2014 amount of \$711,000. This decrease was expected as FY2014 was the peak year for CPA debt service on the Town Hall project. The debt service cost is also lower than the original financing plan had assumed as both the interest rates on the debt and the cost of the project were lower. The annual debt service will decline each year on the Town

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Hall project until it is paid off in 2031. We reflect \$475,763 as another adjustment to General Fund revenue because the CPA debt is included in the general operating budget of the Town.

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 **\$1,274,570** for FY2015 is based on the Governor's budget plan which expects an increase expense of \$1,006 or 0.1% more than FY2014.

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 FY2015 is based on the Governor's FY2015 budget plan which has the Town projected to receive **\$62,102** in FY2015, an increase of \$1,992.

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 **\$2,151,633**. This is the same amount as FY2014. FY2015 is the required triennial property valuation review by the Department of Revenue's Bureau of Local Assessment which will review and recertify the Town's property values to ensure they are at full and fair market value. This can increase the workload on the Town's assessing division and could impact the number of abatement and exemption applications received. The final amount of the reserve is determined by the Department of Revenue when it approves the tax rate in December.

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. \$9,397 has been set aside for this purpose for FY2015. However, the amount certified by the tax collector for tax title purposes is assumed to be level dollar for FY2015 at \$12,500.

OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2013 is \$3,742,594. The Stabilization Fund may be appropriated, by a two-thirds vote of Town Meeting, for any 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, 2013 is \$649,590.

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, 2013 is \$1,294,677.

The Town also established an **Athletic Facility Fund** for the purpose of reserving funds for future extraordinary athletic field and artificial turf replacement and maintenance costs. The balance in the fund as of December 31, 2013 is \$900,413. The budget plan calls for an appropriation of \$40,695.

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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 FY2015, enterprise fund revenues are estimated at \$16,854,584. This figure is inclusive of the use of \$1,448,145 in retained earnings for capital investment in the three operations and another \$740,000 of retained earnings used to fund non-capital appropriations. The estimate use of enterprise receipts for FY2015 is 190,455 less than FY2014. The combined estimate of the three funds is \$14,666,439 for FY2015 compared to \$14,856,894 for FY2014 (Table 2.11). The decrease in current receipts is attributable to the RTS enterprise. The FY2015 budget proposal is to eliminate the fee for the sticker that allows a resident access to the RTS. This fee generated approximately \$630,000 in FY2013 and could produce \$650,000 in FY2014. This revenue stream would be replaced in FY2015 by a higher General Fund payment to the RTS enterprise. The budget also calls for the use of **\$308,000** in Sewer Enterprise retained earnings to replace the General Funds that were required to be provided for FY2014. There are concerns that billable consumption may drop due to conservation efforts being promoted (sewerage billing is based on water usage); the user rates will be reviewed and revised in the coming months. The plan also assumes that **\$432,000** in Water Enterprise retained earnings will be used for the operating budget as a hedge against possible loss of income for the Water Enterprise as well should water consumption be driven down by conservation and use restrictions.

Enterprise Receipts
Table 2.11

Description	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate	\$ Change
RTS	1,563,394	1,659,380	1,718,850	1,514,144	1,062,991	(451,153)
Sewer	8,233,557	7,897,310	8,241,583	7,715,965	7,955,469	239,504
Water	6,572,445	5,451,542	6,188,215	5,626,785	5,647,979	21,194
Total Enterprise Receipts*	16,369,396	15,008,232	16,148,649	14,856,894	14,666,439	(190,455)

* Receipts before adjustments, reimbursements, and subsidies

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. However, the formula has not been sufficient in every year to meet the required revenue. Given the restrictions on estimating revenue above the actual amount of the prior year, an additional amount from the General Fund has been required in some years in order to balance the RTS budget. The General Fund transfer for FY2011 was \$792,673, FY2012 was \$580,673, and in FY2013 the amount was \$576,938. The appropriation to the RTS for

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FY2014 was \$801,458. As previously mentioned, the FY2015 plan is to eliminate the charge for obtaining a sticker to access the RTS and that revenue loss would be made up by a higher General Fund contribution to the RTS. The estimate for FY2015 is **\$1,420,000**.

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 employees 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 employees 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 payment in FY2012 was \$469,610, FY2013 was \$493,932 and for FY2014 was \$468,936. As referenced earlier FY2014 also required a subsidy of \$389,503 which can be recovered. The required General Fund appropriation to the Sewer Fund for FY2015 will be **\$463,430**.

Use of Enterprise Reserves and Other One-Time Funds
Table 2.12

Description	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Recap	FY15 Estimate	\$ Change
RTS	277,122	200,000	448,683	337,100	321,095	(16,005)
Sewer	983,389	1,118,546	1,215,555	1,352,644	706,000	(646,644)
Water	1,581,939	1,464,000	772,009	1,922,667	1,161,050	(761,617)
Total	2,842,451	2,782,546	2,436,247	3,612,411	2,188,145	(1,424,266)

ENTERPRISE FUND RETAINED EARNINGS

These sources are not available to support the General Fund and are shown for informational purposes only.

Similar to 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 balances of appropriations, as of June 30th. Once certified by the Massachusetts

Available Retained Earnings Table 2.13			
Enterprise Fund	Certified	Available	Proposed to be Used
RTS	686,044	386,143	321,095
Sewer	1,971,156	706,735	706,000
Water	2,254,842	1,295,015	1,161,050

Department of Revenue, retained earnings are then available for appropriation or reserved to support the enterprise. Retained earnings have been certified by the Department of Revenue. The available amounts shown in Table 2.13 are after taking into consideration the necessary reservations and previous appropriations.

Fiscal Year 2015 Proposed Budget

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% and the rate was 26.83% on the FY2012 CPA surcharge revenue. The distribution rate on the Town's FY2013 CPA surcharge revenue was 52.23% and the funds were distributed in November 2013. We believe the distribution range in FY2015 will be between 20% and 30% and our revenue estimate is at the middle. The current estimate based on FY2014 collections that will be received as state matching funds in FY2015 is \$462,000 or 25%. The 2% CPA surcharge on FY2015 property tax bills is estimated at \$1,884,000. The total estimated FY2015 CPA revenue is \$2,346,000.

The \$2,346,000 estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$258,060 credited to both the Community Housing Reserve and Open Space Reserve. The \$258,060 figure is approximately 11% of the new revenue estimate for FY2015. 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 FY2015 debt budget includes \$475,763 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 \$475,763 appropriation to the General Fund operating budget will satisfy minimum requirement for Historic Resources. The balance of the CPA revenue estimate of \$1,272,117 would be transferred to the Community Preservation Fund General Reserve for FY2015. 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, 2013 is **\$3,766,414** and remains available for appropriation until June 30, 2014. The CPC has not yet made any funding recommendations for FY2015. The amounts currently held in the three required reserves as of December 31, 2013 are as follows:

Open Space Reserve -	\$218,020
Community Housing Reserve -	\$669,420
Historic Reserve -	\$ 68,320

Fiscal Year 2015 Proposed Budget

Town of Needham Community Preservation Fund Revenue and Appropriations FY15	
<u>FY15 Community Preservation Fund Revenue Estimates</u>	
FY15 Surcharge Revenue Estimate	1,884,000
State Trust Fund Distribution Estimate	462,000
Revenue Estimate	2,346,000
<u>FY15 Community Preservation Fund Appropriation Estimates without Projects</u>	
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	258,060
Historic Resources Reserve	
Open Space Reserve	258,060
Community Preservation Fund Reserve	1,272,117
Specific Appropriations (see below)	475,763
Appropriation Estimates	2,346,000
<u>Specific Appropriation Requests</u>	
Town Hall Project Debt Service (GF Debt Operating Budget)	475,763
Total	475,763