

Fiscal Year 2025 Proposed Budget

**Revenue Summary**

Description	FY2023 Actual	FY2024 Recap	FY2025 Estimate	\$ Change	% Change
General Fund	235,175,784	231,310,249	241,892,636	10,582,387	4.6%
Enterprise Funds	18,424,001	20,840,057	20,304,893	(535,164)	-2.6%
Community Preservation Fund	4,550,915	4,619,839	3,966,115	(653,724)	-14.2%
<b>Total Funding Sources*</b>	<b>258,150,700</b>	<b>256,770,145</b>	<b>266,163,644</b>	<b>9,393,499</b>	<b>3.7%</b>

\* Before adjustments, reimbursements, and subsidies

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 funding sources for FY2025 will increase by approximately \$9.4 million or 3.7%. There is a large funding request from the Needham Housing Authority to the Community Preservation Committee, which if funded will require a substantial amount of the CPA reserves to fund, but no amount has been assumed or included in the CPA funding estimate for FY2025. The amount of Free Cash available for General Fund appropriation is not yet known, but we estimate the amount will be similar to the amount certified last year, in part because more than \$2.8 million was returned. For the purpose of this budget plan, we assume a Free Cash amount of \$15 million available for appropriation. This compares to the \$14,522,850 of Free Cash that was appropriated last year. Enterprise Fund appropriations for FY2024 included the use of \$5,006,274 of retained earnings. This budget plan has \$3,679,765 in retained earnings being used for appropriations and \$825,128 in one-time funds (prior capital projects) for FY2025 and receipts of \$15,800,000 (combined enterprise \$20,304,893). The Community Preservation Act (CPA) revenue estimate is \$3,966,115, but there is no assumption on the amount of CPA reserves that would be used to fund the three requests submitted to the Community Preservation Committee (CPC) for FY2025.

**GENERAL FUND**

Summary of General Fund Resources  
Table 2.2

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual <sup>^</sup>	FY2024 Recap	FY2025 Estimate	\$ Change
Property Taxes	161,661,687	170,417,731	178,257,886	184,565,923	192,495,723	7,929,800
State Aid	13,645,674	13,852,710	15,400,680	15,540,802	16,125,519	584,717
Local Receipts	14,589,825	16,217,044	22,960,442	13,930,250	14,210,000	279,750
Use of Reserves and Other Available Funds	1,492,947	1,324,796	3,912,320	2,750,424	4,061,394	1,310,970
Free Cash	7,862,473	11,526,630	14,644,455	14,522,850	15,000,000	477,150
<b>General Fund Revenue</b>	<b>199,252,605</b>	<b>213,338,911</b>	<b>235,175,784</b>	<b>231,310,249</b>	<b>241,892,636</b>	<b>10,582,387</b>
<i><u>Adjustments to General Fund Revenue</u></i>						
Reimbursements & Subsidies	1,330,058	1,407,415	1,216,515	1,356,398	1,300,000	(56,398)
CPA Share of Debt Service	1,425,000	1,021,397	969,632	1,078,631	1,388,082	309,451
<b>Adjustments to General Fund Revenue</b>	<b>2,755,058</b>	<b>2,428,812</b>	<b>2,186,147</b>	<b>2,435,029</b>	<b>2,688,082</b>	<b>253,053</b>
<b>Available for General Fund Expenditures</b>	<b>202,007,663</b>	<b>215,767,723</b>	<b>237,361,931</b>	<b>233,745,278</b>	<b>244,580,718</b>	<b>10,835,440</b>

<sup>^</sup>subject to final audit

Table 2.2 shows total revenue available for General Fund appropriations projected at **\$244,580,718** or **\$10,835,440** more than FY2024. Revenue from the property tax is estimated to grow by approximately \$7.9 million, state aid is estimated to grow by \$584,717, and local

receipts are estimated at \$279,750 more than the current year. Free Cash for appropriation has been assumed at \$15 million for FY2025.

The use of reserves and other available funds is approximately \$1.3 million higher than was used for FY2024. Free Cash is essentially level when compared to \$14,522,850 used for FY2024. The estimated total adjustment to General Fund revenues is \$253,053 more for FY2025 compared to FY2024. 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.

## **FY2025 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, 2023 was \$13,145,798,176. This puts the tax levy ceiling at \$328,644,954. The tax levy including debt exclusions for FY2024 was \$184,565,923, 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 FY2025 tax levy attributable to new growth is estimated based upon information provided by the Assessing and Building Departments.

### **Property Tax Levy**

The property tax levy (refer to Table 2.3.1 on the next page) represents approximately 79.6% (Table 2.8) of all general fund revenues before adjustments. The FY2025 property tax levy is estimated to increase approximately 4.3% over the FY2024 actual tax levy, or approximately \$7.9 million. This compares to the nearly \$6.3 million increase that FY2024 tax levy was over the FY2023 actual levy, or approximately 3.2% increase. The tax revenue to support operations within the levy limit is increasing by an estimate of 5.1% over FY2024. Property Tax New Growth revenue has been much higher in recent years and the amount of New Growth for FY2024 (\$4,988,788) was over one million dollars more than FY2023 (\$3,968,707) and comparable to the amount realized for FY2022 (\$4,731,856). This higher New Growth amounts are not anticipated to continue. Higher interest rates have had an impact on the real estate market. Recent construction activity are projects that were approved and permitted before the series of interest rate hikes. The FY2025 budget plan assumes New Growth revenue of approximately \$2.2 million but may be amended when building activity through the end of 2023 is captured. The New Growth revenue during recent years was higher due to the significant investment and installation of equipment by the public utilities. New Growth revenue increase during those years resulted from the reduction of the exemption in the Tax Incremental Financing (TIF) agreement with TripAdvisor from 76% of the original new construction value to one percent of the initial value. With the reduction in the TIF amount for TripAdvisor, the new tax revenue increased by more than \$1.4 million. The one percent exemption continues through FY2028. The State has allowed the TIF to remain in place even though TripAdvisor fell short on some of its required benchmarks, which

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were primarily due to COVID. COVID impacted much of the economy, but the hospitality and travel markets were impacted much more so than many. The Town also has a ten-year TIF agreement with NBCU which provides for a 70% deferral of the initial new growth value for four years, then declines to a 5% deferral for the fifth year, and then declines to a deferral of 1% of the original growth for the last five years of the agreement. However, the NBCU project delivered \$1.5 million in new personal property tax revenue for the Town in FY2020, revenue the Town would not have realized from a standard office complex development. The redevelopment of the former MUZI site that was anticipated to generate \$3 to \$5 million in New Growth revenue within the next couple of years has not materialized as the developer plans have been put on hold for an indeterminate period. Therefore, we have not included any amount in the FY2025 New Growth estimate related to that property. However, we are still weighing the options to amend the Debt Services Stabilization Fund (DSSF) to dedicate a New Growth revenue that could be realized from the redevelopment of the property to the DSSF. Town Meeting approval is required. The Town can take proactive steps now to secure those funds for the considerable investment in Town assets in the coming years.

Fiscal Year Tax Levy  
Table 2.3.1

Description	FY2021 Recap	FY2022 Recap	FY2023 Recap	FY2024 Recap	FY2025 Estimate	\$ Change
Prior Year Base	142,426,994	150,539,475	159,039,704	166,984,404	176,147,802	
2-1/2 Allowance	3,560,675	3,763,487	3,975,993	4,174,610	4,403,695	
New Growth	4,551,806	4,731,856	3,968,707	4,988,788	2,221,029	
General Override						
Levy in Abeyance	(1,757,767)	(603,818)	(1,175,906)	(2,166,858)		
General Tax Levy Limit	148,781,708	158,431,000	165,808,498	173,980,944	182,772,526	8,791,582
Total Excluded Debt	14,448,298	14,375,000	13,844,279	10,764,226	9,794,892	
Less Excluded Debt Offsets	(791,205)	(766,324)	(727,478)	(27,668)	(24,130)	
Debt Exclusion Adjustment		(1,205,777)	(32,385)	(151,579)	(47,565)	
Excluded Debt to be Raised on Tax Levy	13,657,093	12,402,899	13,084,416	10,584,979	9,723,197	(861,782)
Property Tax Levy	162,438,801	170,833,899	178,892,914	184,565,923	192,495,723	7,929,800
Collections by Year End*	161,661,687	170,417,731	178,257,886			

\*Includes collections of prior year taxes and pending refunds

The tax levy limit is calculated by increasing the allowed FY2024 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 FY2024 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 approximately \$8.8 million over the FY2024 actual base levy. The amount of tax excluded debt that is to be paid by property taxes is estimated to decrease by \$861,782 for FY2025 over the FY2024 tax levy. The total excluded debt declined from \$13,844,279 in FY2023 to \$10,764,226 in FY2024. The excluded debt in FY2025 will decline to \$9,794,892. The excluded debt service and its effect on the tax levy will decline every year going forward, unless and until new projects are approved by the voters of Needham.

Table 2.3.2 (next page) shows the annual debt service by project that was added to the tax levy for fiscal years 2021 through 2024, and the amount to be added to FY2025. The table

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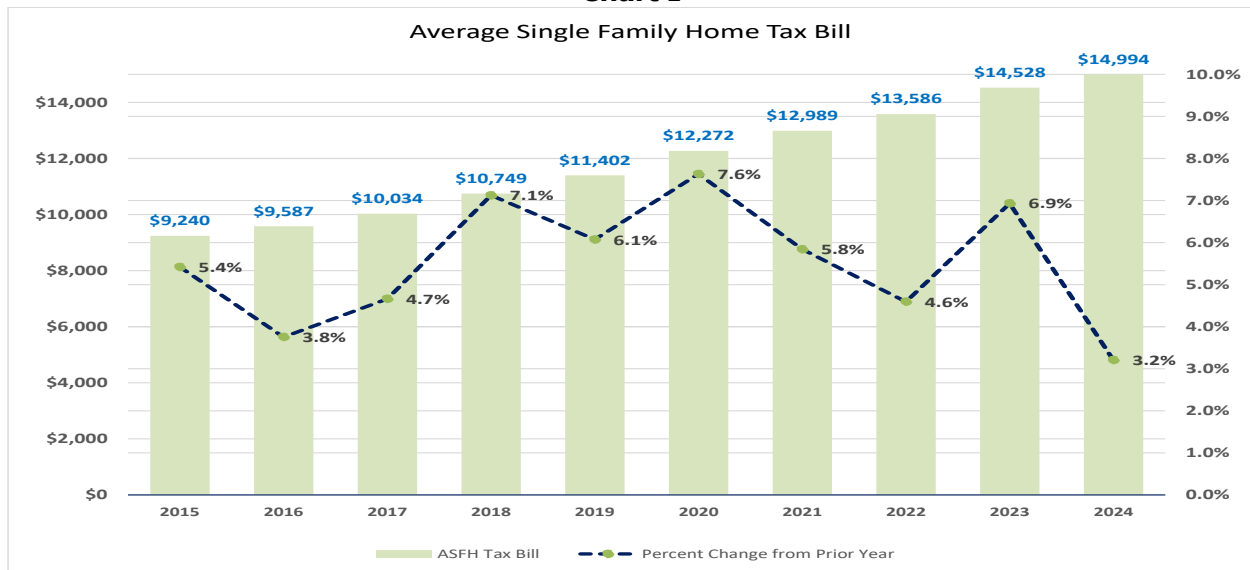
shows the percentage that the gross excluded debt would have increased the tax levy, and the percentage that the net excluded debt (the gross debt adjusted for offsets and adjustments) made up of the total tax levy. For FY2024, the total excluded debt service was \$10,764,226 which could have added 6.2% to the tax levy, but after accounting for the allowed adjustments, the actual amount added to the tax levy was \$10,584,979 which represented 5.7% of the total tax levy for the year. For FY2025, the \$9,794,892 in total excluded debt would add 5.4% to the estimated levy for the year, but with the credits, the net to be raised as the percent of the levy would be 5.1%.

Debt Exclusions Added to Tax Levy FY2021 - FY2025  
Table 2.3.2

Description	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Debt Service</b>					
Broadmeadow School	741,425	708,700	678,000	642,600	-
Eliot School	294,400	284,400	269,500	259,700	249,900
High Rock & Pollard Schools	1,087,335	1,041,410	1,007,160	970,760	924,410
High School	1,521,490	1,438,687	1,388,240	1,333,015	1,282,865
Newman School	1,124,960	1,058,043	1,033,975	1,000,845	977,110
Public Safety Buildings	4,961,890	7,443,229	7,129,823	4,282,675	4,148,925
Williams School	4,716,797	2,400,531	2,337,581	2,274,631	2,211,681
<b>Total</b>	<b>14,448,297</b>	<b>14,375,000</b>	<b>13,844,279</b>	<b>10,764,226</b>	<b>9,794,891</b>
General Tax Levy	148,781,708	158,431,000	165,808,498	173,980,944	182,772,526
Excluded Debt as a % of the General Tax Levy*	9.7%	9.1%	8.3%	6.2%	5.4%
<b>Offsets and Adjustments</b>					
MSBA Credits	(695,148)	(695,148)	(695,150)		
Premium Credits	(96,056)	(71,176)	(32,328)	(27,668)	(24,130)
Other Adjustments		(1,205,777)	(32,385)	(151,579)	(47,565)
<b>Total</b>	<b>(791,204)</b>	<b>(1,972,101)</b>	<b>(759,863)</b>	<b>(179,247)</b>	<b>(71,695)</b>
<b>Net Excluded Debt Raised on Tax Rate</b>	<b>13,657,093</b>	<b>12,402,899</b>	<b>13,084,416</b>	<b>10,584,979</b>	<b>9,723,196</b>
Total Tax Levy (Excluded and Within the Levy Limit)	162,438,801	170,833,899	178,892,914	184,565,923	192,495,722
<b>Net Excluded Debt as a % of the Total Tax Levy</b>	<b>8.4%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>5.7%</b>	<b>5.1%</b>

\* Before Offsets and Adjustments

### Chart I



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 II**

<b>Average Single Family Home Tax Bill Area Communities</b>		
<b>Municipality</b>	<b>FY2023</b>	<b>Shift*</b>
Weston	\$23,893	No Shift
Brookline	\$21,372	1.745
Lincoln	\$19,373	1.443
Wellesley	\$18,087	No Shift
Sherborn	\$17,842	No Shift
Lexington	\$17,514	1.750
Concord	\$17,481	No Shift
Dover	\$16,736	No Shift
Belmont	\$16,450	No Shift
Winchester	\$16,214	No Shift
Wayland	\$15,958	No Shift
Sudbury	\$14,961	1.260
Newton	\$14,793	1.736
<b>Needham</b>	<b>\$14,528</b>	<b>1.750</b>
Westwood	\$13,270	1.700
Milton	\$10,669	1.561
Bedford	\$10,454	1.750
Arlington	\$10,228	No Shift
Natick	\$9,597	No Shift
Walpole	\$9,217	1.275
Dedham	\$8,581	1.750
Framingham	\$7,113	1.700
Norwood	\$6,223	1.710
<b>Group Average (excluding Needham) \$14,365</b>		
<b>State-Wide Average \$7,059</b>		

\* Adopted shift of property taxes from residential to commercial (rounded)  
**Source: DOR**

The Average Single-Family Home (ASFH) property tax bill for FY2024 in the Town of Needham was \$14,994. This represents a 3.2% increase over FY2023 (\$14,528). The chart on the previous page (Chart I) shows the ASFH tax bill for Needham and the percent change from the prior year for the period of FY2015 to FY2024. The Department of Revenue has not yet released any data related to the ASFH property tax bill in other communities for FY2024, so we have provided the data for FY2023. Needham’s average single family home property tax bill is in the lower middle of 22 nearby or comparable communities (Chart II), but well over the state-wide average of \$7,059. 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 value of many homes in this area is much greater than in the state overall. The average tax bill of the identified communities (excluding Needham), for FY2023 was \$14,365 which is 5.0% more than the average

of those communities in FY2022 (\$13,678). The average single family home tax bill in Needham for FY2023 increased by 6.9% from FY2022 (\$14,528 vs \$13,586). The average single family home tax bill increase state-wide was 5.0% (\$7,059 vs \$6,724). Another variable which affects the residential tax bill is whether a community shifts additional taxes from residential property to commercial property. The Select Board must hold an annual public hearing prior to submitting

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approval of the tax rate to the Department of Revenue of whether adopt split tax rates and if so to what extent. State law allows a maximum shift of 1.75. The Town of Needham has adopted that shift level for a number of years. Of the 22 nearby or comparable communities, 12 adopted a shift of taxes from residential to commercial and ten communities did not shift taxes (adopting a single tax rate for all property) for FY2023. The range of the shift for communities that did adopt a shift was 1.260 (Sudbury) to 1.750 (Bedford, Dedham, and Lexington).

### State Aid

Most State aid, especially Cherry Sheet aid, is a function of the State budget. The Governor is not required to file the state budget plan until the fourth Wednesday in January (January 24, 2024). This will be after the release and presentation of the Town Manager’s Balanced Budget for FY2025. At the time of this estimate, the Governor had already announced 9C FY2024 budget cuts. 9C is a general reference to the section of State Law (Chapter 29) that gives the governor the authority to make unilateral budget cuts to balance the current year budget without legislative approval. Although the reductions do not impact the current Cherry Sheet revenue distribution to Needham for FY2024, there are other appropriations approved by the State which support specific expenditures and programs that Needham relies on which have been reduced. The state revenue forecast for FY2025 suggests an increase in state aid, but at this time, we anticipate that the amount of aid will not be at that level and not at a level seen during the last couple of years. For the purposes of this estimate, we have assumed a 4.0% increase over the current fiscal year in Chapter 70 and a 2.5% increase in Unrestricted General Government Aid (UGGA). We have assumed that all the other Cherry Sheet aid programs which the Town is scheduled to receive for FY2024 will be level dollar for FY2025. 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.

State Aid  
Table 2.4

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual <sup>^</sup>	FY2024 Recap	FY2025 Estimate	\$ Change
Chapter 70	11,025,783	11,192,613	12,371,314	13,312,456	13,845,000	532,544
School Transportation						
Charter School Tuition	3,698	28,264	17,758	21,755	21,755	
Homeless Transportation		23,764				
State Aid for Education	11,029,481	11,244,641	12,389,072	13,334,211	13,866,755	532,544
Unrestricted General Government Aid	1,853,722	1,801,326	2,182,096	2,086,917	2,139,090	52,173
Police Career Incentive						
Veterans Benefits	15,033	13,693	14,794	15,235	15,235	
Chapter 59 Elderly Exemptions	6,526	48,878	43,708	33,519	33,519	
Public Library Aid	45,764	48,842	64,401	70,920	70,920	
State Aid for General Government	1,921,045	1,912,739	2,304,999	2,206,591	2,258,764	52,173
<b>Total Cherry Sheet Aid</b>	<b>12,950,526</b>	<b>13,157,380</b>	<b>14,694,071</b>	<b>15,540,802</b>	<b>16,125,519</b>	<b>584,717</b>
MSBA Payments	695,148	695,148	695,150			
Other State Payments		182	11,459			
Other State Aid	695,148	695,330	706,609			
<b>Total State Aid</b>	<b>13,645,674</b>	<b>13,852,710</b>	<b>15,400,680.28</b>	<b>15,540,802</b>	<b>16,125,519</b>	<b>584,717</b>

<sup>^</sup>subject to final audit

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

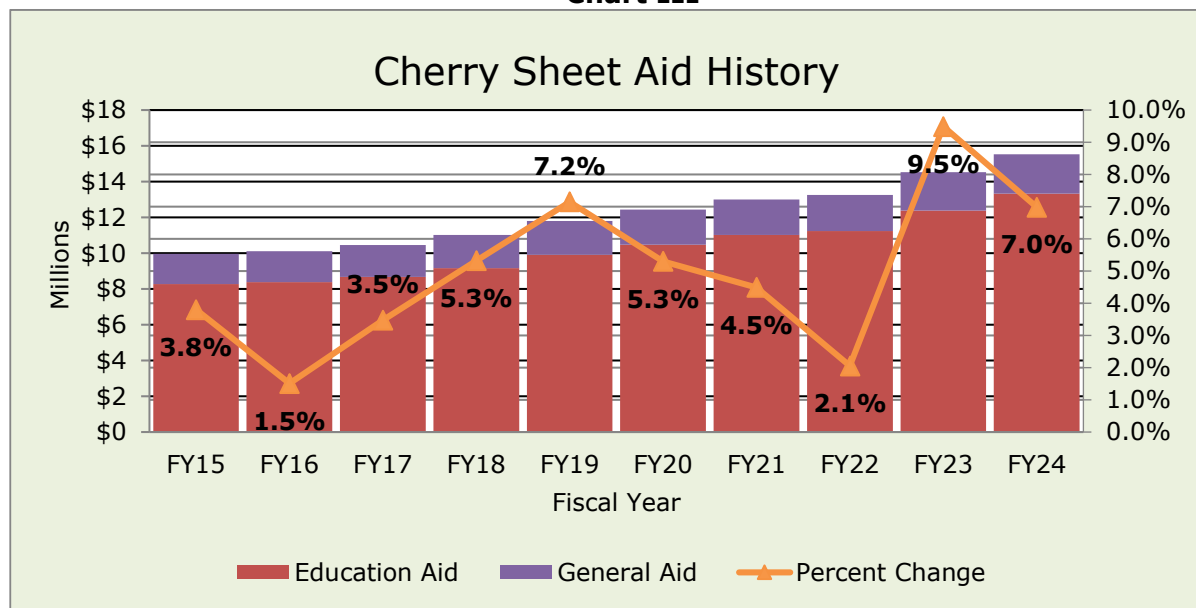
present to the full House for debate and amendment. After the House adopts a budget plan, it is forwarded to the Senate for a similar process. After the Senate prepares and votes on its budget plan, the House and Senate conference by way of a committee to resolve any differences between the two budget 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) on the previous page, represents approximately 6.7% (Table 2.8) of the total general fund before adjustments. As noted earlier, the Governor’s budget plan is not expected until January 24, 2024, and so unless the Governor’s budget plan assumes less total aid to Needham than our estimate, any revision to revenue would be to mitigate the reduction to Overlay. The Governor’s budget proposal is subject to review and amendment, and final figures are not expected until late spring.

**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 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 FY2015 through FY2024.

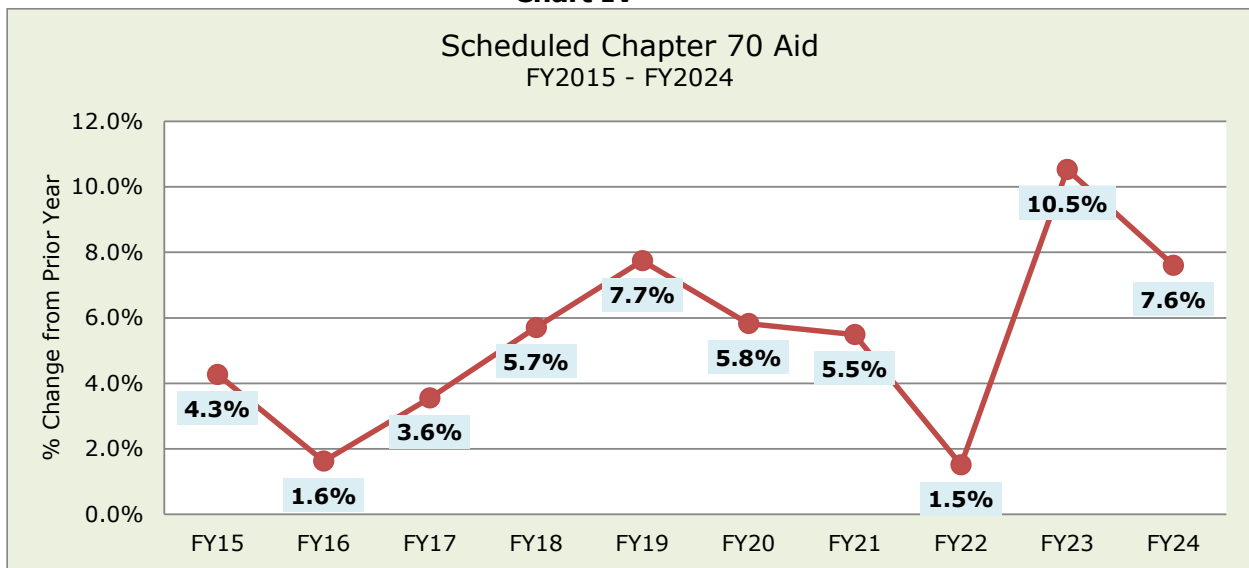
**Chart III**



**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 considers 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 valuations 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 FY2015. The Town received \$337,938 more in FY2015, an increase of 4.3%, followed by \$134,050 increase, 1.6% in FY2016. The distribution from the State in FY2017 was \$297,605 more or 3.6% over prior year, followed by a \$494,965 (5.7%) increase for FY2018. The Town received \$709,792, an increase of 7.7% in FY2019, followed by a 5.8% increase or \$575,563 in FY2020, and \$574,068 more in FY2021 or 5.5%. During FY2022 the Town received \$166,830, just 1.5% more than FY2021, but during FY2023 the Town received \$12,371,314, an increase of \$1,178,701 (10.5%). The Town is estimated to receive \$13,312,456 or \$941,142 (7.6%) more for FY2024, provide the Governor does not make additional cuts which impact local aid. The FY2025 estimate (\$13,845,000) is 532,544 higher than the current year, or a 4.0% increase. Chart IV shows the annual percent change in Chapter 70 aid from FY2015 through FY2025.

**Chart IV**



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 \$1,853,722 in FY2020, an increase of \$48,735 or 2.7% more than the prior year; for FY2021 the Town received the same amount (\$1,853,722), and for FY2022 the Town received \$1,801,326 a decrease of \$52,396. The Town was scheduled to receive \$1,918,602 for



FY2022 or \$64,880 (3.5%) more than the prior year, but the State distribution was not received until after end of the fiscal year. The monies were credited to FY2023. The Town received \$2,182,096 an increase of 21.1% during FY2023. The Town is estimated to receive \$2,086,917 for FY2024. This is \$95,179 less than what was credited during FY2023. However, as previously mentioned, FY2023 included an FY2022 payment which was not received until after the close of FY2022 (\$52,396) and also the Town received an additional \$107,493 above what was expected. We have estimated \$2,139,090 for FY2025, or \$52,173 (2.5%) more than the FY2024 Cherry Sheet amount.

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 \$71,021 for FY2021. The Town received \$163,441 in FY2022, and for FY2023 the Town received a total of \$140,661. The total of the other Cherry Sheet aid programs is \$141,429 for FY2024 and we assume the same amount for FY2025.

### **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 FY2023 actual receipts were higher than FY2022 receipts by \$6,743,398. The FY2022 actual receipts were higher than FY2021 receipts by \$1,627,220. But the FY2022 local receipt increase was the first since FY2019. The FY2023 actual receipts of \$22,960,442 included \$616,205 of receipts that are classified as nonrecurring receipts. We have estimated total local receipts will increase by two percent over the FY2024 estimate. However, excluding nonrecurring revenue, the increase is 5.3%. The estimate, excluding nonrecurring revenue, is currently projected at approximately 63.6% of the 2023 actual receipts. The lower estimate as a percentage of the prior year actual is a reflection of two local receipt categories where the FY2023 revenue was exceptionally high. Comparing the estimate to the FY2022 actual, the estimate is approximately 89.4% of the actual.

We prepare the projections of local receipts by comparing FY2023 estimated receipts to actual receipts; FY2023 actual receipts to FY2022 actual receipts, FY2024 estimated receipts to the FY2023 actual receipts and FY2024 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., by establishing a new fee or significantly increasing an existing fee or charge. During this analysis, the FY2024 estimated receipts were revised. As the year progresses, further analysis of collections will be performed to determine if fiscal year 2024 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

## Fiscal Year 2025 Proposed Budget

also negatively affect 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

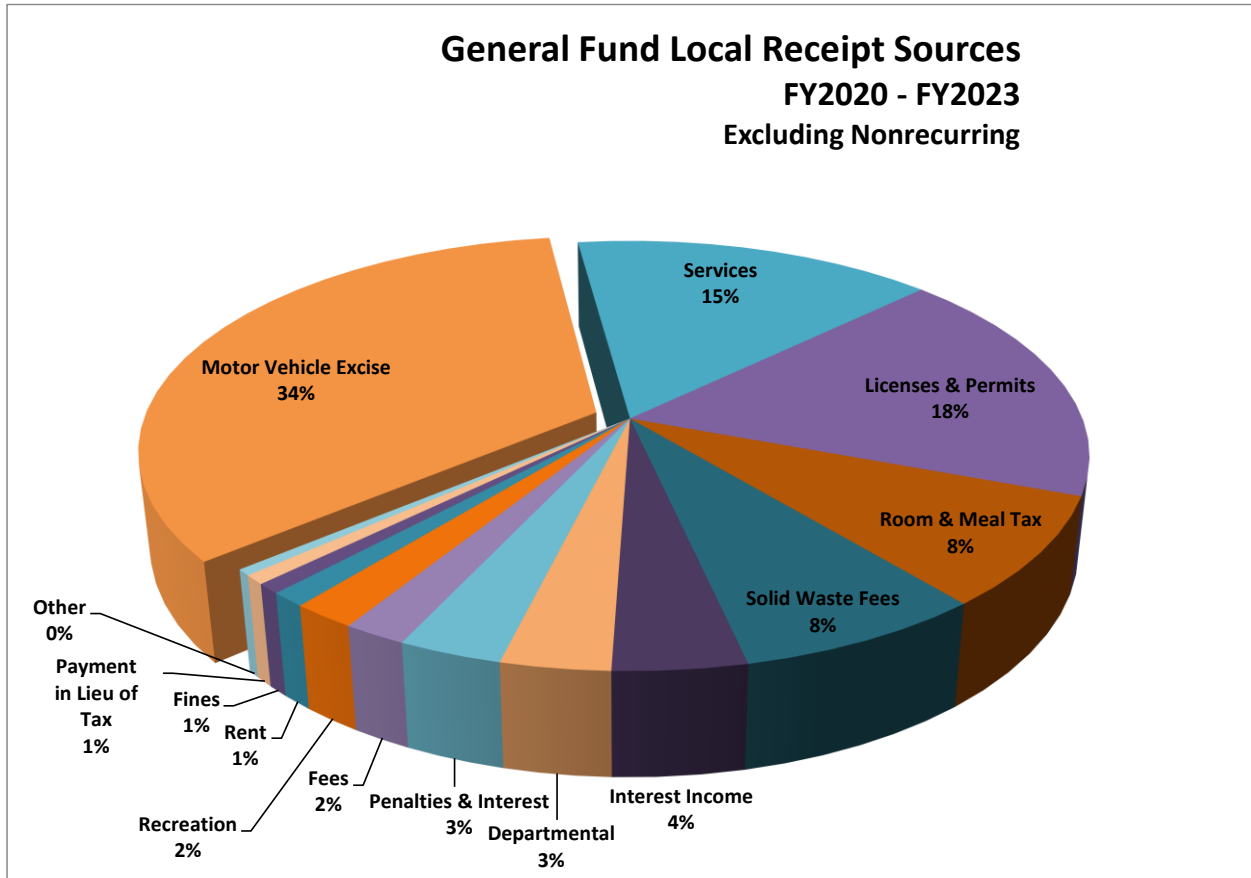
Description	FY2021 Actual	FY2022 Actual	FY2023 Actual <sup>^</sup>	FY2024 Recap	FY2025 Estimate	\$ Change
Motor Vehicle Excise	5,129,306	5,837,070	6,779,778	5,075,000	5,500,000	425,000
Other Excise	643,481	1,415,760	1,967,568	1,400,000	1,500,000	100,000
Penalties & Interest	499,343	515,392	877,076	315,000	337,000	22,000
Payment in Lieu of Tax	139,204	147,913	103,860	85,000	85,000	
Solid Waste Fees	1,448,570	1,189,410	1,461,825	1,100,000	1,100,000	
Charges for Services	2,435,242	2,245,676	2,669,089	1,900,000	2,045,000	145,000
Fees	405,578	419,607	146,866	117,250	115,000	(2,250)
Rents	265,619	208,202	167,972	143,000	143,000	
School Income	8,507					
Library Department Income						
Recreation Department Income	196,578	236,392	561,474	450,000	450,000	
Other Department Income	461,491	600,976	641,663	485,000	510,000	25,000
Licenses & Permits	2,068,299	2,771,497	5,099,527	1,925,000	1,925,000	
Special Assessments	363		8,915			
Fines & Forfeits	60,974	110,191	117,166			
Investment Income	228,969	194,651	1,520,840	500,000	500,000	
Medicaid Reimbursement	2,319	1,642				
Miscellaneous Income	3,282	3,296	220,618			
Nonrecurring Income	592,701	319,369	616,205	435,000		(435,000)
<b>Total</b>	<b>14,589,825</b>	<b>16,217,044</b>	<b>22,960,442</b>	<b>13,930,250</b>	<b>14,210,000</b>	<b>279,750</b>

<sup>^</sup>subject to final audit

Local receipts represent approximately 5.9% (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 FY2025 of **\$14,210,000** (Table 2.5) is an increase of \$279,750 or 2.0% from the revised FY2024 budget of \$13,930,250. However, the FY2024 estimate included \$435,000 of non-recurring receipts; so, a better comparison would be recurring receipts to recurring receipts. The FY2025 \$14.2 million estimate is 5.3% more than the \$13.5 million recurring estimate for FY2024, or \$714,750 more. When completing the tax rate setting process, we reduced some of the estimates and increased others for the FY2024 receipts based on FY2023 results and trends. The total was below the target range for estimation because some receipts for FY2023 were exceptionally (penalties and interest, building permits and investment income) higher than the prior year (FY2022) actual receipts, and current market conditions suggest these receipts may be lower than the actuals for FY2023.

The three major sources of local receipts, which made up nearly 67% of total receipts over the last four years (Chart V) on the next page, are Motor Vehicle Excise, Charges for Services, and License and Permits. Year after year motor vehicle excise tax is the major local revenue source accounting for as much as 37% of the total local receipts in a given year and the average percentage over the 2020 – 2023 time period was 33.9%. Therefore, an overestimation of this revenue will have a negative impact on the Town’s financial position. All three receipt categories are influenced by the economy, locally and nationally, more so than other receipts.

Chart V



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 (i.e., 2025 vehicle purchased in 2024) 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 an 8% increase or \$3,425,000 from the FY2024 revised estimate of \$5.1 million. Motor vehicle excise receipts for FY2025 are projected at approximately **\$5.5 million** which is 81.1% of the FY2023 actual. This is a revenue source that we continue to monitor closely. We do not anticipate increasing this revenue estimate

Fiscal Year 2025 Proposed Budget

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 shown recovery after the downturn due to COVID, which negatively impacted these revenue sources for a couple of years. A history of the last six completed fiscal years for each excise is shown in Chart VI. During FY2020 the Town received \$1,684,874 which was a decrease from the prior year. Revenues for FY2021 dropped to \$643,481, a decline of more than \$1 million from FY2020. However, during FY2022 the Town received \$1,415,760, a swing of \$772,279, more than 120% increase over the prior year. The following year (FY2023) receipts increased by \$551,809 to \$1,967,568, an increase of 39%. The revised estimate for FY2024 was set at \$1,400,000. We are forecasting an increase for next year but at a lower growth rate. The FY2025 estimate is **\$1,500,000**, a 7.1% increase over the FY2024 estimate and represents approximately 76% of the FY2023 actual.

**Chart VI**

Meals Excise				Room Excise			
Fiscal Year	Meals Excise	Fiscal Year	Meals Excise	Fiscal Year	Room Excise	Fiscal Year	Room Excise
2018	\$497,446	2021	\$329,495	2018	\$1,045,862	2021	\$313,986
2019	\$543,389	2022	\$501,341	2019	\$1,357,713	2022	\$914,419
2020	\$499,167	2023	\$599,284	2020	\$1,185,706	2023	\$1,368,285

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. This is a revenue source that can have major swings from year to year. The fluctuations in actual collections reflect the unpredictability of the timing of payments, particularly settlements on deferred taxes and tax title accounts. The FY2021 actual receipts were \$499,343 and FY2022 receipts were \$515,392. The FY2023 receipts were \$877,076 as the Town has been seeing more overdue accounts settling up as entities continue their recovery from the economic effects of the pandemic. The revised estimate for FY2024 was increased to \$315,000 and we have set the FY2025 estimate at **\$337,000** which is a 7% increase over the current year and is approximately 38% of the prior year actual.

**Payment In Lieu of Tax** is a voluntary payment made by certain tax-exempt entities. The Town receives payments from BID/Needham and the Needham Housing Authority (NHA), but payment from the NHA is dependent on Federal funding. The Town and the Hospital executed a new PILOT agreement in November 2023. The Town received \$93,000 in FY2020 which was a decline from the prior year. However, there was a delay in receiving scheduled payments during FY2020. There was a bump up in revenue for FY2021 with \$139,204, and a further increase for FY2022 at \$147,913, only to decrease by \$44,053 in FY2023 for a total of

Fiscal Year 2025 Proposed Budget

\$103,860. We lowered the FY2024 estimate from \$120,000 to \$85,000 and have level dollar the estimate at **\$85,000** for FY2025. This is approximately 82% of the FY2023 receipt.

**Solid Waste Fees** are the charges and fees collected for the disposal of solid waste and other items. This will be the fourth year that this revenue is part of the General Fund. FY2020 was the first year that this revenue was part of the General Fund which generated \$1,108,099. There was a visible uptick in activity at the RTS which generated \$1,448,570 in solid waste disposal fees for FY2021. During FY2022, there was a decline of \$259,160 (17.9%) in disposal receipts with a total of \$1,189,410 collected. During FY2023 the Town received \$1,461,825, an increase of \$272,415 (22.9%). The estimate for FY2024 was increased from the original estimate of \$1,000,000 to \$1,100,000. The estimate for FY2025 is level dollar at **\$1,100,000**. This represents approximately 75% of the FY2023 actual.

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 amount generated from the solar array is a significant portion of the total receipts under this category, but fluctuates. The revenue generated from the solar payments is affected by the amount of power produced, the time of day the power is provided (the utility pays different rate depending on the peak and off-peak demands), and the actual rate Eversource must pay for the production. A history of the last six completed fiscal years collections is shown in Chart VII. The total from all services provided was \$1,889,262 in FY2020. With the increase in solar revenues, the running of two full-time ambulances, and the resumption of the sale of parking permits, revenue collections improved with \$2,435,242 received during FY2021. The FY2022 receipts declined to \$2,245,676. FY2023 revenue increased to \$2,669,089 which was due to the increase in solar energy payments from Eversource. The estimate for FY2024 is \$1,900,000. We have increased the estimate to **2,045,000** for FY2025. This represents an increase of 7.6% and is approximately 77% of the FY2023 actual revenue.

**Chart VII**  
Solar Energy Payments

Fiscal Year	Payment	Fiscal Year	Payment
2018	\$1,025,931	2021	\$1,234,585
2019	\$1,147,907	2022	\$905,263
2020	\$807,467	2023	\$1,188,079

The Town collects various **Fees** which include returned checks, FID cards, administrative fees for details, Registry of Motor Vehicle license and registration non-renewal releases, and parking meter receipts. The total fees collected in FY2020 was \$351,189 which included payment of cannabis related fees of \$135,685. During FY2021 the Town received \$405,578 again benefitting from the increase in cannabis revenue with \$263,488 paid to the Town. The total amount in fees collected during FY2022 increased to \$419,607, of which \$228,025 was from cannabis. The actual revenue was lower than the FY2023 estimate, which was originally at \$320,000, but we decreased the estimate to \$155,000. This was done in anticipation that state law will be amended to restrict local agreements with cannabis operators from making payment to the municipality beyond direct cost offsets. As anticipated the Town saw the loss of the cannabis revenue but the total actual income from fees also decreased with a total of

## Fiscal Year 2025 Proposed Budget

\$146,866, a decrease of 65% (\$272,741) from FY2022. Consequently, the estimate for FY2024 was lowered from \$165,000 to \$117,250. The estimate for FY2025 has been lowered to **\$115,000** which is 1.9% less than the revised estimate for FY2024, and represents approximately 78% of the FY2023 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 FY2021 was \$265,619 which included collections on back year rents which were deferred because of COVID. The total rents collected during FY2022 declined as expected to \$208,202 and declined again, which was not expected to \$167,972. The estimate for FY2024 was revised from the original estimate of \$180,000 to \$143,000. The FY2025 estimate has also been set at **\$143,000** which is approximately 85% of the FY2023 actual.

**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 for through revolving funds and special revenue accounts and is not available for general governmental purposes. The School Department turned in \$8,507 for FY2021 and nothing in FY2022 or FY2023. There was no estimate for FY2024, and we assume the same for FY2025.

**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. Park and Recreation was one of the departments that were financially impacted negatively because of COVID. FY2020 actual receipts totaled \$358,649, which was a decline from the previous year and FY2021 revenue declined to \$196,578. Revenue increased during FY2022 with \$236,392 as most activities were running and attendance levels high. FY2023 saw income increase to a level above the pre-COVID years, with \$561,474 collected by year end. The estimate for FY2024 was increased from \$205,000 to \$450,000 and is level dollar for FY2025. The **\$450,000** estimate represents approximately 80% of the FY2023 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 the planning and conservation departments. The total receipts for FY2021 were \$461,491, which increased to \$600,976 for FY2022, and to \$641,663 for FY2023. The estimate for FY2024 is \$485,000. The estimate for FY2025 has been increased approximately by 5.2% to **\$510,000**, which is more than 79% of the FY2023 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 FY2020 were \$2,381,660, which was a decline from the prior year and the decline continued for FY2021 with total receipts of \$2,068,299, a drop of 13% from the prior year. Revenue increased during FY2022 with \$2,771,497 in total receipts, or \$703,199, approximately a 34% increase. FY2023 was a banner year with total income of \$5,099,527, primarily all from building permits. This was an increase of \$2,328,030 (84%) over the prior year. The estimate for FY2024 is \$1,925,000 and the estimate for FY2025 is the same. The **\$1,925,000** estimate is approximately 38% of the FY2023 actual. Building permit activity is the primary and

substantial revenue stream for this category of receipts. Chart VIII provides the history of the actual building permit revenue collected during the past six completed fiscal years. Over the seven-year period, building permits generated revenue with a high of more than \$4.8 million (FY2023) and a low of \$1.8 million (FY2021). Building and construction activity is volatile, and has a greater sensitivity to changes in interest rates, and hence we estimate a lower percent of the actual than most receipts.

**Chart VIII**  
Building Permit Activity

Fiscal Year	Permits	Fiscal Year	Permits
2018	\$2,257,261	2021	\$1,822,461
2019	\$2,261,032	2022	\$2,508,020
2020	\$2,079,634	2023	\$4,820,695

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

The category of **Fines and Forfeits** includes parking tickets, court fines, and other violations. Enforcement of parking regulations and other non-criminal infractions were limited due to concerns related to COVID, but resumed in 2021. There has also been a growing trend across the United States to not overtly depend on fines and forfeiture to fund governmental activities, which tend to fall more heavily on those with limited means. The Needham Public Library ended the assessment of fines for overdue returns.

**Chart IX**  
General Fund Investment (Interest) Income

Fiscal Year	Interest	Fiscal Year	Interest
2018	\$434,319	2021	\$228,969
2019	\$979,649	2022	\$194,651
2020	\$834,163	2023	\$1,520,840

**Investment (Interest) Income** is another revenue stream that has significant up and down swings (Chart IX). The actual interest earnings of \$834,163 during FY2020 were lower than FY2019 (\$979,649), and FY2021 saw a momentous decline in total interest of \$228,969, more than a 72% drop. The decline in interest earnings was driven by the actions taken by the Federal Reserve Board to lower interest rates to near zero to stimulate the economy during the Pandemic. We revised the original FY2022 estimate from \$264,000 to \$150,000. Actual income earned during FY2022 declined to \$194,651, a decline of nearly 15%. FY2023 was surprisingly a banner year as well with interest earnings of \$1,520,840 or a 681% increase over FY2022. The anticipated decline in interest rates did not happen during FY2023, and rates, although they have come down a little, are higher than they have been and hence the FY2024 estimate was increased from \$195,000 to \$500,000 which was a 256% increase. We have estimated FY2025 at the same **\$500,000**, which represents approximately 33% of the FY2023 actual, which provides a buffer should interest rates decline next year.

**Medicaid** reimbursements are classified as a local receipt revenue source, which often fluctuates from year to year (Chart X), but the last few years the trend has been one of noticeable decline. In FY2020 the Town received \$67,188 in Medicaid revenue, which was a decline of \$113,484 or 62% from FY2019, and FY2021 the revenue declined to \$2,319. FY2022 was the lowest at \$1,642, until FY2023 which the Town received no funds. We made no estimate for FY2024, nor an estimate for FY2025.

**Chart X**  
Medicaid Reimbursements

Fiscal Year	Medicaid	Fiscal Year	Medicaid	Fiscal Year	Medicaid
2015	\$211,056	2018	\$207,679	2021	\$2,319
2016	\$176,672	2019	\$180,672	2022	\$1,642
2017	\$194,935	2020	\$67,188	2023	\$0

**Miscellaneous Income** totaled \$7,967 for FY2020, and declined to \$3,282 for FY2021. The total for FY2022 was just \$14 more (\$3,296), but FY2023 saw \$220,618 collected. However, \$217,288 was from Opioid settlement payments, which now will be credited to Opioid Stabilization Fund that Town Meeting approved in May 2023. Excluding the opioid payments total receipts were \$3,330. For recurring miscellaneous income, we have made no estimate for the current year nor FY2025.

**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 FY2021, the Town reported nonrecurring receipts of \$592,701. Most of the nonrecurring receipts were a result of various refunds and rebates which totaled \$394,001. The sale of surplus equipment by the Town and the School departments generated \$108,575. The Town also received payment of \$90,125 from its solar energy producer because the company did not meet its power production guarantee. The \$319,369 of nonrecurring receipts received during FY2022 were a result of various refunds and rebates which totaled \$31,089. The sale of surplus equipment by the Town and the School departments generated \$266,691. The Town also received payment of \$10,159 for an energy rebate and \$8,662 in electricity refunds from Eversource. The Town collected \$2,768 in prior-year receivables that were previously deemed uncollectible and written off. For FY2023, the nonrecurring receipts included various refunds and rebates which totaled \$5,628.98. The sale of surplus equipment by the Town and the School departments generated \$331,858. The Town received a community payment of \$200,000 from Children’s Hospital in connection with the construction of a new medical facility in Needham. The Town received \$35,515.37 in monies deemed abandoned. The Town also received payments of \$36,224.59 for energy rebates and \$2,536.67 in electricity refunds from a contractor. The Needham Public Schools received a payment of \$3,500 from National Center for Civil Innovation to reimburse for a stipend. The Town collected \$534.37 in prior year receivables that were previously deemed uncollectible and written off and \$407.00 in lost motor vehicle excise revenue from the Commonwealth. The FY2024 estimate of \$435,000 of miscellaneous nonrecurring receipts represents proceeds from Eversource (\$205,000) for road repairs and \$230,000 from Children’s Hospital of which \$30,000 is to mitigate traffic impacts as required under the project approved by the Planning Board and \$200,000 is a one-



## Fiscal Year 2025 Proposed Budget

time payment required under the agreement approved by the Town. There is no estimate for miscellaneous nonrecurring receipts for fiscal 2025.

General Fund Recurring Receipts  
Table 2.6

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual <sup>^</sup>	FY2024 Recap	FY2025 Estimate	\$ Change
Property Taxes	148,004,594	158,014,832	178,257,886	173,980,944	182,772,526	8,791,582
State Aid	12,950,526	13,157,380	14,694,071	15,540,802	16,073,346	532,544
Local Receipts	13,997,123	15,897,676	22,344,237	13,495,250	14,210,000	714,750
<b>Total Receipts</b>	<b>174,952,243</b>	<b>187,069,887</b>	<b>215,296,195</b>	<b>203,016,996</b>	<b>213,055,872</b>	<b>10,038,876</b>

<sup>^</sup>subject to final audit

### Other Available Funds

Other available funds (\$4,061,394) represent 1.7% (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 two available funds that have been recurring are Debt Exclusion Offsets and Overlay Surplus. Other available funds are correlated to expenses. These funds must be specifically identified by Town Meeting in the motion in order for them 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 FY2025 is **\$24,130**.

**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. Abatement and exemption activity is tracked on a fiscal year basis, but the overlay reserve which covers those costs is held in a single account. 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 the fund balance and will contribute to the Free Cash certified in the following fiscal year. We have planned on the use of **\$2,400,000** 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 Board approved the release of \$2,600,000 at the August 10, 2023 meeting. \$200,000 of the overlay surplus was appropriated at the October 30, 2023 Special Town Meeting.

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. The residual balance is \$244,224.

**Transportation Infrastructure Funds** are received funds from the Commonwealth through a state assessment on transportation network companies, such as Uber and Lyft, operating in the state. Each company reports to the State the number of rides that originated in Needham and

remits a per-ride assessment of \$0.20, which is credited to the State's Transportation Infrastructure Enhancement Fund of which one half of the amount is sent to the Town. The distributed funds are special revenue, which require appropriation prior to use. The funds are reserved to be appropriated by Town Meeting for expenses related to the operation of transportation network services in the town including, but not limited to, the complete streets program established in Chapter 90 and other programs that support alternative modes of transportation. However, starting with distributions received on or about June of 2023, if the amount of the distribution to the Town is \$25,000 or less, the chief executive officer as defined in section 7 of chapter 4 of the General Laws may expend the funds for the statutory purposes without further appropriation. St. 2022, c. 176, § 27. The amount for FY2025 is not yet known.

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 **\$1,000,000** from the **Athletic Facility Improvement Fund** for High School tennis court improvements project, and **\$637,264** from nine prior project appropriations which are closed and have unexpended funds that may be used. Those funds are being used to partially fund the public works facilities improvements phase 1 design (\$523,720), the High School tennis court improvements (\$10,804), and the fire alarm wire removal project (\$102,740).

### **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 FY2024. We have assumed **\$15,000,000** for this budget plan. Free Cash above the amount for this budget plan may be directed to larger capital projects and or reserved for future years. The \$15 million represents 6.2% of the total general fund before adjustments and offsets. This is an increase of \$477,150 from the amount that was appropriated last year. The expected Free Cash figure is due to several factors: the FY2023 operating budget return, which resulted from a greater number of vacancies during the year in several departments (Finance, Library, Park and Recreation, Police, and Public Works), a larger return from the school department budget (\$2,427,921) a return of approximately 2.8% of their budget, extraordinary increase in local receipts, and using less of the certified Free Cash last year (during FY2023) for FY2024 appropriations so that a greater amount would be rolled over to this year. The Certified Free Cash in FY2023 was \$17,356,938 of which \$14,522,850 was appropriated and \$2,834,088 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 FY2022 was \$16,952,126 of which \$14,644,455 was appropriated and \$2,307,671 was closed out at the end of the year. The Certified Free Cash in FY2021 was \$16,665,406 of which \$11,526,630 was used for FY2022 appropriations and the balance of \$5,138,776 was closed out at end of the year. The Certified Free Cash in FY2020 was \$12,369,898 of which \$7,862,473 was used for FY2020 and FY2021 appropriations and the balance of \$4,507,426 was closed out at the end of the year. Table 2.7.1 (next page) shows how much Free Cash was used for the operating budget, cash capital, other financial warrant articles, reserves, or closed out.

## Fiscal Year 2025 Proposed Budget

Uses of Free Cash  
Table 2.7.1

Certification Year	Fiscal Year Activity	Free Cash	Operating Statement Maximum	Budget	Capital	FWA	Reserves	Total of Uses	Returned
FY2020	2019	12,369,898	3,217,536	3,208,040	3,939,433	715,000	-	7,862,473	4,507,426
FY2021	2020	16,665,406	3,527,570	3,527,570	6,246,653	1,752,407	-	11,526,630	5,138,776
FY2022	2021	16,952,126	3,763,414	3,625,000	10,475,329	492,000	52,126	14,644,455	2,307,671
FY2023	2022	17,356,938	3,874,475	3,597,105	9,236,607	1,471,850	217,288	14,522,850	2,834,088
								-	-

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 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
2020	178,260,006	7,634,782	176,378,506	5,783,282	3.3%	1,851,500	24.3%	3,527,570
2021	190,247,810	6,473,319	188,170,719	4,787,338	2.5%	1,685,981	26.0%	3,763,414
2022	195,800,817	7,658,330	193,723,726	6,354,076	3.3%	1,304,254	17.0%	3,874,475
2023	206,188,160	8,278,121	204,226,069	7,099,273	3.5%	1,178,848	14.2%	4,084,521

Two percent of the FY2023 adjusted final budget equals \$4,084,521; the actual FY2023 budget return less the Reserve Fund return was \$7,099,273 which is more than two percent. The budget plan has **\$4,081,603** of the Free Cash being used for operating expenses. Free Cash is also proposed to be used to fund cash capital and warrant articles. Certification of Free Cash above the amount identified for use is proposed to fund capital that otherwise may not be funded or would be funded by debt, provide advance funding to the stabilization funds to reserve for future projects, or a combination of the aforementioned. 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 2025 Proposed Budget

Revenue as a % of Total General Fund Revenue  
Table 2.8

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Recap	FY2025 Estimate
Property Taxes	81.1%	79.9%	75.8%	79.8%	79.6%
State Aid	6.8%	6.5%	6.5%	6.7%	6.7%
Local Receipts	7.3%	7.6%	9.8%	6.0%	5.9%
Other Available Funds	0.7%	0.6%	1.7%	1.2%	1.7%
Free Cash	3.9%	5.4%	6.2%	6.3%	6.2%
<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 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 FY2025 is based on the current year and is estimated at **\$1,300,000**.

The preliminary estimate for the sewer fund reimbursement is **\$475,000**. The estimate for the water fund is **\$825,000**. Because indirect costs associated with the two funds are a factor of Town Meeting appropriations, the actual FY2025 transfers may be adjusted accordingly.

Enterprise Reimbursements to the General Fund  
Table 2.9

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Recap	FY2025 Estimate	\$ Change
Sewer	465,865	507,526	500,948	476,616	475,000	(1,616)
Water	864,193	899,889	715,567	879,782	825,000	(54,782)
<b>Total</b>	<b>1,330,058</b>	<b>1,407,415</b>	<b>1,216,515</b>	<b>1,356,398</b>	<b>1,300,000</b>	<b>(56,398)</b>

FY2025 is the 14<sup>th</sup> operating budget that will include **CPA** supported debt service. The Town Hall financing plan calls for debt service paid by CPA funds to be \$351,600 which is a decrease of \$12,300 from FY2024. This is the sixth year that debt service related to the Rosemary Recreation Complex (RRC) project comes due. The amount payable during FY2024 is \$556,482 which is a decrease of \$18,249 from FY2024. The annual debt service will decline each year on the Town Hall and Rosemary Recreation Complex projects until they are paid off: Town Hall in 2031, and RRC in 2039. However, the Emery Grover project was approved by Town Meeting in May 2022 and is financed in part from CPA funded debt which will increase the annual debt expense. The amount for FY2025 is \$480,000 which is \$340,000 more than FY2024.

The total transfer for FY2025 is **\$1,388,082**, an increase of \$309,451, or approximately 28.7%. We reflect \$1,388,082 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 July 1, 2023 was \$4,665,099. 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 29, 2023 was \$1,169,616. The budget plan calls for an appropriation of \$68,743 to the Fund, which is the calculated share of the Park and Recreation receipts collected last year for this purpose. The FY2025 Capital Improvement Plan recommends **\$1,000,000** be transferred from the Fund to cover a portion of the appropriation for the High School tennis courts project.

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 29, 2023 was \$2,063,076. No appropriation to the Fund is planned for the 2024 Annual Town Meeting but there may be an appropriation 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 29, 2023 was \$1,617,038. No appropriation to the Fund is planned for the 2024 Annual Town Meeting but there may be an appropriation recommendation to the Fund at a Special Town Meeting.

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 29, 2023 was \$2,312,383. No appropriation to the Fund is planned for the 2024 Annual Town Meeting but there may be an appropriation recommendation to the Fund at a Special Town Meeting.

The Town also established a **Stormwater Stabilization Fund** for the purpose of reserving funds for future capital costs associated with compliance with the National Pollutant Discharge Elimination System (NPDES) program. The Town Meeting authorization for this fund allows 100% of the community stormwater mitigation assessments collected to be credited directly into the Fund. Use of the monies in the Fund may only happen, the same way as with all the other special stabilization funds, by appropriation. As of December 29, 2023, there have been no monies collected and the balance is zero. No appropriation to the Fund is necessary.

The Town also established an **Opioid Settlement Stabilization Fund**. As a result of a nationwide settlement with opioid distributors funds, the Town receives monies from the Commonwealth which are required to be used for programming and strategies for opioid use disorder prevention, harm reduction, treatment, and recovery. The Fund was authorized by Town Meeting in the same manner as the Stormwater Stabilization Fund which allows all opioid settlement payments to be credited directly to the Fund. Future expenditures out of the Fund are subject to appropriation by Town Meeting. The balance in the fund as of December 29, 2023 was \$115,125. No appropriation to the Fund is necessary.

Fiscal Year 2025 Proposed 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 service operation and sewer service operation. 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	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Estimate	\$ Change
Sewer Enterprise	9,521,834	8,405,195	9,458,052	8,984,010	8,900,000	(84,010)
Water Enterprise	7,452,180	6,085,833	7,495,694	6,808,673	6,900,000	91,327 0
<b>Total*</b>	<b>16,974,014</b>	<b>14,491,028</b>	<b>16,953,746</b>	<b>15,792,683</b>	<b>15,800,000</b>	<b>7,317</b>

\* Receipts before adjustments, reimbursements, and subsidies

The combination of the Sewer and Water Enterprise funds has total receipts at \$15,800,000 for FY2025 compared to the \$15,792,683 estimate for FY2024 (Table 2.10). This represents a slight increase of \$7,317 or approximately 0.05%. However, the MWRA sewer and water assessments have not been received, and therefore the plan level funds the assessments. Any change will be reflected by an adjustment to receipts.

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

Description	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Estimate	\$ Change
Sewer Enterprise	918,088	365,000	1,470,255	1,234,641	2,345,804	1,111,163
Water Enterprise	43,002	1,370,913	0	3,812,733	2,159,089	(1,653,644)
<b>Total</b>	<b>961,090</b>	<b>1,735,913</b>	<b>1,470,255</b>	<b>5,047,374</b>	<b>4,504,893</b>	<b>(542,481)</b>

The budget calls for the use of **\$2,345,804** of retained earnings and other available funds in Sewer Enterprise for a combination of funding the operating budget (\$745,804) and cash capital (\$1,600,000) for FY2025. The Water Enterprise budget calls for the use of **\$2,159,089** of retained earnings and other available funds for the operating budget (\$726,995), other financial warrant articles (\$75,000), and cash capital (\$1,357,094) for FY2025. Table 2.11 shows the total appropriated from enterprise reserves and other one-time funds since FY2021.

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

Fiscal Year 2025 Proposed Budget

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 is made from the General Fund to the Sewer Enterprise Fund Budget. The FY2025 budget recommendation is **\$776,019, a decrease of \$34,339 (4.2%) from the FY2024 funding of \$810,358**. Chart XI shows the payment made to the Sewer Enterprise Fund since FY2015. The FY2023 operating budget required a General Fund subsidy of \$52,323. The FY2024 operating budget did not require a subsidy, because sewer rates were increased on October 1, 2022 and again on July 1, 2023, but the operating budget did rely on retained earnings in order to cover all the operating expenses. The preliminary outlook for FY2025 also relies on retained earnings (\$745,804) to fund the budget, and will require another increase to the sewer rates in order to avoid a General Fund subsidy. The next rate change is anticipated to be effective July 1, 2024.

**Chart XI**  
General Fund Payment

Fiscal Year	Payment	Fiscal Year	Payment	Fiscal Year	Payment
2015	\$463,430	2018	\$491,749	2021	\$544,698
2016	\$494,488	2019	\$504,750	2022	\$526,368
2017	\$519,846	2020	\$530,467	2023	\$782,928

The **Water Enterprise Fund Budget** required a General Fund subsidy of \$284,721 for FY2023 as well as the use of retained earnings. The FY2024 operating budget had to be covered in part by retained earnings (\$500,000) but did not require a General Fund subsidy, and has repaid 50% of the FY2023 subsidy (\$143,361) to the General Fund. The FY2025 budget plan relies on Water retained earnings to fund a portion of the budget (\$726,995) but is not expected to require a General Fund subsidy. FY2024 thus far has been a wetter year, irrigation water use may be less, which could lower total receipts, especially since irrigation water is usually charged at a higher rate than water use through the domestic (primary) meter.

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 FY2024 have not been certified by the Department of Revenue as of the publication of this plan.

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 RTS retained earnings that were certified last year were closed out to the General Fund with the dissolution of the enterprise fund which contributed to the higher Free Cash certification last year. The decline in the Sewer retained earnings was due to a greater use to fund operations expenses in order not to raise rates last year. We anticipate a further decline in Sewer retained earnings. The Town’s use of Water retained earnings last year was limited in order to preserve the account balance and to prepare for funding several major capital projects coming for a vote in the next three years that will rely on retained earnings in order the reduce the amount that would otherwise be financed by debt.

Certified Retained Earnings  
Table 2.12

Fund	FY2020	FY2021	FY2022	FY2023
Recycling and Transfer Station	420,749	N.A.	N.A.	N.A.
Sewer Enterprise	2,097,365	1,745,424	3,088,415	1,510,094
Water Enterprise	4,134,675	4,737,743	5,382,804	6,035,459

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 FY2019 CPA surcharge revenue was 23.90%, which increased to a 28.63% match on its FY2020 surcharge revenue, followed by 43.84% match on the FY2021 surcharge revenue. The state match on the FY2022 revenue declined to 38.51% and declined to approximately 21% of the FY2023 revenue. The original estimate for the state match for the current year was \$1,131,787, a level dollar assumption, which was then lowered to \$1,096,787. The actual distribution thus far was \$656,397, a considerable decline which may result in a revenue gap for FY2024.

We believe the distribution range in FY2025 on the FY2024 revenue will be between 15% and 30% and our revenue estimate is at the lower end. The current estimate based on FY2024 collections that will be received as state matching funds in FY2025 is **\$578,615** or 18%. The 2% **CPA surcharge** on FY2025 property tax bills is currently estimated at **\$3,387,500**. The total estimated receipts for FY2025 are currently \$3,966,115.



**Town of Needham  
Community Preservation Fund  
Revenue and Appropriations  
FY2025**

**Community Preservation Fund Revenue Estimates**

Surcharge Revenue Estimate	3,387,500
State Trust Fund Distribution Estimate	578,615

Revenue Estimate	3,966,115
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**Community Preservation Fund Appropriation Estimates without Projects**

Town Hall Project Debt Service (GF Debt Budget)	351,600
Rosemary Recreation Complex Project (GF Debt Budget)	556,482
Emergy Grover (GF Debt Budget)	480,000
Community Preservation Committee Administrative Budget	82,000
Community Housing Reserve	872,545
Historic Resources Reserve	0
Open Space Reserve	436,273
Community Preservation Fund Reserve	1,187,215

Appropriation Estimates	3,966,115
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**Reserve Balances 12/31/2023**

Community Housing Reserve	3,649,749
Historic Resources Reserve	106,669
Open Space Reserve	2,401,894
FY2024 General Reserve*	1,749,706
CPA Free Cash*	<b>Pending</b>

Total Reserves	7,908,018
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**Specific Appropriation Requests**

DeFazio Fencing	417,000
High School Tennis Court (Requested Share) Project Cost \$2.6M	1,440,000
NHA Pre-Development Linden Chambers	5,500,000

Total Project Requests	7,357,000
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\*This a single year reserve, any unused balance closes out June 30, 2024.

The estimate provides for \$82,000 to be appropriated to the Community Preservation Committee's (CPC) administrative budget and \$436,273 to be credited to the Open Space Reserve. The \$436,273 figure is approximately 11% of the new revenue estimate for FY2025. 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 amount assumed to be credited to the Community Housing Reserve is \$872,545 or approximately 22%, which is in keeping with the recent practice of the CPC of setting aside more funds for housing. The FY2025 debt budget includes \$351,600 of debt service for the Town Hall project and \$556,482 of debt service for the Rosemary Recreation Complex. FY2025 also includes \$480,000 for debt service related to the Emery Grover project. The Town Hall project was previously designated as a historic preservation

## Fiscal Year 2025 Proposed Budget

project, and the portion of the Emery Grover project that is funded by CPA is also designated as a historic preservation project. The combined debt service for FY2025 for those two projects is \$831,600, which is more than our \$436,273 estimate to be reserved, so no appropriation from CPA receipts for Historic Resources is necessary. The balance of the CPA revenue estimate of \$1,187,215 would be transferred to the Community Preservation Fund General Reserve for FY2025. 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.

CPA Free Cash for FY2024 has not been certified as yet. After the amount has been determined and declared, the amount remains available for appropriation until June 30, 2024. The FY2024 CPA General Reserve has a balance of **\$1,749,706** and the funds remain available for appropriation until June 30, 2024 as well. The CPA Free Cash and General Reserve will close out to the CPA fund balance after the end of the FY2024 and will not become available for use in FY2025 until after the CPA Free Cash is certified for the year. The Community Preservation Committee (CPC) has not yet made any funding recommendations for FY2025.