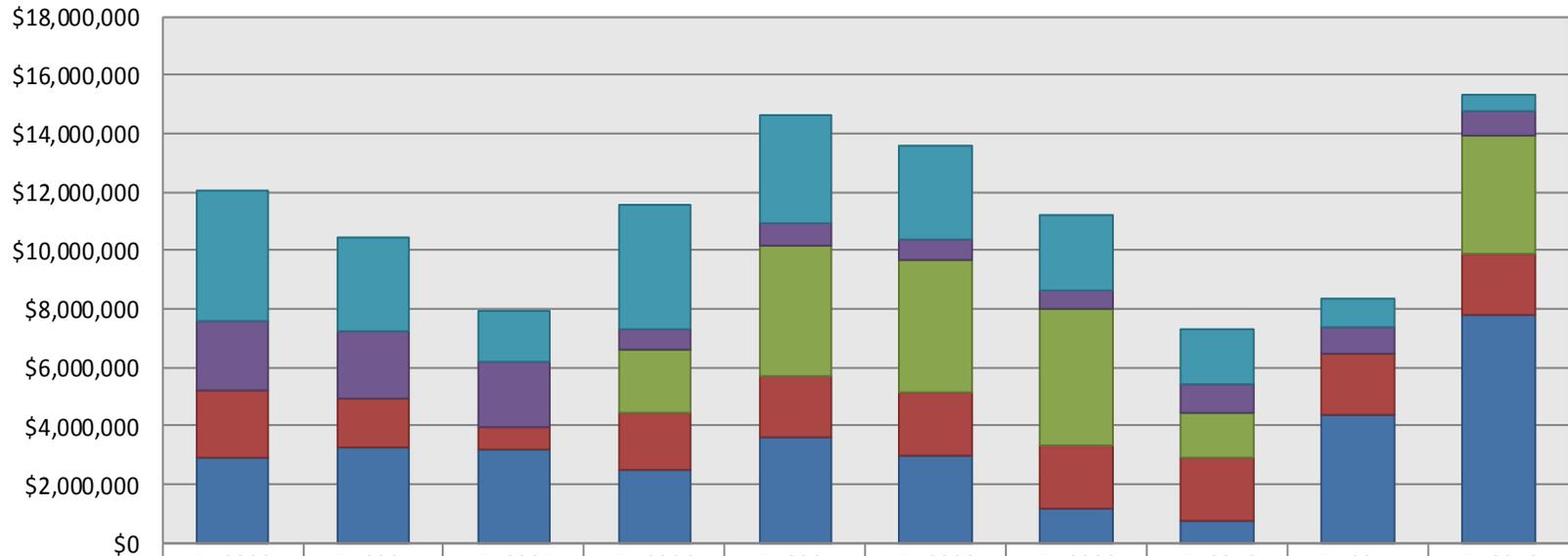




Reserve Fund Balances



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total	\$12,033,077	\$10,465,147	\$7,963,923	\$11,535,251	\$14,629,589	\$13,555,157	\$11,182,226	\$7,309,190	\$8,360,070	\$15,307,745
Tip Fee Stabilization	\$4,435,465	\$3,263,420	\$1,807,932	\$4,207,248	\$3,723,911	\$3,187,031	\$2,559,441	\$1,888,492	\$1,012,094	\$563,769
Municipal Trust Fund	\$2,410,771	\$2,263,962	\$2,187,797	\$714,029	\$736,575	\$702,689	\$613,717	\$963,451	\$853,710	\$835,406
Override Stabilization	-	-	-	\$2,180,289	\$4,479,519	\$4,531,174	\$4,687,515	\$1,581,292	-	\$3,993,618
Long Term Stabilization	\$2,294,235	\$1,709,454	\$788,805	\$1,924,215	\$2,052,009	\$2,138,449	\$2,157,451	\$2,105,456	\$2,114,858	\$2,121,897
Free Cash	\$2,892,606	\$3,228,310	\$3,179,389	\$2,509,471	\$3,637,574	\$2,995,814	\$1,164,101	\$770,499	\$4,379,408	\$7,793,055

For more information, please see fund descriptions on page 204.



**Tip Fee Stabilization Fund:** The Town of Arlington participated in a regional solid waste consortium, the North East Solid Waste Committee. Upon leaving the consortium in September of 2005, the Town was entitled to revenue derived from the regional agreement. Since then, the Town uses funds from the Tip Fee Stabilization Fund to offset solid waste disposal costs. The Town appropriated \$400,000 from the fund in FY2013.

**Municipal Buildings Trust Fund:** In accordance with Massachusetts General Law, Chapter 40, Section 13, the Town established a Municipal Buildings Trust Fund for the purposes of offsetting the costs associated with significant property loss.

**Override Stabilization Fund:** The Override Stabilization Fund was created as a result of the 2005 Proposition 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the general fund budget. As the graph illustrates on page 205, the first appropriation to the fund was in FY2006 after the passage of an operating override and was depleted in FY2011. The Town passed another override leading into FY2012 which explains the increase of \$3,993,618. The Town does not expect to recommend an appropriation out of the fund until FY2016.

**Long Term Stabilization Fund:** In accordance with Massachusetts General Law, Chapter 40, Section 5B, the Town may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year's tax levy. The Town may appropriate funds from the Long Term Stabilization Fund for any lawful purpose with a two-thirds vote of Town Meeting.

**Free Cash:** "Free Cash" is a revenue source that results from the calculation, as of July 1, of a community's remaining, unrestricted funds from operations of the previous fiscal year, based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line-items for the year just ending, plus unexpended free cash from the previous year. Consistent with current practice, the Town appropriates up to 50% of its Free Cash balance from the prior year to as an operating revenue.



**Town of Arlington Standing Financial Policies & Practices**

**Free Cash Practice:** The Town of Arlington appropriates up to 50% of the prior year's Certified Free Cash Balance as an operating revenue with a majority vote of Town Meeting.

**Capital Budget:** The Town Manager shall present a Capital Budget equal to 5% of projected revenues. The Town has followed this practice since 1986.

**Town of Arlington Override Policies & Commitments**

As part of the Town's Proposition 2 ½ Override campaign in 2011, the Town made several financial commitments that would guide the Town's financial planning for future years. Below are those original commitments with updates in bold.

- Override funds will be made to last at least three years (FY2012-FY2014). No general override will be sought during this period. – **Current projections have extended the plan to cover FY2012-FY2018.**
- Town and School operating budget increases will be capped at 3.5% per year. An additional allowance of up to 7% shall be allowed for documented special education cost increases. Should actual special education cost increases exceed this amount, the remaining School budget shall be decreased by the difference. – **This commitment has been maintained and this year's Town operating budget is being held below the 3.5% cap at 3.34%.**
- Health care cost increases will be programmed at 7%. Should actual increases exceed this amount, the Town and School budget totals shall be proportionately decreased by the excess amount. Should actual increases be less than this amount as a result of negotiated health care savings, the extra savings will be:
  - ◊ Deposited into the override stabilization fund to extend the three year override period;
  - ◊ Used to preserve services; and
- The Town of Arlington's Reserve Policy states that the Town must have an amount equal to 5% of revenues that is kept in reserves and available for appropriation in any given year.



- ◇ To satisfy any and all negotiated items between the Town Manager, its employees, and its retirees. – **The override period has been extended to six years from the original three-year period based to a large degree on health care savings. The first year health care savings also supported FY2012 wage settlements with employee bargaining units. Actual health care cost increases will be approximately 3.5% in FY14. The difference between the initial projections and the actual cost will be deposited into the override stabilization fund.**
- An additional \$600,000 shall be appropriated for the School Department in FY2012 and \$400,000 shall be appropriated each year in addition to the amount currently appropriated in the capital budget for road improvements. – **This commitment has been met.**
- Reserves shall be maintained in an amount equivalent to at least 5% of the budget. – **This commitment is being maintained.**