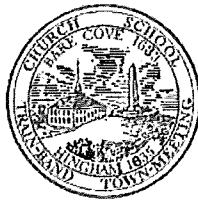


TOWN OF HINGHAM
FY24 OVERRIDE FRAMEWORK AND FY24-28 FINANCIAL MANAGEMENT PLAN



MARCH 13, 2023

PURPOSE

The purpose of this document is to make a public commitment to the residents and taxpayers of the Town of Hingham to implement a Financial Management Plan (the “Plan”) in conjunction with a proposed operational override for Fiscal Year 2024. The Select Board, School Committee, and Advisory Committee acknowledge the necessity of following the Plan’s parameters and pledge to work together in Fiscal Years 2024 to 2028 in order achieve balanced budgets consistent with the Plan’s fiscal constraints.

DEFINITIONS

- **Balanced Budget:** A budget that balances anticipated expenditures with anticipated revenue.
- **Excess Unassigned Fund Balance (EUFB):** Fund Balance is the accumulation of each year’s actual surpluses and deficits. Excess Unassigned Fund Balance is that portion of Fund Balance that is not otherwise use-restricted and that is in excess of the Town’s Financial Policy guideline of 20% of Total Annual Expenditures.
- **Debt Exclusion:** A voter-approved temporary tax increase allowed under Proposition 2½ to pay the debt service from bonding for a specific capital project.
- **Forecast Group:** A group of elected/appointed officials and staff that meet periodically for the purpose of reviewing and discussing the Town’s projected revenues and expenditures for the coming fiscal year. This group is comprised of the following individuals:
 - Select Board Chair
 - School Committee Chair and Vice Chair
 - Advisory Committee Chair and Vice Chair
 - Town Administrator
 - School Superintendent
 - Assistant Town Administrators
 - Director of School Business and Support Services
 - Town Accountant
- **Level Services:** The budget that provides expenditures that cover the next fiscal year’s costs of the current fiscal year’s services.
- **Municipal Budget:** In any given fiscal year, the Municipal Budget includes the amount budgeted in Warrant Article 4 plus the General Fund operating budget amounts in Warrant Article 6 for the General Government, Public Safety, Public Works, Human Services, and Culture and Recreation

departments. However, the Municipal Budget does **not** include Capital Outlay amounts for any departments or self-supporting operations (Sewer Department, South Shore Country Club, Weir River Water System, and programs supported by opioid settlement funds).

- Out-of-district (OOD) special education tuitions and special education contracts: Please see the line items and account numbers in Appendix A.
- Override: A voter-approved, permanent property tax increase allowed under Proposition 2 ½ generally to fund operating expenses.
- School Budget: The School Budget includes the General Fund operating budget amount for Education in Warrant Article 6. The School Budget does not include the Capital Outlay allocation, which is considered part of the Shared Services Budget as defined below.
- Shared Services Budget: The Shared Services Budget includes the General Fund amounts budgeted in Article 6 for Employee Benefits, Debt Service, Capital Outlay (all departments), and Property/Liability Insurance.
- The Town: The Town refers to the Town of Hingham government operation as a whole and, where relevant, includes both the Municipal and School Departments.
- Town's Financial Policy: The Advisory Committee establishes policies designed to manage Town expenditures and financial resources. The most recent version of the Town's Financial Policy was approved by a unanimous vote of the Advisory Committee on December 7, 2021, and is published on the Town's website at <https://www.hingham-ma.gov/383/Financial-Policy>.
- Total Annual Expenditures (TAE): As defined by the Town's Financial Policy, TAE is the sum of Warrant Articles 4, 5, and 6 excluding the expense and revenue amounts attributable to the Weir River Water System, the Sewer Department, and the South Shore Country Club, which are Enterprise Funds and/or are funded by user fees.

ACKNOWLEDGEMENTS

In an effort to exercise fiscal discipline while continuing to provide quality municipal and educational services, we acknowledge that budgetary limitations in each fiscal year may require the Town to prioritize the utilization of available resources in order to achieve the Plan's goals. The Town Administrator and School Superintendent will be responsible for proposing and implementing prioritizations, recognizing that this may lead to reductions or limitations in municipal and school departmental activities and plans. While current boards/committees cannot bind their successors, we expect that future boards/committees will honor and respect our public pledge of fiscal management consistent with the Plan's parameters.

COMMITMENTS

Fiscal Commitments

- The Town will seek an operational override in the amount of \$7,890,467 for FY24.
- No further operational overrides will be sought until at least FY28.
- The Plan includes the following tools to help meet this timeframe in the following order:
 1. Annual operating budget growth rate caps.
 - a. The Municipal Departments will operate with a total FY24 budget of \$34,731,577.

General Government	\$6,027,145
Public Safety	\$17,817,682
Public Works	\$6,730,128
Human Services	\$1,088,922
Culture and Recreation	\$2,765,203
Article 4	\$302,497
Total FY24 Municipal Budget	\$34,731,577

- b. Annual operating budget growth for the Municipal departments will be capped at 3.5% after FY24. The Municipal Budget growth rate will be calculated as follows: the prior year's approved Municipal Budget (as defined above) multiplied by 1.035. For example, if the approved FY24 Municipal Budget is \$34,731,577, the maximum FY25 Municipal budget would be \$35,947,182. The maximum Municipal budgets for FY25-27 are listed in Appendix B.
- c. The School Department will operate with a total FY24 budget of \$65,703,985. Annual operating budget growth for the School Department will be capped at 3.5% after FY24, with the exception of the accounts listed in Appendix A which will be accounted for based on section (d) below. The School Budget growth rate will be calculated as follows: the prior year's approved School Budget (as defined above) multiplied by 1.035. For example, if the approved FY24 School Budget is \$65,703,985, the maximum FY25 School budget would be \$68,003,624. The maximum School budgets for FY25-27 are listed in Appendix B.
- d. Within the School budget, OOD special education tuitions and special education contracts (transportation, specialized services) as outlined in Appendix A will be considered as a distinct category for growth calculations due to the unknown/uncontrollable nature of these expenditures. The MA Operational Services Division's 10-year average rate of increase in out-of-district tuitions from 2013 to 2023 of 2% is being used as a basis for the projected increase in tuitions. The projected increase of 14% in OOD tuitions for 2024 is considered an outlier and has already been factored into the School Department's FY24 budget. If the projected annual increase for OOD tuition and special education contracts for any fiscal year during FY25-27 is at or below the amount calculated using a 2.0% fixed annual growth rate ("2%FAGR), then the budget for those line items will increase to match the anticipated growth. If the projected annual increase for OOD tuition and special education contracts is above the amount calculated using 2%FAGR, those line items will be budgeted within the School budget using the 2%FAGR amount and any variance in costs above that amount will be paid through the

Article 6 Reserve Fund process if the School operating budget or any applicable grants are insufficient to cover these expenses. The School Department will apply applicable circuit breaker reimbursements, grant funding and, to the extent possible, Special Education Reserve funds to the OOD tuition and special education contracts costs before seeking to use the Article 6 Reserve Fund. The application of excess OOD special education tuition and special education contract costs to the Article 6 Reserve Fund will only take place for the duration of this Financial Management Plan.

- e. Changes in School enrollment during this period will not impact the School Department's budget growth as stated above.
 - f. Some service reductions and/or increased fees may be necessary in FY25-27 to ensure the municipal and school departments manage to the budgeted growth rates outlined above.
2. Creation of a Tax Mitigation Stabilization Fund with \$1,000,000 of EUFB in FY24 (potential to add more in future years). This stabilization fund will be utilized, as needed, to fund budget deficits in FY25-FY27 and potentially beyond. If Town Meeting does not create the Tax Mitigation Stabilization Fund or fund it in a sufficient manner, the Town will use EUFB to fund budget deficits in FY25-FY27 and potentially beyond.
 3. Excess Overlay funds will be applied as operating revenue, as needed, to fund budget deficits in FY25-FY27 and potentially beyond.
- In the event of a general budgeted surplus in operational revenue, excess revenue should be earmarked for the Tax Mitigation Stabilization Fund.

Other Commitments

- The Town will focus on economic development efforts to facilitate new growth.
- Municipal and School officials will seek strategies that provide for efficiencies in service delivery.
- The Town will continue to fund capital outlay at a level that maintains compliance with the Town's Financial Policy.
- This Financial Management Plan will not be construed as precluding the Town from evaluating and pursuing capital projects that may require debt exclusions.
- During the five-year period the Town will continue making annual contributions to its Other Post-Employment Benefits Trust Fund consistent with its past levels of contributions.
- The Town will continue to advance appropriate tax relief programs and publicize existing exemptions and relief programs.
- The Town will continue to investigate new and pre-identified non-tax revenue sources in accordance with the recommendations outlined in the January 31, 2022 Sustainable Budget Task Force final report.
- The Town will maintain Unassigned Fund Balance in compliance with the Town's Financial Policy.
- The Town will use its best efforts to maintain its AAA bond rating and strong financial position consistent with the Town's Financial Policy.

- In the event of extraordinary and unforeseen external circumstances, such as a major natural disaster, public health emergency, or significant economic crisis, this Plan may be subject to review at the request of all three signatory boards.

If the FY24 Override Fails:

- The School and Municipal Departments will implement service reductions as of July 1, 2023. Specific actions will be at the discretion of the Town Administrator and the School Superintendent at the direction of the School Committee in accordance with departmental budgets approved by Annual Town Meeting 2023.
- The School Department will operate with a total FY24 budget of \$61,092,221, which represents a decrease of \$3,909,890 from the proposed FY24 level services School Budget of \$65,002,111.
- The Municipal Departments will operate with a total FY24 budget of \$31,952,874, which represents a decrease of \$2,105,326 from the proposed FY24 level services Municipal Budget of \$34,058,200.
- One-time unemployment costs for staff who are laid off as part of the FY24 service reductions will be funded from the Article 6 Reserve Fund, per the vote of the Advisory Committee on February 21, 2023.
- The remainder of this Financial Management Plan for FY25-28 will not apply and the Town will need to reevaluate its approach to service provision.

IMPLEMENTATION

The Select Board, School Committee, and Advisory Committee shall each vote to approve and adhere to this Financial Management Plan as presented and authorize the respective chairperson to sign on behalf of the Board/Committee.

PROPOSED VOTES

1. That the Select Board of the Town of Hingham hereby votes to 1) approve and adhere to the FY24-28 Financial Management Plan dated March 13, 2023 attached hereto, 2) authorize the Chair of the Select Board to execute said Plan, and 3) authorize the Town Administrator to manage the implementation of said Plan on behalf of the Select Board in accordance with its terms.
2. That the School Committee of the Town of Hingham hereby votes to 1) approve and adhere to the FY24-28 Financial Management Plan dated March 13, 2023 attached hereto, 2) authorize the Chair of the School Committee to execute said Plan, and 3) authorize the School Superintendent to manage the implementation of said Plan on behalf of the School Committee in accordance with its terms.
3. That the Advisory Committee of the Town of Hingham hereby votes to 1) approve and adhere to the FY24-28 Financial Management Plan dated March 13, 2023 attached hereto and 2) authorize the Chair of the Advisory Committee to execute said Plan on behalf of the Advisory Committee.

Select Board

William C. Ramsey

William Ramsey, Chair

Thomas Mayo

Thomas Mayo, Town Administrator

March 15, 2023

Date

School Committee

Michelle Ayer

Michelle Ayer, Chair

Dr. Margaret Adams

Dr. Margaret Adams, Superintendent

March 13, 2023

Date

Advisory Committee

George Danis

George Danis, Chair

MARCH 16, 2023

Date

APPENDIX A

The out-of-district (OOD) special education tuitions and special education contracts refers to the following line items in the School Operating Budget. The amount below is net of applicable grants and State reimbursements.

Account	Numbers	Account Description	FY24 Balances
S91006	565149	SUMMER TUITIONS MA PUBLIC SCH	\$ 4,200
S91006	5651	TUITIONS MASS PUBLIC SCHOOLS	95,615
S93006	565149	SUMMER TUITIONS PRIVATE SCHOOL	482,372
S93006	5296	TUITIONS NON-PUBLIC SCHOOLS	625,000
S94006	565149	SUMMER TUITIONS COLLABORATIVES	114,080
S94006	5651	TUITIONS MASS PUBLIC SCHOOLS	850,000
		Total Tuitions	\$ 2,171,267
S33004	5279	TRANSPORTATION	\$ 329,420
S23004	5299	ABA SPECIALISTS	\$ 168,515
S23004	5298	HOME & HOSPITAL TUTORS	145,000
S23004	5292	LANGUAGE SERVICES	20,000
S23004	5291	PHYSICAL THERAPY SERVICES	80,000
S23004	5293	SPECIALIZED EQUIP CONTRACTS	500
S23004	5290	SPECIALIZED SERVICES	280,000
		Totals Specialized Services	\$ 694,015
		Total Special Ed OOD and Contracted Services	\$ 3,194,702

APPENDIX B

The maximum operating budgets for the Municipal and School Departments based on the growth rates outlined in this Financial Management Plan assuming the full amount is budgeted each year would be as follows (see Section 1d above for an explanation of the OOD tuition and special education contracts line):

Maximum Operating Budgets	2024	2025	2026	2027
Municipal Budget (3.5%)	\$ 34,731,577	\$ 35,947,182	\$ 37,205,334	\$ 38,507,520
OOD tuition and special education contracts (2% fixed annual growth rate - see Section 1d above)	\$ 3,194,702	\$ 3,258,596	\$ 3,323,768	\$ 3,390,243
Other School expenses	\$ 62,509,283	\$ 64,745,028	\$ 67,059,983	\$ 69,456,939
School Budget (3.5%)	\$ 65,703,985	\$ 68,003,624	\$ 70,383,751	\$ 72,847,183