

Town of Needham
General Fund
Revenue and Expense
FY2020 – FY2024 Pro Forma

Prepared September 25, 2018

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General Fund Revenue and Expense Pro Forma
FY2020 – FY2024

Overview

The purpose of developing the Pro Forma budget is to provide a resource to use for planning the upcoming fiscal year budget and to allow for early planning for the next several budget cycles. An underlying purpose of the Pro Forma is to anticipate and prepare contingency plans for the operation of the government and continuation of primary services and functions in a sustainable way. The annual update of the five-year Pro Forma is done to provide a tool that assists the Town in its planning and to allow for proactive steps to maintain a sustainable operation within reasonably anticipated revenues and other funding sources. Pro Forma expense amounts are not necessarily where department budgets will be or should be, but rather represent an outlook of expenses on a macro level, taking into consideration expected changes based on known (contractual obligations) and forecasted trends on major (key) expenditures, as compared to revenue trends. In the report last year, we had removed the cash capital program from the analysis, directing the reader to the Town's detailed five-year capital improvement program and hence focusing only on operational costs. However, due to the integral nature that capital investment plays on the Town's ability to deliver services, we have reincorporated the overviews of the cash capital program into this analysis, but still direct the reader to the more in-depth analysis the Town provides in the five-year plan for greater specificity in the Town's anticipated capital investment. The Pro Forma also includes a forecast of service demand improvements that are likely to be recommended by management and which have been discussed with policy-making boards and committees as priorities.

As in prior years, we forecast revenues and expenditures in a conservative manner, reflective of current and anticipated trends. Although each year the variance between the revenue estimates and expenditure estimates grows, the line of focus should be the incremental gap. Because the Town cannot approve a deficit budget (so the gap between revenue and expenses is closed every year), the deficit is not growing by the amount shown on Line I, but rather the gap of focus in each year is the incremental amount shown on Line II (see page 18). As with any forecast based on past trends and future assumptions, revenues and expenses are better known as we come into the actual year. It is important to note that, even in the best of recent economic climates, the Pro Forma budget reflected a gap between estimated

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revenues and expenditures.

In this analysis, we present the FY2019 budget as approved at the May 2018 Annual Town Meeting, current revenue estimates, the immediate four prior fiscal year final adjusted budgets (2018, 2017, 2016, and 2015), and a five year outlook. Effective with the FY2017 budget, we consolidated the General Fund appropriated expenses for electric and natural gas energy from the various department budgets, the solar electric generation costs, and municipal lighting expenses into a single program budget named Needham Electric, Light, and Gas Program (ELG) which was added to the Townwide Expense group. For the purposes of this analysis, we include those costs with the department budgets, not the Townwide group. This report also reflects the organizational change approved by the Board of Selectmen that moved the Public Facilities operations to the Department of Public Works as the Building Maintenance division. The budgets of FY2019 reflect the movement of the Public Facilities operations to DPW. Unless otherwise stated, the current FY2019 operating budget is the base year on which annual changes are calculated. For the purposes of this report, we have removed the debt exclusions and CPA debt service amounts that are part of the actual General Fund operating budget as they are budgetarily neutral.

The current FY2019 general fund operating budget stands at \$162,720,589, of which \$10,312,057 relates to CPA or excluded general fund debt service, resulting in a base budget of \$152,408,532. Of that amount, \$72,020,179 is appropriated directly to the Needham Public Schools and Minuteman Regional High School (approximately 47% of the total operating budget). Townwide expenses (exclusive of the Classification Performance and Settlements reserve (CPS) and ELG program) account for \$37,856,037 or approximately 25% of the total. The balance of \$42,532,316 is allocated amongst the 19 other Town department budgets (which include CPS and ELG amounts for this forecast). The department budgets fund administration and regulatory functions of local government, public safety and public health, maintenance and repair of public infrastructure including roadways and sidewalks, maintenance and operation of public buildings (including school buildings), facilities, parks and fields, human service programs for the young and old,

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veterans and disabled, promotion and protection of historical, cultural, and assessable resources, libraries and community resources. As much of what our departments provide is services, personnel costs are a major portion of the budget. Approximately 70.4% of the operating budget for municipal departments is related to personnel. When including the Needham Public Schools and Townwide expense budgets that are personnel-related, this share of the budget grows to 80.4%. Of the municipal departments, most of the non-personnel costs are in the Building Design and Construction Department, formerly Public Facilities Department (prior years), the Department of Public Works, and the ELG program, of which a significant portion are directly related to the support and operation of the Needham Public Schools.

The Town accounts for expenses under the Uniform Massachusetts Accounting System (UMAS) as directed by the Director of Accounts in the Department of Revenue (DOR) which is in accordance with Generally Accepted Accounting Principles (GAAP). The Town has the following expense types which may be further broken out in sub types, Building & Equipment Supplies, Communications, Custodial Supplies, Dues & Subscriptions, Educational Supplies, Energy, Food & Service Supplies, Governmental Charges, Grounds Keeping Supplies, Medical Supplies, Non Energy Utilities, Office Supplies, Other Property Related Expenses, Other Purchased Services, Other Supplies & Equipment, Out-of-District Tuition, Professional & Technical, Public Works Supplies, Recreation, Rental and Leases, Repairs and Maintenance, School Transportation, Travel, and Vehicular Supplies. In addition, the accounting system tracks regular, temporary, overtime, and other salary and wage expenses, as well as operating capital appropriations and Townwide expenses. In developing estimates for the Pro Forma, we look at average changes in actual expenditures over the three and five year periods, current contractual obligations, cost trends for budgetarily significant expense categories, overall economic trends, and local practices.

The estimated expenditure requests for FY2020 at \$165,281,597 are \$12,873,065 more than the operating budget approved at the 2018 Annual Town Meeting for FY2019. The two primary reasons for the significant increase in the

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estimate are 1) the incorporation of the solid waste operations that prior to FY2020 were accounted for in an enterprise fund, and 2) the implementation of full day kindergarten. The projected revenue figure is \$176,573,001 compared to \$172,414,620 estimated for FY2019 - an increase of \$4,158,381. The gap between estimated revenue and estimated expenditures for FY2020 is \$2,585,644. The incremental gap between estimated revenue and expenditures in each of the out years fluctuates but is in the negative for each of the years. Many other costs are in keeping with prior assumptions, but some come with a higher expense growth rate than before, based on the Town's actual spending.

Revenues

As in prior reports, we have assumed no operating overrides for any of the future fiscal years. As stated earlier, because we have removed the excluded debt and CPA debt service from the expenditure side, we have also removed the debt-excluded revenue and MSBA payments, if any, and Community Preservation Act funds from the revenue projections, as they are offsetting. We have adjusted the FY2019 revenue budget for the purposes of this report, based on anticipated additional new growth identified by the Assessing department which is likely to be a funding source for a planned Special Town Meeting in the fall. Total available for expenditure (see page 20) is estimated to increase between 2.4% and 3.7% each year. However, core revenue (property taxes, state aid, and local receipts), most of which is considered recurring revenue, runs higher between 3.7% and 5.2% over the FY2020 – FY2024 timeframe (see page 18), which is comparable to prior estimates. General Fund recurring revenue is estimated at 4.4% for FY2020, then at 5.2% for FY2021, and then 3.7% for FY2022, FY2023, and FY2024.

Property Taxes

We have assumed no operating overrides in this analysis. We anticipate higher New Growth tax revenue in 2020 and 2021, a significant amount coming from the continuing expansion in Needham Crossing, and a recognition of the 75% portion of the New Growth property tax revenue for the TripAdvisor building, which was part of a Tax Incremental Financing (TIF) agreement and becomes available to the Town by FY2021. NBC Universal entered into a TIF plan with

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the Town which delays the recognition of a portion of the New Growth tax revenue that is expected from their development in Needham Crossing. The first four years of the plan has 70% of the new growth tax revenue exempted, which drops to 5% in year five and then to just 1% for the final five years of the ten year plan. We have also assumed an increase of \$450,000 in personal property tax from NBC Universal in FY2020, and another \$150,000 in FY2021. Previously, the assumption was \$600,000 would be generated all in FY2020, but the construction project started later than anticipated. As reported in the past several forecasts, Needham's residential market remains strong, and allows us to keep an assumed minimum increase in new growth of 1.5% over the previous year tax levy. We assume an increase in property tax revenue for FY2020 with the inclusion of the new personal property revenue from NBC increase of 4.8% over the prior year levy, increasing to 5.0% in FY2021 with the recapture of the TripAdvisor new growth tax, then growth of 4.1% in FY2022, with 4.0% assumed for FY2023 and FY2024. All years are higher than assumed in the previous report.

State Aid

No changes in the assumptions for state aid have been made from that which was noted in the report last year. We continue to forecast a one percent annual reduction in all state aid accounts for each of the five years except for two of the major state aid programs. Chapter 70, which is the greatest percent of the overall aid from the Commonwealth for Needham, is assumed to be level dollar in FY2020 and increase by one percent in FY2021. Over the three remaining years we assume level dollar for FY2022 and an increase of one percent for FY2023 and level dollar for FY2024. Although growth in state lottery revenue has slowed in the last couple years, the first casino has opened in Massachusetts and within the next two years another casino is scheduled to open. Therefore we have continued our assumption that Unrestricted General Government Aid (UGGA) will increase by two and one half percent each year from FY2020 to FY2024. As stated before, this growth factor in the out years is based on the assumption that the State will not divert lottery funds from the municipalities. We believe that the Legislature would not want the cities and towns to see less UGGA revenue if lottery revenue declines due to casinos opening in the Commonwealth, and therefore we

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anticipate that any shortfall in such revenue would be supplemented by the State from another funding source.

Because all Massachusetts School Building Authority (MSBA) funds that the Town receives are used to offset the excluded debt service, and since we have removed excluded debt expense from the Pro Forma, we have not included the remaining MSBA payments in this analysis.

Local Receipts

The Town plans on a certain level of recurring Free Cash, so our practice is to estimate receipts, principally local receipts, in such a manner as to generate surplus to provide for the following year's Free Cash estimate. We expanded our previous assumption that all local receipts will increase by three percent. However, we have assumed no income from Medicaid reimbursements for FY2019 and held that assumption going forward. Previously we assumed that Medicaid would decline by 20% per year as concerns about Federal Government funding mount. Guidance from the Commonwealth weighed on our decision not to estimate Medicaid revenue for the coming year. We continued our assumption that park and recreation receipts will increase above the three percent growth rate, and have assumed an additional \$40,000 for FY2020. We have reduced the motor vehicle excise revenue estimate for FY2019 by \$192,500 from the estimate at the 2018 Annual Town Meeting but maintained the three percent annual growth assumption for the out years. With the incorporation of the solid waste and recycling activities from the enterprise fund to the general fund, we have assumed an increase of \$965,000 in trash receipts beginning in FY2021.

Other Revenues

We continue to assume that abatement and exemption activity will remain predictable, and have made allowances that \$1,000,000 in overlay surplus should be available for appropriation each year – an increase of \$250,000 over the assumption in the report last year. We do not anticipate a firm Free Cash figure until the fall, but early indications for 2019 Free Cash (to be appropriated for FY2020) are between \$9.0 and \$11.0 million. For the purpose of this Pro Forma,

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we have assumed Free Cash will be \$10,000,000, which is approximately the average amount Free Cash appropriated for the budget years FY2017 – FY2019. For FY2021 we have assumed Free Cash of \$8,000,000, which is approximately the average amount Free Cash appropriated for the budget years FY2015 – FY2019. The Free Cash estimate is then increased annually by an assumed growth rate of four percent. We continue to emphasize that Free Cash in excess of the operating budget allocation will be used for increased capital investment or reserved in the capital funds for ongoing future needs. This strategy reduces the Town’s dependence on reserves to fund recurring operating expenses, and/or to fund other non-operating costs. We have also assumed that a transfer of \$2,500,000 from the Athletic Facility Improvement Fund to fund a large capital project in FY2020 will occur. We have made no assumption of additional transfers from any other the stabilization funds.

Consumer Price Index - All Urban Consumers (Northeast)	
Calendar Year	Annual Index
2012	245.70
2013	249.04
2014	252.46
2015	252.19
2016	254.85
2017	259.54
2013	1.36%
2014	1.38%
2015	-0.11%
2016	1.06%
2017	1.84%
Five Year Average	1.10%
Three Year Average	0.93%

Expenditures

The FY2019 original budget is the base year on which the out year estimates are calculated (see pages 21-26). With respect to department expenditures, we assume a 4.10% increase in total wage and salary expenses for FY2020 for most functions, which is higher than the estimates in the report last year. We also have amended our assumption from last year that annual wage and salary growth for police and fire departments will be 4.5% per year which compares to the four percent assumption for FY2020 and beyond in the report last year. We continue to assume that school wages will increase by 4.5% for FY2020 and beyond, except where otherwise noted. Furthermore, other than as outlined below, all expense budget lines are assumed at a 1.10% annual increase, consistent with the average change in the consumer price

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index (Northeast Index of all urban consumers) over the past five full calendar years (2013 – 2017). This factor is 0.03% lower than the five year average used last year. As with the decrease in the prior reports this decrease in the CPI average was affected by the much lower energy prices over the past 12 to 24 months which has been reflected in the costs of goods and services. The trend of an ever lower inflation rate seems to be reversing. The inflation rate for CY2017 was 1.84% which compares to 1.06% for CY2016, and a decline in the rate for CY2015 of -0.11%. However, we use this index in consideration of the fact that the marketplace in which the Town purchases goods and services extends beyond the local Boston Metropolitan area, and this index is therefore more reflective of the mix of vendors from which the Town purchases. The calculated average with the same index in the prior five years was: 1.13%, 1.52%, 1.94%, 1.67%, and 2.20%, respectively. The 1.10% rate is the lowest average the Town has relied upon for forecasting in many years. There are several notable expenditure categories which are part of multiple department budgets and have been growing at a much greater rate and/or are more volatile than expenses in general, or are a significant portion of certain budgets which merit extra analysis. They include energy, repairs and maintenance services for buildings, equipment, and vehicles, software and technology, professional and technical services, and other property related services, all of concern in prior reports.

Facility Focused Changes

The Town usually incurs additional expenses, when a facility is added, expanded, or significantly altered, for the operation and maintenance of the facility itself. When a new building is opened, the programs operating in the new facility may or may not change, and changes in program costs are not specifically driven by the new facility. But the maintenance of the facility is driven by the change. Therefore, we have estimated the additional budgetary costs for each facility identified for funding or have already been funded. To the extent that expanded programs result solely because of the new facility, as identified by the related department(s), estimates of those costs have been incorporated into the analysis. We have also incorporated into the Pro Forma operating cost estimates to the various budgets for the Memorial Park field house building and the Williams elementary school now under construction and the new Public Works

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seasonal storage facility approved by the Town in May 2018. There will also be increased operating costs for the proposed new Fire Station #2 and the new Police/Fire Public Safety Complex.

Costs for maintenance have been derived using a square foot approach that is based on the total gross area of the building maintained, including corridors, offices, and common space. Costs include personnel and related benefits, property insurance, outside contracts, utilities, gas, electricity, trash collection/disposal, and equipment and supplies for custodial, maintenance, and grounds. Outside contracts include expense for those hired for specialized jobs to maintain or repair building systems or equipment. The cost assumptions for the facilities were based on a study published by American School and University that identified the national average costs for school facilities. Those rates were increased by the change in the CPI, and adjusted by 9% to reflect the higher costs in the Northeast over other areas of the country. Personnel costs are based on Needham's wage schedules and cost of benefits.

The Williams School is anticipated to open in the fall of 2019 (FY2020). The new Memorial Park building is assumed to open in summer of 2019 (FY2020); and the new seasonal storage facility is projected to open in FY2020. Fire Station #2 is assumed to open in FY2021; and the new Police/Fire Public Safety Complex is projected to open in phases with the new Fire Station operating in FY2022 and the Police Station in FY2023. Increased expenses have been assumed in energy, benefits and insurance, fire, police, and public works (which includes the building maintenance division). The new elementary school is expected to require two additional custodians to clean and maintain the building, and three additional traffic supervisors in the Police Department. There will be increased costs for building insurance, and building and grounds expenses. The new DPW storage facility is expected to increase building and some grounds expenses; no additional staff is necessary. An increase for building insurance is expected. The reconstruction of Fire Station #2 will necessitate an additional custodian, and increased building and grounds expenses as well as building insurance. The public safety complex is projected to require an additional 1.5 FTE custodial staff, increased building and liability insurance, and property and grounds maintenance expenses. The Memorial Park building will also require daily custodial

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assistance beginning in FY2020. All new facilities are expected to increase the Town's energy costs. The increased expenses for three of the facilities – the Williams School, Fire Station #2, and the Public Safety Buildings are net of amounts currently budgeted for those existing or related facilities. The forecast assumes that 75% of the existing maintenance budget for the Hillside School will transfer to the new school – the balance is reserved for the current building. The DPW storage facility is new, and no current budget is allocated for such a facility, hence the estimate has no offset. The projected costs associated with the new facilities will occur over five or more fiscal years. This additional cost by function is shown in the attached tables (see page 27).

Service Delivery Demand Focused Changes

We have also incorporated in the Pro Forma operating cost estimates for increased demands on resources and services and expanded services anticipated to be delivered over the next five years; chiefly in the areas of public safety and education. The commercial development in Town has brought new life to Needham Crossing and area business districts. Long-awaited and significant infrastructure improvements by the Commonwealth and joint efforts by the City of Newton and the Town are currently underway and have helped to make this growth possible. The Town has realized increased revenues of a recurring nature, but development understandably has also brought added demands on Town services. Commercial sector growth has particularly impacted public works and public safety services, and residential growth has impacted education and human services. Over the next five years, we anticipate adding police officers, and fully-staffing a second ambulance. The projected municipal personnel costs are based on Needham's wage rates and benefit costs; the costs associated with implementing full day kindergarten are based on a memo prepared by the Director of Financial Operations for Needham Schools that was revised in December 2015. The additional cost by function is shown in the attached tables (see page 28).

Townwide Expenses

The assumption for the general insurance budget is the same as last year, a general increase of 3.5% per year, plus the

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new facilities. This budget also reflects additional increases for new and renovated facilities anticipated to open over the next five years. Debt service within the levy limit is maintained at approximately 3% of general core revenue.

Group health insurance, employee benefits and administrative costs is the largest of the Townwide budgets. The most significant portion of this budget is health insurance. Health insurance and related costs continue to be a challenge and most of our prior assumptions still hold true. The Town has adopted Benchmark Health Plans to replace the Rate Saver Health Plans, and now offers Qualified High Deductible Health plans. However, with medical inflation projected to continue to be higher than most expenses, we continue to rely on the medical inflation assumption used by the actuary in the most recent OPEB actuarial update. This report assumes a 7.0% increase for FY2020, 6.5% for FY2021, 6.0% for FY2022, 5.5% for FY2023, and for FY2024 we assume a 5.0% increase. This budget is also increased to reflect the estimated increased benefit costs for added staff projected to be hired based on increased service demands, new programs (e.g., full day kindergarten), and the opening of new facilities. The increases in the cost of health care also impact the cost of retiree health care and the OPEB assessment.

With respect to retiree health insurance and other post-employment benefit costs (OPEB), we have relied upon the June 30, 2017 actuarial schedule. The Town continues its efforts to reduce the return assumption to meet the future obligations in a moderate manner.

The retirement assessment is based on an actuarial funding schedule. The Contributory Retirement System has continued to lower its rate of return assumption, most recently from 7.50% to 7.25%. The budget for the retirement assessment for FY2019 is \$7,934,482 and FY2020 is \$8,688,258, an increase of 9.5%. The Retirement System is required to update its actuarial assessment of its unfunded liability at least once every three years. We anticipate the assessment will increase sharply again and therefore have assumed a nine and half percent increase for the annual assessment for FY2020 and the out years. The system is still projected to be fully funded in 2030.

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The Workers Compensation budget, which also funds the injured on duty expenses related to public safety personnel, has been estimated at 3.5% per year, and the Classification Performance and Settlements reserve is assumed at the general annual increase of 4.1%.

The Reserve Fund allowance is based on the same approach that was introduced in the 2012 Pro Forma. The formula assumes a reserve fund of 1.4% of the estimated operating budget, excluding debt, OPEB, and retirement. Those three budgets are excluded from the calculation because they are known amounts each budget year and therefore a call on the reserve fund from these programs should not be expected. The formula provides for a reserve fund at a level similar to recent budgets.

Energy and Fuel Costs

The Town has made a concerted investment in energy efficiency, but with a greater number of facilities, more technology, greater emphasis on building comfort and air quality (air handlers, air conditioning, and heating), the unavoidable year-to-year seasonal variation, and price unpredictability have made it harder to forecast. Even minor changes in the rate estimates will have evident impact on the operating budget.

The past few years, the Town has benefitted from the decrease in prices for gasoline, diesel fuel, and heating oil. However, this trend is not likely to continue, as prices have been on an upward track during 2018. This will place added pressure on Town resources. Gasoline and diesel prices have been at some of the lowest levels in several years, but prices are now increasing, and we anticipate higher costs in the coming years. Price changes with these expenses can have a major impact on the Town's operating budget flexibility and our ability to pay for other expenses. We assume a 10% increase in the budgets for fuel in FY2020, but then assume a two percent increase in the out years.

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The Town has favorable contract pricing for electric and natural gas supply, but the regulated portions of the services continue in flux. There continues to be congestion issues with the natural gas supply that have kept prices higher for New England compared to the rest of the country. Nonetheless, we have maintained our growth rate assumption for natural gas expenses at 2.0% as was assumed last year. We also assume electricity will grow at 2.0% per year, the same as last year. We have also factored in increased costs for electric and natural gas for the new facilities that are assumed to open over the four year period.

Building and Equipment Repairs and Maintenance

Not including Townwide Expenses and the Minuteman assessments, the combination of repair and maintenance and other property related services expenses accounted for more than 15% of total actual expenditures over the four year time period (FY2014 – FY2017) for which we have completed data. Most of the expenses are unavoidable, and if the work is not done, in order to save money in the short run or due to lack of funds, higher and more frequent and expensive capital improvements become necessary, as well as a greater chance of loss of use of an asset because of disrepair. The Town has invested much into its facilities over the past 15 years, enlarged several buildings, reopened a school, and added two new buildings. An increased level of repair and maintenance of the buildings is to be expected. We assume these repair and maintenance expenses will continue to grow and have increased our assumption of the annual growth rate at 4.5% plus costs connected to the new facilities. The budgets which include an allowance for repairs and maintenance are the Town Clerk (FY2019 budgeted amount for these expenses is \$4,350); Finance Department (\$24,200); Police Department (\$24,400); Fire Department (\$10,848); Public Works including building maintenance (\$684,304); Library (\$4,807); and Park and Recreation (\$16,000).

Other property related services, including expenses such as outside service contracts for cleaning two school buildings and several park facilities, pest control of all facilities, road repair work, and field maintenance, have increased at an average of 9.5% for the same four year period as was relied upon for repairs and maintenance. We have maintained

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our assumption last year that the annual increase will be 5.9% for each of the five years. The budgets impacted by this assumption include, Public Works including building maintenance (the FY2019 amount allocated is \$1,693,827), and Park and Recreation (\$16,000).

Professional and Technical Services

In addition to the staff, the Town and Public Schools depend on various outside consultants and businesses for professional and technical services in rendering services to the general public. Some firms provide direct services to residents and businesses, whereas other firms provide subject matter expertise to Town and School departments or to Town Boards and Committees. Nearly 11% of total actual expenditures for the four year period, excluding SPED and training, have been spent on professional and technical services. For the purposes of this Pro Forma, but excluding SPED and software-related expenses, we assume this expense will grow at 4.25% per year. The department budgets impacted by this assumption include, Board of Selectmen (FY2019 budgeted amount for these expenses is \$90,100); Town Clerk (\$17,200); Finance Department (\$256,513); Finance Committee (\$850); Planning and Community Development (\$5,700); Police Department (\$15,100); Fire Department (\$42,958); Building Department (\$25,231); School Department (\$428,345); Public Works and building maintenance (\$281,234); Building Design and Construction Department (\$6,200); Health and Human Services Department (\$128,870); and Park and Recreation (\$1,950). We have assumed the amount budgeted for software under professional and technical services will increase at 5.0%, which is .5% higher than that was assumed last year. The department budgets impacted by this assumption include, Board of Selectmen (FY2019 budgeted amount for these expenses is \$700); Finance Department (\$426,495); School Department (\$16,623); Public Works and building maintenance (\$37,450); Health and Human Services Department (\$4,660); and the Public Library (\$71,611). The professional and technical service expense related to Town Counsel services budgeted at \$250,000 for FY2019 is assumed to increase at a rate of three percent per year.

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Public Schools

The School Department salary and wage expenses have usually grown faster and at higher rates than most Town departments. In some years, salary growth in the School Department has been higher due to additional services funded by an operating override or attributed to increased head count and/or hours. However, the trend may not be able to continue without increased revenues far above what is customary. As stated at the opening of this update, we have not assumed an operating override in forecasting operating expenses, and therefore do not assume increases in staff, except as noted for the implementation of full day kindergarten. For the purpose of this Pro Forma we have assumed a 4.5% increase in the personnel expenses for FY2020 and in the out years, the same as the assumption in the report last year. As assumed in the previous Pro Forma, SPED tuition costs continue to be a challenge, which is reflected in the budgeted reduction for SPED from \$3,522,184 in FY2014 to \$2,665,396 in FY2015 only to be increased again to \$3,261,020 for FY2016, then to \$3,899,596 for FY2017 and FY2018 had a final budget of \$4,258,027. The School Department has allocated significantly less for FY2019 SPED costs at \$3,591,869. Uncertainties and great fluctuations in the number of students and tuitions are a concern, but we maintained our SPED cost assumption of a 4.5% increase for FY2020 and 4.5% for the out years. As mentioned previously, repairs and maintenance is assumed at 4.5% per year and Professional and Technical services other than SPED and training is assumed at 4.25% per year. We have maintained our assumption that school transportation costs will grow at 4% per year. The School Department budgeted \$1,936,424 for transportation in FY2019. All other expenses are projected at a 1.10% increase annually.

The Minuteman School assessment fluctuates significantly year to year, because the assessment is a factor of the Department of Education's net school spending calculation, the number of students attending from Needham, and the percentage that the Needham student enrollment bears to the total enrollment. For the purposes of this Pro Forma, we have assumed a 7% growth rate in the assessment. In addition we have incorporated in the analysis an increase in the assessment for debt service for the new school to be built. The amount added for debt is based on information provided by the District this summer. The FY2019 budget is \$914,236; the FY2018 budget was \$806,252; the FY2017 budget

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was \$766,061, FY2016 was \$623,614, and FY2015 was \$893,211. The FY2020 assumption for the assessment, including debt service is \$1,249,274.

Other Appropriations and Expenditures

We have maintained our formula approach on the amount of Free Cash that may be used to offset the operating budget to be an amount not more than 2.0% of the prior year's appropriated operating budget, excluding the Reserve Fund, or the actual turn back, whichever is lower. However, reducing reliance on Free Cash (even on the portion that we have a high degree of confidence will be available from year to year) is considered a credit enhancement, and provides an added source of security against an unexpected drop in revenue. The balance of Free Cash is directed to cash capital investment or reserved for future capital investment.

With the dissolution of the RTS enterprise effective for FY2020, there is no longer a need to transfer funds from the General Fund to subsidize that enterprise. We have assumed the drains program expense will increase by three percent per year; the payment in FY2019 was \$504,750, an increase from the FY2018 amount of \$491,749. The three percent assumption is the same as last year. The total for other financial warrant articles is assumed to increase at an annual rate of three and half percent per year from an assumed base of \$1,140,000 for FY2020, which is the average for the most recent four year period (FY2016 – FY2019) which includes the maintenance program. The major ongoing annual expense in this category is the public facilities maintenance program article. The amount appropriated for the program for FY2019 was \$625,000, for FY2018 was \$610,000, and for FY2017 was \$590,000. We have also assumed that a minimum appropriation to the Athletic Facility Improvement Fund will be made each year (FY2019 was \$63,378) based on revenue contributed by the Park and Recreation Department by fees assessed to users of the facilities which are deposited to the General Fund. The amount is assumed to increase by four percent per year. We have made no assumption of other contributions to the other special stabilization funds. The annual allowance to the provision for abatements and exemptions reserve is estimated at \$2,500,000 for FY2020 which increases at two and half percent

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annually. We have assumed an approximate annual increase for State and County assessments of 1.7% and assume \$55,000 for other tax recap requirements for FY2020 which is then increased approximately by 1.8% per year thereafter.

End.

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Five Year Pro Forma - Excluding Debt Exclusions
FY2020 - FY2024

Description	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	Revised 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
General Fund										
Property Tax Revenue*	106,751,910	113,216,581	118,902,927	125,518,802	132,953,499	139,386,406	146,392,084	152,350,242	158,444,252	164,782,022
State Aid*	9,966,189	10,116,618	10,468,210	11,025,399	11,299,243	11,349,940	11,495,649	11,548,489	11,697,338	11,752,438
Local Receipts*	8,136,500	8,410,500	9,681,380	10,415,500	10,985,500	11,355,065	12,660,717	13,040,538	13,431,755	13,834,707
Other Revenues and Sources	692,500	1,337,800	1,487,212	3,246,000	1,070,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Free Cash & Reserves	4,152,348	5,931,875	6,190,372	13,204,990	15,153,378	12,500,000	8,000,000	8,320,000	8,652,800	8,998,912
Reimbursements	1,696,408	1,341,813	1,375,433	1,537,682	953,000	981,590	1,011,038	1,041,369	1,072,610	1,104,788
Total	131,395,855	140,355,187	148,105,534	164,948,373	172,414,620	176,573,001	180,559,488	187,300,638	194,298,755	201,472,867
*Core Revenue	124,854,599	131,743,699	139,052,517	146,959,701	155,238,242	162,091,411	170,548,450	176,939,270	183,573,345	190,369,167
Core Revenue Change	7.1%	5.5%	5.5%	5.7%	5.6%	4.4%	5.2%	3.7%	3.7%	3.7%
Appropriations and Other Commitments										
Operating Budget	121,704,112	129,236,419	137,264,263	144,972,212	152,408,532	165,281,597	173,481,208	181,862,859	190,409,771	199,045,508
Special Financial Articles	53,805	972,500	1,039,138	1,185,000	1,349,300	1,140,000	1,179,900	1,221,197	1,263,938	1,308,176
Capital Funded by Cash	2,667,260	2,752,911	3,031,117	9,326,467	11,155,289	8,186,850	5,394,657	4,135,000	4,235,000	4,340,000
Appropriated to Other Funds	2,356,636	3,042,430	3,566,605	5,251,164	4,046,541	585,806	604,039	622,846	642,244	662,253
Other Obligations & Adjustments	4,614,042	4,350,927	3,204,411	4,213,530	3,454,959	3,964,392	4,051,972	4,141,544	4,233,154	4,326,850
Total	131,395,855	140,355,187	148,105,534	164,948,373	172,414,621	179,158,645	184,711,776	191,983,444	200,784,107	209,682,786
I Surplus/(Deficit)	0	0	0	(0)	(1)	(2,585,644)	(4,152,288)	(4,682,806)	(6,485,353)	(8,209,919)
II Incremental Gap							(1,566,644)	(530,518)	(1,802,547)	(1,724,567)

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions**

General Fund Revenue

Description	Final Budget 2015	Final Budget 2016	Final Budget 2017	Final Budget 2018	Revised 2019	Pro Forma 2020	Pro Forma 2021	Pro Forma 2022	Pro Forma 2023	Pro Forma 2024
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018		September 25, 2018	September 25, 2018	September 25, 2018	September 25, 2018	September 25, 2018
Real & Personal Property Tax										
Real & Personal Property Tax w/o Exclusions	105,203,500	113,216,581	118,902,927	125,518,802	132,953,499	139,386,406	146,392,084	152,350,242	158,444,252	164,782,022
General Override	1,548,410									
SUBTOTAL	106,751,910	113,216,581	118,902,927	125,518,802	132,953,499	139,386,406	146,392,084	152,350,242	158,444,252	164,782,022
State Aid										
State Aid for Education	8,276,905	8,376,469	8,675,729	9,172,575	9,401,889	9,408,777	9,509,551	9,516,302	9,617,880	9,624,496
State Aid For General Government	1,689,284	1,740,149	1,792,481	1,852,824	1,897,354	1,941,163	1,986,098	2,032,187	2,079,459	2,127,942
SBA/MSBA Programs										
SUBTOTAL	9,966,189	10,116,618	10,468,210	11,025,399	11,299,243	11,349,940	11,495,649	11,548,489	11,697,338	11,752,438
Local Receipts										
Motor Vehicle Excise	3,925,000	4,085,000	4,400,000	4,750,000	4,900,000	5,047,000	5,198,410	5,354,362	5,514,993	5,680,443
Licenses & Permits	1,427,700	1,430,000	1,529,385	1,545,000	1,750,000	1,802,500	1,856,575	1,912,272	1,969,640	2,028,730
Investment Income	67,500	67,500	67,500	80,000	125,000	128,750	132,613	136,591	140,689	144,909
Other Local Receipts	2,716,300	2,828,000	3,684,495	4,040,500	4,210,500	4,376,815	5,473,119	5,637,313	5,806,432	5,980,625
SUBTOTAL	8,136,500	8,410,500	9,681,380	10,415,500	10,985,500	11,355,065	12,660,717	13,040,538	13,431,755	13,834,707
CORE Revenue	124,854,599	131,743,699	139,052,517	146,959,701	155,238,242	162,091,411	170,548,450	176,939,270	183,573,345	190,369,167
Other Revenues and Sources										
Overlay Surplus	652,500	885,195	1,085,916	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Parking Meter Receipts	40,000	65,000	70,000							
Unexpended Articles and Other Sources		387,605	331,296	246,000	70,000					
SUBTOTAL	692,500	1,337,800	1,487,212	3,246,000	1,070,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Free Cash & Reserves										
Athletic Facility Improvement Fund					1,855,000	2,500,000				
Capital Improvement Fund										
Capital Facility Fund				1,817,000						
Free Cash	4,152,348	5,931,875	6,190,372	11,387,990	13,298,378	10,000,000	8,000,000	8,320,000	8,652,800	8,998,912
SUBTOTAL	4,152,348	5,931,875	6,190,372	13,204,990	15,153,378	12,500,000	8,000,000	8,320,000	8,652,800	8,998,912
Total General Fund Revenue	129,699,447	139,013,374	146,730,101	163,410,691	171,461,620	175,591,411	179,548,450	186,259,270	193,226,145	200,368,079

General Fund
Five Year Pro Forma - Excluding Debt Exclusions

General Fund Revenue

Description	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	Revised 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
Reimbursements										
Reimbursements due from Other Funds	1,696,408	1,341,813	1,375,433	1,537,682	953,000	981,590	1,011,038	1,041,369	1,072,610	1,104,788
Available for Expenditure	131,395,855	140,355,187	148,105,534	164,948,373	172,414,620	176,573,001	180,559,488	187,300,638	194,298,755	201,472,867
Percent Change	3.1%	6.8%	5.5%	11.4%	4.5%	2.4%	2.3%	3.7%	3.7%	3.7%

General Fund
Five Year Pro Forma - Excluding Debt Exclusions

Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
Townwide (excluding ELG Program)	27,625,776	30,219,132	32,349,312	35,462,691	38,383,127	41,438,853	44,207,505	46,935,533	49,760,953	52,584,938
Board of Selectmen & Town Manager	824,899	896,835	880,131	994,152	1,027,225	1,067,656	1,109,730	1,153,515	1,199,082	1,246,503
Town Clerk and Board of Registrars	360,377	366,834	404,665	382,149	433,133	433,650	466,438	452,168	501,823	521,243
Town Counsel	327,584	329,422	329,442	329,442	329,442	339,061	348,962	359,154	369,645	380,445
Personnel Board	15,000	15,000	15,000							
Finance Department	2,511,808	2,561,047	2,652,281	2,737,296	2,929,689	3,140,365	3,265,075	3,395,009	3,530,392	3,671,455
Finance Committee	33,687	35,225	36,983	37,879	38,768	40,345	41,986	43,694	45,473	47,324
Planning and Community Development	436,068	491,954	522,538	547,210	561,423	583,664	606,808	630,893	655,958	682,041
Police Department	6,062,776	6,244,476	6,502,837	6,617,576	6,815,401	7,229,681	7,698,450	8,032,441	8,381,262	8,745,578
Fire Department	7,080,020	7,215,713	7,519,528	7,935,850	8,164,583	9,164,200	9,564,767	9,983,214	10,420,343	10,876,994
Building Department	584,326	610,070	705,770	745,518	756,753	786,923	818,323	851,001	885,011	920,407
Minuteman Assessment	893,211	654,134	766,061	806,252	914,236	1,249,274	1,308,404	1,544,678	1,653,101	1,731,885
Needham Public Schools	57,961,288	61,480,687	65,189,914	68,350,083	71,105,943	75,275,216	78,511,848	81,892,142	85,422,527	89,109,721
Building Design and Construction Department	8,071,939	8,681,080	6,349,762	6,721,562	507,856	528,289	549,555	571,689	594,727	618,705
Electric, Light and Gas Program	221,153	254,951	3,462,195	3,558,040	3,586,259	3,753,804	3,891,472	4,035,526	4,138,310	4,221,076
Department of Public Works	5,231,027	5,453,328	5,720,266	5,784,704	12,466,886	15,692,720	16,361,058	17,071,497	17,753,357	18,394,756
Municipal Parking Program	71,445	97,730	99,864	103,905	106,382	107,552	108,735	109,931	111,141	112,363
Health and Human Services	1,315,045	1,436,095	1,557,082	1,704,104	1,861,734	1,932,581	2,005,783	2,081,927	2,161,133	2,243,526
Commission on Disabilities	2,050	2,050	2,050	2,050	2,050	2,118	2,188	2,261	2,336	2,415
Historical Commission	1,050	1,050	1,050	1,050	1,050	1,062	1,073	1,085	1,097	1,109
Needham Public Library	1,475,200	1,578,602	1,594,282	1,661,160	1,755,909	1,827,228	1,897,900	1,971,390	2,047,813	2,127,288
Park & Recreation Department	597,633	610,254	602,500	488,789	659,932	686,598	714,383	743,335	773,504	804,943
Memorial Park	750	750	750	750	750	758	767	775	784	792
Department Budgets (including ELG)	94,078,336	99,017,287	104,914,951	109,509,521	114,025,404	123,842,744	129,273,703	134,927,326	140,648,818	146,460,570
General Fund Operating Budget without Excluded and CPA Debt	121,704,112	129,236,419	137,264,263	144,972,212	152,408,531	165,281,597	173,481,208	181,862,859	190,409,771	199,045,508
Change for Prior Year	5.5%	6.2%	6.2%	5.6%	5.1%	8.4%	5.0%	4.8%	4.7%	4.5%

General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
General Government	4,509,423	4,696,317	4,841,040	5,028,128	5,319,680	5,604,740	5,838,998	6,034,435	6,302,373	6,549,011
Change from Prior Year	3.3%	4.1%	3.1%	3.9%	5.8%	5.4%	4.2%	3.3%	4.4%	3.9%
Public Safety	13,727,122	14,070,259	14,728,135	15,298,944	15,736,737	17,180,805	18,081,539	18,866,655	19,686,616	20,542,979
Change from Prior Year	5.4%	2.5%	4.7%	3.9%	2.9%	9.2%	5.2%	4.3%	4.3%	4.3%
Education	58,854,499	62,134,821	65,955,975	69,156,335	72,020,179	76,524,489	79,820,252	83,436,820	87,075,628	90,841,606
Change from Prior Year	7.5%	5.6%	6.1%	4.9%	4.1%	6.3%	4.3%	4.5%	4.4%	4.3%
Public Works and Facilities (includes EGL Program)	13,595,564	14,487,089	15,632,087	16,168,211	16,667,383	20,082,365	20,910,820	21,788,643	22,597,534	23,346,901
Change from Prior Year	2.1%	6.6%	7.9%	3.4%	3.1%	20.5%	4.1%	4.2%	3.7%	3.3%
Community Services	3,391,728	3,628,801	3,757,714	3,857,903	4,281,425	4,450,344	4,622,094	4,800,773	4,986,667	5,180,073
Change from Prior Year	6.6%	7.0%	3.6%	2.7%	11.0%	3.9%	3.9%	3.9%	3.9%	3.9%
Townwide Expense Group (excludes ELG Program)	27,625,776	30,219,132	32,349,312	35,462,691	38,383,127	41,438,853	44,207,505	46,935,533	49,760,953	52,584,938
Change from Prior Year	3.3%	9.4%	7.0%	9.6%	8.2%	8.0%	6.7%	6.2%	6.0%	5.7%

General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
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Townwide Expense Budgets

Casualty, Liability, Property & Self Insurance Program	542,000	560,000	582,400	606,200	626,790	689,128	731,547	783,971	829,290	858,315
General Fund Debt Service within the Levy Limit*	3,760,097	4,139,883	4,030,070	4,362,022	4,592,445	4,862,742	5,116,454	5,308,178	5,507,200	5,711,075
Group Health Insurance, Employee Benefits & Administrative Costs	10,298,872	11,770,207	13,220,510	14,429,197	15,256,471	17,040,752	18,252,992	19,381,806	20,506,287	21,531,601
Electric, Light & Gas Program (ELG Program)	221,153	254,951	3,462,195	3,558,040	3,586,259	3,753,804	3,891,472	4,035,526	4,138,310	4,221,076
Other Post Employment Benefits	5,140,198	5,336,302	5,568,923	6,115,455	6,906,705	6,906,705	7,200,240	7,506,250	7,825,266	8,157,840
Retirement Assessments	5,656,200	6,185,312	6,724,500	7,332,277	7,934,482	8,688,258	9,513,643	10,417,439	11,407,096	12,490,770
Workers Compensation	586,252	609,702	634,090	656,283	679,253	703,027	727,633	753,100	779,458	806,739
Classification Performance & Settlements		92,959	134,443	148,657	527,090	548,701	571,197	594,617	618,996	644,375
Reserve Fund	1,642,157	1,524,767	1,454,376	1,812,600	1,859,891	1,999,541	2,093,799	2,190,171	2,287,360	2,384,222

Total	27,846,929	30,474,083	35,811,507	39,020,731	41,969,386	45,192,658	48,098,977	50,971,059	53,899,263	56,806,014
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Board of Selectmen & Town Manager										
Salary & Wages	715,158	785,523	762,789	856,073	875,526	911,423	948,791	987,691	1,028,187	1,070,342
Expenses	109,741	111,312	117,342	138,079	151,699	156,233	160,939	165,824	170,895	176,161
Capital										
Total	824,899	896,835	880,131	994,152	1,027,225	1,067,656	1,109,730	1,153,515	1,199,082	1,246,503

Town Clerk & Board of Registrars										
Salary & Wages	312,927	321,314	351,915	333,734	373,098	372,265	403,658	387,948	436,114	453,994
Expenses	47,450	45,520	52,750	48,415	60,035	61,385	62,780	64,221	65,710	67,249
Capital										
Total	360,377	366,834	404,665	382,149	433,133	433,650	466,438	452,168	501,823	521,243

General Fund
Five Year Pro Forma - Excluding Debt Exclusions

Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
Town Counsel										
Salary & Wages	73,584	75,422	75,442	75,442	75,442	77,517	79,648	81,839	84,089	86,402
Expenses	254,000	254,000	254,000	254,000	254,000	261,544	269,313	277,315	285,556	294,043
Total	327,584	329,422	329,442	329,442	329,442	339,061	348,962	359,154	369,645	380,445
Personnel Board										
Salary & Wages		15,000								
Expenses	15,000		15,000							
Total	15,000	15,000	15,000							
Finance Department										
Salary & Wages	1,690,829	1,709,311	1,759,051	1,833,197	1,905,197	2,075,442	2,160,535	2,249,117	2,341,331	2,437,326
Expenses	783,479	813,261	824,755	835,624	949,492	987,973	1,025,589	1,064,889	1,105,951	1,148,860
Capital	37,500	38,475	68,475	68,475	75,000	76,950	78,951	81,003	83,110	85,270
Total	2,511,808	2,561,047	2,652,281	2,737,296	2,929,689	3,140,365	3,265,075	3,395,009	3,530,392	3,671,455
Finance Committee										
Salary & Wages	32,462	34,000	35,733	36,629	37,448	38,983	40,582	42,246	43,978	45,781
Expenses	1,225	1,225	1,250	1,250	1,320	1,361	1,404	1,449	1,495	1,543
Total	33,687	35,225	36,983	37,879	38,768	40,345	41,986	43,694	45,473	47,324
Planning and Community Development										
Salary & Wages	407,750	463,636	493,930	517,082	529,523	551,233	573,834	597,361	621,853	647,349
Expenses	28,318	28,318	28,608	30,128	31,900	32,430	32,974	33,532	34,105	34,692
Total	436,068	491,954	522,538	547,210	561,423	583,664	606,808	630,893	655,958	682,041
Police Department										
Salary & Wages	5,581,122	5,765,222	5,967,300	6,139,368	6,350,537	6,747,662	7,201,815	7,525,897	7,864,562	8,218,467
Expenses	306,930	312,290	306,635	304,090	311,290	324,452	334,971	340,677	346,521	352,506
Capital	174,724	166,964	228,902	174,118	153,574	157,567	161,664	165,867	170,179	174,604
Total	6,062,776	6,244,476	6,502,837	6,617,576	6,815,401	7,229,681	7,698,450	8,032,441	8,381,262	8,745,578
Fire Department										
Salary & Wages	6,758,282	6,894,466	7,173,457	7,552,956	7,763,983	8,721,370	9,113,832	9,523,954	9,952,532	10,400,396
Expenses	288,907	300,936	322,236	352,248	376,822	418,434	425,905	433,578	441,462	449,564
Capital	32,831	20,311	23,835	30,646	23,778	24,396	25,031	25,681	26,349	27,034
Total	7,080,020	7,215,713	7,519,528	7,935,850	8,164,583	9,164,200	9,564,767	9,983,214	10,420,343	10,876,994

**General Fund
Five Year Pro Forma - Excluding Debt Exclusions**

Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
Building Department										
Salary & Wages	553,286	579,030	654,730	694,478	701,713	730,483	760,433	791,611	824,067	857,854
Expenses	31,040	31,040	51,040	51,040	55,040	56,440	57,890	59,390	60,944	62,553
Total	584,326	610,070	705,770	745,518	756,753	786,923	818,323	851,001	885,011	920,407
Minuteman Assessment										
Assessment	893,211	654,134	766,061	806,252	914,236	1,249,274	1,308,404	1,544,678	1,653,101	1,731,885
Total	893,211	654,134	766,061	806,252	914,236	1,249,274	1,308,404	1,544,678	1,653,101	1,731,885
Needham Public Schools										
Total	57,961,288	61,480,687	65,189,914	68,350,083	71,105,943	75,275,216	78,511,848	81,892,142	85,422,527	89,109,721
Building Design and Construction										
Salary & Wages	3,472,871	3,652,434	3,787,885	3,974,832	488,361	508,384	529,228	550,926	573,514	597,028
Expenses	4,599,068	5,028,646	2,561,877	2,746,730	19,495	19,905	20,327	20,763	21,213	21,677
Total	8,071,939	8,681,080	6,349,762	6,721,562	507,856	528,289	549,555	571,689	594,727	618,705
Department of Public Works										
Salary & Wages	3,339,322	3,483,097	3,611,038	3,733,133	7,482,721	8,712,612	9,131,833	9,570,102	9,988,960	10,398,507
Expenses	1,485,421	1,548,231	1,662,389	1,597,235	4,537,940	6,437,441	6,679,175	6,943,837	7,199,204	7,423,291
Capital	6,284	18,000	38,800	42,216	29,993	122,273	125,452	128,714	132,060	135,494
Other	400,000	404,000	408,039	412,120	416,232	420,394	424,598	428,844	433,133	437,464
Total	5,231,027	5,453,328	5,720,266	5,784,704	12,466,886	15,692,720	16,361,058	17,071,497	17,753,357	18,394,756
Municipal Parking Program										
Other	71,445	97,730	99,864	103,905	106,382	107,552	108,735	109,931	111,141	112,363
Total	71,445	97,730	99,864	103,905	106,382	107,552	108,735	109,931	111,141	112,363
Health and Human Services Department										
Salary & Wages	1,073,830	1,152,753	1,301,022	1,401,261	1,519,748	1,582,058	1,646,922	1,714,446	1,784,738	1,857,912
Expenses	241,215	283,342	256,060	302,843	341,986	350,523	358,861	367,481	376,395	385,614
Total	1,315,045	1,436,095	1,557,082	1,704,104	1,861,734	1,932,581	2,005,783	2,081,927	2,161,133	2,243,526
Commission on Disabilities										
Salary & Wages	1,500	1,500	1,500	1,500	1,500	1,562	1,626	1,692	1,762	1,834
Expenses	550	550	550	550	550	556	562	568	575	581
Total	2,050	2,050	2,050	2,050	2,050	2,118	2,188	2,261	2,336	2,415

General Fund
Five Year Pro Forma - Excluding Debt Exclusions
Operating Budget

	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
Historical Commission										
Salary & Wages										
Expenses	1,050	1,050	1,050	1,050	1,050	1,062	1,073	1,085	1,097	1,109
Total	1,050	1,050	1,050	1,050	1,050	1,062	1,073	1,085	1,097	1,109
Needham Public Library										
Salary & Wages	1,156,157	1,250,534	1,265,264	1,312,846	1,397,232	1,458,012	1,517,790	1,580,019	1,644,800	1,712,237
Expenses	319,043	328,068	329,018	348,314	358,677	369,217	380,110	391,371	403,013	415,051
Total	1,475,200	1,578,602	1,594,282	1,661,160	1,755,909	1,827,228	1,897,900	1,971,390	2,047,813	2,127,288
Park & Recreation Department										
Salary & Wages	483,633	496,254	498,000	391,972	575,332	598,921	623,476	649,039	675,649	703,351
Expenses	114,000	114,000	104,500	96,817	84,600	87,678	90,907	94,297	97,855	101,591
Capital										
Total	597,633	610,254	602,500	488,789	659,932	686,598	714,383	743,335	773,504	804,943
Memorial Park										
Salary & Wages										
Expenses	750	750	750	750	750	758	767	775	784	792
Total	750	750	750	750	750	758	767	775	784	792
Department Budget Total	93,857,183	98,762,336	101,452,756	105,951,481	110,439,145	120,088,939	125,382,231	130,891,800	136,510,508	142,239,494
Total Operating Budget	121,704,112	129,236,419	137,264,263	144,972,212	152,408,531	165,281,597	173,481,208	181,862,859	190,409,771	199,045,508

**General Fund
Five Year Pro Forma
Facility Focused Changes**

Group	FY2020 Amount DPW Storage, Memorial Park, & Williams School	FTE	FY2021 Amount Fire Station #2	FTE	FY2022 Amount Public Safety Complex	FTE	FY2023 Amount Public Safety Complex Police	FTE
Benefits and Related Costs	82,599		32,684		33,635		23,994	
Other Expenses	40,400		18,300		26,820		17,880	
Townwide Expenses	122,999		50,984		60,455		41,874	
Salary & Wages	38,991							
Expenses	657							
Operating Capital								
Public Safety	39,648							
Salary & Wages	121,185	2.5	62,004	1.0	63,864	1.0	26,484	0.5
Expenses	311,052		109,830		127,038		62,618	
Operating Capital								
Facilities and Infrastructure	432,237	2.5	171,834	1.0	190,902	1.0	89,102	0.5
Total	594,884	2.5	222,818	1.0	251,357	1.0	130,976	0.5
Personnel and Benefits	242,775	2.5	94,688	1.0	97,499	1.0	50,478	0.5
Expenses	352,109		128,130		153,858		80,498	
Operating Capital								
Total	594,884	2.5	222,818	1.0	251,357	1.0	130,976	0.5

**General Fund
Five Year Pro Forma
Service Demand Focused Changes**

Group	FY2020 Amount	FTE	FY2021 Amount	FTE	FY2022 Amount	FTE	FY2023 Amount	FTE
Benefits and Related Costs Other Expenses	633,729		71,907				34,487	
Townwide Expenses	633,729		71,907				34,487	
Salary & Wages Expenses Operating Capital	92,132 2,500	1.0						
General Government	94,632	1.0						
Salary & Wages Expenses Operating Capital	680,368 34,500	9.0	150,508 5,000	2.0				
Public Safety	714,868	9.0	155,508	2.0				
Salary & Wages Expenses Operating Capital	1,039,986 75,771	19.5						
Education	1,115,757	19.5						
Salary & Wages Expenses Operating Capital							87,824 1,000	1.0
Facilities and Infrastructure							88,824	1.0
Total	2,558,986	29.5	227,415	2.0			123,311	1.0
Personnel and Benefits Expenses Operating Capital	2,446,215 112,771	29.5	222,415 5,000	2.0			122,311 1,000	1.0
Total	2,558,986	29.5	227,415	2.0			123,311	1.0

**General Fund
Five Year Pro Forma
Other Expenditures**

Description	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
<u>Other Financial Warrant Articles</u>										
Federal Grant Match N2	5,000									
Unpaid Bill of Prior Year			5,916							
Matching Funds N2 Innovation District				20,000						
Memorial Park Landscape Improvements		20,000								
At Grade Crossing Study		35,000								
Blue Tree Replacement	35,000									
Environmental Assessment of Needham Land				35,000						
Planning Consultants		45,000								
Senior Corps		15,000	15,000	15,000	15,000					
Full-Day Kindergarten Space Study				50,000						
Fire Pre-Planning Inspection Program			55,000							
Emergency Preparedness			70,000							
Classification and Compensation Study				80,000						
Eliot School Traffic Safety Improvements			90,000							
Property Tax Assistance Program	13,805	27,500	13,222	25,000	25,000					
Sidewalk Needs Assessment		100,000								
Town-Owned Land Surveys				100,000	100,000					
OPEB Funding		160,000								
NPDES Permit Development			200,000							
Fleet Refurbishment				250,000						
Public Facilities Maintenance Program		570,000	590,000	610,000	625,000					
Timeclocks					81,000					
RTS Efficiency Study					100,000					
Project Management					203,300					
Building Maintenance Study					100,000					
Pedestrian Safety Initiative					100,000					
Special Purpose Articles	53,805	972,500	1,039,138	1,185,000	1,349,300	1,140,000	1,179,900	1,221,197	1,263,938	1,308,176

**General Fund
Five Year Pro Forma
Other Expenditures**

Description	Final Budget 2015 June 30, 2015	Final Budget 2016 June 30, 2016	Final Budget 2017 June 30, 2017	Final Budget 2018 June 30, 2018	ATM Budget 2019	Pro Forma 2020 September 25, 2018	Pro Forma 2021 September 25, 2018	Pro Forma 2022 September 25, 2018	Pro Forma 2023 September 25, 2018	Pro Forma 2024 September 25, 2018
General Fund Cash Capital	2,467,260	1,941,411	1,491,117	1,895,467	4,651,789	7,875,067	4,999,657	3,856,695	3,118,354	
General Fund Cash Capital Supplemental		208,000	1,290,000	5,368,000	280,000					
Other Cash Capital	200,000	603,500	250,000	2,063,000	6,223,500			4,968	851,662	4,028,000
RTS Capital						311,783	395,000	273,337	264,984	312,000
Capital Funded by Cash	2,667,260	2,752,911	3,031,117	9,326,467	11,155,289	8,186,850	5,394,657	4,135,000	4,235,000	4,340,000
RTS Enterprise Fund	1,492,270	1,420,000	1,420,000	1,462,500	1,520,000					
Sewer Enterprise Fund (Drains Program)	823,671	569,430	519,846	491,749	504,750	519,893	535,489	551,554	568,101	585,144
Stabilization Funds										
Capital Improvement Funds	40,695	1,053,000	693,978	2,205,041	2,021,791	65,913	68,550	71,292	74,143	77,109
Debt Service Stabilization Fund			932,781	1,091,874						
Appropriated to Other Funds	2,356,636	3,042,430	3,566,605	5,251,164	4,046,541	585,806	604,039	622,846	642,244	662,253
Total Other Appropriations	5,077,701	6,767,841	7,636,860	15,762,631	16,551,130	9,912,656	7,178,596	5,979,042	6,141,182	6,310,429
Amounts to be Raised										
Tax Title	12,500	12,500	12,500	12,500	12,500					
Cherry Sheet Offsets	69,235	37,255	36,585	37,239	38,170					
Tax Recap Requirements	81,735	49,755	49,085	49,739	50,670	55,000	55,979	56,975	57,990	59,022
State and County Assessments	\$1,274,075	\$1,291,397	\$1,299,850	\$1,351,898	\$1,385,697	\$1,409,392	\$1,433,493	\$1,458,006	\$1,482,938	\$1,508,296
Total Non-Appropriated Expenses	\$1,355,810	\$1,341,152	\$1,348,935	\$1,401,637	\$1,436,367	\$1,464,392	\$1,489,472	\$1,514,981	\$1,540,927	\$1,567,318
Provisions for Abatement and Exemptions	\$3,258,232	\$3,009,775	\$1,855,476	\$2,811,893	\$2,018,592	\$2,500,000	\$2,562,500	\$2,626,563	\$2,692,227	\$2,759,532
Other Amounts to be Provided	\$4,614,042	\$4,350,927	\$3,204,411	\$4,213,530	\$3,454,959	\$3,964,392	\$4,051,972	\$4,141,544	\$4,233,154	\$4,326,850

General Fund
Change in Salary and Wage Accounts
FY2013 - FY2018

	2013		2014		2015		2016		2017		2018	
Board of Selectmen	669,819	3.1%	691,474	3.2%	715,158	3.4%	785,523	9.8%	762,789	-2.9%	856,073	12.2%
Town Clerk	296,301	5.2%	282,647	-4.6%	312,927	10.7%	321,314	2.7%	351,915	9.5%	333,734	-5.2%
Town Counsel	70,039	2.0%	71,790	2.5%	73,584	2.5%	75,422	2.5%	75,442	0.0%	75,442	
Personnel Board	600		600			-100.0%	15,000			-100.0%		
Finance Department	1,600,620	14.4%	1,637,963	2.3%	1,690,829	3.2%	1,709,311	1.1%	1,759,051	2.9%	1,833,197	4.2%
Finance Committee	30,289	6.2%	31,668	4.6%	32,462	2.5%	34,000	4.7%	35,733	5.1%	36,629	2.5%
Planning and Community Development	363,475	4.6%	389,725	7.2%	407,750	4.6%	463,636	13.7%	493,930	6.5%	517,082	4.7%
Municipal Administration	3,031,143	9.2%	3,105,867	2.5%	3,232,710	4.1%	3,404,206	5.3%	3,478,860	2.2%	3,652,157	5.0%
Police Department	4,959,157	2.0%	5,175,845	4.4%	5,581,122	7.8%	5,765,222	3.3%	5,967,300	3.5%	6,139,368	2.9%
Fire Department	6,249,767	2.5%	6,581,793	5.3%	6,758,282	2.7%	6,894,466	2.0%	7,173,457	4.0%	7,552,956	5.3%
Building Department	460,619	3.9%	528,614	14.8%	553,286	4.7%	579,030	4.7%	654,730	13.1%	694,478	6.1%
Public Safety	11,669,543	2.3%	12,286,252	5.3%	12,892,690	4.9%	13,238,718	2.7%	13,795,487	4.2%	14,386,802	4.3%
Public Works (General Fund Only)	3,109,481	2.0%	3,207,178	3.1%	3,339,322	4.1%	3,483,097	4.3%	3,611,038	3.7%	3,733,133	3.4%
Building Design and Construction	3,227,402	4.5%	3,407,208	5.6%	3,472,871	1.9%	3,652,434	5.2%	3,787,885	3.7%	3,974,832	4.9%
Health and Human Services	912,469	2.8%	973,773	6.7%	1,073,830	10.3%	1,152,753	7.3%	1,301,022	12.9%	1,401,261	7.7%
Commission on Disabilities					1,500		1,500		1,500		1,500	
Public Library	1,071,967	-0.5%	1,103,803	3.0%	1,156,157	4.7%	1,250,534	8.2%	1,265,264	1.2%	1,312,846	3.8%
Park & Recreation Department	453,499	2.3%	468,456	3.3%	483,633	3.2%	496,254	2.6%	498,000	0.4%	439,510	-11.7%
Community Services	2,437,935	1.3%	2,546,032	4.4%	2,715,120	6.6%	2,901,041	6.8%	3,065,786	5.7%	3,155,117	2.9%
1) Town Departments (including enterprise employees)	26,059,820	3.1%	27,199,186	4.4%	28,423,877	4.5%	29,512,339	3.8%	30,660,480	3.9%	31,906,086	4.1%
2) School Department	43,903,789	7.3%	46,455,864	5.8%	49,856,876	7.3%	53,277,248	6.9%	55,095,622	3.4%	57,959,764	5.2%
3) Total Salary and Wage (1+2)	69,963,609	5.7%	73,655,050	5.3%	78,280,753	6.3%	82,789,587	5.8%	85,756,102	3.6%	89,865,850	4.8%
Department of Public Works (Including Enterprise Employees)	5,693,797	1.6%	5,853,827	2.8%	6,110,486	4.4%	6,315,940	3.4%	6,532,462	3.4%	6,737,178	3.1%

**Town of Needham
General Fund
Five Year Pro Forma
Energy Prices**

Year	Regular Unleaded Gasoline Per Gallon - Boston Area			Fuel Oil #2 - Northeast			Electricity per kWh - Northeast				
	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price		
2013	\$3.491	0.7%	\$3.50	\$3.529	1.6%	\$3.69	\$0.164	1.23%	\$0.17		
2014	\$3.637	4.2%	\$3.37	\$3.746	6.1%	\$3.68	\$0.171	4.27%	\$0.17		
2015	\$2.691	-26.0%	\$2.34	\$2.722	-27.3%	\$2.59	\$0.178	4.09%	\$0.17		
2016	\$2.259	-16.1%	\$2.08	\$2.125	-21.9%	\$2.09	\$0.166	-6.74%	\$0.17		
2017	\$2.242	-0.8%	\$2.36	\$2.262	6.4%	\$2.42	\$0.175	5.42%	\$0.17		
2018	\$2.895	29.1%	NA	\$3.144	39.0%	NA	\$0.167	-4.57%	NA		
Average of the Annual % Change (Five Years)			-1.90%	Average of the Annual % Change (Five Years)			0.46%	Average of the Annual % Change (Five Years)			0.49%
Average of the Annual % Change (Three Years)			4.11%	Average of the Annual % Change (Three Years)			7.84%	Average of the Annual % Change (Three Years)			-1.96%
June 2018 Average Price % Change from June 2014			-20.40%	June 2018 Average Price % Change from June 2014			-16.07%	June 2018 Average Price % Change from June 2014			-2.34%
June 2018 Average Price % Change from June 2016			28.15%	June 2018 Average Price % Change from June 2016			47.95%	June 2018 Average Price % Change from June 2016			0.60%

Note CPI revised June 2016 Prices

Year	Natural Gas Per Therm - Northeast			Automotive Diesel Fuel Per Gallon			
	June Average Price	One Year % Change	Calendar Year Average Price	June Average Price	One Year % Change	Calendar Year Average Price	
2013	\$1.153	9.60%	\$1.15	\$3.912	-1.91%	\$4.02	
2014	\$1.139	-1.21%	\$1.15	\$4.085	4.42%	\$3.99	
2015	\$0.964	-15.36%	\$0.99	\$3.098	-24.16%	\$2.94	
2016	\$0.964		\$0.98	\$2.490	-19.63%	\$2.41	
2017	\$1.114	15.56%	\$1.11	\$2.650	6.43%	\$2.76	
2018	\$1.134	1.80%	NA	\$3.270	23.40%	NA	
Average of the Annual % Change (Five Years)			0.16%	Average of the Annual % Change (Five Years)			-1.91%
Average of the Annual % Change (Three Years)			5.79%	Average of the Annual % Change (Three Years)			3.40%
June 2018 Average Price % Change from June 2014			-0.44%	June 2018 Average Price % Change from June 2014			-19.95%
June 2018 Average Price % Change from June 2016			17.63%	June 2018 Average Price % Change from June 2016			31.33%