BOARD OF SELECTMEN

The Board of Selectmen is pleased to submit to the residents of Arlington our annual report for 2010. The Board is composed of five elected individuals who set policy and oversee the management of the municipal functions of local government.

Upon his successful re-election campaign, Kevin Greeley returned to the Board of Selectmen. Mr. Greeley also is the senior member of the Board, having been first elected in 1989, and is currently serving his 8th term of office. Mr. Greeley also brings his strong communications skills in his service as a Selectman.

Board of Selectmen
(l-r) Clarissa Rowe, John W. Hurd, , Annie LaCourt, Vice Chairman, Kevin F. Greeley, and Diane Mahon, Chairman

Financial Overview

Under the leadership of the Board of Selectmen, Town Manager, and Finance Committee, along with the efforts and contributions of many other Town leaders, the Board continued its commitment to the residents of the Town outlined in the 5-year Financial Plan and being able to operate under those parameters into a 6th year. The Town has remained strong throughout 2010 and continues with a AAA bond rating, which allows the Town to borrow money at a greater reduced rate than many other cities and towns. Chair Diane M. Mahon continued the practice of scheduling and organizing the Budget & Revenue Task Force (BRTF) meetings, which collectively consists of financial leaders from the Board of Selectmen, Town Manager and Deputy Town Manager, Finance Committee, School Committee, Treasurer, Department Heads, Board of Assessors, State Legislators, and all Town residents. The group met over the course of the year to begin to strategize how to address the looming budget crisis facing Arlington due, in part, to the fact that shrinking revenues coming into the Town cannot keep up with growing costs of services, many of those services already cut to the bare bone. The BRTS has evaluated and examined all Town and School services to prioritize what needs must be met. This work continues throughout the spring of 2011, with discussion of a possible override and/or Pay-As-You-Throw (PAYT) program, as well as continual conversations with our employees and retirees around possible healthcare cost savings.

Town Day Celebration

The year's Arlington Town Day continued on with its proud tradition and continued success. Once again, resident and vendor participation was at an all-time high. Residents were treated to the many highlights of Town Day Weekend activities. Again, the Town Day Committee was grateful for the strong community participation that has become well-known as a source for Arlington's strong and thriving spirit. The Board would like to extend its thanks and congratulations to the Town Day Committee, and especially the Co-chairs, Marie Krepelka and Kathleen Darcy. The Board also wants to extend the same thanks to the many businesses and tireless volunteers whose loyalty, dedication and hard work made this celebration the success again. All Town Day activities are privately funded and this event continues without any Town funding.

DPW Director John Bean Retires

After a stellar four-year service as DPW Director, Arlington resident John Bean announced his retirement. Mr. Bean brought his long-time experience as DPW Director in Greenfield to Arlington for a total of 37 years dedicated to public works for all of Arlington's residents and businesses. The Board wants to thank John for the great strides in customer service which he made his number one priority from the first day on the job to the very last. John oversaw the transfer and renovation of Arlington's DPW administrative offices from Town Hall to its current location on Grove Street. During John's years with Arlington, he was largely responsible for the implementation of updated internal construction standards for street work, made updates to the street permit process, upgrades to the water system emergency response plan, dealing efficiently with the many, many, many storm events during the winter, as well as many other accomplishments. The Board wishes John nothing but continued success in all his future endeavors and is truly grateful for his service to Arlington.

Acknowledgements

The Board of Selectmen would like to thank our Town Manager, Brian F. Sullivan, all Department Heads, Committees and Boards, as well as the entire staff of the Selectmen's office for their tireless and intelligent work on our behalf. We thank the true *Mayor* of Arlington, Marie Krepelka, Board Administrator, MaryAnn Sullivan, Frances (Fran) Reidy and Jean Burg for their exceptional commitment and their unparalleled dedication and service to the entire Town of Arlington.

Executive services

Town Manager

As has been the case for the past several years, finances have been a driving issue in 2010 and are anticipated to remain the priority issue into the foreseeable future. Though the global financial crisis is said to be over by many economists, the impact of the crisis on revenues is still being felt. Moreover, severe impacts of the crisis that were averted via the passage of the American Recovery and Reinvestment Act (ARRA), are being felt now, as ARRA dollars are gone, and state and local governments across the nation are facing large deficits. The good news is that state tax collections have started to rebound this fiscal year, and project to incrementally improve over the next several years. These improvements could lead to stabilization in the amount of state aid that Arlington receives, and thereby alleviate a portion of the financial burden facing the Town. However, such stabilization is not expected to occur until FY2013 and beyond.

Town Manager Brian F. Sullivan

The Five-Year Plan that was adopted in 2006 has come to anend, and though the override stabilization fund provided funds for a sixth year (FY2011), those funds are now exhausted. While it was known that at the conclusion of the five year plan the Town would be back to facing difficult financial and budget choices, the economic crisis, spawning a severe recession and high unemployment, has severely exacerbated the Town's financial position. The Town's reserves have plummeted; state aid was cut significantly in FY2009, FY2010, FY2011, and despite improving state revenue, the deficit left by the exhaustion of ARRA dollars has the Town facing a fourth straight year of local aid reductions in FY2012.

State Aid Reductions Methodology Unfair

In January Governor Patrick proposed to reduce local aid cherry sheet funding to Arlington, by 1.7%. This reduction manifested itself in a 3.7% increase in Chapter 70 (School Aid), set against a 7% reduction in General Government Aid. The House Ways and Means Committee is due to report its recommendation after this annual report has gone to print. However, legislative leaders have been warning of cuts in excess of those proposed by the Governor. After adding in the $489,705 reduction in IDEA and State Fiscal Stabilization Funds that were distributed by the State in FY2011, the total state aid reduction is $725,311, bringing down the total state aid, exclusive of school construction aid, to $13,341,134. This is less local aid than the Town received in FY1988, some 24 years ago (see chart on p. 5). During this period, Arlington has seen its share of the local aid "pie" cut in half (see chart on p. 5).

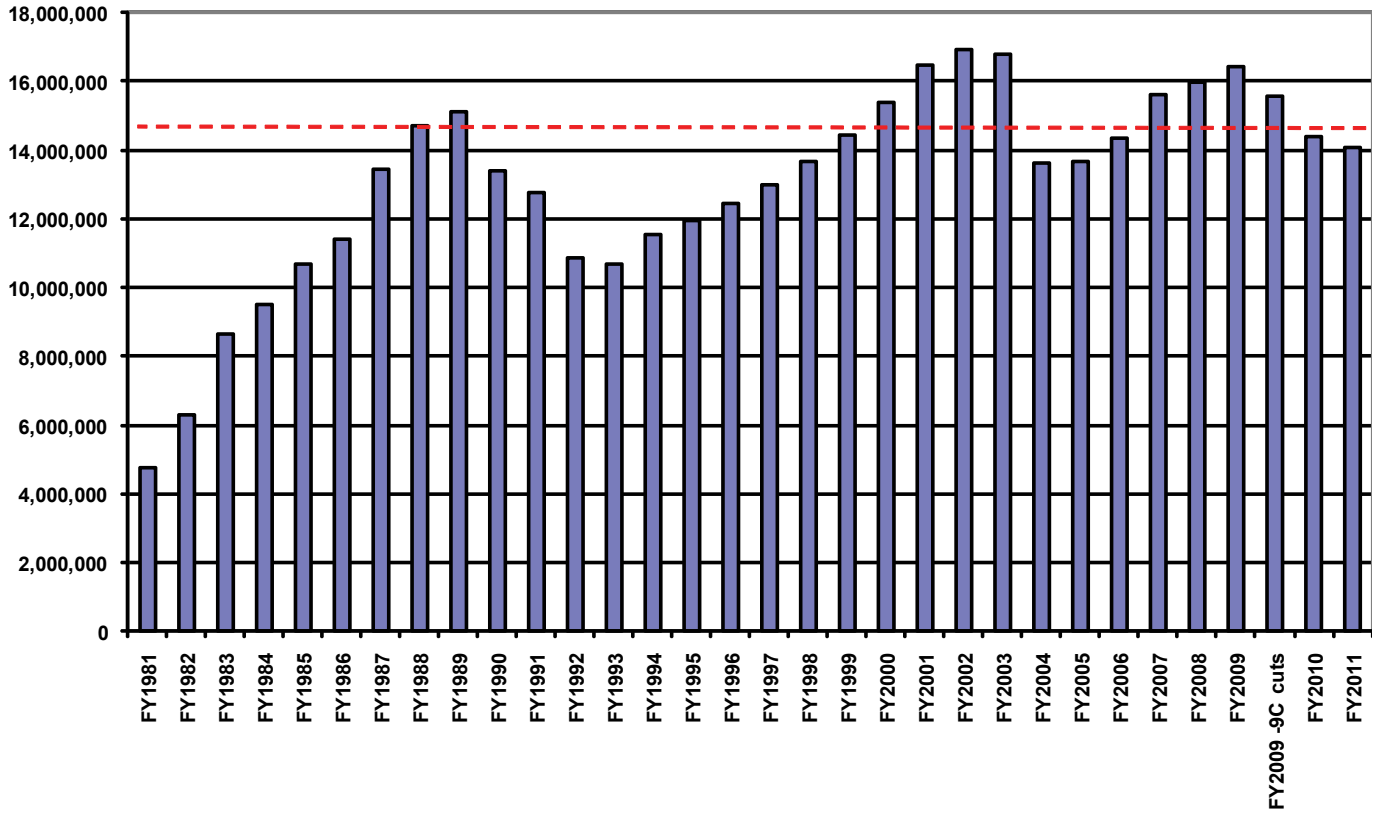
Since FY2002 Arlington's total state aid has decreased by 16.8%, losing over $5.5 million through FY2011 (see chart on p. 6). Since FY2002, local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and then dropped in FY2011 to a cumulative increase of 9.1% from FY2002. Arlington, on the other hand, has never experienced an increase above FY2002. In fact, in FY2006 Arlington was 15% below FY2002, while the average of all municipalities saw a slight increase. In the current year, FY2011, aid is 17% below FY2002 while the average of all municipalities has seen an increase of 9.1%.

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

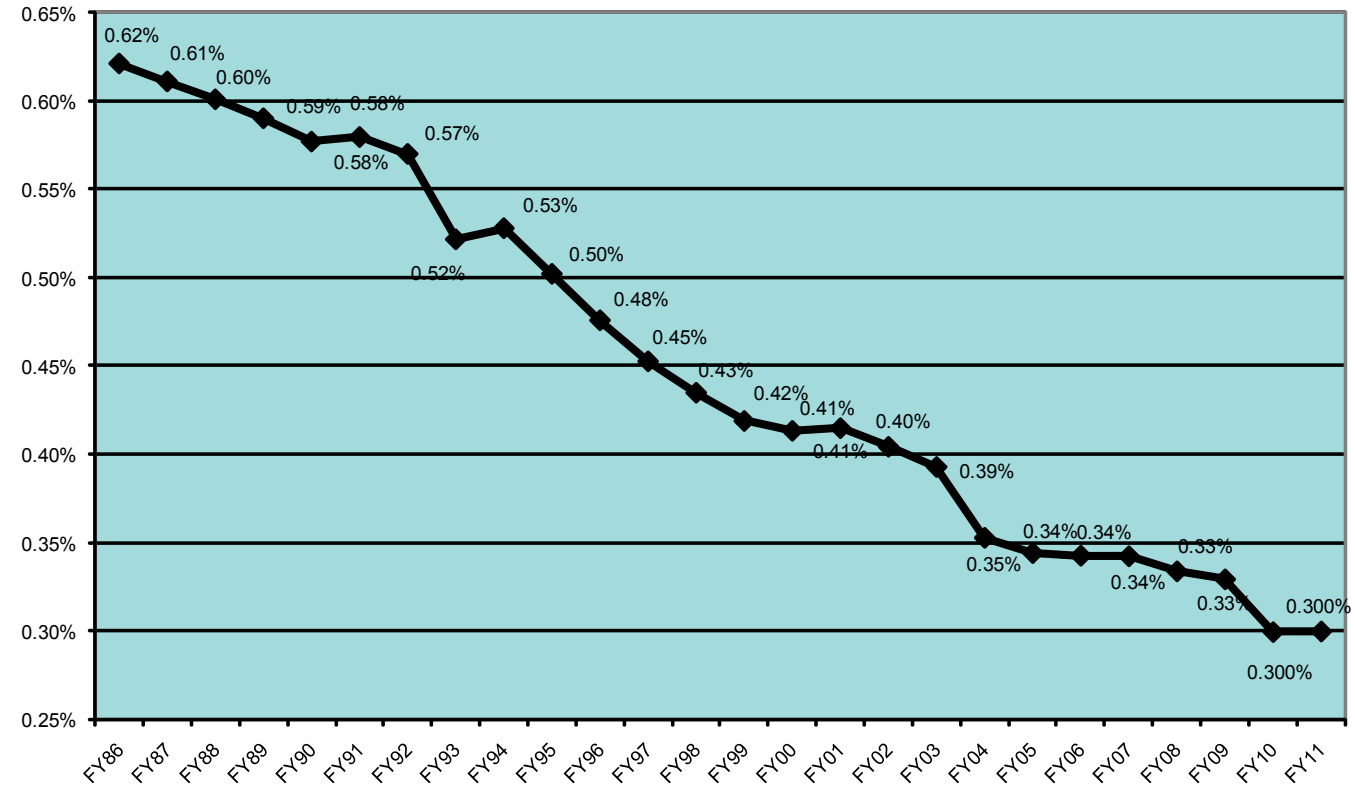
A majority of local aid increases over the last decade have been distributed through the Chapter 70 school aid formula. The formula works to the disadvantage of communities with relatively high incomes and property values. Arlington falls into this category, which means that we are a minimum aid community 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). Some communities receive as much as 85%, with the average targeted at 60%. For FY2012, Arlington will receive the minimum, 17.5%.

STATE AID RECEIPTS

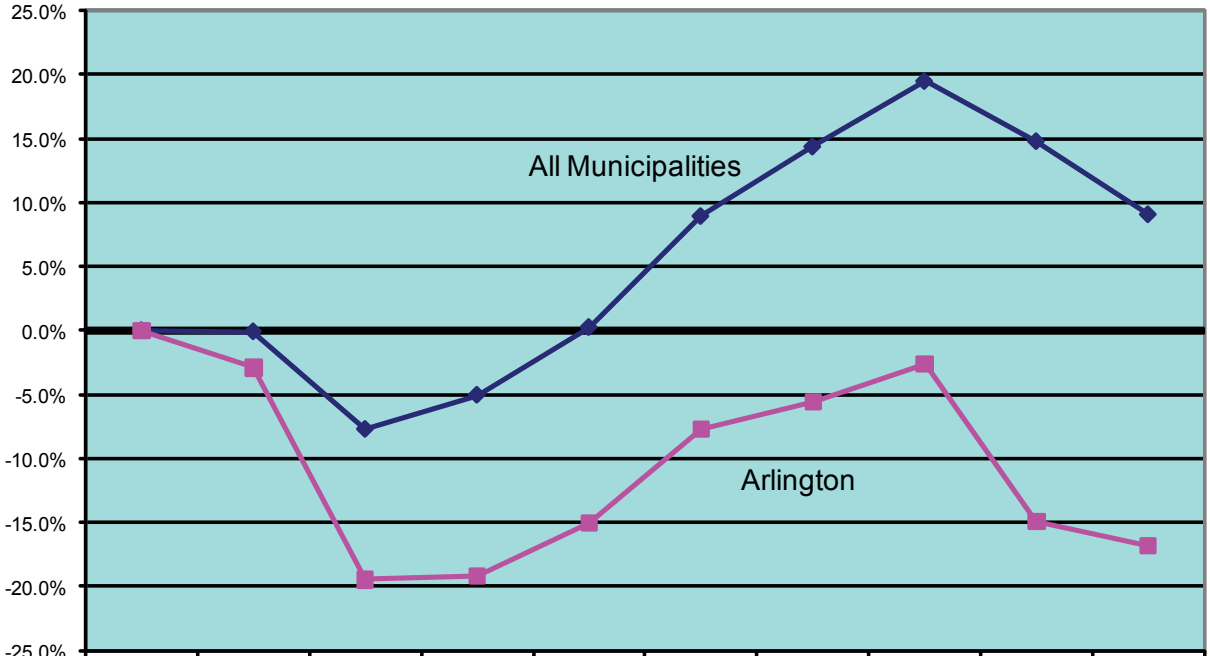
(Numbers exclude School Construction and METCO reimbursements)



Arlington's Percent of Total State Aid



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



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
All Municipalities	0.0%	-0.1%	-7.7%	-5.1%	0.3%	8.9%	14.4%	19.5%	14.8%	9.1%
Arlington	0.0%	-2.9%	-19.5%	-19.2%	-15.0%	-7.7%	-5.5%	-2.6%	-14.9%	-16.8%

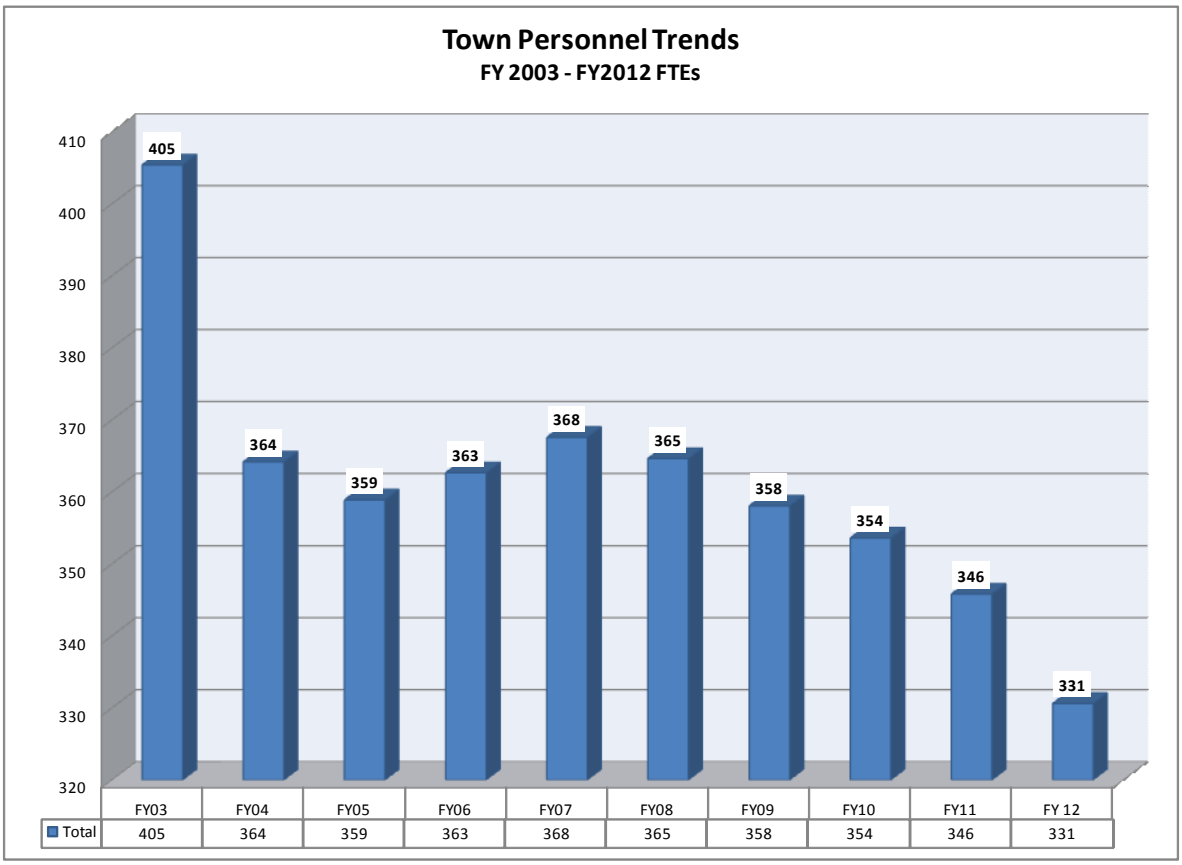
FY2012 Budget Outlook

The budget as proposed totals $113,954,730 which is a decrease of $84,532 (0.1%) from the FY2011 budget.

FY2011, the current fiscal year, was the last year in which override stabilization funds were available to be used as operating revenue. This represented the sixth year of what was begun as a five year plan that incorporated the Proposition 2 ½ override of 2005 designed to carry the Town's budgets through FY2010. While it was known that at the conclusion of the five year plan the Town would be back to facing difficult financial and budget choices, the economic crisis, spawning a severe recession and high unemployment, has severely exacerbated the Town's financial position. The Town's reserves have plummeted; state aid was cut significantly in FY2009, FY2010, FY2011 and is expected to be cut again in FY2012. In FY2012, Arlington's state aid allocation will be actually less than it was in 1988.

As we look ahead to FY2012, the seventh year since the 2005 override, difficult budget choices will have to be made. The Town's departmental budgets are proposed to be reduced by 3.2%. Because the current school budget allocation included $489,000 of federal stimulus funds (IDEA and SFSF) that it will not be receiving in FY2012, the schools will receive an additional allocation of $489,000 of Town funds to replace this loss. The school's total allocation from the Town of $38,516,006 results in a decrease of 1.4% over the current year.

The proposed FY2012 budget for municipal departments totals $26,923,164 which is a decrease of $892,356, or 3.2%, from the current fiscal year. The budgets for Arlington's Municipal departments are already at, or near, the bottom of its comparable communities. Consequently, these cuts are particularly painful and will have negative impacts on services. Municipal services are labor intensive, thus most of the budgets are for personnel related costs. Personnel levels are a direct reflection of the Town's ability to provide services and thus provide a good insight as to what is happening. Just since 2003 the Town has eliminated 75 (18%) positions, including the 15 proposed to be eliminated next year. The personnel chart on the next page shows the significant reduction that has occurred over the last several years.



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 table below. It's not anyone's fault that the Town faces an annual structural deficit; it's basic economics. On average, over the last five years, the annual growth in expenses has outpaced the growth in revenues by nearly $3 million. Going forward, even assuming level state aid and improvements in a few other areas, the annual deficit is projected to be at least $2.5 million.

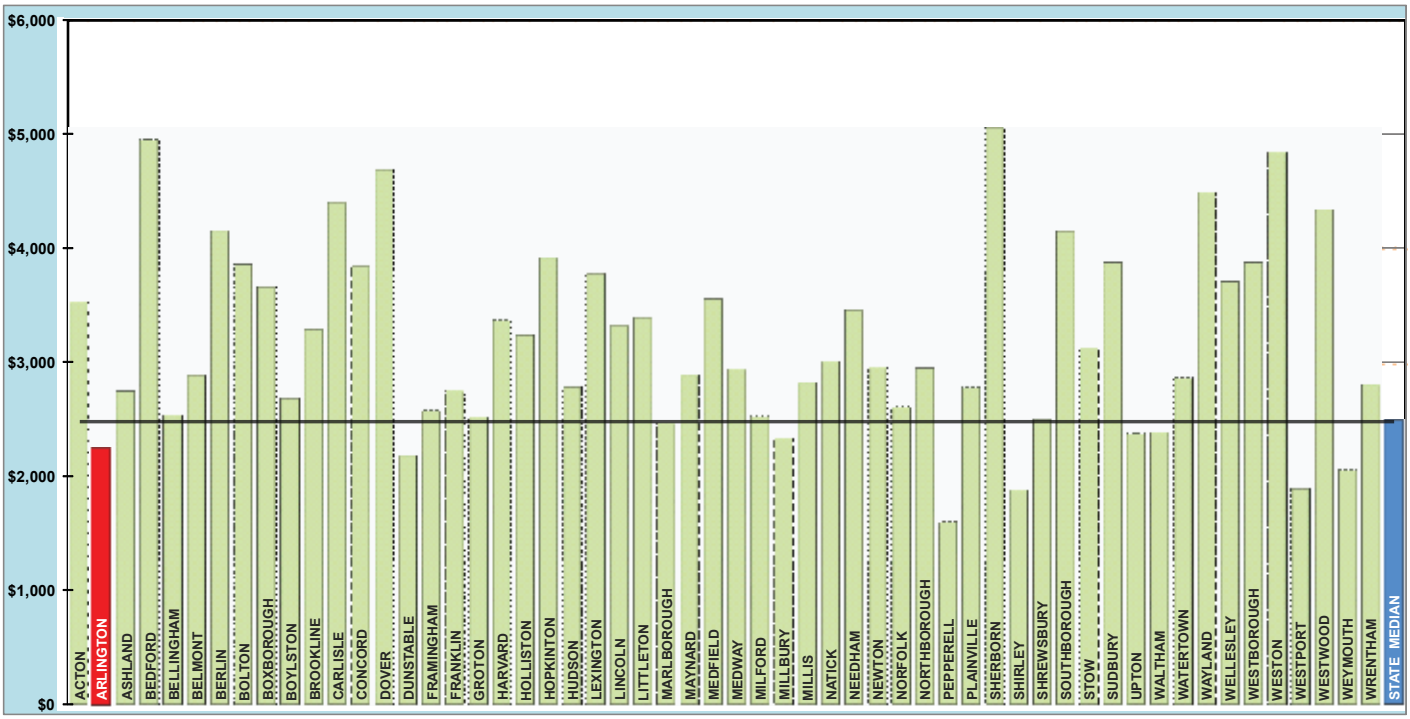
Arlington's spending, by any measure, is well below that of our comparable communities and is not a contributor to the structural deficit. Just the opposite, municipal departmental budgets grew an average of only 2.01% over the last six years. The chart on the next page, as presented by the Boston Globe, demonstrates Arlington's spending per capita compared to some communities across the state. The major expenditure drivers are largely outside of the control of the Town and include health care increases, pension obligations, and special education costs. The main cause of the annual structural deficit is revenue based. The Town's revenue growth is at the bottom of our comparable communities, for two reasons. First, Arlington is essentially a fully built out community with limited new growth in its tax base, a base that is 94% residential. Second, the Town has experienced a disproportionate cut in its state aid. In a comparison of new growth in the tax base of 20 comparable communities, Arlington was near the bottom.

Typical Annual Growth

Revenues	
Property Taxes	$ 2,400,000
Local Receipts	$ 50,000
State Aid	$ (-250,000)
Total	**$ 2,200,000**
Expenditures	
Wage Adjustments	$ 1,800,000
Health Insurance/Medicare	$ 2,000,000
Pensions	$ 400,000
Miscellaneous (utilities, capital/debt, special education, other)	$1,000,000
Total	**$ 5,200,000**
Structural Deficit	**$(3,000,000)**

STATEWIDE SPENDING PER CAPITA FY2009

as reported by the Boston Globe



source: Department of Revenue

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 FY2005, 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 deficit 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. We are now heading into our seventh year.

The plan served the Town well. It required tight controls over operating budgets. With these controls appropriately managed, the plan overcame the Town's structural deficit and provided sufficient resources to maintain services for the five year period. The departmental budget increases over this five year period are shown on the right. The school department increases were larger than the municipal departments in recognition of some extraordinary special education cost increases.

The Town's structural deficit still exists. With the help of $3.2 million in one-time funds, including federal stimulus funds and the remaining balance of $1.6 million in the override stabilization fund, the Town was able to balance the FY2011 budget without major cuts in services. Without the $3.2 million being available in FY2012, the projected deficit for FY2012 is approximately $4 million.

Operating Budget Increases
FY 2006 - FY 2011

	Town	School
FY 2006	2.94%	6.17%
FY 2007	2.76%	3.16%
FY 2008	3.93%	3.99%
FY 2009	2.02%	2.46%
FY 2010	0.91%	2.06%
FY 2011	-0.46%	2.66%
Avg. Increase	**2.01%**	**3.41%**

Community Comparisons

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. Arlington has been penalized by an unfair state aid distribution formula. Statewide, communities are 9% above the FY2002 level while Arlington is still 17% below FY2002.

EXECUTIVE SERVICES

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 below). Revenue from growth in the tax base ranks near the bottom among a group of 20 comparable communities (see Table 3 below). It is less than two-thirds 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 (next page), the state-wide average and average of the twenty comparable communities MRGF is 2.85 and 3.1 respectively. Arlington's is a 1.77 and fourth from the bottom of the 20 communities.

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 (next page) shows that Arlington's commercial/industrial tax base ranks it 17th out of 20 comparable communities. The average of these communities is 20.8%, more than 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 below the average of the 20 comparable communities. In fact, the Town ranks 11th in taxes per capita, and 11th in taxes per household as a percent of median household income (Tables 6 and 7 next page). 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 16th and nearly 17% below the state-wide average (see Tables 12 next page).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 $5.3 million reduction in state aid since 2002, has left the Town with only two choices— significant budget cuts with the resulting service reductions or Proposition 2 ½ general overrides.

Table 1

	Municipality	Pop Per Square Mile
1	BROOKLINE	8,085
2	ARLINGTON	7,914
3	WATERTOWN	7,875
4	MEDFORD	6,827
5	MELROSE	5,695
6	SALEM	5,093
7	BELMONT	4,998
8	WINCHESTER	3,492
9	STONEHAM	3,491
10	WEYMOUTH	3,131
11	RANDOLPH	2,987
12	WOBURN	2,910
13	NORWOOD	2,692
14	WELLESLEY	2,676
15	READING	2,321
16	NEEDHAM	2,265
17	NATICK	2,114
18	MILTON	2,008
19	LEXINGTON	1,846
20	CHELMSFORD	1,519
	Ave w/o Arlington	3,791
	Arlington	7,914

Table 2

	Municipality	Households Per Sq Mile
1	BROOKLINE	3,890
2	ARLINGTON	3,747
3	WATERTOWN	3,652
4	MEDFORD	2,787
5	MELROSE	2,398
6	SALEM	2,244
7	BELMONT	2,142
8	STONEHAM	1,510
9	WEYMOUTH	1,327
10	WINCHESTER	1,309
11	WOBURN	1,215
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	3,747

Table 3

	Municipality	New Growth Ave '09-'11
1	LEXINGTON	2.76%
2	NATICK	2.57%
3	NEEDHAM	2.50%
4	NORWOOD	2.10%
5	WOBURN	2.07%
6	WELLESLEY	1.84%
7	SALEM	1.74%
8	CHELMSFORD	1.38%
9	MEDFORD	1.28%
10	BROOKLINE	1.26%
11	WATERTOWN	1.25%
12	MELROSE	1.20%
13	RANDOLPH	1.19%
14	BELMONT	1.09%
15	READING	1.06%
16	WINCHESTER	0.96%
17	ARLINGTON	0.91%
18	STONEHAM	0.89%
19	WEYMOUTH	0.88%
20	MILTON	0.86%
	Ave w/o Arlington	1.52%
	Arlington	0.91%
	State-wide Ave	1.52%

Table 4

	Municipality	FY2011 Municipal Revenue Growth Factor
1	NORWOOD	6.93
2	LEXINGTON	5.13
3	NEEDHAM	4.49
4	CHELMSFORD	3.96
5	BROOKLINE	3.47
6	WELLESLEY	3.46
7	WOBURN	3.44
8	NATICK	3.14
9	BELMONT	3.11
10	MEDFORD	2.72
11	RANDOLPH	2.70
12	MILTON	2.61
13	MELROSE	2.53
14	WATERTOWN	2.50
15	WINCHESTER	2.15
16	SALEM	2.00
17	ARLINGTON	1.77
18	STONEHAM	1.44
19	READING	1.43
20	WEYMOUTH	1.05
	Ave w/o Arlington	3.1
	Arlington	1.77
	State-Wide Ave	2.85

Table 5

	Municipality	FY2010 Commercial/ Industrial % of Total Value
1	WOBURN	50.94
2	NORWOOD	44.49
3	WATERTOWN	33.16
4	SALEM	29.49
5	WEYMOUTH	23.98
6	NATICK	23.81
7	MEDFORD	23.12
8	NEEDHAM	22.21
9	RANDOLPH	22.19
10	LEXINGTON	21.44
11	CHELMSFORD	19.40
12	STONEHAM	17.37
13	BROOKLINE	16.18
14	WELLESLEY	11.64
15	READING	9.26
16	MELROSE	8.76
17	ARLINGTON	5.95
18	BELMONT	5.92
19	MILTON	5.86
20	WINCHESTER	5.28
	Ave w/o Arlington	20.8
	Arlington	5.95

Table 6

	Municipality	FY2010 Taxes Per Cap
1	LEXINGTON	4019
2	WELLESLEY	3455
3	CHELMSFORD	3191
4	WOBURN	3167
5	NEEDHAM	3075
6	WINCHESTER	2928
7	BROOKLINE	2781
8	BELMONT	2762
9	MEDFORD	2712
10	NATICK	2088
11	ARLINGTON	2036
12	WATERTOWN	2028
13	MILTON	1886
14	NORWOOD	1821
15	STONEHAM	1761
16	SALEM	1699
17	MELROSE	1639
18	READING	1549
19	WEYMOUTH	1357
20	RANDOLPH	875
	Ave w/o Arlington	2,357
	Arlington	2,036

Table 7

	Municipality	FY2010 Taxes Per Household As a % of 1999 Household Income
1	LEXINGTON	8.9%
2	WELLESLEY	8.5%
3	WINCHESTER	8.1%
4	MILTON	8.0%
5	BELMONT	7.7%
6	BROOKLINE	7.5%
7	NEEDHAM	7.3%
8	READING	6.8%
9	CHELMSFORD	6.6%
10	NATICK	6.4%
11	ARLINGTON	6.4%
12	SALEM	6.4%
13	STONEHAM	6.1%
14	RANDOLPH	5.8%
15	MELROSE	5.8%
16	MEDFORD	5.4%
17	WATERTOWN	5.3%
18	WOBURN	5.1%
19	WEYMOUTH	5.0%
20	NORWOOD	4.2%
	Ave w/o Arlington	6.6%
	Arlington	6.4%

Table 12

	Municipality	FY2009 Total Exp Per Cap
1	LEXINGTON	3,764
2	NORWOOD	3,607
3	WELLESLEY	3,694
4	WINCHESTER	3,484
5	NEEDHAM	3,450
6	BROOKLINE	3,281
7	READING	3,239
8	NATICK	2,999
9	CHELMSFORD	2,760
10	WATERTOWN	2,853
11	BELMONT	2,880
12	WOBURN	2,809
13	MILTON	2,696
14	SALEM	2,551
15	STONEHAM	2,458
16	ARLINGTON	2,240
17	RANDOLPH	2,378
18	WEYMOUTH	2,046
19	MELROSE	2,175
20	MEDFORD	1,943
	Ave w/o Arlington	2,898
	Arlington	2,240
	State-wide Ave	2,704

Tables 8-11 can be found as part of the Town Manager's FY2012 Financial Plan online at www.arlingtonma.gov/budgets

Cost Savings/Performance Strategies

The Town has continuously pursued numerous strategies for reducing costs and becoming more productive. 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.

As a result of discussions facilitated by the Metropolitan Area Planning Council (MAPC), the Town has entered into an agreement through which it provides Sealer, Weights & Measures services for a fee to Belmont. This agreement is viewed as a step toward a continued pursuit of a regional health department. The Town has also been evaluating the current service delivery methods for various services to determine the most cost effective way to deliver these services. Cemetery grounds maintenance was successfully contracted out two years ago after such an evaluation. Other areas for which Requests for Proposals (RFP's) are being advertised are grounds maintenance on Town properties and tree services.

The Town also remains a member of 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 compare the year-to-year progress made by the Town itself in these service areas.

In order to increase productivity in the long run, the Town has to make better and more effective use of technology. Investment in the proper technological solutions is one of the primary means by which a community such as Arlington can sustain productivity while operating in an environment of scarce resources. To that end, the Town, through the efforts of the Information Technology (IT) department has applied for a "Smarter Cities" grant through IBM. This application is aimed at enhancing the delivery of key municipal services through technological solutions. The Town is also continuing its commitment to investing in geographic information systems (GIS). Town government is a geographically based service model, with almost all services being generated by address. Implementation of GIS in Town stands to not only enhance the productivity and capacity of departments such as Planning, Engineering, Police, Public Works, and Schools, but also other service delivery departments that will be able to better manage their workload through utilization of GIS. Enhancement of the Town's website and Request/Answer Center is another example of using technology to make departments more productive and improve services to the public despite reduced resources.

The Healthcare Challenge

With health care costs growing an average of 11% per year, or an annual increase of $2 million, this cost increase alone eats up nearly the entire annual revenue growth of $2.2 million. Costs have gone from $6.6 million in 2000 to $19 million in 2010 (10% of the total budget to 16%). It is by far the Town's largest cost driver and must be addressed. While no one, including the Town's employee unions, is to blame for the Town's deficit problems, the unions have to be part of the solution, particularly with regard to health care.

Nearly every employer has had to implement cost controls, including health care changes to adapt to today's harsh economic realities. I know many residents have experienced increased health care contributions and/or co-pays and deductibles. No employer wants to make such changes, but they need to do so for the organization's survival. The Town is facing the same financial crisis and needs to make similar changes to ensure its sustainability.

Health Care Proposals

The proposal to join the State's group health care program (GIC) would have saved $4.7 million. After deducting the increased co-pay and deductible costs, the net savings was $4.0 million. While some would argue that all of the net savings should go to reduce the deficit, it would be unreasonable to expect that employees would voluntarily agree to give up their veto power over future changes to plan design and go without wage increases for several years. In the end, we put our best possible proposal on the table.

In brief, management proposed of the $4 million net savings, $2.65 million would benefit employees and their families through reduced healthcare premiums and modest wage increases. The balance of $1.35 million would be available to the Town to save jobs and services. To address union concerns over perceived volatility of the GIC's costs, the Town agreed to pick up all cost increases above 12% for premiums and $100 for deductibles. This meant that our employees would be paying significantly less than state employees for the same coverage and would have a guaranteed cap on premiums and deductible increases. This proposal was rejected along with a more modest proposal to consolidate coverage under a single provider, Harvard Pilgrim (the number one rated provider in the country), with minor co-pay changes resulting in much smaller total savings of only $1.5 million.

In the end, employees exercised their bargaining rights and rejected our proposal. Municipal unions were granted this right by the Legislature and they are simply exercising that right. Health insurance coverage can be complex and confusing so the natural inclination is to just keep the status quo. Unfortunately, this time, the status quo will result

in lost jobs and services.

Health Care Law for Municipalities Needs to Change

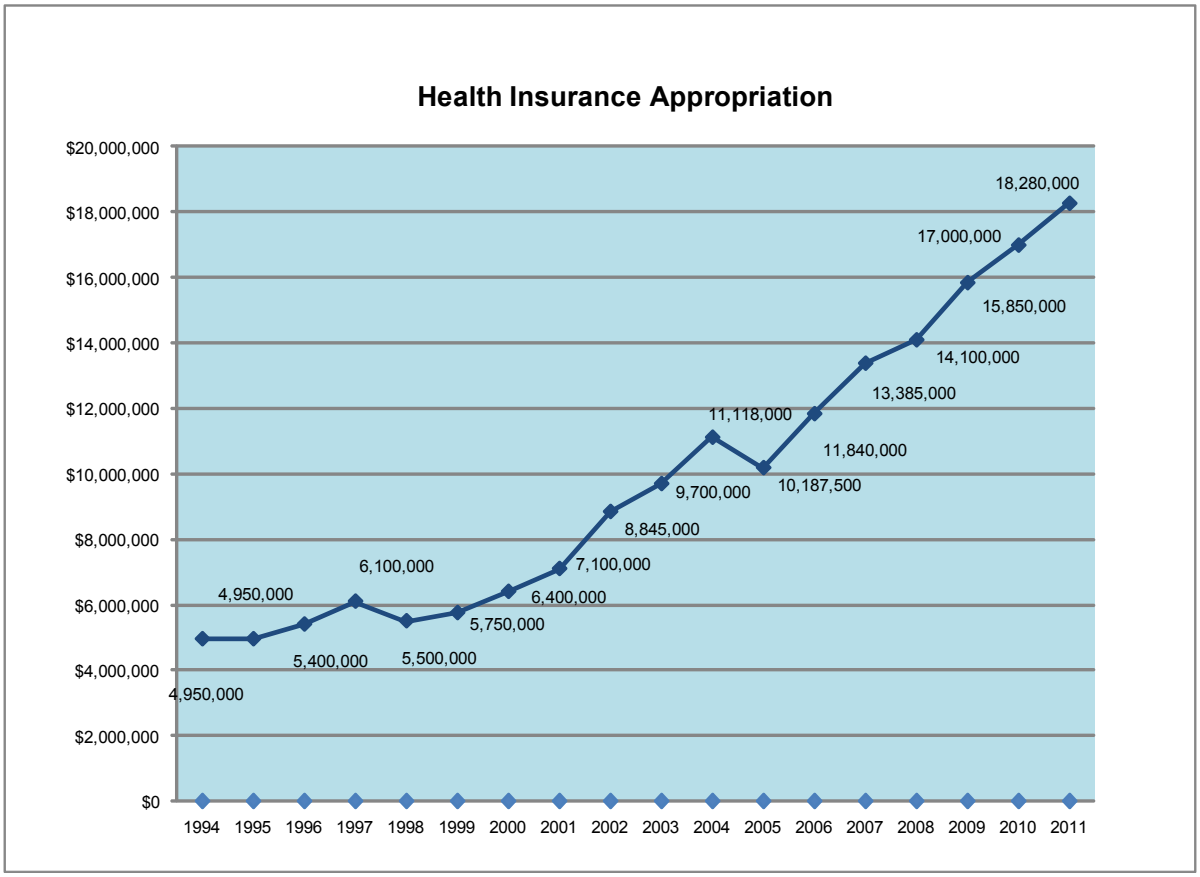
There is absolutely no justification for the double standard whereby the State retains authority over its employee health care program, but denies that same authority to cities and towns. It is time to change the law! The Legislature must remove the handcuffs it has placed on cities and towns preventing them from exercising effective control over their largest cost. To put it simply, Massachusetts cities and towns are being crushed under a two-tiered system.

The Legislature does not require the state to bargain health care plan design changes with state employees, but mandates this requirement on cities and towns. So while the State does not bargain with its employees over health care changes, and has made changes, the Legislature and Governor have up to this point somehow rationalized that municipalities should not be able to make any health care changes unless the municipal unions agree. Insult is added to injury with the imposition of unfunded state and federal changes to health care law without resources to implement those changes.

The call for municipal health insurance reform has been endorsed by organizations such as the Massachusetts Taxpayers Foundation, Associated Industries of Massachusetts, the Mass Municipal Association, the Boston Foundation, the Boston Municipal Research Bureau, local chambers of commerce, and virtually every newspaper across Massachusetts, including the Boston Globe. Municipalities are not looking to balance their budgets on the backs of their employees. They are simply looking for the same rights as the State and other employers to make reasonable adjustments to the health care plans they offer their employees.

Recently, Speaker of the House Robert DeLeo has publicly stated his strong support for municipal health insurance reform, insisting that action be taken early in this year's legislative session. Also, as part of his FY2012 budget proposal, Governor Deval Patrick filed legislation that would allow municipalities to access the GIC outside of collective bargaining. Though no action has been taken on this legislation to date, it is an encouraging sign that our state's leaders are beginning to demonstrate an understanding of the need for reform. It is possible that legislative action will be taken in the upcoming months that may have an impact on the FY2012 budget.

For FY2012, health care rates will increase nearly 9%. However, the decreased enrollments occurring as a result of FY2011 reductions, combined with a projected $400,000 reimbursement from the Early Retirement Reimbursement Program, the FY2012 health care appropriation is projected to grow by only 3%.



Green Communities Designation

In May Governor Deval Patrick designated Arlington, as one of the Commonwealth's first official "Green Communities." This is a distinct recognition by the Commonwealth that Arlington is at the forefront of reducing energy usage and emissions through energy efficiency and reduction initiatives. The designation led to over $200K in grant funding that has begun the process to convert current streetlights to LED streetlights which will reduce energy consumption by 50%, upgrade the energy management system at the Hardy School, and the replacement of faulty steam traps in Arlington High School's heating system. Green Community status has provided Arlington with 5 Big Belly Solar Trash Compactors that were placed throughout Town over the summer. The efforts of Sustainable Arlington and Vision2020 were instrumental in achieving the Green Communities designation. A recognition ceremony was held at Town Day and speakers included Lt. Governor Timothy Murray, Representative Edward Markey and attended by all of Arlington's state delegation.

Representative Markey (4th from left) joins Arlington's Board of Selectmen, Town Manager, and Deputy Town Manager in congratulating Arlington for being recognized as a "Green Community."

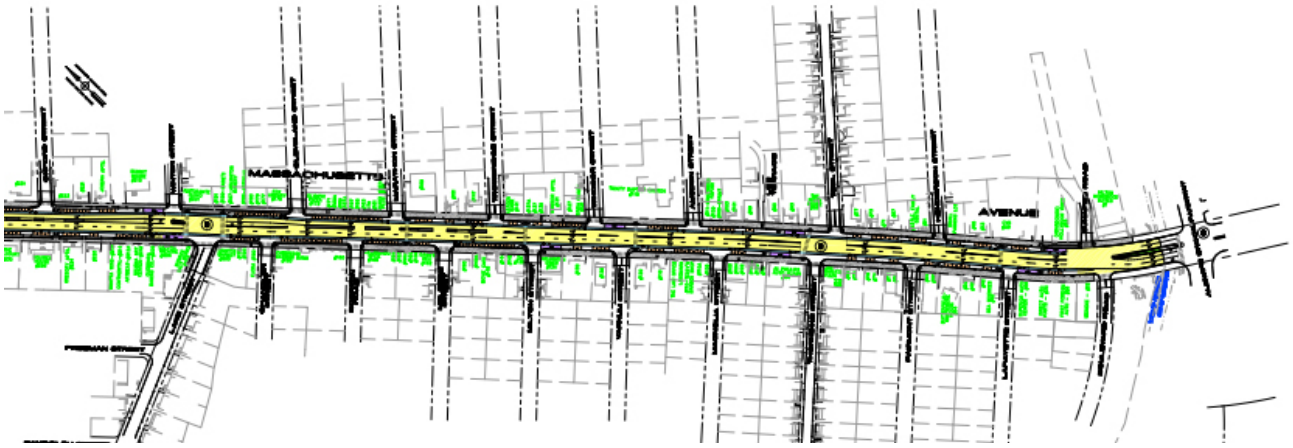
Environmental Design Review – 30-50 Mill Street

A significant Environmental Design Review special permit was granted by the ARB for a new 116 unit apartment building and retail/office buildings at the former Brigham's Ice Cream headquarters on Mill Street. This development will add 17 units of affordable housing to the Town's inventory of subsidized affordable housing, the first units created under the Town's current inclusionary zoning bylaw.

Massachusetts Avenue Corridor Project

The Town received funding from the Commonwealth of Massachusetts for improvements to Massachusetts Avenue in East Arlington, from the Cambridge city line to Pond Lane. This grant came to the Town as a result of longstanding concerns about pedestrian safety on Mass. Ave. The primary goal of the project is to upgrade the aging infrastructure including resurfacing the road, rebuilding sidewalks, and replacing outdated traffic signals. As part of this project, there will be some redesign of this section of Mass. Ave. to revitalize the commercial area and make the corridor more pedestrian friendly with a healthy balance between automobiles, bikes, pedestrians, and transit users.

The project is being managed by the Town Planning Department and Department of Public Works, with guidance from a Project Review Committee made up of Arlington residents and business owners. Following a public informational session held in June, the 25% design review plans were submitted to the Massachusetts Department of Transportation in November. Additional design, engineering, and public hearings are planned. Construction is anticipated in 2012.



25% Mass Ave Project Plans submitted to MassDOT (Mass Ave East). A larger version can be seen online at www.arlingtonma.gov/massave.

Capital Projects

Thompson School Rebuild

The Massachusetts School Building Authority (MSBA) has approved the rebuild of the Thompson School and has authorized the Town to proceed with the schematic design process. The MSBA is anticipated to provide funding for approximately 47% of the project costs as approved by the MSBA. Consideration is currently being given to seek a bond authorization of $20 million for the project at a Special Town Meeting this May. Funding would come from a combination of sources including a prior Proposition 2 1/2 debt exclusion vote.

Stratton School

The continuing Stratton School renovation project involves three phases totaling $2.4 million, most of which will be bonded. The Town has also applied for and is currently under consideration to receive MSBA Green Repair Grant funding to supplement the improvements being made at Stratton. This work is on schedule to begin this Spring, and be concluded by the end of 2011.

Community Safety Building Deck

This project is near 95% completion, with total completion expected in the spring of 2011. The remaining work includes installation of pergolas on the deck and final waterproofing measures.

Highland Fire Station

Renovations of the Highland Fire station are expected to conclude in the summer of 2011 and the AFD hopes to re-occupy the station before the end of the summer. The Permanent Town Building Committee is pursuing LEED (Leadership in Energy and Environmental Design) Silver Certification of this project.

Fenced In Dog Park

With the passing of Article 36 by Town Meeting in the spring of 2010 designated off-leash dog hours at parks were specified by the Park and Recreation Commission. The Town is in the process of accepting a major financial gift from the Stanton Foundation to construct and operate a fenced off-leash dog recreational area at Thorndike Park.

Ed Burns Arena

The Veterans' Memorial Skating Rink at the Arlington Sports Center was renamed the Ed Burns Arena at the Veterans Memorial Sport Complex and received major capital improvements including a larger new rink bed, improvements to the rink and seating areas, upgraded systems and handicapped ramp, and a subfloor heating system to allow for making ice in the warm weather.

Summer Street Playground/Multigenerational

The Summer Street Playground was completely renovated and was moved to the Hills Hill field side of the complex. The new playground is very unique in the fact that it is virtually completely handicap accessible. A multigenerational area including two bocce courts, exercise stations, tot play area and gaming tables were built on the site of the old playground.

Prescription Drug Discount Card

The Town of Arlington, in collaboration with the National League of Cities (NLC), made available to residents a discount prescription card for uninsured medications. The card, free to all Arlington residents regardless of age, income, or existing health insurance, allows savings, on average, of 20% off the retail price of prescription drugs at participating pharmacies. All six Arlington pharmacies are participating in the program, including the new CVS, and with periodic, targeted outreach the program has saved Arlington residents over $50,000 with average savings per prescription of 27.8%.

As of Feb 28, 2011, Arlington entered the top 20 municipalities nationwide (out of 457 participating in the program) in cumulative savings to their constituents. We will continue outreach of the program and monitor results in 2011. To learn more about the program and how to get the free discount card, residents can visit arlingtonma.gov/prescriptioncards.

Communications

The Board of Selectmen and I have made improving communications with the public one of our priority goals. This annual report is one such communication vehicle in which we put a great deal of effort to make it informative, easy to read, and attractive. The Town also makes these reports available online at arlingtonma.gov/annualreports.

Twenty years ago the local newspaper, mail, and the telephone were the main sources for reaching a majority of the Town's population. They still are, but that is changing quickly. A variety of available communication channels offer tremendous opportunities in reaching vast audiences in an efficient manner. The internet, cell phones, smart phones, text messaging, and social networking all compete with traditional media to get one's attention. Having all these options is exciting, yet they pose unique challenges in informing the public effectively. With all these choices there is no single communication channel that reaches all residents, and trying to support too many would quickly deplete our resources without necessarily achieving our communication goals.

To meet the growing demands of more real-time, in-depth information from the public, the Town is focused on the following core communication channels to inform and interact with the public about general Town activities and services and in the event of an emergency.

Town of Arlington Notices

Town of Arlington Notices are official notices sent by the Town to subscribers, via email, 2-4 times per week. This opt-in email distribution list delivers information on Town activities including: public health and public works alerts, election information, and special Town related events. Notices are a very helpful tool to get the word out quickly, or in advance, to the public. For example, during the MWRA Boil Water order, informing residents of an upcoming forum on the Mass. Ave. Corridor Project or when a Town-wide street sweeping operation is planned.

In 2010 we added 653 subscribers to the Notices email list - a 28% increase for a total of 3,004 subscribers. Compared to the number of households (19,000), and assuming one subscriber per household, this would represent 16% of households receiving Town Notices. We are pleased with the growth, but we would we like to see every resident subscribed to Notices as this is a timely and cost-effective communications mechanism. Residents can subscribe online at arlingtonma.gov/subscriber. Additional email lists are available including Recreation programs, Playing Field Status, Selectmen Agendas, and School Committee Agendas.

Arlingtonma.gov

The Town's website supports one of the top priority goals of the Board of Selectmen: enhance public communication and customer service, and leverage technology to improve efficiencies. Currently the site is made up of over 6,000 pages and growing, serving a population of 42,000, surrounding communities, and more. Arlingtonma.gov supports the online information and outreach activities of community requests (calendar listings, links), 15 departments, and over sixty-five boards, committees, and commissions, who recently became much more active with the institution of the new Open Meeting Law (OML) in July 2010. To give you a rough idea of the new workload of the OML alone, we anticipate adding 1,500 pages to the site annually. It's just another example of the growing demands of more real-time, in-depth information from the public.

In 2010 arlingtonma.gov recorded over 1.3 million page views, 500,000 visits, and averaged 21,000 unique visitors per month. When comparing 2010 with 2009 the traffic is similar and shows that the site is consistently being utilized and at very large volumes. This is expected as our audience, our residents, is fairly fixed at 42,000. What is important to measure is visitor loyalty. Since 2008 those who visited the site more than 200 times a year doubled - from 14,000 to almost 30,000 visitors. These numbers confirm people are returning to the site with great frequency.

Arlingtonma.gov was again presented with an E-Government Award with Distinction status from Common Cause in 2010. The award recognizes municipalities for their efforts in "open government" for posting all key governance records on their website.

Request/Answer Center

The Request/Answer Center is an online customer service center where residents can make requests of Town services (and track them), ask questions, and search an extensive knowledge base, 24 hours a day. 2010 marked the third year for the Request/Answer Center and it continues to increase usage from both residents and staff.

A major feature of the service is the ability for residents to easily search an extensive database before asking someone at Town Hall a question (Find Answers). If they cannot find the answer, their question is forwarded to staff for response. Since launching the service, over 275,000 answers were viewed, yet only 1,100 questions were forwarded to staff for an answer (less than 1%).

This is a significant statistic and indicates that the Request/Answer Center is working. Residents are getting their answers on their own – true self-service – and the Town is preserving productivity. In measuring productivity saved, "Answers Viewed" online are potential phone calls not handled by staff. If an average phone call takes 5 minutes to answer, then this feature preserved, on average, 7,600 productivity hours for the Town annually, or the equivalent to 4.18 Full-time employees per year.

Another way we utilized this service for productivity gains is helping the Police department with a long standing challenge of receiving multiple phone calls to dispatch requesting an Overnight Parking Waiver. The challenge was not only in the time to take the call, but tracking these requests. In November the APD employed the Request/Answer Center and a dedicated hotline to redirect those requests away from dispatch. In the first 2 months almost 1,000 requests were rerouted to these two channels. A whopping 74% were entered by residents via the Request/Answer Center (online self-serve) and 24% by staff (transferring hotline calls). Almost immediately, this new method attained its goals of relieving Police dispatchers from taking these non-emergency requests so they could focus on public safety calls. Plus this new method of collection provides the APD with tracking for enforcement and general trending that they did not previously have. Productivity hours saved in these two months, using the 5 minute per phone call model, is 20 hours per month. We're looking at how we can utilize this success and apply it to other areas of Town operation.

Since the Request/Answer Center launch, over 6,000 Requests were created and 5,800 closed. Public Works leads the way in Requests with an annual average of 900 submitted to the Department. However, this represents a small percentage of all Requests submitted to the Department (less than 10%). The challenges of multiple communication channels available to "reach the public" hold true for "the public to reach the Town." The more channels, the more coordination needed. Residents are submitting requests via phone calls to dispatch, voicemail, email, walk-ins, and the Request/Answer Center. We need to be accessible, but we also need to better control our request intake to preserve productivity. Currently it's an even split between staff entered and resident entered Requests. We need to increase outreach in this area to encourage residents into a more 'self-service' model for entering their Requests online via the Request/Answer Center, so staff can focus on fulfilling them.

Reverse 911

Reverse 911 is a system that allows the Town to call residents in the event of an emergency or for an important notification. Our Reverse 911 system has a greater reach than email with approximately 27,000 phone numbers, associated with 14,500 addresses (vs 3,004 subscribers to email Notices). Although Reverse 911 has a greater reach than email Notices, it is slower to reach residents, costs more, and is priced by the number of calls initiated. Whereas, email notices reach all subscribers instantaneously for little cost, with no incremental cost regardless of how many emails sent. Additionally, the process to send an email is quicker and easier and emails are commonly accessed from multiple devices, such as cell phones. Reverse911 is still an excellent communication method with tremendous reach, but because of its cost, it's used judiciously by the Town. Email is also an excellent communication method and because of its ease of use and minimal cost, it is utilized more often by the Town. For these reasons we would very much like to see subscription numbers of email notifications match that of Reverse911. Although most households in Arlington are in the Reverse911 database, we don't have everyone. Again, because of multiple communication options – in this case, multiple phone providers – there is no single source of phone numbers. We continue our outreach efforts to build the most complete database of phone numbers. And with that, if you have never received a phone call from the Town (MWRA Boil Water Order), please register your phone number(s) online at arlingtonma.gov/reverse911.

Emergency Communications

Effectively notifying the public in an emergency is a top priority and requires tremendous coordination. It's the collaboration of many departments and groups around Town, and oftentimes with state and federal officials, working together to compile and disseminate critical information to the public, quickly and clearly.

In March the Governor declared a state of emergency from a nor'easter that caused severe flooding and flooding-related damage in Town. Utilizing the Town's website and email Notices, the Town was able to notify residents of public safety and public health hazards during this emergency and information on federal assistance from FEMA, to

those negatively impacted after the event.

In June a 'microburst' (localized high-wind phenomenon) tore through parts of East Arlington. Twenty-one street trees were uprooted, utility lines came down, and streets were blocked with downed branches. In response to this localized disaster, the Town offered to remove downed branches hauled to the curb from homes in East Arlington for two weeks following the event. Residents directly affected by this event received a Reverse 911 call from the Town notifying them of this operation. It was also sent to Town Email Notices and posted on the Town's website.

In May the MWRA had a massive water leak in Weston and declared a "Boil Water Order" for Arlington and many communities state-wide. Arlington's Emergency Operations Center (EOC) was activated. From the official announcement to the lifting of the ban three days later, plans were developed and the public was informed in a timely manner about the ban, how to prepare their water, what to expect at Arlington schools, the water distribution event in Town, and even what stores had bottled water in stock. Working with the Town's Emergency Management Team, state and federal officials, and the Arlington community, the Town was able to effectively provide residents with critical information and ride out this emergency without incident by utilizing its primary communication channels: Reverse 911, Town of Arlington Notices, and arlingtonma.gov.

Arlington continues its efforts to improve communications and cultivate positive relations with residents. It also strives to maximize technology for efficiencies and we will continue to build upon these valuable Town assets. We put a lot of effort into making sure our award-winning website is fresh, the Request/Answer Center is working properly, and keeping residents up-to-date through Town Notices. We constantly evaluate our emergency communication responses to be prepared for whatever the future may hold. However, none of the success can be realized without skillful human intervention and collaboration. From the many content contributions from staff, boards, and committees, to residents utilizing these channels, we continue to help residents 'get connected' and 'stay connected' to Town Hall.

Retirements and New Hires

Early in 2010 the Town appointed Adam Chapdelaine as the new Deputy Town Manager, replacing Nancy Galkowski who, after 23 years of dedicated service to Arlington, left the role to become Town Manager in her hometown of Holden, MA. Mr. Chapdelaine served as City Administrator for Fall River before coming to Arlington and has quickly proven himself a valuable asset to Arlington, leading the charge in Arlington's Green Community recognition which opened the door to over $200,000 in grant funding for the Town, as well as bringing expertise to address our budget challenges.

Public Works Director John Bean retired in December of 2010, and Town Engineer Michael Rademacher was appointed as his successor in early January 2011.

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 the many active Boards, Committees, 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 goes to the Town's department heads who have shown true professionalism during times of tremendous challenges. I would also like to thank my office staff, Eileen Messina, Domenic Lanzillotti, Joan Roman, and Theo Kalivas. They are exceptional public employees dedicated to providing the best possible service to each and every person interacting with the Town Manager's Office.

State of The Town Address 2010

April 26, 2010

Diane M. Mahon, Chairman, Board of Selectmen

I would like to start tonight by taking a moment to publicly thank our retiring Town Clerk Corinne Rainville for her many years of outstanding service to our community. Corinne, you will be missed (pause for applause). While our economy is beginning to turn around and things are looking a little bit brighter, we still face very uncertain times. For many Arlington residents, simply making ends meet has become a challenge and some in our community simply cannot make ends meet at all. For any of you here tonight or for any of you watching from home, if you are currently facing tough times, you are not alone. As Arlingtonians, we have a long tradition of helping each other, when help is needed. With the generous support of many residents, we have established several assistance programs here locally.

If you are in need of any social services, if you are in need of help with food, shelter, clothing, the basic human needs, help is available to you. Simply call our Health & Human Services Department at 781-316-3264 and you will be referred to the appropriate agency to help you.

Another important source of assistance is the United Way of Massachusetts which operates a 24/7 one-stop referral center for all social services. Simply dial 211 to contact them.

As all of you are aware, making ends meet is equally challenging for our town. Town Meeting this year is going to make some difficult choices. We must work together to find solutions to the challenges facing our town. Unfortunately, the solutions we develop will not please everyone, and in some cases may not please anyone at all. But, as elected officials, we must never forget our obligation to the citizens who elected us to provide quality Town services in the most cost efficient way possible. As we move forward, one major challenge is how to slow the ever increasing cost of health care while continuing to respect our employees and our past commitments to them. This will require very open and frank discussions and will require all parties to sit down together, and roll up their sleeves to develop a solution by consensus and collaboration. After last month's rain, and the two "50 year storms" that we had within two weeks of each other we were again reminded of the continued flooding problems many of our residents face. We need to continue to develop a comprehensive regional flood plan to help alleviate this ongoing problem. The toll these floods take on our neighbors is simply too high for us not to do all that we can to find a solution. In these difficult times we must also be creative in looking for and finding solutions to the challenges and problems that we face. Whether that means seeking additional state or federal assistance, finding those elusive grant opportunities or developing new and more efficient ways of delivering vital services to our residents, everything and anything must be on the table for discussion. There can be no "sacred cows" and "we never did things that way before" cannot be seen as a reasonable answer. There is no one program nor one quick-fix solution. The answers we need will not be easy to find, but we must do all that we can to continue to seek out the best options available.

In the midst of these and a score of other challenges there is still one thing that has always held true for Arlington that I believe makes it a bit easier to find our way forward more so than in many other communities. As a community the people of Arlington have always been willing to roll up their sleeves and get to work. We have a wonderfully diverse community full of people with amazing talents. There is no easy way forward, but together we will move forward. Thank you.