

Chapter VI Fiscal Review of Acton

Introduction

Understanding the fiscal capacity of Acton is a key part of assessing its ability to accommodate and plan for future growth. This section examines recent trends and expected future changes in the town's valuation, tax rate, public revenues and expenditures, and its ability to carry debt. These are all key determinants when one examines the town's ability to absorb and plan for growth. Fiscal data for Acton from 1993 –2003 is shown on the following page.

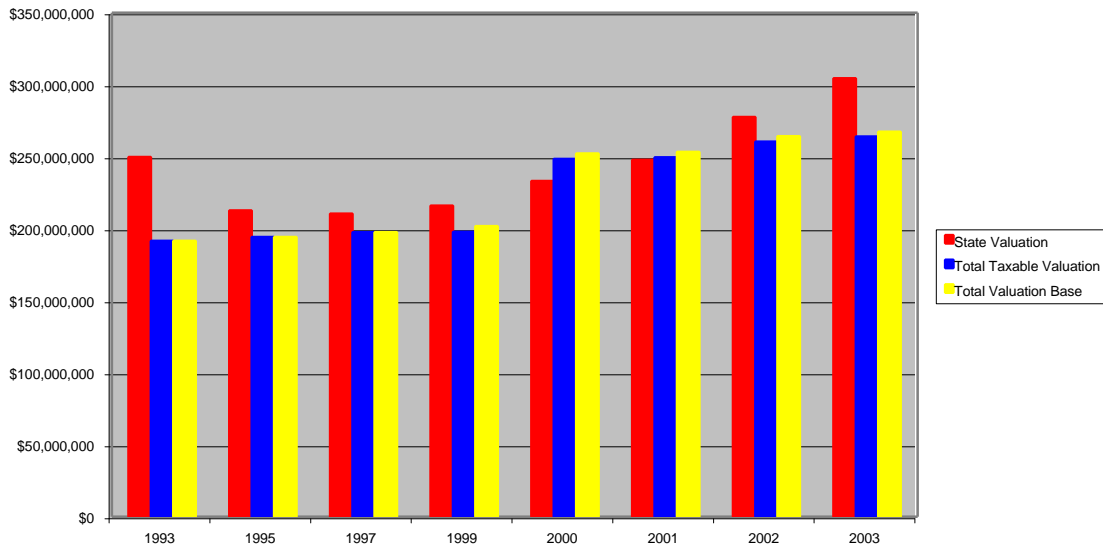
Property Valuation

Property valuation is calculated each year by both the State of Maine and the Town of Acton. Maine laws state that, if the total property value reported by a municipality drops below 70 percent of the state's valuation for that town, the town must conduct a revaluation. Typically, this only happens in towns experiencing very large increases in property value.

From 1993 through 2003, Acton's own statistics show that the Town's property valuation increased from \$ 191 million to \$267 million, a 39 percent increase over the ten-year period. During the same period, the state's figures show Acton's value growing from \$249 million to \$304 million, a gain of 22 percent.

As a result of the state's figures showing greater increases than the town's, Acton's valuation as a percentage of the state's valuation slipped from 94 percent in 1998 to 88 percent in 2003. While Acton's own valuation figures are not keeping pace with the state's reporting, the Town is still well above the 70 percent threshold for a potential revaluation, as shown in the following table.

Valuation

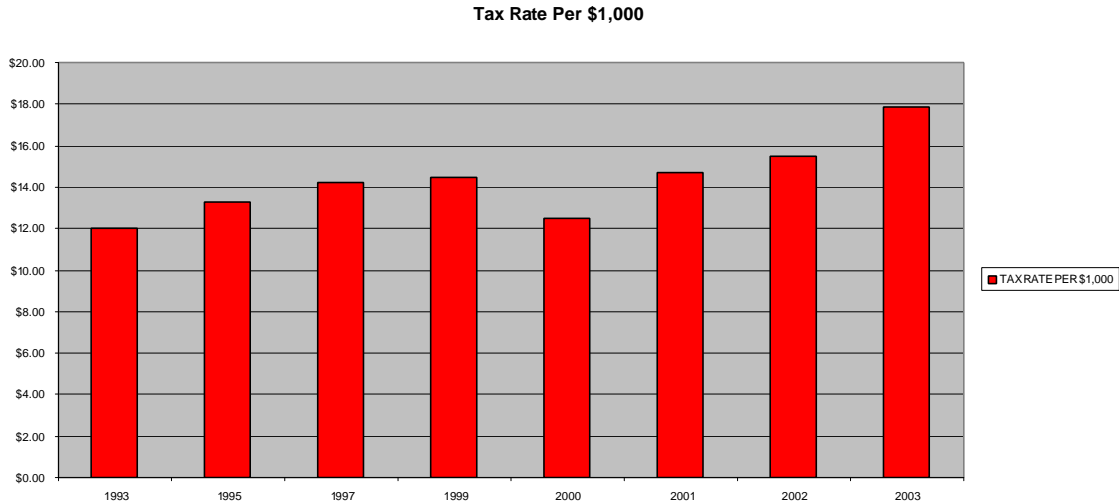


Source: Comprehensive Plan Committee

While valuation gains in recent years have been strong, the overall gain over the past decade has not been nearly as great. In 1991, Acton's valuation stood at \$188.9 million, and experienced a decline in the early part of the decade during the downturn in the regional real estate market, before recovering towards the end of the decade. Overall, the annual valuation change from 1991 through 2003 was just 2.9 percent, compared with an annual change from 1999 through 2003 of 13.2 percent.

Property Tax Rate

Acton's property tax rate for 2003 is in the lower third of towns in York County, at \$17.85 per \$1,000 in valuation. Its tax rate has remained relatively stable over the past five years, as it stood at \$14.50 in 1999, dropped to \$12.50 in 2000, and was raised to \$17.85 for 2003. The rate has gone up somewhat since 1991, however, when its tax rate was \$10.20. The graph below shows the changes over a ten year period.



Source: Comprehensive Plan Committee

Municipalities are subject to assessing standards requiring a 70% minimum assessment ratio and a maximum quality ratio of 20%. While the towns ratio has remained above 70% for the last decade the quality rating rose to over 20% in 1999. A total revaluation was initiated in 1999.

The table below highlights the ratio for the last few years:

Year	Assessment Ratios		Ratio
	Town Valuation	State Valuation	
2000	252,144,253	247,850,000	102%
2001	253,365,832	277,600,000	91%
2002	264,117,539	304,500,000	87%
2003	267,291,976	372,250,000	72%

Full Value Tax Rate

The municipal property tax rate set by a town is a reflection of many factors, including property value change, spending priorities, inflation, policy decisions, state and federal aid, and public perception. Because the tax rate of a town is subject to outside influence, a more accurate measure of how the tax rate is truly affected is the equalized tax rate, also known as the “full value tax rate.”

The full value tax rate is calculated by dividing a town’s annual financial commitment from its budget into the state valuation of the town for that year. In 2002, the town’s full value tax rate was \$14.54; in 2003 this rate was \$15.47. (Source; Richard Neal, Comprehensive Planning Committee)

Revenues

Table 4 compares the breakdown of Acton’s General Fund revenue by major source in 1998 and 2002. As is the case with most Maine municipalities, property taxes account for the lion’s share of the town’s revenue. This share has declined somewhat over the past five years, though, dropping from 72 percent of the budget to 69 percent. The second largest category, intergovernmental revenue, grew its share from 16 to 21 percent, primarily due to increased state educational aid, as Acton’s public school enrollment continues to rise.

Overall, the amount of revenue collected by the Town of Acton increased every year from 1998 to 2002, from \$3.93 million in 1998 to \$5.27 million in 2002—an annual increase of 7.6 percent. Property tax revenues grew by about 6 percent annually, from \$2.8 to \$3.6 million.

Deductions are other revenues used to reduce the amount of money to be raised by taxation. This might include both estimated, designated and undesignated revenues that may be appropriated by Town Meeting. It might include balances carried forward and the use of undesignated surplus for instance. It is recommended that the minimum amount to be retained in the undesignated fund balance be at least 10% of the commitment. (in Acton’s case about \$400,000). The town currently has an undesignated fund balance of about \$577,000.

Table 4
General Fund Revenue Sources, FY 1998-2002

	1998		2002		Annual % Change
	Amount	% of Total	Amount	% of Total	
Property Taxes	\$2,836,880	72.1%	\$3,648,584	69.2%	6.5%
Excise Taxes	\$216,115	5.5%	\$339,958	6.4%	12.0%
Licenses & Permits	\$22,482	0.6%	\$48,070	0.9%	20.9%
Intergovernmental Revenue	\$635,910	16.2%	\$1,102,859	20.9%	14.8%
Investment Income	\$0	0.0%	\$22,938	0.4%	na
Miscellaneous Revenues	\$220,986	5.6%	\$111,160	2.1%	-15.8%
Total	\$3,932,373	100.0%	\$5,273,569	100.0%	7.6%

Source: Town of Acton 2002 Annual Report

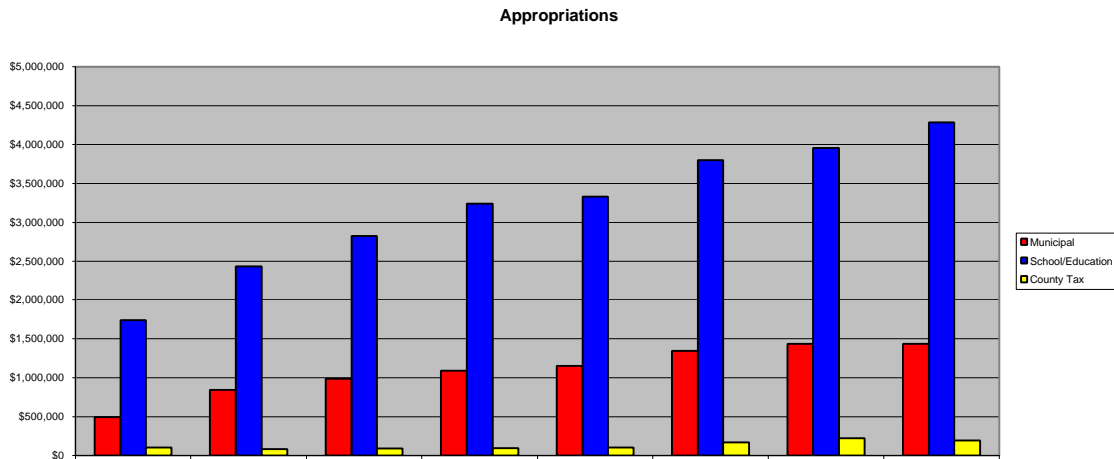
Expenditures

The Town of Acton’s General Fund expenditures increased by more than did its revenues from 1998 through 2002, growing from \$3.66 million in 1998 to \$5.27 million in 2002—an annual rate of increase of 9.5 percent.

Among expenditure categories, education is by far the largest, and its share has been growing. In 1998, this line item accounted for 71 percent of the Town’s total spending; its share increased to 76 percent in 2002. Overall, education spending grew from \$2.2 to

\$3.6 million during this period (excluding debt service), an annual rate of increase of 12 percent. Other categories in which expenditures grew rapidly were public safety (29 percent), county tax (16 percent), debt service principal (14 percent), and health & sanitation (13 percent). Categories for which spending decreased were debt service interest (-8 percent) and social services (-3 percent). Table 5 below shows changes by category from 1998-2002.

The chart below highlights general expenditures in Acton over a longer period (1993-2002). Appropriations have increased 153% from Fiscal Year 1993 to Fiscal Year 2004.



The table below highlights the towns spending patterns as it relates to municipal services and education.

Table 5
General Fund Expenditures, FY 1998-2002

	1998		2002		Annual % Change
	Amount	% of Total	Amount	% of Total	
General Government	\$210,512	5.7%	\$283,140	5.4%	7.7%
Public Safety	\$38,245	1.0%	\$106,888	2.0%	29.3%
Health & Sanitation	\$143,540	3.9%	\$234,165	4.4%	13.0%
Social Services	\$15,024	0.4%	\$13,365	0.3%	-2.9%
Library	\$5,200	0.1%	\$5,574	0.1%	1.8%
Education	\$2,245,784	61.3%	\$3,579,429	67.9%	12.4%
Public Works	\$435,714	11.9%	\$436,003	8.3%	0.0%
County Tax	\$91,530	2.5%	\$167,595	3.2%	16.3%
Unclassified	\$10,471	0.3%	\$10,409	0.2%	-0.1%
Emergency Response	\$111,183	3.0%	\$0	0.0%	-100.0%
Debt Service					
Principal	\$180,000	4.9%	\$304,839	5.8%	14.1%
Interest	\$175,294	4.8%	\$127,183	2.4%	-7.7%
Total	\$3,662,497	100.0%	\$5,268,590	100.0%	9.5%

Source: Town of Acton 2002 Annual Report

Debt Load

The amount of debt principal carried by the Town of Acton increased by 69 percent from 1998 to 2002, growing from \$180,000 to \$304,839. However, the amount of interest paid on debt by the town decreased from \$175,294 to \$127,183 during the same time. Overall, the town's total annual debt load was \$432,022 in 2002, representing 8.2 percent of its total annual budget. This was up from its debt load of 6.7 percent in 1998. Typically, a debt load above eight percent is considered high.

For the years 2003 through 2007, the town projects that it will carry forward \$180,000 in principal and no more than \$111,000 in interest for any one year—a total of about \$290,000 in annual debt service obligations. At this level of debt, the town's debt load will be around five percent of its Fiscal Year 2003 budget of \$5.2 million. This amount does not include the purchase/lease of a new fire truck which will cost approximately \$62,000 in principal and interest over the next three years.

The town would be able to take on an additional \$130,000 in annual debt service payments (principal and interest) before reaching the eight percent threshold (again this does not include the lease purchase of the fire truck). In addition, if the town's budget continues to increase in size, the town will be able to take on still more debt.

Table 6 below shows the town's past and future debt load (reflecting school bonds only):

Table 6

Outstanding Debt and Debt Load

Current Outstanding Debt, June 30, 2002: \$1,605,000

Annual Debt Service Obligations, 1998-2002				
	Principal	Interest	Total	Percent of FY Budget
1998	\$180,000	\$175,294	\$355,294	6.7%
1999	\$270,631	\$171,973	\$442,604	8.4%
2000	\$272,726	\$157,097	\$429,823	8.2%
2001	\$271,804	\$145,240	\$417,044	7.9%
2002	\$304,839	\$127,183	\$432,022	8.2%

Projected Annual Debt Service Obligations, 2003-2007				
	Principal	Interest	Total	Percent of FY03 Budget
2003	\$180,000	\$111,349	\$291,349	5.5%
2004	\$180,000	\$98,254	\$278,254	5.3%
2005	\$180,000	\$85,114	\$265,114	5.0%
2006	\$180,000	\$71,906	\$251,906	4.8%
2007	\$180,000	\$58,631	\$238,631	4.5%

Source: Town of Acton 2002 Annual Report

It should also be pointed out that the town had a surplus of approximately \$760,000 in 2003. This year the surplus had fallen down to \$535,000.

Future Revenues and Expenditures

As any budget analyst knows, forecasting revenues and expenditures anytime into the future is a risky business (particularly with tax reform up in the air). However the table below (for illustrative purposes only) may help to highlight where the town may stand in the next five years assuming a consistent rate of growth (based on the past) for both revenues and expenditures. Revenues would include property taxes, etc. When looking at the table one needs to be reminded that the town must balance revenues and expenditures on a year to year basis.

Year	Revenues	Expenditures	Difference
2003	5,273,569	5,268,590	4,979
2004	5,674,360	5,769,106	-94,746
2005	6,105,612	6,317,171	-211,560
2006	6,569,638	6,917,302	-347,664
2007	7,068,931	7,574,446	-505,516
2008	7,606,169	8,294,018	-687,849
2009	8,184,238	9,081,950	-897,712

In other words, assuming an annual rate of growth in revenues of 7.6% and a rate of growth in expenditures of 9.5% the town will likely see the need for increased revenues (or decreasing expenditures) of 1% to 11% over the next five or six years. It should also be pointed out this assumes no new major capital investment or additions to debt load.

The Impacts of LD1 on Acton and School Costs

Recent changes to the education funding formula appear as if they will have an impact on Acton and education budget that was not likely anticipated with the passage of LD1. Due to the unique fact that Acton only receives 12.1% of its education budget from the state, any significant growth could have a major impact on school costs in the future. The surrounding communities receive over 50% of their education budget from the state. Under the new education funding formula, Acton will only receive 14.4% of its basic allocation of the Essential Program and Services (EPS) funding for FY06 with no increase over FY05. In comparison with surrounding communities the state share is as follows: Sanford, will receive 68% of its EPS with an increase of over 4 million dollars; SAD 57 will receive an increase of 50% or 1.7 million dollars and SAD 60 will receive an increase of 67% or 1.8 million dollars from 05 figures.

The end results of these figures would trend towards growing local share of school costs as opposed to the reductions as envisioned in LD1.

Summary

Acton currently has one of the lower tax rates in York County. The town is fortunate to have a number of highly valued seasonal homes which provide revenue while demanding little in the way of services. However as many of these homes change from seasonal to year round, and the demand for services increases the town may find itself needing additional taxes to provide those services.

The town's current building cap provides a brake on explosive growth. However even with this cap growth and the service demands will likely be at least the same as in prior years. This may point to the need for a growing tax rate and/or additional sources of revenue (such as grants, increased fees for certain services,) or finally methods to reduce the costs of growth. These issues can be examined in both the land use and fiscal policies sections.