

Revenue SummaryRevenue Summary
Table 2.1

Description	FY2019 Recap	FY2020 Recap	FY2021 Estimate	\$ Change	% Change
General Fund	182,295,857	192,111,552	200,743,955	8,632,402	4.5%
Enterprise Funds	22,383,484	16,876,578	15,486,011	(1,390,567)	-8.2%
Community Preservation Fund	5,408,305	4,306,287	3,041,954	(1,264,333)	-29.4%
Total Revenues*	210,087,646	213,294,417	219,271,920	5,977,502	2.8%

* 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 that the total estimated revenue for FY2021 will increase by approximately \$6 million or 2.8%. However, the total revenue estimated for FY2021 includes a lower amount of one-time monies and use of reserves, especially in the Enterprise Funds and the Community Preservation Act (CPA) Fund. The actual amount of Free Cash available for appropriation is not yet known, but we estimate the amount will be similar to recent years, and for the purpose of this budget plan we assume \$9 million of Free Cash available for appropriation. This compares to the \$10,337,821 of Free Cash that was appropriated last year. The appropriations for FY2020 also included the use of \$1,922,987 of retained earnings. This budget plan has \$361,090 in retained earnings being used for appropriations. The CPA revenue estimate of \$3,041,954 does not include the use of reserves to fund project requests. The CPC has new project requests which total \$708,499, which if the CPC were to approve all the requests, are fundable within the estimated CPA receipts for FY2021. However, the CPC may choose to fund any and all with reserves rather than estimated receipts.

Summary of General Fund Resources
Table 2.2

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate	\$ Change
Property Taxes	124,311,726	132,578,018	141,476,623	151,549,737	162,047,692	10,497,955
State Aid	11,171,133	11,788,322	12,516,580	13,135,749	14,224,266	1,088,517
Local Receipts	15,815,404	15,169,422	16,526,784	13,209,000	14,362,600	1,153,600
Use of Reserves and Other Available Funds	1,580,657	5,143,807	3,259,147	3,879,196	1,109,397	(2,769,799)
Free Cash	6,190,372	11,387,990	13,497,378	10,337,871	9,000,000	(1,337,871)
General Fund Revenue	159,069,292	176,067,559	187,276,512	192,111,552	200,743,955	8,632,402
<u>Adjustments to General Fund Revenue</u>						
Reimbursements & Subsidies	1,375,433	1,505,414	1,608,064	1,325,500	1,285,000	(40,500)
CPA Share of Debt Service	456,313	449,163	441,494	1,185,317	1,425,000	239,683
Adjustments to General Fund Revenue	1,831,746	1,954,577	2,049,558	2,510,817	2,710,000	199,183
Available for General Fund Expenditures	160,901,038	178,022,136	189,326,070	194,622,369	203,453,955	8,831,585

Table 2.2 shows total revenue available for General Fund appropriations projected at **\$203,453,955** or **\$8,831,585** more than FY2020. Revenue from the property tax is estimated to grow by approximately \$10.5 million, state aid is assumed to increase by \$1.1 million, and local receipts are budgeted to increase by approximately \$1.2 million. Free Cash available for appropriation has been assumed at \$9 million for FY2021.

The amount of use of reserves and other available funds is \$2,769,799 less than was used for FY2020. Free Cash is \$1.34 million less than was used for FY2020. The estimated total adjustment to General Fund revenues is \$199,183 more for FY2021 compared to FY2020. 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.

FY2021 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 of the Town as of January 1, 2019 was \$10,803,763,473. This puts the tax levy ceiling at \$270,094,086. The tax levy including debt exclusions for FY2020 was \$151,549,737, 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 FY2021 tax levy attributable to new growth is estimated based upon information provided by the Assessing and Building Departments.

Fiscal Year Tax Levy
Table 2.3.1

Description	FY2017 Recap	FY2018 Recap	FY2019 Recap	FY2020 Recap	FY2021 Estimate	\$ Change
Prior Year Base	113,231,868	118,983,942	126,800,868	134,370,075	142,426,994	
2- 1/2 Allowance	2,830,797	2,974,599	3,170,022	3,359,252	3,560,675	
New Growth	2,919,417	4,841,774	4,394,835	4,697,667	3,726,243	
General Override						
Levy in Abeyance	(79,155)	(1,281,513)	(1,528,768)	(2,999,601)	(1,350,000)	
General Tax Levy Limit	118,902,927	125,518,802	132,836,957	139,427,393	148,363,912	8,936,519
Total Excluded Debt	6,675,456	7,795,041	9,867,324	12,922,651	14,474,985	
Less Excluded Debt Offsets	(788,593)	(775,955)	(810,295)	(800,307)	(791,205)	
Excluded Debt to be Raised on Tax Levy	5,886,863	7,019,086	9,057,029	12,122,344	13,683,780	1,561,436
Property Tax Levy	124,789,790	132,537,888	141,893,986	151,549,737	162,047,692	10,497,955
Collections by Year End*	124,311,726	132,578,018	141,476,623			

*Includes collections of prior year taxes and pending refunds

Property Tax Levy

The property tax levy (Table 2.3.1) represents approximately 80.7% (Table 2.8) of all general fund revenues before adjustments. The FY2021 property tax levy is estimated to increase approximately 6.9% over the FY2020 actual tax levy, or approximately \$10.5 million. The tax revenue to support operations within the levy limit is increasing by an estimate of 6.4% over FY2020. Property tax New Growth revenue has been much higher in recent years and the increase in FY2018 was a record high. The FY2021 budget plan assumes New Growth revenue of approximately \$3.7 million but is likely to be amended when building activity through the end of 2019 is known. The limit is calculated by increasing the FY2020 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 FY2020 tax rate. This budget plan assumes \$1,350,000 in FY2021 base tax levy can be held in abeyance primarily due to the tax increment financing agreement between the Town and TripAdvisor LLC which reduces the deferred New Growth assessment from 76% of the original new construction value to 1%, and further.

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 \$8.9 million over the FY2020 actual base levy. The amount of tax excluded debt that is to be paid by property taxes is estimated to increase by \$1,561,436 for FY2021 over the FY2020 tax levy. The primary reason for the increase in the excluded debt portion of the tax levy is the additional debt that was and will be issued for the Williams School and the Public Safety buildings projects.

Table 2.3.2 shows the annual debt service by project that was added to the tax levy for fiscal years 2016 through 2020. The table shows the percentage that the gross excluded debt would have increased the tax levy, and the percentage that the net excluded debt (the gross debt adjusted for offsets and credits) made up of the total tax levy. For FY2020, the total excluded debt service was \$12,922,651 which could have added 9.3% to the tax levy, but after accounting for the allowed adjustments, the actual amount added to the tax levy was \$12,122,344 which represented 8.0% of the total tax levy for the year.

Debt Exclusions Added to Tax Levy FY2016 - FY2020
Table 2.3.2

Description	FY2016	FY2017	FY2018	FY2019	FY2020
Debt Service					
Broadmeadow School	886,300	857,150	828,300	801,325	771,225
Eliot School	379,174	359,405	346,840	314,400	304,400
High Rock & Pollard Schools	1,345,406	1,319,122	1,257,541	1,227,873	1,192,035
High School	1,946,415	1,885,080	1,774,365	1,719,571	1,579,890
Library	933,750	902,000	870,550	830,475	796,775
Newman School	1,378,935	1,352,700	1,327,065	1,298,020	1,262,390
Public Safety Buildings	-	-	-	-	2,068,944
Williams School	-	-	1,358,112	3,678,899	4,946,992
Total	6,869,980	6,675,456	7,762,773	9,870,562	12,922,651
General Tax Levy	113,216,581	118,902,927	125,518,802	132,836,957	139,427,393
Excluded Debt as a % of the General Tax Levy	6.1%	5.6%	6.2%	7.4%	9.3%
Offsets and Credits					
MSBA Credits	(695,148)	(695,148)	(695,148)	(695,148)	(695,148)
Premium Credits	(99,550)	(93,445)	(80,807)	(115,147)	(105,159)
Other Adjustments			32,268	(3,238)	
Total	(794,698)	(788,593)	(743,687)	(813,533)	(800,307)
Net Raised on Tax Rate	6,075,282	5,886,863	7,019,086	9,057,029	12,122,344
Total Tax Levy	119,291,863	124,789,790	132,537,888	141,893,986	151,549,737
Net Excluded Debt as a % of the Total Tax Levy	5.1%	4.7%	5.3%	6.4%	8.0%

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. 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.

Chart I

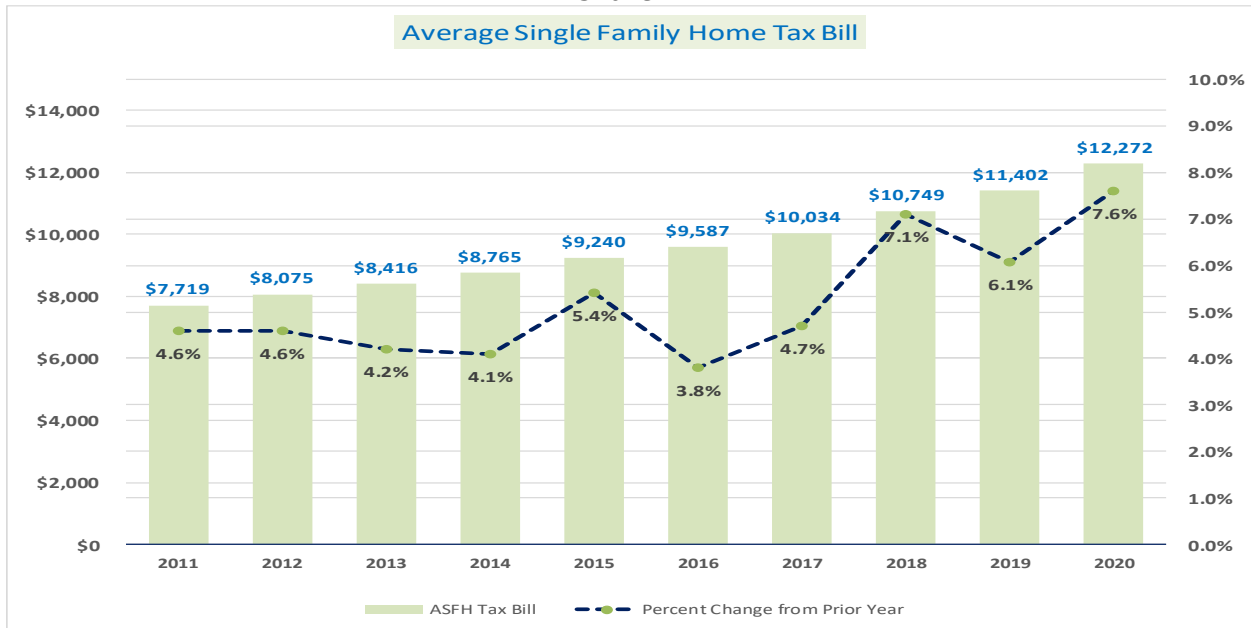
Average Single Family Home Tax Bill Area Communities	
Municipality	FY2020
Weston	\$20,922
Wellesley	\$15,760
Lexington	\$15,547
Winchester	\$14,298
Wayland	\$14,214
Belmont	\$14,130
Newton	\$12,849
Needham	\$12,272
Westwood	\$11,789
Bedford	\$9,769
Milton	\$9,681
Arlington	\$9,126
Natick	\$8,410
Walpole	\$7,973
Dedham	\$7,418
Framingham	\$6,586
Norwood	\$5,367
Group Average (excluding Needham)	\$11,490
State-Wide Average	\$6,186

The most current state-wide data available from the Department of Revenue shows that the average single family home (ASFH) property tax bill for FY2020 in the Town of Needham was \$12,272. This places Needham’s average single family home property tax bill in the middle of 17 nearby or comparable communities (Chart I), but well over the state-wide average of \$6,186. 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 FY2020 was \$11,288, which is 5.2% more than the average of those communities in FY2019 (\$10,920). The average single family home tax bill in Needham for FY2020 increased by 7.6% from FY2019 (\$12,272 vs \$11,402). The higher than average increase in FY2020 for Needham in comparison to recent years was the additional debt incurred for the

Source: DOR

Williams School project. Chart II below shows the ASFH tax bill and the percent change from the prior year for the period of FY2011 to FY2020 in the Town of Needham.

Chart II



State Aid

Most State aid, especially Cherry Sheet aid, is a function of the State budget. The Governor released his FY2021 budget plan on Wednesday, January 22, 2020. We have relied upon the preliminary state aid estimates which were released based on the Governor's spending plan for this budget. The Governor's budget provides for an increase of \$1,056,835 in Chapter 70 aid and \$51,904 more in Unrestricted General Government Aid (UGGA). The increase in Chapter 70 aid for FY2021 represents an increase of 10.1%. We have estimated that \$732,186 of the \$1,056,835 increase in Chapter 70 funds is due to the implementation of full-day kindergarten. 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 7.1% (Table 2.8) of the total general fund before adjustments. The Governor's budget proposal is subject to review and amendment, and final figures are not expected until late spring.

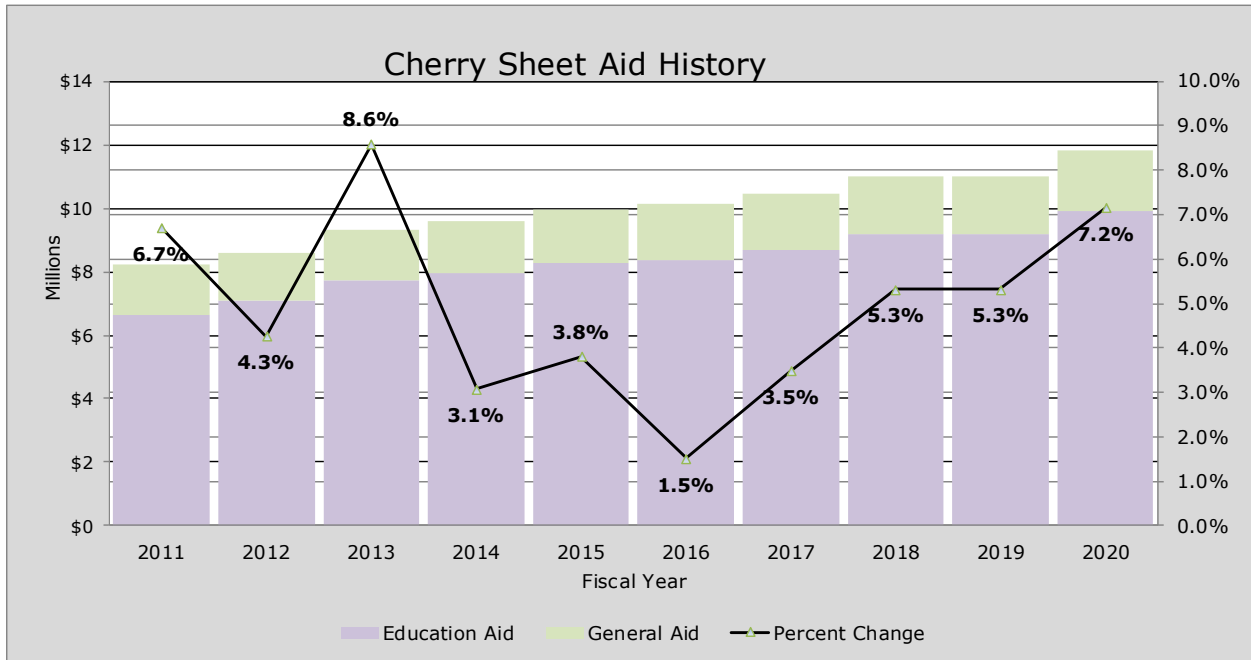
Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate	\$ Change
Chapter 70	8,671,395	9,166,360	9,876,152	10,451,715	11,508,550	1,056,835
School Transportation						
School Construction Assistance						
Charter School Tuition	1,452	16,875	25,481	21,445	7,210	(14,235)
Charter School Capital						
Homeless Transportation	8,836	4,016	2,746			
State Aid for Education	8,681,683	9,187,251	9,904,379	10,473,160	11,515,760	1,042,600
Unrestricted General Government Aid	1,678,488	1,743,949	1,804,987	1,853,722	1,905,626	51,904
Police Career Incentive						
Veterans Benefits	27,774	20,850	16,570	25,061	17,358	(7,703)
Chapter 59 Elderly Exemptions		92,581	49,759	49,164	49,866	702
Exemption Reimbursements	50,719					
Public Library Aid	37,322	37,365	37,780	39,494	40,508	1,014
State Aid for General Government	1,794,302	1,894,745	1,909,096	1,967,441	2,013,358	45,917
Total Cherry Sheet Aid	10,475,985	11,081,996	11,813,475	12,440,601	13,529,118	1,088,517
MSBA Payments	695,148	695,148	695,148	695,148	695,148	
Other State Payments		11,179	7,957			
Other State Aid	695,148	706,327	703,105	695,148	695,148	
Total State Aid	11,171,133	11,788,322	12,516,580	13,135,749	14,224,266	1,088,517

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. Chart III, shown below, reflects the history of the total amount of Cherry Sheet aid broken out by general and education aid with the annual percentage change in the total for the years FY2011 through FY2020.

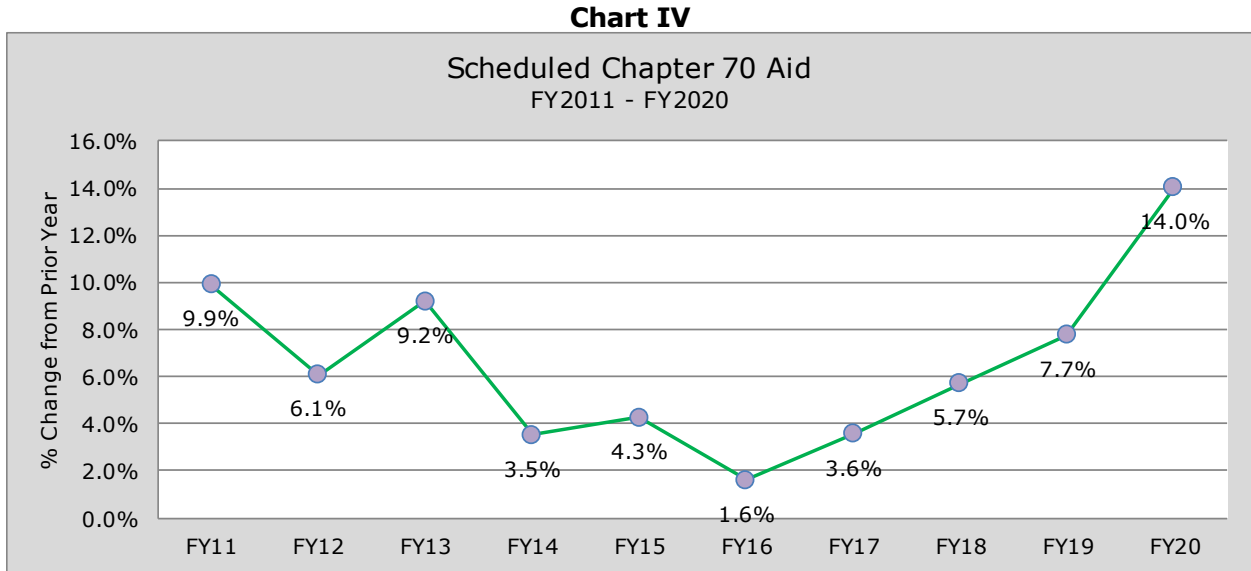
Chart III



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. 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 every year since FY2011. The Town received \$6,590,957 in FY2011, an increase of \$594,488 or 9.9% more than the prior year. The Town received lower percentage increases annually since FY2011 until FY2020. In FY2012 the Town saw a \$400,763 or 6.1% more, in FY2013 \$642,270 or 9.2% more, and then received \$267,812 more in FY2014 or 3.5%, followed by a \$337,938 increase in FY2015, 4.3%, followed by \$134,050, an increase of 1.6% in FY2016. The distribution from the State in FY2017 was \$297,605 more or 3.6% over FY2016, and FY2018 was \$494,965 over FY2017,

an increase of 5.7%. The Town received \$709,792, an increase of 7.7% in FY2019, followed by a budgeted increase of 14.0% or \$575,563 more for FY2020. The State is assuming a significant drop in its revenue growth rate for FY2021 and has lowered its assumption for the new year. However, we have assumed a 10.1% increase for FY2021 because of the additional funds related to full-day kindergarten. Chart IV shows the annual percent change in Chapter 70 aid from FY2011 through FY2020.



The Additional Assistance and Lottery aid programs were consolidated into a new aid category called **Unrestricted General Government Aid (UGGA)** in FY2010. The Town received \$1,678,488 in FY2017, an increase of \$69,199, for FY2018 the Town received \$1,743,949, which was 3.9% more, and in FY2019 the Town received \$1,804,987, a 3.5% increase. The Town is scheduled to receive \$1,853,722 for FY2020 which an increase of is \$48,738 or 2.7% more. The percentage of increase in the distribution has been declining for several years. However, based on the Governor’s submitted budget for the coming year, we have assumed a 2.8% increase for FY2021 or \$1,905,626.

The total for all the **other Cherry Sheet aid** programs that have been identified for Needham - charter school tuition, homeless transportation reimbursements, veterans’ benefits, property tax exemption reimbursements, and aid to public libraries totaled \$132,803 for FY2019; however, the Town received a total of \$132,336. The State has estimated the total payment for these categories to the Town for FY2020 is \$135,164. The Governor’s FY2021 budget provides a total of \$114,942 to Needham, which is a decrease of \$20,222 or 15.0% from the current year.

The Town is also expecting the 13th 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 allowed 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 FY2024, 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 (see Table 2.3.2).

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. The Solid Waste Enterprise Fund was dissolved by a vote of Town Meeting under Article 49 of the 2018 Annual Town Meeting. The dissolution became effective in FY2021. As a result, the recycling and solid waste disposal expenditure activities are now part of the General Fund operating budget, and conversely, the related revenues are now included in the General Fund. The FY2021 estimate, excluding nonrecurring revenue, is approximately 88% of the 2019 actual receipts.

We prepare the projections of local receipts by comparing FY2019 estimated receipts to actual receipts; FY2019 actual receipts to FY2018 actual receipts, FY2020 estimated receipts to the FY2019 actual receipts and FY2020 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 FY2020 estimated receipts were revised. The initial FY2020 local receipt estimate was \$12,735,256 and when the Town submitted its revenue estimate to the Department of Revenue the local receipt estimate was increased to \$13,209,000. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2020 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.

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.

Local Receipts
Table 2.5

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate	\$ Change
Motor Vehicle Excise	5,701,527	5,910,555	6,138,951	5,200,000	5,400,000	200,000
Other Excise	1,571,497	1,543,308	1,901,101	1,435,000	1,685,000	250,000
Penalties & Interest	461,096	457,279	397,594	225,000	225,000	
Payment in Lieu of Tax	124,308	131,587	110,088	50,000	50,000	
Solid Waste Fee				795,050	990,000	194,950
Charges for Services	1,738,167	2,224,465	2,285,167	1,818,000	1,825,000	7,000
Fees	174,890	233,523	246,976	184,800	220,000	35,200
Rents	166,392	215,852	190,393	160,000	160,000	
School Income	42,956	36,195	15,212	12,000		(12,000)
Library Department Income	39,799	17,002				
Recreation Department Income	243,016	310,891	518,004	410,000	465,000	55,000
Other Department Income	406,582	342,747	481,601	432,050	432,000	(50)
Licenses & Permits	4,477,430	2,603,017	2,590,858	1,934,000	2,050,000	116,000
Special Assessments	4,933	3,534	1,277	500		(500)
Fines & Forfeits	144,713	187,560	205,399	152,000	185,000	33,000
Investment Income	278,831	434,319	979,649	400,000	675,000	275,000
Medicaid Reimbursement	194,935	207,679	180,672			
Miscellaneous Income	14,771	4,169	885	600	600	
Nonrecurring Income	29,562	305,739	282,956			
Total	15,815,404	15,169,422	16,526,784	13,209,000	14,362,600	1,153,600

Local receipts represent approximately 7.2% (Table 2.8) of the total general fund before adjustments. 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 budget estimate for FY2021 of **\$14,362,600** (Table 2.5) is an increase of \$1,153,600 or 8.7% from the revised FY2020 budget of \$13,209,000. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2020 receipts based on FY2019 results and trends. The total was within the target range for estimating.

The three major sources of local receipts, which made up more than 71% of total receipts over the last four years (see chart next page), are Motor Vehicle Excise, License and Permits, and Charges for Services. Year after year motor vehicle excise tax is the major local revenue source accounting for as much as 44% of the total local receipts in a given year and the average percentage over the 2016 – 2019 time period was 39%. 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.

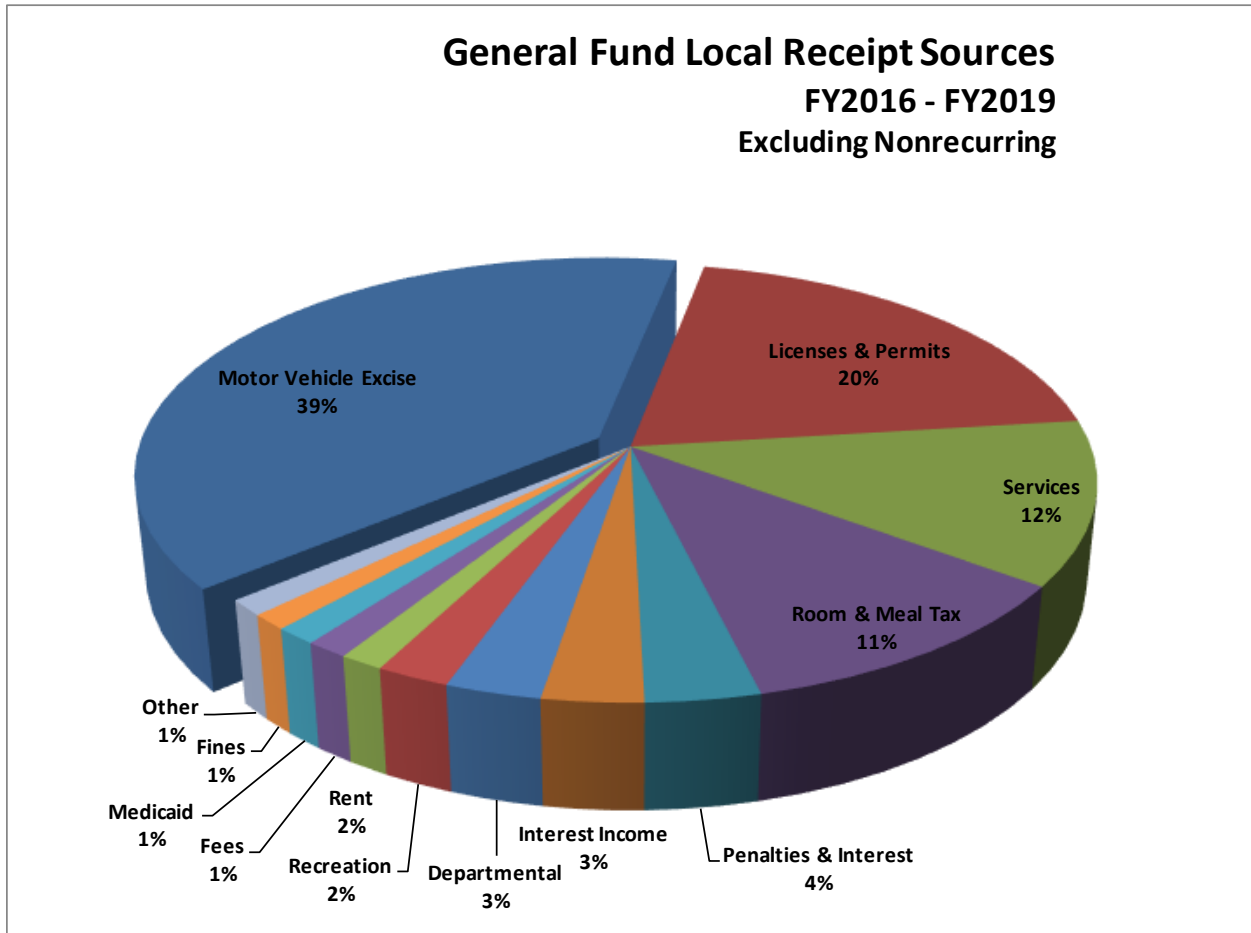
All vehicle owners who have their vehicles registered in the Commonwealth of Massachusetts pay an annual **Motor Vehicle Excise** tax to the community in which the vehicle is principally garaged. The Registry of Motor Vehicles provides listings several times during the year with the vehicles that are registered in Needham, along with the value for each. The vehicle values are the manufacturers' list prices for vehicles in their year of manufacture. The present market value, price paid, and/or condition are not considered for excise tax purposes. The excise tax law establishes its own formula for valuation for state tax purposes whereby only the manufacturer's list price and the age of the motor vehicle are considered. In the year preceding the model year of the vehicle - brand new car released before model year the value is 50%; in the model year the value is 90%; in the second year the value is 60%; in the third year the value is 40%; in the fourth year the value is 25%; and in the fifth and succeeding years the value is 10%. 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 throughout the Commonwealth.

We have assumed approximately a 3.8% increase or \$200,000 over the FY2020 revised estimate of \$5.2 million. Motor vehicle excise receipts for FY2021 are projected at **\$5.4 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 had been positive and growing but saw some unexpected declines. The revenue declined slightly in FY2017, as anticipated, to \$1,571,497. However revenue declined again for FY2018 with total receipts of \$1,543,308 – even with a new hotel opening. However, revenues did recover in FY2019 with \$1,901,101 received. There are now three fully operational hotels in Needham. As a result, we increased the FY2020 estimate from \$1,360,000 to \$1,435,000. We have

assumed an increase of \$250,000 for FY2021 at **\$1,685,000**. The estimate is 89% of the FY2019 actual income.

Chart V



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 FY2021 is **\$225,000**, the same amount as the estimate for FY2020. This represents approximately 57% of the FY2019 actual. The noticeable decline in revenue for FY2017 (\$461,096) from the prior year was due to the collection on some long overdue accounts during FY2016. The FY2018 actual (\$457,279) was less than FY2017 actual, and the FY2019 collection continued to decline with \$397,594. This is a revenue source which can have major swings from year to year.

Payment In Lieu of Tax is a voluntary payment made by certain tax-exempt entities. The Town received \$124,308 in FY2017 which increased to \$131,587 in FY2018, but then declined in FY2019 to \$110,088. With a continued uncertainty with Federal funding, payments from the Needham Housing Authority may be impacted. The Town also receives an annual amount from the Hospital that is paid in installments. The Town and the Hospital executed a new PILOT agreement in June 2018. The **\$50,000** revenue estimate for FY2021 is the same as budgeted for FY2020. This is approximately 45% of the FY2019 receipts.

Solid Waste Fees are the charges and fees collected for the disposal of solid waste and other items. This will be the second year that this revenue is part of the General Fund. The estimate for FY2020 was lowered from the original estimate of \$965,000 to \$795,050 because actual revenues collected by the enterprise fund during FY2018 were lower than anticipated. However, actual revenue collections for the first six months of FY2020 have improved and support increasing the estimate for FY2021 which is estimated at **\$990,000**.

The category of **Charges for Services** includes charges for ambulance services, certain parking revenue, and charges by the DPW. This revenue also includes solar electric payments the Town receives from Eversource for power generated by the solar array at the former landfill. The Town began receiving payments for power in the later part of FY2016. The Town pays Tesla d/b/a Solar City (producer of the power) appropriately \$0.09 per kWh of electricity produced. We have calculated the revenue estimate from the sale of solar power to be \$820,000 based on an average price of \$0.18 per kWh, the same as the estimate for FY2020. The total estimated income from the various charges and solar revenue for FY2021 is **\$1,825,000**, an increase of \$7,000 over the revised estimate of \$1,818,000 for FY2020; the original estimate was \$1,675,000. The estimate for FY2021 is approximately 80% of the FY2019 actual revenue.

The Town collects various **Fees** which include returned checks, FID cards, administrative fees for details, and Registry of Motor Vehicle license and registration non-renewal releases. The total collected in FY2017 was \$174,890 which increased to \$233,523 in FY2018, and then increased to \$246,976 for FY2019. Based on this activity, we increased the FY2020 estimate to \$184,800 from the original estimate of \$170,000. The estimate for FY2021 is higher by \$35,200 to **\$220,000** which is approximately 89% of the FY2019 actual.

Rental Income is collected on a lease with the Needham Golf Club. The Town has a long term lease with the Needham Golf Club (NGC) which runs for twenty years. The land which the NGC leases is considered taxable. The Town also has a rental agreement with Tesla for use of the former landfill site where the solar panels are located. The Town also collects rent on the use of Town facilities such as Powers Hall. Total rental income for FY2017 was \$166,392, which increased to \$215,852 for FY2018, followed by a decrease with \$190,393 for FY2018. We have held the FY2021 estimate level dollar at **\$160,000** revised estimate for FY2020. The estimate for FY2021 is approximately 84% of the FY2019 actual income.

School Income generated by the School Department for tuitions received began in FY2016. Most all revenue received by the School Department from its activities is accounted through revolving funds and special revenue accounts and is not available for general governmental purposes. The School Department turned in \$42,956 for FY2017, \$36,195 for FY2018, and \$15,212 for FY2019. The Town lowered its FY2020 estimate from \$30,000 to \$12,000. However, based on current trends, we are estimating no revenue for FY2021.

Library Income has been declining year over year. One of the reasons is that the fine revenue is now accounted for under the fines and forfeits receipts category (effective mid FY2018). However, revenue from the library has been declining overall, in great part because fewer fines are being incurred by patrons. The revenue collected in FY2013 was \$57,510, but decreased to \$54,421 for FY2014, and was even lower for FY2015 at \$52,905, and dropped significantly in FY2016 to \$42,121, and continued its decline in FY2017 to \$39,799. The actual receipts recorded for FY2018 was \$17,002, and no revenue under this category was reported for FY2019. The Library does still collect fines, but those funds are no accounted for under the Fines and Forfeits account. As a result, we revised the original FY2020 estimate from \$15,000 to zero and estimate no revenue for FY2021.

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 Rosemary Pool opened late in the summer of 2018. However, even with the late opening receipts increased to \$310,891 for FY2018 compared to the \$243,016 collected during FY2017. Rosemary Pool receipts accounted for \$127,511 of the total collections in FY2018. The FY2019 actual receipts totaled \$518,004. The FY2020 estimate was increased from \$275,000 to \$410,000. The estimate for FY2021 has been increased to **\$465,000** or \$55,000. The estimate for FY2021 represents approximately 90% of the FY2019 actual.

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 FY2017 were \$406,582, which declined in FY2018 to \$342,747, but increased to \$481,601 for FY2019. The FY2020 budget estimate was increased slightly from \$430,000 to \$432,050. For FY2021, we have set the estimate at **\$432,000**. This estimate is approximately 90% of the FY2019 actual.

The category of **Licenses and Permits** includes licenses issued by the Select Board and Town Clerk, and permits issued by the Building, Fire, and Health Departments. Actual receipts in FY2017 were \$4,477,430 which was a record. FY2018 saw a very significant decrease by more than 58% to \$2,603,017 and saw a decline in FY2019 as well to \$2,590,858. This is reflective of the great variability in the permitting of projects and the timing of when construction begins. The estimate for FY2020 is \$1,934,000. We have increased the FY2021 budget estimate to **\$2,050,000**. The estimate is 79% of the FY2019 actual.

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

The category of **Fines and Forfeits** includes parking ticket and court fines, and now library fines. Revenue in this category has fluctuated due to staff resources over the years. The revenue in FY2017 was \$144,713, which increase in FY2018 \$187,560, and then to \$205,399 for FY2019. The increases were due in part to the inclusion of library fines. The FY2020 estimate was increased from \$120,000 to \$152,000 during the December 2019 review update. The FY2021 estimate has been increased to **\$185,000**, approximately 90% of the FY2019 actual.

Investment (Interest) Income has been a volatile revenue stream over time (see table IV). 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, and FY2016 increased to \$111,638, and more than doubled for FY2017 at \$278,831. FY2018 saw total General Fund interest earning of \$434,319. The FY2019 actual interest earnings were significantly higher with \$979,649, a level not seen since the 2000's. Consequently, the FY2020 estimate was increased from the initial budget estimate of \$300,000 to \$400,000. We have increased the estimate for FY2021 as well by \$275,000 to **\$675,000**. This represents approximately 69% of the FY2019 actual.

Chart VI
General Fund Interest Income

Fiscal Year	Interest	Fiscal Year	Interest	Fiscal Year	Interest	Fiscal Year	Interest
2012	\$103,130	2014	\$77,523	2016	\$111,638	2018	\$434,319
2013	\$84,803	2015	\$101,273	2017	\$278,831	2019	\$979,649

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. Medicaid increased to \$211,056 in FY2015, but declined in FY2016 to \$176,672. Revenue in FY2017 was higher at \$194,935 and increased to \$207,679 for FY2018. The actual revenue for FY2019 was \$180,672. However, with the uncertainty with Federal revenue in this area, and the reliance on the guidance provided by the Department of Revenue, we made no estimate for FY2020, nor an estimate for FY2021. For recurring miscellaneous income, we have kept the estimate for FY2021 at **\$600**, the same as the revised estimate for FY2020.

Medicaid Reimbursements

Fiscal Year	Interest	Fiscal Year	Interest	Fiscal Year	Interest	Fiscal Year	Interest
2012	\$134,618	2014	\$73,511	2016	\$176,672	2018	\$207,679
2013	\$203,297	2015	\$211,056	2017	\$194,935	2019	\$180,672

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. In FY2017, the Town received a total of \$29,562 in nonrecurring receipts. The largest receipt was from the sale of surplus equipment totaling \$7,110, and \$22,452 from various refunds and recoveries received by the Town and School departments. The Town recorded \$305,739 in nonrecurring receipts for FY2018. The largest receipt was from the sale of surplus equipment of \$166,612. The second largest amount was from the recapture of tailings and void checks from prior years totaling \$111,324. The Town received a refund from LifePlus in the amount of \$13,961. The balance of the nonrecurring receipts of \$13,842 represents various refunds, recoveries, and one-time monies received by the Town and School departments. During FY2019 the Town collected \$282,956 that was classified as nonrecurring receipts. The largest receipt was \$113,549 rebate from Public Power for prior year assessments. The sale of surplus equipment generated \$81,000. The Town Treasurer recovered tailings and other credits from old accounts which totaled \$37,015. The balance of the nonrecurring receipts of \$51,392 represents various refunds, recoveries, and one-time monies received by the Town. There is no estimate for miscellaneous nonrecurring receipts for fiscal 2020.

General Fund Recurring Receipts
Table 2.6

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate	\$ Change
Property Taxes	118,424,863	125,558,932	132,419,594	139,427,393	148,190,771	8,763,378
State Aid	10,475,985	11,081,996	11,813,475	12,440,601	13,455,812	1,015,211
Local Receipts	15,785,842	14,863,683	16,243,828	13,209,000	14,362,600	1,153,600
Total Receipts	144,686,690	151,504,610	160,476,898	165,076,994	176,009,183	10,932,189

Other Available Funds

Other available funds (\$1,109,397) represent 0.6% (Table 2.8) 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 until FY2018, the 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.

Debt Exclusion Offset is an amount equal to the amortized value of a premium that may have been received on a 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 FY2021 is \$96,057.

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. Previously each fiscal year required its own overlay account, but with the passage of Municipal Modernization Act several years ago, all individual overlay accounts were combined into a single account. However abatement and exemption activity is still tracked on a fiscal year basis. The change eliminates the need for a year by year reconciliation of the abatement recordings and provides greater flexibility to satisfy valid claims for adjustment of taxes. From time to time the Board of Assessors may vote to release funds from the overlay fund, which then is considered a surplus and may be used as a funding source by Town Meeting during the year that the surplus is declared. Any funds declared as surplus and not appropriated by Town Meeting will be closed out to fund balance and will contribute to the Free Cash certified in the following fiscal year. We have planned on the use of \$1,000,000 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 **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. With the passage of the Municipal Modernization Act, parking meter receipts collected after November 7, 2016 are now considered General Funds. The Act allows the Town to reestablish the Parking Fund, but this budget plan does not contemplate such action. Therefore, there was no transfer to the operating budget for FY2019, FY2020, or planned for FY2021. Parking meter receipts have been part of the General Fund local receipts category since the 2016 change.

Other available funds in prior years have included items such as unexpended balances of prior warrant articles, grants, and general and dedicated reserves. The budget plan assumes the use of \$13,340 from the **unexpended balances** for an anticipated capital project.

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 FY2020, but for this budget plan, we have assumed **\$9,000,000**. This represents 4.5% of the total general fund before adjustments and offsets. This is a decrease of \$1,337,871 from the amount that was used for the current year. The certified Free Cash in FY2019 was \$10,387,871 of which \$10,337,871 was used

for FY2019 and FY2020 appropriations and the balance was closed out at the end of the year and should become part of the Free Cash that will be certified by the State this year. The certified Free Cash in FY2018 was \$13,518,622 of which \$13,298,378 was used for FY2018 and FY2019 appropriations and the balance was closed out at the end of the year. The Free Cash certified in FY2017 was \$13,849,687 of which \$11,387,990 was used for appropriations during FY2018. The certified Free Cash in FY2016 was \$6,890,372 of which \$6,190,372 was used for FY2017 appropriations and the balance was closed out at the end of the year. 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	Operating Statement Maximum	Budget	Capital	FWA	Reserves	Returned
FY2016	FY2017	6,890,372	1,779,710	1,763,165	2,639,117	553,222	1,234,868	700,000
FY2017	FY2018	13,849,687	2,700,921	2,689,482	5,438,467	1,145,000	2,115,041	2,461,697
FY2018	FY2019	13,518,622	2,858,833	2,506,298	9,020,289	181,000	1,590,791	220,244
FY2019	FY2020	10,387,871	3,027,431	2,068,301	7,418,252	684,706	166,612	50,000

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. We continue to recommend that the amount of Free Cash used to fund the operating budget 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. We use the final adjusted operating budget to calculate the two percent figure. 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 four 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
2016	136,570,837	4,406,846	135,046,070	3,404,341	2.5%	1,002,505	22.7%	2,700,921
2017	144,396,032	4,031,697	142,941,656	3,287,076	2.3%	744,621	18.5%	2,858,833
2018	153,184,148	4,450,548	151,371,548	3,615,609	2.4%	834,939	18.8%	3,027,431
2019	162,736,704	4,894,717	160,876,813	3,342,618	2.1%	1,552,099	31.7%	3,217,536

Two percent of the FY2019 adjusted final budget equals \$3,217,536; the actual FY2019 budget return less the Reserve Fund return was \$3,342,618 which is more than two percent (Table 2.7.2). The budget plan has **\$1,498,471** of the Free Cash being used for operating expenses; the amount falls under the allowance. The balance of the Free Cash is proposed to be used to fund cash capital, reserves, and warrant articles. The Town has been following the recommended practice of limiting the amount of Free Cash that supports the operating budget by using the funds to pay not only for needed cash capital, but also to put aside funds for future demands that may arise unexpectedly and for various one-time financial warrant articles.

Fiscal Year 2021 Proposed Budget

Revenue as a % of Total General Fund Revenue
Table 2.8

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate
Property Taxes	78.1%	75.3%	75.5%	78.9%	80.7%
State Aid	7.0%	6.7%	6.7%	6.8%	7.1%
Local Receipts	9.9%	8.6%	8.8%	6.9%	7.2%
Other Available Funds	1.0%	2.9%	1.7%	2.0%	0.6%
Free Cash	3.9%	6.5%	7.2%	5.4%	4.5%
Total General Fund Revenue*	100.0%	100.0%	100.0%	100.0%	100.0%

*May not equal 100% due to rounding

ADJUSTMENTS TO GENERAL FUND REVENUE

While most enterprise fund expenses are accounted for in the 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 enterprise-related general fund expenditures are funded with transfers of revenue from the enterprise fund to the general fund. The amount projected for FY2021 is based on the current year and is estimated at **\$1,320,000**.

Enterprise Reimbursements to the General Fund
Table 2.9

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Recap	FY2021 Estimate
Solid Waste	314,739	322,037	265,250		
Sewer	376,586	428,888	471,071	472,345	470,000
Water	684,108	754,489	871,743	853,155	850,000
Total	1,375,433	1,505,414	1,608,064	1,325,500	1,320,000

The preliminary estimate for the sewer fund reimbursement is **\$470,000**. The estimate for the water fund is **\$850,000**. Because indirect costs associated with the two funds are a factor of Town Meeting appropriations, the actual FY2021 transfers may be adjusted accordingly.

FY2021 is the tenth operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be \$416,675, which is a decrease of \$13,850 from FY2020. This is the second year that debt service related to the Rosemary Recreation Complex and Pool project comes due. The amount payable during FY2021 is \$1,008,325 which is an increase of \$264,502 from FY2020. The total transfer for FY2021 is **\$1,425,000**, an increase of \$239,683, or approximately 12%. We reflect \$1,425,000 as another adjustment to General Fund revenue because the CPA debt is included in the general operating budget of the Town.

OTHER RESERVES AVAILABLE FOR APPROPRIATION

The available balance in the **Stabilization Fund** as of December 31, 2019 was \$4,236,448. The Stabilization Fund may be appropriated, by a 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 an **Athletic Facility Improvement 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, 2019 was \$268,028. The

budget plan calls for an appropriation of \$35,283 to the Fund, which represents the four year average of use fees collected by Park and Recreation for this purpose.

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, 2019 was \$1,907,215. No appropriation to the Fund is planned for the 2020 Annual Town Meeting but there may be a transfer recommendation to the Fund at a Special Town Meeting.

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, 2019 was \$1,088,719. The budget plan calls for an appropriation of \$111,268 to the Fund, which represents the total the Town collected from the sale of surplus equipment during 2019.

The Town also established a **Debt Service Stabilization Fund** for the purpose of setting aside funds to smooth out the impact of General Fund Debt Service within the levy limit that may exceed the Town’s goal that only three percent of General Fund revenues be designated for debt. The balance in the fund as of December 31, 2019 was \$2,137,687. No appropriation to the Fund is planned for the 2020 Annual Town Meeting.

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 until last year, for the Recycling Center and Transfer Station (solid waste disposal). The enterprise funds are 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	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Estimate	\$ Change
Recycling and Transfer Station	1,236,607	1,190,844	1,246,292			
Sewer Enterprise	8,982,530	9,177,665	8,881,252	8,806,606	8,846,801	40,195
Water Enterprise	7,019,533	6,798,747	6,741,752	6,146,985	6,278,120	131,135
Total*	17,238,670	17,167,256	16,869,296	14,953,591	15,124,921	171,330

* Receipts before adjustments, reimbursements, and subsidies

The combination of the Sewer and Water Enterprise funds has total receipts at \$15,124,921 for FY2021 compared to \$14,953,591 for FY2020 (Table 2.10). This represents an increase of \$171,330 or approximately 1%.

The budget calls for the use of **\$318,088** of retained earnings in Sewer Enterprise for cash capital and **\$43,002** in Water Enterprise fund retained earnings for capital. The decrease in use of retained earnings was due the decrease in capital requests for the coming year.

Use of Enterprise Reserves and Other One-Time Funds
Table 2.11

Description	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Estimate	\$ Change
Recycling and Transfer Station	258,096	798,040	482,753			
Sewer Enterprise	478,016	368,556	2,551,111	1,631,487	318,088	(1,313,399)
Water Enterprise	345,679	433,074	3,532,048	291,500	43,002	(248,498)
Total	1,081,791	1,599,670	6,565,912	1,922,987	361,090	(1,561,897)

Transfers to the Enterprise Funds

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, FY2016 was \$494,488, and FY2017 was \$519,846. The FY2018 contribution was \$491,749 and \$504,750 was transferred for FY2019, and \$530,467 was transferred for FY2020. The FY2021 budget recommendation is **\$739,698**, an increase of \$209,231 (39.1%). At the time of publication of the budget, the MWRA sewer assessment has not been received, and therefore the plan level funds the assessment. Any change will be funded by receipts or retained earnings.

The **Water Enterprise Fund Budget** will not require a General Fund subsidy. Just as with the MWRA sewer assessment for FY2021, the water assessment has been level funded, and any change will likely be funded by receipts.

ENTERPRISE FUND RETAINED EARNINGS

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

Similar to Free Cash, retained earnings are a function of the operations of the prior fiscal year and are generated by revenues collected in excess of estimates and unexpended balances of appropriations, as of June 30th. Once certified by the Massachusetts Department of Revenue, retained earnings are then available for appropriation or reserved to support the enterprise.

Retained earnings for FY2020 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 four complete fiscal years. The noticeable decline in retained earnings in FY2019 was anticipated as the Town had built up the amount in retained earnings

to invest in several large capital projects. The Town has several other major capital projects coming for a vote in the next four years which will further draw down reserves.

Certified Retained Earnings
Table 2.12

Fund	FY2016	FY2017	FY2018	FY2019	FY2020
Recycling and Transfer Station	980,788	1,135,503	490,750	71,727	N.A.
Sewer Enterprise	1,863,803	3,433,474	4,500,960	3,286,421	Pending
Water Enterprise	2,833,584	4,168,418	5,368,805	3,080,815	Pending

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 FY2013 CPA surcharge revenue was 52.23%, which decreased to a 31.46% match on its FY2014 surcharge revenue, and then dropped to a 29.67% match on the FY2015 surcharge revenue that was distributed in November 2015. The state match on the FY2016 revenue was 20.6% and dropped to 17.2% on the FY2017 revenue. With a supplemental appropriation to the CPA trust fund by the Legislature for FY2018, the Town received a state match of 18.93% on the FY2018 revenue. The state match on the FY2019 revenue was 14%; the funds were received in November 2019.

We believe the distribution range in FY2021 on the FY2020 revenue will be between 10% and 15% and our revenue estimate is at the low-point. The current estimate based on FY2020 collections that will be received as **state matching funds** in FY2021 is **\$261,954** or 10%. The 2% **CPA surcharge** on FY2021 property tax bills is estimated at **\$2,780,000**. The total estimated receipts for FY2021 are currently at \$3,041,954.

The estimate provides for \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$334,615 to be credited to both the Community Housing Reserve and Open Space Reserve. The \$334,615 figure is approximately 11% of the new revenue estimate for FY2021. 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 FY2021 debt budget includes \$416,675 of debt service for the Town Hall project and \$1,008,325 of debt service for the Rosemary Recreation Complex. The Town Hall project was previously designated as a historic preservation project, and therefore the \$416,675 appropriation to the General Fund operating budget will satisfy minimum requirement for spending on Historic Resources. The balance of the CPA revenue estimate of \$865,724 would be transferred to the Community

Preservation Fund General Reserve for FY2021. 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 has not been determined yet. After it has been approved, the balance remains available for appropriation until June 30, 2020. The FY2020 CPA General Reserve has a balance of **\$945,546** and the funds remain available for appropriation until June 30, 2020 as well. The CPA Free Cash and General Reserve will close out to the CPA fund balance after the end of the FY2020 and will not become available for use in FY2021 until after the CPA Free Cash is certified for FY2021. The Community Preservation Committee (CPC) has not yet made any funding recommendations for FY2021. The amounts currently held in the three required reserves as of December 31, 2019 are as follows:

Community Housing Reserve	\$2,194,975
Historic Resources Reserve	\$ 15,820
Open Space Reserve	\$1,083,356

**Town of Needham
Community Preservation Fund
Revenue and Appropriations
FY2021**

Community Preservation Fund Revenue Estimates

Surcharge Revenue Estimate	2,780,000
State Trust Fund Distribution Estimate	261,954

Revenue Estimate	3,041,954
------------------	-----------

Community Preservation Fund Appropriation Estimates without Projects

Town Hall Project Debt Service (GF Debt Operating Budget)	416,675
Rosemary Recreation Complex Project Debt Service (GF Debt Operating Budget)	1,008,325
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	334,615
Historic Resources Reserve	0
Open Space Reserve	334,615
Community Preservation Fund Reserve	865,724

Appropriation Estimates	3,041,954
-------------------------	-----------

Reserve Balances 12/31/2019

Community Housing Reserve	2,194,975
Historic Resources Reserve	15,820
Open Space Reserve	1,083,356

FY2020 General Reserve (A single year reserve, any unused balance closes out 6/30/2020)	945,546
---	---------

CPA Free Cash (A single year reserve, any unused balance closes out 6/30/2020)	Pending
--	---------

Total Reserves	4,239,697
----------------	-----------

Specific Town Appropriation Requests

Front Porch Preservation & Restoration	126,233
Steeple Preservation	75,000
Growing Bed Area Expansion	6,000
Trail Identification - Design	6,000
Walker Pond Restoration & Preservation	211,300
Claxton Field Lights & Skin Renovation - Design	101,500
Resurface Synthetic Track at DeFazio Track	160,000
Preservation of Town Marriage Records: 1700 - Present	22,466

Total Project Requests	708,499
------------------------	---------