

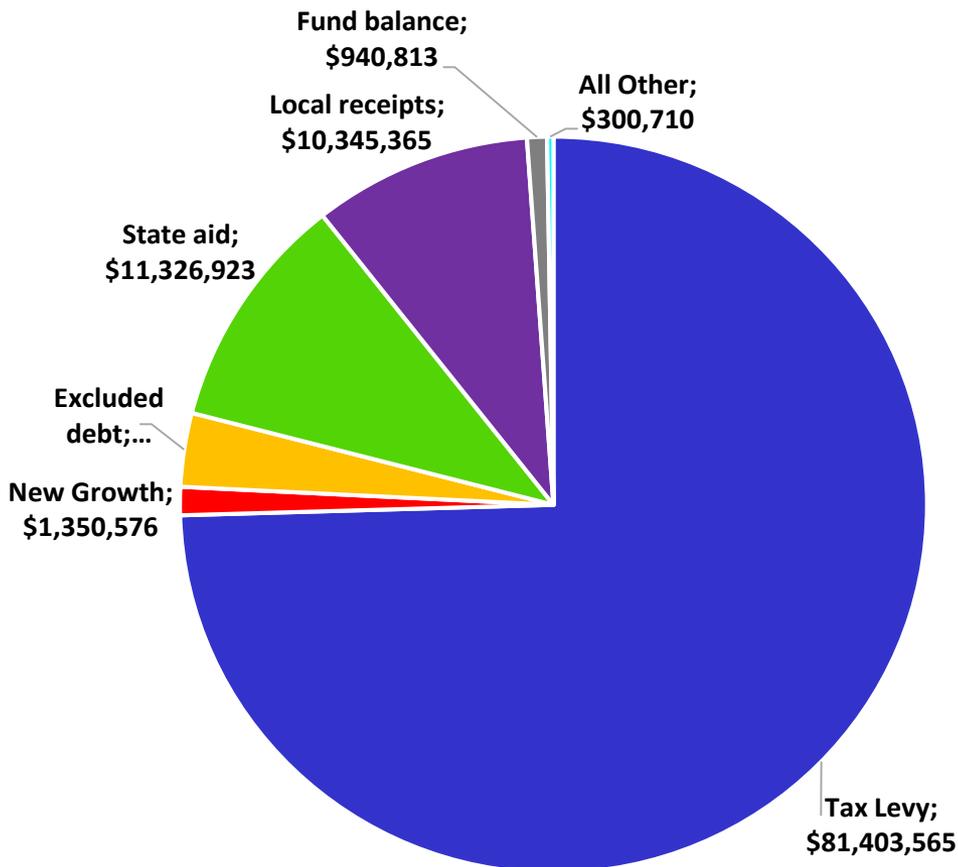


Town Revenue and Expense Analysis

Sources of Revenue*



FY20 Revenue = \$109.2 million
(excludes Country Club and Sewer which are budget neutral)



- **Tax levy:** grows by ~2.5% per year
- **New Growth:** additions to the levy limit from development (additions to existing structures or new structures)
- **Excluded debt:** Voter authorized increase in levy to finance a capital project (offset in expenses)
- **State aid:** General Government and Education (Chapter 70)
- **Local receipts:** primarily motor vehicle, ambulance revenue, fees and permits, payment in lieu of taxes
- **Fund balance:** “Rainy day fund”; Town financial policy advises against using fund balance for operating expenses

* Excludes grants, revolving funds, direct reimbursements to budgets (e.g. Circuit Breaker, Chapter 90)

Hingham revenue vs. benchmark communities



Statistics from the MA Dept of Revenue:

- **\$83 million** total tax levy
- **88.6%** of tax levy comes from residential property taxes
- **\$9,774** Average single-family tax bill
- **\$11.81** residential tax rate

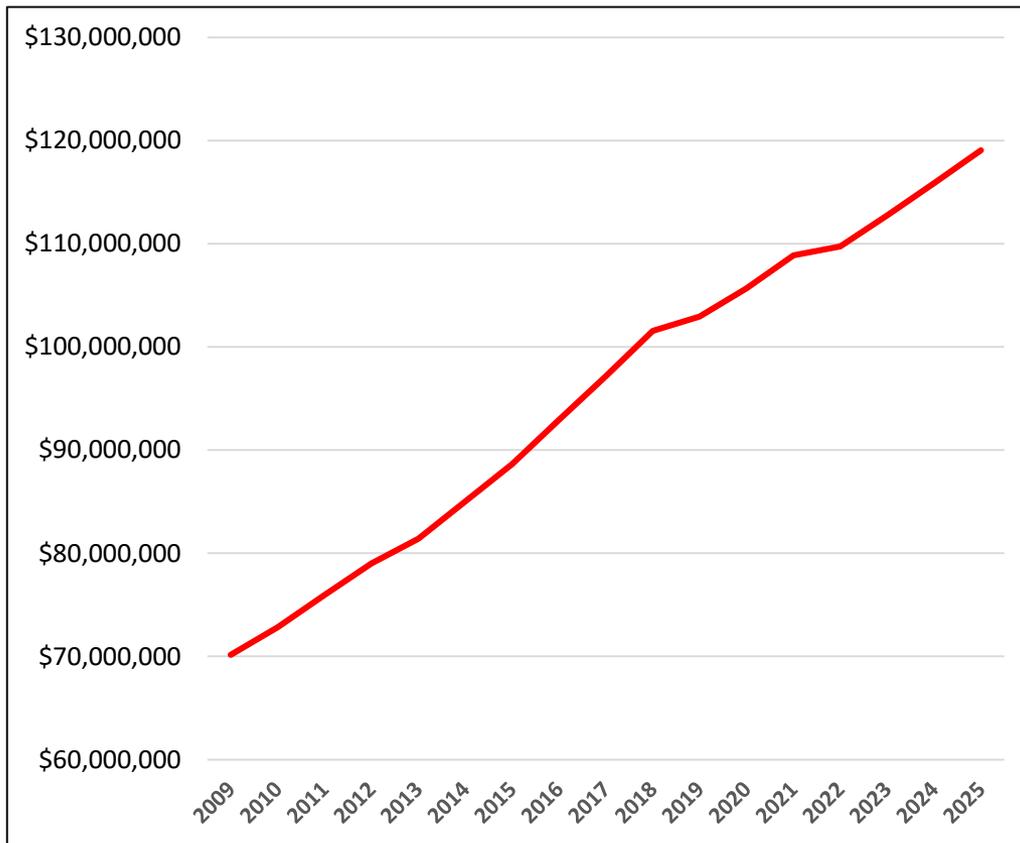
Benchmark Community Ranking (from high to low)

- 10 out of 20
- 9 out of 20
- 11 out of 20
- 17 out of 20

Operating Revenue* Growth: FY2009 – FY2025



* Excludes: Debt exclusions, Country Club and Sewer (revenues offset by expenses), revolving funds, and direct education budget reimbursements (e.g. Circuit Breaker)



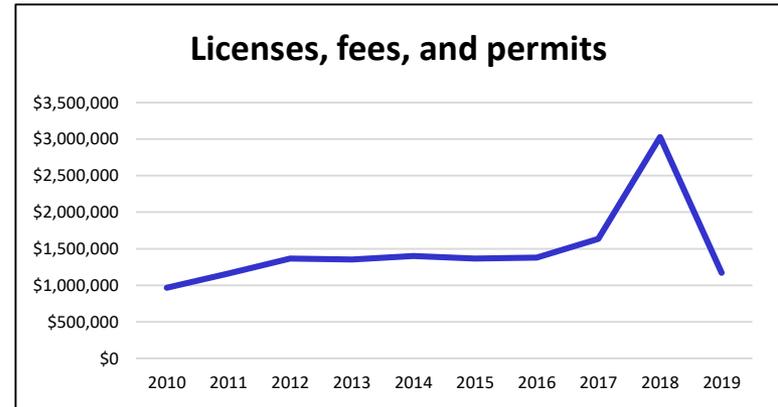
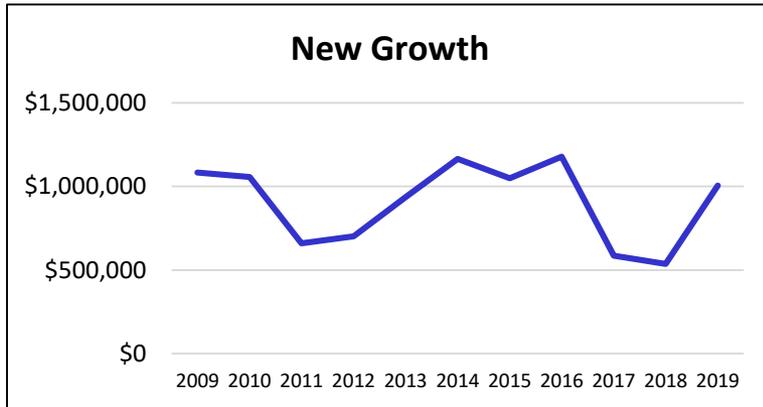
Fiscal Year	Revenue growth vs. previous year	
	\$	%
2010	\$2,677,420	3.8%
2011	\$3,126,262	4.3%
2012	\$3,051,040	4.0%
2013	\$2,401,289	3.0%
2014	\$3,582,234	4.4%
2015	\$3,640,229	4.3%
2016	\$4,315,080	4.9%
2017	\$4,205,177	4.5%
2018	\$4,379,046	4.5%
2019	\$1,400,006	1.4%
2020	\$2,729,904	2.7%
2021	\$3,209,773	3.0%
2022	\$841,888	0.8%
2023	\$3,035,421	2.8%
2024	\$3,111,308	2.8%
2025	\$3,189,089	2.8%

Revenue growth is slowing down

Why is revenue growth slowing down?



- **Less new growth - affects tax levy and permit revenue**



- **In 2022, \$1.6 million in School Building Assistance goes away (reimbursement for school projects under old MSBA program)**

Steps the Town has taken to grow revenue



- **Adopted the Meals Tax**
- **Created Ambulance service**
- **Adopted 43D to accelerate commercial development**
- **Commissioned the South Hingham Study Group**
- **Increased amount of funds that can be withdrawn from Building Dept revolving fund each year**
- **Instituted fees and permit review every 3 years**
- **Secured \$2.8 million in grant funding in calendar year 2019**

Purchasing the water company will not affect our tax base. After the purchase, the water company will make an annual Payment in Lieu of Taxes (PILOT) to the Town. The PILOT is equal to the amount of property taxes the water company would pay if it were privately owned.



Three operating expense categories

Municipal Services

- General Government
- Public Safety
- Public Works
- Human Services
- Culture and Recreation

Education Services:

- Regular Education
- Special Education
- Vocational Education

Town-wide Services:

- Debt Service
- Employee Benefits (health insurance and retirement obligations)
- Unclassified (primarily insurance)
- Capital Outlay

75%+ personnel costs

Operating budget trends: Excluding Capital Outlay



	<u>2009 – 2019 (10 years)</u>		<u>2014 – 2019 (5 years)</u>		<u>2016 – 2019 (3 years)</u>	
	<u>Avg annual % change</u>	<u>Avg dollar change</u>	<u>Average annual % change</u>	<u>Avg dollar change</u>	<u>Average annual % change</u>	<u>Avg dollar change</u>
Municipal	3.1%	\$731,272	2.6%	\$655,591	2.6%	\$681,846
Education	4.2%	\$1,839,641	4.5%	\$2,156,631	4.7%	\$2,352,730
Town-wide	6.1%	\$1,009,455	0.7%	\$152,191	-0.5%	-\$113,372
Total	4.3%	\$3,580,368	3.1%	\$2,964,413	3.0%	\$2,921,205

% Total Spending by Budget Category



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Municipal	27.4%	27.8%	24.9%	26.0%	27.0%	25.9%	27.1%	26.9%	26.3%
Education	48.6%	47.9%	50.1%	50.5%	48.7%	49.3%	50.3%	51.0%	52.1%
Town-wide	24.0%	24.3%	25.0%	23.5%	24.3%	24.7%	22.6%	22.1%	21.6%
Total	----- 100.0%								

- **20 Town Benchmark communities**
 - **26.5% Municipal**
 - **49.7% Education**
 - **23.8% Town-wide**



Looking Ahead: 5-Year Forecast as of 1/29/20

- FY21 budgets = Town Administrator and School Superintendent recommended budgets
- FY22 and beyond expense assumptions:
 - Municipal and Education budgets: 2% annual growth
 - Town-wide costs: 10% group insurance; remainder per funding schedules (debt, pension, OPEB)

Millions of dollars (5 year forecast 01/29/20)	2020	2021*	2022	2023	2024	2025
Sources of funds	\$114.6	\$117.4	\$118.1	\$121.3	\$124.6	\$128.0
Uses of funds	\$114.3	\$119.1	\$120.5	\$123.9	\$127.5	\$131.4
Excess/(Shortfall)	----- \$0.2	----- \$(1.7)	----- \$(2.4)	----- \$(2.6)	----- \$(2.9)	----- \$(3.4)

Sensitivity Analysis: 5-year forecast 1/29/20



	2020	2021*	2022	2023	2024	2025
Excess/(Shortfall) per forecast (millions of \$)	\$0.2	\$(1.7)	\$(2.4)	\$(2.6)	\$(2.9)	\$(3.4)
Scenario 1: additional 1% muni and education budget increases (3% total)			\$(0.9)	\$(0.9)	\$(0.9)	\$(0.9)
Scenario 2: additional 2% muni and education budget increases (4% total)			\$(1.7)	\$(1.7)	\$(1.8)	\$(1.8)
Scenario 3: additional 3% muni and education budget increases (5% total)			\$(2.6)	\$(2.6)	\$(2.7)	\$(2.7)



Additional budget consideration

- **Hingham has many large capital projects under consideration**
 - Foster School, Fire Stations, addressing space needs at Town Hall (Senior Center, Police, Administration)
- **The large capital projects under consideration cannot be absorbed into the budget without reducing services**
- **The other funding option, debt exclusion, results in a 20-year tax increase**

Tax impact on average assessed value home (\$841,276)		
Amount	Year 1	Average over 20 years
\$10 million	\$ 107	\$ 87
\$20 million	\$ 214	\$174
\$50 million	\$ 535	\$435
\$75 million	\$ 803	\$654
\$100 million	\$1,070	\$870

We must be sensitive to the cumulative taxpayer impact of decisions.