



Town of Arlington • Office of the Town Manager

Adam W. Chapdelaine, Town Manager Sandy Pooler, Deputy Town Manager Julie Wayman, Management Analyst

January 15, 2021

To: The Honorable Select Board and Finance Committee

I hereby transmit to you the recommended FY2022 operating and capital budgets and the FY2022-2026 capital plan. The budget as proposed totals \$184,776,590 which is an increase of \$6,732,643 (3.78%) from the current budget. A summary showing a comparison of the FY2021 and FY2022 revenues and expenditures is shown on page 4. Also, this budget proposal will be made available via the Town's online budget tool, Arlington Visual Budget, by February 3rd. It can be viewed at arlingtonvisualbudget.org.

It is important to note at the outset that this budget proposal has been formulated in one of the most uncertain economic environments that we have seen in the 21st century. This uncertainty has quite clearly been precipitated by the COVID-19 pandemic and its corresponding economic impacts. Due to this, we will be approaching our recommendations in a manner unlike our approach in prior years. The hallmark of this approach will be identification of budgetary priorities, but a deferral of some funding requests until more is learned about departmental needs and state revenues in the coming months.

However, the framework for our long range financial planning remains intact. FY2021, the current fiscal year, is the second 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 was successfully 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 2.60%.**
- 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. – **Due to decreases in enrollment, this is being addressed as described on Page 3.**

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. – **This commitment is maintained, but the schedule of funding has changed due to the economic impacts of the pandemic. This new schedule is described on Page 3.**
- 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 have recently been approved by the state legislature.**
- b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board has initiated the reduction of 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 FY2022 budget proposal is a level service budget that maintains core municipal services (Police, Fire, DPW) at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed below.

School Department Funding

For the school year 2020-2021, Arlington, like many school districts, has seen a significant drop in student enrollment in response to the pandemic. The FY2021 budget had anticipated a growth in enrollment of 150 students, but the actual enrollment for this school year was down by 287 students – a net decrease of 437 students. Uncertainty about how many of these students might return to the district in September of 2021 has prompted consideration of how to responsibly manage school department funding decisions for FY2022. Part of that consideration will also be to analyze potential FY2021 surpluses that could be turned back to the general fund and also guide us in regards to general education funding needs in FY2022. Simultaneously, we are working to provide the school department the funding which was committed to as part of the override in order to allow for the implementation of its multi-year strategic plan. In FY2021, a portion of this funding was held back, but we are now working to provide the district with the held back funding over the course of the next two fiscal years. Consideration of school funding will continue in the coming months as we approach Town Meeting, but for the purposes of this budget submission, I am recommending the following:

- Setting aside FY2022's previously calculated Growth Factor in a special Finance Committee Reserve. This amount will be available to the School Department, with the approval of the Finance Committee, depending upon enrollment in September of 2021. This set aside will be \$1,094,550.
- Funding the School Committee's multi-year strategic plan as follows: FY2020 - \$600,000 FY2021 - \$140,000 FY2022 - \$1,030,000 FY2023 - \$1,030,000

Overall General Fund Budget Summary

	FY2019 Actual	FY2020 Actual	FY2021 Budget	FY2022 Budget	Change \$	%
Revenue						
Property Tax	\$ 124,010,977	\$ 133,350,155	\$ 138,199,500	\$ 140,364,189	\$ 2,164,689	1.6%
Local Receipts	\$ 12,261,981	\$ 11,231,688	\$ 7,906,301	\$ 8,873,350	\$ 967,049	12.2%
State Aid	\$ 20,039,795	\$ 22,481,187	\$ 23,136,038	\$ 23,334,118	\$ 198,080	0.9%
School Construction Aid	\$ 476,523	\$ 476,523	\$ 476,523	\$ -	\$ (476,523)	-100.0%
Free Cash	\$ 4,593,375	\$ 5,559,782	\$ 5,901,388	\$ 5,659,184	\$ (242,204)	-4.1%
Other Funds	\$ 200,000	\$ 200,000	\$ 400,000	\$ 400,000	\$ -	0.0%
Override Stabilization Fund	\$ 2,786,331	\$ -	\$ 2,024,197	\$ 6,128,250	\$ 4,104,053	202.7%
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 164,368,982	\$ 173,299,335	\$ 178,043,947	\$ 184,759,091	\$ 6,715,144	3.77%
Transfers in (Offsets)	\$ 2,490,562	\$ 2,580,233	\$ 2,642,197	\$ 2,916,046	\$ 273,849	10.4%
TOTAL REVENUES	\$ 166,859,544	\$ 175,879,568	\$ 180,686,144	\$ 187,675,137	\$ 6,988,993	3.9%
Expenditures						
<i>Municipal Departments Appropriations</i>	\$ 35,838,908	\$ 36,504,171	\$ 40,516,044	\$ 41,773,325	\$ 1,257,281	5.4%
<i>Offsets and Indirect Costs</i>	\$ (2,490,562)	\$ (2,580,233)	\$ (2,642,197)	\$ (2,916,046)	\$ (273,849)	-10.4%
Municipal Departments (Taxation Total)	\$ 33,348,255	\$ 33,923,938	\$ 37,873,847	\$ 38,857,279	\$ 983,432	2.6%
School Department	\$ 66,253,022	\$ 71,427,139	\$ 75,570,531	\$ 80,104,634	\$ 4,534,103	6.0%
Minuteman School	\$ 4,936,724	\$ 5,384,690	\$ 6,113,371	\$ 6,795,456	\$ 682,085	33.2%
Non-Departmental (Healthcare & Pensions)	\$ 27,023,413	\$ 28,883,116	\$ 30,780,027	\$ 32,569,505	\$ 1,789,478	11.7%
Capital (Includes Debt Service)	\$ 12,857,157	\$ 13,196,044	\$ 16,253,328	\$ 15,701,834	\$ (551,494)	-3.4%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ 3,691,454	\$ 1,845,727	\$ (1,845,727)	-50.0%
Warrant Articles	\$ 1,085,194	\$ 1,063,174	\$ 1,015,999	\$ 1,000,431	\$ (15,568)	-1.5%
Reserve Fund & Elections	\$ -	\$ -	\$ 1,556,724	\$ 2,814,695	\$ 1,257,971	80.8%
Override Stabilization Fund Deposit	\$ -	\$ 2,174,510	\$ -	\$ -	\$ -	0.0%
TOTAL EXPENDITURES	\$ 151,096,877	\$ 161,645,723	\$ 172,855,281	\$ 179,689,561	\$ 6,834,280	4.0%
Non-Appropriated Expenses	\$ 5,282,659	\$ 4,986,098	\$ 5,188,666	\$ 5,069,530	\$ (119,136)	-19.3%
Surplus / (Deficit)	\$ 7,989,446	\$ 6,667,514	\$ -	\$ -	\$ -	0.0%

Departmental Budgets

Departmental operating budgets have been held to a 2.6% increase in accordance with the Long Range Plan. The primary investments in this budget relate to staffing levels in the Health Division of the Health and Human Services Department which correspond to needs presented by the pandemic and further investments in the Diversity, Equity and Inclusion Division of Health and Human Services. There have been no new positions added to the FY2022 budget, though we have identified a list of potential positions that we may request adding to the budget as we learn more about state revenues (see personnel chart on page 6).

Health Division

In order to meet the challenges of the pandemic, two Health Compliance Officers were added to the Health Division budget during FY2021 (and are first represented in the FY2022 personnel chart). These positions have been funded directly from federal CARES Act funding, which will remain available until December 31, 2021. Beyond this date, the Town budget will need to support these positions.

Diversity, Equity and Inclusion Division

During this current fiscal year, the Diversity, Equity and Inclusion Division was created within the Health and Human Services Department. Correspondingly, the Diversity, Equity and Inclusion Coordinator position was upgraded to the position of Director. Going further, a Part-Time Administrative Support position was added to this newly-formed Division. Those changes have been incorporated into the FY2022 budget as well as a funding request for \$30,000 for training and consultancy work related to the efforts of the Division.

Positions Listed for Potential Addition at a Future Date

Due to the uncertainty mentioned earlier in this message, we have worked to limit proposed increases to Town departmental budgets. However, there are demonstrated needs that have been presented by Town departments that we may ask to add back to the budget, dependent upon state revenues. After learning more from both the Governor's budget and budgets from both legislative branches, we will provide further advice regarding these positions to the Select Board and the Finance Committee.

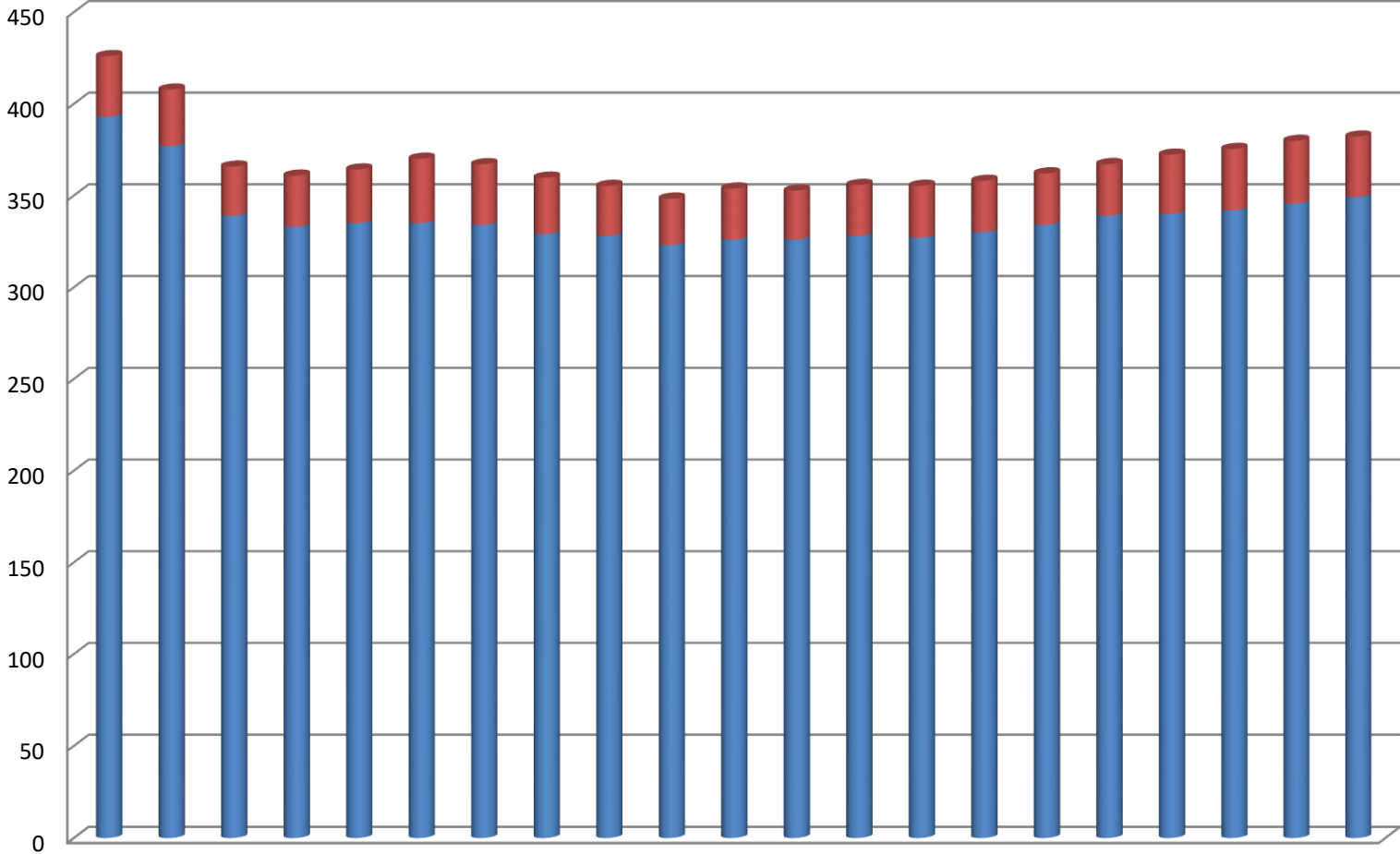
Department of Public Works- Civil Engineer, Permitting - \$70,000

Inspectional Services Department - Compliance Officer - \$35,000

Town Manager's Office - Part -Time Public Records Request Coordinator - \$35,000

Library - Part-Time Teen Services Librarian - \$26,399

Town Personnel Trends FY 2002 - FY2022 FTEs



■ Enterprise	33	31	27	28	29	35	33	31	27	25	28	27	28	28	28	28	32	33	34	33	
■ General	393	377	339	333	335	335	334	329	328	323	326	326	328	327	330	334	339	340	342	346	349

Healthcare/Other Post-Employment Benefits (OPEB)

Healthcare premiums are assumed to increase by 5.25% in the FY2022 budget. This assumption is carried throughout the Long Range Plan. The actual cost of premiums will not be known until the Group Insurance Commission (GIC) releases FY2022 rates on March 1st. At that time, adjustments can be made to the healthcare budget accordingly.

In FY2022, the Town will once again ask for a direct appropriation from the Health Claims Trust Fund into the Town's OPEB Trust Fund. The Town's portion of the Health Claims Trust Fund has an approximate balance of \$2,037,411. The FY2022 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the ninth 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 \$636,532 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2022 to \$936,532. The table below provides information regarding the Town's OPEB Trust Fund and OPEB liability.

Town of Arlington OPEB Liability - As of January 1, 2020				
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%

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 (APPA). A potential contract with the APPA is before the Joint Labor Management Council, the state run arbitration agency for police and fire collective bargaining agreements.

State Aid

State aid is projected to increase by \$198,080 or 0.86% in FY2022. This projected increase is due to an assumption that Chapter 70 will increase by 1% and Unrestricted General Government Aid (UGGA) will increase by 1% and other state aid accounts will remain level. This assumption will result in an increase in Chapter 70 funding of \$145,660 and an increase of \$80,561 in the UGGA allocation.

The Governor's budget, scheduled to be released January 27rd, will be our first indication of what local aid may look like.

Financial Structure and Outlook

Each year, for many 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 (inclusive of the June 2019 override).

Looking ahead, the Town is engaged in a planning process to consider changes within the Town's industrial zoning districts which could lead to heightened growth in the tax base. Additionally, there is an ongoing discussion regarding further mixed use development along the Town's commercial corridors which also holds the potential for tax base growth beyond current levels.

Capital

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 FY2022 funding for the capital budget is as follows:

Bonding: \$7,390,210

Cash: \$3,692,797

Other: \$3,724,000

Our existing non-exempt debt is \$5,586,977 which is consistent with prior debt service projections for FY2022. The total capital budget for FY2022, including debt, is estimated at \$17.4 million. With ongoing commitments to spending on the High School and DPW projects, the remainder of the Capital Plan continues to fund ongoing, recurring capital needs such as road, sidewalks, water and sewer improvements, vehicles, and information technology equipment, without taking on new major investments in FY2022.

Conclusion

In these difficult economic times there have been unprecedented challenges, both financial and operational. In the face of this our staff has worked tirelessly to provide high-quality services to the residents of Arlington. In this budget, every effort is being made to implement all appropriate measures that will maximize the productivity of our organization and deliver services within available resources and within the context of the pandemic. We remain committed to maintaining the high quality of life our residents expect and deserve.

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

The document presented for your consideration is a product of a great deal of work. Our department heads, second to none in the Commonwealth in terms of professional competence and dedication to their tasks, provided invaluable input and assistance. Members of boards and commissions also offered valuable assistance. In particular, I would like to thank the Select Board for its policy insights and leadership. I am most of all indebted to Sandy Pooler, Deputy Town Manager and 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,



Town Manager