

II.L
FISCAL CAPACITY

1. FISCAL CAPACITY GOAL

To plan for, finance, and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development.

2. PURPOSE

The purpose of this section is:

- a. to identify and understand Eastbrook's financial condition;
- b. to identify and understand recent changes in Eastbrook's fiscal condition and how these changes may effect Eastbrook's future fiscal conditions;
- c. to predict the town's revenues, expenditures, and debts for the next ten years; and
- d. to assess the town's capacity to finance capital expenditures during the next 10 years.

3. TOWN FINANCIAL RECORDS

The majority of the financial information in this section is extracted from town reports. The quality of the information in this section is dependent on the quality of the financial information in the town reports. It is the purpose of this section to summarize that information rather than to duplicate it. For the sake of readability and simplicity, many figures have been grouped together, and technical notes and caveats have been omitted. Figures have also been rounded to convenient decimal locations and are expressed in real dollars with no adjustment for inflation. What follows below is an Inventory and Analysis of general trends for the purpose of planning. Readers interested in precise information should refer to the original sources.

4. MUNICIPAL TAX BASE**a. Inventory: Valuations**

The primary method of generating revenue within the town is through property taxes. These taxes are assessed on local property owners according to the value of their real estate and personal property. This assessment is known as the town valuation and is determined by the town tax assessor.

Figure L.1 shows the total taxable property assessments broken down by category for the years 1985 through 1989 along with the percentage change in each category. The town reports described the assessment in 1989 using different categories, so a direct comparison is not possible between 1989 and other years. Figure L.1 shows that the assessment has been increasing steadily, primarily from a rise in building valuations. The figures for 1989 show that nearly 70% of the town's valuation is held by non-residents.

FIGURE L.1 TAXABLE PROPERTY ASSESSMENTS IN DOLLARS EASTBROOK, 1985-1989						
TAXABLE PROPERTY	1989	1988	1987	1986	1985	1985-88 % change
Total Land	**	3,116,588.00	2,872,441.32	3,960,000.00	2,834,340.88	+ 9.9
Total Buildings	**	6,222,823.88	5,579,434.94	4,129,727.00	4,121,615.63	+ 50.9
Utilities	**	290,466.18	250,497.49	238,200.01	215,783.31	+ 34.6
Resident	2,538,713.75					
Non-Resident	6,430,953.00					
Leased Lots	1,003,668.88					
Equipment	83,000.00					
Totals	10,056,335.63	9,629,878.06	*8,702,373.75	*8,327,927.01	7,171,739.82	+ 34.2
Source: Annual Town Reports * Note: Totals Corrected from Town Report Total **Note: Not Available						

A large portion of the valuation in town falls under the Tree Growth Tax Program, as described in Section II.I: Agricultural and Forest Resources. A portion of the land area is also owned by the state (Lyle Frost Wildlife Management Area) and thus does not contribute to the tax base (see Section II.K: Land Use). Exempt property in 1989 totalled almost \$800,000 worth of property including state and federal land, tree growth land, town property, church, grange, and the school.

b. Inventory: Mil Rate

After valuation, taxpayers are assessed their share of the tax burden through an assessment ratio. This assessment is determined by dividing the total tax commitment (the amount voted on at the annual town meeting) into the total tax valuation of the town. This assessment is usually expressed in mils or dollars per thousand dollars valuation, or in decimal form. For example; if the town voted to raise one million dollars in taxes, and the total tax valuation of the town was 100 million dollars, the tax rate could be expressed as "10 mils", "\$10.00 per thousand", or "0.10". This would mean that a person who owned property valued at \$100,000 would be assessed \$1000 in taxes. Figure L.2 shows the changes in the Mil Rate from 1985 to 1989.

FIGURE L.2 MIL RATES, (DOLLARS PER THOUSAND IN VALUATION), EASTBROOK, 1985-1989		
	Mil Rate	Percentage Change from Previous Year
1989	.02550	+ 18.6
1988	.02150	+ 27.9
1987	.01680	+ 29.2
1986	.01300	- 21.7
1985	.01660	na

Source: Annual Town Reports

As mentioned, the mil rate fluctuates with both the total valuation and the total tax commitment. If the total commitment remains the same, the mil rate will decrease as the valuation increases, and vice versa. A comparison of the Figures L.1 and L.2 show that both the total valuation and the mil rate have increased in the past five years. This is a clear indication of the increased tax burden on local property owners. This shows that taxpayers are not only paying more dollars in taxes, but are paying a larger share of the value they have in their real and personal property. The increase in the mil rate in Eastbrook has been significant over the last five years.

c. Planning Implications: Municipal Tax Base

Because the town's expenses are rising, and because the budget is financed largely through tax revenues, the size of the tax base plays an important role in the Town of Eastbrook. Increased valuation is good for the town budget to the extent that it allows increased revenue, even with a constant mil rate. Increased valuation is a burden for the town, though, because it increases the town's expenditures which are linked to valuation, specifically the education and county contributions. While increased valuation of nonresident properties is good for the town, it may strain relations with nonresidents who resent that they are expected to finance public services which they do not use.

Tree Growth Tax Law parcels are taxed at a lower rate than other parcels, and thus do not contribute their maximum potential to the tax base. To the extent that the town is not reimbursed for tax income forgone through this program, its tax base is weaker due to the large amount of land in this program.

5. MUNICIPAL REVENUE

a. Inventory: Municipal Revenue

Figure L.3 shows major sources of municipal revenues for the last five years. Accounting differences from year to year prevent direct comparisons of categories. The primary sources of revenue for the town are tax revenues, excise taxes and permits, and State of Maine revenue sharing. Tax and permit revenues have been increasing rapidly, while revenue sharing funds have stabilized. Revenue sharing for transportation expenses is discussed separately in Section II.D: Transportation. To the extent that state budget problems do not allow increased revenue sharing programs, the town must rely more and more on property taxes and permits as a source of revenue.

SECTION II.L: FISCAL CAPACITY

FINAL DRAFT

FIGURE L.3 ANNUAL REVENUES IN DOLLARS, PERCENTAGES OF TOTALS, EASTBROOK, 1985-1989						
	1989 numerical (percent)	1988 numerical (percent)	1987 numerical (percent)	1986 numerical (percent)	1985 numerical (percent)	1985-89 % change
Property Taxes	238,167.92 (48.5)	193,723.97 (62.2)	139,846.83 (60.4)	100,197.75 (54.0)	114,557.05 (46.5)	+ 107.9
Property Tax Interest	913.38 (0.2)	605.25 (0.2)	485.81 (0.2)	306.72 (0.2)	514.31 (0.2)	+ 77.6
Property Lien Fees	4,511.33 (0.9)	4,886.98 (1.6)	8,845.56 (3.8)	3,786.62 (2.0)	2,659.33 (1.1)	+ 69.6
Excise Taxes	23,111.39 (4.7)	19,043.33 (6.2)	13,764.34 (6.0)	12,769.52 (6.9)	11,424.78 (4.6)	+ 102.3
Supplemental Taxes	650.96 (0.1)	956.03 (0.3)	977.89 (0.4)	4,789.78 (2.6)	2,297.08 (0.9)	- 71.7
CDBG Accounts	84,662.42 (17.3)	-0- (0.0)	-0- (0.0)	-0- (0.0)	-0- (0.0)	N/A
State of Maine	46,130.66 (9.4)	46,789.61 (15.0)	45,304.65 (19.6)	39,286.77 (21.1)	35,832.93 (14.5)	+ 28.7
U. S. Treasury	-0- (0.0)	-0- (0.0)	-0- (0.0)	9,471.00 (5.1)	10,576.00 (4.3)	N/A
Savings Accounts	90,000.00 (18.3)	42,000.00 (13.5)	20,920.72 (9.0)	12,000.00 (6.5)	9,000.00 (3.7)	+ 900.0
Certificates and Interest	-0- (0.0)	-0- (0.0)	123.40 (0.1)	-0- (0.0)	58,920.94 (23.9)	N/A
Insurance Refunds	377.00 (0.1)	2,234.81 (0.7)	-0- (0.0)	1,774.00 (0.9)	-0- (0.0)	N/A
Permits	1,864.00 (0.4)	930.00 (0.3)	487.00 (0.2)	490.00 (0.2)	446.00 (0.2)	+ 317.9
Cemetery Lots and Interest	59.30 (0.0)	100.00 (0.0)	178.70 (0.1)	178.70 (0.1)	128.70 (0.1)	- 53.9
Returned Checks	497.14 (0.1)	-0- (0.0)	300.50 (0.1)	644.69 (0.3)	-0- (0.0)	N/A
SAD #26	-0- (0.0)	-0- (0.0)	252.00 (0.1)	-0- (0.0)	-0- (0.0)	N/A
Total Revenues	490,945.50 (100.0)	311,269.98 (100.0)	231,487.40 (100.0)	185,695.55 (100.0)	246,357.12 (100.0)	+ 99.3
Source: Annual Town Reports						

b. Planning Implications: Municipal Revenue

Municipal revenue projections for the next ten years are likely to follow the same patterns as the last five years, barring significant shifts in state revenue sharing. Reduction in Tree Growth parcel registration would lead to increased tax revenue as parcels are removed from the program. While some future projects in Eastbrook may lead to increased state revenue (landfill, parks and recreation projects, planning efforts) it is likely that the town will continue to be more and more dependent on property tax revenues. The Opinion Survey, predictably, found that a large majority of residents feel that their taxes already are too high. Some respondents also questioned the fairness of the valuation, and others stated that low taxes used to be a reason they lived in Eastbrook, but that no longer is the case.

Impact fees are one tool used as a source of revenue by other towns. Fees assessed from developers for increased municipal costs due to their subdivisions or developments are used to offset public works, education, or other budgets. Eastbrook currently requires that new developments construct their own roads to town standards before accepting the responsibility of maintaining them. There are no other forms of revenue off-setting through developers' fees. In the past several years there have been few subdivisions or development projects, yet the town should consider impact fees in anticipation of future development which will increase demands on municipal resources. The Opinion Survey found that a majority of residents would strongly agree with impact fees. Before such fees are established, however, the town must adopt a detailed Capital Improvements Program.

6. ANNUAL RECURRING MUNICIPAL EXPENDITURES**a. Inventory: Municipal Expenditure**

Figure L.4 shows the amount of money expended for each of the major topic areas within the town government from 1985 to 1989. Figures for 1986 were not included in the town report for that year.

Municipal expenditures are increasing above and beyond inflation. Much of the increase is due to increasing expectations of municipal, state, and federal agencies as to the quality of services, salaries, and facilities provided. Most categories in the budget are increasing at a relatively constant rate.

Looking at the percentage of the budget demanded by each category, only administrative costs have increased proportionally by a large margin. The transportation budget, while increasing, has lately demanded a smaller proportion of the overall budget. Surprisingly, while the education budget has been rising dramatically, it consisted of a smaller percentage of the town budget in 1989 than in 1985. The education budget is discussed separately in Section II.E: Public Facilities and Services.

FIGURE L.4 ACTUAL EXPENDITURES BY DEPARTMENT IN DOLLARS PERCENTAGES OF TOTAL EXPENDITURES EASTBROOK, 1985-1989						
ACCOUNT	1989 numerical (percent)	1988 numerical (percent)	1987 numerical (percent)	1986* numerical (percent)	1985 numerical (percent)	1985-89 % change
Town Officials & Administration	40,906.12 (15.3)	30,112.14 (15.9)	20,760.31 (12.5)		15,207.30 (10.5)	+ 169.0
Fire Chief & Fire Department	6,000.00 (2.3)	6,000.00 (3.2)	6,000.00 (3.6)		4,500.00 (3.1)	+ 33.3
Street Lights	2,992.96 (1.1)	1,287.50 (0.7)	1,868.36 (1.1)		797.72 (0.5)	+ 187.4
Health & Sanitation	4,753.88 (1.8)	4,382.99 (2.3)	7,943.25 (4.8)		2,279.64 (1.6)	+ 108.5
Highways & Bridges	53,937.55 (20.2)	34,972.68 (18.5)	43,917.37 (26.5)		34,848.79 (24.1)	+ 54.8
Education	148,194.60 (55.4)	84,588.91 (44.8)	71,869.33 (43.4)		83,589.32 (57.8)	+ 77.3
Unclassified	2,522.42 (0.9)	19,595.32 (10.4)	6,974.51 (4.2)		3,474.02 (2.4)	- 27.4
Assessments	7,980.00 (3.0)	7,987.50 (4.2)	6,348.65 (3.9)		-0- (0.0)	N/A
Total Expenditures	267,287.53 (100.0)	188,927.04 (100.0)	165,681.78 (100.0)		144,696.79 (100.0)	+ 84.7

Source: Auditor's Reports
* Note: Not Available

b. Planning Implications: Municipal Expenditures

Again, it is difficult to predict municipal expenditures for the next ten years. Demands for services, county assessments, valuation, population, and many other factors all enter the very political process of determining expenditures every single year. Expenditures for capital improvement and debt service can be planned to some extent, however. To eliminate annual increases and sharp declines in such expenditures, the town should closely monitor capital expenditures to be able to predict what capital expenses may be needed and establish a plan to finance them over the long term.

SECTION II.L: FISCAL CAPACITY**7. LONG-TERM MUNICIPAL DEBT AND CAPITAL EXPENDITURES****a. Inventory: Municipal Debt**

The Town of Eastbrook doesnot have a heavy municipal debt. It has to repay the remainder of its loan to build the Community Building. There is \$35,000 outstanding on this loan, which is repaid by payments of \$10,000 per year. In addition, the town will owe approximately \$120,000 for the Cave Hill School addition, which Eastbrook has ten years to pay this amount. Finally, the Town borrowed \$12,500 for its tax maps to be repaid over two year period.

b. Inventory: Capital Expenditures

This plan has identified several future projects which may require capital expenses during the next several years. These capital improvements are summarized in Section VI: Capital Investment Plan of this report.

c. Planning Implications: Municipal Debt and Capital Expenditures

Unexpected municipal expenditures can cause drastic shifts in a town's mil rate. A capital improvement program can help minimize such shifts. The Opinion Survey reveals that a majority of respondents would support a five year Capital Improvement Program. An annual assessment of projected capital needs should be prepared and integrated with budget projections and revisions to the Comprehensive Plan.

8. RECOMMENDATIONS

a. Fiscal Capacity Policy

Given the need for mature, efficient use of taxpayers resources, and recognizing the increasing demands for capital and current expenditures,

"It is the policy of the Town of Eastbrook to develop and enhance its capacity to provide the most efficient and cost effective financing and operation of existing and future public facilities and services."

"To prepare, maintain, and annually update a 5 year Capital Improvement Program."

b. Fiscal Capacity Action

To implement the Policy stated above, it is recommended that the Town of Eastbrook:

1. Develop a five year Capital Improvement Program prioritizing the projects listed in the Proposed Capital Investment Plan; and
2. Develop and adopt an ordinance for assessing impact fees on developers consistent with State law and the Town's Capital Improvement Program.

II.M
INVENTORY AND ANALYSIS SUMMARY

There are four primary issues facing the town currently. These are school budgets, infrastructure and finance, water quality, and recreation.

The Cave Hill School's budget, rising enrollment levels, and new addition have increased Eastbrook's concern about education in the town. Since Eastbrook's school-aged population is not increasing as much as Waltham's while Eastbrook's valuation is growing more quickly, Eastbrook pays a disproportionate amount of the school district's total budget. This is an issue that must be discussed by the town and the School District.

There is not much increased demand for infrastructure in Eastbrook; however, there is need for updating existing services and facilities. The new Community Building and school addition require a new fire truck which may, in turn, require a larger fire station. The new Community Building and potential fire department expansion throws into question the future of the Town House & Library and the old Mill School building. Since they are not needed as much, should they be restored and maintained? The town must strike a balance between efficient allocation of resources (not heating and maintaining too many buildings) and preservation of historic resources and community character.

The water quality of ponds, especially of Molasses Pond, is of tremendous concern for the Town of Eastbrook. Most of the pressure for development in Eastbrook is on Molasses Pond, yet it is one of the most sensitive natural resources in the town. A balance between development and conservation must be achieved.

Finally, the town is in need of additional recreational facilities. The new Community Building is one step toward this end, but pond access and picnic areas are also needed. As always, however, the need for recreation must be balanced by concern for the town's budget.

Many of the issues discussed throughout the inventory section contain regional implications. The most obvious is education. Waste management, resource protection, public safety, and other issues also involve varying degrees of regional cooperation. Transportation, economic development, and recreation, similarly, require consideration of regional planning implications. Regional concerns are integrated throughout all inventory, policies, and action sections of this plan (See Section V: Regional Coordination Plan).