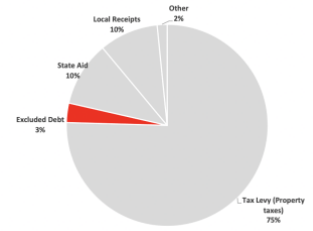


Inside Town Finances

Volume 3: Excluded Debt

Overview

3% of the Town's revenue comes from excluded debt. Excluded debt is a **temporary tax increase** - 'excluded' from the limits of Proposition 2 ½ - that is used to pay debt service costs (principal plus interest) on money borrowed to finance a specific project. Debt exclusions require a 2/3 affirmative vote from Town Meeting and a subsequent majority ballot vote. In general, Hingham issues excluded debt with a 20-year term.



What is the composition of Hingham's excluded debt?

Hingham currently has six projects that are financed with excluded debt. These are listed in the table below together with their remaining principal-plus-interest amounts due, debt service for the current fiscal year (FY2021), and the fiscal year in which the debt for each project will be completely paid and retired.

Project	Outstanding	Fiscal Year 2021	Debt Expires
	Principal + Interest	Debt Service	(Fiscal Year)
• 2001 Town Hall Renovation	\$30,750	\$30,750	2021
• 2001 High School & South Elementary renovations	\$205,686	\$205,686	2021
• 2012 High School Track and Tennis Courts	\$553,721	\$88,677	2027
• 2008 East Elementary School	\$7,133,096	\$1,009,095	2028
• 2008 PRS & Foster Improvements	\$3,289,460	\$439,377	2029
• 2015 Middle School	\$32,658,922	\$2,405,412	2037
Total Excluded Debt Service	\$43,871,635	\$4,178,747	
Less: Meals Tax Revenue (tax relief) and Bond Premium Allocation		\$(778,836)	
Net Excluded Debt Service (Cost to Taxpayers)		\$3,400,160	



\$376 Average Taxpayer cost
(home assessed at \$877,640)

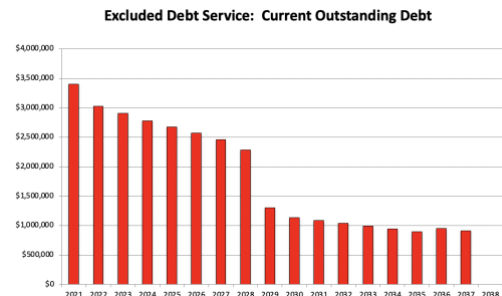
At the beginning of FY2021, outstanding principal and interest payments totaled just under \$44 million. All but \$30,750 of this borrowing relates to school projects. Excluded debt service cost is not included in the calculation of per-pupil education expenses.

The FY2021 debt service payment for the Town's excluded debt is just under \$4.2 million. Revenue derived from the Town's meals tax and bond premiums helps reduce the amount owed by Hingham taxpayers to \$3.4 million. For an average home assessment of \$877,640, the reduced excluded debt service owed adds roughly \$376 to the average household's FY2021 property tax bill.

What do future excluded debt service payments look like?

Hingham finances municipal projects by issuing 'level-principal' debt. Contrary to a standard mortgage, which entails a monthly 'level payment', level-principal debt is structured so that the monthly debt service principal amount remains constant. The earlier reduction of outstanding principal reduces the associated interest due on the remaining unpaid principal balance. Consequently, payments decline over time, and taxpayers pay less total interest than they would with level-payment debt.

As the chart indicates, Hingham's current excluded debt service will decrease over time as debt service payments decline and debt is retired.



Looking ahead, if authorized by Town Meeting and ballot votes, Hingham would likely incur additional excluded debt to finance construction projects including Foster School, the Public Safety Facility, and a renovated Senior Center. Based on current timelines, such new excluded debt would not be issued until at least fiscal year 2025.