



**Forecast considerations
February 13, 2018**



*“Those who do not learn
from history
are doomed to repeat it.”*

(George Santayana)

The situation in 2009



- **Pressures on personal finances**
- **Slower than expected growth**
- **Declining local receipts**
- **State aid reduction**
- **Negative credit outlook from rating agencies**

Moody's outlook in 2009



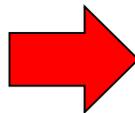
- **What would remove the negative outlook:**
 - Significant progress funding retirement obligations to current and former Town employees (OPEB)
 - Maintain infrastructure through capital investment
 - Restoration of fund balance to manage unexpected events

- **What could move the rating DOWN:**
 - Failure to grow reserves
 - Adoption of structurally imbalanced budgets
 - Less conservative assumptions for revenue and expenditure growth
 - Significant appropriations of free cash without replenishment

2009: Actions taken by the Town



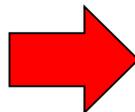
1. Retirement obligations to current and former town employees (OPEB)



1. Budgeted and funded according to 30 year schedule

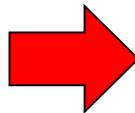
- 2009 Trust balance: \$300,000
- 2017 Trust balance: \$12 million

2. Capital investments to maintain our infrastructure



2. Funded capital to level specified in financial policy; stopped paying for capital from fund balance (app. \$500,000 per year 2005-09)

3. Reserves to manage unexpected events



3. Replenished reserves from Operating budget (annual budget turnbacks, unexpected revenue), adopted financial policy



Town Financial Policy: Forecast considerations

- ...the Town should be cautious in incorporating long-term growth assumptions into its financial forecasts and consequent expenditure growth.
- Long-term financial obligations and liabilities should be funded, at a minimum, as required by law...
- When Unassigned Fund Balance exceeds 20%, the Advisory Committee should consider recommending that Town Meeting apply such amounts in excess of 20% to items such as unfunded long-term liabilities, capital expenditures, retirement of debt, or tax relief. **Excess Unassigned Fund Balance should not be used to fund recurring operating budget items.**



Value of a Aaa bond rating

- 2002** Saved taxpayers **\$400,000** over the life of the bond issue for South and High School renovations
- 2008** Hingham borrowed at **1.09%** interest rate. No Aaa rating meant no credit available at any price.
- 2009** Saved **close to \$1,000,000** over the life of the bond on \$43 million in debt in October

Since 2009

- **2015: Financed \$36.3 million for HMS and HS Fields at 3.0%**
- **2016: Refinanced \$22 million bond at 1.39% (\$2.0 million savings over 13 years remaining)**

Lessons learned



- Don't push the revenue forecast too far
- Forecast and budget expenses based on available revenue
 - Available revenue determines Town annual budget "ceiling"
- Keep funding long-term liabilities
- Don't be short-sighted on capital
- Keep the rainy day fund for a rainy day
 - Don't rely too much on fund balance or one-time money to balance the budget

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