



TOTAL REVENUE

The Coronavirus epidemic caused the Town to reconsider its original revenue assumptions and to assume a fifteen percent (15%) cut in aid from the Governor's January 2020 budget. At the time of Town Meeting, the Legislature had not passed a budget and Town Meeting passed the Town budget based on these assumptions. If final State Aid figures are significantly different, there will be a fall Town Meeting to address those changes.

Total revenue for FY2021 is projected to be \$177,756,018, an increase of \$5,817,371 or 3.38%. Of this increase, \$169,508,094 is from revenue dedicated to support the General Fund and \$8,247,924 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 \$3,004,280 or 1.8%

The property tax levy is projected to increase, without debt exclusion revenue, by \$3,778,024 or 3.09%. This includes the normal 2.5% increase plus \$650,000 in new growth. Total tax revenues, including the debt exclusions and the MWRA exclusion, increase by \$4,689,457 or 3.52%

Local receipts are projected to remain level.

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 decrease \$1,437,889, or 6.26% and is based on an assumption of a 15% cut from the Governor's January 2020 budget. From these increases, Arlington will receive a \$393,744 (2.8%) decrease in Chapter 70 Aid and a \$1,016,674 (12.6%) decrease in General Government Aid consistent with the assumed 15% cut from the Governor's original January 2020 budget.

A total of \$5,901,388 in Free Cash is proposed to be used, which is an increase of \$341,606 from FY2020 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, 2019.

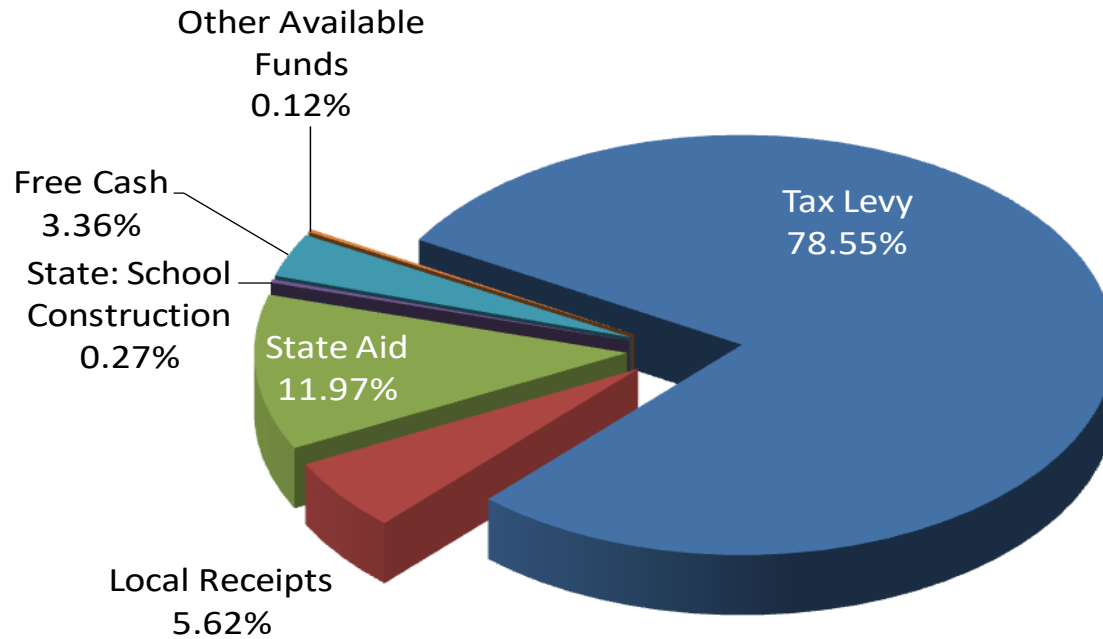
Other Available Funds include \$400,000 in surplus tax abatement overlay funds, doubling the amount the Assessors released in FY20.

The assumed cuts to State Aid meant that it was necessary to use \$2,024,197 from the Override Stabilization Fund this year.

REVENUE SOURCE	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Tax Levy	117,255,201	124,010,977	133,350,155	138,039,612	4,689,457
Local Receipts	12,004,047	12,261,981	9,871,000	9,871,000	-
State Aid	20,991,079	20,516,318	22,957,710	21,519,821	(1,437,889)
Free Cash	4,850,566	4,593,375	5,559,782	5,901,388	341,606
Other Available Funds	500,000	200,000	200,000	400,000	200,000
Override Stabilization Fund	0	2,786,331	0	2,024,197	2,024,197
Total	155,600,893	164,368,982	171,938,647	177,756,018	5,817,371



Revenues \$177,756,018





Total General Fund Revenues

	<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>	<u>FY21</u> <u>Budget</u>
Tax Levy*	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	126,100,234
Local Receipts	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	9,871,000
State Aid**	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	21,043,298
Free Cash	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	5,901,388
Other Available Funds	200,000	200,000	200,000	350,000	350,000	200,000	500,000	200,000	200,000	400,000
Override Stabilization Fund	0	0	0	0	0	0	0	2,786,331	0	2,024,197
Total	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	165,340,117

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<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>	<u>FY21</u> <u>Budget</u>
Tax Levy	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	(1,546,562)
Local Receipts	1,052,809	(404,581)	409,663	(181,241)	955,887	(381,318)	(1,618,873)	100,000	700,000	0
State Aid	(645,702)	1,619,308	2,053,207	369,626	767,221	688,422	288,535	750,956	2,481,684	(1,396,404)
Free Cash	(100,594)	1,088,544	1,841,528	(368,604)	392,922	1,101,453	313,267	(257,191)	966,407	341,606
Other Available Funds	(1,880,000)	0	0	150,000	0	(150,000)	300,000	(300,000)	0	200,000
Override Stabilization Fund	(1,580,000)							2,786,331	(2,786,331)	2,024,197
Total	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	(377,163)
Percent Increase	6.9%	4.7%	6.7%	2.8%	4.4%	3.5%	2.5%	7.0%	7.0%	-0.2%

Percent of Total Revenue

	<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>	<u>FY21</u> <u>Budget</u>
Tax Levy	78.6%	77.6%	75.6%	76.3%	75.8%	75.7%	76.8%	76.3%	77.0%	76.3%
Local Receipts	9.0%	8.3%	8.1%	7.7%	8.1%	7.6%	6.3%	5.9%	6.0%	6.0%
State Aid	11.8%	12.6%	13.4%	13.4%	13.4%	13.4%	13.3%	12.9%	13.5%	12.7%
Free Cash	0.4%	1.3%	2.7%	2.3%	2.5%	3.2%	3.4%	3.0%	3.4%	3.6%
Other Available Funds	0.2%	0.2%	0.2%	0.3%	0.3%	0.1%	0.3%	0.1%	0.1%	0.2%
Override Stabilization Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	1.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



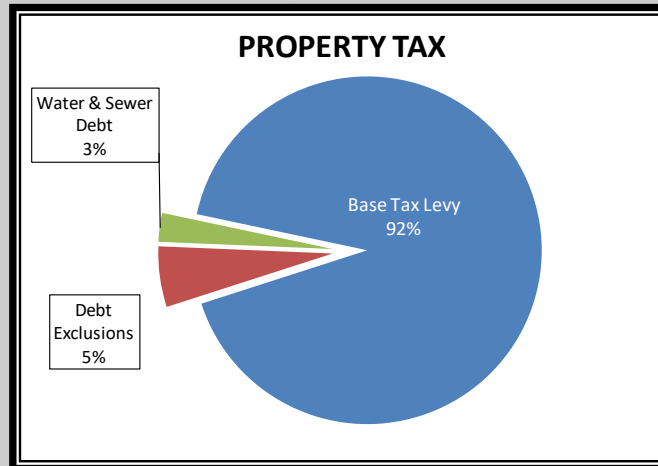
PROPERTY TAX LEVY

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 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 FY2019. 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 FY2021 are preliminary estimates used to project the levy limit. The FY2020 levy limit was \$122,885,373. The 2½% increase allowed for FY2020 is \$3,071,384. New growth from construction not previously on the tax rolls is expected to add \$650,000 to the levy. An additional \$7,771,401 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. This budget is the first significant repayment of debt for the new Arlington High School. Beginning in FY2012, debt service for the Symmes Urban Renewal project was added to the tax levy. FY2020 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 eliminate the MWRA debt shift over the next three years. The FY2021 tax levy is projected to total \$138,039,612 representing an increase of \$4,663,288 (3.5%) over the FY2020 budgeted levy.

PROPERTY TAX LEVY	FY 2018 Budget	FY 2019 Budget	FY 2020 Budget	FY 2021 Budget	Budget Change
Base Tax Levy	109,888,005	113,365,141	122,855,373	126,576,757	3,721,384
Debt Exclusion Overrides					
Arlington High School			48,794	2,853,981	2,805,187
Bishop School	(38,508)	-	-	-	-
Brackett School	39,140	-	-	-	-
Dallin School	264,252	250,818	233,284	224,659	(8,625)
Gibbs School		2,144,312	2,081,975	2,023,225	(58,750)
Hardy School	(64,888)	90,985	88,435	73,080	(15,355)
Minuteman High School	214,571	808,578	1,112,690	1,279,014	166,324
Peirce School	65,758	46,072	(3,664)	(8,608)	(4,944)
Stratton School	711,532	562,475	550,875	534,375	(16,500)
Thompson School	582,228	842,958	815,450	791,675	(23,775)
Sub-total Debt Exclusions	1,774,085	4,746,198	4,927,839	7,771,401	2,843,562
Water and Sewer Debt	5,593,112	5,593,112	5,593,112	3,691,454	(1,901,658)
Total	117,255,202	123,704,451	133,376,324	138,039,612	4,663,288

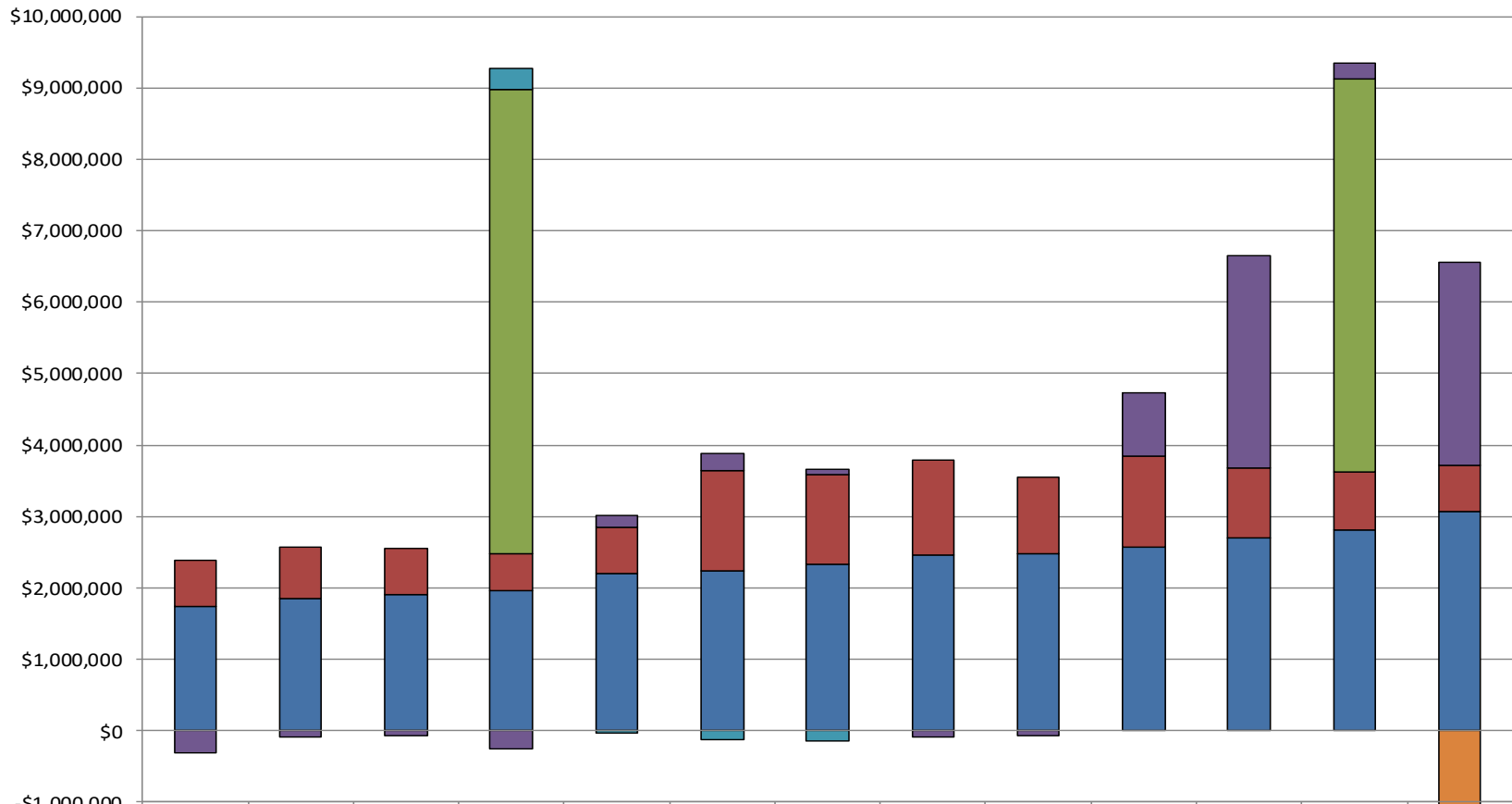


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2019	125,795,227.91	561,391.19	78,626.32	125,155,210.40	123,961,447.41	99.05%	0.00	584,098.85	396,754.00	282,012.84
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

It is Town policy to close out all real estate and personal property commitments in the same fiscal year, except in 2017 and 2019, when such close outs were delayed one year because of the Town's conversion to new tax collection software.



COMPONENTS OF TAX LEVY INCREASE



	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
MWRA Debt	-	-	-	-	-	-	-	-	-	-	-	-	(1,901,65
Symmes Debt Exclusion	-	-	-	307,130	(28,590)	(128,721)	(150,000)	-	-	-	-	-	-
School Debt Exclusion	(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	2,843,562
General Override	-	-	-	6,490,000	-	-	-	-	-	-	-	5,500,000	-
New Growth	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	816,617	650,000
2.5% Increase	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	2,815,970	3,071,384



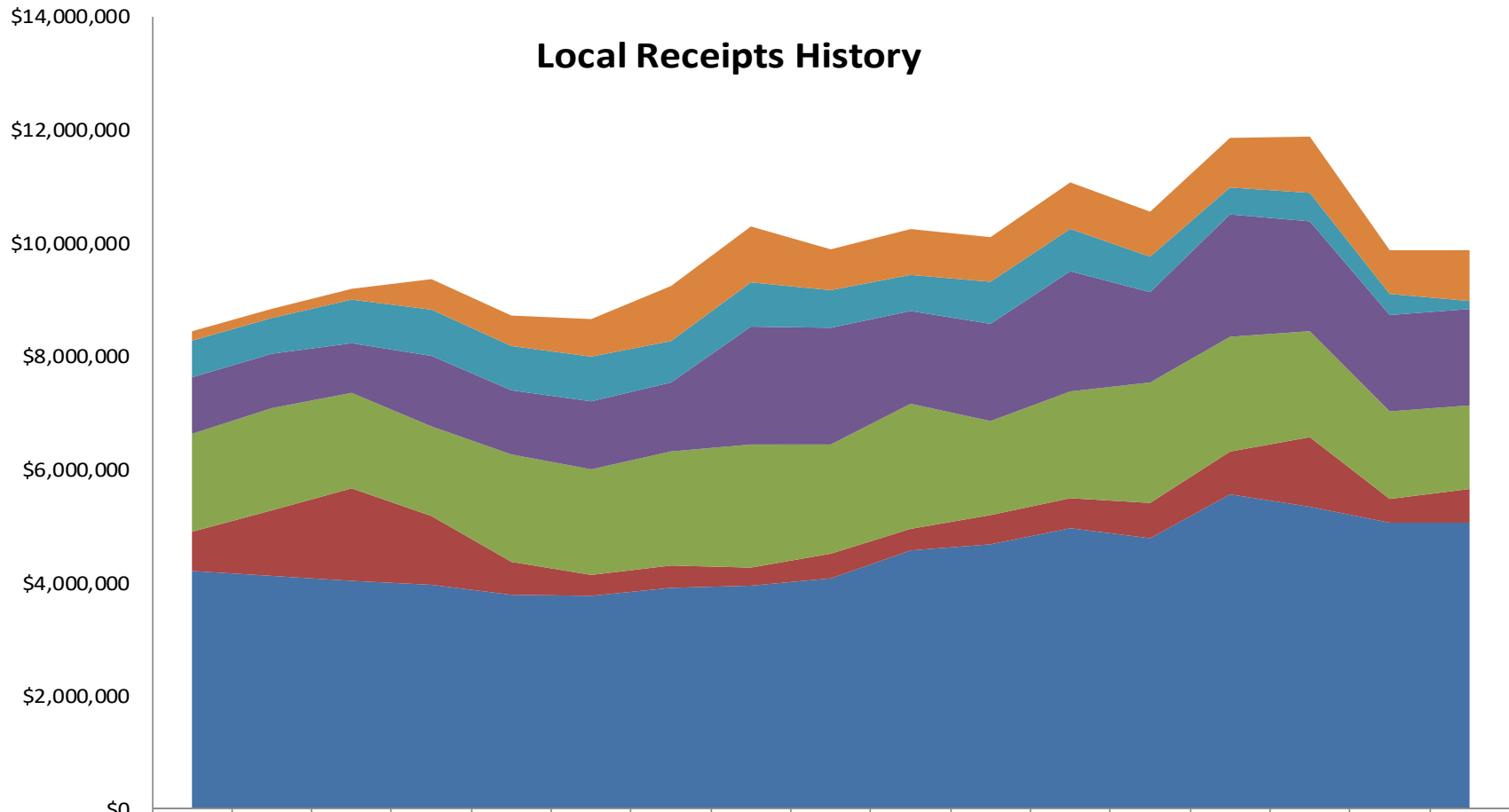
LOCAL RECEIPTS SUMMARY

Local receipts for FY2021 were adjusted to project no increase and to remain at a total of \$9,871,000 contrary to prior year estimates that had steadily increased local receipts by \$100,000 per year. The lower estimate was made to reflect uncertainty over economic activity during the Coronavirus epidemic. Interest Income is projected to increase by \$176,000 in line with recent actual activity. The Other category, which includes both the Hotel and the Meals taxes, increases by \$125,000. Department Fees and Rental Income both decline in FY2021, because in the first case, the Town reclassified some income out of this area and in the latter case, because the Town will not rent its Ryder St. property and instead use it as space for the Department of Public Works to use as temporary transition space during renovation of the Public Works yard.

LOCAL RECEIPTS SUMMARY	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Motor Vehicle Excise	5,551,687	5,332,866	5,051,000	5,051,000	-
Interest Income	757,355	1,230,588	420,000	596,000	176,000
Departmental Fees	2,031,168	1,875,687	1,549,000	1,479,000	(70,000)
Licenses and Permits	2,164,229	1,943,134	1,705,000	1,705,000	-
Rentals	476,310	504,444	373,000	142,000	(231,000)
Other	877,609	994,117	773,000	898,000	125,000
Total	11,858,358	11,880,836	9,871,000	9,871,000	0



Local Receipts History



	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Actual FY14	Actual FY 15	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Budget FY20	Budget FY21
Other	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	994,117	773,000	898,000
Rentals	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	504,444	373,000	142,000
Licenses and Permits	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	1,943,13	1,705,00	1,705,00
Fees/Departmental	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	1,875,68	1,549,00	1,479,00
Interest Income	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	1,230,58	420,000	596,000
Motor Vehicle Excise	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	5,332,86	5,051,00	5,051,00



MOTOR VEHICLE EXCISE

Motor vehicle excise tax receipts are projected to remain flat at a projected total of \$5.05 million. Although long-term trends show previous annual increases, the Coronavirus is likely to change that, if fewer people buy or lease new cars. Excise tax 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 2019 is as of June 30, 2019.

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>
2019	\$ 5,468,145.35	\$ 5,333,179.75	\$ 88,693.84	\$ 5,244,485.91	\$ 159,831.70	\$ 63,827.74	98.83%
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%

MOTOR VEHICLE EXCISE	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Motor Vehicle Excise	5,551,687	5,332,866	5,051,000	5,051,000	-



DEPARTMENTAL FEES

Departmental fees are projected to go down by \$70,000 in FY2021, due to a change in how the Treasurer/Collector processes late Motor Vehicle Excise payments. Going forward, this service has been outsourced, which will result in better collection rates for the tax and will eliminate the Collector's Demand Fees. The establishment of a Parking Benefits District at Town Meeting for Arlington Center means that parking meter revenue, which had been reported under Departmental Fees, has been moved to the Parking Fund and the estimate for parking violations. In 2019, the Library Trustees implemented a new no late fines policy.

DEPARTMENTAL FEES	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Schools (Medicare Reimbursement)	276,482	321,779	100,000	100,000	-
Cemetery Revenue	255,700	258,375	265,000	265,000	-
Library Fees and (Fines, discontinued in 2019)	45,123	37,384	-	-	-
Collector's Demand Fees	-	-	70,000	-	(70,000)
Town Clerk Fees	54,143	64,858	40,000	40,000	-
Parking Violations	426,489	304,528	350,000	350,000	-
Fire Alarm Renewal Fee	4,500	11,000	5,000	5,000	-
Ambulance Fees	522,276	538,195	424,000	424,000	-
Other Departmental Revenue	367,037	203,260	225,000	225,000	-
Other Department Fees	79,418	136,308	70,000	70,000	-
Total	2,031,168	1,875,687	1,549,000	1,479,000	(70,000)



INTEREST INCOME & PENALTIES

Interest Income is projected to increase to \$596,000. 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. In recent years, notwithstanding low interest rates, the Treasurer/Collector has maximized interest income through careful investments.

INTEREST INCOME	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Investment Income	442,361	821,139	65,000	241,000	176,000
Penalties & Interest	314,994	409,449	355,000	355,000	-
Total	757,355	1,230,588	420,000	596,000	176,000



LICENSES AND PERMITS

Licenses and permits revenues for FY21 are projected to remain stable. Building Permits generally generate the most permit revenue, but are also the most volatile, subject to fluctuation as the economy strengthens or weakens or as interest rates increase or decline. The FY2021 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 Select Board, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat.

LICENSES AND PERMITS	FY2018 Budget	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Parking Permits	179,480	189,672	115,000	115,000	-
Liquor Licenses	78,170	86,005	80,000	80,000	-
Food Licenses	6,495	9,030	7,000	7,000	-
Food Permits	14,000	14,000	16,000	16,000	-
Tobacco Permits	10,000	8,875	11,000	11,000	-
Building Inspections	1,830,160	1,582,137	1,420,000	1,420,000	-
Fire Prevention Permits	41,234	47,955	50,000	50,000	-
Marriage Licenses	4,690	5,460	6,000	6,000	-
Total	2,164,229	1,943,134	1,705,000	1,705,000	0



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 decline to \$142,000.

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 has one tenant, the Arlington Children’s Center. The front of the building is being renovated to house the Menotomy Pre-School, which is moving from the Arlington High School building while the latter is under construction.

The Ryder Street property will be used by the Department of Public Works to house some of its vehicles and programs during the next two years while the DPW Grove St. buildings are under construction.

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

RENTAL INCOME	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Ryder St.	133,580	194,662	231,000	-	(231,000)
Parmenter	271,903	251,824	73,000	73,000	-
Mt. Gilboa	25,711	14,000	24,000	24,000	-
Dallin Library	45,116	43,958	45,000	45,000	-
Total	476,310	504,444	373,000	142,000	(231,000)



OTHER LOCAL RECEIPTS

Other local receipts are projected to rise in FY2021.

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%.

Over time, income from these taxes as increased. FY2021 projections are consistent with actual collections in past years, however, the Town will carefully monitor its receipts in the area to see if the Coronavirus affects collections.

OTHER LOCAL RECEIPTS	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Meals Tax	444,161	467,654	400,000	425,000	25,000
Hotel Tax	378,783	479,530	325,000	425,000	100,000
Court Fines	24,244	16,933	30,000	30,000	-
Special Assessments	5,084	4,639	-	-	-
Payments In Lieu of Taxes	25,337	25,361	18,000	18,000	-
Total	877,609	994,117	773,000	898,000	125,000



STATE AID SUMMARY

In January, the Governor released his budget, which included a \$303.5 million increase in Chapter 70 School Aid and a \$31.6 million increase in General Government Aid. As a result Arlington was to benefit from a \$2,003,712 increase in Chapter 70 School Aid and a \$225,570 increase in Unrestricted General Government Aid (UGGA). Since that time, however, the Coronavirus epidemic has severely reduced State revenue collections. In consultation with town leaders from the Finance Committee, School Committee, Select Board, and town staff on the Long Range Planning Committee, the Town assumed a fifteen percent (15%) reduction in State Aid from the original figures in the Governor’s January 2020, FY2021 State budget.

General Government Aid — Unrestricted General Government Aid and Veterans’ Benefits reimbursements — will decrease \$1,016,674 or 12.6%.

School Aid — Chapter 70 School Aid plus Charter School tuition reimbursement and exclusive of school construction aid — is projected to decrease \$382,822 or 2.7% from what original had been an increase of over \$2 million.

Overall FY2021 State Aid, as used to balance the Town Meeting budget, will decrease \$1,397,948 to a total of \$21,519,821. 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.

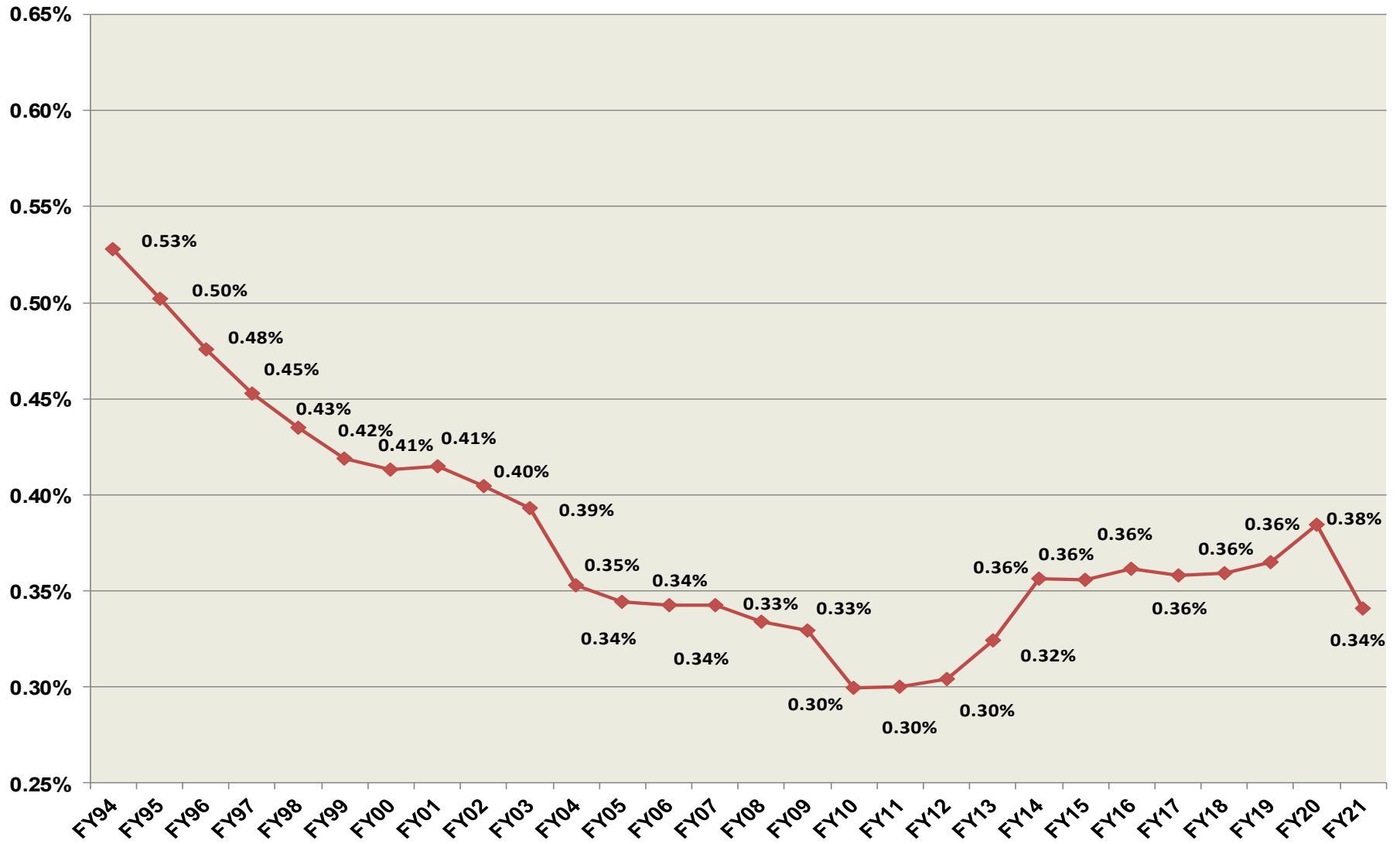
Since 1989 and the cuts to local aid across the state, Arlington has seen its share of total state aid cut by approximately 32% (see chart on p. 40). Other, poorer communities have seen greater increases in state aid, because state aid formulas allocate more aid to low income and low wealth communities.

However, in the past decade, and in particular in the past two years because of large increases in Chapter 70 Education aid, Arlington has seen its share of state aid increase and prior to the Coronavirus pandemic was on tract to achieve near parity with statewide increases in state aid. However, the assumed cuts to State Aid have blunted that progress. (See the cumulative year-to-year increases and decreases since FY2002 in the chart on p. 41).

STATE AID SUMMARY	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Gen Government Aid	7,811,306	8,039,054	8,262,731	7,220,797	(1,041,934)
School Aid	11,204,057	11,712,176	13,993,691	13,650,810	(342,881)
School Construction	1,615,914	476,523	476,523	476,523	-
Tax Exemptions	101,257	150,747	125,356	121,028	(4,328)
Cherry Sheet Offsets	55,856	57,029	59,468	50,663	(8,805)
Total	20,788,390	20,435,529	22,917,769	21,519,821	(1,397,948)



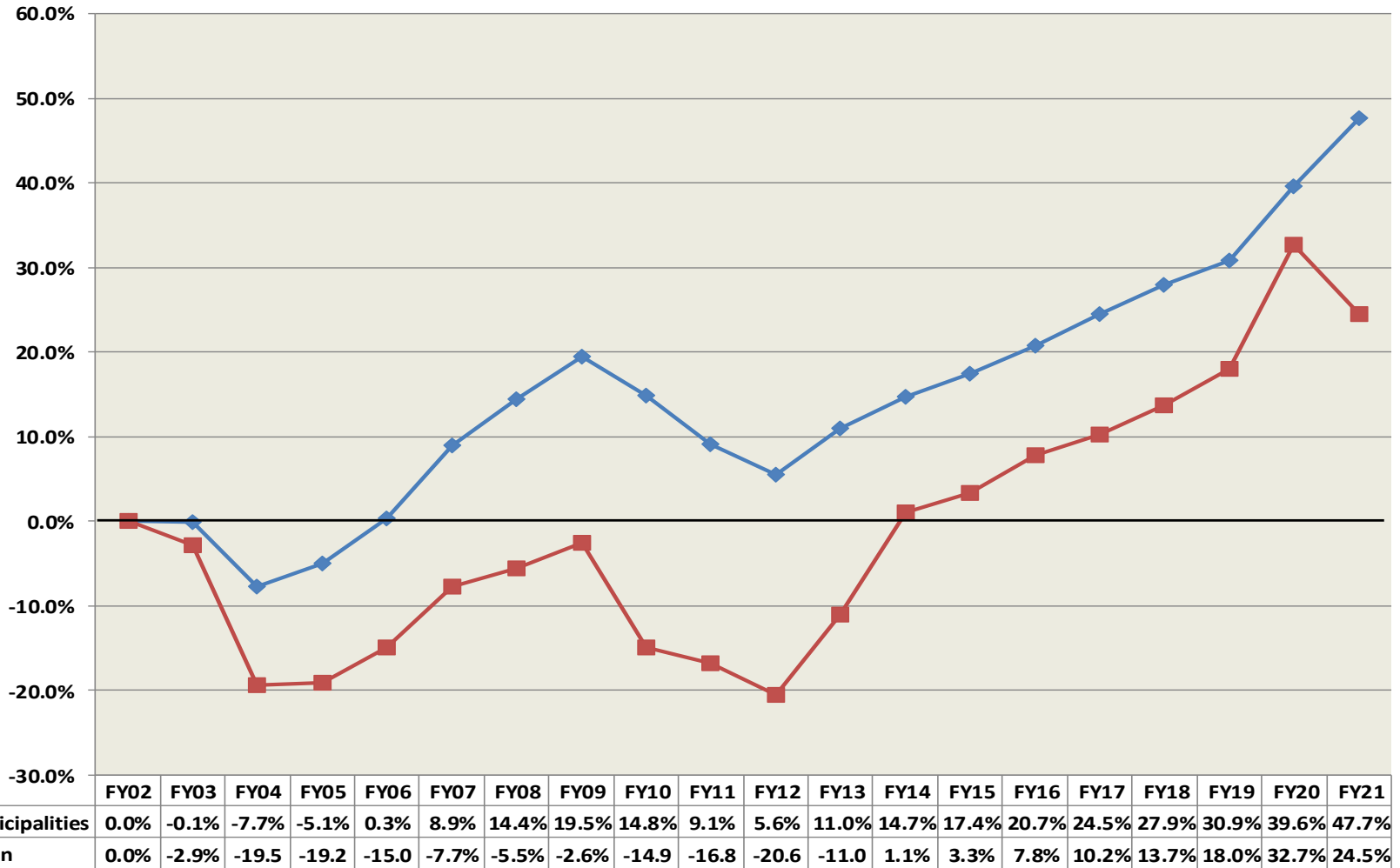
Arlington's Percent of Total State Aid





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

(Numbers Exclude School Construction and METCO Reimbursements)





GENERAL GOVERNMENT

Unrestricted General Government Aid (UGGA)

In FY2021 UGGA is expected to decrease \$1,016,674 or 12.6% to \$7,039,381. This decrease is due to an assumed but of fifteen percent (15%) from Governor Baker's January 2020, which has gain fulfilled his 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 FY2021, the Town has experienced a reduction in this aid of approximately \$1.2 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 FY2021 the assumed Cherry Sheet estimate is \$181,416, a small decrease 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 in addition to the assumed fifteen percent (15%) cut from the Governor's original budget.

GENERAL GOVERNMENT	FY2018 Actual	FY2019	FY2020 Budget	FY2021 Budget	Budget Change
Unrestricted General Government Aid	7,578,995	7,844,260	8,056,055	7,039,381	(1,016,674)
Veterans' Benefits	232,311	194,794	206,676	181,416	(25,260)
Total	7,811,306	8,039,054	8,262,731	7,220,797	(1,041,934)



SCHOOL AID

School Aid– Chapter 70

The Governor’s proposed total statewide education funding in FY2021, exclusive of regional schools, is \$4.4 billion, an increase of \$229 million, or 6.29%. Of this amount, it is estimated that Arlington was to receive \$15,983,039, an increase of \$2,003,712 or 14.33%. After and assumed fifteen percent (15%) cut from those figures, Arlington is assumed to receive \$13,585,583, a decrease of 2.82%

The Chapter 70 distribution formula calculates a Foundation Budget, the estimated cost to educate all students in each school district across the state, and funds a percentage of that 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, such as Arlington, 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. However, because of increases to the foundation aid formula contained in the 2019 Student Opportunity Act 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), originally Arlington was scheduled to receive a significant increase in foundation aid in FY2021, as it did in 2020.

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 a 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. The Student Opportunity Act increased funding for Charter School Tuition Reimbursements, with a goal of reaching full funding over three years, starting in FY2021. Based on the revised assumption, in FY2021 the Town will receive \$65,227, an increase of \$50,863.

SCHOOL AID	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Chapter 70 School Aid	11,180,879	11,685,389	13,979,327	13,585,583	(393,744)
Charter School Tuition Reimbursement	23,178	26,787	14,364	65,227	50,863
Total	11,204,057	11,712,176	13,993,691	13,650,810	(342,881)



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 FY21 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	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
School Construction Aid	1,615,914	476,523	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 FY2021, Arlington's reimbursements are expected to decrease \$4,328 to a total of \$121,028. 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	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Tax Exemption Aid	101,257	150,747	125,356	121,028	(4,328)



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 FY2021, assistance to libraries is expected to decrease slightly to \$50,663. 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	FY2018 Actual	FY2019 Budget	FY2020 Budget	FY2021 Budget	Budget Change
Libraries	55,856	57,029	59,468	50,663	(8,805)
Total	55,856	57,029	59,468	50,663	(8,805)

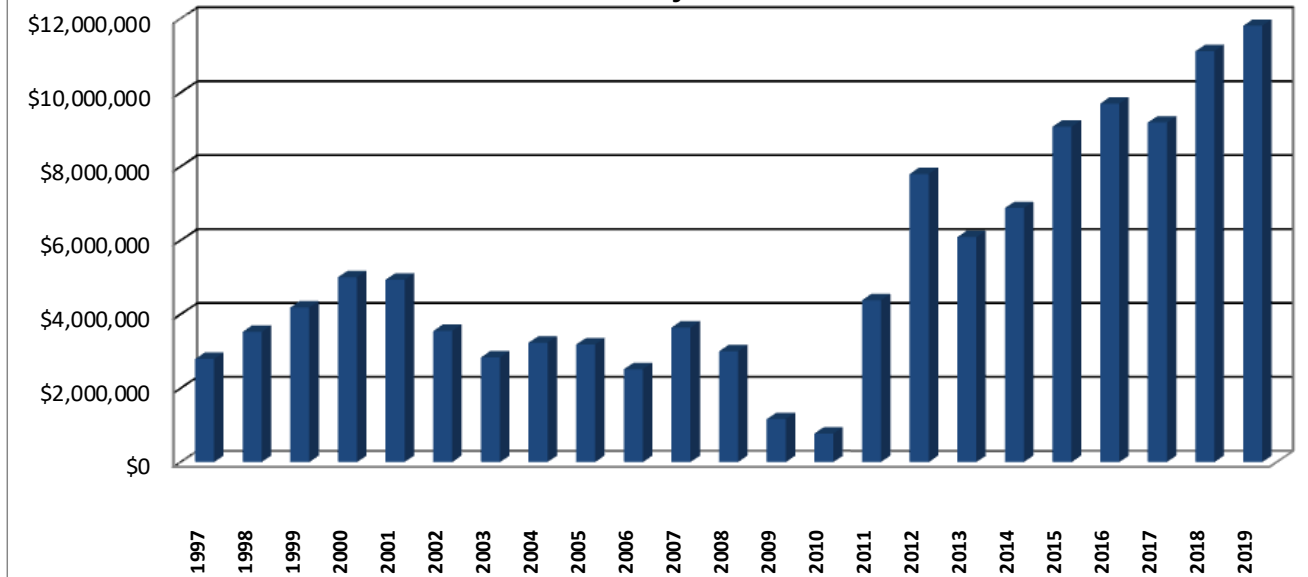


FREE CASH

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, 2019 was \$11,802,775. 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 \$5,901,388 or 50% of the existing balance, be appropriated toward the FY2021 budget.

Certified Free Cash History as of End of Fiscal Year



FREE CASH	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Free Cash Appropriated	4,850,566	4,593,375	5,559,782	5,901,388	341,606



OTHER REVENUE

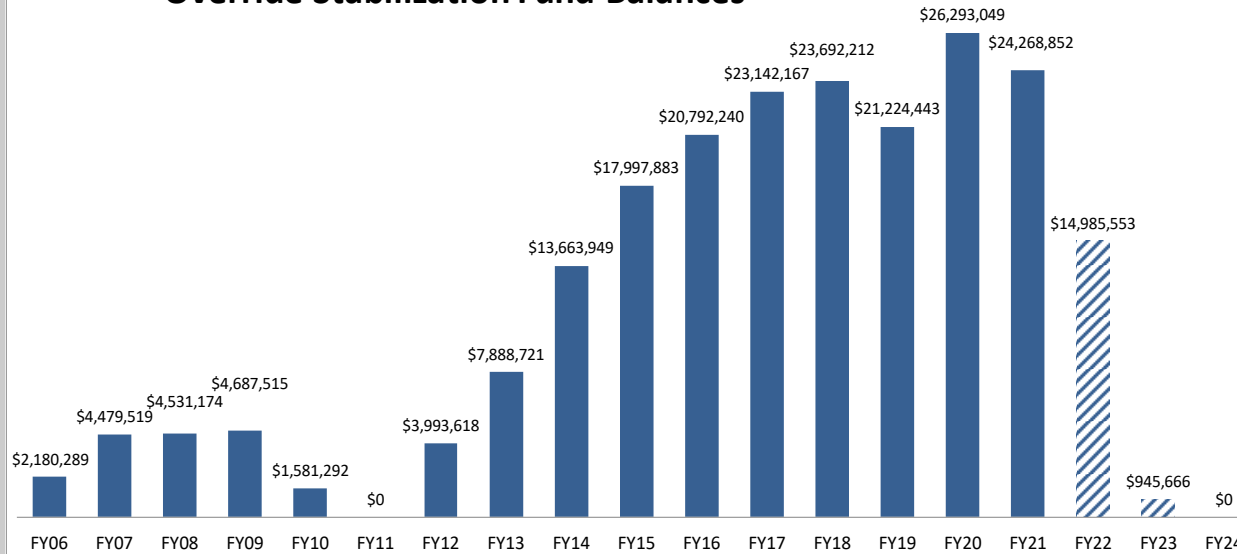
Overlay Surplus

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 FY2021, the Board of Assessors has declared \$400,000 as surplus for operating costs, an increase of \$200,000 from previous years.

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 FY2021 offset by assumed cuts to State Aid, budget takes \$2,024,197 from the fund. The Fund is projected to last until FY2024.

Override Stabilization Fund Balances



OTHER REVENUE	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Budget	Budget Change
Overlay Surplus	500,000	200,000	2,700,000	400,000	(2,300,000)
Override Stabilization Fund	-	2,786,331	0	2,024,197	2,024,197
Total	500,000	2,986,331	2,700,000	2,424,197	(275,803)