



Town of Arlington • Office of the Town Manager

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

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January 14, 2022

**To: The Honorable Select Board and Finance Committee**

I hereby transmit to you the recommended FY2023 operating and capital budgets and the FY2023-2027 capital plan. The budget as proposed totals \$193,267,601 which is an increase of \$5,554,348 (2.96%) from the current budget. A summary showing a comparison of the FY2022 and FY2023 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](http://arlingtonvisualbudget.org).

It is important to note at the outset that this budget proposal has been formulated in an environment of continuing economic uncertainty. This uncertainty has been precipitated by the COVID-19 pandemic and its corresponding economic impacts. Though there is reason to believe that the years ahead may provide some returned stability to governmental revenues and workload expectations, such stability has yet be realized and is challenging to project with accuracy.

However, the framework for our long range financial planning remains intact. FY2022, the current fiscal year, is the third 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 3.00%.**

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. – **A new tax deferral program is in place with higher eligibility criteria to allow residents greater access to the program.**

b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board's reduction of the MWRA Debt Shift in coordination with the issuance of debt related to the Arlington High School Project is complete and no longer in the Town budget beginning in FY23.**

c. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis.**

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 FY2023 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**

Since the outset of the pandemic, Arlington, like many school districts, has seen a significant drop from pre-pandemic levels of student enrollment. For FY2022, the Town set aside the previously calculated School Enrollment Growth Factor in a special Finance Committee Reserve to be prepared for a student enrollment recovery in the fall of 2021. However, enrollment only rebounded by 98 students, leaving the district with 189 fewer students than its pre-pandemic high. Due to this, the FY2023 budget proposal is recommending a resetting of the school budget based on the actual number of students enrolled in the district. Additionally, the FY2023 budget proposal recognizes the need for COVID-related mitigation within the school district budget and proposes funding these services in the amount of \$970,000. Finally, the FY2023 budget continues 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. The table below outlines the School Department funding recommendation as outlined above:

	<b>FY2022</b>	<b>FY2023</b>	<b>\$ Increase</b>	<b>% Increase</b>
General Education	\$52,809,670	\$55,724,058	\$2,914,388	5.52%
Special Education	\$26,264,964	\$28,103,511	\$1,838,547	7.00%
Strategic Plan Implementation	\$1,030,000	\$1,030,000	\$0	0.00%
Enrollment Reset	\$0	(\$1,379,700)	(\$1,379,700)	-
One Time COVID Impact	\$0	\$970,000	\$970,000	-
<b>Total</b>	<b>\$80,104,634</b>	<b>\$84,447,869</b>	<b>\$4,343,235</b>	<b>5.42%</b>

## Overall General Fund Budget Summary

	FY2020 Actual	FY2021 Budget	FY2022 Budget	FY2023 Budget	Change \$	%
<b>Revenue</b>						
Property Tax	\$ 133,350,155	\$ 138,199,500	\$ 143,002,372	\$ 145,110,564	\$ 2,108,192	1.47%
Local Receipts	\$ 11,231,688	\$ 7,906,301	\$ 8,873,350	\$ 9,225,900	\$ 352,550	3.97%
State Aid	\$ 22,481,187	\$ 23,136,038	\$ 23,529,766	\$ 23,760,557	\$ 230,791	0.98%
School Construction Aid	\$ 476,523	\$ 476,523	\$ -	\$ 5,000,000	\$ 5,000,000	-
Free Cash	\$ 5,559,782	\$ 5,901,388	\$ 5,659,184	\$ 5,539,215	\$ (119,969)	-2.12%
Other Funds	\$ 200,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	0.00%
Override Stabilization Fund	\$ -	\$ 2,024,197	\$ 6,248,581	\$ 4,231,365	\$ (2,017,216)	-32.28%
<b>TOTAL TAXES, FEES, AID, AND OTHER SOURCES</b>	<b>\$ 173,299,335</b>	<b>\$ 178,043,947</b>	<b>\$ 187,713,253</b>	<b>\$ 193,267,601</b>	<b>\$ 5,554,348</b>	<b>2.96%</b>
Transfers in (Offsets)	\$ 2,580,233	\$ 2,642,197	\$ 2,916,046	\$ 3,220,747	\$ 304,701	10.45%
<b>TOTAL REVENUES</b>	<b>\$ 175,879,568</b>	<b>\$ 180,686,144</b>	<b>\$ 190,629,299</b>	<b>\$ 196,488,348</b>	<b>\$ 5,859,049</b>	<b>3.07%</b>
<b>Expenditures</b>						
<i>Municipal Departments Appropriations</i>	\$ 36,504,171	\$ 40,516,044	\$ 41,755,150	\$ 43,225,024	\$ 1,469,874	3.52%
<i>Offsets and Indirect Costs</i>	\$ (2,580,233)	\$ (2,642,197)	\$ (2,916,046)	\$ (3,220,747)	\$ (304,701)	-10.45%
Municipal Departments (Taxation Total)	\$ 33,923,938	\$ 37,873,847	\$ 38,839,104	\$ 40,004,277	\$ 1,165,173	3.00%
School Department	\$ 71,427,139	\$ 75,570,531	\$ 80,104,634	\$ 84,447,869	\$ 4,343,235	5.42%
Minuteman School	\$ 5,384,690	\$ 6,113,371	\$ 6,795,546	\$ 7,947,938	\$ 1,152,392	16.96%
Non-Departmental (Healthcare & Pensions)	\$ 28,883,116	\$ 30,780,027	\$ 32,848,298	\$ 34,897,318	\$ 2,049,020	6.24%
Capital (Includes Debt Service)	\$ 13,196,044	\$ 16,253,328	\$ 18,303,789	\$ 18,368,227	\$ 64,438	0.35%
MWRA Debt Shift	\$ 5,593,112	\$ 3,691,454	\$ 1,845,727	\$ -	\$ (1,845,727)	-100.00%
Warrant Articles	\$ 1,063,174	\$ 1,015,999	\$ 1,054,291	\$ 1,363,530	\$ 309,239	29.33%
Reserve Fund & Elections	\$ -	\$ 1,556,724	\$ 1,720,145	\$ 1,753,178	\$ 33,033	1.92%
Override Stabilization Fund Deposit	\$ 2,174,510	\$ -	\$ 1,094,055	\$ -	\$ (1,094,055)	-100.00%
<b>TOTAL EXPENDITURES</b>	<b>\$ 161,645,723</b>	<b>\$ 172,855,281</b>	<b>\$ 182,605,589</b>	<b>\$ 188,782,337</b>	<b>\$ 6,176,748</b>	<b>3.38%</b>
<b>Non-Appropriated Expenses</b>	<b>\$ 4,986,098</b>	<b>\$ 5,188,666</b>	<b>\$ 5,107,664</b>	<b>\$ 4,485,264</b>	<b>\$ (622,400)</b>	<b>-12.19%</b>
<b>Surplus / (Deficit)</b>	<b>\$ 6,667,514</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Departmental Budgets**

Departmental budgets have been held to a 3.0% increase in accordance with the Long Range Plan. The primary investments in this budget relate to recycling/solid waste collection, staff enhancement in the Diversity, Equity, and Inclusion (DEI) Division and staff capacity enhancement for the Zoning Board of Appeals (ZBA) and the Historic Commission. Only one new general fund position has been added in this budget recommendation (see personnel chart on page 6). New in this year’s budget submission is the number of full-time equivalent (FTE) positions that are funded by grants, American Rescue Plan Act (ARPA) funds, and other federal funding. The personnel chart also shows an increase of six people in the Enterprise funds: these six people had already worked for the Town in the Arlington Youth Counseling Center (AYCC) but are now showing as staff to more accurately reflect the work of this division.

**DPW** - An increase of \$270,537 due to a new, three-year, recycling/solid waste hauling contract between the Town and JRM and an increase to maintenance of town fields.

**DEI Division** - An increase of \$29,893 due to transitioning the DEI Assistant position to a full time ADA Coordinator position.

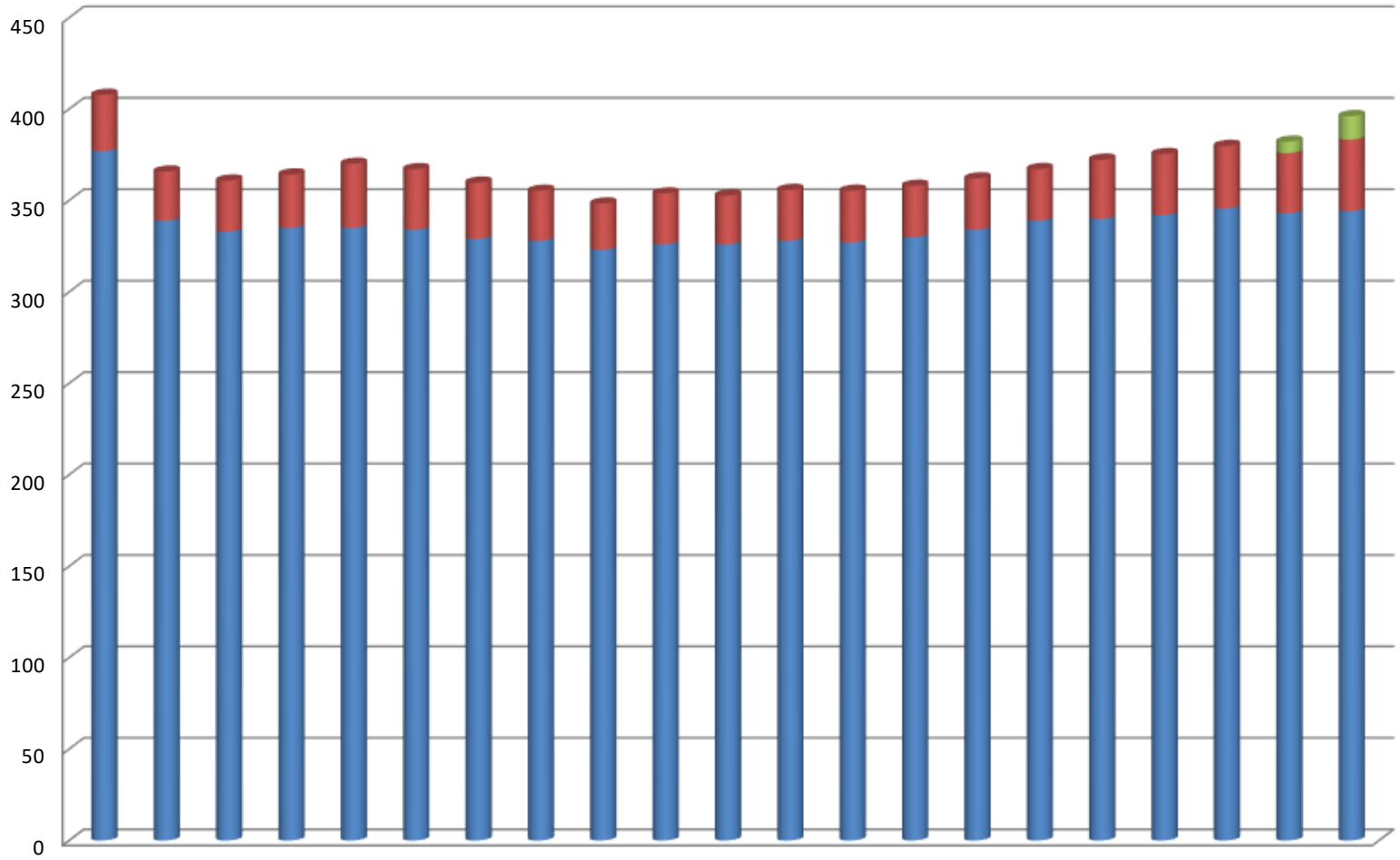
**ZBA** - An increase of \$29,519 due an increase in hours budgeted for the Zoning Administrator position.

**American Rescue Plan Act Funding**

The Town is receiving \$35,247,893 in funding from the American Rescue Plan Act (ARPA). These funds have been programmed in a framework endorsed by the Select Board. The Town recently learned that it will be able to use \$10,000,000 of these funds to offset revenue losses experienced during the pandemic. Due to this, the previously endorsed framework will need to be amended and further endorsed by the Board. However, this budget recommendation assumes the \$10,000,000 in ARPA funding will be allocated to offset revenue losses. Additionally, the Town does plan to use a modest portion of the overall ARPA allocation to fund staff positions which are eligible under ARPA rules. These positions will expire at the conclusion of the ARPA grant period. These positions are as follows:

<b><u>Health Division</u></b>	<b>Amount</b>
Public Health Nurse (1.2 FTE)	\$89,830
Health Compliance Officer (2 FTE)	\$132,159
<b><u>Diversity, Equity &amp; Inclusion Division</u></b>	
Community Outreach Coordinator	\$54,216
<b><u>Arlington Youth Counseling Center</u></b>	
Mental Health Clinician (.51 FTE)	\$34,835
Psychiatrist (.23 FTE)	\$28,405
Hourly Mental Health Clinicians	\$21,850
<b>Total</b>	<b>\$311,040</b>

## Town Personnel Trends FY 2003 - FY2023 FTEs



	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
ARPA/Grant																				6	13
Enterprise	31	27	28	29	35	33	31	27	25	28	27	28	28	28	28	28	32	33	34	33	39
General	377	339	333	335	335	334	329	328	323	326	326	328	327	330	334	339	340	342	346	343	344

**Healthcare/Other Post-Employment Benefits (OPEB)**

Healthcare spending is assumed to increase by 6.15% in the FY2023 budget. The actual cost of premiums will not be known until the Group Insurance Commission (GIC) releases FY2023 rates on March 1<sup>st</sup>. At that time, adjustments can be made to the healthcare budget accordingly.

In FY2023, 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 \$1,749,648. The FY2023 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the tenth 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 \$678,633 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2023 to \$978,633. This total also includes \$43,000 for the management of the OPEB Trust Fund, an expense previously budgeted within the pension appropriation. The table below provides information regarding the Town’s OPEB Trust Fund and OPEB liability.

<b>Town of Arlington OPEB Liability - As of June 30, 2021</b>				
Year	Total Liability	Total Assets	Net Liability	Percent Funded
2020	\$252,494,363	\$15,865,946	\$236,628,417	6.3%
2021	\$264,518,341	\$21,268,077	\$243,250,264	8.0%

**Collective Bargaining and Employee Relations**

The Town is in collective bargaining with all unions.

**State Aid**

State aid is projected to increase by \$230,791 or 0.98% in FY2023. 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 \$147,411 and an increase of \$83,380 in the UGGA allocation.

The Governor’s budget, scheduled to be released January 26<sup>th</sup>, 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 approximately \$4,000,000. 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).

## **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 FY2023 funding for the capital budget is as follows:

Bonding: \$7,029,227

Cash: \$3,426,277

Other: \$3,906,500

Our existing non-exempt debt is \$6,699,193 which is consistent with prior debt service projections for FY2023. The total capital budget for FY2023, including debt, is estimated at \$18.37 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 FY2023. New to this year's plan are \$2 million of American Rescue Plan Act (ARPA) funds which are offsetting school HVAC projects.



## **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