



TOTAL REVENUE

Total revenue for FY2008 is projected at \$107,447,806 an increase of \$2,142,709, or 2%.

The property tax levy is projected to increase \$2,205,619 or 2.9%. Local receipts are projected to increase \$662,232 due to projected building permit revenue from the Symmes redevelopment project, interest income, and various departmental fee increases.

State aid, is projected to increase \$304,817, or 1.7%. This is based upon the Legislature's proposed budget. School aid is projected to increase \$206,697.

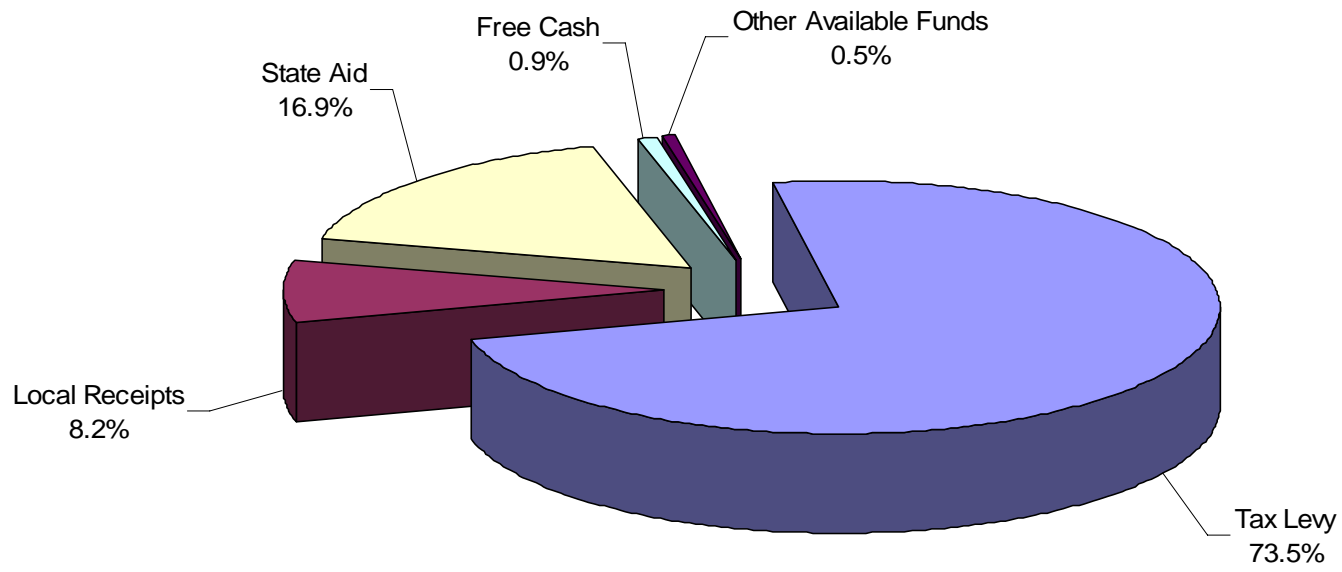
A total of \$954,736 in free cash is proposed to be used which is a decrease of \$1,129,959 from FY2007.

Other funds total \$500,000, an increase of \$100,000 over FY2007. They include \$500,000 in surplus tax abatement overlay funds, which is \$100,000 more than was used in FY2007.

REVENUE SOURCE					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Tax Levy	65,719,969	73,525,801	76,778,350	78,983,969	2,205,619
Local Receipts	8,437,095	8,834,256	8,172,024	8,834,256	662,232
State Aid	15,389,872	17,123,442	17,870,028	18,174,845	304,817
Free Cash	1,414,803	1,614,155	2,084,695	954,736	(1,129,959)
Other Available Funds	1,700,000	400,000	400,000	500,000	100,000
Total	92,661,739	101,497,654	105,305,097	107,447,806	2,142,709



REVENUE





Total General Fund Revenues

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
Tax Levy	46,538,575	49,196,020	50,528,536	52,160,152	54,842,040	56,730,196	58,706,143	60,616,241	68,050,315	71,185,238	73,390,857
Local Receipts	6,888,370	6,740,158	7,772,268	8,101,073	7,695,563	7,785,986	7,801,881	8,437,095	8,834,256	8,172,024	8,834,256
State Aid	13,880,462	14,637,670	15,600,835	16,813,955	17,273,579	16,775,516	13,945,694	14,046,847	14,790,887	15,600,746	15,980,823
Free Cash	766,488	1,394,641	1,929,512	2,127,548	2,600,074	2,767,285	1,774,342	1,414,803	1,614,155	2,084,695	954,736
Other Available Funds	100,000	100,000	300,000	475,000	300,000	500,000	500,000	500,000	400,000	400,000	500,000
Total	68,173,895	72,068,489	76,131,151	79,677,728	82,711,256	84,558,983	82,728,060	85,014,986	93,689,613	97,442,703	99,660,672

*Excludes MWRA debt on tax levy and school construction reimbursements

Annual Revenue Increases

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
Tax Levy	1,293,854	2,657,445	1,332,516	1,631,616	2,681,888	1,888,156	1,975,947	1,910,098	7,434,074	3,134,923	2,205,619
Local Receipts	148,212	(148,212)	1,032,110	328,805	(405,510)	90,423	15,895	635,214	397,161	(662,232)	662,232
State Aid	685,270	757,208	963,165	1,213,120	459,624	(498,063)	(2,829,822)	101,153	744,040	809,859	380,077
Free Cash	326,970	628,153	534,871	198,036	472,526	167,211	(992,943)	(359,539)	199,352	470,540	(1,129,959)
Other Available Funds	(100,000)	0	200,000	175,000	(175,000)	200,000	0	0	(100,000)	0	100,000
Total	2,354,306	3,894,594	4,062,662	3,546,577	3,033,528	1,847,727	(1,830,923)	2,286,926	8,674,627	3,753,090	2,217,969
Percent Increase	3.6%	5.7%	5.6%	4.7%	3.8%	2.2%	-2.2%	2.8%	10.2%	4.0%	2.3%

Percent of Total Revenue

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
Tax Levy	68.3%	68.3%	66.4%	65.5%	66.3%	67.1%	71.0%	71.3%	72.6%	73.1%	73.6%
Local Receipts	10.1%	9.4%	10.2%	10.2%	9.3%	9.2%	9.4%	9.9%	9.4%	8.4%	8.9%
State Aid	20.4%	20.3%	20.5%	21.1%	20.9%	19.8%	16.9%	16.5%	15.8%	16.0%	16.0%
Free Cash	1.1%	1.9%	2.5%	2.7%	3.1%	3.3%	2.1%	1.7%	1.7%	2.1%	1.0%
Other Available Funds	0.1%	0.1%	0.4%	0.6%	0.4%	0.6%	0.6%	0.6%	0.4%	0.4%	0.5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



PROPERTY TAX LEVY

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 74% 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 is scheduled for FY2007. 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 FY2008 are preliminary estimates used to project the levy limit. The FY2007 levy limit was \$69,465,927. The 2 ½% increase allowed for FY2008 is \$1,736,648. New growth from construction not previously on the tax rolls is expected to add \$400,000 to the FY2008 levy. An additional \$1,788,282 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 of \$1,325,814.

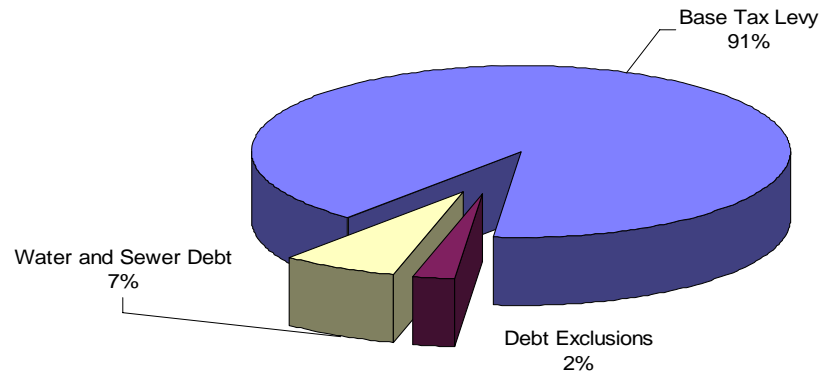
The Town has accepted the provisions of Chapter 110 whereby water and sewer debt costs are transferred to the real estate taxes. At the present time, the only water and sewer debt is from the MWRA. The Board of Selectmen voted to freeze the amount of MWRA debt shift at the FY2007 amount of \$5,593,112.. Based on the above, the FY2008 tax levy is projected to total \$78,983,969 representing an increase of \$2,205,619 (2.9%) over the FY2007 levy.

PROPERTY TAX LEVY

	FY05 Actual	FY06 Budget	FY07 Budget	FY08 Budget	Budget Change
Base Tax Levy	58,559,459	60,852,836	69,429,286	71,602,575	2,173,289
General Override	0	6,000,000	0	0	0
Debt Exclusion Overrides					
Brackett School	276,228	257,650	235,982	285,546	49,564
Hardy School	381,388	439,204	419,998	400,215	(19,783)
Bishop School	278,652	265,029	249,353	232,673	(16,680)
Peirce School	949,714	(107,649)	367,585	347,022	(20,563)
Dallin School	59,048	349,503	425,821	396,109	(29,712)
Stratton/Thompson Plans	134,688	132,188	129,688	126,717	(2,971)
Bond Premium for Debt Exclusions	(22,937)	(138,446)	(72,475)	0	72,475
Investment Income Credit	0	0			0
Sub-total Debt Exclusions	2,056,781	1,197,479	1,755,952	1,788,282	32,330
Water and Sewer Debt	5,103,729	5,475,486	5,593,112	5,593,112	0
Total	65,719,969	73,525,801	76,778,350	78,983,969	2,205,619



PROPERTY TAX

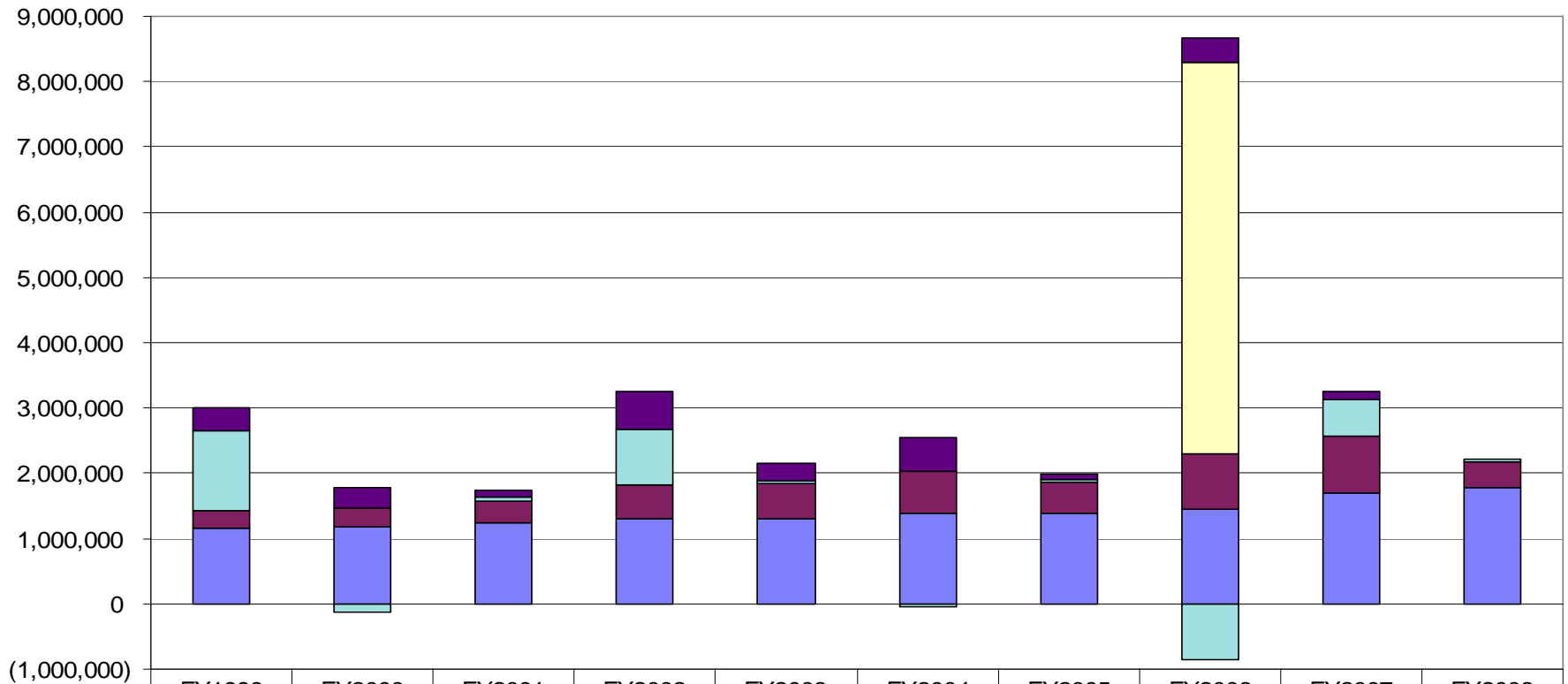


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)		Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Effective Collection Rate	Tax		
										Tax Title Balance as of June 30th	Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2006	73,601,851	343,515	87,098		73,171,238	72,939,691	99.68%	231,490	100.00%	324,281	396,784	380,257
2005	65,779,186	302,203	58,912		65,418,071	65,202,794	99.67%	234,667	100.03%	339,307	396,784	285,068
2004	63,831,019	391,880	49,555		63,389,585	63,223,644	99.74%	165,941	100.00%	258,630	396,784	274,115
2003	61,323,173	369,352	41,587		60,912,234	60,699,775	99.65%	212,459	100.00%	317,178	397,922	247,856
2002	59,183,329	375,235	47,511		58,760,583	58,615,863	99.75%	144,721	100.00%	216,588	397,922	347,817
2001	55,924,517	436,168	56,446		55,431,903	55,316,387	99.79%	115,516	100.00%	181,873	397,716	354,376
2000	54,173,527	349,143	66,696		53,757,689	53,624,937	99.75%	132,752	100.00%	196,204	397,716	338,813
1999	52,534,913	433,672	61,654		52,039,587	51,927,625	99.78%	173,617	100.12%	187,455	383,234	338,142
1998	49,567,583	449,043	55,313		49,063,227	48,905,561	99.68%	157,667	100.00%	284,218	407,244	286,763
1997	48,210,810	521,790	50,705		47,638,315	47,427,171	99.56%	211,144	100.00%	432,743	393,123	239,349
1996	46,779,296	598,025	41,662		46,139,609	45,809,016	99.28%	331,883	100.00%	714,391	616,013	242,191

Our 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



	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
MWRA Debt	346,107	321,935	109,156	578,001	260,958	517,348	69,732	371,757	117,626	-
Debt Exclusion	1,220,822	(133,468)	58,861	861,310	44,571	(51,943)	56,628	(859,302)	558,473	32,330
General Override	0	0	0	0	0	0	0	6,000,000	0	0
New Growth	275,652	282,718	337,860	520,517	544,075	649,223	458,531	844,013	887,247	400,000
2.5% Increase*	1,160,971	1,183,266	1,234,895	1,300,061	1,299,509	1,378,668	1,394,938	1,449,364	1,689,203	1,773,289

* Includes excess levy difference



LOCAL RECEIPTS SUMMARY

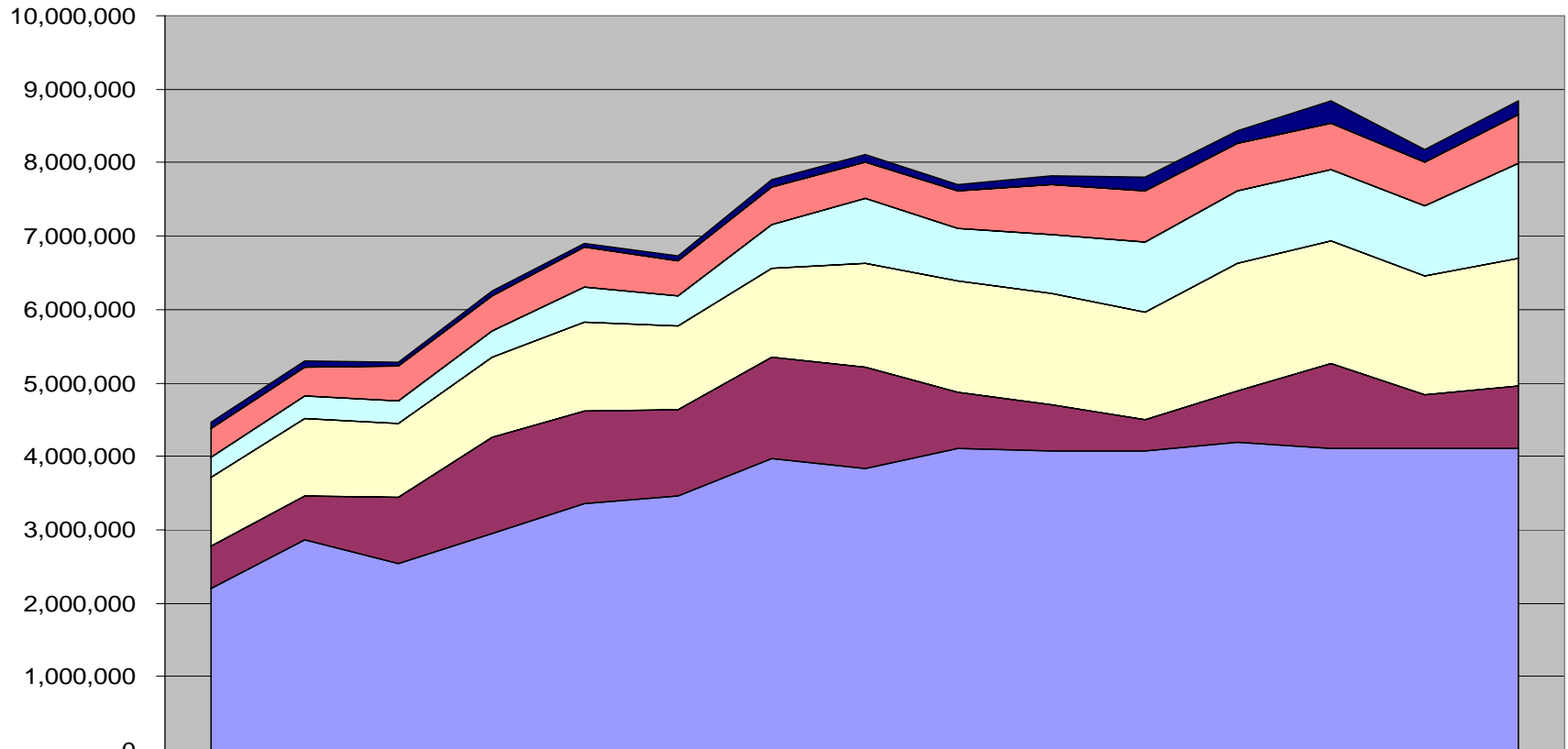
Local receipts for FY2008 are projected to increase \$662,232 to a total of \$8,834,256. The majority of the change is a result of delays of the Symmes redevelopment project, transferring \$300,000 in building permit fees from the FY2007 budget to the FY2008 budget. Additionally, increases in departmental fee schedules, most notably cemetery fees, are projected to generate an increase of \$135,000 in revenue. Interest income is projected to increase \$110,000 as a result of interest rate increases.

LOCAL RECEIPTS SUMMARY

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Motor Vehicle Excise	4,196,714	4,110,106	4,100,000	4,100,000	0
Interest Income	693,999	1,159,204	740,000	850,000	110,000
Fees/Departmental	1,689,748	1,670,385	1,614,000	1,749,000	135,000
Licenses and Permits	999,757	961,320	948,500	1,291,500	343,000
Rentals	648,334	632,505	608,500	669,500	61,000
Other	208,468	300,735	161,024	174,256	13,232
Total	8,437,019	8,834,256	8,172,024	8,834,256	662,232



Local Receipts History



	Actual FY94	Actual FY95	Actual FY96	Actual FY97	Actual FY98	Actual FY99	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Actual FY06	Budget FY07	Budget FY08
■ Other	94,413	79,747	57,043	71,438	52,158	74,963	100,945	94,165	79,375	122,272	191,558	166,224	300,735	161,024	174,256
■ Rentals	395,845	391,759	475,385	470,238	534,943	482,727	508,819	500,978	506,840	690,231	696,252	648,334	632,505	608,500	669,500
■ Licenses and Permits	261,538	309,777	297,205	365,390	487,462	403,337	604,759	887,076	722,072	794,763	943,446	999,757	961,320	948,500	1,291,500
■ Fees/Departmental	936,450	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	1,670,385	1,614,000	1,749,000
■ Interest Income	574,087	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	740,000	850,000
■ Motor Vehicle Excise	2,206,091	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	4,100,000	4,100,000



MOTOR VEHICLE EXCISE

Motor vehicle excise tax receipts are expected to remain flat at \$4.1 million. Revenue from this excise tax fluctuates up and down with the economy. 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.

MOTOR EXCISE BY LEVY YEAR

Levy Year	Commitments	Collections	Refunds	Net Collections	Abatements	Balance	Collections %
2006	3,739,379	3,518,401	33,822	3,484,579	111,426	143,373	96.17%
2005	4,281,404	4,152,302	86,324	4,065,978	160,213	55,213	98.71%
2004	4,290,578	4,161,125	76,040	4,085,085	177,773	27,720	99.35%
2003	4,241,385	4,104,667	71,598	4,033,069	188,584	19,732	99.53%
2002	4,281,043	4,128,641	80,517	4,048,124	217,748	15,171	99.65%
2001	4,250,080	4,122,410	76,815	4,045,595	189,674	14,810	99.65%
2000	4,090,219	3,983,092	87,702	3,895,390	181,960	12,869	99.69%
1999	3,734,714	3,643,675	92,391	3,551,283	173,405	10,025	99.73%
1998	3,341,180	3,251,722	58,790	3,192,932	137,983	10,266	99.69%
1997	3,119,179	3,019,053	48,419	2,970,634	135,387	13,158	99.58%

MOTOR VEHICLE EXCISE					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Motor Vehicle Excise	4,196,714	4,110,106	4,100,000	4,100,000	0



INTEREST INCOME

Interest Income is projected to increase by \$110,000 to a total of \$850,000. 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. The positive affects of increasing interest rates are expected to result in an increase in investment income. FY2006 was higher due to larger cash balances from capital projects being available.

Penalties and interest associated with delinquent tax payments are projected to increase slightly to a total of \$150,000.

INTEREST INCOME					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Investment Income	555,994	1,015,232	600,000	700,000	100,000
Penalties & Interest	138,005	143,972	140,000	150,000	10,000
Total	693,999	1,159,204	740,000	850,000	110,000



DEPARTMENTAL FEES

Departmental fees are projected to increase 8%, or \$135,000, to a total of \$1,749,000. The major categories include ambulance fees, parking fines, and cemetery revenue.

Ambulance fees were unusually high in FY2005 due to a one-time accounting adjustment transferring an accumulated surplus from the ambulance revolving account into the general fund. Ambulance fees in FY2008 are projected at \$350,000, an increase of \$10,000.

Parking meter receipts are expected to increase \$5,000 to a total of \$60,000, partially attributable to the installation of more modern meter technology.

Collector's Demand fees are projected to increase \$10,000 to a total of \$85,000.

Fire alarm renewal fees are, for the most part, collected once annually. The FY2005 collection was delayed and took place in FY2006 accounting for the small amount of revenue in FY2005 and the large amount in FY2006. In FY2007, alarm renewal fees were projected to return to their typical level of \$25,000. An increase in fees is expected to increase this total to \$35,000 in FY2008.

DEPARTMENTAL FEES

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Schools (Medicare Reimbursement)	191,687	142,540	140,000	150,000	10,000
Cemetery Revenue	283,350	264,450	280,000	350,000	70,000
Library Fees and Fines	60,434	64,987	60,000	60,000	0
Collector's Demand Fees	80,508	72,761	75,000	85,000	10,000
Town Clerk Fees	54,492	55,253	55,000	55,000	0
Parking Violations	340,099	446,899	400,000	420,000	20,000
Parking Meter Receipts	53,028	52,389	55,000	60,000	5,000
Fire Alarm Renewal Fee	1,415	44,075	25,000	35,000	10,000
Ambulance Fees	455,573	346,778	340,000	350,000	10,000
Public Works Revenues	33,229	26,483	34,000	34,000	0
Other Departmental Revenue	135,932	153,770	150,000	150,000	0
Total	1,689,748	1,670,385	1,614,000	1,749,000	135,000



LICENSES AND PERMITS

Licenses and permits are projected to increase \$343,000 to a total of \$1,291,500. Most of the increase is due to building permit fees anticipated from the Symmes redevelopment project. Building permit fees, which would otherwise total approximately \$700,000, are expected to be \$1,000,000 with this project.

Two other significant sources of revenue, parking fees and liquor license fees, are projected to increase by a total of \$9,000.

LICENSES AND PERMITS					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Parking Permits	115,006	102,473	100,000	100,000	0
Liquor Licenses	61,500	55,600	56,000	65,000	9,000
Food Licenses	6,325	7,270	7,500	7,500	0
Food Permits	15,470	14,940	15,000	17,000	2,000
Tobacco Permits	14,500	14,260	14,000	16,000	2,000
Building Inspections	678,487	691,322	675,000	1,000,000	325,000
Fire Prevention Permits	27,663	27,944	35,000	40,000	5,000
Marriage Licenses	6,525	5,768	6,000	6,000	0
Other	74,282	41,744	40,000	40,000	0
Total	999,757	961,320	948,500	1,291,500	343,000



RENTAL INCOME

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

Overall, revenue is projected to increase \$61,000, to a total of \$669,500.

The Ryder Street rental agreement was recently renegotiated, and projects a \$13,000 increase to a total of \$85,000.

Parmenter School income is projected to increase \$15,000. Gibbs income is projected to increase \$10,000, and Crosby School revenue is expected to increase \$5,000, all due to rent and operating expense increases.

The Town expects to resume renting the Mt. Gilboa house for projected revenue of \$18,000.

RENTAL INCOME					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Ryder St.	70,424	66,892	72,000	85,000	13,000
Parmenter	139,997	125,042	130,000	145,000	15,000
Crosby	102,496	102,623	105,000	110,000	5,000
Gibbs	326,515	332,698	300,000	310,000	10,000
Mt. Gilboa	7,102	0	0	18,000	18,000
Other	1,800	5,251	1,500	1,500	0
Total	648,334	632,505	608,500	669,500	61,000



OTHER LOCAL RECEIPTS

Other local receipts are projected to increase moderately by \$13,232 to a total of \$174,256.

Hotel/motel excise is the major source of other local receipts revenue. The FY2008 budget for these receipts projects a \$10,000 increase over FY2007 to a total of \$125,000.

OTHER LOCAL RECEIPTS					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Special Assessments	4,877	2,873	3,000	3,000	0
Court Fines	41,908	36,678	37,000	40,000	3,000
Hotel/Motel Excise Tax	113,104	116,403	115,000	125,000	10,000
Payment in Lieu of Taxes	6,336	6,336	6,024	6,256	232
Premium From Sale of Bonds/Notes	42,243	138,446	0	0	0
Total	208,468	300,735	161,024	174,256	13,232



STATE AID SUMMARY

After nearly a decade of annual increases in State aid, FY2003 marked the first year that State Aid was actually reduced. FY2004 saw an even greater reduction. From FY2002 to FY2004, the Town saw a reduction in excess of \$3.3 million, or 18%.

While there have been some increases in State aid over the last few years, Arlington is still \$1.3 million below what was received in FY2002. Exclusive of school construction reimbursements, in FY2002, the Town received \$17.3 million. In FY2008 the Town expects to receive \$16 million.

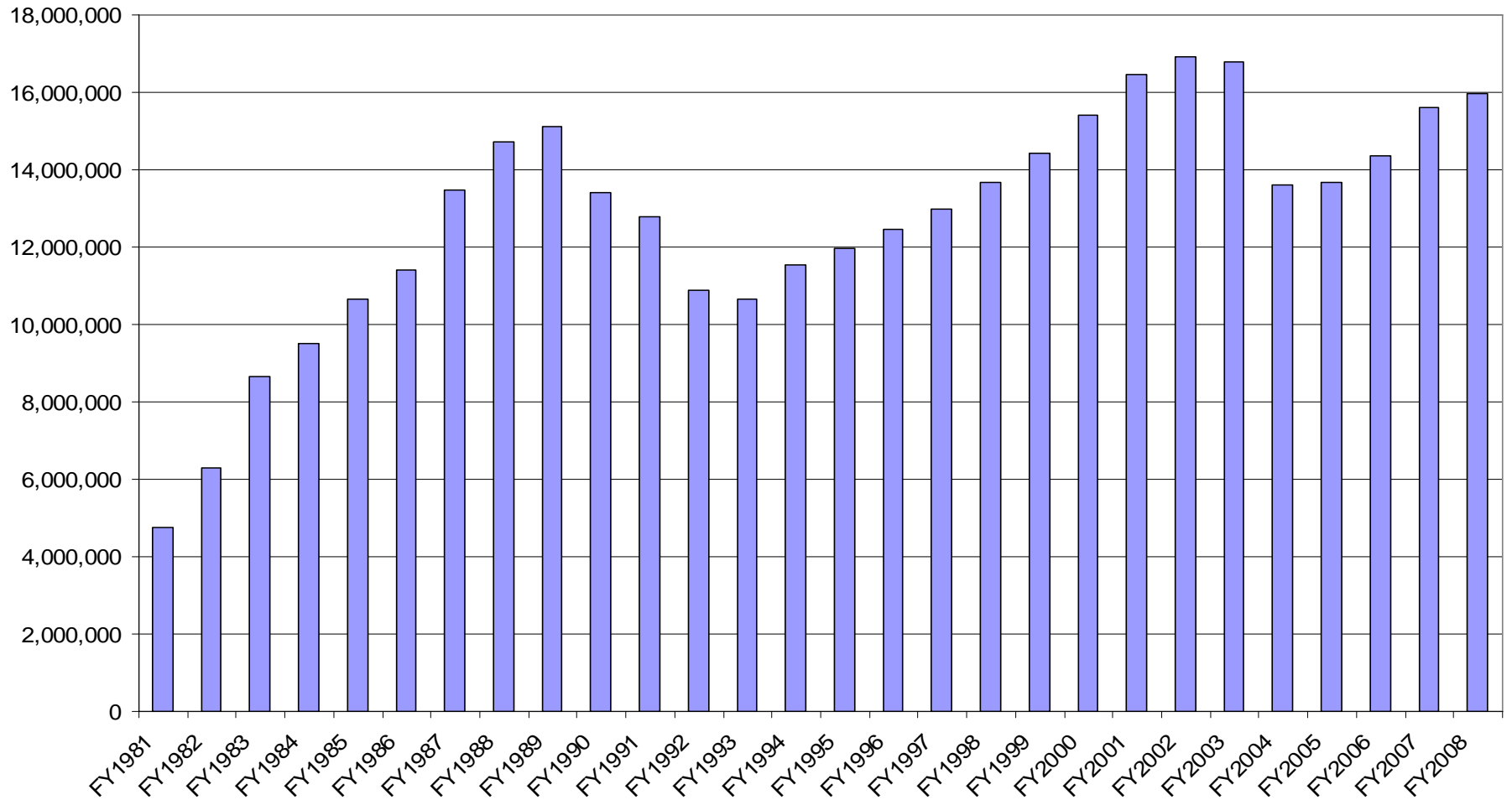
In the FY2008 local aid budget proposed by the Legislature, local aid is increased \$227 million, or 5%. The two major increases are Chapter 70 school aid (exclusive of regional school aid) and lottery which are increasing \$188 million and \$15 million respectively. Due to a number of factors in the Chapter 70 school aid distribution formula which work to the disadvantage of Arlington, the Town will receive an increase of only \$221,450. The overall increase in FY2008 State aid for Arlington is \$304,817, or 1.7%

STATE AID SUMMARY

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
General Government Aid	8,630,364	9,116,202	9,755,784	9,869,526	113,742
School Aid	4,848,194	5,058,229	5,637,280	5,843,977	206,697
School Construction Aid	1,343,025	2,332,555	2,269,282	2,194,022	(75,260)
Tax Exemption Aid	117,705	119,196	132,221	191,559	59,338
Cherry Sheet Offsets (reserved for direct expenditure)	72,888	76,010	75,461	75,761	300
Total	15,012,176	16,702,192	17,870,028	18,174,845	304,817

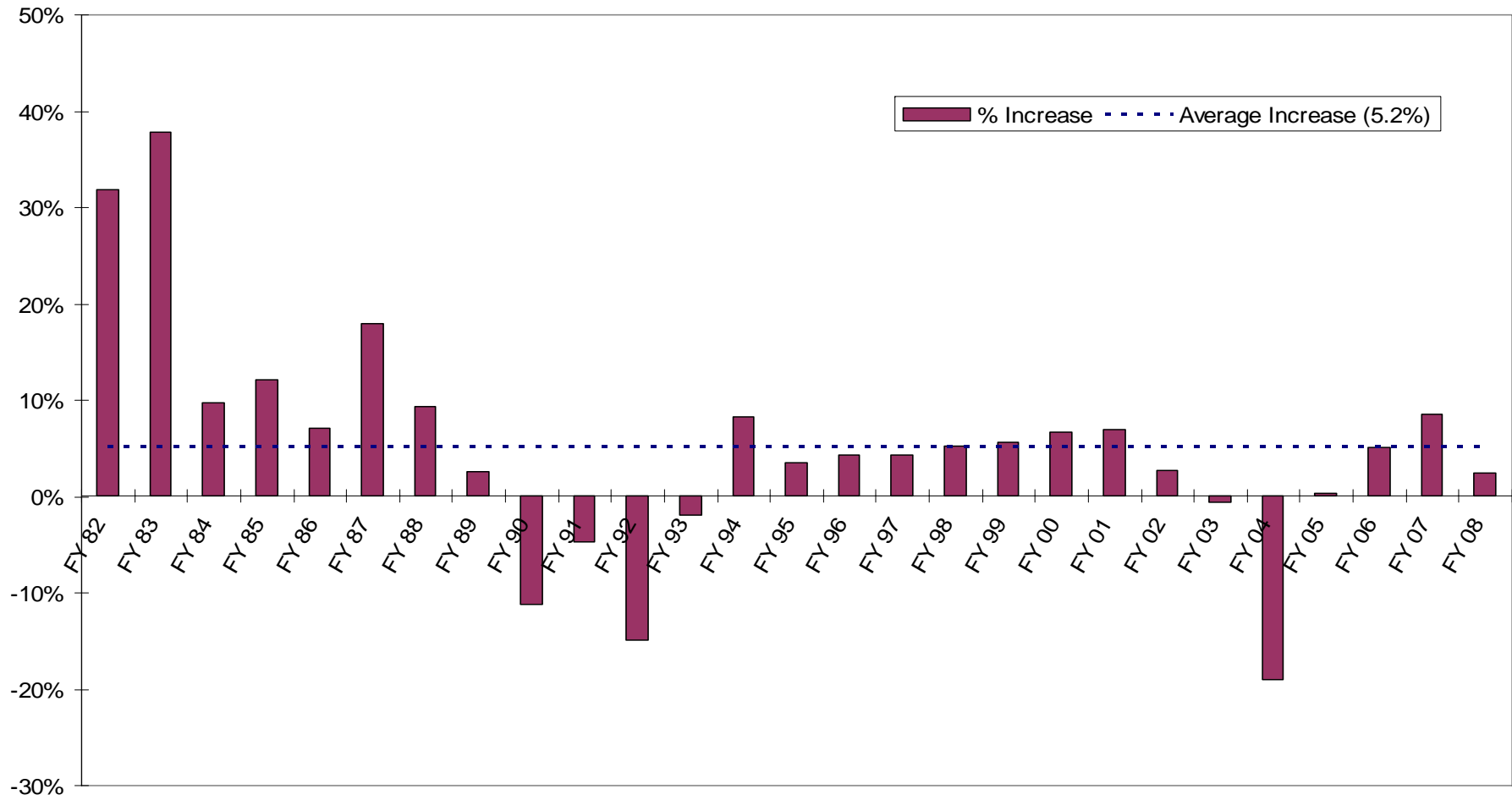


STATE AID RECEIPTS
(Excluding School Construction Aid and Racial Equality Reimbursement)





STATE AID PERCENT INCREASES TO ARLINGTON FY1982-FY2006





GENERAL GOVERNMENT

ADDITIONAL ASSISTANCE

The Additional Assistance program currently provides aid to 159 communities. Until FY2003, this account was level-funded for a number of years. These aid amounts cannot be attributed to any one formula or factor, but rather, are the combined legacy of the following factors:

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 1980's, 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 further impacted by the State budget cuts of the early 1990's. 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 and is expected to remain level in FY2008.

(Continued on page 19)

GENERAL GOVERNMENT

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Additional Assistance	4,491,775	4,491,775	4,491,775	4,491,775	0
Lottery Distribution	3,833,185	4,242,362	4,884,315	4,950,398	66,083
Veterans' Benefits	40,051	94,978	73,655	117,598	43,943
Police Career Incentive	265,353	287,087	306,039	309,755	3,716
Total	8,630,364	9,116,202	9,755,784	9,869,526	113,742



(Continued from page 18)

LOTTERY

The lottery program was enacted 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

In FY1990, the State placed a cap on distributions to cities and towns and diverted the balance to the State budget in contravention of the law's original intent. As a result of intense lobbying by the municipalities, the State agreed to restore the full distribution to cities by FY2000, which they did. In FY2002 and FY2003, the lottery distribution was once again capped, this time at \$778 million Statewide. Shortly after taking office in January 2003, Governor Romney cut the FY2003 lottery distribution for FY2003 by \$73 million. In FY2004, the State cut lottery distributions by another \$117 million down to \$661 million. Funding was held level in FY2005. In FY 2006, funding was increased by \$100 million. For FY2007, the state ended the diversion of lottery funds and returned full funding to cities and towns. This resulted in an increase of \$158 million to a total of \$920 million. Arlington received \$4,884,315, an increase of \$641,953. In FY2008, it has been proposed to increase funding by \$15 million. Arlington's allocation would increase by \$66,083 to a total of \$4,950,398.

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. In FY2007 the Town received \$73,655. For FY2008, the preliminary cherry sheet estimate is \$117,598, an increase of \$43,943. The increase reflects an increased number of veterans receiving some form of assistance.

POLICE CAREER INCENTIVE REIMBURSEMENT (QUINN BILL)

The purpose of this program is 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 are subsequently reimbursed a proportion of these expenses. The enabling legislation for this program 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. If the annual costs exceed the budgeted appropriation, expenses are reimbursed to the extent that the appropriations permit on a prorated basis.

Participating police officers submit certificates of college completion to the Massachusetts Board of Higher Education, which certifies career incentive salary increases. The Board of Higher Education notifies police chiefs of the academic status attained by participating officers. By each September 1st, the police chief in each participating municipality certifies to the Board of Higher Education the added base salaries paid as a result of the program during the preceding year. The Executive Office of Public Safety determines the amount of reimbursement due to the municipality based on the total appropriation and certifies to the Comptroller the amounts to be reimbursed.

For FY2008, a total of \$309,755 is projected, an increase of \$3,716.



SCHOOL AID

SCHOOL AID - CHAPTER 70

Total statewide funding, exclusive of regional schools, is \$3.12 billion, an increase of \$188 million, or 6.4%. Of this amount, Arlington will receive \$5.8 million, an increase of \$221,450, or 3.9%. 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 107 communities that fall within this category. Communities that are relatively poor receive significantly more than the 17.5% minimum. The State's plan is to reach each community's target percentage over several years. Arlington is already at 16.2% so there is not much room to grow to reach the State's target of 17.5% for Arlington. In FY2008 each community was guaranteed a minimum increase of \$50 per student which is all the Town received. The number of students actually decreased slightly from 4,459 to 4,429.

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 \$29,857, a decrease of \$14,753.

CHARTER SCHOOL CAPITAL FACILITY ASSESSMENT REIMBURSEMENT

This revenue source is another component of the above detailed Charter School Tuition Reimbursement. This portion is to reimburse sending districts for the capital facilities tuition component they pay to Commonwealth charter schools for interest and principal payments on school buildings and land. The statewide average of what districts paid in the prior year (currently \$811 per pupil) for both principal and interest on land and buildings is applied to each pupil's tuition rate. Beginning in FY2007 this funding program was eliminated from the cherry sheet and incorporated into the new School Building Authority program.

SCHOOL AID					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Chapter 70 School Aid	4,802,777	5,019,277	5,592,670	5,814,120	221,450
Charter School Tuition Reimbursement	39,481	33,140	44,610	29,857	(14,753)
Charter School Capital Facility Reimbursement	5,936	5,812	0	0	0
Total	4,848,194	5,058,229	5,637,280	5,843,977	206,697



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 funding will be phased in between now and 2011. Funding will no longer be subject to an annual appropriation from the Legislature and approval of the Governor. The state is providing one billion dollars in bond proceeds and an additional \$150 million in cash. The new trust is responsible for paying old contract assistance totaling \$5.5 billion over the next 20 years, while financing the current waiting list amount of \$4.5 billion over the next 3 years. A major feature of the new law is the up front cash grant program. When a project is approved for funding, the program will make a single payment for 75% of the full amount of the state's reimbursement. The balance of the state share will be paid when the project audit is completed. There are currently 425 school construction projects on the waiting list. The new legislation intends to fund all 425 projects in the next 3½ years.

Chapter 208 imposes a moratorium on the approval of new school construction projects by the MSBA until July 1, 2007. Communities may submit these projects for approval at the close of the moratorium. Communities proceeding with construction during this period must consider the possibility that the MSBA may disapprove reimbursement of the project. At the conclusion of the three-year moratorium, the authority will use \$500 million per year to finance new projects. Projects will be funded to the extent that money from the sales tax will allow. Projects that cannot be funded will be rejected and automatically reapplied for the following year. There will not be a waiting list. Reimbursement rates are based on community factors and incentive points. The base percentage is 39%.

The lack of a waiting list creates a major problem for cities and towns because now communities will have no idea whether their project will be funded. At least before, communities were put on a list and knew that eventually they would receive funding. Given the lengthy ongoing moratorium, there is a growing backlog of projects that will be competing for limited dollars. Under current regulations, communities could wait year after year for State approval of its application with no assurance that it will ever be approved.

The Town received reimbursements for FY 2007 totaling \$2,269,282 for Peirce, Brackett, Hardy, Bishop, and Ottoson Schools. In FY 2006, the Town received a double payment (the FY 2005 payment was received in FY 2006) for Peirce. Also the final audit for Ottoson resulted in an increase from \$436,716 to \$868,208. The Brackett School funding final audit was completed and resulted in a decrease of \$75,260 in the annual reimbursement which accounts for the decrease in FY 2008. Dallin School is the first town project that is funded under the new regulations whereby the state funds its share in a lump sum payment at the conclusion of the project rather than spreading payments over the life of the bond financing.

SCHOOL AID

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
School Construction Aid	1,343,025	2,332,555	2,269,282	2,194,022	(75,260)
Total	1,343,025	2,332,555	2,269,282	2,194,022	(75,260)



TAX EXEMPTION AID

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2008, reimbursements are expected to increase by \$59,338 to a total of \$191,559. For FY2008, the State increased funding for the Vets, Blind and Surviving Spouse program from \$8.3 million to \$15.2 million to more fully meet the State's funding obligation. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 70 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 \$1,000) 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^{1/2}, 17D - \$175, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
 Clause 22(a-f) - \$250 exempted, \$75 reimbursed
- Paraplegic veterans, surviving spouses:
 Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
 Clause 22A - \$425 exempted, \$250 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
 Clause 22B - \$775 exempted, \$600 reimbursed
- Veterans, special adapted housing:
 Clause 22C - \$950 exempted, \$775 reimbursed
- Veterans, surviving spouses:
 Clause 22D - \$250 exempted, \$250 reimbursed
- Veterans, 100 percent disability:
 Clause 22E - \$600 exempted, \$425 reimbursed
- Blind persons:
 Clause 37 - \$427.50 exempted, \$87.50 reimbursed
 Clause 37A - \$500 exempted, \$87.50 reimbursed

TAX EXEMPTION AID

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Vets, Blind, & Surviving Spouse	56,963	54,438	57,925	117,263	59,338
Elderly Exemption	60,742	64,758	74,296	74,296	0
Total	117,705	119,196	132,221	191,559	59,338



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 slightly to a total of \$20,794.

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. The estimated FY2007 grant of \$55,717 is \$1,026 less than what was received in FY2006. In FY2008 the State has proposed reducing funding by 4%. Arlington's grant is proposed to be reduced by \$2,091.

CHERRY SHEET OFFSETS					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Lunch Programs (Schools)	19,124	19,267	18,403	20,794	2,391
Libraries	53,764	56,743	57,058	54,967	(2,091)
Total	72,888	76,010	75,461	75,761	300

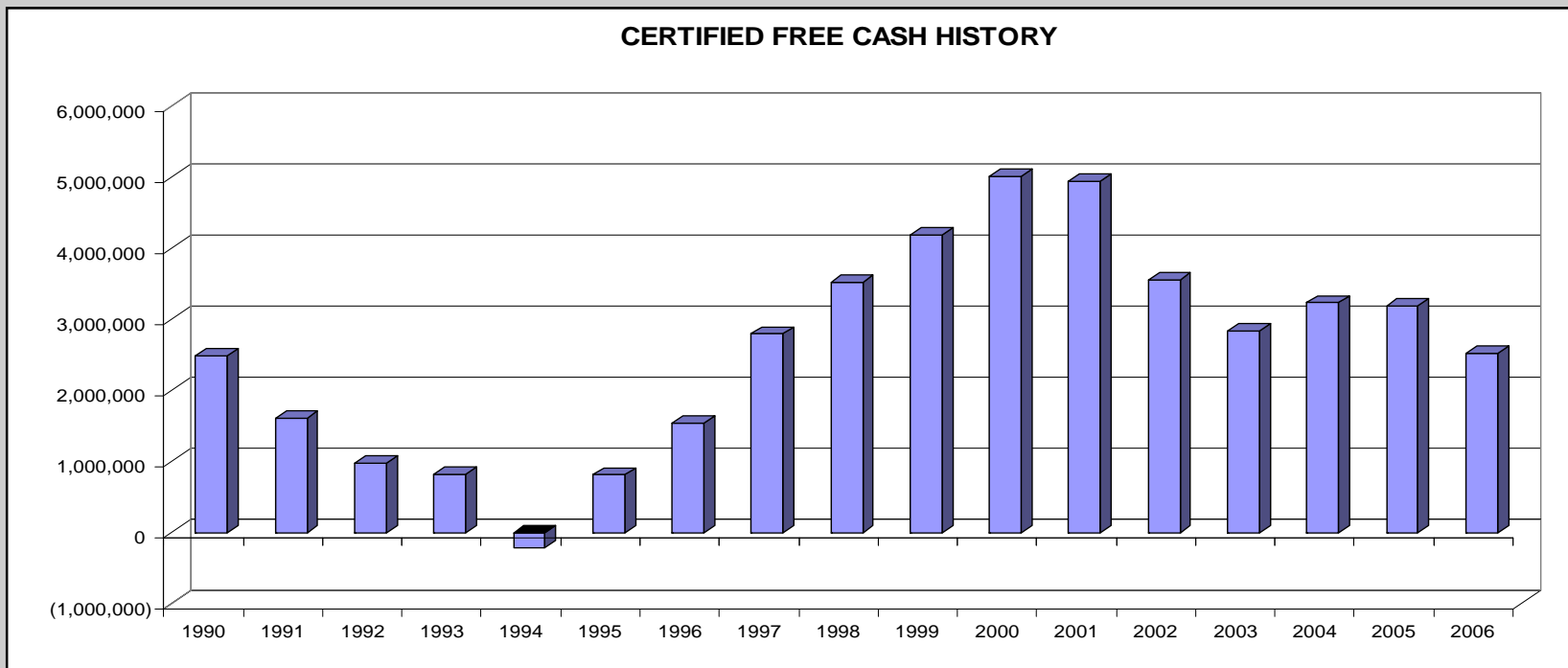


FREE CASH

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.

The general fund free cash balance is currently \$2,509,471. It is recommended that \$954,736 of this amount be appropriated towards the FY2008 budget leaving a balance of \$1,554,735.

CERTIFIED FREE CASH HISTORY



FREE CASH

	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Free Cash Appropriated	1,414,803	1,614,155	2,084,695	954,736	(1,129,959)



OTHER REVENUE

The Other Revenue category below includes revenue sources that are proposed to be used as general revenue or are to be used to fund a specific appropriation. Total Other Revenue is \$500,000, an increase from FY2007 of \$100,000. The sole source is the Tax Abatement Overlay Surplus Fund.

Budget Offsets are shown here for informational purposes. They include revenue sources that are dedicated for specific purposes or costs incurred on behalf of enterprises that are charged off to those enterprises. They involve budgets or appropriations that are already netted of these funds so they are not counted here as revenue to avoid double counting these offsets.

OTHER REVENUE					
	FY05 Actual	FY06 Actual	FY07 Budget	FY08 Budget	Budget Change
Other Revenue					
Overlay Surplus	500,000	400,000	400,000	500,000	100,000
General Stabilization Fund	1,000,000	0	0	0	0
Prior Year Closeout	200,000	0	0	0	0
Total Other Revenue	1,700,000	400,000	400,000	500,000	100,000
Budget Offsets					
Water & Sewer Enterprise Charge-Offs	2,006,416	2,058,262	2,113,738	2,330,986	217,248
Other Enterprise Charge-Offs	110,899	98,638	127,808	143,915	16,107
Tip Fee Stabilization Fund	2,537,230	400,000	680,000	680,000	0
Municipal Building Trust Fund	165,000	82,500	41,250	20,625	(20,625)
Cemetery Perpetual Care Fund	150,000	150,000	160,000	150,000	(10,000)
Cemetery Lots and Graves Fund	70,000	31,000	20,000	20,000	0
School Building Investment Income	0	0	280,000	0	(280,000)
Antenna Rental Fund	100,000	140,000	0	0	0
Central School Rental Fund	40,325	44,959	43,043	43,787	744
Community Development Block Grant	6,256	6,838	7,010	7,014	4
Conservation Commission Trust	5,900	3,000	0	3,000	3,000
Total Budget Offsets	5,192,026	3,015,197	3,472,849	3,399,327	(73,522)
Total Other Revenue	1,700,000	400,000	400,000	500,000	100,000

***TAX ABATEMENT OVERLAY SURPLUS***

Each year funds are set aside to cover the costs for any tax abatements granted by the Assessors. Any funds not used are declared surplus and made available for appropriation by Town Meeting. For FY2008, the available surplus is estimated at \$500,000, an increase of \$100,000 over FY2007.

PRIOR YEAR CLOSEOUT

In order to balance the FY2005 budget, \$200,000 in FY2004 appropriations were transferred to the FY2005 budget. No prior year appropriations were used in FY2006 or FY2007, and none are proposed for FY2008.

WATER AND SEWER ENTERPRISE FUND CHARGE-OFFS

Several town departments provide services to and incur expenses on behalf of the water and sewer enterprise. Other examples include the healthcare and pension budgets. These costs are pulled out of the general fund budgets and charged to the enterprise. The total of such charge-offs for FY2008 is \$2,330,986.

OTHER ENTERPRISE CHARGE-OFFS

The other enterprise funds that incur general fund charge-offs or that have fee offsets are the Recreation, Ice Rink, and Youth Services enterprises. The total of such charge-offs or budget offsets for FY2008 is \$143,914.

TIP FEE STABILIZATION FUND

The Tip Fee Stabilization Fund (TFSF) was created to stabilize the refuse disposal costs under the NEWSC contract. FY2005 was the last year of the twenty-year NEWSC contract. Just over \$2.5 million was used from the stabilization fund to offset in part \$3,417,230 disposal costs. Tipping fees went from \$140 per ton to \$64 per ton in FY 2006. In FY2006, because of surplus revenues at NESWC, the first three months of disposal costs were free. Disposal costs in FY2006 are projected at \$1,080,000 and \$400,000 was used from the TFSF to offset these costs. Without the three free months in FY2007, disposal costs increased by \$280,000 to a total of \$1,360,000. A drawdown of \$680,000 from the TFSF was used to offset the increase and to maintain a level-funded appropriation.

The TFSF may now be appropriated by Town Meeting for any purpose by a two-thirds vote. At the conclusion of FY2007, the TFSF is projected to have a balance of over \$3.7 million. It is recommended that this fund continue to be used only to offset refuse disposal costs. By freezing the annual drawdown at \$680,000, the fund will last at least five years and will serve as an emergency reserve during those years.

CEMETERY PERPETUAL CARE FUND

With the sale of each lot at the cemetery, a \$300 perpetual care fee is charged. These fees are deposited into the Perpetual Care Trust Fund. The present balance in the fund is \$3,838,940. From time to time, a portion of the interest accrued from this fund is used to support the operating and maintenance cost of the cemetery. In FY2008, \$150,000 is proposed to be withdrawn which is \$10,000 less than the \$160,000 used in FY2007. An increase in the fees is under consideration.

CEMETERY LOTS AND GRAVES FUND

Cemetery lots are sold for \$1,500 for residents and \$3,000 for certain qualifying former residents. Funds from such sales are placed in a fund. Sales can vary from 40 to 75 lots per year. Generally funds are drawn from this account to purchase necessary equipment for the maintenance of the cemetery. In FY2006, \$31,000 was used. In FY2007, \$20,000 was appropriated and the same amount is recommended for FY2008. An increase in the fees is under consideration.

SCHOOL BUILDING INVESTMENT INCOME

In accordance with the Town's home rule petition, enacted as Chapter 133 of the Acts of 1998, any interest earned from the investment of bond proceeds for any school building project must be used solely for school building costs. In FY2007, \$280,000 was used from this fund. There is no proposed drawdown for FY2008.



(Continued from page 26)

ANTENNA RENTAL FUND

In accordance with the Town's home rule petition, enacted as Chapter 44 of the Acts of 1998, the Town Manager is authorized to enter into long-term leases of town property to telecommunications companies for the location of wireless antennas. Funds are to be kept in a separate fund and may be appropriated only for the care and maintenance of parks, playgrounds and open space unless Town Meeting, by a two-thirds vote, votes to appropriate it for another purpose. Authorization for this fund expired in March 2008. In FY2006, \$140,000 was appropriated from the fund. The current balance is \$49,333. There was no appropriation for FY2007 and none is proposed for FY2008.

CENTRAL SCHOOL

The Central School is under the jurisdiction of the Redevelopment Board. It houses the Council on Aging, Health Department, and other public and non-profit agencies. Annual rental income approximates \$300,000. The Redevelopment Board uses these funds to cover the building's operating and maintenance costs. A portion of the funds is used to fund costs incurred in the Planning Department to oversee the operation of the building. In FY2006, \$44,959 was used to fund one-half the costs of a building maintenance position and one-half of a clerical position. In FY2007, \$43,043 was appropriated for the same purpose. In FY2008, \$43,787 is proposed to be appropriated.

COMMUNITY DEVELOPMENT BLOCK GRANT

Seven percent of the Planning and Community Development Director's salary is charged off to the CDBG grant for his services in administering the grant. In FY2008, this amounts to \$7,014.

CONSERVATION COMMISSION TRUST

Fees collected by the Conservation Commission are put into a fund to be used to support open space and wetlands protection activities. In FY2006, \$3,000 was used from this fund to fund additional hours of the Conservation Administrator. The current balance is \$3,315. No drawdown was appropriated for FY2007. For FY2008, a drawdown of \$3,000 is proposed.