

**Revenue Summary**Revenue Summary  
Table 2.1

Description	FY15 Budget	FY16 Budget	FY17 Estimate	\$ Change
General Fund	136,898,971	146,035,854	152,712,211	6,676,356
Enterprise Funds	16,399,044	16,633,237	15,514,510	(1,118,727)
Community Preservation Fund	2,857,818	6,057,514	4,521,250	(1,536,264)
<b>Total Revenues*</b>	<b>156,155,833</b>	<b>168,726,605</b>	<b>172,747,971</b>	<b>4,021,365</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. The above table 2.1 shows the total estimated revenue for FY2017 will increase by more than \$4.0 million or 2.4%. However, the total revenue estimated for FY2017 includes a lower amount of one-time monies and use of reserves, especially in the Community Preservation Act (CPA) fund. The CPA revenue estimate of \$4,521,250 assumes the use of \$1,860,500 to fund requests for FY2017. This compares to \$3,427,000 which was used to fund projects for FY2016.

Summary of General Fund Resources  
Table 2.2

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Estimate	\$ Change
Property Taxes	99,676,528	105,364,396	112,610,696	119,291,863	125,030,651	5,738,787
State Aid	9,957,566	10,372,414	10,641,851	10,811,766	11,019,297	207,531
Local Receipts	11,371,581	11,216,189	11,605,268	8,410,500	9,446,818	1,036,318
Other Available Funds	1,759,346	1,344,380	645,026	1,589,850	1,215,445	(374,405)
Free Cash	5,366,720	8,135,372	4,152,348	5,931,875	6,000,000	68,125
<b>Total General Fund Revenue</b>	<b>128,131,742</b>	<b>136,432,751</b>	<b>139,655,190</b>	<b>146,035,854</b>	<b>152,712,211</b>	<b>6,676,356</b>
<b><u>Adjustments to General Fund Revenue</u></b>						
Other Amounts Required to be Raised or Otherwise Provided	(101,576)	(466,375)	(516,289)	(124,697)	(50,083)	74,614
State & County Assessments	(1,238,429)	(1,273,564)	(1,259,920)	(1,291,397)	(1,325,038)	(33,641)
Provisions for Abatements & Exemptions	(1,876,905)	(2,151,633)	(3,258,232)	(3,009,775)	(1,990,000)	1,019,775
Adjustments, Reimbursements & Subsidies	1,608,539	1,668,967	1,696,408	1,341,813	1,206,000	(135,813)
CPA Share of Debt Service	550,000	711,000	475,763	464,438	456,313	(8,125)
<b>Total</b>	<b>(1,058,371)</b>	<b>(1,511,605)</b>	<b>(2,862,270)</b>	<b>(2,619,618)</b>	<b>(1,702,808)</b>	<b>916,810</b>
<b>Available for General Fund Appropriation</b>	<b>127,073,370</b>	<b>134,921,146</b>	<b>136,792,920</b>	<b>143,416,236</b>	<b>151,009,403</b>	<b>7,593,167</b>

Table 2.2 shows total revenue available for General Fund appropriations is projected at **\$151,009,403** or **\$7,593,167** more than FY2016. Revenue from property tax is estimated to grow by approximately \$5.7 million, state aid is assumed to increase by \$207,531, and local receipts to increase by more than one million dollars. The amount of Other Available Funds is \$374,405 less than was used for FY2016. Free Cash is estimated at \$6.0 million for FY2017. 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.

**FY2017 GENERAL FUND REVENUE ESTIMATE ASSUMPTIONS****Property Taxes**

Under Massachusetts General Laws, property taxes overall are restricted to increases of 2.5% plus tax revenues derived from new growth. This is referred to as the annual levy limit. An additional taxing limitation under Proposition 2½ is the levy ceiling. The levy ceiling is equal to 2.5% of the Town's valuation. The total taxable value as of January 1, 2015 was \$9,068,188,822. This puts the tax levy ceiling at \$226,704,721. The tax levy including debt exclusions for FY2016 was \$119,291,863, so the Town is well below its legal ceiling.

The new growth tax revenue is derived from improvements to property by its use, reconstruction, or new construction, and is added to the tax base. The annual levy limit may also be increased by the amount of any general override (usually for operating expenses), and capital exclusion override. The annual levy limit is also increased by the amount of debt service that is payable during the year for debt that has been approved by the voters as a debt exclusion override. The increase in the FY2017 tax levy attributable to new growth is estimated based upon consultation with Assessing and Building Departments.

Fiscal Year Tax Levy  
Table 2.3.1

Description	FY13 Budget	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Estimate	\$ Change
Prior Year Base	89,636,531	93,758,800	98,926,269	106,872,486	113,229,253	
2- 1/2 Allowance	2,240,913	2,343,970	2,473,157	2,671,812	2,830,731	
New Growth	1,879,442	2,823,111	3,922,530	3,684,955	3,113,804	
General Override			1,548,410			
Excess Levy (Taxes Not Raised)	(20,055)	(27,754)	(118,456)	(12,672)		
<b>General Tax Levy Limit</b>	<b>93,736,831</b>	<b>98,898,127</b>	<b>106,751,910</b>	<b>113,216,581</b>	<b>119,173,789</b>	<b>5,957,207</b>
Total Excluded Debt	7,507,149	8,016,076	7,352,024	6,869,980	6,645,455	
Less Excluded Debt Offsets	(801,709)	(906,091)	(800,174)	(794,698)	(788,593)	
Excluded Debt to be Raised on Tax Levy	6,705,440	7,109,985	6,551,850	6,075,282	5,856,862	(218,420)
<b>Property Tax Levy</b>	<b>100,442,271</b>	<b>106,008,112</b>	<b>113,303,760</b>	<b>119,291,863</b>	<b>125,030,651</b>	<b>5,738,787</b>
Collections by Year End	99,676,528	105,364,396	112,610,696			

**Property Tax Levy**

The property tax levy (Table 2.3.1) represents approximately 81.9% of all general fund revenues before adjustments. The FY2017 property tax limit is estimated to increase approximately 4.8% over the FY2016 actual tax levy, or approximately \$5.7 million. The tax revenue to support operations within the levy limit is increasing by an estimate of **5.3% over FY2016** which is a much higher estimate at this point in the budget process due to the continued strong new construction from both commercial and residential properties for the past year. Property tax New Growth revenue has been much higher on average during the past three years and is expected to continue into FY2017. The limit is calculated by increasing the FY2016 levy limit, exclusive of debt exclusions, by 2.5% and then adding a component for new growth. New growth is a function of the additional value generated by construction during the preceding year. The additional tax dollar amount for new growth is determined by the value on the January 1 assessment date and is then multiplied by the applicable FY2016 tax rate. The increase in the levy limit above the allowable annual limit and new growth is limited to the amount to be raised to pay the debt that has been excluded from the levy limit by the voters of Needham. The base tax levy, before accounting for debt exclusions, is expected to increase by nearly \$6.0 million over the FY2016 base levy. The amount of tax excluded debt that is to be paid by property taxes is

3.6% lower or \$218,420 less for FY2017, than was part of the FY2016 tax levy (see Table 2.3.2). The decrease is due to the fact that all the debt-excluded projects have been completed and closed out, no additional debt will be issued, and the existing debt exclusion obligations will decline.

Debt Exclusions Added to Tax Levy  
Table 2.3.2

Description	2013	2014	2015	2016	2017
<b>Debt Service</b>					
Broadmeadow School	963,643	939,450	914,325	886,300	857,150
Eliot School	399,794	390,694	421,594	379,174	359,405
High Rock & Pollard Schools	1,416,806	1,398,679	1,369,869	1,345,406	1,317,638
High School	2,098,806	2,047,069	1,999,931	1,946,415	1,856,563
Library	1,128,456	1,088,046	1,057,445	933,750	902,000
Newman School	1,499,641	2,152,138	1,588,861	1,378,935	1,352,700
<b>Total</b>	<b>7,507,146</b>	<b>8,016,076</b>	<b>7,352,024</b>	<b>6,869,980</b>	<b>6,645,455</b>
General Tax Levy	93,736,831	98,898,127	106,751,910	113,216,581	119,173,789
Excluded Debt as a % of the General Tax Levy	8.0%	8.1%	6.9%	6.1%	5.6%
<b>Offsets and Credits</b>					
MSBA Credits	(745,381)	(695,148)	(695,148)	(695,148)	(695,148)
Premium Credits	(45,763)	(126,271)	(105,026)	(99,550)	(93,445)
Other Adjustments	(10,561)	(84,672)			
<b>Total</b>	<b>(801,706)</b>	<b>(906,091)</b>	<b>(800,174)</b>	<b>(794,698)</b>	<b>(788,593)</b>
<b>Net Raised on Tax Rate</b>	<b>6,705,440</b>	<b>7,109,985</b>	<b>6,551,850</b>	<b>6,075,282</b>	<b>5,856,862</b>
Total Tax Levy	100,442,271	106,008,113	113,303,760	119,291,863	125,030,651
Net Excluded Debt as a % of the Total Tax Levy	6.7%	6.7%	5.8%	5.1%	4.7%

The property tax that one pays is primarily influenced by three factors: 1) Town Meeting appropriations and other amounts that the Town is required to pay, 2) the property tax allocation between commercial and residential, and 3) property values (assessments). The real estate market in Needham has remained strong compared to other areas in the state and the nation. New Growth tax revenue has been very good the past three years compared to peer-communities. As noted earlier, both residential and commercial activity has been exceptionally strong during the last 36 months with major developments in Needham Crossing. We anticipate additional new construction activity in Needham Crossing in the coming months as well as some new multifamily residential construction that has been permitted. 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.

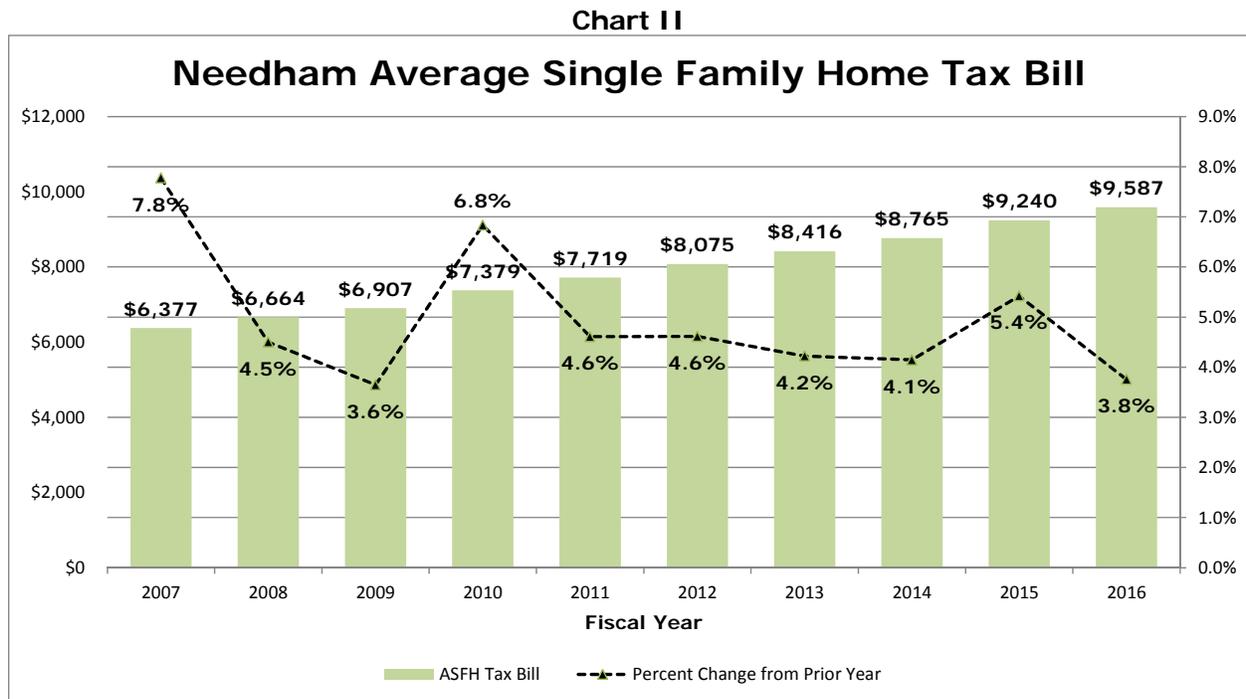
The most current state-wide data available from the

**Chart I**  
**Average Single Family Home Tax Bill**  
**Area Communities**

Municipality*	FY2016
Weston	\$18,762
Wellesley	\$13,971
Concord	\$13,490
Lexington	\$12,955
Sudbury	\$12,082
Wayland	\$11,730
Belmont	\$11,656
Winchester	\$10,948
Newton	\$10,728
Westwood	\$10,312
<b>Needham</b>	<b>\$9,587</b>
Bedford	\$9,103
Milton	\$8,155
Arlington	\$7,493
Walpole	\$6,952
Natick	\$6,868
Dedham	\$6,509
Framingham	\$6,065
Norwood	\$4,443
Group Average (excluding Needham)	\$10,123
State-Wide Average	\$5,438

**Source: DOR**  
\*Because DOR does not calculate the ASFH tax bill for Brookline and Watertown, those communities are not included in this sample.

Department of Revenue shows that the average single family home (ASFH) property tax bill for FY2016 in the Town of Needham was \$9,587. This places Needham's average single family home property tax bill in middle of 19 nearby or comparable communities (Chart I), but well over the state-wide average of \$5,438. Other than the Town of Norwood, all the communities in the group are above the state-wide average. This should not be unexpected as the values of homes in this area are much greater than in the state overall. The average tax bill of the identified communities (excluding Needham) for FY2016 was \$10,123, which is 3.8% more than the average of those communities in FY2015 (\$9,753). The average single family home tax bill in Needham for FY2016 increased by a similar 3.8% from FY2015 (\$9,587 vs \$9,240). Chart II, below shows the ASFH tax bill and the percent change from the prior year for the period of FY2007 to FY2016.



**State Aid**

Most State aid, especially Cherry Sheet aid, is a function of the State budget. The Governor is not required to file his FY2017 state budget plan until the fourth Wednesday in January, which will be after the release and presentation of the Town Manager's Balanced Budget for FY2017. For the purposes of this estimate, we have assumed level-dollar funding for most State aid programs for FY2017 except Chapter 70 education aid. During the winter and spring months, the Legislature will review the Governor's budget proposal, and will release its own budget proposal. In past years, such changes to local aid have altered both the amount of aid and the method of distribution.

The Governor's budget is presented to the Legislature, and the House of Representatives reviews it. The House Ways and Means Committee will develop its own recommendations to present to the full House for debate and amendment. After the House adopts a budget plan, it is forwarded to the Senate for a similar process. After the Senate prepares and votes on its budget plan, the House and Senate conference by way of a committee to resolve any differences between the two budgets plans. A single budget document is then presented to the full body of the House and subsequently to the Senate for final debate and vote. The approved budget is then sent to the Governor for approval or veto. During this

entire process, amendments are usually made which can alter the amount of aid the Town will actually receive.

State aid (Table 2.4) represents approximately 7.2% of the total general fund before adjustments and offsets. As noted earlier, the Governor's budget plan is not expected until January 27, 2016 and is assumed to be level funded except for education aid. The Governor's budget proposal is subject to review and amendment, and final figures are not expected until late spring.

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Estimate	\$ Change
Chapter 70	7,633,990	7,901,802	8,239,740	8,373,790	8,584,000	210,210
School Transportation						
School Construction Assistance						
Charter School Tuition	14,776	41,218	4,381	2,679		(2,679)
Homeless Transportation		15,263				
School Lunch	28,492	33,774	33,884			
<b>State Aid for Education</b>	<b>7,677,258</b>	<b>7,992,057</b>	<b>8,278,005</b>	<b>8,376,469</b>	<b>8,584,000</b>	<b>207,531</b>
Unrestricted General Government Aid	1,476,550	1,511,453	1,553,368	1,609,289	1,609,289	
Police Career Incentive						
Veterans Benefits	16,085	24,287	30,529	31,593	31,593	
Exemption Reimbursements	11,546	118,871	47,407	62,012	62,012	
Public Library Aid	30,746	30,598	37,394	37,255	37,255	
<b>State Aid for General Government</b>	<b>1,534,927</b>	<b>1,685,209</b>	<b>1,668,698</b>	<b>1,740,149</b>	<b>1,740,149</b>	
<b>Total Cherry Sheet Aid</b>	<b>9,212,185</b>	<b>9,677,266</b>	<b>9,946,703</b>	<b>10,116,618</b>	<b>10,324,149</b>	<b>207,531</b>
MSBA Payments	745,381	695,148	695,148	695,148	695,148	
<b>Other State Aid</b>	<b>745,381</b>	<b>695,148</b>	<b>695,148</b>	<b>695,148</b>	<b>695,148</b>	
<b>Total State Aid</b>	<b>9,957,566</b>	<b>10,372,414</b>	<b>10,641,851</b>	<b>10,811,766</b>	<b>11,019,297</b>	<b>207,531</b>

### Cherry Sheet Aid

Cherry Sheet aid comes from the Commonwealth where funds are allocated either through distribution formulas or reimbursement formulas. Distribution formulas often incorporate equity factors such as property wealth, income and effort. Reimbursement formulas provide full or partial funding for program expenditures or foregone revenues. In addition to reimbursements and distributions, there are also Cherry Sheet programs designated as Offset Items. These items are amounts that constitute categorical aid, i.e., funds that must be spent for specific programs. The funds received under programs designated as Offset Items may be spent without appropriation by the Town for the intended purpose (see Adjustments to General Fund Revenue). All other receipt items on the Cherry Sheet are considered revenues of the Town's general fund and may be spent for any purpose, subject to appropriation. We have assumed Cherry Sheet aid will increase by \$207,531 or approximately 2.1% of the FY2016 estimate.

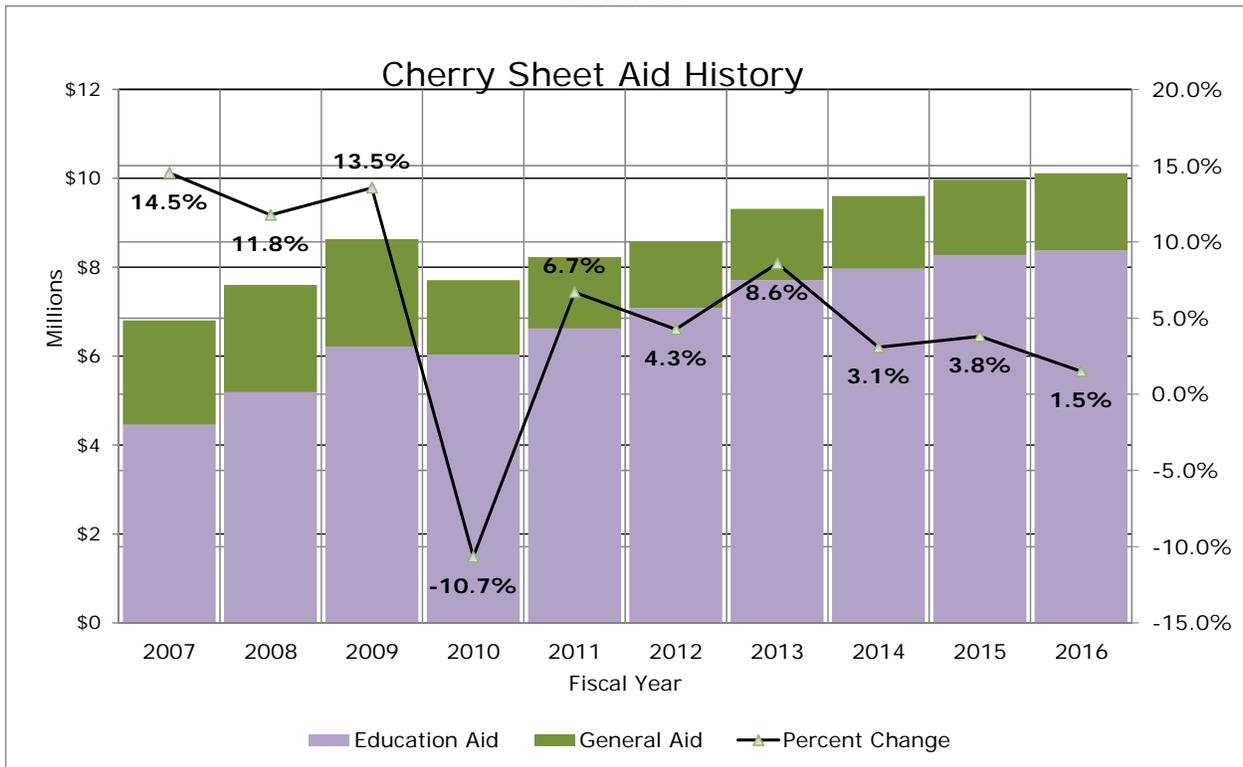
### Key State Aid Programs:

**Chapter 70** aid is commonly referred to as general school aid. The State explains that Chapter 70 is a formula aid program that is based on a Foundation Budget that is calculated by the Commonwealth for each school system, which takes into account enrollment, pupil characteristics, inflation and geographical differences in costs such as wages. The Foundation Budget is what the State has determined to be the minimum spending level for a school system. The formula takes into consideration a community's ability to pay the cost

of education based on property values and income. This information is based on equalized property valuation calculated by the Massachusetts Department of Revenue every other year and income data from State tax returns. With the FY2007 amendments to the program, the State's goal was to get each school system to its Foundation Budget within five years by a combination of local and State monies. The State's goal was to ensure that a minimum of 17.5% of the calculated budget for each school system was made up of State aid. This is not 17.5% of what a community may choose to fund.

The Town of Needham saw an increase in Chapter 70 funding from FY2007 through FY2009, but during fiscal year 2009 the Governor reduced the amount of Chapter 70 aid for Needham from the \$6,118,846 that was appropriated to \$5,475,362, a loss of \$643,484. This cut by the Governor to the local aid programs was due to the significant drop in state tax receipts as the recession became worse. The Town received \$5,996,469 in FY2010, although less than what the Town was budgeted to receive in FY2009, it was an increase over that amount that was actually received from the Commonwealth in FY2009. Each year thereafter, the Town received increases in Chapter 70; FY2011 \$594,488 or 9.9% more, in FY2012 \$400,763 or 6.1% more, in FY2013 the amount was \$642,270 or 9.2% more. After FY2013, the State continued to increase funding for Chapter 70 but the rate of increase for Needham was lower. The Town received \$267,812 more in FY2014 or 3.5%, and then \$337,938 more in FY2015, an increase of 4.3%. The FY2016 Cherry Sheet estimate shows that Town will receive \$134,050 or 1.6% more than FY2015. We have assumed a 2.5% increase for FY2017 or \$210,210.

Chart III



The Additional Assistance and the Lottery aid programs were consolidated into a new aid category called **Unrestricted General Government Aid (UGGA)** in FY2010. The combination of these two programs resulted in a net loss of \$422,882 from what the Town actually received in FY2009, and \$634,600 from what the State had budgeted for the Town.

The Town received \$1,476,550 in FY2011, a loss of \$61,523 from FY2010. The FY2012 UGGA amount was \$1,369,789 or \$106,761 less than FY2011. The Town received \$1,476,550 in UGGA funds in FY2013, the same amount as FY2011, and received \$1,511,453 in FY2014 or \$34,903 more. The Town received \$1,553,368 in FY2015 and is scheduled to receive \$1,609,289 in FY2016, an increase of \$55,921 or 3.6%. We have assumed no increase for FY2017.

The total for all the **other Cherry Sheet aid** programs that have been identified for Needham: charter school tuition, veterans' benefits, property tax exemption reimbursements, and aid to public libraries total \$133,539 for FY2016, and we have assumed a reduction of \$2,679 from FY2016 or a total of \$130,860. The school lunch program was removed from the Cherry Sheet distribution beginning in FY2016. The program is now a direct grant.

The Town is also expecting the tenth annual contract assistance payment for the Broadmeadow School project. The payment was decreased from \$745,381 to \$695,148 in FY2014. The decrease reflected lower interest expense the Town realized when it issued refunding bonds on the then existing Broadmeadow School project bonds. The reduction allows the **Massachusetts School Building Authority** (MSBA) to capture its share of the lower debt costs. The MSBA will continue making payments for its share of the school project at \$695,148 annually through FY2023, the last year of the bond. The payment is applied as a credit against the annual debt service for the Broadmeadow School and hence reduces the amount that is paid on the property tax bill. The Town also issued refunding bonds during FY2015 for the Eliot School project and one of the High School project related bonds. The result of the sale of these two bonds was a decrease in the overall interest expense, and the annual interest payments. Because both projects were funded by debt exclusion votes, this means the amount that is paid by the taxpayers of Needham is also less

### **Local Receipts**

Our time-honored approach of conservatively estimating local receipts is based on a target range. Our goal is to have a local estimate total, by the time the tax rate is sent to the Department of Revenue (DOR) for review, which is less than 80 percent of the prior year's actual receipts excluding non-recurring revenue. However, the estimate for FY2017 includes a new revenue source from the sale of solar generated electricity to the electric grid and the expectation of higher receipts from permits and licenses due to changes in the building fee structure that were adopted by the Board of Selectmen and took effect January 1, 2016. Taking into account these two significant changes, the estimate is higher than usual. This estimate, excluding nonrecurring revenue, is currently projected at approximately 86% of the 2015 actual receipts.

Although the local economy has been strong, and revenues are expected to be higher because of the new revenue streams, the rate of growth has slowed. FY2014 actual receipts were slightly lower than FY2013 actual receipts by \$155,393, but FY2015 receipts were higher than FY2014 receipts by \$389,089 or appropriately 3.5%. Local receipts through December 2015 are running behind, but should improve as the new fee structure takes effect and the solar energy payments begin. The room excise revenue is also on an upswing because of higher room occupancy and the new hotel.

Consequences of overly aggressive local receipt estimation include a reduction in the margin between budgeted and actual receipts to cover unanticipated drops in other revenue sources and unexpected increases in expenses (particularly non-appropriated costs), and lower Free Cash certification for the future year than would otherwise be possible. A tighter

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

We prepare the projections of local receipts by comparing FY2015 estimated receipts to actual receipts; FY2015 actual receipts to FY2014 actual receipts, and FY2016 estimated receipts to the FY2015 actual and FY2016 year-to-date numbers. We also look at trend lines over three and five years. The Department of Revenue will only allow a community to forecast local revenue up to the level of collection in the previous fiscal year. Under certain circumstances and with appropriate documentation, the Department of Revenue may allow a community to exceed its prior year actual revenue, e.g., for establishing a new fee or significantly increasing an existing fee or charge. During this analysis, the FY2016 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2016 activity demonstrates a trend that deviates from projections. It is also important to note that if certain budgetary reductions are made to departments that generate or manage the collection of receipts, the estimate may need to be revisited.

Local receipts represent approximately 6.2% of the total general fund before adjustments and offsets. Local receipts consist of items such as other taxes and excises, licenses, permits, and penalties, fines and forfeitures, investment income, and income from departmental activities and services. The estimate for FY2017 of **\$9,446,818** (Table 2.5) is an increase of \$1,036,318 or 12.3% from the revised FY2016 budget of \$8,410,500. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2016 receipts based on FY2015 results and trends. The total was within the target range for estimating.

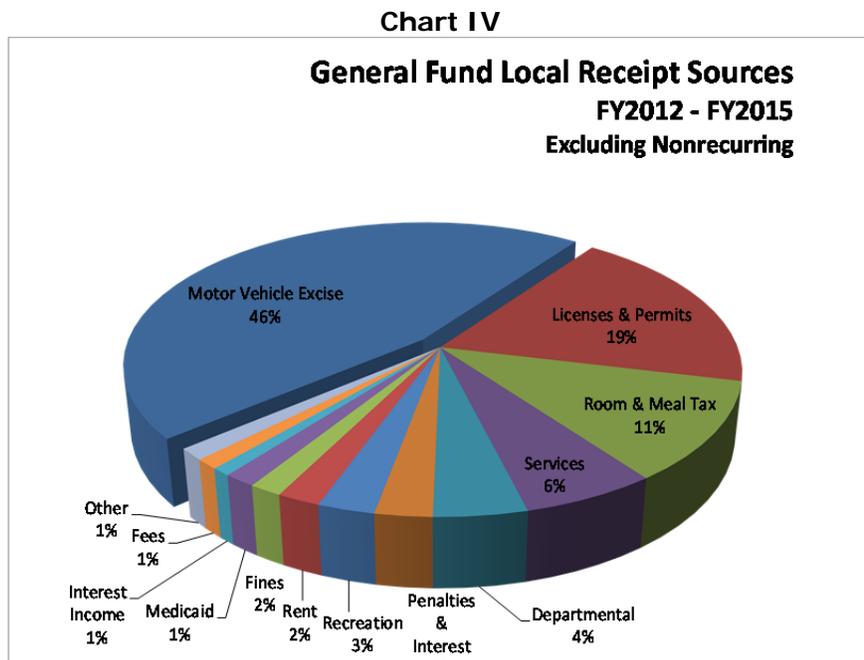
Local Receipts  
Table 2.5

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Estimate	\$ Change
Motor Vehicle Excise	4,620,449	4,923,980	5,242,444	4,085,000	4,225,000	140,000
Other Excise	982,743	1,288,328	1,500,981	1,035,000	1,085,000	50,000
Penalties & Interest	257,070	244,733	300,493	195,000	195,000	
Payment in Lieu of Tax	49,926	83,433	51,389	45,000	45,000	
Charges for Services	613,376	670,395	678,724	570,000	1,310,500	740,500
Fees	108,282	110,907	129,658	100,000	100,000	
Rents	208,277	209,000	212,303	170,000	170,000	
Library Department Income	57,510	54,421	52,905	42,500	42,500	
Recreation Department Income	250,621	288,404	267,266	213,000	213,000	
Other Department Income	596,892	417,396	354,139	320,000	320,000	
Licenses & Permits	1,869,446	2,306,750	1,702,030	1,430,000	1,520,000	90,000
Special Assessments	1,594	1,594	3,182			
Fines & Forfeits	162,051	140,523	151,293	117,000	117,000	
Investment Income	84,803	77,523	101,273	67,500	67,500	
Medicaid Reimbursement	203,297	73,511	211,056	10,000	25,000	15,000
Miscellaneous Income	16,339	17,993	13,758	10,500	11,318	818
Nonrecurring Income	1,288,907	307,299	632,377			
<b>Total</b>	<b>11,371,581</b>	<b>11,216,189</b>	<b>11,605,268</b>	<b>8,410,500</b>	<b>9,446,818</b>	<b>1,036,318</b>

The three major sources of local receipts which made up more than 75% of total receipts over the last four years (Chart IV) are Motor Vehicle Excise, License and Permits, and Room and Meal Excises. Year after year motor vehicle excise tax is the major local revenue source accounting for as much as 50% or more, and therefore an overestimation of this revenue will have negative impact on the Town's position. The three receipt types are all impacted by the economy, locally and nationally. Many of the other receipts have been stable, but flat, e.g., fees, fines and forfeits, and services, while others have been flat or trending downward e.g., library and other departmental income. Other local receipts can

have significant swings from year to year such as Medicaid reimbursements, payment in lieu of tax, and penalties and interest. Revenue should be stable for FY2017, with a significant increase expected for charge for services receipts from the monies estimated from the solar energy sales. We have calculated the revenue estimate from the sale of solar power at \$0.175 per kWh. The total production is assumed at the guaranteed obligation of Solar City (the company which built and maintains the solar array) at 4,265,819 KW. This would result in an approximate payment of \$746,500. There is a corresponding expense at an assumed rate of \$0.09 per kWh that the Town will pay to Solar City. The amount that would be paid is budgeted under the new Townwide Expense line for FY2017. Should production exceed the guaranteed amount, the Town will need to increase its appropriation to pay the Company, but the Town will also realize additional revenue. Adjustments would be made at a Special Town Meeting that would be held in the fall of 2016. We are increasing the estimate of each of the three major receipts, excise, permits, and lodging and meals excises, however pushing these receipt estimates too high would not be prudent. We have assumed a lower estimate for recreation receipts and for investment income.

All vehicle owners who have their vehicles registered in the Commonwealth of Massachusetts pay an annual **Motor Vehicle Excise** tax to the community in which the vehicle is principally garaged. The Registry of Motor Vehicles provides listings several times during the year with the vehicles that are registered in Needham, along with the value for each. The Town relies on this information to calculate and issue excise bills. The motor vehicle excise tax rate is set by



State law at \$25 per \$1,000 valuation. The rate is uniform through the Commonwealth. We have assumed approximately a 3.4% increase or \$140,000 over the FY2016 estimate. Motor vehicle excise receipts for FY2017 are projected at approximately **\$4.2 million**. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate any higher because a negative swing with this revenue item can have a notable impact on Free Cash.

In 1986, the Town of Needham adopted a local option room excise tax at 4%; the Town adopted the State allowed rate of 6% which became effective January 1, 2010. Hotels, motels, and certain other establishments collect this excise on the taxable portion of rents they collect. The businesses remit the funds to the State. The State sends payments to the Town during the year, which is accounted for as **Other Excise** under the local receipts group. The Town of Needham also accepted the 0.75% local option meals excise effective January 1, 2010. The local establishments report and remit the meals tax to the Department of Revenue (DOR). Collections from both the room excise and the meals excise have been positive and growing, due to the strong economy and the increase in

establishments. The total receipts in FY2013 were \$982,743, \$1,288,328 in FY2014, and \$1,500,981 for FY2015. The budget estimate for FY2016 is \$1,035,000. The estimate for FY2017 is **\$1,085,000** which is 4.8% more than the FY2016 estimate and is approximately 73% of the FY2015 actual.

The **Penalties & Interest** category includes penalties charged for the late payment of real estate and motor vehicle excise bills, tax lien redemptions, and interest accrued on deferred taxes. The fluctuations in actual collections reflect the unpredictability of the timing of payments, particularly settlements on deferred taxes and tax title accounts. The estimate for FY2017 is level at **\$195,000**, approximately 65% of the FY2015 actual.

**Payment In Lieu of Tax** is a voluntary payment made by certain tax-exempt entities. The original estimate for FY2016 was \$48,525, but was lowered to \$45,000 based on the actual revenue for FY2015 of \$51,389 which was a decline from the FY2014 actual of \$83,433. We have held the FY2017 estimate at **\$45,000**. This is approximately 88% of the FY2015 actual revenue.

The category of **Charges for Services** includes charges for ambulance services, fire alarm connections, parking permits and charges by the DPW. The **\$1,310,500** revenue estimate for FY2017 is a significant increase (130%) over the FY2016 estimate of \$570,000. This revenue category is now inclusive of the solar electric payments the Town anticipates receiving from Eversource during the year. As mentioned previously, the Town entered into an agreement with Solar City to build and maintain a solar array on the capped landfill at the Recycling and Transfer Station property. Solar City pays the Town \$50,000 rent for use of the land; this rent is credited to the RTS Enterprise Fund because the property falls under the RTS. Solar City will also pay the Town personal property taxes for the solar panels. The Town will pay Solar City appropriately \$0.09 per kWh of electricity produced. The Town in turn will be paid approximately \$0.175 per kWh that is added to the electric grid by Eversource.

The Town collects various **Fees** which include returned checks, FID cards, administrative fees for details, and Registry of Motor Vehicle license and registration non-renewal releases. The total collected in FY2013 was \$108,282, \$110,907 in FY2014, and \$129,658. The original estimate for FY2016 was \$90,000 but was increased to \$100,000 after the December review. The **\$100,000** estimate for FY2017 is the same as the FY2016 estimate, which is approximately 77% of the FY2015 actual.

**Rental Income** is collected on a lease with the Needham Golf Club. The Town has a long term lease with the Needham Golf Club (NGC) which runs for twenty years. The land which the NGC leases is considered taxable. Rental income in FY2013 was \$208,277 which came from both the Golf Course and use of Powers Hall at Town Hall. The rental income was flat for FY2014 at an even \$209,000. The rental income increased to \$212,303 for FY2015. The Powers Hall rental payments are now accounted for through a revolving fund. The original estimate for FY2016 was \$180,000 but was lowered to \$170,000 after the December review based on the Powers Hall income being accounted for through the revolving fund. The estimate for FY2017 is **\$170,000**, the same as the current year and is approximately 80% of the FY2015 actual income.

**Library Income** includes book fines and other fees charged by the Needham Free Public Library. The revenue collected in FY2013 was \$57,510, but decreased to \$54,421 for FY2014, and was even lower for FY2015 at \$52,905. The original estimate for FY2016 was reduced from \$50,000 to \$42,500 after the December review. The estimate of **\$42,500** is the same as FY2016 which is approximately 80% of the FY2015 actual.

**Recreation** fees are collected by the Park and Recreation Department for Rosemary Pool, summer programs, and rental of fields. Other Park and Recreation programs are accounted for separately in a revolving fund. Actual receipts in FY2013 were \$250,621, increased to \$288,404 for FY2014, and then declined to \$267,266 for FY2015. The estimate for FY2016 is \$213,000 and we have assumed level dollar for FY2017 at **\$213,000** which is approximately 80% of the FY2015 actual receipts.

**Other Department Income** includes revenue collected by the various Town departments, which are not properly accounted for in the other accounts. This would include amounts received by planning and conservation departments. The total receipts for FY2013 were \$596,892, but dropped to \$417,396 for FY2014 and decline yet again in FY2015 to \$354,139. The original FY2016 budget estimate was \$354,000 but was decreased to \$320,000 because of both the FY2014 and FY2015 declines. Year-to-date collections for FY2016 show improvement and therefore we held the estimate for FY2017 at **\$320,000**, which is approximately 90% of FY2015 actual.

The category of **Licenses and Permits** includes licenses issued by the Selectmen and Town Clerk, and permits issued by the Building, Fire, and Health Departments. The Town has increased many of its fees in this category, some due to added demands on the departments, which provide the related services and others, because they had not been adjusted for a number of years. The Board of Selectmen approved a new rate schedule for building permits which took effect January 1, 2016. Actual receipts in FY2013 were \$1,869,446, then increased in FY2014 to \$2,306,750, and then dropped to \$1,702,030. This is reflective of the great variability in the permitting of projects and the timing of when construction begins. The original estimate for FY2016 was \$1,532,500 but was lowered to \$1,430,000 after the final results for FY2015 were known. However, we have assumed an increase for FY2017 based on the new fee structure, with an estimate of **\$1,520,000** for an increase of 6.3% over FY2016. This is approximately 89% of the FY2015 actual.

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

The category of **Fines and Forfeits** includes parking ticket and court fines. Revenue in this category has fluctuated due to staff resources over the years, with FY2013 actual receipts at \$162,051, then declining in FY2014 to \$140,523. Revenue increased to \$151,293 in FY2015. Based on the higher revenue in FY2015, the higher parking fine schedule which was put into effect, the original estimate for FY2016 of \$112,000 was increased to \$117,000 after the December review. We have level dollar the estimate for FY2017 at **\$117,000** which is approximately 77% of the FY2015 actual.

**Investment Income** has been volatile revenue stream over time with more than \$1.2 million earned in FY2008 to just \$77,523 in FY2014. Indeed, the original estimate for FY2012 of \$325,000 had to be reduced to \$150,000, yet the total for the year came in at \$103,130. The FY2013 original estimate of \$150,000 was dropped to \$80,000 which we believed was as low as the revenue could drop; the actual income was \$84,803. The original estimate for FY2014 was \$80,000, but given the FY2013 actual income, the estimate was revised downward to \$67,500, and as noted, actual income came in at \$77,523. In FY2015, we saw interest income increase for the first time in several years with \$101,273 received. We held the estimate of \$67,500 for FY2015 for FY2016, and will do the same for FY2017. The **\$67,500** estimate for FY2017 is approximately 67% of the FY2015 actual income.

**Medicaid and Miscellaneous Income** Medicaid reimbursement has been at times, very significant revenue, but often fluctuates from year to year. In FY2013 the Town received \$203,297 in Medicaid revenue, and then saw a significant drop in FY2014 to \$73,511 – a drop of more than 63% from the prior year. Revenue increased to \$211,056 in FY2015. The original FY2016 estimate was just \$3,300 which was based on actual receipts posted as of December 2014. The estimate for FY2016 was increased in December 2015 to \$10,000. We have estimate **\$25,000**, a 150% increase which is just 12% of the FY2015 actual. Miscellaneous receipts represent various revenues that are not associated with one of the recognized local receipt categories. The actual revenue was \$16,339 in FY2013 and slightly increased to \$17,993 in FY2014, and decline to \$13,758 in FY2015. The FY2016 estimate is \$10,500 and we increased the FY2017 estimate by \$818 to **\$11,318**, or approximately 82% of the FY2015 actual.

**Nonrecurring Income** represents funds that may be received but are not expected to reoccur, e.g., one-time grants, financial assistance for an event, etc. The FY2013 nonrecurring receipts totaling \$1,288,907 resulted mostly to one major source, a very sizable premium received on the sale of bonds in the amount of \$811,162. The Town also received a distribution of \$303,727 from a Medicare Part D reimbursement, the last payment to the Town as future reimbursements will be incorporated in the premiums that the Town pays for certain retiree health insurance. The bond premiums and the Medicare reimbursements together, accounted for 86% of the total nonrecurring revenue in FY2013. The Town was successful in collecting some old receivables, previously considered uncollectible in the amount of \$43,157. The Town also received \$20,945 from MEMA for Hurricane Irene related expenses. The balance of \$109,916 came from other sources. The Town received \$307,299 in nonrecurring receipts in FY2014. One major source was premiums received on the sale of bonds in the amount of \$146,553. This receipt accounted for approximately 48% of the total nonrecurring revenue. The Town received \$51,263 from the sale of surplus equipment, and \$41,342 was from unused flexible spending accounts. The Town also received \$26,600 in energy efficiency rebates from Northeast Utilities. The balance of \$41,541 came from various sources, reimbursements, and returns which are not recurring. In FY2015 the Town received \$632,377. One major source was premiums received on the sale of bonds in the amount of \$336,304. This receipt accounted for approximately 53% of the total nonrecurring revenue. The Town received property and casualty premium credits of \$126,698, payment of \$81,659 for details previously adjusted, \$44,427 from the sale of surplus equipment, plus an additional \$5,400 on the trade of police vehicles, and a \$7,753 lien payment (non-tax) recovered by Town Counsel. The \$30,136 balance represents various refunds and recoveries received by the Town and School departments. No revenue meeting this criterion has been identified for FY2017.

General Fund Recurring Receipts  
Table 2.6

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Recap	FY17 Estimate	\$ Change
Property Taxes	92,971,088	98,254,411	106,058,846	113,216,581	119,173,789	5,957,207
State Aid	9,152,947	9,612,894	9,875,425	10,116,618	10,324,149	207,531
Local Receipts	10,082,674	10,908,890	10,972,892	8,410,500	9,446,818	1,036,318
<b>Total Receipts</b>	<b>112,206,709</b>	<b>118,776,195</b>	<b>126,907,163</b>	<b>131,743,699</b>	<b>138,944,756</b>	<b>7,201,056</b>

**Other Available Funds**

Other available funds (\$1,215,445) represent 0.8% of the total general fund before adjustments and offsets. Projections of reserves follow past budget methodology. The uses of the funds are based on historical uses of these funds. The three available funds that have been recurring are Debt Exclusion Offsets, Overlay Surplus, and Parking Meter Fund.

Other available funds are correlated to expenses. These funds must be specifically identified by Town Meeting in the motion in order to be used.

The **Debt Exclusion Offset** is an amount equal to the amortized value of a premium that may have been received on debt-excluded bond or note and is spread over the life of the loan. The offset reduces the amount of the excluded debt service that is raised on the tax levy. The amount for FY2017 is \$93,445.

**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 have assumed \$1,000,000 will be available to fund appropriations. Per state statute, the Board of Assessors must formally vote to release any determined surplus before it is available for appropriation. The use of the funds would be \$500,000 for the operating budget and \$500,000 for nonrecurring type of expenditures similar to last year.

The **Parking Meter Fund** is reserved for appropriation and the revenues are derived from parking meters, which under State Law must be used for parking-related purposes. \$70,000 is proposed for appropriation from the Parking Meter Fund to support parking enforcement and ticket processing, maintenance, and snow removal from affected parking lots. This is an increase of \$5,000 over FY2016. The \$65,000 budgeted in FY2016 was an increase of \$20,000 over FY2015 and it was the first increase in a number of years which was possible because of the change in the parking meter rates approved by the Board of Selectmen in 2014; this was the first change in the rates since 2001. The Board of Selectmen approved a parking meter fee holiday for the end of November and the month of December 2015. Although this may encourage more shopping in the downtown, it does reduce revenue collected to meet expenses.

Other available funds in prior years have included items such as unexpended balances of prior warrant articles, insurance proceeds in excess of \$20,000, and special grants. As part of the FY2012 capital improvement plan \$52,000 was appropriated to purchase a bus for the Council on Aging. The Council on Aging was successful in obtaining a grant from the State to purchase the bus and therefore the funds were not used. The funds have been held in reserve for when a new bus purchase is requested. The COA submitted a request for a bus for FY2017 and one of the funding sources will be the \$52,000. The transfer of these funds to purchase the new bus must be approved by Town Meeting.

### **Free Cash**

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

The Free Cash has not yet been certified for FY2016, but preliminary estimates have Free Cash between \$5.9 and \$6.9 million. We have assumed **\$6,000,000** for this budget plan. This represents 3.9% of the total general fund before adjustments and offsets. This is an increase of \$68,125 over the amount that was used for the current year. The certified Free Cash in FY2015 was \$6,207,875 of which \$5,931,875 was used for FY2016 appropriations

and the balance was closed out at the end of the year and will be part of the FY2016 certification. Free Cash certified in FY2014 was \$10,133,912 of which \$5,981,564 was used for FY2014 and \$4,152,348 was used for FY2015. In FY2013, only \$2,153,808 was certified as Free Cash of which the entire amount was used for FY2014 appropriations. The combined FY2013 and the part of the FY2014 certified Free Cash used for FY2014 appropriations totaled \$8,135,372. Table 2.7.1 shows how much Free Cash was used for the operating budget, cash capital, other financial warrant articles, reserves, or closed out.

Uses of Free Cash  
Table 2.7.1

Certification Year	Budget Year Use	Free Cash	Budget	Capital	FWA	Reserves	Returned
FY2012	FY2013	5,366,720	1,303,636	3,421,633	168,353	473,098	-
FY2013	FY2014	2,153,808	1,619,224	534,584			-
FY2014	FY14/15	10,133,912	2,032,765	7,499,617	35,000	566,530	-
FY2015	FY2016	6,207,875	1,941,264	2,394,911	750,000	845,700	276,000
FY2016^	FY2017	6,000,000	1,763,165	2,464,117	528,222	1,244,496	-

^ Estimate

Given that the Town of Needham develops its annual operating and capital budgets in such a way that Free Cash can be counted upon each year, some amount of Free Cash has been used to support operating expenses. In recognition that the operating budget structure has been amended, and with this budget plan a sizable amount of expenses have been removed from the departmental budgets into a new Townwide expense budget (to account and track electric and natural gas expenses, including payments for the production of solar power, related expenses and the street lighting program), we have amended what is included in the Free Cash "use for operating expenses" calculation. We continue to recommend that the amount should not be more than 2% of the budget turn back of the prior completed fiscal year or the actual amount returned, whichever is less. However, in the revised calculation, we use the final adjusted operating budget, excluding the Reserve Fund to calculate the 2% amount. We define the final adjusted operating budget as the total of the Departmental budgets and Townwide expenses, except for the Reserve Fund. We do not include any transfer from the Reserve Fund line into the Departmental budgets. Any return from the Reserve Fund would not be considered part of the budget return when calculating the lesser of the two calculations: two percent of the final adjusted budget, or actual return, wherever is less. In table 2.7.2, we show what the budget returns have been in the past five years and what the two percent of the final adjusted operating budget would have been.

Operating Budget Returns  
Table 2.7.2

Fiscal Year Activity	Final Budget	Returned	Adjusted Final Budget	Related Return	Percent of Budget	Reserve Fund Return	Reserve Fund Return as a % of Total Return	Two Percent of the Adjusted Final Budget
FY2011	110,084,279	1,936,213	108,639,916	1,901,957	1.75%	34,256	1.8%	2,172,798
FY2012	111,739,534	2,313,340	111,253,362	2,226,818	2.00%	86,522	3.7%	2,225,067
FY2013	118,098,423	2,672,092	116,839,992	2,120,776	1.82%	551,316	20.6%	2,336,800
FY2014	124,101,249	2,463,826	122,653,006	1,873,669	1.53%	590,157	24.0%	2,453,060
FY2015	129,531,899	1,944,545	127,889,742	1,779,710	1.39%	164,835	8.5%	2,557,795

Two percent of the FY2015 adjusted final budget equals \$2,557,795; the actual FY2015 budget return less the Reserve Fund return was \$1,779,710 which is less than two percent and is less than the \$1,873,669 returned in FY2014 (Table 2.7.2). The budget plan has \$1,763,165 of the estimated Free Cash being used for operating expenses; the amount falls under the allowance. The balance of the estimated Free Cash for FY2016 is proposed to be used to fund cash capital, reserves, and warrant articles. If DOR certifies a greater amount we recommend that those funds be appropriated to reserves. The Town has been following the recommended practice of limiting the amount of Free Cash that supports the operating budget by using the funds to pay not only for needed cash capital, but also to put aside funds for future demands that may arise unexpectedly and for various one-time financial warrant articles.

Revenue as a % of Total General Fund Revenue  
Table 2.8

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Estimate
Property Taxes	77.8%	77.2%	80.6%	81.7%	81.9%
State Aid	7.8%	7.6%	7.6%	7.4%	7.2%
Local Receipts	8.9%	8.2%	8.3%	5.8%	6.2%
Other Available Funds	1.4%	1.0%	0.5%	1.1%	0.8%
Free Cash	4.2%	6.0%	3.0%	4.1%	3.9%
<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>

\*May not equal 100% due to rounding

#### ADJUSTMENTS TO GENERAL FUND REVENUE

While the majority of solid waste and recycling center service costs are accounted for in the Recycling Center and Transfer Station (RTS) Enterprise Fund, certain costs of the department are reflected in the general fund budgets of other Town departments (e.g., treasurer/collector, information technology, personnel, insurance, etc.). These RTS-related general fund expenditures are funded with transfers of revenue from the enterprise fund to the general fund. The amount projected for FY2017 is based on the current year and is estimated at \$285,000.

Enterprise Reimbursements to the General Fund  
Table 2.9

Description	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Budget	FY17 Estimate	\$ Change
Solid Waste	267,128	276,871	278,317	317,608	285,000	(32,608)
Sewer	389,453	429,205	464,518	363,721	327,000	(36,721)
Water	951,958	962,891	953,573	660,484	594,000	(66,484)
<b>Total</b>	<b>1,608,539</b>	<b>1,668,967</b>	<b>1,696,408</b>	<b>1,341,813</b>	<b>1,206,000</b>	<b>(135,813)</b>

As with the RTS fund, while the majority of sewer and water related service costs are accounted for in the Sewer Enterprise Fund and Water Enterprise Fund, certain costs of the departments are reflected in the general fund budgets of other Town departments (e.g., treasurer/collector, information technology, personnel, insurance, etc.). These general fund expenditures are funded with transfers of revenue from the sewer and water enterprise funds. The projected amounts for FY2017 for sewer and water are estimated at \$327,000 and \$594,000, respectively. Because indirect costs associated with the three funds are a factor of Town Meeting appropriations, the actual FY2017 transfers may be adjusted accordingly.

FY2017 is the sixth operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be **\$456,313**, which is a decrease of \$8,125 from the FY2016 amount of \$464,438. The annual debt service will decline each year on the Town Hall project until it is paid off in 2031. We reflect \$456,313 as another adjustment to General Fund revenue because the CPA debt is included in the general operating budget of the Town.

**Cherry Sheet Assessments** are charges levied for services provided to the Town by State and other governmental agencies (e.g., MBTA assessment, county tax, mosquito control, etc.). The estimate of **\$1,325,038** for FY2017 is 2.6% over the FY2016 estimate.

**Allowance for Abatements and Exemptions** are funds reserved for property tax abatements and statutory exemptions. The preliminary estimate, subject to the approval of the Board of Assessors and the Department of Revenue, has been set at **\$1,990,000** which is a decrease of \$1,019,775 from the current year. The final amount of the reserve is determined by the Department of Revenue when it approves the tax rate in December.

**Amounts required to be raised or otherwise provided** is a contingency 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 or shortfall in other estimates are items provided for in this allowance. The reserved estimate is **\$50,083** for FY2017. This amount includes the Cherry Sheet Offsets which are 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 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 amount for FY2017 is based on the assumption that state aid will be level funded so the total is the same as FY2016 at \$37,255, plus an additional \$328 for other allowances. Another requirement is the amount that is certified by the tax collector for tax title purposes and is assumed to be level dollar for FY2017 at \$12,500. The total of these items in FY2016 was \$124,697 and in FY2015 it was \$514,246.

#### OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2015 is \$3,913,385. 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, 2015 is \$669,913.

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, 2015 is \$1,309,428

The Town also established an **Athletic Facility Fund** for the purpose of reserving funds for future extraordinary athletic field and artificial turf replacement and maintenance costs. The balance in the fund as of December 31, 2015 is \$1,973,058. The budget plan calls for an appropriation of \$994,496 to the Fund.

The Town also established a **Debt Stabilization Fund** for the purpose of setting aside funds to smooth out the impact of General Fund Debt Service within the levy limit that would exceed the Town's goal that only three percent of General Fund revenues be designated for debt. The Town anticipates that servicing Debt in the next few fiscal years will be greater than the target due to greater capital demands driven in part by the expansion in the commercial centers and more residential development on the eastern part of Town. The balance in the fund as of December 31, 2015 is \$0. The budget plan calls for an appropriation of \$612,595. The plan is to use the net electric proceeds that the Town will receive from Eversource for its solar energy being added to the electric grid. The Town pays Solar City for the generation of this electricity at an approximate rate of \$0.09 per KWH. For the purposes of this budget plan, we have assumed the solar array will provide at least 4,265,819 KWH in FY2017 which will cost the Town \$383,924 for which the Town will receive an estimated \$0.175 per KWH for a total of \$746,518. The net proceeds to the Town would be \$362,595. This amount, plus \$250,000 of Free Cash (a corresponding amount was appropriated to the debt service budget in November 2015) is proposed for appropriation to the Debt Stabilization budget.

### ENTERPRISE FUNDS

An enterprise fund is used to account for those operations that are financed and operated in a manner similar to a private business. The Department of Revenue states that Enterprise Funds allow a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy or other available funds, if any. The Town has established an Enterprise Fund for its water operation, sewer operation, and for the Recycling Center and Transfer Station. The enterprise funds are fully reimbursing the general fund for their related indirect costs (e.g., enterprise employee benefits, property insurance, shared staff, etc.).

Enterprise Receipts  
Table 2.10

Description	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2017 Estimate	\$ Change
RTS	1,718,850	1,621,182	1,196,091	942,252	1,106,189	163,937
Sewer	8,241,583	7,949,827	8,794,290	7,527,780	7,891,000	363,220
Water	6,188,215	6,374,765	7,128,001	5,469,152	5,455,626	(13,526)
<b>Total</b>	<b>16,148,649</b>	<b>15,945,774</b>	<b>17,118,382</b>	<b>13,939,184</b>	<b>14,452,815</b>	<b>513,631</b>

For FY2017, enterprise fund revenues are estimated at \$15,514,510. This figure is inclusive of the use of \$625,131 in retained earnings, plus \$32,408 in other available funds for capital investment in the sewer and water operations, and another \$404,156 of retained earnings used to fund non-capital appropriations. The estimated use of enterprise fund receipts for FY2017 is \$513,631 more than FY2016. The combined estimate of the three funds is \$14,452,815 for FY2017 compared to \$13,939,184 for FY2016 (Table 2.10). The increase in current receipts is attributable to the RTS enterprise receiving rental payments for the solar array, an increased entrepreneurial related revenue for the RTS Enterprise, and higher sewer step rates (the increase in the sewer rate was offset in part by reduced water step rates approved last year by the Board of Selectmen) in the Sewer Enterprise. The Water Enterprise fund decrease is due to a reduction in some of the water step rates by the Board of Selectmen last year. The budget also calls for the use of **\$215,927** of retained earnings in the RTS Enterprise and **\$345,679** of water retained earnings for cash capital. The Sewer Enterprise will use **\$467,681** in retained earnings to support the operating budget (\$404,156) and fund cash capital (\$63,525). The General Fund was required to provide \$74,942 for FY2016 based on the estimate for the year. The budget plan also calls for the use of unexpended balances from prior warrant articles for RTS and Sewer cash capital. An

unexpended balance from a capital improvement for the drop off area at the RTS (**\$22,073**) will be used to partially fund other property improvements at the RTS. The Sewer Enterprise has an unexpended balance from a sewer education program in the amount of **\$10,335** which will be used to fund in part sewer main extensions in zones I and II.

Use of Enterprise Reserves and Other One-Time Funds

Table 2.11

Description	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2017 Estimate	\$ Change
RTS	448,683	337,100	321,095	158,000	238,000	80,000
Sewer	1,215,555	987,597	706,000	1,373,949	478,016	(895,933)
Water	772,009	1,922,667	1,161,050	1,162,104	345,679	(816,425)
<b>Total</b>	<b>2,436,247</b>	<b>3,247,364</b>	<b>2,188,145</b>	<b>2,694,053</b>	<b>1,061,695</b>	<b>(1,632,358)</b>

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 helped to support tipping and recycling expenses. A transfer from the tax levy has historically funded the general operations of the RTS. However, the amount had been declining since the inception of the enterprise fund until recent years. The Board of Selectmen and the Finance Committee approved a policy to determine the amount that should be used to offset costs incurred by the RTS. However, the formula has not been sufficient in every year to meet the required revenue. Given the restrictions on estimating revenue above the actual amount of the prior year, an additional amount from the General Fund has been required in some years in order to balance the RTS budget. The General Fund transfer for FY2013 was \$576,938 and for FY2014 it was \$801,458. Effective in FY2015, with the elimination of the residential sticker fee, a greater General Fund contribution to the operation was approved. The voted amount for FY2015 was \$1,420,000. However, due to the restrictions in revenue estimation, the Town needed to provide a subsidy of \$72,270 to be approved by the DOR. The General Fund contribution for FY2016 was \$1,420,000 and the same amount is recommended for FY2017. The original plan had assumed the contribution would be \$1,462,600, but with the rental income from the solar array and other recycling revenues higher, we are able to level-fund the recommendation at **\$1,420,000**.

The Town approved a change effective with the FY2012 budget that the expenses associated with the Drains Program that were carried in the DPW General Fund Operating Budget are now part of the **Sewer Enterprise Fund Budget**. The employees who perform a majority of the drains-related work are assigned to either the water or sewer division. There are benefits for the Town to have the water and sewer employees perform the drains-related work rather than hiring additional staff for the sole purpose of drain work. The drains program is considered a general fund expense and not a sewer or water fund expense. The weekly tracking and processing of drains related procurement, accounts payable, and payroll, as well as the budgeting process is easier and more efficient (less cross-fund accounting work) to process the finance-related tasks through one of the enterprise funds, rather than the prior three fund process (general fund, sewer fund, and water fund). The General Fund still pays the drains-related costs, but the appropriation will now be made from the General Fund to the Sewer Enterprise Fund Budget. The payment in FY2012 was \$469,610, FY2013 was \$493,932, for FY2014 was \$468,936, for FY2015 the amount was \$463,430, and FY2016 was \$494,488. The recommended sewer budget includes **\$519,846** in drains related expense and will be the General Fund appropriation to the Sewer Fund for FY2017.

ENTERPRISE FUND RETAINED EARNINGS

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

Similar to Free Cash, retained earnings are a function of the operations of the prior fiscal year and are generated by revenues collected in excess of estimates and unexpended balances of appropriations, as of June 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 for FY2016 have not been certified by the Department of Revenue as of the publication of this plan, but are estimated to be greater than the proposed amounts to be used and take into consideration the needed reservations and future appropriations. Table 2.12 shows the amounts which were certified as retained earnings by the Department of Revenue for the previous five complete fiscal years.

Certified Retained Earnings

Table 2.12

Description	FY2011	FY2012	FY2013	FY2014	FY2015
RTS	419,180	490,410	442,722	686,044	690,498
Sewer	2,905,380	2,550,263	1,951,436	1,971,156	1,667,645
Water	2,176,413	2,932,408	2,740,398	2,254,842	2,049,563

COMMUNITY PRESERVATION FUNDS

Town voters approved a 2% Community Preservation Act surcharge on real estate property tax bills effective July 1, 2005. The 2% surcharge is assessed on the total property tax due, adjusted for certain exemptions. The tax on the first \$100,000 of residential valuation is not included in the CPA surcharge, and there are also exemptions for certain low and/or moderate-income taxpayers. Actual CPA revenues collected by the Town in the prior year are eligible for matching funds from the State. The match is equal to a percentage determined annually based on available funds for distribution, not to exceed 100% of the receiving community's actual receipts. The distribution rate that Needham received on its FY2012 CPA surcharge revenue was 26.83%, which increased to a 52.23% match rate that was received in November 2013 on the FY2013 revenue, and then dropped to a 31.46% match rate on the FY2014 surcharge revenue that was distributed in November 2014. The match rate on the FY2015 revenue was 29.67% which was received in November 2015. We believe the distribution range in FY2017 on the FY2016 revenue will be between 20% and 30% and our revenue estimate is at the mid-point. The current estimate based on FY2016 collections that will be received as **state matching funds** in FY2017 is **\$512,750** or 25%. The 2% **CPA surcharge** on FY2017 property tax bills is estimated at **\$2,148,000**. The estimate receipts for FY2017 are currently at \$2,660,750; the total revenue which assumes the use of \$1,860,500 in various CPA reserves brings the total estimated FY2017 CPA revenue to \$4,521,250.

The \$2,660,750 estimate provides for a budget plan of \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$292,700 credited to both the Community Housing Reserve and Open Space Reserve. The \$292,700 figure is approximately 11% of the new revenue estimate for FY2017. Because the final revenue estimate is usually not known until the actual tax rate has been approved and the bills calculated, the practice has been to appropriate an amount of 11% of the revenue estimate to each of the required reserves to better ensure that the minimum CPA use requirement is satisfied. The FY2017 debt budget includes \$456,313 of debt service for the Town Hall

project. The Town Hall project was previously designated as a historic preservation project, and therefore the \$456,313 appropriation to the General Fund operating budget will satisfy minimum requirement for Historic Resources. The balance of the CPA revenue estimate of \$1,537,037 would be transferred to the Community Preservation Fund General Reserve for FY2017. The amount that is actually appropriated to each reserve would be adjusted as needed based on the CPC's project funding recommendations and Town Meeting votes on those recommendations.

The certified CPA Free Cash balance as of December 31, 2015 is **\$3,447,911** and remains available for appropriation until June 30, 2016. The CPA General Reserve has a balance of \$1,448,606 and the funds remain available for appropriation until June 30, 2016 as well. The CPA Free Cash and General Reserve will close out to the CPA fund balance after the end of the FY2016 and does not become available for use in FY2017 until after the CPA Free Cash is certified for FY2017. The Community Preservation Committee (CPC) has not yet made any funding recommendations for FY2017. The amounts currently held in the three required reserves as of December 31, 2015 are as follows:

Open Space Reserve	\$ 543,254
Community Housing Reserve	\$1,237,873
Historic Reserve	\$ 15,820

<b>Town of Needham Community Preservation Fund Revenue and Appropriations FY2017</b>
--

**FY2017 Community Preservation Fund Revenue Estimates**

FY2017 Surcharge Revenue Estimate	2,148,000
State Trust Fund Distribution Estimate	512,750
Use of Reserves	1,860,500

<b>Revenue Estimate</b>	<b>4,521,250</b>
-------------------------	------------------

**FY2017 Community Preservation Fund Appropriation Estimates without Projects**

Town Hall Project Debt Service (GF Debt Operating Budget)	456,313
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	292,700
Historic Resources Reserve	0
Open Space Reserve	292,700
Community Preservation Fund Reserve	1,537,037
Specific Appropriations (see below)	1,860,500

<b>Appropriation Estimates</b>	<b>4,521,250</b>
--------------------------------	------------------

**Specific Appropriation Requests**

Seabeds Way	567,000
Community Housing Specialist	60,000
Memorial Park Drainage Phase 1	490,500
Trails - Student Conservation Association	25,000
Conservation Fund	50,000
Rosemary Lake Sediment Removal	118,000
Rosemary Pool	550,000

<b>Total</b>	<b>1,860,500</b>
--------------	------------------