



**GLOSSARY OF TERMS**

- Assessment/Offsets**      The amount the State automatically deducts from Local Aid to cover town-shared expenses. The primary items that make up this amount are charter school and MBTA assessments.
  
- Bond Anticipation Note (BAN):**      Short term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal repayment begins after two years (MGL Ch. 44 §17). Principal payments on school-related BANs may be deferred up to seven years, if the community has an approved project on the Massachusetts School Building Authority (MSBA) priority list. BANs are full faith and credit obligations.
  
- Capital (Includes Debt Service):**      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.
  
- Cherry Sheet:**      The official notification by the Massachusetts Commissioner of Revenue to municipalities and school districts of estimated state aid to be paid and charges to be assessed over the next fiscal year. As the state budget process unfolds, updated local aid proposals are posted. Cherry Sheets are issued once the state budget is enacted by the Legislature and approved by the Governor.
  
- Chapter 70 School Aid Cherry Sheet:**      Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which State Aid is distributed through the Cherry Sheet to help establish educational equity among municipal and regional school districts.
  
- Chapter 90 Highway Funds:**      State funds derived from transportation bond authorizations and apportioned to communities for road projects based on a formula under the provision of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage (58.33%) as certified by the Massachusetts Highway Department (MHD), local employment level (20.83%) derived from the Department of Employment and Training (DET), and population estimates (20.83%) from the US Census Bureau. Local highway projects are approved in advance. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursement to the limit of the grant.
  
- Collective Bargaining:**      The process of negotiating workers’ wages, hours, benefits, working conditions, etc., between employer and some or all of its employees, who are represented by a recognized labor union.



- Debt Exclusion:** A debt exclusion is the amount levied to the taxpayers in addition to the usual tax limit under Proposition 2 ½ to pay for the debt service on bonds issued for large capital projects. The amount of the tax increase is net of any reimbursement from the state, for example, for school building projects. The debt exclusion remains in effect until the bonds are fully paid.
- Designated Unreserved Fund Balance:** A limitation on the use of all or part of the expendable balance in a governmental fund.
- Enterprise Funds:** An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery — direct, indirect, and capital costs — are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the surplus or unrestricted net assets generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Arlington has five enterprise funds: Council on Aging Transportation, Recreation, Ed Burns Arena, Water & Sewer, and Arlington Youth Counseling Center.
- Enterprise Fund Debt:** Debt service funded from Water & Sewer rates or other enterprise fund revenue.
- Equalized Valuations (EQVs):** The calculation of the full and fair cash of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in determining some state aid accounts and for calculating county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biennially determining an equalized valuation for each city and town in the Commonwealth.
- Excess Levy Capacity:** The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually, the Select Board must be informed of excess levy capacity and its acknowledgement must be submitted to DOR when setting the tax rate.
- Excluded or Exempt Debt:** Debt service that is funded through a debt exclusion vote. A debt exclusion is an action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2 ½.
- Fiscal Year:** A fiscal year runs July 1 through June 30. For example, Fiscal Year 2023 runs from July 1, 2022 through June 30, 2023.



- Foundation Budget:** The spending target imposed by the Education Reform Act of 1993 for each school district as the level necessary to provide adequate education for all students.
- Free Cash:** A revenue source that results from the calculation of a community's remaining, unrestricted funds from operations of the previous fiscal year, based on the balance sheet as of June 30. It includes actual revenue receipts in excess of revenue estimates and unspent amounts in departmental budget line-items for the year, plus unexpended free cash from the previous year. After the books are closed for the year, fund balances are submitted to the Department of Revenue for certification, generally in the fall with final certification in late fall or early winter. It is strongly recommended that free cash be spent on one-time expenditures since free cash itself is a one-time revenue source.
- GASB 34:** A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering services and value estimates on public infrastructure assets, such as bridges, roads, sewers, etc. It also requires the presentation of a narrative statement analyzing the government's financial performance, trends, and prospects for the future.
- GASB 74/75:** Major pronouncements of the Governmental Accounting Standards Board issued to improve the accounting and reporting by state and local government for post employment benefits other than pensions (such as medical, dental, vision, benefits, etc). Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.
- GIS:** Geographic Information System, a computerized mapping system and analytical tool that allows a community to access information on a parcel, area, or community wide basis. It also allows parcels to be identified and sorted on the basis of specified criteria. The system can integrate assessors' property data, water and sewer line networks, wetlands, floodplains, as well as other data.
- Levy Ceiling:** A levy ceiling is a restriction on the tax levy, imposed by MGL Ch. 59 §21C (Proposition 2½ ). It requires property taxes not exceed 2½ percent of the total full and fair cash value of all taxable property, in other words, the maximum tax rate cannot increase by more than \$25 per \$1,000 of value. Property taxes levied may exceed this limit only if the community passes a capital, debt, or special exclusion.



- Levy Limit:** MGL Ch. 59 §21C (Proposition 2 ½) states that the real and personal property taxes imposed by a city or town (the levy) may grow each year by 2½ percent above the prior year’s levy limit, plus new growth, plus any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital, debt, or special exclusion.
- Local Receipts:** Local receipts revenue collected through departmental operations. The primary local receipts are motor vehicle excise taxes, interest income, permits, licenses, fines, and fees.
- Tax Levy Limit:** This amount represents the total amount of tax bills the town sends out each year to taxpayers. The levy is monitored by the state and can increase by 2.5% each year.
- M.G.L.:** The Massachusetts General Laws, the official laws of the Commonwealth of Massachusetts.
- Municipal Departments:** Select Board, Town Manager, Human Resources, Comptroller, Treasurer, Postage, Assessors, Information Technology, Legal, Town Clerk, Parking, Planning & Community Development, Facilities, Public Works, Police, Fire, Inspectional Services, Libraries, Health and Human Services, Board of Health, Veterans’ Services, Council on Aging, Enterprise Funds (Water/Sewer, Recreation, Ed Burns Arena, Council on Aging Transportation, Youth Counseling Center), and other related boards (Board of Registrars, Redevelopment Board, and Zoning Board of Appeals).
- MWRA Debt Shift:** The Town has accepted provisions of M.G.L., Ch. 59 § 21C whereby water and sewer debt costs are subsidized by taxes. Per vote of the Select Board, the MWRA Debt Shift has been fixed at \$5,593,112 since FY2007. The shift was phased out over three years beginning in FY2020.
- New Growth:** New Growth is previously untaxed property, such as when a property owner makes improvements to an existing home or business or builds a new building. It increases the assessed value and adds to the levy limit.
- Non-Appropriated Expenses:** Expenses which are contained on the Cherry Sheet from the state and charged to the Town, the largest of which is the annual MBTA assessment. Other non-appropriated expenses include: parking fine registry surcharge, air pollution control district, Metropolitan Area Planning Council, and Charter School Tuition. The Overlay is also included in non-appropriated expenses.
- Non-Departmental (Healthcare & Pensions):** The Town’s non-departmental liabilities includes health insurance and retirement costs for employees and retirees.



- Non-Exempt Debt:** Debt service that is funded by the General Fund and within the limitations of Proposition 2½ i.e., debt that has is not being paid for through a debt exclusion.
- OPEB:** Other Post-Employment Benefits, benefits, other than pensions, paid or owed to retired Town employees for health insurance, life insurance, or other similar benefits. OPEB creates a liability on the Town’s balance sheet, similar to a pension fund liability. The Town has created an OPEB Trust Fund to offset that liability and is adding funds annually.
- Override:** Under the provisions of MGL Ch. 59 §21C (Proposition 2½), voters may increase the Levy Limit to fund operating expenses by passing an operating override. This increase is a permanent change to the levy limit. An override may not increase the levy limit above the levy ceiling.
- Overlay:** This amount is requested and set aside by the Assessors to cover any property tax abatements. Each year any remaining amount may, at the discretion of the Assessors, be used as a source of revenue.
- Override Stabilization Fund:** The Override Stabilization Fund was created as a result of the 2005 Proposition 2½ override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the general fund budget. As a result of the 2011 override, the Town made appropriations to the Fund through FY2018. In FY2019, the Town started to withdraw funds to balance the operating budget and it is projected to be depleted in FY2024.
- Payment in Lieu Of Taxes:** An agreement between a municipality and an entity not subject to taxation, such as charitable or educational organizations, in which the payer agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.
- Property Tax:** The property tax levy is the revenue a city or town raises through real and personal property taxes.
- Proposition 2 ½:** A State law enacted in 1980 and encoded in MGL Ch. 59 §21C, Proposition 2 ½ regulates local property tax administration and limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations. It established levy ceilings and levy limits for all cities and town in Massachusetts.



- Reserve Fund:** A fund established by the Annual Town Meeting. It is under the control of the Finance Committee, which may authorize transfers for extraordinary or unforeseen expenditures. The fund may be composed of an appropriation of not more than 5% of the tax levy for the preceding year.
- School Department:** The Town’s largest departmental budget. Funds appropriated to the school department offset the costs of personnel, operating school department facilities, transportation, and other expenses necessary for providing public education in the district.
- Stabilization Fund:** A general reserve. Money from this fund may be appropriated by a two-thirds vote of Town Meeting.
- Tax Title:** As collection procedure that secures a city or a town’s lien on real property and protects the municipality’s right to payment of overdue property taxes. Otherwise, the lien expires if five years lapse from the January 1 assessment date and the property has been transferred to another owner. If amounts remain outstanding on the property after issuing a demand for overdue property taxes and after publishing a notice of tax taking, the collector may take the property for the city or town. After properly recording the instrument of taking, the collector transfers responsibility for collecting overdue amounts to the Treasurer. After six months, the Treasurer may initiate foreclosure proceedings.
- Town Meeting:** The legislative branch of town government. The Annual Town Meeting occurs each year in the spring and special town meetings sometimes meet in the fall or winter. Town Meeting authorizes all budget appropriations and debt issuances and it enacts changes to the Town’s bylaws and zoning.
- Warrant Articles:** The business agenda for Town Meeting is the warrant and the individual items are articles.