

The Estimated Impact of the Palesky Tax Cap Proposal on Mechanic Falls

Prepared for:

Citizens to Reduce Local Property Taxes Statewide

Prepared by:



19 Commercial Street
Portland, Maine 04101
www.policyoneresearch.com

September 2004

INTRODUCTION

Mechanic Falls is located in Androscoggin County. It is approximately 11 square miles in size with a population of 3,198. The town lies along the bank of the Little Androscoggin River about 10 miles west of Lewiston/Auburn, and 10 miles south east of Oxford Hills. It was incorporated in 1893, and used to be a thriving mill community. During the 1980's, the final mill closed and the town struggled economically. Through the 1990's, Mechanic Falls experienced something of a renaissance and has undergone a dramatic renewal. The town is governed by a council/manager form of government and is part of School Union 29.

The impacts of the Palesky proposal and the estimates of subsequent budget impacts were made by Dana Lee, town manager, in consultation with the superintendent of schools and school principal. Dana can be contact at 345-2871 or mechanicfalls@adelphia.net.

PROPERTY TAX REVENUE IMPACT

2004 Municipal Valuation	<u>\$88,391,536</u>
Effective Date of Last Revaluation	<u>1989</u>
Assessment Ratio (02/04 ratio)	<u>0.75</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>\$117,855,381</u>
Tax Commitment with 10 Mill Cap (multiply estimated equalized 2004 valuation by .010)	<u>\$1,178,554</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>\$105,529</u>
Total Tax Commitment Allowed under Tax Cap (tax commitment with 10 mill cap plus voter approved debt service)	<u>\$1,284,083</u>
2004 Actual Total Tax Commitment	<u>\$2,451,786</u>
Estimated Property Tax Revenue Loss under Tax Cap 2004 (actual commitment minus tax commitment allowed under Palesky)	<u>\$1,167,703</u>
Estimated Property Tax Revenue Loss as % of 2004 Actual Total Tax Commitment	<u>48%</u>

SUMMARY

Mechanic Falls has a full value tax rate of approximately 20.25 mills. The proposed Palesky Tax Cap would result in a loss of nearly 50% of the town's property tax revenues. A loss of property tax revenue of this magnitude would have a devastating effect on the community. Furthermore, whereas the school gets about 2 of every 3 current dollars (municipal and county get \$1 shared), municipal government in Mechanic Falls might cease to exist. To the extent that the town cut further into available education funds to try to maintain some limited municipal services, there would have to be far less staff, less staff training, and staff would have to work for far smaller wages and receive far less in benefits. This means, of course, a much higher level of turnover, lower quality employees, greater job dissatisfaction, less pride and productivity, and lower work quality.

It also means that the hours of the town hall, the transfer station, and other town departments would be sharply reduced. Response time for fire and snowplowing would be much worse. Many of the town's housing, building and electrical codes, as well as time spent settling land use, pollution, and junkyard issues would have to be eliminated. There would be a lack of police coverage locally, no local rescue response and no animal control. There would be no funds for the library or recreation. The town would be taking on much greater risk of lawsuits as corners were cut, have more unsafe equipment, fail to have funds to adequately research problems, fail to maintain roads and sidewalks, and fail to have well-trained, professional employees who are aware of their employment responsibilities and the public's rights.

All of the Town's fixed assets would have to be allowed to fall into disrepair as there certainly would not be funds available to fix the dump truck, the fire truck, the town hall, etc. Roads would effectively have to be allowed to return to rubble / gravel over time. The town would have to challenge existing thinking about paying the "required" hydrant charge and the sanitary-storm water charge. The town would be seeking to shift costs such as police and dispatching to other jurisdictions, such as County or State. The use of fees would become necessary. Large fees such as an \$85/year fire department assessment and a \$150/year use of dump fee would head up the list. Costs for permits would rise sharply as many departments would have to be self-funded.

The loss of education revenues would significantly impact education services, and these impacts would be felt across the full spectrum of education including regular instruction, special education, administration, health, plant operations, transportation, and co-curricular.

SERVICE IMPACTS

The following is a listing of specific service impact by program area.

Public Safety

Police Department

- Disband the Police Department; citizens would receive State police service.
- Sell equipment and cruisers.

Fire Department

- Have just an appointed Fire Chief.
- No stipends or pay; all volunteer force.
- Sell oldest pumper truck.
- Reduce size of force to reduce equipment and training costs.
- Increase mutual aid or roll Mechanic Falls fire department into another department.
- Create a fire assessment district; implement a fee of \$35 per person per year, or approximately \$85 per parcel.
- Defer maintenance and allow equipment to become unsafe.

Rescue

- Disband the Rescue Department; citizens use private ambulance only.
- Sell equipment.

Other Public Safety

- Do away with animal control officer position - citizens should call the State.
- Do away with Dispatching; citizens call 9-1-1, state or county must provide service.
- Do away with Emergency Management position; Council Chair does it.
- Cut all but a very few streetlights (cut about 70%).

Public Works

- Sharply reduced quality / timeliness of snow plowing.
- No more sidewalk clearing.
- No more ball field mowing by staff.
- No more spring clean up / sand removal.
- No more paint striping / crosswalks.
- No more roadside mowing or brush cutting.
- No more tree program (cutting or planting).
- No sand available for the public (3 buckets / storm policy)
- No more sidewalk repairs / paving.
- No more paving program.
- Cut patch, culvert replacement, ½ the sand, all salt, paint, signs, sweeping brooms.
- Reduce repair of vehicles.
- Sell one dump truck, the pick up truck, skidsteer and the bucket truck.
- Maintain only 2 F/T person in PWD, plus four P/T persons.
- Reduced pay and benefits.

- No more uniform allowance.
- No more backhoe rental fee to Water Dept.
- No more training.
- Cut fuel use.

Solid Waste

- Based on 600 stickers, fee to increase from \$5 to \$150 per household per year.
- Reduce hours at Transfer Station to one weekday and Saturday.
- Reduce staffing to 3 part-time staff.
- No replacement of solid waste equipment.

Recreation and Library

- Heavy recreation fees so that only programs offered are self-supporting
- No funds for recreation.
- No more improvements / repairs to Ball fields or Recreation Facilities.
- Close library.
- Sell library, books and assets.

Code Enforcement / Planning

- Heavy permit fees.
- Use only part-time plumbing inspector.
- Planning Bd. would have to do full subdivision review.
- Eliminate 1 full time and 1 part-time position.
- Eliminate Building Code.
- Eliminate Rental Housing Code.
- Eliminate Electrical Code.

General Administration

Boards and Council

- No pay for any board or council member, no training for them.
- No Planning Bd. Secretary.

Legal

- Use MMA legal / internet research – almost no legal consultation.
- Increase chances of litigation / lawsuits.

Municipal Complex

- No custodian at town hall.
- Cut down to 1 phone line.
- Maintain a 60-65 degree temperature in Town Office.
- No cell phones.
- Make use of gym totally fee based.
- No routine repairs to town office or other facilities.
- No more town office renovation.

Town Manager & Clerk

- Reduce Town Office hours.
- All public notices to be hand placed only, no ads.
- Voting tabulations to be done by hand / volunteers.
- No P.O. Box rental.
- Drastically cut back on supplies.
- No computer upgrades.
- Drastically cut back on postage.
- Reduce to 2 full-time and 2 part-time staff only.
- Reduced pay and benefits.
- No overtime.
- No training except as statutorily required – MMA Conf and MTCCA.
- No travel reimbursement.
- No cell phone.

Assessing

- Reduced quality of assessments / fairness in taxation (locally done revaluations only).
- Do local assessing only, selectmen.
- Self administer mapping splits on paper only.
- Self administer tax billing.

General Assistance

- Apply the very strictest welfare laws (done by Council).

Pensions and Insurances

- Reduce property covered by insurance or increase deductible.
- Cut public officials liability or increase deductible.
- Cut safety program.
- Cut all medical insurance coverage.
- Cut all retirement.

Other General Administration Services

- Re-bid and reduce auditing costs, maybe have state do it.
- Do away with Contingency account.
- Pay debt service bills as required out of the 10 mils.
- Pay County tax as required from the 10 mils.

Miscellaneous

- Refuse to pay Sanitary / Storm water charge (\$30k).
- Drop MMA membership (see legal).
- No funding for Spirit of X-mas Committee.
- No staff holiday luncheon.
- No memberships to InoM, BJs, newspaper
- No flowers / cards / candy or spring water.

Education

Grades K-8 Regular Education

- Five Classroom teachers would be eliminated.
- Specialists would be eliminated including:
 - Cuts to social work and guidance
 - Health and technology would no longer be offered to students in grades 7 & 8
 - Elimination of one computer teacher and computer repair and maintenance
 - Elimination of one more specialist (either art, music, or physical education)
- Elimination of 1 ed tech for grades 7 & 8

The reduction in classroom teachers and specialists would make it impossible to meet the Maine Learning Results Standards. It would be impossible to maintain solid MEA scores. Declining MEA and Local Assessment scores would result in federal sanctions.

Grades 9-12 Regular Instruction

Mechanic Falls tuitions students in grades 9-12 to Poland Regional High School so impacts on 9-12 regular instruction are not included in this analysis.

Special Education

- Less staff would be available to meet the needs of special education students. A cut of this magnitude would likely result in non-compliance with Maine law (20-A M.R.S.A. Chapters 301 and 303) that entitles all school-aged students with disabilities to an equal opportunity, appropriate public education.
- Legal action by parents would likely follow.

Co-Curricular

- All co-curricular stipends would be cut.
- Basketball, soccer, baseball, softball, cheering, yearbook, floor hockey, and events requiring the presence of the music director would be eliminated.

Health

- Coverage by the nurse's office would be reduced down from 5-day-per-week coverage.
- The medical ed tech would be eliminated.
- Medications would be dispensed by staff other than the school nurse.
- There would be no place for sick students to wait for a ride home.

Library/Media

- The library ed tech would be eliminated
- Teachers would be required to supervise their classes in the library resulting in a loss of classroom planning time.
- There would be no one with the responsibility for ordering materials and overseeing library operations.

School Administration

- Budget for legal fees would be significantly reduced
- Funds available for the audit would be reduced
- Elimination of assistant principal resulting in the loss of:
 - Athletic director function
 - 8th grade trip and fundraisers
 - Teacher supervision/evaluation
- Two-part-time office clerks would be eliminated
- Office supplies, postage, advertising, and photocopier use would be significantly reduced.

Plant Operation

- One full-time custodian would be eliminated and one reduced to part-time. This would significantly reduce building and grounds maintenance.
- Fields, typically used through-out the summer would not be mowed.
- All capital improvement projects would be frozen.
- No funds would be available for overtime, substitutes, and summer custodial support.
- Significant reductions in utilities, heating oil, and electricity would require the building to be closed during non-school hours. The gym would not be available to adults or children. Elm Street School would no longer be used as a community center as evening and weekend use would not be possible.

Transportation

- A bus driver would be eliminated.
- Some students would be required to arrive earlier and remain later as routes are reduced. This would create a supervision problem as staff would be less available for this function.
- Co-curricular and field trips would be eliminated.
- Bus maintenance and repairs would be reduced.

Other

- Use of public works and police for assistance and maintenance at schools would be reduced leading to potential safety problems.

BUSINESS IMPACTS

The following is a list of how businesses in Mechanic Falls would be impacted by the reduction in services:

- Increased crime (break-ins, robbery, theft, vandalism).
- Higher levels of truancy and therefore more teens hanging around in the downtown.
- Parking spots not to be cleared until well after winter storms.
- No enforcement of any “no parking” regulations.
- Sidewalk clearing would be the responsibility of each business.
- Roads to businesses would fall into disrepair.
- The value of business properties (like residential properties) would be expected to drop rather dramatically.

- As a result of municipal and school layoffs and decreased municipal and school spending, the town would expect sales to drop off at the following businesses:
 - convenience stores, grocery stores, restaurants, pizzerias, pharmacies, hardware stores, oil and gas dealers, paving / striping companies / crack filling companies, dealers of police cars, fire trucks, rescue vehicles, trucks/dump trucks/plowing equipment/truck bodies, suppliers of paint/signs/seed/gravel/sand/salt/loam/safety gear, insurance and/or training companies, and office supply companies.

NON PROPERTY TAX REVENUE IMPACTS

The following is a list of impacts to no-property tax revenues:

- Fees for any and all permits would have to be dramatically increased including building permit, plumbing, electrical, planning board (home occupation, conditional use, subdivision, etc.), driveway permits, victualer's licenses, liquor licenses, faxing fees, photocopying fees, etc.
- Any recreation that was offered would have to be funded solely on fees. The \$6,000 municipal subsidy would have to be made up in fees by participants.
- The town would seek to create a special assessment district for fire service, and probably charge about \$85 per parcel.
- The town would implement a much-increased fee to go with the sticker system for use of the landfill and transfer station; in fact the town may even make it revenue creating to help pay for plowing. The town would anticipate annual stickers to cost about \$150.00 per year (\$3 / week is less than charge by private haulers.) There would also be fees for everything that went in the landfill.
- The town would seek to rent out the town office as much as possible perhaps to fund a part-time janitor.

OTHER COMMENTS

- One very important aspect to everyone should be the anticipated decrease in property values in communities hardest hit by the tax cap. The town's safety, services and education system would be devastated, and few would want to live or buy homes here.
- It would be very hard to get people to serve on the fire department, town council, school board or planning board as they would be poorly supported, asked to do more

work without stipends, and forced to explain the poor service to the people who voted for the tax cap.

Palesky Tax Cap Impact - Mechanic Falls												
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	\$297,690	\$0	\$297,690	9.2%	\$71,690	\$0	\$71,690	5.3%	\$226,000	\$0	\$226,000	12.0%
Public Safety	\$515,695	\$30,300	\$545,995	16.9%	\$393,695	\$25,300	\$418,995	31.1%	\$122,000	\$5,000	\$127,000	6.7%
Law Enforcement	\$313,000	\$14,500	\$327,500	10.1%	\$313,000	\$14,500	\$327,500	24.3%	\$0	\$0	\$0	0.0%
Fire	\$56,120	\$15,800	\$71,920	2.2%	\$21,120	\$10,800	\$31,920	2.4%	\$35,000	\$5,000	\$40,000	2.1%
Emergency Medical Services	\$24,185	\$0	\$24,185	0.7%	\$24,185	\$0	\$24,185	1.8%	\$0	\$0	\$0	0.0%
Other Public Safety	\$122,390	\$0	\$122,390	3.8%	\$35,390	\$0	\$35,390	2.6%	\$87,000	\$0	\$87,000	4.6%
Public Works	\$354,427	\$117,900	\$472,327	14.6%	\$114,427	\$57,100	\$171,527	12.7%	\$240,000	\$60,800	\$300,800	16.0%
Roads	\$258,000	\$114,900	\$372,900	11.5%	\$83,000	\$54,100	\$137,100	10.2%	\$175,000	\$60,800	\$235,800	12.5%
Solid Waste	\$96,427	\$3,000	\$99,427	3.1%	\$31,427	\$3,000	\$34,427	2.6%	\$65,000	\$0	\$65,000	3.5%
Other Public Works	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
Codes, Health & Human Services	\$49,803	\$0	\$49,803	1.5%	\$43,178	\$0	\$43,178	3.2%	\$6,625	\$0	\$6,625	0.4%
Parks, Recreation, & Library	\$24,895	\$6,000	\$30,895	1.0%	\$24,895	\$6,000	\$30,895	2.3%	\$0	\$0	\$0	0.0%
Parks and Recreation	\$8,700	\$3,000	\$11,700	0.4%	\$8,700	\$3,000	\$11,700	0.9%	\$0	\$0	\$0	0.0%
Library	\$16,195	\$3,000	\$19,195	0.6%	\$16,195	\$3,000	\$19,195	1.4%	\$0	\$0	\$0	0.0%
Education (local appropriation from property taxes only)	\$1,661,093	\$26,300	\$1,687,393	52.2%	\$564,325	\$16,300	\$580,625	43.1%	\$1,096,768	\$10,000	\$1,106,768	58.8%
Debt Service	\$105,529	\$0	\$105,529	3.3%	\$0	\$0	\$0	0.0%	\$105,529	\$0	\$105,529	5.6%
Other (anything not included in above categories)	\$40,000	\$0	\$40,000	1.2%	\$30,000	\$0	\$30,000	2.2%	\$10,000	\$0	\$10,000	0.5%
TOTAL	\$3,049,132	\$180,500	\$3,229,632	100.0%	\$1,242,210	\$104,700	\$1,346,910	100.0%	\$1,806,922	\$75,800	\$1,882,722	100.0%

Notes:

"Other Public Safety" includes hydrant fees, streetlights, and animal control; all but hydrant fees would be eliminated

"Other" expenditures includes \$30,000 for storm water fee and \$10,000 contingency

Palesky Tax Cap Impact - Mechanic Falls													
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	4	0	4	3.3%	-2	2	0	0.0%	2	2	4	4.7%	
Public Safety	5	34	39	31.7%	-5	-12	-17	44.7%	0	22	22	25.9%	
Law Enforcement	5	2	7	5.7%	-5	-2	-7	18.4%	0	0	0	0.0%	
Fire	0	22	22	17.9%	0	0	0	0.0%	0	22	22	25.9%	
Emergency Medical Services	0	10	10	8.1%	0	-10	-10	26.3%	0	0	0	0.0%	
Other Public Safety	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	
Public Works	3	5	8	6.5%	-1	-1	-2	5.3%	2	4	6	7.1%	
Roads	3	1	4	3.3%	-1	0	-1	2.6%	2	1	3	3.5%	
Solid Waste	0	4	4	3.3%	0	-1	-1	2.6%	0	3	3	3.5%	
Other Public Works	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	
Codes, Health & Human Services	1	2	3	2.4%	-1	-1	-2	5.3%	0	1	1	1.2%	
Parks, Recreation, & Library	0	2	2	1.6%	0	-2	-2	5.3%	0	0	0	0.0%	
Parks and Recreation	0	1	1	0.8%	0	-1	-1	2.6%	0	0	0	0.0%	
Library	0	1	1	0.8%	0	-1	-1	2.6%	0	0	0	0.0%	
Education	61	6	67	54.5%	-11	-4	-15	39.5%	50	2	52	61.2%	
Other (anything not included in above categories)	0	0	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	
TOTAL	74	49	123	100.0%	-20	-18	-38	100.0%	54	31	85	100.0%	

Notes:

All volunteer fire would be unpaid under Palesky, currently volunteers receive stipend