



TOTAL REVENUE

Total revenue for FY2020 is projected to be \$171,786,915, an increase of \$10,508,914 or 6.52%. Of this increase, \$166,352,352 is from revenue dedicated to support the General Fund and \$5,434,563 is from debt exclusion overrides to support borrowing for capital projects, such as to renovate or build new elementary schools and the Minuteman Regional Vocational Technical High School. The General Fund increase is \$10,315,072 or 6.61%

The property tax levy is projected to increase, without debt exclusion revenue, by \$9,035,089 or 7.61%. This includes the normal 2.5% increase plus \$650,000 in new growth, and the \$5,500,000 general operating override approved by votes on June 11, 2019. Total tax revenues, including the debt exclusions, increase by \$9,228,931 or 7.44%

Local receipts are projected to increase \$700,000 due to projected increases in Motor Vehicle Excise tax collections and building permit revenue.

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. Total state aid is projected to increase \$2,239,907, or 11.7% and is based on the House budget (the last State budget passed at the time of Town Meeting), which contained increases in Chapter 70 School Aid and General Government Aid. From these increases, Arlington will receive a \$2,213,404 (18.8%) increase in Chapter 70 Aid and a \$211,795 (2.7%) increase in General Government Aid consistent with the Governor's pledge to increase General Government Aid by the say percentage that he project FY20 State revenue to grow.

A total of \$5,559,782 in Free Cash is proposed to be used, which is an increase of \$966,407 from FY2019 and, consistent with Town financial policies, an amount equal to 50% of the Free Cash balance certified by the Department of Revenue for the close of the previous fiscal, June 30, 2018.

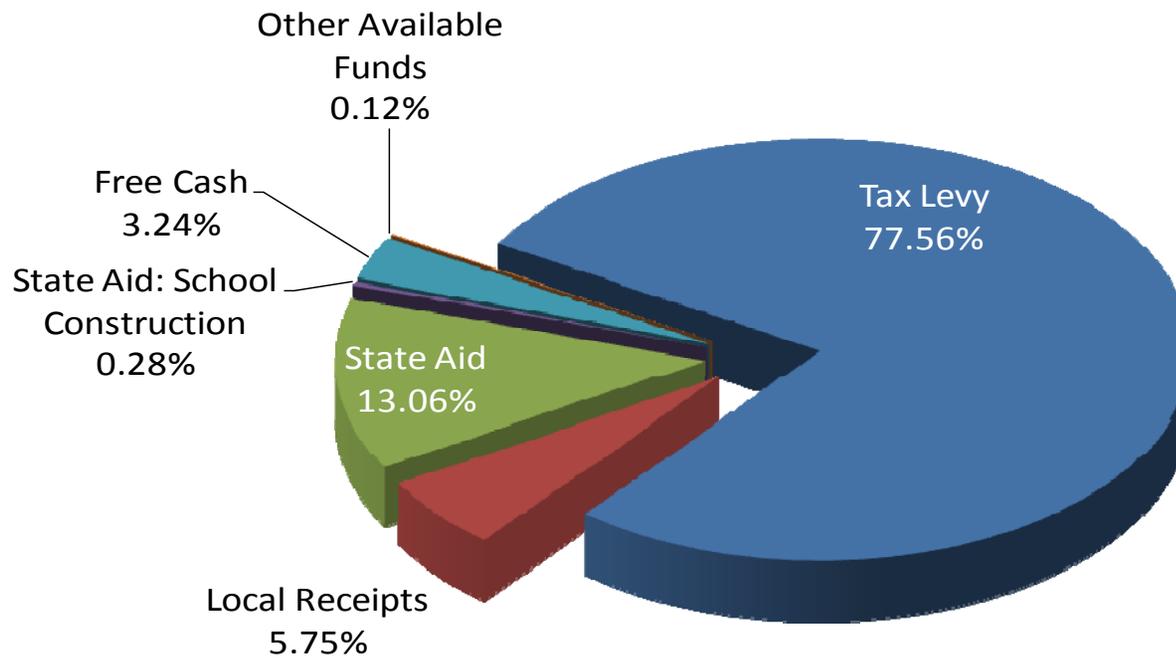
Other Available Funds include \$200,000 in surplus tax abatement overlay funds, the same amount the Assessors released in FY19.

The passage of the operating budget override meant that it was not necessary to use and of the Override Stabilization Fund this year. In fact, Town meeting was able to deposit \$2,174,510 into the Fund.

REVENUE SOURCE	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Tax Levy	112,439,838	117,255,201	124,010,977	133,239,908	9,228,931
Local Receipts	10,689,873	12,004,047	9,171,000	9,871,000	700,000
State Aid	21,393,301	20,991,079	20,516,318	22,916,225	2,399,907
Free Cash	4,537,299	4,850,566	4,593,375	5,559,782	966,407
Other Available Funds	200,000	500,000	200,000	200,000	-
Override Stabilization Fund	0	0	2,786,331	0	(2,786,331)
Total	149,260,311	155,600,893	161,278,001	171,786,915	10,508,914



Revenues \$171,786,915





Total General Fund Revenues

	<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>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Budget</u>
Tax Levy*	80,365,862	89,409,382	92,416,269	96,144,398	99,691,909	103,384,789	106,846,726	111,126,263	118,129,339	127,646,796
Local Receipts	9,238,654	10,291,463	9,886,882	10,296,545	10,115,304	11,071,191	10,689,873	9,071,000	9,171,000	9,871,000
State Aid**	14,066,445	13,420,743	15,040,051	17,093,258	17,462,884	18,230,105	18,918,527	19,207,062	19,958,018	22,439,702
Free Cash	582,050	481,456	1,570,000	3,411,528	3,042,925	3,435,846	4,537,299	4,850,566	4,593,375	5,559,782
Other Available Funds	2,080,000	200,000	200,000	200,000	350,000	350,000	200,000	500,000	200,000	200,000
Override Stabilization Fund									2,786,331	0
Total	106,333,011	113,803,044	119,113,202	127,145,729	130,663,022	136,471,931	141,192,425	144,754,891	154,838,063	165,717,280

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<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>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Budget</u>
Tax Levy	2,487,938	9,043,520	3,006,887	3,728,129	3,547,511	3,692,880	3,461,937	4,279,537	7,003,076	9,517,457
Local Receipts	585,481	1,052,809	(404,581)	409,663	(181,241)	955,887	(381,318)	(1,618,873)	100,000	700,000
State Aid	(316,520)	(645,702)	1,619,308	2,053,207	369,626	767,221	688,422	288,535	750,956	2,481,684
Free Cash	(915,857)	(100,594)	1,088,544	1,841,528	(368,604)	392,922	1,101,453	313,267	(257,191)	966,407
Other Available Funds	(1,162,376)	(1,880,000)	0	0	150,000	0	(150,000)	300,000	(300,000)	0
Override Stabilization Fund									2,786,331	(2,786,331)
Total	678,666	7,470,033	5,310,158	8,032,527	3,517,293	5,808,909	4,720,494	3,562,466	10,083,172	10,879,217
Percent Increase	0.6%	7.0%	4.7%	6.7%	2.8%	4.4%	3.5%	2.5%	7.0%	7.0%

Percent of Total Revenue

	<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>Actual</u>	<u>FY18</u> <u>Budget</u>	<u>FY19</u> <u>Budget</u>	<u>FY20</u> <u>Budget</u>
Tax Levy	75.6%	78.6%	77.6%	75.6%	76.3%	75.8%	75.7%	76.8%	76.3%	77.0%
Local Receipts	8.7%	9.0%	8.3%	8.1%	7.7%	8.1%	7.6%	6.3%	5.9%	6.0%
State Aid	13.2%	11.8%	12.6%	13.4%	13.4%	13.4%	13.4%	13.3%	12.9%	13.5%
Free Cash	0.5%	0.4%	1.3%	2.7%	2.3%	2.5%	3.2%	3.4%	3.0%	3.4%
Other Available Funds	2.0%	0.2%	0.2%	0.2%	0.3%	0.3%	0.1%	0.3%	0.1%	0.1%
Override Stabilization Fund									1.8%	0.0%
Total	100%									



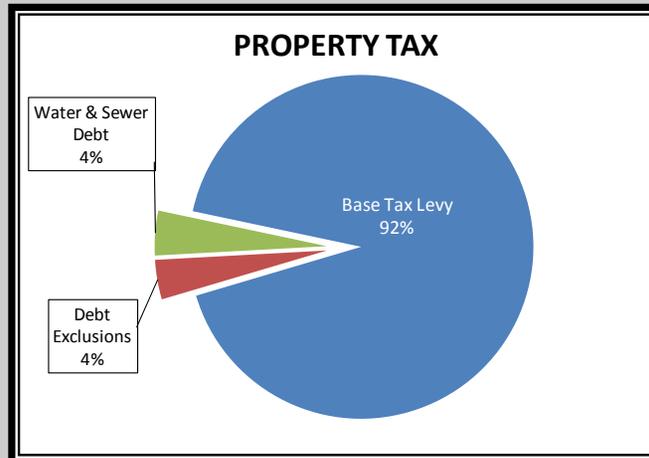
PROPERTY TAX LEVY

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 76% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington’s non-manufacturing businesses. State law mandates that communities update their property values every five 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 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 FY2019 are preliminary estimates used to project the levy limit. The FY2019 levy limit was \$113,696,347. The 2½% increase allowed for FY2020 is \$2,842,409. New growth from construction not previously on the tax rolls is expected to add \$650,000 to the levy. An additional \$4,958,040 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 \$476,523. Beginning in FY2012, debt service for the Symmes Urban Renewal project was added to the tax levy. FY2019 will mark the fifth 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, including MWRA debt assessments, are transferred to the real estate taxes. The Select Board voted to freeze the amount of MWRA debt shift at the FY2007 amount of \$5,593,112. The FY2020 tax levy is projected to total \$127,739,908 representing an increase of \$4,035,457 (3.26%) over the FY2019 budgeted levy.

PROPERTY TAX LEVY	FY 2017 Budget	FY 2018 Budget	FY 2019 Budget	FY 2020 Budget	Budget Change
Base Tax Levy	105,967,928	109,888,005	113,365,141	122,688,756	9,323,615
Debt Exclusion Overrides					
Arlington High School				48,794	48,794
Bishop School	(19,865)	(38,508)	-	-	-
Brackett School	70,318	39,140	-	-	-
Dallin School	255,864	264,252	250,818	233,284	(17,534)
Gibbs School			2,144,312	2,081,975	(62,337)
Hardy School	(43,680)	(64,888)	90,985	88,435	(2,550)
Minuteman High School		214,571	808,578	1,112,690	304,112
Peirce School	95,693	65,758	46,072	26,537	(19,535)
Stratton School	17,511	711,532	562,475	550,875	(11,600)
Thompson School	502,957	582,228	842,958	815,450	(27,508)
Sub-total Debt Exclusions	878,798	1,774,085	4,746,198	4,958,040	211,842
Water and Sewer Debt	5,593,112	5,593,112	5,593,112	5,593,112	-
Total	112,439,838	117,255,202	123,704,451	133,239,908	9,535,457

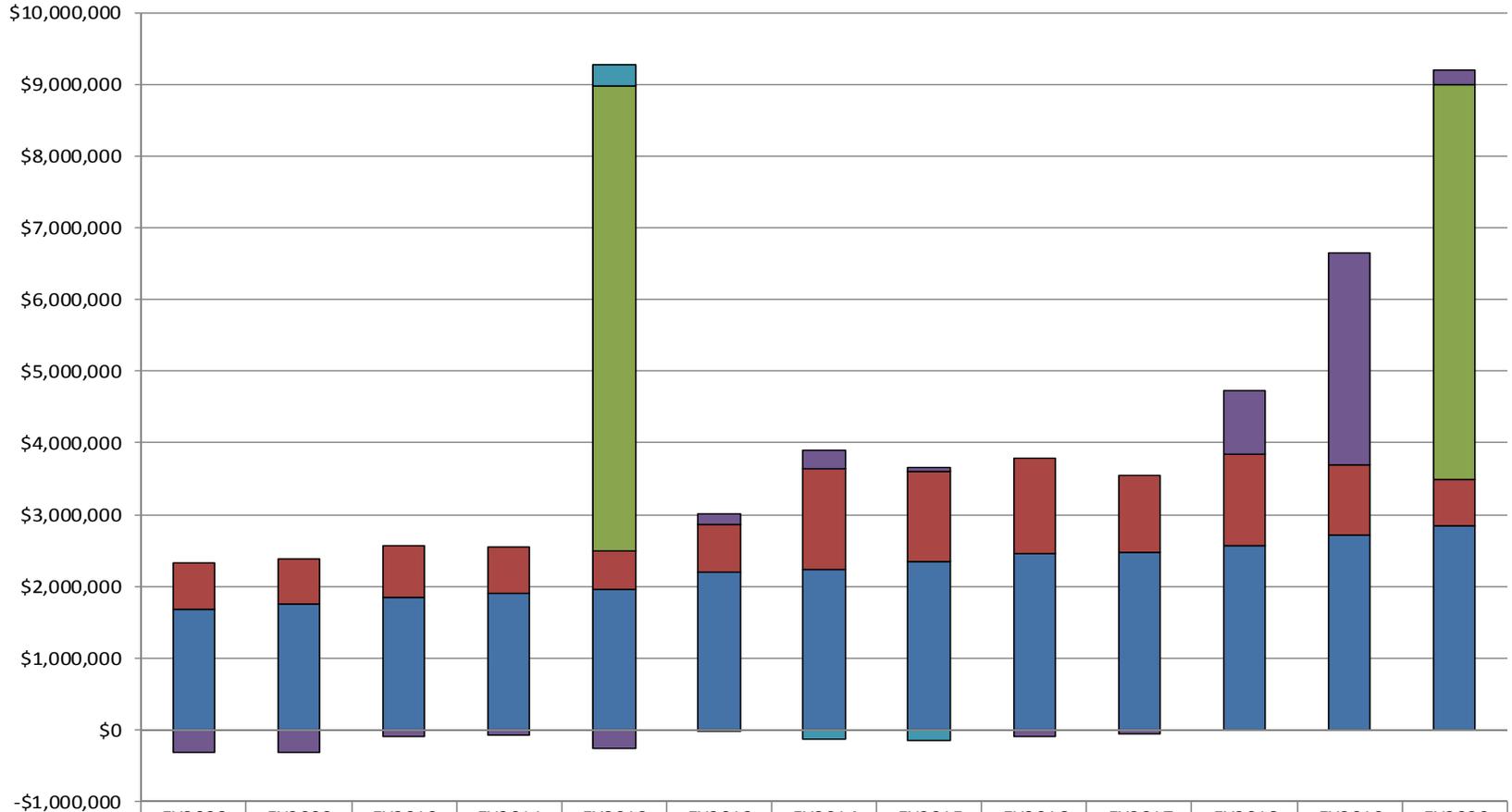


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2018	117,255,201.00	316,252.00	56,925.09	116,098,972.00	117,222,582.00	100.97%	311,784.29	764,812.00	396,784.00	355,494.92
2017	114,042,281.23	316,252.00	69,741.70	113,656,287.53	113,137,357.89	99.54%	0.00	545,964.37	396,784.20	288,509.98
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

It is Town policy to close out all real estate and personal property commitments in the same fiscal year, except in 2017, when such close outs were delayed one year because of the Town's conversion to new tax collection software.



COMPONENTS OF TAX LEVY INCREASE



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
MWRA Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Symmes Debt Exclusion	-	-	-	-	307,130	(28,590)	(128,721)	(150,000)	-	-	-	-	-
School Debt Exclusion	(319,928)	(316,820)	(93,659)	(79,675)	(263,714)	157,960	255,465	62,328	(92,013)	(61,801)	895,287	2,972,113	211,842
General Override	-	-	-	-	6,490,000	-	-	-	-	-	-	-	5,500,000
New Growth	640,013	642,912	726,955	656,751	522,167	657,203	1,393,953	1,255,293	1,337,666	1,070,144	1,263,812	981,206	650,000
2.5% Increase	1,678,300	1,748,194	1,843,862	1,897,682	1,963,980	2,198,195	2,240,858	2,337,986	2,455,742	2,477,526	2,573,287	2,706,470	2,842,409



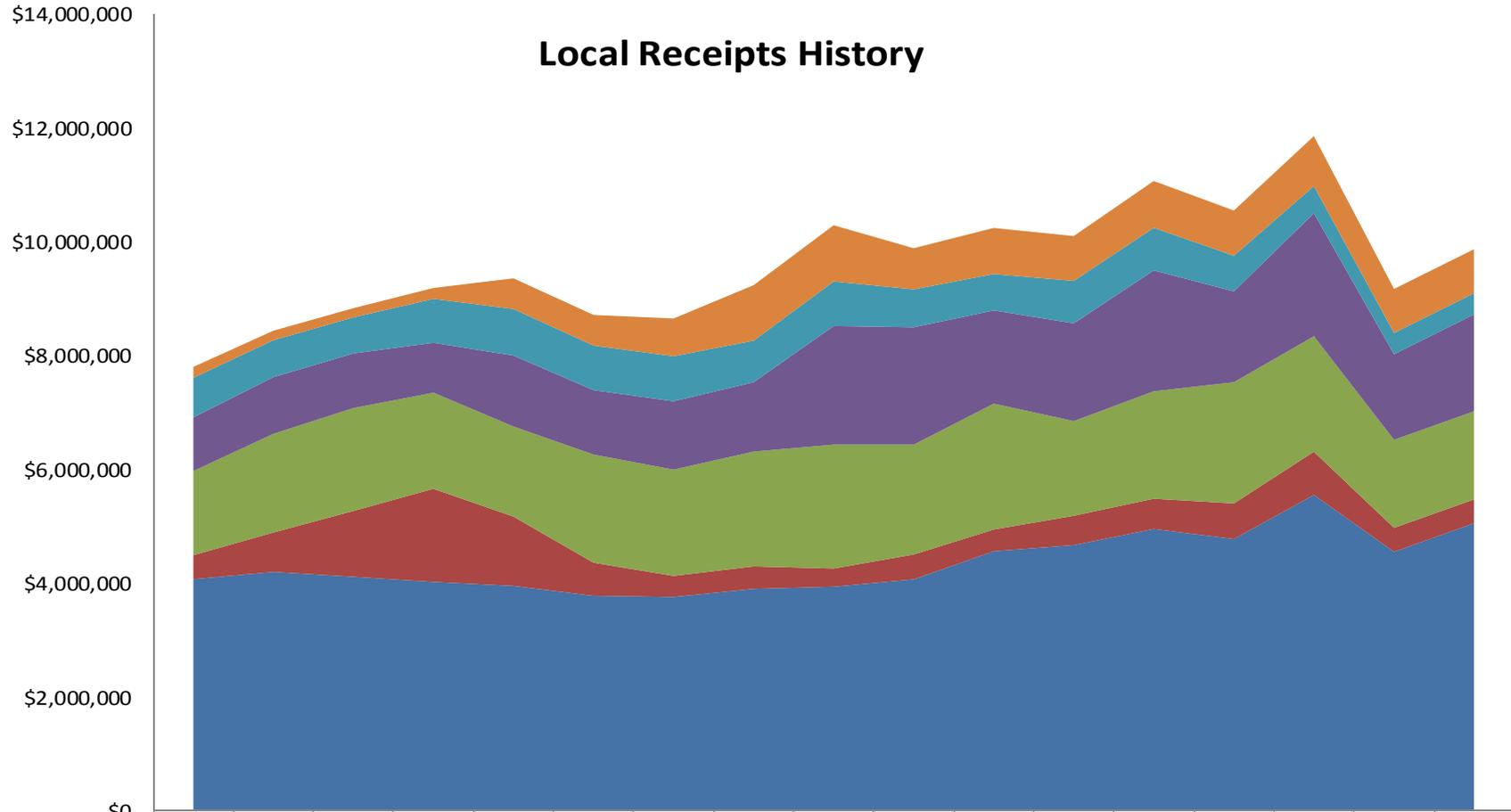
LOCAL RECEIPTS SUMMARY

Local receipts for FY2020 are projected to increase \$700,000 to a total of \$9,871,000. The Motor Vehicle Excise taxes are projected to increase \$500,000 and Licenses and Permits are projected to increase by \$200,000. All other sources are level estimates from FY2019.

LOCAL RECEIPTS SUMMARY	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Motor Vehicle Excise	4,775,678	5,551,687	4,551,000	5,051,000	500,000
Interest Income	624,788	757,355	420,000	420,000	-
Departmental Fees	1,978,672	2,031,168	1,549,000	1,549,000	-
Licenses and Permits	1,597,015	2,164,229	1,505,000	1,705,000	200,000
Rentals	627,569	476,310	373,000	373,000	-
Other	796,028	877,609	773,000	773,000	-
Total	10,399,750	11,858,358	9,171,000	9,871,000	700,000



Local Receipts History



	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	Actual FY17	Actual FY18	Budget FY19	Budget FY20
Other	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	796,028	877,609	773,000	773,000
Rentals	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	627,569	476,310	373,000	373,000
Licenses and Permits	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	1,597,01	2,164,22	1,505,00	1,705,00
Fees/Departmental	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	2,131,66	2,031,16	1,549,00	1,549,00
Interest Income	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	624,788	757,355	420,000	420,000
Motor Vehicle Excise	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	4,775,67	5,551,68	4,551,00	5,051,00



MOTOR VEHICLE EXCISE

Motor vehicle excise tax receipts are projected to increase \$500,000 over the budgeted amount from FY2019 to a projected total of \$5.051 million, consistent with long-term trends and Town revenue policy. Commitments have been increasing year since 2012, exceeding the low in 2009. 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 2018 is as of June 30, 2018.

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>
2018	\$ 5,843,844.70	\$ 5,655,881.52	\$ 103,697.40	\$ 5,552,184.12	\$ 188,660.91	\$ 102,999.67	98.24%
2017	\$ 4,838,049.36	\$ 4,865,068.94	\$ 90,286.47	\$ 4,774,782.47	\$ 158,912.85	\$ (95,645.96)	101.98%
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%

MOTOR VEHICLE EXCISE	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Motor Vehicle Excise	4,775,678	5,551,687	4,551,000	5,051,000	500,000



DEPARTMENTAL FEES

Departmental fees are projected to remain unchanged in FY2020. The establishment of a parking benefits district at Town Meeting means that parking meter revenue has been moved to the Parking Fund and the estimate for parking violations, with increased enforcement, has been increased. The Library Trustees have implemented a new no fines policy; to make up for this decrease in revenue, Ambulance Fee and Other Department Fee revenue estimates are increased, consistent with prior year actual collection figures, however, those fees remain unchanged.

DEPARTMENTAL FEES	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Schools (Medicare Reimbursement)	331,647	276,482	100,000	100,000	-
Cemetery Revenue	278,075	255,700	265,000	265,000	-
Library Fees and Fines (Discontinued in 2019)	48,957	45,123	49,000	-	(49,000)
Collector's Demand Fees	42,667	-	70,000	70,000	-
Town Clerk Fees	51,508	54,143	40,000	40,000	-
Parking Violations	390,017	426,489	350,000	350,000	-
Fire Alarm Renewal Fee	4,000	4,500	5,000	5,000	-
Ambulance Fees	490,271	522,276	400,000	424,000	24,000
Other Departmental Revenue	259,567	367,037	200,000	225,000	25,000
Other Department Fees	81,963	79,418	70,000	70,000	-
Total	1,978,672	2,031,168	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 dropped from a high of more than \$1.4 million in FY2007 to \$55,430 in FY2011. This is due to dramatic fluctuations in interest rates. As interest rates continue to change, the Town will monitor interest income.

INTEREST INCOME	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Investment Income	329,266	442,361	65,000	65,000	-
Penalties & Interest	295,522	314,994	355,000	355,000	-
Total	624,788	757,355	420,000	420,000	-



LICENSES AND PERMITS

Licenses and permits revenues for FY20 are projected to rise by \$200,000, based on recent trends. Building Permits generally generate the most permit revenue. The FY2020 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	FY2017 Actual	FY2018 Budget	FY2019 Budget	FY2020 Budget	Budget Change
Parking Permits	140,315	179,480	115,000	115,000	-
Liquor Licenses	83,693	78,170	80,000	80,000	-
Food Licenses	5,665	6,495	7,000	7,000	-
Food Permits	13,925	14,000	16,000	16,000	-
Tobacco Permits	9,500	10,000	11,000	11,000	-
Building Inspections	1,286,254	1,830,160	1,220,000	1,420,000	200,000
Fire Prevention Permits	51,591	41,234	50,000	50,000	-
Marriage Licenses	6,072	4,690	6,000	6,000	-
Other	-	-	-	-	-
Total	1,597,015	2,164,229	1,505,000	1,705,000	200,000



RENTAL INCOME

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

Overall, revenue is projected to remain constant at \$373,000.

New leases, which went into effect in FY2015, include a capital contribution which will offset future capital improvements to the buildings. Projected revenue from other properties remains unchanged.

The Parmenter School building will lose one tenant, the International School of Boston, and retain the other tenant, the Arlington Children’s Center.

The Ryder Street property is rented for a one-year period at a new, higher rate than in past years.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi).

RENTAL INCOME	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Ryder St.	123,623	133,580	95,000	231,000	136,000
Parmenter	197,999	271,903	209,000	73,000	(136,000)
Gibbs	236,831	-	-	-	-
Mt. Gilboa	24,000	25,711	24,000	24,000	-
Dallin Library	45,116	45,116	45,000	45,000	-
Total	627,569	476,310	373,000	373,000	-



OTHER LOCAL RECEIPTS

Other local receipts are projected to remain unchanged in FY2020.

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 of 4% at that time (there is only one hotel in Arlington). The State allowed cities and towns to increase the room occupancy tax by 1% to a total of 5%.

FY2020 projections are consistent with actual collections in past years.

OTHER LOCAL RECEIPTS	FY2017 Actual	FY2018 Actual	FY2019 Request	FY2020 Request	Budget Change
Meals Tax	415,173	444,161	400,000	400,000	-
Hotel Tax	303,939	378,783	325,000	325,000	-
Court Fines	28,608	24,244	30,000	30,000	-
Special Assessments	(3,212)	5,084	-	-	-
Payments In Lieu of Taxes	51,519	25,337	18,000	18,000	-
Total	796,028	877,609	773,000	773,000	0



STATE AID SUMMARY

In January, the Governor released his budget, which included a \$200 million increase in Chapter 70 School Aid and a \$29.7 million increase in General Government Aid. The House budget (the most recent State budget passed at the time of Town Meeting) added funds to those accounts. As a result Arlington will benefit from a \$2,281,515 increase in Chapter 70 School Aid and a \$211,795 increase in Unrestricted General Government Aid (UGGA).

General Government Aid — Unrestricted General Government Aid and Veterans’ Benefits reimbursements — will increase \$223,677 or 2.78%.

School Aid — Chapter 70 School Aid plus Charter School tuition reimbursement and exclusive of school construction aid — is projected to increase \$2,281,515 or 199.48%. Overall FY2020 State Aid, as used to balance the Town Manager’s budget, will increase \$2,480,696 to a total of \$22,916,225. This total is inclusive of \$476,523 in school construction reimbursements for debt service on the Peirce School construction project. FY2021 will be the last year of reimbursement for the Peirce School project.

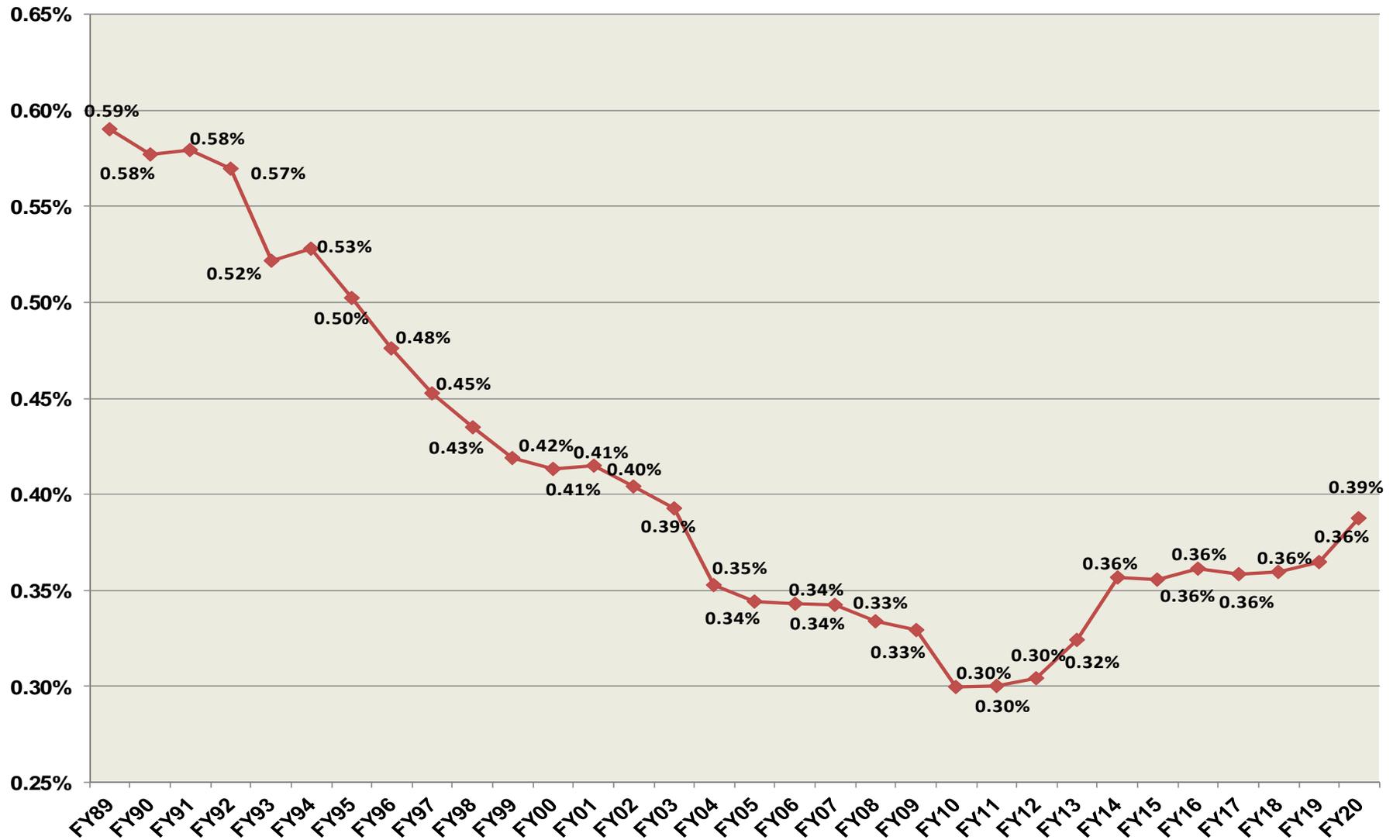
Exclusive of school construction aid, Arlington’s projected state aid is a slight increase in real dollars above what it received in FY2002, 16 years ago. Since 1989, Arlington has seen its share of total state aid cut by approximately 37% (see chart on p. 42). A look at the cumulative year-to-year increases 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 FY2019 ends in a cumulative increase of 31%. 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 FY2019, 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 30.9% from FY2002, while in FY2019 Arlington’s cumulative year-to-year change since FY2002 is an increase of 20.9%, two thirds of the overall state increase.

STATE AID SUMMARY	FY2017 Budget	FY2018 Budget	FY2019 Budget	FY2020 Budget	Budget Change
Gen Government Aid	7,577,597	7,811,306	8,039,054	8,262,731	223,677
School Aid	11,040,081	11,204,057	11,712,176	13,993,691	2,281,515
School Construction	2,474,774	1,615,914	476,523	476,523	-
Tax Exemptions	113,405	101,257	150,747	125,356	(25,391)
Cherry Sheet Offsets	54,397	55,856	57,029	57,924	895
Total	21,260,254	20,788,390	20,435,529	22,916,225	2,480,696



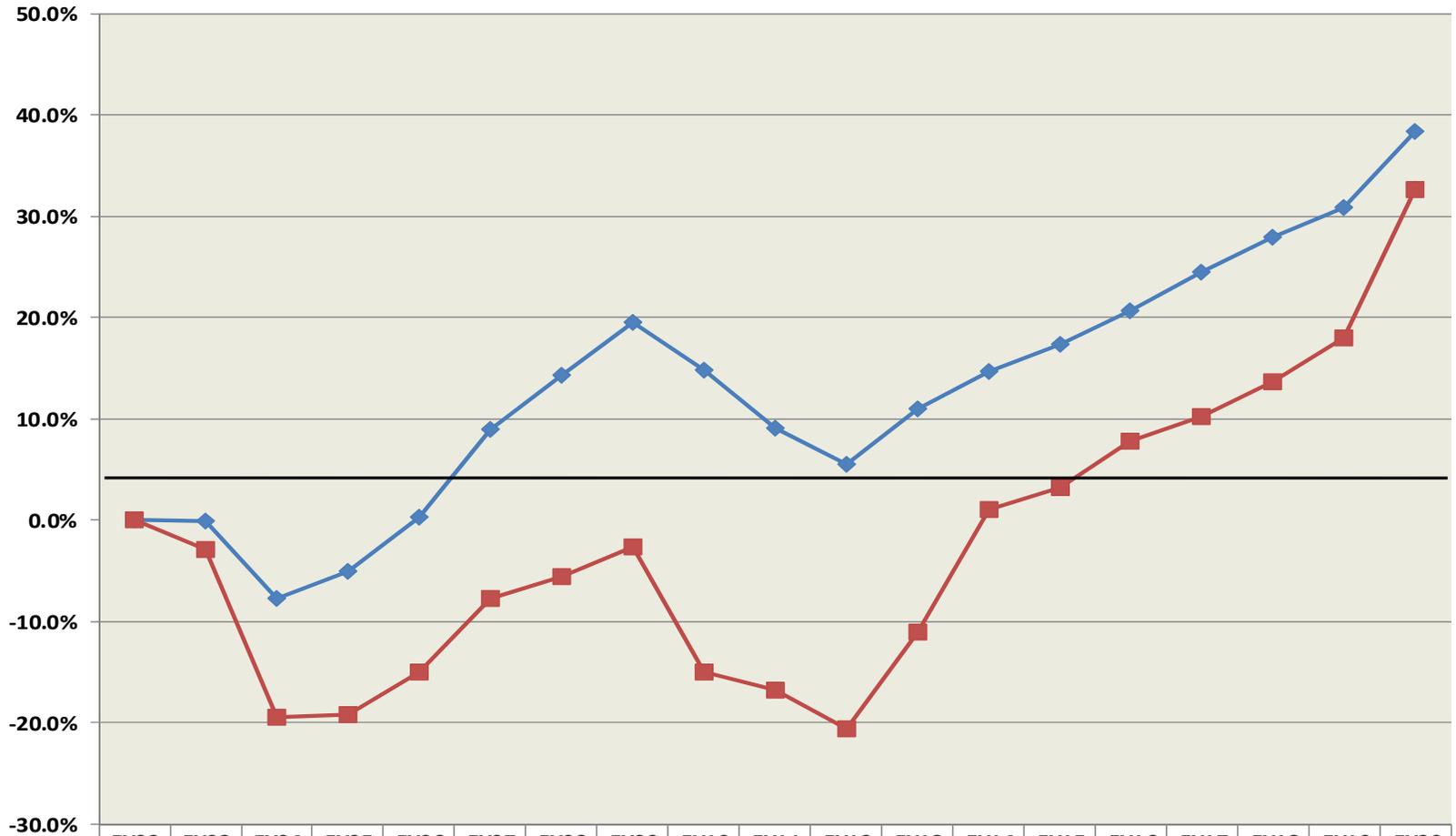
Arlington's Percent of Total State Aid





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%	27.9%	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%



GENERAL GOVERNMENT

Unrestricted General Government Aid (UGGA)

In FY2020 UGGA is expected to increase \$211,795, or 2.7% to \$8,056,055. 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 FY2020, the Town has weathered a reduction in this aid of approximately \$1.6 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 FY2020 the preliminary Cherry Sheet estimate is \$206,676, a small increase from the previous year, which reflects a stable population of veterans filing benefits claims and consistent efforts by the Town's Veterans' Service Agent to secure VA and other federal benefits for eligible veterans.

GENERAL GOVERNMENT	FY2017 Budget	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Unrestricted General Government Aid	7,294,509	7,578,995	7,844,260	8,056,055	211,795
Veterans' Benefits	283,088	232,311	194,794	206,676	11,882
Total	7,577,597	7,811,306	8,039,054	8,262,731	223,677



SCHOOL AID

School Aid– Chapter 70

The Governor’s proposed total statewide education funding in FY2020, exclusive of regional schools, is \$4.4 billion, an increase of \$235 million, or 5.68%. Of this amount, it is estimated that Arlington will receive \$13,979,327, an increase of \$2,293,938 or 19.48%.

The distribution formula calculates a Foundation Budget representing a standardized cost to educate all students 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. Communities that are less affluent receive significantly more than the 17.5% minimum. Arlington is often one of approximately 100 communities that fall within this category. However, because of increases to the foundation aid formula that better account for the School Department’s rising enrollment and costs (such as providing health insurance to teachers and staff and educating English Language Learners, economically disadvantaged students, and students receiving special education services), Arlington is scheduled to receive a significant increase in foundation aid in FY2020.

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 funding schedule that is supposed to follow a pattern of 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. In the past two fiscal years the Governor and Legislature have appropriated sufficient funds to fund only the first year reimbursement. Based on the preliminary cherry sheets, the Town will receive \$14,346, a decrease of \$12,423.

SCHOOL AID	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Chapter 70 School Aid	11,012,669	11,180,879	11,685,389	13,979,327	2,293,938
Charter School Tuition Reimbursement	27,412	23,178	26,787	14,364	(12,423)
Total	11,040,081	11,204,057	11,712,176	13,993,691	2,281,515



SCHOOL CONSTRUCTION AID

The school construction aid the Town currently receives is for projects completed under an old State school building assistance program, the SBA program under which cities and towns borrowed the full amount of debt for a school building project and the state reimbursed the cities and towns for its share of the project. In 2004, the Governor signed Chapter 210 of the Act of 2004, which made substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transferred 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 dedicates one cent of the state sales tax to the new off-budget school building trust. This is projected to be \$858 million in 2019. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor, allowing MSBA to prepay its share of project expenses. This streamlined process saves local communities millions in avoided interest costs and provides greater cash flow.

The Peirce School project is the last school project to receive reimbursement under the old SBA process. For FY20 the reimbursement will be \$476,523. The last construction aid payments for the Peirce School occur in FY2021, the same year of the last Arlington bond payment for the construction project.

SCHOOL AID	FY2017 Budget	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
School Construction Aid	2,474,774	1,615,914	476,523	476,523	-



TAX EXEMPTION AID

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2020, Arlington's reimbursements are expected to decrease \$25,391 to a total of \$125,356. 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	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Tax Exemption Aid	113,405	101,257	150,747	125,356	(25,391)



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 FY2019, assistance to libraries is expected to increase slightly to \$56,041. 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.

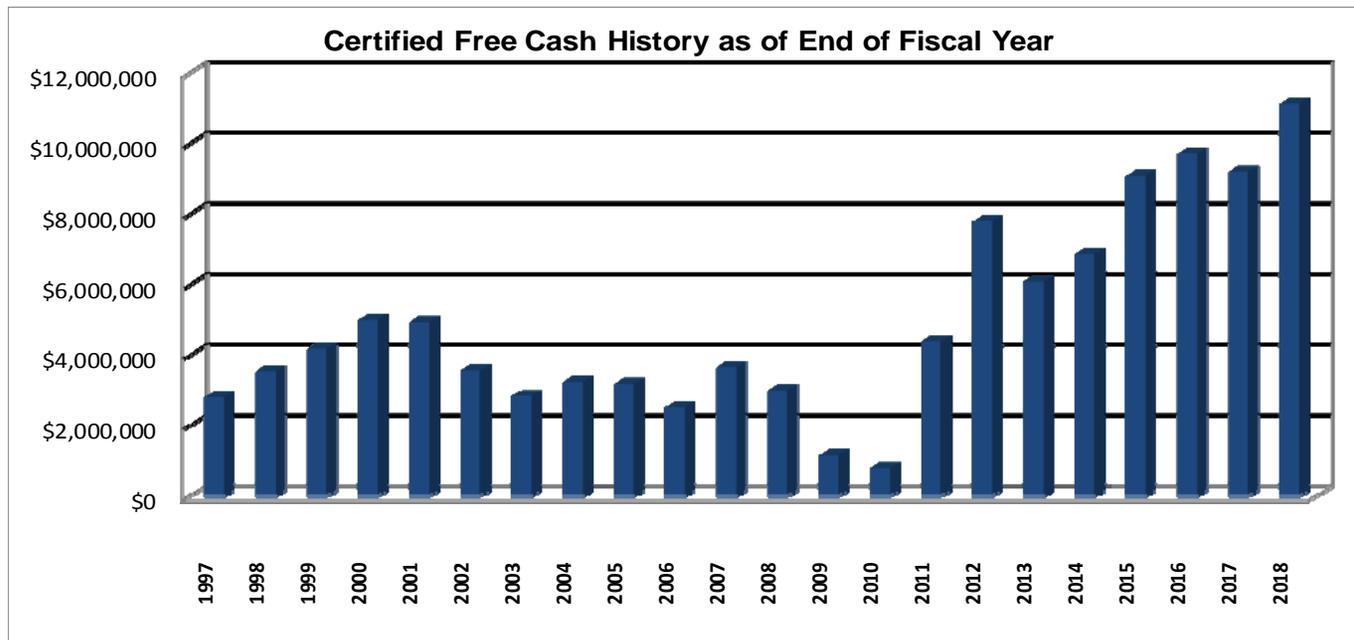
CHERRY SHEET OFFSETS	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Libraries	54,397	55,856	57,029	57,924	895
Total	54,397	55,856	57,029	57,924	895



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 amounts that were appropriated. It is also affected by increases or decreases in uncollected property taxes, deficits in non- General Fund funds, and any other legally incurred operating deficits, such as snow removal overdrafts.

The Town's free cash balance as of June 30, 2018 was \$11,119,563. 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 \$5,559,782 or 50% of the existing balance, be appropriated toward the FY2019.



FREE CASH	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Free Cash Appropriated	4,537,299	4,850,566	4,593,375	5,559,782	966,407



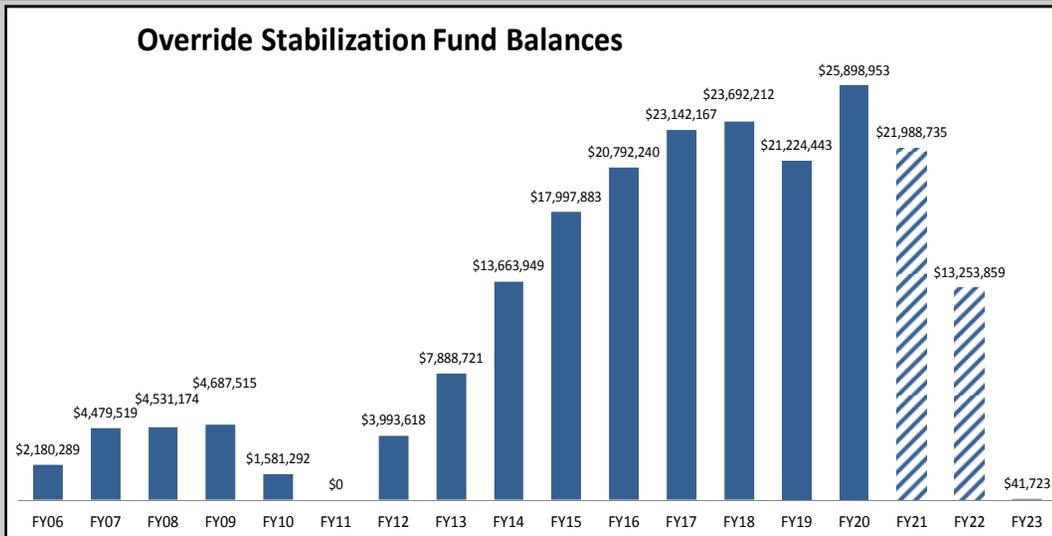
OTHER REVENUE

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. For FY2020, the Board of Assessors has declared \$200,000 as surplus for operating costs and \$2,500,000 for appropriation to the Override Stabilization Fund.

Override Stabilization Fund

The Override Stabilization Fund was created as a result of the 2005 Proposition 2½ 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, when \$2,742,376 was appropriated or withdrawn. The remaining balance in the fund, of \$1,580,000, was appropriated in FY2011, the sixth year. Since the Override of 2011, \$23,692,212 was put into the Fund. As the result of the override, the FY2020 budget appropriates \$2,174,510 to the fund, plus an additional \$2.5 million from Overlay Surplus. The Fund is projected to last through FY2024.



OTHER REVENUE	FY2017 Actual	FY2018 Actual	FY2019 Budget	FY2020 Budget	Budget Change
Overlay Surplus	200,000	500,000	200,000	2,700,000	2,500,000
Override Stabilization Fund	-	-	2,786,331	0	(2,786,331)
Total	200,000	500,000	2,986,331	2,700,000	(286,331)