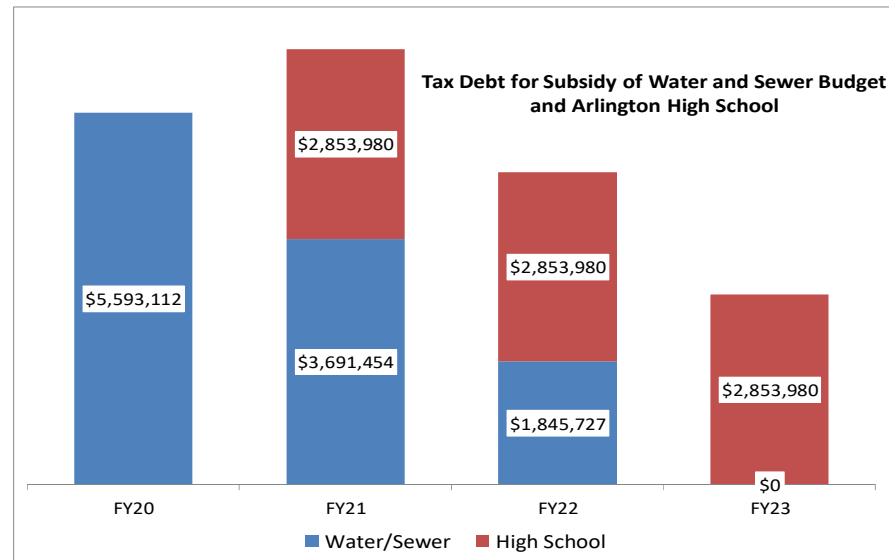


Water and Sewer Tax Subsidy Phases Out



Arlington is one of 61 communities that utilizes the Massachusetts Water Resources Authority (MWRA) for water and sewer services at the cost of about \$18 million per year to the Town. The Town has charged $\frac{3}{4}$ of these costs through the Water and Sewer Department, (whose revenue is collected through residents' water bills) and $\frac{1}{4}$ of these costs has been paid for by taxpayers. Putting $\frac{1}{4}$ of the costs onto residents' tax bills, as opposed to paying the whole amount through water bills, allowed residents to deduct part of their utility bills from their federal taxes. Taxes were deductible, but water and sewer fees were not. In 2018, the federal government changed the tax code and limited state and local tax deductions to \$10,000, beginning in 2019.

The Select Board revisited this policy, since few residents were receiving any benefit from it. In February 2020, it voted to eliminate the tax subsidy over three years, starting with the FY2021 water and sewer bills. This period coincides with tax increases related to building a new Arlington High School, as approved by voters at the 2019 override.

In FY2021, and subsequent years, the increase in tax bills for the High School will be significantly offset by a decrease in tax bills because of the phase out of the tax subsidy. However, water and sewer bills will increase. The Select Board felt that utility rates should reflect actual usage and the Water and Sewer Department should be funded 100% by ratepayers as is done in most other Massachusetts communities.

Municipal Vulnerability Preparedness and Wellington Park Project

The Town of Arlington has been actively working to mitigate the negative impacts of extreme weather due to climate change through its Municipal Vulnerability Preparedness (MVP) work. Beginning in 2017, Arlington received MVP grant funding from the Executive Office of Energy and Environmental Affairs to determine the Town's vulnerabilities and strengths and how to address them. Through a planning process, the Town determined flooding to be one of the biggest issues and utilized a second MVP grant of \$399,420 to develop and implement ecologically-sensitive flood management interventions along the Mill Brook Corridor. This cooperative effort with the Mystic River Watershed Association (MyRWA), leveraged several funding sources: Town Community Development Block Grant (CDBG) and Community Preservation Act (CPA) funding, and Massachusetts Municipal Vulnerability Preparedness funding. Phases 1 and 2 removed invasive species, built an ADA-compliant boardwalk along the Mill Brook, installed native plantings, and built a restored flood storage channel to demonstrate the ecological value of habitat restoration. The final phase, due for completion in 2021, will add more park amenities, install more native plantings, and install stormwater management infrastructure. This project has been an impressive example of collaboration and leveraged state and local funding to explore local solutions to climate change.



Pictured: constructed wetland channel built to control flooding and treat stormwater.

Receive timely news and notices from Town Hall via email with **Town of Arlington Notices**. Notices include public health and public works alerts, election information, special Town related events, and when the Town Manager's Annual Budget & Financial Plan is online. Subscribe today at: arlingtonma.gov/subscribe



Town of Arlington, Massachusetts Public Annual Financial Report

Fiscal Year Ending June 30, 2019

THE TOWN OF ARLINGTON

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

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

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

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

Under independent authority are the Select Board, Board of Assessors, and the Town Clerk. The School Committee handles school administration and appoints the Superintendent. All departments consist of approximately 800 full-time employees.

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

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

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

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

IN THIS REPORT

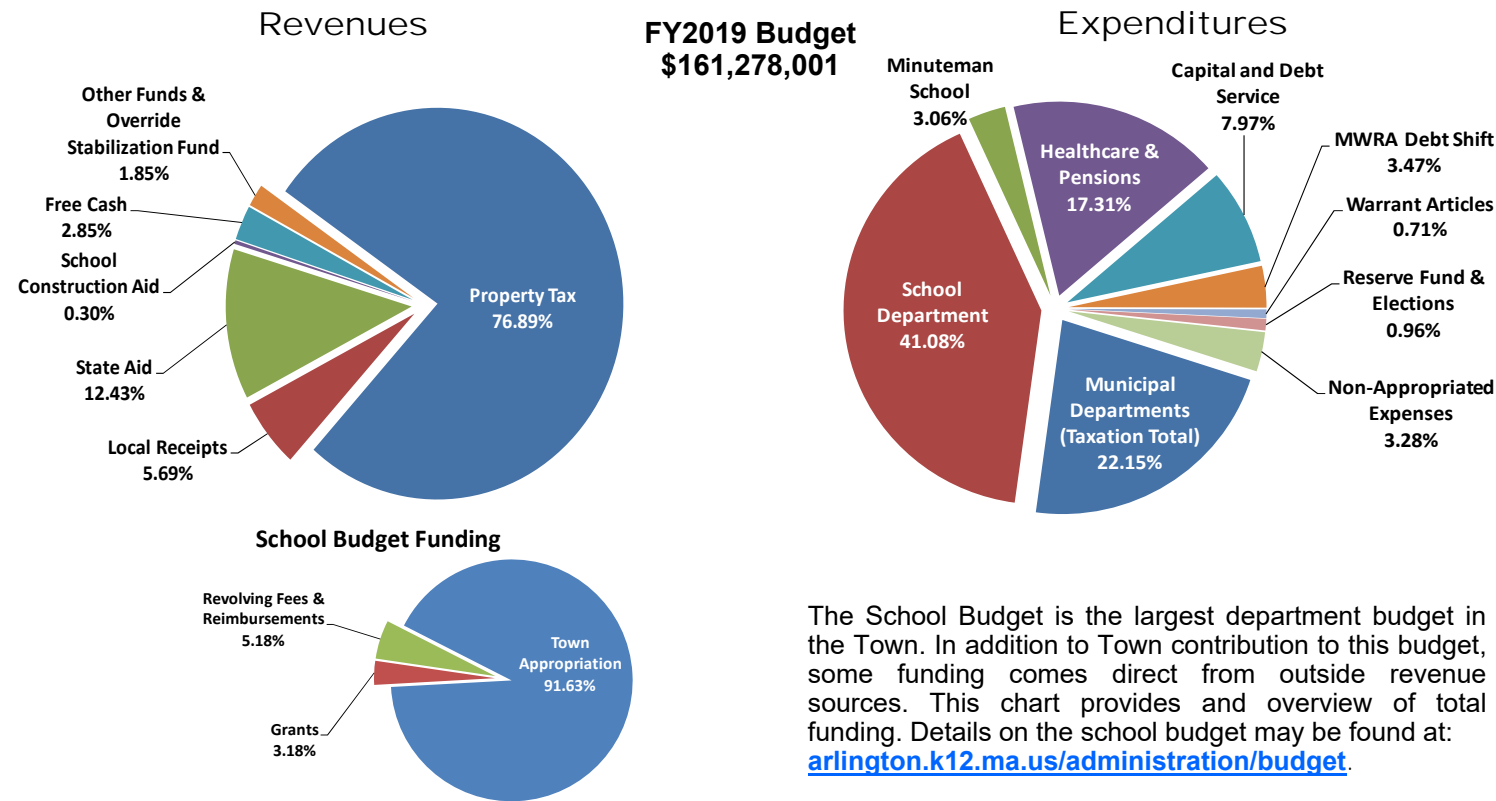
The information in this report is a snapshot of the Town's basic financial condition. It is a summary of where Arlington is now and how it compares to other, similar communities.

On **Page 2** you will find a breakdown of Arlington's revenues and expenditures. As you will see, Arlington's primary source of revenue is the Property Tax, followed by State Aid. Also on Page 2 is a budget summary and projection for FY2020 that provides more detail on the year-to-year growth of the Town budget.

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

A description of the change to how Arlington structures its payments for Water and Sewer services to the MWRA and the Town's recent efforts to find local ways to address climate change can be found on **Page 4**.





The School Budget is the largest department budget in the Town. In addition to Town contribution to this budget, some funding comes direct from outside revenue sources. This chart provides an overview of total funding. Details on the school budget may be found at: arlington.k12.ma.us/administration/budget.

Budget Summary & FY2020 Projection

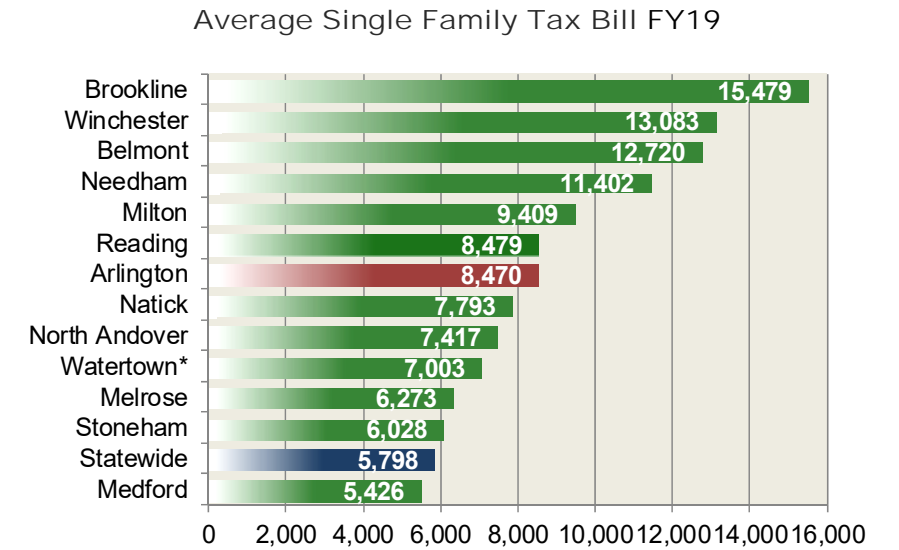
The summary provided below demonstrates the year-to-year growth between Fiscal Year 2019 and Fiscal Year 2020. This growth is consistent with the tenets of the Long Range Financial Plan. More detailed information and a glossary of terms, including the Town's long range financial plan can be found at: www.arlingtonma.gov/budget.

Revenue	FY2019	FY2020	\$ Change	%
Property Tax	\$ 124,010,977	\$ 133,239,908	\$ 9,228,931	7.4%
Local Receipts	\$ 9,171,000	\$ 9,871,000	\$ 700,000	7.6%
State Aid	\$ 20,039,795	\$ 22,439,702	\$ 2,399,907	12.0%
School Construction Aid	\$ 476,523	\$ 476,523	\$ -	0.0%
Free Cash	\$ 4,593,375	\$ 5,559,782	\$ 966,407	21.0%
Other Funds & Override Stabilization Fund	\$ 2,986,331	\$ 200,000	\$ (2,786,331)	-93%
Transfers/Offsets	\$ 2,490,562	\$ 2,580,233	\$ 89,671	3.6%
TOTAL REVENUES	\$ 163,768,563	\$ 174,367,148	\$ 10,598,585	6.5%
Expenditures				
Municipal Departments Appropriations *	\$ 38,214,820	\$ 39,715,529	\$ 1,500,709	3.9%
Offsets and Indirect Costs	\$ (2,490,562)	\$ (2,580,233)	\$ (89,671)	3.6%
Municipal Departments (Taxation Total)	\$ 35,724,258	\$ 37,135,296	\$ 1,411,038	3.9%
School Department	\$ 66,253,022	\$ 71,427,139	\$ 5,174,117	7.8%
Minuteman School	\$ 4,936,724	\$ 5,384,690	\$ 447,966	9.1%
Non-Departmental (Healthcare & Pensions)	\$ 27,924,645	\$ 29,247,782	\$ 1,323,137	4.7%
Capital (Includes Debt Service)	\$ 12,857,157	\$ 13,196,044	\$ 338,887	2.6%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ -	0.0%
Warrant Articles	\$ 1,153,137	\$ 1,189,392	\$ 36,255	3.1%
Reserve Fund & Elections	\$ 1,553,287	\$ 1,604,584	\$ 51,297	3.3%
Override Stabilization Fund Deposit	\$ -	\$ 2,174,510	\$ 2,174,510	100.0%
TOTAL EXPENDITURES	\$ 155,995,342	\$ 166,952,549	\$ 10,957,207	7.0%
Non-Appropriated Expenses	\$ 5,282,659	\$ 4,834,366	\$ (448,293)	-8.5%
Surplus / (Deficit)	\$ -	\$ -	\$ -	0.0%

*The FY19 and FY20 Budgets show offsets as a revenue source, per guidance from the Department of Revenue.

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

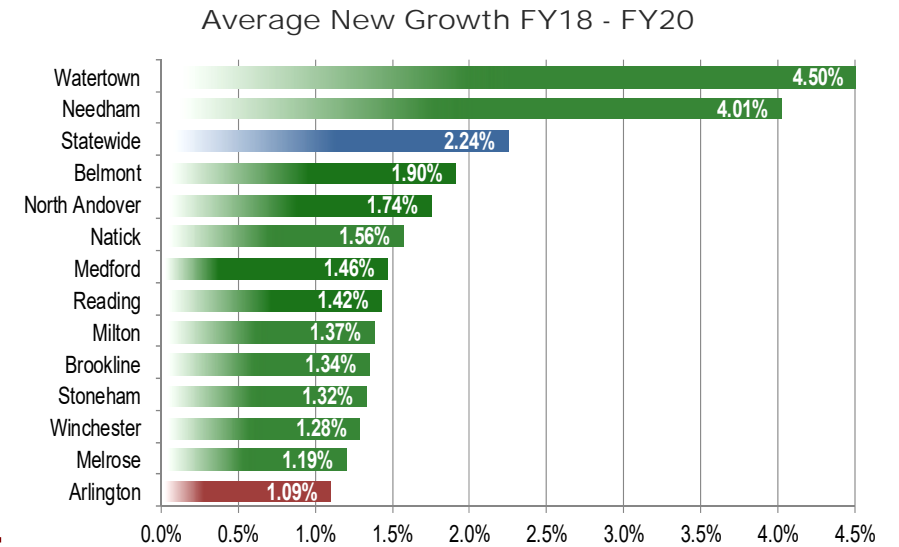
Due to relatively high home values, Arlington residents tend to pay a higher tax bill than the state average. While this places Arlington near the middle in terms of its comparable communities, it is still significantly below neighbors Belmont and Winchester.



* Denotes these communities have a single family tax exemption included in the figure above.

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

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



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

Arlington is in the bottom half of per capita spending relative to its comparable communities. It is also below the state average of \$3,701. The Town spending does not create a structural deficit, the lack of revenue creates the deficit.

