

September 30, 2020

| | | | | | | |
|---|-----------|----------|----------|----------|----------|----------|
| The plan does not include any projected revenues or expenditures from the Community Preservation Act | | | | | | |
| Projected School Enrollment Growth FY 2023 - FY 2028 | | | | | | |
| | FY 2023** | FY 2024* | FY 2025* | FY 2026* | FY 2027* | FY 2028* |
| Actual/Proj. Annual Growth | (189) | 150 | 90 | 0 | 0 | 0 |
| ** Actual Growth - FY23 50% PPC of \$14,601 = \$7,300 X EG | | | | | | |
| * Projected Growth - FY2024 through FY2027 Based on 50% of FY21 DESE Per Pupil Cost of \$17,854 = \$8,927 X Enrollment Growth | | | | | | |

Long Range Financial Projection
September 30, 2020

*** Override Stabilization Fund balance includes and addition of \$2.5 million from Overlay Surplus in FY2020

| I REVENUE | | Explanation of Terms |
|---------------------------|------------------------------|---|
| A. | State Aid | State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others. Assumption: 1% annual growth. |
| | School Construction Aid | Reimbursement for school construction costs from an old state program. These payments ended in FY2021. |
| B. | Local Receipts | Fees, Fines, Permits, Interest, Motor Vehicle Excise Taxes, etc. Assumption: usually increase by \$100,000 per year, but in FY24, increase by more to make up for losses caused by COVID. |
| 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 In years of revenue surpluses, money is added, in years of deficits, money is withdrawn (see comparable item in Expenses below).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. | School Additions | Increases to School Department Budget as the result of the 2019 Override. |
| | General Education Costs | 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). |
| | Special Education Costs | Costs of providing Special Education services. Assumption: These costs are assumed to increase by 7% per year. |
| | Growth Factor | 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 50% of State's Per Pupil Cost figure. |
| Net School Budget | | The Total School Department Budget. |
| Minuteman | | 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%. |
| | Town Personnel Services | Town employees salaries and wages. Assumption: Annual growth of 3.25% |
| | Town Expenses | Town expenses, e.g., utilities, supplies, services, repairs, etc. Assumption: Annual growth of 3.25% |
| | Enterprise Fund/Other | 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% |
| Net Town Budget | | 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. Phased out in FY23. |
| 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 | 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. |
| Total Capital | | 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 6%. |
| D. | Insurance | Health, property & liability insurance. 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 |
| 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 | Reserve fund equals 1% of revenues. It is available for the Finance Committee to pay unanticipated and extraordinary costs, such as snow removal. |
| 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 were 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. Election costs vary each year depending on the number of elections. |
| 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. |
| Reserve Balances | | |
| | 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 2% 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 F | 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. |