

Inside Town Finances

Volume 13: Capital Improvements

The Town has a responsibility to current and future generations to maintain, replace, and – as needed – expand its property, plant, and equipment.

How much money has been spent on Town capital improvements?

From 2000 to 2018, a total of \$176.6 million has been invested in capital improvements throughout Hingham, which translates to just under \$10 million per year. 78% of this investment has been taxpayer-funded, with 22% funded by the state. Below is a breakout by category.

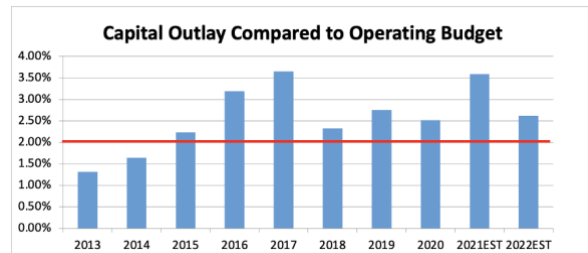
Category	Taxpayer-Funded (millions)	State-Funded (millions)	Total (millions)	% of Total
School	\$ 68.5	\$ 33.6	\$102.1	58%
Municipal	\$ 25.9	-	\$ 25.9	15%
Capital Outlay (School and Municipal)	\$ 27.1	-	\$ 27.1	15%
Community Preservation	\$ 15.7	\$ 5.8	\$ 21.5	12%
Total Capital Improvements 2000-18	\$137.2	\$ 39.4	\$176.6	100%
Average Yearly Capital Improvements	\$ 7.6	\$ 2.2	\$ 9.8	

What are possible sources of funds for taxpayer-funded capital improvements?

The most common ways to finance taxpayer-funded capital improvements are with cash or through the issuance of debt. Within the Article 6 operating budget – which is funded through the tax levy – funds are allocated for Capital Outlay. Debt is typically issued for larger capital improvement projects that either do not fit within the Capital Outlay budget or that would take up a large portion of available Capital Outlay funds. Debt can be issued either within the levy (non-excluded debt) or outside the levy (excluded debt). Excluded debt is a temporary tax increase. All or a portion of non-recurring capital improvements can also be funded with Excess Unassigned Fund Balance as outlined in the Town Financial Policy.

How much should the Town be spending on Capital Outlay?

Per the Town Financial Policy, “the Capital Outlay Plan for any fiscal year, **excluding expenditures financed by debt**, should budget an expenditure amount equal to between 2% and 5% of the Town’s Operating Budget for that fiscal year, except in extraordinary circumstances.”



The chart to the right shows annual Capital Outlay as compared to the operating budget. The red line indicates the lower threshold of the Town Financial Policy range (2%). Since 2015, annual Capital Outlay spending has been within the limit defined by the Town Financial Policy.

Is Debt Service in conformance with the Town Financial Policy?

According to the Town Financial Policy, the Town should maintain average annual debt service (repayment of principal and interest for borrowings) between 5% and 10% of Total Annual Expenditures. The graph to the right shows annual Debt Service for currently authorized debt. Since 2019, Debt Service has been below the limit defined by the Town Financial Policy.

