



**Forecast Update
February 27, 2018**

Summary as of 02/26 (in millions)



Revenue:	<u>FY2018</u>	<u>FY2019</u>
– Tax Levy	\$ 80.0	\$ 82.3
– Other Revenue	\$ 27.4	\$ 27.3
Total forecasted revenue	\$107.4	\$109.6
Expenses		
– Articles 4,5,6	\$103.5	\$107.0
– Capital Outlay	\$ 2.2	\$ 2.4
– Other	\$ 1.4	\$ 1.4
Total forecasted expenses	\$107.3	\$110.8
Surplus/Deficit	\$ 0.1	\$ (1.2)



Revenue as of 2/26 (in millions)

Revenue:	<u>FY2018</u>	<u>FY2019</u>
– Tax Levy	\$ 80.0	\$ 82.3
– Other Revenue	\$ 27.4	\$ 27.3
Total forecasted revenue	\$ 107.4	\$ 109.6 +\$2.2 or 2.1%

Updates since 2/13 forecast:

1. +\$50,000 Motor Vehicles
2. +\$25,000 Investment income

FY19 Local Receipts: 95.5% of 2017 actuals



Expenses as of 2/26 (in millions)

Expenses	<u>FY2018</u>	<u>FY2019</u>
– Articles 4,5,6	\$ 103.5	\$ 107.0
– Capital Outlay	\$ 2.2	\$ 2.4
– All Other	\$ 1.4	\$ 1.4
Total forecasted expenses	\$ 107.3	\$ 110.8 +\$3.5 million or 3.3%

Updates since 2/13 forecast:

1. **-\$1.3 million Group Insurance**
2. **+\$91,027 Capital Outlay (Committee recommendation)**



Next Steps

- **2/22: GIC announces FY19 Group Insurance Rates**
- **2/26: Forecast updated for all new news**
- **2/26: School Committee votes Education budget recommendation of \$52,622,818**
 - **+\$2,860,121 or 5.75% increase over FY18**
- **2/27: Board of Selectmen votes all budget recommendations**
- **Week of 3/5: Advisory Committee votes all budget recommendations**
- **4/23: Annual Town Meeting**
 - **Considers and votes on Advisory Committee recommended budget**



Balancing the Budget

Status



- **\$1,230,590 deficit as of 2/26 forecast meeting**
- **No more revenue news expected**
- **The following is **one path** to balance the budget**
 - **Framework for our discussion and vote**
 - **Reflects municipal priorities from the Interim Town Administrator**

This path is based on allocating dollars that are available and our Town Financial Policy.

Town and Education Budgets: 2/26 Forecast



Starting Point

			<u>FY19 vs. FY18</u>	
	<u>FY18</u>	<u>FY 19</u> <u>as of 2/26</u>	<u>\$</u>	<u>%</u>
Town Budget (inc. Articles 4&5)	\$26,760,557	\$27,642,001	\$881,444	3.3%
Education Budget	\$49,762,694	\$52,677,795	\$2,915,101	5.9%
Capital Outlay	\$2,226,462	\$2,391,027	\$164,565	7.4%
Workers' Comp	\$330,000	\$380,000	\$50,000	15.2%

Town Budget: Additional Requests as of 2/26



<u>Department</u>	<u>Item</u>	<u>Amount</u>	<u>TA Reco (in budget)</u>
Selectmen	Grant Writer	\$70,000	\$0
Legal Services	Additional funding	\$68,000	\$25,000
Police	Additional officer	\$71,400	\$0
Police	Overtime	\$40,000	\$0
Fire	Overtime	\$31,000	\$31,000
Fire	Firefighter	\$63,540	\$63,540
Fire	Uniform and turnout gear	\$11,070	\$11,070
Animal Control	AE, Narcan	\$624	\$624
Harbormaster	Clerical	\$15,717	\$0
Harbormaster	R&M grounds	\$11,000	\$10,000
Town Engineering	Overtime	\$7,821	\$3,500
DPW	1 Highway FTE	\$52,220	\$52,220
DPW	Asst Superintendent	\$94,458	\$0
Worker's Comp	Trends	\$50,000	\$50,000
		-----	-----
Total		\$586,850	\$246,954
% total recommended			42%

Town Trends

FY08-FY18 (FY18 budget): Includes Articles 4&5



	3 year (FY15-18)	5 year (FY13-18)	Town Proposed FY19 vs. 18
Police Calls change %	14%	29%	
Fire Calls change %	10%	13%	
Health permits change %	23%	76%	
Retirement member change %	13%	24%	
Average annual change \$	\$501,807	\$1,236,376	\$881,444
Average annual change %	2.0%	5.7%	3.3%
Headcount Change (FY09-17)	+5	+18	+1.5
FTE change %	2%	6%	0.6%

Education Trends

FY08-FY18 (FY18 budget)



	3 year (FY15-18)	5 year (FY13-18)	School Proposed (FY19 vs. FY18)
Enrollment change (students)	+7	+88	-51
Enrollment change %	0.2%	2.1%	-1.2%
Average annual change \$	\$2,097,649	\$2,022,687	\$2,915,101
Average annual change %	4.6%	4.6%	5.9%
FTE change (Teachers, Health, Counseling, Library)	+21	+38	+11
FTE change %	6%	12%	3%

Balancing the FY19 Budget



Deficit as of 2/26 **-\$1,230,590**

Remove all additional requests/new items

Town \$196,954

Education (from 2/6 budget presentation) \$1,310,999

Worker's Compensation \$50,000

Capital Outlay \$91,027

Subtotal additional requests/new items \$1,648,980

Surplus **\$418,390**

Balancing the FY19 Budget

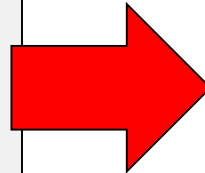


Surplus	\$418,390
Apply one time money*	\$275,000

Revised Surplus	\$693,390

New Growth Forecast:

FY19: \$675,000	}	\$275,000
FY20: \$950,000		
FY21: \$950,000		
FY22: \$550,000		
FY23: \$550,000		



Propose applying \$275,000 in **one-time building permit revenue** received in FY18 to FY19 (budget \$275,000 in fund balance revenue for FY19).

While these dollars turn into permanent revenue in 2020, new growth is forecasted to drop down to \$550,000 in FY22.

Balancing the Budget



Surplus

\$693,390

Proposed allocation of surplus dollars to budgets

1. Town Budget + \$75,234

- \$74,610 for additional firefighter and uniform (brings all shifts to 13, avoids overtime)
- \$624 stipend for Animal Control Officer AED and Narcan certification

2. Worker's Compensation + \$25,000

3. Education Budget + \$566,156

4. Capital Outlay + \$27,000

- Results in \$100,000 year over year increase, which has been our target for the past several years (inflation and Financial Policy)

Impact of proposal



Proposed

			<u>FY19 vs. FY18</u>	
	<u>FY18</u>	<u>FY19 Proposed</u>	<u>\$</u>	<u>%</u>
Town Budget (inc. Articles 4&5)	\$26,760,557	\$27,520,281	\$759,724	2.8%
Education Budget	\$49,762,694	\$51,932,952	\$2,170,258	4.4%
Capital Outlay	\$2,226,462	\$2,327,000	\$100,538	4.5%
Worker's Comp	\$330,000	\$355,000	\$25,000	7.6%

Impact of proposal



	3 year (FY15-18)	5 year (FY13-18)	RECO
<u>Town</u>			
Average annual change \$	\$501,807	\$1,236,376	\$759,724
Average annual change %	2.0%	5.7%	2.8%
<u>Education</u>			
Average annual change \$	\$2,097,649	\$2,022,687	\$2,170,258
Average annual change %	4.6%	4.6%	4.4%

Town Additional Requests



<u>Department</u>	<u>Item</u>	<u>Amount</u>	<u>TA Reco in budget</u>	<u>Proposed</u>
Selectmen	Grant Writer	\$70,000	\$0	\$0
Legal Services	Additional funding	\$68,000	\$25,000	\$0
Police	Additional officer	\$71,400	\$0	\$0
Police	Overtime	\$40,000	\$0	\$0
Fire	Overtime	\$31,000	\$31,000	\$0
Fire	Firefighter	\$63,540	\$63,540	\$63,540
Fire	Uniform and turnout gear	\$11,070	\$11,070	\$11,070
Animal Control	AE, Narcan	\$624	\$624	\$624
Harbormaster	Clerical	\$15,717	\$0	\$0
Harbormaster	R&M grounds	\$11,000	\$10,000	\$0
Town Engin	Overtime	\$7,821	\$3,500	\$0
DPW	1 Highway FTE	\$52,220	\$52,220	\$0
DPW	Asst Superintendent	\$94,458	\$0	\$0
Worker's Comp	Trends	\$50,000	\$50,000	\$25,000
Total		\$586,850	\$246,954	\$100,234
% total recommended			42%	17%



Some additional thoughts

- Further reductions in the municipal budget beyond \$100,234 will result in services **contracting**
- There is often “new news” that yields additional savings in the education budget between now and the end of the fiscal year
- Usage of **one time money** to fund **recurring expenses** runs the risk of creating a **structural deficit**
 - Not in compliance with the Town Financial Policy
 - Capital outlay and OPEB expenses are recurring
 - Budget surpluses are not recurring sources of revenue; still lot of uncertainty in FY18
- We have yet to see the taxpayer implications of new tax law
 - Capping the property tax deduction means citizens will be paying more for the same services

Near-term considerations: 5 years



\$17 million
debt
capacity



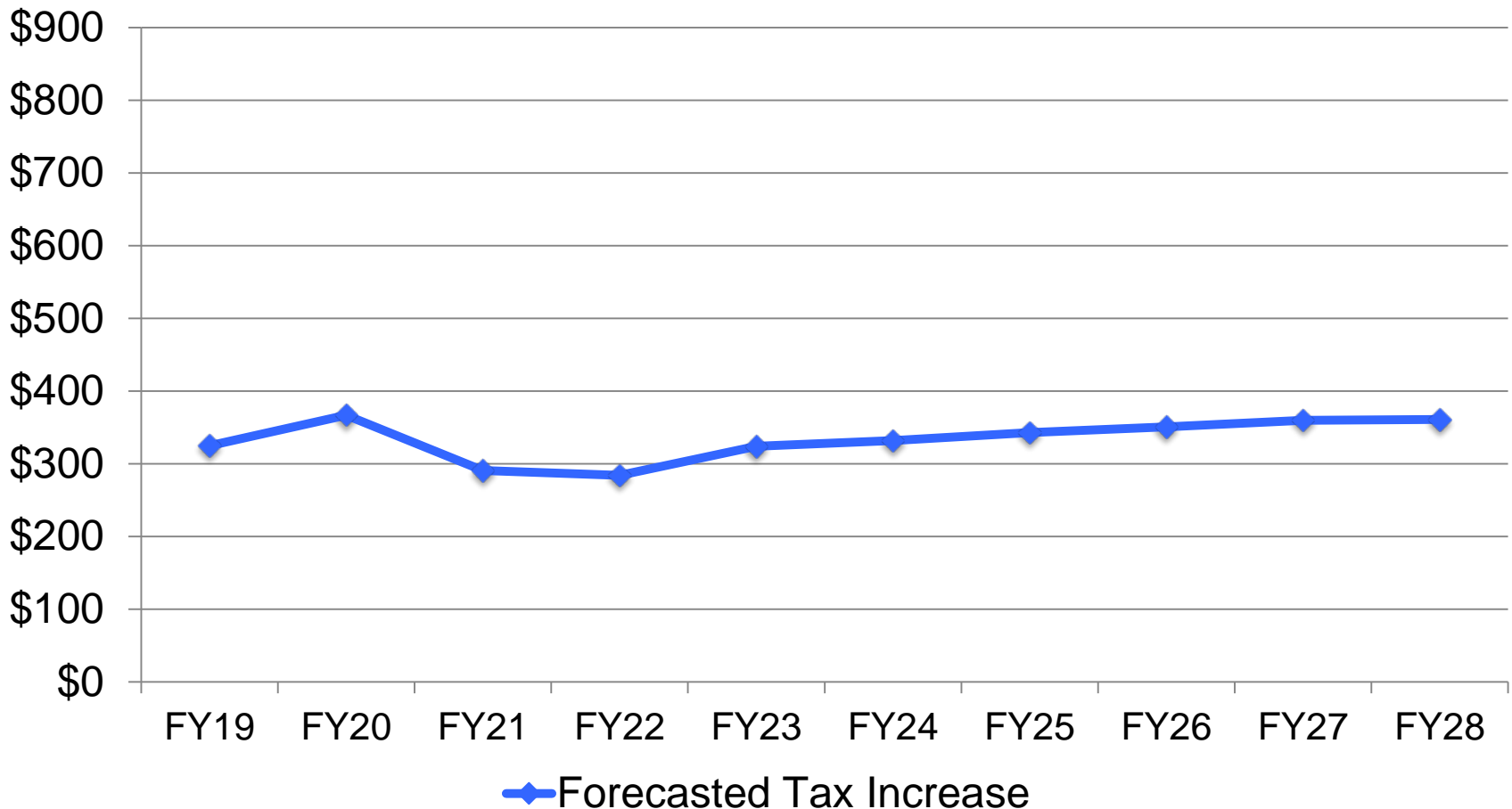
\$50-\$80 million
potential projects
(after grants and/or
reimbursements)

To move ahead with some or all these projects, we will need to ask Hingham citizens for one or more debt exclusions → Tax increase beyond 2 ½% allowed by statute

Estimated property tax increase before offsets: Average assessed value property



Scenario 1: Projected property tax increase assuming 2 ½% levy and existing excluded debt; before offsets to reduce tax rate (bond premiums, meals tax, stabilization funds)

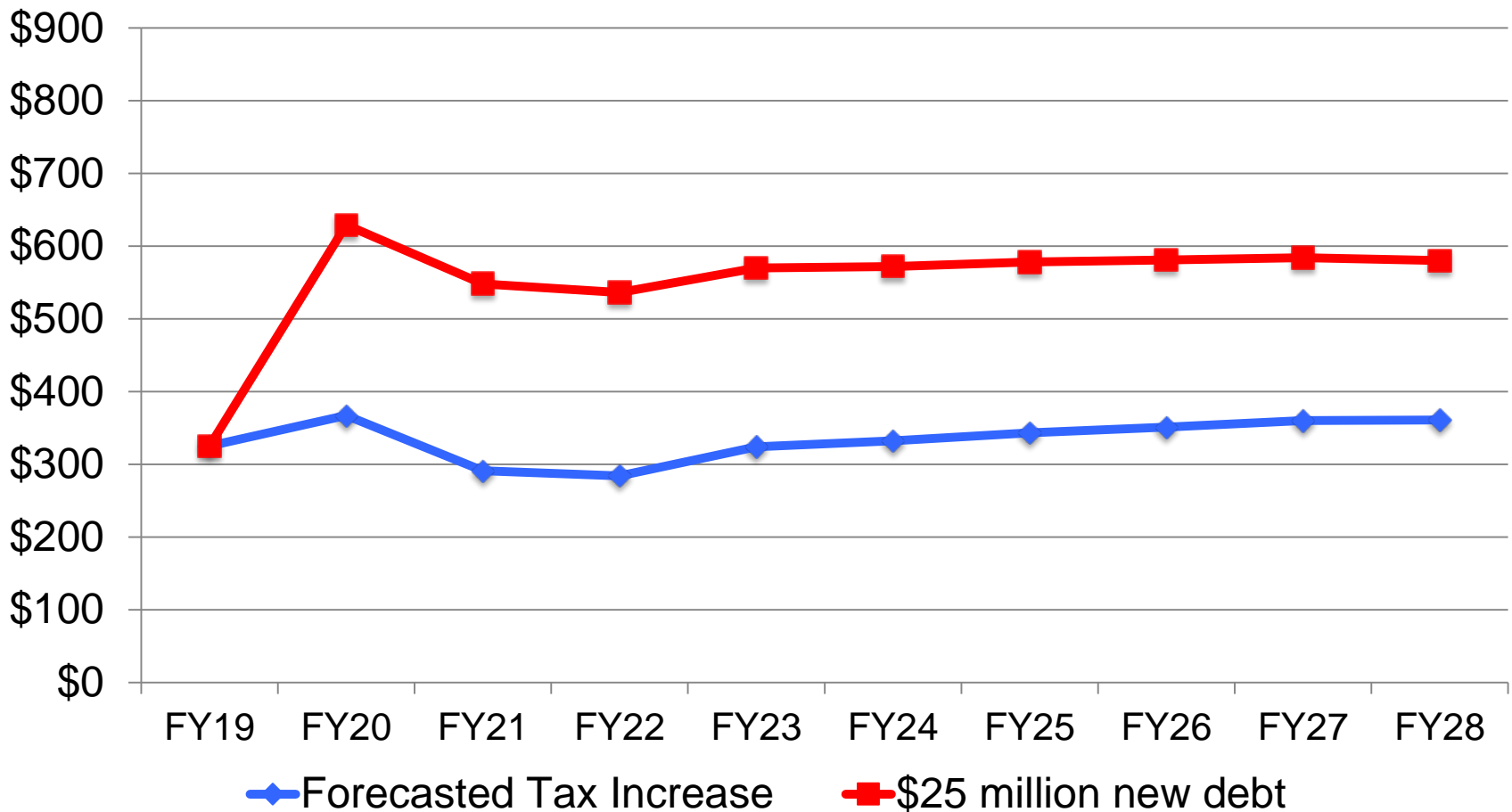


Source: Ad Com Financial Model

Estimated property tax increase before offsets: Average assessed value property



Scenario 2: Same assumptions as Scenario 1, additional \$25 million in excluded debt 2020 (3.5% interest rate)

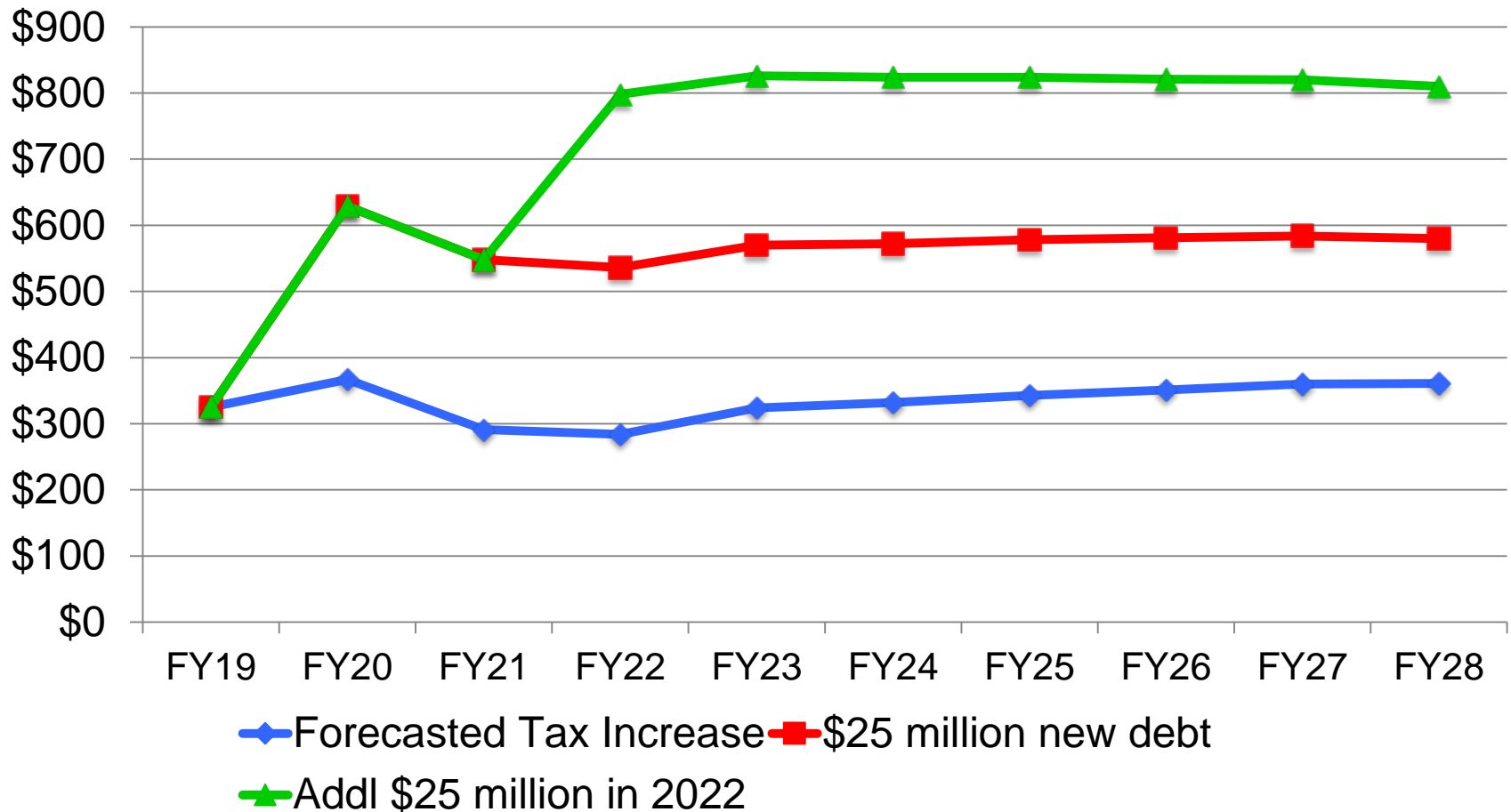


Source: Ad Com Financial Model

Estimated property tax increase before offsets: Average assessed value property



Scenario 3: Same assumptions as Scenario 3, additional \$25 million in excluded debt 2022 (3.5% interest rate)



Source: Ad Com Financial Model

How do we mitigate the impact of these projects?



- **Reduce cost to taxpayer**
 - Don't spend the non-excluded debt capacity that is being created
 - Maximize state funding and grants
 - Reduce tax increase by using one time money (excess fund balance) and/or unused levy capacity
- **Manage timing and control costs**
 - Assess programmatic needs and build what's needed to deliver them
 - Defer or say no to some projects
- **Live within our operating budget**
 - Target future budget increases not to exceed recent historic averages
 - Fund new initiatives through operational efficiencies and cost savings

7 Deadly Sins of Public Finance



1. **Balancing the budget with one time fixes**
2. **Ignoring the long-term consequences of a deal**
3. **Taking on too much**
4. **Misapplying a temporary windfall**
5. **Shortchanging pension obligations**
6. **Making unrealistic projections about rate of return**
7. **Ignoring financial checks and balances**

Source: **Governing Magazine**