

## SECTION 5: FISCAL CAPACITY

Fiscal capacity is the ability of Ogunquit to fund the public services and facilities the Townspeople desire. Therefore, fiscal capacity is a key factor in the Town's ability to accommodate growth while providing those facilities and services needed by the community. This section looks at the current financial condition of Ogunquit and its ability to service new growth and development.

### ASSESSED VALUATION AND TAX RATE

An important component of the Town's fiscal health is its property owners' taxable real and personal property or total assessed valuation (see Table 5-1). During the 1990's, the Town saw its total assessed valuation as measured by the State's equalized valuation method remain virtually the same (slightly decreasing by 3%). The State's assessment is based on a number of factors, one of the most important being the sale price of comparable properties in similar communities (estimated 100% valuation for every year). In the mid 1990's, total State assessed valuation took a dip in Ogunquit reflecting, it may be surmised, the increased sale of properties farther up the coast which may have temporarily softened the relative sale prices, and therefore the relative assessed valuation, of Ogunquit properties. Over the last of the 90s, State valuation of Ogunquit property increased reflecting the rebound of real estate prices and the new residential and nonresidential development occurring in Town, especially very expensive infill houses on the few remaining vacant lots near the shore. With the economic slowdown of the early 2000s, it is likely that the assessed value of Ogunquit properties is not appreciating, but remaining relatively stable with respect to inflation.

**TABLE 5-1**  
**STATE VALUATION OF OGUNQUIT TAXABLE PROPERTY 1990-2003**

	<b>In 2002</b>	
<b>Year</b>	<b>State Valuation</b>	<b>Dollars (by CPI*)</b>
1990	\$453,650,000	\$632,751,020
1992	\$479,650,000	\$612,752,875
1994	\$400,250,000	\$485,143,025
1996	\$392,100,000	\$450,718,950
1998	\$404,200,000	\$420,368,000
2000	\$438,600,000	\$460,530,000
2002	\$586,700,000	\$586,700,000
2003	\$720,450,000	\$720,450,000

*Sources: Municipal Valuation Return Statistical Summary 1990 - 2002, Maine Bureau of Taxation;  
2003 State Valuation figure from York County Commissioners*

*\* CPI = Consumer Price Index to convert to 2002 dollars*

When taking into consideration the average annual inflation rate of 4.5% between 1990 and 2003, the overall assessed value of Ogunquit properties (by the State) is calculated to be about 14% more valuable in 2003 than in 1990 (in terms of 2002 dollars). The Town's valuation shows a reduction in local real estate value of 4.3% between 1990 and 2003 (in terms of 2002 dollars).

**TABLE 5-2  
LOCAL ASSESSED VALUATION 1990-2002  
OGUNQUIT MAINE**

Year	Local Valuation	In 2002 Dollars
April 1, 1990	\$356,236,398	\$484,481,501
April 1, 1992	\$348,561,258	\$439,187,185
April 1, 1994	\$395,545,400	\$474,654,480
April 1, 1996	\$409,637,200	\$462,890,036
April 1, 1998	\$417,975,100	\$453,377,591
April 1, 2000	\$446,555,200	\$459,951,856
April 1, 2002	\$463,897,800	\$463,897,800

*Source: Municipal Valuation Return Statistical Summary 1990-2000. Maine Bureau of Taxation  
2002 valuation from Ogunquit Assessor's Office*

Comparison of equalized property valuation on a per capita basis shows that Ogunquit has by far the highest value of property per (year-round) resident than the six similar coastal towns shown in Table 5-3 and the neighboring town of South Berwick. Table 5-3 also shows York and Wells, which are Ogunquit's other neighboring towns and they are also coastal towns.

**TABLE 5-3  
PER CAPITA ASSESSMENT  
BASED ON STATE EQUALIZED VALUATION: 1990 AND 2000  
1990 ASSESSMENTS ADJUSTED TO 2000 DOLLARS**

Municipality	1990 Assessment/Capita*	2000 Assessment/Capita	% Change
Ogunquit	\$613,033	\$357,749	(1) - 42%
Kennebunkport	\$224,491	\$162,876	(2) - 28%
Boothbay Harbor	\$178,758	\$133,612	(3) - 25%
York	\$161,790	\$121,768	(4) - 25%
Wells	\$155,083	\$111,394	(6) - 28%
Camden	\$113,934	\$108,670	(7) - 5%
Bar Harbor	\$104,425	\$117,303	(5) + 12%
South Berwick	\$58,017	\$37,551	(8) - 35%

*Source: 1990 and 2000 Reports: Municipal Valuation Statistics Summary, Maine Revenue Service*

*\* 1990 Assessments adjusted to 2000 Dollars ( $\$1990 \times 131\% = \$2000$  or *av. annual* + 3.1%)*

After adjusting 1990 property assessments upwards by 32% to account for inflation, Table 5-3 shows that on a per (year-round) resident basis, the real value of property between 1990 and 2000 dropped per capita in 7 of the 8 coastal and neighboring towns surveyed. Even while decreasing by 42% in value per resident, Ogunquit remained the highest in property value per resident among the coastal and neighboring towns surveyed. Contributing to this is Ogunquit's small 4.1 square miles, with hardly any inland area. Larger coastal towns with larger inland hinterlands have more year-round residents among which the accumulated value of the coastal seasonal properties must be spread, therefore resulting in less valuation on a per year-round resident basis.

The drop in per capita valuation during the 1990s in 7 of the 8 towns surveyed may be attributed to several factors. It appears that inflation rose more quickly than the overall assessed value of houses and other dwellings during the 90s – at least in Ogunquit and some other coastal towns. More importantly, during the 90s significant numbers of hitherto summer home owners retired to their seasonal homes in Ogunquit and other coastal towns. This brought more year-round people among whom to spread the value of the existing number of dwellings. Retirement to an existing house does not increase overall property assessment, whereas building a new house would. Since 2000, with the lowering of interest rates there may be some rise in property prices, but the recession of the early 2000s may be keeping purchase prices lower than in a more active economy and therefore assessed valuations are less.

The Town’s own assessment (Table 5-2) shows that the 25% growth in the value of taxable property over the 1990s was lower than the rate of inflation for this period as measured by the CPI (Consumer Price Index). Taking inflation into account, the Town’s property had a very slight decrease in value of – 5.2%. This suggests that the Town’s ability to take on major new spending remains the same unless and until it is able to increase its tax base.

During the 1990s, the property tax commitment or the amount of the budget raised through property taxes grew from \$4,310,462 in 1990 to \$6,033,792 in 2001 (see Table 5-4), an increase of 40%. Interestingly, corrected for inflation, the taxes raised from property remained virtually the same (+ 3.5%). So, in terms of inflation-corrected dollars, the decade saw a slight increase in taxes raised from property taxation based on a slightly lower overall valuation of properties.

As a result, the Town has seen its property tax rate (based on estimated 100% valuation every year) increased from \$6.20 tax for each \$1000 value of property in 1990 to \$10.56/\$1000 in 2001 (see Table 5-5). This indicates that the tax base (number and value of taxable properties) increased at a slower rate during the 90s than the rate needed to run Town government.

**TABLE 5-4**  
**PROPERTY TAX COMMITMENT - OGUNQUIT: 1990-2001**

Year	Actual Tax Rate	Tax Assessment	In 2001 Dollars
1990	.01210 mill rate*	\$4,310,462	\$5,831,624
1992	.01274	\$4,440,671	\$5,559,276
1994	.01160	\$4,588,327	\$5,455,062
1996	.01280	\$5,243,356	\$5,909,787
1998	.01350	\$5,642,664	\$6,120,598
2000	.01300	\$5,805,218	\$5,967,184
2001	.01320	\$6,033,792	\$6,033,792

*Source: Ogunquit Annual Reports*

\* Mill rate = \$.001 tax payment per \$1 of assessed value of property

Table 5-4 shows that the slightly increasing mill rate over the 1990s was keeping the taxes generated from local property fairly even with inflation, that is, increases in the annual mill

rates were about the same as the general inflation rate as measured by the CPI. Table 5-5 shows that the Town's tax rate, as calibrated to 100% valuation for every year, actually went down between 1992 and 2001. Because the assessment was at 75% of current value in 1990, that year's 100% valuation tax-rate was exceptionally low at \$6.20 per \$1,000 of property value.

**TABLE 5-5**  
**PROPERTY TAX RATE 1990-2001 PER 100% VALUATION**  
**OGUNQUIT MAINE**

<u>Year</u>	<u>Tax Rate</u>	<u>Assessment Ratio</u>
1990	\$6.20/\$1000	100%
1992	11.47/1000	100%
1994	11.60/1000	100%
1996	12.80/1000	100%
1998	13.50/1000	100%
2000	11.05/1000	100%
2001	10.56/1000	100%

*Source: Municipal Valuation Return Statistical Summary 1990-2000, Maine Bureau of Taxation*

The Town of Ogunquit's property tax rate is at the low end for coastal resort communities (Table 5-6). In 2000, Ogunquit's full value tax rate (100% valuation) was the lowest of the eight towns displayed in Table 5-6. Other nearby, smaller York County coastal towns and Boothbay Harbor show a similarly low property tax rate due to the relatively large percentage of seasonal dwellings, and retirement housing, out of total dwellings. Seasonal and retirement dwellings pay local property taxes without putting children in the local school system.

**TABLE 5-6**  
**TAX RATE COMPARISON - 2000**

<u>Municipalities</u>	<u>Actual Tax Rate</u>	<u>Full Value</u>	<u>Tax Rate</u>
Wells	.01140	.01140	(2)
Boothbay Harbor	.01243	.01243	(3)
Ogunquit	.01300	.01105	(1)
Kennebunkport	.01341	.01341	(4)
Bar Harbor	.01436	.01436	(6)
Camden	.01613	.01613	(7)
York	.01700	.01361	(5)
South Berwick	.01850	.01665	(8)

*Source: Municipal Valuation Return Statistical Summary 2000, Maine Bureau of Taxation*

## **OPERATING REVENUES**

The two primary sources of funding for operating the municipal government including the schools are the property tax and Licenses, Fees & Permits (see Table 5-7). Taken together, these two revenue sources account for approximately 90% of the revenues collected by the Town. Property taxes typically comprise almost 75% of the total revenue available for

operating the Town. Overall fees & permits account for 15% of Town revenue (\$1,272,198) of which \$1,012,722 is from parking fees revenue. The Town seasonally collects a large amount of revenue from parking fees at its 3 municipal Beach parking lots, 2 other municipal lots and from parking meters in Perkins Cove. In 2001, total parking fees collected from the 3 Beach lots were \$721,338; 71% of total. The 2 Village Center municipal lots collected \$158,153; 16% of total. The Perkins Cove parking meters collected \$133,232; 13% of total.

**TABLE 5-7  
MUNICIPAL REVENUES BY MAJOR CATEGORY  
OGUNQUIT, MAINE BUDGET YEAR 2001**

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>
Property Taxes	\$6,022,807	74%
Excise Taxes	\$331,848	4%
Intergovernmental Transfers	\$121,977	2%
State Education Aid *	\$82,473	1%
Parking Fees	\$1,012,723	13%
Licenses, Other Fees & Permits	\$259,475	2%
Charges for Services	\$143,048	2%
Fines & Interest	\$93,984	1%
<u>Miscellaneous</u>	<u>\$69,313</u>	<u>1%</u>
<b>Total</b>	<b>\$8,137,648</b>	<b>100%</b>

*Source: Town of Ogunquit Annual Report, 2001*

*\*For the 2000-01 school year, the State Aid to Education amount to the Wells-Ogunquit Community School District was \$308,424. The portion of that amount allocated to Ogunquit was 26.7% (\$82,473). Ogunquit's share, \$82,473, was, therefore, money that was not needed to have been raised from the Town's property tax payers.*

Between 1999 and 2002, the Town supplemented its revenue by 5 successful applications for about \$50,000 in grant money for water quality protection of the Ogunquit River Estuary clam flats, restoration and development of Town parkland and for development of this comprehensive plan update. The grant money was matched by about \$16,500 in Town money for net grants revenue during this period of about \$33,500. On an annual basis, grant money received would be recorded as an intergovernmental transfer. A \$30,000 grant awarded in 2001 from the US Department of Transportation, Regional Trails Program enabled a major rehabilitation of the Marginal Way coastal walkway in 2002 and 2003.

## **OPERATING EXPENDITURES**

For fiscal year 2001, it cost just over \$8 million to operate the municipal government and the schools. Of this amount, about 48% went to school operations and 49% to the other municipal functions (see Table 5-8). Within the municipal portion of the budget, public safety services, including police and fire protection, accounted for the largest share, 20% of the budget (see Table 5-9). Other major expenditure categories were public works operations (12%) and debt service (8%).

Recent years have seen a smaller portion of local tax revenues supporting schools in comparison with general municipal expenditures (see Table 5-8). This is due, in part, to the

implementation of the State law LD 1725, passed in 2000, that reduces Ogunquit's share in the Wells-Ogunquit Community School District from 30% to 22% of total expenses.

**TABLE 5-8  
USE OF OGUNQUIT TAX REVENUES: 1990, 1995 & 2000**

<u>Year</u>	<u>Schools</u>	<u>Gen'l Govt.</u>	<u>County Tax</u>
1990	60%	36%	4%
1995	58%	38%	4%
2000	48%	49%	3%

*Source: Ogunquit Treasurers Office, 2002*

**TABLE 5-9  
MUNICIPAL EXPENDITURES BY MAJOR CATEGORY  
2001 OGUNQUIT TOTAL BUDGET  
(Including Debt Service & Capital Outlays)**

<u>Category</u>	<u>Amount</u>	<u>Percent of Total</u>
General Government	\$752,762	9%
Public Safety	\$1,751,170	21%
Public Works	\$1,020,996	13%
Recreation & Culture	\$123,176	2%
Education	\$3,291,436	41%
County Tax	\$338,369	4%
Unclassified	\$21,196	<1%
Debt Service	\$654,082	8%
Capital Outlays	\$170,972	2%
<b>Total</b>	<b>\$8,124,159</b>	<b>100%</b>

*Source: Town of Ogunquit Annual Report, 2001*

Ogunquit, demonstrating enlightened self-interest, has shown a high level of commitment to maintaining its capital facilities. The Town, for example, undertook a major effort to rebuild the Perkins Cove Pedestrian Draw Bridge in recent years and to upgrade the Town's sidewalks and street lighting with pedestrian-friendly lights along Shore Road. These capital improvements not only support the tourist industry but also benefit the residents of the Town.

Through conservative budgeting and spending practices, the Town has been able to maintain its General Fund balance and reserve levels in recent years. Ogunquit's undesignated fund balance as of the end of 2000 was in excess of \$1,856,002 or about 23% of total operating expenses.

**TABLE 5-10**  
**COMPARISON OF OGUNQUIT MUNICIPAL EXPENDITURES**  
**1990 – 2001**

<b>Expenditures</b>	<b>1990</b>	<b>(In 2001 \$)</b>	<b>2001</b>	<b>% Change (in 2001 \$)</b>
General Government	\$388,113	(\$525,078)	\$752,762	+43%
Public Safety	\$645,829	(\$873,742)	\$1,751,170	+100%
Public Works	\$657,391	(\$889,384)	\$1,020,996	+15%
Recreation & Culture	\$223,996	(\$303,044)	\$123,176	-59%
Education	\$2,236,000	(\$3,025,084)	\$3,291,436	+9%
Miscellaneous *	\$36,014	(\$48,723)	\$21,196	-57%
Debt Service & Cnty Tax	\$445,067	(\$602,131)	\$992,451	+65%
Capital Outlays	\$179,006	(\$242,177)	\$170,972	-29%
<b>Total</b>	<b>\$4,811,416</b>	<b>(\$6,509,363)</b>	<b>\$8,124,159</b>	<b>+25%</b>

*\*Unclassified expenses*

*Source: Ogunquit Treasurer and Annual Report, 2001*

Table 5-10 shows that between 1990 and 2001 Town expenditures (measured in 2001 dollars) increased by 25%. The largest increases were for Public Safety (+ 100%) and Debt Service & County Tax reflecting the increased costs for additional summer officers and municipal parking lot attendants taken on during this period. It appears that the nearly 60% decrease in funding Recreation & Cultural programs during this period enabled using the money saved for funding other activities of Town Government. It is likely that more payment by fee for recreation programs helped defray some of the costs for recreation.

## **DEBT SERVICE**

Ogunquit, like most communities, uses long-term borrowing to finance major capital expenditures. This, in effect, spreads the cost of paying for facilities, such as a new fire engine for example, over its useful life through the taxes of the residents over the 20-year period, not just from the resident taxpayers in year one. As of December 31, 2000 the Town had a total outstanding debt of \$1,759,636. This represented about 25% of the operating expenses of the Town for that year.

In order to pay off its outstanding debt at the end of 2001, the Town calculated its debt service responsibility to be \$2,112,556 (see Table 5-11). This debt was for a range of capital improvement projects including street and sidewalk projects, parking lot improvements and new vehicles and hardware for Town Departments. Over the first five years of the 2000s, the Town will retire a number of bonds issued for projects undertaken in the 1990's.

According to the Town Treasurer's Office, in 2002 the Maine Municipal Bond Bank general obligation bond rating for Ogunquit was Aa+. The high rating from the Bond Bank may be interpreted to be for a continuing trend of favorable financial performance, a modest debt burden with above average payout, and improving socioeconomic and wealth indices (with respect to debt repayment).

**TABLE 5-11  
LONG-TERM DEBT - TOWN OF OGUNQUIT**

**The following is a summary of debt outstanding at December. 31, 2001:**

Capital Improvement Bond payable, interest rate at 4.35%, annual principal payments of \$36,835, matures in 2006.	\$184,175
Capital Improvement Bond payable, interest rate at 5.5% to 5.8%, annual principal payments of \$36,000, matures in 2004.	\$108,000
Capital Improvement Bond payable, interest rate at 4.6%, annual principal payments of \$124,513, matures in 2002.	\$124,513
Jacobs Parking Lot note payable, interest rate of 7.0%, monthly payments of \$485, including interest, matures in 2004.	\$11,237
Capital Equipment Bond payable, interest rate at 4.65%, annual principal payments \$108,735, matures in 2003.	\$217,470
Capital Improvement Bond payable, interest rate at 5.05%, annual payments of \$47,667, matures in 2013.	\$571,800
Capital Improvement Bond payable, interest rate at 5.4%, annual principal payments of \$59,404, matures In 2005.	\$237,616
	<b>\$1,454,811</b>

Source: Town of Ogunquit Annual Report, 2001

**TABLE 5-12  
ANNUAL DEBT SERVICE COST AS OF December 31<sup>st</sup>**

	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2002	\$418,347	\$74,751	\$493,098
2003	\$294,209	\$52,322	\$346,531
2004	\$180,382	\$37,787	\$218,169
2005	\$143,906	\$28,378	\$172,284
2006	\$84,502	\$21,127	\$105,629
<u>Remaining</u>	<u>\$333,465</u>	<u>\$68,256</u>	<u>\$401,721</u>
<u>Total</u>	<u>\$1,454,811</u>	<u>\$282,621</u>	<u>\$1,737,432</u>

Source: Town of Ogunquit Annual Report, 2001

Every year, of course, the debt service figures change as the Town retires some debt and takes on new debt. Keeping the ratio of debt to operating expenses similar to the year 2001 (10% ±) would maintain the Town's favorable rating for borrowing funds.

## **PLANNING IMPLICATIONS FROM FISCAL CAPACITY**

The Town's pattern of modest growth in taxable property during the 1990s and the rise in assessed valuation of existing properties matched the rate of inflation causing the tax rate (adjusted to 100% valuation each year) to actually drop slightly by 2000. The value of ocean-side property will continue to appreciate, as all available ocean-side land will have been developed. This will continue to provide the Town with an expanding tax base that will likely continue to match or exceed inflation, at least during good economic times.

As more summer residents retire to their summer homes in Ogunquit, the Town may find its public safety and recreation costs, in particular, increase without a matching increase in the tax base. Retiring to an existing seasonal home does not usually add new tax base to a town, unless the house is winterized or renovated and revalued.

The Town will continue to receive most of its revenue from property taxes (75% ±) and from fees, mainly parking fees from Municipal parking lots and parking meters in Perkins Cove (15% ±). The property tax revenue sources would increase as the value of coastal homes appreciated due to their fixed limited supply in Ogunquit. Likewise, as more tourists come to Town, demand for the limited supply of parking places would allow increased fees at the Municipal parking lots. In short, the coastal setting and resort character of Ogunquit, if maintained, will likely continue to appreciate the tax base and increase the revenues of the Town.

For the foreseeable future, it is likely that the cost of maintaining public education will remain around 48% of the Town's annual budgets. To maintain a favorable character for support of tourism, the Town will need to continue its relatively high public safety (20% ±) and public works costs (12% ±) costs in annual budgets. There will be the salaries and costs, as these may increase over time, for possible additional summer police officers and lifeguards, and for public works crew to clean the Beaches and maintain the parks and public walkways.

If the Town maintains its annual outlays for capital improvements and debt service around 10% of the Town operating budget, it will be able to borrow money for long-term benefits at very favorable interest rates. If the total municipal debt is maintained approximately 25% of overall operating expenses, the Town will be able to easily engage in large-cost capital projects and pay off the debt incurred over time. This will be important to successfully implement the 2003 Comprehensive Plan Update because Ogunquit will necessarily incur many desirable capital projects to respond to desired changes in the already developed Village and coastal neighborhoods. Capital improvement projects, such as sidewalk, streetlight and park improvements are high cost but also high-return investments that attract more tourists but also benefit the residents of Town.