



**TOTAL REVENUE**

Total revenue for FY2014 is projected at \$132,036,277, an increase of \$6,287,049, or 5.0%.

The property tax levy is projected to increase \$3,029,677, or 3.1%. This includes the normal 2.5% increase plus \$450,000 in new growth. In addition, the Town will raise \$456,500 on the tax levy for the purposes of paying the first full year of debt service on the Thompson School.

Local receipts are projected to increase \$50,000 due primarily to projected increases in Motor Vehicle Excise tax collections, Payments in Lieu of Taxes and Interest Income.

Based upon the Governor's proposed budget and the Town's conservative estimates, state aid is projected to increase \$1,465,844, or 9.7%. Governor Patrick has proposed the following: \$226 million increase in Chapter 70 School Aid, level-funding for General Government Aid and to fund a new Cherry Sheet municipal aid account which will be allocated using a formula based on income and property wealth factors. This account is being referred to as "Annual Local Formula Aid." As a result of eliminating Kindergarten fees this past fall, the Town is able to include Kindergarten students in the total enrollment number submitted to the state. As a result, Chapter 70 funding is expected to increase approximately \$1.4 million.

The Governor's proposed budget is contingent on a significant amount of new revenues. Given the uncertainty of Legislative approval of these new revenues, the Town Manager's budget does not include any additional revenue from the new Annual Local Formula Aid account. Overall FY2014 state aid, as proposed in the Town Manager's Budget, will increase \$1,465,844 to a total of \$18,980,691. This total is inclusive of \$2,474,773 in school construction aid.

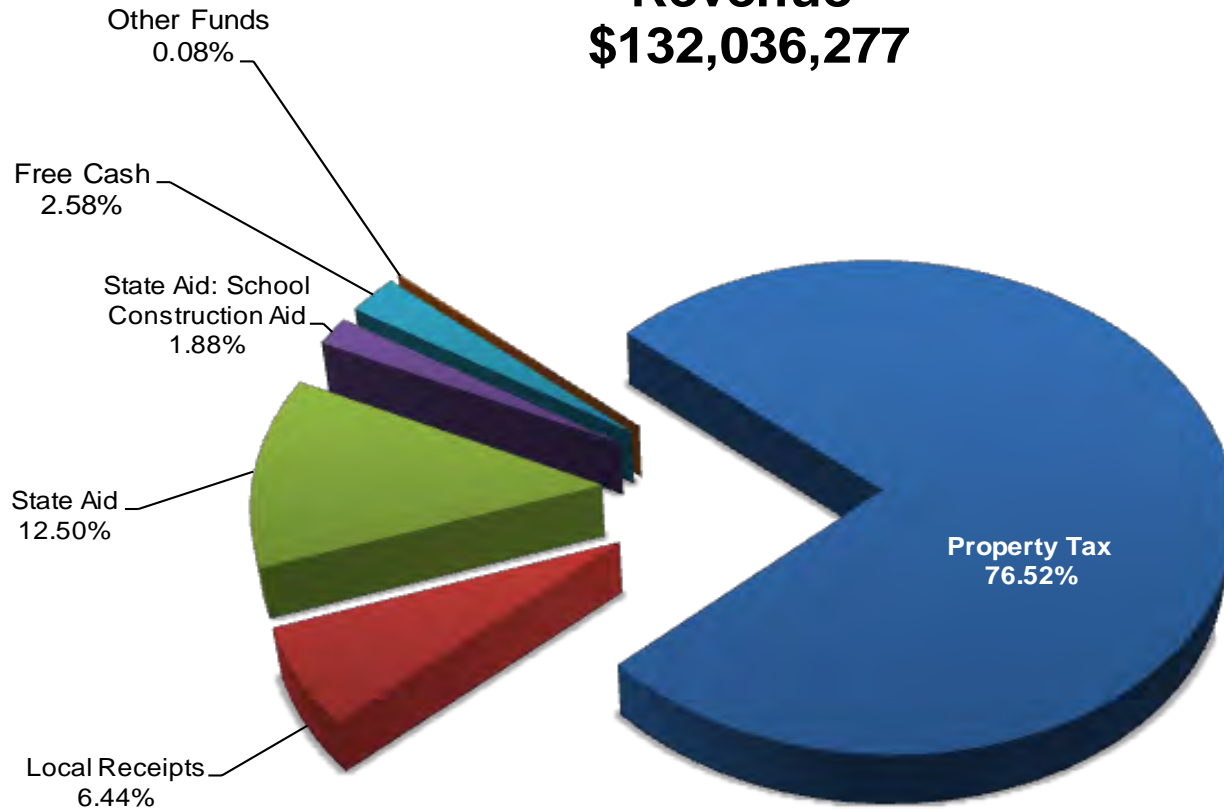
A total of \$3,411,528 in free cash is proposed to be used, which is an increase of \$1,841,528 from FY2013 and an amount equal to 50% of the Free Cash balance certified by the Department of Revenue in FY 2013.

Other Available Funds include only \$100,000 in surplus tax abatement overlay funds, the same amount as was used last year.

<b>REVENUE SOURCE</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Tax Levy	85,958,974	95,002,494	98,009,381	101,039,058	3,029,677
Local Receipts	8,820,707	10,291,463	8,455,000	8,505,000	50,000
State Aid	16,597,530	15,895,539	17,514,847	18,980,691	1,465,844
Free Cash	582,051	481,456	1,570,000	3,411,528	1,841,528
Other Available Funds	2,080,000	200,000	200,000	100,000	(100,000)
<b>Total</b>	<b>114,039,262</b>	<b>121,870,952</b>	<b>125,749,228</b>	<b>132,036,277</b>	<b>6,287,049</b>



### Revenue \$132,036,277





**Total General Fund Revenues**

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Budget</u>
Tax Levy*	60,616,241	68,050,315	71,185,238	73,220,264	75,352,894	77,877,924	80,365,862	89,409,382	92,416,269	95,445,946
Local Receipts	8,437,095	8,834,256	9,188,329	9,024,278	8,715,308	8,653,173	9,238,654	10,291,463	8,455,000	8,505,000
State Aid**	14,046,847	14,790,887	15,600,746	15,972,745	15,568,470	14,382,965	14,066,445	13,420,743	15,040,051	16,505,918
Free Cash	1,414,803	1,614,155	1,939,695	954,736	2,191,622	1,497,907	582,050	481,456	1,570,000	3,411,528
Other Available Funds	500,000	400,000	400,000	500,000	500,000	3,242,376	2,080,000	200,000	200,000	100,000
<b>Total</b>	<b>85,014,986</b>	<b>93,689,613</b>	<b>98,314,008</b>	<b>99,672,023</b>	<b>102,328,294</b>	<b>105,654,345</b>	<b>106,333,011</b>	<b>113,803,044</b>	<b>117,681,320</b>	<b>123,968,392</b>

\*Excludes MWRA Debt Shift

\*\*Excludes MSBA Reimbursements

**Annual Revenue Increases**

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Budget</u>
Tax Levy	1,910,098	7,434,074	3,134,923	2,035,026	2,132,630	2,525,030	2,487,938	9,043,520	3,006,887	3,029,677
Local Receipts	635,214	397,161	354,073	(164,051)	(308,970)	(62,135)	585,481	1,052,809	(1,836,463)	50,000
State Aid	101,153	744,040	809,859	371,999	(404,275)	(1,185,505)	(316,520)	(645,702)	1,619,308	1,465,867
Free Cash	(359,539)	199,352	325,540	(984,959)	1,236,886	(693,715)	(915,857)	(100,594)	1,088,544	1,841,528
Other Available Funds	0	(100,000)	0	100,000	0	2,742,376	(1,162,376)	(1,880,000)	0	(100,000)
<b>Total</b>	<b>2,286,926</b>	<b>8,674,627</b>	<b>4,624,395</b>	<b>1,358,015</b>	<b>2,656,271</b>	<b>3,326,051</b>	<b>678,666</b>	<b>7,470,033</b>	<b>3,878,276</b>	<b>6,287,072</b>
<b>Percent Increase</b>	<b>2.8%</b>	<b>10.2%</b>	<b>4.9%</b>	<b>1.4%</b>	<b>2.7%</b>	<b>3.3%</b>	<b>0.6%</b>	<b>7.0%</b>	<b>3.4%</b>	<b>5.3%</b>

**Percent of Total Revenue**

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Actual</u>	<u>FY13</u> <u>Budget</u>	<u>FY14</u> <u>Budget</u>
Tax Levy	71.3%	72.6%	72.4%	73.5%	73.6%	73.7%	75.6%	78.6%	78.5%	77.0%
Local Receipts	9.9%	9.4%	9.3%	9.1%	8.5%	8.2%	8.7%	9.0%	7.2%	6.9%
State Aid	16.5%	15.8%	15.9%	16.0%	15.2%	13.6%	13.2%	11.8%	12.8%	13.3%
Free Cash	1.7%	1.7%	2.0%	1.0%	2.1%	1.4%	0.5%	0.4%	1.3%	2.8%
Other Available Funds	0.6%	0.4%	0.4%	0.5%	0.5%	3.1%	2.0%	0.2%	0.2%	0.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**PROPERTY TAX LEVY**

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 76% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington's non-manufacturing businesses. State law mandates that communities update their property values every three years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY2013. Under the provisions of Proposition 2 ½, property taxes, in the aggregate, may not exceed 2 ½% of their "full and fair cash value." This limit is known as the "levy ceiling." Annual levy increases may not exceed 2 ½% of the previous year's levy plus the taxes added from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2 ½ override or debt exclusion amounts approved by voters are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

Property values and new growth for FY2014 are preliminary estimates used to project the levy limit. The FY2013 levy limit was \$91,310,473. The 2 ½% increase allowed for FY2014 is \$2,282,762. New growth from construction not previously on the tax rolls is expected to add \$450,000 to the FY2014 levy. An additional \$1,402,711 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2 ½ debt exclusion overrides. This added debt exclusion amount is net of state reimbursements estimated at \$1,615,914. Beginning in FY2012, debt service for the Symmes Urban Renewal project was added to the tax levy. In the coming years, after the project is built and tax revenues continue coming in, the debt will no longer be added to the tax levy.

The Town has accepted the provisions of Chapter 110, whereby water and sewer debt costs are transferred to the real estate taxes. At the present time, the only water and sewer debt is from the MWRA. The Board of Selectmen voted to freeze the amount of MWRA debt shift at the FY2007 amount of \$5,593,112. Based on the above, the FY2014 tax levy is projected to total \$101,039,058 representing an increase of \$3,029,677 (3.1%) over the FY2013 levy.

PROPERTY TAX LEVY	FY2011 Actual	FY2012 Budget	FY2013 Budget	FY2014 Budget	Budget Change
<b>Base Tax Levy</b>	79,419,992	81,930,096	91,297,613	94,043,235	2,745,622
<b>General Override</b>	-	6,490,000	-	-	-
<b>Debt Exclusion Overrides</b>					
Brackett School	212,646	188,605	167,209	139,164	(28,045)
Hardy School	88,063	42,934	53,045	19,564	(33,481)
Bishop School	83,548	67,227	51,842	34,426	(17,416)
Peirce School	253,394	67,399	178,251	155,856	(22,395)
Dallin School	308,219	315,991	296,956	290,072	(6,885)
Thompson School	-	-	92,813	456,500	363,687
Symmes Debt		307,130	278,540	307,130	28,590
<b>Sub-total Debt Exclusions</b>	<b>945,870</b>	<b>989,286</b>	<b>1,118,656</b>	<b>1,402,711</b>	<b>284,055</b>
<b>Water and Sewer Debt</b>	5,593,112	5,593,112	5,593,112	5,593,112	-
<b>Total</b>	<b>85,958,974</b>	<b>95,002,494</b>	<b>98,009,381</b>	<b>101,039,058</b>	<b>3,029,677</b>

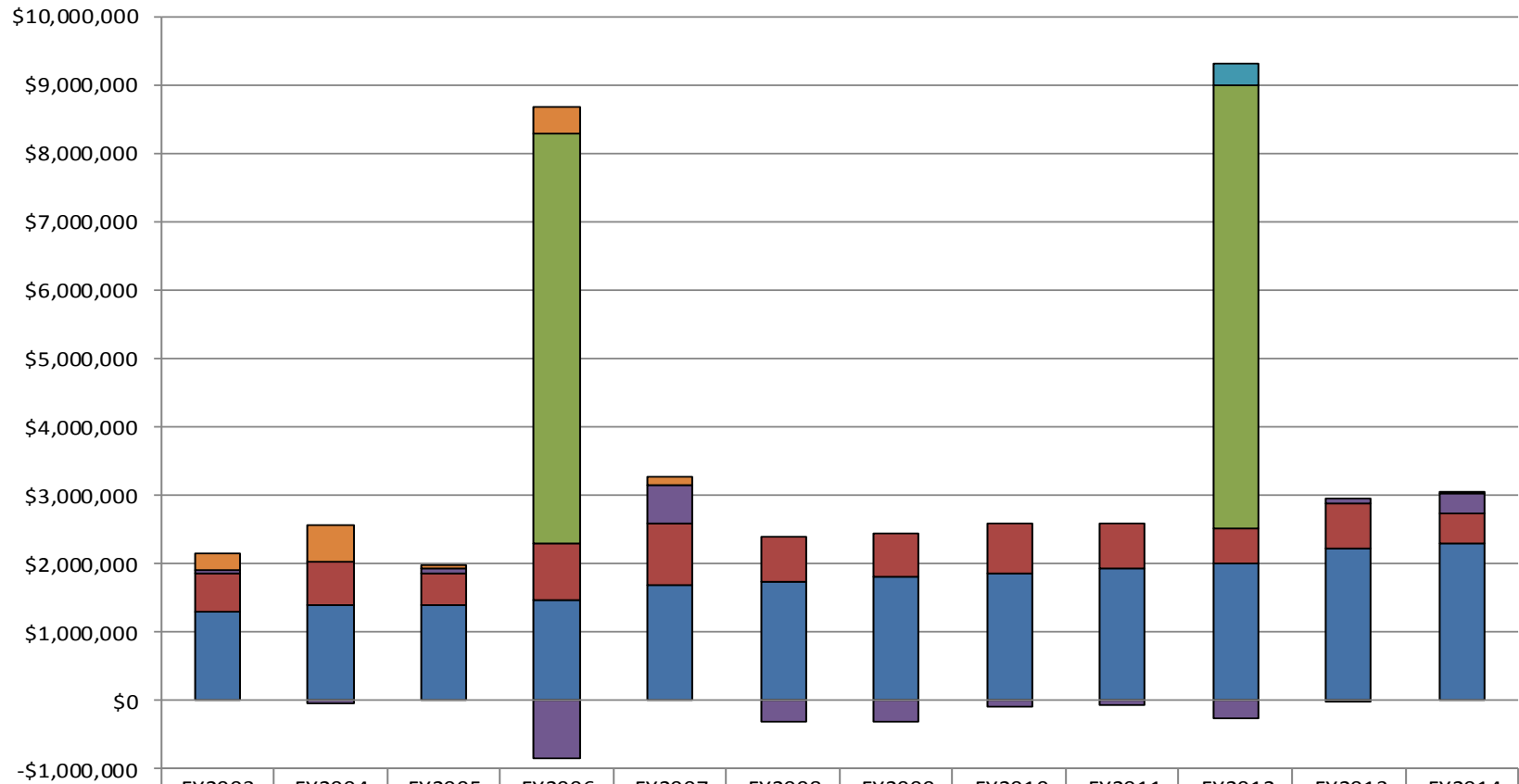


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2012	95,185,766.56	427,191.48	47,748.92	94,710,826.16	94,287,096.98	99.56%	423,729.18	858,108.74	396,784.20	307,667.70
2011	86,093,152.50	465,825.69	51,677.04	85,575,649.77	84,199,193.25	99.56%	375,360.09	650,009.11	396,784.20	303,386.69
2010	83,612,918.72	483,555.47	61,658.71	83,067,704.54	82,652,328.29	99.50%	415,059.45	781,121.00	396,784.20	363,475.82
2009	81,073,914.29	487,858.75	77,402.97	80,508,652.57	80,065,721.17	99.45%	480,507.03	707,145.88	396,784.20	393,703.43
2008	78,887,655.80	472,051.80	72,738.36	78,342,865.64	78,066,532.84	99.65%	276,332.81	471,582.61	396,784.20	377,006.41
2007	76,885,362.74	342,368.47	84,469.92	76,458,524.35	76,243,171.54	99.72%	216,092.26	339,191.03	396,784.20	390,472.48
2006	73,601,851.23	343,515.23	87,097.83	73,171,238.17	72,939,691.01	99.68%	231,489.78	324,280.65	396,784.20	380,256.66
2005	65,779,185.77	302,203.09	58,911.88	65,418,070.80	65,202,793.72	99.67%	234,667.16	339,307.20	396,784.20	285,068.38
2004	63,831,019.20	391,879.53	49,554.72	63,389,584.95	63,223,644.05	99.74%	165,940.90	258,629.93	396,784.20	274,115.15
2003	61,323,172.92	369,352.26	41,586.52	60,912,234.14	60,699,775.08	99.65%	212,459.06	317,178.44	397,922.00	247,855.77
2002	59,183,329.33	375,235.37	47,510.62	58,760,583.34	58,615,862.62	99.75%	144,720.72	216,588.20	397,922.00	347,816.81
2001	55,924,516.87	436,168.37	56,445.54	55,431,902.96	55,316,386.89	99.79%	115,516.07	181,873.01	397,716.45	354,375.56
2000	54,173,527.31	349,142.62	66,695.63	53,757,689.06	53,624,936.83	99.75%	132,752.23	196,203.75	397,716.45	338,813.24
1999	52,534,913.05	433,671.59	61,654.42	52,039,587.04	51,927,624.56	99.78%	173,616.90	187,455.40	383,233.92	338,142.22
1998	49,567,583.07	449,042.82	55,312.92	49,063,227.33	48,905,560.52	99.68%	157,666.81	284,217.96	407,244.12	286,763.02

The policy is to close out all real estate & personal property commitments in the same fiscal year. All collections, refunds, transfers into Tax Title all take place within the same fiscal year.



**COMPONENTS OF TAX LEVY INCREASE**



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
MWRA Debt	260,958	517,348	69,732	371,757	117,626	-	-	-	-	-	-	-
Symmes Debt Exclusion	-	-	-	-	-	-	-	-	-	307,130	(28,590)	28,590
School Debt Exclusion	44,571	(51,943)	56,628	(859,302)	558,473	(319,928)	(316,820)	(93,659)	(79,675)	(263,714)	68,273	278,721
General Override	-	-	-	6,000,00	-	-	-	-	-	6,490,00	-	-
New Growth	544,075	649,223	458,531	844,013	887,247	640,013	642,912	726,955	656,751	522,167	657,203	450,000
2.5% Increase*	1,299,50	1,378,66	1,394,93	1,449,36	1,689,20	1,736,64	1,796,06	1,857,039	1,921,639	1,986,099	2,211,055	2,282,762



**LOCAL RECEIPTS SUMMARY**

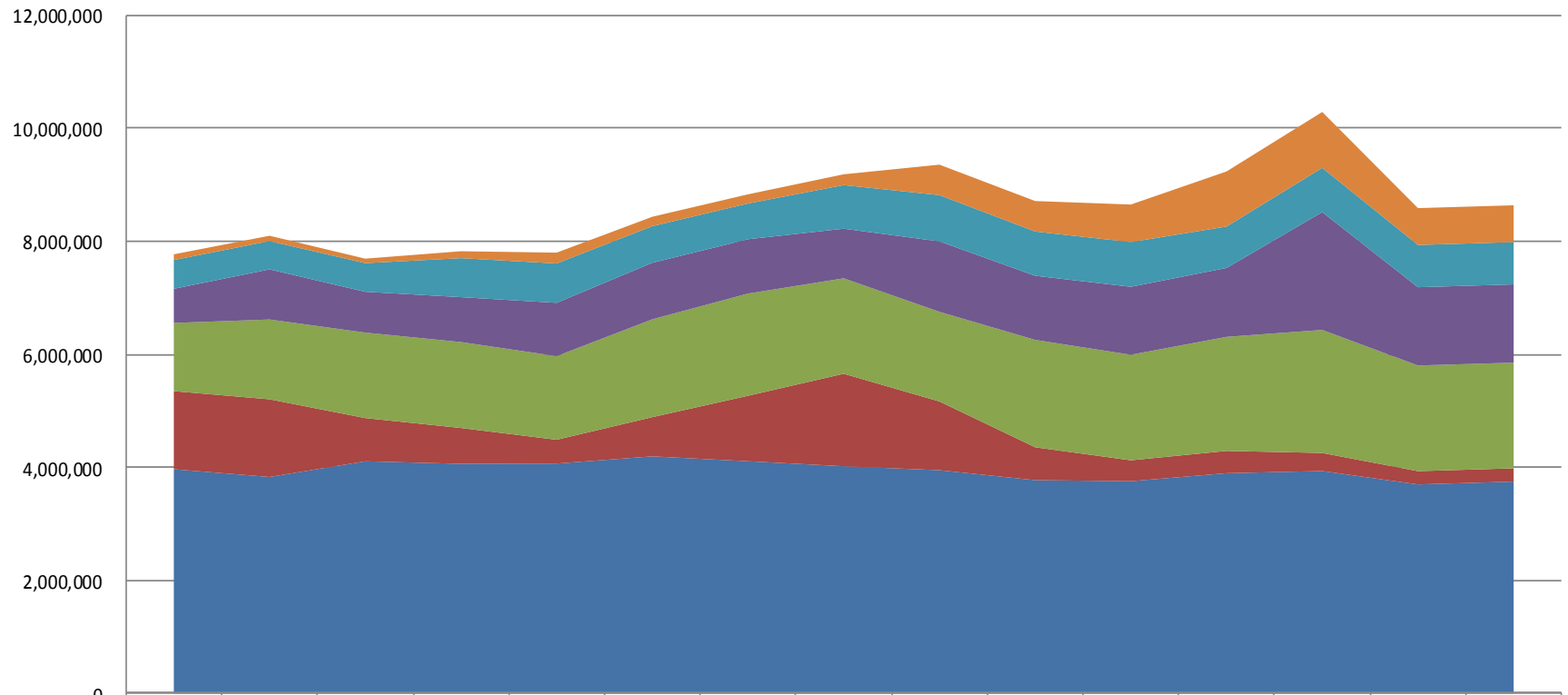
Local receipts for FY2014 are projected to increase \$50,000 to a total of \$8,505,000. Revenue from Motor Vehicle Excise taxes is projected to increase \$50,000 and revenue from Payments in Lieu of Taxes and Interest Income are expected to increase \$38,000 and \$15,000 respectively. The projected increases in Motor Vehicle Excise taxes and Interest Income are reflective of actual collections over the past several years. In addition, rental revenue from the Parmenter School will increase by \$5,000 as a result of renegotiated leases.

Revenue from Fire Alarm Renewal Fees is projected to decrease by \$15,000 as a result of the transition to the new fire alarm system. Medicare Part D reimbursements have been completely phased out which will result in a \$42,000 revenue reduction. Food permit fees are also projected to decrease \$1,000.

<b>LOCAL RECEIPTS SUMMARY</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Motor Vehicle Excise	3,898,459	3,937,079	3,700,000	3,750,000	50,000
Interest Income	394,264	319,642	235,000	250,000	15,000
Departmental Fees	2,018,958	2,177,505	1,870,000	1,855,000	(15,000)
Licenses and Permits	1,219,481	2,085,368	1,385,000	1,384,000	(1,000)
Rentals	733,270	783,145	613,000	618,000	5,000
Other	974,222	988,724	652,000	648,000	(4,000)
<b>Total</b>	<b>9,238,654</b>	<b>10,291,463</b>	<b>8,455,000</b>	<b>8,505,000</b>	<b>50,000</b>



Local Receipts History



	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY2010	Actual FY2011	Actual FY2012	Budget FY2013	Budget FY2014
Other	100,945	94,165	79,375	122,272	191,558	166,224	162,289	190,960	538,924	538,924	664,332	974,222	988,724	652,000	652,000
Rentals	508,819	500,978	506,840	690,231	696,252	648,334	632,505	771,319	818,608	783,600	791,045	733,270	783,145	748,000	748,000
Licenses and Permits	604,759	887,076	722,072	794,763	943,446	999,757	961,320	878,090	1,247,073	1,134,294	1,202,871	1,219,481	2,085,368	1,385,000	1,385,000
Fees/Departmental	1,206,792	1,412,070	1,512,748	1,520,578	1,480,066	1,731,991	1,808,831	1,689,345	1,586,298	1,900,729	1,867,994	2,018,958	2,177,505	1,870,000	1,870,000
Interest Income	1,382,410	1,374,590	765,790	634,352	421,000	693,999	1,159,204	1,636,644	1,216,410	582,123	369,782	394,264	319,642	235,000	235,000
Motor Vehicle Excise	3,968,543	3,832,194	4,108,738	4,064,678	4,069,559	4,196,714	4,110,106	4,021,994	3,951,802	3,775,638	3,757,149	3,898,459	3,937,079	3,700,000	3,750,000





**MOTOR VEHICLE EXCISE**

Motor vehicle excise tax receipts are expected to increase \$50,000 over the budgeted amount for FY2013 to a total of \$3.75 million. Commitments are continuing to increase towards what they were in 2008. The excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year, and 10% thereafter. The actual billings are prepared by the Registry of Motor Vehicles and then turned over to the Town for printing, distribution, and collection. There are approximately 38,000 registered vehicles in Arlington. In the chart below, Levy Year 2012 is as of June 30, 2012.

<u>Levy Year</u>	<u>Commitments</u>	<u>Collections</u>	<u>Refunds</u>	<u>Net Collections</u>	<u>Abatements</u>	<u>Balance</u>	<u>Collection %</u>
2012	\$ 4,077,138	\$ 4,021,599	\$ 54,950	\$ 3,966,649	\$ 71,047	\$ 39,442	99.03%
2011	\$ 3,617,140	\$ 3,438,728	\$ 35,428	\$ 3,403,300	\$ 89,485	\$ 124,355	96.56%
2010	\$ 3,439,627	\$ 3,277,405	\$ 34,770	\$ 3,242,635	\$ 83,853	\$ 113,139	96.71%
2009	\$ 3,405,929	\$ 3,262,275	\$ 42,208	\$ 3,220,067	\$ 90,499	\$ 95,363	97.20%
2008	\$ 4,095,771	\$ 3,968,005	\$ 82,613	\$ 3,885,392	\$ 164,786	\$ 45,593	98.89%
2007	\$ 4,230,657	\$ 4,125,146	\$ 81,094	\$ 4,044,052	\$ 159,117	\$ 27,488	99.35%
2006	\$ 4,248,107	\$ 4,134,418	\$ 89,206	\$ 4,045,212	\$ 177,550	\$ 25,345	99.40%
2005	\$ 4,293,875	\$ 4,189,478	\$ 95,281	\$ 4,094,197	\$ 173,543	\$ 26,135	99.39%
2004	\$ 4,290,578	\$ 4,166,076	\$ 78,847	\$ 4,087,229	\$ 183,274	\$ 20,075	99.53%
2003	\$ 4,241,385	\$ 4,109,464	\$ 72,532	\$ 4,036,932	\$ 189,004	\$ 15,449	99.64%
2002	\$ 4,281,043	\$ 4,130,254	\$ 80,517	\$ 4,049,737	\$ 215,905	\$ 15,401	99.64%
2001	\$ 4,250,080	\$ 4,122,587	\$ 76,815	\$ 4,045,772	\$ 187,565	\$ 16,743	99.61%
2000	\$ 4,090,219	\$ 3,983,605	\$ 87,702	\$ 3,895,903	\$ 181,778	\$ 12,538	99.69%
1999	\$ 3,734,714	\$ 3,644,635	\$ 92,391	\$ 3,552,244	\$ 173,537	\$ 8,933	99.76%
1998	\$ 3,341,180	\$ 3,251,914	\$ 58,790	\$ 3,193,124	\$ 138,299	\$ 9,757	99.71%
1997	\$ 3,119,179	\$ 3,019,273	\$ 48,419	\$ 2,970,854	\$ 135,780	\$ 12,545	99.60%

<b>MOTOR VEHICLE EXCISE</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Motor Vehicle Excise	3,898,459	3,937,079	3,700,000	3,750,000	50,000



**DEPARTMENTAL FEES**

Departmental fees are projected to decrease \$15,000 to \$1,855,000. The Town is in the process of completing the transition to fire alarm radio boxes. As a result, many businesses have contracted with a private vendor for fire alarm monitoring services which has resulted in a decline in Fire Alarm Renewal Fees. The other major categories include ambulance fees, parking fines and meters, cemetery fees, tax collector fees, and school Medicaid reimbursements related to the special education program. Ambulance revenue, which is the largest revenue source, is estimated to total \$585,000.

DEPARTMENTAL FEES	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Schools (Medicare Reimbursement)	254,343	198,121	150,000	150,000	-
Cemetery Revenue	302,075	313,997	300,000	300,000	-
Library Fees and Fines	56,259	56,141	55,000	55,000	-
Collector's Demand Fees	80,850	84,647	80,000	80,000	-
Town Clerk Fees	45,306	58,305	45,000	45,000	-
Parking Violations	346,030	368,192	340,000	340,000	-
Parking Meter Receipts	67,592	82,740	70,000	70,000	-
Fire Alarm Renewal Fee	24,782	17,800	20,000	5,000	(15,000)
Ambulance Fees	586,576	571,695	585,000	585,000	-
Other Departmental Revenue	255,145	425,867	225,000	225,000	-
<b>Total</b>	<b>1,867,995</b>	<b>2,177,505</b>	<b>1,870,000</b>	<b>1,855,000</b>	<b>(15,000)</b>



**INTEREST INCOME & PENALTIES**

Interest Income is projected to increase \$15,000 to \$250,000. It is made up of two components: investment income and interest and penalties associated with delinquent tax payments.

Investment income can vary widely depending upon market interest rates, available cash balances, cash flows, and investment practices. Investment income has dropped from a high of more than \$1.4 million in FY2007 to a projected amount of only \$50,000 in FY2014. This is due to the dramatic drop in interest rates.

Penalties and interest associated with delinquent tax payments are projected to increase to \$200,000. This projection is based on the rate of collections in FY2013 and FY2012.

INTEREST INCOME	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Investment Income	55,430	67,150	50,000	50,000	-
Penalties & Interest	338,834	252,492	185,000	200,000	15,000
<b>Total</b>	<b>394,264</b>	<b>319,642</b>	<b>235,000</b>	<b>250,000</b>	<b>15,000</b>



**LICENSES AND PERMITS**

Licenses and permits revenues for FY2014 are expected to decrease \$1,000 to \$1,384,000. Building Permits generally generate the most revenue. The Town has collected all of the permit revenue from the Symmes and Brigham's project which has had a significant impact on prior year projections. The Town collected \$230,757 in permit revenue from the Symmes project in FY2013 and approximately \$200,000 from the assisted living facility on the Symmes site.

Besides building permits, some of the other major categories of Licenses and Permits include parking permits and liquor licenses issued by the Selectmen, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat.

The \$1,000 reduction is in the Food Permit category and aligns projections with actual collection history.

LICENSES AND PERMITS	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Parking Permits	148,124	150,087	140,000	140,000	-
Liquor Licenses	77,523	81,140	78,000	78,000	-
Food Licenses	6,456	6,863	6,500	6,500	-
Food Permits	14,990	14,115	15,000	14,000	(1,000)
Tobacco Permits	9,000	14,500	9,000	9,000	-
Building Inspections	848,213	1,665,598	1,025,000	1,025,000	-
Fire Prevention Permits	51,363	50,495	50,000	50,000	-
Marriage Licenses	6,510	8,209	6,500	6,500	-
Other	57,302	94,361	55,000	55,000	-
<b>Total</b>	<b>1,219,481</b>	<b>2,085,368</b>	<b>1,385,000</b>	<b>1,384,000</b>	<b>(1,000)</b>



**RENTAL INCOME**

*The Town derives income from the renting of several Town-owned properties including the Gibbs and Parmenter schools, the Mt. Gilboa house, the former Dallin Library, and former Parks Department buildings at Ryder Street.*

Overall, revenue is projected to increase by \$5,000 to \$618,000.  
 The Ryder Street property is rented for a five-year period, generating a net income of \$95,000 annually.

The Parmenter School leases have been extended through June 30, 2014. Projected rental income for the Parmenter School is projected to increase to \$185,000.

For FY2014, the Gibbs rental income is expected to remain flat at \$275,000.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi) with rental income projected at \$45,000. The Mt. Gilboa house is rented for \$18,000 per year.

The Crosby School, which has generated revenue in the past, was sold in June of 2012, and the proceeds were used as part of the plan to fund the reconstruction of the Thompson School.

<b>RENTAL INCOME</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Ryder St.	93,283	112,004	95,000	95,000	0
Parmenter	174,967	188,797	180,000	185,000	5,000
Crosby	130,046	133,297	-	-	0
Gibbs	271,934	286,051	275,000	275,000	0
Mt. Gilboa	17,924	17,880	18,000	18,000	-
Dallin Library	45,116	45,116	45,000	45,000	-
<b>Total</b>	<b>733,270</b>	<b>783,145</b>	<b>613,000</b>	<b>618,000</b>	<b>5,000</b>



**OTHER LOCAL RECEIPTS**

Other local receipts are projected to decrease \$4,000 to \$648,000 due to the final phase-out of the Medicare Part D reimbursement from the federal government which will be partially offset by an increase in Payments in Lieu of Taxes.

In 2009, the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time only the state collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. Also, the Town collected a room occupancy tax on hotels (there is only one hotel in Arlington) of 4% at that time. The state allowed cities and towns to increase that by 1% to a total of 5%. Both of these optional taxes were adopted by Town Meeting in the fall of 2009 to go into effect January 1, 2010. For communities that adopted these taxes with this effective date, they were allowed to estimate six months of collections in FY2010, eleven months in FY2011, and a full twelve months thereafter. For both FY2013 and FY2014, the total estimated collections for both taxes are \$550,000.

As a result of an agreement reached with the buyer of the Crosby School, Payments in Lieu of Taxes are expected to increase by \$24,000 to \$38,000. This revenue will partially offset the final phase-out of the Medicare Part D reimbursement which was projected to be \$42,000 in FY2013.

Court fines, primarily for moving violations, are projected to remain level at \$60,000.

<b>OTHER LOCAL RECEIPTS</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Meals Tax	292,732	307,037	300,000	300,000	-
Hotel Tax	240,164	262,094	250,000	250,000	-
Court Fines	59,965	62,688	60,000	60,000	-
Medicare Part D Reimbursement	381,361	342,932	42,000	-	(42,000)
Special Assessments	-	-	-	-	-
Payments In Lieu of Taxes	-	13,973	-	38,000	38,000
<b>Total</b>	<b>974,222</b>	<b>988,724</b>	<b>652,000</b>	<b>648,000</b>	<b>(4,000)</b>



**STATE AID SUMMARY**

In January, Governor Patrick proposed a \$226 million increase in Chapter 70 School Aid and level-funding for General Government Aid. Based upon the Governor’s proposed budget and the Town’s conservative estimates, state aid, exclusive of school construction aid, is projected to increase \$1,465,867, or 9.75%. As a result of eliminating Kindergarten fees this past fall, the Town is able to include Kindergarten students in the total enrollment projections submitted to the state. As a result, Chapter 70 funding is expected to increase approximately \$1,488,918. Overall FY2014 state aid, as used to balance the Town Manager’s budget, will increase \$1,465,844 to a total of \$18,980,691. This total is inclusive of \$2,474,773 in school construction aid.

In FY2014 Unrestricted General Government Aid (UGGA) is expected to remain level at \$6,416,909. The Governor’s budget proposes funding a new Cherry Sheet municipal aid account which will be allocated using a formula based on income and property wealth factors. This account is referred to as “Formula Aid.” The Governor’s proposed budget is contingent on a significant amount of new revenues. Given the uncertainty of Legislative approval of these new revenues, the Town Manager’s budget does not include any additional revenue from the new Formula Aid account.

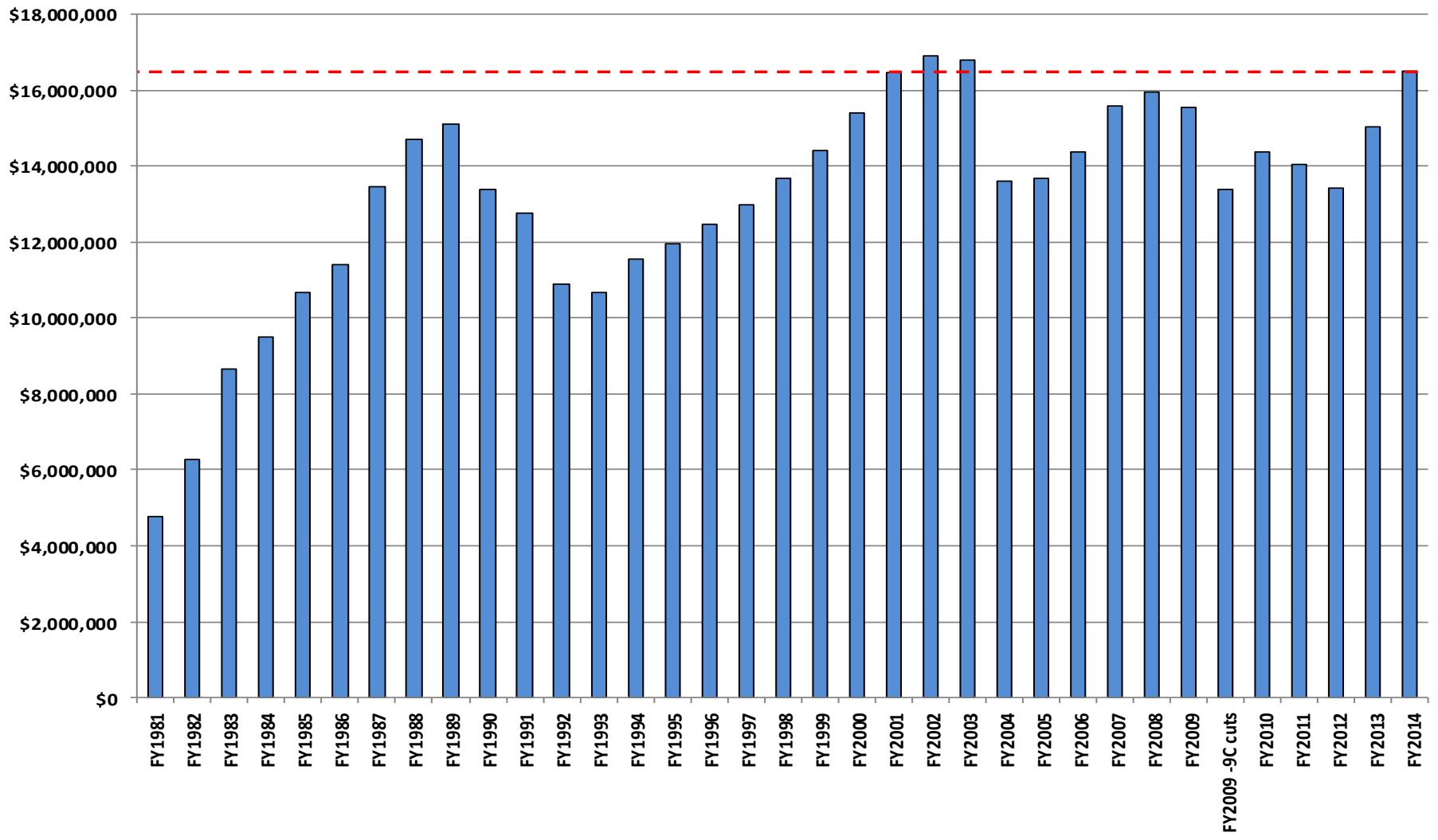
Exclusive of school construction aid, Arlington’s projected state aid for FY2014 is less in real dollars than it received in FY2002, 12 years ago (see chart on p. 40). Since 1987, Arlington has seen its share of total state aid cut by approximately 45% (see chart on p. 41). Just since FY2002 Arlington’s total state aid has decreased 19%. A look at the cumulative year-to-year increases and decreases since FY2002 (see chart on p. 42) also shows how Arlington has been disproportionately cut. Since FY2002 local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and in FY2014 ends in a cumulative increase of 16%. 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 FY2013 the cumulative year-to-year change since FY2002 was a decrease of 13.8%, however in FY2014, Arlington remains disproportional from other municipalities despite a significant increase in state aid. To further illustrate this impact, the average state aid for municipalities in Massachusetts has increased 16.4% from FY2002, while in FY2014 Arlington’s cumulative year-to-year change since FY2002 is a decrease of 2.4%

STATE AID SUMMARY	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Gen Government Aid	6,663,827	6,157,622	6,640,249	6,628,870	(11,379)
School Aid	7,153,462	7,012,560	8,160,512	9,649,430	1,488,918
School Construction	2,531,085	2,474,796	2,474,796	2,474,773	(23)
Tax Exemptions	190,609	188,476	178,152	167,052	(11,100)
Cherry Sheet Offsets	58,547	62,085	61,138	60,566	(572)
<b>Total</b>	<b>16,597,530</b>	<b>15,895,539</b>	<b>17,514,847</b>	<b>18,980,691</b>	<b>1,465,844</b>



**STATE AID RECIPITS**

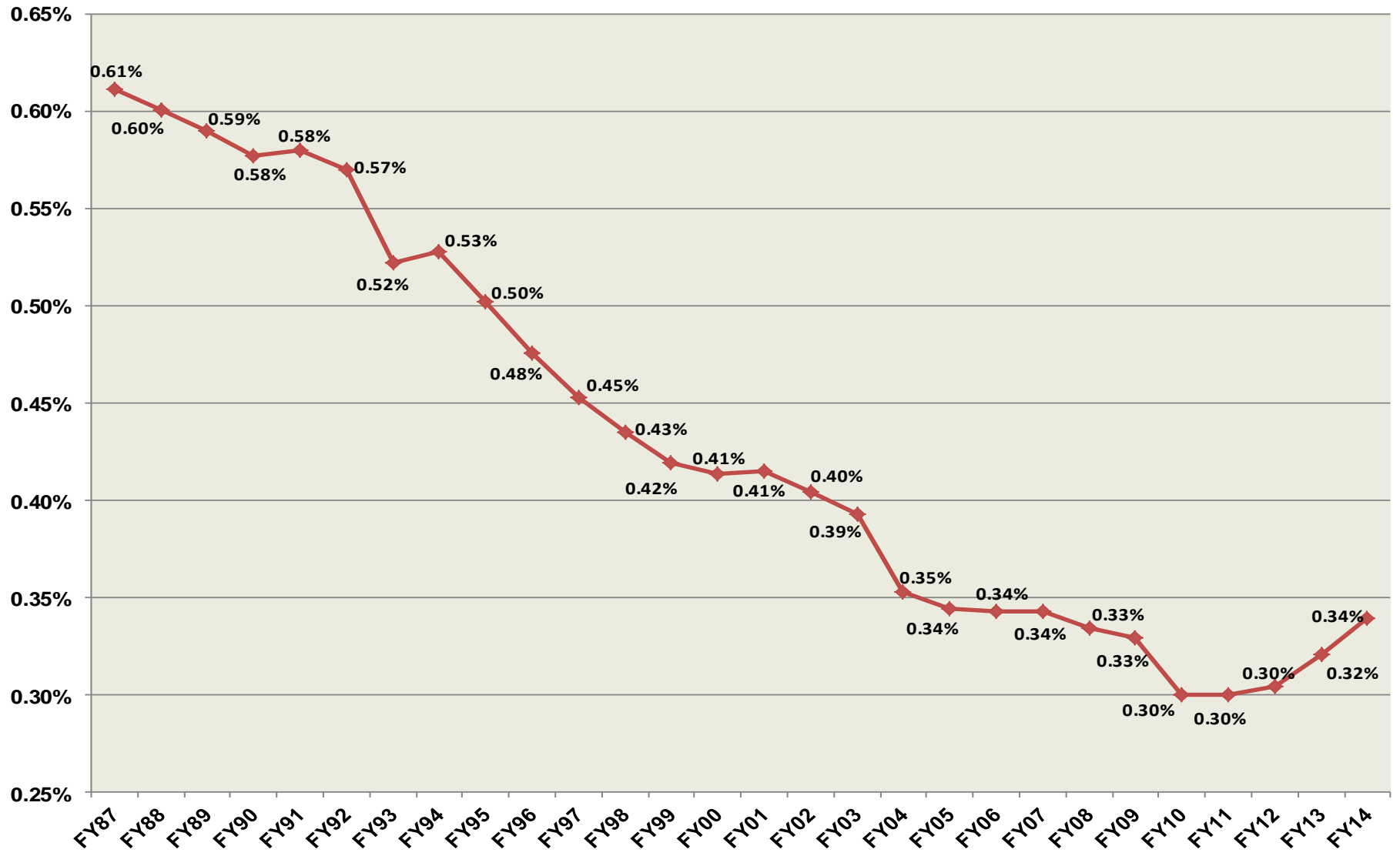
*(Numbers exclude School Construction and METCO reimbursements)*







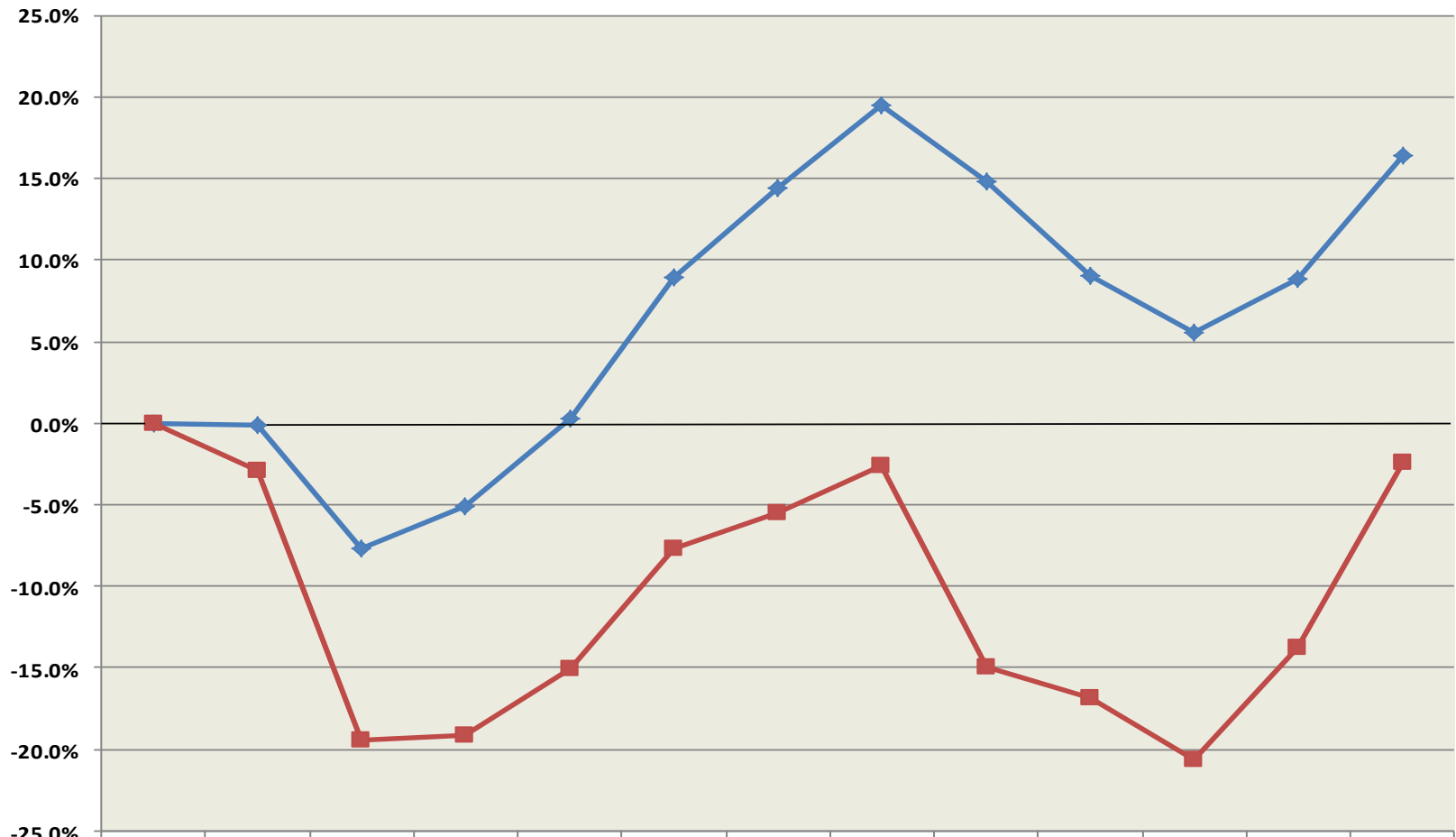
Arlington's Percent of Total State Aid





### State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2002

*(Numbers Exclude School Construction and METCO Reimbursements)*



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
◆ All Municipalities	0.0%	-0.1%	-7.7%	-5.1%	0.3%	8.9%	14.4%	19.5%	14.8%	9.1%	5.6%	8.8%	16.4%
■ Arlington	0.0%	-2.9%	-19.5%	-19.2%	-15.0%	-7.7%	-5.5%	-2.6%	-14.9%	-16.8%	-20.6%	-13.8%	-2.4%



**GENERAL GOVERNMENT**

***Unrestricted General Government Aid (UGGA)***

In FY2014 UGGA is expected to remain level at \$6,416,909. The Governor's Budget proposes funding a new Cherry Sheet municipal aid account which will be allocated using a formula based on income and property wealth factors. This account is referred to as Annual Local Formula Aid. The Governor's proposed budget is contingent on a significant amount of new revenues. Given the uncertainty of Legislative approval of these new revenues, the Town Manager's budget does not include any additional revenue from the new Formula Aid account.

As historical background, in FY2010, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Arlington received in excess of \$9.4 million in FY2008. In FY2013 this account was funded at \$6,416,909, approximately \$463,969 greater than what was funded in FY2012.

<b>GENERAL GOVERNMENT</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b>	<b>FY2014 Budget</b>	<b>Budget Change</b>
Unrestricted General Government Aid	6,416,909	5,952,940	6,416,909	6,416,909	-
Veterans' Benefits	221,266	204,682	223,340	211,961	(11,379)
Police Career Incentive	25,652	-	-	-	-
<b>Total</b>	<b>6,663,827</b>	<b>6,157,622</b>	<b>6,640,249</b>	<b>6,628,870</b>	<b>(11,379)</b>

***VETERANS' BENEFITS***

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement. For FY2014 the preliminary cherry sheet estimate is \$211,961, a decrease of \$11,379. The decrease reflects a decrease in the number of veterans receiving some form of government assistance.

***POLICE CAREER INCENTIVE REIMBURSEMENT (QUINN BILL)***

In FY2010 this reimbursement program was all but eliminated. Arlington's reimbursement dropped from \$320,199 to \$49,006. In FY2012 funding was eliminated and no funding is expected for FY2014.

The purpose of this program was to encourage police officers, in participating municipalities, to earn degrees in law enforcement and criminal justice, and to provide educational incentives through salary increases. The State administers this optional education incentive program. The Massachusetts Board of Higher Education annually certifies police officers for Associate's, Bachelor's, or Master's degrees. Such officers are eligible to receive 10%, 20%, or 25% base salary pay increases. The participating municipalities pay each officer 100% of Incentive Pay each year the officer remains on the force, and subsequently the State will reimburse a proportion of these expenses as an incentive for communities to accept the commitment to participate in this program. The enabling legislation specified that reimbursement should equal 50% of the added annual salary costs (based on the incremental increase in the salaries of the officers that have attained degrees) incurred by participating police departments.

Unfortunately, the State reneged on its funding commitment, providing no recourse for municipalities to reduce the benefits and costs accordingly. This incentive pay has been part of the officers' base pay, so even if a municipality could have cut the payments, it would have been left in the untenable position of having to cut the base pay of its officers. A more reasonable approach would have been to freeze the payments and grandfather the officers currently in the program. The Legislature did at least change the law so that no new officers can participate in the program.



**SCHOOL AID**

**SCHOOL AID - CHAPTER 70**

Proposed total statewide funding in FY14, exclusive of regional schools, is \$4.4 billion, an increase of \$226 million, or 5.4%. Of this amount, it is estimated that Arlington will receive \$9,583,972, an increase of \$1,474,476, or 18.1%. The distribution formula calculates a foundation budget for each school district and then funds a percentage of the budget depending upon a number of factors, including community income levels, property wealth, and municipal contributions to the school budget. For those communities determined to be relatively wealthy, the State will fund a maximum 17.5% of the school district's foundation budget. Arlington is one of 109 communities that fall within this category. Communities that are less affluent receive significantly more than the 17.5% minimum. The Town has historically charged for half day and full day kindergarten. In FY2013, the Town decided to eliminate kindergarten fees resulting in an increase in total enrollment which projected to result in an increase in Chapter 70 funding. The Town projected an increase of approximately \$1.4 million in Chapter 70 funding as a result of eliminating Kindergarten fees, which has contributed to the unusually large increase of \$1,474,476 to Arlington in FY14.

**CHARTER SCHOOL TUITION ASSESSMENT REIMBURSEMENT**

General Laws Chapter 71, Section 89 (nn) mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School district and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on the following schedule: in year one, an amount equal to 100% of the assessment; in year two, an amount equal to 60% of the assessment; in year three, an amount equal to 40% of the assessment; after year three, no reimbursement. This reimbursement is, of course, subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. Based on the preliminary cherry sheets, the Town will receive \$65,458, an increase of \$14,442.

**ARRA FUNDS - American Recovery and Reinvestment Act**

Over the course of FY2010 and FY2011, the state utilized ARRA funding to supplement education funding on the local level. This took the form of Federal Stimulus IDEA funds, as well as State Fiscal Stabilization Funds. While the Town received \$1,081,232 in FY2010, in FY2011, Arlington received \$129,741 in State Fiscal Stabilization funds, as well as \$359,964 in IDEA funds, for a total of only \$489,705. Following FY2011, this funding was no longer available.

SCHOOL AID	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Chapter 70 School Aid	6,632,057	6,880,580	8,109,496	9,583,972	1,474,476
Charter School Tuition Reimbursement	31,700	131,980	51,016	65,458	14,442
Federal Stimulus Funds (IDEA)	489,705	-	-	-	-
<b>Total</b>	<b>7,153,462</b>	<b>7,012,560</b>	<b>8,160,512</b>	<b>9,649,430</b>	<b>1,488,918</b>



**SCHOOL CONSTRUCTION AID**

In July of 2004, the Governor signed Chapter 208 and Chapter 210 of the Acts of 2004 into law, which make substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transfers responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), operating under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members.

The reform legislation (Ch.210) dedicates one cent of the state sales tax to the new off-budget school building trust. This amounted to \$655 million in 2011. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor, allowing MSBA to reimburse districts within 15 days of submitting a request for payment. This streamlined process save local communities millions in avoided interest costs and provides greater cash flow if needed.

The MSBA funding commitments include \$11 billion for 1,156 projects authorized under the former SBA program, including \$5.1 billion for 728 prior grant projects that were already receiving funding (54% of this liability has been retired), and \$5.5 million for 428 projects on a wait list (88% of this liability has been retired). The remaining limited resources are being used to fund new projects. MSBA is projecting to spend \$2.5 billion through 2015 for new projects. Reimbursement rates are based on community factors and incentive points and range from 31% to 80% of approved eligible project costs.

When the moratorium on new projects was lifted in July 1, 2007, the MSBA received 423 Statements of Interests from 163 school districts for various projects. Arlington submitted three projects: Thompson, Stratton and the High School. Only Thompson was approved. Construction on a new Thompson School is underway and is expected to be completed for the start of the school year in 2013. Under the MSBA's Green Repair Program, the Town received a grant of approximately \$700,000 as reimbursement for the \$2.6 million the Town has spent on renovations and improvements to Stratton School.

The school construction aid the Town currently receives is for projects completed under the old SBA program. The amount is expected to decrease to \$2,474,773, due to bond refinancing. The projects and their funding are as follows:

Peirce	\$ 476,522
Ottoson	858,859
Brackett	347,518
Bishop	322,764
Hardy	469,110
<b>Total</b>	<b>\$2,474,773</b>

SCHOOL AID	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
School Construction Aid	2,531,085	2,531,085	2,474,796	2,474,773	(23)



**TAX EXEMPTION AID**

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2014, the state has reduced its funding so Arlington's reimbursements are expected to decrease \$11,100 to a total of \$167,052. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C (Arlington has adopted this section which increases exemption amount to \$1,300), the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, elderly persons:
  - Clause 17 - \$175, full reimbursement
  - Clauses 17C, 17C<sup>1/2</sup>, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
  - Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
  - Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
  - Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
  - Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
  - Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
  - Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
  - Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
  - Clause 37A - \$650 exempted, \$87.50 reimbursed

TAX EXEMPTION AID	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Tax Exemption Aid	190,609	188,476	178,152	167,052	(11,100)



**CHERRY SHEET OFFSETS**

Included in the estimated amount of aid to be received from the State are grant funds for the schools and libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town receives two such annual grants—one for the school lunch and one for public libraries. The school lunch is actually a partial reimbursement for operating a school lunch program. This is expected to decrease \$210 to a total of \$18,819. The library grant is expected to decrease slightly to \$41,747.

The library grant is actually three separate grants—the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). The three funding formulas to determine amounts for each municipality are as follows:

1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
  - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
  - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.
2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

- The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.
- The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

Due to the economic crisis and cutbacks in local aid, the State is being more liberal in allowing waivers to the municipal spending requirements.

CHERRY SHEET OFFSETS	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Lunch Programs (Schools)	16,604	19,545	19,029	18,819	(210)
Libraries	41,943	42,540	42,109	41,747	(362)
<b>Total</b>	<b>58,547</b>	<b>62,085</b>	<b>61,138</b>	<b>60,566</b>	<b>(572)</b>



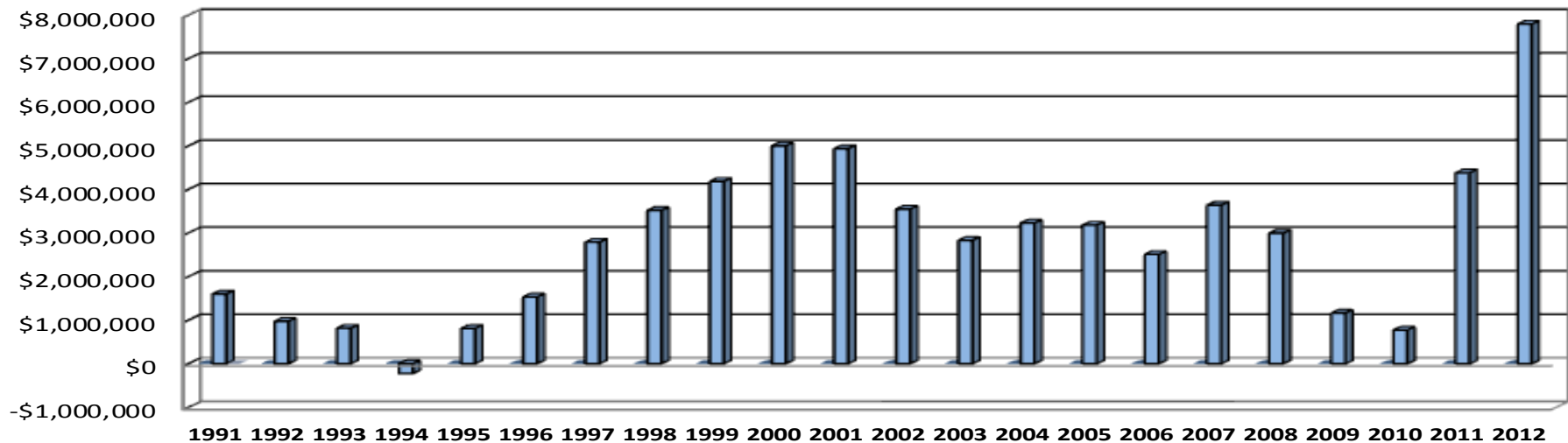


**FREE CASH**

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than appropriated. It is also affected by increases or decreases in uncollected property taxes, non- General Fund deficit balances, and any other legally incurred operating deficits, such as snow removal overdrafts.

The Town's free cash balance as of June 30, 2012 was \$7,793,055, \$970,000 of which was appropriated at the Fall Special Town Meeting for the purposes of offsetting the cost of eliminating Kindergarten fees. The remaining balance is \$6,823,055. In accordance with Town bylaw, Arlington can appropriate up to 50% of the free cash balance towards the next fiscal year's budget. It is recommended that \$3,411,528, or 50% of the existing balance, be appropriated towards the FY2014 budget leaving a balance of \$3,411,528.

**Certified Free Cash History  
(July 1)**



FREE CASH	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Free Cash Appropriated	582,051	481,456	1,570,000	3,411,528	1,841,528



**OTHER REVENUE**

The Other Revenue category includes Tax Abatement Overlay Reserve Surplus Funds and Override Stabilization Funds. In FY2014, the only amount available is \$100,000 from the Tax Abatement Overlay Reserve Surplus Funds. No funds will be withdrawn from the Override Stabilization Fund.

**Overlay Surplus**

The Tax Abatement Overlay Reserve Surplus comes from funds set aside each year for property tax abatements and exemptions. Any funds remaining in the accounts that are no longer needed are declared surplus by the Board of Assessors and are made available for appropriation. Currently, the prior year available amount for appropriation is \$100,000.

**Override Stabilization Fund**

The Override Stabilization Fund was created as a result of the 2005 Proposition 2 ½ Override. The five-year plan developed at that time projected that the first two years would have surplus funds to be put in an Override Stabilization Fund, the third year there would be no surplus, and the last two years the surplus funds would be drawn down to balance the budget. As a result of tight budget controls, there was no need to make any drawdown from the fund until the fifth year, FY2010. In that year, \$2,742,376 was appropriated or withdrawn. The remaining balance in the fund, which was \$1,580,000, was appropriated in FY2011, the sixth year. With the Override of 2011, \$3,401,602 was put into the Fund. Additional funds were appropriated into the Fund in FY2014. It is expected that no drawdown will be necessary until at least FY2016.

OTHER REVENUE	FY2011 Actual	FY2012 Actual	FY2013 Budget	FY2014 Budget	Budget Change
Overlay Surplus	500,000	200,000	200,000	100,000	(100,000)
Override Stabilization Fund	1,580,000		-	-	-
<b>Total</b>	<b>2,080,000</b>	<b>200,000</b>	<b>200,000</b>	<b>100,000</b>	<b>(100,000)</b>