



TOTAL REVENUE

Total revenue for FY2018 is projected at \$151,978,208, an increase of \$4,526,753 or 3.07%. Of this increase, \$148,588,209 is from revenue dedicated to support the General Fund and \$3,389,998 is from debt exclusion overrides to support borrowing for capital projects, to renovate or build new elementary schools. The General Fund increase is \$3,687,398 or 2.54%

The property tax levy is projected to increase, without debt exclusion revenue, by \$3,440,184 or 3.13%. This includes the normal 2.5% increase plus \$650,000 in new growth. Total tax revenues, including the debt exclusions, increase by \$4,279,537 or 3.81%

Local receipts are projected to increase \$100,000 due to projected increases in Motor Vehicle Excise tax collections.

State Aid estimates are made up two components, (1) Cherry Sheet Aid, the annually recurring aid for education, general government, and other categories (see State Aid description on page 41) and (2) School Construction Aid, State reimbursements to the Town for borrowing costs the Town incurred for state eligible school building projects. Based upon Legislature’s Conference Committee Report, total state aid is projected to decrease \$466,052, or 2.2%, however, this decrease is caused solely by a decrease in School Construction Aid as the State has completed reimbursing the Town for several projects. The State budget contains a \$119 million increase in Chapter 70 School Aid and a \$39.9 million for General Government Aid. Arlington benefits from a \$168,210 increase in Chapter 70 and a \$284,486 increase in General Government Aid.

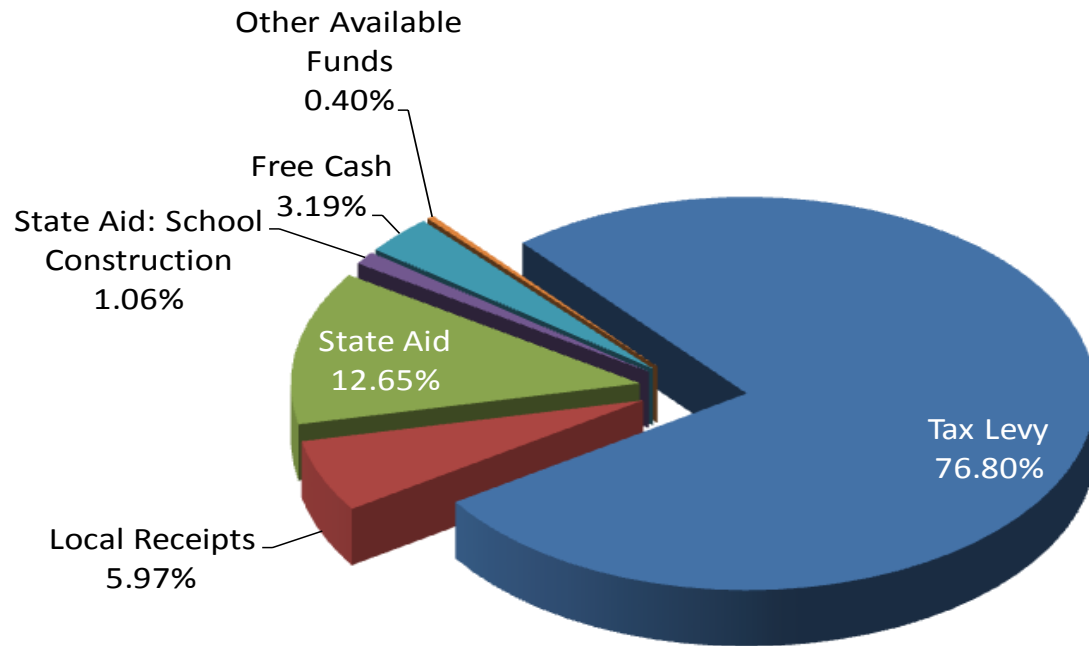
A total of \$4,850,566 in Free Cash is proposed to be used, which is an increase of \$313,267 from FY2017 and, consistent with Town financial policies, an amount equal to 50% of the Free Cash balance certified by the Department of Revenue for June 2016.

Other Available Funds include only \$500,000 in surplus tax abatement overlay funds, an increase of \$300,000 from FY2017. The increase is due entirely to appropriating \$300,000 to the Assessors for revaluation costs.

REVENUE SOURCE	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Tax Levy	105,285,021	108,977,901	112,439,838	116,719,375	4,279,537
Local Receipts	10,115,304	11,071,191	8,971,000	9,071,000	100,000
State Aid	20,369,150	20,704,878	21,303,319	20,837,267	(466,052)
Free Cash	3,042,925	3,435,846	4,537,299	4,850,566	313,267
Other Available Funds	350,000	350,000	200,000	500,000	300,000
Total	139,162,400	144,539,816	147,451,456	151,978,208	4,526,753



Revenues \$151,978,208





Total General Fund Revenues

	<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>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Budget</u>
Tax Levy*	73,220,264	75,352,894	77,877,924	80,365,862	89,409,382	92,416,269	96,144,398	99,691,909	103,384,789	106,846,726	111,126,263
Local Receipts	9,024,278	8,715,308	8,653,173	9,238,654	10,291,463	9,886,882	10,296,545	10,115,304	11,071,191	8,971,000	9,071,000
State Aid**	15,972,745	15,568,470	14,382,965	14,066,445	13,420,743	15,040,051	17,093,258	17,462,884	18,230,105	18,828,545	19,221,352
Free Cash	954,736	2,191,622	1,497,907	582,050	481,456	1,570,000	3,411,528	3,042,925	3,435,846	4,537,299	4,850,566
Other Available Funds	500,000	500,000	3,242,376	2,080,000	200,000	200,000	200,000	350,000	350,000	200,000	500,000
Total	99,672,023	102,328,294	105,654,345	106,333,011	113,803,044	119,113,202	127,145,729	130,663,022	136,471,931	139,383,570	144,769,181

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<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>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Budget</u>
Tax Levy	2,035,026	2,132,630	2,525,030	2,487,938	9,043,520	3,006,887	3,728,129	3,547,511	3,692,880	3,461,937	4,279,537
Local Receipts	(164,051)	(308,970)	(62,135)	585,481	1,052,809	(404,581)	409,663	(181,241)	955,887	(2,100,191)	100,000
State Aid	371,999	(404,275)	(1,185,505)	(316,520)	(645,702)	1,619,308	2,053,207	369,626	767,221	598,440	392,807
Free Cash	(984,959)	1,236,886	(693,715)	(915,857)	(100,594)	1,088,544	1,841,528	(368,604)	392,922	1,101,453	313,267
Other Available Funds	100,000	0	2,742,376	(1,162,376)	(1,880,000)	0	0	150,000	0	(150,000)	300,000
Total	1,358,015	2,656,271	3,326,051	678,666	7,470,033	5,310,158	8,032,527	3,517,293	5,808,909	2,911,639	5,385,611
Percent Increase	1.4%	2.7%	3.3%	0.6%	7.0%	4.7%	6.7%	2.8%	4.4%	2.1%	3.9%

Percent of Total Revenue

	<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>Actual</u>	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Budget</u>	<u>FY18</u> <u>Budget</u>
Tax Levy	73.5%	73.6%	73.7%	75.6%	78.6%	77.6%	75.6%	76.3%	75.8%	76.7%	76.8%
Local Receipts	9.1%	8.5%	8.2%	8.7%	9.0%	8.3%	8.1%	7.7%	8.1%	6.4%	6.3%
State Aid	16.0%	15.2%	13.6%	13.2%	11.8%	12.6%	13.4%	13.4%	13.4%	13.5%	13.3%
Free Cash	1.0%	2.1%	1.4%	0.5%	0.4%	1.3%	2.7%	2.3%	2.5%	3.3%	3.4%
Other Available Funds	0.5%	0.5%	3.1%	2.0%	0.2%	0.2%	0.2%	0.3%	0.3%	0.1%	0.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



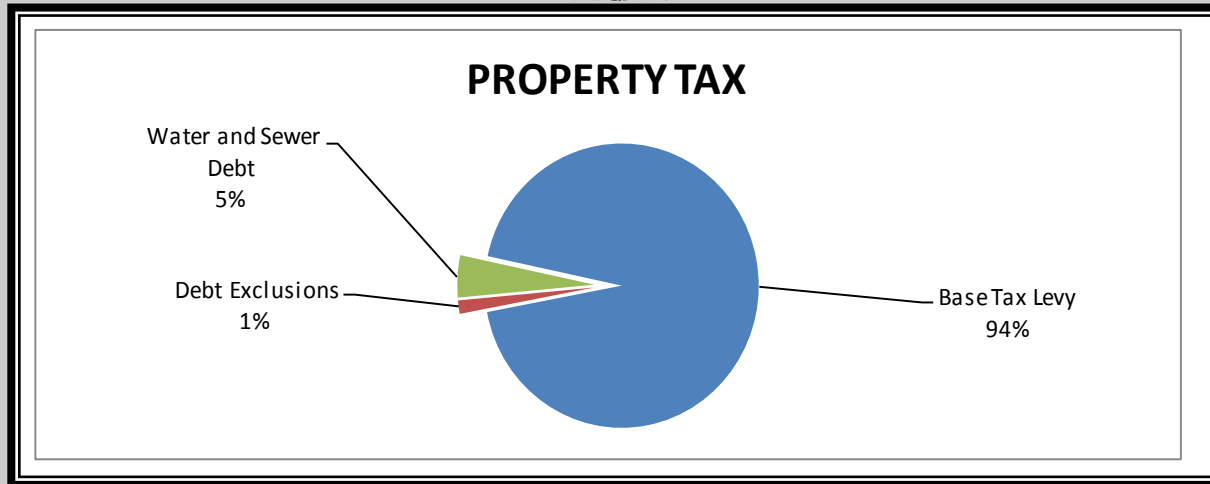
PROPERTY TAX LEVY

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 77% 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 FY2016. Under the Provisions of Proposition 2½, property taxes, in the aggregate, may not exceed 2½% of their “full and fair cash value.” This limit is known as the “levy ceiling.” Annual levy increases may not exceed 2½% 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 2½ 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 FY2018 are preliminary estimates used to project the levy limit. The FY2017 levy limit was \$106,050,906. The 2½% increase allowed for FY2018 is \$2,651,273. New growth from construction not previously on the tax rolls is expected to add \$650,000 to the FY2018 levy. An additional \$1,774,084 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2½ 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. FY2018 will mark the fourth year that tax revenues from the Symmes project will completely offset the cost of debt service. As a result Symmes debt will no longer be added to the tax levy.

The Town has accepted the provisions of M.G.L. 59 § 21C, whereby water and sewer debt costs are transferred to the real estate taxes. At the present time, the only water and sewer debt included 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 FY2018 tax levy is projected to total \$116,719,375 representing an increase of \$4,279,537 (3.81%) over the FY2017 levy.

PROPERTY TAX LEVY	FY2015 Budget	FY2016 Budget	FY 2017 Budget	FY 2018 Budget	Budget Change
Base Tax Levy	98,580,467	102,420,256	105,967,928	109,352,179	3,384,251
General Override	-	-	-	-	-
Debt Exclusion Overrides					
Brackett School	119,714	91,583	70,318	39,140	(31,178)
Hardy School	1,165	(25,397)	(43,680)	(64,888)	(21,208)
Bishop School	19,101	-	(19,865)	(38,508)	(18,643)
Peirce School	137,718	115,878	95,693	65,758	(29,935)
Dallin School	277,596	270,347	255,864	264,252	8,388
Stratton School	-	-	17,511	711,532	694,021
Thompson School	556,148	512,122	502,957	582,228	79,271
Minuteman High School	-	-	-	214,571	214,571
Sub-total Debt Exclusions	1,111,442	964,533	878,798	1,774,085	895,287
Water and Sewer Debt	5,593,112	5,593,112	5,593,112	5,593,112	-
Total	105,285,021	108,977,901	112,439,838	116,719,376	4,279,538

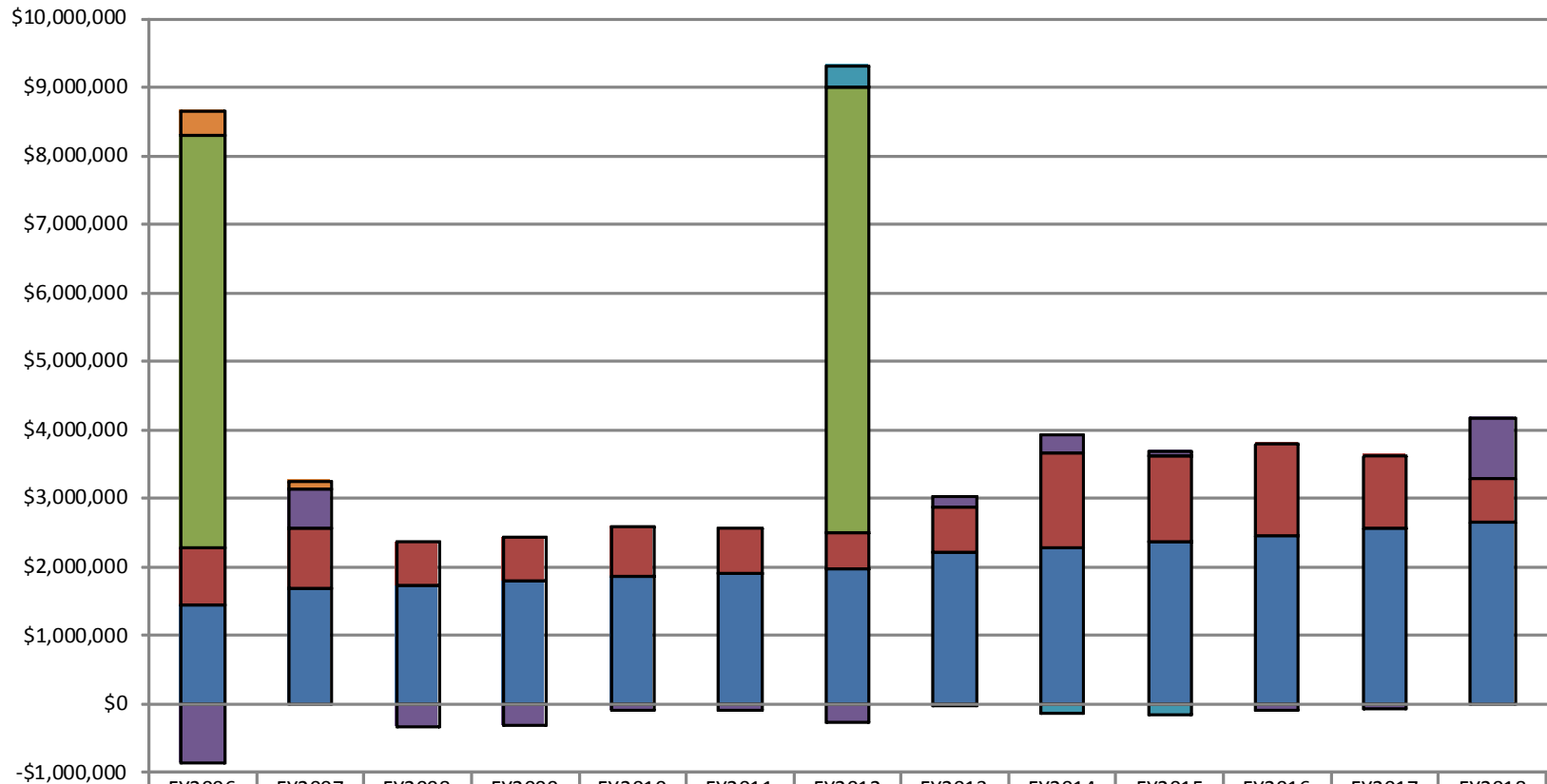


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2016	110,511,438.41	344,808.64	50,555.38	110,116,074.39	109,675,315.38	99.60%	432,204.96	1,016,093.83	396,784.20	251,686.77
2015	105,512,757.86	343,828.94	50,661.96	105,118,266.96	104,637,861.18	99.54%	478,131.08	990,780.09	396,784.20	350,426.94
2014	101,955,275.34	323,139.16	57,609.97	101,574,526.21	101,147,224.95	99.58%	420,461.22	1,046,173.13	396,784.20	350,014.89
2013	98,200,712.05	391,307.70	55,314.74	97,754,089.61	97,319,166.14	99.56%	435,398.24	946,663.94	396,784.20	293,094.22
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

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



	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
MWRA Debt	371,757	117,626	-	-	-	-	-	-	-	-	-	-	-
Symmes Debt Exclusion	-	-	-	-	-	-	307,130	(28,590)	(128,721)	(150,000)	-	-	0
School Debt Exclusion	(859,302)	558,473	(319,928)	(316,820)	(93,659)	(79,675)	(263,714)	157,960	255,465	62,328	(92,013)	(61,801)	871,352
General Override	6,000,000	-	-	-	-	-	6,490,000	-	-	-	-	-	-
New Growth	844,013	887,247	640,013	642,912	726,955	656,751	522,167	657,203	1,393,953	1,255,293	1,337,666	1,070,144	650,000
2.5% Increase*	1,449,364	1,689,203	1,736,648	1,796,065	1,857,039	1,921,639	1,986,099	2,211,055	2,282,762	2,374,680	2,465,429	2,560,506	2,651,273



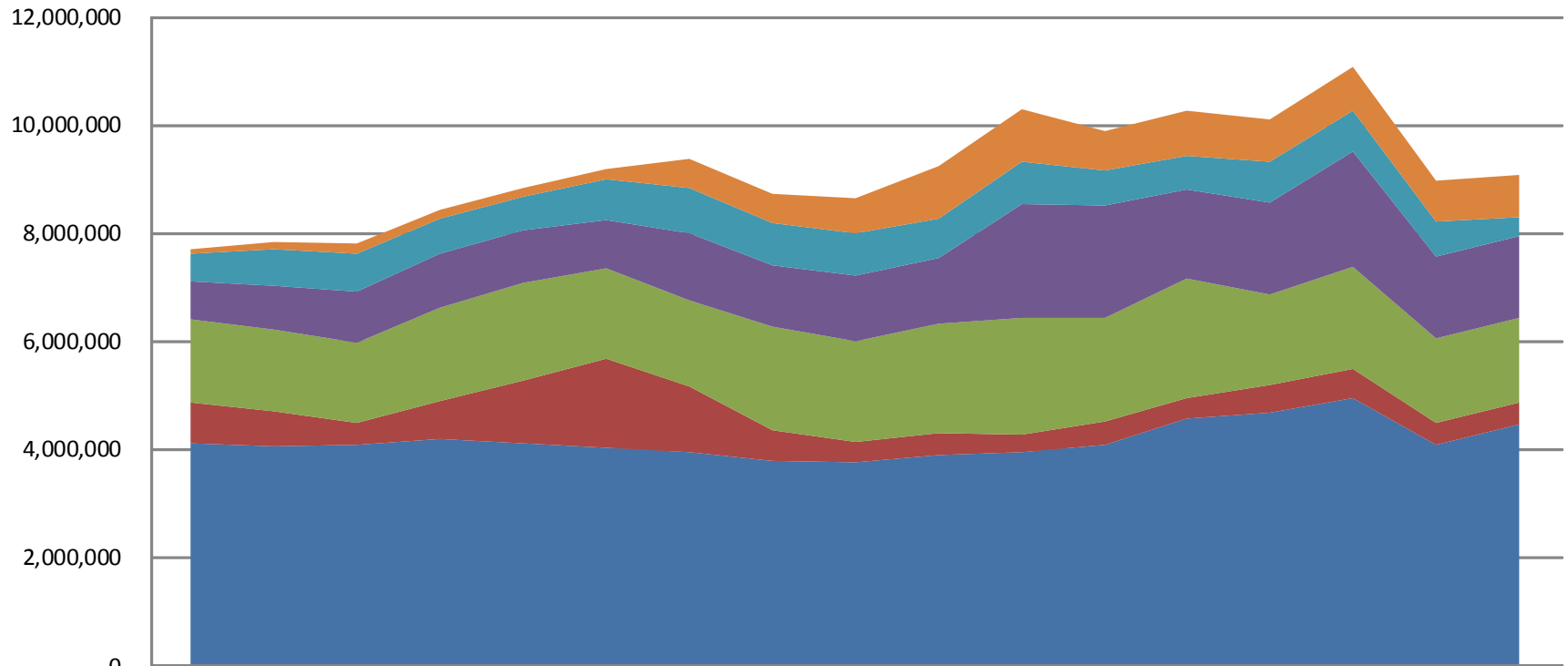
LOCAL RECEIPTS SUMMARY

Local receipts for FY2018 are projected to increase \$100,000 to a total of \$9,071,000. The Motor Vehicle Excise taxes are projected to increase \$376,000. and rental income will decrease \$276,000 because of the closing of the Gibbs School for renovations. All other sources are level estimates from FY2017.

LOCAL RECEIPTS SUMMARY	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Motor Vehicle Excise	4,668,135	4,952,880	4,075,000	4,451,000	376,000
Interest Income	517,024	531,019	420,000	420,000	-
Departmental Fees	1,664,004	1,889,552	1,549,000	1,549,000	-
Licenses and Permits	1,719,403	2,124,973	1,505,000	1,505,000	-
Rentals	744,597	749,188	649,000	373,000	(276,000)
Other	788,949	823,578	773,000	773,000	-
Total	10,102,114	11,071,190	8,971,000	9,071,000	100,000



Local Receipts History



	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY2010	Actual FY2011	Actual FY2012	Actual FY2013	Actual FY2014	Actual FY 2015	Actual FY16	Budget FY17	Budget FY18
Other	79,375	122,272	191,558	166,224	162,289	190,960	538,924	538,924	664,332	974,222	988,724	722,704	810,809	788,949	823,578	773,000	773,000
Rentals	506,840	690,231	696,252	648,334	632,505	771,319	818,608	783,600	791,045	733,270	783,145	665,264	638,805	744,597	749,188	649,000	373,000
Licenses and Permits	722,072	794,763	943,446	999,757	961,320	878,090	1,247,07	1,134,29	1,202,87	1,219,48	2,085,36	2,064,25	1,640,44	1,719,40	2,124,97	1,505,00	1,505,00
Fees/Departmental	1,512,74	1,520,57	1,480,06	1,731,99	1,808,83	1,689,34	1,586,29	1,900,72	1,867,99	2,018,95	2,177,50	1,932,65	2,213,70	1,664,00	1,889,55	1,549,00	1,549,00
Interest Income	765,790	634,352	421,000	693,999	1,159,20	1,636,64	1,216,41	582,123	369,782	394,264	319,642	435,812	381,062	517,024	531,019	420,000	420,000
Motor Vehicle Excise	4,108,73	4,064,67	4,069,55	4,196,71	4,110,10	4,021,99	3,951,80	3,775,63	3,757,14	3,898,45	3,937,07	4,066,20	4,560,60	4,668,13	4,952,88	4,075,00	4,451,00



MOTOR VEHICLE EXCISE

Motor vehicle excise tax receipts are projected to increase \$376,000 over the budgeted amount for FY2017 to a projected total of \$4.451 million. Commitments have been increasing each year since 2012, exceeding 2008/9 levels. 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 2016 is as of June 30, 2016.

Motor Vehicle Excise Collection By Fiscal Year

<u>Levy Year</u>	<u>Commitments</u>	<u>Collections</u>	<u>Refunds</u>	<u>Net Collections</u>	<u>Abatements</u>	<u>Balance (Uncoll.)</u>	<u>Collection %</u>
2016	\$ 5,165,749.14	\$ 5,038,846.19	\$ 85,965.27	\$ 4,952,880.92	\$ 169,326.92	\$ 43,541.30	99.16%
2015	\$ 4,867,711.40	\$ 4,768,890.38	\$ 100,755.76	\$ 4,668,134.62	\$ 521,918.86	\$ (322,342.08)	106.62%
2014	\$ 4,213,165.12	\$ 4,636,918.89	\$ 76,292.47	\$ 4,560,626.42	\$ 134,742.51	\$ (482,203.81)	111.45%
2013	\$ 4,342,665.00	\$ 4,145,705.00	\$ 80,917.00	\$ 4,064,788.00	\$ 129,537.00	\$ 148,340.00	96.58%
2012	\$ 4,077,138.00	\$ 4,021,599.00	\$ 54,950.00	\$ 3,966,649.00	\$ 71,047.00	\$ 39,442.00	99.03%
2011	\$ 3,617,140.00	\$ 3,438,728.00	\$ 35,428.00	\$ 3,403,300.00	\$ 89,485.00	\$ 124,355.00	96.56%
2010	\$ 3,439,627.00	\$ 3,277,405.00	\$ 34,770.00	\$ 3,242,635.00	\$ 83,853.00	\$ 113,139.00	96.71%
2009	\$ 3,405,929.00	\$ 3,262,275.00	\$ 42,208.00	\$ 3,220,067.00	\$ 90,499.00	\$ 95,363.00	97.20%
2008	\$ 4,095,771.00	\$ 3,968,005.00	\$ 82,613.00	\$ 3,885,392.00	\$ 164,786.00	\$ 45,593.00	98.89%
2007	\$ 4,230,656.70	\$ 4,125,145.65	\$ 81,094.00	\$ 4,044,051.65	\$ 159,117.00	\$ 27,488.05	99.35%
2006	\$ 4,248,107.00	\$ 4,134,418.00	\$ 89,206.00	\$ 4,045,212.00	\$ 177,550.00	\$ 25,345.00	99.40%
2005	\$ 4,293,875.00	\$ 4,189,478.00	\$ 95,281.00	\$ 4,094,197.00	\$ 173,543.00	\$ 26,135.00	99.39%

MOTOR VEHICLE EXCISE	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Motor Vehicle Excise	4,668,135	4,952,880	4,075,000	4,451,000	376,000



DEPARTMENTAL FEES

Departmental fees are projected to remain unchanged in FY2018, however, the establishment of a parking benefits district at Town Meeting may alter the use and distribution of parking revenues.

DEPARTMENTAL FEES	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Schools (Medicare Reimbursement)	184,995	238,991	100,000	100,000	-
Cemetery Revenue	273,838	262,825	265,000	265,000	-
Library Fees and Fines	50,919	52,804	49,000	49,000	-
Collector's Demand Fees	56,936	61,968	70,000	70,000	-
Town Clerk Fees	47,206	47,486	40,000	40,000	-
Parking Violations	370,259	331,429	285,000	285,000	-
Parking Meter Receipts	60,400	86,161	65,000	65,000	-
Fire Alarm Renewal Fee	375	9,000	5,000	5,000	-
Ambulance Fees	367,052	432,093	400,000	400,000	-
Other Departmental Revenue	216,265	330,415	200,000	200,000	-
Other Department Fees	35,759	36,380	70,000	70,000	-
Total	1,664,004	1,889,552	1,549,000	1,549,000	-



INTEREST INCOME & PENALTIES

Interest Income is projected to remain stable at \$420,000. 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 \$65,000 in FY2018. This is due to the dramatic drop in interest rates.

INTEREST INCOME	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2017 Budget	Budget Change
Investment Income	96,346	142,329	65,000	65,000	-
Penalties & Interest	420,678	388,690	355,000	355,000	-
Total	517,024	531,019	420,000	420,000	-



LICENSES AND PERMITS

Licenses and permits revenues for FY2018 are expected to stay unchanged. Building Permits generally generate the most permit 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 FY2018 projection is consistent with long-term collections, excluding large, one-time permits.

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.

LICENSES AND PERMITS	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Parking Permits	152,652	138,217	115,000	115,000	-
Liquor Licenses	83,035	75,623	80,000	80,000	-
Food Licenses	7,874	8,410	7,000	7,000	-
Food Permits	18,645	14,440	16,000	16,000	-
Tobacco Permits	9,000	9,500	11,000	11,000	-
Building Inspections	1,259,913	1,678,830	1,220,000	1,220,000	-
Fire Prevention Permits	67,735	54,290	50,000	50,000	-
Marriage Licenses	5,940	6,158	6,000	6,000	-
Other	114,609	139,505	-	-	-
Total	1,719,403	2,124,973	1,505,000	1,505,000	0



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 decrease by \$276,000 to \$373,000, because of the transfer of the Gibbs building to a school.

New leases, which went into effect in FY2015, include a capital contribution which will offset future capital improvements to the buildings. There will be no revenue from the Gibbs building after June 30, 2017, because the building will be renovated then reopen as a school. Projected revenue from other properties remains unchanged.

The Ryder Street property is rented for a five-year period, generating a net income of \$95,000 annually.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi) with rental income projected at \$45,000.

The Crosby School, which has generated revenue in the past, was sold in June of 2012.

RENTAL INCOME	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Ryder St.	131,682	127,875	95,000	95,000	-
Parmenter	219,941	235,478	209,000	209,000	-
Crosby	-	-	-	-	-
Gibbs	323,858	316,719	276,000	-	(276,000)
Mt. Gilboa	24,000	24,000	24,000	24,000	-
Dallin Library	45,116	45,116	45,000	45,000	-
Total	744,597	749,188	649,000	373,000	(276,000)



OTHER LOCAL RECEIPTS

Other local receipts are projected to remain unchanged in FY2018.

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%. The Town also 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 the room occupancy tax 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.

FY2018 projections are consistent with actual collections in past years.

OTHER LOCAL RECEIPTS	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Request	Budget Change
Meals Tax	401,870	409,308	400,000	400,000	-
Hotel Tax	330,739	363,125	325,000	325,000	-
Court Fines	31,590	30,248	30,000	30,000	-
Medicare Part D Reimbursement	-	-	-	-	-
Special Assessments	-	2,897	-	-	-
Payments In Lieu of Taxes	24,750	18,000	18,000	18,000	-
Total	788,949	823,578	773,000	773,000	0



STATE AID SUMMARY

In January, the Governor released his budget, which included a \$91 million increase in Chapter 70 School Aid and a \$40 million for General Government Aid. At the end of the Legislature’s budget deliberations, the Conference Committee Report increased Chapter 70 spending by \$119 million. As a result Arlington will benefit from a \$168,210 increase in Chapter 70 School Aid and a \$284,486 increase in General Government Aid.

General Government Aid — Unrestricted General Government Aid and Veterans’ Benefits reimbursements — will increase \$241,250 or 3.2%.

School Aid — Chapter 70 School Aid plus Charter School tuition reimbursement and exclusive of school construction aid — is projected to increase \$166,920 or 1.8%. Overall FY2018 State Aid, as used to balance the Town Manager’s budget, will decrease \$466,052 to a total of \$20,837,267. This total is inclusive of \$1,615,915 in school construction reimbursements for debt service on the Bishop, Brackett, Hardy, and Peirce School construction projects. FY2018 is the last year of reimbursement for all but the Peirce School project.

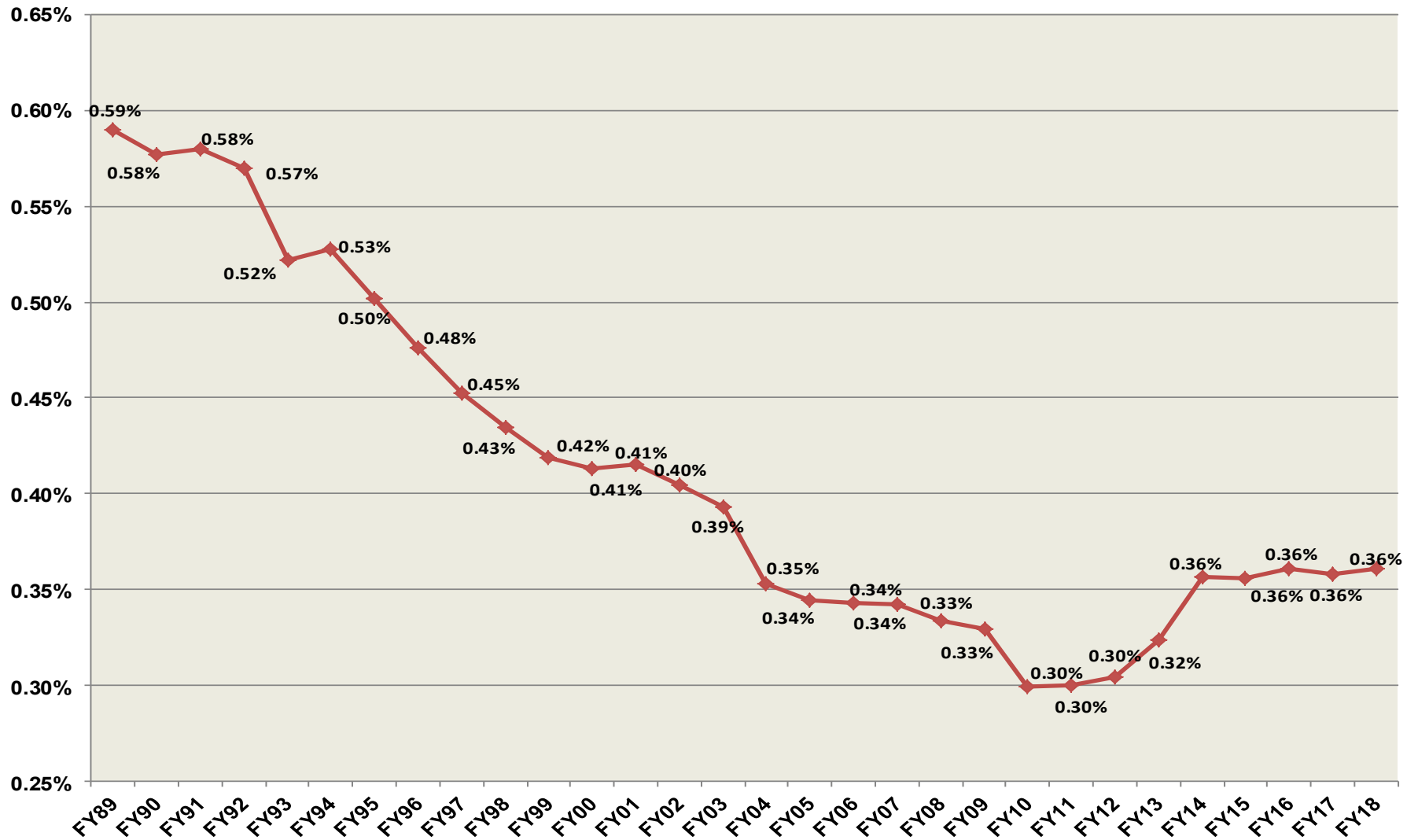
Exclusive of school construction aid, Arlington’s projected state aid for FY2018 is a slight increase in real dollars above what it received in FY2002, 16 years ago. Since 1987, Arlington has seen its share of total state aid cut by approximately 41% (see chart on p. 42). A look at the cumulative year-to-year increases and decreases since FY2002 (see Chart on p. 43) 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 FY2018 ends in a cumulative increase of 27%. Arlington, on the other hand, has only recently experienced an increase above FY2002. In FY2006, Arlington was still 15% below FY2002 levels, while the average of all municipalities started seeing annual increases since then. As recently as FY2014, Arlington’s cumulative year-to-year change since FY2002 was a mere increase of 1.1%. In FY2018, Arlington remains disproportionately below other municipalities despite overall increases in state aid. To further illustrate this impact, the average state aid for municipalities in Massachusetts increased 27.3% from FY2002, while in FY2018 Arlington’s cumulative year-to-year change since FY2002 is an increase of 13.2%, less than half the overall state increase.

STATE AID SUMMARY	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Gen Government Aid	6,970,290	7,311,161	7,577,597	7,818,847	241,250
School Aid	10,245,360	10,725,382	11,061,472	11,228,392	166,920
School Construction	2,906,266	2,474,773	2,474,774	1,615,915	(858,859)
Tax Exemptions	139,263	135,079	135,079	116,040	(19,039)
Cherry Sheet Offsets	74,531	54,299	54,397	58,073	3,676
Total	20,335,710	20,700,694	21,303,319	20,837,267	(466,052)



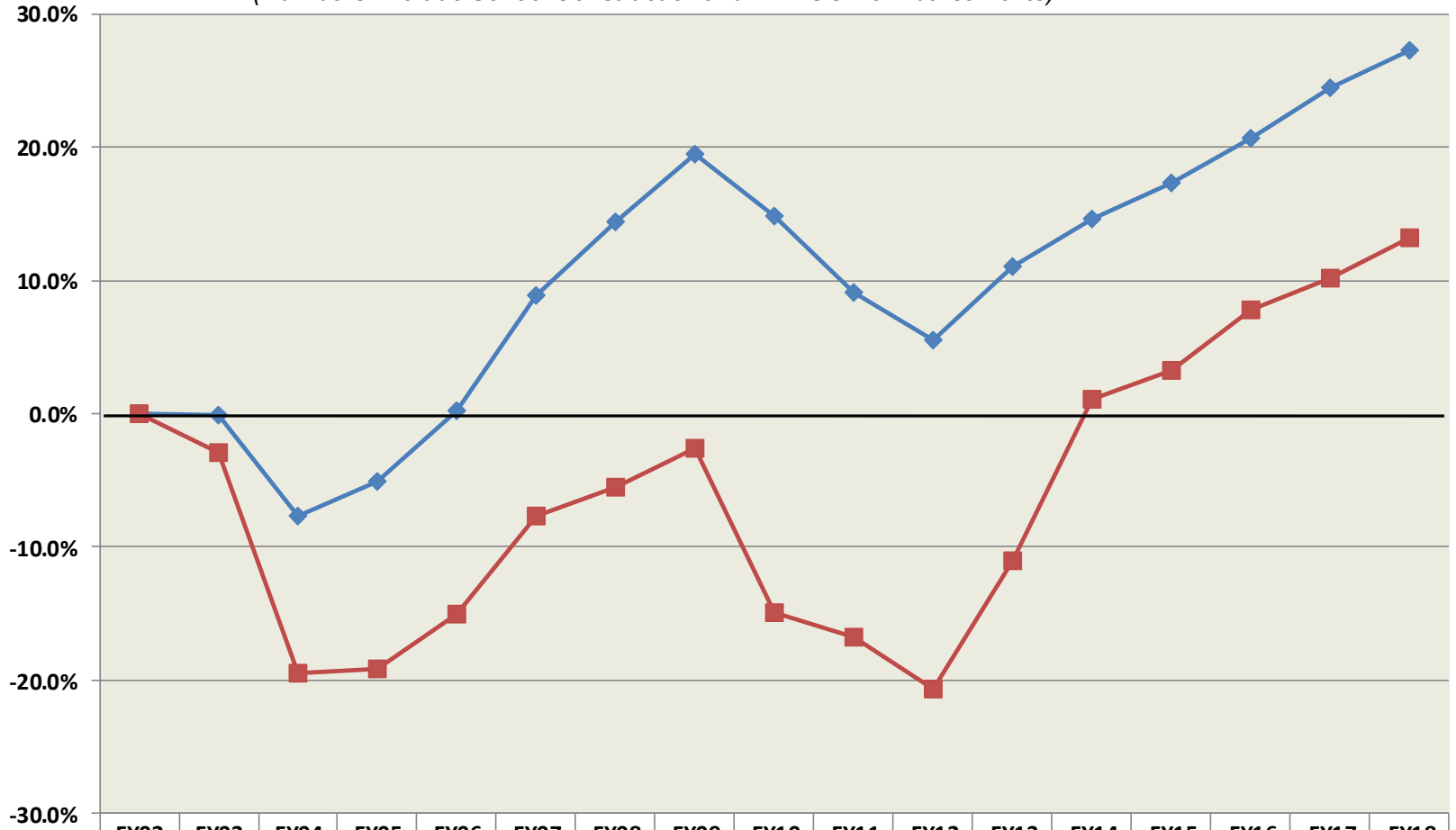
Arlington's Percent of Total State Aid





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

(Numbers Exclude School Construction and METCO Reimbursements)



◆ All Municipalities	0.0%	-0.1%	-7.7%	-5.1%	0.3%	8.9%	14.4%	19.5%	14.8%	9.1%	5.6%	11.0%	14.7%	17.4%	20.7%	24.5%	27.3%
■ Arlington	0.0%	-2.9%	-19.5%	-19.2%	-15.0%	-7.7%	-5.5%	-2.6%	-14.9%	-16.8%	-20.6%	-11.0%	1.1%	3.3%	7.8%	10.2%	13.2%



GENERAL GOVERNMENT

Unrestricted General Government Aid (UGGA)

In FY2017 UGGA is expected to increase \$284,486, or 3.9% to \$7,578,995. This increase is due to Governor Baker's policy of having UGGA increase at the same rate that projected State revenues increase each year.

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. While this account is increasing in FY2018, the Town has weathered a reduction of approximately \$1.8 million since FY2008.

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 FY2018 the preliminary Cherry Sheet estimate is \$239,852, level from the previous year.

GENERAL GOVERNMENT	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Unrestricted General Government Aid	6,750,750	6,993,777	7,294,509	7,578,995	284,486
Veterans' Benefits	219,540	317,384	283,088	239,852	(43,236)
Total	6,970,290	7,311,161	7,577,597	7,818,847	241,250



SCHOOL AID

SCHOOL AID - CHAPTER 70

Proposed total statewide funding in FY2018, exclusive of regional schools, is \$4.6 billion, an increase of \$91 million, or 2.51%. Of this amount, it is estimated that Arlington will receive \$11,124,809, an increase of \$112,140 or 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.

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 years two through six, an amount equal to 25% of the assessment, after year six, no reimbursement. This reimbursement is 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 \$47,513, an increase of \$32,807.

SCHOOL AID	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Chapter 70 School Aid	10,234,582	10,715,559	11,012,669	11,180,879	168,210
Charter School Tuition Reimbursement	10,778	9,823	48,803	47,513	(1,290)
Total	10,245,360	10,725,382	11,061,472	11,228,392	166,920



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 was completed in summer of 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 be \$1,615,913 for FY2018. The projects and their funding are as follows:

Peirce	\$ 476,222
Brackett	347,518
Bishop	322,764
Hardy	469,110
Total	\$1,615,913

SCHOOL AID	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
School Construction Aid	2,906,266	2,474,773	2,474,774	1,615,915	(858,859)



TAX EXEMPTION AID

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2018, Arlington's reimbursements are expected to decrease \$19,039 to a total of \$116,040. 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^{1/2}, 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	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Tax Exemption Aid	139,263	135,079	135,079	116,040	(19,039)



CHERRY SHEET OFFSETS

Included in the estimated amount of aid to be received from the State are grant funds for 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 has traditionally received two such annual grants — one for the school lunch and one for public libraries. In FY2016, the State started to account for the school lunch program differently and it is no longer be reflected on the Cherry Sheet.

The library grant is actually three separate grants — the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). In FY2018, assistance to libraries is expected to decrease slightly to \$58,397. 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.

CHERRY SHEET OFFSETS	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Lunch Programs (Schools)	19,195				0
Libraries	55,336	54,299	54,397	58,073	3,676
Total	74,531	54,299	54,397	58,073	3,676

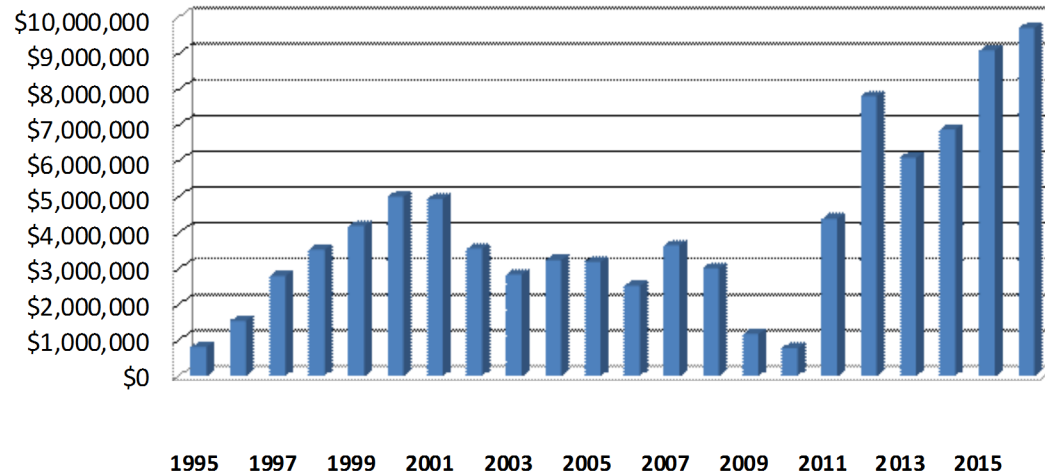


FREE CASH

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, 2016 was \$9,701,131. In accordance with Town policy, Arlington can appropriate up to 50% of the free cash balance towards the next fiscal year's budget. It is recommended that \$4,850,566 or 50% of the existing balance, be appropriated toward the FY2018 budget, leaving a balance of \$4,850,566.

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



FREE CASH	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Free Cash Appropriated	3,042,925	3,435,846	4,537,299	4,850,566	313,267



OTHER REVENUE

The Other Revenue category includes Tax Abatement Overlay Reserve Surplus Funds and Override Stabilization Funds. In FY2018, the amount available is \$500,000 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 Board of Assessors have declared \$500,000 as surplus and therefore available for appropriation.

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. Since the Override of 2011 and including the expected appropriation to the fund in FY2018, \$23,510,462 will have been put into the Fund. It is expected that no drawdown will be necessary until FY2019.

OTHER REVENUE	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget	Budget Change
Overlay Surplus	350,000	350,000	200,000	500,000	300,000
Override Stabilization Fund	-	-	-	-	-
Total	350,000	350,000	200,000	500,000	300,000