



A Resident’s Guide to the Budget

Welcome! If you are reading this it means you are interested in better understanding one of the most important documents produced by your community. The Annual Budget & Financial Plan document is much more than just a collection of numbers; it is a reflection of our community’s values, priorities, and goals. The Budget document serves as a policy document, a financial guide, and a communications device to its residents. To this end, it is designed to be as user-friendly as possible. This Annual Budget & Financial Plan was created to help orient readers by providing a brief overview of the budget process, as well as an explanation of the organization of the budget document itself. We hope you find the introductory guide a useful tool as you better acquaint yourself with the latest financial and planning information for the Town of Arlington.

THE BUDGET PROCESS

The Town of Arlington is 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 operation of the Town. The Town’s legislative body is a representative Town Meeting, which consists of 252 members elected from their home precincts. There are 21 precincts in Arlington. The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments.

In accordance with Section 32 of the Town Manager Act, the Town Manager must annually submit a budget to the Select Board and Finance Committee. Arlington has had a long tradition of developing a budget that clearly defines departmental goals and objectives and includes detailed trend analysis and long-term projections. The annual operating and capital budgets are submitted as part of the Town Manager’s Annual Budget & Financial Plan. The Finance Committee reviews the Annual Budget January through April when the Committee submits its recommendations to Town Meeting. Town Meeting then adopts both the operating and capital budgets in May. During the fiscal year, budgetary transfers may be made with the approval of both the Select Board and the Finance Committee. Amendments to appropriations must be made by Town Meeting.

It is important to note that the financial and budgetary information presented in the Annual Budget & Financial Plan are projections and are subject to change prior to Town Meeting. For definitions of terms used in the Annual Budget & Financial Plan, see the Glossary at the end of this document.

For past budgets and plans, plus additional financial documents please visit arlingtonma.gov/financial.

BUDGET CALENDAR

July

Fiscal Year begins July 1st

September

Capital Budget requests due to Town Manager

October

Long-Range Plan Updated - Initial Revenue and Expenditure Forecast

November

Operating Budget requests due to Town Manager

January

Budget books distributed to Select Board and Finance Committee by January 15th

January/April

Finance Committee hearings on budget

March

Financial Plan distributed to Select Board and Finance Committee

April

Finance Committee recommended budget submitted to Town Meeting

May

Town Meeting adopts *Operating and Capital Budgets*

June

Fiscal Year ends June 30th



Community Profile

Name: Town of Arlington

Settled: 1635 (as Village of Menotomy)

Incorporated: 1807 (as West Cambridge) Renamed Arlington in 1867

Total Area: 5.5 Sq. Miles
Land: 5.2 Sq. Miles
Water: 0.3 Sq. Miles

Elevation: 46 Feet

Public Roads: 95.27 Miles

County: Middlesex

Population: 46,308 (2020 Census)

Form of Government: Representative Town Meeting

School Structure: K-12

FY2022 Average Single Family Tax Rate: \$11.42 per \$1,000

FY2022 Ave. Single Family Home Value: \$844,658

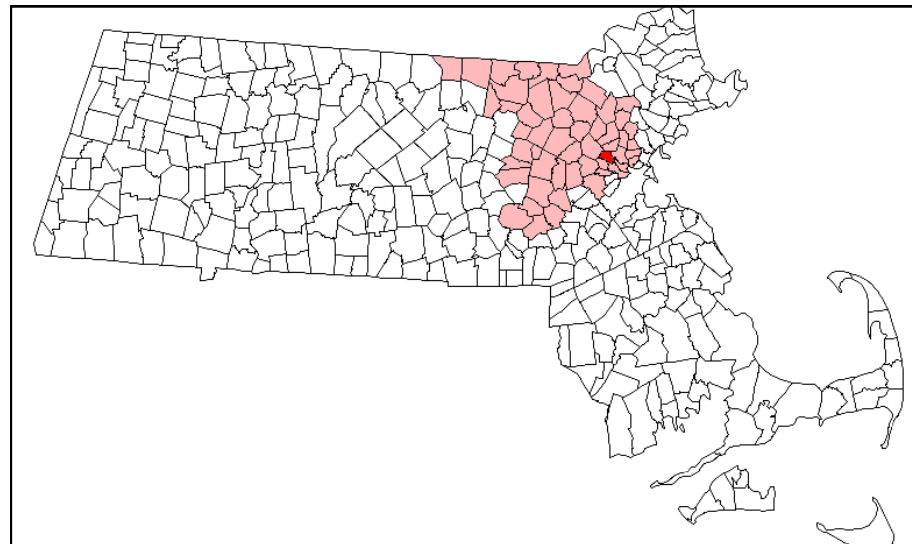
Coordinates: 42°24'55"N 71°09'25"W

Address:
 Arlington Town Hall
 730 Massachusetts Avenue
 Arlington, MA 02476
 Phone: (781) 316-3000
 www.arlingtonma.gov

The Town of Arlington is located six miles northwest of Boston and is home to over 46,000 residents living in a compact urban community of 5.5 square miles. Because of its proximity to Boston, Arlington residents are able to enjoy its diverse neighborhoods, active civic life, and good public transportation options. Arlington is more affordable than many of its neighbors and thereby attracts residents who value its geographic location and quality-of-life.

The Town of Arlington was originally settled in 1635 as a village named Menotomy, meaning “swift running water.” In 1807, the name was changed to West Cambridge and renamed Arlington in 1867 in honor of the Civil War heroes buried in Arlington National Cemetery.

Arlington, which offers a diverse mix of residential settings and popular retail and entertainment options, has steadily evolved from a working-class community to a more affluent suburban town. Residents have a lot invested in the Town and come to expect excellent municipal services for a reasonable tax bill. The community has a strong history of supporting specific initiatives to improve the quality of these services. This support is evidenced by recent tax override initiatives to upgrade all the school facilities, and to maintain quality services.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Arlington
Massachusetts**

For the Fiscal Year Beginning

July 01, 2021

Christopher P. Morill

Executive Director



Fiscal Year 2023 Annual Budget & Financial Plan Budget Message

March 21, 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 \$197,163,056 which is an increase of \$9,503,949 (5.06%) from the current budget. A summary showing a comparison of the FY2022 and FY2023 revenues and expenditures is shown on page 7. Also, this budget proposal will be made available via the Town's online budget tool, Arlington Visual Budget. It can be viewed at 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 2.93%.**
- 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 6.**



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 6.**
- 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:

	FY2022	FY2023	\$ Increase	% Increase
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	-
Total	\$80,104,634	\$84,447,869	\$4,343,235	5.42%



Overall General Fund Budget Summary

	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Change	
					\$	%
Revenue						
Property Tax	\$ 133,350,155	\$ 137,156,573	\$ 142,948,226	\$ 148,700,283	\$ 5,752,057	4.02%
Local Receipts	\$ 11,231,688	\$ 9,418,293	\$ 8,873,350	\$ 9,225,900	\$ 352,550	3.97%
State Aid	\$ 22,481,187	\$ 23,539,328	\$ 23,529,766	\$ 24,923,804	\$ 1,394,038	5.92%
FY21 School Construction Aid/FY23: ARPA	\$ 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	\$ 3,373,854	\$ (2,874,727)	-46.01%
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 173,299,335	\$ 178,916,302	\$ 187,659,107	\$ 197,163,056	\$ 9,503,949	5.06%
Transfers in (Offsets)	\$ 2,580,233	\$ 2,623,037	\$ 2,916,046	\$ 3,200,418	\$ 284,372	9.75%
TOTAL REVENUES	\$ 175,879,568	\$ 181,539,339	\$ 190,575,153	\$ 200,363,474	\$ 9,788,321	5.14%
Expenditures						
<i>Municipal Departments Appropriations</i>	\$ 36,757,951	\$ 37,129,411	\$ 41,755,150	\$ 43,177,153	\$ 1,422,003	3.41%
<i>Offsets and Indirect Costs</i>	\$ (2,580,233)	\$ (2,623,037)	\$ (2,916,046)	\$ (3,200,418)	\$ (284,372)	-9.75%
Municipal Departments (Taxation Total)	\$ 34,177,718	\$ 34,506,374	\$ 38,839,104	\$ 39,976,735	\$ 1,137,631	2.93%
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	\$ 35,140,146	\$ 2,291,848	6.98%
Capital (Includes Debt Service)	\$ 13,196,044	\$ 16,253,328	\$ 18,303,789	\$ 21,949,893	\$ 3,646,104	19.92%
MWRA Debt Shift	\$ 5,593,112	\$ 3,691,454	\$ 1,845,727	\$ -	\$ (1,845,727)	-100.00%
Warrant Articles	\$ 969,954	\$ 985,805	\$ 1,054,291	\$ 1,388,006	\$ 333,715	31.65%
Reserve Fund	\$ -	\$ -	\$ 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%
TOTAL EXPENDITURES	\$ 161,806,283	\$ 167,900,891	\$ 182,605,589	\$ 192,603,765	\$ 9,998,176	5.48%
Non-Appropriated Expenses	\$ 4,986,098	\$ 5,188,666	\$ 5,053,518	\$ 4,559,291	\$ (494,227)	-9.78%
Surplus / (Deficit)	\$ 6,506,954	\$ 5,826,746	\$ -	\$ -	\$ -	0.00%



Departmental Budgets

Departmental budgets have been held to a 2.93% increase, below the allowable limit outlined in 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 9). 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 \$354,896, of which \$260,537 is due to a new, three-year, recycling/solid waste hauling contract between the Town and JRM, a \$10,000 increase to maintenance of town fields, and \$80,234 for a position of, “Systems Analyst/Director of GIS.”

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.

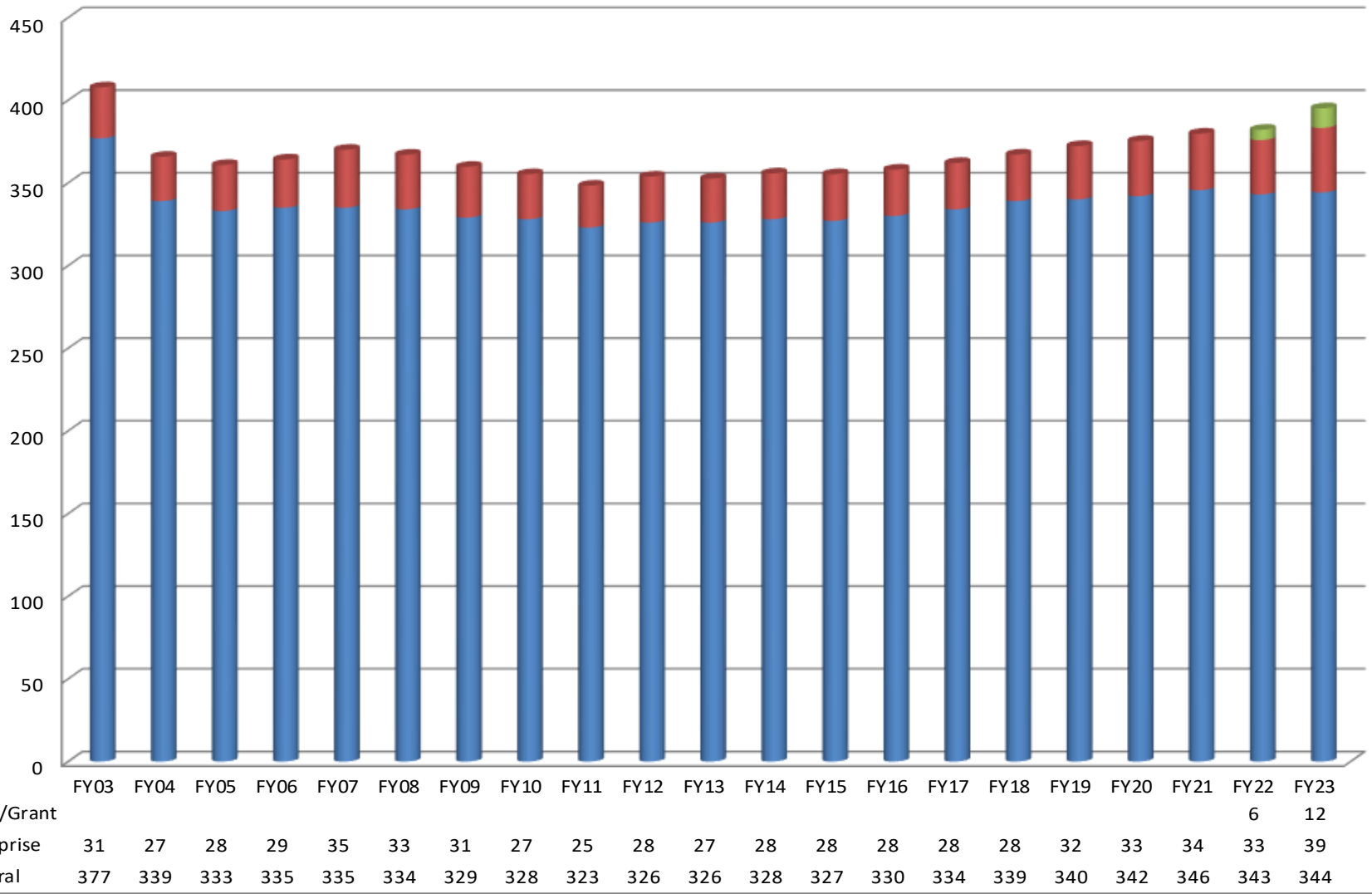
American Rescue Plan Act Funding

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:

<u>Health Division</u>	Amount
Public Health Nurse (1.61 FTE)	\$123,620
Health Compliance Officer (1 FTE)	\$67,295
<u>Diversity, Equity & Inclusion Division</u>	
Community Outreach Coordinator	\$54,216
<u>Arlington Youth Counseling Center</u>	
Mental Health Clinician (.51 FTE)	\$34,835
Psychiatrist (.23 FTE)	\$28,405
Hourly Mental Health Clinicians	\$21,850
Total	\$330,221



Town Personnel Trends FY 2003 - FY2023 FTEs





Healthcare/Other Post-Employment Benefits (OPEB)

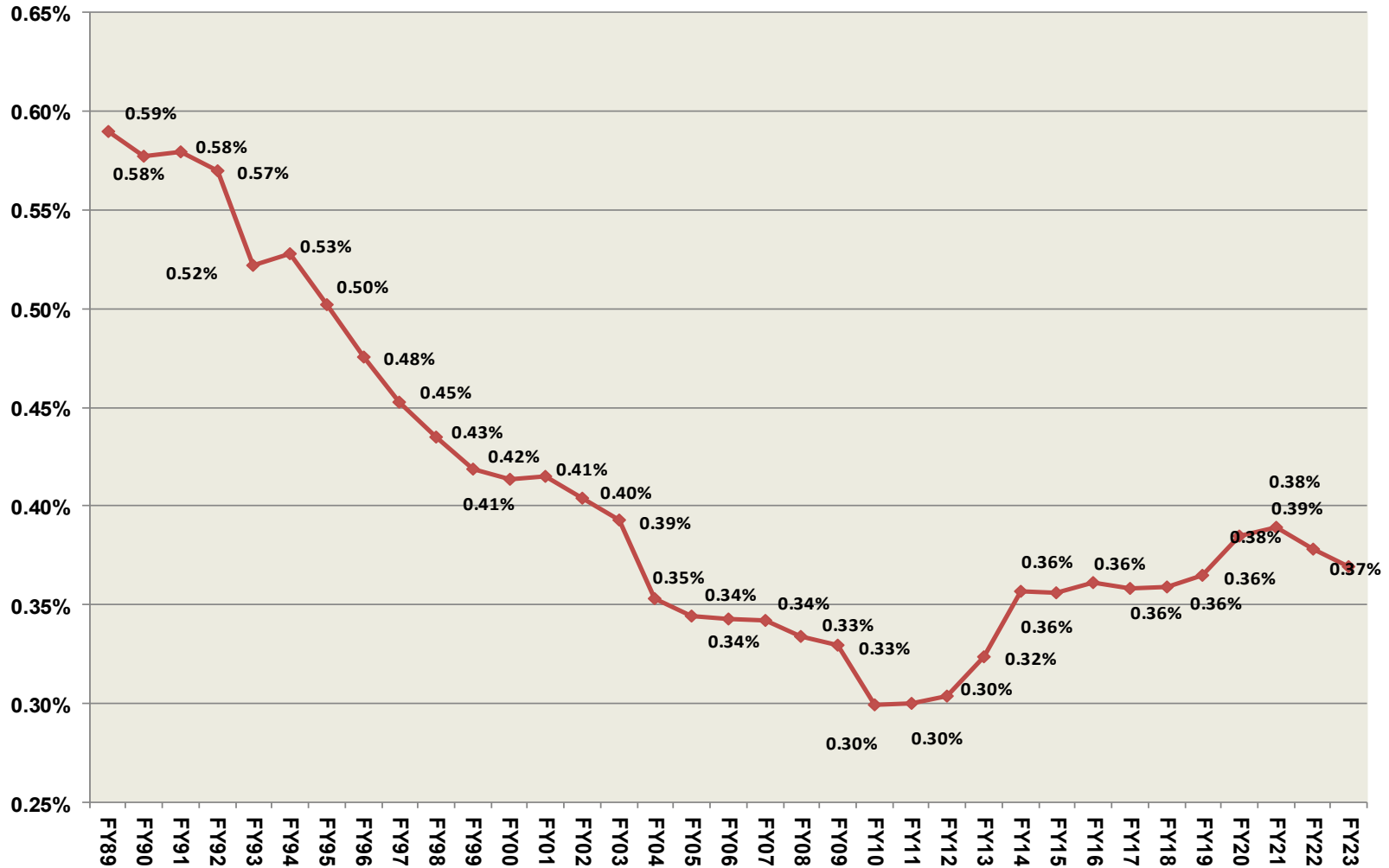
Healthcare spending is projected to increase by 7.47% in the FY2023 budget.

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 \$698,000 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2023 to \$998,000. 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.

Town of Arlington OPEB Liability - As of June 30, 2021				
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%



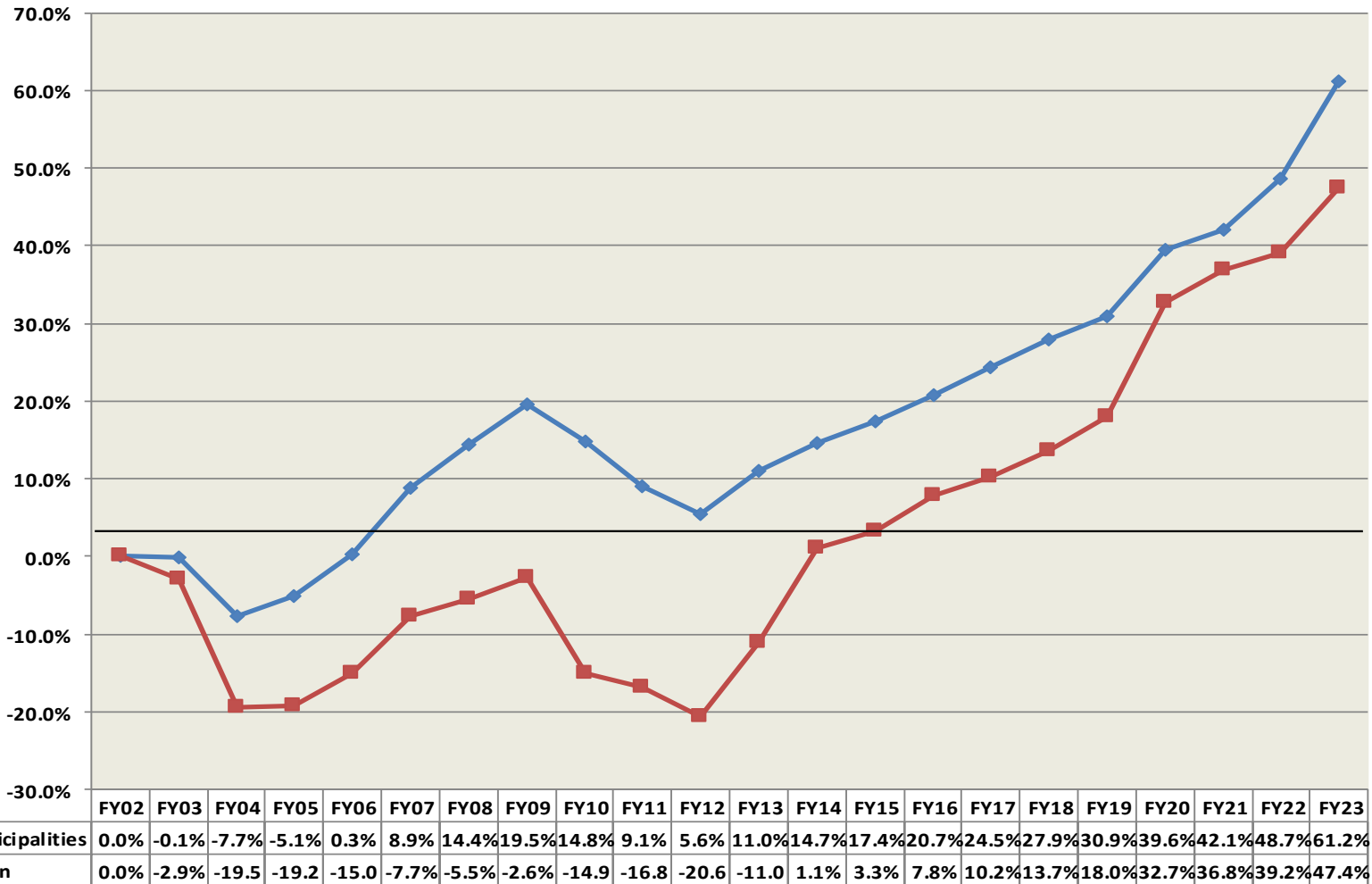
Arlington's Percent of Total State Aid





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

(Numbers Exclude School Construction and METCO Reimbursements)





Comparative Data

The FY2023 Annual Budget & Financial Plan includes a set of comparable communities that includes Belmont, Brookline, Medford, Melrose, Milton, Natick, Needham, North Andover, Reading, Stoneham, Watertown, and Winchester. These communities were selected by Town, School, and Union leadership. These communities were identified based on a number of factors including; population, 5 year average municipal growth factor, population per square mile, median income per capita, median income per household, single family median home value, average family tax bill, total tax levy, excess capacity as a percentage of maximum levy, and residential valuation as a percentage of the total tax levy.

There are a number of factors that contribute to Arlington's structural deficit – some common among all municipalities and some unique to Arlington. Some factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (see Tables 1 and 2 on page 14). Revenue from growth in the tax base ranks 13 among a group of 13 comparable communities (see Table 3), and remains under the state-wide average. Another indicator of the Town's ability and opportunity to raise revenue is a measure developed by the Department of Revenue called Municipal Revenue Growth Factor (MRGF). It measures a community's ability to raise revenue, taking into consideration a community's tax levy limit, new growth, state aid, and local receipts. As one can see from Table 4, the state-wide average and average of the twelve other comparable communities' MRGF is 4.09 and 2.7 respectively. Arlington's is 2.0, below the comparable communities' and state averages.

Another factor affecting the Town's financial structure is its tax base. The Town's tax base is nearly all residential - the commercial/industrial sector makes up slightly less than 6% of the total. Table 5 shows that Arlington's commercial/industrial tax base ranks 11th out of 13 comparable communities. The average of these communities is 15.52%, almost three times that of Arlington. This affects not only the Town's ability to raise revenue, it places a heavier tax burden on the residential sector as there is almost no commercial/industrial sector with which to share the tax burden. Notwithstanding this, the tax burden, when measured several different ways, is below the average of the 13 comparable communities. In fact, the Town ranks 9th in taxes per capita (Table 6), and 10th in taxes per household as a percent of median household income (Table 7).

A look at how the Town's spending levels impact the Town's financial position shows that the Town's spending per capita is well below the state average and the average of the 13 comparable communities. Arlington ranks 6th out of 13 comparable communities in overall expenditures per capita (see Table 8). The spending average of the other comparable communities is approximately 4% greater than Arlington.

With spending below average for comparable communities, and with revenue growth opportunities below the statewide and comparable communities average, it is clear that the structural problem with the Town's finances lies with the revenue side of the equation as opposed to the spending side.



Table 1		Table 2		Table 3		Table 4	
Municipality	Pop Per Square Mile	Municipality	Housing Units Per Sq Mile	Municipality	New Growth Avg. '19-'21	Municipality	FY2020 Municipal Revenue Growth Factor
1 BROOKLINE	9,306	1 BROOKLINE	3,918	1 WATERTOWN	4.60%	1 NEEDHAM	4.88
2 ARLINGTON	8,940	2 WATERTOWN	3,906	2 NEEDHAM	3.28%	2 WATERTOWN	4.76
3 WATERTOWN	8,596	3 ARLINGTON	3,878	3 NATICK	1.79%	3 NORTH ANDOVER	3.92
4 MEDFORD	7,329	4 MEDFORD	2,969	4 MEDFORD	1.61%	4 MELROSE	2.96
5 MELROSE	6,358	5 MELROSE	2,511	5 READING	1.43%	5 MILTON	2.91
6 BELMONT	5,857	6 BELMONT	2,190	6 NORTH ANDOVER	1.38%	6 WINCHESTER	2.76
7 WINCHESTER	3,803	7 STONEHAM	1,571	7 BROOKLINE	1.36%	7 STONEHAM	2.64
8 STONEHAM	3,780	8 WINCHESTER	1,324	8 BELMONT	1.17%	8 READING	2.37
9 READING	2,570	9 READING	967	9 STONEHAM	1.15%	9 ARLINGTON	2.00
10 NEEDHAM	2,545	10 NATICK	945	10 WINCHESTER	1.12%	10 MEDFORD	1.89
11 NATICK	2,454	11 NEEDHAM	905	11 MILTON	1.09%	11 BROOKLINE	1.72
12 MILTON	2,196	12 MILTON	746	12 MELROSE	0.98%	12 NATICK	1.15
13 NORTH ANDOVER	1,160	13 NORTH ANDOVER	417	13 ARLINGTON	0.72%	13 BELMONT	0.40
Ave w/o Arlington	4,663	Ave w/o Arlington	1,864	Ave w/o Arlington	1.75%	Ave w/o Arlington	2.70
Arlington	8,940	Arlington	3,878	Arlington	0.72%	Arlington	2.00
				State-Wide Ave	1.60%	State-Wide Ave	4.09



Table 5		Table 6		Table 7		Table 8	
Municipality	FY2021 Commercial/ Industrial/ Personal % of Total Tax Levy	Municipality	FY2020 Taxes Per Cap	Municipality	FY2022 Taxes/ Household as % of 2020 median income	Municipality	FY2020 Total Exp Per Cap
1 WATERTOWN	38.77%	1 NEEDHAM	\$5,323	1 BROOKLINE	9.1%	1 NEEDHAM	\$5,789
2 NEEDHAM	23.21%	2 WINCHESTER	\$4,882	2 NEEDHAM	8.8%	2 WINCHESTER	\$5,545
3 NATICK	19.53%	3 BROOKLINE	\$4,306	3 WATERTOWN	8.6%	3 BROOKLINE	\$4,994
4 MEDFORD	17.84%	4 BELMONT	\$4,093	4 WINCHESTER	8.1%	4 BELMONT	\$4,702
5 STONEHAM	16.93%	5 WATERTOWN	\$3,803	5 NATICK	8.0%	5 NATICK	\$4,346
6 NORTH ANDOVER	16.71%	6 NATICK	\$3,535	6 BELMONT	7.8%	6 ARLINGTON	\$4,013
7 BROOKLINE	16.56%	7 READING	\$3,242	7 MILTON	6.7%	7 WATERTOWN	\$3,994
8 MELROSE	8.07%	8 MILTON	\$3,189	8 NORTH ANDOVER	6.7%	8 MILTON	\$3,971
9 READING	7.15%	9 ARLINGTON	\$3,087	9 READING	6.5%	9 READING	\$3,889
10 MILTON	6.28%	10 NORTH ANDOVER	\$2,701	10 ARLINGTON	6.2%	10 MELROSE	\$3,641
11 ARLINGTON	5.68%	11 STONEHAM	\$2,398	11 STONEHAM	5.7%	11 NORTH ANDOVER	\$3,226
12 BELMONT	5.24%	12 MELROSE	\$2,387	12 MELROSE	5.3%	12 STONEHAM	\$3,204
13 WINCHESTER	4.22%	13 MEDFORD	\$2,149	13 MEDFORD	5.3%	13 MEDFORD	\$2,856
Ave w/o Arlington	15.52%	Ave w/o Arlington	\$3,501	Ave w/o Arlington	7.2%	Ave w/o Arlington	\$4,180
Arlington	5.68%	Arlington	\$3,087	Arlington	6.5%	Arlington	\$4,013



Collective Bargaining and Employee Relations

The Town is in collective bargaining with all unions.

State Aid

State aid is projected to increase by \$1,394,038 or 5.92% in FY2023. This increase is based on the Governor's budget which proposes that Chapter 70 will increase by 7.8% and Unrestricted General Government Aid (UGGA) will increase by 2.7%. This will result in an increase in Chapter 70 funding of \$1,152,257 and an increase of \$225,126 in the UGGA allocation.

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 Budget FY2023 and Capital Plan FY2023-FY2027

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: \$2,252,100

Cash: \$3,426,277

Other: \$3,806,500

Our existing non-exempt debt is \$6,973,574 which is consistent with prior debt service projections for FY2023. The total capital budget for FY2023, including debt, is estimated at \$21.9 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 roads, 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.

The Capital Planning Committee continued to consider the impact of the Community Preservation Act (CPA) funding on projects that have historically been funded through the capital budget, but could be eligible for CPA funding this fiscal year and beyond. The Committee has included \$2.3 million of recreation and open space and historic preservation projects in the five year capital plan that has been recommended for CPA funding. The Community Preservation Act Committee has completed its review of final applications submitted for the FY2023 funding cycle and will make recommendations for CPA funding at Town Meeting.

Statutory Debt Capacity: State law imposes a debt limit on each community, on certain debt, equal to 5% of the Equalized Valuation (EQV) of the Town. Based on the current Department of Revenue (DOR) reported EQV of \$12.8 billion, the debt limit is \$639.7 million. Arlington's estimated applicable FY 2023 outstanding debt of \$156 million, represents 24.3% of the statutory limit.



Five Year Financial Plan Projection

The cornerstone of our strategic budgeting process is the long-range financial projection. Based upon analysis of internal and external factors impacting the Town's operations and finances, we have prepared the long-range projection found on page 23. These projections will, of course, have to be modified as events unfold, but we believe that they are reasonable for fiscal planning purposes.

Revenue assumptions include the following:

- **Overall revenues** are expected to increase 5.06% in FY2023. Future year increases range from -2.15% to 3.93%. In FY2025, revenue is projected to increase by 0.24%, however, by that time the Override Stabilization Fund will have been depleted. It is anticipated that an operating override will be proposed to avoid this deficit and the resulting cuts to Town and School services.
- **Tax Levy** – The FY2022 tax levy is projected to increase by approximately 3.03%. Future year increases are projected to be between approximately 2.84% and 2.98% per year. New growth is projected at \$700,000 this year. Debt payments for Proposition 2½ debt exempted school projects, previously approved by Town voters, amount to approximately \$13,000,000 each year. Beginning in FY2015 property tax payments from Symmes fully covered the Symmes debt and therefore, no funds are needed to be raised on the tax rate to offset Symmes debt service.
- **State Aid** – Based on the Governor's State budget, state aid is projected to increase 5.92%. In out years, increases are projected to be nearly 1%.
- **School Construction Reimbursement** – MSBA reimbursements will be zero in FY2023.
- **Local Receipts** – Local Receipts are estimated to increase by \$352,550 in FY2023. They are projected to continue that rebound over the next two years, returning to their former levels by FY2026.



- **Free Cash** – FY2023 Free Cash use is \$5,539,215, which is 50% of the Town's available free cash balance. For FY2024 and in each subsequent year, \$4,701,610 is proposed to be appropriated. This is of 50% of the ten year average of certified Free Cash.
- **Other Available Funds** – A transfer of \$400,000 from surplus tax abatement overlay reserve funds is proposed for FY2023. Transfers of \$400,000 from surplus tax abatement are projected for FY24 and are reduced to \$200,000 in each year of the plan thereafter.
- **Override Stabilization Fund** – For at least the first six years of the override (FY2012-FY2018) funds were deposited into the Fund, resulting in an balance of approximately \$26.5 million. In FY2023, \$3,373,854 will be drawn from the fund. A drawdown of \$7.4 million in FY2024 (which will nearly deplete the Fund) will be needed to close the budget gap. There will be a budget gap of approximately \$7.89 million in FY2025. It is important to note that these numbers are projections at this time and may vary significantly in future years.

Expenditure assumptions include the following:

- **School Budget** – Starting In FY2017, expenditures were capped at 3.5% for general education costs and 7% for special education costs. However, the FY2015 School Budget included a growth factor that is aimed to offset the expenses attributable to enrollment growth for the previous years. In future years, the growth factor is included in the following year's general education budget, which results in school budget increases ranging from 4.38% to 4.77%. The growth factor is explained in greater detail earlier in the Town Manager's Budget Message, supra.
- **Minuteman School** – In FY2023 the Town's Minuteman Technical Vocational Regional High School assessment will increase by \$1,152,392 (16.96%). This increase is due to assessments to pay for debt services for the new Minuteman High School construction project and to Arlington's share of the enrollment total. In future years, those capital assessments will continue to increase as the construction project moves forward. Also, in future years, increases for Minuteman are projected at 3.5% per year.
- **Municipal Departments** – Because of financial uncertainty caused by the COVID pandemic, expenditures for municipal departments will increase by only 2.93% in FY2023, which is a growth rate lower than the Town policy of 3.25% annual growth. Going forward, Town expenditure increases are capped at 3.25%.



- **Capital Budget** – Capital policies call for dedicating approximately 5% of General Fund net revenues to capital spending inclusive of non-exempt debt. The Capital Budget fluctuates in future years due to the retirement of exempt debt.
 - **Exempt Debt** – This includes the actual cost of debt service for debt exclusion projects, which include most school projects, except the Ottoson and the Hardy Schools. Exempt debt, also sometimes referred to as Excluded Debt, is debt service that is added to the tax levy above the normal limits of Proposition 2 ½.
 - **Non-Exempt Debt** – This debt will fluctuate over the next several years but will average slightly more than \$7 million per year. Some of the recent major projects funded by non-exempt debt include the DPW Headquarters and the Community Center building.
 - **Cash** – In FY2023 \$3,426,277 in cash funded capital projects is included. This amount fluctuates in future years.
- **MWRA Debt Shift** – The amount has been funded at \$0. The Water and Sewer rates now cover all related costs, completing the Select Board policy to remove the Water/Sewer debt shift.
- **Pensions** – In FY2023 the pension appropriation will increase 5.80% and thereafter, increases 5.5% annually.
- **Insurance (including Healthcare)** – Healthcare and insurance costs are expected to increase by 7.72%. Employee premiums (GIC rates) increases and decreases varied based on the sixteen different plans offered by the GIC. In outgoing years costs are projected to increase from 5% to 6% per year depending on enrollment growth in the School Department.
- **State Assessments** – In FY2023, the MBTA assessment, which is the largest assessment, will increase by \$114,474 (3.7%). Overall, state assessments will increase by 4.45% and increase by 2.50% annually thereafter.
- **Offset Aid** – Assistance to Libraries increased to \$85,001 in FY23 will remain at this level moving forward.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years, which occur every five years. For the revaluation year FY2025, the reserve is increased to \$800,000. In non-revaluation years it is \$600,000.



- **Reserve Fund** – The Reserve Fund is budgeted at 1% of operating revenues.
- **Other** – This includes court judgments \$100,000. This is a reduction of \$567,450 as this line no longer includes funding for Symmes property taxes reserved for Symmes debt. FY2022 was the last year of Symmes debt payments.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles are \$1,388,006 in FY2023 and thereafter held level. It includes the Elections budget, which fluctuates by approximately \$100,000 per year depending on the number of scheduled elections.



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/Finance Director 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,

Adam W. Chapdelaine

Town Manager



Long Range Financial Projection

	FY 2022	FY 2023	Change	Change	FY 2024	FY 2025	FY 2026	FY 2027
I REVENUE								
A. State Aid	23,529,766	24,923,804	1,394,038	5.92%	25,168,369	25,415,380	25,664,861	25,916,837
ARPA	0	5,000,000	5,000,000	-	5,000,000	0	0	0
B. Local Receipts	8,873,350	9,225,900	352,550	3.97%	9,578,450	9,703,450	9,803,450	9,903,450
C. Free Cash	5,659,184	5,539,215	(119,969)	-2.12%	4,701,610	4,701,610	4,701,610	4,701,610
D. Overlay Reserve Surplus	400,000	400,000	0	0.00%	400,000	200,000	200,000	200,000
E. Property Tax	142,948,226	148,700,283	5,752,057	4.02%	152,623,173	156,585,332	160,616,988	164,558,029
F. Override Stabilization Fund	6,248,581	3,373,854	(2,874,727)	-46.01%	7,440,158	8,807,455	0	0
TOTAL REVENUES	187,659,107	197,163,056	9,503,949	5.06%	204,911,760	205,413,227	200,986,909	205,279,926
II APPROPRIATIONS								
A. Operating Budgets	1,030,000	1,030,000						
General Education Costs	52,809,670	55,724,058	2,914,388	5.52%	57,312,461	59,665,950	62,003,590	64,173,716
Special Education Costs	26,264,964	28,103,511	1,838,547	7.00%	30,070,757	32,175,710	34,428,010	36,837,971
Growth Factor	0	(1,379,700)	(1,379,700)	-	335,800	240,900	0	21,900
Net School Budget	80,104,634	84,447,869	4,343,235	5.42%	88,319,018	92,382,560	96,431,600	101,033,587
Minuteman Operating & Capital	5,184,582	6,208,486	1,023,904	19.75%	6,425,783	6,650,685	6,883,459	7,124,380
Minuteman Exempt Capital	1,610,964	1,739,452	128,488	7.98%	1,739,452	1,739,452	1,739,452	1,739,452
Town Personnel	30,232,896	31,337,702	1,104,806	3.65%	32,356,177	33,407,753	34,493,505	35,614,544
Town Expenses	11,522,254	11,839,451	317,197	2.75%	12,224,233	12,621,521	13,031,720	13,455,251
Less Offsets:	2,916,046	3,200,418	284,372	9.75%	3,304,432	3,411,826	3,522,710	3,637,198
Net Town Budget	38,839,104	39,976,735	1,137,631	2.93%	41,275,978	42,617,448	44,002,515	45,432,597
MWRA Debt Shift	1,845,727	0	(1,845,727)	-100%	0	0	0	0
B. Capital budget								
Exempt Debt Service	8,689,591	12,129,702	3,440,111	39.59%	12,028,956	11,917,651	11,824,004	11,586,563
Non-Exempt Service	7,347,230	7,071,174	(276,056)	-3.76%	6,904,475	6,988,314	7,963,943	7,309,888
Cash	3,959,297	3,426,277	(533,020)	-13.46%	3,685,432	4,080,547	3,508,868	4,545,830
Offets/Capital Carry Forward	(1,692,329)	(677,260)	1,015,069	-59.98%	(402,736)	(382,797)	(339,496)	(291,485)
Total Capital	18,303,789	21,949,893	3,646,104	19.92%	22,216,127	22,603,715	22,957,319	23,150,796
C. Pensions	12,635,573	13,367,833	732,260	5.80%	14,103,064	14,878,733	15,697,063	16,560,401
D. Insurance	20,212,725	21,772,313	1,559,588	7.72%	22,986,258	24,245,519	25,518,409	26,863,206
E. State Assessments	3,694,772	3,859,291	164,519	4.45%	3,953,648	4,050,364	4,149,499	4,251,111
G. Overlay Reserve	691,296	600,000	(91,296)	-13.21%	600,000	800,000	600,000	600,000
H. Reserve Fund	1,720,145	1,753,178	33,033	1.92%	1,854,426	1,846,881	1,891,629	1,936,934
I. Crt Jdgmnts/Deficit/Symmes	667,450	100,000	(567,450)	-85.02%	100,000	100,000	100,000	100,000
J. Warrant Articles	1,054,291	1,388,006	333,715	31.65%	1,338,006	1,388,006	1,338,006	1,388,006
K. Override Stabilization Fund	1,094,055	0	(1,094,055)	-100%	0	0	0	0
L TOTAL APPROPRIATIONS	187,659,107	197,163,056	9,503,949	5.06%	204,911,760	213,303,363	221,308,951	230,180,470
BALANCE	0	0	0	0	0	(7,890,136)	(20,322,042)	(24,900,544)



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