



## A Resident's Guide to the Budget

Welcome! If you are reading this it means you are interested in better understanding one of the most important documents produced by your community. The Annual Budget & Financial Plan document is much more than just a collection of numbers; it is a reflection of our community's values, priorities, and goals. The Budget document serves as a policy document, a financial guide, and a communications device to its residents. To this end, it is designed to be as user-friendly as possible. This Annual Budget & Financial Plan was created to help orient readers by providing a brief overview of the budget process, as well as an explanation of the organization of the budget document itself. We hope you find the introductory guide a useful tool as you better acquaint yourself with the latest financial and planning information for the Town of Arlington.

### THE BUDGET PROCESS

The Town of Arlington is governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a popularly elected, five-member Select Board appoints a professional manager to administer the daily operation of the Town. The Town's legislative body is a representative Town Meeting, which consists of 252 members elected from their home precincts. There are 21 precincts in Arlington. The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments.

In accordance with Section 32 of the Town Manager Act, the Town Manager must annually submit a budget to the Select Board and Finance Committee. Arlington has had a long tradition of developing a budget that clearly defines departmental goals and objectives and includes detailed trend analysis and long-term projections. The annual operating and capital budgets are submitted as part of the Town Manager's Annual Budget & Financial Plan. The Finance Committee reviews the Annual Budget January through April when the Committee submits its recommendations to Town Meeting. Town Meeting then adopts both the operating and capital budgets in May. During the fiscal year, budgetary transfers may be made with the approval of both the Select Board and the Finance Committee. Amendments to appropriations must be made by Town Meeting.

It is important to note that the financial and budgetary information presented in the Annual Budget & Financial Plan are projections and are subject to change prior to Town Meeting. For definitions of terms used in the Annual Budget & Financial Plan, see the Glossary at the end of this document.

For past budgets and plans, plus additional financial documents please visit [arlingtonma.gov/financial](http://arlingtonma.gov/financial).

### BUDGET CALENDAR

**July**

Fiscal Year begins July 1st

**September**

*Capital Budget* requests due to Town Manager

**October**

Long-Range Plan Updated - Initial Revenue and Expenditure Forecast

**November**

*Operating Budget* requests due to Town Manager

**January**

Budget books distributed to Select Board and Finance Committee by January 15th

**January/April**

Finance Committee hearings on budget

**March**

Financial Plan distributed to Select Board and Finance Committee

**April**

Finance Committee recommended budget submitted to Town Meeting

**May**

Town Meeting adopts *Operating and Capital Budgets*

**June**

Fiscal Year ends June 30th



### Community Profile

**Name:** Town of Arlington

**Settled:** 1635 (as Village of Menotomy)

**Incorporated:** 1807 (as West Cambridge) Renamed Arlington in 1867

**Total Area:** 5.5 Sq. Miles  
**Land:** 5.2 Sq. Miles  
**Water:** 0.3 Sq. Miles

**Elevation:** 46 Feet

**Public Roads:** 95.27 Miles

**County:** Middlesex

**Population:** 42,844 (2010 Census)

**Form of Government:** Representative Town Meeting

**School Structure:** K-12

**FY2019 Average Single Family Tax Rate:** \$11.26 per \$1,000

**FY2019 Ave. Single Family Home Value:** \$752,184

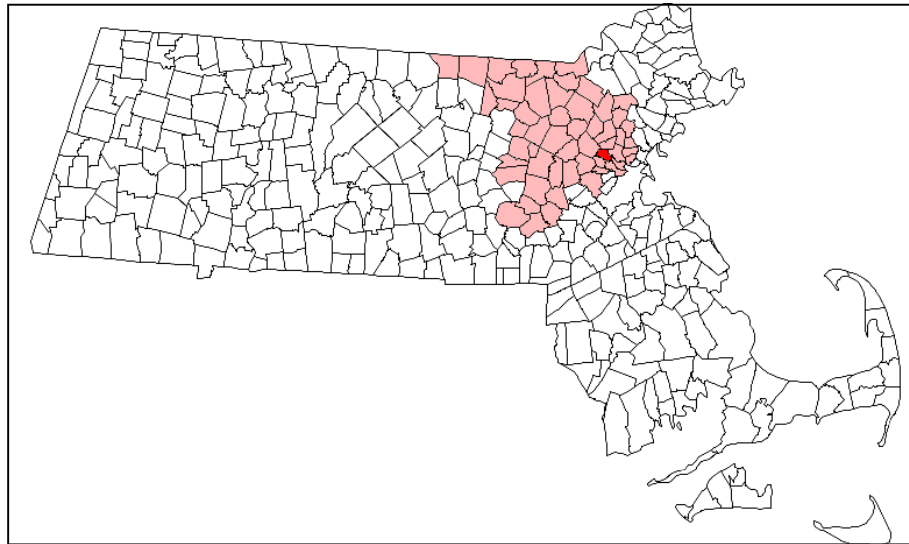
**Coordinates:** 42°24'55"N 71°09'25"W

**Address:**  
 Arlington Town Hall  
 730 Massachusetts Avenue  
 Arlington, MA 02476  
 Phone: (781) 316-3000  
 www.arlingtonma.gov

The Town of Arlington is located six miles northwest of Boston and is home to over 42,000 residents living in a compact urban community of 5.5 square miles. Because of its proximity to Boston, Arlington residents are able to enjoy its diverse neighborhoods, active civic life, and good public transportation options. Arlington is more affordable than many of its neighbors and thereby attracts residents who value its geographic location and quality-of-life.

The Town of Arlington was originally settled in 1635 as a village named Menotomy, meaning "swift running water." In 1807, the name was changed to West Cambridge and renamed Arlington in 1867 in honor of the Civil War heroes buried in Arlington National Cemetery.

Arlington, which offers a diverse mix of residential settings and popular retail and entertainment options, has steadily evolved from a working-class community to a more affluent suburban town. Residents have a lot invested in the Town and come to expect excellent municipal services for a reasonable tax bill. The community has a strong history of supporting specific initiatives to improve the quality of these services. This support is evidenced by recent tax override initiatives to upgrade all the school facilities, and to maintain quality services.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Town of Arlington**

**Massachusetts**

For the Fiscal Year Beginning

**July 1, 2018**

*Christopher P. Morill*

Executive Director



## Fiscal Year 2020 Annual Budget & Financial Plan Budget Message

July 1, 2019

**To: The Honorable Select Board and Finance Committee**

I hereby transmit to you the FY2020 operating and capital budgets and the FY2020-2024 capital plan, as voted by Town Meeting. The budget totals \$171,786,915 which is an increase of \$10,508,914 (6.52%) from the FY2019 budget and is the result of increased revenue and expenditure budgets made possible by the June 11, 2019 \$5.5 million operating override. A summary showing a comparison of the FY2019 and FY2020 revenues and expenditures is shown on page 7. Also, this budget proposal is available via the Town's online budget tool, Arlington Visual Budget. It can be viewed at [arlingtonvisualbudget.org](http://arlingtonvisualbudget.org).

FY2019 was the fifth year beyond an initial three-year plan that incorporated the Proposition 2½ override of 2011, designed to carry the Town's budgets through FY2014. The key commitments along with updates on the status of meeting the commitments of that three-year plan are incorporated into this document as part of *Town of Arlington Historical Override Policies & Commitments*, which can be found beginning on page 220.

FY2020 is the beginning of new multi-year plan based on series of commitments adopted by the Select Board on April 17, 2019. These commitments serve as the basis for a \$5,500,000 operating override that was successfully passed via a Town-wide ballot measure on June 11, 2019. The Board's commitments are as follows:

- 1) Exercise fiscal discipline, and provide quality municipal services.
  - a. Commit to no Proposition 2½ overrides for at least four years.
  - b. Continue to increase general education operating budgets by 3.5% annually.
  - c. Continue to increase general government operating budgets by 3.25% annually.
  - d. Continue to fund special education cost growth at a rate of 7% per year.

## Fiscal Year 2020 Budget



- 2) Respond to ongoing school enrollment growth pressures. Increase the education budget for future enrollment increases at a rate of 50% of per pupil expenditures.
- 3) Build Arlington's future.
  - a. Phase in funding of the School Committee's Multi-Year Plan to: address the impact of explosive enrollment growth of 27% since 2011; improve instruction; close the achievement gap for high needs students; ensure safe and supportive schools; and attract, retain, and develop talented staff. Adopt the following schedule of increases to base operating budgets: FY20 - \$600,000; FY21 - \$600,000; FY22 - \$800,000; FY23 - \$800,000.
  - b. Improve mobility for all residents, and support the goals of the [Town's Complete Streets](#) and [Age-Friendly Community](#) initiatives by adding \$250,000 to the base budget for pedestrian infrastructure -- including sidewalk brick removal and repair -- and senior transportation, such investments to be guided by the Town's sustainable mobility planning efforts.
- 4) Minimize impact on taxpayers, particularly seniors and others with income challenges.
  - a. Advance new tax relief programs, including a municipal circuit breaker and increased eligibility for property tax deferral options, and publicize existing relief programs.
  - b. Remove certain water and sewer debt costs from property tax bills.
  - c. Pursue new revenue sources.
  - d. Work with financial leadership to develop bonding schedules that will minimize single-year tax increases and debt service costs related to the Arlington High School rebuild.
- 5) Protect against future fiscal shocks, and maintain the Town's strong bond rating. Maintain financial reserves at 5% or better for the duration of the four-year plan.



**Continuing to Meet the Needs of a Growing School Population**

In its initial implementation, the Growth Factor multiplied the amount of new students as of October 1<sup>st</sup> each year by 25% of DESE certified per pupil costs (PPC). Beginning in FY2017, this amount was increased to represent 35% of PPC as certified by DESE. For FY2020, this calculation has been increased to 50%. Based on this, the FY2020 budget recommendation is as follows:

	FY 2019	FY 2020	\$ Increase	% Increase
General Education Costs	\$ 43,981,008	\$ 46,981,443	\$ 3,000,435	6.82%
Special Education Costs	\$ 21,440,034	\$ 22,940,836	\$ 1,500,802	7.00%
Growth Factor	\$ 831,980	\$ 1,504,860	\$ 672,880	80.88%
<b>TOTAL SCHOOL BUDGET</b>	<b>\$ 66,253,022</b>	<b>\$ 71,427,139</b>	<b>\$ 5,174,117</b>	<b>7.81%</b>

<b>Growth Factor Breakdown</b>	
FY 19 Enrollment Growth	210
DESE PPC for Arlington	\$ 14,332
50% of PPC for Arlington	\$ 7,166
<b>Growth Factor (50% PPC x 210)</b>	<b>\$ 1,504,860</b>

Overall, the FY2020 budget proposal is a level services budget that maintains core municipal services (Police, Fire, DPW) at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed on page 8 and beyond. This approach allows the current override period to be maintained through FY2023. However, in FY2024, the Town's structural deficit reemerges and is projected to be approximately \$17.8 million. The Town's structural deficit is discussed in greater detail on page 17 and the Town's Long Range Plan can be viewed on page 24.

# Fiscal Year 2020 Budget



## Overall General Fund Budget Summary

	FY2018 Budget	FY2019 Budget	FY2020 Budget	Change \$	%
<b>Revenue</b>					
Property Tax	\$ 117,255,201	\$ 124,010,977	\$ 133,239,908	\$ 9,228,931	7.4%
Local Receipts	\$ 9,071,000	\$ 9,171,000	\$ 9,871,000	\$ 700,000	7.6%
State Aid	\$ 19,207,063	\$ 20,039,795	\$ 22,439,702	\$ 2,399,907	12.0%
School Construction Aid	\$ 1,615,914	\$ 476,523	\$ 476,523	\$ -	0.0%
Free Cash	\$ 4,850,566	\$ 4,593,375	\$ 5,559,782	\$ 966,407	21.0%
Other Funds	\$ 500,000	\$ 200,000	\$ 200,000	\$ -	0.0%
Override Stabilization Fund	\$ -	\$ 2,786,331	\$ -	\$ (2,786,331)	-100%
<b>TOTAL TAXES, FEES, AID, AND OTHER SOURCES</b>	<b>\$ 152,499,744</b>	<b>\$ 161,278,001</b>	<b>\$ 171,786,915</b>	<b>\$ 10,508,914</b>	<b>6.5%</b>
Transfers in (Offsets)	\$ 2,436,791	\$ 2,490,562	\$ 2,580,233	\$ 89,671	3.6%
<b>TOTAL REVENUES</b>	<b>\$ 154,936,535</b>	<b>\$ 163,768,563</b>	<b>\$ 174,367,148</b>	<b>\$ 10,598,585</b>	<b>6.5%</b>
<b>Expenditures</b>					
<i>Municipal Departments Appropriations *</i>	\$ 37,036,557	\$ 38,214,820	\$ 39,715,529	\$ 1,500,709	3.9%
<i>Offsets and Indirect Costs</i>	\$ (2,436,791)	\$ (2,490,562)	\$ (2,580,233)	\$ (89,671)	3.6%
Municipal Departments (Taxation Total)	\$ 34,599,766	\$ 35,724,258	\$ 37,135,296	\$ 1,411,038	3.9%
School Department	\$ 60,928,485	\$ 66,253,022	\$ 71,427,139	\$ 5,174,117	7.8%
Minuteman School	\$ 4,291,333	\$ 4,936,724	\$ 5,384,690	\$ 447,966	9.1%
Non-Departmental (Healthcare & Pensions)	\$ 27,381,296	\$ 27,924,645	\$ 29,247,782	\$ 1,323,137	4.7%
Capital (Includes Debt Service)	\$ 11,523,825	\$ 12,857,157	\$ 13,196,044	\$ 338,887	2.6%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ 5,593,112	\$ -	0.0%
Warrant Articles	\$ 1,319,355	\$ 1,153,137	\$ 1,189,392	\$ 36,255	3.1%
Reserve Fund & Elections	\$ 1,506,440	\$ 1,553,287	\$ 1,604,584	\$ 51,297	3.3%
Override Stabilization Fund Deposit	\$ 211,136	\$ -	\$ 2,174,510	\$ 0	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 147,354,748</b>	<b>\$ 155,995,342</b>	<b>\$ 166,952,549</b>	<b>\$ 10,957,207</b>	<b>7.0%</b>
<b>Non-Appropriated Expenses</b>	<b>\$ 5,144,996</b>	<b>\$ 5,282,659</b>	<b>\$ 4,834,366</b>	<b>\$ (448,293)</b>	<b>-8.5%</b>
<b>Surplus / (Deficit)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>



## Departmental Budgets

Departmental operating budgets have been held to a 3.25% increase in accordance with the Long Range Plan. One full time position and one part time position has been added to the budget (see personnel chart on page 7). Some of the more significant budget changes include:

### **Public Works (DPW): +\$668,288**

The DPW budget proposes increases in solid waste hauling, solid waste disposal, and recycling costs in the amount of \$174,624 as a result of increases in solid waste tonnage, contractual obligations and the proposed funding of a food scrap diversion pilot program. The DPW budget also includes funding for preventive tree pest management related to the Emerald Ash Borer (\$30,000) and an increase of \$15,000 in the traffic signal maintenance budget. There is also a proposed increase of \$60,000 in the Engineering Division's budget focused on sustainable mobility improvements. As approved by Town Meeting, due to the passage of the Proposition 2 1/2 override, the DPW budget was increased by \$200,000.

### **Health and Human Services (HHS): +\$27,375**

The HHS budget proposes the creation of a Manager of Diversity, Equity and Inclusion position (\$55,000) that will work with the Disabilities Commission, Human Rights Commission and the Rainbow Commission. The HHS budget also includes a \$63,175 increase for personnel and expense costs related to the staffing and operation of the Arlington Youth Health & Safety Coalition (AYHSC). This program has been funded by federal grants for the past ten years, but as of September 2019, this grant will no longer be available to Arlington. These proposed increases are offset by decreases in the veterans' benefits line item (\$35,000) and the mosquito control line item (\$9,000) which align budgeting with projected expenditures for each of these programs. There will be no service level reductions as a result of these decreases.

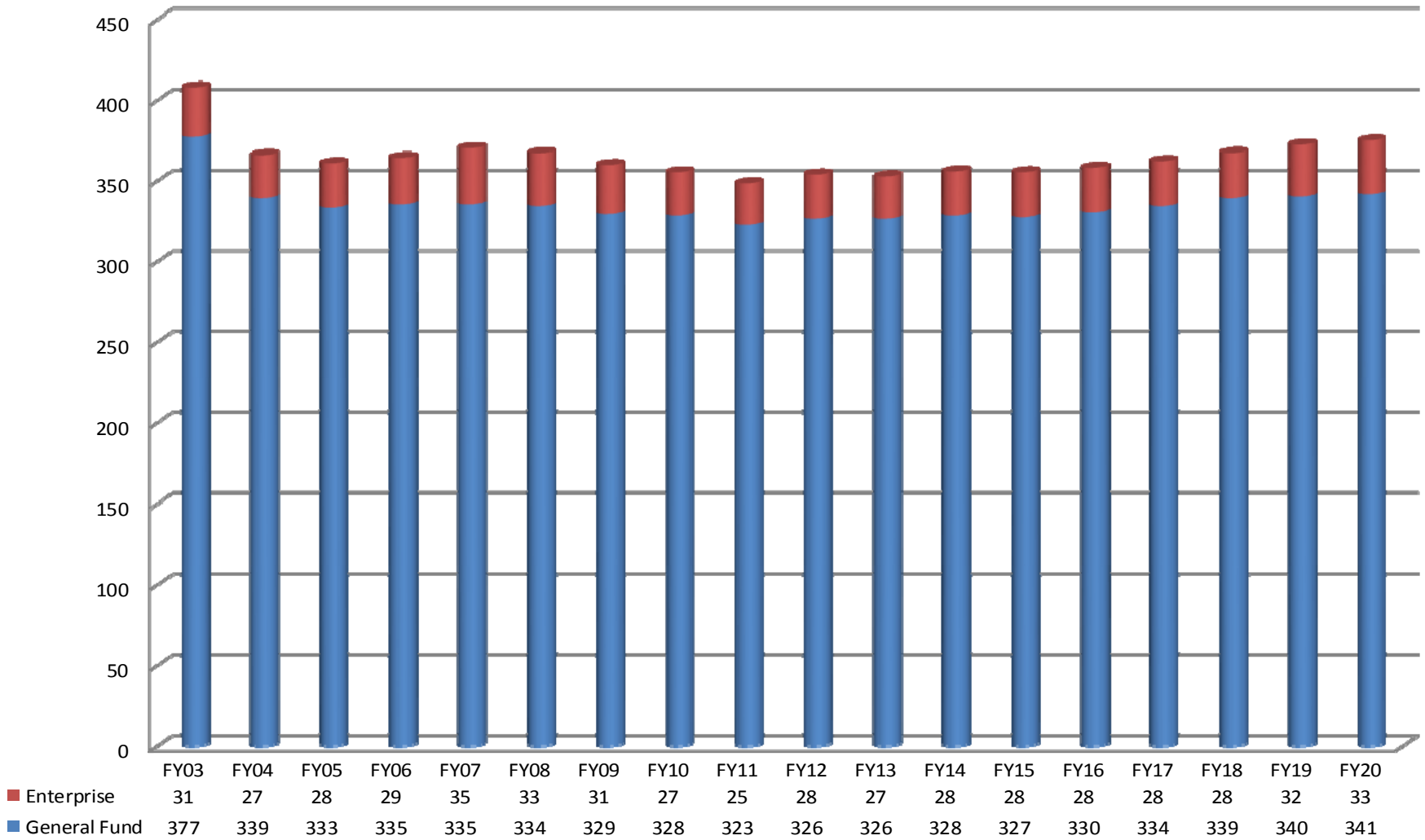
### **Facilities: +\$98,348**

The Facilities expense budget will increase by a net amount of \$30,000 in order to fund necessary increases in both preventative maintenance work as well as building repair work. The remainder of the total budget change is due to moving the energy manager and his corresponding offset to the Department of Planning and Community Development (DPCD) budget, moving an maintenance employee from the DPCD budget into the Facilities budget, and moving repair and maintenance funds related to the Parmenter School and Dallin Library from the DCPD budget into the Facilities budget.





**Town Personnel Trends  
FY 2003 - FY2020 FTEs**





**Healthcare/Other Post-Employment Benefits (OPEB)**

Healthcare premiums are budgeted to increase by an average of 3.3% in the FY2020 budget. There is also an assumption of an increase in benefit eligible school department employees based on the previously discussed growth factor funding increase, leading to an overall budget increase of 5.58%.

In FY2020, the Town will once again ask for a direct appropriation from the Health Claims Trust Fund into the Town’s OPEB Trust Fund. The Town’s portion of the Health Claims Trust Fund has an approximate balance of \$2,000,000. The FY2020 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the seventh year in what is a recommendation to adopt this practice for a ten year period or until the Health Claims Trust Fund is exhausted. This \$300,000 contribution is in addition to the \$636,533 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2020 to \$936,533. The table below provides information regarding the Town’s OPEB Trust Fund and OPEB liability.

<b>Town of Arlington OPEB Liability - As of January 1, 2018</b>				
Year	Total Liability	Total Assets	Net Liability	Percent Funded
2017	\$234,089,146	\$11,201,306	\$222,887,840	4.8%
2018	\$196,579,007	\$12,854,012	\$183,724,995	6.5%

**Investing in Sustainability, Livability and Equity**

The FY2020 budget contains several proposals and initiatives related to the Town’s commitment to sustainable practices, the Town’s goal of enhancing the livability of neighborhoods across Town and the Town’s desire to pursue policies and programs that prioritize social equity and inclusion.

The first of these proposals looks to pilot a food scrap diversion program in Town in order to reduce the amount of solid waste that the Town sends to the incinerator. In order to pilot this program, this budget proposes a \$100,000 increase in the DPW’s Recycling and Solid Waste budget. By diverting organic waste away from the incinerator, the Town will be reducing its carbon emissions and costs associated with this method of disposal. More long term, with the current uncertainty in international recycling markets, initiating this program will improve the Town’s position the next time it goes out to bid for waste hauling services in 2022.



### **Investing in Sustainability, Livability and Equity (cont.)**

The next initiative is a proposal to fund mobility improvements across Town with the inclusion of \$60,000 in the DPW's Engineering budget. In FY2020, the Town proposes to use these funds to draft a Sustainable Mobility Plan, with some initial implementation possible after the plan's completion. This effort will be focused on improving the mobility of residents across all transportation modes in Arlington, thereby increasing the livability of the Town. A Sustainable Mobility Plan is a strategic plan designed to satisfy the mobility needs of people and businesses in municipalities for a better quality of life. It will build on existing planning practices and takes due consideration of integration, participation and evaluation principles.

The final proposal highlighted here is the creation of a new Manager of Diversity, Equity and Inclusion position in the FY2020 budget. This position will be located in the Department of Health and Human Services and work with the Town's Disabilities Commission, Human Rights Commission, and Rainbow Commission to develop and implement policies and programs that prioritize and promote the diversity of Arlington's population. This position will also advise the Town Manager and the Human Resources Director regarding matters of diversity, equity, and inclusion across all Town departments.

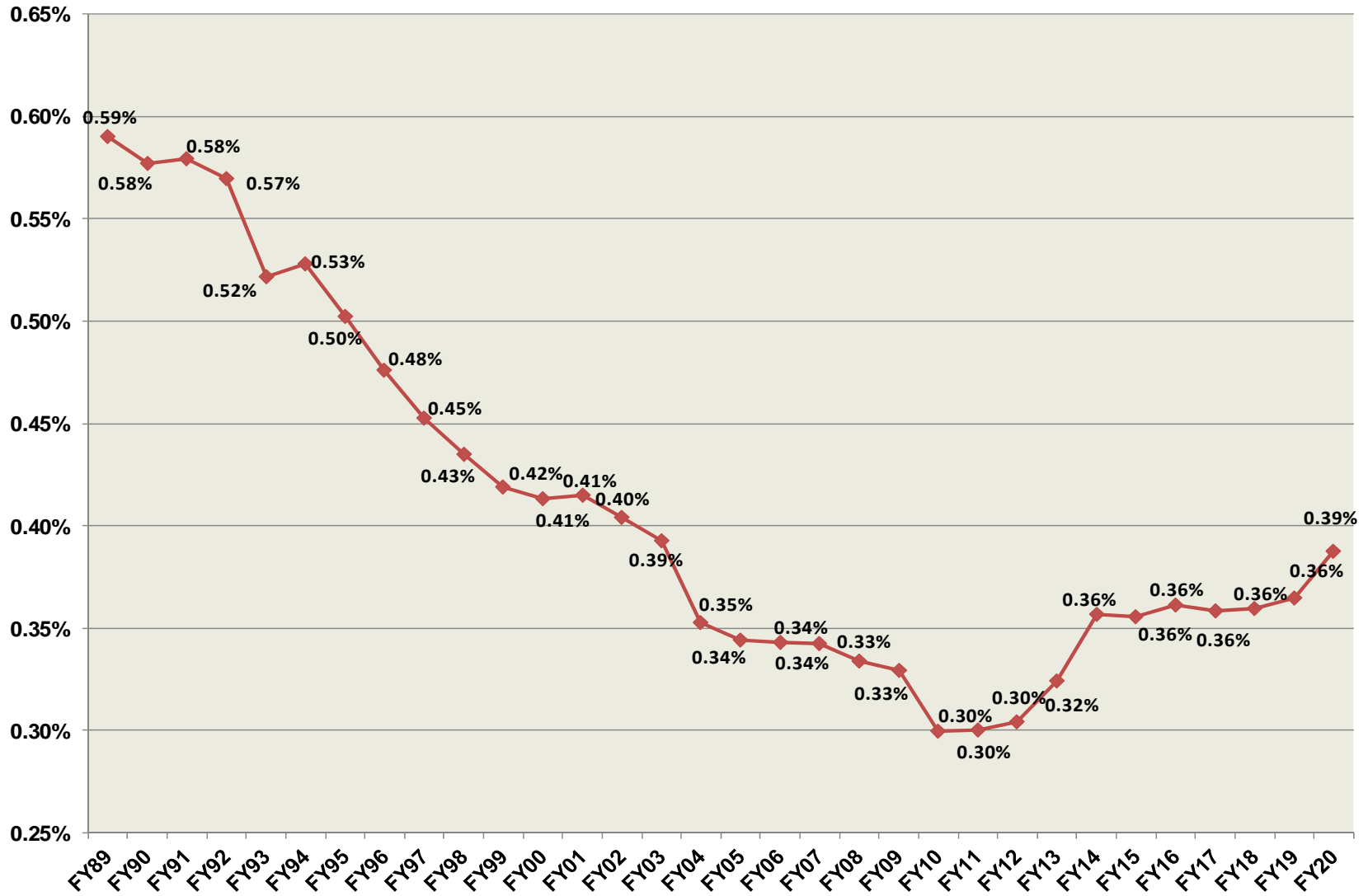
Combined, these initiatives continue Arlington's progress in addressing issues of key importance related to the sustainability, livability and inclusivity of the Town.

### **Sustainability/Energy Conservation**

In 2010, Arlington was named a Green Community by the State's Green Communities Division in recognition of the work that Arlington has done in the past to reduce energy usage, and the plans it has to further reduce energy use in the future. Arlington has substantially benefited from its cooperation with the Green Communities Division, having received six grant awards over the past seven years, totaling \$1,575,931. The most recent grant award of \$210,290 came in 2018 and provided funding for LED lighting at various schools, partial support in the purchase of an electric vehicle for the Town fleet, and other energy efficiency measures. In August of 2017, the Town of Arlington launched the Arlington Community Choice Aggregation (CCA) program for residents and businesses. The primary goals of the program were to provide annual savings and rate stability for participating consumers. However, the program also offers participants exciting renewable energy options from which to choose. The program was approved by Arlington Town Meeting, the Select Board, and the Massachusetts Department of Public Utilities. Most recently, the Town has formed a Clean Energy Future Committee to begin planning to achieve the goal of Net Zero status by 2050.



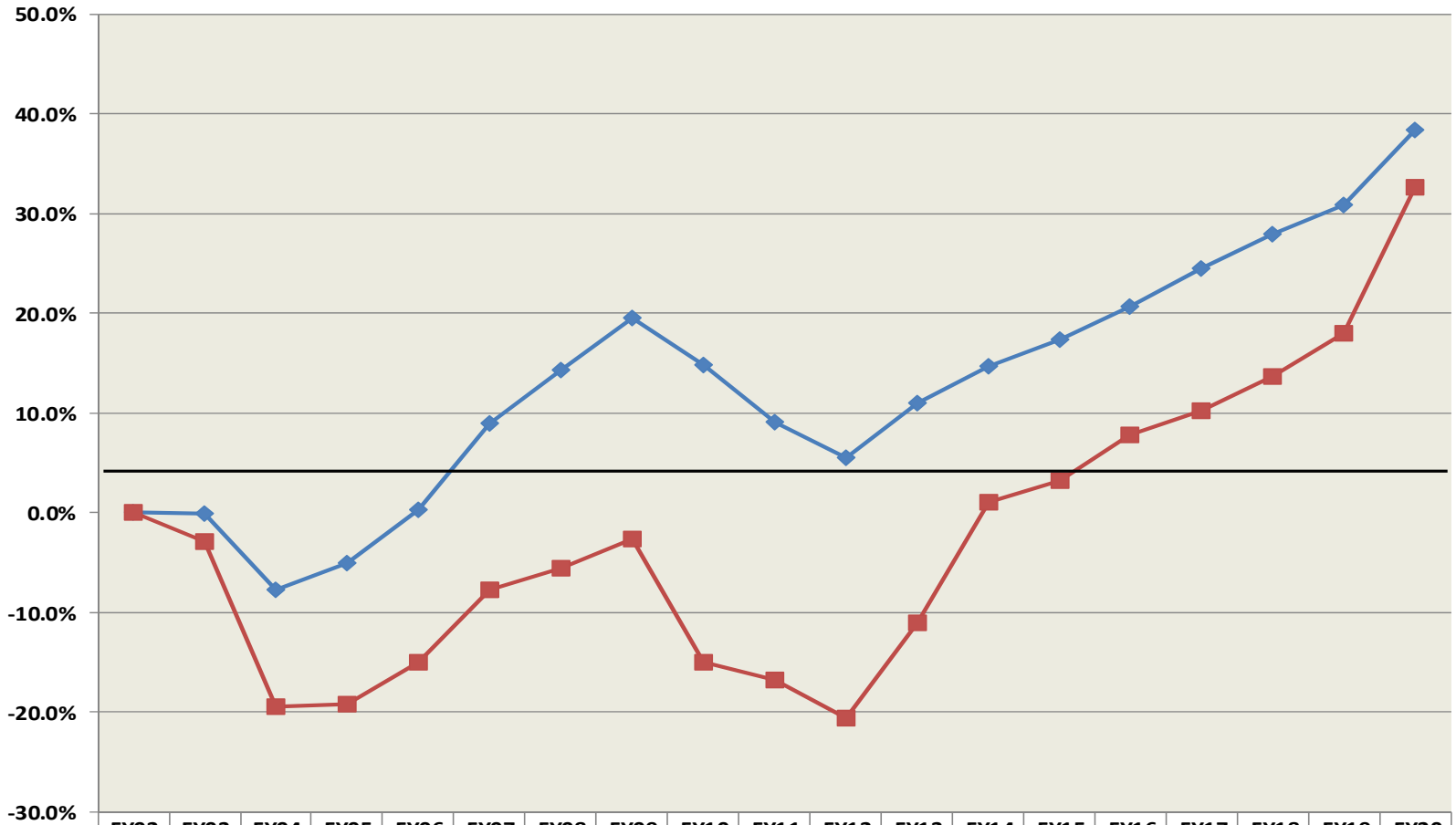
Arlington's Percent of Total State Aid





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

*(Numbers Exclude School Construction and METCO Reimbursements)*



	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
◆ 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%	27.9%	30.9%	38.4%
■ 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%	13.7%	18.0%	32.7%



### Comparative Data

The FY2020 Annual Budget & Financial Plan includes a set of comparable communities that includes Belmont, Brookline, Medford, Melrose, Milton, Natick, Needham, North Andover, Reading, Stoneham, Watertown, and Winchester. These communities were selected by Town, School, and Union leadership. These communities were identified based on a number of factors including; population, 5 year average municipal growth factor, population per square mile, median income per capita, median income per household, single family median home value, average family tax bill, total tax levy, excess capacity as a percentage of maximum levy, and residential valuation as a percentage of the total tax levy.

There are a number of factors that contribute to Arlington's structural deficit – some common among all municipalities and some unique to Arlington. Some factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (see Tables 1 and 2 on page 16). Revenue from growth in the tax base ranks 6 among a group of 13 comparable communities (see Table 3), and remains under the state-wide average. Another indicator of the Town's ability to and opportunity to raise revenue is a measure developed by the Department of Revenue called Municipal Revenue Growth Factor (MRGF). It measures a community's ability to raise revenue, taking into consideration a community's tax levy limit, new growth, state aid, and local receipts. As you can see from Table 4, the state-wide average and average of the twelve other comparable communities' MRGF is 4.38 and 4.23 respectively. Arlington's is 3.51, below the comparable communities' and state averages.

Another factor affecting the Town's financial structure is its tax base. The Town's tax base is nearly all residential - the commercial/industrial sector makes up slightly less than 6% of the total. Table 5 shows that Arlington's commercial/industrial tax base ranks 12th out of 13 comparable communities. The average of these communities is 15.47%, more than two times that of Arlington. This affects not only the Town's ability to raise revenue, it places a heavier tax burden on the residential sector as there is almost no commercial/industrial sector with which to share the tax burden. Notwithstanding this, the tax burden, when measured several different ways, is below the average of the 13 comparable communities. In fact, the Town ranks 9th in taxes per capita (Table 6), and 10th in taxes per household as a percent of median household income (Table 7). This is despite the fact that Arlington's tax levy includes more than \$5 million in MWRA water and sewer debt.

A look at how the Town's spending levels impact the Town's financial position shows that the Town's spending per capita is well below the state average and the average of the 13 comparable communities. Arlington ranks 9th out of 13 comparable communities in overall expenditures per capita (see Table 8). The spending average of the other comparable communities is approximately 6.99% greater than Arlington.

With spending below average for comparable communities, and with revenue growth opportunities below the statewide and comparable communities average, it is clear that the structural problem with the Town's finances lies with the revenue side of the equation as opposed to the spending side.

# Fiscal Year 2020 Budget



Table 1		Table 2		Table 3		Table 4	
Municipality	Pop Per Square Mile	Municipality	Households Per Sq Mile	Municipality	New Growth Avg. '16-'18	Municipality	FY2020 Municipal Revenue Growth Factor
1 BROOKLINE	8,718	1 BROOKLINE	3,918	1 NEEDHAM	3.69%	1 NEEDHAM	5.93
2 ARLINGTON	8,652	2 WATERTOWN	3,906	2 WATERTOWN	2.87%	2 WATERTOWN	5.08
3 WATERTOWN	8,350	3 ARLINGTON	3,878	3 MEDFORD	1.81%	3 MEDFORD	4.98
4 MEDFORD	7,052	4 MEDFORD	2,969	4 BELMONT	1.67%	4 READING	4.27
5 MELROSE	5,970	5 MELROSE	2,511	5 READING	1.66%	5 MILTON	4.15
6 BELMONT	5,516	6 BELMONT	2,190	6 ARLINGTON	1.40%	6 NORTH ANDOVER	3.99
7 WINCHESTER	3,711	7 STONEHAM	1,571	7 WINCHESTER	1.37%	7 STONEHAM	3.99
8 STONEHAM	3,578	8 WINCHESTER	1,324	8 BROOKLINE	1.34%	8 WINCHESTER	3.98
9 READING	2,576	9 READING	967	9 MILTON	1.31%	9 NATICK	3.95
10 NEEDHAM	2,424	10 NATICK	945	10 MELROSE	1.31%	10 BELMONT	3.65
11 NATICK	2,405	11 NEEDHAM	905	11 NATICK	1.25%	11 BROOKLINE	3.64
12 MILTON	2,099	12 MILTON	746	12 NORTH ANDOVER	1.17%	12 ARLINGTON	3.51
13 NORTH ANDOVER	1,115	13 NORTH ANDOVER	417	13 STONEHAM	1.08%	13 MELROSE	3.11
Ave w/o Arlington	4,459	Ave w/o Arlington	1,864	Ave w/o Arlington	1.71%	Ave w/o Arlington	4.23
Arlington	8,652	Arlington	3,878	Arlington	1.40%	Arlington	3.51
				State-Wide Ave	2.11%	State-Wide Ave	4.38

# Fiscal Year 2020 Budget



Table 5		Table 6		Table 7		Table 8	
Municipality	FY2019 Commercial/ Industrial/ Personal % of Total Tax Levy	Municipality	FY2019 Taxes Per Cap	Municipality	FY2018 Taxes/ Household as % of 12-16 median income	Municipality	FY2018 Total Exp Per Cap
1 WATERTOWN	35.36%	1 NEEDHAM	\$4,643	1 NEEDHAM	9.0%	1 NEEDHAM	\$5,144
2 NEEDHAM	22.75%	2 WINCHESTER	\$4,118	2 BELMONT	7.7%	2 WINCHESTER	\$5,102
3 NATICK	20.27%	3 BROOKLINE	\$3,792	3 BROOKLINE	7.6%	3 BROOKLINE	\$4,779
4 MEDFORD	18.48%	4 BELMONT	\$3,625	4 WINCHESTER	7.6%	4 BELMONT	\$4,672
5 BROOKLINE	18.24%	5 WATERTOWN	\$3,189	5 WATERTOWN	7.5%	5 NATICK	\$4,294
6 STONEHAM	16.75%	6 NATICK	\$3,072	6 NATICK	7.4%	6 MILTON	\$4,261
7 NORTH ANDOVER	16.45%	7 MILTON	\$3,008	7 MILTON	6.7%	7 READING	\$3,968
8 MELROSE	8.10%	8 READING	\$2,868	8 READING	6.7%	8 WATERTOWN	\$3,777
9 READING	7.74%	<b>9 ARLINGTON</b>	<b>\$2,767</b>	9 NORTH ANDOVER	6.4%	<b>9 ARLINGTON</b>	<b>\$3,682</b>
10 MILTON	5.99%	10 NORTH ANDOVER	\$2,477	<b>10 ARLINGTON</b>	<b>6.0%</b>	10 NORTH ANDOVER	\$3,411
11 BELMONT	5.66%	11 STONEHAM	\$2,314	11 STONEHAM	6.0%	11 MELROSE	\$3,347
<b>12 ARLINGTON</b>	<b>5.65%</b>	12 MELROSE	\$2,121	12 MEDFORD	5.5%	12 STONEHAM	\$3,185
13 WINCHESTER	4.25%	13 MEDFORD	\$1,982	13 MELROSE	5.4%	13 MEDFORD	\$2,878
Ave w/o Arlington	15.47%	Ave w/o Arlington	\$2,944	Ave w/o Arlington	7.0%	Ave w/o Arlington	\$4,017
Arlington	5.65%	Arlington	\$2,767	Arlington	6.0%	Arlington	\$4,294





### **Collective Bargaining and Employee Relations**

All Town and School employee unions have contracts in place through the close of the current fiscal year, FY2021, except the Arlington Police Patrol Officers Association . Bargaining with this union is ongoing.

### **State Aid**

State aid is projected to increase by \$2,399,907 or 11.70% in FY2020. This projected increase based on the House Ways and Means Committee budget released in April 2019. That budget increased Arlington's Chapter 70 funding by \$2,213,404 and Unrestricted General Government Aid by \$211,795.

### **Financial Structure and Outlook**

Each year, for several years, the Town has had a structural deficit whereby the growth in revenues has not kept pace with the growth in costs necessary to maintain a level service budget. The annual structural deficit is estimated between \$2.0 and \$2.5 million. As a result of being a built out (further density being the only real growth opportunity) community with limited available growth in its tax base and only recent improvement in its state aid, the Town has had to rely on periodic tax overrides to sustain service levels. Still, in the nearly 40 years of Proposition 2½, there have been only three general tax overrides.

The existence of this structural deficit is what has prompted Town leaders, via the Long Range Planning Committee, to propose the \$5,500,000 operating override (which would be the 4th in 40 years) that was approved on June 11, 2019. This override allows for budgetary and service level stability through FY2024.

It is also important to note the future financial liabilities associated with the reconstruction of Arlington High School. The project has been approved by the Massachusetts School Building Authority for a maximum cost of \$290,851,820, and was further approved by both Town Meeting and via Town-wide ballot question. The debt exclusion, as approved by the ballot question, projects to have a tax impact on the average single family home in Arlington of approximately \$827 per year.



## Capital Budget FY2020 and Capital Plan FY2020-FY2024

The Town's capital improvements program policies call for the allocation of approximately 5% of the general fund revenues to the capital budget. This is exclusive of dedicated funding sources such as enterprise funds, grants, and proposition 2 ½ debt exclusion projects. For FY2020 funding for the capital budget is as follows:

Bonding:	\$36,194,000
Cash:	\$4,222,995
Other:	\$12,394,500

Our existing non-exempt debt is \$6,349,527 which is consistent with prior debt service projections for FY2020. The total capital budget for FY2020, including debt, is estimated at \$13 million. Major projects to be funded in FY2020 include street and sidewalk work for approximately \$2.2 million, and water and sewer work for \$2.4 million.

Site improvements and construction for the Senior Center Renovation have been budgeted for \$8 million within the five year capital plan. Another significant project included within the five year capital plan is the renovation of the Public Works building. The current site and building conditions are poor and will need to be renovated to keep up with state and federal regulations. Site improvements and construction are budgeted for FY2020, projected at a cost of \$29 million, with \$22 million being supported in the five year capital plan, and \$7 million being supported by the Water and Sewer Enterprise Fund. The Town is currently in the design development phase of this project.

The Capital Planning Committee continued to consider the impact of the Community Preservation Act (CPA) funding on projects that have historically been funded through the capital budget, but could be eligible for CPA funding this fiscal year and beyond. The Committee has included \$4.8 million of recreation, open space, and historic preservation projects in the five year capital plan that has been recommended for CPA funding. The Community Preservation Committee is currently reviewing final applications that have been submitted for the FY2020 funding cycle and will make recommendations for CPA funding at Town Meeting.

It is also important to once again note the future financial liabilities associated with the reconstruction of Arlington High School. The project has been approved by the Massachusetts School Building Authority for a maximum cost of \$290,851,820 with anticipated state reimbursement via the MSBA of approximately \$86 million. Further value engineering efforts are planned to be undertaken. This project will have impact on the capital budget as several Town departments currently housed in the High School will be relocated to the renovated DPW facility or to Town Hall.



### Five Year Financial Plan Projection

The cornerstone of our strategic budgeting process is the long-range financial projection. Based upon analysis of internal and external factors impacting the Town's operations and finances, we have prepared the long-range projection found on page 25. These projections will, of course, have to be modified as events unfold, but we believe that they are reasonable for fiscal planning purposes.

Revenue assumptions include the following:

- **Overall revenues** are expected to increase 6.52% in FY2020. Future year increases range from -4.69% to 4.78%. In FY2024, revenue is projected to decrease by -4.69%. This is a result of projecting to have insufficient revenues that year, because the Override Stabilization Fund will have been depleted. It is anticipated that an operating override will be proposed to avoid this deficit and the resulting cuts to Town and School services.
- **Tax Levy** – The FY2020 tax levy is projected to increase by approximately 7.44%. Future year increases are projected to be between approximately 2.57% and 2.60% per year. New growth is projected at \$650,000 this year. Debt payments for Proposition 2½ debt exempted school projects, minus state reimbursements, are included and amount to approximately \$3,200,000 to \$5,400,000 each year. Beginning in FY2015 property tax payments from Symmes fully covered the Symmes debt and therefore, no funds are needed to be raised on the tax rate to offset Symmes debt service.
- **State Aid** – Based on the House budget, state aid is projected to increase 11.70%. In out years, increases are projected between 1% and 2.9% depending on projected school enrollment growth.
- **School Construction Reimbursement** - MSBA reimbursements will remain at \$476,523 in FY2020, which consist only of reimbursement for the Peirce Elementary School. FY2021 will be the last year of the Peirce reimbursement.
- **Local Receipts** – Local Receipts are estimated to increase by \$700,000 in FY2020 due to projected increases in Motor Vehicle Excise tax and building permit fee collections. It is anticipated that Local Receipts will continue to grow by \$100,000 annually thereafter.



- **Free Cash** – FY2020 Free Cash use is \$5,559,782, which is 50% of the Town’s available free cash balance. For FY2021 and in each subsequent year, \$3,307,332 is proposed to be appropriated. This is of 50% of the ten year average of certified Fee Cash.
- **Other Available Funds** – A transfer of \$200,000 from surplus tax abatement overlay reserve funds was voted for FY2020, plus an additional \$2.5 million from overlay surplus, which town meeting appropriated to the Override stabilization Fund. Transfers of \$200,000 from surplus tax abatement are projected in each year of the plan thereafter.
- **Override Stabilization Fund** – For at least the first six years of the override (FY2012-2018) funds were be deposited into the Fund, resulting in an balance of approximately \$23.5 million. In FY2020, as the result of the operating override, and additional \$2,174,510 will be added to the fund. Drawdowns of \$3.9 million in FY2021, \$8.7 in FY2022, and \$13.2 in FY2023 will be needed to close the budget gaps, leaving \$41,723 in the Fund to apply to a budget gap of approximately \$17.8 million in FY2024. It is important to note that these numbers are projections at this time and may vary significantly in future years.

Expenditure assumptions include the following:

- **School Budget** – In FY2017, expenditures were capped at 3.5% for general education costs and 7% for special education costs. However, the FY2015 School Budget included a growth factor that is aimed to offset the expenses attributable to enrollment growth for the previous years. In future years, the growth factor is included in the following year’s general education budget, which results in school budget increases ranging from 5.27% to 6.22%. The growth factor is explained in greater detail earlier in the Town Manager’s Budget Message.
- **Minuteman School** – In FY2020 the Town’s Minuteman Technical Vocational Regional High School assessment will increase by \$447,966 (9.07%). This most of this increase is due to assessments to pay for debt services for the new Minuteman High School construction project. In future years, those capital assessments will continue to increase as the construction project moves forward. Also, in future years operating increases for Minuteman are projected at 3.5% per year.
- **Municipal Departments** - Expenditures for municipal departments will increase by 3.25% in FY2020 in line with Town policy, plus an additional \$250,000 as part of the override commitments to increase spending on pedestrian infrastructure and senior transportation. Going forward, Town expenditure increases are capped at 3.25%.



- **Capital Budget** – Capital policies call for dedicating approximately 5% of net revenues to capital spending inclusive of non-exempt debt. The Capital Budget fluctuates in future years due to the retirement of exempt debt.
  - **Exempt Debt** – This includes the actual cost of debt service for debt exclusion projects, which include most school projects, except the Ottoson and the Hardy Schools. Exempt debt, also sometimes referred to as Excluded Debt, is debt service that is added to the tax levy above the normal limits of Proposition 21/2.
  - **Non-Exempt Debt** – This debt will fluctuate over the next several years but will average slightly less than \$7 million per year. Some of the recent major projects funded by non-exempt debt include the Highland & Central Fire Stations and the Community Safety building.
  - **Cash** – In FY2020 \$4,222,995 in cash funded capital projects is included. This amount fluctuates in future years.
- **MWRA Debt Shift** – The amount has been level funded at \$5,593,112.
- **Pensions** – In FY2020 the pension appropriation will increase 5.48% and thereafter, increases 5.5% annually.
- **Insurance (including Healthcare)** – Health care and insurance costs are expected to increase by 4.56%. Employee premiums (GIC rates) increases and decreases varied based on the sixteen different plans offered by the GIC. The overall health insurance rate increase for Arlington is projected to be 3.7%. In outgoing years costs are projected to increase from 5% to 6% per year depending on enrollment growth in the School Department.
- **State Assessments** – In FY2020, the MBTA assessment, which is the largest assessment, will increase by \$82,426 (2.78%). Overall, state assessments will increase by 1.45% and increase by 2.50% annually thereafter.
- **Offset Aid** – Assistance to Libraries will increase \$895.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years, which occur every three years. For the revaluation years FY2019 and FY2022, the reserve is increased to \$800,000. In non-revaluation years it is reduced to \$600,000.



- **Reserve Fund** – The Reserve Fund is budgeted at 1% of operating revenues.
- **Other** – This includes court judgments (\$100,000) and Symmes property taxes reserved for Symmes debt (\$673,225). The estimate fluctuates with actual Symmes debt service payments.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles have been estimated at \$1,186,942 in FY2020 and thereafter held level. It includes the Elections budget, which fluctuates by approximately \$100,000 per year depending on the number of scheduled elections.
- **Override Stabilization Fund** – There is no appropriation into the Override Stabilization Fund in FY2020 or subsequent years..



**Conclusion**

Every effort has been made to implement all appropriate measures that will maximize the productivity of our organization and deliver the highest quality of services within available resources. Our entire management team has worked collectively to implement creative ways of doing more with less. We remain committed to maintaining the high quality of life our residents expect and deserve.

As the budget process evolves and additional information becomes available over the next few months, the estimates and recommendations contained herein will be adjusted as required. You will then be able to make operating and capital budget adjustments as deemed advisable prior to Town Meeting.

The document presented for your consideration is a product of a great deal of work. Our department heads, second to none in the Commonwealth in terms of professional competence and dedication to their tasks, provided invaluable input and assistance. Members of boards and commissions also offered valuable assistance. In particular, I would like to thank the Select Board for its policy insights and leadership. I am most of all indebted to Sandy Pooler, Deputy Town Manager and Amy Fidalgo, Management Analyst for the production of this budget document. They deserve special recognition for the quality of the budget document and the information and the data contained herein. Both of these valuable team members spent evenings and weekends assisting in the production of this document.

Respectfully submitted,

*Adam W. Chapdelaine*

Town Manager

# Fiscal Year 2020 Budget



## Long Range Financial Projection

	FY 2019	Dollar Change	Percent Change	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>I REVENUE</b>								
A. State Aid	20,039,795	832,732	4.34%	22,439,702	23,079,436	23,596,957	23,978,630	24,214,373
School Construction Aid	476,523	(1,139,391)	-70.51%	476,523	476,523	0	0	0
B. Local Receipts	9,171,000	100,000	1.10%	9,871,000	9,971,000	10,071,000	10,171,000	10,271,000
C. Free Cash	4,593,375	(257,191)	-5.30%	5,559,782	3,307,332	3,307,332	3,307,332	3,307,332
D. Overlay Reserve Surplus	200,000	(300,000)	-60.00%	200,000	200,000	200,000	200,000	200,000
E. Property Tax	124,010,977	6,755,776	5.76%	133,239,908	136,700,183	140,222,855	143,874,930	147,572,640
F. Override Stabilization Fund	2,786,331			0	3,910,218	8,734,876	13,212,136	41,723
<b>TOTAL REVENUES</b>	<b>161,278,001</b>	<b>8,778,257</b>	<b>5.76%</b>	<b>171,786,915</b>	<b>177,644,692</b>	<b>186,133,020</b>	<b>194,744,028</b>	<b>185,607,068</b>
<b>II APPROPRIATIONS</b>								
A. Operating Budgets								
General Education Costs	43,981,008	5,193,466	13.39%	46,381,443	50,183,324	53,547,176	57,324,765	61,234,569
Special Education Costs	21,440,034	1,402,619	7.00%	22,940,836	24,546,695	26,264,964	28,103,511	30,070,757
Growth Factor	831,980			1,504,860	953,078	1,039,070	1,039,070	687,936
<b>Net School Budget</b>	<b>66,253,022</b>	<b>5,324,537</b>	<b>8.74%</b>	<b>71,427,139</b>	<b>76,283,097</b>	<b>81,651,210</b>	<b>87,267,346</b>	<b>91,993,262</b>
Minuteman	4,936,724	645,391	15.04%	5,384,690	5,573,154	5,768,214	5,970,101	6,179,055
Town Personnel Services	27,620,241	898,070	3.36%	28,549,847	29,477,717	30,435,743	31,424,905	32,446,214
Expenses	10,594,579	280,193	2.72%	11,165,682	11,528,567	11,903,245	12,290,100	12,689,528
<i>Less Offsets Enterprise Fund/Other</i>	<i>2,490,562</i>	<i>53,771</i>	<i>2.21%</i>	<i>2,580,233</i>	<i>2,664,091</i>	<i>2,750,674</i>	<i>2,840,071</i>	<i>2,932,373</i>
<b>Net Town Budget</b>	<b>35,724,258</b>	<b>1,124,492</b>	<b>3.25%</b>	<b>37,135,296</b>	<b>38,342,193</b>	<b>39,588,314</b>	<b>40,874,934</b>	<b>42,203,369</b>
MWRA Debt Shift	5,593,112	0	0.00%	5,593,112	5,593,112	5,593,112	5,593,112	5,593,112
B. Capital budget								
Exempt Debt Service	4,432,143	1,256,716	39.58%	4,321,873	4,114,929	3,452,179	3,352,632	3,254,930
Non-Exempt Service	6,624,043	(657,776)	-9.03%	6,512,083	6,744,893	7,562,997	7,825,529	7,758,849
Cash	2,795,027	(1,146,901)	-29.09%	4,320,995	3,125,060	2,407,026	2,150,383	2,602,993
Offets/Capital Carry Forward	(994,056)	1,881,293	-65.43%	(1,958,907)	(984,627)	(887,157)	(576,125)	(563,837)
<b>Total Capital</b>	<b>12,857,157</b>	<b>1,333,332</b>	<b>11.57%</b>	<b>13,196,044</b>	<b>13,000,255</b>	<b>12,535,045</b>	<b>12,752,419</b>	<b>13,052,935</b>
C. Pensions	10,765,545	623,810	6.15%	11,355,946	11,980,523	12,639,452	13,334,622	14,068,026
D. Insurance	17,159,100	(80,461)	-0.47%	17,891,836	19,018,600	20,227,942	21,507,493	22,785,282
E. State Assessments	3,366,238	125,809	3.88%	3,461,141	3,546,221	3,633,429	3,722,816	3,814,439
G. Overlay Reserve	1,245,171	88,942	7.69%	600,000	600,000	800,000	600,000	600,000
H. Reserve Fund	1,553,287	46,847	3.11%	1,604,584	1,696,195	1,739,460	1,781,793	1,823,104
I. Crt Jdgmnts/Deficit/Symmes	671,250	(77,088)	-10.30%	773,225	771,950	767,450	100,000	100,000
J. Warrant Articles	1,153,137	(166,218)	-12.60%	1,189,392	1,239,392	1,189,392	1,239,392	1,189,392
K. Override Stabilization Fund	0			2,174,510	0	0	0	0
<b>L TOTAL APPROPRIATIONS</b>	<b>161,278,001</b>	<b>8,778,257</b>	<b>5.76%</b>	<b>171,786,915</b>	<b>177,644,692</b>	<b>186,133,020</b>	<b>194,744,028</b>	<b>203,401,976</b>
<b>BALANCE</b>	<b>0</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,794,908)</b>