



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 communication to 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



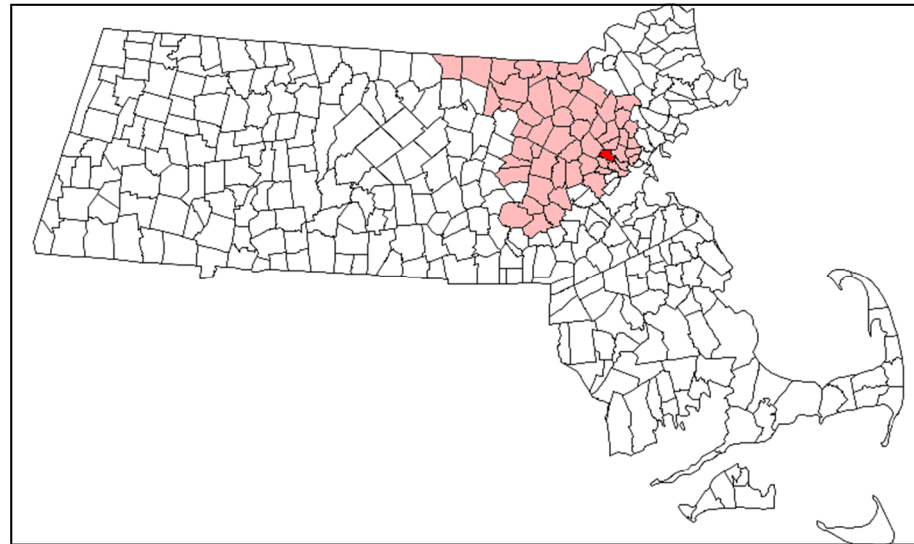
Community Profile

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
FY2024 Average Single Family Tax Rate: \$10.59 per \$1,000
FY2024 Ave. Single Family Home Value: \$1,105,162
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 sustain and improve the quality of these services. This support is evidenced by recent debt exclusion initiatives to rebuild Arlington High School and Minuteman High School, and operative overrides 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, 2022

Christopher P. Morill
Executive Director



Fiscal Year 2025 Annual Budget & Financial Plan Budget Message

Updated: April 16, 2024

To: The Honorable Select Board and Finance Committee

I hereby transmit to you the recommended FY2025 operating and capital budgets and the FY2025-2029 capital plan. The General Fund budget as proposed totals \$218,646,067 which is an increase of \$12,456,923 (6.04%) from the current budget. The Town Departmental Operating budget as proposed totals \$42,952,039 which is an increase of \$1,332,041 (3.22%) from the current year. This budget also includes an additional \$250,000 earmark for trash and recycling, as well as additional capital investment in lines associated with traffic and roadway safety.

A summary showing a comparison of the FY2024 and FY2025 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.

The FY2025 budget observes Arlington's longstanding financial policies and practices that protect the financial health of the organization. Of note, this budget adheres strictly to growth rates committed to voters in November 2023 and maintains strong financial reserves. As always, property taxes remain a stable source of revenue and make up three quarters of the Town's budget. As the largest source of revenue, property taxes increase steadily each year, but that revenue growth is limited by Proposition 2½ and is insufficient to keep up with rising costs. It is because of this structural deficit between limited property tax revenue increases and steadily increasing costs for essential services that that Town has periodically asked voters to approve Proposition 2½ operating overrides.

The framework for Arlington's long range financial planning remains intact. FY2025, the upcoming fiscal year, is the second year of a three-year plan that incorporated the Proposition 2 ½ override of November 2023 designed to carry the Town's budgets through FY2026. The Select Board adopted a set of commitments which served as the basis for the \$7,000,000 operating override that was successfully passed via a Town-wide ballot measure on November 7, 2023. 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 prior to Fiscal Year 2027. – **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 at 3.22%.**
- d. Continue to fund special education cost growth at a rate of 6.5% per year. – **This commitment is maintained.**

2) Respond to ongoing school enrollment pressures. Update the education budget for future enrollment increases or decreases at a rate of 50% of per pupil expenditures. – **This commitment is maintained. Changes in enrollment are discussed on page 6.**



3) Invest for Arlington's future.

- a. Phase in funding of the Arlington Public Schools and Arlington School Committee's Strategic Plan: to ensure cohesive and consistent excellent instruction for all students, provide adequate staffing and service provision to meet all students' needs, close achievement and opportunity gaps, recruit and retain a diverse workforce, ensure safe and modern schools and operations, and build and sustain two-way partnerships with families. Adopt the following schedule of increases to base operating budgets: FY24: \$1,000,000; FY25 - \$3,100,000; FY26 - \$1,700,000; FY27- \$600,000; FY28 - \$300,000.—**This commitment is maintained. This new schedule is described on page 6.**
- b. Improve mobility for all residents by adding \$200,000 to the base budget for pedestrian infrastructure, including road and sidewalk repair. Add \$250,000 to the Public Works Department to cover the costs of the upcoming new trash collection and disposal contract. Add \$150,000 to the annual contribution to the OPEB fund to cover retiree health insurance costs. – **This commitment is maintained, with \$200,000 for mobility improvements being included in the capital budget and \$250,000 in funding included in the Solid Waste budget.**

4) Minimize impact on taxpayers, particularly seniors and others with income challenges.

- a. Continue new tax relief programs, including a municipal circuit breaker and increased eligibility for property tax deferral options, and publicize existing relief programs. – **Voters recently approved a question providing income-based local property tax relief for eligible seniors.**
- b. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis.**
- c. 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.**
- d. Direct the Town Manager to continually look for budget efficiencies that can produce cost savings in each department. – **This commitment is fulfilled on a year over year basis.**

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 three-year plan. – **This commitment is maintained.**

Beyond the investments outlined above, the FY2025 budget proposal is a level service budget that maintains core municipal services at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed below. Other significant changes to the overall budget include a significant escalation in health insurance premiums (8%), as well as a slight decrease in the total spending for Minuteman High School (-3.90%), both based on preliminary estimates from the GIC and Minuteman High School respectively.

School Department Funding



The Town adjusted school enrollment to account for the growth of 5 students. This results in an FY2025 Student Enrollment Growth Factor increase of \$44,635. Additionally, the successful passage of the override in November 2023 allowed general education and special education operating budgets to grow at 3.5% and 6.5% respectively, and further resulted in a \$3,100,000 increase to the FY2025 School Department budget. The table below outlines the School Department funding recommendation:

	FY2024	FY2025	\$ Increase	% Increase
General Education	\$57,312,461	\$61,351,257	\$3,038,796	5.30%
Special Education	\$30,070,757	\$32,025,356	\$1,954,599	6.50%
Strategic Plan Implementation	\$1,000,000	\$3,100,000	\$2,100,000	210.00%
Enrollment Reset	964,116	\$44,635	\$(919,481)	-
Total	\$89,347,334	\$96,521,248	\$7,173,914	8.03%

This budget represents the projected FY2025 Budget as proposed at Annual Town Meeting and differs slightly from the budget transmitted to the select board on January 15th.



Overall General Fund Budget Summary

	FY2022 Actual	FY2023 Actual	FY2024 Budget	FY2025 Budget	Change \$	%
Revenue						
Property Tax	\$ 142,948,226	\$ 149,169,849	\$ 153,851,908	\$ 165,708,017	\$ 11,856,109	7.71%
Local Receipts	\$ 14,361,111	\$ 15,636,331	\$ 9,855,994	\$ 10,255,994	\$ 400,000	643.29%
State Aid	\$ 23,529,766	\$ 25,221,523	\$ 28,233,640	\$ 28,603,013	\$ 369,373	1.31%
ARPA in FY23+FY24	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -	\$ (5,000,000)	-100.00%
Free Cash	\$ 5,659,184	\$ 5,539,215	\$ 7,956,044	\$ 8,941,936	\$ 985,892	12.39%
Other Funds	\$ 650,000	\$ 650,000	\$ 600,000	\$ 750,000	\$ 150,000	25.00%
Override Stabilization Fund	\$ 6,248,581	\$ 2,946,037	\$ 588,575	\$ 4,374,790	\$ 3,786,215	643.29%
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 193,396,868	\$ 204,162,955	\$ 206,086,161	\$ 218,633,750	\$ 12,547,589	6.35%
Transfers in (Offsets)	\$ 2,916,046	\$ 3,200,418	\$ 3,257,455	\$ 3,218,686	\$ (38,769)	-1.19%
TOTAL REVENUES	\$ 196,312,914	\$ 207,363,373	\$ 209,343,616	\$ 221,852,436	\$ 12,508,820	6.22%
Expenditures						
<i>Municipal Departments Appropriations</i>	\$ 38,793,032	\$ 43,177,153	\$ 44,627,453	\$ 46,176,033	\$ 1,548,580	3.47%
<i>Offsets and Indirect Costs</i>	\$ (2,916,046)	\$ (3,200,418)	\$ (3,257,455)	\$ (3,218,686)	\$ 38,769	1.19%
Municipal Departments (Taxation Total)	\$ 35,876,986	\$ 39,976,735	\$ 41,369,998	\$ 42,957,347	\$ 1,587,349	3.84%
School Department	\$ 80,104,634	\$ 84,447,869	\$ 88,947,334	\$ 96,521,248	\$ 7,573,914	8.52%
Minuteman School	\$ 6,795,546	\$ 7,947,939	\$ 8,932,916	\$ 8,562,229	\$ (370,687)	-4.15%
Non-Departmental (Healthcare & Pensions)	\$ 34,655,668	\$ 35,140,146	\$ 36,211,557	\$ 38,236,626	\$ 2,025,069	5.59%
Capital (Includes Debt Service)	\$ 18,303,789	\$ 21,949,893	\$ 22,365,767	\$ 23,969,034	\$ 1,603,267	7.17%
MWRA Debt Shift	\$ 1,845,727	\$ -	\$ -	\$ -	\$ -	0.00%
Warrant Articles	\$ 950,085	\$ 1,310,188	\$ 1,266,835	\$ 1,616,393	\$ 349,558	27.59%
Reserve Fund	\$ 1,720,145	\$ 1,753,178	\$ 1,900,782	\$ 2,019,326	\$ 118,544	6.24%
Override Stabilization Fund Deposit	\$ 1,094,055	\$ -	\$ -	\$ -	\$ -	-
TOTAL EXPENDITURES	\$ 181,346,634	\$ 192,525,948	\$ 200,995,189	\$ 213,882,204	\$ 12,887,015	6.41%
Non-Appropriated Expenses	\$ 5,053,518	\$ 5,226,576	\$ 4,793,955	\$ 4,751,546	\$ (42,409)	-0.88%
Surplus / (Deficit)	\$ 6,996,716	\$ 6,410,431	\$ 297,017	\$ -	\$ (297,017)	0.00%



Departmental Budgets

Departmental budgets have been held to a net 3.22% increase in accordance with the Long-Range Financial Plan, as well as the commitment to voters and taxpayers. The municipal budget increase is a net of personnel and expense budget increases, minus offsets from various sources. In FY2025, in accordance with the November 2023 override, there is a one-time adjustment to the Public Works Departments' operating budget of \$250,000 to offset future costs associated with the upcoming trash and recycling procurement. The Town intends to begin the procurement process for curbside collection and disposal in the coming months in order to more fully understand the likely cost and service implications of the future contract. It is worth noting there have been significant shifts in recycling market conditions in recent years that Arlington has been largely insulated from due to the existing favorable contract.

Unfortunately, there are many individual departmental requests that are unable to be funded each budget cycle, including this year. As such, there will always be certain goals and objectives that are unable to be met; however, maintaining current service levels and functions is necessarily a priority.

The largest investment in the FY2025 budget is in personnel salaries. As the Town concludes its fourth benchmark salary study with its comparable communities in advance of a new collective bargaining cycle with all unions, funds have been set aside in the salary reserve to fund future contractual pay increases. Arlington's primary budget cost is personnel and the Town will need to make substantial investment in its staff in order to remain a competitive municipal employer. It is worth noting Arlington's average Cost of Living Adjustment for the prior five years (FY20-24) has been 1.70%, leaving the Town (like many other public/municipal employers) lagging far behind private sector employers in terms of compensation, resulting in challenges with recruitment and retention as inflation and other economic pressures have been felt by employees. This budget also fulfills a prior commitment to non-union personnel by introducing a step 9 to the respective pay and classification plan to align with previously approved union agreements.

This budget adds a .5 FTE general fund position at the Robbins Library. This Library Assistant in the Circulation Department will allow restoration of Thursday morning hours that were eliminated in 2003. Restoring these hours will allow the Town to provide access to services, spaces, and collections to approximately 200 visitors a day who try to visit the library on Thursday mornings. Further, Robbins Library has seen a 24% increase in circulation since FY19. In FY23, the Library circulated 950,396 total items, up from 749,636 in FY19. The libraries continue to add unusual items like metal detectors and sewing machines in the Library of Things. This position will serve to meet the increasing demand for our collections, as well as the heightened complexity of processing unique items. Further, 1 FTE is proposed in the Engineering Division to be funded by the Water/Sewer Enterprise. This professional engineer position would perform the increasing responsibilities imposed by an evolving regulatory framework that has created more intensive requirements with respect to monitoring, reporting, and compliance activities associated with our MassDEP MS4 general permit and the EPA's Revised Lead and Copper rule. Additionally, the engineer would develop and oversee improvements to the nine existing pump stations and six pressure reducing valves, as well as evaluate climate resiliency systemwide. Finally, this would future-proof the Engineering Division with regard to pending legislation requiring additional NPDES permit activities, as well as allow the Town to consider potential stormwater utility fees, and sanitary sewer inflow/infiltration mitigation fees associated with new development.

In the expense budgets, there are meaningful investments in cybersecurity and our Geographic Information System (GIS). Municipalities and school systems are being subjected to more and more attempts to infiltrate systems that could impact operations. Given the ever-



increasing threats to our network, more investment in sophisticated and adaptable tools, as well as penetration testing, is necessary to keep pace with outside threats and protect our information and ability to provide services. With respect to GIS, the Town is using an outdated platform that is not robust enough to meet its own operational needs, or the public’s needs. As such, the Town will fully migrate to the industry standard ESRI platform to take advantage of more tools and support, as well as the ability to capture annual aerial photography updates. Historically, a large share of software costs has been borne by the capital budget. This budget reflects a shift in this practice, properly capturing these ongoing expenses in the operating budget.

Other substantial increases are described below:

DPW - An increase of \$45,000 for increased costs associated with our playing field maintenance contract, streetlight maintenance as many fixtures are now out of warranty, and for updating the Town’s aerial photography (last completed in 2018).

Facilities - An increase of \$91,000 for increased costs related to utilities, contractual maintenance, landscaping, snow removal, security and access control system monitoring and maintenance.

Library - An increase of \$7,500 to partially address the rising MLN contractual digital content fee.

IT- An increase of \$104,500 for increased costs associated with our OpenGov subscription, a dedicated body camera program ISP, additional Microsoft 365 licensing, endpoint detection and response software, and GIS platform modernization.

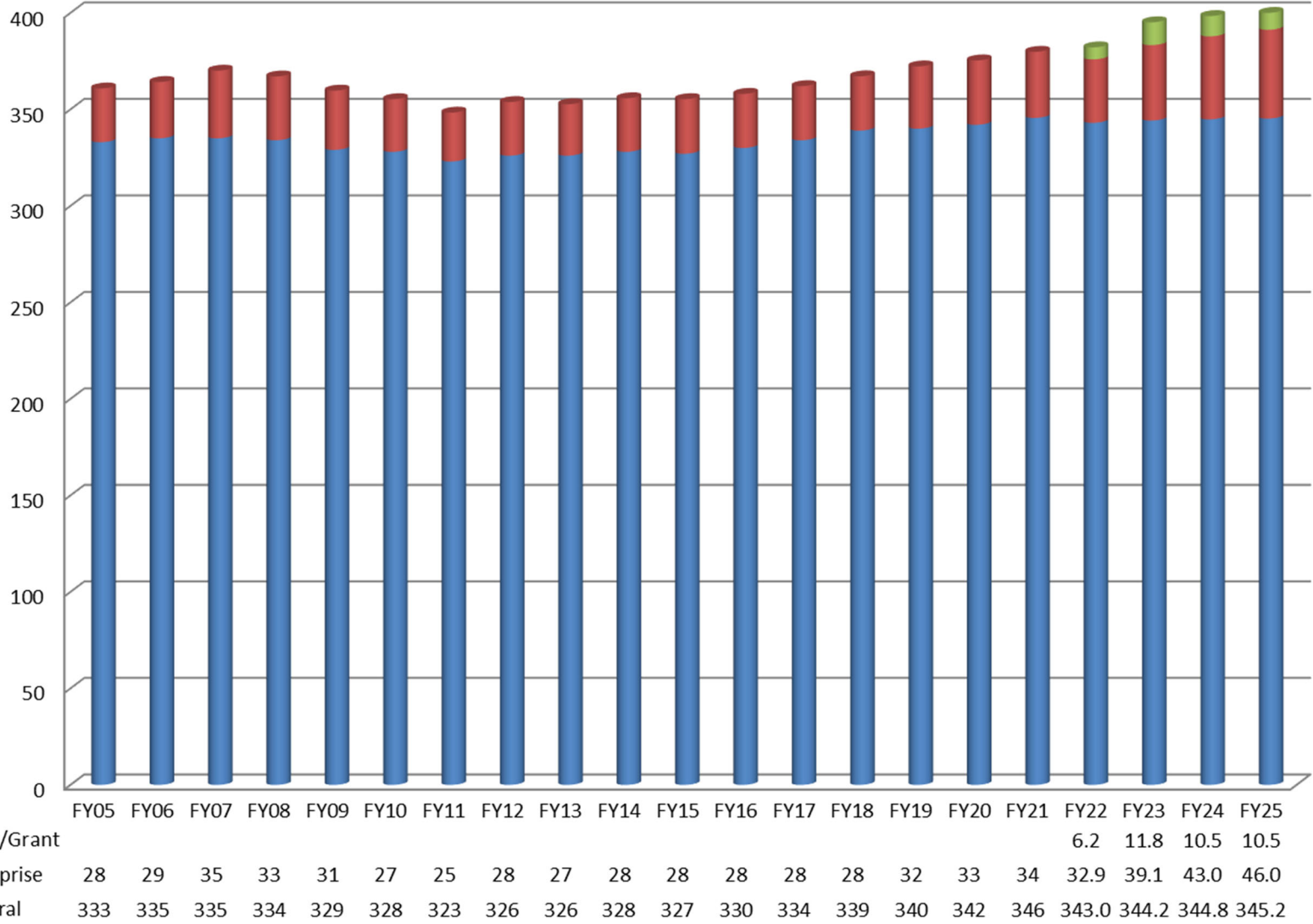
American Rescue Plan Act Funding

The Town received \$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 used the maximum allowed \$10,000,000 of these funds to offset revenue losses experienced during the pandemic. The Town also plans to use a modest portion of the overall ARPA allocation to fund staff positions that are eligible under ARPA rules. These positions will expire at the conclusion of the ARPA grant period. In FY2025, these positions total \$287,507 and are as follows:

Department + Position	Amount	Department + Position	Amount
<u>Town Manager</u>		<u>Diversity, Equity & Inclusion Division</u>	
Communications Coordinator (1.0 FTE)	\$63,449	Community Outreach Coordinator (1.0 FTE)	\$68,282
<u>Health Division</u>		<u>Arlington Youth Counseling Center</u>	
Public Health Nurse (.61 FTE)	\$55,967	Psychiatrist (.23 FTE)	\$19,809
		Hourly Mental Health Clinicians	\$80,000



Town Personnel Trends FY 2005 - FY2025 FTEs





Healthcare/Other Post-Employment Benefits (OPEB)

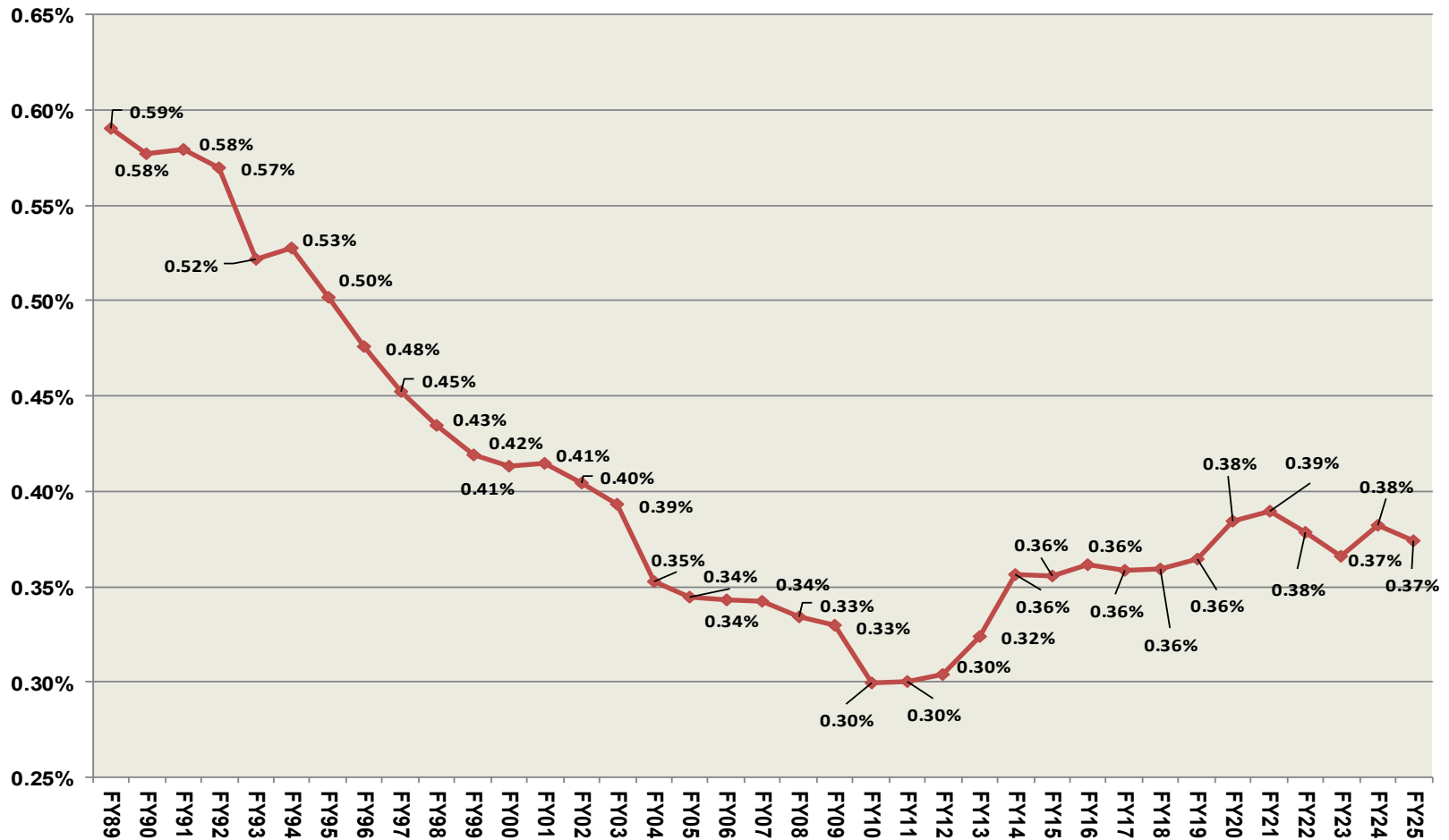
Healthcare spending is assumed to increase by 8% in the FY2025 budget. The actual cost of premiums will not be known until the Group Insurance Commission (GIC) releases FY2025 rates on March 1st. At that time, adjustments can be made to the healthcare budget accordingly.

In FY2024, Town Meeting voted to transfer the remnants of the Health Claims Trust Fund into the Town’s OPEB Trust, which is utilized to fund the healthcare costs associated with the Town’s retirees. The Select Board committed to increased funding for OPEB costs as part of their commitments when endorsing the Proposition 2½ override in November 2023. As such, an additional \$150,000 contribution beyond the \$655,000 amount otherwise earmarked for appropriation into the OPEB Trust Fund is being programmed, bringing the total proposed appropriation for FY2025 to \$805,000. The table below provides information regarding the Town’s OPEB Trust Fund and OPEB liability.

Town of Arlington OPEB Liability - As of June 30				
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%
2022	\$210,380,832	\$19,078,429	\$191,302,403	9.1%
2023	\$216,047,532	\$21,797,249	\$194,250,283	10.1%



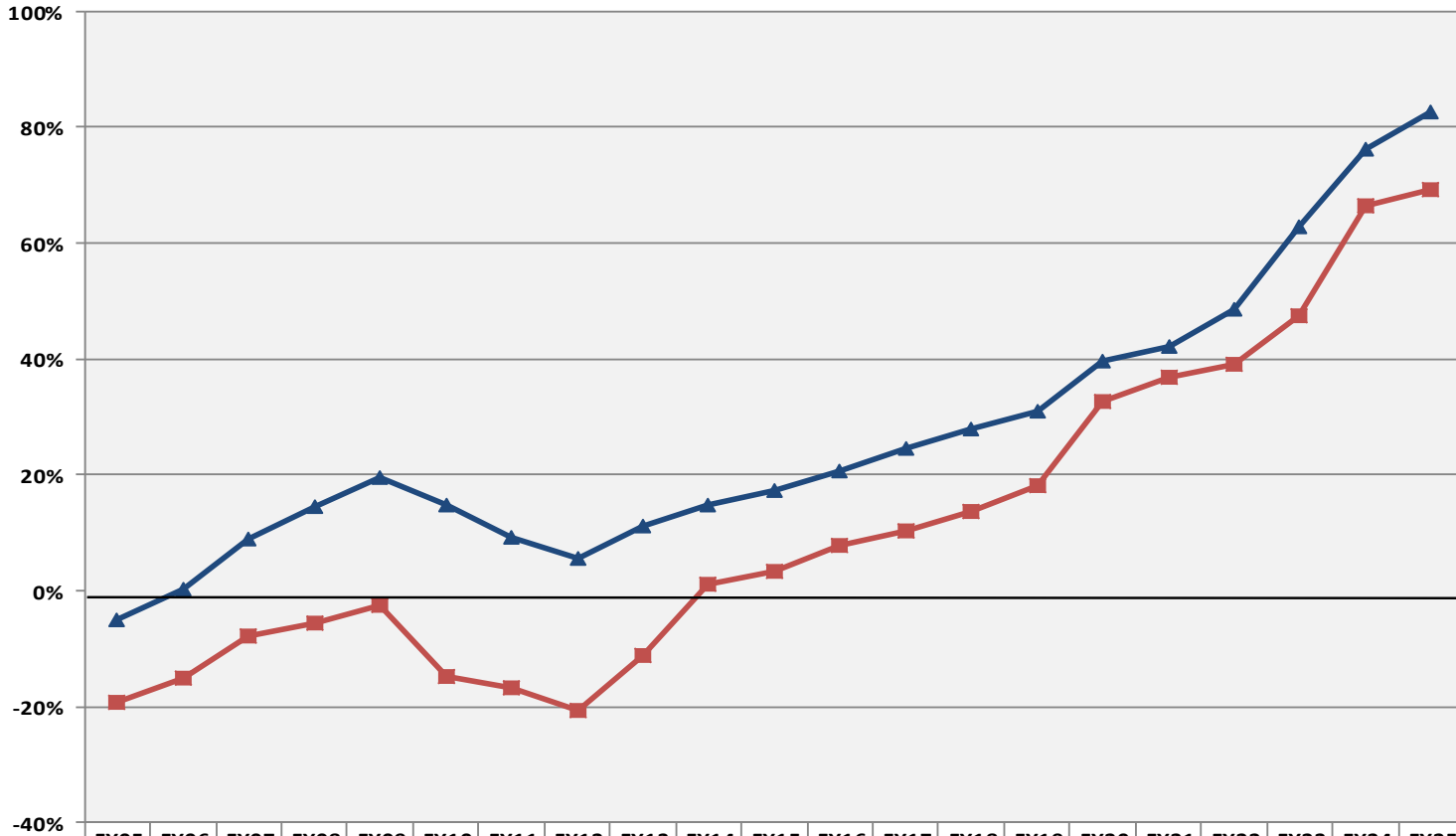
Arlington's Percent of Total State Aid





State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2005

(Numbers Exclude School Construction and METCO Reimbursements)



	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
▲ All Municipalities	-5%	0%	9%	14%	20%	15%	9%	6%	11%	15%	17%	21%	24%	28%	31%	40%	42%	49%	63%	76%	83%
■ Arlington	-19%	-15%	-8%	-6%	-3%	-15%	-17%	-21%	-11%	1%	3%	8%	10%	14%	18%	33%	37%	39%	47%	66%	69%



Comparative Data

The FY2025 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 single 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 15). 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 4.20 and 4.50 respectively. Arlington's is 3.24, 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 16.21%, over 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 4th in taxes per household as a percent of median household income (Table 7), both below the averages of the other 12 comparable communities.

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 9th out of 13 comparable communities in overall expenditures per capita (see Table 8). The per capita spending average of the other comparable communities is approximately 9% 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. '20'-'24'	Municipality	FY2024 Municipal Revenue Growth Factor
1 BROOKLINE	9,293	1 BROOKLINE	3,918	1 WATERTOWN	5.17%	1 WATERTOWN	6.95
2 ARLINGTON	8,858	2 WATERTOWN	3,906	2 NEEDHAM	3.07%	2 NEEDHAM	5.98
3 WATERTOWN	8,809	3 ARLINGTON	3,878	3 NORTH ANDOVER	2.92%	3 MEDFORD	5.8
4 MEDFORD	7,666	4 MEDFORD	2,969	4 MEDFORD	1.74%	4 NATICK	4.78
5 MELROSE	6,263	5 MELROSE	2,511	5 NATICK	1.71%	5 READING	4.52
6 BELMONT	5,772	6 BELMONT	2,190	6 BROOKLINE	1.30%	6 BROOKLINE	4.22
7 STONEHAM	3,800	7 STONEHAM	1,571	7 READING	1.26%	7 WINCHESTER	4.19
8 WINCHESTER	3,758	8 WINCHESTER	1,324	8 MILTON	1.20%	8 MILTON	3.87
9 NEEDHAM	2,608	9 READING	967	9 WINCHESTER	1.14%	9 NORTH ANDOVER	3.6
10 READING	2,535	10 NATICK	945	10 MELROSE	1.11%	10 STONEHAM	3.59
11 NATICK	2,437	11 NEEDHAM	905	11 BELMONT	1.06%	11 BELMONT	3.47
12 MILTON	2,182	12 MILTON	746	12 STONEHAM	1.03%	12 ARLINGTON	3.24
13 NORTH ANDOVER	1,167	13 NORTH ANDOVER	417	13 ARLINGTON	0.80%	13 MELROSE	3.07
Ave w/o Arlington	4,691	Ave w/o Arlington	1,864	Ave w/o Arlington	1.89%	Ave w/o Arlington	4.50
Arlington	8,858	Arlington	3,878	Arlington	0.80%	Arlington	3.24
				State-Wide Ave	1.61%	State-Wide Ave	4.20



Table 5		Table 6		Table 7		Table 8	
Municipality	FY2024 Commercial/Industrial/Personal % of Total Tax Levy	Municipality	FY2024 Taxes Per Cap	Municipality	FY2024 Taxes/Household as % of 2022 median household income	Municipality	FY2024 Total Exp Per Cap
1 WATERTOWN	50.00%	1 NEEDHAM	\$5,069	1 BROOKLINE	18.0%	1 NEEDHAM	\$6,058
2 NEEDHAM	22.07%	2 WINCHESTER	\$4,699	2 BELMONT	10.3%	2 WINCHESTER	\$5,813
3 NORTH ANDOVER	21.19%	3 BELMONT	\$4,080	3 WINCHESTER	8.2%	3 BROOKLINE	\$5,185
4 MEDFORD	19.23%	4 BROOKLINE	\$4,076	4 ARLINGTON	7.9%	4 BELMONT	\$4,743
5 NATICK	17.92%	5 WATERTOWN	\$3,509	5 NATICK	7.5%	5 NATICK	\$4,497
6 STONEHAM	17.07%	6 NATICK	\$3,462	6 NEEDHAM	7.3%	6 WATERTOWN	\$4,471
7 BROOKLINE	16.13%	7 READING	\$3,126	7 NORTH ANDOVER	6.7%	7 MILTON	\$4,069
8 MELROSE	8.66%	8 MILTON	\$3,108	8 STONEHAM	6.7%	8 READING	\$4,002
9 READING	6.92%	9 ARLINGTON	\$3,030	9 READING	6.5%	9 ARLINGTON	\$3,917
10 MILTON	6.52%	10 NORTH ANDOVER	\$2,624	10 MILTON	6.5%	10 NORTH ANDOVER	\$3,545
11 ARLINGTON	5.34%	11 STONEHAM	\$2,356	11 MELROSE	6.2%	11 MELROSE	\$3,426
12 BELMONT	4.66%	12 MELROSE	\$2,350	12 WATERTOWN	6.0%	12 STONEHAM	\$3,169
13 WINCHESTER	4.17%	13 MEDFORD	\$1,980	13 MEDFORD	5.7%	13 MEDFORD	\$2,923
Ave w/o Arlington	16.21%	Ave w/o Arlington	\$3,370	Ave w/o Arlington	8.0%	Ave w/o Arlington	\$4,325
Arlington	5.34%	Arlington	\$3,030	Arlington	7.5%	Arlington	\$3,917



Collective Bargaining and Employee Relations

The Town will begin collective bargaining with all employee unions starting in FY2024 for contract cycles running from FY2025-2027. The only bargaining unit yet to settle for the FY2022-2024 contract cycle is the Ranking Officers Association, who are set to proceed to arbitration.

State Aid

State aid is projected to increase by \$1,025,865 or 3.63% in FY2025. This projected increase is due to an assumption that Chapter 70 will increase by 5% due to the final year of the Student Opportunity Act, 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 \$935,170 and an increase of \$90,695 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 expenses. Consequently, it is necessary to ask the voters to periodically approve Proposition 2 ½ overrides to maintain a level service budget. Still, in the 40+ years since the passage of Proposition 2½, there have been only five operating overrides (inclusive of the November 2023 override). At present, the annual structural deficit is projected to appear again in FY27, with a projected amount of \$17.43 million, which is likely to change significantly as the long-range financial plan has historically relied on conservative revenue estimating and budgeting.

Arlington has a small land area, with much of it already built-out, resulting in limited opportunities for new growth of the tax base. As such, building up through the redevelopment of existing properties is often the only real way to achieve new growth, with limited exceptions. The Town, through its Town Meeting, sought early adoption of an MBTA Communities Overlay District allowing multi-family housing by-right in certain areas of Town. There is hope local zoning changes may spur additional development in the years to come, but there are a number of other economic and market factors that influence private development.



Capital Budget FY2025 and Capital Plan FY2025-FY2029

Capital

The Town's capital improvements program policy calls 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 earmarks. For FY2025, funding for the capital budget is as follows:

- Bonding: \$6,578,000
- Cash: \$4,952,417
- Other: \$4,617,000

Our existing non-exempt debt is \$7,478,171 which is consistent with prior debt service projections for FY2025. The total capital budget for FY2025, including all debt, is estimated at \$23.96 million. Along with ongoing commitments to spending on the High School and DPW projects, 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 FY2025.



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 24. 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 6.09% in FY2025. Future year increases range from -3.90% to 4.61%. In FY2025, revenue is projected to increase by over 6%, however, by that time the Override Stabilization Fund will have been substantially depleted. It is anticipated that an operating override will be proposed to avoid the projected FY27 deficit and the resulting cuts to Town and School services.
- **Tax Levy** – The FY2024 tax levy is projected to increase by approximately 7.71%, which is larger than a typical year due to the override that was passed in November 2023 to take effect in Fiscal Year 2025. Future year increases are projected to be between approximately 2.51% and 2.59% per year. New growth is projected at \$850,000 this year. Debt payments for Proposition 2½ debt exempted school projects, previously approved by Town voters, amount to approximately \$14,023,698 annually.
- **State Aid** – Based on the Governor's State budget, state aid is projected to increase modestly at 1.31%. In future years, increases are projected to fall to roughly 1%.
- **Override Stabilization Fund** — Based on anticipated revenue shortfalls, \$4,374,790 is planned to be utilized from the Override Stabilization Fund, as part of our normal cycle of this fund's usage.
- **Local Receipts** – Local Receipts are estimated to increase by \$400,000 in FY2025. This follows the second of two "rebound" years following a sharp decline in FY2021 resulting from the pandemic, and Local Receipts are projected to level off with more modest increases starting in FY2026.



- **Free Cash** – FY2025 Free Cash use is \$8,941,936 which is 50% of the Town's available free cash balance. For FY2026 and in each subsequent year, \$5,704,870 is proposed to be appropriated. This is 50% of the ten year trailing average of certified Free Cash.
- **Other Available Funds** – A transfer of \$750,000 from surplus tax abatement overlay reserve funds is proposed for FY2025. Transfers of \$200,000 from surplus tax abatement are projected in each year of the plan thereafter.
- **Override Stabilization Fund** – FY2024 use was \$591,956. A drawdown of \$4,374,790 in FY2025 will be needed to close the budget gap. The fund will likely be nearly fully depleted with usage in FY26 which will leave a budget gap of approximately \$18 million in FY2027. 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. Starting in FY2015 the School Budget included a growth factor that is aimed to offset the expenses attributable to enrollment growth (or reduction) for the previous years. The override passed in November 2023 made specific changes to the Arlington Public Schools' funding, including a re-set of the growth cap on general education at 3.5% and special education at 6.5%. Additionally, increased funding in Fiscal Years 2025-2028 was promised on top of the normal growth rate to accommodate for implementation of the APS strategic plan. In future years the schools budget growth rate descends from 8.52% this year to 4.53% in FY29.
- **Minuteman School** – In FY2025 the Town's Minuteman Technical Vocational Regional High School assessment will **decrease** by \$370,687(4.15%). This decrease is due to operational changes made within the school, paired with a modest increase in capital/debt payments associated with the renovation project. Also, in future years, increases for Minuteman are projected at 3.5% per year.
- **Municipal Departments** – Expenditures for municipal departments will increase by 3.22% in FY2025. 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 between \$6-7 million per year. Some of the recent major projects funded by non-exempt debt include the DPW project and the Community Center building.
- **Cash** – In FY2025 \$4,952,417 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 FY2025 the pension appropriation will increase 6.09% and thereafter, increases at a projected 5.5% annually.
- **Insurance (including Healthcare)** – Healthcare and insurance costs are expected to increase by 5.27%. Employee premiums (GIC rates) increases 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 FY2025, the MBTA assessment, which is the largest assessment, will increase by \$84,313 (2.54%). Overall, state assessments will increase by 1.78% and increase by 2.43% annually thereafter.
- **Offset Aid** – Assistance to Libraries decreased slightly to \$108,800 in FY25 and is projected to remain at this level moving forward.
- **Overlay Reserve** – The overlay is a “reserve” against non-collection or Board of Assessor-granted abatements. In FY25, the reserve amount is \$600,000, and is projected to remain at that level moving forward.



- **Reserve Fund** – The Reserve Fund is budgeted at 1% of operating revenues.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles are \$1,616,393 in FY2025 and thereafter returns to a lower previous level at around \$1.35 million.



Conclusion

I would like to express my gratitude to Arlington’s voters and taxpayers for their continued investment in our community. This ongoing support is critical to ensuring we can continue to deliver municipal services at a great value. Collectively, we as staff will work tirelessly to provide the high-quality services our residents enjoy, support a high-performing and engaging local government, and strive to maintain the high quality of life that is both expected and deserved.

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 over a series of months. I applaud our dedicated department heads who put a great deal of effort into preparing their budgets and continually seeking efficiencies, as well as incorporating community feedback and needs where possible. I would like to specifically thank the Select Board for its policy insights and leadership, the Finance Committee for their time and dedication to the Town’s finances, as well as the Capital Planning Committee for their thoughtful and iterative process to preparing a balanced capital plan in the face of many competing needs.

Finally, I am truly grateful to former Budget Director Julie Wayman, now our Treasurer/Collector, for her assistance in producing this budget document in cooperation with Alex Magee and Lauren Costa. She deserves special recognition for her ongoing commitment to this document, and I commend the entire finance team for the quality of the information and data contained herein.

Respectfully submitted,

James Feeney
Town Manager



Long Range Financial Projection

	FY 2024	FY 2025	Dollar Change	Percent Change	FY 2026	Dollar Change	Percent Change	FY 2027	Dollar Change	Percent Change	FY 2028	Dollar Change	Percent Change	FY 2029	Dollar Change	Percent Change
I REVENUE																
A. State Aid	28,233,840	28,803,013	369,373	1.31%	28,885,288	282,256	0.99%	29,170,348	285,079	0.99%	29,458,277	287,929	0.99%	29,749,085	290,808	0.99%
American Rescue Plan Act	5,000,000	0	(5,000,000)	-100.00%	0	0	-	0	0	-	0	0	-	0	0	-
B. Local Receipts	9,856,994	10,255,994	400,000	4.06%	10,355,994	100,000	0.98%	10,455,994	100,000	0.97%	10,555,994	100,000	0.96%	10,655,994	100,000	0.95%
C. Free Cash	7,958,044	8,941,938	983,892	12.39%	5,704,870	(3,237,066)	-36.20%	5,704,870	0	0.00%	5,704,870	0	0.00%	5,704,870	0	0.00%
D. Overlay Reserve Surplus	800,000	750,000	(50,000)	-6.25%	200,000	(550,000)	-73.33%	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%
E. Property Tax	153,851,908	165,708,017	11,856,109	7.71%	170,004,225	4,296,208	2.59%	174,265,205	4,260,980	2.51%	178,732,079	4,466,874	2.56%	183,321,218	4,589,139	2.57%
F. Override Stabilization Fund	588,575	4,374,790	3,786,215	643.29%	13,556,215	9,181,425	-	0	(13,556,215)	-	0	0	-	0	0	-
TOTAL REVENUES	206,086,161	218,633,750	12,547,589	6.09%	228,706,573	10,072,823	4.61%	219,796,417	(8,910,156)	-3.90%	224,651,220	4,854,803	2.21%	229,631,167	4,979,947	2.22%
II APPROPRIATIONS																
One Time COVID impact		0	0	-												
A. School Additions	800,000	3,100,000			1,700,000			800,000			300,000			0		
General Education Costs	57,312,481	61,351,257	3,438,796	6.00%	66,753,248	2,301,991	3.75%	70,876,830	2,423,582	3.63%	73,756,772	2,279,942	3.22%	76,140,590	2,083,818	2.83%
Special Education Costs	30,070,757	32,025,356	1,954,599	6.50%	34,107,004	2,081,648	6.50%	36,323,959	2,216,955	6.50%	38,685,016	2,361,057	6.50%	41,199,542	2,514,526	6.50%
Growth Factor	964,114	44,835	(919,481)	-95.37%	28,781	(17,854)	-40.00%	(214,248)	(241,029)	-900.00%	(490,985)	(276,737)	-129.17%	(807,038)	(116,051)	-23.64%
Net School Budget	88,947,334	96,521,248	7,573,914	8.52%	102,587,033	6,065,785	6.28%	107,586,541	4,999,508	4.87%	112,250,803	4,664,262	4.34%	116,733,096	4,482,293	3.99%
<u>Minuteman Operating & Capital</u>	7,112,915	6,732,038	(380,877)	-5.35%	6,987,859	235,621	3.50%	7,211,527	243,868	3.50%	7,463,930	252,403	3.50%	7,725,168	261,238	3.50%
<u>Minuteman Exempt Capital</u>	1,820,001	1,830,191	10,190	0.56%	1,830,191	0	0.00%	1,830,191	0	0.00%	1,830,191	0	0.00%	1,830,191	0	0.00%
Town Personnel Services	32,405,145	33,468,687	1,063,542	3.28%	34,556,419	1,087,732	3.25%	35,879,503	1,123,084	3.25%	36,839,087	1,159,584	3.25%	38,036,357	1,197,270	3.25%
Town Expenses	12,222,308	12,707,348	485,038	3.97%	13,120,335	412,989	3.25%	13,546,748	426,411	3.25%	13,987,015	440,269	3.25%	14,441,593	454,578	3.25%
Town Additions		250,000														
Enterprise Fund/Other	3,257,455	3,218,888	(38,769)	-1.19%	3,323,293	104,607	3.25%	3,431,300	108,007	3.25%	3,542,817	111,517	3.25%	3,657,959	115,142	3.25%
Net Town Budget	41,369,998	42,957,347	1,587,349	3.84%	44,353,461	1,396,114	3.25%	45,794,949	1,441,488	3.25%	47,283,285	1,488,336	3.25%	48,819,991	1,536,706	3.25%
<u>MWRA Debt Shift</u>	0	0	0	-	0	0	-	0	0	-	0	0	-	0	0	-
B. Capital budget																
Exempt Debt Service	12,028,958	12,522,707	493,751	4.10%	12,393,129	(129,578)	-1.03%	12,157,188	(235,941)	-1.90%	12,066,529	(90,659)	-0.75%	11,984,197	(82,332)	-0.68%
Non-Exempt Service	7,154,944	7,478,171	323,227	4.52%	7,913,301	435,130	5.82%	7,970,289	56,988	0.72%	8,042,402	72,112	0.90%	8,149,578	107,174	1.33%
Cash	3,918,856	4,052,417	1,033,561	26.37%	4,233,485	(718,932)	-14.52%	4,571,562	338,077	7.99%	4,888,319	316,757	6.93%	4,790,529	(97,790)	-2.00%
Offsets/Capital Carry Forward	(738,989)	(984,281)	(247,272)	-33.55%	(255,756)	728,505	-74.02%	(238,810)	16,946	-6.63%	(162,788)	46,042	-19.28%	(191,065)	1,703	-0.88%
Total Capital	22,365,767	23,969,034	1,603,267	7.17%	24,284,159	315,125	1.31%	24,460,229	176,070	0.73%	24,804,482	344,252	1.41%	24,733,237	(71,245)	-0.29%
C. Pensions	14,133,735	14,994,698	860,961	6.09%	15,819,404	824,708	5.50%	16,889,471	870,067	5.50%	17,807,392	917,921	5.50%	18,575,799	968,407	5.50%
D. Insurance	22,077,822	23,241,930	1,164,108	5.27%	24,707,831	1,466,001	6.31%	25,955,399	1,247,468	5.05%	27,200,537	1,245,138	4.80%	28,560,216	1,359,679	5.00%
E. State Assessments	4,078,955	4,151,548	72,591	1.78%	4,252,815	101,069	2.43%	4,356,210	103,595	2.44%	4,462,395	106,185	2.44%	4,571,235	108,840	2.44%
F. Overlay Reserve	800,000	800,000	(15,000)	-2.44%	800,000	0	0.00%	800,000	0	0.00%	800,000	0	0.00%	800,000	0	0.00%
G. Reserve Fund	1,900,782	2,019,326	118,544	6.24%	2,027,572	8,246	0.41%	2,076,392	48,820	2.41%	2,125,847	49,455	2.38%	2,176,470	50,623	2.38%
H. Court Judgments/Symmes	100,000	0	(100,000)	-100.00%	0	0	-	0	0	-	0	0	-	0	0	-
I. Warrant Articles	1,266,835	1,816,393	349,558	27.59%	1,341,393	(275,000)	-17.01%	1,391,393	50,000	3.73%	1,341,393	(50,000)	-3.59%	1,391,393	50,000	3.73%
J. Override Stabilization Fund	0	0	0	-	0	0	-	0	0	-	0	0	-	0	0	-
K. TOTAL APPROPRIATIONS	205,789,144	218,633,750	12,844,606	6.24%	228,771,418	10,137,668	4.64%	237,952,393	9,180,885	4.01%	246,970,255	9,017,952	3.79%	255,716,796	8,746,541	3.54%
L. BALANCE	297,017	0			(64,845)			(18,155,886)			(22,319,035)			(26,085,629)		
Free Cash	17,883,872	11,409,740			11,409,740			11,409,740			11,409,740			11,409,740		
Stabilization Fund	4,165,933	4,349,252			4,536,237			4,726,961			4,921,501			5,119,931		
Override Stabilization Fund	17,931,005	13,556,215			0			0			0		0			
Municipal Bldg. Ins. Trust Fund	658,179	664,761			671,408			678,122			684,904			691,753		
TOTAL:	40,638,989	29,979,988			16,617,385			16,814,824			17,016,145			17,221,424		
% of General Fund Revenue	19.7%	13.7%			7.3%			7.7%			7.8%			7.5%		
	5.05%	5.29%			5.25%			5.21%			5.20%			5.01%		

The plan does not include any projected revenues or expenditures from the Community Preservation Act

	Projected School Enrollment Growth FY 2025 - FY 2029					
	FY 2024**	FY 2025*	FY 2026*	FY 2027*	FY 2028*	FY 2029*
Actual/Proj. Annual Growth	108	5	3	(24)	(55)	(68)
** Actual Growth - FY23 50% PPC of \$14,601 = \$7,300 X EG						
* Projected Growth - FY2025 through FY2029 Based on 50% of FY21 DESE Per Pupil Cost of \$17,854 = \$8,927 X Enrollment Growth						



THIS PAGE INTENTIONALLY LEFT BLANK

