
CHAPTER 4. MUNICIPAL FINANCES

Introduction

The property tax base of a community is its most important financial asset. A community with a relatively high valuation can raise a given sum of money with a relatively low tax rate. On the other hand, a community with a relatively low valuation can raise the same sum of money only at a higher tax rate. In general, communities with substantial commercial and industrial development will have a higher valuation than residential communities.

Waterville has a relatively low valuation, in large part because industrial property constitutes only a small percentage of the tax base, and because the City has a relatively high percentage of tax exempt property. The City's largest taxpayers are summarized in Table 4-1.

TABLE 4-1 SUMMARY OF LARGEST TAXPAYERS				
Name	Business	1993/1994 Assessed Valuation	1993/1994 Property Tax	% of Total Levy
The Chinnet Company	Formed fibre	\$24,393,400	\$506,163	4.53
The Merimil Limited Partnership	Hydro Utility	\$12,542,200	\$259,877	2.32
Elm Plaza Corp.	Shopping Center	\$10,693,000	\$221,880	1.99
Shaw's Realty	Groceries	\$5,683,000	\$117,922	1.06
CF Hathaway Warnaco, Inc.	Apparel Manuf.	\$7,362,000	\$152,761	1.37
Erin Inc. (Holiday Inn)	Hotel	\$4,265,100	\$88,501	0.79
Central Maine Power Company	Utility	\$6,569,100	\$136,317	1.22
Waterville Homes, Inc.	Warehouse	\$3,322,100	\$68,934	0.62
Brooks, Edward	Shopping Center	\$3,481,000	\$72,731	0.65
Maine Central Railroad	Railroad	\$3,398,800	\$70,525	0.68
Rich's	Department Store	\$2,694,400	\$55,908	0.5
Wal-Mart, Inc.	Department Store	\$2,280,300	\$55,908	0.5

Source: Waterville Assessor's Office.

Historical Valuations and Taxes

Table 4-2 provides an overview of Waterville's valuations and how they have changed over time. The Table includes both State and City figures for the 1988-95 period. The State Bureau of Property Taxation bases its compilation on actual property transactions so as to reflect market conditions. The State figures for any given year are two years old and thus do not reflect recent market changes. Waterville's figures will reflect market conditions only in those years when it conducts a revaluation and adjusts its values to reflect market conditions. State law requires that when a municipality's valuation drops below 70% of State valuation, the community must undertake a revaluation.

Table 4-2 shows that during the 1988-95 period, the City's State valuation rose from \$374.1 million to \$544.6 million, a gain of 170.5 million, or 46% (the State's 1995 figure of \$544.6 million represents a decline of \$59.8 million from the 1992 figure of \$604.4 million). During the 1988-95 period, Waterville's municipal valuation rose from \$338.1 million to \$540.1 million, a gain of \$20.2 million or 60%. The large increase in municipal valuation between 1993 and 1994 (\$370.4 million to \$537.6 million) is due to the fact that the City underwent a complete revaluation in 1993. Prior to the revaluation the City's municipal valuation was less than 70% of the State valuation for a period of three years (1991-93).

Year	State Valuation	Municipal Valuation	City % of State Valuation	Waterville Tax Assessment	Tax Rate (Mils)
1988	\$374,100,000	\$338,116,000	90	\$7,878,000	23.30
1989	\$417,750,000	\$350,371,000	84	\$8,724,000	24.90
1990	\$479,500,000	\$357,713,000	75	\$9,354,000	26.15
1991	\$560,600,000	\$366,902,000	65	\$9,833,000	26.80
1992	\$604,400,000	\$369,413,000	61	\$10,565,000	28.60
1993	\$574,900,000	\$370,383,000	64	\$11,111,000	30.00
1994	\$549,100,000	\$537,583,000	98	\$11,155,000	20.75
1995	\$544,600,800	\$540,083,000	100	\$12,043,851	22.3

Source: Municipal Valuation Return Statistical Summary, 1988-1993, State Bureau of Taxation.

Valuation Comparisons

Waterville's wealth relative to other communities of similar size can be measured by comparing State valuations and per capita valuations. Table 4-3 contains a summary of estimated 1995 population figures, 1995 State valuation figures and full value per capita figures for Waterville and seven other reference communities in Maine. The full value per capita figures are calculated by dividing each municipality's 1995 valuation by its 1995 population. As shown in Table 4-3, the City's valuation is considerably less than most of the reference communities. Moreover, Waterville's overall weakness in its property valuation is demonstrated by its low per capita valuation figure (\$33,266) relative to the other communities.

TABLE 4-3
COMPARATIVE VALUATION FIGURES

Municipality	1995 Population	1995 State Valuation	Full Value Per Capita	Rank
Waterville	16,371	\$544,600,000	\$33,266*	8
Auburn	23,140	\$994,750,000	\$42,988	5
Augusta	20,556	\$894,100,000	\$43,496	4
Biddeford	20,277	\$997,550,000	\$49,196	1
Brunswick	20,379	\$926,700,000	\$45,473	3
Lewiston	36,960	\$1,319,000,000	\$35,687	6
Sanford	20,808	\$721,650,000	\$34,681	7
Winslow	7,778	\$358,750,000	\$46,124	2

*The figure would be \$38,282 if the City's 2,145 resident college students were excluded from the calculation.

Source: Property Tax Burden Indicators for Municipalities in Maine, Maine Municipal Association, March, 1995; Rothe Associates.

Personal Property/Industrial Property

The personal property and industrial property component of the tax base is an important factor in distinguishing the relative wealth of communities. Personal property consists of product machinery and equipment, and business equipment. Industrial property includes industrial land and buildings.

As shown in Table 4-4, approximately 16% of Waterville's tax base consists of personal property and industrial property. This is a higher percentage than Brunswick (14%) and Biddeford (12%), and only slightly smaller than Augusta (17%).

In terms of personal property valuation, Waterville is roughly on a par, dollar wise, with Brunswick, Biddeford and Sanford. When it comes to industrial valuation, however, Waterville lags considerably behind all of the reference communities.

The per capita value of personal property and industrial property in Waterville (\$5,192) is lower than the value of all of the reference communities.

The per capita amount of taxes raised in Waterville from personal property and industrial property is \$116. This is more than the figures for Brunswick and Biddeford (\$114 and \$106 respectively), but less than all other reference communities, and considerably less than the figure for Winslow (\$325). Winslow's relatively high valuation reflects the positive impact of the Kimberly Clark mill on the Town's tax base.

TABLE 4-4

PERSONAL PROPERTY AND INDUSTRIAL PROPERTY

Municipality	Personal* Property Valuation	Industrial* Valuation	Total Personal Property and Industrial	Total Personal Property/ Industrial Per Capita**	Total*** Raised from Personal Property/ Industrial	Personal Property/ Industrial Taxes Raised Per Capita	Personal Property/ Industrial % of Tax Base
Waterville	\$ 52,966,000	\$ 32,024,400	\$ 84,990,400	\$5,192	\$1,895,286	\$116	16
Auburn	\$ 105,073,000	\$ 148,423,500	\$ 253,496,500	\$10,955	\$6,623,863	\$286	26
Augusta	\$ 101,075,200	\$ 54,712,200	\$ 155,787,400	\$7,579	\$3,464,712	\$169	17
Brunswick	\$ 55,616,500	\$ 67,096,500	\$ 122,712,000	\$6,021	\$2,319,257	\$114	14
Biddeford	\$ 59,786,400	\$ 62,952,200	\$ 122,738,600	\$6,053	\$2,147,925	\$106	12
Lewiston	\$ 123,879,700	\$ 117,688,950	\$ 241,568,650	\$6,536	\$6,631,059	\$179	19
Sanford	\$ 69,422,490	\$ 97,113,663	\$ 166,536,153	\$8,003	\$3,442,302	\$165	24
Winslow	\$ 65,845,890	\$ 80,159,950	\$ 146,005,840	\$18,772	\$2,525,901	\$325	40

* 1995

** Calculation based on 1995 estimated population.

*** 1995 Municipal Tax Rate.

Source: State Bureau of Taxation; Rothe Associates.

Exempt Property

As shown in Tables 4-5 and 4-6, Waterville has a relatively large amount of tax-exempt property. In 1994, tax exempt property had a value of \$136 million, which was 25% of the total municipal valuation. This was about the same percentage as Augusta (25.8%), but was far in excess of the percentage of tax exempt property in Winslow (6.2%).

TABLE 4-5

**SUMMARY - EXEMPT PROPERTY - 1994
WATERVILLE**

Exemptions - Waterville	Value	% of Total
United States	\$ 1,929,400	1.4
State of Maine	2,866,900	2.1
Public Property	21,927,800	16.1
Public Water	623,200	.5
Sewage Facilities	3,592,700	2.6
Charitable Properties	38,299,200	28.2
Literary, Scientific	42,716,100	31.4
Veteran Service Clubs	308,600	.2
Churches	11,615,200	8.5
Fraternal Organizations	2,495,600	1.8
Regular Veteran Valuation	3,519,000	2.6
Paraplegic Veteran Valuation	47,500	.03
Blind	48,000	.03
Miscellaneous	6,005,700	4.4
TOTAL	\$135,994,900	99.9

TABLE 4-6

COMPARISON OF EXEMPT PROPERTY - 1994

	Municipal Valuation	Total Exemptions	Exemptions as a % of Municipal Valuation
Waterville	544,939,600	135,994,900	25.0
Auburn	958,438,900	166,632,600	17.4
Augusta	907,963,300	234,175,200	25.8
Biddeford	1,014,732,200	111,814,300	11.0
Brunswick	879,158,700	571,993,887	65.1
Lewiston	1,228,607,330	445,471,000	36.3
Sanford	701,994,298	70,359,500	10.0
Winslow	363,320,240	22,502,400	6.2

Source: 1994 Municipal Valuation Return, Maine Property Tax Division.

Tax Comparisons

Waterville's relatively low per capita valuation might be expected to result in high taxes compared to other communities that provide a wide range of community services, but this is not the case. Table 4-7 demonstrates that Waterville's taxes are reasonable compared to other communities.

The City's full value tax rate (22.2 mils) is lower than the rates for Auburn and Lewiston. The 1994 median home value in Waterville (\$80,289) is lower, and, with the exception of Winslow, taxes on the median value home (\$1,790 per year) are lower than all the reference communities.

Waterville's median household income (\$24,715) is lower than that of all communities shown in Table 4-7. As a result, in terms of taxes paid as a percentage of income, Waterville's overall tax burden is the 14th highest in the State. This is a higher ranking than all reference communities except Auburn (7), Biddeford (11) and Lewiston (3). Another way to measure tax burden is on a per capita basis. Waterville's per capita tax burden (\$736) is lower than all reference communities except Sanford.

TABLE 4-7
COMPARATIVE TAX INFORMATION

Municipality	Property Tax Assessment 1995	Full Value Tax Rate Mils	1994 Median Home Value	Tax Paid on Median Home	1994 Median Household Income	Tax Paid as % of Income	Tax Paid Rank in State	1995 Per Capita Tax Burden*
Waterville	\$ 12,043,851	22.30	\$80,289	\$1,790	\$24,715	6.70%	14	\$736
Auburn	\$ 25,873,632	26.13	\$92,177	\$2,409	\$30,245	7.10%	7	\$1,118
Augusta	\$ 20,029,899	22.24	\$84,549	\$1,880	\$28,227	6.50%	19	\$974
Biddeford	\$ 17,708,062	17.50	\$110,689	\$1,937	\$28,648	6.00%	11	\$873
Brunswick	\$ 16,898,019	18.90	\$121,098	\$2,289	\$32,677	6.00%	30	\$829
Lewiston	\$ 34,069,111	27.45	\$91,600	\$2,514	\$26,202	8.20%	3	\$921
Sanford	\$ 14,647,332	20.67	\$95,833	\$1,981	\$28,267	6.60%	16	\$704
Winslow	\$ 6,326,096	17.30	\$84,884	\$1,468	\$33,698	4.00%	129	\$813

* Based on 1992 population estimates.

Source: Property Tax Burden Indicators for Municipalities in Maine, Maine Municipal Association, 1995; Rothe Associates.

Municipal Revenue Comparisons

Waterville lags behind other communities in terms of municipal revenue, as shown in Table 4-8. The revenue categories are not from the same year, and do not include some funding sources such as federal grants. However, the figures do provide a means of comparing communities.

Table 4-8 shows that Waterville's 1995 tax assessment (\$12.0 million) was lower than that of all reference communities except Winslow, as was the City's 1994 excise tax revenues (\$1,074,358). The amount that Waterville received in revenue sharing (\$1,135,722) was lower than all other reference communities except Brunswick and Winslow. The City's per capita revenue figure (\$1,187, based on 1995 population) was lower than all reference communities.

Municipality	1995 Tax Assessment	1994Excise Tax	1994/95 Revenue Sharing	1994/95 State School Subsidy	Total	Per Capita Municipal Revenue
Waterville	\$12,043,851	\$1,074,358	\$1,135,722	\$5,178,083	\$19,432,014	\$1,187
Auburn	\$25,873,632	\$1,814,880	\$1,816,342	\$10,061,755	\$39,566,609	\$1,710
Augusta	\$20,029,899	\$1,857,324	\$1,494,669	\$6,352,556	\$29,734,448	\$1,447
Biddeford	\$17,708,062	\$1,394,107	\$1,174,915	\$5,047,505	\$25,324,589	\$1,249
Brunswick	\$16,898,019	\$1,491,708	\$1,111,582	\$7,007,032	\$26,508,341	\$1,301
Lewiston	\$34,069,111	\$2,579,652	\$2,712,520	\$12,543,300	\$51,904,583	\$1,404
Sanford	\$14,647,332	\$1,503,927	\$1,219,196	\$10,474,160	\$27,844,615	\$1,338
Winslow	\$6,326,096	\$769,564	\$393,837	\$3,829,270	\$11,318,767	\$1,455

Source: State Bureau of Taxation, Maine Treasury Department, Maine Department of Education and Cultural Services; Rothe Associates.

Revenues and Expenditures

Waterville's General Fund revenues and expenditures are shown in Table 4-9. In 1994, total revenues amounted to \$20.4 million, which is about \$3.1 million or 18% more than the 1989 figure of \$17.3 million. Overall, revenues have kept up with expenditures, primarily because of increases in the local tax rate. In 1989, property tax revenues provided about 50% of the City's revenues. In 1994, this figure had risen to 60%. The other major source of municipal revenue, Intergovernmental Revenue, was actually less in 1994 (\$6.8 million) than it was in 1991 through 1993.

Waterville's largest expenditure category is education. During the 1989-94 period, education spending rose from \$8.12 million to \$9.99 million, an increase of \$1.87 million or 23%. During the same period, expenditures for general government rose by 64%, public works decreased by 12%, public safety increased by 43%, and county taxes grew by 67%.

In every year except 1994, Waterville's revenues exceeded expenditures by amounts ranging from \$66,000 to \$767,000. In 1994, the City's expenditures exceeded revenues by almost \$1 million.

The category "Ending Fund Balance" shows the amount of cash on hand at the end of the fiscal year on June 30. Between 1989 and 1993, the fund balance grew from \$3.4 million to \$4.8 million. Between 1993 and 1994, when City expenditures exceeded revenues, the fund balance declined from \$4.8 million to \$3.9 million.

TABLE 4-9

**CITY OF WATERVILLE, MAINE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Year Ended June 30)**

	1989	1990	1991	1992	1993	1994
REVENUES						
Taxes	\$8,574,245	\$9,187,720	\$9,524,942	\$10,317,427	\$12,385,894	\$12,349,367
Other Taxes and Penalties	\$1,127,078	\$1,152,907	\$1,120,123	\$1,085,268	-	
Fees and Fines	\$0	-	-	-	\$5,680	\$6,840
Licenses and Permits	\$66,602	\$83,023	\$76,670	\$68,663	\$89,960	\$100,339
Use and Rent of Property	\$200,767	\$189,942	\$125,794	\$197,130	-	-
Landfill	\$0	-	\$1,352,369	\$1,205,398	\$1,167,472	-
Intergovernmental Revenue	\$6,011,124	\$6,532,027	\$6,971,089	\$6,840,524	\$7,059,066	\$6,804,136
Charges for Current Services	\$856,601	\$1,656,790	\$1,208,255	\$1,091,227	\$826,968	\$668,344
Income from Investments	\$290,013	\$254,311	\$254,211	\$165,789	\$164,845	\$176,920
Unclassified	\$150,183	\$49,237	\$296,353	\$381,693	\$374,097	\$318,206
TOTAL REVENUES	\$17,276,613	\$19,105,957	\$20,929,806	\$21,353,119	\$22,073,982	\$20,424,152
EXPENDITURES						
General Government	\$1,941,972	\$1,974,287	\$2,511,239	\$2,301,393	\$3,181,234	\$2,440,199
Community Services	\$444,606	\$656,306	\$892,389	\$873,033	\$663,424	\$1,151,604
Public Works	\$2,311,444	\$3,019,963	\$1,974,135	\$2,132,349	\$2,026,578	\$2,093,258
Public Safety	\$1,914,314	\$2,096,893	\$2,002,740	\$2,109,522	\$2,567,564	\$2,749,450
County Tax	\$344,172	\$430,074	\$449,963	\$566,767	\$574,180	\$540,409
Education	\$8,121,600	\$9,026,554	\$9,544,850	\$9,962,337	\$9,956,962	\$9,989,730
Landfill	-	-	\$1,657,208	\$1,040,325	\$961,306	-
Debt Service (Accrued Sick Pay)	-	\$170,000	\$140,700	\$140,700	-	-
Debt Service (Other)	\$1,362,066	\$1,436,403	\$1,256,665	\$1,514,553	\$1,261,804	\$1,190,075
TOTAL EXPENDITURES	\$16,440,174	\$18,810,480	\$20,429,889	\$20,640,979	\$21,193,052	\$20,154,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$836,439	\$295,477	\$499,917	\$712,140	\$880,930	\$269,427
ENDING FUND BALANCE	\$3,415,816	\$3,482,279	\$3,706,867	\$4,072,696	\$4,839,486	\$3,865,737

Prepared from Audited Financial Statements (Note: 1989-1992 data on a budgetary basis; 1993 on a GAAP basis); 1993-94 Annual Report.

Long Term Debt

Table 4-10 contains a summary of the City's long-term debt, showing the balances remaining at the end of the fiscal year, as reflected in the annual audits. By law, the City's total indebtedness cannot exceed 15% of the total State valuation for the community. In 1994, the City's State valuation was \$549.1 million, which means that Waterville's debt limit is \$82.4 million. As shown in Table 4-10, the City's total indebtedness for 1994 was \$5.94 million, or about 1.1% of the State valuation. The City's indebtedness has declined from \$6.94 million in 1989 to \$5.94 million in 1994.

TABLE 4-10
LONG-TERM DEBT
STATEMENT OF BALANCES

Bonds	Date of Issue	Original Amount	Interest	Principal Balance - June 30					
				1989	1990	1991	1992	1993	1994
Area Vocational - Technical	11/1/69	\$1,210,000	7.0%	\$60,000	-	-	-	-	-
New Junior High School	6/1/77	\$2,940,000	5.2%	\$1,140,000	\$995,000	\$850,000	\$705,000	\$560,000	\$415,000
Equipment Projects	3/1/80	\$2,110,000	8.3%	\$905,000	\$800,000	\$700,000	\$600,000	\$500,000	\$400,000
Junior High School	11/1/80	\$1,125,000	9.2%	\$605,000	\$550,000	\$495,000	\$440,000	\$385,000	\$330,000
Capital Improvements	5/26/86	\$2,075,000	5.9%	\$1,655,000	\$1,445,000	\$1,235,000	\$1,025,000	\$820,000	\$615,000
Capital Improvements	10/28/87	\$625,000	7.5%	\$560,000	\$495,000	\$430,000	\$365,000	\$300,000	\$240,000
Capital Improvements	10/26/88	\$1,820,000	6.8%	\$1,820,000	\$1,635,000	\$1,450,000	\$1,265,000	\$1,080,000	\$900,000
Capital Improvements	5/24/90	\$840,000		-	\$840,000	\$840,000	\$750,000	\$660,000	\$570,000
Capital Improvements	3/1/91	\$2,117,000	6.4-7.2			\$2,117,000	\$1,900,000	\$1,685,000	\$1,470,000
NOTES:									
W. Stanley Lunn Farm	12/31/74	\$157,500	6.0%	\$10,500					
Waterville Sewerage District	7/1/72	\$350,000	5.3%	\$52,500	\$35,000	\$17,500			
Capital Improvement Project	12/19/84	\$650,000	8.4%	\$130,000					
Bond Anticipation Note								\$619,000	\$1,000,000
TOTAL				\$6,938,000	\$6,795,000	\$8,134,500	\$7,050,000	\$6,609,000	\$5,940,000

Issues and Needs

The issues related to Waterville's municipal finances include the following:

1. **Tax Base.** Waterville's tax base is relatively weak. The City's total per capita valuation is low relative to other communities, as is the per capita personal property and industrial valuation.
2. **Taxes.** Taxes in Waterville are relatively low. The tax on the median value home in Waterville is lower than all but one of the comparison communities, and the per capita tax burden is lower than all comparison communities.
3. **Revenues.** Municipal revenues are lower than in other comparable communities, in part because of the relatively low valuation and the relatively low tax rate.
4. **Debt.** The City's long-term debt is low. At \$5.9 million, it is about 1/15 of the statutory limit of \$82.4 million.