

Long Range Financial Projection

Long Range Planning Committee

December 11, 2019

		FY 2019 RECAP	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
I REVENUE																	
A.	State Aid	20,039,795	20,235,897	196,102	0.98%	20,433,960	198,063	0.98%	20,634,003	200,043	0.98%	20,836,046	202,043	0.98%	21,040,111	204,065	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	0
B.	Local Receipts	9,171,000	9,871,000	700,000	7.63%	9,971,000	100,000	1.01%	10,071,000	100,000	1.00%	10,171,000	100,000	0.99%	10,271,000	100,000	0.98%
C.	Free Cash	4,593,375	5,559,782	966,407	21.04%	3,307,332	(2,252,450)	-40.51%	3,307,332	0	0.00%	3,307,332	0	0.00%	3,307,332	0	0.00%
D.	Overlay Reserve Surplus	200,000	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%
E.	Property Tax	124,010,977	127,687,406	3,676,429	2.96%	131,058,975	3,371,569	2.64%	134,440,710	3,381,735	2.58%	137,948,324	3,507,614	2.61%	141,497,962	3,549,638	2.57%
F.	Override Stabilization Fund	2,786,331	4,576,734			10,501,896			8,645,813								
TOTAL REVENUES		161,278,001	168,607,342	7,329,341	4.54%	175,949,686	7,342,344	4.35%	177,298,858	1,349,172	0.77%	172,462,702	(4,836,156)	-2.73%	176,316,405	3,853,703	2.23%
II APPROPRIATIONS																	
A.	Operating Budgets																
	<u>School</u>																
	General Education Costs	43,981,008	46,381,443	2,400,435	5.46%	49,095,021	2,713,578	5.85%	51,503,824	2,408,803	4.91%	54,059,234	2,555,410	4.96%	56,704,083	2,644,849	4.89%
	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		0	0	-		0	-		0	-		0	-		0	-
	Growth Factor	831,980	1,053,360	221,380	26.61%	667,128	(386,232)	-36.67%	727,320	60,192	9.02%	727,320	0	0.00%	481,536	(245,784)	-33.79%
	Net School Budget	66,253,022	70,375,639	4,122,617	6.22%	74,308,844	3,933,205	5.59%	78,496,108	4,187,264	5.63%	82,890,065	4,393,957	5.60%	87,256,376	4,366,311	5.27%
	<u>Minuteman: Operating and Capital</u>	4,936,724	5,469,796	533,072	10.80%	5,661,239	191,443	3.50%	5,859,382	198,143	3.50%	6,064,461	205,078	3.50%	6,276,717	212,256	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%
	Net Town Budget	35,724,258	36,885,297	1,161,039	3.25%	38,084,069	1,198,772	3.25%	39,321,802	1,237,733	3.25%	40,599,761	1,277,959	3.25%	41,919,254	1,319,493	3.25%
	<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%	2,569,060	(107,675)	-4.02%	2,345,544	(223,516)	-8.70%	2,323,383	(22,161)	-0.94%	2,513,383	190,000	8.18%
	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%
	Total Capital	12,857,157	13,146,425	289,268	2.25%	13,304,475	158,050	1.20%	12,717,911	(586,564)	-4.41%	12,376,262	(341,649)	-2.69%	12,468,560	92,298	0.75%
C.	Pensions	10,765,545	11,357,650	592,105	5.50%	11,982,321	624,671	5.50%	12,641,349	659,028	5.50%	13,336,623	695,274	5.50%	14,070,137	733,514	5.50%
D.	Insurance	17,159,100	18,256,518	1,097,418	6.40%	19,343,443	1,086,925	5.95%	20,503,484	1,160,041	6.00%	21,729,032	1,225,548	5.98%	22,971,676	1,242,644	5.72%
E.	State Assessments	3,366,238	3,448,968	82,730	2.46%	3,533,767	84,799	2.46%	3,620,685	86,918	2.46%	3,709,777	89,092	2.46%	3,801,095	91,318	2.46%
G.	Overlay Reserve	1,245,171	600,000	(645,171)	-51.81%	600,000	0	0.00%	800,000	200,000	33.33%	600,000	(200,000)	-25.00%	600,000	0	0.00%
H.	Reserve Fund	1,553,287	1,597,575	44,288	2.85%	1,613,329	15,754	0.99%	1,652,009	38,680	2.40%	1,691,101	39,092	2.37%	1,730,615	39,514	2.34%
I.	Court Judgments/Symmes	671,250	773,225	101,975	15.19%	771,950	(1,275)	-0.16%	767,450	(4,500)	-0.58%	100,000	(667,450)	-86.97%	100,000	0	0.00%
J.	Warrant Articles	1,153,137	1,103,137	(50,000)	-4.34%	1,153,137	50,000	4.53%	1,103,137	(50,000)	-4.34%	1,153,137	50,000	4.53%	1,103,137	(50,000)	-4.34%
K.	Override Stabilization Fund																
L.	TOTAL APPROPRIATIONS	161,278,001	168,607,342	7,329,341	4.54%	175,949,686	7,342,344	4.35%	183,076,429	7,126,743	4.05%	189,843,331	6,766,902	3.70%	197,890,679	8,047,348	4.24%
	BALANCE	0	0			0			(5,777,571)			(17,380,629)			(21,574,274)		
	Reserve Balances																
	Free Cash	11,119,563	6,614,664			6,614,664			6,614,664			6,614,664			6,614,664		
	Stabilization Fund	3,467,162	3,671,177			3,881,313			4,097,752			4,320,685			4,550,305		
	Override Stabilization Fund	21,224,443	19,147,709			8,645,813			0			0		0	0		
	Municipal Bldg. Ins. Trust Fund	779,716	803,107			827,201			852,017			877,577			903,904		
	TOTAL:	36,590,884	30,236,658			19,968,991			11,564,433			11,812,926			12,068,874		
	% of General Fund Revenue	22.7%	17.9%			11.3%			6.5%			6.8%			6.8%		

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	210	133	145	145	96

** 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

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I REVENUE

A. State Aid	School Construction Aid	State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others. 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 REVENUES		Total General Fund 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.
	Growth Factor	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.
	Net School Budget	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>	Personnel Services Expenses	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>	Enterprise Fund/Other Net Town Budget MWRA Debt Shift	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% Personnel Services plus Expenses, minus Offsets. 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 Cash	Debt service (interest and principal) on items in the annual Capital Plan paid for with tax dollars. Items in the annual Capital Plan paid for with cash.
	Offsets/Capital Carry Forward Total Capital	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. Assumption: The Total of Non-Exempt Debt Service and Cash will equal 5% of the Town's Annual revenue.
C. Pensions		
D. Insurance		
E. State Assessments		
F. Overlay Reserve		
G. Reserve Fund & Elections		
H. Court Judgments/Symmes		
I. Warrant Articles		
J. Override Stabilization Fund		
K. TOTAL APPROPRIATIONS		
L. BALANCE		
	Reserve Balances	The total of all items under II Appropriations. 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.
	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.