

# Fiscal Capacity

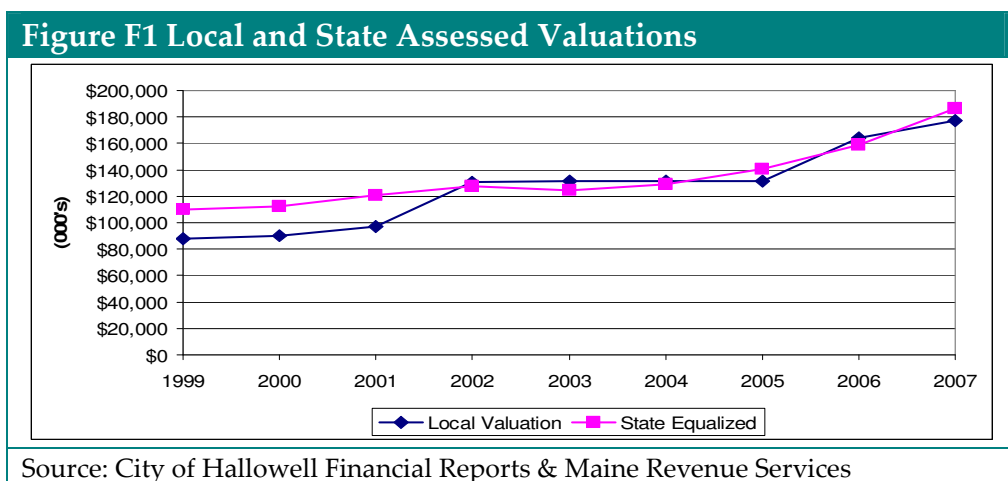
This chapter gives a broad overview of Hallowell’s financial situation. AS the City looks forward the continued funding for community activities will depend on its fiscal health and capacity.

## Valuation

Both the City of Hallowell and the State of Maine compute property valuations for the City. The State’s valuations reflect market values as the figures are compiled and adjusted to reflect actual property transactions. The figures for any given year are two years old, so do not reflect recent changes in property values. Hallowell’s valuations, in contrast, reflect market values only when a revaluation is undertaken. For all other years values are adjusted to reflect market conditions.

### Historical Valuation

The assessed valuation of Hallowell has increased over the past ten years, in terms of both local and state valuation (Figure F1). Not taking inflation into consideration, the local valuation has doubled over the past eight years, from \$88 million in 1999 to \$177 million in 2007. Between 2002 and 2005 Hallowell’s valuation changed little. Since 2005, however, it has seen double digit percentage growth each year.



According to state records, in 2006 about 6% of Hallowell’s property tax valuation was exempt from tax payments<sup>1</sup>. This was much less than the state proportion of 12%. Although Hallowell does not serve as a County Seat or any other state or federal government function, because of its proximity to the State Capital (Augusta) it does have some state government buildings. Approximately 64% of the City’s tax exempt properties are state government buildings. Very little land within Hallowell is cropland, woodland, and open space, with the total cumulative amount being \$22,385 (see Natural Resource Chapter for more information).

### Valuation Comparisons

State valuation and per capita valuations are two measure of a community’s relative wealth compared to other communities. Table F1 displays a summary of state valuations and per capita valuations for Hallowell and nine other communities within Kennebec County. Not surprisingly, Hallowell’s total State valuation was less than many of the larger neighboring communities. However, Hallowell’s per capita valuation (\$73,590) was higher than most of the communities except for Augusta, Manchester, Monmouth, and Winthrop (Table F2).

Table F1 Comparative Valuation Figures			
	2005 Population	2007 State Valuation	Value Per Capita
Hallowell	2,535	\$186,550,000	\$73,590
Augusta	18,626	\$1,380,800,000	\$74,133
Chelsea	2,672	\$121,400,000	\$45,434
Farmingdale	2,886	\$163,350,000	\$56,601
Gardiner	6,237	\$304,350,000	\$48,797
Manchester	2,554	\$286,150,000	\$112,040
Monmouth	3,788	\$308,200,000	\$81,362
Randolph	1,902	\$78,650,000	\$41,351
West Gardiner	2,901	\$199,050,000	\$68,614
Winthrop	6,480	\$526,600,000	\$81,265
Source: Maine Revenue Service			

Table F2 Full Value Tax Rates	
Town	Tax Rate
Hallowell	19.50
Augusta	16.50
Chelsea	15.70
Farmingdale	17.75
Gardiner	21.80
Manchester	11.50
Monmouth	24.35
Randolph	20.65
West Gardiner	7.60
Winthrop	22.26
Source: Maine Revenue Service	

<sup>1</sup> 2006 Municipal Valuation Return Statistical Summary, Tables 5-10.

## Tax Commitment

Hallowell's property tax commitment increased from 1999 to 2007, though not at the same rate as the City's valuation during the same time period (Table F3). Between these eight years Hallowell's local valuation increased by 102%. During this same time period the property tax commitment increased by about 62%, to over \$3.3 million in 2007. The tax rate in 2007 (\$19.50 per \$1,000 of valuation) was less than 1999's rate (\$23.30).

<b>Table F3 Hallowell's Assessed Valuation, Tax Rate and Commitment</b>						
<b>Fiscal Yr End June 30</b>	<b>Local Valuation (000's)</b>	<b>Equalized State Valuation (000's)</b>	<b>Annual Change in Value (State)</b>	<b>Municipal Tax Rate</b>	<b>Property Tax Commitment</b>	<b>Annual Change</b>
2007	\$176,892	\$186,550	17.36%	19.50	\$3,449,412	3.43%
2006	\$164,296	\$158,950	13.09%	19.50	\$3,203,773	-4.75%
2005	\$130,917	\$140,550	9.21%	25.00	\$3,272,950	0.26%
2004	\$130,917	\$128,700	3.29%	24.60	\$3,220,583	9.19%
2003	\$130,917	\$124,600	-2.04%	23.50	\$3,076,573	13.76%
2002	\$130,645	\$127,200	5.43%	20.70	\$2,704,352	9.51%
2001	\$97,220	\$120,650	7.53%	25.40	\$2,469,390	14.96%
2000	\$90,252	\$112,200	1.86%	23.80	\$2,147,998	5.10%
1999	\$87,714	\$110,150	-	23.30	\$2,043,757	-

Source: City of Hallowell Financial Reports & Maine Revenue Service

Although the City's tax rate has decreased in recent years, in 2006 Hallowell had a high rate in comparison to local communities in Kennebec County (as shown in Table F3).

## City Budget

City expenditures (Table F4, following page) have been slowly increasing over the past few years, although there was a slight decrease between 2006 and 2007. The City's recent budget, 2007, was approximately \$4.3 million.

<b>Table F4 City Expenditures Fiscal Year 2002 - 2007</b>						
<b>Fiscal Year End June 30</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Government	\$308,330	\$255,998	\$251,873	\$270,211	\$277,797	\$339,427
Public Safety	\$405,698	\$402,251	\$439,038	\$396,653	\$596,283	\$594,926
Public Works	\$417,887	\$416,935	\$423,834	\$524,932	\$922,623	\$736,704
Human Services	\$21,831	\$28,628	\$71,369	\$16,081	\$16,209	\$47,212
Special Assessments	\$1,997,214	\$2,098,484	\$2,370,200	\$2,494,307	\$2,256,300	\$2,095,249
Debt Service	\$170,690	\$507,327	\$118,741	\$106,336	\$194,788	\$255,176
Leisure Services	\$25,853	\$37,634	\$27,638	\$27,575	\$28,100	\$30,300
Employee Benefits	\$99,408	\$112,136	\$169,659	\$172,452	-	-
Unclassified	\$123,789	\$218,915	\$18,284	\$18,271	\$18,739	\$20,099
Capital Outlay	-	-	\$361,025	\$81,486	\$146,760	\$142,081
<b>Total</b>	<b>\$3,570,700</b>	<b>\$4,078,308</b>	<b>\$4,251,661</b>	<b>\$4,108,304</b>	<b>\$4,457,599</b>	<b>\$4,261,174</b>

Source: City of Hallowell Financial Reports

## Education Funding

Hallowell is part of MSAD #16, which is made up of the communities of Hallowell and Farmingdale.

According to the Maine Department of Education, in school year 2008-09 the total allocation for school funding in the district was \$7,384,833.18. Of this about 31% was from local payments by Hallowell and Farmingdale, or \$2,291,845. Because of its higher 2007 state valuation, Hallowell paid more of a town contribution than Farmingdale (\$1,221,902.50 vs. \$1,069,942.50). In other words, Hallowell paid about 53% of the local contribution for education funding in MSAD #16.

At the same time the Department of Education calculated that the average number of pupils for 2008-09 in the district was 786. Of this, 497.5 were expected to come from Farmingdale and 288.5 from Hallowell (63.3% from Farmingdale and 36.7% from Hallowell). This means that while Hallowell is contributing more money for education, as compared to Farmingdale, it has fewer children in the school system (see the Public Facilities chapter for more information).

## Tax Increment Financing

Tax increment financing (TIF) is a tool that enables the City to reduce the tax burden to new developments that promote City goals of job development or affordable housing, while at the same time sheltering the City from potential losses in state education funding and revenue sharing as a result of the development.

In 2006 the City had about \$15.4 million in assessed value captured within TIF Districts, generating \$178,000 in tax revenue. These numbers are greater than those from 2005, when \$14.5 million was captured within the districts generating \$168,000 in taxes.

## Debt

Hallowell currently has \$1.14 million in General Long-term Debt. This includes bonds and notes dating back to 1999 the City has taken out. The interest rates on these bonds range from 3.3% to 5.3%.

Payments on the debt extends through to 2016. Table F5 below outlines the expected payments that are due over the next few years.

As of the preparation of this document, April 2008, Hallowell has a \$1.5 million bond anticipation note, with another \$500 million note potentially added in June 2008 – meaning there is \$2 million in potential bonded additional indebtedness in the future.

**Table F5 Debt Repayment Schedule for General Fund Debt**

Year	Principal	Interest
2007	\$217,000	\$47,417
2007	\$217,000	\$38,231
2008	\$141,000	\$30,411
2009	\$122,800	\$24,038
2010	\$122,800	\$18,393
2011-2014	\$316,200	\$30,888
<b>Total</b>	<b>\$1,136,800</b>	<b>\$189,378</b>

Source: City of Hallowell 2007 Financial Report

## Considerations

By the fiscal tests suggested in the handbook *Comprehensive Planning: A Manual for Maine's Communities* (1992), Hallowell has capacity for additional borrowing (see Table F6). Its debt to valuation ratio is favorable, it has a healthy fund balance, it has low per capita debt (about \$450 per person) and it has double-digit growth in assessed value.

	<b>Hallowell Actual</b>	<b>Suggested Level</b>
Municipal debt to valuation (2007)	0.6%	less than 5%
Fund balance to operating budget (2007)	32.6%	more than 8.3%
Per capita debt to per capital income (2006)	2.2%	less than 5%
Assessed value (2007)	double digit growth	should be growing
Source: Planning Decisions		

The City of Hallowell currently exceeds many of the fiscal tests suggested in the *Comprehensive Planning Manual* mentioned above. Fiscally speaking, Hallowell is in a very good position as there is little outstanding debt to be paid down and the City has the capacity to take out more bonds if it so chooses. Although local and state valuations have increased in recent years, Hallowell has been able to decrease its tax rate.