

# **The Estimated Impact of the Palesky Tax Cap Proposal on Calais**

Prepared for:

Citizens to Reduce Local Property Taxes Statewide

Prepared by:



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## **INTRODUCTION**

The City of Calais is located in Washington County. Calais was incorporated as a town in 1809 and then granted a city charter in 1850. It has a population of 3,447 and is 40 square miles in size. Calais is a service center to about 15,000 persons from surrounding communities. Retail, service, and construction businesses, and its location on the St. Croix River across from New Brunswick, Canada, make Calais the primary shopping center of eastern Washington County. Calais is governed by a council/manager form of government and is part of School Union 106.

The City Manager prepared the impacts which were then reviewed by the City Council at a workshop. The City Manager can be reached at 207-454-2521 or [calais@midmaine.com](mailto:calais@midmaine.com).

**PROPERTY TAX REVENUE IMPACT**

2004 Municipal Valuation	<u>\$122,229,900</u>
Effective Date of Last Revaluation	<u>1996</u>
Assessment Ratio (02/04 ratio)	<u>0.92</u>
Estimated Equalized 2004 Valuation (divide 2004 municipal valuation by assessment ratio unless revaluation became effective within last 2 years then use actual municipal valuation)	<u>\$132,858,587</u>
Tax Commitment with 10 Mill Cap (multiply estimated equalized 2004 valuation by .010)	<u>\$1,328,586</u>
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)	<u>\$0</u>
Total Tax Commitment Allowed under Tax Cap (tax commitment with 10 mill cap plus voter approved debt service)	<u>\$1,328,586</u>
2004 Actual Total Tax Commitment	<u>\$3,416,326</u>
Estimated Property Tax Revenue Loss under Tax Cap 2004 (actual commitment minus tax commitment allowed under Palesky)	<u>\$2,087,740</u>
Estimated Property Tax Revenue Loss as % of 2004 Actual Total Tax Commitment	<u>61%</u>

## **SUMMARY**

In the event the Palesky Tax Cap is imposed on the people of Calais, Maine, the city would lose 61 percent of its current total tax commitment. The result would be a drastic shift in the nature of the community: schools would become K-8 multi-aged classes; the library would close; the pool and recreation facilities would be closed or their operations diminished drastically; fire would most likely convert to a volunteer unit. Perhaps most damaging of all would be the cuts to police and education. The entire 13 staff police department would be cut, resulting in the closing of all police, dispatch, and jail services, with the city resorting to competition with other communities for county law enforcement services. In education, a total of 48 positions would need to be cut, a reduction of 40 percent from the current 121 education positions.

The City maintains an undedicated, unreserved fund balance of around 8%, which is a level within the range recommended by the Government Finance Officers Association. Therefore, surplus would not be available to minimize the impact of loss property taxes.

## **SERVICE IMPACTS**

The following are specific examples of potential service impacts resulting from the Palesky Tax Cap:

### **Public Safety**

- Police, dispatch and jail would be eliminated. Instead, the city would use county services.
- Fire services would be converted to a volunteer department in the event that the county tax increased or non-tax revenues decreased.

### **Public Works**

- The four snowplowing routes would be cut to three.
- Transfer station will be open one day per week and in the event additional cuts are necessary, the station would be closed and residents and businesses would need to hire local trash haulers to take trash to PERC.
- Cemetery care would be cut back significantly, resulting in grass growing 6-8 inches high.
- Perpetual Care lots would be maintained to only minimum requirements.

### **Parks, Recreation and Library**

- These services would be no longer provided by the city.
- The buildings would be heated in the case that volunteers would use them. Athletic fields would be used on a volunteer basis.
- The city pool would be closed except for the case where a private concession could operate it at no cost to the city.
- The city would lose \$74,000 of recreation income.

### **General Administration**

- This area would be cut from six employees to four.
- The city building would close 2-3 days a week in order to allow staff to perform other duties.
- An electronic payment system may be implemented.
- The City Manager position may be cut in the future and replaced by a shared management consultant.
- An employee health insurance match would be required.

### **Education**

- Covert to multi-aged classrooms, K-8.
- Co-curricular activities would become "pay-to-play".
- A total of 48 positions would need to be cut, a reduction of 40 percent from the current 121 education positions.

### **Debt Service**

The annual debt service would have to be included in the ten-mill allowance.

## **BUSINESS IMPACTS**

In the case of the Palesky Tax Cap, city and school purchases from local businesses would decrease, thus putting a strain on local businesses that interact with the city and schools. The city would no longer provide financial support to the local Chamber of Commerce and the Festival.

## **NON PROPERTY TAX REVENUE IMPACTS**

With the passage of the Palesky Tax cap, fees for Services would increase sharply in the following areas:

- Ambulance fee would be added.
- School co-curricular fees would be added.
- Recreational service fees would no longer be used to offset the city budget.
- The city would stand the possibility of losing its highway stipend if it could no longer perform the required work.
- Transfer station fees would likely increase.

**BUDGET BACKGROUND**

2002 Full Value Tax Rate	24.51
2004 Tax Commitment -Total	\$3,416,326
2004 Tax Commitment – Municipal	\$1,388,492
2004 Tax Commitment – School	\$1,720,939
2004 Tax Commitment – County	\$249,864
2004 Tax Commitment – Overlay	\$57,031
2004 % of Tax Commitment – Municipal	41%
2004 % of Tax Commitment – School	50%
2004 % of Tax Commitment – County	7%
Current Fiscal Year	Jul 01 04 - Jun 30 05
Current Year General Fund Expenditures	\$3,416,326
Undesignated, Unreserved Fund Balance (in last completed fiscal year)	\$277,112
Undesignated, Unreserved Fund Balance as a % of Current Year Total General Fund Expenditures	8%
2004 Long-Term Debt Outstanding	\$1,000,000
2004 Five Largest Taxpayers	Valuation
W/S Calais Properties	\$3,850,400
Paradis Brothers	\$1,723,700
Marden's	\$1,320,600
Lowell Associates c/o Bolger Company	\$999,900
Atlantic Rehab and Nursing	\$999,500

<b>Palesky Tax Cap Impact - Calais</b>												
<b>Budget Impacts</b>												
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
<b>General Administration</b>	<b>\$510,411</b>	<b>\$0</b>	<b>\$510,411</b>	<b>10.2%</b>	<b>\$119,509</b>	<b>\$0</b>	<b>\$119,509</b>	<b>5.9%</b>	<b>\$390,902</b>	<b>\$0</b>	<b>\$390,902</b>	<b>13.1%</b>
<b>Public Safety</b>	<b>\$1,296,524</b>	<b>\$36,905</b>	<b>\$1,333,429</b>	<b>26.6%</b>	<b>\$629,268</b>	<b>\$23,000</b>	<b>\$652,268</b>	<b>32.2%</b>	<b>\$667,256</b>	<b>\$13,905</b>	<b>\$681,161</b>	<b>22.9%</b>
Law Enforcement	\$606,607	\$23,000	\$629,607	12.6%	\$606,607	\$23,000	\$629,607	31.0%	\$0	\$0	\$0	0.0%
Fire	\$372,550	\$13,905	\$386,455	7.7%	\$22,661	\$0	\$22,661	1.1%	\$349,889	\$13,905	\$363,794	12.2%
Emergency Medical Services	\$93,750	\$0	\$93,750	1.9%	\$0	\$0	\$0	0.0%	\$93,750	\$0	\$93,750	3.1%
Other Public Safety	\$223,617	\$0	\$223,617	4.5%	\$0	\$0	\$0	0.0%	\$223,617	\$0	\$223,617	7.5%
<b>Public Works</b>	<b>\$662,861</b>	<b>\$110,991</b>	<b>\$773,852</b>	<b>15.5%</b>	<b>\$167,816</b>	<b>\$57,278</b>	<b>\$225,094</b>	<b>11.1%</b>	<b>\$495,045</b>	<b>\$53,713</b>	<b>\$548,758</b>	<b>18.4%</b>
Roads	\$490,241	\$107,991	\$598,232	12.0%	\$137,630	\$54,278	\$191,908	9.5%	\$352,611	\$53,713	\$406,324	13.6%
Solid Waste	\$95,146	\$0	\$95,146	1.9%	\$10,666	\$0	\$10,666	0.5%	\$84,480	\$0	\$84,480	2.8%
Other Public Works	\$77,474	\$3,000	\$80,474	1.6%	\$19,520	\$3,000	\$22,520	1.1%	\$57,954	\$0	\$57,954	1.9%
<b>Codes, Health &amp; Human Services</b>	<b>\$8,400</b>	<b>\$0</b>	<b>\$8,400</b>	<b>0.2%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$8,400</b>	<b>\$0</b>	<b>\$8,400</b>	<b>0.3%</b>
<b>Parks, Recreation, &amp; Library</b>	<b>\$287,798</b>	<b>\$0</b>	<b>\$287,798</b>	<b>5.7%</b>	<b>\$273,947</b>	<b>\$0</b>	<b>\$273,947</b>	<b>13.5%</b>	<b>\$13,851</b>	<b>\$0</b>	<b>\$13,851</b>	<b>0.5%</b>
Parks and Recreation	\$157,926	\$0	\$157,926	3.2%	\$151,126	\$0	\$151,126	7.5%	\$6,800	\$0	\$6,800	0.2%
Library	\$129,872	\$0	\$129,872	2.6%	\$122,821	\$0	\$122,821	6.1%	\$7,051	\$0	\$7,051	0.2%
<b>Education (local appropriation from property taxes only)</b>	<b>\$1,720,939</b>	<b>\$0</b>	<b>\$1,720,939</b>	<b>34.4%</b>	<b>\$757,213</b>	<b>\$0</b>	<b>\$757,213</b>	<b>37.3%</b>	<b>\$963,726</b>	<b>\$0</b>	<b>\$963,726</b>	<b>32.4%</b>
<b>Debt Service</b>	<b>\$0</b>	<b>\$120,731</b>	<b>\$120,731</b>	<b>2.4%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>\$120,731</b>	<b>\$120,731</b>	<b>4.1%</b>
<b>Other (anything not included in above categories)</b>	<b>\$249,864</b>	<b>\$0</b>	<b>\$249,864</b>	<b>5.0%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$249,864</b>	<b>\$0</b>	<b>\$249,864</b>	<b>8.4%</b>
<b>TOTAL</b>	<b>\$4,736,797</b>	<b>\$268,627</b>	<b>\$5,005,424</b>	<b>100.0%</b>	<b>\$1,947,753</b>	<b>\$80,278</b>	<b>\$2,028,031</b>	<b>100.0%</b>	<b>\$2,789,044</b>	<b>\$188,349</b>	<b>\$2,977,393</b>	<b>100.0%</b>

Notes:  
"2004 Budget Actual Other Operating": This amount is the current County Tax. Any increase in this tax will be taken from the city budget. An increase is expected due to a police shift. If increases occur, the city may convert to a volunteer fire department or a restructuring of the transfer station.

<b>Palesky Tax Cap Impact - Calais</b>												
<b>Employment Impacts</b>												
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
<b>General Administration</b>	<b>6.0</b>		<b>6.0</b>	<b>3.6%</b>	<b>-2.0</b>	<b>0.0</b>	<b>-2.0</b>	<b>0.0</b>	<b>4.0</b>		<b>4.0</b>	<b>4.5%</b>
<b>Public Safety</b>	<b>16.0</b>	<b>1.0</b>	<b>17.0</b>	<b>10.3%</b>	<b>-12.0</b>	<b>-1.0</b>	<b>-13.0</b>	<b>0.2</b>	<b>4.0</b>	<b>0.0</b>	<b>4.0</b>	<b>4.5%</b>
Law Enforcement	12.0	1.0	13.0	7.9%	-12.0	-1.0	-13.0	0.2	0.0	0.0	0.0	0.0%
Fire	4.0	0.0	4.0	2.4%	0.0	0.0	0.0	0.0	4.0	0.0	4.0	4.5%
Emergency Medical Services	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Public Safety	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Public Works</b>	<b>8.0</b>	<b>8.0</b>	<b>16.0</b>	<b>9.7%</b>	<b>-1.5</b>	<b>-6.0</b>	<b>-7.5</b>	<b>0.1</b>	<b>6.5</b>	<b>2.0</b>	<b>8.5</b>	<b>9.5%</b>
Roads	7.5	1.0	8.5	5.2%	-1.5	-1.0	-2.5	0.0	6.0	0.0	6.0	6.7%
Solid Waste		1.0	1.0	0.6%	0.0	-1.0	-1.0	0.0			0.0	0.0%
Other Public Works	0.5	6.0	6.5	3.9%	0.0	-4.0	-4.0	0.1	0.5	2.0	2.5	2.8%
<b>Codes, Health &amp; Human Services</b>			<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			<b>0.0</b>	<b>0.0%</b>
<b>Parks, Recreation, &amp; Library</b>	<b>3.0</b>	<b>2.0</b>	<b>5.0</b>	<b>3.0%</b>	<b>-3.0</b>	<b>-2.0</b>	<b>-5.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
Parks and Recreation	1.0	0.0	1.0	0.6%	-1.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0%
Library	2.0	2.0	4.0	2.4%	-2.0	-2.0	-4.0	0.1	0.0	0.0	0.0	0.0%
<b>Education</b>	<b>120.0</b>	<b>1.0</b>	<b>121.0</b>	<b>73.3%</b>	<b>-48.0</b>	<b>0.0</b>	<b>-48.0</b>	<b>0.6</b>	<b>72.0</b>	<b>1.0</b>	<b>73.0</b>	<b>81.6%</b>
<b>Other (anything not included in above categories)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			<b>0.0</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>153.0</b>	<b>12.0</b>	<b>165.0</b>	<b>100.0%</b>	<b>-66.5</b>	<b>-9.0</b>	<b>-75.5</b>	<b>1.0</b>	<b>86.5</b>	<b>3.0</b>	<b>89.5</b>	<b>100.0%</b>