

EXECUTIVE SERVICES

BOARD OF SELECTMEN

The Board of Selectmen is pleased to submit to the residents of Arlington our annual report for 2007. The Board is composed of five elected individuals who are entrusted with the responsibility to set policy and oversee the management of the municipal functions of local government.

The Board members remained the same with the re-election of Kevin F. Greeley to his seventh term. Mr. Greeley brings strength and expertise in communication strategies and skills aiding the Board in developing programs, policies, and communication between Boards and Committees and to the residents.



Financial Overview

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. The Town is in the third year of the 5-year strategic plan and with balancing of budgets and level budget planning, the Town is within the plan.

Chairman Annie LaCourt continued coordinating the Town wide Financial Summit Meetings, bringing to the table Arlington's financial leaders from the Board of Selectmen, Finance Committee, School Committee, Town Manager, Treasurer, Department heads, Board of Assessors and residents.

This group met three times to review options to keep the Town financially healthy and prioritize services.

Selectmen Goals

The Board met several times over the year to develop goals aligned with the financial plan and other

Town objectives. Those goals include:

- Bicentennial participation and promotion of events.
- Long range financial /strategic planning process culminating in 5 year plan for FY 2011 and beyond.
- Develop strategy for addressing capital development and maintenance needs.
- Develop a long range planning, land use, and zoning policy which addresses business development and tourism.
- Transportation Issues- develop overall policy for town and solicit funding sources if necessary.
- Communications- develop programs and policies.

The Selectmen also met with the School Committee and the Redevelopment Board to highlight intersecting goals along with setting common goals for the future.

2007 Selectmen Highlights:

200TH Anniversary Celebration

The Board of Selectmen thanks, congratulates, and praises the 200th Anniversary Committee for the many events that took place during the eighteen-month celebration.

The events included an historical lecture series by Richard Duffy, Spy Pond Celebration and Spy Pond Splash, Senior picnic, Evening of Jazz, Places of Worship Celebration, Road Race, Various neighborhood block parties, Awards Ceremony, and Bicentennial Ball.

Town Day Celebration

This year Arlington Town Day was a huge success especially in the unseasonably hot weather that weekend. Resident and vendor participation was higher than ever making it a fun packed day offering crafts, entertainment, food and children's activities. The Committee's focus on creating a more fun mix of family activities and local crafts resulted in overwhelming thanks of praise from Town Day goers. The Board congratulates and thanks the Town Day Committee and in particular the Co-Chairs Kathleen Darcy and Marie A. Krepelka. The Board also thanks the many businesses and residents who contributed to make this day a success. This is a privately funded Town event.

Arlington Studio Acknowledgement:

The Board praises the hard work of behind-the-scene technical improvements and advances of the Arlington Studio. They have worked tirelessly, at all hours of day and night, to improve the communication to participating subscribers via video and audio production of both Town and School meetings and events.

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Green Dog Project:

Selectmen Clarissa Rowe initiated a public input project of “dog parks” in Arlington by holding multiple neighborhood public meetings accumulating views and ideas towards the concept of “Green Dog” parks in Arlington. The process is continuing and will bring forward a warrant article in 2008 combining the best of all information gathered in these public meetings.

Town Manager contract signed:

The Board re-appointed Brian Sullivan to a successive three-year term as Town Manager effective January 28, 2007.

Verizon contract signed:

The Board of Selectmen signed a Verizon contract, offering Arlington residents a third cable provider to choose from for their cable access. Although still in the process of connecting cable through out the Town, Verizon will have the vast majority of residential connections occur within a year. All multi-dwelling units will be connected within three-years.

Transportation & Parking update:

The Board of Selectmen voted to support the Transportation Advisory Committee and resident requests to evaluate all school zones to prepare a Safe Route to Schools program and implement safety measures in different stages.

The Board voted to support resident requests for a pilot program to provide snow removal along the Donald Marquis Minuteman Bikeway up to the amount of \$2,500.

Restaurant and Package Store updates:

The Board and Town Meeting voted approval of reducing the number of seats required for All Alcohol Licenses, from 99 seats to 50 seats. This will be a binding ballot questions for the residents at the 2008 Town Election.

The Board voted approval of Arlington’s first package store licenses, for Beer & Wine Only, at three locations throughout the Town.

Water and Sewer Debt Shift:

The Board voted that all *new* MWRA water/sewer debt in FY2008 be placed on water bills instead of tax bills. This vote will be reconsiderated yearly.

Board of Survey Policies and Procedures:

The Board adopted a new straightforward policy, allowing new procedures expanding the information available for Board of Survey review.

Affordable Housing update at the Symmes

Redevelopment:

The Board voted to execute the Local Initiative Program (LIP) application including the marketing plan, which provides for rental pricing at 80 percent of median income, as approved by the Redevelopment Board con-

tingent upon Symmes Redevelopment Associates providing the sum of \$150,000 to be utilized for subsidizing affordable housing units, said sum to be deposited in the Affordable Housing Trust Fund or similar account for such propose.

The Board of Selectmen would like to thank the Town Manager, Department Heads and the entire staff of the Selectmen’s Office, Marie Krepelka, Board Administrator, Mary Ann Sullivan, Jean Devereaux and Frances Reidy for their outstanding dedication and service to the Town of Arlington.



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TOWN MANAGER

The year 2007 was the Town's 200th anniversary of its incorporation as the Town of Arlington. The 200th Anniversary Committee is to be commended for organizing and overseeing a number of wonderful celebratory events during the course of the year.

Two of the major events were the Awards Ceremony sponsored by the Board of Selectmen and the Harvest Ball put on by the Harvest Ball Committee. The Board of Selectmen marked this memorable year by recognizing former elected officials and current employees who have provided dedicated and distinguished service to the Town. The award recipients along with the Board of Selectmen are to be congratulated. The Harvest Ball, held at the Town Hall Auditorium and attended by over one hundred Arlingtonians, was a wonderful way to cap off the anniversary celebrations.

Priorities

The Board of Selectmen and I held a number of work sessions to discuss priorities. Some of the key priorities established include the following:

- Maintain commitment to the five-year plan
- Work with residents through summits (forums) and other means to prioritize services
- Improve communications with residents
- Explore cost saving strategies
- Pursue strategies to contain healthcare costs
- Develop strategies to maximize the use of technology for improved productivity and service
- Develop plan to maintain/upgrade infrastructure (schools, fire stations, parks, water & sewer, etc.)
- Encourage sustainable practices, particularly in the energy area
- Develop strategies to revitalize commercial districts

Highlighted throughout this report will be some of the actions taken to date to address these priorities. Focus will be on the two highest priorities--communications and finances.



Brian F. Sullivan, Town Manager

Communications

One of the more important functions of local government is maintaining effective communications with its citizens. As town officials, we need to keep citizens informed on town activities, projects, policy issues and challenges. At the same time, we need to provide avenues for citizens to communicate with its government, to provide input on important issues, and to conveniently submit service requests for a timely response.

The Board of Selectmen and I recognize that we can and need to do a better job at communicating with our citizens. The Board established as one of its goals, improvement in such communications. The Board and I have taken a number of steps to improve communications this past year and will continue to do so in the new year. One of these steps is for me to submit periodic guest commentaries to the newspaper (posted to the website, as well) keeping the public up-to-date on important issues and activities.

We have also made a concerted effort to upgrade the Town's website, arlingtonma.gov, by periodically auditing existing content, providing more up-to-date information, and seeking ways to better manage our ever expanding archive of Town information. Toward that end, we launched a redesign of arlingtonma.gov. The updated site provides users with easier navigation and an updated look. In early 2008, we'll launch an online customer service portal on arlingtonma.gov that will allow residents to search an extensive knowledgebase of Town information, make service requests for Town services, and provide the ability for residents to track their requests online, 24/7.

Last year, arlingtonma.gov was presented with an E-Gov Award from Common Cause. The award recognized municipalities for their efforts in 'open government' for posting all key governance records on their web site. We were pleased to be accessible to residents. A great deal of the credit goes to our hard working and dedicated Web Site Manager, Joan Roman.

Another communication method the Town has relied more on is the email distribution of Town Notices. At arlingtonma.gov, residents have been signing up to

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receive Town Notices via email. Town Notices are timely news and information notices from Town Hall that include public health and public works alerts, election information, office and school closings, trash & recycling alerts, and special Town related events. This communication mechanism is an easy way to receive information from Town Hall and is at little to no cost to the Town. I encourage every Arlington resident to subscribe to Town Notices. There are other email lists for specific Town activities available including: School Committee and Selectmen agendas, Recreation Notices, Park & Field conditions and more.

The Town also implemented a Reverse 911 system to alert residents via the telephone in the event of an emergency or to pass along a message of importance. The Reverse 911 system allows the Town to communicate to the entire Town or just sections of it, instantly or over a period of days. Because there are costs associated with an instant town-wide Reverse 911 call, this service will be used for emergencies only. However, there is no cost if the calls are spread out over days. The service can be used in this way for important messages that are not an emergency. The system has only been used a couple of times, but has already proved helpful in alerting residents who were directly affected by a recent water main break on Mill Street. It was also helpful in informing the entire Town of the one-week extension of yard waste pickup back in November, and a more recent one-day delay in the pickup of refuse due to a snowstorm. The Town will continue to develop the system to best utilize it for resident communications.

Over the past year, the Board of Selectmen and others have taken several steps to inform and educate citizens as to the long-range financial challenges confronting the Town and to seek input on ideas and strategies to address these challenges. Toward that goal, the Town held three public forums (summit meetings). The Board of Selectmen, School Committee, the Finance Committee, Superintendent of Schools, department heads, the deputy Town Manager, and I worked with a number of citizens to generate and prioritize ideas to address the long-range financial challenges. For those citizens who could not attend the forums, the Website provided access to the backup information and an opportunity to submit comments and ideas on-line. Many good ideas were generated and are currently being pursued.

Financial Plan

The proposed budget for the next fiscal year – FY2009 – has been presented to the Board of Selectmen. The Selectmen and Town Manager will be inviting residents in early 2008 to review and comment on the budget to ensure that their priorities are appropriately addressed and that their questions are answered before the Selectmen add their final recommendations to

the proposal.

A Town budget is a bulky document, a sea of line items and numbers. We would like to highlight some of the basic thinking and history that underlies the budget, some of the important recommendations it includes, and where we see the Town's budget going in the future.

The budget proposal prepared by the Town Manager's office was developed with the goals and priorities of the Board of Selectmen in mind. First and foremost are the commitments made to residents as part of the Proposition 2 1/2 override in 2005, spelled out in the 5-Year Plan established at that time:

- Override funds will be made to last at least 5 years (through the FY2010 budget). No general override will be sought during this period.
- Healthcare and pension costs will be limited to increases of no more than 7% and 4% respectively.
- Town and School operating budgets will be limited to increases of no more than 4%. Should healthcare costs exceed the 7% cap, operating budgets shall be reduced below 4% to make up the difference.
- We will maintain cash reserves of at least 5% of the budget.

FY2009 is the fourth year of the 5-Year Plan. The proposed budget for this year is in balance and allows \$592,039 to go into the override stabilization fund. The projection for FY2010 includes a planned withdrawal from the fund in order to be balanced in accordance with the 5-Year plan. In fact, we have been able to extend the utilization of the fund into FY2011.

The plan is working. However, it is not without strain. The basic reason is that, despite some very creative efforts to reduce expenses, some of them – healthcare in particular – keep going up, while our tax base doesn't. Healthcare costs are projected to increase 12.5%, exceeding the 7% cap and thus requiring that departmental operating budgets be limited to a 2.81% increase in order to comply with the 5-Year Plan.

The budget, as proposed, continues to maintain current service levels with public safety and education being top priorities. Each of these priorities was provided with extra funding as a result of a reallocation of funds within the municipal budgets. An additional police officer position has been added to assist with criminal investigations and overtime funds have been increased to provide additional traffic enforcement. Additional overtime funds have also been allocated to the fire department to help maintain existing staffing levels. Approximately \$70,000 has been reallocated from the municipal departments to the school budget to allow for a 3% increase in the school budget thereby reducing

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Overall Budget Summary				
	FY2008	FY2009	CHANGE	%
			\$	
Revenue				
Tax Levy	\$ 78,813,376	\$ 80,805,476	\$ 1,992,100	2.5%
Local Receipts	\$ 8,614,200	\$ 9,563,000	\$ 948,800	11.0%
State Aid - Cherry Sheet	\$ 15,972,745	\$ 16,462,088	\$ 489,343	3.1%
School Construction	\$ 2,546,280	\$ 2,532,522	\$ (13,758)	-0.5%
Free Cash	\$ 954,736	\$ 1,818,787	\$ 864,051	90.5%
Other Funds	\$ 500,000	\$ 500,000	\$ -	0.0%
Total Revenues	\$ 107,401,337	\$ 111,681,873	\$ 4,280,536	4.0%
Expenditures				
Municipal Departments	\$ 27,125,700	\$ 27,868,820	\$ 743,120	2.7%
School Department	\$ 36,775,603	\$ 37,878,871	\$ 1,103,268	3.0%
Minuteman School	\$ 3,276,622	\$ 3,153,412	\$ (123,210)	-3.8%
Non-Departmental (Healthcare & Pensio	\$ 21,716,601	\$ 23,693,751	\$ 1,977,150	9.1%
Capital	\$ 8,352,746	\$ 8,308,980	\$ (43,766)	-0.5%
Warrant Articles	\$ 994,975	\$ 1,564,833	\$ 569,858	57.3%
Total Appropriations	\$ 98,242,247	\$ 102,468,667	\$ 4,226,420	4.3%
Non-Appropriated Expenses	\$ 9,159,090	\$ 9,213,206	\$ 54,116	0.6%
Surplus/ (Deficit)	\$ -	\$ -	\$ -	0.0%

the municipal departmental budget increase to 2.74%.

The overall budget is summarized in the chart above.

Under the five-year plan, the budgets would normally increase 4%. However, because the healthcare budget is projected to exceed the 7% cap, the departmental budgets are required to be reduced to 2.81% to stay within the overall expenditure limitations. As proposed, the municipal departmental budgets will increase 2.74% and the school budget will increase 3%.

The 2.74% increase in the municipal budget results in a total budget of \$27,868,820 which is an increase of \$743,120. The departmental budgets under the jurisdiction of the Town Manager are in compliance with an overall increase of 2.35%. Other appointing authorities' budget requests are approximately \$30,000 in excess of the cap. After this reduction, the overall increase for the appointing authorities will be 5.74%, the majority of which is for the extra elections scheduled in FY2009.

The budget, as proposed, calls for level services. Budget priorities have been retained—public safety and education being the top priorities. Both were provided with additional discretionary funding as a result of a reallocation of funds within the municipal budgets. An additional police officer position is added to assist in the area of criminal investigations and police overtime funds have been added for additional traffic enforcement. Additional overtime funds have also been added to the fire department to help maintain existing manning levels. The school budget was also reallocated some additional funds from the municipal budget so as to provide the schools with a full 3% increase.

In the public works budget, three positions have

been eliminated. One position has been eliminated as the result of reorganization and two positions from cemeteries have been eliminated in anticipation of changes in maintenance service delivery that should result in productivity improvements.

Overall, personnel complements in the municipal budget will be reduced by two positions. Most of the 2.74% increase in the municipal departmental budgets is consumed by wage adjustments. The major uncertainties contained in the FY2009 budget remain state aid and energy costs. The major budget changes are summarized in the chart at the below.

Municipal Departments Major Budget Increases		
<i>Total increase</i>	\$743,120	(3.93%)
<i>Wages, Steps, & Benefits</i>	\$457,660	
<i>Reserve Fund</i>	\$ 50,000	
<i>Expenses</i>	\$235,460	
<i>Curbside collection</i>	\$65,065	
<i>Elections</i>	\$37,219	
<i>Youth Services (revenue loss)</i>	\$55,521	
<i>Overall Departmental expenses</i>	\$77,655	
Other Budget Increases		
<i>School</i>	\$1,103,268 (3.00%)	
<i>Minuteman</i>	(\$ 123,210) (-3.76%)	
<i>Health & Other Insurance</i>	\$1,760,355 (11.73%)	
<i>Pensions</i>	\$ 216,795 (3.23%)	
<i>Capital</i>	(\$ 43,766) (-0.52%)	
<i>Warrant Articles</i>	\$ 569,858 (57.27%)	
<i>Non-Appropriated</i>	\$ 54,116 (1.52%)	
Total Municipal & Other	\$4,280,536 (3.99%)	

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Energy

The Town has long-term supply contracts for both electricity and natural gas which should help stabilize a good portion of our energy budget. The electricity contract is a five-year contract ending in 2011 and provides for a rate of 10.505 per KWH. The current natural gas contract expires in January 2009 but a new two-year contract, January 2009 to January 2011, calls for a reduction in rates from the current \$1.285 per therm to \$1.149 per therm. Any savings here, however, will be more than offset by anticipated increases in heating oil and gasoline costs.

An energy working group has been formed to explore further options for reducing energy consumption and costs. The Town has also joined EPA New England's Community Energy Challenge and has committed to becoming an EPA Energy Star partner. The program challenges communities to save money and reduce air pollution by assessing their energy use, taking action to improve energy efficiency, and seeking out renewable energy alternatives. The EPA provides participating municipalities with free training and technical support of energy benchmarking software to assess performance and identify opportunities to improve energy efficiency through better facility management, upgrade to lighting, HVAC, controls, and other building systems and equipment.

A change in the leases for the Parmenter and Crosby Schools requires the tenants to directly pay for their own energy costs rather than the Town paying for them up front and then getting reimbursed. This eliminates the need for the town to budget for these uncertain costs over which it has no control. This resulted in an overall decrease of \$90,673 in the energy budget.

Collective Bargaining

Most contracts with employee groups will expire on June 30, 2008. These groups include 680, SEIU, and Police Ranking Officers. The contracts are two-year contracts that include increases in employee co-

pays for healthcare coverage. The Firefighters Union and Professional Librarians Union have settled contracts through FY2009 that include a wage increase of 2.5%. The Patrolmen's Union is the only group that has not agreed to a new contract. Their contract expired June 30, 2006. We have jointly agreed to go to arbitration before the JLMC (Joint Labor-Management Committee).

Healthcare

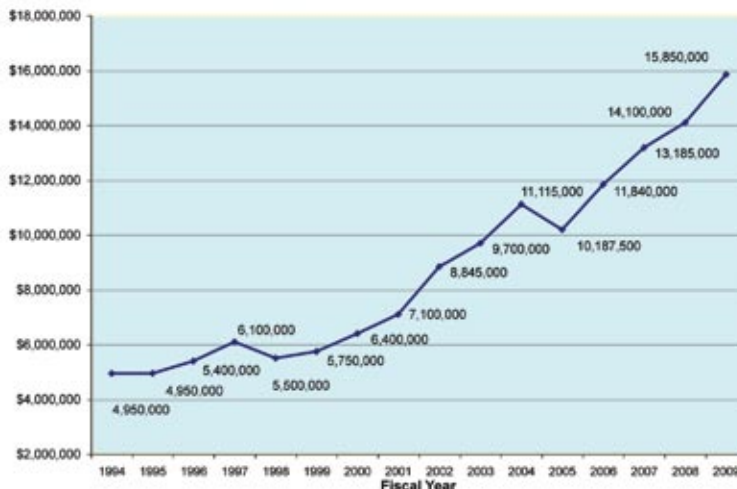
Given the dramatic increases in healthcare costs, as illustrated in the appropriation history chart on the next page, working with our employees to explore all possible cost containment measures has been a top priority. The override commitment capping and linking operating budget increases (in large part wages) and healthcare cost increases makes this effort imperative.

The Town, like many other public and private employers, has had to contend with double-digit inflation of healthcare costs. Over the last few years, management and labor for both the Town and School have come together to work on the healthcare issue. Employee and retiree contribution rates have been increased, co-payments for medical services and prescriptions have been increased, and opt-out incentives have been implemented.

While these have helped to moderate the increase in the FY2008 budget to only 7%, the medical inflation rate continues to march along at double-digit rates resulting in a projected increase of 12.5% in FY2009.

A new state law recently enacted allows municipalities to join the state's healthcare program called the GIC. Because of the size and structure of the state program, it is able to offer more competitive rates. To join the program, municipalities must reach agreement to do so with its employee groups through a coalition bargaining process. Employee groups will be invited to participate in an interest-based bargaining process to determine the possible benefits for both the Town and its employees.

Health Insurance Appropriation



GASB 45: OPEB Obligation

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 latest actuarial valuation of the Town's unfunded liability dated January 2005 placed it at approximately \$109 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 the Town is required by law to fully fund its pension obligations over a long period of time—roughly forty years. The Town is now 73.5% 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. Currently, the balance in the fund is in excess of \$2 million. 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. A committee set up by town meeting has made several recommendations on funding sources for this fund. First, going back over 10 years we have been contributing the difference between the non-contributory pension liability and \$500,000 (\$310,223). Second, as in FY 2008, it is recommended that the Medicare Part D reimbursement be appropriated to this fund (\$375,000). Third, the Selectmen voted to recommend to the 2007 Annual Town Meeting that the difference in health care contributions that the retirees made by going from 10% to 15% for HMO's be appropriated to fund this liability (\$155,000). The recommended total to be appropriated in the FY 2009 budget is \$856,105.

The Town Treasurer has proposed that the Town consider issuing bonds (OPEB bonds) to finance some or all of the liability. The argument for doing this is that the interest earned from investing the proceeds of the

bond will exceed the interest paid on the bonds. While this is generally the case, there is a risk that investment returns may underperform resulting in bond payments actually exceeding investment returns thereby increasing the liability instead of decreasing it. Because of the nature of these bonds, they are taxable, thus the arbitrage margin is that much narrower. The risks of issuing such bonds needs to be evaluated thoroughly before proceeding. Special legislation is required to authorize the Town to issue such bonds.

Cost Savings/Performance Strategies

The Town has continuously pursued numerous strategies for reducing costs and becoming more productive. The comparison spending charts on pages I-12 to I-14 clearly show that these efforts have produced results as Arlington's spending in most service categories are near the bottom.

Recently the Town has participated in a consortium of about a dozen area communities to pursue regionalization opportunities. Many service and purchasing contracts are being implemented regionally. Additional regionalizing opportunities are being evaluated at the ongoing monthly meetings of this consortium.

The Town is also evaluating the current service delivery methods for various services to determine the most cost effective way to deliver the services. Maintenance of cemetery grounds is currently being evaluated to determine whether it is more cost effective to perform this work in-house or by contracting it out.

The Town has also joined a consortium of six other communities, under the auspices of the International City Manager's Association (ICMA), to gather and compare performance data for various services. It is helpful to not only measure and compare performance data with comparable communities but to also compare the year to year progress made by the Town itself in these service areas.

Though the next five-year plan (which begins with FY2011) is a few years off, we need to start planning for it now. Throughout 2007, the Board of Selectmen held a series of public forums (summits) to gather input from interested citizens on additional ideas for cutting costs and raising revenues. A number of ideas came out of those forums, all of which are currently being evaluated / pursued.

In order to increase productivity in the long run, the Town has to make better and more effective use of technology. This certainly is not unique to Arlington as any organization worldwide that does not keep up with the productivity enhancements to be gained through the effective use of technology will not be able to compete. A strategic IT plan is now being developed. The implementation of this plan will be a priority in the coming years.

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Commercial Revitalization

One of the key goals of the Board of Selectmen and mine is to focus on the revitalization of our commercial districts. Working with the Redevelopment and/or explored several programs to revitalize our commercial districts. Efforts have included innovative storefront loan programs, incentives through zoning, establishment of business improvement districts, and several other programs.

Federal funds have been allocated to do a study of the existing commercial districts and inventory the mix of businesses so as to develop appropriate strategies for reinvigorating what we have. In addition, analysis will be performed to determine what new businesses should be recruited to enhance the synergy between and among businesses. Networks with such sought after businesses will be developed. Also contingency plans will be developed should some key parcels come on the market so that we can work with the property owners with a plan in-hand providing guidance as to the most appropriate reuse of the property.

Congressman Markey assisted the Town in obtaining two separate federal grants to do an "extreme makeover" of the Mass Ave corridor from the Cambridge line to Pond Lane. This represents a tremendous opportunity to revitalize this whole corridor. It is the first phase of the project. Subsequent phases will go into the Center and beyond.

State Aid

For FY2009, the Governor has proposed an increase of \$191.2 million or 6.1% in local aid (exclusive of regional school aid). Arlington is slated to receive an increase of \$475,585 (2.6%) which includes a decrease of \$13,758 in school construction reimbursement.

A majority of the increase is being distributed

through the Chapter 70 school aid formula. The formula works to the disadvantage of communities with relatively high incomes and property values. Arlington falls into this category which means that we are a minimum aid community and are calculated to receive only 17.5% of our school foundation budget (the amount that the state calculates that we should be spending on schools). For FY09, Arlington will receive 16.4% of our foundation budget. The State plans on bringing the funding up to the target of 17.5% over five years, with this being the third year. See page II-21 on Chapter 70 aid for more details.

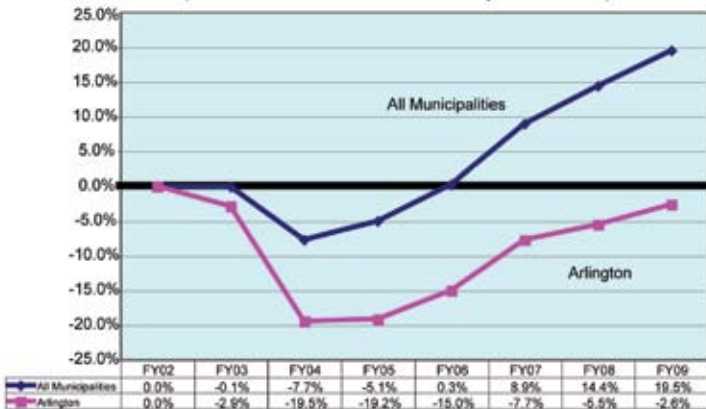
The biggest concern with the FY2009 local aid is the reduction of \$657,315 in lottery funds. The lottery game has seen a reduction of \$124 million in revenues. The Governor has proposed to offset this reduction through the sale of three casino licenses. The big question is whether the Legislature will approve the casino licenses, and even if they do, will it be done so that the revenues are realized in FY2009. Another concern is that this would be one-time revenue.

The Governor has also proposed several other steps, including closing the telecommunications tax loophole, to help provide additional funding for cities and towns. The Legislature needs to act expeditiously on these proposals to ensure that local aid is maintained at least at the levels proposed by the Governor.

Over the last several years, the distribution formulas used for the cut backs 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 that if your community has a relatively high median income and high property values, then the community doesn't need much state aid because it has the ability to raise revenues locally. The problem is communities don't have the ability to raise revenues through the income tax (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 choice of raising property taxes through overrides or cutting services.

Since FY2002 state aid for all municipalities initially dropped approximately 8% but then rebounded so that today state aid is roughly 20% greater than in FY2002. For Arlington, however, state aid initially dropped 20% and today is still 3% below what it was in FY2002. Arlington's share of the state aid pie is one-half of what it once was. In fact, if Arlington received the same share of total state aid that it did in FY1986, it would be receiving an additional \$14.5 million in aid today.

State Aid Cumulative Percent Change Since Fiscal Year 2002 (numbers exclude School Construction Project and METCO)



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Override Stabilization Fund (OSF)

One of the key commitments made as part of the Proposition 2 ½ override was that the funds would be made to last at least five years and that no override would be requested during that time. In the first year, \$2.1 million of the \$6 million override funds was appropriated into the OSF. In the second year, FY2007, an additional \$2.1 million was appropriated into the fund. The third year \$100,000 was added to the fund. In the fourth year, FY2009, an additional \$598,035 is currently projected to be added to the fund. In the fifth year, however, it is projected that it will be necessary to draw down \$2.3 million. It is currently projected that approximately \$3.1 million will be available for use in the sixth year, FY2011. How these funds will be used is illustrated below:

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 last year. Originally it was anticipated that the surplus funds would be needed for the last two years, both FY2009 and FY2010.

Override Stabilization Fund						
FIVE YEAR PLAN						
	2006	2007	2008	2009	2010	2011
Balance Forward:	0	2,064,528	4,247,109	4,428,747	5,203,932	3,093,980
Deposits	2,064,528	2,100,000	100,000	598,035		
Withdrawals					(2,318,109)	(3,093,980)
Future Interest at 4%		82,581	81,638	177,150	208,157	
Balance Forward:		4,247,109	4,428,747	5,203,932	3,093,980	0

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%. Now, statewide, communities are 20% above the FY2002 level while Arlington is still 3% below FY2002 (see chart on page 10).

Table 1	
Municipality	Pop Per Square Mile
1 BROOKLINE	8,410
2 ARLINGTON	8,180
3 WATERTOWN	8,026
4 MEDFORD	6,851
5 MELROSE	5,780
6 BELMONT	5,190
7 SALEM	4,986
8 STONEHAM	3,614
9 WINCHESTER	3,446
10 WEYMOUTH	3,174
11 RANDOLPH	3,075
12 WOBURN	2,940
13 NORWOOD	2,727
14 WELLESLEY	2,614
15 READING	2,388
16 NEEDHAM	2,293
17 NATICK	2,133
18 MILTON	1,999
19 LEXINGTON	1,851
20 CHELMSFORD	1,495
Ave w/o Arlington	3,842
Arlington	8,180

Table 2	
Municipality	Households Per Sq Mile
1 BROOKLINE	3,890
2 ARLINGTON	3,746
3 WATERTOWN	3,652
4 MEDFORD	2,787
5 MELROSE	2,396
6 SALEM	2,243
7 BELMONT	2,141
8 STONEHAM	1,511
9 WEYMOUTH	1,327
10 WINCHESTER	1,310
11 WOBURN	1,214
12 RANDOLPH	1,145
13 NORWOOD	1,140
14 READING	889
15 NATICK	886
16 WELLESLEY	870
17 NEEDHAM	860
18 MILTON	703
19 LEXINGTON	691
20 CHELMSFORD	575
Ave w/o Arlington	1,591
Arlington	3,746

Table 3	
Municipality	New Growth Ave Last 3 Yrs
1 WOBURN	3.1%
2 WATERTOWN	2.6%
3 LEXINGTON	2.5%
4 CHELMSFORD	2.3%
5 BROOKLINE	2.2%
6 NEEDHAM	2.1%
7 WELLESLEY	1.9%
8 WEYMOUTH	1.8%
9 WINCHESTER	1.7%
10 MILTON	1.7%
11 READING	1.6%
12 BELMONT	1.5%
13 NORWOOD	1.5%
14 RANDOLPH	1.4%
15 MEDFORD	1.4%
16 SALEM	1.3%
17 NATICK	1.2%
18 STONEHAM	1.2%
19 ARLINGTON	1.2%
20 MELROSE	1.0%
Ave w/o Arlington	1.8%
Arlington	1.2%
State-wide Ave	2.8%

Table 4	
Municipality	FY2007 Municipal Revenue Growth Factor
1 MILTON	6.5
2 CHELMSFORD	6.0
3 WOBURN	5.9
4 RANDOLPH	5.4
5 SALEM	5.4
6 READING	5.2
7 WATERTOWN	5.2
8 LEXINGTON	5.0
9 NATICK	5.0
10 WELLESLEY	4.9
11 NORWOOD	4.9
12 BROOKLINE	4.8
13 NEEDHAM	4.7
14 STONEHAM	4.7
15 WEYMOUTH	4.6
16 MEDFORD	4.5
17 WINCHESTER	4.4
18 BELMONT	3.9
19 ARLINGTON	3.9
20 MELROSE	3.8
Ave w/o Arlington	5.0
Arlington	3.9
State-wide Ave	6.1

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Some of the factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (Tables 1 and 2 on previous page). Revenue from growth in the tax base ranks next to last among a group of 20 comparable communities (Table 3, previous page). It is less than one-half 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 (previous page), the state-wide average and average of the twenty comparable communities MRGF is 6.1 and 5.0 respectively. Arlington's is 3.9, nearly 56% 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 (below) shows that Arlington's 5.4% commercial/industrial tax base ranks it 16th out of 20 comparable communities. The average of these communities is 13%, 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 at or below the average of the 20 comparable communities. In fact, the Town ranks 13th in taxes per capita, and 10th in taxes per household as a percent of median household income (Tables 6 and 7). 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.

Table 5	
Municipality	FY2007 Commercial /Industrial % of Total Value
1 WATERTOWN	32.4
2 WOBURN	27.0
3 NORWOOD	25.4
4 NATICK	20.2
5 CHELMSFORD	17.6
6 SALEM	16.9
7 WEYMOUTH	13.0
8 NEEDHAM	11.7
9 LEXINGTON	11.5
10 RANDOLPH	11.4
11 WELLESLEY	11.1
12 MEDFORD	10.8
13 STONEHAM	10.6
14 BROOKLINE	8.9
15 READING	7.3
16 ARLINGTON	5.4
17 BELMONT	5.2
18 WINCHESTER	5.0
19 MELROSE	4.7
20 MILTON	2.9
Ave w/o Arlington	13.3
Arlington	5.4
State-wide Ave	15.5

Table 6	
Municipality	FY2007 Taxes Per Cap
1 LEXINGTON	3,340
2 WELLESLEY	2,940
3 NEEDHAM	2,601
4 WINCHESTER	2,579
5 BELMONT	2,460
6 BROOKLINE	2,340
7 CHELMSFORD	1,991
8 READING	1,972
9 MILTON	1,971
10 NATICK	1,967
11 WOBURN	1,948
12 WATERTOWN	1,926
13 ARLINGTON	1,862
14 STONEHAM	1,587
15 NORWOOD	1,545
16 SALEM	1,480
17 MELROSE	1,444
18 MEDFORD	1,350
19 WEYMOUTH	1,255
20 RANDOLPH	1,185
Ave w/o Arlington	1,994
Arlington	1,862

Table 7	
Municipality	FY2007 Taxes Per Household As a % of 1999 Household Income
1 LEXINGTON	7.4%
2 WINCHESTER	7.0%
3 WELLESLEY	7.0%
4 BELMONT	6.8%
5 MILTON	6.7%
6 READING	6.2%
7 BROOKLINE	6.2%
8 NEEDHAM	6.2%
9 CHELMSFORD	6.1%
10 ARLINGTON	5.8%
11 SALEM	5.6%
12 STONEHAM	5.4%
13 NATICK	5.4%
14 MELROSE	5.0%
15 MEDFORD	4.9%
16 WATERTOWN	4.7%
17 RANDOLPH	4.5%
18 WOBURN	4.5%
19 WEYMOUTH	4.5%
20 NORWOOD	3.5%
Ave w/o Arlington	5.7%
Arlington	5.8%

Table 8	
Municipality	FY2006 Gen Gov Expenditures Per Cap
1 WINCHESTER	353
2 RANDOLPH	248
3 NATICK	158
4 BROOKLINE	152
5 NORWOOD	137
6 NEEDHAM	136
7 BELMONT	133
8 WELLESLEY	130
9 LEXINGTON	128
10 WATERTOWN	119
11 ARLINGTON	109
12 READING	100
13 CHELMSFORD	99
14 SALEM	89
15 WOBURN	85
16 WEYMOUTH	81
17 MELROSE	80
18 MILTON	79
19 STONEHAM	79
20 MEDFORD	64
Ave w/o Arlington	129
Arlington	109
State-wide Ave	121

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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 (Table 8 below). In overall expenditures per capita, the Town ranks 17th and nearly 20% below the state-wide average (see Tables 9-12). 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 in 2005 with only two choices— significant budget cuts with the resulting service reductions or the first Proposition 2 ½ general override since 1991.

Table 9	
Municipality	FY2006 Public Safety Exp Per Cap
1 BROOKLINE	456
2 WATERTOWN	412
3 WOBURN	377
4 NORWOOD	373
5 NEEDHAM	372
6 MILTON	360
7 MEDFORD	360
8 BELMONT	354
9 NATICK	340
10 SALEM	335
11 WINCHESTER	334
12 WELLESLEY	330
13 WEYMOUTH	329
14 STONEHAM	323
15 LEXINGTON	309
16 READING	292
17 ARLINGTON	282
18 CHELMSFORD	274
19 RANDOLPH	272
20 MELROSE	256
Ave w/o Arlington	340
Arlington	282
State-wide Ave	355

Table 10	
Municipality	FY2006 Public Works Exp Per Cap
1 NORWOOD	619
2 RANDOLPH	235
3 WATERTOWN	221
4 WELLESLEY	220
5 LEXINGTON	211
6 READING	185
7 BELMONT	182
8 NATICK	175
9 BROOKLINE	169
10 CHELMSFORD	161
11 WINCHESTER	160
12 MEDFORD	160
13 WEYMOUTH	158
14 MILTON	155
15 WOBURN	139
16 SALEM	134
17 STONEHAM	134
18 ARLINGTON	134
19 NEEDHAM	130
20 MELROSE	122
Ave w/o Arlington	193
Arlington	134
State-wide Ave	153

Table 11	
Municipality	FY2006 School Per Pupil Exp
1 WATERTOWN	15,032
2 BROOKLINE	14,929
3 LEXINGTON	12,600
4 MEDFORD	12,233
5 WOBURN	12,225
6 WELLESLEY	11,494
7 NEEDHAM	11,291
8 NATICK	11,092
9 NORWOOD	11,015
10 WEYMOUTH	10,855
11 ARLINGTON	10,841
12 MILTON	10,585
13 BELMONT	10,374
14 WINCHESTER	10,139
15 RANDOLPH	10,032
16 READING	9,765
17 MELROSE	9,571
18 STONEHAM	9,359
19 CHELMSFORD	9,117
Ave w/o Arlington	11,206
Arlington	10,841
State-wide Ave	11,188

Table 12	
Municipality	FY2006 Total Exp Per Cap
1 LEXINGTON	3,706
2 WINCHESTER	3,149
3 WELLESLEY	3,129
4 NORWOOD	3,030
5 NEEDHAM	3,008
6 BROOKLINE	2,867
7 NATICK	2,794
8 BELMONT	2,768
9 READING	2,732
10 CHELMSFORD	2,589
11 WATERTOWN	2,495
12 MILTON	2,483
13 WOBURN	2,478
14 STONEHAM	2,274
15 SALEM	2,273
16 RANDOLPH	2,233
17 ARLINGTON	2,181
18 WEYMOUTH	2,135
19 MEDFORD	2,105
20 MELROSE	2,070
Ave w/o Arlington	2,648
Arlington	2,181
State-wide Ave	2,556

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 the next page. 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 4% in FY 2009. Future year increases range from -.35% to 3.63% depending on our use of the Override Stabilization Fund.

- **Tax Levy** - Projected to increase 2.5% in FY 2009 and thereafter 2.7%.
- **Regular Levy** - 2 ½ % plus new growth of \$450,000 in FY2009.
- **Debt Exclusion** – Actual debt for Proposition 2 ½ debt exclusion school projects minus state reimbursements.
- **MWRA Water and Sewer Debt** – Amount from FY2007 held level as voted by Board of Selectmen.
- **State Aid** – Projected to increase 3% in FY2009, based upon the Governor's budget, and then increased by \$300,000, or approximately 1.7% thereafter.
- **School Construction Reimbursement** – Projected to decrease \$13,758 in FY2009, due to final audit adjustments for several schools, and then the amount is held level.
- **Local Receipts** – Increased \$948,800 in FY2009 due to some extraordinary increases related to the Symmes

EXECUTIVE SERVICES

- redevelopment project and other items. Thereafter increases are estimated at \$50,000 per year.
- **Free Cash** – Typically appropriate one-half of certified amount. In FY2009 the amount used is \$1,818,787. Use is maintained at \$1 million each year thereafter in anticipation of smaller certified balances.
 - **Overlay Reserve Surplus** – Use \$500,000 in FY2009 and FY2010, \$400,000 thereafter. There is a reasonably good chance that the actual surplus could be greater. If it is, it would simply serve to reduce the deficit in FY2011.
 - **Other Revenues** – In FY2010, \$2.3 million is drawn down from the Override Stabilization Fund leaving a balance of \$3.1 million for FY2011. FY 2010 is the final year of the 5 Year Override Plan.

Long Range Financial Projection

	FIVE YEAR PLAN							FY 2011	FY 2012	FY 2013
	FY 2008	FY 2009	Dollar Change	Percent Change	FY 2010	Dollar Change	Percent Change			
I REVENUE										
A. State Aid	15,972,745	16,462,088	489,343	3.06%	16,762,088	300,000	1.82%	17,062,088	17,362,088	17,662,088
School Construction Aid	2,546,280	2,532,522	(13,758)	-0.54%	2,532,522	0	0.00%	2,532,522	2,532,522	2,532,522
B. Local Receipts	8,614,200	9,563,000	948,800	11.01%	9,613,000	50,000	0.52%	9,663,000	9,713,000	9,763,000
C. Free Cash	954,736	1,818,787	864,051	90.50%	1,000,000	(818,787)	-45.02%	1,000,000	1,000,000	1,000,000
D. Overlay Reserve Surplus	500,000	500,000	0	0.00%	500,000	0	0.00%	400,000	400,000	400,000
E. Property Tax	78,813,376	80,805,476	1,992,100	2.53%	83,012,064	2,206,588	2.73%	85,290,277	87,618,289	90,001,059
F. Override Stabilization Fund			0		2,318,109	2,318,109		3,093,980		
TOTAL REVENUES	107,401,337	111,681,873	4,280,536	3.99%	115,737,783	4,055,910	3.63%	119,041,867	118,625,899	121,358,669
II APPROPRIATIONS										
A. Operating Budgets										
School	36,775,603	37,878,871	1,103,268	3.00%	39,394,026	1,515,155	4.00%	40,969,787	42,608,578	44,312,922
Minuteman	3,276,622	3,153,412	(123,210)	-3.76%	3,279,548	126,136	4.00%	3,410,730	3,547,160	3,689,046
Town Personnel Services Expenses	20,926,813	21,253,388	326,575		22,103,523	850,136		22,987,664	23,907,171	24,863,457
Expenses	8,722,073	9,060,751	338,678		9,395,999	335,248		9,746,469	10,110,013	10,440,610
Less Offsets:										
Enterprise Fund/Other	1,843,186	1,765,318	(77,868)		1,835,931	70,613		1,909,368	1,985,743	2,065,173
Tip Fee Stabilization Fund	680,000	680,000	0		680,000	0		680,000	680,000	620,409
Net Town Budget	27,125,700	27,868,820	743,120	2.74%	28,983,591	1,114,771	4.00%	30,144,765	31,351,440	32,618,486
MWRA Debt Shift	5,593,112	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	5,593,112	5,593,112
B. Capital budget										
Exempt Debt Service	3,114,096	2,868,118	(245,978)	-7.90%	2,772,490	(95,628)	-3.33%	2,690,932	2,600,179	2,503,715
Non-Exempt Service	4,431,942	4,584,862	152,920	3.45%	4,809,664	224,802	4.90%	4,999,421	5,360,539	5,523,826
Cash	806,708	856,000	49,292	6.11%	907,800	51,800	6.05%	943,477	906,700	845,900
Total Capital	8,352,746	8,308,980	(43,766)	-0.52%	8,489,954	180,974	2.18%	8,633,830	8,867,418	8,873,441
C. Pensions	6,706,716	6,923,511	216,795	3.23%	7,200,451	276,940	4.00%	7,488,469	7,788,008	8,099,529
D. Insurance	15,009,885	16,770,240	1,760,355	11.73%	17,944,157	1,173,917	7.00%	19,200,248	20,544,265	21,982,364
E. State Assessments	2,629,142	2,642,074	12,932	0.49%	2,708,126	66,052	2.50%	2,775,829	2,845,225	2,916,355
F. Offset Aid - Library & School	79,064	78,020	(1,044)	-1.32%	78,020	0	0.00%	78,020	78,020	78,020
G. Overlay Reserve	651,772	600,000	(51,772)	-7.94%	600,000	200,000	33.33%	600,000	600,000	600,000
H. Other Crt Jdgmnts/ Snow Deficit	206,000	300,000	94,000	45.63%	300,000	0	0.00%	300,000	300,000	300,000
I. Warrant Articles	894,975	966,798	71,823	8.03%	966,798	0	0.00%	966,798	966,798	966,798
J. Override Stabilization Fund	100,000	598,035	498,035	498.04%						
K. TOTAL APPROPRIATIONS	107,401,337	111,681,873	4,280,536	3.99%	115,737,783	4,055,910	3.63%	120,161,589	125,090,024	130,030,072
BALANCE	(0)	(0)			0			(1,119,722)	(6,464,126)	(8,671,403)
Reserve Balances										
Free Cash	1,554,736	1,818,787			1,000,000			1,000,000	1,000,000	1,000,000
Stabilization Fund	2,532,547	2,633,849			2,739,203			2,848,771	2,962,722	3,081,231
Override Stabilization Fund	4,428,747	5,203,932			3,093,980			0	0	0
Tip Fee Stabilization Fund	3,007,817	2,438,603			1,856,147			1,250,393	620,409	0
Municipal Bldg Ins. Trust Fund	680,757	697,675			725,582			754,605	784,790	816,181
TOTAL:	12,204,603	12,792,846			9,414,912			5,853,770	5,367,920	4,897,412
% of General Fund Revenue	11%	11%			8%			5%	5%	4%

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 FY2009, the budget has been increased by 3% due to the 12.5% increase in health insurance costs.
- **Minuteman School** – In FY2009, decreased enrollment dropped our assessment by 3.76%. Thereafter, increases are projected at 4%.
- **Municipal Departments** - In accordance with the override commitment, capped at 4% less any amount above a 7% increase for employee healthcare. In FY2009, the budget has been increased by 2.74% due

EXECUTIVE SERVICES

to the 12.5% increase in health insurance costs.

- **Capital Budget** – Based upon the 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. Declining debt service over the next several years.
 - **Non-Exempt Debt** – Increasing based on major projects over next several years including the fire stations.
 - **Cash** – In FY2009, the CIP calls for \$856,000 in cash-financed projects. Thereafter, amounts average over \$900,000.
 - **MWRA Debt Shift** – The amount has been level funded at \$5,593,112.
- **Pensions** – In FY2009, increased 3%. Thereafter increased 4%.
- **Insurance (including healthcare)** – In FY2009 projected increase of 11.73%. Thereafter, capped at 7%. Any amount above 7% reduces municipal and school budgets.
- **State Assessments** – Based upon preliminary cherry sheets, increased .5% in FY2009. Thereafter, increased 2.5%.
- **Offset Aid** – These grants to schools and library are decreased slightly in FY 2009 based upon preliminary cherry sheets and thereafter held level.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years which is every three years. The next revaluation is scheduled for FY2010. In non-revaluation years, including FY2009, it is reduced to \$600,000.
- **Other** – Court judgments or deficits, including snow removal, revenue, etc., are estimated at \$300,000.
- **Warrant Articles** – FY 2009 includes \$481,105 for Retiree Healthcare, \$375,000 for Medicare Part D reimbursements to be deposited in the OPEB Trust Fund, along with an allowance of approximately \$100,000 per year for typical warrant articles. This would also include any amount deposited into Override Stabilization Fund. In FY2009, \$598,035 is going into the Override Stabilization fund which is an increase of \$498,035 over FY2008. After FY2009, no funds are deposited.

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.

For FY 2009 funding for the capital budget is as follows:

Bonding - \$ 3,875,734
Cash - \$ 856,000
Other - \$ 3,516,300

Our existing non-exempt debt is \$4,488,200. The additional new non-exempt debt service is estimated at \$96,662. The total capital budget for FY2009, including debt, is estimated at \$8,308,980.

Major projects to be funded in FY2009 include \$925,000 for a Quint fire apparatus which will replace both an engine and a ladder, \$370,000 for plans and design of the Central Fire Station, \$240,800 for other public safety vehicles and equipment, \$280,000 for public works vehicles and equipment, \$1,369,800 for building improvements, including \$370,000 for school buildings, \$233,000 for the Gibbs School, and \$335,000 for the Public Works Garage, \$1,200,000 for roads, sidewalks, and culvert, \$470,000 for park renovations including \$365,000 for Summer Street Playground and \$95,000 for Thorndike Field parking expansion, and \$312,650 for town and school technology software and hardware. Also included from the water and sewer enterprise fund is \$1,350,000 for water system rehabilitation and \$950,000 for sewer system rehabilitation including lift station upgrades.

Major capital expenditures in our 5-year plan include the fire station renovations, public safety building renovations, a commitment to upgrade our rink including replacement of the rink floor and boards and maintenance of our public buildings, facilities and infrastructure. The Veterans' Memorial Rink, which the Town leases from the State, is thirty-six years old and in need of significant renovations. Over the next year, I will be working with the Park and Recreation Commission, Recreation Director, State, and private groups with a goal to come up with a plan that will provide for a fully renovated facility that will operate on a sound financial footing, at little cost to the Town.

School Construction

The capital plan provides \$150,000 and \$120,000 per year for repairs to the Thompson and Stratton Schools respectively. These funds are intended to keep the schools going until we receive further clarification from the State MSBA as to the prospect of State funding for the renovation or rebuild of the schools. Over the next year, we hope to know the State's plans and can then develop long-range comprehensive renovation plans for the schools with or without the State.

It is clear at this point that the State will not fund any significant project for Stratton School. Consequently Stratton plans will have to be developed and funded by the Town without any involvement from the State. Thompson was selected by the State as one of 162 projects, out of 423 projects, that warranted further review.

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The 162 projects were divided into three categories: feasibility study invitation, project scope invitation, and planning. While Thompson was not selected for the first two categories (the most favorable categories), it was selected for the “planning” category which is nonetheless a positive indication that the project merits further review. The MSBA states that the “planning” category means that the “statement of interest submitted by the school district identified issues that may warrant action by MSBA, but were not clearly stated in the SOI or evident upon MSBA diagnostic investigations. Additional information from the district and/or further investigations by the MSBA may be required to establish the extent of the problem and identify the potential solution path, if needed. The next step is for the MSBA and the Town to meet to begin the process of understanding the issues within the school facilities and what the best plan of action is moving forward.”

Retirements and New Hires

After thirty-three years of dedicated and distinguished service to the Town, Town Counsel John Maher announced that he would be retiring at the conclusion of the 2008 Annual Town Meeting. I have appointed the following individuals to a screening committee to assist in the process of selecting a replacement for John:

- Caryn C. Malloy, Personnel Director
- John F. Maher, Town Counsel
- Marie A. Krepelka, Board Administrator, Board of Selectmen
- Stephen Decourcey, Attorney
- Philip J. McCarthy, Attorney
- Jennifer Dopazo, Brookline Town Counsel
- Judge Rudolph Kass

Also retiring in 2007 was Fire Chief Allan McEwen. Allan served as Fire Chief the past three years. In all, Allan provided thirty years of distinguished service in the Arlington Fire Department. Robert Jefferson was appointed Acting Fire Chief. A permanent appointment is expected in early 2008.

John Bean was appointed Public Works Director in April 2007. Previously John served as Public Works Director in Greenfield, MA. John replaced John Sanchez, who left to take over the same position in the Town of Burlington.

In 2007, the Information Technology Departments of the municipal and school departments were consolidated (except for school academic technology) and put under the Town Manager. Steve Mazzola was appointed to serve as Director of the new consolidated department. Steve previously served as Director of Technology for the schools.

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.

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 Lanzilotti. 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

2007 STATE OF THE TOWN ADDRESS

APRIL 23, 2007

ANNIE LACOURT, CHAIRMAN, BOARD OF SELECTMEN

Thank you, Jane, for that gracious introduction. I want to thank the Vision 2020 fiscal resources group for sponsoring the state of the town each year and my colleagues who have elected me Chair this year. It is an honor and a privilege to serve with Kevin Greeley, Jack Hurd and Clarissa Rowe and to have Diane Mahon as my Vice Chair.

I would also like to take a moment to thank my family for their support. I could not serve the town in the way that I do if I did not have the wholehearted support of my husband Mark Burstein. And my daughters, Jennie and Ellie LaCourt, have been very patient and self-reliant while watching their mother walk out the door to go to meetings almost every night of the week.

Last Monday evening our town suffered a tragic loss. In a horrible accident Paul Leone, an Arlington High School senior, the son of our new Moderator, lost his life. My heart aches for the Leone's, and for Paul's many friends and classmates. So tonight, before I begin my speech, I ask that you join me in a moment of silence recognizing the loss and the pain we share as a community and sending our love and support to Paul's grieving family.

This evening I first want to tell you about the lens that I see Arlington through - my own upbringing in a very similar community. Then I want to discuss what I see as the three major challenges that we face as a community at this juncture - the pressure of development on our quality of life, the effort to ensure financial stability for the town, and finally, the strain that has been placed on the fabric of our community these past weeks.

I grew up in a suburb of Milwaukee called Greendale Wisconsin. Greendale was first developed as a federal housing project in 1938. It started its life as a solution to a problem - a shortage of decent affordable housing. Some things are always with us aren't they? One of the obvious differences between my home town and Arlington is history. Greendale began its life sometime after our community passed its 300th birthday. I am still in awe of the fact that I am on the Board of Selectmen in a town that traces its history back before the revolutionary war! The similarities between Greendale and Arlington are more significant, however, than the differences.

In both communities, people place a premium on neighborliness. You lend a hand or a tool when it's needed. When there is sickness in a household or a death in a family, you take food to the house or watch the kids for a few hours. The neighbors could count on us because we knew we needed to be able to count on them. In Greendale and in Arlington, our homes and our children are the most precious assets we possess. We are fierce in their defense and we are equally fierce

about doing the right thing even if it might cost us something. In Greendale, as in Arlington, we did not always agree about what constituted the right thing, so sometimes we were fierce in our disagreements.

So despite the fact that I was born and raised more than a thousand miles from here, I feel like I grew up in Arlington. I suspect that most of those who moved here as adults and chose to make this their children's home town did so for the same reason that motivated me. We come from places just like Arlington. And that is our common ground. Whether we grew up here or not we all choose to make Arlington our home because of the values that we share and the special qualities of this community. We cherish and are committed to preserving the character of our community and we are willing to work hard to ensure that its future will be vibrant and secure. We show that by being the most civically engaged community on record as near as I can tell. I was talking to someone from Lexington the other day and she was very proud that they had a committee over there working on a particular problem. I didn't have the heart to tell her that I could name ten organizations, committees, or groups here in Arlington that were grappling with that same issue.

The physical character of our town, its homes and businesses, are a key component of our sense of community. The planning department recently held a session to discuss a long term vision for the town and conducted a survey asking residents and town leaders to weigh in on the direction they would like to see development take in the future. To quote the interim report on these efforts "Residents value Arlington's small-town, suburban feel, its open spaces and tree-lined streets, but also prize its semi-urban walkability, affordability, diversity and commercial uses." I feel that this statement captures Arlington's special feel in a nutshell. In part because of our density, we are a community of neighborhoods including neighborhood parks and play grounds that increase our sense of connectedness. And we enjoy assets like the bike path, accessible public transportation and multiple business districts, each with a unique feel, that enrich our daily lives.

At this same public session, residents also identified some of the issues that threaten the quality of life they currently enjoy. Among these are traffic congestion and lack of parking, the weakening of our business sector, overdevelopment, the impact of financial constraints on open space and infrastructure maintenance and the need for more affordable housing. In order to meet these challenges the Board of Selectmen, the Re-development Board and the Town Meeting are going to have to work together. We need to identify changes to our zoning by-laws that will shape future development

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in a direction that retains the character of the town, encourages a variety of businesses to locate and stay in Arlington and makes living here affordable for residents with a range of incomes. We want our children to be able to afford to live here if they choose to and we want current residents to be able to stay when they retire. We need to ensure that the federally funded Mass Ave. corridor redevelopment project is shaped by these values so that the result is a safe, pedestrian friendly avenue with vibrant business districts from the Cambridge line through the center. We also need to find a way to bring more of the town's resources to bear on maintaining and enhancing our parks and open spaces. These are the places where we meet, get to know one another and develop a sense of community. They should be well maintained and inviting. In the very near term, the Board of Selectmen must find workable solutions for the parking congestion in our neighborhoods that frustrates residents and the parking shortage in commercial districts that make it hard for businesses to thrive. I know that my colleagues stand ready to work on all of these issues in the coming year and beyond.

Another concern that is ever on the minds of the town's leadership is our future financial stability. The five year plan we committed to as part of the recent override campaign is working. The Board of Selectmen, School Committee and Finance Committee are keeping budgets within the limits set. Everyone, including all of the town's employees, is working to reduce healthcare costs. Our reserves are holding up as expected and we don't forecast a budget shortfall before the end of the five years. This has not been accomplished entirely without pain. Living within the budget constraints has sometimes meant difficult cuts particularly in our school system. The flaw in the current plan is that it included no commitment about the level of services we need to preserve, something we must correct as we formulate future plans. Nonetheless, the residents of the town should be proud of the high level of commitment and discipline shown by all those involved in building the budget each year and of the dedicated town employees who provide the services we rely on. Thank you to all of them.

Looking forward five years has become an institutional part of the budget process and so can see the shortfall that will occur in year six. The town's leadership is already wrestling with this projected operating shortfall as well as our capital needs. We are meeting together periodically to define the problem, consider solutions and determine how to engage the public in the planning process. I believe that there are three major components involved in finding our way forward. The first is looking at how we manage daily operations. We need to look at every way in which we might be more effective and efficient including regionalizing services and adopting performance based management techniques.

It is often said that you cannot manage what you cannot measure. We need to decide what we want to accomplish, determine the best way to measure success and use the data that we gather everyday to tell us what is working and what needs to change. We also need to improve communications between the town's government and its residents. We need a better system for capturing the issues that residents call the town about and for tracking their resolution. Improving in this area will build greater confidence in town government. Our town's workforce is highly motivated to do their best for us. We need to support their efforts by making it easier for residents to find the information they need and get in contact with the hard working employees who can solve problems for them. Finally, we need to engage the whole community in determining our budget priorities. I firmly believe that budgets reflect values – whether you are conscious about making them do so or not. The town's government and its residents must work together as partners to ensure our budget truly shows what we value. This year I plan to find multiple ways to engage all segments of our community in a dialogue about what our budget priorities should be. I am confident that the result of all of these efforts will be a clear picture of the future and the will to find the means to fund that vision.

We come now to what is most on my mind tonight. Not the state of the town's infrastructure or finances, but the state of our community's heart. I do not remember a time in all the years that I have lived here when we took a battering like we have in the last few weeks. The tensions over the future direction of the middle school were divisive in a way that took us all by surprise. We care passionately about our children and when we have disagreements about what is best for their education we should debate them fully and with vigor. But when we disagree, we need to do it like brothers and sisters. When all is said and done, we are all still living in the same house and we need to be able to look each other in the eye when we pass in the halls. The best results come from a vigorous debate, but if the tone of the discussion sinks to a certain level the bitter after taste will remain long after the original issue is satisfactorily settled. The values we hold in common far outweigh our differences. We all have to work harder to handle disagreements over issues, even passionate ones, with trust and respect for one another.

Hard on the heels of this divisive controversy, we have lost a child. I don't think I have had a conversation with anyone in town this week who was not affected by this loss. Because of the events at Virginia Tech, other communities across the country are experiencing the same pain we are right now. I don't know about you but what I need to do is take a breath. Life is fragile and events in the world can seem terribly random. I don't think we can construct a world without risks for our children. Expecting that we can leads to despair.

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But I feel that we have to try again and again and again to do better because not to do so also leads to despair. I hope that you agree with me that our best response to our loss is to come together as a community and work harder at preventing our young people from taking unnecessary risks.

The fabric of our community has been strained by division and rent by loss. It is time now to knit up the raveled sleeve of care, repair the tears and reweave the worn spots. We need to recommit ourselves to respecting and understanding our neighbors. We need to value every child as if they were our own. We need to wrap ourselves around the hurt and grieving like a mother's arms. Most importantly, we need to remember that as long as we can count on our neighbors and they can count on us, we can handle the challenges in front of us. I came to understand that growing up in a town just like Arlington.



View from Skyline Park/Robbins Farm.