



**TOTAL REVENUE**

Total revenue for FY2012 is projected at \$113,954,730, a decrease of \$84,532, or 0.1%.

The property tax levy is projected to increase \$2,628,288, or 3.1%. Local receipts are projected to increase \$89,293 due primarily to a full year's collections of the optional meals tax and hotel taxes at the higher tax rate.

Cherry Sheet State aid is projected to decrease \$235,606 or 1.7%. This is based upon the Governor's proposed budget, which increases Chapter 70 aid and reduces General Government Aid. State aid in the form of IDEA and State Fiscal Stabilization Funds that were available for school expenditures are unavailable in FY2012, thus eliminating an additional \$489,705 in revenue, and making the total reduction \$725,311.

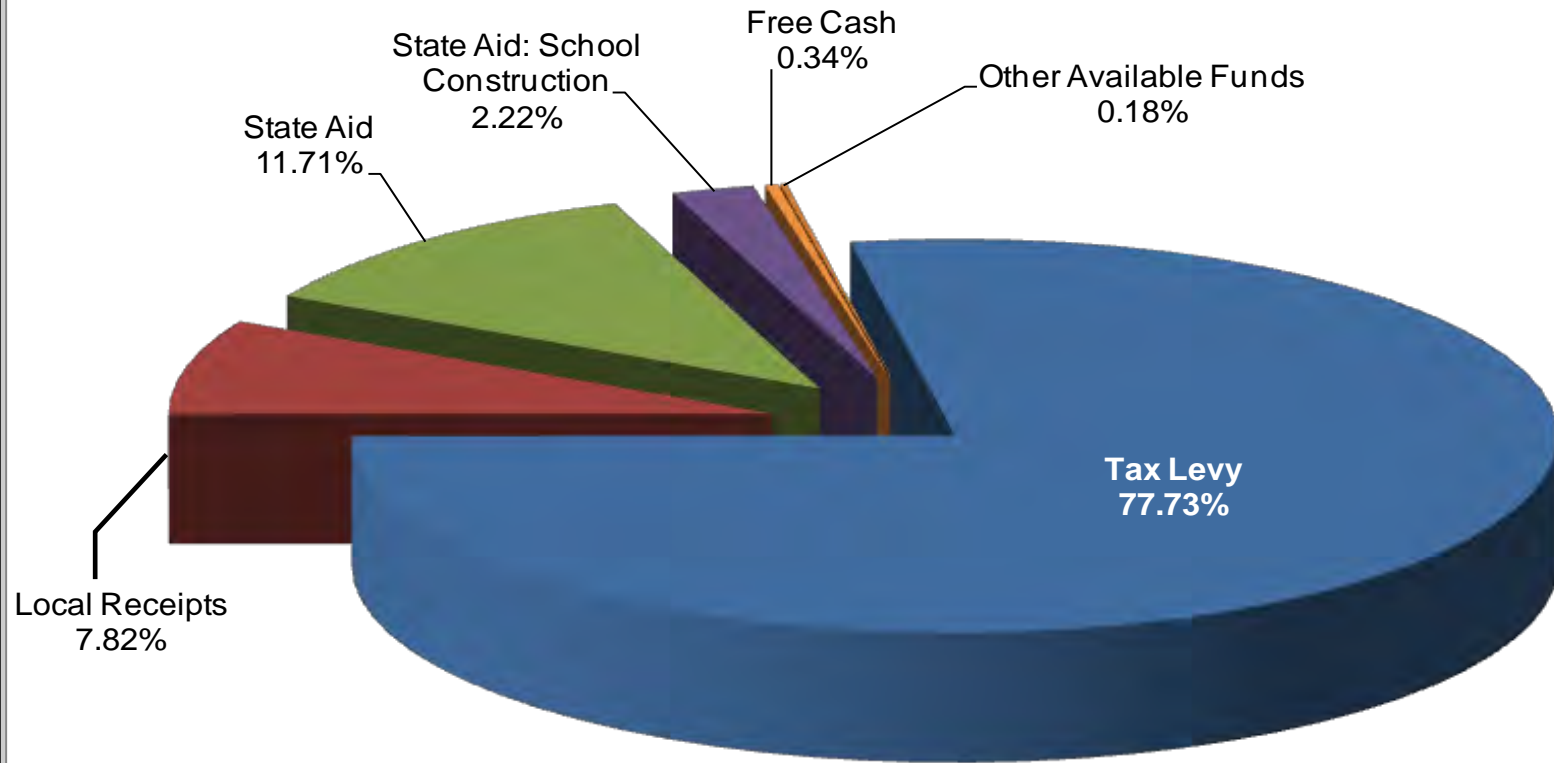
A total of \$385,249 in free cash is proposed to be used, which is a decrease of \$196,802 from FY2011. This represents 50% of the free cash balance, which is consistent with the Town's policy of using no more than 50% of the free cash balance.

In FY2012, Other Available Funds include only \$200,000 in surplus tax abatement overlay funds, which is a reduction of \$300,000 from this source. In addition, the remaining balance of \$1,580,000 in the override stabilization fund was appropriated in FY2011. This results in a total overall reduction in Other Available Funds of \$1,880,000 for FY2012.

REVENUE SOURCE	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Tax Levy	80,946,006	83,471,036	85,958,974	88,587,262	2,628,288
Local Receipts	8,715,308	8,653,173	8,820,707	8,910,000	89,293
State Aid	18,108,904	16,914,050	16,597,530	15,872,219	(725,311)
Free Cash	2,191,622	1,497,907	582,051	385,249	(196,802)
Other Available Funds	500,000	3,242,376	2,080,000	200,000	(1,880,000)
<b>Total</b>	<b>110,461,840</b>	<b>113,778,542</b>	<b>114,039,262</b>	<b>113,954,730</b>	<b>(84,532)</b>



**REVENUE**  
**\$113,954,730**





**Total General Fund Revenues**

	<u>FY03</u> <u>Actual</u>	<u>FY04</u> <u>Actual</u>	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Budget</u>	<u>FY12</u> <u>Budget</u>
Tax Levy	56,730,196	58,706,143	60,616,241	68,050,315	71,185,238	73,220,264	75,352,894	77,877,924	80,365,862	82,994,150
Local Receipts	7,785,986	7,801,881	8,437,095	8,834,256	9,188,329	9,024,278	8,715,308	8,653,173	8,820,707	8,910,000
State Aid	16,775,516	13,945,694	14,046,847	14,790,887	15,600,746	15,972,745	15,568,470	14,382,965	14,066,445	13,341,134
Free Cash	2,767,285	1,774,342	1,414,803	1,614,155	1,939,695	954,736	2,191,622	1,497,907	582,051	385,249
Other Available Funds	500,000	500,000	500,000	400,000	400,000	500,000	500,000	3,242,376	2,080,000	200,000
<b>Total</b>	<b>84,558,983</b>	<b>82,728,060</b>	<b>85,014,986</b>	<b>93,689,613</b>	<b>98,314,008</b>	<b>99,672,023</b>	<b>102,328,294</b>	<b>105,654,345</b>	<b>105,915,065</b>	<b>105,830,533</b>

\*Excludes MWRA debt on tax levy and school construction reimbursements

**Annual Revenue Increases**

	<u>FY03</u> <u>Actual</u>	<u>FY04</u> <u>Actual</u>	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Budget</u>	<u>FY12</u> <u>Budget</u>
Tax Levy	1,888,156	1,975,947	1,910,098	7,434,074	3,134,923	2,035,026	2,132,630	2,525,030	2,487,938	2,628,288
Local Receipts	90,423	15,895	635,214	397,161	354,073	(164,051)	(308,970)	(62,135)	167,534	89,293
State Aid	(498,063)	(2,829,822)	101,153	744,040	809,859	371,999	(404,275)	(1,185,505)	(316,520)	(725,311)
Free Cash	167,211	(992,943)	(359,539)	199,352	325,540	(984,959)	1,236,886	(693,715)	(915,856)	(196,802)
Other Available Funds	200,000	0	0	(100,000)	0	100,000	0	2,742,376	(1,162,376)	(1,880,000)
<b>Total</b>	<b>1,847,727</b>	<b>(1,830,923)</b>	<b>2,286,926</b>	<b>8,674,627</b>	<b>4,624,395</b>	<b>1,358,015</b>	<b>2,656,271</b>	<b>3,326,051</b>	<b>260,720</b>	<b>(84,532)</b>
<b>Percent Increase</b>	<b>2.2%</b>	<b>-2.2%</b>	<b>2.8%</b>	<b>10.2%</b>	<b>4.9%</b>	<b>1.4%</b>	<b>2.7%</b>	<b>3.3%</b>	<b>0.2%</b>	<b>-0.1%</b>

**Percent of Total Revenue**

	<u>FY03</u> <u>Actual</u>	<u>FY04</u> <u>Actual</u>	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Actual</u>	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Actual</u>	<u>FY09</u> <u>Actual</u>	<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Budget</u>	<u>FY12</u> <u>Budget</u>
Tax Levy	67.1%	71.0%	71.3%	72.6%	72.4%	73.5%	73.6%	73.7%	75.9%	78.4%
Local Receipts	9.2%	9.4%	9.9%	9.4%	9.3%	9.1%	8.5%	8.2%	8.3%	8.4%
State Aid	19.8%	16.9%	16.5%	15.8%	15.9%	16.0%	15.2%	13.6%	13.3%	12.6%
Free Cash	3.3%	2.1%	1.7%	1.7%	2.0%	1.0%	2.1%	1.4%	0.5%	0.4%
Other Available Funds	0.6%	0.6%	0.6%	0.4%	0.4%	0.5%	0.5%	3.1%	2.0%	0.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**PROPERTY TAX LEVY**

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 75% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington's non-manufacturing businesses. State law mandates that communities update their property values every three years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY2010. Under the Provisions of Proposition 2 ½, property taxes, in the aggregate, may not exceed 2 ½% of their "full and fair cash value." This limit is known as the "levy ceiling." Annual levy increases may not exceed 2 ½% of the previous year's levy plus the taxes added from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2 ½ override or debt exclusion amounts voted are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

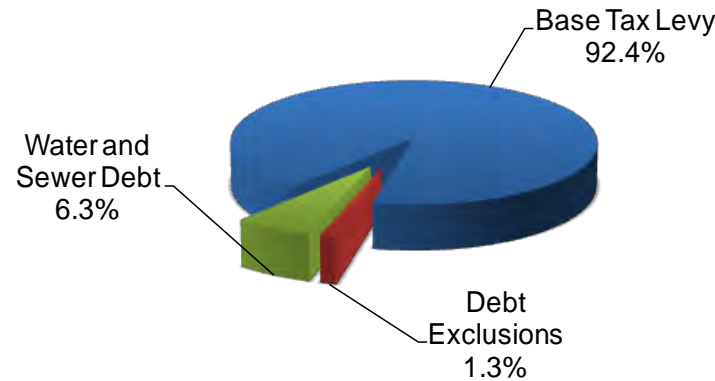
Property values and new growth for FY2012 are preliminary estimates used to project the levy limit. The FY2011 levy limit was \$79,443,949. The 2 ½% increase allowed for FY2012 is \$1,986,099. New growth from construction not previously on the tax rolls is expected to add \$400,000 to the FY2012 levy. An additional \$1,164,102 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2 ½ debt exclusion overrides. This added debt exclusion amount is net of state reimbursements estimated at \$1,672,226. For the first time in FY2012, debt service for the Symmes Urban Renewal project is expected to be added to the tax levy. After subtracting funds from the Symmes Urban Renewal Fund, including Symmes property taxes, the net debt service amount to be added to the tax levy is \$307,130.

The Town has accepted the provisions of Chapter 110, whereby water and sewer debt costs are transferred to the real estate taxes. At the present time, the only water and sewer debt is from the MWRA. The Board of Selectmen voted to freeze the amount of MWRA debt shift at the FY2007 amount of \$5,593,112. Based on the above, the FY2012 tax levy is projected to total \$88,587,262 representing an increase of \$2,628,288 (3.05%) over the FY2011 levy.

PROPERTY TAX LEVY	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
<b>Base Tax Levy</b>	74,233,690	76,852,379	79,419,992	81,830,048	2,410,056
<b>General Override</b>	-	-	-	-	-
<b>Debt Exclusion Overrides</b>					
Brackett School	257,313	230,340	212,646	188,605	(24,041)
Hardy School	127,995	107,394	88,063	68,072	(19,992)
Bishop School	114,976	97,628	83,548	67,228	(16,320)
Peirce School	294,844	274,144	253,394	213,132	(40,262)
Dallin School	324,076	316,039	308,219	319,935	11,716
Stratton/Thompson Plans					-
Symmes Debt				307,130	307,130
<b>Sub-total Debt Exclusions</b>	<b>1,119,204</b>	<b>1,025,545</b>	<b>945,870</b>	<b>1,164,102</b>	218,232
<b>Water and Sewer Debt</b>	5,593,112	5,593,112	5,593,112	5,593,112	-
<b>Total</b>	<b>80,946,006</b>	<b>83,471,036</b>	<b>85,958,974</b>	<b>88,587,262</b>	<b>2,628,288</b>



**PROPERTY TAX**

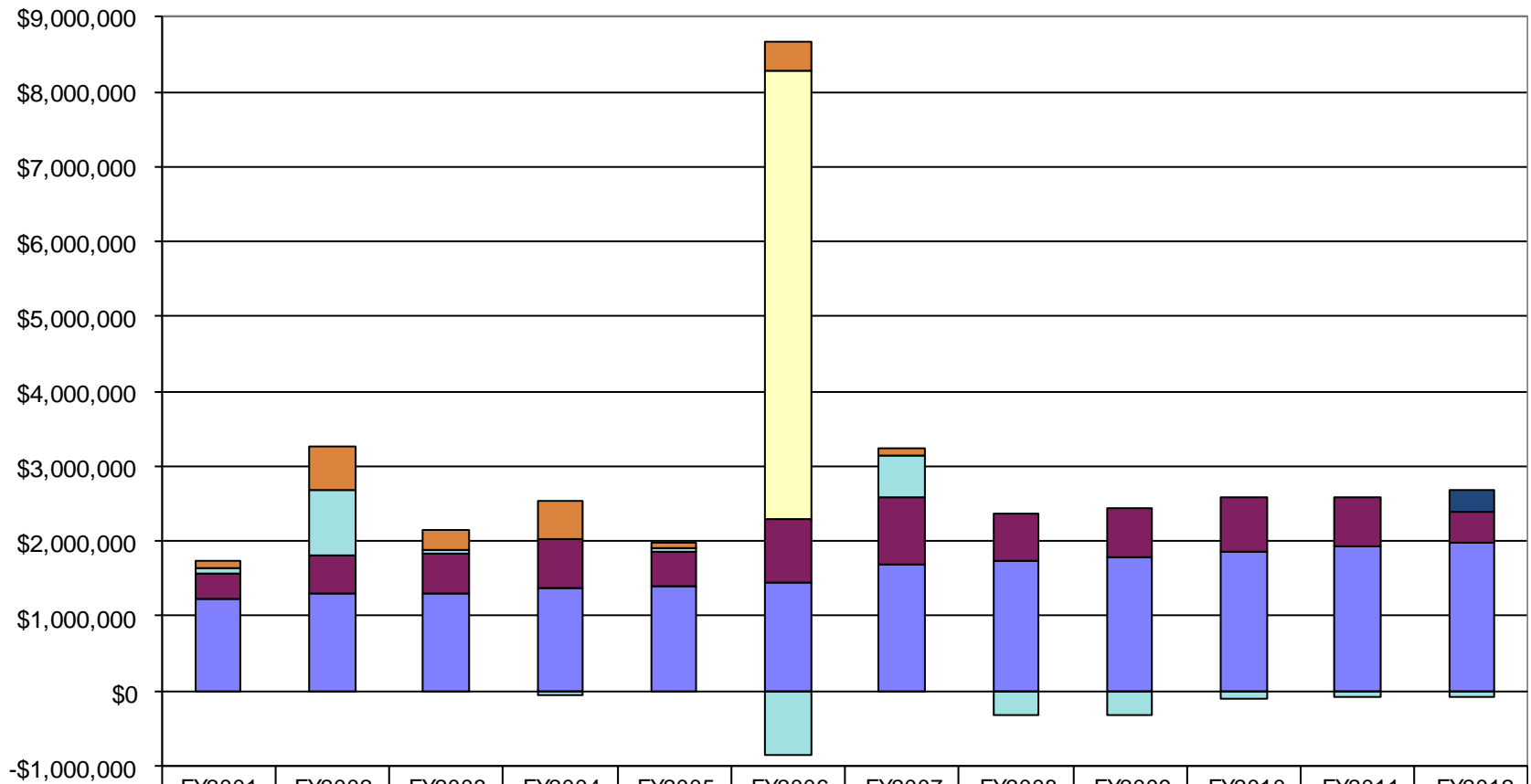


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2010	83,612,918.72	483,555.47	61,658.71	83,067,704.54	82,652,328.29	99.50%	415,059.45	781,121.00	396,784.20	363,475.82
2009	81,073,914.29	487,858.75	77,402.97	80,508,652.57	80,065,721.17	99.45%	480,507.03	707,145.88	396,784.20	393,703.43
2008	78,887,655.80	472,051.80	72,738.36	78,342,865.64	78,066,532.84	99.65%	276,332.81	471,582.61	396,784.20	377,006.41
2007	76,885,362.74	342,368.47	84,469.92	76,458,524.35	76,243,171.54	99.72%	216,092.26	339,191.03	396,784.20	390,472.48
2006	73,601,851.23	343,515.23	87,097.83	73,171,238.17	72,939,691.01	99.68%	231,489.78	324,280.65	396,784.20	380,256.66
2005	65,779,185.77	302,203.09	58,911.88	65,418,070.80	65,202,793.72	99.67%	234,667.16	339,307.20	396,784.20	285,068.38
2004	63,831,019.20	391,879.53	49,554.72	63,389,584.95	63,223,644.05	99.74%	165,940.90	258,629.93	396,784.20	274,115.15
2003	61,323,172.92	369,352.26	41,586.52	60,912,234.14	60,699,775.08	99.65%	212,459.06	317,178.44	397,922.00	247,855.77
2002	59,183,329.33	375,235.37	47,510.62	58,760,583.34	58,615,862.62	99.75%	144,720.72	216,588.20	397,922.00	347,816.81
2001	55,924,516.87	436,168.37	56,445.54	55,431,902.96	55,316,386.89	99.79%	115,516.07	181,873.01	397,716.45	354,375.56
2000	54,173,527.31	349,142.62	66,695.63	53,757,689.06	53,624,936.83	99.75%	132,752.23	196,203.75	397,716.45	338,813.24
1999	52,534,913.05	433,671.59	61,654.42	52,039,587.04	51,927,624.56	99.78%	173,616.90	187,455.40	383,233.92	338,142.22
1998	49,567,583.07	449,042.82	55,312.92	49,063,227.33	48,905,560.52	99.68%	157,666.81	284,217.96	407,244.12	286,763.02
1997	48,210,810.14	521,789.92	50,705.04	47,638,315.18	47,427,170.70	99.56%	211,144.48	432,742.57	393,123.36	239,348.93
1996	46,779,296.17	598,025.38	41,661.78	46,139,609.01	45,809,016.29	99.28%	331,883.24	714,391.40	616,012.63	242,190.65

The policy is to close out all real estate & personal property commitments in the same fiscal year. All collections, refunds, transfers into Tax Title all take place within the same fiscal year.



COMPONENTS OF TAX LEVY INCREASE



	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
MWRA Debt	109,156	578,001	260,958	517,348	69,732	371,757	117,626	-	-	-	-	-
Symmes Debt Exclusion	-	-	-	-	-	-	-	-	-	-	-	307,130
Debt Exclusion	58,861	861,310	44,571	(51,943)	56,628	(859,302)	558,473	(319,928)	(316,820)	(93,659)	(79,675)	(88,899)
General Override	-	-	-	-	-	6,000,000	-	-	-	-	-	-
New Growth	337,860	520,517	544,075	649,223	458,531	844,013	887,247	640,013	642,912	726,955	656,751	400,000
2.5% Increase*	1,234,895	1,300,061	1,299,509	1,378,668	1,394,938	1,449,364	1,689,203	1,736,648	1,796,065	1,857,039	1,921,639	1,986,099



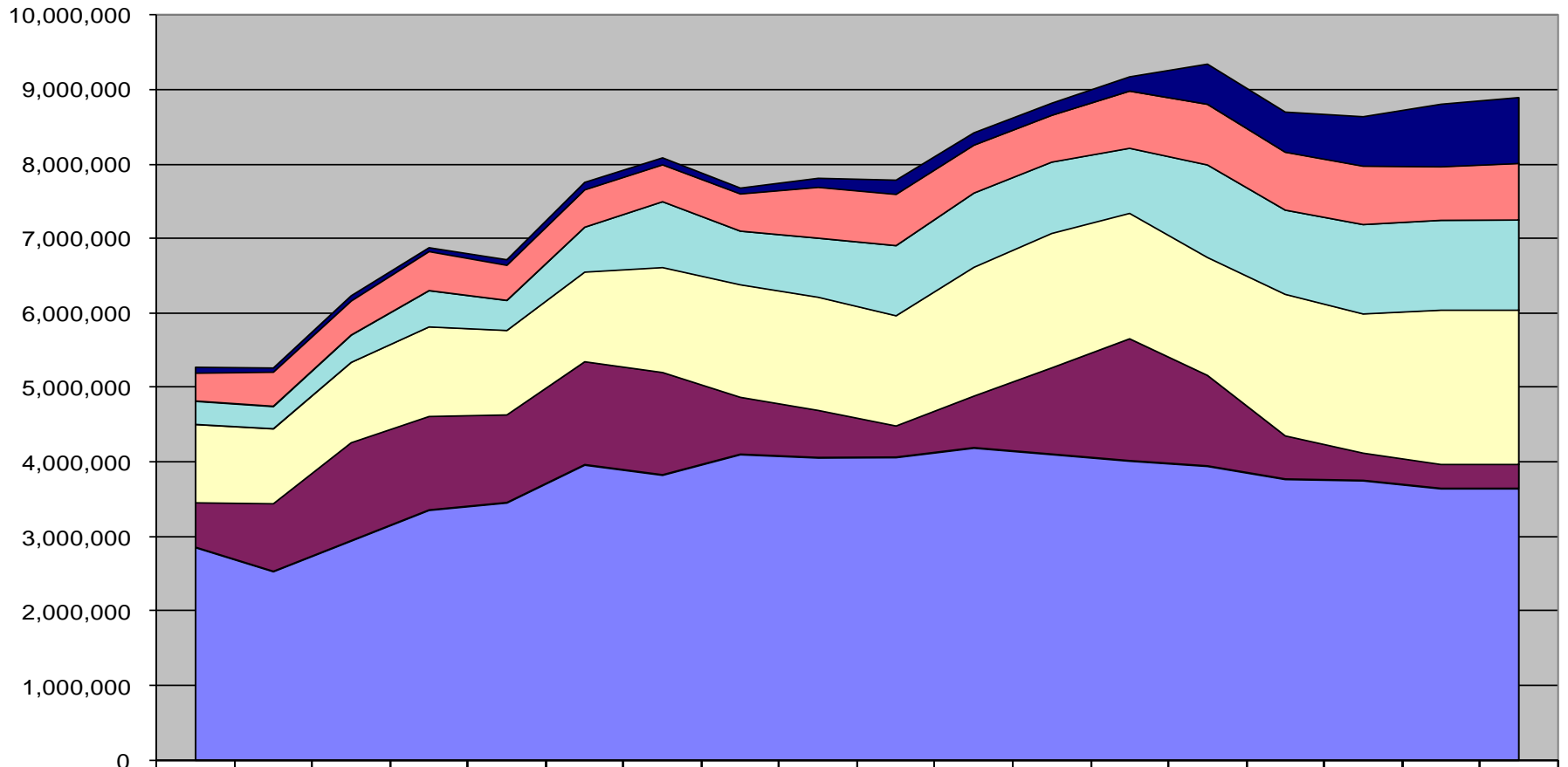
**LOCAL RECEIPTS SUMMARY**

Local receipts for FY2012 are projected to increase \$89,293 to a total of \$8,910,000. Most revenue sources remain flat with the exception of rental income which is increasing \$40,000 and meals and hotel taxes which are increasing \$45,000 due to a full year's collections at the increased tax rates. The slow economy is still having a negative impact on local receipts. Motor vehicle excise taxes are projected to remain at their lowest levels in more than a decade. Investment income, which exceeded \$1.4 million in FY2007, is projected to total only \$50,000 in FY2012. This is due to the dramatic drop in interest rates and reduced available cash balances.

<b>LOCAL RECEIPTS SUMMARY</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Budget</b>	<b>FY2012 Budget</b>	<b>Budget Change</b>
Motor Vehicle Excise	3,775,638	3,757,149	3,650,000	3,650,000	-
Interest Income	582,123	369,782	325,000	325,000	-
Departmental Fees	1,900,729	1,867,994	2,070,500	2,070,500	-
Licenses and Permits	1,134,294	1,202,871	1,210,000	1,214,000	4,000
Rentals	783,600	791,045	725,000	765,000	40,000
Other	538,924	664,332	840,207	885,500	45,293
<b>Total</b>	<b>8,715,308</b>	<b>8,653,173</b>	<b>8,820,707</b>	<b>8,910,000</b>	<b>89,293</b>



Local Receipts History



	Actual FY95	Actual FY96	Actual FY97	Actual FY98	Actual FY99	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY2010	Budget FY2011	Budget FY2012
Other	79,747	57,043	71,438	52,158	74,963	100,945	94,165	79,375	122,272	191,558	166,224	162,289	190,960	538,924	538,924	664,332	840,207	885,500
Rentals	391,759	475,385	470,238	534,943	482,727	508,819	500,978	506,840	690,231	696,252	648,334	632,505	771,319	818,608	783,600	791,045	725,000	765,000
Licenses and Permits	309,777	297,205	365,390	487,462	403,337	604,759	887,076	722,072	794,763	943,446	999,757	961,320	878,090	1,247,073	1,134,294	1,202,871	1,210,000	1,214,000
Fees/Departmental	1,047,991	1,002,385	1,077,431	1,202,822	1,134,166	1,206,792	1,412,070	1,512,748	1,520,578	1,480,066	1,731,991	1,808,831	1,689,345	1,586,298	1,900,729	1,867,994	2,070,500	2,070,500
Interest Income	602,716	913,448	1,318,396	1,257,417	1,178,868	1,382,410	1,374,590	765,790	634,352	421,000	693,999	1,159,204	1,636,644	1,216,410	582,123	369,782	325,000	325,000
Motor Vehicle Excise	2,858,747	2,535,529	2,947,864	3,360,273	3,459,778	3,968,543	3,832,194	4,108,738	4,064,678	4,069,559	4,196,714	4,110,106	4,021,994	3,951,802	3,775,638	3,757,149	3,650,000	3,650,000





**MOTOR VEHICLE EXCISE**

Motor vehicle excise tax receipts are expected to remain flat at a total of \$3.65 million. This is the lowest level in more than a decade. In FY2002, and as recently as FY2008, revenues totaled \$4.1 million. The excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year, and 10% thereafter. The actual billings are prepared by the Registry of Motor Vehicles and then turned over to the Town for printing, distribution, and collection. There are approximately 38,000 registered vehicles in Arlington. In the chart below, Levy Year 2010 is as of June 30, 2010.

Levy Year	Commitments	Collections	Refunds	Net Collections	Abatements	Balance	Collection %
2010	\$3,439,627	\$3,277,405	\$34,770	\$3,242,635	\$83,853	\$113,139	96.71%
2009	\$3,405,929	\$3,262,275	\$42,208	\$3,220,067	\$90,499	\$95,363	97.20%
2008	\$4,095,771	\$3,968,005	\$82,613	\$3,885,392	\$164,786	\$45,593	98.89%
2007	\$4,230,657	\$4,125,146	\$81,094	\$4,044,052	\$159,117	\$27,488	99.35%
2006	\$4,248,107	\$4,134,418	\$89,206	\$4,045,212	\$177,550	\$25,345	99.40%
2005	\$4,293,875	\$4,189,478	\$95,281	\$4,094,197	\$173,543	\$26,135	99.39%
2004	\$4,290,578	\$4,166,076	\$78,847	\$4,087,229	\$183,274	\$20,075	99.53%
2003	\$4,241,385	\$4,109,464	\$72,532	\$4,036,932	\$189,004	\$15,449	99.64%
2002	\$4,281,043	\$4,130,254	\$80,517	\$4,049,737	\$215,905	\$15,401	99.64%
2001	\$4,250,080	\$4,122,587	\$76,815	\$4,045,772	\$187,565	\$16,743	99.61%
2000	\$4,090,219	\$3,983,605	\$87,702	\$3,895,903	\$181,778	\$12,538	99.69%
1999	\$3,734,714	\$3,644,635	\$92,391	\$3,552,244	\$173,537	\$8,933	99.76%
1998	\$3,341,180	\$3,251,914	\$58,790	\$3,193,124	\$138,299	\$9,757	99.71%
1997	\$3,119,179	\$3,019,273	\$48,419	\$2,970,854	\$135,780	\$12,545	99.60%

MOTOR VEHICLE EXCISE	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Motor Vehicle Excise	3,775,638	3,757,149	3,650,000	3,650,000	-



**DEPARTMENTAL FEES**

Departmental fees are projected to remain flat at a total of \$2.07 million. The major categories include ambulance fees, parking fines and meters, cemetery fees, tax collector fees, and school Medicaid reimbursements related to the special education program. While most categories of fees have experienced a decline in revenue amounts over the last few years, ambulance revenue has increased as a result of rate increases.

<b>DEPARTMENTAL FEES</b>					
	<b>FY09 Actual</b>	<b>FY10 Actual</b>	<b>FY2011 Budget</b>	<b>FY2012 Budget</b>	<b>Budget Change</b>
Schools (Medicare Reimbursement)	209,034	135,451	200,000	200,000	-
Cemetery Revenue	308,350	267,675	300,000	300,000	-
Library Fees and Fines	63,432	65,863	60,000	60,000	-
Collector's Demand Fees	110,441	78,097	80,000	80,000	-
Town Clerk Fees	45,015	69,159	45,000	45,000	-
Parking Violations	424,428	355,236	350,000	350,000	-
Parking Meter Receipts	67,883	78,840	75,000	75,000	-
Fire Alarm Renewal Fee	16,575	24,250	15,000	15,000	-
Ambulance Fees	452,217	565,307	625,000	625,000	-
Other Departmental Revenue	203,354	228,117	320,500	320,500	-
<b>Total</b>	<b>1,900,729</b>	<b>1,867,994</b>	<b>2,070,500</b>	<b>2,070,500</b>	<b>-</b>



**INTEREST INCOME & PENALTIES**

Interest Income is projected to remain flat at a total of \$325,000. It is made up of two components: investment income and interest and penalties associated with delinquent tax payments.

Investment income can vary widely depending upon market interest rates, available cash balances, cash flows, and investment practices. Investment income has dropped from a high of more than \$1.4 million in FY2007 to a projected amount of only \$50,000 in FY2012. This is due to the dramatic drop in interest rates and available cash balances.

Penalties and interest associated with delinquent tax payments are projected to remain stable at \$275,000.

<b>INTEREST INCOME</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Budget</b>	<b>FY2012 Budget</b>	<b>Budget Change</b>
Investment Income	410,117	102,254	50,000	50,000	-
Penalties & Interest	172,006	267,528	275,000	275,000	-
<b>Total</b>	<b>582,123</b>	<b>369,782</b>	<b>325,000</b>	<b>325,000</b>	<b>0</b>



**LICENSES AND PERMITS**

For FY2012 the total revenue is expected to increase by only \$4,000 to a total of \$1,214,000.

Licenses and permits are comprised of several categories, issued by various departments. The most significant of these include parking permits and liquor licenses issued by the Selectmen, building permits, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat with the exception of building permits, which are expected to increase slightly to a total of \$829,000. Revenues from building permits have held up very well the last few years given the down economy.

LICENSES AND PERMITS	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Parking Permits	103,727	135,936	135,000	135,000	-
Liquor Licenses	73,055	68,125	70,000	70,000	-
Food Licenses	6,725	6,483	6,500	6,500	-
Food Permits	16,125	17,520	20,000	20,000	-
Tobacco Permits	14,190	12,150	14,000	14,000	-
Building Inspections	810,277	844,894	825,000	829,000	4,000
Fire Prevention Permits	38,383	53,591	53,000	53,000	-
Marriage Licenses	6,620	6,580	6,500	6,500	-
Other	65,192	57,592	80,000	80,000	-
<b>Total</b>	<b>1,134,294</b>	<b>1,202,871</b>	<b>1,210,000</b>	<b>1,214,000</b>	<b>4,000</b>



**RENTAL INCOME**

The Town derives income from the renting of several Town-owned properties including the Gibbs, Crosby, and Parmenter schools, the Mt. Gilboa house, the former Dallin Library, and former Parks Department buildings at Ryder Street.

Overall, revenue is projected to increase \$40,000 to a total of \$765,000.

The Ryder Street property is rented for a five-year period, generating a net income of \$95,000 annually.

Parmenter School and Crosby School leases were renegotiated, resulting in rent increases. Projected rental income for the properties is \$180,000 and \$134,000 respectively. The leases for these two properties expire June 30, 2013. The sale of the properties is currently under consideration.

Similar to the Parmenter and Crosby Schools, the Gibbs tenants now pay the utility cost directly rather than through their rents which is why the rental income is expected to decrease in FY2011. For FY2012, rental income is expected to increase to a total of \$290,000.

Dallin Library is currently leasing to the Arlington Community Media, Inc. (ACMI) with rental income projected at \$45,000. The Mt. Gilboa house is rented for \$18,000 per year.

RENTAL INCOME	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Ryder St.	76,348	75,638	77,000	95,000	18,000
Parmenter	122,441	151,013	175,000	180,000	5,000
Crosby	106,469	113,326	130,000	134,000	4,000
Gibbs	416,299	387,951	280,000	290,000	10,000
Mt. Gilboa	16,500	18,000	18,000	19,000	1,000.00
Dallin Library	45,543	45,116	45,000	47,000	2,000.00
<b>Total</b>	<b>783,600</b>	<b>791,045</b>	<b>725,000</b>	<b>765,000</b>	<b>40,000</b>



**OTHER LOCAL RECEIPTS**

Other local receipts are projected to increase by \$45,293 to a total of \$885,500. The major reason for the increase is due to a full year's collection of meals and hotel taxes at the new increased tax rate.

In 2009 the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time only the state collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. Also, the Town collected a room occupancy tax on hotels (there is only one hotel in Arlington) of 4% at that time. The state allowed cities and towns to increase that by 1% to a total of 5%. Both of these optional taxes were adopted by Town Meeting in the fall of 2010 to go into effect January 1, 2010. For communities that adopted these taxes with this effective date, they were allowed to estimate six months of collections in FY2010, eleven months in FY2011, and a full twelve months thereafter. For FY2012, the total estimated collections for both taxes are \$480,000, an increase of \$45,000 over FY2011.

The other major category of receipts is the Medicare Part D reimbursement. This is a reimbursement by the federal government due to the fact that Arlington, like most cities and towns, offers qualifying prescription drug coverage under its healthcare plan for retirees. While it is estimated to remain flat at \$350,000 in FY2012, it is expected that this reimbursement will be phased out by the federal government over the next several years.

Court fines, primarily for moving violations, are projected to remain level at \$47,000.

OTHER LOCAL RECEIPTS	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Meals Tax	-	81,096	225,000	250,000	25,000
Hotel Tax	136,490	165,114	210,000	230,000	20,000
Court Fines	61,871	46,800	47,000	47,000	-
Medicare Part D Reimbursement	327,937	362,941	350,000	350,000	-
Special Assessments	1,659	1,410	1,400	1,500	100
Payments In Lieu of Taxes	10,967	6,971	6,807	7,000	193.00
<b>Total</b>	<b>538,924</b>	<b>664,332</b>	<b>840,207</b>	<b>885,500</b>	<b>45,293</b>



**STATE AID SUMMARY**

In January, Governor Patrick proposed to reduce local aid cherry sheet funding to Arlington, by 1.7%. This reduction manifested itself in a 3.7% increase in Chapter 70 (School Aid), set against a 7% reduction in General Government Aid. The House Ways and Means Committee is due to report its recommendation in mid- April, however, as has been the case in prior years, both the House and Senate may agree upon a local aid resolution prior to the issuance of their comprehensive budget proposal. After adding in the \$489,705 reduction in IDEA and State Fiscal Stabilization Funds that were distributed by the State in FY2011, the total state aid reduction is \$725,311, bringing down the total state aid, exclusive of school construction aid, to \$13,341,134. This is less local aid than the Town received in FY1988, some 24 years ago (see chart on p. II-16). During this period, Arlington has seen its share of the local aid “pie” cut in half (see chart on p. II-18).

Since FY2002, Arlington’s total state aid has decreased by 16.8%, losing over \$5.5 million through FY2011 (see chart on p. II-17). Since FY2002, local aid for all municipalities initially dropped by approximately 8%, rebounded through FY2009 to a 20% increase, and then dropped in FY2011 to a cumulative increase of 9.1% from FY2002. Arlington, on the other hand, has never experienced an increase above FY2002. In fact, in FY2006 Arlington was 15% below FY2002, while the average of all municipalities saw a slight increase. In the current year, FY2011, aid is 17% below FY2002 while the average of all municipalities has seen an increase of 9.1%.

Over the last several years, the distribution formulas used for the cutbacks in state aid—and the subsequent restoration of those cuts—have not been implemented fairly, nor have they recognized the needs of communities like Arlington. The policy has essentially been this: communities with relatively high median income levels and high property values are assumed to have a greater ability to raise revenue locally, and therefore to have less of a need for state aid. The problem is that communities don’t have the ability to tax incomes (the state takes all income tax). The only source of revenue available to communities is the property tax, a regressive tax that hurts elderly and lower income residents disproportionately. Without a fair share of state aid, communities like Arlington are faced with the difficult choice of either raising property taxes through overrides, or cutting needed services.

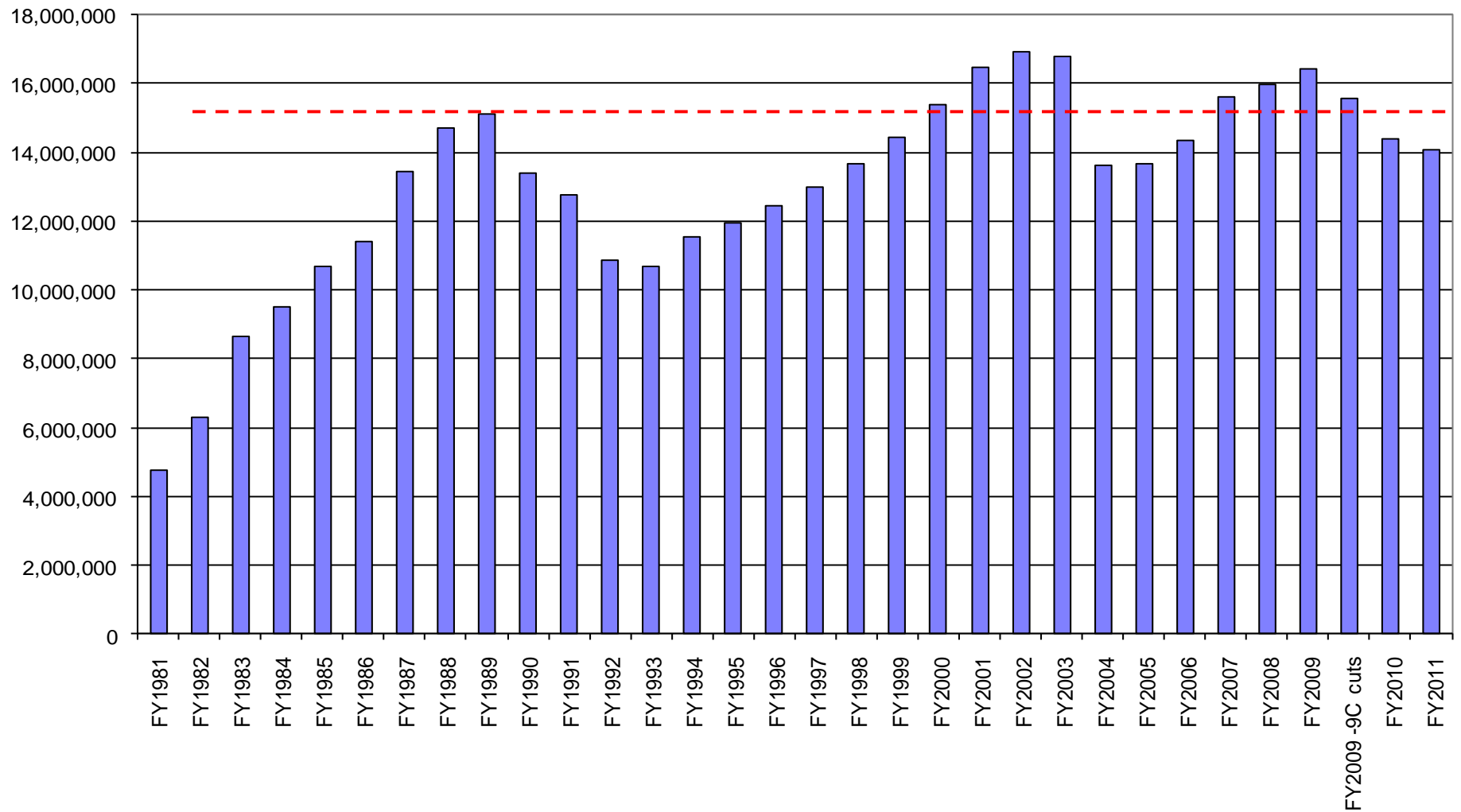
A majority of local aid increases over the last decade have been distributed through the Chapter 70 school aid formula. The formula works to the disadvantage of communities with relatively high incomes and property values. Arlington falls into this category, which means that we are a minimum aid community and are calculated to receive only 17.5% of our school foundation budget (the amount that the state calculates that we should be spending on schools). Some communities receive as much as 85%, with the average targeted at 60%. For FY2012, Arlington will receive the minimum, 17.5%.

<b>STATE AID SUMMARY</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Budget</b>	<b>FY2012 Budget</b>	<b>Budget Change</b>
Gen Government Aid	9,019,382	6,920,966	6,663,827	6,180,935	(482,892)
School Aid	6,280,215	7,213,495	7,153,462	6,909,638	(243,824)
School Construction	2,540,434	2,531,085	2,531,085	2,531,085	-
Tax Exemptions	188,896	187,014	190,609	188,476	(2,133)
Cherry Sheet Offsets	79,977	61,490	58,547	62,085	3,538
<b>Total</b>	<b>18,108,904</b>	<b>16,914,050</b>	<b>16,597,530</b>	<b>15,872,219</b>	<b>(725,311)</b>



**STATE AID RECEIPTS**

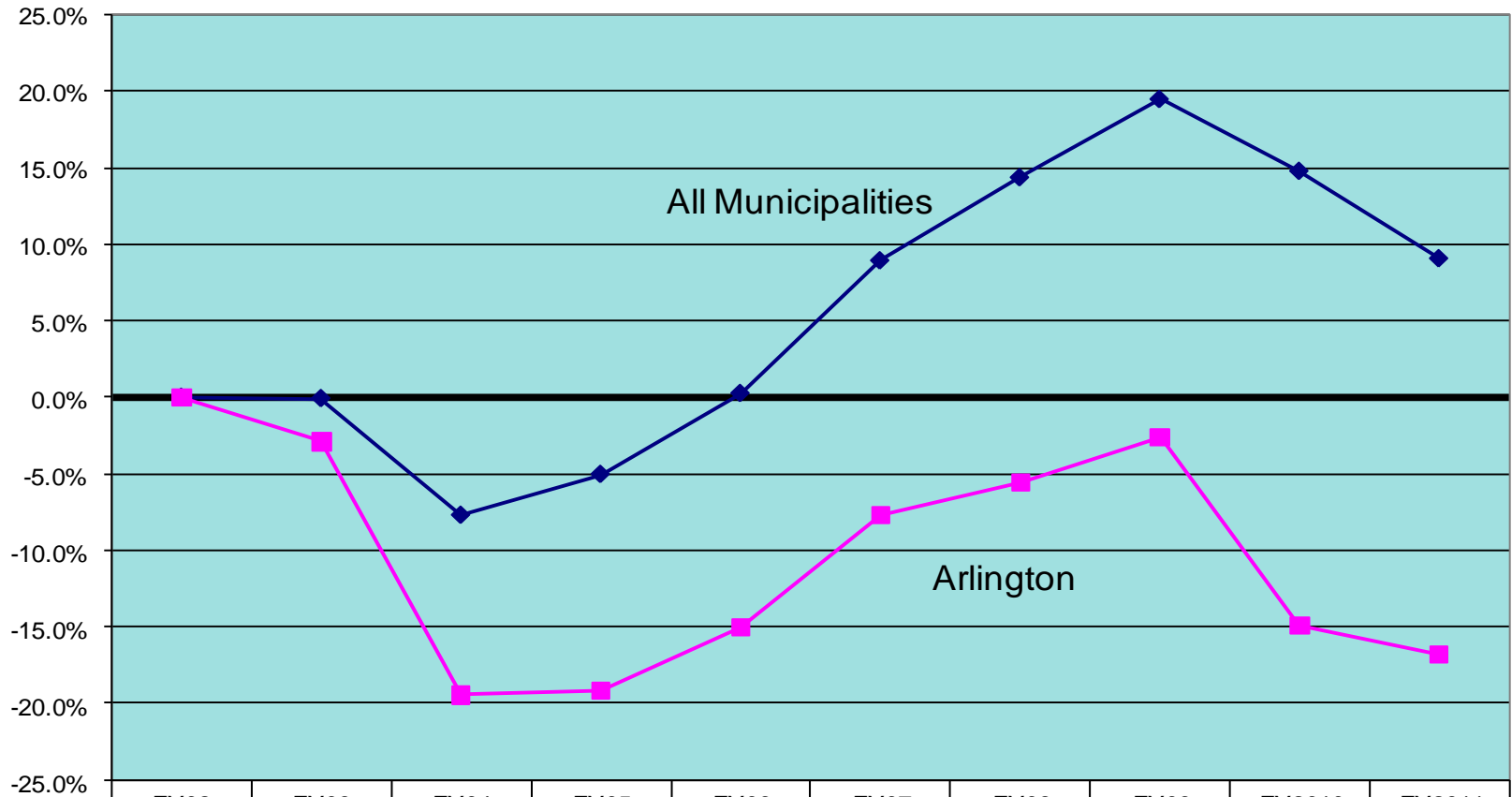
*(Numbers exclude School Construction and METCO reimbursements)*







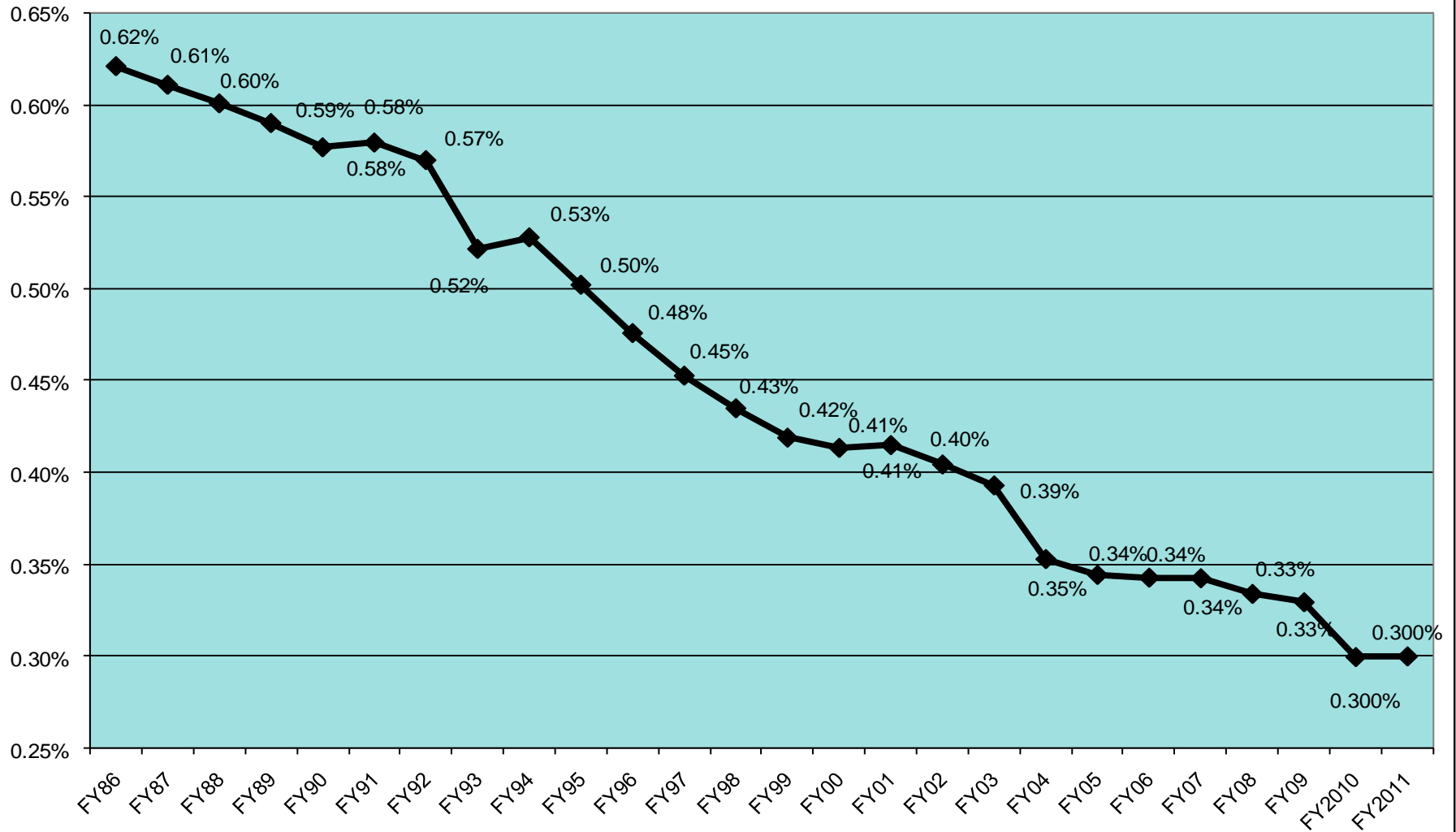
**State Aid Cumulative Percent Change  
Since Fiscal Year 2002**  
*(Numbers exclude School Construction and METCO reimbursements)*



◆ All Municipalities	0.0%	-0.1%	-7.7%	-5.1%	0.3%	8.9%	14.4%	19.5%	14.8%	9.1%
■ Arlington	0.0%	-2.9%	-19.5%	-19.2%	-15.0%	-7.7%	-5.5%	-2.6%	-14.9%	-16.8%



Arlington's Percent of Total State Aid





**GENERAL GOVERNMENT**

**ADDITIONAL ASSISTANCE**

In FY2010, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Arlington received in excess of \$9.4 million in FY2008. In FY2012, this is anticipated to drop to just over \$5.9 million, or a reduction of \$3.5 million since FY2008. Additional assistance was distributed through a needs based formula to 159 of the neediest communities. Unfortunately, this was an aid category that has been targeted for reductions in recent years. Arlington relies heavily on this aid category, and its reduction has led to the overall state aid allocation to the Town being cut disproportionately.

Before the Education Reform Act of 1993 was passed, the Additional Assistance account and the “old” Chapter 70 School Aid account made up a category of aid called Resolution Aid. During the mid and late 1980s, cities and towns were guaranteed their previous year’s Resolution Aid as a base for the upcoming year’s calculation. In addition to this base amount a needs-based formula, which was calculated from a community’s ability to pay for an average level of local services, was applied to determine the increase in Resolution Aid funding for that year. Once the total amount of Resolution Aid was determined by the needs-based formula, it was allocated between Chapter 70 School Aid and Additional Assistance using the Chapter 70 School Aid formula at that time. The total amount of Resolution Aid, minus the Chapter 70 School Aid, equaled that year’s Additional Assistance.

The Additional Assistance program was impacted by the State budget cuts of the early 1990s. The program’s funding went from \$765 million in FY1989 to \$476 million in FY1992. The reduction in Additional Assistance funding came in two rounds of budget cuts. The first round of cuts occurred in FY1991 and resulted in a flat 4% reduction in every community’s Additional Assistance. The second round of cuts occurred in FY1992 and resulted in a \$345 million decrease in Resolution Aid. Most of the FY1992 reduction in Resolution Aid funding was taken from the Additional Assistance account. As a result of this second round of cuts, many communities’ Additional Assistance allocation dropped to zero. The reduction halfway through FY2003 included a cut of \$31 million in Additional Assistance, resulting in a reduced total of \$445 million. In FY2004, it was cut an additional \$67 million. Arlington’s funding went from \$5,652,310 in FY2002 to \$4,491,775 in FY2006, for a reduction of \$1,160,535. It remained level in FY2007, FY2008 and then was cut in FY2009 by \$37 million, with Arlington’s allocation being cut by \$437,706 to a total of \$4,054,069. In FY2010 the category was combined with Lottery Aid into a new category, which was further reduced by \$128 million statewide. In FY2012 a further cut of \$65 million is anticipated. Arlington’s reduction is expected to be \$463,969.

*(Continued on page 20)*

GENERAL GOVERNMENT	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Additional Assistance	4,054,069	-	-	-	-
Lottery Distribution	4,468,001	-	-	-	-
Unrestricted General Government Aid	-	6,684,280	6,416,909	5,952,940	(463,969)
Veterans' Benefits	177,113	187,680	221,266	204,682	(16,584)
Police Career Incentive	320,199	49,006	25,652	23,313	(2,339)
<b>Total</b>	<b>9,019,382</b>	<b>6,920,966</b>	<b>6,663,827</b>	<b>6,180,935</b>	<b>(482,892)</b>



*(Continued from page 19)*

### **UNRESTRICTED GENERAL GOVERNMENT AID**

In FY2011, Unrestricted General Government Aid is expected to be cut by \$65 million (7%). Arlington's allocation is expected to be cut by \$463,969 to a total of \$5,952,940. In FY2010, Lottery Aid and Additional Assistance were combined to create this new aid category, and were reduced from the FY2009 pre-9c cut level by over \$339 million.

### **LOTTERY**

The lottery program was enacted in 1972 to provide financial assistance to municipalities on an equalizing basis. Communities with lower property values receive proportionately more aid than communities with higher values. The formula, which is based upon population and equalized property valuations, is as follows:

LOTTERY AID = (State Wide EQV Per Capita/Local EQV Per Capita) x 10 per Capita

### **VETERANS' BENEFITS**

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement. For FY 2012, the preliminary cherry sheet estimate is \$204,682—a decrease of \$16,584. The decrease reflects a reduction in the number of veterans receiving some form of government assistance.

### **POLICE CAREER INCENTIVE REIMBURSEMENT (QUINN BILL)**

In FY2010 this reimbursement program was all but eliminated. Arlington's reimbursement dropped from \$320,199 to \$49,006. In FY2012, funding is estimated to drop to \$23,313.

The purpose of this program was to encourage police officers in participating municipalities to earn degrees in law enforcement and criminal justice, and to provide educational incentives through salary increases. The State administers this optional education incentive program. The Massachusetts Board of Higher Education annually certifies police officers for Associate's, Bachelor's, or Master's degrees. Such officers are eligible to receive 10%, 20%, or 25% base salary pay increases. The participating municipalities pay each officer 100% of Incentive Pay each year the officer remains on the force, and subsequently the State will reimburse a proportion of these expenses as an incentive for communities to accept the commitment to participate in this program. The enabling legislation specified that reimbursement should equal 50% of the added annual salary costs (based on the incremental increase in the salaries of the officers that have attained degrees) incurred by participating police departments.

Unfortunately, the State reneged on its funding commitment, providing no recourse for municipalities to reduce the benefits and costs accordingly. This incentive pay has been part of the officers' base pay, so even if a municipality could have cut the payments, it would have been left in the untenable position of having to cut the base pay of its officers. A more reasonable approach would have been to freeze the payments and grandfather the officers currently in the program. The Legislature did at least change the law so that no new officers can participate in the program.



**SCHOOL AID**

**SCHOOL AID - CHAPTER 70**

Total statewide funding is \$3.36 billion, an increase of \$114 million, or 3.5%. Of this amount, Arlington will receive \$6,880,580, an increase of \$248,523, or 3.7%. The distribution formula calculates a foundation budget for each school district and then funds a percentage of the budget depending upon a number of factors, including community income levels and property wealth. For those communities determined to be relatively wealthy, the State will fund a maximum 17.5% of the school district's foundation budget. Arlington is one of 108 communities that fall within this category. Communities that are relatively poor receive significantly more than the 17.5% minimum. The maximum target is 85% with an average statewide target of approximately 60%. The State's plan was to reach each community's target percentage over several years. Arlington is already at its maximum of 17.5%, which is the State's minimum payment.

**CHARTER SCHOOL TUITION ASSESSMENT REIMBURSEMENT**

General Laws Chapter 71, Section 89 (nn) mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School district and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on the following schedule: in year one, an amount equal to 100% of the assessment; in year two, an amount equal to 60% of the assessment; in year three, an amount equal to 40% of the assessment; after year three, no reimbursement. This reimbursement is, of course, subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. Based on the preliminary cherry sheets, the Town will receive \$29,058, a decrease of \$2,642.

**ARRA FUNDS**

Over the course of FY 2010 and FY 2011, the state utilized ARRA funding to supplement education funding on the local level. This took the form of Federal Stimulus IDEA funds, as well as State Fiscal Stabilization Funds. In FY 2011, Arlington received \$129,741 in State Fiscal Stabilization funds, as well as \$359,964 in IDEA funds, for a total of \$489,705. This funding is unavailable in FY 2012, thereby leaving an additional shortfall of \$489,705.

SCHOOL AID	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Chapter 70 School Aid	6,229,294	6,104,708	6,632,057	6,880,580	248,523
Charter School Tuition Reimbursement	50,921	27,555	31,700	29,058	(2,642)
Federal Stimulus Funds (IDEA)		1,081,232	489,705	0	(489,705)
<b>Total</b>	<b>6,280,215</b>	<b>7,213,495</b>	<b>7,153,462</b>	<b>6,909,638</b>	<b>(243,824)</b>



**SCHOOL CONSTRUCTION AID**

In July of 2004, the Governor signed Chapter 208 and Chapter 210 of the Acts of 2004 into law, which makes substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch 208) transfers responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members.

The reform legislation (Ch.210) dedicates one cent of the state sales tax to the new off-budget school building trust. This is projected to amount to \$620 million in FY2011. Funding will no longer be subject to an annual appropriation from the Legislature and approval of the Governor.

The MSBA funding commitments include \$11 billion for 1,156 projects authorized under the former SBA program, including \$5.1 billion for 728 prior grant projects that were already receiving funding, and \$5.5 million for 423 projects on a wait list. The remaining limited resources are being used to fund new projects. MSBA is projecting to spend \$2.5 billion over the next five years for new projects. Reimbursement rates are based on community factors and incentive points. The base percentage is 31%.

When the moratorium on new projects was lifted in July 1, 2007, the MSBA received 423 Statements of Interests from 163 school districts for various projects. Arlington submitted three projects: Thompson, Stratton and the High School. Only Thompson has been approved to move to the feasibility study phase.

The school construction aid the Town currently receives is for projects completed under the old SBA program. The amount is expected to remain level at \$2,531,085. The projects and their funding are as follows:

Peirce	\$ 521,056
Ottoson	858,859
Brackett	347,518
Bishop	322,764
Hardy	<u>480,888</u>
<b>Total</b>	<b>\$2,531,085</b>

SCHOOL AID	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
School Construction Aid	2,540,434	2,531,085	2,531,085	2,531,085	-



**TAX EXEMPTION AID**

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2012, reimbursements are expected to decrease by \$2,133 to a total of \$188,476. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C, (Arlington has adopted this section which increases exemption amount to \$1,300) the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, elderly persons:
  - Clause 17 - \$175, full reimbursement
  - Clauses 17C, 17C<sup>1/2</sup>, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
  - Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
  - Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
  - Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
  - Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
  - Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
  - Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
  - Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
  - Clause 37A - \$650 exempted, \$87.50 reimbursed

TAX EXEMPTION AID	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Tax Exemption Aid	188,896	187,014	190,609	188,476	(2,133)



**CHERRY SHEET OFFSETS**

Included in the estimated amount of aid to be received from the State are grant funds for the schools and libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town receives two such annual grants—one for the school lunch and one for public libraries. The school lunch is actually a partial reimbursement for operating a school lunch program. This is expected to increase \$2,941 to a total of \$19,545. The library grant is expected to increase slightly to \$42,540.

The library grant is actually three separate grants—the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). The three funding formulas to determine amounts for each municipality are as follows:

1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
  - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
  - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.
2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

- The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.
- The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

Due to the economic crisis and cutbacks in local aid, the State is being more liberal in allowing waivers to the municipal spending requirements.

CHERRY SHEET OFFSETS	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Lunch Programs (Schools)	19,261	20,783	16,604	19,545	2,941
Libraries	60,716	40,707	41,943	42,540	597
<b>Total</b>	<b>79,977</b>	<b>61,490</b>	<b>58,547</b>	<b>62,085</b>	<b>3,538</b>



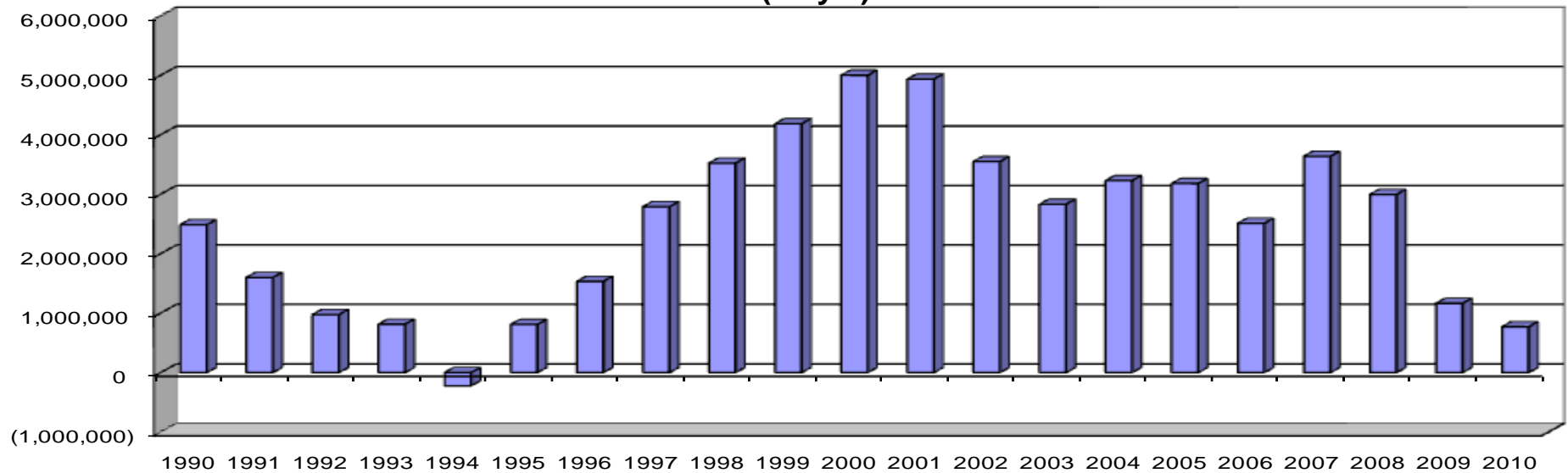


**FREE CASH**

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year, to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than appropriated. It is also affected by increases or decreases in uncollected property taxes, non- General Fund deficit balances, and any other legally incurred operating deficits, such as snow removal overdrafts.

Because the FY2010 school deficit of \$1,525,021 was subtracted from the June 30, 2010 free cash balance, the available general fund free cash balance was only \$770,498. It is recommended that one half of this amount, or \$385,249, be appropriated towards the FY2012 budget leaving a balance of \$385,249.

**Certified Free Cash History  
(July 1)**



FREE CASH	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual	Budget Change
Free Cash Appropriated	2,191,622	1,497,907	582,051	385,249	(196,802)



**OTHER REVENUE**

The Other Revenue category includes Tax Abatement Overlay Reserve Surplus Funds and Override Stabilization Funds. In FY2012 the only amount available is \$200,000 from the Tax Abatement Overlay Reserve Surplus Funds. The Override Stabilization Fund was depleted in FY2011. Overall the Other Revenue category is projected to decrease a total of \$1,880,000 in FY2012.

The Tax Abatement Overlay Reserve Surplus comes from funds set aside each year for property tax abatements and exemptions. Any funds remaining in the accounts that are no longer needed are declared surplus by the Board of Assessors and are made available for appropriation. For several years \$500,000 has been appropriated from prior year surpluses. Currently, the prior year surpluses amount to only \$200,000.

The Override Stabilization Fund was created as a result of the 2005 Proposition 2 1/2 Override. The five year plan developed at that time projected that the first two years would have surplus funds to be put in an Override Stabilization Fund, the third year there would be no surplus, and the last two years the surplus funds would be drawn down to balance the budget. As a result of tight budget controls, there was no need to make any drawdown from the fund until the fifth year, FY2010. In that year, \$2,742,376 was appropriated. The remaining balance in the fund, which was \$1,580,000, was appropriated in FY2011, the sixth year.

OTHER REVENUE	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2012 Budget	Budget Change
Overlay Surplus	500,000	500,000	500,000	200,000	(300,000)
Override Stabilization Fund	-	2,742,376	1,580,000	0	(1,580,000)
<b>Total</b>	<b>500,000</b>	<b>3,242,376</b>	<b>2,080,000</b>	<b>200,000</b>	<b>(1,880,000)</b>