



TOTAL REVENUE

Total revenue for FY2013 is projected at \$124,186,075, an increase of \$3,640,297, or 3%.

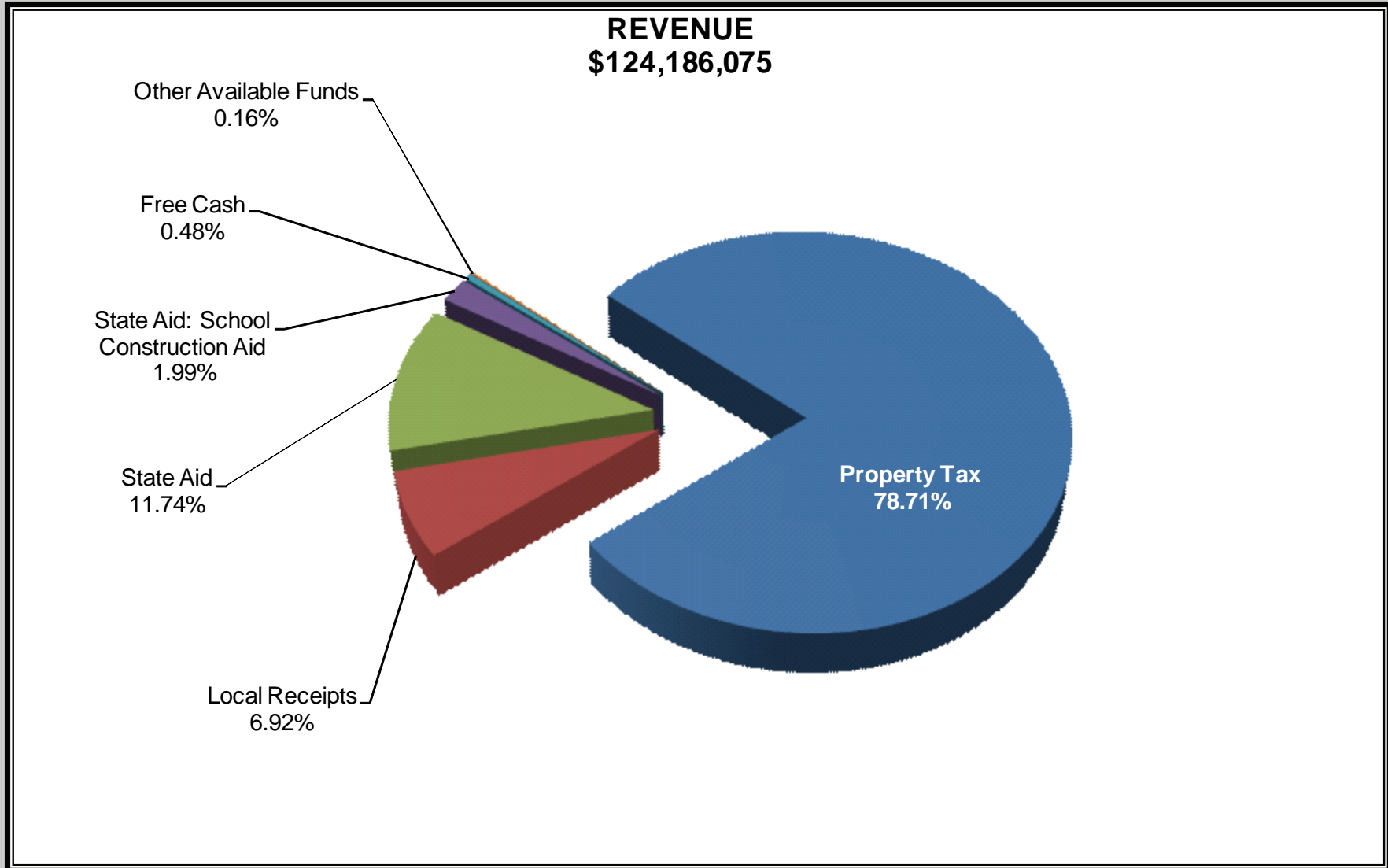
The property tax levy is projected to increase \$2,744,317, or 2.9%. This includes the normal 2.5% increase plus \$450,000 in new growth.

Local receipts are projected to decrease \$320,000 due primarily to the phase out of Medicare Part D reimbursements from the federal government.

Based upon the Governor's proposed budget, state aid is projected to increase \$1,097,436, or 6.9%. Governor Patrick has proposed a \$145 million increase in Chapter 70 School Aid and level-funding for General Government Aid. Because Arlington's foundation budget is increasing 5% and it has reached its maximum required municipal contribution, under the Chapter 70 formula the State picks up the difference between Arlington's maximum municipal contribution and its foundation budget. This required the unusually large increase of \$1,222,363 in Chapter 70 school aid. Overall FY2013 state aid, as proposed by the Governor, will increase \$1,097,436 to a total of \$17,049,264. This total is inclusive of \$2,474,796 in school construction aid.

A total of \$600,000 in free cash is proposed to be used, which is an increase of \$118,544 from FY2012. Other Available Funds include only \$200,000 in surplus tax abatement overlay funds, the same amount as was used last year.

REVENUE SOURCE	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Tax Levy	83,471,036	85,958,974	95,002,494	97,746,811	2,744,317
Local Receipts	8,653,173	9,238,654	8,910,000	8,590,000	(320,000)
State Aid	16,914,050	16,597,530	15,951,828	17,049,264	1,097,436
Free Cash	1,497,907	582,051	481,456	600,000	118,544
Other Available Funds	3,242,376	2,080,000	200,000	200,000	-
Total	113,778,542	114,457,209	120,545,778	124,186,075	3,640,297





Total General Fund Revenues

	<u>FY04 Actual</u>	<u>FY05 Actual</u>	<u>FY06 Actual</u>	<u>FY07 Actual</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Budget</u>
Tax Levy*	58,706,143	60,616,241	68,050,315	71,185,238	73,220,264	75,352,894	77,877,924	80,365,862	89,409,382	92,153,699
Local Receipts	7,801,881	8,437,095	8,834,256	9,188,329	9,024,278	8,715,308	8,653,173	9,238,654	8,910,000	8,590,000
State Aid**	13,945,694	14,046,847	14,790,887	15,600,746	15,972,745	15,568,470	14,382,965	14,066,445	13,420,743	14,574,468
Free Cash	1,774,342	1,414,803	1,614,155	1,939,695	954,736	2,191,622	1,497,907	582,050	481,456	600,000
Other Available Funds	500,000	500,000	400,000	400,000	500,000	500,000	3,242,376	2,080,000	200,000	200,000
Total	82,728,060	85,014,986	93,689,613	98,314,008	99,672,023	102,328,294	105,654,345	106,333,011	112,421,581	116,118,167

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<u>FY04 Actual</u>	<u>FY05 Actual</u>	<u>FY06 Actual</u>	<u>FY07 Actual</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Budget</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>FY13 Budget</u>
Tax Levy	1,975,947	1,910,098	7,434,074	3,134,923	2,035,026	2,132,630	2,525,030	2,487,938	9,043,520	2,744,317
Local Receipts	15,895	635,214	397,161	354,073	(164,051)	(308,970)	(62,135)	585,481	(328,654)	(320,000)
State Aid	(2,829,822)	101,153	744,040	809,859	371,999	(404,275)	(1,185,505)	(316,520)	(645,702)	1,153,725
Free Cash	(992,943)	(359,539)	199,352	325,540	(984,959)	1,236,886	(693,715)	(915,857)	(100,594)	118,544
Other Available Funds	0	0	(100,000)	0	100,000	0	2,742,376	(1,162,376)	(1,880,000)	0
Total	(1,830,923)	2,286,926	8,674,627	4,624,395	1,358,015	2,656,271	3,326,051	678,666	6,088,570	3,696,586
Percent Increase	-2.2%	2.8%	10.2%	4.9%	1.4%	2.7%	3.3%	0.6%	5.7%	3.3%

Percent of Total Revenue

	<u>FY04 Actual</u>	<u>FY05 Actual</u>	<u>FY06 Actual</u>	<u>FY07 Actual</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Budget</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>FY13 Budget</u>
Tax Levy	71.0%	71.3%	72.6%	72.4%	73.5%	73.6%	73.7%	75.6%	79.5%	79.4%
Local Receipts	9.4%	9.9%	9.4%	9.3%	9.1%	8.5%	8.2%	8.7%	7.9%	7.4%
State Aid	16.9%	16.5%	15.8%	15.9%	16.0%	15.2%	13.6%	13.2%	11.9%	12.6%
Free Cash	2.1%	1.7%	1.7%	2.0%	1.0%	2.1%	1.4%	0.5%	0.4%	0.5%
Other Available Funds	0.6%	0.6%	0.4%	0.4%	0.5%	0.5%	3.1%	2.0%	0.2%	0.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



PROPERTY TAX LEVY

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 79% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington's non-manufacturing businesses. State law mandates that communities update their property values every three years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY2010. Under the Provisions of Proposition 2 ½, property taxes, in the aggregate, may not exceed 2 ½% of their "full and fair cash value." This limit is known as the "levy ceiling." Annual levy increases may not exceed 2 ½% of the previous year's levy plus the taxes added from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2 ½ override or debt exclusion amounts voted are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

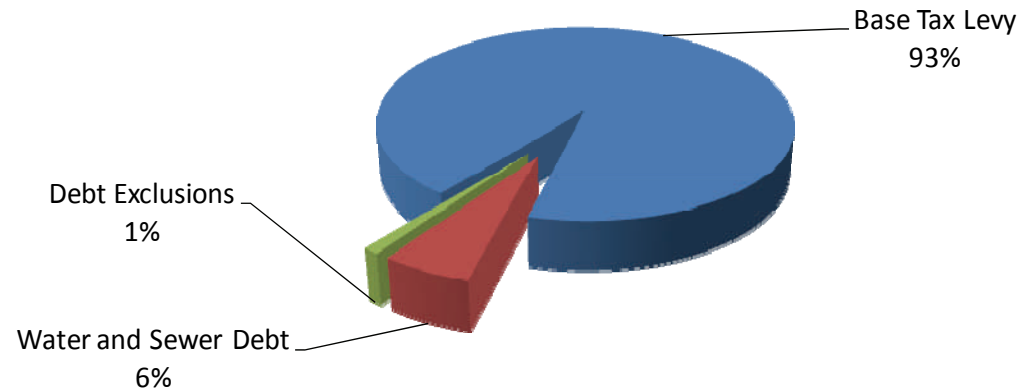
Property values and new growth for FY2013 are preliminary estimates used to project the levy limit. The FY2012 levy limit was \$88,442,215. The 2 ½% increase allowed for FY2013 is \$2,211,055. New growth from construction not previously on the tax rolls is expected to add \$450,000 to the FY2013 levy. An additional \$1,050,429 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2 ½ debt exclusion overrides. This added debt exclusion amount is net of state reimbursements estimated at \$1,615,937. For the first time in FY2012, debt service for the Symmes Urban Renewal project was added to the tax levy. In a few years, after the project is built and tax revenues start coming in, the debt will no longer be added to the tax levy.

The Town has accepted the provisions of Chapter 110, whereby water and sewer debt costs are transferred to the real estate taxes. At the present time, the only water and sewer debt is from the MWRA. The Board of Selectmen voted to freeze the amount of MWRA debt shift at the FY2007 amount of \$5,593,112. Based on the above, the FY2013 tax levy is projected to total \$97,746,811 representing an increase of \$2,744,317 (2.9%) over the FY2012 levy.

PROPERTY TAX LEVY	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Base Tax Levy	76,852,379	79,419,992	81,930,096	91,103,270	9,173,174
General Override	-	-	6,490,000	-	(6,490,000)
Debt Exclusion Overrides					
Brackett School	230,340	212,646	188,605	167,209	(21,395)
Hardy School	107,394	88,063	42,934	53,045	10,111
Bishop School	97,628	83,548	67,227	51,842	(15,386)
Peirce School	274,144	253,394	67,399	178,238	110,839
Dallin School	316,039	308,219	315,991	300,095	(15,896)
Symmes Debt			307,130	300,000	(7,130)
Sub-total Debt Exclusions	1,025,545	945,870	989,286	1,050,429	61,143
Water and Sewer Debt	5,593,112	5,593,112	5,593,112	5,593,112	-
Total	83,471,036	85,958,974	95,002,494	97,746,811	2,744,317



PROPERTY TAX

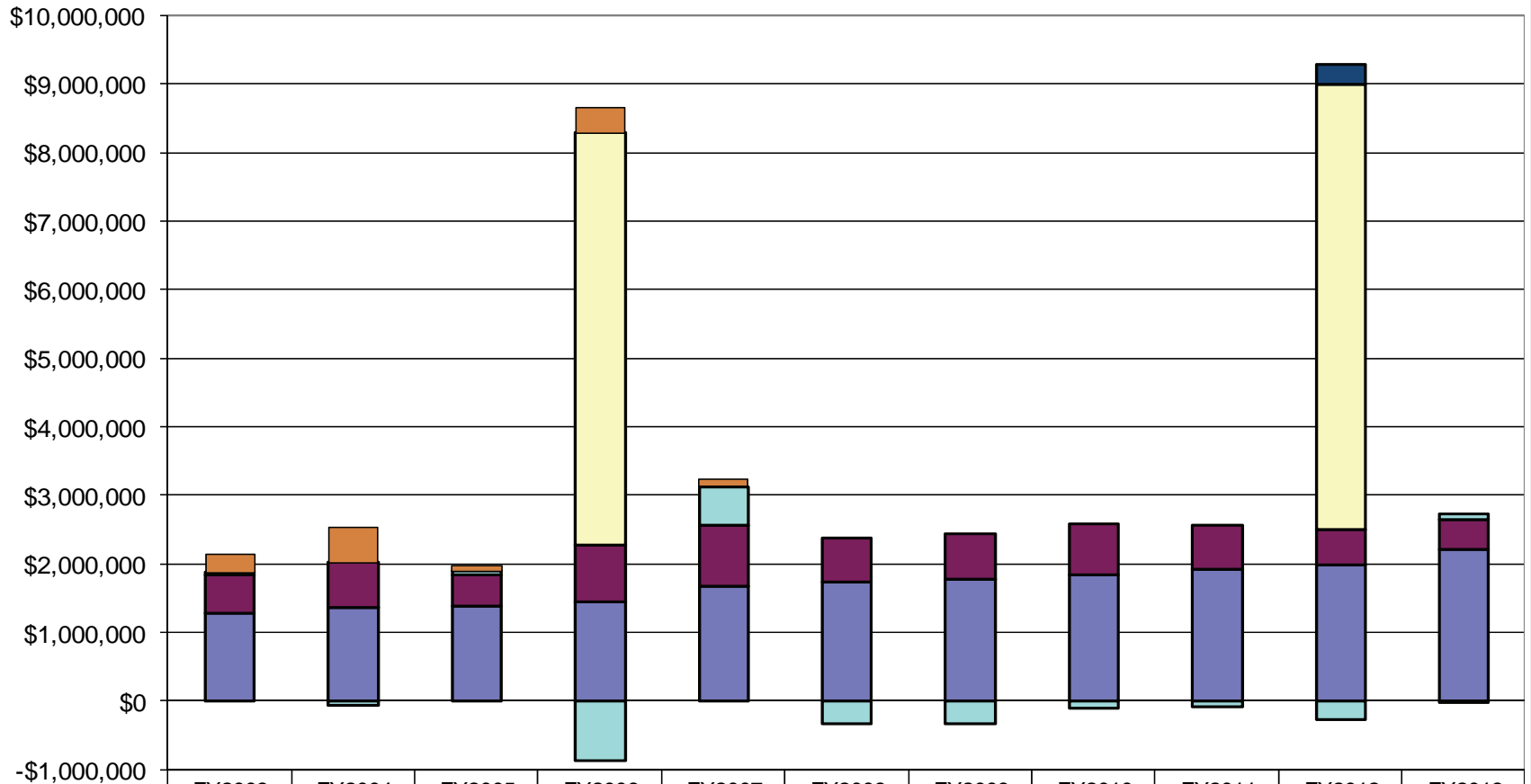


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2011	86,093,152.50	465,825.69	51,677.04	85,575,649.77	84,199,193.25	99.56%	375,360.09	650,009.11	396,784.20	303,386.69
2010	83,612,918.72	483,555.47	61,658.71	83,067,704.54	82,652,328.29	99.50%	415,059.45	781,121.00	396,784.20	363,475.82
2009	81,073,914.29	487,858.75	77,402.97	80,508,652.57	80,065,721.17	99.45%	480,507.03	707,145.88	396,784.20	393,703.43
2008	78,887,655.80	472,051.80	72,738.36	78,342,865.64	78,066,532.84	99.65%	276,332.81	471,582.61	396,784.20	377,006.41
2007	76,885,362.74	342,368.47	84,469.92	76,458,524.35	76,243,171.54	99.72%	216,092.26	339,191.03	396,784.20	390,472.48
2006	73,601,851.23	343,515.23	87,097.83	73,171,238.17	72,939,691.01	99.68%	231,489.78	324,280.65	396,784.20	380,256.66
2005	65,779,185.77	302,203.09	58,911.88	65,418,070.80	65,202,793.72	99.67%	234,667.16	339,307.20	396,784.20	285,068.38
2004	63,831,019.20	391,879.53	49,554.72	63,389,584.95	63,223,644.05	99.74%	165,940.90	258,629.93	396,784.20	274,115.15
2003	61,323,172.92	369,352.26	41,586.52	60,912,234.14	60,699,775.08	99.65%	212,459.06	317,178.44	397,922.00	247,855.77
2002	59,183,329.33	375,235.37	47,510.62	58,760,583.34	58,615,862.62	99.75%	144,720.72	216,588.20	397,922.00	347,816.81
2001	55,924,516.87	436,168.37	56,445.54	55,431,902.96	55,316,386.89	99.79%	115,516.07	181,873.01	397,716.45	354,375.56
2000	54,173,527.31	349,142.62	66,695.63	53,757,689.06	53,624,936.83	99.75%	132,752.23	196,203.75	397,716.45	338,813.24
1999	52,534,913.05	433,671.59	61,654.42	52,039,587.04	51,927,624.56	99.78%	173,616.90	187,455.40	383,233.92	338,142.22
1998	49,567,583.07	449,042.82	55,312.92	49,063,227.33	48,905,560.52	99.68%	157,666.81	284,217.96	407,244.12	286,763.02
1997	48,210,810.14	521,789.92	50,705.04	47,638,315.18	47,427,170.70	99.56%	211,144.48	432,742.57	393,123.36	239,348.93

The policy is to close out all real estate & personal property commitments in the same fiscal year. All collections, refunds, transfers into Tax Title all take place within the same fiscal year.



COMPONENTS OF TAX LEVY INCREASE



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
■ MWRA Debt	260,958	517,348	69,732	371,757	117,626	-	-	-	-	-	-
■ Symmes Debt Exclusion	-	-	-	-	-	-	-	-	-	307,130	(7,130)
■ School Debt Exclusion	44,571	(51,943)	56,628	(859,302)	558,473	(319,928)	(316,820)	(93,659)	(79,675)	(263,714)	68,273
■ General Override	-	-	-	6,000,000	-	-	-	-	-	6,490,000	-
■ New Growth	544,075	649,223	458,531	844,013	887,247	640,013	642,912	726,955	656,751	522,167	450,000
■ 2.5% Increase*	1,299,509	1,378,668	1,394,938	1,449,364	1,689,203	1,736,648	1,796,065	1,857,039	1,921,639	1,986,099	2,211,055



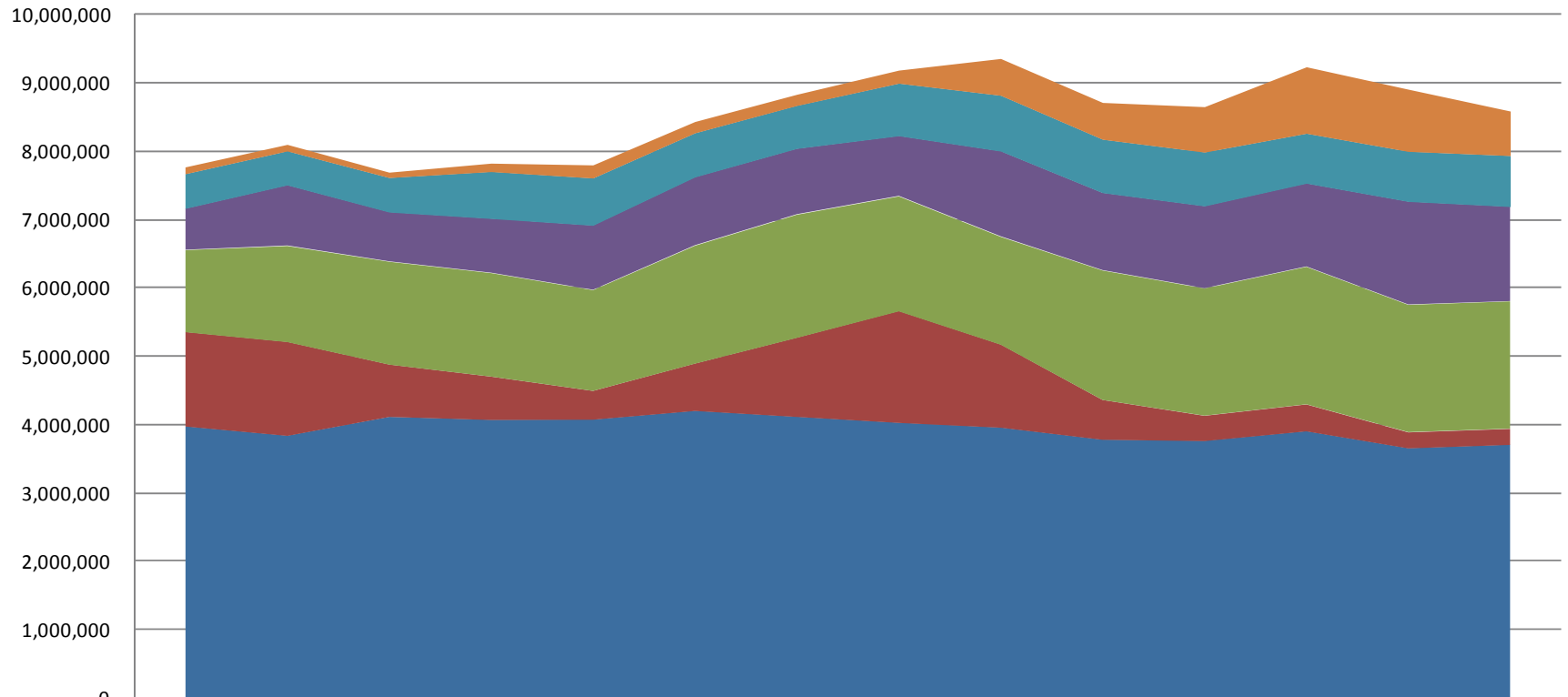
LOCAL RECEIPTS SUMMARY

Local receipts for FY2013 are projected to decrease \$320,000 to a total of \$8,590,000. Building permit revenue is estimated to decrease by \$125,000 due to the fact that FY2012 includes approximately \$772,000 in permit revenue from the Symmes and Brigham's projects. While there will be some additional permit fees in FY2013 for the Symmes project, most of this revenue is one-time and will not be available in FY2013. Also, Medicare Part D reimbursements from the federal government will essentially be phased out in FY2013 resulting in a reduction of \$258,000 from FY2012. Most other revenue sources remain flat with the exception of motor vehicle excise taxes which will increase by \$50,000 and rental income which is increasing \$13,000.

LOCAL RECEIPTS SUMMARY	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Motor Vehicle Excise	3,757,149	3,898,459	3,650,000	3,700,000	50,000
Interest Income	369,782	394,264	235,000	235,000	-
Departmental Fees	1,867,994	2,018,958	1,870,000	1,870,000	-
Licenses and Permits	1,202,871	1,219,481	1,510,000	1,385,000	(125,000)
Rentals	791,044	733,270	735,000	748,000	13,000
Other	664,332	974,222	910,000	652,000	(258,000)
Total	8,653,172	9,238,654	8,910,000	8,590,000	(320,000)



Local Receipts History



	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY2010	Actual FY2011	Budget FY2012	Budget FY2013
Other	100,945	94,165	79,375	122,272	191,558	166,224	162,289	190,960	538,924	538,924	664,332	974,222	910,000	652,000
Rentals	508,819	500,978	506,840	690,231	696,252	648,334	632,505	771,319	818,608	783,600	791,045	733,270	735,000	748,000
Licenses and Permits	604,759	887,076	722,072	794,763	943,446	999,757	961,320	878,090	1,247,073	1,134,294	1,202,871	1,219,481	1,510,000	1,385,000
Fees/Departmental	1,206,792	1,412,070	1,512,748	1,520,578	1,480,066	1,731,991	1,808,831	1,689,345	1,586,298	1,900,729	1,867,994	2,018,958	1,870,000	1,870,000
Interest Income	1,382,410	1,374,590	765,790	634,352	421,000	693,999	1,159,204	1,636,644	1,216,410	582,123	369,782	394,264	235,000	235,000
Motor Vehicle Excise	3,968,543	3,832,194	4,108,738	4,064,678	4,069,559	4,196,714	4,110,106	4,021,994	3,951,802	3,775,638	3,757,149	3,898,459	3,650,000	3,700,000



MOTOR VEHICLE EXCISE

Motor vehicle excise tax receipts are expected to increase by \$50,000 over the budgeted amount for FY2012 to a total of \$3.7 million. Commitments are still significantly below what they were in 2008. The excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year, and 10% thereafter. The actual billings are prepared by the Registry of Motor Vehicles and then turned over to the Town for printing, distribution, and collection. There are approximately 38,000 registered vehicles in Arlington. In the chart below, Levy Year 2011 is as of June 30, 2011.

Levy Year	Commitments	Collections	Refunds	Net Collections	Abatements	Balance	Collection %
2011	\$3,617,140	\$3,439,728	\$35,428	\$3,404,300	\$89,485	\$123,355	96.59%
2010	\$3,439,627	\$3,277,405	\$34,770	\$3,242,635	\$83,853	\$113,139	96.71%
2009	\$3,405,929	\$3,262,275	\$42,208	\$3,220,067	\$90,499	\$95,363	97.20%
2008	\$4,095,771	\$3,968,005	\$82,613	\$3,885,392	\$164,786	\$45,593	98.89%
2007	\$4,230,657	\$4,125,146	\$81,094	\$4,044,052	\$159,117	\$27,488	99.35%
2006	\$4,248,107	\$4,134,418	\$89,206	\$4,045,212	\$177,550	\$25,345	99.40%
2005	\$4,293,875	\$4,189,478	\$95,281	\$4,094,197	\$173,543	\$26,135	99.39%
2004	\$4,290,578	\$4,166,076	\$78,847	\$4,087,229	\$183,274	\$20,075	99.53%
2003	\$4,241,385	\$4,109,464	\$72,532	\$4,036,932	\$189,004	\$15,449	99.64%
2002	\$4,281,043	\$4,130,254	\$80,517	\$4,049,737	\$215,905	\$15,401	99.64%
2001	\$4,250,080	\$4,122,587	\$76,815	\$4,045,772	\$187,565	\$16,743	99.61%
2000	\$4,090,219	\$3,983,605	\$87,702	\$3,895,903	\$181,778	\$12,538	99.69%
1999	\$3,734,714	\$3,644,635	\$92,391	\$3,552,244	\$173,537	\$8,933	99.76%
1998	\$3,341,180	\$3,251,914	\$58,790	\$3,193,124	\$138,299	\$9,757	99.71%
1997	\$3,119,179	\$3,019,273	\$48,419	\$2,970,854	\$135,780	\$12,545	99.60%

MOTOR VEHICLE EXCISE	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Motor Vehicle Excise	3,757,149	3,898,459	3,650,000	3,700,000	50,000



DEPARTMENTAL FEES

Departmental fees are projected to remain flat at a total of \$1.87 million. The major categories include ambulance fees, parking fines and meters, cemetery fees, tax collector fees, and school Medicaid reimbursements related to the special education program. Ambulance revenue, which is the largest revenue source, is estimated to total \$585,000.

DEPARTMENTAL FEES	FY10 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Schools (Medicare Reimbursement)	135,451	254,343	150,000	150,000	-
Cemetery Revenue	267,675	302,075	300,000	300,000	-
Library Fees and Fines	65,863	56,259	55,000	55,000	-
Collector's Demand Fees	78,097	80,850	80,000	80,000	-
Town Clerk Fees	69,159	45,306	45,000	45,000	-
Parking Violations	355,236	346,030	340,000	340,000	-
Parking Meter Receipts	78,840	67,592	70,000	70,000	-
Fire Alarm Renewal Fee	24,250	24,782	20,000	20,000	-
Ambulance Fees	565,307	586,576	585,000	585,000	-
Other Departmental Revenue	228,117	255,145	225,000	225,000	-
Total	1,867,995	2,018,958	1,870,000	1,870,000	-



INTEREST INCOME & PENALTIES

Interest Income is projected to remain flat at a total of \$235,000. It is made up of two components: investment income and interest and penalties associated with delinquent tax payments.

Investment income can vary widely depending upon market interest rates, available cash balances, cash flows, and investment practices. Investment income has dropped from a high of more than \$1.4 million in FY2007 to a projected amount of only \$50,000 in FY2013. This is due to the dramatic drop in interest rates.

Penalties and interest associated with delinquent tax payments are projected to remain level at \$185,000.

INTEREST INCOME	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Investment Income	102,254	55,430	50,000	50,000	-
Penalties & Interest	267,528	338,834	185,000	185,000	-
Total	369,782	394,264	235,000	235,000	-



LICENSES AND PERMITS

Licenses and permits revenues for FY2013 are expected to decrease by \$125,000 to a total of \$1,385,000. The reduction is due solely to the fact that some significant one-time building permit revenue in FY2012 will not be available in FY2013. Actual revenue in FY2012 is now projected in excess of \$1.5 million due to \$772,000 for permits for the Symmes and Brigham's projects. While there will be some additional permit revenue for the Symmes project in FY2013, it will be significantly below the amount in FY2012.

Besides building permits, some of the other major categories of Licenses and Permits include parking permits and liquor licenses issued by the Selectmen, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat.

LICENSES AND PERMITS	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Parking Permits	135,936	148,124	140,000	140,000	-
Liquor Licenses	68,125	77,523	78,000	78,000	-
Food Licenses	6,483	6,456	6,500	6,500	-
Food Permits	17,520	14,990	15,000	15,000	-
Tobacco Permits	12,150	9,000	9,000	9,000	-
Building Inspections	844,894	848,213	1,150,000	1,025,000	(125,000)
Fire Prevention Permits	53,591	51,363	50,000	50,000	-
Marriage Licenses	6,580	6,510	6,500	6,500	-
Other	57,592	57,302	55,000	55,000	-
Total	1,202,871	1,219,481	1,510,000	1,385,000	(125,000)



RENTAL INCOME

The Town derives income from the renting of several Town-owned properties including the Gibbs, Crosby, and Parmenter schools, the Mt. Gilboa house, the former Dallin Library, and former Parks Department buildings at Ryder Street.

Overall, revenue is projected to increase \$13,000 to a total of \$748,000.

The Ryder Street property is rented for a five-year period, generating a net income of \$95,000 annually.

Parmenter School and Crosby School leases were renegotiated, resulting in rent increases. Projected rental income for the properties is \$180,000 and \$135,000 respectively. The leases for these two properties expire June 30, 2013. Proposals will be sought for the sale of Crosby School and the lease of the Parmenter School.

For FY2013 the Gibbs rental income is expected to increase slightly to a total of \$275,000. Rental income dropped in FY2011 because tenants became responsible for directly paying the utility costs.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi) with rental income projected at \$45,000. The Mt. Gilboa house is rented for \$18,000 per year.

RENTAL INCOME	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Ryder St.	75,638	93,283	93,000	95,000	2,000
Parmenter	151,013	174,967	175,000	180,000	5,000
Crosby	113,326	130,046	132,000	135,000	3,000
Gibbs	387,951	271,934	272,000	275,000	3,000
Mt. Gilboa	18,000	17,924	18,000	18,000	-
Dallin Library	45,116	45,116	45,000	45,000	-
Total	791,044	733,270	735,000	748,000	13,000



OTHER LOCAL RECEIPTS

Other local receipts are projected to decrease \$258,000 due to the phaseout of the Medicare Part D reimbursement from the federal government.

In 2009 the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time only the state collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. Also, the Town collected a room occupancy tax on hotels (there is only one hotel in Arlington) of 4% at that time. The state allowed cities and towns to increase that by 1% to a total of 5%. Both of these optional taxes were adopted by Town Meeting in the fall of 2010 to go into effect January 1, 2010. For communities that adopted these taxes with this effective date, they were allowed to estimate six months of collections in FY2010, eleven months in FY2011, and a full twelve months thereafter. For both FY2012 and FY2013, the total estimated collections for both taxes is \$550,000.

The other major category of receipts is the Medicare Part D reimbursement. This is a reimbursement by the federal government due to the fact that Arlington, like most cities and towns, offers qualifying prescription drug coverage under its healthcare plan for retirees. The reimbursement program is being phased out by the federal government. In FY2012 reimbursements are expected to drop to \$300,000. In FY2013, the final year, the amount is expected to drop to \$42,000. Were the program to continue, the state's Group Insurance Commission would become the beneficiary of the reimbursement in the future.

Court fines, primarily for moving violations, are projected to remain level at \$60,000.

OTHER LOCAL RECEIPTS	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Meals Tax	81,096	292,732	300,000	300,000	-
Hotel Tax	165,114	240,164	250,000	250,000	-
Court Fines	46,800	59,965	60,000	60,000	-
Medicare Part D Reimbursement	362,941	381,361	300,000	42,000	(258,000)
Special Assessments	1,410	-	-	-	-
Payments In Lieu of Taxes	6,971	-	-	-	-
Total	664,332	974,222	910,000	652,000	(258,000)



STATE AID SUMMARY

In January, Governor Patrick proposed a \$145 million increase in Chapter 70 School Aid and level-funding for General Government Aid. Based upon the Governor's proposed budget, state aid is projected to increase \$1,097,436, or 6.9%. Because Arlington's foundation budget is increasing 5% and it has reached its maximum required municipal contribution, under the Chapter 70 formula the State picks up the difference between Arlington's required maximum municipal contribution and its foundation budget. This required the unusually large increase of \$1,222,363 in Chapter 70 school aid. Overall FY2013 state aid, as proposed by the Governor, will increase \$1,097,436 to a total of \$17,049,264. This total is inclusive of \$2,474,796 in school construction aid.

In FY2013 Unrestricted General Government Aid (UGGA) is expected to remain level at \$5,952,940. In FY2012 this aid was cut \$463,969 for Arlington and by \$65 million statewide. The Legislature and Governor agreed that if there were sufficient surplus funds left over at year end from the FY2011 state budgets, that they would restore the \$65 million cut by making a supplemental payment at the end of October 2011. While that supplemental payment of \$463,969 was made to Arlington this past October, it could not be counted on when determining budgets last spring. This extra one-time payment is available for appropriation in FY2012 or otherwise will flow to free cash. The Governor has proposed the same arrangement for FY2013. If there is a sufficient surplus at the end of FY2012, they will make this same \$463,969 payment in October 2012. Unfortunately we can not count on it at this time. We are urging the Governor and Legislature to commit to this additional amount without any contingencies.

Exclusive of school construction aid, Arlington's projected state aid for FY2013 is less in real dollars than it received in FY1988 some 25 years ago (see Chart on p. II-16). During this period Arlington has seen its share of total state aid cut in half (see chart on p. II-17). Just since FY2002 Arlington's total state aid has decreased by 22%, losing over \$4 million. A look at the cumulative year-to-year increases and decreases since FY2002 (see Chart on p. II-18) also shows how Arlington has been disproportionately cut. Since FY2002 local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and in FY2013 ends in a cumulative increase of 9%. Arlington, on the other hand, has never experienced an increase above FY2002. In fact, in FY2006, Arlington was 15% below FY2002, while the average of all municipalities saw a slight increase. In FY2013 the cumulative year-to-year change since FY2002 is a decrease of 14%.

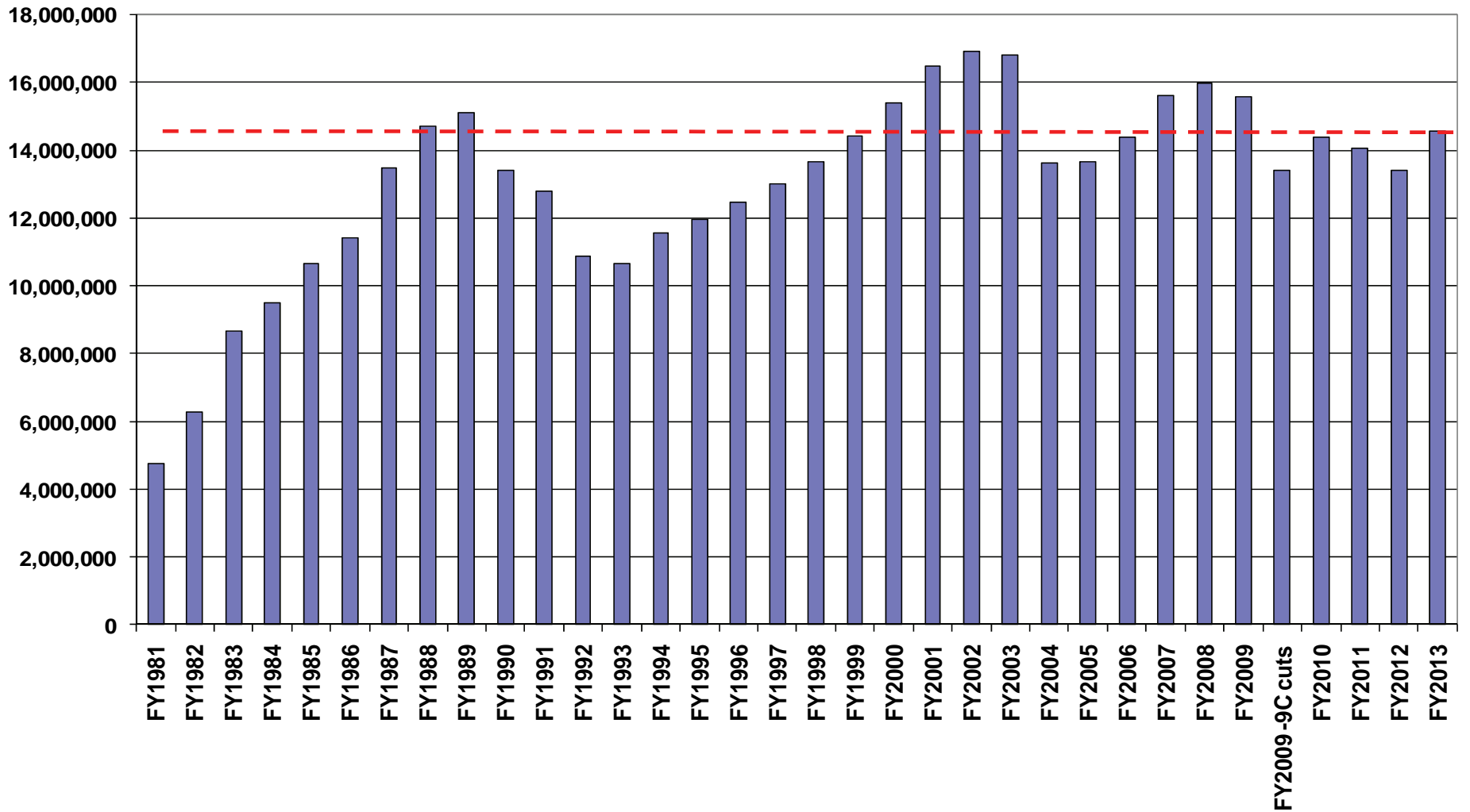
Over the last several years, the distribution formulas used for the cutbacks in state aid—and the subsequent restoration of those cuts—have not been implemented fairly, nor have they recognized the needs of communities like Arlington. The policy has essentially been this: communities with relatively high median income levels and high property values are assumed to have a greater ability to raise revenue locally, and therefore, have less of a need for state aid. The problem is that communities don't have the ability to tax incomes (the state takes all income tax). The only source of revenue available to communities is the property tax, a regressive tax that hurts elderly and lower income residents disproportionately. Without a fair share of state aid, communities like Arlington are faced with the difficult choice of either raising property taxes through overrides, or cutting needed services.

STATE AID SUMMARY	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Gen Government Aid	6,920,966	6,663,827	6,157,622	6,185,516	27,894
School Aid	7,213,495	7,153,462	7,012,560	8,149,662	1,137,102
School Construction	2,531,085	2,531,085	2,531,085	2,474,796	(56,289)
Tax Exemptions	187,014	190,609	188,476	178,152	(10,324)
Cherry Sheet Offsets	61,490	58,547	62,085	61,138	(947)
Total	16,914,050	16,597,530	15,951,828	17,049,264	1,097,436



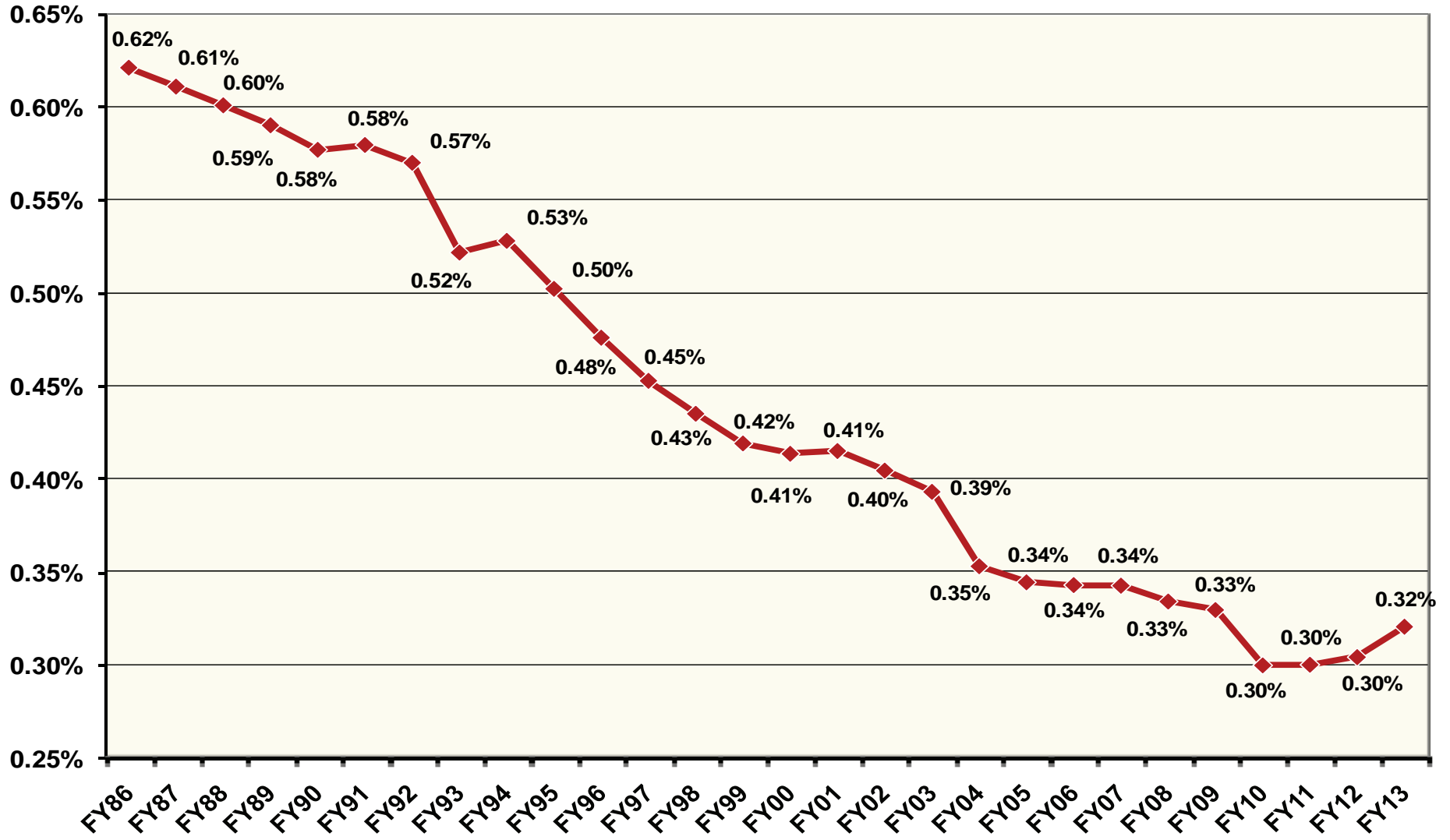
STATE AID RECEIPTS

(Numbers exclude School Construction and METCO reimbursements)





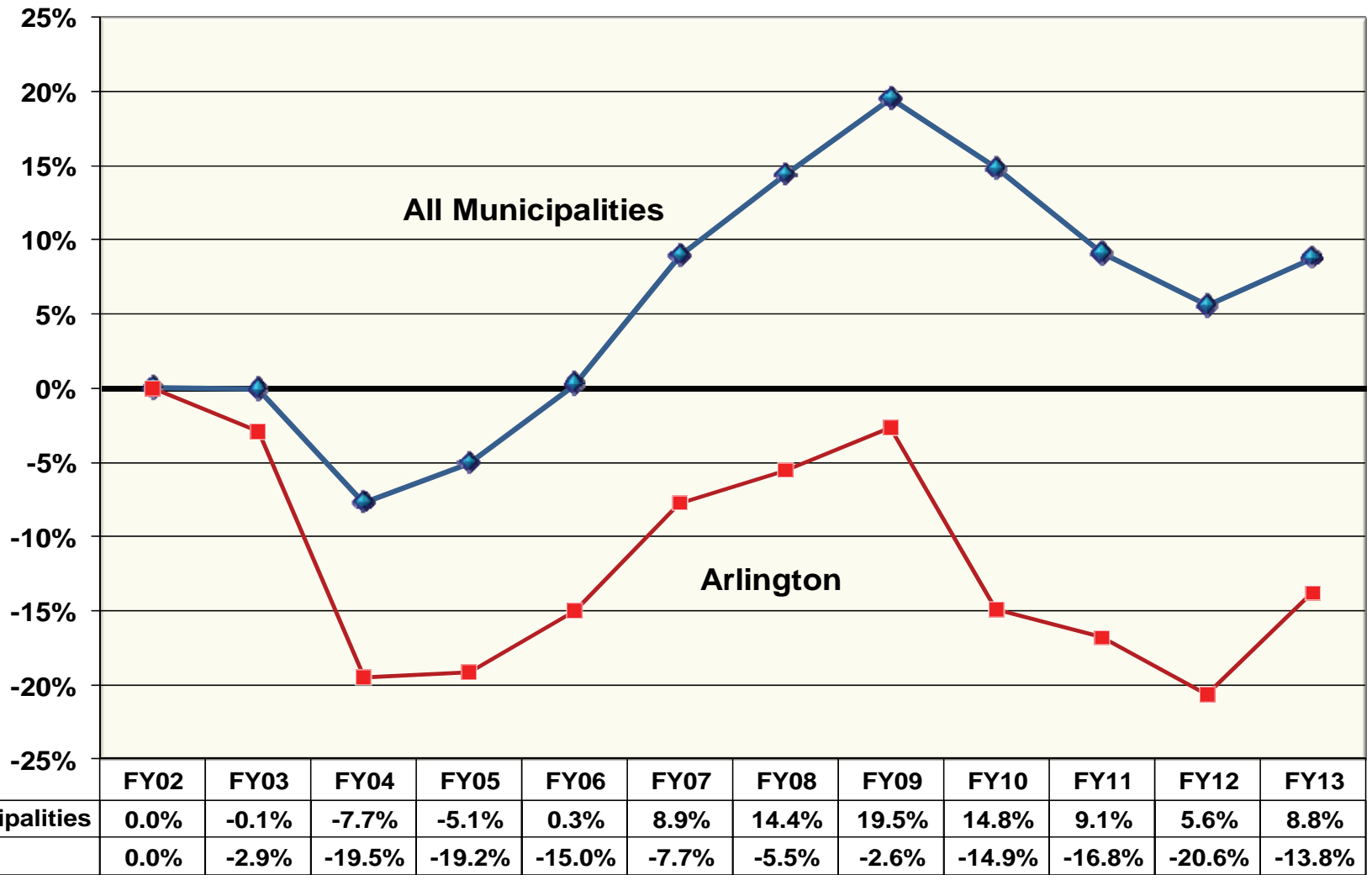
Arlington's Percent of Total State Aid





State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2002

(Numbers Exclude School Construction and METCO Reimbursements)





GENERAL GOVERNMENT

Unrestricted General Government Aid (UGGA)

In FY2013 UGGA is expected to remain level at \$5,952,940. In FY2012 this aid was cut \$463,969 for Arlington and by \$65 million statewide. The Legislature and Governor agreed that if there were sufficient surplus funds left over at year end from the FY2011 state budgets, that they would restore the \$65 million cut by making a supplemental payment at the end of October 2011. While that supplemental payment of \$463,969 was made to Arlington this past October, it could not be counted on when determining budgets last spring. This extra one-time payment is available for appropriation in FY2012 or otherwise will flow to free cash. The Governor has proposed the same arrangement for FY2013. If there is a sufficient surplus at the end of FY2012, they will make this same \$463,969 payment in October 2012. Unfortunately we can not count on it at this time. We are urging the Governor and Legislature to commit to this additional amount without any contingencies.

As historical background, in FY2010, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Arlington received in excess of \$9.4 million in FY2008. In FY2012 this dropped to just over \$5.9 million, or a reduction of \$3.5 million since FY2008. Additional assistance was distributed through a needs based formula to 159 of the neediest communities. Unfortunately, this was an aid category that has been targeted for reductions in recent years. Arlington relies heavily on this aid category and its reduction has led to the overall state aid allocation to the Town being cut disproportionately.

GENERAL GOVERNMENT	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Unrestricted General Government Aid	6,684,280	6,416,909	5,952,940	5,952,940	-
Veterans' Benefits	187,680	221,266	204,682	232,576	27,894
Police Career Incentive	49,006	25,652	-	-	-
Total	6,920,966	6,663,827	6,157,622	6,185,516	27,894

**VETERANS' BENEFITS**

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement. For FY2013 the preliminary cherry sheet estimate is \$232,576, an increase of \$27,894. The increase reflects an increase in the number of veterans receiving some form of government assistance.

POLICE CAREER INCENTIVE REIMBURSEMENT (QUINN BILL)

In FY2010 this reimbursement program was all but eliminated. Arlington's reimbursement dropped from \$320,199 to \$49,006. In FY2012 funding was eliminated and no funding is expected for FY2013.

The purpose of this program was to encourage police officers, in participating municipalities, to earn degrees in law enforcement and criminal justice, and to provide educational incentives through salary increases. The State administers this optional education incentive program. The Massachusetts Board of Higher Education annually certifies police officers for Associate's, Bachelor's, or Master's degrees. Such officers are eligible to receive 10%, 20%, or 25% base salary pay increases. The participating municipalities pay each officer 100% of Incentive Pay each year the officer remains on the force, and subsequently the State will reimburse a proportion of these expenses as an incentive for communities to accept the commitment to participate in this program. The enabling legislation specified that reimbursement should equal 50% of the added annual salary costs (based on the incremental increase in the salaries of the officers that have attained degrees) incurred by participating police departments.

Unfortunately, the State reneged on its funding commitment, providing no recourse for municipalities to reduce the benefits and costs accordingly. This incentive pay has been part of the officers' base pay, so even if a municipality could have cut the payments, it would have been left in the untenable position of having to cut the base pay of its officers. A more reasonable approach would have been to freeze the payments and grandfather the officers currently in the program. The Legislature did at least change the law so that no new officers can participate in the program.



SCHOOL AID

SCHOOL AID - CHAPTER 70

Total statewide funding, exclusive of regional schools, is \$3.36 billion, an increase of \$114 million, or 3.5%. Of this amount, Arlington will receive \$8,102,943, an increase of \$1,222,363, or 17.8%. The distribution formula calculates a foundation budget for each school district and then funds a percentage of the budget depending upon a number of factors, including community income levels, property wealth, and municipal contributions to the school budget. For those communities determined to be relatively wealthy, the State will fund a maximum 17.5% of the school district's foundation budget. Arlington is one of 108 communities that fall within this category. Communities that are relatively poor receive significantly more than the 17.5% minimum. The maximum target is 85% with an average statewide target of approximately 60%. For FY2013, because Arlington's foundation budget is increasing 5% and it has reached its maximum required municipal contribution, the State picks up the difference between the maximum required municipal contribution and the foundation budget. That difference under the Chapter 70 formula required the unusually large increase of \$1,222,363 to Arlington.

CHARTER SCHOOL TUITION ASSESSMENT REIMBURSEMENT

General Laws Chapter 71, Section 89 (nn) mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School district and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on the following schedule: in year one, an amount equal to 100% of the assessment; in year two, an amount equal to 60% of the assessment; in year three, an amount equal to 40% of the assessment; after year three, no reimbursement. This reimbursement is, of course, subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. Based on the preliminary cherry sheets, the Town will receive \$46,719, a decrease of \$85,261. This decreased amount reflects an underfunding of the program by the state and a decrease in Arlington students participating in charter schools.

ARRA FUNDS - American Recovery and Reinvestment Act

Over the course of FY2010 and FY2011, the state utilized ARRA funding to supplement education funding on the local level. This took the form of Federal Stimulus IDEA funds, as well as State Fiscal Stabilization Funds. While the Town received \$1,081,232 in FY2010, in FY2011, Arlington received \$129,741 in State Fiscal Stabilization funds, as well as \$359,964 in IDEA funds, for a total of only \$489,705. This funding ended at that time so no funds are available in FY2012 and FY2013.

SCHOOL AID	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Chapter 70 School Aid	6,104,708	6,632,057	6,880,580	8,102,943	1,222,363
Charter School Tuition Reimbursement	27,555	31,700	131,980	46,719	(85,261)
Federal Stimulus Funds (IDEA)	1,081,232	489,705	-	-	-
Total	7,213,495	7,153,462	7,012,560	8,149,662	1,137,102



SCHOOL CONSTRUCTION AID

In July of 2004, the Governor signed Chapter 208 and Chapter 210 of the Acts of 2004 into law, which makes substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch 208) transfers responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members.

The reform legislation (Ch.210) dedicates one cent of the state sales tax to the new off-budget school building trust. This amounted to \$655 million in 2011. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor.

The MSBA funding commitments include \$11 billion for 1,156 projects authorized under the former SBA program, including \$5.1 billion for 728 prior grant projects that were already receiving funding (90% of this liability has been retired), and \$5.5 million for 423 projects on a wait list (53% of this liability has been retired). The remaining limited resources are being used to fund new projects. MSBA is projecting to spend \$2.5 billion through 2015 for new projects. Reimbursement rates are based on community factors and incentive points. The base percentage is 31%.

When the moratorium on new projects was lifted in July 1, 2007, the MSBA received 423 Statements of Interests from 163 school districts for various projects. Arlington submitted three projects: Thompson, Stratton and the High School. Only Thompson was approved. Construction on a new Thompson School is underway and is expected to be completed for the start of the school year in 2013. Under the MSBA's Green Repair Program, the Town received a grant of approximately \$700,000 as reimbursement for the \$2.6 million the Town has spent on renovations and improvements to Stratton School.

The school construction aid the Town currently receives is for projects completed under the old SBA program. The amount is expected to decrease to \$2,474,796, due to bond refinancing. The projects and their funding are as follows:

Peirce	\$ 476,545
Ottoson	858,859
Brackett	347,518
Bishop	322,764
Hardy	469,110
Total	\$2,474,796

SCHOOL AID	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
School Construction Aid	2,531,085	2,531,085	2,531,085	2,474,796	(56,289)



TAX EXEMPTION AID

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2013, the state has reduced its funding so Arlington's reimbursements are expected to decrease by \$10,324 to a total of \$178,152. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C, (Arlington has adopted this section which increases exemption amount to \$1,300) the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, elderly persons:
 - Clause 17 - \$175, full reimbursement
 - Clauses 17C, 17C^{1/2}, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
 - Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
 - Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
 - Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
 - Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
 - Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
 - Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
 - Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
 - Clause 37A - \$650 exempted, \$87.50 reimbursed

TAX EXEMPTION AID	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Tax Exemption Aid	187,014	190,609	188,476	178,152	(10,324)



CHERRY SHEET OFFSETS

Included in the estimated amount of aid to be received from the State are grant funds for the schools and libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town receives two such annual grants—one for the school lunch and one for public libraries. The school lunch is actually a partial reimbursement for operating a school lunch program. This is expected to decrease \$516 to a total of \$19,029. The library grant is expected to decrease slightly to \$42,109.

The library grant is actually three separate grants—the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). The three funding formulas to determine amounts for each municipality are as follows:

1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
 - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
 - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.
2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

- The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.
- The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

Due to the economic crisis and cutbacks in local aid, the State is being more liberal in allowing waivers to the municipal spending requirements.

CHERRY SHEET OFFSETS	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Lunch Programs (Schools)	20,783	16,604	19,545	19,029	(516)
Libraries	40,707	41,943	42,540	42,109	(431)
Total	61,490	58,547	62,085	61,138	(947)

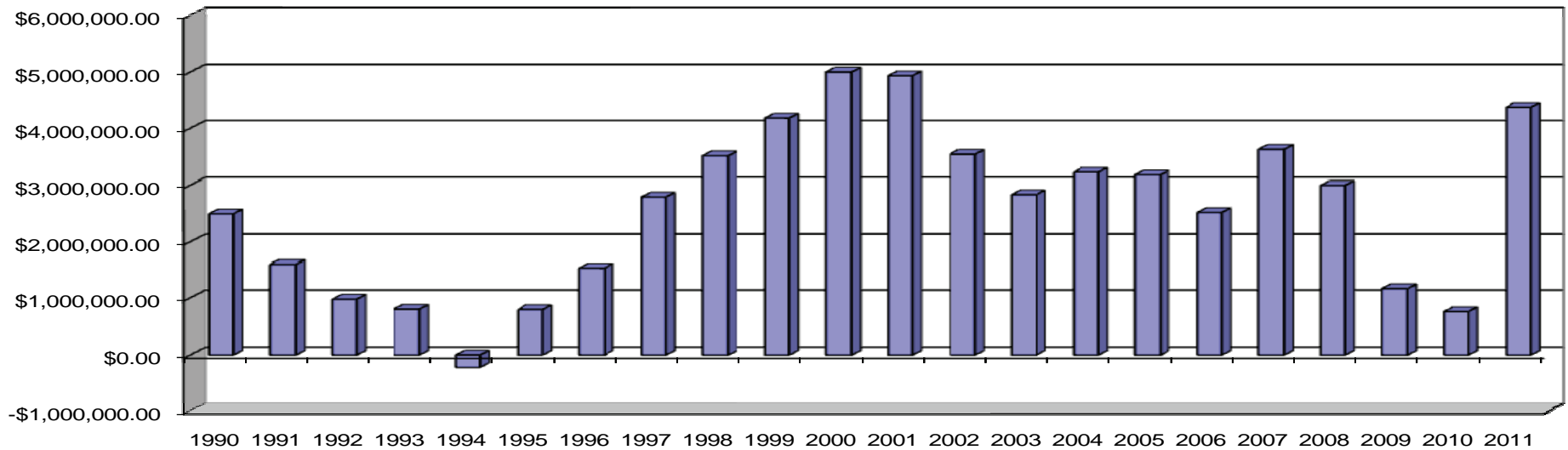


FREE CASH

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than appropriated. It is also affected by increases or decreases in uncollected property taxes, non- General Fund deficit balances, and any other legally incurred operating deficits, such as snow removal overdrafts.

Because the FY2010 school deficit of \$1,525,021 was subtracted from the June 30, 2010 free cash balance, the available general fund free cash balance was only \$770,498. This amount gets added to the following year balance helping to increase the June 30, 2011 balance to \$4,378,542. It is recommended that \$600,000 be appropriated towards the FY2013 budget leaving a balance of \$3,778,542.

**Certified Free Cash History
(July 1)**



FREE CASH	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Free Cash Appropriated	1,497,907	582,051	481,456	600,000	118,544



OTHER REVENUE

The Other Revenue category includes Tax Abatement Overlay Reserve Surplus Funds and Override Stabilization Funds. In FY2013 the only amount available is \$200,000 from the Tax Abatement Overlay Reserve Surplus Funds. No funds will be withdrawn from the Override Stabilization Fund.

Overlay Surplus

The Tax Abatement Overlay Reserve Surplus comes from funds set aside each year for property tax abatements and exemptions. Any funds remaining in the accounts that are no longer needed are declared surplus by the Board of Assessors and are made available for appropriation. Currently, the prior year surpluses amount to only \$200,000.

Override Stabilization Fund

The Override Stabilization Fund was created as a result of the 2005 Proposition 2 ½ Override. The five year plan developed at that time projected that the first two years would have surplus funds to be put in an Override Stabilization Fund, the third year there would be no surplus, and the last two years the surplus funds would be drawn down to balance the budget. As a result of tight budget controls, there was no need to make any drawdown from the fund until the fifth year, FY2010. In that year, \$2,742,376 was appropriated or withdrawn. The remaining balance in the fund, which was \$1,580,000, was appropriated in FY2011, the sixth year. With the Override of 2011, \$3,401,602 was put into the Fund. Additional funds will be appropriated into the Fund in FY2013. It is expected that no drawdown will be necessary until at least FY2015.

OTHER REVENUE	FY2010 Actual	FY2011 Actual	FY2012 Budget	FY2013 Budget	Budget Change
Overlay Surplus	500,000	500,000	200,000	200,000	-
Override Stabilization Fund	2,742,376	1,580,000	-	-	-
Total	3,242,376	2,080,000	200,000	200,000	-