

# FINANCIAL MANAGEMENT SERVICES

## FINANCE COMMITTEE

During 2015 Chairman Allan Tosti led the Finance Committee (FinCom), assisted by Vice-Chairs Richard Fanning, Charles Foskett, and Alan Jones. Peter Howard served as secretary. FinCom has twenty-one positions, one for each precinct. The appointing authority (Moderator, Trust Fund Commissioners Chair, FinCom Chair) acted to reappoint all members whose terms had been completed and to fill two vacant positions.

In February FinCom began its yearly effort to develop a comprehensive balanced Fiscal Year 2016 (FY16) budget recommendation for the Annual Town Meeting, which begins in April. At least one of the Finance Committee subcommittees reviewed each departmental budget with the corresponding department head. The school budget subcommittee attended School Committee meetings in order to gain a better understanding of the school budget. Hearings were held on all Warrant Articles requiring an appropriation or having a financial impact. Thirteen full committee meetings were held before Town Meeting and six on Town Meeting nights. These meetings, when combined with numerous subcommittee meetings, made for a busy winter and spring schedule. The Committee's report was distributed electronically and a hard copy was mailed to Town Meeting members one week before the first Town Meeting.

FY16 is the fifth year of the current multi-year plan. Working with Town and School leaders, FinCom developed a balanced budget and reserved much of the extra income from the last override to balance future years' budgets, thus eliminating the need for an additional override for several more years. Central to this budget is a 3.25% cap on budget increases by the non-school appointing authorities and 3.5% cap on school spending increases. This budget maintained Town services at the FY15 level. Community Preservation Act (CPA) revenues are being collected in the current fiscal year and a CPA Committee was appointed, recommendations are expected for FY17.

The record-breaking snowfall caused unprecedented snow and ice expenditures. FinCom worked with the Town to fund these expenditures with minimal impact on the FY16 budget.

FinCom listened to a presentation of the Master Plan as approved by the Redevelopment Board. The Board of Selectmen recommended Town Meeting pass a resolution in support of the plan. After considerable discussion, a majority of FinCom voted to support this resolution.

Last year Arlington helped to develop a revision to the Minuteman Technical School regional agreement. A satisfactory revision has been considered essential by Arlington before it would approve funding to rebuild the Minuteman facility. In early 2016 the regional agree-

ment was approved and ratified.

FinCom continued to monitor other ongoing activities that could have a large financial impact through regular reports by Town officials. Possible federal spending reductions remain a concern. Other issues include funding for the final round of school renovations, the increasing costs of pensions, funding the liability for retired Town employee health insurance, the cost of maintaining the Town's water bodies, and MBTA assessments. The Finance Committee will continue to work with other Town officials and citizens to address these issues and will keep Town Meeting informed of the Town's progress.

### Acknowledgement

Longtime Finance Committee member Ken Simmons passed in 2015. Ken provided 38 years of valuable service to the Town. His dedication and numerous efforts will be sincerely missed.

## OFFICE OF THE TREASURER & COLLECTOR OF TAXES

The Office of Treasurer & Collector of Taxes is responsible for the management, collection, and custodianship of all funds and receipts belonging to the Town of Arlington.



*Stephen J. Gilligan, Treasurer & Collector of Taxes*

### Overview

Under state law the Office of the Treasurer & Collector of Taxes is responsible for all Treasury, Collector, and Payroll operations. In addition, Town Bylaws have assigned postal operations to the Treasurer's office. The Payroll Division, through a Memorandum of Agreement established in 2002, reports to the Superintendent of Schools. The Treasurer also serves as Parking Clerk.

The Town Treasurer and Collector of Taxes is responsible for directing, managing, collecting and fulfilling the billing of Real Estate Tax, Motor Vehicle Excise Tax, Personal Property Tax, Water & Sewer utility bill-

# FINANCIAL MANAGEMENT SERVICES

ing, parking violations; and the complete collection process for these billings; receiving all monies from Town departments, securing and depositing Town monies, and in accordance with Massachusetts General Laws, for managing, planning, and directing the Town's financial policies relating to cash management, investment management, and debt management. The Treasurer serves as Custodian of Funds for all Town monies. The Treasurer performs his fiduciary responsibility by developing investment and borrowing strategies based on financial best practices, consultations with financial advisors and investment institutions, and participating in government finance officer's seminars and conferences. Mr. Gilligan is an active member of both the national Government Finance Officers Association (GFOA) of the US & Canada, the New England States GFOA, and the Massachusetts Collectors & Treasurers Association. Mr. Gilligan is certified as a Massachusetts Assessor. Stephen Gilligan serves as a Member of the Board of Directors of the New England States Government Finance Officers Association.

## Program Description

The Treasurer/Collector's office is responsible for the proper handling and management of all monies belonging to the Town. Included within these responsibilities are the following:

- Responsible for the billing and collecting of all Real Estate Tax, Personal Property Tax, Motor Vehicle Excise Tax, Parking fines and Permit fees, Water & Sewer accounts, and collecting all Town and School Departments receipts. Payments are received directly in the Treasurer's Office, through the mail, via on-line electronic transactions, and lock-box services.
- Receiving and reconciling all deposits from all departments and authorities that charge fees and/or receive monies. Supports and assists all departments in the collection of delinquent accounts.
- Authorizing, auditing, and coordinating School, Recreation, Human Services, Fire/Ambulance, Library, and Inspections departments to submit deposits directly into our depository bank; daily, overnight, and weekends.
- Responsible for depositing and investing of all Town funds.
- Determining cash management needs to meet vendor and payroll obligations.
- Providing quality customer service to all Town residents, employees, and vendors in the performance of the above-described duties.
- Directing and managing all short and long-

term borrowings.

- Continue achieving strategic goals to maintain the highest possible Bond Rating, based on the Town's financial reserves, debt management, investments, and budgetary situation.
- Managing Treasurer relationships with finance professionals and institutions that provide custodial, investment and banking services.
- Directing and managing the John J. Bilafer Arlington Citizens Scholarship Foundation/Scholarship America program.

## Budget Statement/Future Outlook

The Treasurer's Office continues to scrutinize its current budget for any potential savings, while being mindful of the critical importance to maintain resources sufficient to collect, invest and/or process \$131,459,562.00 in FY15 revenues, and revenue increases in FY16.

Interest income on General Fund monies and Town Stabilization Funds is expected to experience a modest increase in the rate of return as compared to the previous 3 fiscal years.

## 2016 Objectives

- Selecting and implementing a new Tax & Billing Collection System for Real Estate Tax, Personal Property Tax, Motor Vehicle Excise Tax, and Water & Sewer utility billing.
- Selecting and implement a new Accounts Receivable Package.
- Selecting and implementing a Cash Management System.
- Selecting and implementing a Parking Violation Collection system, and Parking Permit system to integrate with the Town's current parking violation issuance system.
- Reorganizing Treasurer's Office operations to eliminate 0.5 FTE staff position, resulting in a \$45,000 savings in FY2016, and on-going savings in future budgets.

## 2015 Accomplishments

- Converting the Town's depository banking institution to Century Bank, attaining improved performance, additional services, higher interest yield, and competitive fee structures.
- Retaining the services of an I.T. Consultant to determine requirements & specifications for issuing a Collection System and Cash Management System RFP.
- Implementing and installing an improved office security system.
- Continuing the Treasurer's Office achieving

# FINANCIAL MANAGEMENT SERVICES

one of the best commitment-to-collection ratios of real estate and personal property taxes of any community in Massachusetts, by developing internal collection procedures with a focus on end-of-fiscal-year results. Real Estate Tax collections = 100%.

- Attaining a top rating of Triple-A (“AAA”) from Standard & Poor’s rating agency for the 12th consecutive borrowing. Arlington is a member of a group of 21 communities in Massachusetts attaining this highest credit rating.
- Treasury operations found in full compliance by Town Audit.
- Continuing to manage Town’s relationship with Investment Advisor. Trust funds 5-Year average is 8.13%.
- Managing successful borrowing of \$4,362,000 attaining a Bond true-interest-cost rate of 1.85% with a “AAA” Credit Rating for our bonds - the highest possible rating from Standard & Poor’s.
- Managing successful borrowing of \$9,232,000 Bond Anticipation Note (BAN) attaining a Bond true- interest-cost rate of 0.397% with a “SP1+” Credit Rating for our BANs - the highest possible BAN ratings from Standard & Poor’s.
- Managing an Advanced Refunding of Town prior debt, saving \$313,116 to the Town.
- The Treasurer directs and administers the Arlington Citizens Scholarship Foundation, which provides financial assistance to Arlington residents attending higher education. Awarded 94 scholarships with a total amount awarded of \$146,000 in 2015.
- Partnering with our I.T. Department to implement major billing changes to Real Estate Tax accounts to incorporate the Community Preservation Act surtax.

- Managing the on-time issuance of all billing and collections for Real Estate Tax, Motor Vehicle Excise Tax, Water & Sewer, and Parking, accurately and on time avoiding short-term borrowing.
- Preparing financial material for annual Town audits.

### Performance / Workload Indicators

- Real Estate Tax: Managed \$105,512,757 Real Estate Tax commitment. Real Estate Tax collections = 100%.
- Of 14,929 current real estate tax accounts, 56 are Tax Title accounts.
- Advertising and filing delinquent Real Estate Tax Title accounts within the same fiscal year.
- Billing: Processed and issued 61,128 Real Estate & Personal Property bills, 35,912 initial Motor Excise bills, 50,068 initial Water & Sewer bills; plus 14,783 delinquent excise tax, and 5,279 delinquent water/sewer bills and notices. Total Bills issued: 167,170 - adhering to legal mandates.

### Motor Vehicle Excise Tax

- 2011 Commitments – Initial billing: \$3,617,140. Total Excise Tax Collection FY11: \$3,438,728
- 2012 Commitments – Initial billing: \$4,077,138 Total Excise Tax Collection FY12: \$4,021,599
- 2013 Commitments – Initial billing: \$4,342,655 Total Excise Tax Collection FY13: \$4,064,778
- 2014 Commitments – Initial billing: \$4,213,165 Total Excise Tax Collection FY14: \$4,636,918
- 2015 Commitments – Initial billing:

Office of the Treasurer & Collector of Taxes					
	Performance Metrics Over 5 Years				
	FY2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Real Estate Bills Processed</b>	60,119	* 63,000	* 63,700	* 60,800	*61,128
<b>Motor Excise Bills Processed</b>	35,222	35,456	33,411	35,038	35,912
<b>Water &amp; Sewer Bills Processed</b>	24,965	24,973	25,046	25,017	50,068
<b>Subsequent Delinquent Bills and Notices</b>	22,604	14,831	12,944	16,633	20,062
<b>Liens - Revenue from Water &amp; Sewer Delinquencies</b>	\$134,181	\$183,273	\$191,334	\$217,900	\$223,348
<b>Lien Certificates Processed</b>	1,674	1,541	2,177	986	1,244
<b>Revenue from Lien Certificates</b>	\$83,700	\$77,093	\$108,874	\$49,373	\$62,200
<i>* Includes Personal Property</i>					

# FINANCIAL MANAGEMENT SERVICES

\$4,867,711 Total Excise Tax Collection

FY14: \$4,768,890

- **Deputy Tax Collection Program:** Revenues: 2011 – \$197,534; 2012 – \$141,000; 2013 – \$162,046; 2014 – \$89,031; 2015 – \$56,936
- **Lien Certificates:** Certificates processed: FY11–1,674; FY12 –1,541; FY13 – 2,177; FY14 – 986; FY15 – 1,244
- Revenue from Lien Certificates:
- Fiscal Year: FY11 – \$83,700; FY12 – \$77,093; FY13 – \$108,874; FY14 – \$49,373; FY15 – \$62,200
- **Water Liens:** Lien all delinquent water accounts onto real estate account(s) annually.
- Total liens: FY11–\$134,181; FY12 – \$183,273; FY13 – \$191,334; FY14 – \$217,900; FY15 – \$223,348
- The FY15 water lien amount is 1.54% of total Water & Sewer billing amounts committed.

## COMPTROLLER

The Comptroller's Office is responsible for the Town's books of account and financial records, verifying appropriations for all purchase orders, processing invoices for payment, approval of all payrolls and other warrants, balancing monthly appropriation reports and other financial reporting as governed by Federal and State government agencies. The Comptroller is also responsible for the direct management and supervision of the Town-wide telephone system and telephone operators.

The Comptroller is responsible for the coordination of the annual independent audit of the Town, and is also responsible for providing quarterly revenue and expenditure reports to the Board of Selectmen, Town Manager, Town Treasurer, and Chairman of the Finance Committee. Whenever applicable, the Comptroller shall make recommendations regarding the Town's financial condition that he deems appropriate.

### Major Accomplishments for 2015

- Closed books and had Town audit completed on a timely basis.
- Worked with the Department of Revenue to have Free Cash certified at over \$9 million as well as Retained Earnings of all five Enterprise Funds certified on a timely basis.
- Successful transition from long time Comptroller Ruth Lewis, who had over 25 years of dedicated service to the Town of Arlington.

Performance Metrics	FY2013	FY2014	FY2015
General Fund -Free Cash certified	6,085,848	6,871,692	9,074,598
Water/Sewer Enterprise Fund – Retained Earnings certified	2,497,966	3,718,958	8,546,621
Youth Services Enterprise Fund – Retained Earnings certified	45,315	23,474	23,056
COA Transportation Enterprise Fund – Retained Earnings certified	114,489	132,640	63,211
Rink – Retained Earnings certified	90,435	74,503	77,154
Recreation – Retained Earnings certified	120,887	132,023	205,874
Purchase Orders Processed	5,317	5,651	8,644
Account Payable Batches Processed	875	645	819

### 2016 Objectives

- Upgrade the Town's financial software to the latest version of MUNIS and to utilize the financial software to its fullest capacity.
- Enhance the Town's audited financial statements to achieve the Government Finance Officers Association (GFOA) Certificate of Achievement of Excellence in Financial Reporting (CAFR), in order to show that the Town will go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure.
- Upgrade the current PBX telephone and voicemail system to a state-of-the-art, VoIP system.
- Promote training and continuing education for all staff members

# FINANCIAL MANAGEMENT SERVICES

## BOARD OF ASSESSORS

Members of the Board of Assessor's are Chairman Robert Greeley, Mary Winstanley O'Connor, Esq., and Kevin Feeley, Esq. The Board of Assessors committed 15,341 real estate and personal property tax bills to the Tax Collector for collection for Fiscal Year 2016. These bills raised a total of \$108,977,901 in property and personal property taxes. The total assessed value of all taxable real estate and personal property for Fiscal Year 2016 was \$8,513,898,549 which resulted in a tax rate of \$12.80 per thousand dollars of assessed value. The Board also committed approximately 34,700 automobile excise tax bills for collection of an estimated income of \$4,500,000.

### Tax Abatement Overlay

State law requires that the Assessors put aside funds from each tax levy in a reserve that is called an Overlay. This account is established in anticipation that a certain percentage of the tax levy may end up being abated. Individual tax abatements are paid out of this fund. The final amount of the overlay account is determined by the Assessors and added to the tax rate without appropriation, and is usually set at anywhere from 1% to 2.5% of the tax levy. In FY2015, the overlay account is set at \$1,534,082.57. Any surplus left in an overlay account is appropriated by Town Meeting in much the same manner as free cash. Below is a chart showing the disposition of Overlay funds for the last three years

Tax Abatement Overlay Funds			
	FY2013	FY2014	FY2015
Overlay Amount	\$1,454,204	\$1,019,663	\$1,534,082
Abatements & Exemptions To-Date	\$382,432	\$320,799	\$343,828
Declared Surplus to General Fund	\$200,000	\$200,000	\$350,000
Reserved for Additional Liability	\$871,772	\$498,864	\$840,254

Valuation and Tax Levy			
Fiscal Year	Total Assessed Valuation	Tax Levy	Tax Rate*
2016	\$8,513,898,549	\$108,977,901	\$12.80
2015	\$7,770,112,271	\$105,285,021	\$13.55
2014	\$7,377,629,421	\$101,737,509	\$13.79
2013	\$7,201,277,082	\$98,009,381	\$13.61
2012	\$6,954,794,567	\$95,002,493	\$13.66
2011	\$6,926,589,397	\$85,958,974	\$12.41
2010	\$6,892,736,257	\$83,471,036	\$12.11
2009	\$6,790,772,343	\$80,946,006	\$11.92
2008	\$6,883,264,284	\$78,813,376	\$11.45
2007	\$7,011,721,520	\$76,778,350	\$10.95
2006	\$6,483,756,733	\$73,578,994	\$11.34
2005	\$6,007,309,836	\$65,719,969	\$10.94
2004	\$5,990,614,666	\$63,740,140	\$10.64
2003	\$4,500,135,559	\$61,246,845	\$13.61
2002	\$4,266,984,229	\$59,097,731	\$13.85
2001	\$4,239,775,439	\$55,838,267	\$13.17

\* Tax rate expressed in per thousand dollars of assessed value

Percent of Tax Levy by Class						
CLASS	TYPE	FY2012	FY2013	FY2014	FY2015	2016
I	Residential	93.9521	93.7374	93.8614	94.1840	93.9945
II	Open Space	0	0	0	0	0
III	Commercial	4.2740	4.6139	4.4905	4.2729	4.4503
IV	Industrial	.03015	0.2243	0.2189	0.2079	0.2066
V	Personal Property	1.4724	1.4244	1.4292	1.3352	1.3486
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

# FINANCIAL MANAGEMENT SERVICES

Tax Rate Components FY2011-FY2014						
	2011	2012	2013	2014	2015	2016
Levy Base	\$11.10	\$11.42	\$12.28	\$12.38	\$12.22	\$11.58
2 1/2%	\$0.28	\$0.29	\$0.31	\$0.31	\$0.31	\$0.29
Growth	\$0.09	\$0.08	\$0.09	\$0.19	\$0.16	\$0.16
Override	\$0.00	\$0.93	\$0.00	\$0.00	\$0.00	\$0.00
W/S Debt Service	\$0.81	\$0.80	\$0.78	\$0.76	\$0.72	\$0.66
School Debt Exclusion	\$0.14	\$0.10	\$0.12	\$0.14	\$0.14	\$0.12
Symmes Debt Exclusion	\$0.00	\$0.04	\$0.04	\$0.02	\$0.00	\$0.00
Tax Rate*	\$12.41	\$13.66	\$13.61	\$13.79	\$13.55	\$12.80
*Tax Rate =((Amount To Be Raised)/(Total Taxable Assessed Value))*1000						

Details of Tax Rate Calculation					
	FY2012	FY2013	FY2014	FY2015	FY2016
Max Levy Prior FY	\$79,443,949	\$88,442,215	\$91,310,473	\$94,987,188	\$98,617,161
2.50%	\$1,986,099	\$2,211,055	\$2,282,762	\$2,374,680	\$2,465,429
Growth	\$522,167	\$657,203	\$1,393,953	\$1,255,293	\$1,337,666
Override	\$6,490,000	\$0	\$0	\$0	\$0
Maximum Levy	\$88,442,215	\$91,310,473	\$94,987,188	\$98,617,161	\$102,420,256
Levy Inc. %	11.33%	3.24%	4.03	3.68%	3.71%
Levy Inc. \$	\$8,998,266	\$2,868,259	\$3,676,715	\$3,629,973	\$3,803,095
W/S Debt Service	\$5,593,112	\$5,593,112	\$5,593,112	\$5,593,112	\$5,593,112
School Debt Exclusion	\$682,156	\$840,116	\$1,049,114	\$1,111,442	\$993,166
Symmes Debt Exclusion	\$307,130	\$278,540	\$150,000	\$0	\$0
Max to be Raised	\$95,024,613	\$98,022,241	\$101,779,414	\$105,321,715	\$109,006,534
Actual Raised	\$95,002,494	\$98,009,381	\$101,737,510	\$105,285,021	\$108,977,901
Excess Levy	\$22,119	\$12,860	\$41,904	\$36,693	\$28,632
Total Taxable Assessed Value	\$6,954,794,567	\$7,201,277,082	\$7,377,629,421	\$7,770,112,271	\$8,513,898,549
Total Avg. % Increase	0.41%	3.54%	2.45%	5.05%	8.74%
Tax Rate	\$13.66	\$13.61	\$13.79	\$13.55	\$12.80
Penny of Tax Rate	\$69,548	\$72,013	\$73,776	\$77,701	\$85,139
Avg. Assessed Value Single Family	\$480,598	\$502,752	\$514,808	\$539,152	\$585,360
Avg. Taxes Single Family	\$6,565	\$6,842	\$7,099	\$7,306	\$7,493
*All numbers subject to rounding and final DOR Certification					

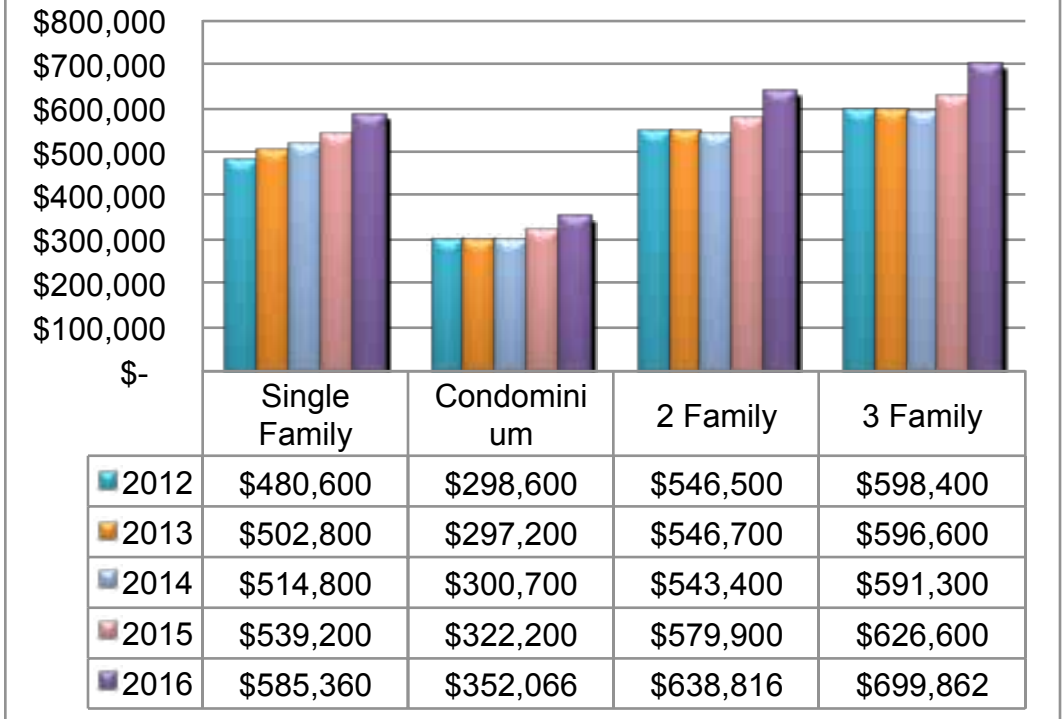
# FINANCIAL MANAGEMENT SERVICES

State Class Code FY16-FY15 Comparison									
Type	FY2016			FY2015			FY16 vs FY15		
	Parcels	Assessed Value	Avg. Assessed Value	Parcels	Assessed Value	Avg.	Parcel (+/-)	Percent (+/-)	Avg. Assessed Value (+/-)
Single Family	8,000	4,682,885,700	585,361	7,991	4,308,739,100	539,199	9	8.68%	46,162
Condominium	3,492	1,229,416,600	352,067	3,367	1,084,819,500	322,192	125	13.33%	29,875
Misc	12	11,147,400	928,950	13	10,673,400	821,031	-1	4.44%	107,919
2 Family	2,282	1,457,780,160	638,817	2,308	1,338,429,260	579,909	-26	8.92%	58,908
3 Family	194	135,773,300	699,862	196	122,809,300	626,578	-2	10.56%	73,284
Apartments	146	416,463,200	2,852,488	147	389,125,900	2,647,115	-1	7.03%	205,373
Res Land	313	26,272,700	83,938	320	25,468,800	79,590	-7	3.16%	4,348
Open Space	0			0			0	0.00%	0
Commercial	386	333,741,310	864,615	386	290,984,900	753,847	0	14.69%	110,768
Industrial	22	17,588,600	799,482	22	16,149,400	734,064	0	8.91%	65,418
Ch Land/61	0			0			0	0.00%	0
Ch Land/61A	0			0			0	0.00%	0
Ch Land/61B	4	1,445,709	361,427	4	1,384,031	346,008	0	4.46%	15,419
Mixed Use(Res)	38	42,856,282	1,127,797	38	38,140,296	501,846	0	12.36%	625,951
Mixed Use(Com)	38	43,712,058		38	39,639,764		0	10.27%	0
Per Prop/501	231	6,576,100	28,468	200	3,256,930	16,285	31	101.91%	12,183
Per Prop/502	167	8,132,510	48,698	147	7,679,450	52,241	20	5.90%	-3,543
Per Prop/503	0	0		0	0		0	0.00%	0
Per Prop/504,550-2	2	68,185,320	34,092,660	2	61,346,410		0	11.15%	3,419,455
Per Prop/505	8	21,343,400	2,667,925	7	21,208,000	3,029,714	1	0.64%	-361,789
Per Prop/506	2	8,285,100	4,142,550	2	7,866,700	3,933,350	0	5.32%	209,200
Per Prop/508	4	2,293,100	573,275	5	2,391,130	478,226	-1	-4.10%	95,049
<b>Total</b>	<b>15,341</b>	<b>8,513,898,549</b>		<b>15,193</b>	<b>7,770,112,271</b>			<b>9.57%</b>	

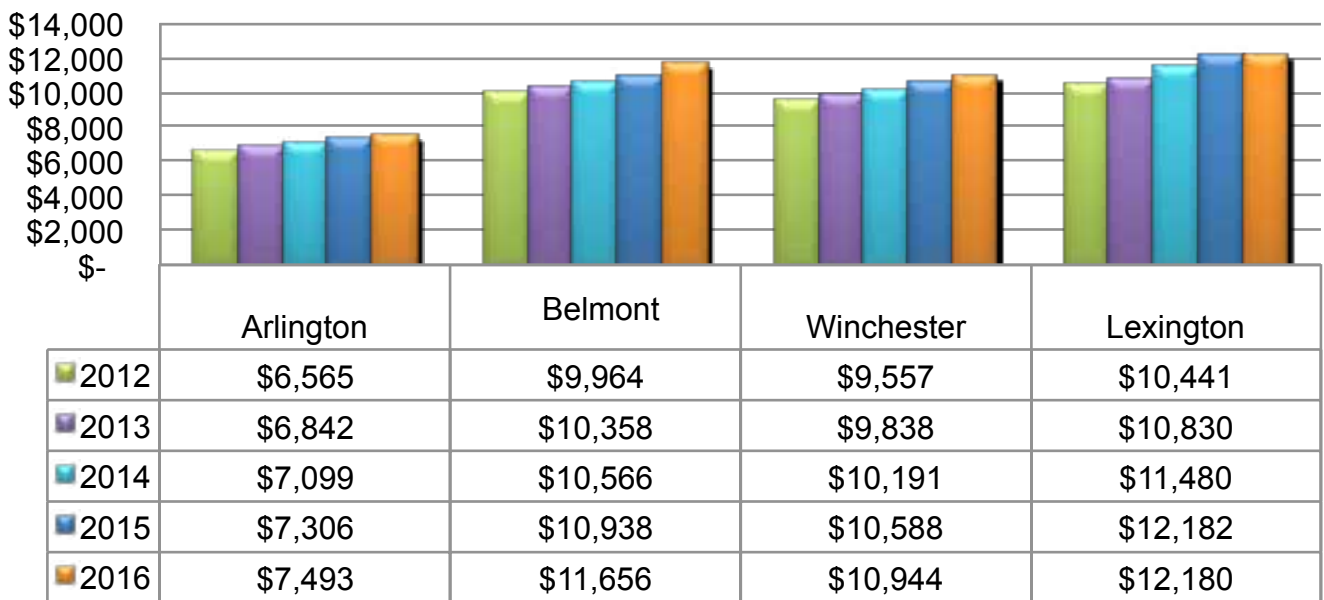
FINANCIAL MANAGEMENT

# FINANCIAL MANAGEMENT SERVICES

### Average Assessed Values FY2012-FY2016



### Average Taxes FY2012-FY2016







# FINANCIAL MANAGEMENT SERVICES

State Tax Form 31C

**THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
TAX RATE RECAPITULATION**

FISCAL 2016

**OF  
ARLINGTON**

City / Town / District

**I. TAX RATE SUMMARY**

Ia. Total amount to be raised (from IIe)	\$	160,526,355.43
Ib. Total estimated receipts and other revenue sources (from IIIe)		51,548,454.00
Ic. Tax levy (Ia minus Ib)	\$	108,977,901.43
Id. Distribution of Tax Rates and levies		

CLASS	(b) Levy percentage (from LA - 5)	(c) IC above times each percent in col (b)	(d) Valuation by class (from LA - 5)	(e) Tax Rates (c) / (d) x 1000	(f) Levy by class (d) x (e) / 1000
Residential	93.9945%	102,433,233.56	8,002,595,342	12.80	102,433,220.38
Net of Exempt					0.00
Open Space	0.0000%	0.00	0		0.00
Commercial	4.4503%	4,849,843.55	378,899,077	12.80	4,849,908.19
Net of Exempt					0.00
Industrial	0.2066%	225,148.34	17,588,600	12.80	225,134.08
<b>SUBTOTAL</b>	98.6514%		8,399,083,019		107,508,262.65
Personal	1.3486%	1,469,675.98	114,815,530	12.80	1,469,638.78
<b>TOTAL</b>	100.0000%		8,513,898,549		108,977,901.43


Board of Assessors of ARLINGTON  
City / Town / District

MUST EQUAL 1C

**NOTE : The information was Approved on 12/18/2015.**

<u>Paul Tierney, Director, Arlington, 781-316-3061</u>	<u>12/3/2015 11:15 AM</u>	<u>Signed on behalf of the Board of Assessors</u>
Assessor	Date	(Comments)

**Do Not Write Below This Line --- For Department of Revenue Use Only**

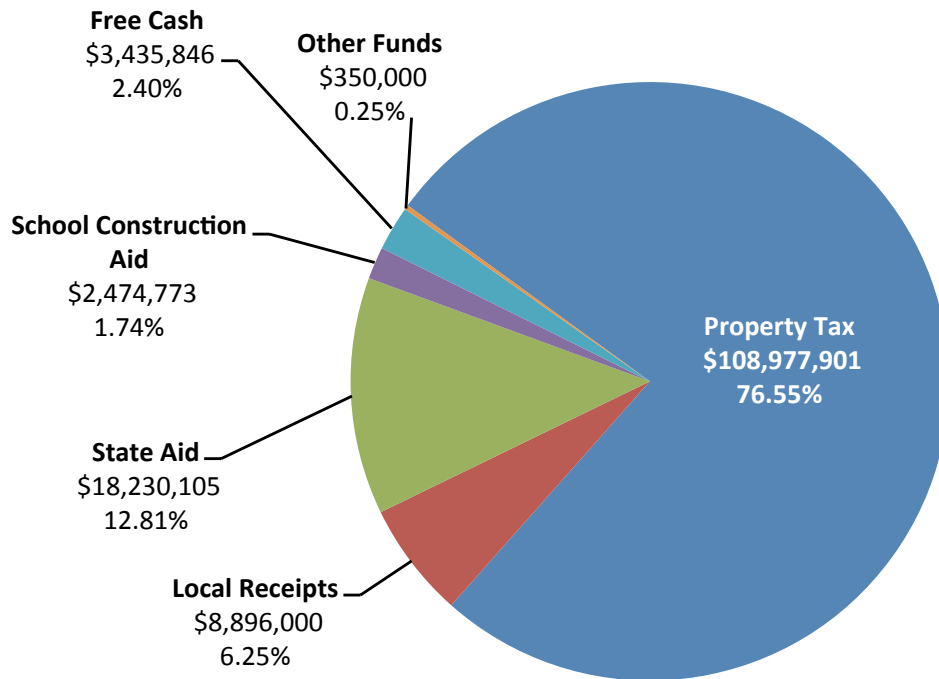
<b>Reviewed By</b>	<b>Maura O'Neil</b>
<b>Date :</b>	<b>18-DEC-15</b>
<b>Approved :</b>	<b>Thomas Guilfoyle</b>
<b>Director of Accounts</b>	 <b>(Mary Jane Handy)</b>

# FINANCIAL MANAGEMENT SERVICES

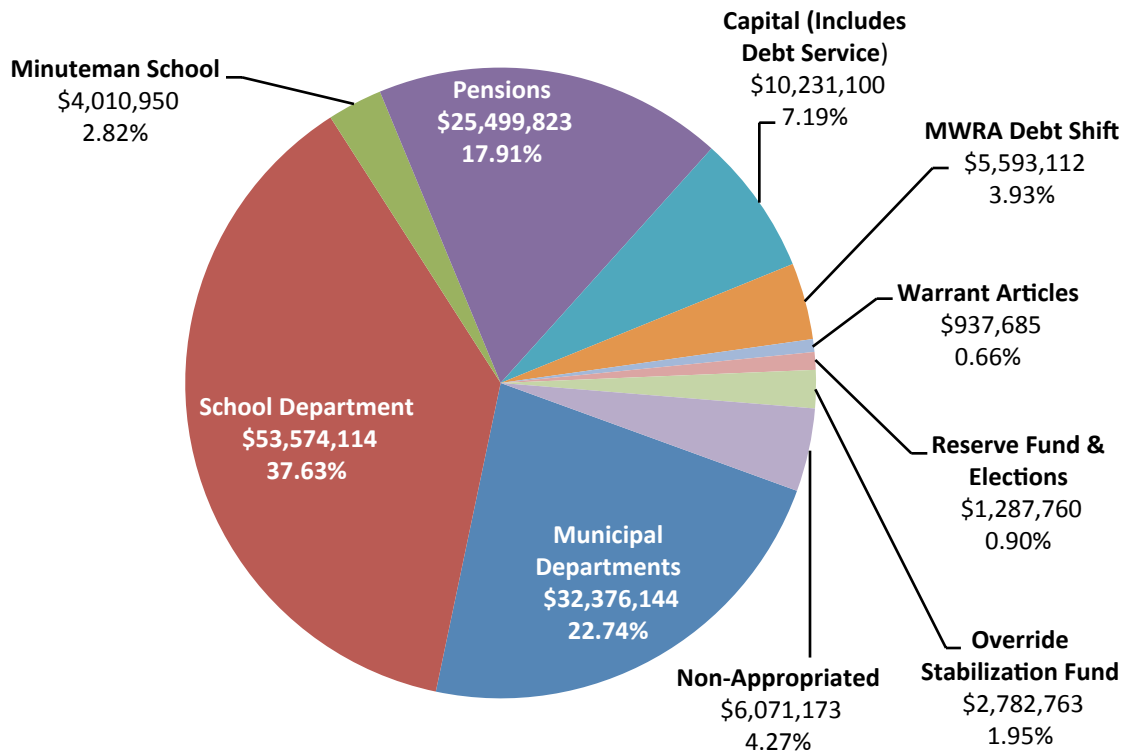
## FISCAL YEAR 2016

Total \$142,364,625

### Revenue



### Expenditures



# FINANCIAL MANAGEMENT SERVICES

Powers & Sullivan, LLC

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## Independent Auditor's Report

To the Board of Selectmen  
Town of Arlington, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts as of and for the year ended June 30, 2015 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Massachusetts, as of June 30, 2015 (except for the Arlington Contributory Retirement System which is as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# FINANCIAL MANAGEMENT SERVICES


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## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, on our consideration of the Town of Arlington, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Arlington, Massachusetts' internal control over financial reporting and compliance.



February 3, 2016

# FINANCIAL MANAGEMENT SERVICES

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## ***Management's Discussion and Analysis***

As management of the Town of Arlington, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town of Arlington's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, human services, library, culture and recreation, and interest. The business-type activities include the activities of the water and sewer department, youth services, Council on Aging, Ed Burns Arena and the recreation department.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

# FINANCIAL MANAGEMENT SERVICES

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Arlington adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison schedule is reported following the notes to the basic financial statements as required supplementary information.

**Proprietary funds.** The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, youth services, Council on Aging, Ed Burns Arena and recreation department activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains three different fiduciary funds. The pension trust fund is used to account for resources held in trust for members of the Arlington Contributory Retirement System. The other postemployment benefit trust fund is used to account for resources held in trust to fund the Town's portion of health benefits for retirees and beneficiaries. The private purpose trust fund is used to account for resources held in trust which principle and investment income exclusively benefit individuals, private organizations, or other governments.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27.7 million at the close of 2015.

The largest portion of the Town's net position, \$122.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$17.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$112 million. The deficit is the result of the implementation of GASB #68 which required the Town to record its net pension liability of \$119.1 million for the first time this year along with the other postemployment benefits liability of \$54.2 million. These are long term unfunded liabilities that will not require significant short term resources.

# FINANCIAL MANAGEMENT SERVICES

## Governmental Activities

	2015	2014 (as revised/restated)
<b>Assets:</b>		
Current assets.....	\$ 85,975,556	\$ 80,638,836
Noncurrent assets (excluding capital).....	6,204,088	8,655,461
Capital assets.....	147,526,062	142,008,196
<b>Total assets.....</b>	<b>239,705,706</b>	<b>231,302,493</b>
<b>Deferred Outflows of Resources.....</b>	<b>61,770</b>	<b>99,266</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	11,533,018	10,276,587
Noncurrent liabilities (excluding debt).....	167,681,845	158,465,653
Current debt.....	8,164,434	7,913,295
Noncurrent debt.....	47,296,114	43,531,862
<b>Total liabilities.....</b>	<b>234,675,411</b>	<b>220,187,397</b>
<b>Deferred Inflows of Resources.....</b>	<b>93,740</b>	<b>1,782,621</b>
<b>Net Position:</b>		
Net investment in capital assets.....	104,863,992	104,460,350
Restricted.....	17,656,840	16,661,963
Unrestricted.....	(117,522,507)	(111,690,572)
<b>Total net position.....</b>	<b>\$ 4,998,325</b>	<b>\$ 9,431,741</b>

The governmental activities net position decreased by \$4.4 million during the current year. Key decreases are the recognition of an additional \$8.4 million in the Town's other postemployment benefit obligation, reported in noncurrent liabilities, and an \$868,000 payment to the other postemployment benefits trust fund which is reported as a fiduciary fund and, accordingly, is not included in the government-wide financial statements. Offsetting these was \$2.4 million received from the MSBA for completed projects and \$4.3 million the Town raised to be transferred to the fiscal stability and long-term stabilization funds.

The \$2.5 million decrease in noncurrent assets (excluding capital) is primarily due to the reduction in the intergovernmental receivable from the Massachusetts School Building Association, as school construction funds are received annually which are used to retire debt outstanding for school construction projects.

The net \$5.5 million increase in capital assets is mainly from central fire station renovations and street improvements.



# FINANCIAL MANAGEMENT SERVICES

<b>Governmental Activities</b>	<u>2015</u>	<u>2014</u> <i>(as revised/restated)</i>
<b>Program revenues:</b>		
Charges for services.....	\$ 12,076,378	\$ 11,695,114
Operating grants and contributions.....	26,792,498	34,748,457
Capital grants and contributions.....	336,181	2,633,477
<b>General revenues:</b>		
Real estate and personal property taxes.....	104,296,793	100,765,625
Tax liens.....	609,501	220,270
Motor vehicle excise taxes.....	4,668,133	4,560,606
Hotel/motel tax.....	330,739	300,875
Meals tax.....	401,870	413,163
Penalties and interest on taxes.....	420,679	294,295
Nonrestricted grants and contributions.....	7,133,944	7,502,207
Unrestricted investment income.....	940,814	2,122,915
Gain on sale of capital assets.....	65,000	-
Miscellaneous revenues.....	24,750	77,981
<b>Total revenues.....</b>	<b><u>158,097,280</u></b>	<b><u>165,334,985</u></b>
<b>Expenses:</b>		
General government.....	11,994,175	11,362,970
Public safety.....	26,530,179	25,960,607
Education.....	92,752,859	95,698,115
Public works.....	13,783,618	13,073,357
Community and economic development.....	3,235,477	3,658,595
Human services.....	2,112,859	1,880,010
Library.....	3,655,453	3,605,979
Culture and recreation.....	1,085,309	926,550
Interest.....	1,544,213	1,231,900
<b>Total expenses.....</b>	<b><u>156,694,142</u></b>	<b><u>157,398,083</u></b>
<b>Transfers.....</b>	<b><u>(5,836,554)</u></b>	<b><u>(5,909,465)</u></b>
<b>Change in net position.....</b>	<b><u>(4,433,416)</u></b>	<b><u>2,027,437</u></b>
<b>Net position, beginning of year, as revised/restated.....</b>	<b><u>9,431,741</u></b>	<b><u>7,404,304</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ 4,998,325</u></b>	<b><u>\$ 9,431,741</u></b>

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71 and restated to reclass the OPEB liability. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014, balance of the governmental activities by \$111,279,438. The Town restated other postemployment benefit obligations between governmental and business type activities by \$516,317. Previously reported net position of \$121,227,496 has been revised/restated to \$9,431,741.

The decrease in operating grants is related to the Massachusetts Teachers Retirement System's implementation of GASB #67, #68 and #71 which decreased the revenue and corresponding expense by \$7.2 million.

The decrease in capital grants is primarily related to MSBA reimbursements for a percentage of the construction costs on the Thompson school project which concluded in 2014. There was also a decrease in revenue received for highway projects which is a reimbursement of the expenditures.

# FINANCIAL MANAGEMENT SERVICES

Most categories of expenses increase as a result of standard budgetary increases. The increase in public safety was from an increase in salaries from contract negotiations. The decrease in education is net of an increase in salaries from contract negotiations offset with a decrease from the Massachusetts Teachers Retirement System's implementation of GASB #67, #68 and #71. The decrease in Community Development is the result of a decrease in federal and state funding for the Town's Weatherization program.

## **Business-Type Activities**

	2015	2014 (as revised/restated)
<b>Assets:</b>		
Current assets.....	\$ 16,337,800	\$ 12,776,652
Capital assets.....	23,736,895	22,865,270
<b>Total assets.....</b>	<b>40,074,695</b>	<b>35,641,922</b>
<b>Deferred Outflows of Resources.....</b>	<b>195</b>	<b>-</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	182,820	145,649
Noncurrent liabilities (excluding debt).....	7,931,630	7,735,296
Current debt.....	1,495,316	1,361,540
Noncurrent debt.....	7,723,916	7,069,232
<b>Total liabilities.....</b>	<b>17,333,682</b>	<b>16,311,717</b>
<b>Net Position:</b>		
Net investment in capital assets.....	17,203,440	16,204,401
Unrestricted.....	5,537,768	3,125,804
<b>Total net position.....</b>	<b>\$ 22,741,208</b>	<b>\$ 19,330,205</b>
	2015	2014 (as revised/restated)
<b>Program revenues:</b>		
Charges for services.....	\$ 17,002,973	\$ 15,906,693
Operating grants and contributions.....	199,514	147,512
Capital grants and contributions.....	600,000	-
<b>General revenues:</b>		
Unrestricted investment income.....	53,942	39,822
<b>Total revenues.....</b>	<b>17,856,429</b>	<b>16,094,027</b>
<b>Expenses:</b>		
Water and Sewer.....	18,305,620	18,010,392
Youth Services.....	590,265	582,744
Council on Aging.....	109,930	120,856
Ed Burns Arena.....	610,885	646,235
Recreation.....	665,280	671,791
<b>Total expenses.....</b>	<b>20,281,980</b>	<b>20,032,018</b>
<b>Transfers.....</b>	<b>5,836,554</b>	<b>5,909,465</b>
<b>Change in net position.....</b>	<b>3,411,003</b>	<b>1,971,474</b>
<b>Net position, beginning of year, as revised/restated.....</b>	<b>19,330,205</b>	<b>17,358,731</b>
<b>Net position, end of year.....</b>	<b>\$ 22,741,208</b>	<b>\$ 19,330,205</b>

# FINANCIAL MANAGEMENT SERVICES

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The beginning net position of business-type activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71 and restated to reclass the OPEB liability. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014, balance of the business-type activities by \$6,950,918. The Town restated other postemployment benefit obligations between governmental and business type activities by \$516,317. Previously reported net position of \$25,764,806 has been revised/restated to \$19,330,205.

There was a net increase of \$3.4 million in net position reported in connection with the Town's business-type activities. Additionally, the water and sewer enterprise fund was subsidized by the general fund in 2015 by approximately \$5.6 million to offset a portion of the costs associated with the repayment of debt to the Massachusetts Water Resources Authority. The increase in net position of \$3.4 million was related to the activity in the water and sewer enterprise fund which reported an increase in charges for services as a result of increased water rates and usage. The increase in water and sewer expenses was primarily made up of increases in salaries from contract negotiations and a \$67,000 increase in the MWRA assessment. This assessment comprises 68% of the fund's expenses.

The increase in capital assets consists of the water and sewer enterprise fund's investment in water and sewer lines and water meters, totaling approximately \$1.8 million in 2015, which was funded through available funds.

## ***Financial Analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$72 million, an increase of \$6.7 million from the prior year.

The general fund reported a \$5.8 million increase in fund balance in the fund based financial statements. This includes the activity of the Town's stabilization funds and insurance trust funds which are reported within the general fund. The Town's stabilization funds totaled \$20.9 million at year end and reported an increase of \$4.4 million from 2014, which was primarily the result of funds generated by the 2012 tax override. The operating general fund accounted for the remaining \$1.4 million increase which was due to \$2.2 million in premiums from issuance of bonds received and transferred in from nonmajor funds offset with the planned use of reserves and snow and ice expenses.

The Town's capital borrowing major fund had reported a fund balance of \$5 million, an increase of \$1.4 million from the prior year. During 2015, the Town recognized \$11 million in bond proceeds in this major fund which represents long-term borrowing used to finance various capital projects identified in the Town's capital improvement plan. Current expenditures in this fund totaled \$9.7 million and related mainly to improvements to the community safety building and fire stations.

There was a \$514,000 thousand decrease in the nonmajor governmental funds, which reported \$20.2 million in revenues, \$21.1 million in expenditures, and \$467,174 thousand in net other financing sources (uses).

# FINANCIAL MANAGEMENT SERVICES

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## **General Fund Budgetary Highlights**

The change between the original and final budget of \$486,000 was primarily comprised of additional appropriations to the Symmes property and capital projects as well as various transfers between functional line items and the release of prior year carryover budgets. In the final budget, the Town budgeted to use \$3 million of available reserves “free cash” to balance the 2015 budget. However, actual results from operations were better than anticipated as the Town collected approximately \$2.8 million more than budgeted and departments expended \$304,000 less than budgeted.

By category, all actual revenues came in over budget. The largest revenue variance was in the motor vehicle excise taxes category where estimated revenue is budgeted conservatively and revenues increased from prior year. Other significant revenue surpluses were in real estate and personal property taxes and departmental and other which came in over budget by approximately \$702,000 and \$388,000, respectively. Expenditures for education came in under budget by approximately \$249,000 partly due to the close out of prior year encumbrances. General government expenditures and carryforwards were under budget by approximately \$216,000. This was mainly due to the Town’s workers compensation reserve which turned back \$151,000 and the unused portion of the reserve fund which was approximately \$19,000. Expenditures exceeded the budget for snow and ice removal (public works). The Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent year.

Additionally, net transfers in were \$1.7 million greater than budgeted, mainly from bond premiums of \$1.3 million closed to the general fund along with funds transferred from the Symmes property and from federal emergency management funds. The Town also received \$911,000 from the premium from issuance of bonds in 2015.

## **Other Postemployment Benefits (OPEB)**

In 2006 the Arlington Town Meeting formed the Other Postemployment Benefits Committee. The Committee’s charge is to make recommendations on the potential funding mechanisms for the postemployment medical benefits unfunded liability as required in Statement No. 45 of the Governmental Accounting Standards Board, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45).

The Town began partially funding this liability in an internally created healthcare trust fund established by Chapter 12 of the Acts of 1998. Upon the implementation of GASB 45, the Town transferred the balance of the healthcare trust fund, as well as all new appropriations for the same purpose, into a newly created Other Postemployment Benefits (OPEB) Trust Fund, as established by Chapter 161 of the Acts of 2005, which is under the supervision and management of the Town’s contributory retirement board. The Town Treasurer is the custodian of the OPEB Trust Fund.

The Town began capturing revenues to fund the OPEB liability in 1997. At that time, the Town established a policy of appropriating the difference between the non-contributory pension appropriation and \$500,000 to the OPEB fund. The Town has subsequently appropriated Medicare Part D reimbursements, as well as certain increases in the share of retiree HMO contributions to be transferred to this fund.

An actuarial study determined that Arlington’s total Actuarial Accrued Liability as of January 1, 2014, at a 4.0% partially funded discount rate, totaled \$192.5 million. As of June 30, 2015, the Town has recognized a liability for other postemployment benefits totaling \$54.2 million. The increase in the liability is based on the difference between the Annual Required Contribution (ARC) of \$16.3 million and the Town’s actual contribution of \$7.7 million which was made through a combination of benefit payments and pre-fundings to the OPEB Trust Fund in

# FINANCIAL MANAGEMENT SERVICES

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the amounts of \$6.8 million and \$868,000, respectively. The assets set aside in trust for future benefits amounted to \$8.4 million at year-end.

The Town of Arlington is serious about addressing this liability within its financial ability and the OPEB Committee will continue to monitor this liability and explore possible additional funding sources.

## ***Capital Asset and Debt Administration***

The Town Manager is responsible for submitting a five-year capital-planning program for all departments to the Board of Selectmen each year. The Capital Planning Committee was created to advise and make recommendations regarding the Capital Plan. Annually the first year of the Capital Plan is submitted to the Town Meeting as the Capital Budget for appropriation. The Capital Plan is reviewed and revised each year to make changes in priorities and to add an additional year to the planning process.

The goal of the Capital Planning Program is to provide a means of planning for the maintenance and/or improvement of the capital assets and infrastructure of the Town of Arlington. To that end, the policy is that approximately 5% of the projected revenue of the Town is dedicated to capital expenditures including prior and future debt issuances. For the 2015 budget, this allowed for an annual cash expenditure of \$1.55 million and a new borrowing of \$13.2 million (including Water & Sewer). The Town's outstanding long-term debt related to the general government and water & sewer enterprise, as of June 30, 2015, was \$64 million for various CIP related projects.

The maintenance of the infrastructure and the capital assets of the Town are of vital importance to the delivery of the quality services that the Town has been known for. To this end, the Capital Planning Committee is dedicated to accomplishing the following objectives:

- To review, plan, and coordinate capital improvements so as to promote a systematic, organized replacement and acquisition schedule.
- To insure that, given limited resources, the capital needs of the community are met.
- To present a sound financial package so as to stabilize and level out the debt of the Town. It should assure timely planning for the most economical method of financing capital improvements.
- To insure wider community participation in the planning of projects and to reduce the pressure to fund a project which may not present as great a need as another project.
- To promote a more effective administration and coordination of capital projects to reduce scheduling problems, and conflicting or overlapping projects not only among local departments but also among other local and state agencies and private enterprises such as the gas and electric companies.

In reviewing the requests of the operating departments the committee uses the following criteria for evaluation:

- Imminent threat to the health and safety of citizens/property.
- Maintenance of operations/necessary expenditure. This does not include ordinary maintenance but rather maintaining a current service level through improvement of a capital asset. These may be major expenditures that will avoid costly replacement in the future.
- Requirement of State or Federal Law/regulation.
- Improvement of infrastructure.
- Improvement of productivity.
- Alleviation of an overtaxed/overburdened situation.

The relationship of the project to other Town projects and needs is also considered in the review and prioritization.

## FINANCIAL MANAGEMENT SERVICES

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The Town is a member of the Massachusetts Water Resources Authority (MWRA), which assesses member communities annually for their proportionate share of the MWRA's debt service. The Town has also adopted Chapter 59 Section 21C Paragraph N of the Massachusetts General Law, which allows for the shifting of the debt service for water and sewer to the tax rate above the limits of Proposition 2 ½. The Town shifted \$5,593,112 in 2015 from the MWRA assessment to the property taxes. During FY 2015, the Town issued an additional \$200,000 million in MWRA sewer bonds and \$750,000 in MWRA water bonds.

The Town has voted to cap the amount of future MWRA debt that will be shifted to the tax rate at \$5,593,112 and correspondingly increase water rates.

As of June 30, 2015, the Town was entering the initial stages of Phase 3 of the Community Safety Building renovation. Phase 2 had been delayed as a result of unforeseen conditions and the approximate cost of Phase 2 had increased to \$3 million. However, Phase 2 was successfully completed as of March 2015. During 2015, the Town will begin and complete construction for the third and final phase of the Community Safety Building renovation. The construction is scheduled to begin in July 2015 and the expected cost is \$6.5 million.

The Town also recently completed the construction and renovation of the Central Fire Station. The expected cost of the project was \$6.3 million, and the project was completed under budget. This completed the renovation of each of the Town's three fire stations.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Arlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, 869 Massachusetts Avenue, Arlington, Massachusetts 02476.