



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.

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

FY2020 Average Single Family Tax Rate: \$11.06 per \$1,000

FY2020 Ave. Single Family Home Value: \$825,145

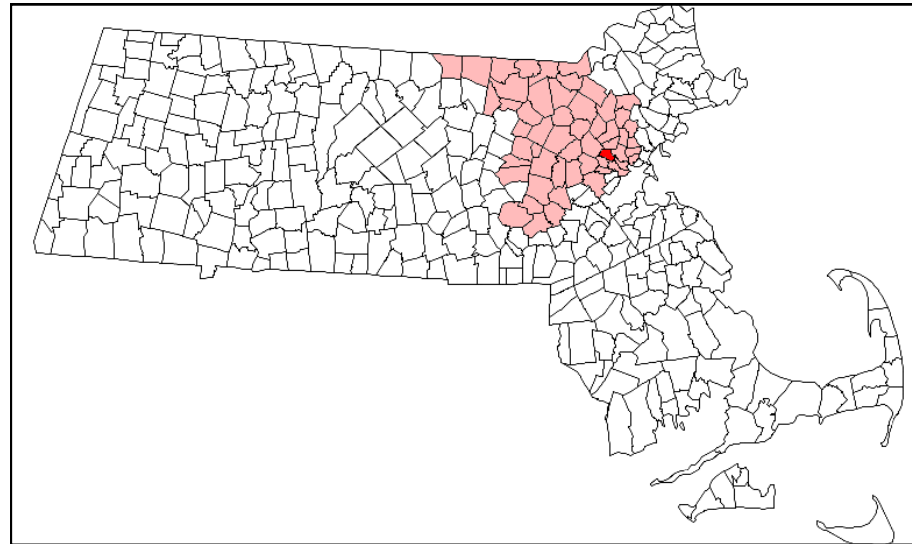
Coordinates: 42°24'55"N 71°09'25"W

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, 2019

Christopher P. Morrill

Executive Director



Fiscal Year 2021 Annual Budget & Financial Plan Budget Message

July 1, 2020

To: The Honorable Select Board and Finance Committee

I hereby transmit the FY2021 operating and capital budgets and the FY2021-2025 capital plan, as voted by Town Meeting. As is true for every community and state in our nation, the FY21 budget for Arlington has been impacted by the COVID-19 pandemic which began at the start of 2020. In reading this budget document you will notice changes from the initial FY2021 budget submitted to the Select Board in January. The budget as proposed totals \$177,756,018, an increase of 3.38% from the FY20 budget. This is a decrease from the initial budget proposal in January and is a first step in curtailing the negative impact of COVID-19 on the Town's finances. Cuts to the initial FY2021 budget include the removal of all general government positions that had been proposed, totaling \$261,847, and \$460,000 of administrative salaries, teacher and professional salaries, and other expenses from the school side of the Town budget. Cuts were also made to warrant articles, and uses of reserves. For more detail on these budget changes, please see page eight.

A summary showing a comparison of the FY2020 and FY2021 revenues and expenditures is shown on page seven. The proposed FY2021 budget is available via the Town's online budget tool, Arlington Visual Budget. It can be viewed at arlingtonvisualbudget.org.

FY2020 was the first year of a four-year plan that incorporated the Proposition 2 ½ override of 2019 designed to carry the Town's budgets through FY2023. The Select Board adopted a set of commitments which served as the basis for the \$5,500,000 operating override that passed via a Town-wide ballot measure on June 11, 2019. The Board's commitments and the status of fulfilling them are as follows:

- 1) Exercise fiscal discipline, and provide quality municipal services.
 - a. Commit to no Proposition 2½ overrides for at least four years. – **This budget submission maintains this commitment.**
 - b. Continue to increase general education operating budgets by 3.5% annually. – **This commitment is maintained.**
 - c. Continue to increase general government operating budgets by 3.25% annually. – **This commitment is maintained with a proposed Town budget increase of 2%.**
 - d. Continue to fund special education cost growth at a rate of 7% per year. – **This commitment is maintained.**
- 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. – **This commitment is maintained.**



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. – **Due to COVID-19, the FY21 increase was reduced to \$140,000.**
- 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. – **This commitment is maintained, with \$200,000 for mobility improvements being included in the capital budget and \$50,000 in funding included in the Council on Aging Transportation Enterprise Fund.**

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. – **Several programs under this category were approved by Town Meeting in the spring of 2019 and are awaiting approval by the state legislature.**
- b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board has committed to reducing the MWRA Debt Shift in coordination with the issuance of debt related to the Arlington High School Project.**
- c. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis. Most recently the adoptions of a short term rental tax and adult-use marijuana tax have been approved.**
- 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. – **This commitment is being maintained by the Town's Finance Department.**

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. – **This commitment is maintained.**

Beyond the investments outlined above, the FY2021 budget proposal is a level service budget that maintains core municipal services (Police, Fire, DPW) at current levels. Some targeted investments previously planned for FY21 were cut as a response to the likely though still uncertain cuts in State Aid due to COVID-19. The remaining investments and the details of those changes are discussed on page 8 and beyond.



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 1st 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 and beyond, this calculation has been increased to 50%. Based on this, the FY2021 budget recommendation is as follows:

	FY 2020	FY 2021	\$ Increase	% Increase
School Additions	\$ 600,000	\$ 140,000	\$ (460,000)	-76.67%
General Education Costs	\$ 46,381,443	\$ 50,183,324	\$ 3,801,881	8.20%
Special Education Costs	\$ 22,940,836	\$ 24,546,695	\$ 1,605,859	7.00%
Growth Factor	\$ 1,504,860	\$ 700,512	\$ (804,348)	-53.45%
TOTAL SCHOOL BUDGET	\$ 71,427,139	\$ 75,570,531	\$ 4,143,392	5.80%

Growth Factor Breakdown	
FY 20 Enrollment Growth	96
DESE PPC for Arlington	\$ 14,594
50% of PPC for Arlington	\$ 7,297
Growth Factor (50% PPC x 96)	\$ 700,512

Overall, the FY2021 budget proposal is a level services budget and 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 \$17.6 million, a higher estimate than before COVID-19. Town leaders will continue to monitor and evaluate its economic situation and the impact, if any, on services. 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.



Overall General Fund Budget Summary

	FY2019 Budget	FY2020 Budget	FY2021 Budget	Change \$	%
Revenue					
Property Tax	\$ 124,010,977	\$ 133,350,155	\$ 138,039,612	\$ 4,689,457	3.5%
Local Receipts	\$ 9,171,000	\$ 9,871,000	\$ 9,871,000	\$ -	0.0%
State Aid	\$ 20,039,795	\$ 22,481,187	\$ 21,043,298	\$ (1,437,889)	-6.4%
School Construction Aid	\$ 476,523	\$ 476,523	\$ 476,523	\$ -	0.0%
Free Cash	\$ 4,593,375	\$ 5,559,782	\$ 5,901,388	\$ 341,606	6.1%
Other Funds	\$ 200,000	\$ 200,000	\$ 400,000	\$ 200,000	100.0%
Override Stabilization Fund	\$ 2,786,331	\$ -	\$ 2,024,197	\$ 2,024,197	-
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 161,278,001	\$ 171,938,647	\$ 177,756,018	\$ 5,817,371	3.4%
Transfers in (Offsets)	\$ 2,490,562	\$ 2,580,233	\$ 2,642,197	\$ 61,964	2.4%
TOTAL REVENUES	\$ 163,768,563	\$ 174,518,880	\$ 180,398,215	\$ 5,879,335	3.4%
Expenditures					
<i>Municipal Departments Appropriations</i>	\$ 38,214,820	\$ 39,718,054	\$ 40,516,044	\$ 797,990	2.0%
<i>Offsets and Indirect Costs</i>	\$ (2,490,562)	\$ (2,580,233)	\$ (2,642,197)	\$ (61,964)	2.4%
Municipal Departments (Taxation Total)	\$ 35,724,258	\$ 37,137,821	\$ 37,873,847	\$ 736,026	2.0%
School Department	\$ 66,253,022	\$ 71,427,139	\$ 75,570,531	\$ 4,143,392	5.8%
Minuteman School	\$ 4,936,724	\$ 5,384,690	\$ 6,113,371	\$ 728,681	13.5%
Non-Departmental (Healthcare & Pensions)	\$ 27,924,645	\$ 29,247,782	\$ 30,780,027	\$ 1,532,245	5.2%
Capital (Includes Debt Service)	\$ 12,857,157	\$ 13,196,044	\$ 16,280,134	\$ 3,084,090	23.4%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ 3,691,454	\$ (1,901,658)	-34.0%
Warrant Articles	\$ 1,153,137	\$ 1,186,867	\$ 1,015,999	\$ (170,868)	-14.4%
Reserve Fund & Elections	\$ 1,553,287	\$ 1,604,584	\$ 1,556,724	\$ (47,860)	-3.0%
Override Stabilization Fund Deposit	\$ -	\$ 2,174,510	\$ -	\$ 0	-
TOTAL EXPENDITURES	\$ 155,995,342	\$ 166,952,549	\$ 172,882,087	\$ 5,929,538	3.6%
Non-Appropriated Expenses	\$ 5,282,659	\$ 4,986,098	\$ 4,873,931	\$ (112,167)	-2.2%
Surplus / (Deficit)	\$ -	\$ -	\$ -	\$ -	-



Departmental Budgets

Departmental operating budgets have been held to a 2% increase in accordance with the Long Range Plan, and based on the adjusted FY2020 DPW budget. No new positions have been added; three existing part-time positions have been increased to full-time positions and the hours for a number of part-time staff have been increased equivalent to the addition of 2.22 positions (see personnel chart on page 9). Some of the more significant budget changes include the highlights below. For more detailed information on additions and subtractions for each department budget, please refer to the Budget Summary section.

Public Works (DPW): +\$150,214

The DPW budget includes a funding increase for solid waste hauling and solid waste disposal as a result of contractual obligations and the addition of staff funding for curbside enforcement.

Health and Human Services (HHS): +\$156,457

The HHS budget includes an incremental increase of \$14,453 in order to make the Diversity, Equity and Inclusion Coordinator's position full-time. This budget also includes partial funding (\$19,000) for the Public Health Director position which had been supported by a revolving fund in previous years. The HHS budget also includes an increase of \$10,000 for rodent control efforts and a \$14,000 increase in funding for mosquito control.

Town Manager: +\$71,857

The Town Manager's budget includes \$32,822 to increase the Public Information Officer to a full-time position.

Information Technology: +\$154,824

The Information Technology budget includes an increase of \$120,000 in order to move Munis, the Town's enterprise financial software, to become remotely hosted. This budget also includes \$25,000 in order to fund a cyber-security assessment.

Budget Changes in Response to COVID-19

Town: The budget contains the following cuts that were originally included in the budget I had planned to present; all of the positions were new. Town Manager, Records Access Coordinator (\$32,200); Public Works, Systems Innovation Manager (\$79,088) and Permits Engineer (\$69,319); Police, Police Officer — School Resource Officer (\$59,557); and Library, Senior Clerk and Typist (\$21,683).

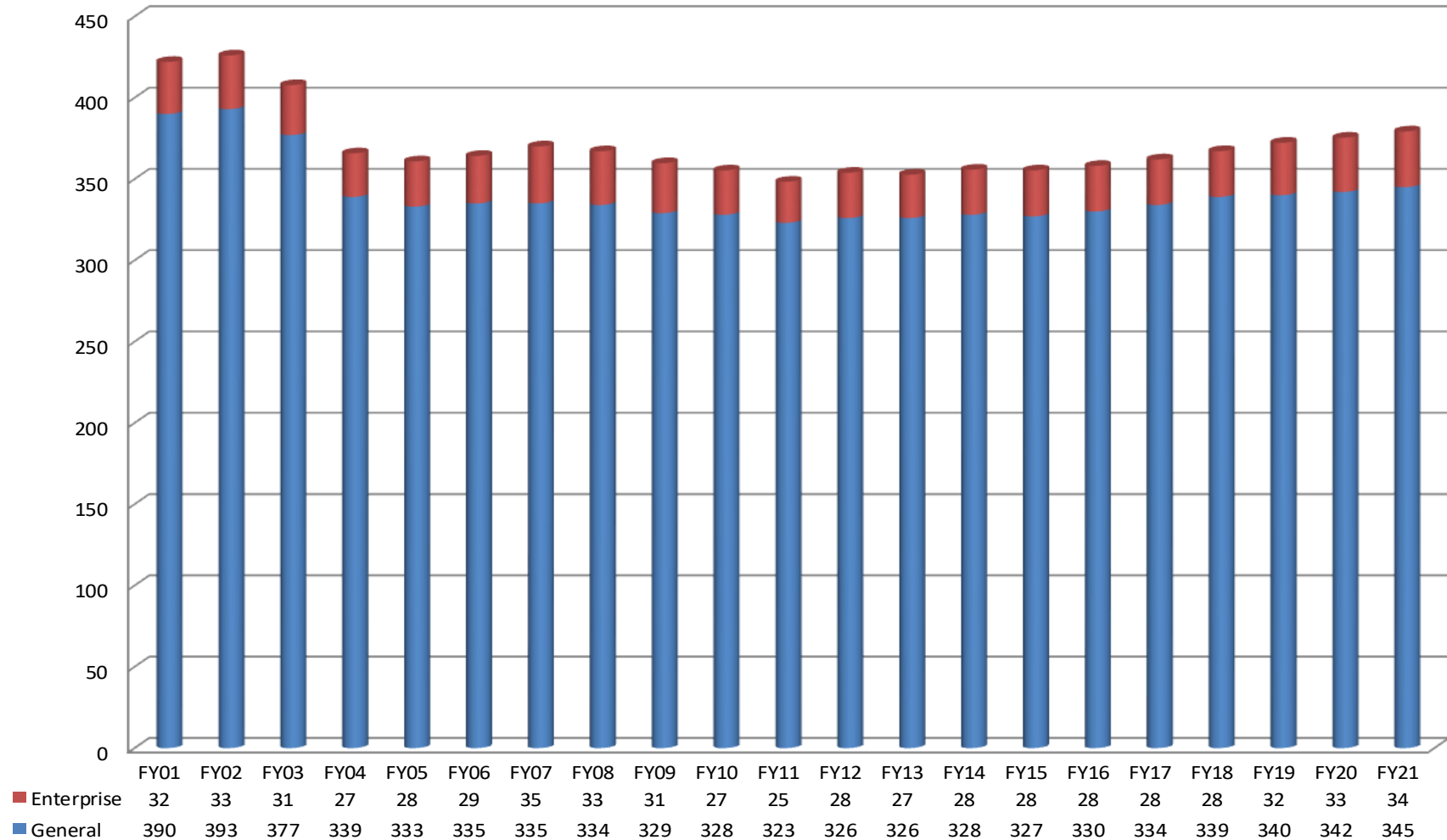
Warrant Articles: Arts and Culture (\$5,000), Town Day (\$5,000), Water Bodies (\$10,000), and Harry Barber Program (\$7,500).

Reserves: Reserve Fund (\$172,672) and Long Term Stabilization Fund (\$100,000).

Increased Revenues: Overlay Surplus (\$200,000) and Override Stabilization Fund (\$2,024,197).



Town Personnel Trends FY 2001 - FY2021 FTEs





Healthcare/Other Post-Employment Benefits (OPEB)

Healthcare premiums are budgeted to increase by an average of 5.5% in the FY2021 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 5.7%.

In FY2021, 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 \$1,600,000. The FY2021 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the eighth 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 FY2021 to \$936,533. The table below provides information regarding the Town’s OPEB Trust Fund and OPEB liability.

Town of Arlington OPEB Liability - As of June 30, 2019				
Year	Total Liability	Total Assets	Net Liability	Percent Funded
2018	\$196,579,007	\$12,854,012	\$183,724,995	6.5%
2019	\$208,493,866	\$14,521,818	\$193,972,048	6.97%

Planning for a Net Zero Future

The Select Board voted on July 16, 2018 to establish a Clean Energy Future Committee. The mission of the Clean Energy Future Committee is to guide the Town of Arlington to a future where, by 2050, net emissions of carbon dioxide and other greenhouse gas emissions attributable to all sources in Town are zero. The Committee shall identify short and long-term energy goals; facilitate research studies, projects and collaborations; enlist the support of residents and businesses; recommend changes to laws and regulations; seek state and local funding; and take any other actions necessary for Arlington to achieve net zero carbon emissions by 2050.

The Clean Energy Future Committee is currently developing a Net Zero Plan to guide Arlington to net zero greenhouse gas emissions by 2050. Work began in early 2019 and the final plan is scheduled for completion by December 31, 2020. Arlington is partnering with the City of Melrose, Town of Natick, and the Metropolitan Area Planning Council (MAPC) on a joint project to develop greenhouse gas inventories and net zero plans for all three communities.



Commitment to Racial Equity

The Town will continue its work with the National League of Cities (NLC) Race, Equity and Leadership (REAL) Division in FY2021. NLC created the Race, Equity, And Leadership (REAL) program to strengthen local government leaders' knowledge and capacity to eliminate racial disparities, heal racial divisions, and build more equitable communities. Working with REAL, the Town has started to train over 60 employees on racial equity and is working to identify instances of institutional racism in Arlington government and work to eliminate them.

In January of 2020, this cohort of 60+ employees participated in a session which provided an introductory overview for town leaders on the history of institutional and structural racism in America. This training equipped Town leaders with a shared language for racial equity, examined existing racial disparities in the Town and its implication for advancing racial equity, and introduced important concepts and tools for organizing and operationalizing racial equity.

In FY2021, this group of Town employees will:

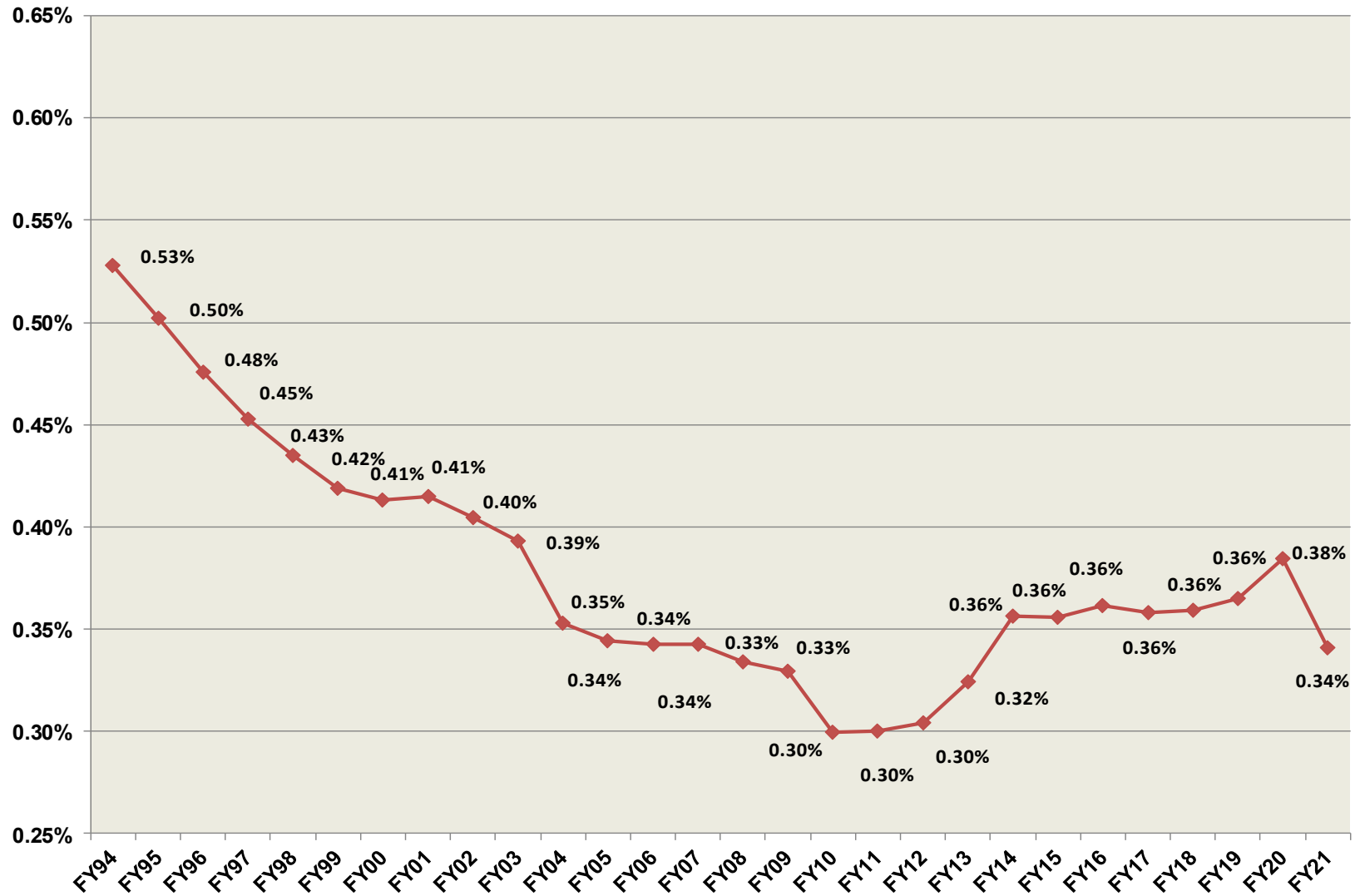
- Explore the implications and impacts of institutional and structural racism for the Town. Town leaders will spend a significant amount of time learning about how to use a racial equity tool as they explore structural changes to daily operations, budgeting, communications, community engagement, and decision making.
- Review the subject matter identified from the previous training sessions and current issues shared during the sessions. Town leaders will learn and apply the racial equity tool to these priorities and determine an approach for advancing racial equity in the town including the development a racial equity plan.

The budget acknowledges the importance of this work by increasing the hours of the Diversity, Equity, and Inclusion Coordinator position to full-time.

Addressing racial equity will continue to be a key focus in FY2021 and beyond.



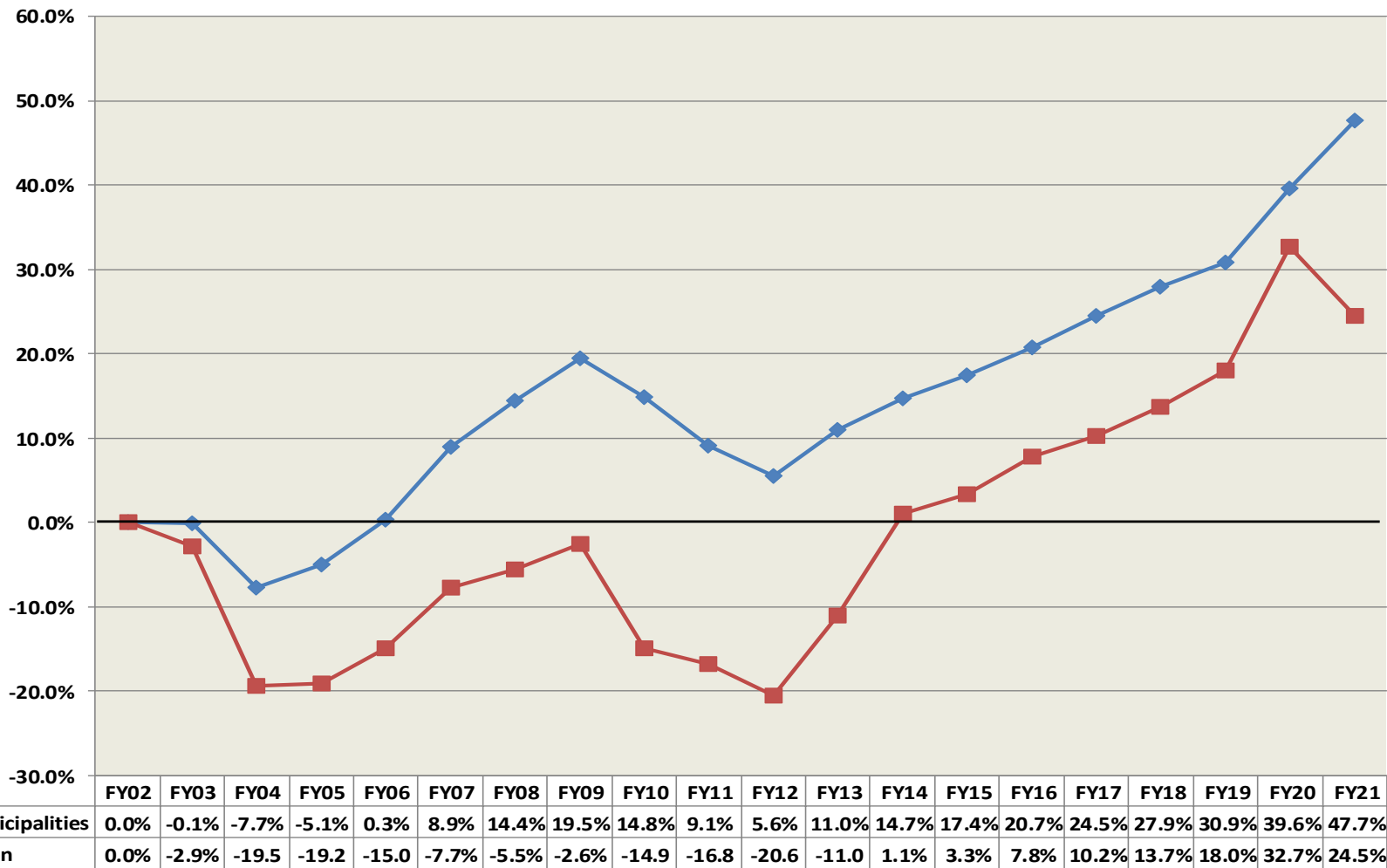
Arlington's Percent of Total State Aid





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

(Numbers Exclude School Construction and METCO Reimbursements)





Comparative Data

The FY2021 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 15). Revenue from growth in the tax base ranks 13 among a group of 13 comparable communities (see Table 3), and remains under the state-wide average. Another indicator of the Town's ability 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 4.44 respectively. Arlington's is 3.78, 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 9th out of 13 comparable communities. The average of these communities is 10.71%, almost 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 7th in taxes per capita (Table 6), and 9th 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 14% 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.



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 ARLINGTON	8,808	1 WATERTOWN	4,022	1 WATERTOWN	3.93%	1 WATERTOWN	6.57
2 WATERTOWN	8,748	2 BROOKLINE	3,881	2 NEEDHAM	3.58%	2 NEEDHAM	6.53
3 BROOKLINE	8,735	3 ARLINGTON	3,809	3 BELMONT	1.75%	3 BELMONT	4.86
4 MEDFORD	7,096	4 MEDFORD	2,911	4 MEDFORD	1.65%	4 NORTH ANDOVER	4.54
5 MELROSE	6,011	5 MELROSE	2,542	5 NATICK	1.47%	5 NATICK	4.39
6 BELMONT	5,650	6 BELMONT	2,228	6 READING	1.46%	6 MILTON	4.19
7 WINCHESTER	3,783	7 STONEHAM	1,548	7 BROOKLINE	1.34%	7 MEDFORD	4.15
8 STONEHAM	3,696	8 WINCHESTER	1,378	8 WINCHESTER	1.34%	8 ARLINGTON	3.78
9 READING	2,552	9 NATICK	995	9 NORTH ANDOVER	1.32%	9 READING	3.76
10 NEEDHAM	2,478	10 READING	994	10 MELROSE	1.31%	10 BROOKLINE	3.71
11 NATICK	2,402	11 NEEDHAM	892	11 STONEHAM	1.27%	11 WINCHESTER	3.68
12 MILTON	2,118	12 MILTON	721	12 MILTON	1.25%	12 STONEHAM	3.48
13 NORTH ANDOVER	1,174	13 NORTH ANDOVER	447	13 ARLINGTON	1.17%	13 MELROSE	3.43
Ave w/o Arlington	4,537	Ave w/o Arlington	1,880	Ave w/o Arlington	1.81%	Ave w/o Arlington	4.44
Arlington	8,808	Arlington	3,809	Arlington	1.17%	Arlington	3.78
				State-Wide Ave	2.18%	State-Wide Ave	4.38



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 2017 median income	Municipality	FY2018 Total Exp Per Cap
1 WATERTOWN	20.77%	1 WINCHESTER	\$4,237	1 NEEDHAM	9.8%	1 NEEDHAM	\$5,175
2 NATICK	20.73%	2 NEEDHAM	\$3,768	2 BROOKLINE	8.2%	2 WINCHESTER	\$5,170
3 NORTH ANDOVER	13.16%	3 BELMONT	\$3,652	3 WINCHESTER	8.0%	3 BROOKLINE	\$4,506
4 NEEDHAM	12.75%	4 BROOKLINE	\$3,310	4 WATERTOWN	7.8%	4 BELMONT	\$4,257
5 MEDFORD	10.30%	5 MILTON	\$2,896	5 NATICK	7.7%	5 NATICK	\$4,010
6 BROOKLINE	10.25%	6 READING	\$2,778	6 MILTON	7.2%	6 WATERTOWN	\$3,776
7 STONEHAM	9.52%	7 ARLINGTON	\$2,764	7 READING	6.7%	7 MILTON	\$3,686
8 READING	7.36%	8 NATICK	\$2,660	8 BELMONT	6.6%	8 READING	\$3,626
9 ARLINGTON	5.45%	9 MELROSE	\$2,183	9 ARLINGTON	6.6%	9 ARLINGTON	\$3,381
10 BELMONT	5.10%	10 WATERTOWN	\$2,074	10 STONEHAM	6.2%	10 NORTH ANDOVER	\$3,312
11 MELROSE	4.69%	11 NORTH ANDOVER	\$2,041	11 NORTH ANDOVER	6.2%	11 MELROSE	\$3,055
12 WINCHESTER	4.35%	12 STONEHAM	\$1,926	12 MELROSE	6.0%	12 STONEHAM	\$3,005
13 MILTON	4.05%	13 MEDFORD	\$1,675	13 MEDFORD	5.8%	13 MEDFORD	\$2,711
Ave w/o Arlington	10.71%	Ave w/o Arlington	\$2,767	Ave w/o Arlington	7.2%	Ave w/o Arlington	\$3,857
Arlington	5.45%	Arlington	\$2,764	Arlington	6.6%	Arlington	\$3,381



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 decrease by \$1,437,889 or 6.40% in FY2021. This projected decrease is based on an assumed fifteen percent (15%) cut from Governor Baker's budget released in January 2020. The original budget increased Arlington's Chapter 70 funding by \$2,003,712 and Unrestricted General Government Aid by \$225,570, however, the assumed cuts resulting from the effects of the COVID-19 result in a loss of State Aid from the original figures.

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 four 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 until 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 FY2021 and Capital Plan FY2021-FY2025

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 FY2021 funding for the capital budget is as follows:

Bonding:	\$3,458,650
Cash:	\$4,329,512
Other:	\$4,015,984

Our existing non-exempt debt is \$6,426,415 which is consistent with prior debt service projections for FY2021. The total capital budget for FY2021, including debt, is estimated at \$16 million. Major projects to be funded again this fiscal year include street and sidewalk work at approximately \$2.5 million, and water and sewer work at \$2.4 million.

Updates to both the Robbins and the Fox Libraries are part of the FY2021-FY2025 capital plan. Design of the Robbins Library is budgeted at \$1.15 million in FY2023 and construction at \$12M in FY2025. Design for future renovation of the Fox Library is budgeted at \$650,000 in FY2024. Both projects will leverage additional funding sources including Library Trust Funds, the Arlington Libraries Foundation, and Friends Groups.

The capital budget for FY2021 includes nearly \$850,000 in bonding for a supplement to FY2020 funding for two playgrounds as the cost of constructing the two came in well beyond their original budgets. The increased cost of construction labor and materials has forced the Capital Planning Committee to begin considering how to fund the construction of playgrounds in the future as estimated costs and funding estimates are not keeping pace with construction costs.

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 \$4.4 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 has completed its review of final applications submitted for the FY2021 funding cycle and will make recommendations for CPA funding at Town Meeting.



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 24. 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 3.38% in FY2021. Future year increases range from -4.7% to 3.7%. In FY2024, revenue is projected to decrease by 4.77%. 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 FY2021 tax levy is projected to increase by approximately 3.52%. Future year increases are projected to be between approximately 1.26% and 2.65% 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 \$7,200,000 to \$8,200,000 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 Governor's budget, state aid is projected to decrease 6.4%. In out years, increases are projected to be 1%.
- **School Construction Reimbursement** – MSBA reimbursements will remain at \$476,523 in FY2021, 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 remain flat in FY2021 and to remain flat through FY2024.



- **Free Cash** – FY2021 Free Cash use is \$5,901,388, which is 50% of the Town's available free cash balance. For FY2022 and in each subsequent year, \$3,839,266 is proposed to be appropriated. This is of 50% of the ten year average of certified Free Cash.
- **Other Available Funds** – A transfer of \$400,000 from surplus tax abatement overlay reserve funds was voted for FY2021. Transfers of \$400,000 from surplus tax abatement are projected in each year of the plan thereafter, and increase of \$200,000 from previous budgets.
- **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 \$26.5 million. In FY2021, \$2,024,197 will be drawn from the fund. Drawdowns of \$9.3 million in FY2022, \$14 million in FY2023, and \$945,666 in FY2024 (which will deplete the Fund) will be needed to close the budget gaps. There will be a budget gap of approximately \$17.6 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 5.32% to 7.12%. The growth factor is explained in greater detail earlier in the Town Manager's Budget Message.
- **Minuteman School** – In FY2021 the Town's Minuteman Technical Vocational Regional High School assessment will increase by \$728,861 (13.5%). This increase is due to assessments to pay for debt services for the new Minuteman High School construction project and to Arlington's share of the enrollment total. 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 1.98% in FY2021 in line with Town policy. 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 2 ½.
 - **Non-Exempt Debt** – This debt will fluctuate over the next several years but will average slightly more than \$7 million per year. Some of the recent major projects funded by non-exempt debt include the DPW Headquarters and the Community Center building.
 - **Cash** – In FY2021 \$4,329,512 in cash funded capital projects is included. This amount fluctuates in future years.
- **MWRA Debt Shift** – The amount has been funded at \$3,691,454, two-thirds of the previous year's number. Next year, the figure will be \$1,845,727, and then zero thereafter.
- **Pensions** – In FY2021 the pension appropriation will increase 4.98% and thereafter, increases 6% annually.
- **Insurance (including Healthcare)** – Health care and insurance costs are expected to increase by 5.4%. 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 5.5%. 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 FY2021, the MBTA assessment, which is the largest assessment, will increase by \$20,454 (0.7%). Overall, state assessments will increase by .92% and increase by 2.50% annually thereafter.
- **Offset Aid** – Assistance to Libraries will decrease \$8,805.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years, which occur every three years. For the revaluation years FY2022 and FY2024, the reserve is increased to \$800,000. In non-revaluation years it is reduced to \$600,000.



- **Reserve Fund** – The Reserve Fund was originally budgeted at 1% of operating revenues. The Finance Committee recommended, and Town Meeting approved, a 10% cut to that figure.
- **Other** – This includes court judgments (\$100,000) and Symmes property taxes reserved for Symmes debt (\$671,950). The estimate fluctuates with actual Symmes debt service payments.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles were \$1,015,99 in FY2021 and thereafter held level. It includes the Elections budget, which fluctuates by approximately \$100,000 per year depending on the number of scheduled elections.



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.

FY2020 was challenging: COVID-19 forced the Town to pivot and in March, begin offering services exclusively over the phone or online. This change in operation increased costs for every department, but the team worked together to apply for and receive state and federal reimbursement for these costs. Residents and the Town have worked hard to support one another through the Arlington COVID-19 Relief Fund, the Arlington Emergency Tenant Assistance Program, and the Arlington Small Business Relief Program. The financial impact of COVID-19 has meant the Town and the State have brought in less in hotel and meals tax, which is having a large impact on the Town's budget and increasing the size of the estimated override the Town will likely seek down the line. We will continue to do all we can to lessen the burden that this pandemic has on our residents.

The document 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 Julie Wayman, 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



	FY 2020	FY 2021	Dollar Change	Percent Change	FY 2022	FY 2023	FY 2024	FY 2025
I REVENUE								
A. State Aid	22,481,187	21,043,298	(1,437,889)	-6.40%	21,249,548	21,457,860	21,668,256	21,880,755
School Construction Aid	476,523	476,523	0	0.00%	0	0	0	0
B. Local Receipts	9,871,000	9,871,000	0	0.00%	9,871,000	9,871,000	9,871,000	9,971,000
C. Free Cash	5,559,782	5,901,388	341,606	6.14%	3,839,266	3,839,266	3,839,266	3,839,266
D. Overlay Reserve Surplus	200,000	400,000	200,000	100.00%	400,000	400,000	400,000	200,000
E. Property Tax	133,350,155	138,039,612	4,689,457	3.52%	139,777,071	141,637,076	145,392,242	149,181,398
F. Override Stabilization Fund	0	2,024,197			9,283,299	14,039,887	945,666	0
TOTAL REVENUES	171,938,647	177,756,018	5,817,371	3.38%	184,420,184	191,245,089	182,116,430	185,072,419
II APPROPRIATIONS								
A. Operating Budgets	600,000	140,000	(460,000)	-76.67%	800,000	800,000		
General Education Costs	46,381,443	50,183,324	3,801,881	8.20%	52,809,670	56,618,868	60,372,578	63,104,915
Special Education Costs	22,940,836	24,546,695	1,605,859	7.00%	26,264,964	28,103,511	30,070,757	32,175,710
Growth Factor	1,504,860	700,512	(804,348)	-53.45%	1,094,550	912,125	598,354	707,809
Net School Budget	71,427,139	75,570,531	4,143,392	5.80%	80,969,184	86,434,504	91,041,689	95,988,434
Minuteman Operating & Capital	4,271,730	4,834,357	562,627	13.17%	5,003,559	5,178,684	5,359,938	5,547,536
Minuteman Exempt Capital	1,112,960	1,279,014	166,054	14.92%	1,279,014	1,279,014	1,279,014	1,279,014
Town Personnel Services	28,552,372	29,203,669	651,297	2.28%	30,152,788	31,132,754	32,144,569	33,189,267
Expenses	11,165,682	11,312,375	146,693	1.31%	11,680,027	12,059,628	12,451,566	12,856,242
<i>Less Offsets Enterprise Fund/Other</i>	<i>2,580,233</i>	<i>2,642,197</i>	<i>61,964</i>	<i>2.40%</i>	<i>2,728,068</i>	<i>2,816,730</i>	<i>2,908,274</i>	<i>3,002,793</i>
Net Town Budget	37,137,821	37,873,847	736,026	1.98%	39,104,747	40,375,652	41,687,861	43,042,716
MWRA Debt Shift	5,593,112	3,691,454	(1,901,658)	-34.00%	1,845,727	0	0	0
B. Capital budget								
Exempt Debt Service	4,321,873	6,968,910	2,647,037	61.25%	6,311,154	6,208,357	6,109,780	5,998,850
Non-Exempt Service	6,512,083	6,573,279	61,196	0.94%	7,433,825	7,442,967	7,254,760	7,381,864
Cash	4,320,995	4,329,512	8,517	0.20%	3,254,837	3,007,689	3,502,859	3,997,841
Offets/Capital Carry Forward	(1,958,907)	(1,591,567)	367,340	-18.75%	(1,299,345)	(494,881)	(461,111)	(524,337)
Total Capital	13,196,044	16,280,134	3,084,090	23.37%	15,700,471	16,164,132	16,406,288	16,854,218
C. Pensions	11,355,946	11,921,239	565,293	4.98%	12,636,513	13,394,704	14,198,386	15,050,289
D. Insurance	17,891,836	18,858,788	966,952	5.40%	20,070,999	21,315,728	22,564,093	23,906,521
E. State Assessments	3,470,201	3,501,981	31,780	0.92%	3,588,264	3,676,704	3,767,355	3,860,272
G. Overlay Reserve	503,383	600,000	96,617	19.19%	800,000	600,000	600,000	800,000
H. Reserve Fund	1,604,584	1,556,724	(47,860)	-2.98%	1,688,257	1,709,968	1,750,610	1,790,736
I. Crt Jdgmnts/Deficit/Symm	1,012,514	771,950	(240,564)	-23.76%	767,450	100,000	100,000	100,000
J. Warrant Articles	1,186,867	1,015,999	(170,868)	-14.40%	965,999	1,015,999	965,999	915,999
K. Override Stabilization Fund	2,174,510	0			0	0	0	0
L. TOTAL APPROPRIATIONS	171,938,647	177,756,018	5,817,371	3.38%	184,420,184	191,245,089	199,721,233	209,135,735
BALANCE	0	0			0	0	(17,604,803)	(24,063,316)