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# Revenue Projections

## Section 2

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**Revenue Summary**

Town of Needham  
Revenue Summary  
Table 2.1

Description*	2009	2010	\$ Change	% Change
General Fund	107,051,151	108,400,286	1,349,135	1%
Enterprise Funds	15,695,813	16,703,092	1,007,279	6%
CPA	2,998,000	7,384,323	4,386,323	146%
<b>Total Revenues</b>	<b>125,744,964</b>	<b>132,487,701</b>	<b>6,742,737</b>	<b>5%</b>

\* Revenue before adjustments, reimbursements, and subsidies

**GENERAL FUND**

The General Fund accounts for revenues and expenditures necessary to provide governmental services and expenses. By definition, all financial resources that are not required to be accounted for in other funds are accounted for in the general fund.

Town of Needham  
Summary of General Fund Resources  
Table 2.2

Description	2006 Actual	2007 Actual	2008 Actual	2009 Recap	2010 - Estimate	\$ Change	% Change
Property Taxes	69,186,159	73,690,425	77,188,642	81,925,650	87,039,696	5,114,046	6%
State Aid	7,898,554	22,569,523	8,329,761	9,376,375	8,510,381	(865,994)	-9%
Local Receipts	9,789,820	10,586,874	11,143,475	8,448,294	8,720,000	271,706	3%
Other Available Funds	2,067,042	1,017,751	918,532	1,490,662	984,793	(505,869)	-34%
Free Cash	3,260,346	3,895,235	3,266,326	5,810,170	3,145,416	(2,664,754)	-46%
<b>Total General Fund Revenue</b>	<b>92,201,921</b>	<b>111,759,809</b>	<b>100,846,736</b>	<b>107,051,151</b>	<b>108,400,286</b>	<b>1,349,135</b>	<b>1%</b>
<i>Adjustments to General Fund Revenue</i>							
Other Amounts Required to be Provided	(902,554)	(93,621)	(69,736)	(77,023)	(77,475)	(452)	1%
State & County Assessments	(981,582)	(1,045,299)	(1,057,780)	(1,103,256)	(1,130,837)	(27,581)	2%
Provisions for Abatements & Exemptior	(1,086,199)	(1,094,344)	(919,602)	(1,100,000)	(800,000)	300,000	-27%
Adjustments, Reimbursements & Subsidi	965,377	1,249,578	1,602,801	1,710,496	1,710,000	(496)	0%
<b>Total</b>	<b>(2,004,958)</b>	<b>(983,686)</b>	<b>(444,317)</b>	<b>(569,783)</b>	<b>(298,312)</b>	<b>271,471</b>	<b>-48%</b>
<b>Available for GF Appropriation</b>	<b>90,196,963</b>	<b>110,776,123</b>	<b>100,402,419</b>	<b>106,481,368</b>	<b>108,101,974</b>	<b>1,620,606</b>	<b>2%</b>

Total revenue available for general fund appropriations is projected at **\$108,101,974 (Table 2.2) or \$1.6 million more than FY2009**. This, however, can be misleading because the Town realized a substantial increase of \$2,543,844 in the certified Free Cash account for the FY2009 budget year and a substantial decrease of \$2,664,754 for the FY2010 budget year, a 46% drop. This decrease was not entirely unexpected. There were a number of one-time events which generated higher receipts that added to Free Cash for FY2009, and the funds were used for an extraordinary capital expense and to fund reserves. The Department of Revenue certification of Free Cash for this year, however was a lower percentage of the Town's overall undesignated fund balance than usual (see table 2.6 page 2-10). The ten year average is approximately 62%.

The net change in general fund revenue available for appropriation exclusive of Free Cash is \$4,285,360 an increase of 4.3%. Revenue from property tax is estimated to grow just over \$5.1 million. Cherry Sheet state aid will decrease by \$865,994. The local receipt estimate has been increased by \$271,706, but this level is reasonably below the FY2008 actual receipts to allow for further contraction. Other Available Funds is \$505,869 lower than in FY2009. 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.

### **Property Taxes**

Under Massachusetts General Laws, property taxes on the whole 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, 2008 is \$7,331,302,193 or 1.7% higher than the previous year. This puts the levy ceiling at \$183,282,555. As the current actual tax levy including debt exclusions for FY2009 is \$81,925,650, the Town is far below its legal ceiling.

The new growth amount is derived from improvements to property by its use, reconstruction, or new construction, and is added to the tax base. The annual levy limit can also be increased by the amount of any general override (usually operating), and capital exclusion override. The annual levy limit is also increased by the amount of debt service that is payable during the year for debt which has been approved by the voters as a debt exclusion override. The increase in the FY2010 tax levy attributable to new growth is estimated based upon consultation with the assessing and building department staff.

### **State Aid**

Most state aid, especially Cherry Sheet aid, is a function of the state budget. The Governor's budget will be released on Wednesday, January 28, 2009; a day after this budget is presented to the Board of Selectmen. All early indications lead us down a path of less revenue in FY2010 than in FY2009. Our FY2010 estimate is \$865,994 lower than the current year, approximately 10% less. 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.

After the Governor's budget is presented to the Legislature, the House of Representatives will review it. The House Ways and Means Committee will develop its own recommendations to present to the full House for debate and amendment. After the House adopts a budget plan, it is forwarded to the Senate for a similar process. After the Senate prepares and votes on its budget plan, the House and Senate conference by way of committee to resolve any difference between the two budgets plans. A single budget document is then presented to the full body of the House and then 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 fourth annual contract assistance payment of \$745,381 for the Broadmeadow School project. We do not expect any reduction in this payment. The Massachusetts School Building Authority (MSBA) began making payments for its share of the school project in FY2007 and is expected to pay its share in equal installments annually through FY2023. The payment is applied as a credit against the annual debt service for the Broadmeadow School and hence reduces the amount that is paid on the property tax bill. The Town continues to receive monthly payments from the MSBA for the current High

School project. Under the new program for approved school projects, the State pays its agreed percentage of the approved project cost as the expense is incurred. The benefit of this approach, to both the State and the Town, is lower interest expense. Since the High School project was approved by debt exclusion, this means that the interest savings is realized with a lower property tax bill than would have otherwise have been levied.

### **Local Receipts**

We continue to estimate local receipts conservatively. This has been done because of the continued deterioration of the economy and the retraction of some key receipts, which the Town relies upon to replenish the undesignated fund balance. The consequences of being more aggressive in the local receipt estimation include: a reduction in the margin between budgeted and actual receipts to cover unanticipated drops in other revenue sources, unexpected increases in expenses, (particularly non-appropriated costs such as County and State assessments), and lower Free Cash certification for the future year than would otherwise be possible. As a result we continue to recommend that only a portion of Free Cash be used to fund ongoing operating costs.

We prepare the projections of local receipts by comparing FY2008 estimated receipts to actual receipts; FY2008 actual receipts to FY2007 actual receipts, and FY2009 estimated receipts to the FY2008 actual and FY2009 year-to-date numbers. The Department of Revenue will only allow a community to forecast local revenue up to the level of collection in the previous fiscal year. Under certain circumstances and with appropriate documentation, DOR will allow a community to exceed its prior year actual revenue, e.g., for establishing a new fee or significantly increasing an existing fee or charge. During this analysis, the FY2009 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2009 activity demonstrates a trend that deviates from projections. It is also important to note that if certain budgetary reductions are made to departments, which generate or cause the collection of receipts, the estimate may need to be revisited.

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

Projections of reserves follow past budget methodology. Free cash has been certified and is incorporated into the budget projections. Overlay surplus amounts must be approved by the Board of Assessors and are based on historical uses of these funds. Other reserves are correlated to expenses.

## **FY2010 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS**

### PROPERTY TAX LEVY

The property tax levy (Table 2.3) represents approximately 80% of all general fund revenues before adjustments. The FY2010 property tax limit is estimated to increase approximately 6.2% over the FY2009 actual tax levy, or approximately \$5.1 million. The limit is calculated by increasing the FY2009 levy limit, exclusive of debt exclusions, by 2.5 percent and then adding a component for new growth. New growth is a function of the additional value generated by construction during the preceding year. The additional tax dollar amount for new growth is determined by the value on the January 1 assessment date and is then multiplied by the FY2009 tax rates. We have included the operating override for \$1,887,929 that was passed by the voters at the November 2008 Presidential election for the purposes of opening and operating the new High Rock School.

New Growth tax revenue is expected to decrease significantly from the more than \$2.0 million realized in FY2009. 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. Should the new growth revenue come in above the estimate for this budget plan, it will be used to increase the overlay reserve for FY2010 and provide further cushion should other revenues decline below the estimates for the upcoming year.

Town of Needham  
Fiscal Year Tax Levy  
Table 2.3

Description	2006	2007	2008	2009	2010 Estimate
Prior Year Base	61,600,681	64,742,338	68,056,796	72,292,283	76,202,247
2-1/2 Allowance	1,540,017	1,618,558	1,701,420	1,807,307	1,905,056
New Growth	1,601,640	1,096,944	1,376,465	2,102,657	1,040,000
General Override		597,370	1,128,670	0	1,887,929
Excess Levy (Taxes Not Raised)	(78,773)	(6,430)	(53,724)	(35,024)	
<b>General Tax Levy Limit</b>	<b>64,663,565</b>	<b>68,048,780</b>	<b>72,209,627</b>	<b>76,167,223</b>	<b>81,035,232</b>
Total Excluded Debt	7,276,222	20,476,844	6,868,256	6,908,132	7,139,955
Less Excluded Debt Offsets	(2,957,868)	(14,597,920)	(1,126,537)	(1,149,705)	(1,135,491)
Excluded Debt to be Raised on Tax Levy	4,318,354	5,878,924	5,741,719	5,758,427	6,004,464
<b>Property Tax Levy</b>	<b>68,981,919</b>	<b>73,927,704</b>	<b>77,951,346</b>	<b>81,925,650</b>	<b>87,039,696</b>

STATE AID

State aid (Table 2.4) represents approximately 8% of the total general fund before adjustments and offsets. Total state aid for FY2010 is projected to decrease by \$865,994. At this time we have not estimated the changes in the individual state aid programs, but focused on an anticipated overall reduction in this revenue category. As noted earlier, the Governor’s budget plan is subject to review and amendment, and assumes certain actions to be approved by the Legislature. The final figures are not expected until late spring.

Key State Aid Programs:

**Chapter 70** aid is commonly referred to as general school aid. The Town of Needham realized an increase in Chapter 70 funding each fiscal year since Education Reform was enacted, until FY03, when it was level funded at \$4,054,497, then reduced during the year. Chapter 70 was increased by \$234,950 for FY2006, increased by another \$527,325 for FY2007, yet another \$757,934 for FY2008, the current year the Town is budgeted to receive \$6,118,846 or \$994,639 more than FY2008.

The **Additional Assistance** Cherry Sheet line was level funded by the Legislature for more than ten years, before being reduced in FY03 to \$219,686. This was a 15.3% reduction from the prior year. It is important to note that the Town’s budget for FY03 was approved based on the final Cherry Sheet (which is released after the State Budget is signed into law by the Governor) which set the figure for Needham at \$242,345 but the amount was further reduced by the Governor to \$219,686. This reduction had to be offset by other revenues. Additional Assistance was further reduced in FY04 to \$205,993, a reduction of another 6.2%. Town is budgeted to receive \$205,993 for FY2009, the same as FY2008. **We believe that this line item is vulnerable to “9C” cuts by the Governor in FY2009.**

Town is budgeted to receive \$1,966,680 in **Lottery aid and Lottery Hold Harmless aid** for FY2009, the same dollar amount as the FY2008 Lottery only distribution. **We believe that these line items are vulnerable to "9C" cuts by the Governor in FY2009.**

The remaining Cherry Sheet line items, which include various reimbursement programs, police career incentive (Quinn), and direct aid to schools and libraries, total \$339,475 for FY2009. Funding for the METCO program previously appeared as a Cherry Sheet receipt. Effective with the FY2007 budget, the State converted the program to a direct grant program, based on available funds and school department applications.

Town of Needham  
Summary of State Aid  
Table 2.4

Description	2005 - Cherry Sheet	2006 - Cherry Sheet	2007 - Cherry Sheet	2008 - Cherry Sheet	2009 - Cherry Sheet	2010 - Estimate	\$ Change
Chapter 70	3,603,998	3,838,948	4,366,273	5,124,207	6,118,846		
School Construction SBA	508,522						
Charter School Tuition Reimbursement		37,290	65,233	41,541	63,184		
Charter School Capital Reimbursement		2,906					
METCO **	658,438	691,600					
School Lunch	22,249	23,778	22,150	24,429	26,983		
<b>State Aid for Education</b>	<b>4,793,207</b>	<b>4,594,522</b>	<b>4,453,656</b>	<b>5,190,177</b>	<b>6,209,013</b>		
Lottery	1,418,675	1,619,031	1,935,797	1,966,680	1,705,544		
Lottery - Hold Harmless					261,136		
Additional Assistance	205,993	205,993	205,993	205,993	205,993		
Police Career Incentive	118,577	121,929	121,907	121,798	122,793		
Veterans Benefits	5,932						
Chapter 58 Chapter 59 Exemptions	47,072	47,911	46,034	72,224	77,429		
Chapter 59 Elderly Exemptions	8,534	7,028	7,028	12,048	11,546		
Public Library Aid	33,127	34,229	31,385	32,807	37,540		
<b>State Aid for General Government</b>	<b>1,837,910</b>	<b>2,036,121</b>	<b>2,348,144</b>	<b>2,411,550</b>	<b>2,421,981</b>		
<b>Total Cherry Sheet Aid</b>	<b>6,631,117</b>	<b>6,630,643</b>	<b>6,801,800</b>	<b>7,601,727</b>	<b>8,630,994</b>	<b>7,765,000</b>	<b>(865,994)</b>
MSBA Payments	1,293,126	1,293,126	14,338,168	745,381	745,381	745,381	
Supplemental Lottery	142,917						
<b>Other State Aid</b>	<b>1,436,043</b>	<b>1,293,126</b>	<b>14,338,168</b>	<b>745,381</b>	<b>745,381</b>	<b>745,381</b>	
<b>Total State Aid</b>	<b>8,067,160</b>	<b>7,923,769</b>	<b>21,139,968</b>	<b>8,347,108</b>	<b>9,376,375</b>	<b>8,510,381</b>	<b>(865,994)</b>

**LOCAL RECEIPTS**

Local receipts represent approximately 8% 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 FY2010 is **\$8,720,000** (Table 2.5) is a 3.2% increase over the FY2009 estimate. When completing the tax rate setting process, we reduced the estimate of FY2009 local receipts. This action was taken after the

new growth figure was approved by the Department of Revenue, in anticipation of lower receipts in FY2009 as compared to FY2008. The local receipt estimate for the FY2008 budget year was set at \$9,059,700, actual receipts for FY2008 was \$11,143,475 or more than \$2.0 million higher than estimated. We do expect the total receipts for FY2009 to decline, hence the reduced estimate. We also expect a level to slight increase in revenues for FY2010, as many economic forecasts suggest that the economy will begin to improve by the fourth quarter of CY2009 or first quarter of CY2010. The FY2010 local receipts estimate is \$339,700 less than the local receipt estimate for FY2008. All told, the FY2010 estimate is more than 21% less than actual receipts for FY2008, and therefore should provide the Town with adequate cushion in the event of lower receipts.

All vehicle owners who have their vehicles registered in the Commonwealth of Massachusetts pay an annual **Motor Vehicle Excise** tax to the community in which the vehicle is principally garaged. The Registry of Motor Vehicle provides listings several times during the year with the vehicles that are registered in Needham, along with the value for each. The Town relies on this information to calculate and issue excise bills. The motor vehicle excise tax rate is set by State law at \$25 per \$1,000 valuation. The rate is uniform through the Commonwealth. Motor vehicle excise receipts for FY2010 are projected at approximately **\$3.8 million**, or 13% below the FY2008 actual. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate for the foreseeable future, until motor vehicle excise revenue recovers to a level that will generate a minimum of 10% towards Free Cash.

In 1986, the Town of Needham adopted a local option room excise tax at 4%. Hotels, motels, and certain other establishments collect this excise on the taxable portion of rents they collect. The businesses remit the funds to the State. The State sends payments to the Town twice a year, which payment is accounted for as **Other Excise** under the local receipts group. From FY2005 to FY2008 the actual room excise revenue increased, but not at a level which would support increasing the estimate for FY2010. Indeed, we expect actual receipts to decline from approximately \$338K to an amount closer to the FY2009 estimate. The receipts for FY2010 are held level at **\$270,000**.

The **Penalties & Interest** category includes penalties charged for the late payment of real estate and motor vehicle excise bills, tax lien redemptions, and interest accrued on deferred taxes. The fluctuations in actual collections reflect the unpredictability of the timing of payments, particularly settlements on deferred taxes and tax title accounts. The estimate for FY2010 is **\$200,000**. If the economy remains weak, this revenue source may increase due to an increase in delinquent payments.

**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 FY2010 estimate is held level at **\$70,000**

The category of **Charges for Services** includes charges for ambulance service, fire alarm connections, parking receipts and charges by the DPW. The increase in receipts to \$790,303 in revenue for FY2007 was due to both reclassification of certain receipts and changes in the rates. The reclassification of some local receipts involved items tracked under charges for services, fee income, rental income, and other departmental receipts. The changes were done in accordance with the State's UMAS definitions for each of these items. The increase in FY2008 was due to changes in various fee schedules. The FY2010 estimate of **\$905,000** is \$105,000 more than the current year estimate. This is in recognition of the doubling of the parking rates that was ordered by the MBTA effective last November (11/15/2008). Commuters now pay \$4 per day to park at the "T" commuter

lots. The Town pays a fixed monthly license payment to the MBTA and shares 50% of the revenue collected in excess of \$10,120.38 per month. There is a corresponding increase in the Municipal Parking budget.

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 which have not been adjusted for a number of years. The changes were made after analysis of the costs, comparable rates in other communities, and market demands. Some of the changes were effective immediately, while others were phased in over a two or three year period. As expected, total receipts are up; the actual FY2006 revenue was \$1,641,574 and grew to \$2,086,461 in FY2008. Although building permit activity still remains surprisingly healthy, we expect actual receipts for most permit and licenses to fall closer to the estimate than the actual for FY2008. The estimate of **\$1,500,000** is \$200,000 more than the FY2009 estimate, or more than 28% less than FY2008 actual.

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. This revenue category has grown basically due to the increases in various fees over the past two years. The total collected in FY2005 was \$213,069, increasing to \$239,185 in FY2006. The decline for FY2007 to \$180,074 and the further decline to \$121,422 in FY2008 are due to both some slow down in activity and reclassification of some fee as mentioned previously under charges for services. The estimate of **\$109,000** for FY2010 is level dollar.

The category of **Fines and Forfeits** includes parking ticket and court fines. Revenue in this category has fluctuated due to staff resources over the years, with \$170,811 for FY2005, a decline in FY2006 to \$139,354, only to recover in FY2007 to \$155,975. The decline in FY 2006 was directly related to limited staff resources during part of the year. The FY2008 actual of \$199,101, a more than 27% increase over the prior year is reflective of the continued enforcement efforts. The estimate for FY2010 is **\$155,000** or \$10,000 more than FY2009. This is one of items which tends to increase as a consequence of poorer economic times.

**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 FY2010 projection of **\$240,000** is also level dollar. We believe there may be an increase in use of local programs due to the economy.

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

The Town had realized a significant increase in **Investment Income** over past few years from \$1,041,352 earned during FY2006 to \$1,253,286 for FY2008. The \$1,573,613 generated in FY2007 was, as previously noted, due to a number of cash flow events during year which resulted in the Town's average invested balance to be higher, earning greater interest income than would normally be expected. The Town was in the middle phase of its \$62-million High School reconstruction project during FY2007. Between the notes issued during the year and the payments from the MSBA, the Town had a higher cash balance earning interest. This money is no longer available now that funds have been used to retire debt and pay the general contractor for the work that was performed. Interest rates

have also decline over the pass several months; therefore the earnings on the Town's funds have also declined, hence the Town's estimate for FY2009 was reduced from the \$900,000 estimate in FY2008 to \$650,000 (nearly 50% decrease from the FY2008 actual income earned). The FY2010 estimate of **\$650,000** is level dollar. This is another local receipt line that we monitor regularly. It is revised if necessary up until the submission of the tax rate to the Department of Revenue.

**Other Department Income** includes revenue collected by the various town departments which are not properly accounted for in the other accounts. This would include amounts received by planning and conservation departments. The budget estimate for FY2010 is level at **\$293,000**.

**Library Income** includes book fines and other fees charged by the Needham Free Public Library. Library receipts declined significantly in FY05 which is attributable to the relocation of the library to High Rock School, while the construction of the new facility took place. The new and larger library opened in the spring of 2006, and as expected revenues increased in FY2006 to \$49,782, and increased again in FY2007 to \$64,667, but declined to \$54,027 for FY2008. This recent decline has been attributed to the new electronic notification system implemented by the Minuteman Library Network. Patrons are notified that materials checked out are coming due and this has reduced the number of overdue items, and has made such material more readily available to other patrons. The FY2010 estimate is held at **\$48,000, because there has been an uptick in the number of patrons using libraries hence the total dollars are holding steady even if the average delinquency has declined.**

**Rental Income** from the Ridge Hill facility is now nonexistent due to elimination of advance bookings as the Town decides what the future use of the facility will be. The increase from \$26,740 in FY2006 to \$356,106 in FY2007 was due to the reclassification of a payment previously classified as PILOT and receipt of two years of payments in a single year. The rental income in FY2007 from the Ridge Hill facility decreased by more than 57% to \$11,480; income in FY2008 of \$14,500 was generated in early part of the year. No income has been realized from the Ridge Hill facility since mid 2008. The balance of the \$245,090 was rent paid to the Town by the Needham Golf Club. The **\$230,000** estimate for FY2010 is being held level.

**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 FY2001 \$98,862 was collected, but only \$47,908 was collected in FY2002. This figure increased to \$149,350 in FY2003, with a minor decline to \$136,398 in FY2004. However, in FY2005, yet another significant decline in Medicaid revenue was realized with \$46,644 received. Medicaid revenue increased significantly in FY2006 to \$186,363, and then again in FY2007 to \$259,951; receipts for FY2008 dropped to \$219,811, and are running behind FY2009 through the first six months of the year. Total miscellaneous revenue (including Medicaid) for FY2005 was \$138,263 doubling in FY2006 to \$286,858, and increasing again for FY2007 to \$280,770. The receipts declined in FY2008 to \$269,448. The FY2009 estimate for miscellaneous income is \$280,843 and has been reduced by \$30,843 to **\$250,000** for FY2010.

**Nonrecurring Income** represents funds that may be received but are not expected to reoccur, e.g., one-time grants, financial assistance for an event, etc. At this time no revenue meeting this criterion has been identified and therefore the projection is zero.

Fiscal Year 2010 Proposed Budget

Town of Needham  
Local Receipts  
Table 2.5

Description	2006 Actual	2007 Actual	2008 Actual	2009 Recap	2010 - Estimate	\$ Change
Motor Vehicle Excise	4,300,194	4,124,378	4,392,444	3,800,000	3,800,000	
Other Excise	313,962	326,696	338,278	270,000	270,000	
Penalties & Interest	262,371	348,102	201,421	200,000	200,000	
Payment in Lieu of Tax	131,865	75,226	78,196	70,000	70,000	
Charges for Services	638,268	790,303	908,870	800,000	905,000	105,000
Fees	239,185	180,074	121,422	109,000	109,000	
Rents	26,740	356,106	245,090	230,000	230,000	
Library Department Income	49,782	64,667	54,027	48,000	48,000	
Recreation Department Income	313,466	305,562	265,967	240,000	240,000	
Other Department Income	295,086	327,397	326,362	293,000	293,000	
Licenses & Permits	1,641,574	1,450,615	2,086,461	1,300,000	1,500,000	200,000
Special Assessments	3,584	5,887	4,202			
Fines & Forfeits	139,354	155,975	199,101	145,000	155,000	10,000
Investment Income	1,041,352	1,573,613	1,253,286	650,000	650,000	
Miscellaneous Income	286,858	280,770	269,448	280,843	250,000	-30,843
Nonrecurring Income	106,179	202,688	398,900	12,451		-12,451
<b>Total</b>	<b>9,789,820</b>	<b>10,568,059</b>	<b>11,143,475</b>	<b>8,448,294</b>	<b>8,720,000</b>	<b>271,706</b>

OTHER AVAILABLE FUNDS AND FREE CASH

Other available funds represent less than 1% of the total general fund before adjustments and offsets, and Free Cash represents approximately 3%.

The Free Cash amount that will be available for FY2010 was certified by the Massachusetts Department of Revenue at \$3,145,416. This is a \$2,664,754 decrease (46%) over that which was available for the FY2008 budget. A significant decrease was expected, given the extraordinary amount certified last year. This was due to several one-time events occurring during the FY2007 budget year. However due to certain calculations that the Department of Revenue uses when certifying a community's Free Cash, the amount certified for this year was lower. However, this may be a benefit to the Town for the FY2011 budget year which we expect will also be a tight year. As a result of the lower certification, Free Cash will be higher than it would have been.

Free Cash balance is largely a function of actual revenue collections in excess of estimates and expenditures less than appropriations. Given the nature of Free Cash, it should not be depended upon as an operating revenue source, but rather a supplemental source. We have taken deliberate steps to reduce the level of Free Cash that is used to support ongoing operating expenses, and recommend using it to improve reserves, invest in capital assets, and support one-time or short duration programs, or as a temporary funding source for recurring expenses if an increase in recurring revenue is anticipated.

Given that the Town of Needham develops its annual operating and capital budgets in such a way that Free Cash can be counted upon each year, some amount of Free Cash can, and should be expected to support operating expenses, but not at the same level. It is recommended that **at least \$1.15 million** be used for non-operating expenses in FY2010.

Fiscal Year 2010 Proposed Budget

Town of Needham  
Free Cash History  
Table 2.6

Budget Year	General Fund Undesignated Fund Balance at Year End	Free Cash Certified	Percentage of Undesignated Fund Balance Certified by DOR	Free Cash Reserved for Budget Year	Undesignated Fund Balance Rolling to the Next Fiscal Year
FY 2008	6,347,010	3,145,416	50%	FY 2010	3,201,594
FY 2007	7,751,792	5,810,170	75%	FY 2009	1,941,622
FY 2006	5,948,846	3,266,326	55%	FY 2008	2,682,520
FY 2005	6,284,759	3,895,235	62%	FY 2007	2,389,524
FY 2004	5,753,159	3,260,346	57%	FY 2006	2,492,813
FY 2003	5,601,925	3,270,834	58%	FY 2005	2,331,091
FY 2002	5,770,274	3,473,452	60%	FY 2004	2,296,822
FY 2001	5,038,901	3,226,740	64%	FY 2003	1,812,161
FY 2000	5,106,550	3,749,945	73%	FY 2002	1,356,605
FY 1999	3,889,929	2,565,745	66%	FY 2001	1,324,184

**Overlay Surplus** is generated when it is determined that all claims for abatements and exemptions on property tax levies of a particular fiscal year have been resolved, and uncollected taxes for the year have been secured with a tax taking lien filed with the Registry of Deeds or Land Court, depending upon the type of property, leaving a balance in the overlay account of that fiscal year. When the Board of Assessors makes that determination, it can declare the balance surplus and available for appropriation by Town Meeting.

We anticipate that **\$500,000** in residual overlay account balances will be available for declaration as overlay surplus to fund FY2010 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 occurred.

The **Parking Meter Fund** is reserved for appropriation and the revenues are derived from parking meters that under State Law must be used for parking-related purposes. **\$25,000** is proposed for appropriation from the Parking Meter Fund. Parking meter funds are proposed to fund the parking program, including support for parking enforcement and ticket processing, maintenance and replacement of meters, and snow removal from affected parking lots. This fund is experiencing revenue declines, but as new parking meters are being installed in the downtown area and with a renewed commitment to the support services, this revenue should be able to support the level dollar recommendation. Recommended in the 2010 – 2014 CIP is \$42,000 for the replacement of parking meters. The funding source for this expense will also be the parking meter fund, which would bring the total for FY2010 to **\$67,000**.

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

Description	2006 Actual	2007 Actual	2007 *	2008 Budget	2008 Actual	2009 Recap	2010 Estimate
Property Taxes	75.0%	65.9%	77.6%	78.3%	76.5%	76.5%	80.3%
State Aid	8.6%	20.2%	7.9%	8.4%	8.3%	8.8%	7.9%
Local Receipts	10.6%	9.5%	9.6%	9.1%	11.0%	7.9%	8.0%
Other Available Funds	2.2%	0.9%	0.9%	0.9%	0.9%	1.4%	0.9%
Free Cash	3.5%	3.5%	4.1%	3.3%	3.2%	5.4%	2.9%
<b>Total General Fund Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Represents the revenue as a % without the Lump Sum MSBA payments in FY07

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, data processing, 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 FY2010 is based on the current year and is estimated at **\$135,000**. Because the indirect costs associated with the fund are a factor of town meeting appropriations, the actual FY2010 transfer may be adjusted accordingly.

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, data processing, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The projected amounts for FY2010 for sewer and water are based on the current year and are estimated at **\$581,000** and **\$994,000**, respectively. Because the indirect costs associated with the two funds are a factor of town meeting appropriations, the actual FY2010 transfer may be adjusted accordingly.

Town of Needham  
Enterprise Reimbursements  
Table 2.8

Description	2006 Recap	2007 Recap	2008 Recap	2009 Recap	2010 - Estimate	\$ Change
Solid Waste	154,995	171,582	120,734	134,890	135,000	110
Sewer	521,863	514,015	660,019	580,923	581,000	77
Water	665,819	756,681	822,048	994,683	994,000	(683)
<b>Total</b>	<b>1,342,677</b>	<b>1,442,278</b>	<b>1,602,801</b>	<b>1,710,496</b>	<b>1,710,000</b>	<b>(496)</b>

**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 **\$1,130,837** for FY2010 is an increase of **2.5%** over FY2009.

**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 FY2010 is estimated at **\$65,975** or an increase of **2.3%** over FY2009.

**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, has been set at **\$800,000**. The final amount is determined by the Department of Revenue when it approves the tax rate in December. Approximately \$210,000 is intended to fund statutory exemptions that are granted to the elderly, the infirmed, and veterans. The State should reimburse the Town approximately \$84,000 through the Cherry Sheet for exemptions. The projection of \$800,000 is the minimum recommended for the year; should additional new growth tax revenue be realized for FY2010, the amount of overlay will be increased.

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 has been declining since the inception of the enterprise fund until recent years. The Board of Selectmen and the Finance Committee approved a policy to determine the amount that should be used to offset costs incurred by the RTS. The transfer for FY2009 was \$510,270 and the estimate for FY2010 is **\$535,681**, an increase of \$25,411.

**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 the common items provided for in this allowance.

#### OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2008 is \$3,192,883. 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, 2008 is \$472,063.

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, 2008 is \$624,190.

#### 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 Department, the Sewer Department, 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 FY2010, Enterprise Fund revenues have been estimated at **\$17.2** million, although \$1,664,291 is use of retained earnings for capital investment in the three operations. **No sewer or water user rate increases are required under this budget plan.** Even though the budget plan also provides for a **\$535,681** tax subsidy for RTS, a rate increase is expected unless the market for recyclable products improves to generate income.

#### ENTERPRISE FUND RETAINED EARNINGS

These sources are not available to support the general fund and are shown for informational purposes only.

Similar to the Free Cash, retained earnings are a function of the operations of the prior fiscal year and are generated by revenues collected in excess of estimates and unexpended balances of appropriations, as of June 30<sup>th</sup>. Once certified by the Massachusetts Department of Revenue, retained earnings are then available for appropriation or reserved to support the enterprise. Retained earnings were certified on November 6, 2008 by the Department of Revenue. Below are the amounts certified that are available:

RTS Enterprise Fund -	<b>\$566,413</b>
Sewer Enterprise Fund -	<b>\$3,452,178</b>
Water Enterprise Fund -	<b>\$2,995,133</b>

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.

Current forecasts suggest that a 40% match from the State in FY2010 will be unlikely. We believe the range is between 20% and 40%, and our state revenue estimate is at the low end. The current estimate based on FY2009 collections that will be received as state matching funds in **FY2010** is **\$274,000**. The 2% CPA surcharge on FY2010 property tax bills is estimated at **\$1,380,000**. The total estimated FY2010 CPA revenue is \$1,654,000. This estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget; \$181,940 credited to each of the three required reserves: Community Housing, Historic Resources, and Open Space Reserve; and the balance of \$1,026,180 to be transferred to the Community Preservation Fund General Reserve. The amount that is actually appropriated to each reserve will be adjusted as the CPC makes recommendations for project funding.

The certified CPA Free Cash balance as of December 31, 2008 is \$3,726,363 and remains available for appropriation until June 30, 2009. The CPC has not yet made any funding recommendations for FY2010. The amounts currently held in the three required reserves as of December 31, 2008 are as follows:

Open Space Reserve-	<b>\$814,760</b>
Community Housing Reserve	<b>\$457,960</b>
Historic Reserve -	<b>\$882,460</b>

<b>Town of Needham Community Preservation Fund Revenue and Appropriations</b>	
FY10 Surcharge Revenue Estimate	1,380,000
State Trust Fund Distribution Estimate	274,000
CPA Historic Reserve	882,460
CPA FY2009 General Reserve	1,121,500
CPA Free Cash	3,726,363
<b>Total CPA Revenue Estimate</b>	<b>7,384,323</b>
<i>FY 2010 Community Preservation Fund Appropriation Estimates</i>	
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	181,940
Historic Resources Reserve	181,940
Open Space Reserve	131,940
Community Preservation Fund Reserve	295,184
Specific Appropriations	6,561,319
<b>Total</b>	<b>7,434,323</b>