

## EXECUTIVE SERVICES

### BOARD OF SELECTMEN

The Arlington Board of Selectmen is pleased to submit to the residents of Arlington its annual report for 2005. The Arlington Board of Selectmen is composed of five elected individuals who are entrusted with the responsibilities of setting policy and overseeing the management of the municipal functions of local government.

The Board of Selectmen underwent a Selectman change with the exit of Charlie Lyons, a Selectman for twenty-four years in the town. Charlie's commitment to the town, historical knowledge of the town and its people, and connections to information and people at both the state and federal levels has proven to be most beneficial to Arlington. The Board thanks him for his contributions and will miss his effervescent personality.

At the same time, the Board of Selectmen welcomes Annie LaCourt. For the first time in Arlington history, a majority of women comprise the Board of Selectmen. Ms. LaCourt is passionate about creating a long-term strategic plan for the town to ensure that it gets the most value for its tax dollars and maintains its services. The transition has been smooth. She brings a fresh new approach to the Board.

The current members of the Board of Selectmen are John W. Hurd, Chairman, Kathleen Kiely Dias, Vice Chairman, Kevin F. Greeley, Diane M. Mahon, and Annie LaCourt.

#### **Financial Overview**

In June of 2005, the residents of Arlington voted to allow for an additional \$6 million dollars to be assessed in real estate and personal property taxes for the purpose of funding the Town and School budgets for the fiscal year beginning July 2005. By the end of 2004, it was very apparent that, without an override, predicted budget deficits would force drastic cuts in both town and school services. Arlington, under the leadership of this Board, the School Committee, the Finance Committee and other town leaders overcame the financial hurdles of the last couple of years through a disciplined program that included reductions in Town and School services, use of the Town's financial reserves to augment revenues, and reductions in operating costs achieved through flexible collective bargaining and increased benefit cost sharing by Town and School employees at all levels.



**Board of Selectmen**

*Standing (l to r) Annie LaCourt, Kevin F. Greeley and Diane Mahon, Vice Chairman. Seated (l to r) John W. Hurd, Chairman; and Kathleen Kiely Dias*

It was the Board of Selectmen's immediate task to set the strategy and implement a responsible plan that both balanced the current budget and allowed carefully planned service growth and replenishment of fiscal reserves during the fiscal years 2007 and beyond. The Selectman and School Committee adopted "The Lyons Plan" outlining this fiscal platform: 1) efficient management of Town and School operations that commit to four percent growth over the following five years, 2) disciplined employee and retiree benefit growth that commits to growth in health benefits at seven percent, 3) increased state aid recouping all or most of the \$3.3 million of state aid cuts to Arlington, and 4) an equitable override in 2005 with the promise to not seek another general-purpose override for five years.

#### **Symmes Development**

In March, 2001 the Board of Selectmen adopted a policy statement on the acquisition and development of the former Symmes Hospital site. That year, through a successful override the Town purchased the site from Lahey Clinic. The Board set out five (5) commitments to the project it wished to obtain:

- A balanced mixed-use redevelopment of predominately general office and some medical uses, with a limited residential component that includes affordable housing.
- A redevelopment that is at least self-supporting, generating income (after a three to four year startup period) sufficient to offset the costs of acquisition, renovation and maintenance.
- To maintain the parcel's present proportion of open space and to increase its density of development only to gain limited affordable housing.
- To promote expanded health care services on the site.

## EXECUTIVE SERVICES

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- And to an open planning process in which citizens and neighbors can participate in a visioning process, working with the Arlington Redevelopment Board (as the statutory “owner” of the parcel), the Town’s Planning Department, and real estate management consultants to develop a final plan to be recommended to Town Meeting in Spring of 2002.

Most, if not all, of these goals have been attained. There will be a medical office building of 26,100 square feet and a residential component of 245 units that includes 15% affordable housing units and 5% middle-income housing units. There will be a seven and three quarters acres of open space protected with a conservation easement. There were extensive public meetings through the Symmes Advisory Committee over a two year period which shaped the project components. At the time of this writing the project is under appeal and may jeopardize the financial neutrality of the project. Every effort is being made for an agreement to be reached prior to resolution through court proceedings. Further detail on the project may be found in the Planning and Redevelopment Board’s report in this Annual Report.

### **Town Day**

This year Arlington Town Day was postponed for the first time due to hurricane rains and was held on September 24, 2005. The Town Day Committee worked many months to ensure the events on September 24th would be enjoyable for the 30,000 participants. The Board congratulates the committee, and in particular it’s Co-Chairmen, Kathleen Darcy, Marie A. Krepelka and Mary Ann Sullivan. The Committee looks forward to continuing its service to the community in 2006. We greatly thank the many businesses and residents who contributed to make this day a success.

### **Selectmen Goals**

The Board of Selectmen worked throughout the Fall to develop goals for the upcoming year. Those goals are:

- Review policy on water/sewer debt shift
- Oversee Cable License renewal process and transition to Peg Access
- Work with ITAC to establish infrastructure to accommodate a 2 tier tax rate
- Develop budget prioritizing process
- Develop electronic system to distribute Selectmen’s correspondence
- Explore alternative energy sources
  - -look for alternate sources to protect environment, reduce costs, and encourage conservation
- Develop strategy to mitigate Alewife flooding and CSO issues

- Establish a formal process for employee recognition program
  - -possibly include town awards
- Work with ARB & SNMC to complete sale of Symmes property in accordance with the goals set by the Selectmen
- Monitor Home rule legislation progress through legislature
- Work with TAC to encourage public support for the Mass Ave corridor project
- Review voting location accessibility issues
- Establish a committee to explore long term cemetery space needs and expansion
- Communicate Arlington’s emergency preparedness plans to the citizens
- Ensure the budget is developed in accordance with 5 year financial plan
- Develop Board of Selectmen mission statement
- Monitor implementation of Symmes Neighborhood Protection Plan
- Initiate a comprehensive review of the Zoning By-law and identify funding therefore.
- Review policies and procedures then publish on the website

### **Dedicated Team / Staff Changes**

Arlington extends many thanks to Marie Krepelka, an integral part of the Selectmen’s administrative office, for her perseverance in her ability to work under the challenges of her illness. Marie, also known as “Mother Town”, had the community at large sending an abundance of well wishes. The Board thanks them all.

The Board of Selectmen would also like to thank Jean Devereaux, Fran Reidy and Mary Ann Sullivan. Fran Reidy took over the part-time position in the Selectmen’s Office. Fran made a smooth transition into the administrative staff bringing with her more than twenty years of skills in customer service and office experience. They are exceptional employees dedicated to providing the best possible service to every person interacting with the Selectmen’s Office.

## EXECUTIVE SERVICES

### TOWN MANAGER

Calendar year 2005 was my first full calendar year as Town Manager. The year 2005 was again a year in which finances was the premier issue. The challenges facing Arlington and most communities in Massachusetts have increased dramatically over the last several years. Each year, it has become increasingly difficult to maintain the level of services.

The tax revenue reductions at the state and federal levels resulting from the slow economy and tax rollbacks have been passed on to local governments. Already faced with their own revenue problems from the economy, local governments, particularly in Massachusetts, have been severely impacted by cutbacks in federal and state aid.

One of the single largest factors, however, was the more than \$3 million cut in state aid that the Town suffered in 2003. These funds have not been restored to any significant degree. Since then, the Town has had to make significant cuts in programs and has drawn down reserves in order to balance the budget.

Faced with a projected shortfall of \$4 million for FY 2006, which comes on the heels of significant cuts of the last several years, it was deemed appropriate to evaluate whether it was time to go to the voters and let them decide whether it would be appropriate to override Proposition 2½ and approve additional funds to retain the services at current levels. The last general override was more than 14 years ago and was the only general override passed since the imposition of Proposition 2½. It was decided by all the key officials that now was the appropriate time to ask the voters.

Rather than address the Town's financial problems on a stop-gap basis, a multi-year plan was developed that proposed a five-year solution. A five-year plan required a greater override amount, \$6 million, but also came with commitments to contain increases in operating budgets and healthcare costs. The commitments are summarized as follows:

1. Override funds will be made to last at least five years (FY2006-FY2010). No general override will be sought during this period.
2. Healthcare and pension costs will be limited to increases of no more than 7% and 4% respectively.
3. Town and school operating budgets will be limited to increases of no more than 4%. Should healthcare costs exceed the 7% limitation, operating budget increases shall be reduced below 4% accordingly.
4. Reserves shall be maintained in an amount equivalent to at least 5% of the budget.



*Brian F. Sullivan*  
Town Manager

The proposed FY2007 budget provides for level services. Budget priorities were retained—public safety and education being the top priorities. Overall personnel complements were maintained at current levels. The major uncertainties contained within the FY2007 budget included state aid, collective bargaining and healthcare, and energy costs.

#### **State Aid**

State Aid, based upon the Governor's proposed budget, is projected to increase a net of \$555,371. This includes an increase of \$1,050,136 in cherry sheet aid and a reduction of \$494,765 in school construction aid. The Governor proposes to end, completely, the diversion of lottery funds from cities and towns. This restores \$158 million to cities and towns including \$ 641,953 for Arlington. Chapter 70 aid is proposed to be increased by \$164 million of which Arlington would receive \$359,429. While State revenues have improved to the tune of approximately \$1 billion, some claim that this only backfills the use of reserves and should not be used for significant increases in spending, including local aid.

Cities and towns can rightfully argue that lottery funds should never have been withheld in the first place. The lottery program was sold on the basis that the proceeds would go to cities and towns. The increase in Chapter 70 School Aid is not that significant given the vastly improved State finances and the serious financial problems at the local level.

The recent report of the Municipal Finance Task Force, chaired by John Hamill, Chairman of Sovereign Bank New England, noted that "Massachusetts cities and towns are facing a long-term financial crunch caused by increasingly restricted and unpredictable local aid levels, constraints on ways to raise local revenue, and specific costs that are growing at rates far higher than the growth in municipal revenues. The Task Force recommended "...a revenue sharing policy that allocates a fixed percentage of state tax receipts to local aid."

## EXECUTIVE SERVICES

Researchers at Northeastern University's Center for Urban and Regional Policy have documented the critical link between the financial health of municipalities and the future growth of the Massachusetts economy. They too have called for a new fiscal partnership between the State and local governments.

The Mass Taxpayers Foundation has also recommended that 40% of annual revenues from the state income, sales and corporate taxes should be dedicated to local aid. This would result in more than a \$1 billion increase in local aid. The new revenue sharing policy would need to be phased in over several years given the magnitude of the dollars involved.

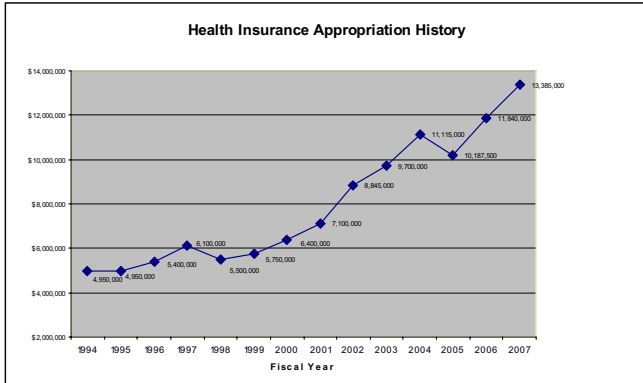
### Overall Budget Summary

	FY2006	FY2007	CHANGE	
			\$	%
<b>Revenue</b>				
Tax Levy	\$ 73,525,801	\$ 76,464,202	\$ 2,938,401	4.0%
Local Receipts	\$ 8,448,336	\$ 8,768,336	\$ 320,000	3.8%
State Aid - Cherry Sheet	\$ 14,790,887	\$ 15,841,023	\$ 1,050,136	7.1%
School Construction	\$ 2,332,555	\$ 1,837,790	\$ (494,765)	-21.2%
Free Cash	\$ 1,614,155	\$ 1,939,695	\$ 325,540	20.2%
Other Funds	\$ 400,000	\$ 667,000	\$ 267,000	66.8%
<b>Total Revenues</b>	<b>\$ 101,111,734</b>	<b>\$ 105,518,046</b>	<b>\$ 4,406,312</b>	<b>4.4%</b>
<b>Expenditures</b>				
Municipal Departments	\$ 25,405,304	\$ 26,169,323	\$ 764,019	3.0%
School Department	\$ 34,280,903	\$ 35,319,943	\$ 1,039,040	3.0%
Minuteman School	\$ 2,573,834	\$ 2,764,825	\$ 190,991	7.4%
Non-Departmental (Healthcare & Pensions)	\$ 18,604,741	\$ 20,414,241	\$ 1,809,500	9.7%
Capital				
Exempt Debt	\$ 3,231,757	\$ 3,143,805	\$ (87,952)	-2.7%
Non-Exempt Debt	\$ 4,075,799	\$ 4,280,106	\$ 204,307	5.0%
Cash	\$ 707,110	\$ 637,458	\$ (69,652)	-9.9%
Total Capital	\$ 8,014,666	\$ 8,061,369	\$ 46,703	-7.6%
MWRA Debt	\$ 5,475,486	\$ 5,959,791	\$ 484,305	8.8%
Warrant Articles	\$ 2,314,174	\$ 2,465,295	\$ 151,121	6.5%
<b>Total Appropriations</b>	<b>\$ 96,669,108</b>	<b>\$ 101,154,787</b>	<b>\$ 4,485,679</b>	<b>4.6%</b>
<b>Non-Appropriated Expenses</b>	<b>\$ 4,442,626</b>	<b>\$ 4,363,259</b>	<b>\$ (79,367)</b>	<b>-1.8%</b>
<b>Surplus/ (Deficit)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>

## EXECUTIVE SERVICES

### Collective Bargaining and Healthcare

Contracts with all the employee groups expire June 30, 2006. Healthcare cost controls will be the major issue for discussion in contract negotiations. Because employee healthcare cost increases are projected to consume a large portion of the available revenue increase, the funds available for wage adjustments amount to approximately 1%.



With the passage of the Proposition 2 ½ override, the taxpayers of the Town made a significant sacrifice to retain employee positions and services. Likewise, the employees agreed in the last round of negotiations to increase their contributions towards their healthcare costs to help retain employee positions and services. This spirit of cooperation needs to continue.

With revenue growth of only 4%, which matches the budget growth cap of 4%, the budget cannot sustain double digit increases in costs for healthcare benefits and still provide wage adjustments to the same degree as it has in the past. The Town and School have made it a top priority to work with employee groups to explore options for reducing and/or controlling healthcare costs.

For FY2007, healthcare costs are projected to increase \$1.6 million, or 13%, and will consume one-half of the entire revenue increase for the Town. The chart above shows the history of healthcare appropriation increases since 1994. During this period the increases averaged 8.19%.

GASB 45, a new accounting standard to be imposed on all municipalities throughout the country, requires municipalities to include on their balance sheets the accrued liability for their retiree healthcare costs. Several years ago private companies were required to do this. The result was great upheavals and drastic reductions in retiree healthcare benefits. Currently retiree healthcare costs are funded on a pay-as-you-go basis, as is the case with social security, rather than fully-funding the benefits as employees earn them. GASB 45 essentially says that when an employee retires, there should be sufficient funds in an account to pay for the retiree's healthcare costs throughout their retirement.

The last actuarial evaluation of the Town's unfunded liability placed it at approximately \$77 million. An updated evaluation is currently being performed which could place the liability at close to \$100 million.

This issue is nearly identical to the issue faced with pension systems back in the 1980's. At that time, cities and towns funded pension obligations on a pay-as-you-go basis. A new accounting standard then required that the accrued liability be carried on the balance sheet. Ultimately, communities were required by law to fully-fund their pension obligations over a long period of time—roughly forty years. The Town's system is now 65% funded and is required to be fully funded by the year 2028. Over this forty year period, the Town essentially has been paying off a mortgage for this debt. Once the mortgage is paid off, the Town's pension appropriation will drop significantly.

Arlington is one of the few communities in the State who have had special laws enacted for them to allow them to put funds aside to start funding this liability. There is approximately \$1 million in the fund now. While this is a token amount when compared to the liability, the Town has at least been out front in recognizing and beginning to address the problem. Much more will need to be done over the next several years to begin addressing this issue in a meaningful way.

### Energy

Energy costs are anticipated to skyrocket in FY2007. Currently the Town has very favorable long-term contracts for electricity and natural gas supplies. Those contracts, however, will expire next September and January respectively. At that time electricity supply costs are expected to double. The current contract rate is 4.7 cents per KWH versus the current market rate of 9.5 cents per KWH, more than double the current contract rates. For natural gas the current contract rate is \$0.895 per therm versus the current market rate of \$1.40 per therm. This is a 56% increase over current contract rates. Fuel oil and gasoline prices are projected to increase 5% over current contract rates. Town departmental energy costs, exclusive of schools, are projected to increase a total of \$260,000. This is predicated upon current market rates. Given the volatility of the energy markets, however, the rates could change significantly. The Town needs to ensure it has adequate reserves to deal with such volatility.

### Municipal Departmental Budgets

Municipal departmental budgets, as proposed, total \$26,169,323, which is an increase of \$764,019, or 3%. Of the increase, approximately \$302,000 is for wages, \$260,000 for energy cost increases, \$102,000 for refuse collection contract, and \$100,000 for

## EXECUTIVE SERVICES

election and revaluation expenses. The Comptroller's Office is proposing one additional position in Data Processing and the Treasurer's Office is proposing one less position in Payroll. Accordingly, there is no change in the overall personnel complement for municipal departments. The budget increase is less than 4% due to the fact that healthcare costs are projected to increase 13%, or \$1.6 million, well in excess of its limit of 7%.

### Municipal Departments Major Budget Increases

Total increase	\$764,019	(3.0%)
<i>Wages, Steps, &amp; Benefits</i>	<i>\$302,000</i>	
<i>Energy</i>	<i>\$260,000</i>	
<i>Refuse Collection</i>	<i>\$102,000</i>	
<i>Elections &amp; Revaluation</i>	<i>\$100,000</i>	

### Other Budget Increases

School	\$1,039,040	(3.0%)
Minuteman	\$190,991	(7.4%)
Health & Pensions	\$1,809,500	(9.7%)
Capital	\$46,703	(.58%)
Warrant Articles	\$151,121	(6.5%)
Non-Appropriated	(\$79,367)	(-1.8%)

Total Municipal & Other \$3,922,007 (4.1%)

### NESWC Disposal Costs

In FY2006, because of surplus revenues at NESWC, the first three months of disposal costs were free. Disposal costs in FY2006 are projected at \$1,080,000 and \$400,000 was used from the Tip Fee Stabilization Fund (TFSF) to offset these costs. Without the three free months in FY2007, disposal costs are projected to increase by \$280,000 to a total of \$1,360,000. A drawdown of \$680,000 from the TFSF is recommended to offset the increase and to maintain a level-funded appropriation of \$680,000.

### Human Services Reorganization

Although it is not reflected in the proposed budget at this time, I will be proposing a reorganization of the Human Services Department. The major change will be to remove Recreation from Human Services and make it a separate department. I anticipate there will be a little, if any, budget impact as a result of the reorganization.

### Town Financial Structure and Outlook

Each year, for several years, the Town has had a structural deficit whereby the growth in revenues has not kept pace with the growth in costs necessary to maintain a level-service budget. The result has been a gradual erosion of services. The nature of the Town's structural deficit is illustrated in the chart below.

Typical Annual Growth	
<b>Revenues</b>	
Property Taxes	\$ 2,100,000
Local Receipts	\$ 50,000
State Aid	\$ 600,000
Total	\$ 2,750,000
<b>Expenditures</b>	
Wage Adjustments	\$ 2,000,000
Health Insurance/Medicare	\$ 1,300,000
Pensions	\$ 300,000
Miscellaneous ( <i>utilities, capital/debt, special education, other</i> )	\$ 1,000,000
Total	\$ 4,600,000
Structural Deficit	\$ (1,850,000)

The Town's fiscal condition was exacerbated in FY2003 and FY2004 as a result of state aid reductions in excess of \$3.3 million. After major budget reductions and the depletion of reserves, which carried the Town through FY 2005, the Town was facing a deficit of approximately \$4 million in FY2006.

The passage of a \$6 million Proposition 2 ½ override in 2005 for FY2006 covered the \$4 million and allowed the Town to put into reserve the remaining \$2 million. One of the key commitments made as part of the Proposition 2 ½ override was that the funds would be made to last five years and that no override would be requested during that time. Given the structural deficit occurring each year, it will take fiscal discipline, tight cost controls, and reasonable increases in state aid to make the funds last five years without having to make service reductions.

### Override Stabilization Fund (OSF)

As mentioned, in the first year, FY2006, \$2 million has been put into an Override Stabilization Fund. In the second year, FY2007, it is recommended that an additional \$2 million be put into the fund. In the third year, just under \$400,000 is projected to be available to put into the fund. In the fourth year, it is estimated that approximately \$1.4 million will need to be withdrawn from the fund to balance the budget. In the fifth year approximately \$2.8 million is projected to be needed from the fund to balance the budget. After the fifth year, less than \$1 million would be left to offset a projected deficit of more than \$4 million leaving a projected net deficit in the sixth year, FY2011, of \$3.2 million.

How these funds will be used is illustrated on the next page:



## EXECUTIVE SERVICES

<b>Override Stabilization Fund Status</b>						
	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
Balance Forward	0	2,064,528	4,382,401	4,945,878	3,665,656	903,395
Deposits	2,064,528	2,149,319	373,251	0	0	0
Withdrawals	0	0	0	(1,421,209)	(2,797,007)	(903,395)
Interest at 4%	0	168,554	190,226	140,987	34,746	0
<b>Balance</b>	<b>2,064,528</b>	<b>4,382,401</b>	<b>4,945,878</b>	<b>3,665,656</b>	<b>903,395</b>	<b>0</b>

If all the estimates hold, the override funds should enable the town to fund existing service levels through the five years (through FY2010) but only by using the early year surpluses to fund the later year deficits.

### **Comparative Data**

There are a number of factors that contribute to Arlington's structural deficit—some common among all municipalities and some relatively unique to Arlington. Double digit increases in employee healthcare costs and energy costs affect all municipalities. State aid reductions have affected all municipalities, however, Arlington is among a small group of communities that were cut close to 20% as opposed to the state-wide average of 6%.

Some of the factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (see Tables 1 and 2 on next page). Revenue from growth in the tax base ranks dead last among a group of 20 comparable communities (see Table 3). It is less than one-half the average of this group and only a third of the state-wide average. Another indicator of the Town's ability and opportunity to raise revenues is a measure developed by the Department of Revenue called Municipal Revenue Growth Factor (MRGF). It measures a community's ability to raise revenue taking into consideration a community's tax levy limit, new growth, state aid, and local receipts. As you can see from Table 4, the state-wide average and average of the twenty comparable communities MRGF is 4.3 and 4.2 respectively. Arlington's is 2.9, nearly 50% below other communities in terms of ability to raise revenue.

Another factor affecting the Town's financial structure is its tax base. The Town's tax base is nearly all residential—the commercial/industrial sector makes up less than 6% of the total. Table 5 shows that Arlington's 5.9% commercial/industrial tax base ranks it 16<sup>th</sup> out of 20 comparable communities. The average of these communities is 16%, nearly triple that of Arlington. This affects not only the Town's ability to raise revenue, it places a heavier tax burden on the residential sector as there is almost no commercial/industrial sector with which to share the tax burden.

Notwithstanding this, the tax burden when measured several different ways is well below the average of the 20 comparable communities. In fact, the Town ranks 14<sup>th</sup> in taxes per capita, 16<sup>th</sup> in taxes per household, and 19<sup>th</sup> in taxes per household as a percent of median family income. This despite the fact that Arlington's tax levy includes more than \$5 million in MWRA water and sewer debt that only one other community includes on its levy.

A look at how the Town's spending levels impact the Town's financial position shows that the Town's spending per capita is well below the state average and the average of the 20 comparable communities. In overall expenditures per capita, the Town ranks 17<sup>th</sup> and nearly 20% below the state-wide average (see Tables 9-11). With spending well below the state-wide average and below comparable communities, and with revenue growth opportunities well below the statewide average and at the bottom of comparable communities, it is clear that the structural problem with the Town's finances lies with the revenue side of the equation as opposed to the spending side. Limited growth in the tax base, a tax base almost all residential, coupled with a \$3.3 million reduction in state aid, left the Town last year with only two choices—significant budget cuts with the resulting service reductions or the first Proposition 2 ½ general override since 1991.

The State must implement a revenue sharing formula that provides more aid to cities and towns on a consistent, reliable basis. It must recognize the limited revenue raising opportunities of communities like Arlington. Even its own measure of a community's ability to raise revenues shows that Arlington's ability is extremely limited compared to that of other communities. This has to be recognized in future aid distribution formulas.

## EXECUTIVE SERVICES

Table 1	
Municipality	Pop Per Square Mile
1 EVERETT	11,241
2 BROOKLINE	8,410
3 ARLINGTON	8,180
4 WATERTOWN	8,026
5 MEDFORD	6,851
6 MELROSE	5,780
7 BELMONT	5,190
8 WALTHAM	4,663
9 STONEHAM	3,614
10 WINCHESTER	3,446
11 WEYMOUTH	3,174
12 WOBURN	2,940
13 NORWOOD	2,727
14 FRAMINGHAM	2,664
15 BEVERLY	2,401
16 READING	2,388
17 NEEDHAM	2,293
18 MILTON	1,999
19 BURLINGTON	1,936
20 LEXINGTON	1,851
Ave w/o Arlington	4,294
Arlington	8,180

Table 3	
Municipality	FY05 New Growth as a % of Levy
1 BEVERLY	3.54%
2 WALTHAM	3.42%
3 WOBURN	2.38%
4 WATERTOWN	2.31%
5 LEXINGTON	2.17%
6 BROOKLINE	2.11%
7 MILTON	2.05%
8 WINCHESTER	1.92%
9 NORWOOD	1.79%
10 NEEDHAM	1.70%
11 WEYMOUTH	1.63%
12 FRAMINGHAM	1.41%
13 READING	1.30%
14 BURLINGTON	1.26%
15 BELMONT	1.16%
16 MEDFORD	1.12%
17 MELROSE	1.05%
18 STONEHAM	1.05%
19 EVERETT	0.99%
20 ARLINGTON	0.81%
Ave w/o Arlington	1.81%
Arlington	0.81%
State-wide Ave	2.43%

Table 2	
Municipality	Households Per Square Mile
1 EVERETT	4,701
2 BROOKLINE	3,890
3 ARLINGTON	3,746
4 WATERTOWN	3,652
5 MEDFORD	2,787
6 MELROSE	2,396
7 BELMONT	2,141
8 WALTHAM	1,880
9 STONEHAM	1,511
10 WEYMOUTH	1,327
11 WINCHESTER	1,310
12 WOBURN	1,214
13 NORWOOD	1,140
14 FRAMINGHAM	1,064
15 BEVERLY	981
16 READING	889
17 NEEDHAM	860
18 BURLINGTON	715
19 MILTON	703
20 LEXINGTON	691
Ave w/o Arlington	1,782
Arlington	3,746

Table 4	
Municipality	FY2005 Municipal Revenue Growth Factor
1 WOBURN	6.6
2 WATERTOWN	6.1
3 NEEDHAM	4.9
4 BURLINGTON	4.8
5 WINCHESTER	4.7
6 WALTHAM	4.7
7 FRAMINGHAM	4.6
8 BROOKLINE	4.6
9 NORWOOD	4.2
10 LEXINGTON	4.1
11 EVERETT	4.0
12 BEVERLY	3.9
13 WEYMOUTH	3.5
14 STONEHAM	3.5
15 MILTON	3.4
16 BELMONT	3.4
17 ARLINGTON	2.9
18 MELROSE	2.9
19 MEDFORD	2.7
20 READING	2.6
Ave w/o Arlington	4.2
Arlington	2.9
State-wide Ave	4.3



## EXECUTIVE SERVICES

<b>Table 5</b>	
<b>FY2005 Commercial/ Industrial % of Total Value</b>	
<b>Municipality</b>	
1 BURLINGTON	32.70%
2 EVERETT	32.00%
3 WALTHAM	29.70%
4 WOBURN	28.70%
5 NORWOOD	27.30%
6 FRAMINGHAM	22.60%
7 WATERTOWN	18.80%
8 WEYMOUTH	13.30%
9 NEEDHAM	12.50%
10 BEVERLY	12.40%
11 LEXINGTON	12.20%
12 STONEHAM	11.20%
13 MEDFORD	11.10%
14 BROOKLINE	9.00%
15 READING	6.60%
16 ARLINGTON	5.90%
17 BELMONT	5.10%
18 WINCHESTER	5.10%
19 MELROSE	5.00%
20 MILTON	3.00%
<hr/>	
Ave w/o Arlington	15.70%
Arlington	5.90%
State-wide Ave	16.00%

<b>TABLE 7</b>	
<b>FY2005 Taxes Per Household</b>	
<b>Municipality</b>	
1 LEXINGTON	8,043
2 BURLINGTON	6,955
3 WINCHESTER	6,376
4 NEEDHAM	5,941
5 BELMONT	5,342
6 MILTON	4,796
7 READING	4,790
8 FRAMINGHAM	4,696
9 WALTHAM	4,628
10 BROOKLINE	4,538
11 WOBURN	4,455
12 EVERETT	3,877
13 WATERTOWN	3,790
14 BEVERLY	3,662
15 STONEHAM	3,456
16 ARLINGTON	3,386
17 NORWOOD	3,354
18 MELROSE	3,073
19 MEDFORD	2,931
20 WEYMOUTH	2,782
<hr/>	
Ave w/o Arlington	4,605
Arlington	3,386

<b>Table 6</b>	
<b>FY2005 Taxes Per Capita</b>	
<b>Municipality</b>	
1 LEXINGTON	2,997
2 BURLINGTON	2,529
3 WINCHESTER	2,382
4 BELMONT	2,259
5 NEEDHAM	2,220
6 BROOKLINE	2,133
7 FRAMINGHAM	1,914
8 WALTHAM	1,866
9 WOBURN	1,831
10 READING	1,809
11 WATERTOWN	1,745
12 MILTON	1,699
13 EVERETT	1,658
14 ARLINGTON	1,582
15 BEVERLY	1,484
16 STONEHAM	1,474
17 NORWOOD	1,403
18 MELROSE	1,303
19 MEDFORD	1,227
20 WEYMOUTH	1,159
<hr/>	
Ave w/o Arlington	1,847
Arlington	1,582

<b>Table 8</b>	
<b>Taxes Per Household As A % of Median Family Income</b>	
<b>Municipality</b>	
1 BURLINGTON	8.50%
2 EVERETT	7.80%
3 LEXINGTON	7.20%
4 WALTHAM	7.20%
5 FRAMINGHAM	7.00%
6 WOBURN	6.70%
7 WINCHESTER	5.80%
8 WATERTOWN	5.60%
9 BELMONT	5.60%
10 NEEDHAM	5.50%
11 BEVERLY	5.50%
12 READING	5.40%
13 MILTON	5.10%
14 BROOKLINE	4.90%
15 STONEHAM	4.80%
16 NORWOOD	4.80%
17 MEDFORD	4.70%
18 WEYMOUTH	4.30%
19 ARLINGTON	4.30%
20 MELROSE	3.90%
<hr/>	
Ave w/o Arlington	5.80%
Arlington	4.30%

## EXECUTIVE SERVICES

Table 9	
Municipality	FY2004 Total Expenditures Per Capita
1 NORWOOD	3,308
2 LEXINGTON	3,218
3 BURLINGTON	3,138
4 BROOKLINE	2,907
5 BELMONT	2,864
6 WINCHESTER	2,768
7 NEEDHAM	2,644
8 EVERETT	2,624
9 FRAMINGHAM	2,399
10 READING	2,298
11 WATERTOWN	2,233
12 WOBURN	2,204
13 MILTON	2,189
14 STONEHAM	2,165
15 WALTHAM	2,038
16 BEVERLY	2,019
17 ARLINGTON	1,986
18 MELROSE	1,919
19 MEDFORD	1,908
20 WEYMOUTH	1,898
Ave w/o Arlington	2,460
Arlington	1,986
State-wide Ave	2,360

Table 11	
Municipality	FY2004 General Gov Expenditures Per Capita
1 WINCHESTER	347
2 NEEDHAM	255
3 WALTHAM	172
4 BROOKLINE	168
5 BELMONT	148
6 BURLINGTON	145
7 NORWOOD	126
8 WATERTOWN	116
9 LEXINGTON	115
10 EVERETT	104
11 ARLINGTON	98
12 STONEHAM	91
13 READING	89
14 FRAMINGHAM	89
15 WEYMOUTH	83
16 WOBURN	82
17 BEVERLY	81
18 MILTON	81
19 MELROSE	79
20 MEDFORD	59
Ave w/o Arlington	128
Arlington	98
State-wide Ave	122

Table 10	
Municipality	FY2004 Public Safety Expenditures Per Capita
1 BURLINGTON	445
2 BROOKLINE	427
3 WALTHAM	420
4 BELMONT	383
5 WOBURN	374
6 EVERETT	372
7 WATERTOWN	366
8 MILTON	346
9 NORWOOD	345
10 MEDFORD	336
11 NEEDHAM	325
12 STONEHAM	319
13 WINCHESTER	308
14 FRAMINGHAM	291
15 WEYMOUTH	288
16 READING	268
17 BEVERLY	261
18 ARLINGTON	259
19 LEXINGTON	258
20 MELROSE	253
Ave w/o Arlington	336
Arlington	259
State-wide Ave	329

### Long Range Financial Projection

The cornerstone of our strategic budgeting process is the long-range financial projection. Based upon analysis of internal and external factors impacting the Town's operations and finances, we have prepared the long-range projection found on page 15. These projections will, of course, have to be modified as events unfold, but we believe that they are reasonable for fiscal planning purposes.

On the revenue side, we have made the following assumptions:

- **Overall revenues** are expected to increase between 1% and 4.4%.
- **Tax Levy** - Projected to increase between 2.5% and 4%.
  - Regular Levy - 2 ½ % plus \$450,000 new growth. Additional net new growth of \$500,000 from Symmes project commencing in FY2010.
  - Debt Exclusion – Actual debt for Proposition 2 ½ debt exclusion school projects minus state reimbursements. Only BAN cost carried for Dallin School. Actual bond costs likely to be greater.
  - MWRA Water and Sewer Debt – Amount from FY2007 held level. Actual cost will likely increase.

## EXECUTIVE SERVICES

- **State Aid** – Projected to increase 7% in FY2007, based upon the Governor’s budget, and then increased approximately 3.5% thereafter.
- **School Construction Reimbursement** – Projected to decrease \$494,765 in FY2007, due to a one-time double payment in FY2006 for Peirce School, and then held level. Potential increase for Ottoson School reimbursement listed under Other Revenues.
- **Local Receipts** – Increased \$50,000 each year except in FY2007. In FY2007 and FY2008, \$350,000 anticipated in both years for building permit fees for Symmes project. Originally anticipated \$700,000 in FY2007.
- **Free Cash** – Typically appropriate one-half of certified amount. In FY2007, will use \$1.9 million, \$325,000 more than customary practice, to compensate for less than anticipated revenue in FY2007 from Symmes building permits. Use drops to \$1 million each year thereafter in anticipation of smaller certified balances.
- **Overlay Reserve Surplus** – Use \$400,000 in FY2007 and then held at \$200,000 each year thereafter. There is a reasonably good chance that the actual surplus could be greater. If they are, it would simply serve to reduce the deficit in FY2011.
- **Other Revenues** – In FY2007, \$267,000 from interest earned from bond proceeds for school projects is proposed to be applied against Dallin School costs. In FY2008, and each year thereafter, \$437,717 is included from an anticipated increase in state reimbursements for Ottoson School. In FY2009, \$1.4 million is drawn down from the Override Stabilization Fund. In FY2010, \$2.8 million is drawn down from the Fund leaving a balance of less than \$1 million for FY2011.
- **Capital Budget** – Based upon 5 year plan that calls for dedicating approximately 5% of revenues to capital spending.
  - **Exempt Debt** – Actual cost of debt service for debt exclusion projects. Dallin School costs include only BAN costs. Actual bond costs, when known, will be greater.
  - **Non-Exempt Debt** – Increasing approximately 5% a year.
  - **Cash** – In FY2007, CIP calls for \$637,000 in cash-financed projects. Thereafter, amount averages approximately \$900,000.
  - **MWRA Debt Shift** – In FY2007, estimated at \$5.96 million. Amount held level, thereafter, however, amount likely to increase.
- **Pensions** – In FY2007 increased 3.2%. Thereafter increased 4%.
- **Insurance (including healthcare)** – In FY2007, projected increase of 13%. Thereafter, capped at 7%. Any amount above 7% reduces municipal and school budgets.
- **State Assessments** – Based upon preliminary cherry sheets, increased 3.8% in FY2007. Thereafter, increased 2.5%.
- **Offset Aid** – These grants to schools and library are held level from FY2007.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years which is every three years starting in FY2007. In non-revaluation years, it is reduced to \$600,000.
- **Other** – Court judgments or deficits including snow removal, revenue, etc., are estimated at \$300,000 in FY2007 and \$200,000 thereafter.
- **Warrant Articles** – Includes an allowance of approximately \$300,000 per year for typical warrant articles plus amount deposited into Override Stabilization Fund.

Expenditure assumptions include the following:

- **School Budget** – In accordance with the override commitment, capped at 4% less any amount above a 7% increase for employee healthcare. In FY2007, only 3.03% available due to projected increase of 13% for healthcare costs.
- **Minuteman School** – In FY2007 increased enrollment pushes increase to 7.4%. Thereafter, increases projected at 4%.
- **Municipal Departments** - In accordance with the override commitment, capped at 4% less

# EXECUTIVE SERVICES

## Long Range Financial Plan

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>REVENUE</b>						
State Aid	14,790,887	15,841,023	16,441,023	17,041,023	17,641,023	18,241,023
School Construction Aid	2,332,555	1,837,790	1,837,790	1,837,790	1,837,790	1,837,790
Local Receipts	8,448,336	8,768,336	8,818,336	8,518,336	8,568,336	8,618,336
Free Cash	1,614,155	1,939,695	1,000,000	1,000,000	1,000,000	1,000,000
Overlay Reserve Surplus	400,000	400,000	200,000	200,000	200,000	200,000
Property Tax	73,525,801	76,464,202	78,511,864	80,526,701	83,228,465	85,522,474
Other Revenues	0	267,000	437,717	1,858,926	3,234,724	1,341,112
<b>TOTAL REVENUES</b>	<b>101,111,734</b>	<b>105,518,045</b>	<b>107,246,730</b>	<b>110,982,776</b>	<b>115,710,338</b>	<b>116,760,735</b>
<b>APPROPRIATIONS</b>						
Operating Budgets						
School	34,280,903	35,319,943	36,732,741	38,202,050	39,730,132	41,319,338
Minuteman	2,573,834	2,764,825	2,875,418	2,990,435	3,110,053	3,234,455
Town Personal Services Expenses	19,289,018	19,413,834	20,190,387	20,998,003	21,837,923	22,711,440
Less Offsets:						
Enterprise Fund/Other	1,486,247	1,498,796	1,558,748	1,621,098	1,685,942	1,753,379
Tip Fee Stabilization Fund	400,000	680,000	680,000	680,000	680,000	680,000
Net Town Budget	25,399,540	26,169,323	27,216,493	28,304,558	29,437,039	30,613,819
Capital budget						
Exempt Debt Service	3,231,757	3,143,805	2,748,750	2,533,477	2,449,378	2,374,928
Non-Exempt Debt Service	4,075,799	4,280,106	4,525,782	4,763,789	5,118,332	5,029,531
Cash	707,110	637,458	854,458	890,000	868,018	1,010,427
Total Capital	8,014,666	8,061,369	8,128,990	8,187,266	8,435,728	8,414,886
MWRA Debt Shift	5,475,486	5,959,791	5,959,791	5,959,791	5,959,791	5,959,791
Pensions	6,345,069	6,547,299	6,809,191	7,081,558	7,364,820	7,659,413
Insurance	12,259,672	13,866,942	14,837,628	15,876,262	16,987,600	18,176,732
State Assessments	2,543,085	2,639,139	2,705,117	2,772,745	2,842,064	2,913,116
Offset Aid - Library & School	497,260	524,120	524,120	524,120	524,120	524,120
Overlay Reserve	902,675	900,000	600,000	600,000	800,000	600,000
Other	499,606	300,000	200,000	200,000	200,000	200,000
Warrant Articles	2,319,938	2,465,294	657,241	283,990	318,990	283,990
<b>TOTAL APPROPRIATIONS</b>	<b>101,111,734</b>	<b>105,518,045</b>	<b>107,246,730</b>	<b>110,982,776</b>	<b>115,710,338</b>	<b>119,899,659</b>
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,138,924)</b>
<b>Reserve Balances</b>						
Free Cash	3,179,389	1,366,870	1,000,000	1,000,000	1,000,000	1,000,000
Stabilization Fund	2,215,051	2,303,653	2,395,799	2,491,631	2,591,297	2,694,949
Override Stabilization Fund	2,064,528	4,382,401	4,945,878	3,665,656	903,395	0
Tip Fee Stabilization Fund	3,722,075	3,190,958	2,638,597	2,064,141	1,466,706	845,374
Municipal Building Trust Fund	549,105	513,346	513,255	523,473	544,412	566,188
<b>TOTAL:</b>	<b>11,730,149</b>	<b>11,692,156</b>	<b>11,425,853</b>	<b>9,674,518</b>	<b>6,432,612</b>	<b>5,106,511</b>
% of General Fund Revenue	12%	11%	11%	9%	6%	4%

## EXECUTIVE SERVICES

### **Capital Improvements Program**

The Town's capital improvements program policies call for the allocation of approximately 5% of the general fund revenues to the capital budget. This is exclusive of dedicated funding sources such as enterprise funds, grants, and proposition 2 ½ debt exclusion projects. Our existing non-exempt debt is \$4,344,721 of which \$111,877 is paid by the water/sewer enterprise fund. The additional new non-exempt debt service is estimated at \$47,262. The total capital budget for FY2007 is estimated at \$4,917,564. For FY 2007, expenditures for the capital budget are as follows:

Bonding -	\$2,100,555
Cash -	637,458
<u>Other -</u>	<u>4,873,000</u>
Total	7,611,013

Major projects to be funded in FY2007 include \$230,000 for public safety vehicles and equipment, \$341,000 for public works vehicles and equipment, \$680,000 for building repairs, \$1,300,000 for roads, sidewalks, and culvert, \$425,000 for park renovations including \$235,000 for Menotomy Rocks Park, and \$259,000 for town and school technology software and hardware. Also included from the water and sewer enterprise fund is \$2,000,000 for the installation of a new remote automated meter reader system, \$1,000,000 for water system rehabilitation and \$748,000 for sewer system rehabilitation. Two studies proposed for funding include \$25,000 for additional study related to the renovation/reconstruction of the Highland and Center Fire Stations and \$20,000 to explore options for acquisition of additional land for the cemetery.

There were several major projects funded and/or completed this past year. After an exhaustive study of emergency response times from the Park Circle Fire Station, which verified the importance of maintaining this station, Town Meeting approved funding to rebuild the station.

In the area of parks and recreation, several fields, including Locke, Waldo, McClennen, and Spy Pond, were completed. Funding for North Union and Menotomy were approved and will move ahead next year.

The Town successfully proposed a twenty-five year lease extension with the State for the Veterans Memorial Sports Center.

Work on Peirce Field has progressed to near completion. The new turf football field, along with the several other fields, will be tremendous recreational assets for the youth of the Town. The clean-up of this property and the construction of these facilities has been funded by and has been under the supervision and control of the industrial parties. The project costs, under their supervision, have escalated significantly beyond their original estimates and there is some concern that they may look for the Town to pick up a

share of some of the excess costs. There are many valid arguments, however, as to why that would not be appropriate. Regardless of the outcome, the project will be a significant benefit to the Town.

Construction of the new Dallin School was completed at the end of the year. This award-winning school was completed on time and under budget. Numerous energy conservation measures were incorporated into the school most of which were funded with utility company rebates.

### **The Future of State School Construction Funding Program**

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 funding will be phased in between now and 2011. Funding will no longer be subject to an annual appropriation from the Legislature and approval of the Governor. The state is providing \$1 billion in bond proceeds and an additional \$150 million in cash. The new trust is responsible for paying old contract assistance totaling \$5.5 billion over the next 20 years, while financing the current waiting list amount of \$5.5 billion (and growing) over the next 3 years. A major feature of the new law is the up front cash grant program. When a project is approved for funding, the program will make a single payment for 75% of the full amount of the state's reimbursement. The balance of the state share will be paid when the project audit is completed. There are currently 425 school construction projects on the waiting list. The new legislation intends to fund all 425 projects in the next 3½ years.

Chapter 208 imposes a moratorium on the approval of new school construction projects by the MSBA until July 1, 2007. Communities may submit these projects for reimbursement at the close of the moratorium. Communities proceeding with construction during this period must consider the possibility that the MSBA may disapprove reimbursement of the project. At the conclusion of the three-year moratorium, the authority will use \$500 million per year to finance new projects. Projects will be funded to the extent that money from the sales tax will allow. Projects that cannot be funded will be rejected and automatically reapplied for the following year. There will not be a waiting list. Reimbursement rates are based on community factors and incentive

## EXECUTIVE SERVICES

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points. The base percentage is 39%.

The lack of a waiting list creates a major problem for cities and towns because now communities will have no idea whether their project will be funded. At least before, you were put on a list and knew that eventually you would receive funding. Given the lengthy moratorium, there is a growing backlog of projects that will be competing for limited dollars.

There are two schools remaining to be renovated under the school rebuilding program- the Thompson and Stratton Schools. From the original debt authorization of the voters there may be enough left to complete one of the schools assuming that State funding is available. Unfortunately, with the moratorium on State funding for school construction in place and with the backlog of waiting projects, it is unlikely that the Town will receive funding within the next few years, if ever. Given this uncertainty, it makes sense to consider making some interim improvements to the facilities including upgrading technology systems. Over the next several months, I will work with the Superintendent, School Committee, Board of Selectmen, and Finance Committee to develop a strategy to address this issue and identify funding sources.

### **Retirements**

Two long-time town officials announced their retirements in 2005. John Bilafer, Town Treasurer for 33 years, and former Selectman, announced his plans to retire and would not be seeking re-election in April of 2006. John was the consummate professional, totally dedicated to the Town and will be missed.

Superintendent of Schools Kathleen Donovan, after leading the Arlington schools for eleven years, announced her retirement. Kay led the schools through some difficult years. Her leadership and vision were invaluable and helped move the schools forward even in those difficult years. Kay was the ultimate team player and will be missed by all.

### **Dedicated Team**

Arlington is very fortunate to have so many talented citizens willing to volunteer their time to serve the Town in various capacities including Town Meeting and Boards and Commissions. Together with our elected leaders, management team and employees, they make Arlington the special community that it is.

During the Summer and Fall of 2005 the Town Manager's office was fortunate to have Arlington resident Matt Lehrich as an intern. Matt is attending Boston University and is majoring in political science and economics. He was instrumental in helping to analyze the run data for the Park Circle Fire Station and in the development of the first Financial Plan. We thank him and wish him well in his future endeavors.

My thanks to the Board of Selectmen for its leadership and support this past year. Special thanks also to the Town's department heads who are truly top notch. Deputy Town Manager Nancy Galkowski has been an invaluable asset to me and the Town. I would also like to thank my office staff, Gloria Turkall and Domenic Lanzillotti. They are exceptional public employees dedicated to providing the best possible service to each and every person interacting with the Town Manager's Office.

## EXECUTIVE SERVICES

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### 2005 State of the Town John W. Hurd, Chairman Arlington Board of Selectmen

Good Evening. Town Meeting Members; School Committee; Members of Town Committees, Boards, and Commissions; Residents; and Invited Guests.

On behalf of the Board of Selectmen, Vice Chair, Kathleen Dias; Kevin Greeley; Diane Mahon; our new member, Annie LaCourt; Town Manager, Brian Sullivan; and our Mayor, Marie Krepelka, it is my honor to welcome you here tonight to the Annual State of the Town Address.

We welcome and congratulate our newly elected School Committee Members, Susan Lovelace and Sean Garballey; our new Housing Authority Commissioner, Teresa Walsh; and all our new Town Meeting members.

I would like to thank the Vision 20/20 Fiscal Resources Task Group for sponsoring this evening's Address and also recognize the entire Vision 20/20 Committee that works on behalf of the citizens of Arlington throughout the year. Your efforts are greatly appreciated.

It is an honor to have been chosen by my colleagues to serve as Chairman of the Board of Selectmen for the next year. At this time, I would like to thank Diane Mahon for her leadership this past year as Chairman.

I would like to recognize and thank Charles Lyons for his 24 years of distinguished service on the Board of Selectman. Charlie's many contributions and accomplishments have helped develop Arlington into the community it is today. We wish him well.

Tonight's address is an opportunity to look back at the past year at our many challenges and accomplishments, take a look forward at our vision for the future, and recognize a number of people who have made significant contributions along the way. The Vision 20/20 Committee's Motto, "A PROUD PAST AND FOCUSED FUTURE" is most fitting in describing the theme of tonight's Annual Address.

As we gather here in this historic Robbins Memorial Town Hall, let us begin by offering a special thanks and appreciation to those men and women who are bravely serving in our Armed Forces around the world. Our thoughts and prayers go out to those who continue to be in harms way, and in particular, to those families who have lost love ones. We are honored to have with us here tonight a member of our community, Keith Kelly, a Corporal in the United States Marines. Keith recently returned from active duty in Iraq. Thank you very much for being here with us.

On a lighter note, I would be remiss if I didn't mention two other important events that occurred outside Arlington this past year. Who knew... looking

back a couple of decades through the eighties and nineties, there would be an expectation that the Patriots could win every game they played. Well, they haven't disappointed us very often; recently winning their third Super Bowl in the last four years. And who knew...in their wildest dreams, looking back almost a century, that our cherished Red Sox would finally "Reverse the Curse" and win the World Series. Congratulations to them! It certainly was a very exciting time for all of us.

#### ***Here at home***

We are fortunate to live in a community so rich in history and tradition; a community that respects our diverse population and provides for those amongst us who are most in need, and not just in words but in our actions; a community that has dedicated town employees, teachers and administrators that truly care about the citizens they so ably serve. We are proud of people like Patrolman Brendan Kiernan, who was selected as "Police Officer of the Year"; Health Director Christine Connolly and her staff, that followed up on a major hepatitis scare at Friendly's Restaurant; and John Sanchez and our entire Public Works department that worked around the clock this past winter to clear just over a 100 inches of snow, during 22 separate events, just to name a few.

We are a community with a strong Chamber of Commerce that has become well known for its vibrant business districts that include many unique restaurants and specialty stores. As Town leaders, we recognize the importance of continuing to improve the appearance and user friendliness of our business districts, to further sustain our existing retailers, and to encourage new business to come to Arlington.

We are a community with an extraordinary level of volunteerism: as Town Meeting Members; as members of Town Committees, Boards, and Commissions; as youth sports coaches, scout leaders, and those that work so diligently on behalf of many important charities and non-profit groups. The list goes on and on.

We are a community that was recently recognized by Boston Magazine as one of the five best places to live in the Boston area.

The State of our Town at this point in time is strong. Through the leadership of our Treasurer, John Bilafer, we continue to maintain an excellent AA bond rating, our town infrastructure is sound, and we are fortunate to have had the foresight to maintain responsible reserve fund balances.

But our reserve funds are now at dangerously low levels. We continue to experience difficult financial



## EXECUTIVE SERVICES

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challenges, that have compromised our ability to provide the first rate town services and educational programs our residents have grown accustomed to and so rightfully deserve. Our projected budget shortfall that is in part, the result of substantial increases in health care costs for our employees and retirees, an under funded pension system, unfunded state and federal mandates, and a significant decrease in state aid. We will be required to further decrease staffing in our public safety and public works departments; reduce or eliminate many important programs for our youth, seniors, and those most in need; and further reduce services and resources in our libraries.

Our town employees, understanding the reality of our financial situation, have taken on more responsibility and heavier workloads, while at the same time agreeing to concessions in their overall compensation. Last year, town employees, at all levels, increased their health care contribution ranging 50% to 100% from the previous year. We appreciate their hard work and the sacrifices they have made.

Although we faced many difficult challenges from a financial standpoint, we had many accomplishments we can all be proud of:

- **Symmes Site:** Back in 2001, the Board of Selectmen and Town Meeting recognized the need to protect the future of the 18-acre Symmes Hospital site from potential over development if sold in the open market. Selectman Kevin Greeley helped lead a successful debt-exclusion campaign that enabled the Town to purchase the property and plan for its reuse. Town Meeting approved the creation of the Symmes Advisory Committee, and after three years of planning that included hundreds of meetings, the Redevelopment Board selected the proposal submitted by Edward A. Fish Associates. The Fish proposal best achieved the goals set by the Selectmen and presented to the citizens. To date, the inclusion of a medical component continues to be the most difficult challenge.
- **Reeds Brook:** Traveling a short distance up Summer Street to one of the gateways to Arlington, we are witnessing the amazing transformation of the 22-acre Reeds Brook property from an abandoned piece of blighted land commonly called "the old dump." This project is in the final phase of construction that included a new storm water drainage system. When completed, it will have new soccer, football, and baseball fields; a skate park; a playground; and a dog park.

A great deal of credit should be given to retired Planning Director Alan McClennen, current Planning Director Kevin O'Brien, and our Planning Department that worked in partnership with our Parks and Recreation Commission on this spectacular project which was funded through the Community Development Block Grant Program. This new recreational facility is in a neighborhood of town that has for far too long, suffered the adverse affects of an inadequate drainage system. For the residents, I'm most excited.

- **Warren A. Pierce Field:** At Arlington High School's Pierce Field, we began the remediation of a 100-year old soil contamination problem. When completed, we will have another first class, "state of the art," recreational facility that will include two new ball fields, new basketball courts, and an artificial turf football and soccer field, at a minimal cost to the taxpayer. This reconstruction effort became possible as a result of very skillful negotiations with the responsible parties led by Superintendent of Schools Kathleen Donovan, Town Counsel John Maher and retired Planning Director Alan McClennen.
- **Transportation Advisory Committee:** The Transportation Advisory Committee (TAC), in existence just four years, has taken on a remarkable amount of workload in addressing transportation issues, including the Symmes Hospital site redevelopment, the Mass. Ave. Corridor update, improvements to the Pleasant Street and Mass. Ave. intersection, as well as, multiple neighborhood transportation issues throughout the Town. In addition, they have developed decision criteria guidelines for the installation of stop signs, crosswalks and warning signage. The TAC, under the leadership of their very able Chairman Ed Starr, is comprised of a group of highly energized individuals with a wealth of transportation background and community experience. They have worked long and hard to help make our town a much safer place to live, work, and play. We appreciate their hard work and sincerely hope they are still energized!
- **Information Technology Advisory Committee:** In response to the ever-changing world of electronic technology and the need for a formal technology plan for the town, the Board of Selectmen formed the Information Technology Advisory Committee (ITAC) last year. The addition of this committee, to our long list, has enabled the

## EXECUTIVE SERVICES

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town to utilize the technical expertise of many of our citizens that are willing to volunteer their time to benefit the town. The ITAC is in the process of surveying the public and meeting with department heads and users to develop an integrated plan that will allow our town departments to become even more efficient to better serve our residents. We appreciate the work of Selectman Annie LaCourt, who presented this great idea to the Selectmen and for her efforts along with ITAC member Dan Dunn in facilitating its introduction.

### ***Other milestones to celebrate***

Our Affordable Housing Task Force, in partnership with the Housing Corporation, added eight additional family housing units last year, bringing the total to 28 units in the past four years.

The recognition of Fire Chief Richard Maimone's outstanding 32-year career, including six years as chief.

The first ever Selectman to become the President of The National League of Cities, Charles Lyons.

The last year of the NESWC trash disposal contract!

### ***Other milestones not so celebrated***

Last spring, the Archdiocese of Boston selected St. Jerome's and St. James' Catholic Churches for closure. This decision caused profound sadness among many of our residents, particularly those parishioners for whom each church was such an important part of their lives. We must now look forward to the responsible reuse of these properties.

As a community, we continue to be very concerned about development by our neighbors in Belmont and Cambridge, in environmentally sensitive areas that border East Arlington. Residents in those areas already suffer the affects of flooding, air pollution, and traffic gridlock. We need to continue to be aggressive in opposition to any unreasonable development that will further adversely affect the quality of life in our East Arlington neighborhoods. We appreciate the dedication of Selectman Kathleen Dias on this issue, as a member of the Tri-Community Committee, and East Arlington resident, and 42-year Town Meeting Member, Elsie Fiore. Elsie has been protecting the environment in East Arlington and throughout the town her entire adult life.

### ***Looking forward there are many challenges***

The long awaited start of the Summer Street reconstruction plan has begun. This \$4.3 million dollar state funded project will include the replacement of the storm water drainage system, traffic signals, curbs, sidewalks, and a complete roadway reconstruction from the Lexington town line to Hospital

Road. At the conclusion of this project, the town will assume responsibility from the state for this stretch of road.

We thank Senator Bob Havern for his leadership in spearheading state funding for this project as well as Selectman Diane Mahon for her efforts in closely monitoring this project on behalf of the town and the neighbors that will be affected during this construction period.

After a 3-year delay in our school rebuild program, the reconstruction of the Dallin School is in full swing. The Dallin is the fifth of our seven elementary schools to be rebuilt through the State's School Building Assistance program. It is a wonderful sight to see and a reminder of our commitment to rebuild all seven of our elementary schools.

Our top priority continues to be the need to implement a plan that will provide the town with long-term financial stability. For many years, the Finance Committee and its Chairman Alan Tosti have stressed the need for long-term financial planning. Last summer, Charlie Foskett developed a concept to pursue that goal, and in December, Selectman Charlie Lyons created a formal plan to achieve it. This plan, which has been unanimously supported by the Board of Selectman, the School Committee, and the majority of the Finance Committee, includes 5 important components:

- Controlled growth in our annual town and school budgets
- A financial need-based tax exemption for our seniors on fixed incomes
- The restoration of our local aid
- A \$6,000,000 Proposition 2 1/2 override
- A commitment not to go back to the voters for an over-ride for a minimum of 5 years

It's important to point out, that this is a compromise plan, with a disciplined approach. The projected shortfall over the next 5 years, just to maintain our current level of services, is close to \$10,000,000.

To achieve these goals-

We need to continue to explore all opportunities to control skyrocketing health care costs, look for additional ways to decrease spending, and continue to explore new revenue opportunities;

We need to provide financial assistance to our seniors that have been so generous to the town in so many ways over years that just can not afford another tax increase; and

We especially need to let our state legislature know, through our legislators, that we are hurting big time, and we need their help. A disproportionate 20% cut in state aid for Arlington is unfair and unacceptable!

Lastly, we need to convince the citizens of Arlington that we are a well-managed town under the

## EXECUTIVE SERVICES

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direction of our Town Manager Brian Sullivan. We have made substantial cuts in recent years and we have spent their tax dollars prudently. We need their approval of a Proposition 2 1/2 override on Saturday, June 11th, if we are going to be able to sustain our current level of town services and educational programs.

In closing, I'm very proud to say, that together, we have accomplished a great deal. But there is much more to be done and the challenges will become more difficult. The legendary football coach and team motivator Vince Lombardi once said, "Individual commitment to a group effort- that is what makes a team work; a company work; a society work; and a civilization work."

I am confident, that we have the people and the team that will make the commitment, to make Arlington, our town, an even better place to live in the future.