

Budget Highlights

Table 2.1

Town of Needham FY 2008

Revenue Sharing Proposal

	FY 2007	FY 2008	Change from FY 2007
General Fund Revenue Available	\$ 107,556,472	\$ 96,867,694	\$ (10,688,778)
General Fund Debt Service Budget	\$ 22,903,028	\$ 9,425,551	\$ 13,477,477
General Fund Revenue Available after Debt Service			\$ 2,788,699
Financial Warrant Articles	\$ 766,490	\$ 628,500	\$ 137,990
Cash Capital	\$ 1,092,560	\$ 1,212,560	\$ (120,000)
Townwide Expense Group	\$ 39,975,825	\$ 27,343,401	
Less Debt Service	\$ (22,903,028)	\$ (9,425,551)	
Less CPS	\$ (480,000)	\$ (575,000)	
Change in Other Townwide Expenses	\$ 16,592,797	\$ 17,342,850	\$ (750,053)
Department of Public Facilities	\$ 6,291,045	\$ 6,423,700	\$ (132,655)
General Fund Revenue Available after Shared Costs			\$ 1,923,981
School Operating		60%	\$ 1,154,389
Municipal Operating		40%	\$ 769,593
Amount Recommended for School Operating		64%	\$ 1,236,175
Amount Recommended for Municipal Operating		36%	\$ 687,806

Balanced Budget

Due to the extraordinary debt service payments in FY07 related to unanticipated School Building Assistance payments, actual revenue actually declined from FY07 to FY08. However, after accounting for debt services payments, revenue available for appropriation equals **\$2,788,699**. Consistent with the Town's revenue sharing formula, the remaining balance, less required funding for town wide expenses, capital, financial warrant articles, and Public Facilities, **(\$1,923,981)** was initially allocated to the Public Schools and General Government departments on a 60/40 ratio. After carefully reviewing General Government spending requests, and bearing in mind the budget choices made by the School Department after the failed School override in 2006, we have allocated 64% of new revenue to the School Department in FY08. As such, the recommended balanced budget for the Needham Public Schools is **\$1,236,175** higher than the appropriated budget for

fiscal year 2007, which is still significantly below both the Superintendent's submitted and School Committee's approved budget. Similarly, the **\$687,860** available for General Government departments is significantly less than requested. All told, the balanced budget is **\$5,614,626** below the submitted budget figure. The balanced budget proposal is contained on pages 2-5 through 2-14. Modest increases to the submitted budgets above the level service amount are as follows:

General Government

- **\$17,000** Town-wide Performance Measurement Initiatives

Land Use and Development

- **\$14,658** to fund 10 additional hours (to 25 hours) for the Economic Development Coordinator
- **\$4,400** to fund 3 additional hours (to 30 hours) for the Conservation Agent
- **\$2,650** to fund professional and technical services for the Conservation Commission

Public Safety¹

- **\$4,779** for overtime coverage for Building, Plumbing and Gas, and Electrical Inspectors

Public Works ²

- **\$6,000** for field maintenance.

Public Facilities

- **\$43,000** for partial funding of an additional Owner's Project Manager to support building construction and renovation efforts. The remaining portion of the expected salary will be funded through capital projects.

Community Services

- **\$12,920** additional 7.5 hours for Public Health Nurse (to full-time) in the Health Department
- **\$3,088** additional hours for septic system inspections in the Health Department.
- **\$16,776** additional part-time Children's Librarian (non-benefit eligible) in the Public Library.
- **\$5,200** for summer program instructors in the Park and Recreation Department, to be offset by increased program receipts.
- **\$250** for flowers and veterans' memorials at Memorial Park.

¹ The Police Department level service budget was reduced by \$3,058 to account for a photocopier maintenance agreement, as a new copier is recommended for FY08.

² The Public Works level service budget was reduced by \$24,000 to account for a large plan copier that was recommended for funding in the Capital Improvement Plan.

Performance Budget

The Performance budget includes those items recommended if funding becomes available, and includes the voted number of the School Committee.

Capital Improvement Plan

- **\$659,854** for cash capital which was reduced based on the final certified Free Cash number.

General Government

- **\$59,000** for a finance/human resources generalist (BOS/TM/Finance).

Conservation/Land Use

- **\$18,118** additional hours (full-time) for the Economic Development Coordinator (Planning).

Education

- **\$40,862,867** is the voted budget of School Committee. Funding at this level would require an increase from the balanced budget of **\$1,568,881**. This amount does not include any provision for benefit costs for additional personnel.

Department of Public Works

- **\$15,000** to implement Cricket Field Maintenance Program

Community Services

- **\$14,799** to fund additional circulation services hours at the Public Library.

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**Town of Needham
General Fund Budget Recommendations**

Description	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
TOWN WIDE EXPENSES	\$39,975,825	\$27,343,401	\$27,343,401	\$27,343,401	-\$12,632,424	\$0	-32%
DEPARTMENTS							
Board of Selectmen & Town Manager	\$622,690	\$781,877	\$715,627	\$656,627	\$33,937	\$59,000	5%
Town Clerk & Board of Registrars	\$277,815	\$279,999	\$279,999	\$279,999	\$2,184	\$0	1%
Town Counsel	\$236,560	\$258,855	\$258,855	\$258,855	\$22,295	\$0	9%
Personnel Board	\$11,601	\$11,601	\$11,601	\$11,601	\$0	\$0	0%
Finance Department	\$1,903,096	\$1,946,651	\$1,934,651	\$1,934,651	\$31,555	\$0	2%
Finance Committee	\$27,195	\$28,501	\$28,501	\$28,501	\$1,306	\$0	5%
Planning Department	\$145,510	\$240,261	\$201,766	\$183,648	\$38,138	\$18,118	26%
Conservation Department	\$43,032	\$95,075	\$68,963	\$68,963	\$25,931	\$0	60%
Board of Appeals Department	\$23,763	\$25,706	\$25,706	\$25,706	\$1,943	\$0	8%
Police Department	\$4,506,258	\$4,625,187	\$4,622,129	\$4,622,129	\$115,871	\$0	3%
Fire Department	\$5,268,524	\$5,372,116	\$5,358,796	\$5,358,796	\$90,272	\$0	2%
Building Inspector	\$388,374	\$420,272	\$412,078	\$412,078	\$23,704	\$0	6%
Minuteman Assessment	\$655,143	\$655,143	\$655,143	\$655,143	\$0	\$0	0%
Needham Public Schools	\$38,057,811	\$41,057,889	\$40,862,867	\$39,293,986	\$1,236,175	\$1,568,881	3%
Department of Public Works	\$4,218,251	\$7,143,608	\$4,319,650	\$4,304,650	\$86,399	\$15,000	2%
Municipal Parking Program	\$203,900	\$203,900	\$203,900	\$203,900	\$0	\$0	0%
Municipal Lighting Program	\$328,000	\$328,000	\$328,000	\$328,000	\$0	\$0	0%
Department of Public Facilities	\$6,291,045	\$6,477,700	\$6,423,700	\$6,423,700	\$132,655	\$0	2%
Health Department	\$356,857	\$409,906	\$381,906	\$381,906	\$25,049	\$0	7%
Diversified Community Social Services	\$498,774	\$493,878	\$493,878	\$493,878	-\$4,896	\$0	-1%
Commission on Disabilities	\$550	\$550	\$550	\$550	\$0	\$0	0%
Historical Commission	\$550	\$550	\$550	\$550	\$0	\$0	0%
Needham Public Library	\$1,166,190	\$1,285,392	\$1,242,827	\$1,228,028	\$61,838	\$14,799	5%
Park & Recreation Department	\$489,608	\$526,638	\$526,638	\$526,638	\$37,030	\$0	8%
Memorial Park	\$500	\$750	\$750	\$750	\$250	\$0	50%

**Town of Needham
General Fund Budget Recommendations**

Description	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
DEPARTMENT EXPENSES	\$65,721,597	\$72,670,005	\$69,359,031	\$67,683,233	\$1,961,636	\$1,675,798	3%
TOWN WIDE & DEPARTMENT TOTAL	\$105,697,422	\$100,013,406	\$96,702,432	\$95,026,634	-\$10,670,788	\$1,675,798	-10%
Other Financial Warrant Articles	\$766,490	\$628,500	\$628,500	\$628,500	-\$137,990	\$0	-18%
Cash Capital Warrant Articles	\$1,092,560	\$1,872,414	\$1,872,414	\$1,212,560	\$120,000	\$659,854	11%
TOTAL OPERATING BUDGET	\$107,556,472	\$102,514,320	\$99,203,346	\$96,867,694	-\$10,688,778	\$2,335,652	-10%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Non-Contributory Retirement Payments	135,000	117,000	117,000	117,000	(18,000)		
Contributory Retirement System	3,835,000	3,979,000	3,979,000	3,979,000	144,000		
Group Health Insurance	10,295,000	7,947,000	7,947,000	7,947,000	(2,348,000)		
Retiree Insurance & Insurance Liability Fund	380,000	3,502,950	3,502,950	3,502,950	3,122,950		
Unemployment Compensation	73,118	85,000	85,000	85,000	11,882		
Debt Service	22,903,028	9,425,551	9,425,551	9,425,551	(13,477,477)		
Workers Compensation	385,000	385,000	385,000	385,000			
Casualty Liability & Self Insurance Program	450,000	450,000	450,000	450,000			
Classification Performance & Settlements	480,000	575,000	575,000	575,000	95,000		
Reserve Fund	1,039,679	876,900	876,900	876,900	(162,779)		
TOTAL TOWN WIDE EXPENSE	39,975,825	27,343,401	27,343,401	27,343,401	(12,632,424)		-31.6%
Town Manager & Board of Selectmen							
Salary & Wage	473,290	615,427	549,177	490,177	16,887	59,000	
Purchase of Services	128,100	144,100	144,100	144,100	16,000		
Supplies, Equipment, & Other Expenses	21,300	22,350	22,350	22,350	1,050		
Expense Total	149,400	166,450	166,450	166,450	17,050		
Capital Replacement							
TOTAL	622,690	781,877	715,627	656,627	33,937	59,000	5.5%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Town Clerk & Board of Registrars							
Salary & Wage	246,990	249,469	249,469	249,469	2,479		
Purchase of Services	25,325	24,830	24,830	24,830	(495)		
Supplies, Equipment, & Other Expenses	5,500	5,700	5,700	5,700	200		
Expense Total	30,825	30,530	30,530	30,530	(295)		
Capital Replacement							
TOTAL	277,815	279,999	279,999	279,999	2,184		0.8%
Town Counsel							
Salary & Wage	63,060	65,355	65,355	65,355	2,295		
Purchase of Services	170,000	190,000	190,000	190,000	20,000		
Supplies, Equipment, & Other Expenses	3,500	3,500	3,500	3,500			
Expense Total	173,500	193,500	193,500	193,500	20,000		
Capital Replacement							
TOTAL	236,560	258,855	258,855	258,855	22,295		9.4%
Personnel Board							
Salary & Wage	1,601	1,601	1,601	1,601			
Purchase of Services	10,000	10,000	10,000	10,000			
Supplies, Equipment, & Other Expenses	10,000	10,000	10,000	10,000			
Expense Total	10,000	10,000	10,000	10,000			
Capital Replacement							
TOTAL	11,601	11,601	11,601	11,601			

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Finance Department							
Salary & Wage	1,235,907	1,259,815	1,259,815	1,259,815	23,908		
Purchase of Services	536,519	551,746	539,746	539,746	3,227		
Supplies, Equipment, & Other Expenses	110,670	115,090	115,090	115,090	4,420		
Expense Total	647,189	666,836	654,836	654,836	7,647		
Capital Replacement	20,000	20,000	20,000	20,000			
TOTAL	1,903,096	1,946,651	1,934,651	1,934,651	31,555		1.7%
Finance Committee							
Salary & Wage	26,545	27,851	27,851	27,851	1,306		
Purchase of Services	125	125	125	125			
Supplies, Equipment, & Other Expenses	525	525	525	525			
Expense Total	650	650	650	650			
Capital Replacement							
TOTAL	27,195	28,501	28,501	28,501	1,306		4.8%
Planning Department							
Salary & Wage	134,450	225,701	190,706	172,588	38,138	18,118	
Purchase of Services	7,150	7,150	7,150	7,150			
Supplies, Equipment, & Other Expenses	3,910	7,410	3,910	3,910			
Expense Total	11,060	14,560	11,060	11,060			
Capital Replacement							
TOTAL	145,510	240,261	201,766	183,648	38,138	18,118	26.2%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Budget	Balance Budget % Over FY 2007
Conservation Department							
Salary & Wage	37,927	86,220	61,148	61,148	23,221		
Purchase of Services	3,090	5,800	5,800	5,800	2,710		
Supplies, Equipment, & Other Expenses	2,015	3,055	2,015	2,015			
Expense Total	5,105	8,855	7,815	7,815	2,710		
Capital Replacement							
TOTAL	43,032	95,075	68,963	68,963	25,931		60.3%
Board of Appeals Department							
Salary & Wage	20,473	22,416	22,416	22,416	1,943		
Purchase of Services	3,040	3,040	3,040	3,040			
Supplies, Equipment, & Other Expenses	250	250	250	250			
Expense Total	3,290	3,290	3,290	3,290			
Capital Replacement							
TOTAL	23,763	25,706	25,706	25,706	1,943		8.2%
Police Department							
Salary & Wage	4,143,185	4,173,986	4,173,986	4,173,986	32,801		
Purchase of Services	74,108	76,181	74,181	74,181	73		
Supplies, Equipment, & Other Expenses	172,991	207,188	206,130	206,130	33,139		
Expense Total	247,099	283,369	280,311	280,311	33,212		
Capital Replacement	115,974	165,832	165,832	165,832	49,858		
TOTAL	4,506,258	4,625,187	4,622,129	4,622,129	115,871		2.6%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Fire Department							
Salary & Wage	5,030,593	5,110,409	5,110,409	5,110,409	79,816		
Purchase of Services	78,529	89,460	80,460	80,460	1,931		
Supplies, Equipment, & Other Expenses	159,402	172,247	167,927	167,927	8,525		
Expense Total	237,931	261,707	248,387	248,387	10,456		
Capital Replacement							
TOTAL	5,268,524	5,372,116	5,358,796	5,358,796	90,272		1.7%
Building Inspector							
Salary & Wage	376,071	398,445	398,445	398,445	22,374		
Purchase of Services	4,130	4,600	4,600	4,600	470		
Supplies, Equipment, & Other Expenses	8,173	17,227	9,033	9,033	860		
Expense Total	12,303	21,827	13,633	13,633	1,330		
Capital Replacement							
TOTAL	388,374	420,272	412,078	412,078	23,704		6.1%
Minuteman Assessment							
TOTAL	655,143	655,143	655,143	655,143			
Needham Public Schools							
TOTAL	38,057,811	41,057,839	40,862,867	39,293,986	1,236,175		3.2%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Department of Public Works							
Salary & Wage	2,882,801	3,522,883	2,895,771	2,895,771	12,970		
Purchase of Services	720,972	1,947,533	781,687	774,887	53,915	6,800	
Supplies, Equipment, & Other Expenses	414,478	649,192	442,192	433,992	19,514	8,200	
Expense Total	1,135,450	2,596,725	1,223,879	1,208,879	73,429	15,000	
Capital Replacement		824,000					
Snow and Ice	200,000	200,000	200,000	200,000			
TOTAL	4,218,251	7,143,608	4,319,650	4,304,650	86,399	15,000	2.0%
Municipal Parking Program							
TOTAL	203,900	203,900	203,900	203,900			
Municipal Lighting Program							
TOTAL	328,000	328,000	328,000	328,000			
Department of Public Facilities							
Salary & Wage	2,422,883	2,561,688	2,520,199	2,520,199	97,316		
Purchase of Services	3,553,267	3,566,136	3,566,136	3,566,136	12,869		
Supplies, Equipment, & Other Expenses	314,895	337,365	337,365	337,365	22,470		
Expense Total	3,868,162	3,903,501	3,903,501	3,903,501	35,339		
Capital Replacement		12,531					
TOTAL	6,291,045	6,477,700	6,423,700	6,423,700	132,655		2.1%

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Balanced Budget	Balance Budget % Over FY 2007
Health Department							
Salary & Wage	313,439	365,848	337,848	337,848	24,409		
Purchase of Services	35,384	35,524	35,524	35,524	140		
Supplies, Equipment, & Other Expenses	8,034	8,534	8,534	8,534	500		
Expense Total	43,418	44,088	44,088	44,088	640		
Capital Replacement							
TOTAL	356,857	409,906	381,906	381,906	25,049		7.0%
Diversified Community Social Services							
Salary & Wage	460,808	456,108	456,108	456,108	(6,700)		
Purchase of Services	7,353	8,157	8,157	8,157	804		
Supplies, Equipment, & Other Expenses	30,613	30,613	30,613	30,613			
Expense Total	37,966	38,770	38,770	38,770	804		
Capital Replacement							
TOTAL	498,774	493,878	493,878	493,878	(4,896)		-1.0%
Commission on Disabilities							
Purchase of Services	350	350	350	350			
Supplies, Equipment, & Other Expenses	200	200	200	200			
Expense Total	550	550	550	550			
TOTAL	550	550	550	550	550		

**Town of Needham
General Fund Budget Recommendations**

Budget	FY 2007 Budget	FY 2008 Department Spending Request	FY 2008 Performance Budget	FY 2008 Balance Budget	Balanced Budget over FY 2007 Budget	Performance Budget over Budget	Balance Budget % Over FY 2007
Historical Commission							
Purchase of Services	50	50	50	50			
Supplies, Equipment, & Other Expenses	500	500	500	500			
Expense Total	550	550	550	550			
TOTAL	550	550	550	550			
Needham Public Library							
Salary & Wage	938,318	1,025,150	1,007,585	992,786	54,468	14,799	
Purchase of Services	55,842	56,657	56,657	56,657		815	
Supplies, Equipment, & Other Expenses	172,030	203,585	178,585	178,585		6,555	
Expense Total	227,872	260,242	235,242	235,242		7,370	
Capital Replacement							
TOTAL	1,166,190	1,285,392	1,242,827	1,228,028	61,838	14,799	5.3%
Park & Recreation Department							
Salary & Wage	401,733	415,763	415,763	415,763		14,030	
Purchase of Services	52,025	61,025	61,025	61,025		9,000	
Supplies, Equipment, & Other Expenses	35,850	49,850	49,850	49,850		14,000	
Expense Total	87,875	110,875	110,875	110,875		23,000	
Capital Replacement							
TOTAL	489,608	526,638	526,638	526,638		37,030	7.6%
Memorial Park							
Purchase of Services	200	200	200	200		250	
Supplies, Equipment, & Other Expenses	300	550	550	550		250	
Expense Total	500	750	750	750		250	
TOTAL	500	750	750	750		250	50.0%

Revenue Summary

Town of Needham
Revenue Summary
Table 2.2

Description	2006	2007	2008	\$ Change	% Change
General Fund*	\$89,927,425	\$108,540,158	\$97,379,901	(\$11,160,257)	-10%
Enterprise Funds*	\$13,196,729	\$14,123,787	\$15,482,324	\$1,358,537	10%
CPA	\$1,170,000	\$2,853,500	\$2,520,000	(\$333,500)	-12%
Total Revenues	\$104,294,154	\$125,517,445	\$115,382,225	(\$10,135,220)	-8%

* Revenue before adjustments, reimbursements, and subsidies

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

Total revenue available for General Fund appropriations is projected at \$96,424,194 (Table 2.3) or \$10.9 million less than FY07. This, however, is misleading because the Town received a substantial lump sum payment from the Massachusetts School Building Authority for several school projects that had been on the waiting list. The payments from the MSBA were used to pay down debt. Removing the effect of the FY07 MSBA payments, the net change in General Fund revenue available for appropriation is \$2,788,699. Revenue from property tax is estimated to grow just under \$2.5 million; total state aid is down by \$13,386,367, but Cherry Sheet state aid is \$206,420 higher than FY07; the local receipt estimate has been increased by \$489,500; and the combination of Other Available Funds and Free Cash is a reduction of \$758,609. 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.

Fiscal Year 2008 Proposed Budget

Town of Needham Summary of General Fund Resources

Table 2.3

Description	2004 - Actual	2005 - Actual	2006 - Actual	2007 - Recap	2008 - Estimate	\$ Change	% Change
Property Taxes	\$ 61,662,260	\$ 63,935,642	\$ 69,186,159	\$ 73,927,704	\$ 76,422,922	\$ 2,495,218	3%
State Aid	\$ 6,415,738	\$ 8,064,045	\$ 7,898,554	\$ 6,801,800	\$ 7,753,601	\$ 951,801	14%
Local Receipts	\$ 8,261,768	\$ 9,372,870	\$ 9,789,820	\$ 8,559,500	\$ 9,049,000	\$ 489,500	6%
Other Available Funds	\$ 1,025,800	\$ 655,600	\$ 2,259,742	\$ 1,017,751	\$ 888,051	\$ (129,700)	-13%
Free Cash	\$ 3,473,452	\$ 3,270,834	\$ 3,260,346	\$ 3,895,235	\$ 3,266,326	\$ (628,909)	-16%
Total General Fund Revenue	\$ 80,839,018	\$ 85,298,991	\$ 92,394,621	\$ 94,201,990	\$ 97,379,901	\$ 3,177,911	3%
<i>Adjustments to General Fund Revenue</i>							
Other Amounts Required to be Provided	\$ (641,411)	\$ (723,814)	\$ (902,554)	\$ (93,621)	\$ (67,343)	\$ 26,278	-28%
State & County Assessments	\$ (1,008,513)	\$ (965,791)	\$ (981,582)	\$ (1,045,299)	\$ (1,087,142)	\$ (41,843)	4%
Provisions for Abatements & Exemptions	\$ (865,098)	\$ (736,731)	\$ (1,086,199)	\$ (1,094,344)	\$ (800,000)	\$ 294,344	-27%
Enterprise Reimbursements & Offsets	\$ 716,326	\$ 893,371	\$ 772,677	\$ 998,778	\$ 998,778	\$ -	0%
Total	\$ (1,798,696)	\$ (1,532,965)	\$ (2,197,658)	\$ (1,234,486)	\$ (955,707)	\$ 278,779	-23%
Available for GF Appropriation	\$ 79,040,322	\$ 83,766,026	\$ 90,196,963	\$ 92,967,504	\$ 96,424,194	\$ 3,456,690	4%

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 2-1/2 is the levy ceiling. The levy ceiling is equal to 2-1/2% of the Town's valuation. The total taxable value as of January 1, 2006 is \$7,120,813,393 or 1.1% higher than the previous year. This puts the levy ceiling at \$178,020,335. As the current actual tax levy including debt exclusions for FY07 is \$73,927,704, 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 FY08 tax levy attributable to new growth is estimated based upon consultation with the assessing and building department staff. The actual figure will not be known until late fall of 2007, when the new growth figure will be certified by the Massachusetts Department of Revenue.

State Aid

Most state aid, especially "Cherry Sheet" aid, is a function of the state budget. The amount of state aid projected for FY08 is based on the Governor's statements at the Massachusetts Municipal Association's Annual Conference held on January 13 and 14 of this year. The Governor is expected to release his FY 2008 budget plan in February 2007. During the late winter and spring, the Legislature will review the Governor's 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, it is reviewed by the House of Representatives which charges the House Ways and Means Committee to 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 budget plans. This 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.

As mentioned previously, the Massachusetts School Building Authority (MSBA) has made significant inroads on reducing the backlog of school projects approved for financial assistance under the previous school construction programs. The Town has received the State's full share on the Newman School, Eliot School, and High School HVAC projects. The Town is also expecting \$745,381 in annual contract assistance payments for the Broadmeadow School project beginning in FY 2007 and ending in FY 2023. All these payments were applied to pay down debt and hence reduced the amount that would be paid in the property tax bill. The Town also has begun receiving monthly payments from the MSBA for the current High School project. The new program for approved school projects has the state paying 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 been levied.

Local Receipts

Local receipts have been estimated somewhat more aggressively than in previous years at this point in the budget process. This has been done in part to recognize the fact that adopted increases to various fee schedules has fully taken effect. Consequences of increasing the estimated rate of growth include: a reduction in the margin between budgeted and actual receipts to cover un-anticipated 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 FY06 estimated receipts to actual receipts, FY06 actual receipts to FY05 actual receipts, and FY07 estimated receipts to the FY06 actual and FY07 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 FY08 estimated receipts were revised and FY07 projected receipts remain level. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2007 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 are voted by the Board of Assessors and are based on historical uses of these funds. Other reserves are correlated to expenses.

FY08 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS

PROPERTY TAX LEVY

The property tax levy (Table 2.4) represents approximately 78% of all General Fund revenues before adjustments. The FY08 property tax limit is estimated to increase approximately 3.4% over the FY07 actual tax levy, or approximately \$2.5 million. The limit is calculated by increasing the FY07 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 FY07 tax rates. For the purpose of this revenue projection, and in consultation with the assessors, we are projecting new growth at \$924,000. The actual new growth figure will not be finalized until November 2007, and cannot be incorporated in the tax recap until certified by the Massachusetts Department of Revenue (sometime in late November or early December 2007).

Town of Needham
Fiscal Year Tax Levy
Table 2.4

Description	2003	2004	2005	2006	2007	2008 Estimate
Prior Year Base	\$51,653,589	\$54,380,537	\$59,116,936	\$61,600,681	\$ 64,742,338	\$ 68,055,210
2-1/2 Allowance	\$1,291,340	\$1,359,513	\$1,477,923	\$1,540,017	\$ 1,618,558	\$ 1,701,380
New Growth	\$1,435,608	\$917,568	\$1,005,822	\$1,601,640	\$ 1,096,944	\$ 924,000
General Override		\$2,459,318			\$ 597,370	
General Tax Levy Limit	\$54,380,537	\$59,116,936	\$61,600,681	\$64,742,338	\$68,055,210	\$70,680,590
Total Excluded Debt	\$3,371,720	\$3,959,413	\$3,558,516	\$7,276,222	\$20,476,844	\$ 6,868,869
Less Excluded Debt Offsets	(\$1,022,769)	(\$1,553,449)	(\$665,061)	(\$2,957,868)	(\$14,597,920)	(\$1,126,537)
Excluded Debt to be Raised on Tax Levy	\$2,348,951	\$2,405,964	\$2,893,455	\$4,318,354	\$5,878,924	\$5,742,332
Property Tax Levy	\$56,729,488	\$61,522,900	\$64,494,136	\$69,060,692	\$73,934,134	\$76,422,922
Percent Change	4.4%	8.4%	4.8%	7.1%	7.1%	3.4%
Actual Tax Levy	\$56,685,265	\$61,456,585	\$64,441,460	\$68,981,920	\$73,927,704	
Excess Levy (Taxes Not Raised)	(\$44,223)	(\$66,315)	(\$52,677)	(\$78,773)	(\$6,430)	

STATE AID

State aid (Table 2.5) represents approximately 8% of the total general fund before adjustments and offsets. The increase in Cherry Sheet aid estimate is based on Governor Patrick's pledge at the MMA Annual Conference to holding level State aid to local governments; a modest increase in Education aid; and on the current trend with lottery revenue, which has not been keeping pace with the budget commitments made for FY 2007. Total state aid for FY 2008 is projected to decline approximately \$13.6 million, which is due in great part to the lump-sum MSBA payments to be received in FY 2007. The change in Cherry Sheet aid is attributable to two major factors. First, the Governor has pledged to hold local government harmless as he prepares his balanced budget for the Legislature, and lottery revenue growth is slowing. Based on the Governor's statements of a modest increase in education aid, the funding formula adjustment approved last year, and the MMA's push for minimum aid formula adjustments, we forecast an increase over FY07. As noted earlier, the Governor's budget plan for FY08 is subject to review and amendment by the Legislature. The final figures are not expected until late spring.

Chapter 70, commonly referred to as general school aid, is projected to increase by **\$400,000** to **\$4,766,273**, a **9.2%** increase over the current year. 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. Chapter 70 aid was reduced by \$900,999 in FY04 and level funded in FY05. The amount was increased by \$234,950 to \$3,838,948 for FY06, and again increased by \$527,325 to \$4,366,273 for FY07.

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 15.25% 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 Governor Swift to \$219,686. This reduction had to be offset by other revenues which had to exceed the projection for the fiscal year. Additional Assistance was further reduced in FY04 to \$205,993, a reduction of another 6.23%. This line has been projected to be level funded at **\$205,993** since FY05.

Lottery aid is being estimated at \$1,742,217 or **\$193,580** or **10%** less than FY07. Should the recent sales trends reverse themselves, it is possible this line could be held level, however at this time it is prudent to assume a reduction in revenue based on data presented by the Massachusetts Taxpayers Foundation.

The remaining Cherry Sheet line items, which include various reimbursement programs, police career incentive (Quinn), and direct aid to schools and libraries, are estimated at level dollar. Funding for the METCO program previously appeared as a Cherry Sheet receipt. Effective with the FY 2007 budget, the State converted the program to a direct grant program, based on available funds and school department applications.

Fiscal Year 2008 Proposed Budget

Town of Needham
Summary of State Aid
Table 2.5

Description	2004 - CS	2005 - CS	2006 - CS	2007 - CS	2008 - Estimate	\$ Change
Chapter 70	\$ 3,603,998	\$ 3,603,998	\$ 3,838,948	\$ 4,366,273	\$ 4,766,273	\$ 400,000
School Construction SBA	\$ 1,012,539	\$ 508,522	\$ -	\$ -	\$ -	\$ -
Charter School Tuition Reimbursement	\$ 3,410	\$ -	\$ 37,290	\$ 65,233	\$ 65,233	\$ -
Charter School Capital Reimbursement	\$ -	\$ -	\$ 2,906	\$ -	\$ -	\$ -
METCO **	\$ 574,106	\$ 658,438	\$ 691,600	\$ -	\$ -	\$ -
School Lunch	\$ 23,754	\$ 22,249	\$ 23,778	\$ 22,150	\$ 22,150	\$ -
State Aid for Education	\$ 5,217,807	\$ 4,793,207	\$ 4,594,522	\$ 4,453,656	\$ 4,853,656	\$ 400,000
Lottery	\$ 1,418,675	\$ 1,418,675	\$ 1,619,031	\$ 1,935,797	\$ 1,742,217	\$ (193,580)
Additional Assistance	\$ 205,993	\$ 205,993	\$ 205,993	\$ 205,993	\$ 205,993	\$ -
Police Career Incentive	\$ 106,255	\$ 118,577	\$ 121,929	\$ 121,907	\$ 121,907	\$ -
Veterans Benefits	\$ 825	\$ 5,932	\$ -	\$ -	\$ -	\$ -
Chapter 58 Chapter 59 Exemptions	\$ 47,035	\$ 47,072	\$ 47,911	\$ 46,034	\$ 46,034	\$ -
Chapter 59 Elderly Exemptions	\$ 12,359	\$ 8,534	\$ 7,028	\$ 7,028	\$ 7,028	\$ -
Public Library Aid	\$ 28,551	\$ 33,127	\$ 34,229	\$ 31,385	\$ 31,385	\$ -
State Aid for General Government	\$ 1,819,693	\$ 1,837,910	\$ 2,036,121	\$ 2,348,144	\$ 2,154,564	\$ (193,580)
Total Cherry Sheet Aid	\$ 7,037,500	\$ 6,631,117	\$ 6,630,643	\$ 6,801,800	\$ 7,008,220	\$ 206,420
MSBA Payments	\$ -	\$ 1,293,126	\$ 1,293,126	\$ 14,338,168	\$ 745,381	\$ (13,592,787)
Supplemental Lottery	\$ -	\$ 142,917	\$ -	\$ -	\$ -	\$ -
Other State Aid	\$ -	\$ 1,436,043	\$ 1,293,126	\$ 14,338,168	\$ 745,381	\$ (13,592,787)
Total State Aid	\$ 7,037,500	\$ 8,067,160	\$ 7,923,769	\$ 21,139,968	\$ 7,753,601	\$ (13,386,367)

LOCAL RECEIPTS

Local receipts (Table 2.6) represent approximately 9% 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 FY08 is **\$9,049,000**, (Table 2.6) approximately **6%** more than FY07.

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 all vehicles that are registered in Needham along with the value for each. The Town relies on this information to calculate and issue the 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 FY08 are projected at approximately **\$4.1 million**. This amount is based on an analysis of the number of bills issued and value of the commitments during FY02 through FY06. This assumes that 28,600 bills will be issued in FY08, at an average bill of \$152, and a collection rate of approximately 95%.

In 1986, the Town of Needham adopted a local option room excise tax at 4%. This excise is collected by hotels, motels, and certain other establishments 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 FY01 to FY04, as room vacancy rates increased, actual excise collections to the Town declined approximately 45% from \$399,043 in FY01 to \$220,946 in FY04. However, since 2004, room occupancy rates have improved for the local hotels

and room excise collections have increased as well. The receipts for FY08 are estimated at **\$300,000**, approximately **7%** over the FY07 budgeted amount.

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 FY08 is **\$260,000**, or **\$15,000** higher than the FY07 figure.

Payment In Lieu of Tax is a voluntary payment made by certain tax exempt entities. Based on the actual collection in FY06, the FY07 target was reduced to \$130,000. The FY08 revenue target is being held level at **\$130,000**.

The category of **Charges for Services** includes charges for ambulance service, fire alarm connections, and charges by the DPW. The traveling meals program was included in this group in past years, but is now accounted for in a Revolving Fund that was authorized at the November 2005 Special Town Meeting. This change was made in recognition of the uncertainty of the number of meals that would actually be delivered during any year. The Board of Health was requiring reserve fund transfers annually, sometime more than once per year because the original estimate on which the budget was set would be too low. The change better matches receipts to expenses, and the traveling meals program is no longer dependent on a budget estimate made 18 months prior to the time the demand is determined. The FY04 actual receipts were \$624,373 and \$647,373 for FY05. As expected, the loss of the Traveling Meals receipts was greater than the increase in other receipts, hence FY06 actual receipts declined to \$638,268. The estimate for FY07 of **\$610,000** is held level for FY08.

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. This category is another bright area for revenue. 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 from the actual FY04 revenue of \$792,224 to \$1,641,574 for FY06. The FY07 target of \$1,225,000 is also expected to be exceeded. Building permit activity still remains solid. This is a contributing factor for the new growth estimate for FY08. The budget for FY08 has been increased to **\$1,400,000**, a **14%** increase over the FY07 budget.

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 FY04 was \$212,712, increasing to \$213,069 in FY05, and \$239,185 in FY06. The estimate of **\$215,000** for FY08 is level dollar to the FY07 budget figure.

The category of **Fines and Forfeits** includes parking ticket and court fines. Revenue in this category has also remained basically flat, with \$164,011 for FY04, and \$170,811 for FY05, but declined in FY06 to \$139,354. The decline in FY 2006 was due to limited staff resources during part of the year. The estimate for FY08 is **\$130,000** level dollar to the FY07 budget allowance.

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 FY08 projection of **\$310,000** is \$25,000 or **8.7%** higher than FY07. This increase is based on program activities and the anticipation of the \$5,200 funding increase for additional Park and Recreation program staff for FY08.

Special Assessments are usually one-time events and are projected as they become known. Presently there is no special assessment income projected.

The Town had realized a decline in **Investment Income** from over \$1,000,000 received during FY01 to \$442,773 earned during FY04. This decline was reversed during FY05 with earnings of \$542,729 and with the continued increase in interest rates the FY06 amount was \$1,041,352. The amount projected for FY08 is **\$1,000,000**, an **11%** increase over the FY07 estimate.

Other Department Income includes revenue collected from the MBTA commuter parking lots which makes up the largest part of this category. Commuters pay \$2 per day to park at the "T" commuter lot. 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. Total receipts for FY05 were \$278,623, which was lower than FY04. Ridership declines contributed to the decrease. The increase to \$295,086 in FY06 was due more in part to parking permit activity than an increase in commuter parking at the MBTA lots. We still anticipate ridership will increase in the coming years. We also believe collections should also improve with the return of staff to provide more enforcement. The budget estimate for FY08 is **\$295,000**.

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 FY06 to \$49,782. The FY08 estimate of **\$49,000** is \$4,000 greater than the FY07 amount and is level to the FY06 actual receipts.

Rental Income from the Ridge Hill facility has increased, due mostly to the changes to the rates two years ago. FY04 actual receipts were \$15,815, FY05 actual receipts were \$20,560, and FY06 receipts totaled \$26,740. The estimate for FY08 is **\$25,000**.

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 FY01 \$98,862 was collected,

Fiscal Year 2008 Proposed Budget

but only \$47,908 was collected in FY02. This figure increased to \$149,350 in FY03, with a minor decline to \$136,398 in FY04. However, in FY05, yet another significant decline in Medicaid revenue was realized with \$46,644 received. Total actual miscellaneous revenue for FY05 was \$138,263 only to more than double in FY06 to \$286,858. The FY08 estimate for miscellaneous income is **\$200,000**.

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.

Town of Needham
Local Receipts
Table 2.6

Description	2004 Actual	2005 Actual	2006 Actual	2007 Recap	2008 - Estimate	\$ Change
Motor Vehicle Excise	\$ 4,058,180	\$ 4,301,123	\$ 4,300,194	\$ 3,995,000	\$ 4,125,000	\$ 130,000
Other Excise	\$ 220,946	\$ 296,878	\$ 313,962	\$ 280,000	\$ 300,000	\$ 20,000
Penalties & Interest	\$ 271,127	\$ 316,256	\$ 262,371	\$ 245,000	\$ 260,000	\$ 15,000
Payment in Lieu of Tax	\$ 257,580	\$ 279,077	\$ 131,865	\$ 130,000	\$ 130,000	\$ -
Charges for Services	\$ 624,373	\$ 647,373	\$ 638,268	\$ 610,000	\$ 610,000	\$ -
Fees	\$ 212,712	\$ 213,069	\$ 239,185	\$ 215,000	\$ 215,000	\$ -
Rents	\$ 15,815	\$ 20,560	\$ 26,740	\$ 25,000	\$ 25,000	\$ -
Library Department Income	\$ 56,862	\$ 37,860	\$ 49,782	\$ 45,000	\$ 49,000	\$ 4,000
Recreation Department Income	\$ 281,684	\$ 279,129	\$ 313,466	\$ 285,000	\$ 310,000	\$ 25,000
Other Department Income	\$ 303,404	\$ 278,623	\$ 295,086	\$ 280,000	\$ 295,000	\$ 15,000
Licenses & Permits	\$ 792,224	\$ 938,366	\$ 1,641,574	\$ 1,225,000	\$ 1,400,000	\$ 175,000
Special Assessments	\$ 3,714	\$ 2,484	\$ 3,584	\$ 2,500	\$ -	\$ (2,500)
Fines & Forfeits	\$ 164,011	\$ 170,811	\$ 139,354	\$ 130,000	\$ 130,000	\$ -
Investment Income	\$ 442,773	\$ 542,729	\$ 1,041,352	\$ 900,000	\$ 1,000,000	\$ 100,000
Miscellaneous Income	\$ 232,514	\$ 138,263	\$ 286,858	\$ 190,000	\$ 200,000	\$ 10,000
Nonrecurring Income	\$ 323,849	\$ 910,269	\$ 106,179	\$ 2,000	\$ -	\$ (2,000)
Total	\$8,261,768	\$9,372,870	\$9,789,820	\$8,559,500	\$9,049,000	\$489,500

OTHER AVAILABLE FUNDS AND FREE CASH

Other available funds represent approximately 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 FY08 was certified by the Massachusetts Department of Revenue at \$3,266,326. This was a \$628,909 decline or 16% from that which was available for the FY07 budget. The 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 \$1.2 million** be used for non-operating 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.

We anticipate that **\$400,000** in residual overlay account balances will be available for declaration as overlay surplus to fund FY08 appropriations. Per state statute, this estimate must be formally voted by the Board of Assessors 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 and the downtown parking permit program which under State Law, must be used for parking-related purposes. **\$85,000** 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 with the new parking meters that are being installed in the downtown area and a renewed commitment to the support services, this revenue should be able to support the level dollar recommendation.

The so-called **Landfill C&D** account is also reserved for appropriation. This fund accounts for fees that were collected for commercial and demolition debris tipped at the landfill. It has been the position of the Board of Selectmen that this balance should be reserved for future capital improvements and/or re-use of the landfill. Consequently, the amount originally proposed for appropriation to cover FY03 landfill related costs was zero, but in consideration of some expenses in the DPW budget that relate to the monitoring of the site, the Board of Selectmen agreed with the Finance Committee that \$20,000 would be transferred from the Fund for FY03. Subsequent transfers for FY04, FY05, FY06, and FY07 have also been made. **\$21,895** is proposed to be used for **FY08**. The fund will be depleted after FY 2008.

Fiscal Year 2008 Proposed Budget

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

Description	2004 Actual	2005 Actual	2006 Actual	2007 Recap	2007 *	2008 Estimate
Property Taxes	76.3%	74.9%	74.9%	68.1%	78.5%	78.5%
State Aid	7.9%	9.5%	8.5%	19.5%	7.2%	8.0%
Other Available Funds	1.3%	0.8%	2.4%	0.9%	1.1%	0.9%
Local Receipts	10.2%	11.0%	10.6%	7.9%	9.1%	9.3%
Free Cash	4.3%	3.8%	3.5%	3.6%	4.1%	3.4%
Total General Fund Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Represents the revenue as a % without the 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 for FY08 is amount is based on the current transfer of **\$171,582**. Because the indirect costs associated with the fund are a factor of town meeting appropriations, the actual FY08 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 amount for FY08 for sewer is based on the current transfer of **\$514,015**, and the amount for water is based on the current transfer of **\$756,681**. Because the indirect costs associated with the two funds are a factor of town meeting appropriations, the actual FY08 transfer may be adjusted accordingly.

Cherry Sheet Assessments are charges levied for services provided to the Town by state and other governmental agencies (e.g., MBTA assessment, county tax, mosquito control, etc.). The estimate of **\$1,087,142** for FY08 is an increase of **4%** over FY07.

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 FY08 is estimated at **\$53,535**.

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 \$200,000 of the \$800,000 is intended to fund statutory exemptions that are granted to the elderly, the infirmed and veterans. The State should reimburse the Town approximately \$53,000 through the Cherry Sheet for exemptions.

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. The general operations of the RTS have historically been funded by a transfer from the tax levy; however the amount has been reduced each year since 2003. The Board of Selectmen and the Finance Committee voted a policy to agree how to determine the appropriate amount that should be used to offset costs incurred by the RTS. The transfer for FY08 is estimated at **\$443,500**.

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 better known items provided for in this allowance.

OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2006 is \$3,269,565. 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, 2006 is \$149,777.

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 further 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 FY08, Enterprise Fund revenues have been estimated at **\$15.5** million, an increase of approximately **\$1,360,000**. This is due to an expected increase in user fees at the RTS, increased income from RTS departmental activities, and greater use of retained earnings in

sewer and water. **No sewer or water user rate increases are required under this budget plan.** The budget plan also provides for a **\$443,500** tax subsidy for RTS.

ENTERPRISE FUND RETAINED EARNINGS

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

Similar to the undesignated general fund balance (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 Department of Revenue, retained earnings are then available for appropriation to support the enterprise. Retained earnings have been certified by the Department of Revenue. Below are the amounts which were certified by DOR on January 4, 2006.

RTS Enterprise Fund -	\$124,161
Sewer Enterprise Fund -	\$1,815,095
Water Enterprise Fund -	\$1,756,398

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. We anticipate a 100% match from the State for the Town's FY07 CPA collections. The current estimate for FY07 collections that will be eligible for state matching funds in **FY08** is **\$1,220,000**. The 2% CPA surcharge on FY08 property tax bills is estimated at **\$1,300,000**. The total estimated FY08 CPA revenue is \$2,520,000. The budget plan provides for \$120,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget; \$278,000 credited to each of the three required reserves: Community Housing, Historic Resources, and Open Space Reserve; and the balance of \$1,566,000 to be transferred to the Community Preservation Fund General Reserve. The CPC has not yet made any funding recommendations for FY08.

FY08 Surcharge Revenue Estimate	\$1,300,000
State Trust Fund Distribution Estimate	\$1,220,000
Total CPA Revenue Estimate	\$2,520,000

Fiscal Year 2008 Proposed Budget

Community Preservation Appropriation Estimates

Community Preservation Committee Administrative Budget	\$120,000
Community Housing Reserve	\$278,000
Historic Resources Reserve	\$278,000
Open Space Reserve	\$278,000
Community Preservation Fund Reserve	\$1,566,000
Specific Project Appropriations	\$0
Total	\$2,520,000