



Town of Arlington, Massachusetts Public Annual Financial Report

Fiscal Year Ending June 30, 2017

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

All data and financial information found in this report are drawn from the most up-to-date information available from the Town's Annual Report, the Town Manager's Financial Plan, the Finance Committee's report to Town Meeting, and the State's Division of Local Services (mass.gov/dor).

The PAFR provides information such as relevant summarized financial schedules and tables so residents can more easily understand the Town's financial conditions and trends. It does not present the same level of detail as any of the reports listed above. It contains reports and statements that do not present the entire financial reporting entity and may not conform to GAAP and governmental reporting standards.

Complete Town budgets can be found at arlingtonma.gov/budget.



THE TOWN OF ARLINGTON

The Town of Arlington was originally settled in 1635 as the Village of Menotomy. It was incorporated as West Cambridge in 1807, and finally named Arlington in 1867. Arlington is home to approximately 43,000 residents and is contained within 5.5 square miles.

The Town is currently governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a popularly elected, five member Board of Selectmen appoints a professional manager to administer the daily operations of the Town.

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

The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments. These departments include: Public Works, Police, Fire, Libraries, Legal, Planning, Human Resources, Information Technology, Inspectional Services, Health and Human Services, Recreation, Facilities, and the Ed Burns Arena.

Under independent authority are the Board of Selectmen, Board of Assessors, Treasurer & Collector, and the Town Clerk. The Comptroller is appointed by the Board of Selectmen. The School Committee handles school administration and appoints the Superintendent. All departments consist of approximately 800 full-time employees.

IN THIS REPORT

The information in this report is a snapshot of the Town's basic financial condition. It is a summary of where Arlington is now and how it compares to other, similar communities.

On **Page 2** you will find a breakdown of Arlington's revenues and expenditures. As you will see, Arlington's primary source of revenue is the Property Tax, followed by State Aid. Also on Page 2 is a budget summary and projection for FY2017 that provides more detail on the year-to-year growth of the Town budget.

Page 3 compares Arlington's Average Single Family Tax Bill, Average New Growth, and Total Per Capita Spending with other comparable communities, as well as the state average. These communities provide a reference point from which to understand Arlington's financial situation.

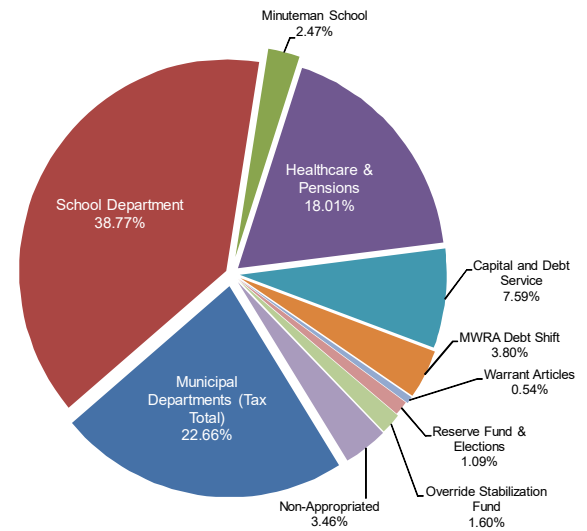
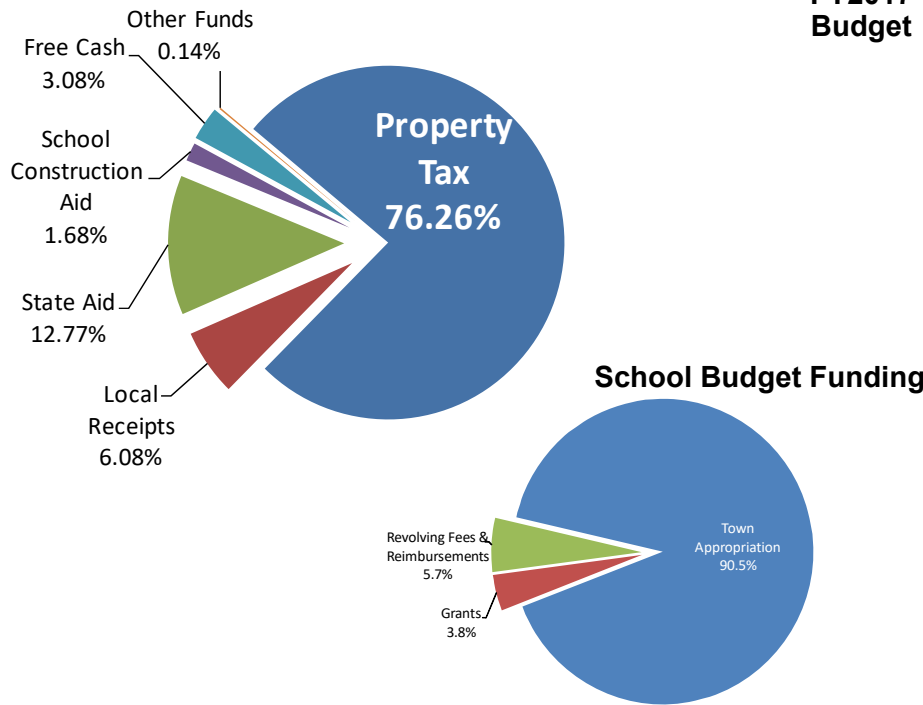
A description of Arlington's structural deficit can be found on **Page 4**. This provides a description of the gap between the Town's revenue and expenditures.

Where the Money Comes From

...and Where it Goes

Revenues

Expenditures



The School Budget is the largest department budget in the Town. In addition to Town contribution to this budget, some funding comes direct from outside revenue sources. This chart provides an overview of total funding. Details on the school budget may be found at:

arlington.k12.ma.us/administration/budget

Budget Summary & FY2018 Projection

The summary provided below demonstrates the year-to-year growth between Fiscal Year 2017 and Fiscal Year 2018. This growth is consistent with the tenets of the Long Range Financial Plan. More detailed information and a glossary of terms, including the Town's long range financial plan can be found at: www.arlingtonma.gov/budget

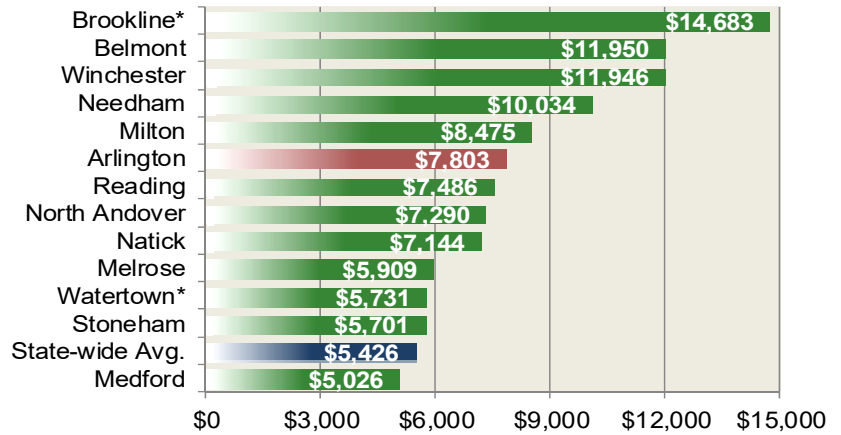
Revenue			Change	
	FY2017	FY2018	\$	%
Property Tax	\$ 112,439,838	\$ 116,719,375	\$ 4,279,537	3.8%
Local Receipts	\$ 8,971,000	\$ 9,071,000	\$ 100,000	1.1%
State Aid	\$ 18,828,545	\$ 19,221,352	\$ 392,807	2.1%
School Construction Aid	\$ 2,474,774	\$ 1,615,914	\$ (858,860)	-34.7%
Free Cash	\$ 4,537,299	\$ 4,850,566	\$ 313,267	6.9%
Other Funds	\$ 200,000	\$ 500,000	\$ 300,000	150.0%
Transfers/Offsets	\$ 2,247,194	\$ 2,436,791		
TOTAL REVENUES	\$ 149,698,650	\$ 154,414,998	\$ 4,716,348	3.2%
Expenditures				
<i>Municipal Departments Appropriations *</i>	\$ 35,670,816	\$ 37,036,557	\$ 1,365,741	3.8%
<i>Transfer/Offsets</i>	\$ (2,247,194)	\$ (2,436,791)	\$ (189,597)	8.4%
Municipal Departments (Taxation Total)	\$ 33,423,622	\$ 34,599,766	\$ 1,176,144	3.5%
School Department	\$ 57,172,443	\$ 60,928,485	\$ 3,756,042	6.6%
Minuteman School	\$ 3,649,349	\$ 4,291,333	\$ 641,984	17.6%
Non-Departmental (Healthcare & Pensions)	\$ 26,562,346	\$ 27,381,296	\$ 818,950	3.1%
Capital (Includes Debt Service)	\$ 11,192,533	\$ 11,523,825	\$ 331,292	3.0%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ -	0.0%
Warrant Articles	\$ 802,224	\$ 1,246,731	\$ 444,507	55.4%
Fixed Costs- Reserve Fund & Elections	\$ 1,607,650	\$ 1,579,064	\$ (28,586)	-1.8%
Override Stabilization Fund Deposit	\$ 2,349,927	\$ 211,136	\$ (2,138,791)	-91.0%
TOTAL EXPENDITURES	\$ 142,353,206	\$ 147,354,748	\$ 5,001,542	3.5%
Non-Appropriated Expenses	\$ 5,098,251	\$ 4,623,459	\$ (474,792)	-9.3%
Surplus / (Deficit)	\$ -	\$ -	\$ -	0.0%

*The FY17 and FY18 Budgets reflect showing offsets as a revenue source, per guidance from the Department of Revenue.

The **Average Single Family Tax Bill** is the average home value in a community multiplied by that community's property tax rate. While individual tax bills may vary according to individual home value, the Average Tax Bill is a good indicator of what the property tax burden is on residential taxpayers.

Due to relatively high home values, Arlington residents tend to pay a higher tax bill than the state average. While this places Arlington near the middle in terms of its comparable communities, it is still significantly below neighbors Belmont and Winchester.

Average Single Family Tax Bill FY17

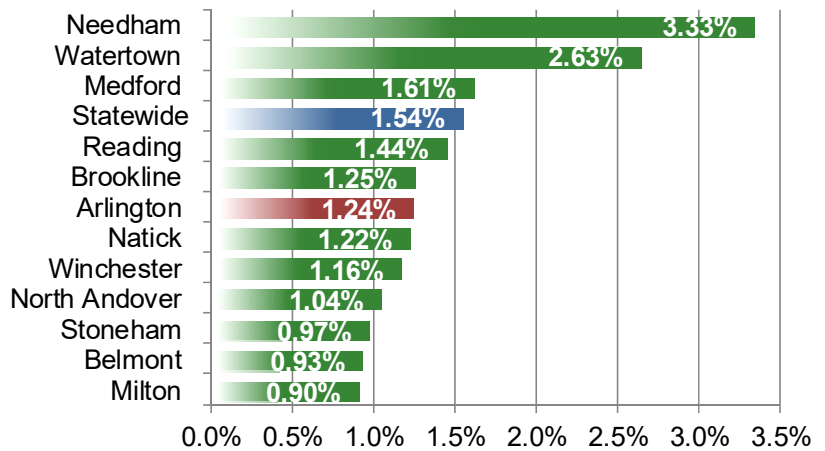


* Denotes these communities have a single family tax exemption included in

Average New Growth: Under Proposition 2 $\frac{1}{2}$ local property taxes cannot be increased by more than 2.5% plus tax revenues from new construction added to the tax base. Consequently, for many communities, **New Growth** is an important revenue source.

Arlington's New Growth has been in the middle of its comparable communities, however it falls short of the state-wide average.

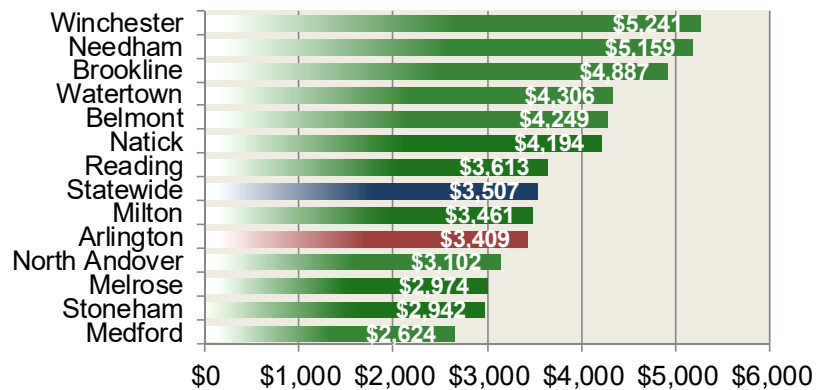
Average New Growth FY15 - FY17



Per Capita Spending is calculated from the total expenditures divided by population, which provides a point of comparison for how much the Town spends proportionate to its size and makes possible comparisons of spending among Towns, while accounting for population.

Arlington is in the bottom half of per capita spending relative to its comparable communities. It is also below the state average of \$3,507. The Town spending does not create a structural deficit, the lack of revenue creates the deficit.

Total Per Capita Spending FY17



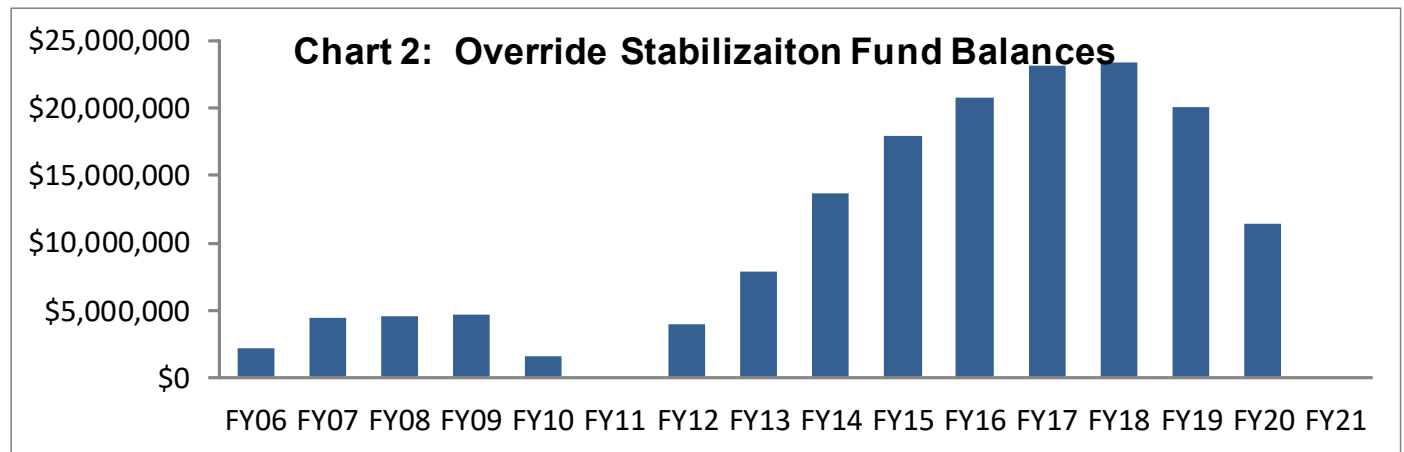
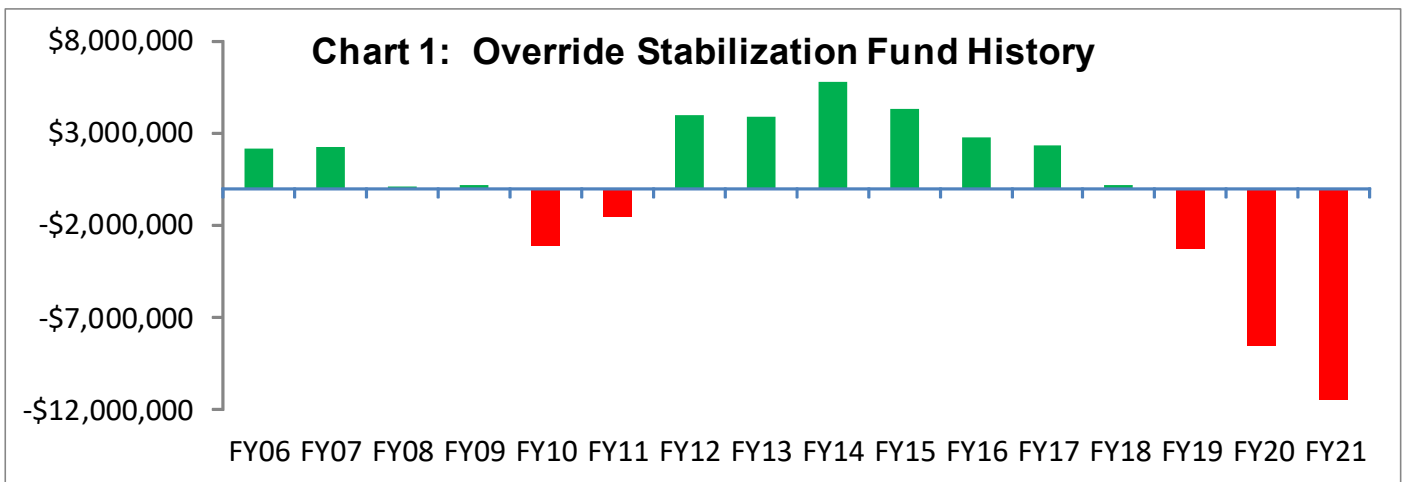
Arlington's Structural Deficit

The Town of Arlington, like many other Massachusetts communities, has a structural deficit whereby annual increases in revenue do not match annual increases in costs, as illustrated in table 1. It's not anyone's fault that the Town faces an annual structural deficit; it's basic economics. On average, the annual growth in expenses outpaces the growth in revenues by nearly \$2.4 million. Proposition 2 1/2 limits the Town's property tax growth, particularly since 95% of the Town's tax base is residential property. The Town's State Aid has not kept pace with our costs.

Arlington's spending, by any measure, is well below that of our comparable communities and is not a contributor to the structural deficit. Just the opposite, municipal departmental budgets grew an average of only 3% over the last six years. The major expenditure drivers are largely outside of the control of the Town and include health care increases, pension obligations, special education costs, and growing school enrollment. Arlington is one of a small number of communities in the State where school enrollment is going up and not down.

Town leaders have long recognized the challenge of this structural deficit and responded with a Long Range Plan to control spending, periodically ask for overrides, and create an Override Stabilization Fund. The passage of a \$6 million Proposition 2 1/2 override in 2005 for FY2006 covered that year's \$4 million deficit and allowed the Town to put into reserve the remaining \$2 million. The 2011 override allowed the Town to put into reserve \$4 million the following year. (See Chart 1). The Town was able to put funds into the OSF every year from FY2012 through FY2018. Over the next three years, the OSF will be drawn down to preserve existing services. It will be depleted by FY2021. (See Chart 2)

Revenues	
Property Taxes	\$3,400,000
Local Receipts	\$100,000
State Aid	\$500,000
	\$4,000,000
Expenses	
General Ed	\$1,600,000
SPED	\$1,200,000
Enrollment	\$1,000,000
Town	\$1,000,000
Capital	\$500,000
Health Ins & Pensions	\$1,100,000
	\$6,400,000
Structural Deficit	-\$2,400,000



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