

# Long Range Financial Projection

Long Rang Planning Committee Meeting  
September 28, 2018

		FY 2019	FY 2020	Dollar Change	Percent Change	FY 2021	Dollar Change	Percent Change	FY 2022	Dollar Change	Percent Change	FY 2023	Dollar Change	Percent Change	FY 2024	Dollar Change	Percent Change
<b>I REVENUE</b>																	
A. State Aid																	
		19,958,018	20,153,315	195,297	0.98%	20,350,564	197,249	0.98%	20,549,786	199,222	0.98%	20,751,000	201,214	0.98%	20,954,227	203,227	0.98%
	School Construction Aid	476,523	476,523	0	0.00%	476,523	0	0.00%	0	(476,523)	-100.00%	0	0	0	0	0	
B. Local Receipts																	
C. Free Cash																	
D. Overlay Reserve Surplus																	
E. Property Tax																	
F. Override Stabilization Fund																	
<b>TOTAL REVENUES</b>																	
<b>II APPROPRIATIONS</b>																	
A. Operating Budgets																	
<u>School</u>																	
	General Education Costs	43,011,008	45,377,493	2,366,485	5.50%	48,081,890	2,704,397	5.96%	50,465,617	2,383,727	4.96%	53,041,797	2,576,180	5.10%	55,671,802	2,630,005	4.96%
	Special Education Costs	21,440,034	22,940,836	1,500,802	7.00%	24,546,695	1,605,859	7.00%	26,264,964	1,718,269	7.00%	28,103,511	1,838,547	7.00%	30,070,757	1,967,246	7.00%
	Kindergarten Fee Offset	970,000	970,000	0	0.00%	970,000	0	0.00%	970,000	0	0.00%	970,000	0	0.00%	970,000	0	0.00%
	Growth Factor	831,980	1,078,440	246,460	29.62%	677,160	(401,280)	-37.21%	782,496	105,336	15.56%	747,384	(35,112)	-4.49%	516,648	(230,736)	-30.87%
	<b>Net School Budget</b>	<b>66,253,022</b>	<b>70,366,769</b>	<b>4,113,747</b>	<b>6.21%</b>	<b>74,275,745</b>	<b>3,908,976</b>	<b>5.56%</b>	<b>78,483,077</b>	<b>4,207,332</b>	<b>5.66%</b>	<b>82,862,692</b>	<b>4,379,615</b>	<b>5.58%</b>	<b>87,229,207</b>	<b>4,366,515</b>	<b>5.27%</b>
	<u>Minuteman: Operating and Capital</u>	4,936,724	5,109,509	172,785	3.50%	5,288,342	178,833	3.50%	5,473,434	185,092	3.50%	5,665,004	191,570	3.50%	5,863,279	198,275	3.50%
	<u>Town</u>	27,620,241	28,517,899	897,658	3.25%	29,444,731	926,832	3.25%	30,401,685	956,954	3.25%	31,389,740	988,055	3.25%	32,409,907	1,020,167	3.25%
	Expenses	10,594,579	10,938,903	344,324	3.25%	11,294,417	355,514	3.25%	11,661,486	367,069	3.25%	12,040,484	378,998	3.25%	12,431,800	391,316	3.25%
	<u>Less Offsets:</u>	2,490,562	2,571,505	80,943	3.25%	2,655,079	83,574	3.25%	2,741,369	86,290	3.25%	2,830,463	89,094	3.25%	2,922,453	91,990	3.25%
	<b>Net Town Budget</b>	<b>35,724,258</b>	<b>36,885,297</b>	<b>1,161,039</b>	<b>3.25%</b>	<b>38,084,069</b>	<b>1,198,772</b>	<b>3.25%</b>	<b>39,321,802</b>	<b>1,237,733</b>	<b>3.25%</b>	<b>40,599,761</b>	<b>1,277,959</b>	<b>3.25%</b>	<b>41,919,254</b>	<b>1,319,493</b>	<b>3.25%</b>
	<u>MWRA Debt Shift</u>	5,593,112	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	0	0.00%	5,593,112	0	0.00%
B. Capital budget																	
	Exempt Debt Service	4,432,143	4,273,079	(159,064)	-3.59%	4,114,929	(158,150)	-3.70%	3,452,179	(662,750)	-16.11%	3,352,632	(99,547)	-2.88%	3,254,930	(97,702)	-2.91%
	Non-Exempt Service	6,624,043	6,558,240	(65,803)	-0.99%	6,937,624	379,384	5.78%	7,307,245	369,621	5.33%	7,051,990	(255,255)	-3.49%	7,051,990	0	0.00%
	Cash	2,795,027	2,676,735	(118,292)	-4.23%	2,419,060	(257,675)	-9.63%	2,225,544	(193,516)	-8.00%	2,213,383	(12,161)	-0.55%	2,213,383	0	0.00%
	Offsets/Capital Carry Forward	(994,056)	(361,629)	632,427	-63.62%	(317,138)	44,491	-12.30%	(387,057)	(69,919)	22.05%	(351,743)	35,314	-9.12%	(351,743)	0	0.00%
	<b>Total Capital</b>	<b>12,857,157</b>	<b>13,146,425</b>	<b>289,268</b>	<b>2.25%</b>	<b>13,154,475</b>	<b>8,050</b>	<b>0.06%</b>	<b>12,597,911</b>	<b>(556,564)</b>	<b>-4.23%</b>	<b>12,266,262</b>	<b>(331,649)</b>	<b>-2.63%</b>	<b>12,168,560</b>	<b>(97,702)</b>	<b>-0.80%</b>
C. Pensions																	
D. Insurance																	
E. State Assessments																	
G. Overlay Reserve																	
H. Reserve Fund																	
I. Court Judgments/Symmes																	
J. Warrant Articles																	
K. Override Stabilization Fund																	
<b>L. TOTAL APPROPRIATIONS</b>																	
<b>BALANCE</b>																	
		161,257,698	168,240,559	6,982,861	4.33%	175,404,735	7,164,176	4.26%	182,572,554	7,167,819	4.09%	189,325,024	6,752,470	3.70%	197,175,599	7,850,575	4.15%
		0	0			0			(11,232,368)			(17,923,666)			(21,920,857)		
	Reserve Balances	9,186,749	6,421,383			6,421,383			6,421,383			6,421,383			6,421,383		
	Stabilization Fund	3,313,194	3,512,590			3,717,968			3,929,507			4,147,392			4,371,814		
	Override Stabilization Fund	20,905,881	14,765,801			3,748,162			0			0		0			
	Municipal Bldg. Ins. Trust Fund	779,716	803,107			827,201			852,017			877,577			903,904		
	TOTAL:	34,185,540	25,502,881			14,714,713			11,202,906			11,446,352			11,697,101		
	% of General Fund Revenue	21.2%	15.2%			8.4%			6.5%			6.7%			6.7%		

The plan does not include any potential impacts of an Arlington High School Project

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

### Projected School Enrollment Growth FY 2018 - FY 2024

	FY 2019**	FY 2020**	FY 2021*	FY 2022*	FY 2023*	FY 2024*
Actual/Proj. Annual Growth	170	215	135	156	149	103

\*\* Actual Growth - Based on 35% DESE Per Pupil Cost; FY14 of \$13,085 = Growth Factor of \$4,580 X Enrollment Growth, FY15 PPC \$13,383 = \$4,684 X Enrollment Growth, and FY16 PPC of \$13,984 = \$4,984 X Enrollment Growth  
\* Projected Growth- Based on 35% of FY17 DESE Per Pupil Cost of \$14,332 = \$5,016 X Enrollment Growth

# Long Range Financial Projection

Long Rang Planning Committee Meeting

September 28, 2018

## I REVENUE

A. State Aid		State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others.
	School Construction Aid	Reimbursement for school construction costs from an old state program. These payments run out in FY2021.
B. Local Receipts		Fees, Fines, Permits, Interest, Motor Vehicle Excise Taxes, etc. Assumption: increase by \$100,000 per year.
C. Free Cash		Free Cash is equivalent to the prior year's operating surplus. Assumption: Half of the 10 year average Free Cash is allocated as a revenue source for the operating budget and the remainder is retained as a reserve.
D. Overlay Reserve Surplus		The Assessors annually release some of the reserve set aside to pay tax abatements (the Overlay). Assumption: In most years, \$200,000 is released to be used in operating budget. Some years a larger amount is released for revaluation expenses.
E. Property Tax		Real estate and personal property taxes, as determined by the State law, Proposition 2 1/2 (annual increase of 2.5%, plus additions of new growth), plus amounts added for debt excluded from Prop. 2 1/2 by the voters, plus MWRA Debt shift.
F. Override Stabilization Fund		The Override Stabilization Fund is used as an income source. In years of revenue surpluses, money is added, in years of deficits, money is withdrawn (see comparable item in Expenses below). Fund balance is reported in reserves section at bottom the sheet.
		Total General Fund Revenues.

## TOTAL REVENUES

## II APPROPRIATIONS

A. Operating Budgets		
	<u>School</u>	General Education Costs Special Education Costs Kindergarten Fee Offset
		Most of the costs of running the School Department. Assumption: A 3.5% increase in the sum of the previous year's General Education Costs plus cost increase due to in enrollment growth (Growth Factor, below). Costs of providing Special Education services. Assumption: These costs are assumed to increase by 7% per year.
		When the Arlington School Department adopted a full day kindergarten program, it eliminated fees for previous program, and the Town began receiving state aid for those students. The Offset replaces the fees the School Department had received.
		An estimate of the increased operating costs the School Department incurs because of enrollment growth. Enrollment assumptions are presented at the bottom of LRP. It is assumed that each new student will cost 35% of State's Per Pupil Cost figure.
		<b>Net School Budget</b> The Total School Department Budget.
	<u>Minuteman</u>	Assessments from the Minuteman Regional Technical and Vocational High School. Assumption: Each year the actual assessment is updated and future years are assumed to grow by 3.5%.
	<u>Town</u>	Town employees salaries and wages. Assumption: Annual growth of 3.25%
		Town expenses, e.g., utilities, supplies, services, repairs, etc. Assumption: Annual growth of 3.25%
	<i>Less Offsets:</i>	Offsets are amounts charged to the Water and Sewer Enterprise Fund for services provided to the Fund by Town employees. Assumption: Annual growth of 3.25%
		<b>Net Town Budget</b> Personnel Services plus Expenses, minus Offsets.
		MWRA Debt Shift State law allows the Town to decrease water and sewer rates and increase taxes by an amount representing all or part of the debt service assessed to the Town by the MWRA. Assumption: \$5,593,112 per year.
B. Capital budget		
		Exempt Debt Service Debt service that has been excluded from the Prop. 2 1/2 limit and therefore is in addition to that limit. The exempt debt amount is included in the Property Tax calculation above and so income and expense are exactly matched.
		Non-Exempt Service Debt service (interest and principal) on items in the annual Capital Plan paid for with tax dollars.
		Cash Items in the annual Capital Plan paid for with cash.
		Offsets/Capital Carry Forward Multiple sources, such as grants, other funds (e.g., rental income from cell phone towers on town property, the Ambulance Fund, etc.), and bond premiums used to purchase capital items.
		<b>Total Capital</b> Assumption: The Total of Non-Exempt Debt Service and Cash will equal 5% of the Town's Annual revenue.
C. Pensions		Annual assessment from the Arlington Retirement Board. Assumption: Annual increase of 5.5%.
D. Insurance		Health, property, and liability insurance. Assumption: Updated annually with new enrollment figures and insurance rates. Future costs include teacher staffing increases to meet increased student populations, plus 5.25% inflation.
E. State Assessments		Assessment from the State for various services, including MBTA, Charter School, and School Choice. Assumption: Annual increase of 2.5% (as mandated by Prop. 2 1/2). Some Cherry Sheet aid goes directly to departments and not to the General Fund. State Aid to libraries is one such example. Assumption: Current year assessment will continue unchanged.
F. Overlay Reserve		Amount of tax revenue set aside by the Assessors to pay abatements and tax exemptions (for elderly, blind persons, etc.). Assumption: \$600,000 in non-revaluation years, and \$800,000 in revaluation years.
G. Reserve Fund & Elections		Reserve fund equals 1% of revenues. It is available for the Finance Committee to pay unanticipated and extraordinary costs, such as snow removal. Election costs vary each year depending on the number of elections.
H. Court Judgments/Symmes		Each year \$100,000 is set aside to pay for lawsuit settlements. The rest of this item is to pay the debt on bonds the Town issued to acquire the Symmes property. Those bonds will be paid off in FY2022.
I. Warrant Articles		Various warrant articles for boards, commission, town celebrations, and other items that are outside of the town, school, or capital budgets.
J. Override Stabilization Fund		In years when the budget shows a revenue surplus, that surplus is appropriated to the Override Stabilization Fund.
K. TOTAL APPROPRIATIONS		The total of all items under II Appropriations.
L. BALANCE		The operating surplus or deficit for each year of the plan. For the current year, the number will always be zero, i.e., by law and Town policy, the final budget must be in balance.
	<b>Reserve Balances</b>	
	Free Cash	An amount roughly equivalent to the Town's operating surplus and fund balance that is certified annually by the State Department of Revenue.
	Stabilization Fund	A fund established by Town Meeting to provide a long-term reserve. Assumption: Annual 3% growth, plus \$100,000 appropriation from Town Meeting.
	Override Stabilization Fund	The Override Stabilization Fund was created as a result of the 2005 Prop. 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the general fund budget.
	Municipal Bldg. Ins. Trust Fund	A reserve fund established to cover extraordinary losses from damage to Town property. The existence of the fund reduces the Town's annual property insurance costs, because it allows the Town to buy insurance policies with high deductibles.
	TOTAL:	Total reserves.
	% of General Fund Revenue	Total reserves as a percent of total revenue.