

The Estimated Impact of the Palesky Tax Cap Proposal on Bangor

Prepared for:

Citizens to Reduce Local Property Taxes Statewide

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INTRODUCTION

Incorporated in 1791, Bangor is located at the geographic center of Maine on the western side of the Penobscot River, 20 miles northwest along the river from Penobscot Bay. The City has a population of 31,473 and is 34 square miles in size. Bangor provides professional, retail, transportation, medical and government services to an area that includes all of eastern and northern Maine, as well as a portion of Atlantic Canada. Bangor's education community includes its public K-12 system along with several private colleges, Eastern Maine Community College, and the flagship campus of the University of Maine system. Bangor is governed by a council/manager form of government and has its own school department.

The estimates and assumptions have been made by the City Manager in concert with senior staff. This paper represents staff's recommendations only. Final decisions would be made by the City Council if the Cap were to pass. The finance director, who compiled the majority of the information, can be reached at 207-992-4253 or debbie.cyr@bgrme.org.

PROPERTY TAX REVENUE IMPACT

2004 Municipal Valuation	\$1,834,338,100
Effective Date of Last Revaluation	1987
Assessment Ratio (02/04 ratio)	0.91
Estimated Equalized 2004 Valuation (divide 2004 municipal valuation by assessment ratio unless revaluation became effective within last 2 years then use actual municipal valuation)	\$2,015,756,154
Tax Commitment with 10 Mill Cap (multiply estimated equalized 2004 valuation by .010)	\$20,157,562
Voter Approved Debt (annual 2004 payment on debt; only include current year payment on debt which was approved by the voters before 1999 or approved by at least 2/3 of the voters between 1999-2004)	\$807,232
Total Tax Commitment Allowed under Tax Cap (tax commitment with 10 mill cap plus voter approved debt service)	\$20,964,794
2004 Actual Total Tax Commitment	\$39,282,934
Estimated Property Tax Revenue Loss under Tax Cap 2004 (actual commitment minus tax commitment allowed under Palesky)	\$18,318,140
Estimated Property Tax Revenue Loss as % of 2004 Actual Total Tax Commitment	47%

SUMMARY

If the Palesky Tax Cap were to pass, the City of Bangor would lose an estimated 47 percent (over \$18 million) of its property tax revenues. The citizens and businesses of Bangor will find their city transformed into a community suffering from a major loss of services normally expected of small, healthy and growing cities, should the Palesky Tax Cap pass. City officials forecast drastic cuts in law enforcement, fire safety, and public works. The City currently maintains an undedicated, unreserved fund balance of around 8 percent of total General Fund expenditures. This is a level within the range recommended by the Government Finance Officers Association. Therefore, the City would not have extra surplus available to mitigate the property tax loss.

According to City officials "Police would no longer respond to minor incidents and property crimes. Traffic enforcement would be crippled. During busy periods, response times to emergency situations would increase;" "Fire Stations 5 & 6 would be closed...Overall response times would increase given the greater response distances that would be required;" "Two-thirds of the City's streetlights would be removed, leaving minimal illumination on main arterials only." Such statements describe a city very changed from the vibrant service center that now exists.

SERVICE IMPACTS

Public Safety

As with other communities that are considering the potential impacts of the proposed Palesky Tax Cap, Bangor estimates that significant reductions in law enforcement and fire safety would occur.

Law Enforcement

- Cut 47 full-time law enforcement personnel, more than half of the current department.
- Police would no longer respond to minor incidents and property crimes.
- Traffic enforcement would be nearly non-existent.
- During busy periods, response times to emergency situations would increase.
- The School Liaison, K-9 and downtown bike patrol programs would be eliminated.
- The detective division would investigate only serious crimes against people and those where investigations are mandated by state law. The department would no longer investigate homicides, but would rely on the State Police.
- The Special Response Team and liaisons with Job Corp, Shaw House and Park Woods would be eliminated.
- Training would be drastically reduced, as would public access to personnel and records. The dispatch operations would be transferred to Penobscot County, which would be facing the demands of all other towns in the county.

Fire

- Cut 47 fire safety personnel, almost half of the current staff level for fire protection.
- Fire Stations 5 & 6 would be closed.
- Two ambulances would operate from Central Fire to maintain this service and a partial revenue stream.
- Overall response times would increase given the greater response distances that would be required.
- Fire prevention and education programs would be eliminated.

Public Works

Public works duties are closely associated with public safety. Roads that are not plowed will endanger drivers and pedestrians; sidewalks that are not plowed will place students at risk. The forecasted cuts in Bangor's public works staff will degrade the efforts of the city to keep its residents and businesses safe.

Roads

- The highway department will largely be limited to emergency response.
- Snow plowing will be reduced, leading to longer periods between the end of a storm and completion of routes. During storms, the emphasis will be on arterial streets.
- Sidewalk plowing will only be done on a time available basis.
- Sanding and salting of streets will only be done upon the completion of plowing.
- Downtown snow removal will also only be done on a time available basis.
- The General Fund contributions to street and sidewalk paving would be eliminated. Over time, additional street deterioration would result, and eventual repair costs

would increase. Future paving would only be undertaken through the issuance of bonds, which would require a two-thirds vote of the public.

Streetlights

- Response times in the electrical division would increase, with delays in repairing streetlights and traffic signals.
- Preventative maintenance on our traffic signal system would be eliminated.
- Two-thirds of the City's streetlights would be removed, leaving minimal illumination on main arterials only.

Garbage Collection and Recycling

- Garbage collection and recycling would transition to a fee for service system.

Environmental

- Forestry would be limited to emergency responses to dangerous trees.
- Existing ornamental plantings would no longer be maintained.
- The tree-planting program would be eliminated.
- Roadside spraying and mowing would no longer be performed.
- Park trail maintenance would cease.

Customer Service

- Customer service will be affected in all areas, resulting in longer wait time for service and an increase in citizen complaints.

Cemetery and Harbor

- Cemetery maintenance would be reduced to minimum levels.
- The harbor would be minimally supervised.

Codes, Health and Human Services

Once again, resident safety is threatened by the necessary forecasted cuts in this area:

- Delays would be experienced in issuing permits and performing inspections.
- Certain inspections would no longer be performed, including many that are initiated by citizen complaints.
- Restaurant inspection would end.
- Only mandated health & welfare programs such as general assistance and those that require no funding from the general fund would be maintained.
- Nursing and dental programs would be eliminated or drastically reduced.

Parks, Recreation, and Library

- Only those recreation programs that cover their costs will continue.
- Park maintenance would be reduced and frequency of mowing and other maintenance activities would decline dramatically. The public would find the level of maintenance to parks and playgrounds inadequate, resulting in numerous complaints.
- Funding for Bangor Public Library's operation would be reduced 50%.
- The Library would cut the speed of its computer connection.
- Cut all public copy machines at the library.

- Reduce hours that the library is open to the public to only 22 hours a week, compared with the current 64 hour schedule during the school year.

General Administration

The drastic cuts in this area (more than half of all current positions) would create serious cavities in the services residents of healthy cities normally expect. These cuts translate directly into the following:

- Customer service will be affected in all areas resulting in additional waiting for service and citizen complaints.
- All non-essential expenses, including travel, publications, training, supplies and services will be reduced.
- Web site and government channel operation and maintenance would be at minimum levels.
- Fleet replacement funding would be eliminated.
- BAT, Bangor's public transportation service will be eliminated.
- Staff would no longer provide support/expertise to outside agencies.
- Citywide safety funding would be eliminated.
- Maintenance and cleaning of facilities would be reduced to a minimum.
- Commercial insurance coverage would be eliminated, leaving the City self-insured.
- The City's marketing program would be eliminated, as well as funding for general economic development efforts.

Education

Significant personnel and program reductions will be made in the area of education however details regarding education were not included in this analysis.

Debt Service

The City will make every effort to continue to meet its current debt service obligations, recognizing that citizens of Bangor and their City government will be strictly limited in their efforts to borrow funds in the future because of the restrictions imposed by the Palesky Tax Cap.

Other

- City funding for private schools and various agencies would be eliminated.
- The City would drop its memberships in Maine Municipal Association, the National League of Cities, Penobscot Valley Council of Governments, and Maine Service Centers Coalition.
- The Bass Park facility would only be made available to events that have confirmed dates and that will produce sufficient revenue to offset expenses.

BUSINESS IMPACTS

The reductions in fire services forecasted by a passage of the Palesky Tax Cap would likely cause a decrease in the City's ISO rating, thus causing businesses to suffer an increase in insurance rates.

- The City would potentially lose its delegated authority from DEP to approve certain projects under State law, resulting in delays to developers.
- With reduced staffing and maintenance levels, it will be difficult to attract new development to the area.
- In addition, the negative impact on businesses in Bangor would be further exacerbated since the City, with its current \$73,000,000 budget, has a significant economic multiplier effect within the community.
- Service to existing businesses will decline, as it would for residents, as noted in the previous sections of this paper.
- There would be a longer wait or no response to police calls that are deemed minor.
- Longer delays in street plowing may require more frequent business closings.
- Downtown snow removal will be done on a time available basis, impacting downtown businesses.

NON PROPERTY TAX REVENUE IMPACTS

Fees & Charges for Services

- Garbage and recycling collection would be on a fee for service basis.
- Fee increases would be required for all recreation programs that remain.
- All other fees will be reviewed to determine if they can be increased and other new fees will be explored.

Other Non-property Tax Revenue Impacts

- There will be several areas in which the City would not be able to produce as much non-tax revenue due to the reduction in the workforce and the consequent cut in services. For example, ambulance fees are estimated to drop 50 percent.

OTHER IMPACTS

- The highly coveted and protected philosophy of Mainers' independent spirit, often called "local control" and "home rule", would be lost or greatly diminished if the Palesky Tax Cap were to pass. If local funds and services are replaced to an extent by state government, local citizens' input and involvement will be more and more deeply muted as authority over local decisions inevitably moves from local government to county and state.

BUDGET BACKGROUND

2002 Full Value Tax Rate	22.05
2004 Tax Commitment -Total	\$39,282,934
2004 Tax Commitment – Municipal	\$16,427,915
2004 Tax Commitment – School	\$20,647,588
2004 Tax Commitment – County	\$1,931,434
2004 Tax Commitment – Overlay	\$275,997
2004 % of Tax Commitment – Municipal	42%
2004 % of Tax Commitment – School	53%
2004 % of Tax Commitment – County	5%
Current Fiscal Year	Jul 01 04- Jun 30 05
Current Year General Fund Expenditures	\$72,800,428
Undesignated, Unreserved Fund Balance (in last completed fiscal year)	\$5,936,267
Undesignated, Unreserved Fund Balance as a % of Current Year Total General Fund Expenditures	8%
2004 Long-Term Debt Outstanding*	\$60,808,089
2004 Five Largest Taxpayers	Valuation
BANMAK Associates	\$44,126,500
General Electric	\$41,619,800
Bangor Hydro	\$22,629,200
Bangor Savings Bank	\$16,257,900
Eastern Maine Medical Center	\$16,215,800

*Includes only the debt that is paid by general fund.

Palesky Tax Cap Impact - Bangor												
Budget Impacts												
Expenditure Category	2004 Budget (Actual)				Estimated Budget Cuts under Palesky Tax Cap				2004 Estimated Budget under Palesky Tax Cap			
	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget	Operating	Capital	Total (oper.+cap.)	Category Total as % of Total Budget
General Administration	\$5,226,148		\$5,226,148	7.4%	\$3,756,793	\$0	\$3,756,793	19.0%	\$1,469,355		\$1,469,355	2.9%
Public Safety	\$12,406,707	\$0	\$12,406,707	17.6%	\$5,280,711	\$0	\$5,280,711	26.7%	\$7,125,996	\$0	\$7,125,996	14.0%
Law Enforcement	\$6,109,946		\$6,109,946	8.6%	\$2,639,589	\$0	\$2,639,589	13.4%	\$3,470,357		\$3,470,357	6.8%
Fire	\$6,296,761		\$6,296,761	8.9%	\$2,641,122	\$0	\$2,641,122	13.4%	\$3,655,639		\$3,655,639	7.2%
Emergency Medical Services			\$0	0.0%	\$0	\$0	\$0	0.0%			\$0	0.0%
Other Public Safety			\$0	0.0%	\$0	\$0	\$0	0.0%			\$0	0.0%
Public Works	\$5,987,938	\$0	\$5,987,938	8.5%	\$2,054,172	\$0	\$2,054,172	10.4%	\$3,933,766	\$0	\$3,933,766	7.7%
Roads			\$0	0.0%	\$0	\$0	\$0	0.0%			\$0	0.0%
Solid Waste	\$2,132,988		\$2,132,988	3.0%	\$0	\$0	\$0	0.0%	\$2,132,988		\$2,132,988	4.2%
Other Public Works			\$0	0.0%	\$0	\$0	\$0	0.0%			\$0	0.0%
Codes, Health & Human Services	\$2,602,734		\$2,602,734	3.7%	\$662,151	\$0	\$662,151	3.3%	\$1,940,583		\$1,940,583	3.8%
Parks, Recreation, & Library	\$2,519,119	\$0	\$2,519,119	3.6%	\$1,252,201	\$0	\$1,252,201	6.3%	\$1,266,918	\$0	\$1,266,918	2.5%
Parks and Recreation	\$1,165,912		\$1,165,912	1.6%	\$689,541	\$0	\$689,541	3.5%	\$476,371		\$476,371	0.9%
Library	\$1,353,207		\$1,353,207	1.9%	\$562,660	\$0	\$562,660	2.8%	\$790,547		\$790,547	1.6%
Education (local appropriation from property taxes only)	\$34,746,700		\$34,746,700	49.2%	\$5,744,283	\$0	\$5,744,283	29.1%	\$29,002,417		\$29,002,417	57.0%
Debt Service	\$2,063,978		\$2,063,978	2.9%	\$0	\$0	\$0	0.0%	\$2,063,978		\$2,063,978	4.1%
Other (anything not included in above categories)	\$4,624,681	\$489,435	\$5,114,116	7.2%	\$679,384	\$339,435	\$1,018,819	5.2%	\$3,945,297	\$150,000	\$4,095,297	8.0%
TOTAL	\$70,178,005	\$489,435	\$70,667,440	100.0%	\$19,429,695	\$339,435	\$19,769,130	100.0%	\$50,748,310	\$150,000	\$50,898,310	100.0%

Notes:

"Other" includes the following

County Tax	\$1,931,434	
Pension Ob Bonds	\$1,683,233	
Other Fringes	\$49,232	
Hiring Freeze	(\$200,000)	
Operating Subs.	\$740,790	\$259,392
Other Agencies	\$419,992	\$419,992

Emergency Medical Services are included with Fire

Roads are included in total Public Works

The amount cut due to cap, exceeds property tax revenue loss due to the need to continue to pay for county tax assessment thus requiring additional cuts to municipal and school budgets.

Palesky Tax Cap Impact - Bangor												
Employment Impacts												
Service Category	2004 # of Positions (Actual)				Estimated Position Cuts under Palesky Tax Cap				2004 Estimated # of Positions under Palesky Tax Cap			
	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions	Full Time	Part Time	Total (full+part)	Category Total as % of Total Positions
General Administration	69	47	116	20.5%	-34	-35	-69	21.8%	35	12	47	19.0%
Public Safety	189	2	191	33.8%	-94	-2	-96	30.3%	95	0	95	38.3%
Law Enforcement	92	1	93	16.5%	-47	-1	-48	15.1%	45	0	45	18.1%
Fire	97	1	98	17.3%	-47	-1	-48	15.1%	50	0	50	20.2%
Emergency Medical Services			0	0.0%	0	0	0	0.0%			0	0.0%
Other Public Safety			0	0.0%	0	0	0	0.0%			0	0.0%
Public Works	73	12	85	15.0%	-35	-12	-47	14.8%	38	0	38	15.3%
Roads			0	0.0%	0	0	0	0.0%			0	0.0%
Solid Waste			0	0.0%	0	0	0	0.0%			0	0.0%
Other Public Works			0	0.0%	0	0	0	0.0%			0	0.0%
Codes, Health & Human Services	22	6	28	5.0%	-11	-3	-14	4.4%	11	3	14	5.6%
Parks, Recreation, & Library	10	86	96	17.0%	-7	-73	-80	25.2%	3	13	16	6.5%
Parks and Recreation	10	86	96	17.0%	-7	-73	-80	25.2%	3	13	16	6.5%
Library*			0	0.0%	0	0	0	0.0%			0	0.0%
Education**			0	0.0%	0	0	0	0.0%			0	0.0%
Other (anything not included in above categories)	9	40	49	8.7%	-3	-8	-11	3.5%	6	32	38	15.3%
TOTAL	372	193	565	100.0%	-184	-133	-317	100.0%	188	60	248	100.0%

Notes:

*Not city employees; city only contributes money.

**Currently unknown.

Emergency Medical Services are included with Fire

Roads are included in total Public Works