



# Town of Arlington, Massachusetts Public Annual Financial Report

## Fiscal Year Ending June 30, 2011

As part of Arlington's commitment to keep you informed of how your tax dollars are being spent, the Town is providing you with this first Public Annual Financial Report (PAFR). We are hopeful that it will provide you with financial information that you find both useful and easy to access.

All data and financial information found in this report is drawn from the Town's Annual Report, the Town Manager's Financial Plan, the Finance Committee's annual report to Town Meeting ([arlingtonma.gov](http://arlingtonma.gov)), and the State's Division of Local Services ([mass.gov/dor](http://mass.gov/dor)).

The PAFR does not present the same level of detail as any of the reports listed above. It contains reports and statements that do not present the entire financial reporting entity and may not conform to GAAP and governmental reporting standards. However, it does provide relevant disclosures to residents regarding the Town's financial condition and trends. It contains summarized financial schedules and tables.

The form and content of the PAFR was also influenced by jurisdictions from across North America that have been recognized by the Government Finance Officers' Association for their annual release of a PAFR.



### THE TOWN OF ARLINGTON

The Town of Arlington was originally settled in 1635 as the Village of Menotomy. It was incorporated as West Cambridge in 1807, and finally named Arlington in 1867.

Arlington is home to approximately 43,000 residents and is contained within 5.5 square miles.

The Town is currently governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a

popularly elected, five member Board of Selectmen appoint a professional manager to administer the daily operation of the Town.

The Town's legislative body is a representative Town Meeting, which consists of 252 elected members elected from their home precincts.

The Town Manager is the chief executive officer of the Town, managing the day to day business of Town departments. These departments include: Public Works, Police, Fire, Libraries, Legal,

Planning, Personnel, IT, Inspections, Health and Human Services, Recreation, and the Veterans Memorial Rink.

Under independent authority are the Board of Selectmen, Board of Assessors, Treasurer & Collector, and the Town Clerk. The Comptroller is appointed by the Board of Selectmen. The School Committee handles school administration and appoints the Superintendent.

All departments consist of approximately 800 full-time employees.

### IN THIS REPORT

The data contained herein is meant to be a snapshot of the Town's basic financial condition, reflecting Fiscal Year 2011. This includes a summary of where Arlington is right now, where it has been the past ten years, and how it presently compares to other, similar communities.

On **Page 2** you will find a breakdown of Arlington's revenues and expenditures for FY2011. As you will see, Arlington's primary source of revenue is the Property Tax, followed by State Aid. In addition to tax revenues, local governments typically fund capital expenditures through borrowing. Arlington's borrowing portfolio is also detailed on page 2.

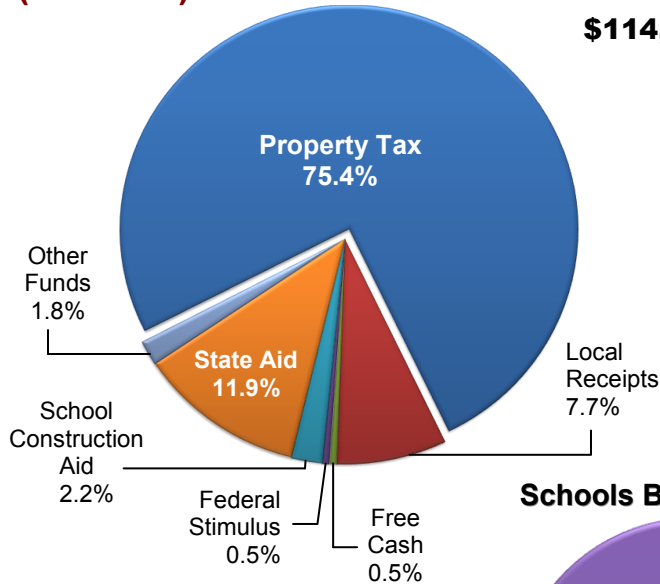
A discussion of Arlington's historical financial trends in the context of inflation can be found on **Page 3**. What follows is an analysis of four of Arlington's most important financial trends and how they have fared historically. Trends for unadjusted and adjusted figures are compared, along with the number and percentage difference between Fiscal Years 1999 through 2010.

Finally, **Page 4** compares Arlington's Average Single Family Tax Bill, Average New Growth, and Total Per Capita Spending with other, comparable communities, as well as the state average. These communities provide a reference point from which to understand Arlington's financial situation.

# Where the Money Comes From

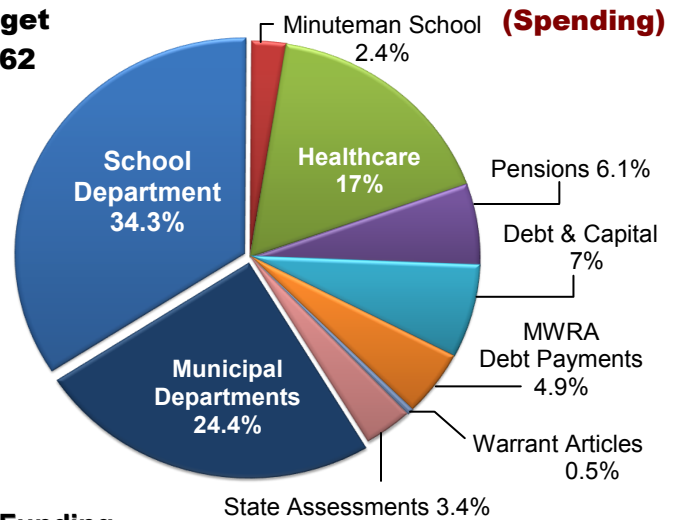
# ...and Where it Goes

## (Revenues)

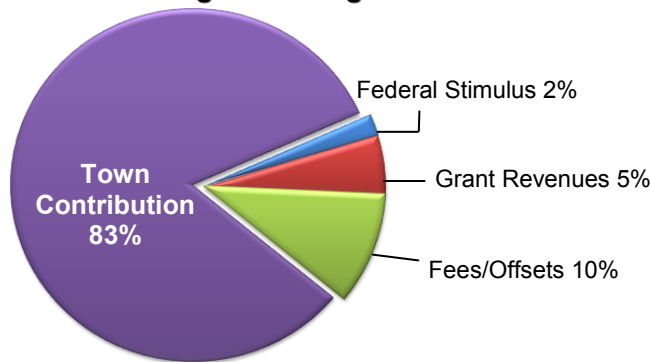


**FY2011 Budget**  
**\$114,039,262**

## (Spending)



## Schools Budget Funding



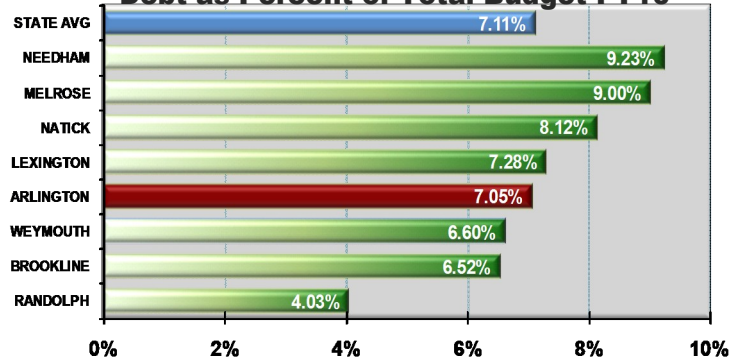
## Borrowing

### Current Credit Rating: Standard & Poor's AAA

|  |  |
|--|--|
| <b>Total Direct Debt</b>                   | \$ 63,430,959                          |
| Authorized but not issued                  | \$ 17,273,514                          |
| <b>Debt Schedule</b>                       |  |
| Total Outstanding Principal                | \$ 62,120,959                          |
| Total Outstanding Interest                 | \$ 11,759,677                          |
| School Construction Aid                    | \$ (13,898,863)                        |
| Net Debt Service                           | \$ 59,981,773                          |
| Bond Anticipation Notes (Symmes - Taxable) | \$ 1,310,000                           |
| <b>Overlapping Debt</b>                    |  |
|  | <b>Outstanding as of June 30, 2009</b> |
| MBTA                                       | \$ 5,393,081,820                       |
| MWRA                                       |  |
| Water                                      | \$ 1,950,750,000                       |
| Sewer                                      | \$ 3,867,095,000                       |
| Minuteman VTSD                             | \$ 3,073,694                           |
| <b>Total</b>                               | <b>\$ 12,101,198</b>                   |

A large portion of the Town's capital construction and equipment acquisition is funded annually through the issuance of bonds. This borrowing is done since major expenditures such as building construction or large equipment purchases would be disruptive to the budget if funded entirely in the year of purchase. Above you can see the Town's current outstanding debt for projects that have been funded through the Town's Five-Year Capital Plan.

### Debt as Percent of Total Budget FY10



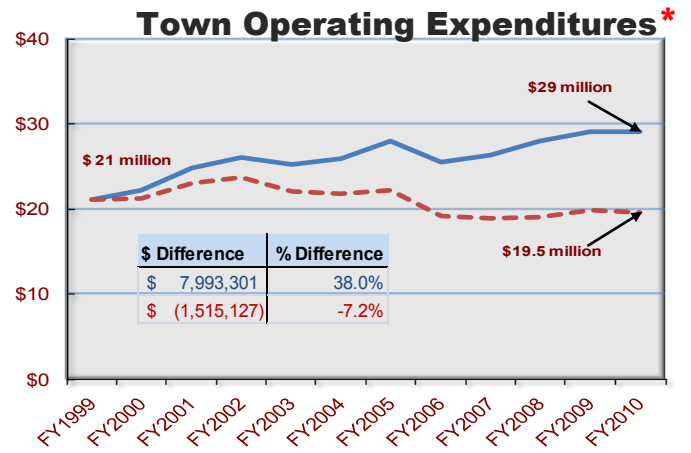
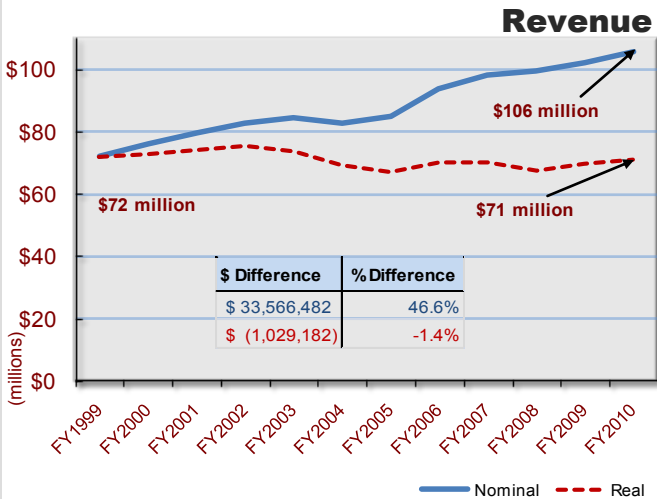
The chart above demonstrates that Arlington has borrowed well within its capacity to repay the debt, and is leveraged at a rate below a number of comparable communities, and below the state average. It is also worth noting that the Town has maintained its AAA bond rating with Standard and Poor's (S&P) since earning it in 2007. The S&P rating means that Arlington has an extremely strong capacity to meet its financial commitments. Thanks to its AAA rating there is a low risk associated with the Town's credit. Thus, Arlington is able to borrow at the highest credit tier—and the lowest cost—available to municipalities.



# In Real Terms

The historical financial data in the Town's Financial Plan has not been adjusted to account for the effects of inflation. While the difference between unadjusted ("nominal") dollar values and inflation-adjusted ("real") dollar values is not particularly great from the previous year to the current year, these changes become dramatic over time. Thus, it is inaccurate to identify trends over time in only nominal dollars; apparent growth is negated by rising prices. The net effect is that it takes more money to buy the same amount of goods or pay for the same amount of services. Essentially, understanding historical financial trends only in nominal terms does not reflect the real change in the buying power of a dollar.

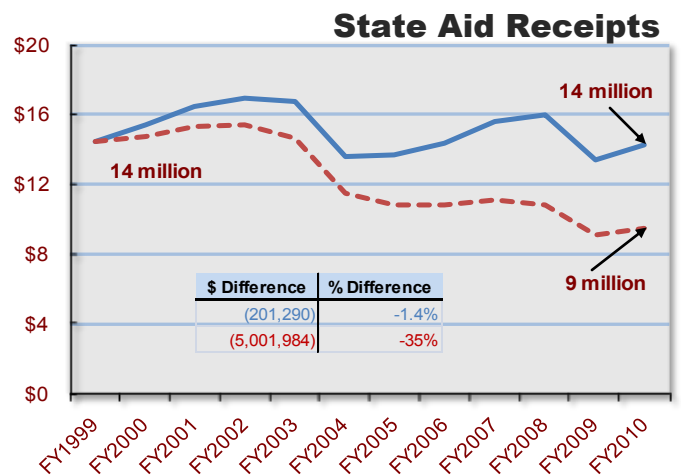
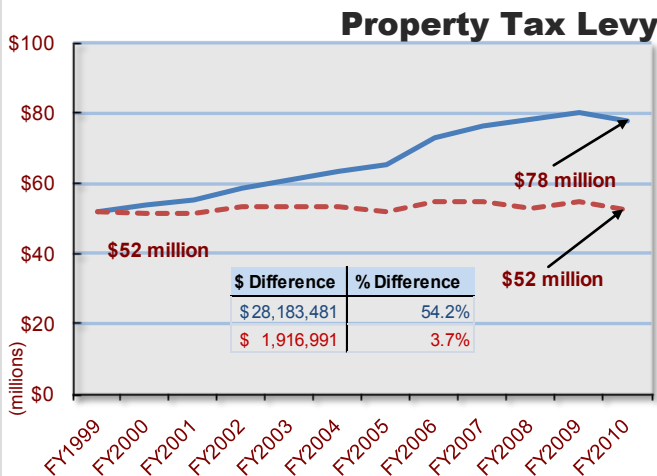
Typically, when adjusting for inflation the price data used is from the Consumer Price Index (CPI), compiled by the US Dept of Labor. However, in the analysis here the data used is from the Implicit Price Deflator for State and Local Governments (IPD), put out by the US Commerce Department. The IPD reflects the prices of goods purchased by municipalities rather than individual citizens, and thus is a better indicator for Arlington's trends. Below are four of Arlington's most important financial trends: Overall Revenue, Expenditures, Property Tax and State Aid Receipts. To give you a better understanding of Arlington's finances over time, they have been adjusted for inflation and compared to the trend in nominal terms. In "real" terms, the situation becomes quite different.



\*Town Departments only, excludes school spending, pensions and health care

It appears as though Arlington's revenues have seen steady growth, but in reality the overall buying power of the Town has decreased slightly (1.4%). Similarly when we look at operating expenditures (above right) the apparent increase in spending is mostly to keep up with inflation. In real terms, the Town's expenditures have actually decreased by 7.2% since Fiscal Year 1999.

Most of Arlington's revenue (75%) comes from the property tax, so tracking its growth is a good way to determine the health of the community's revenue stream. Adjusted for inflation, Arlington's property tax levy shows virtually no growth since Fiscal 1999. Arlington's second largest revenue source, State Aid (below right), has seen a 35% real decrease since FY1999. Stagnant and declining revenue—combined with rising costs largely beyond Town control—are the major factors contributing to Arlington's structural deficit. Without "real," permanent revenue growth it will be difficult for Arlington to cope with rapidly increasing costs.



# Measuring Up

The **Average Single Family Tax Bill** is the average home value in a community divided by that community's property tax rate.

While individual tax bills may vary according to individual home value, the Average Tax Bill is a good indicator of what the property tax burden is on residential taxpayers.

Under Proposition 2<sup>1/2</sup>, local property taxes cannot be increased by more than 2<sup>1/2</sup>% plus tax revenues from new construction added to the tax base. Consequently, for many communities **New Growth** is an important revenue source.

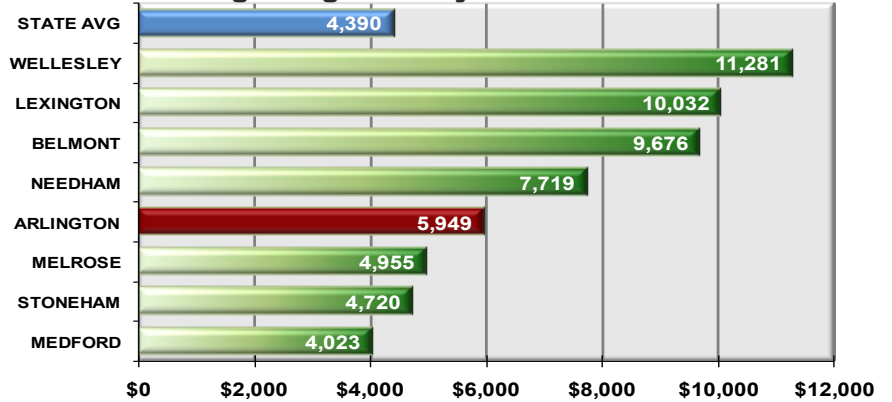
**Per Capita Spending** is calculated from the Town's total expenditures divided by its population, which provides a point of comparison for how much the Town spends proportionate to its size. This makes it possible to compare spending between Towns while controlling for population.

We would like this report to be informative and helpful. If you have comments or questions about it, please send them to [townmanager@town.arlington.ma.us](mailto:townmanager@town.arlington.ma.us).

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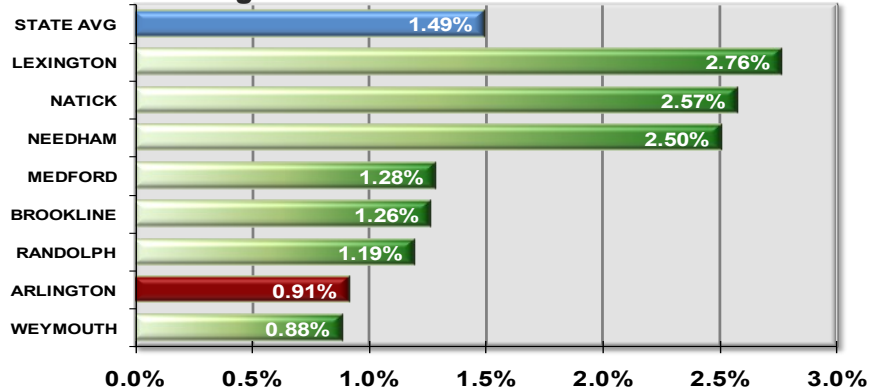


**Average Single Family Tax Bill FY11**



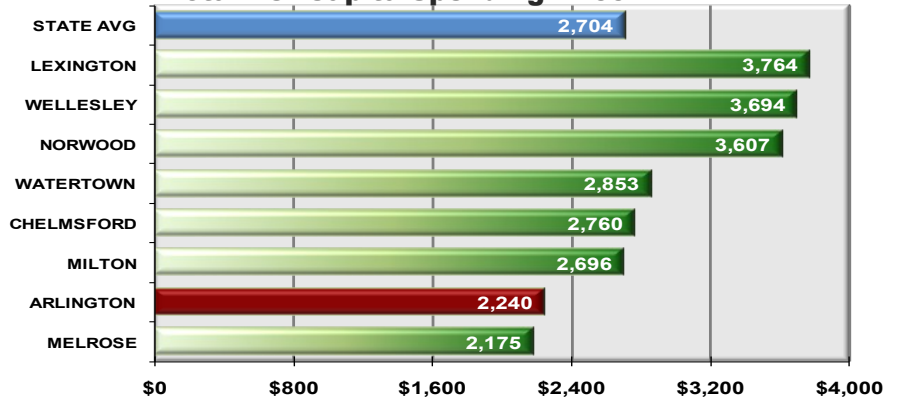
Due to relatively high home values, Arlington residents tend to pay a higher tax bill than the state average. While this places Arlington near the middle in terms of its comparable communities, it is still nearly half as much as higher-taxed communities like Wellesley or Lexington.

**Average New Growth FY09-FY11**



Arlington's New Growth has not kept pace with any of its comparable communities (above). It ranks almost last, averaging less than 1% New Growth in a three year period while communities like Lexington see average increases of over 2.5%, while the state average is 1.49%.

**Total Per Capita Spending FY09**



Arlington is near the bottom of per capita spending, relative to its comparable communities. It is also well below the state average of \$2,704 per capita, meaning that the Town's spending is below average relative both to these communities and to the state as a whole.

