

# Hubbardston Tax Levy, Spending and Growth Analysis

## Part 2

Joshua Lerner  
Finance Committee  
2018

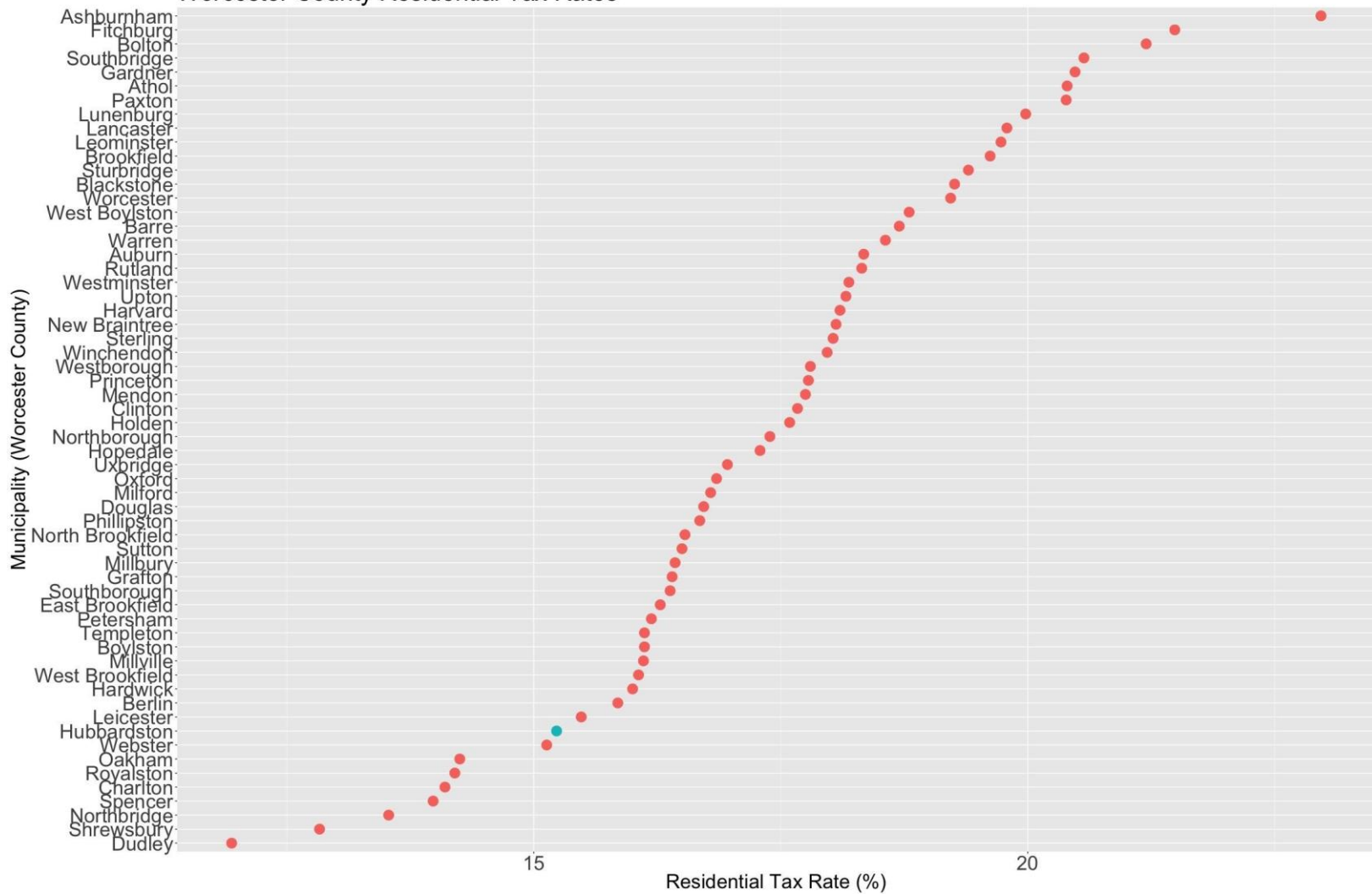
# Background

- Many assumptions are made about Hubbardston
  - “Residential taxes are too high”
  - Development and growth: “If we only had more businesses in town”
- Town Committees and Boards should understand:
  - Where we derive our tax revenue
  - Where we spend our money
  - How our budget compares to other towns
  - The overall financial health and growth of our town
- Data is readily available, though not easily interpreted
  - All raw data for this presentation originates from the Massachusetts Municipal Databank
    - “At-A-Glance and Community Comparison Report”
    - “Municipal Finance Trend Dashboard”
    - Found at: <https://www.mass.gov/municipal-databank-data-analytics-including-cherry-sheets>

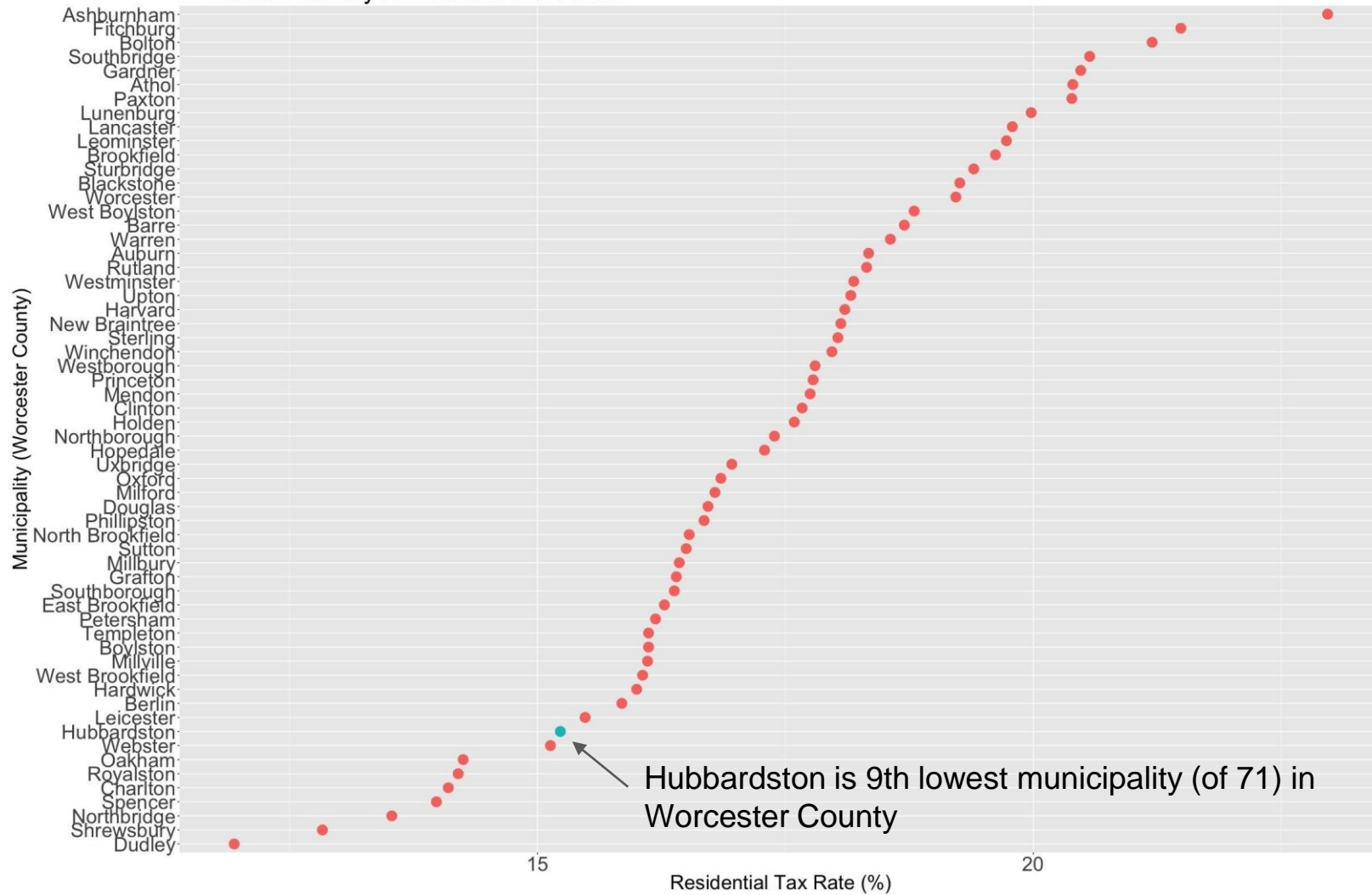
So Let's Address Some Of These Issues...

# 1. Residential Taxes:

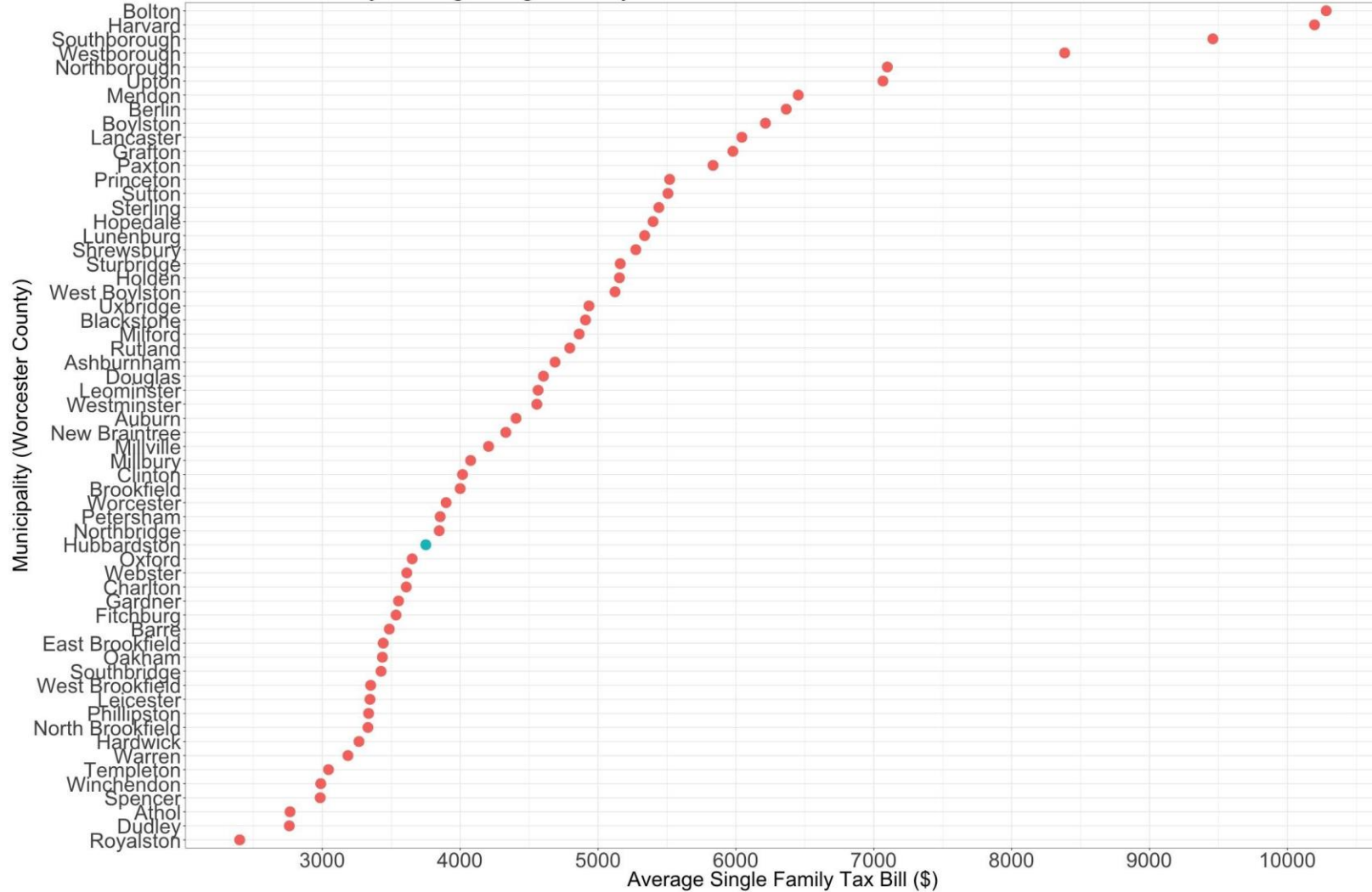
# Worcester County Residential Tax Rates



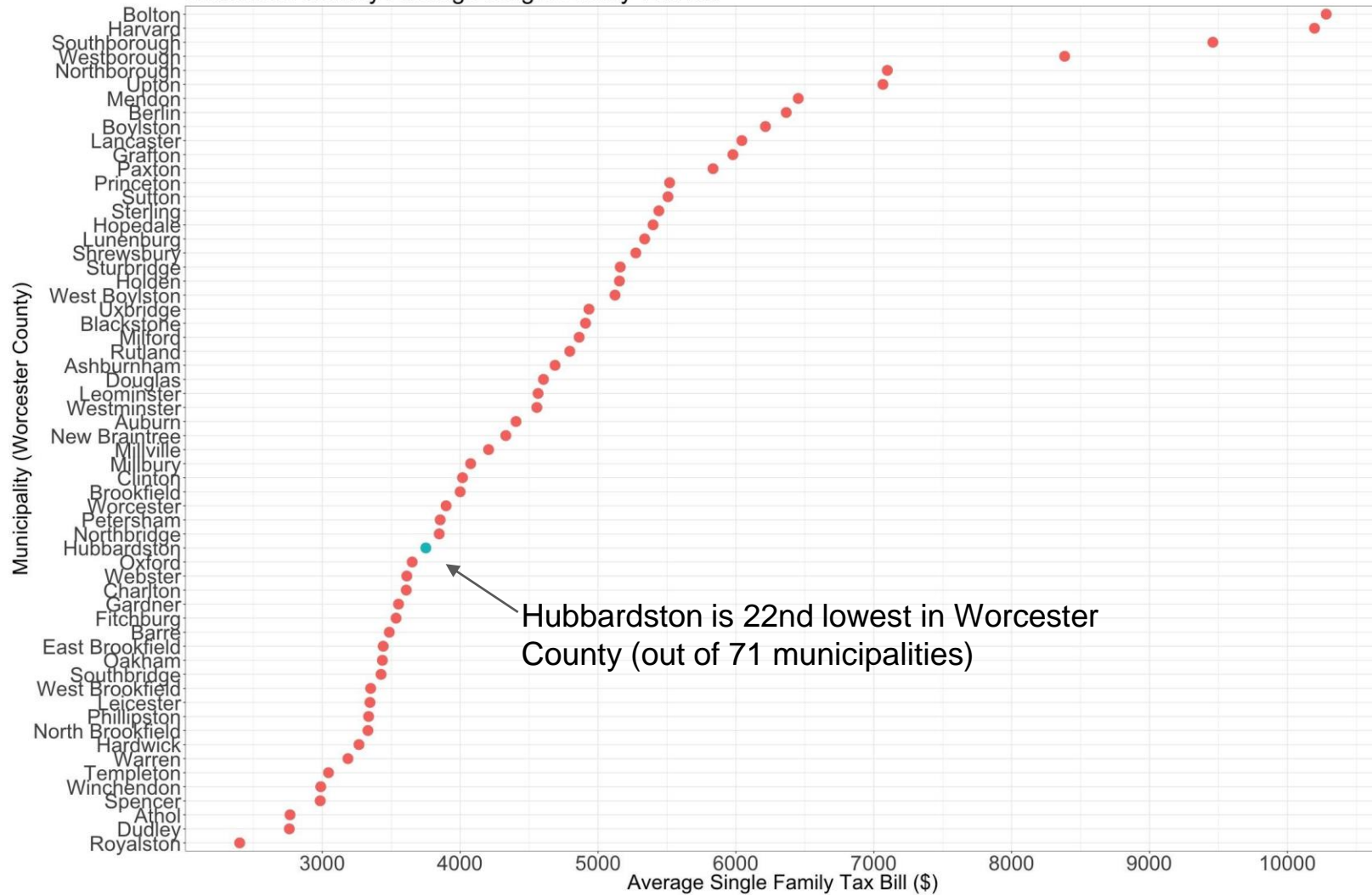
# Worcester County Residential Tax Rates



Worcester County Average Single Family Tax Bill

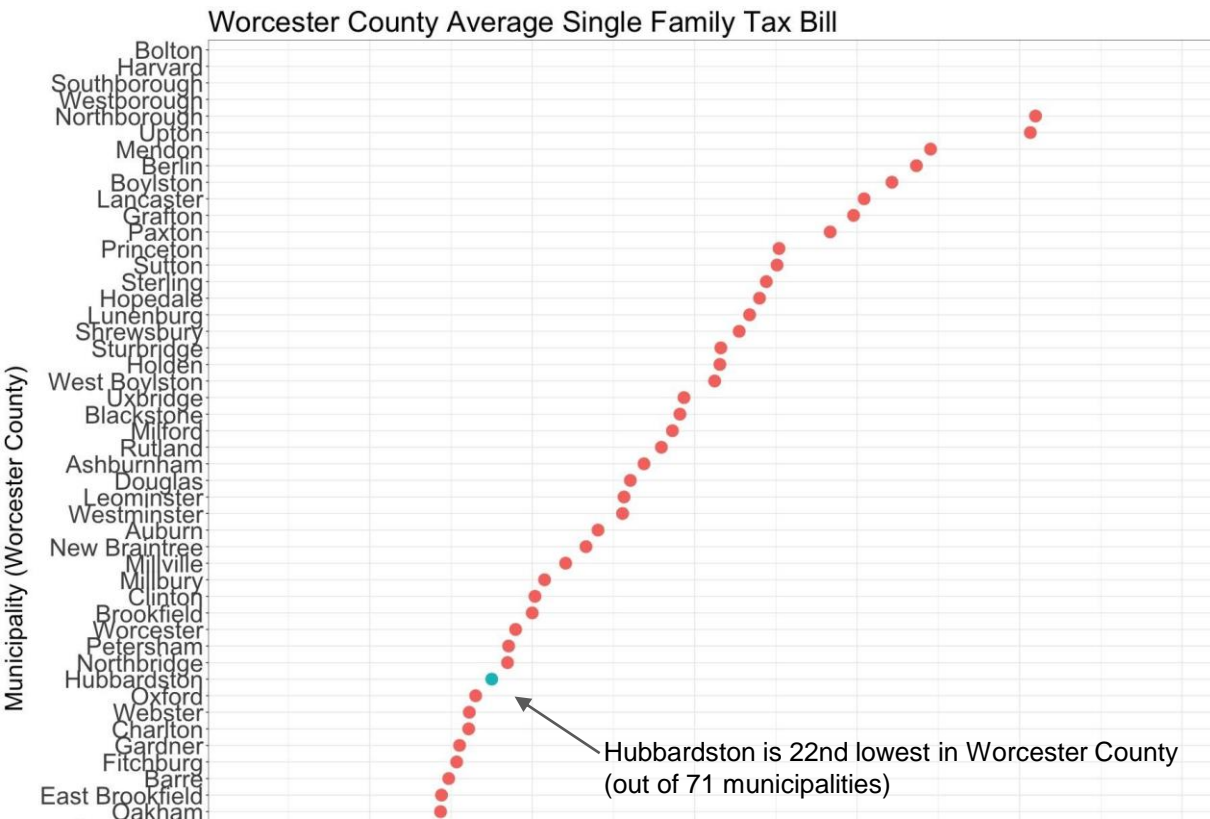


Worcester County Average Single Family Tax Bill



Hubbardston is 22nd lowest in Worcester County (out of 71 municipalities)





## Hubbardston's Single Family Tax Bill:

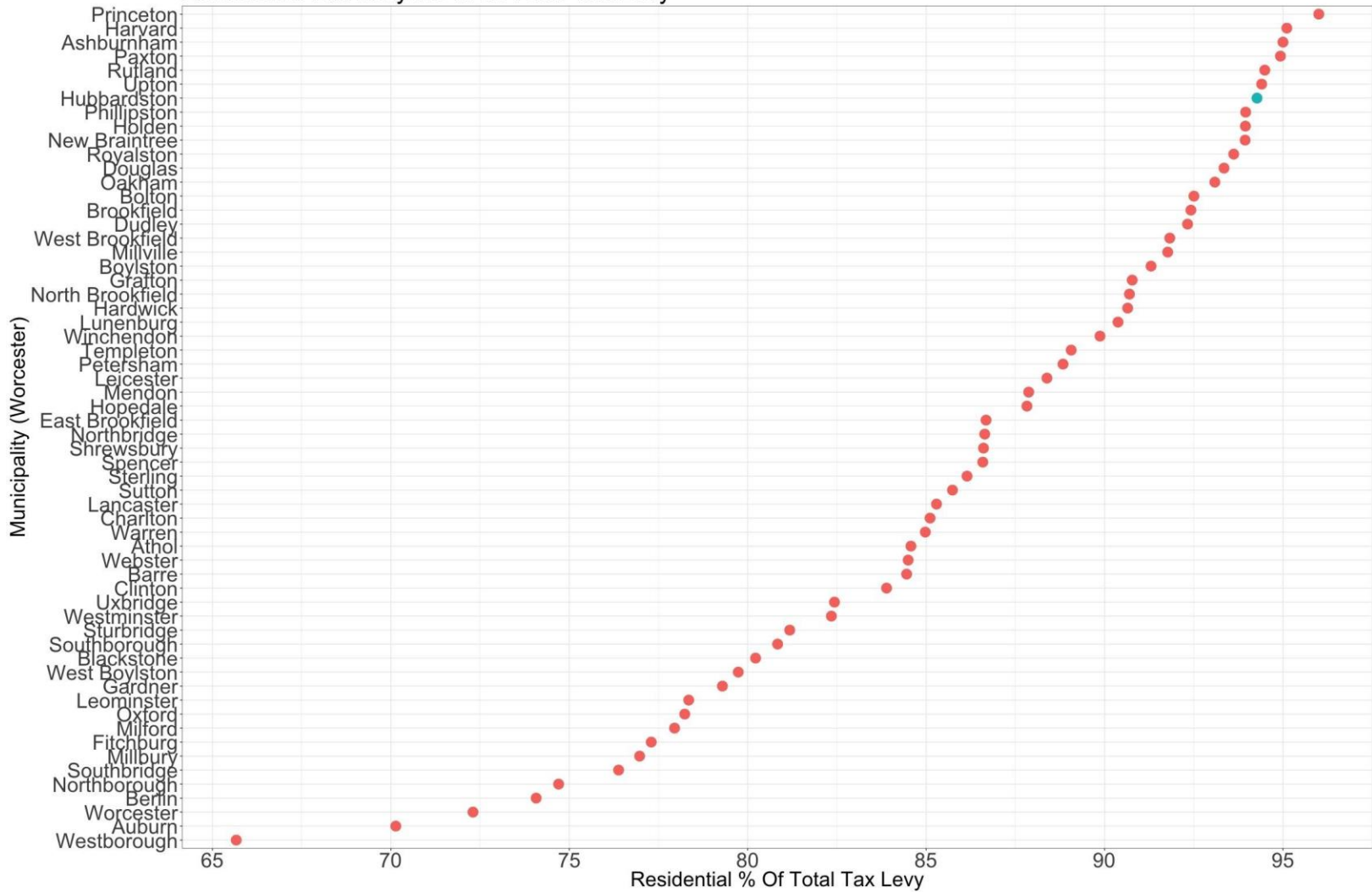
- In last 30 years, Hubbardston has ranked between #212 (1989) and #293 (2011) in terms of average single family tax bill for all of Massachusetts
  - #1 = highest bill
  - 351 Massachusetts Municipalities
- Average during that time is #259.

## 2. Residential vs. Industrial/Commercial Tax Levies:

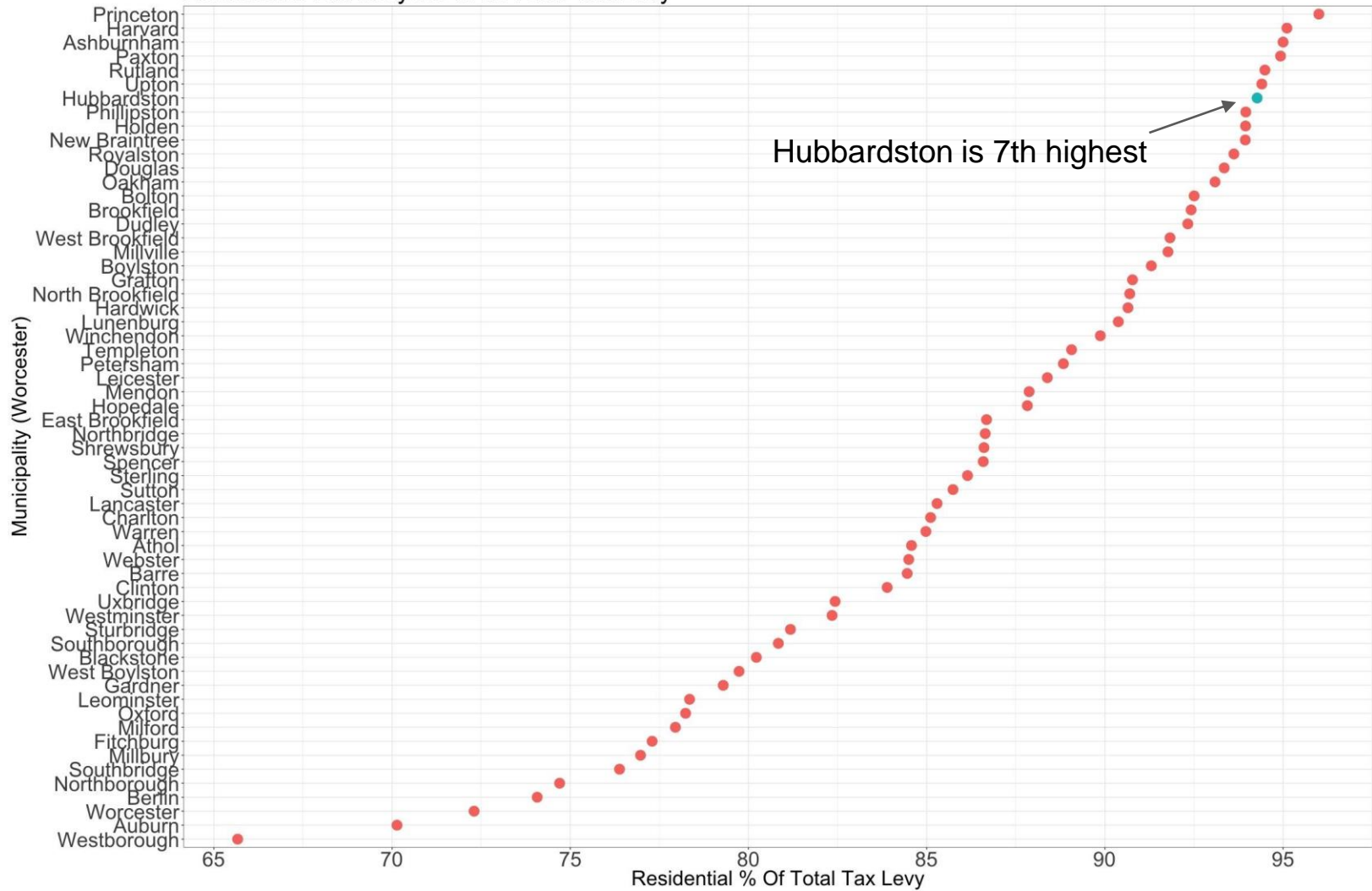
# Percentage of Tax Levy From Residential Sources:

- = Residential Tax Levy / Total Tax Levy
  - Total Tax Levy = Residential + Commercial + Industrial + Personal Property Tax Levies
- Reflection of tax “burden” of residential properties versus commercial and industrial properties
  - Higher percentage = more tax dollars from residential property
  - Lower percentage = more tax dollars from commercial and industrial property

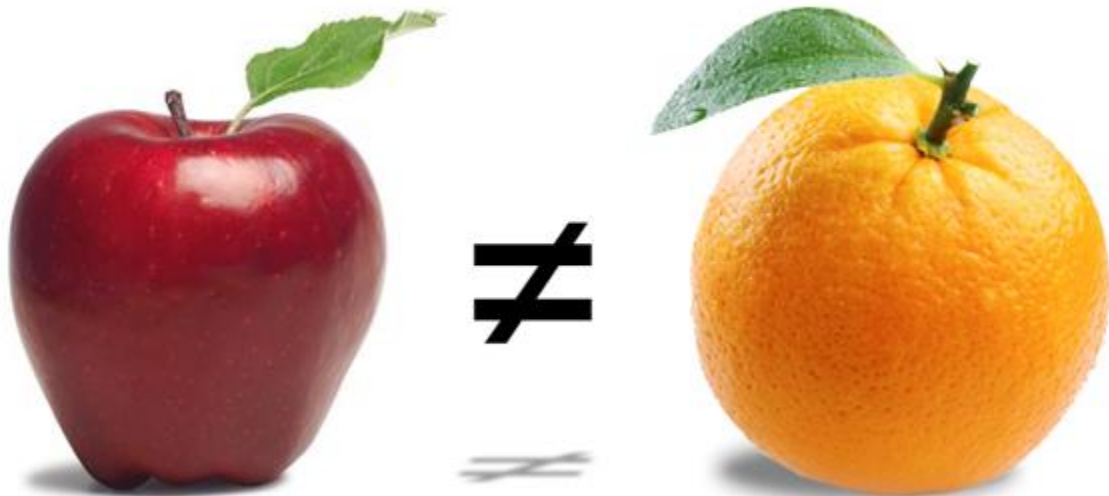
Residential Tax Levy As % Of Total Tax Levy



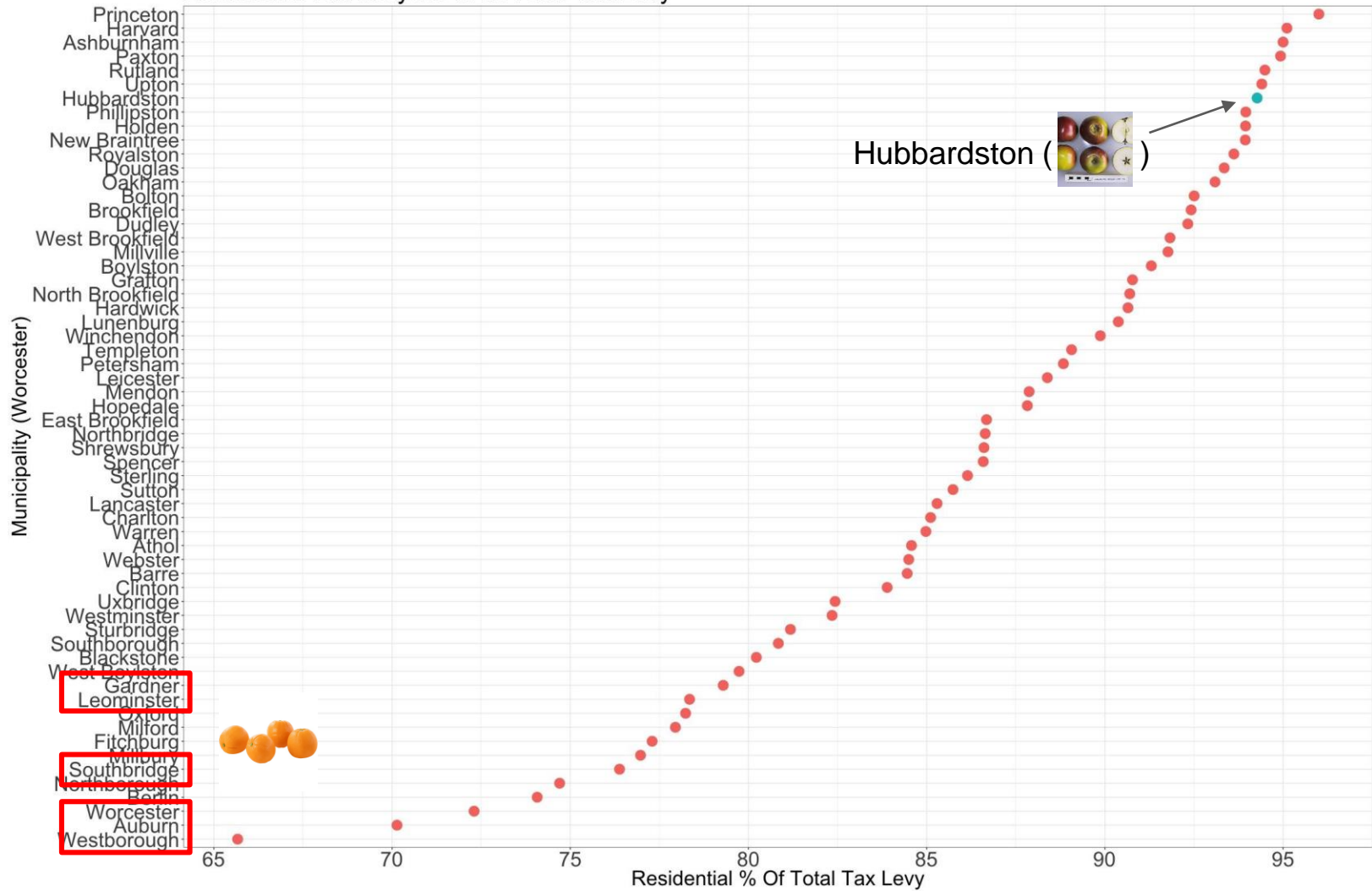
Residential Tax Levy As % Of Total Tax Levy



However...

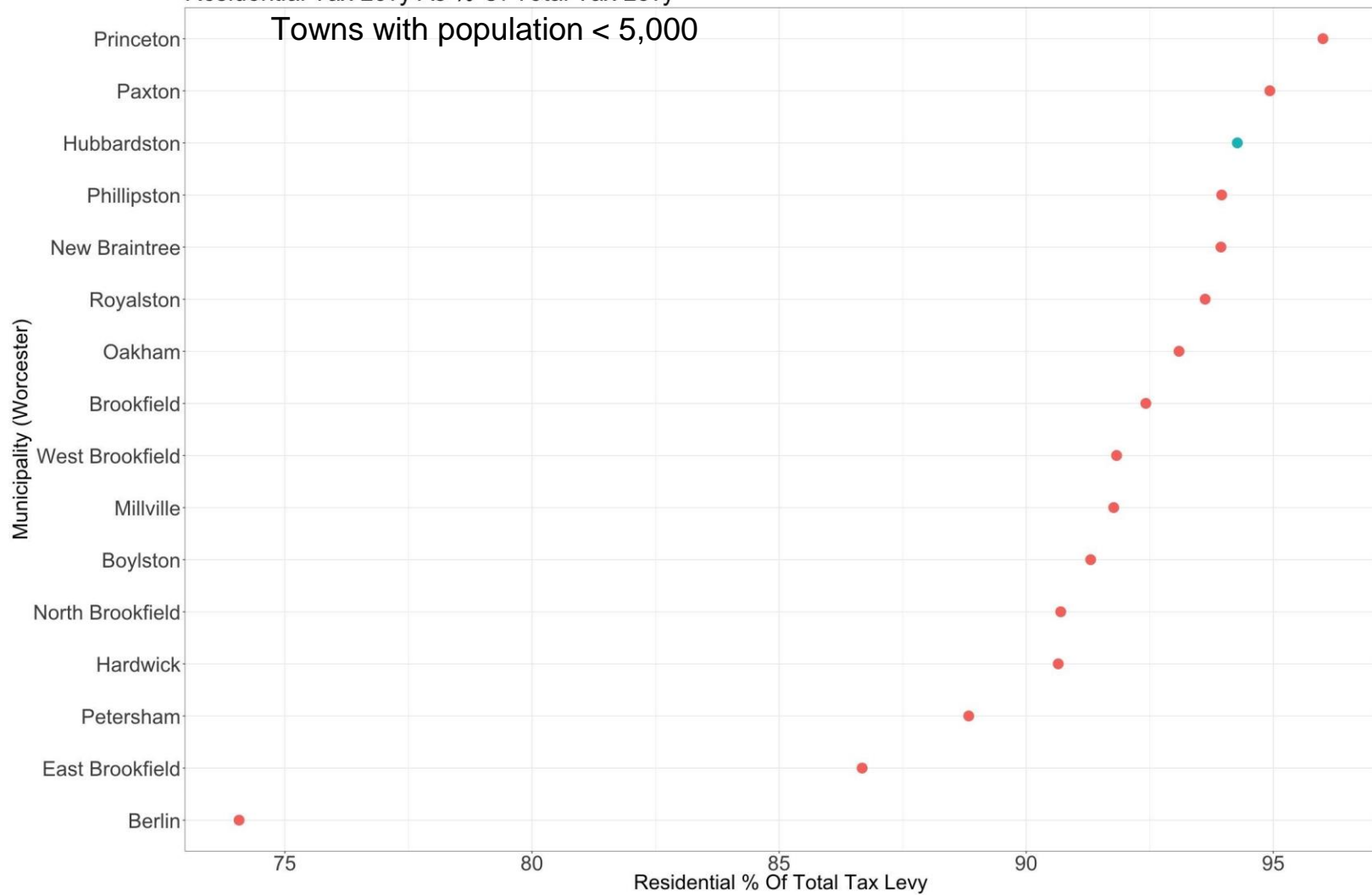


Residential Tax Levy As % Of Total Tax Levy



Residential Tax Levy As % Of Total Tax Levy

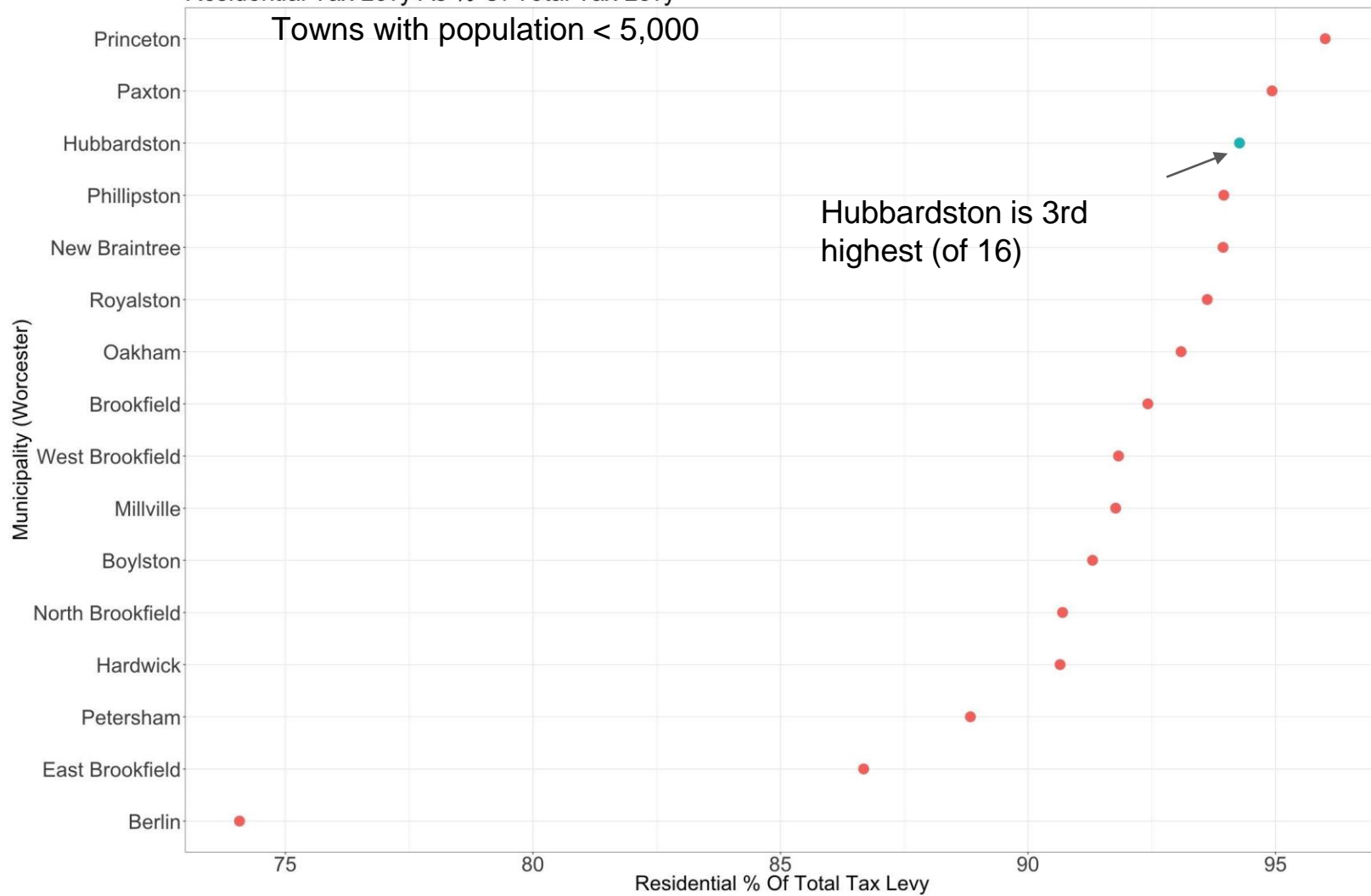
Towns with population < 5,000





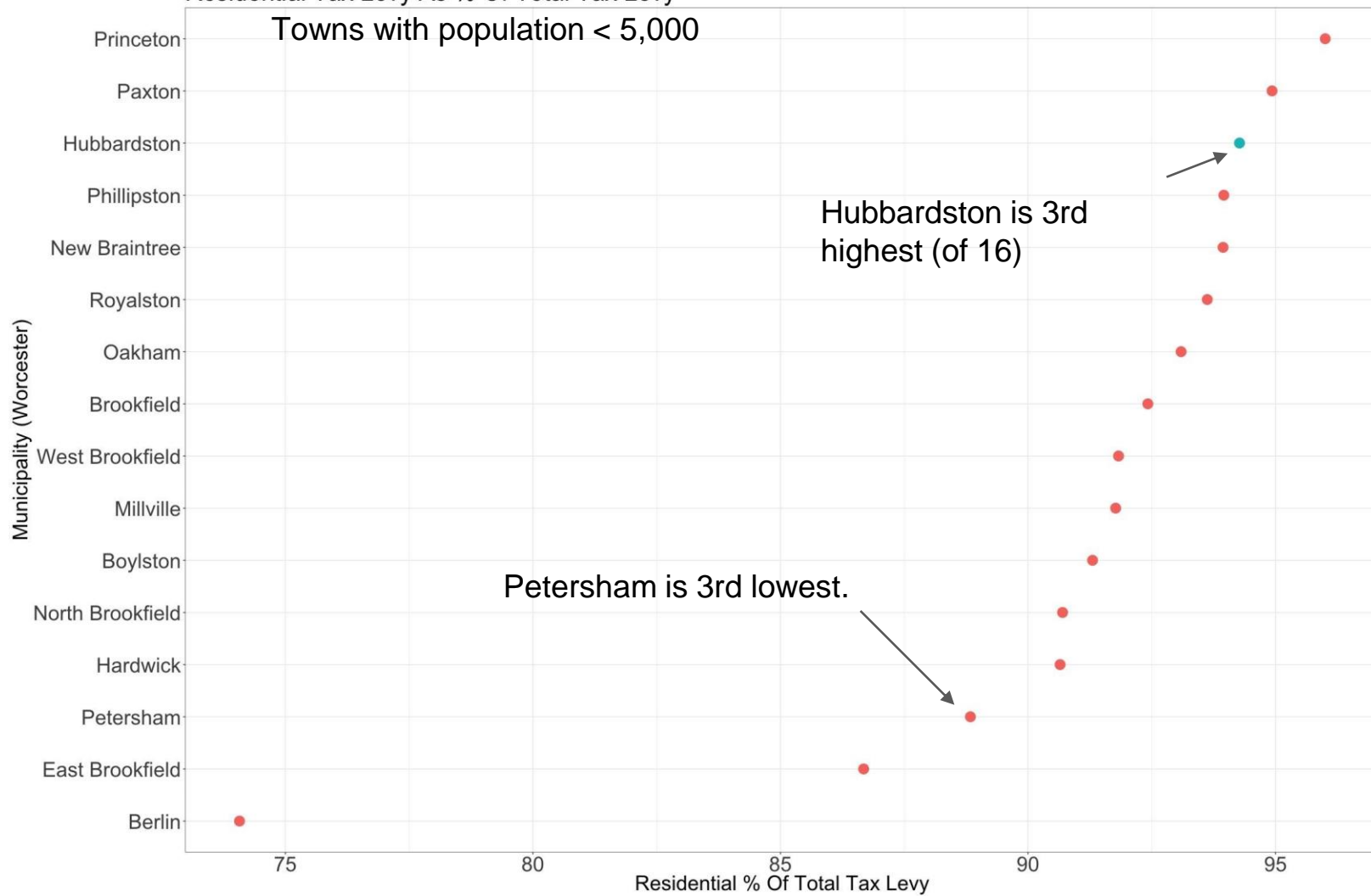
# Residential Tax Levy As % Of Total Tax Levy

Towns with population < 5,000



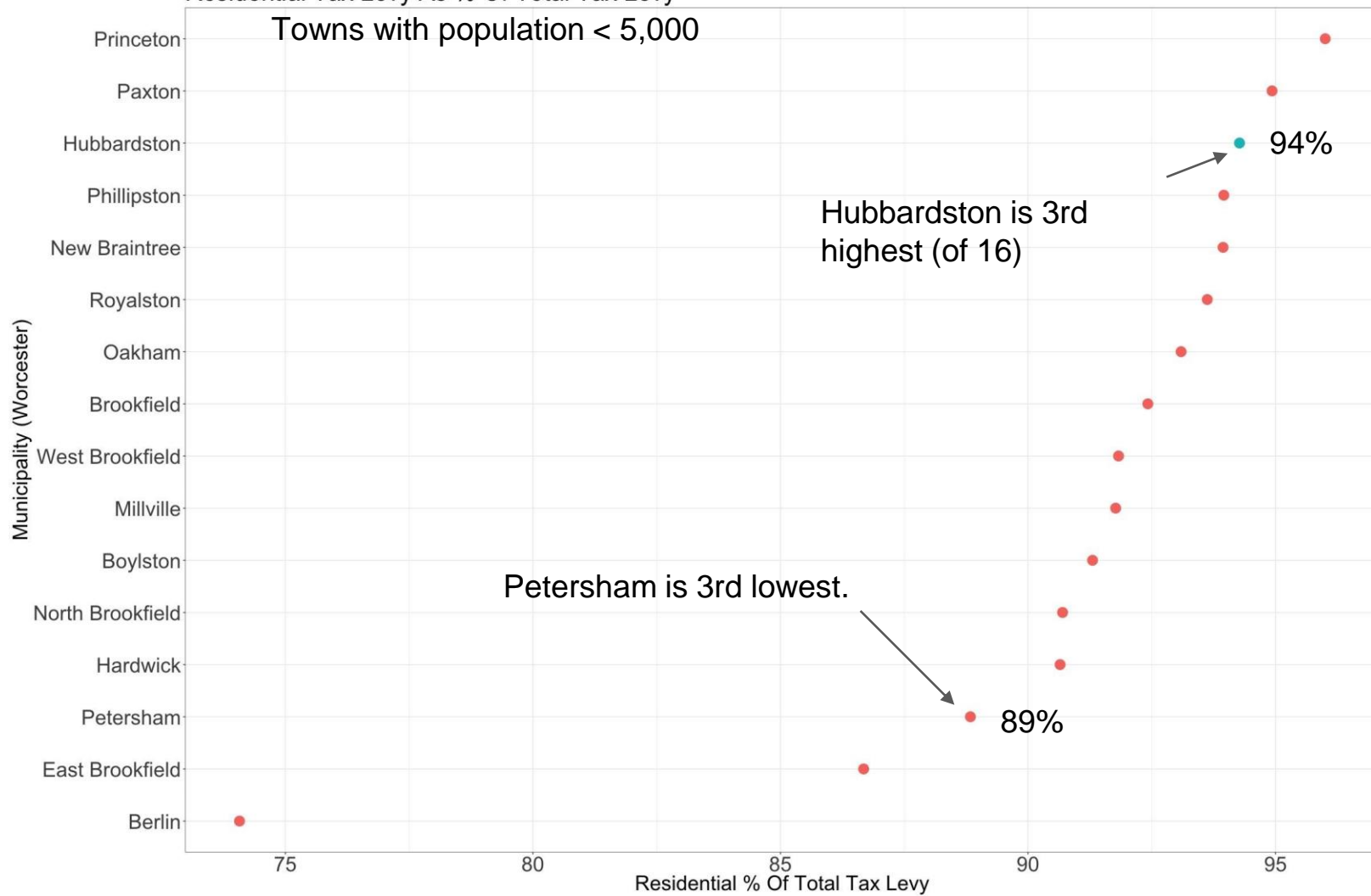
# Residential Tax Levy As % Of Total Tax Levy

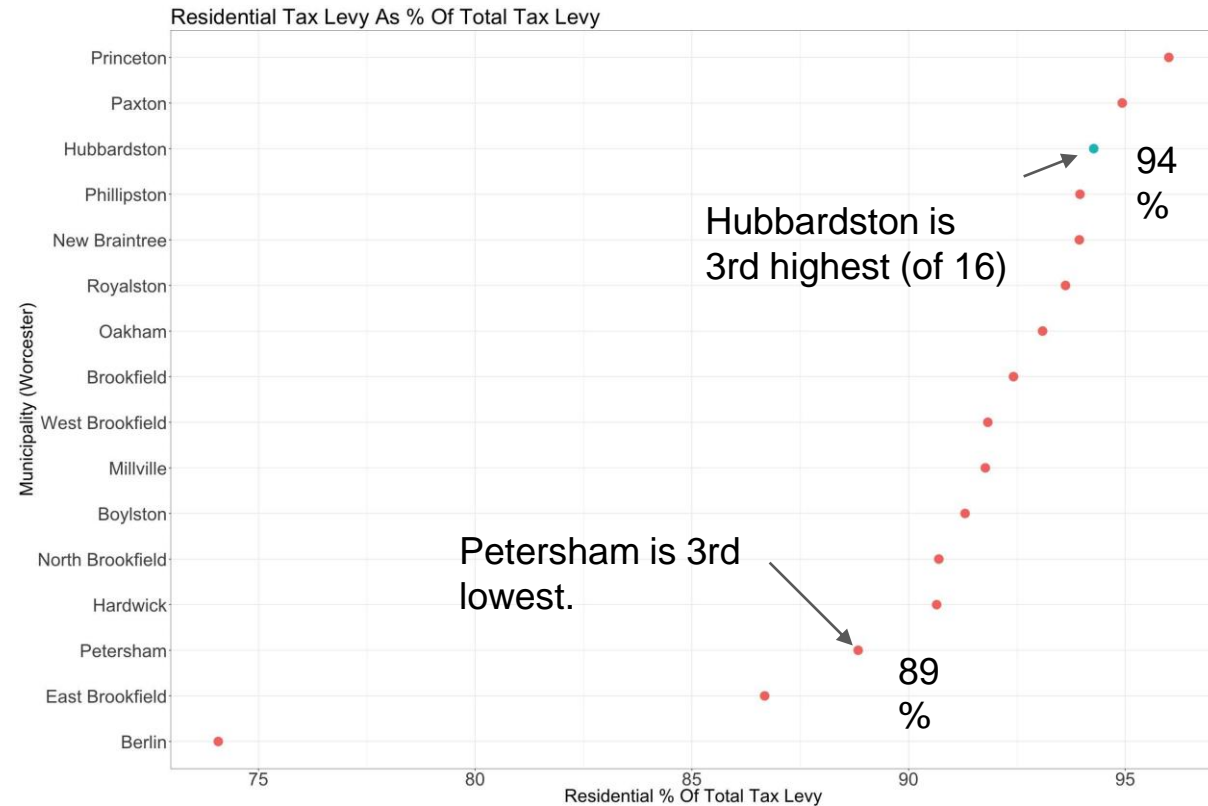
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# Residential Tax Levy As % Of Total Tax Levy

Towns with population < 5,000

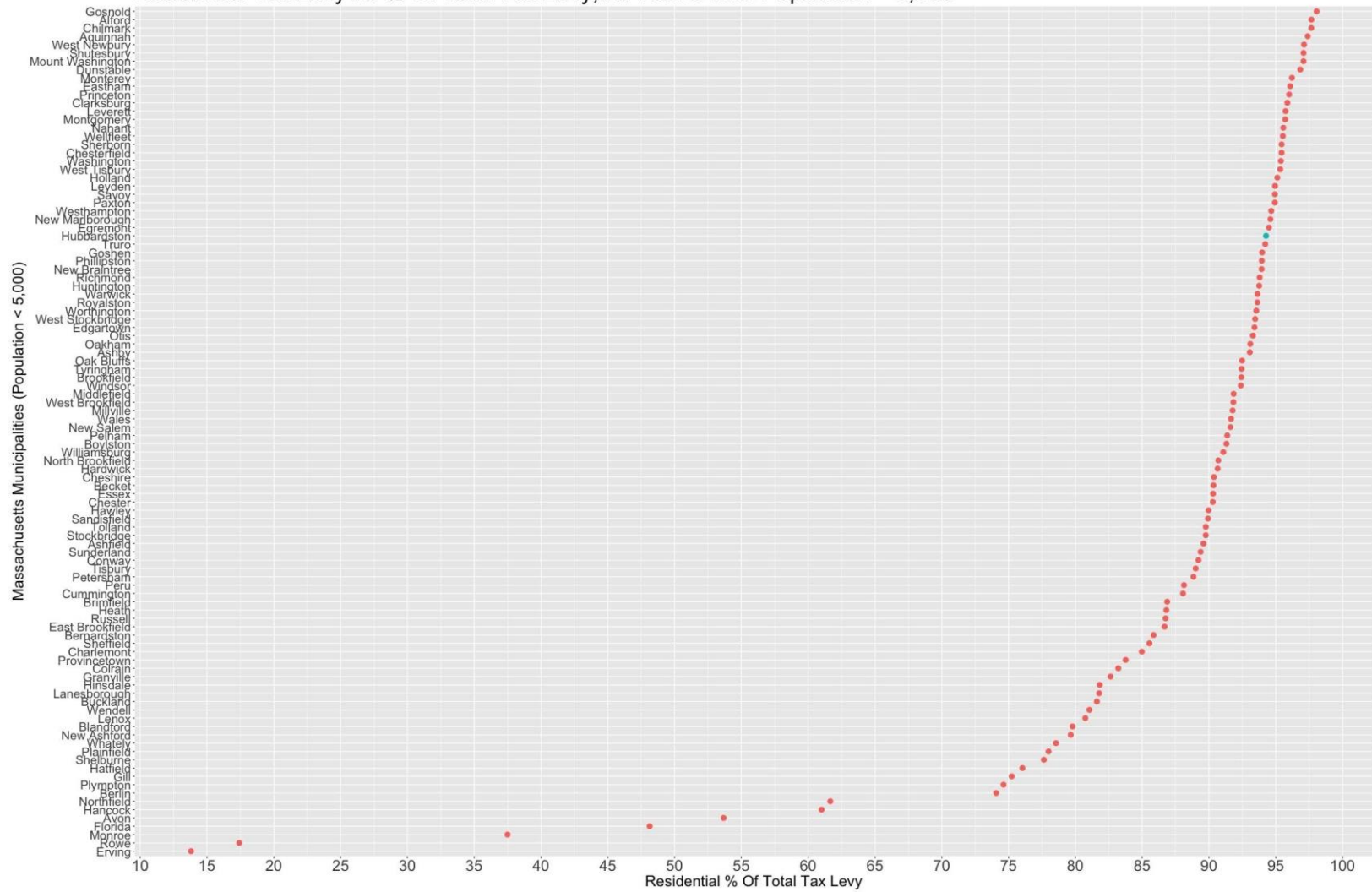




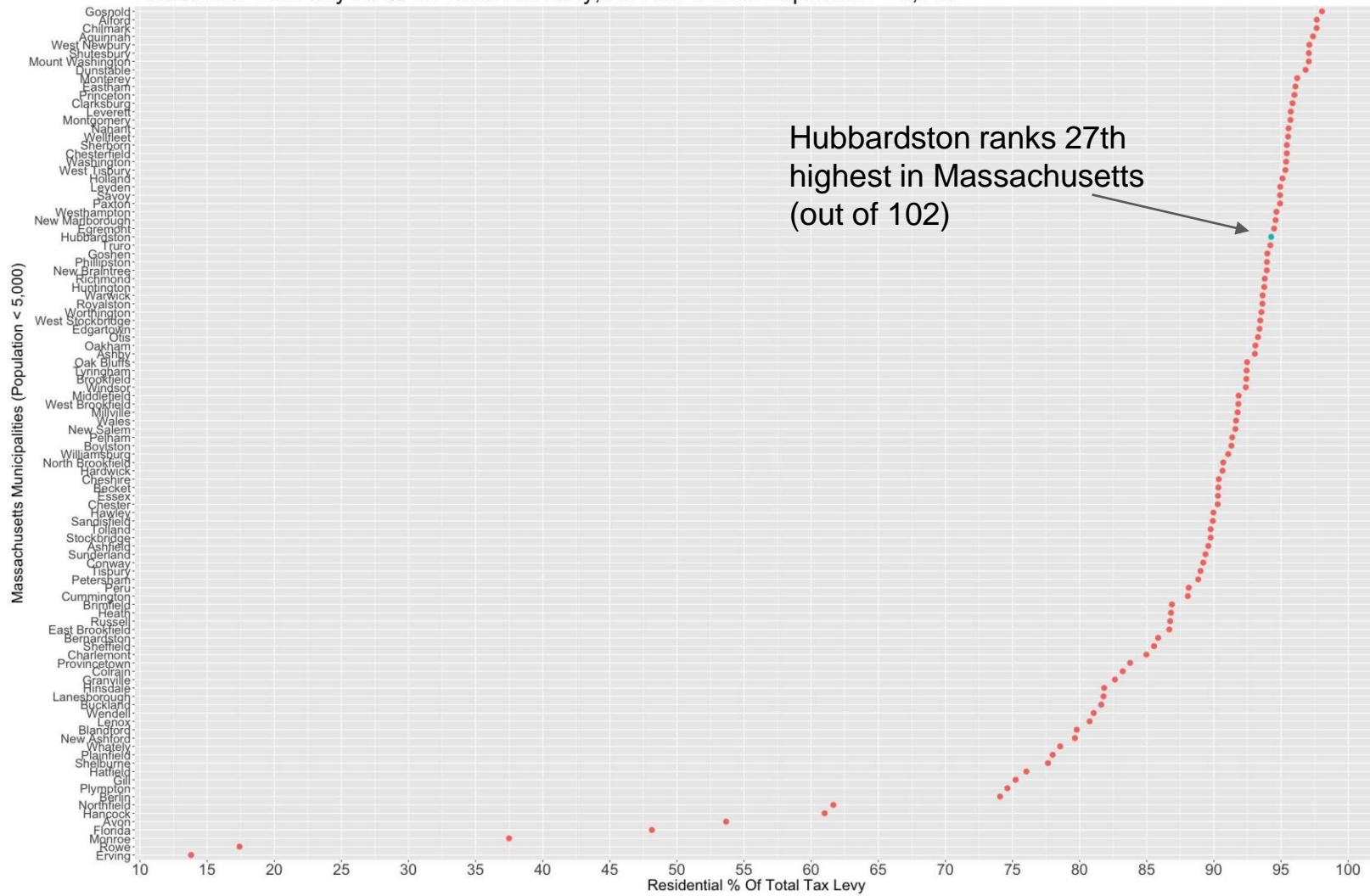
- All but 3 towns with a population less than 5,000 in Worcester County derive 90% or more of their total tax revenue from residential sources.
- 13 of the 16 towns range from 96% to 90.6%

Let's look at all small towns in Massachusetts

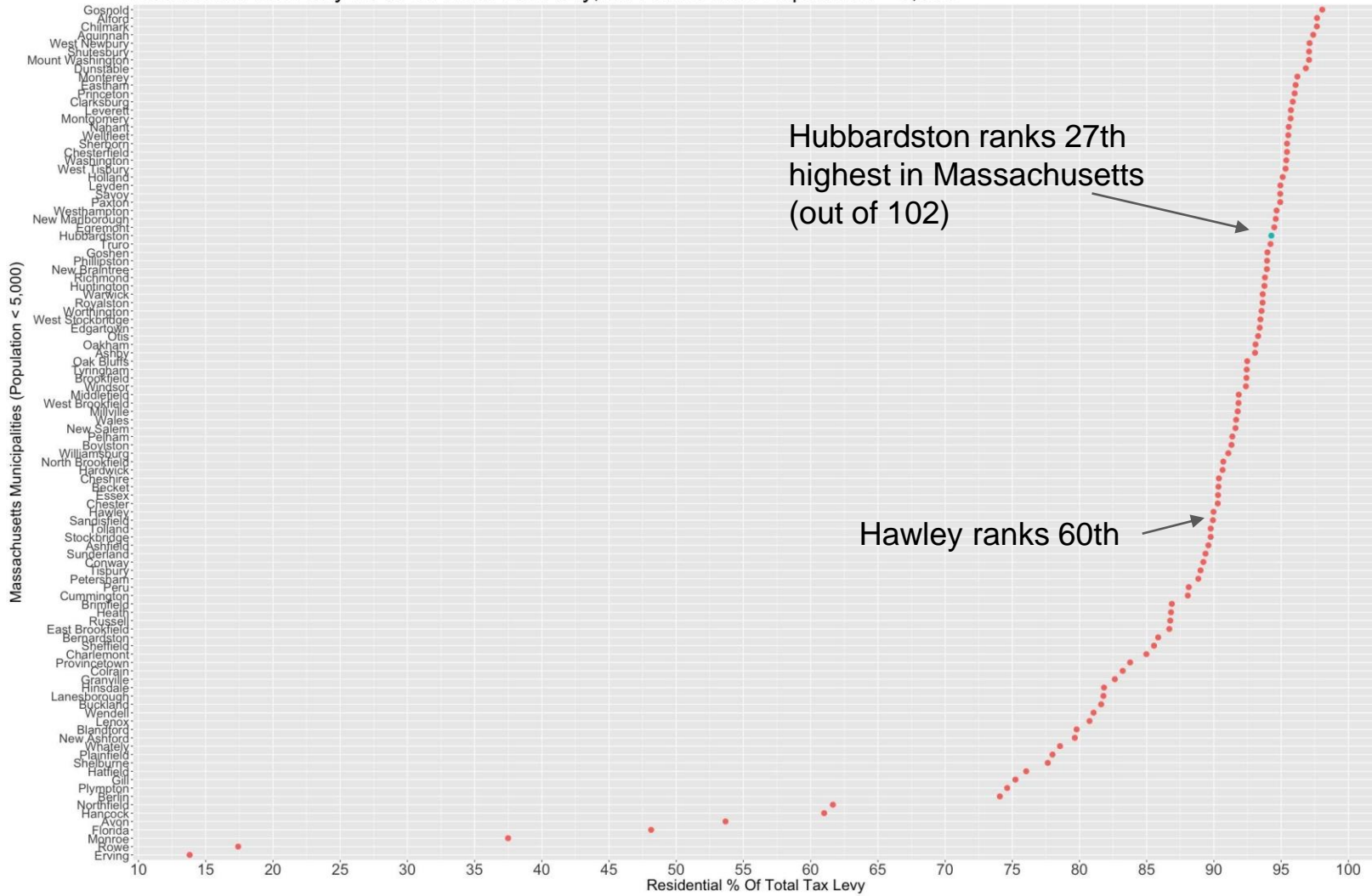
Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 5,000



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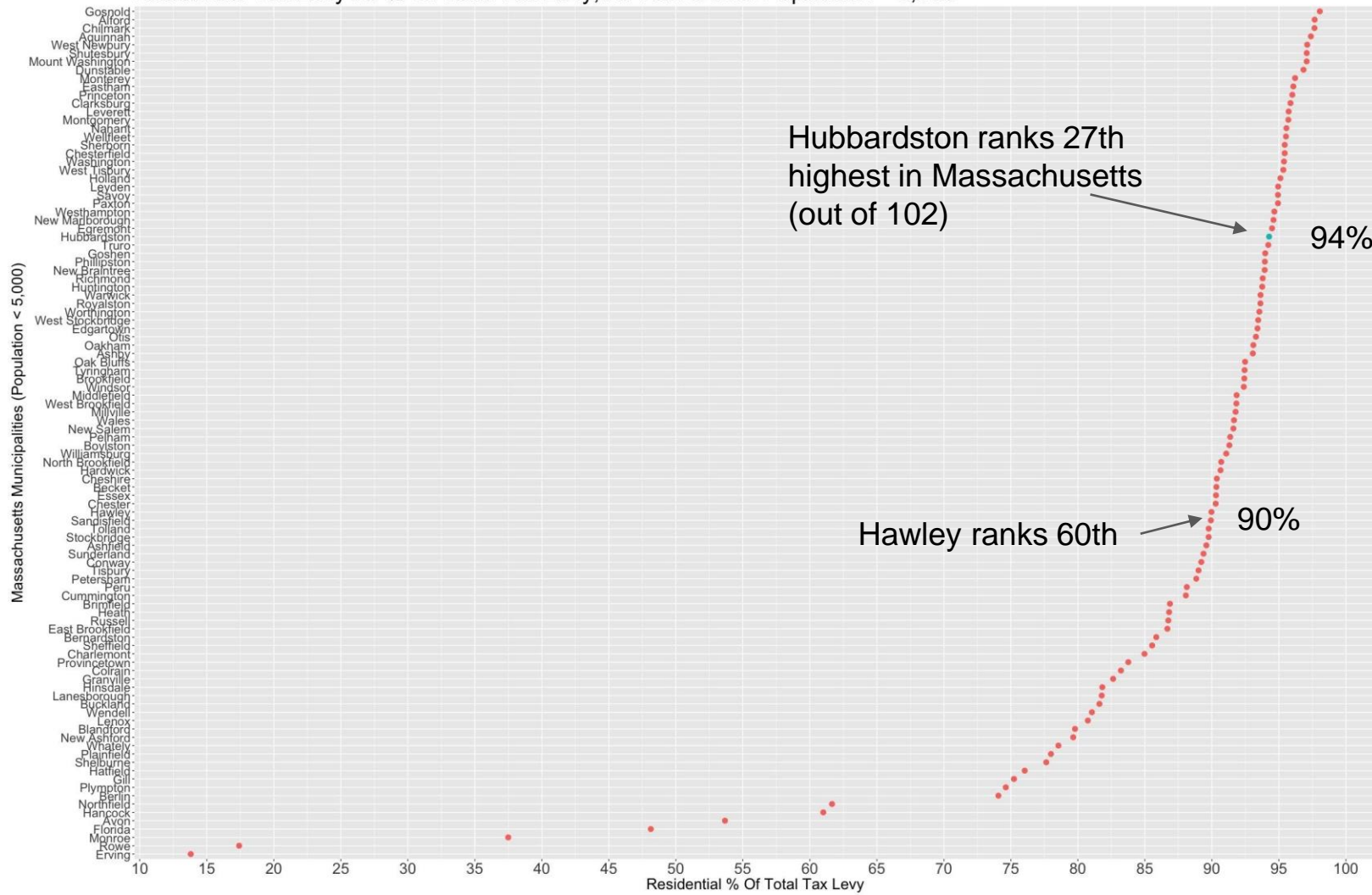


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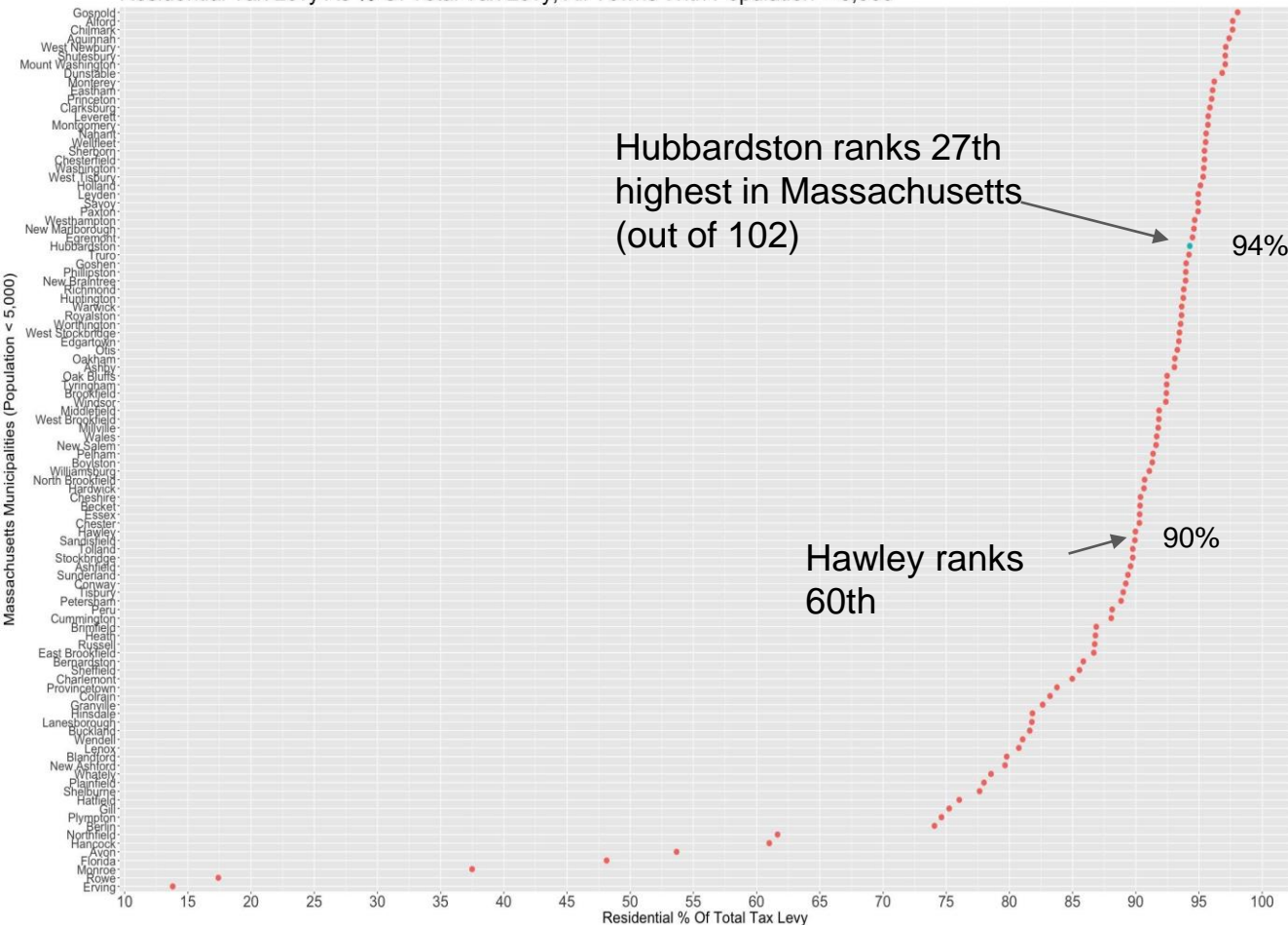




Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 5,000



Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 5,000



For all towns in Massachusetts with population < 5,000:

- 60 out of 102 (59%) derive 90% or more of their tax revenue from residential sources
  - Range from 90-98%
- 77 out of 102 towns (75%) derive > 85% of tax revenue from residential sources.

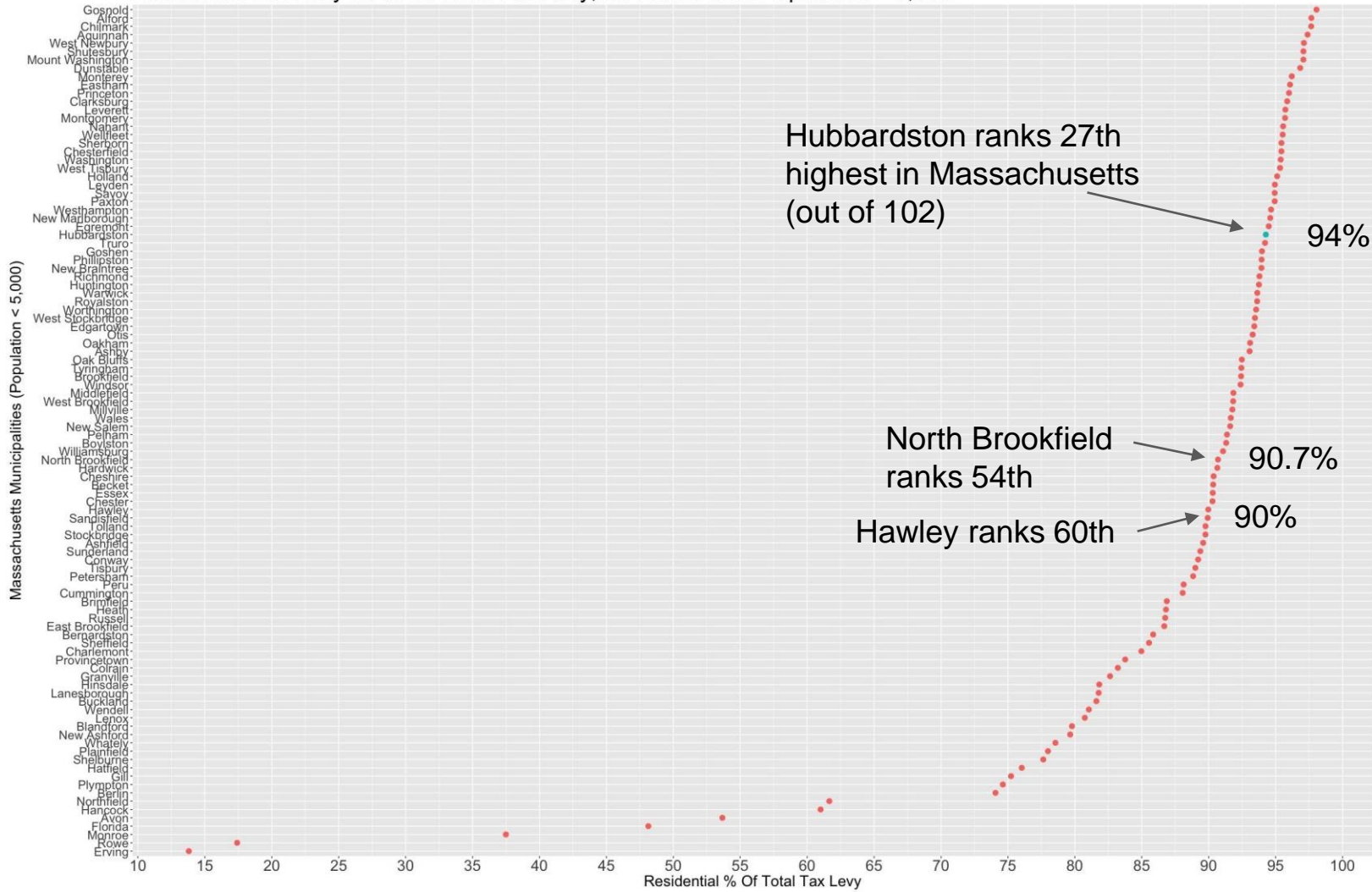
# Let's Look At Two Towns...

	County	Population	Tax Bill	Income per capita	R/C/I Tax
Town A	Worcester	4523	\$3751	\$31,618	15.23
Town B	Worcester	4749	\$3331	\$24,974	16.53

# Let's Look At Two Towns...

	County	Population	Tax Bill	Income per capita	R/C/I Tax
Hubbardston	Worcester	4523	\$3751	\$31,618	15.23
North Brookfield	Worcester	4749	\$3331	\$24,974	16.53

Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 5,000



So what would it take to get to North Brookfield and go from 27th to 54th highest percentage?

(Remember, North Brookfield still gets almost 91% of its tax revenue from residential levies)

## DLS At A Glance Report for Hubbardston

Socioeconomic	
County	WORCESTER
School Structure	No data
Form of Government	OPEN TOWN MEETING
2015 Population	4,596
2016 Labor Force	2,481
2016 Unemployment Rate	2.40
2015 DOR Income Per Capita	33,154
2009 Housing Units per Sq Mile	40.47
2013 Road Miles	85.99
EQV Per Capita (2016 EQV/2015 Population)	92,260
Number of Registered Vehicles (2014)	5,113
2012 Number of Registered Voters	3,179

Bond Ratings	
Moody's Bond Ratings as of December 2017*	
Standard and Poor's Bond Ratings as of December 2017*	AA+

\*Blank indicates the community has not been rated by the bond agency

Fiscal Year 2018 Estimated Cherry Sheet Aid	
Education Aid	0
General Government	588,719
Total Receipts	588,719
Total Assessments	14,002
Net State Aid	574,717

Fiscal Year 2018 Tax Classification			
Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	419,503,680	6,347,091	15.13
Open Space	0	0	0
Commercial	10,545,919	159,560	15.13
Industrial	5,432,600	82,195	15.13
Personal Property	12,170,255	184,136	15.13
<b>Total</b>	<b>447,652,454</b>	<b>6,772,982</b>	

Fiscal Year 2018 Revenue by Source		
Revenue Source	Amount	% of Total
Tax Levy	6,772,982	73.48
State Aid	588,719	6.39
Local Receipts	1,387,346	15.05
Other Available	468,940	5.09
<b>Total</b>	<b>9,217,986</b>	

Fiscal Year 2018 Proposition 2 1/2 Levy Capacity	
New Growth	93,074
Override	
Debt Exclusion	0
Levy Limit	6,774,154
Excess Capacity	1,172
Ceiling	11,191,311
Override Capacity	4,417,157

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  - increase by \$467,000 or >190%

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- Combined commercial and industrial levies would need to almost triple current values.
  - increase by \$467,000 or >190%
- If \$467,000 were to come from new development, the assessed value of new development would need to be over \$30.9 MILLION.
  - Combined value of Commercial and Industrial new growth in last 15 years:

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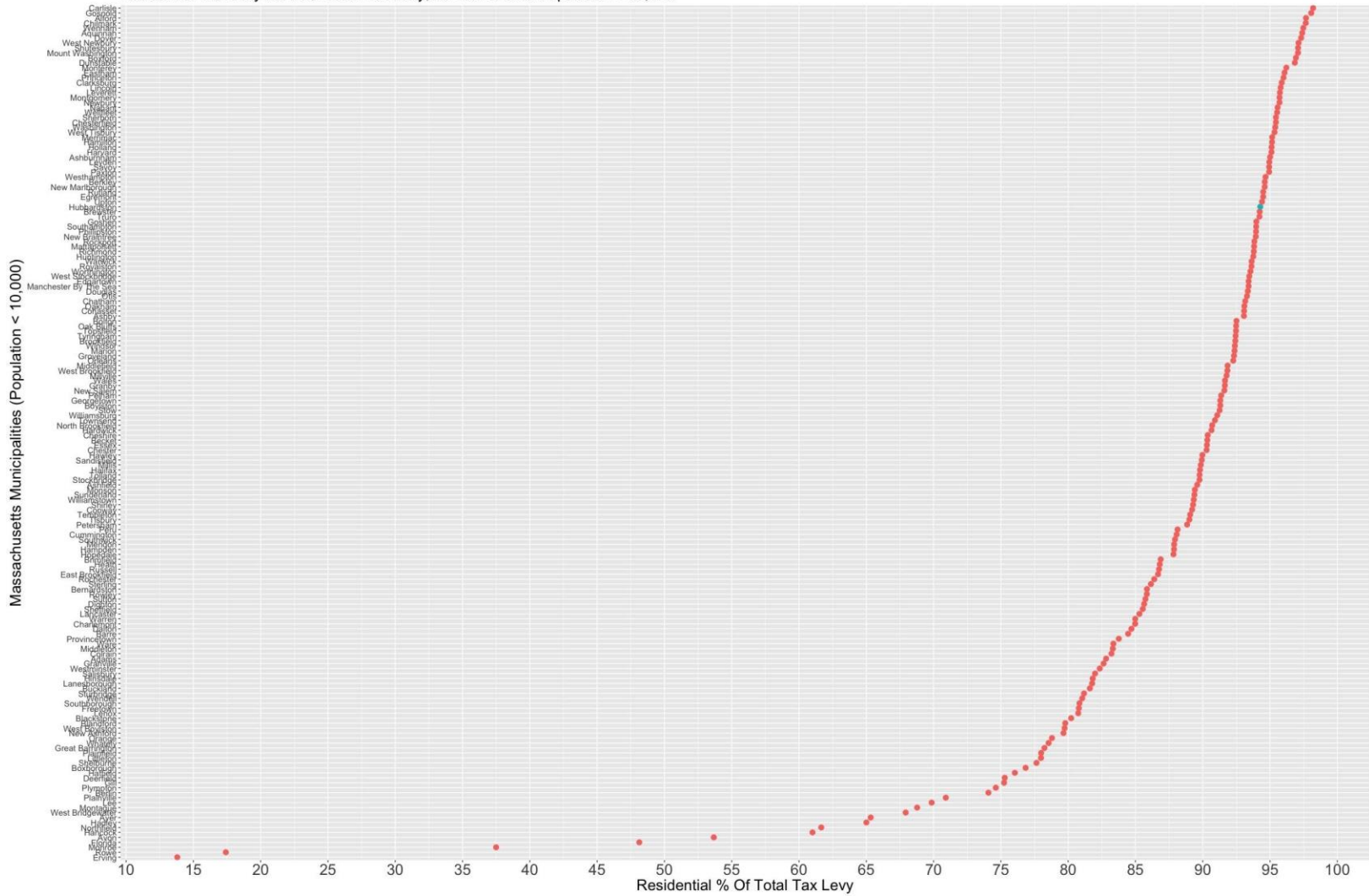
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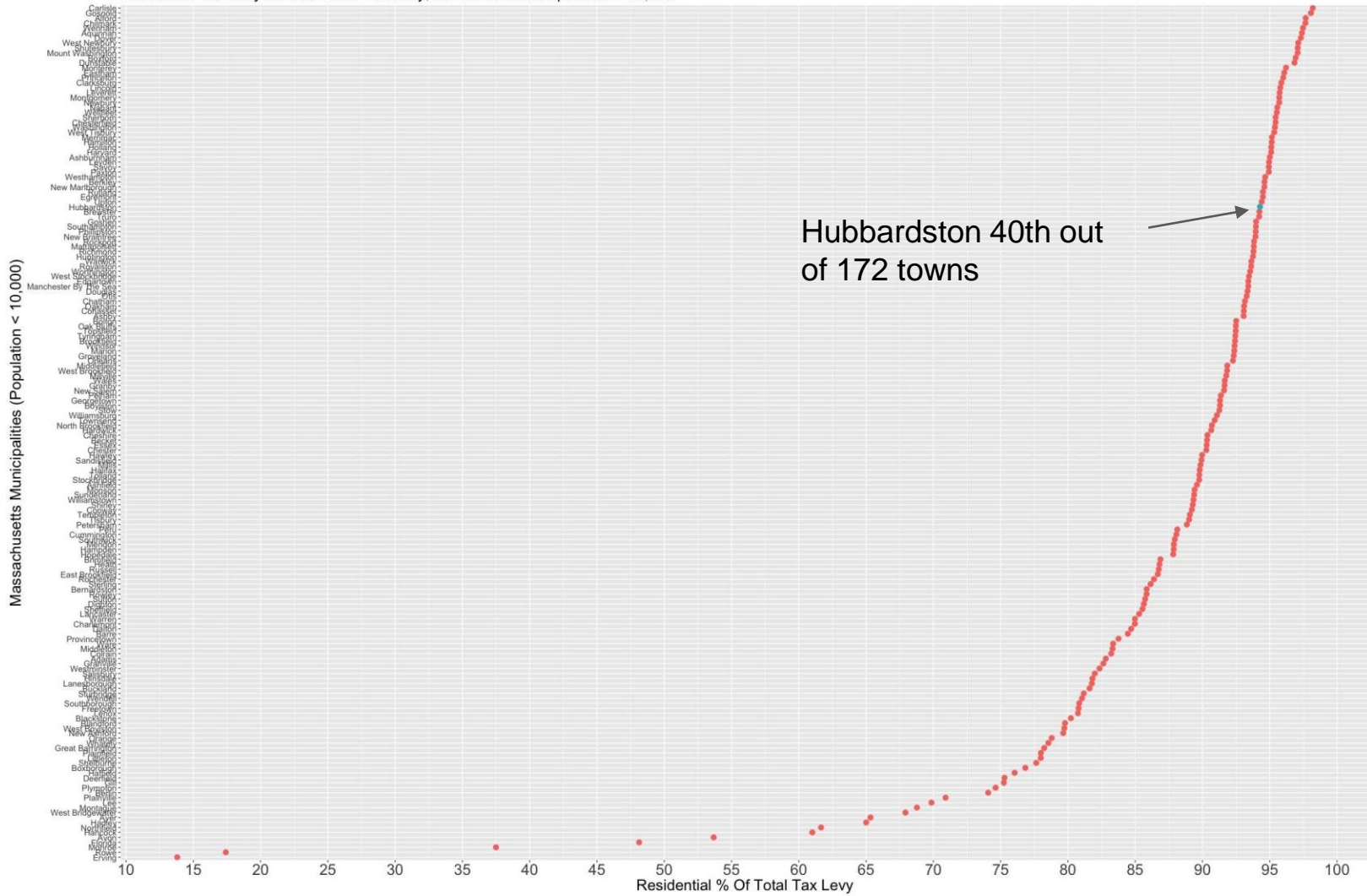
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  - Combined value of Commercial and Industrial new growth in last 15 years: **\$6.8 Million**

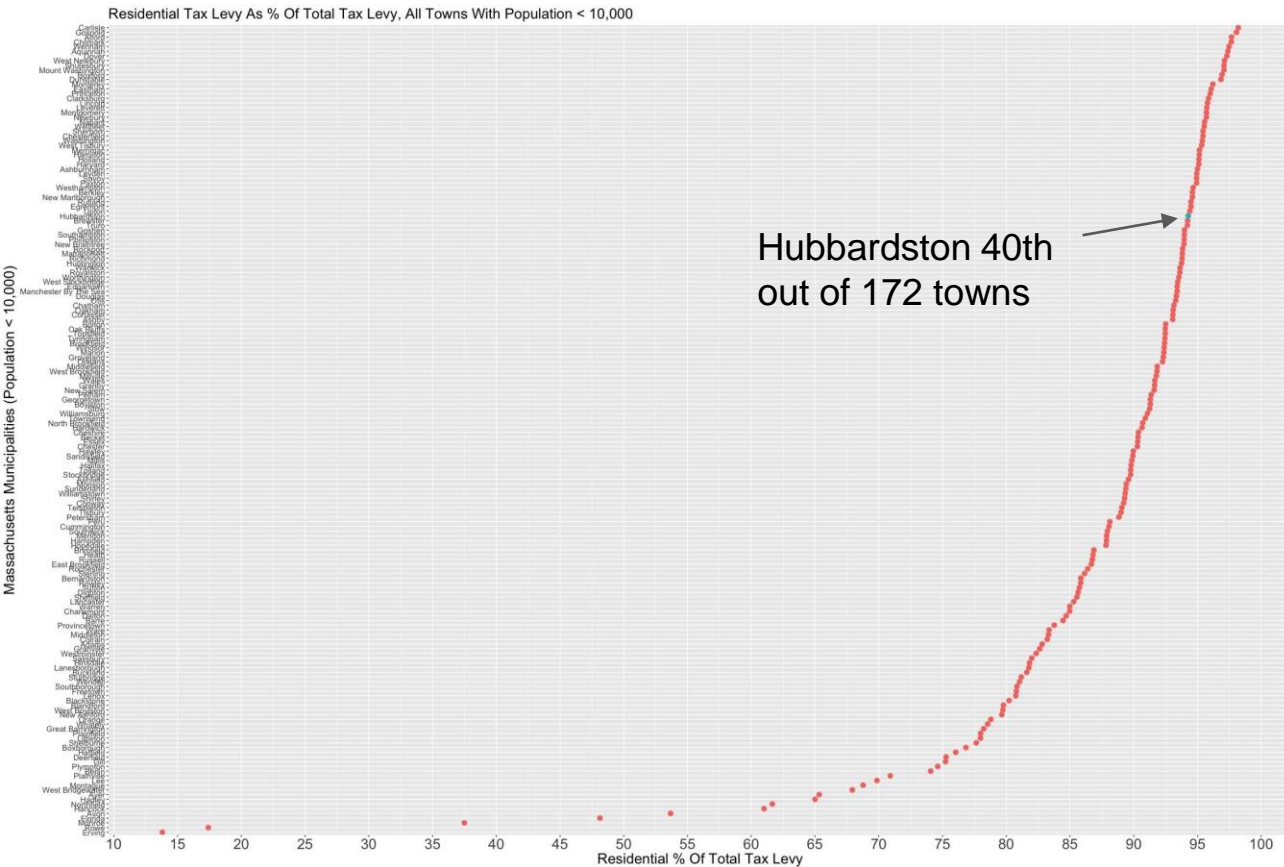
Let's see what the residential tax burden is for slightly larger towns (those with population  $< 10,000$ )...

Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 10,000



Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 10,000





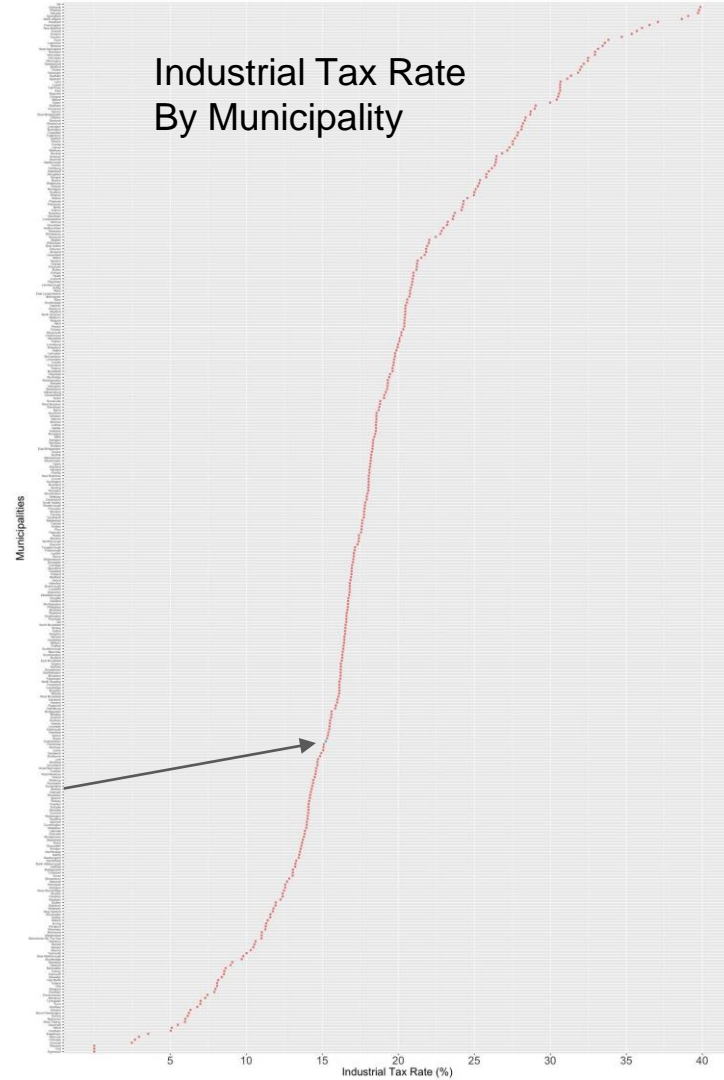
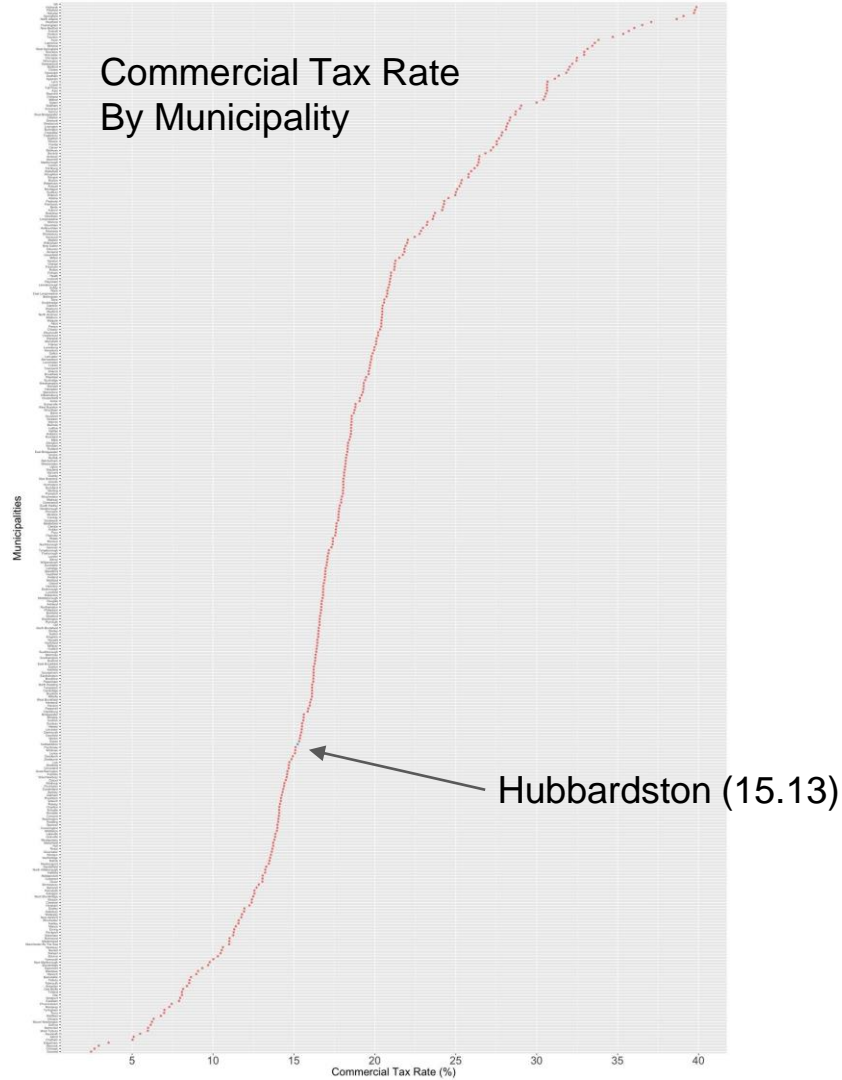
For town in Massachusetts with Population < 10,000:

- 90 of 172 (52%) get 90% or more of tax revenue from residential sources.
- 124 (72%) get 85% or more from residential sources

3. Is Hubbardston business friendly?

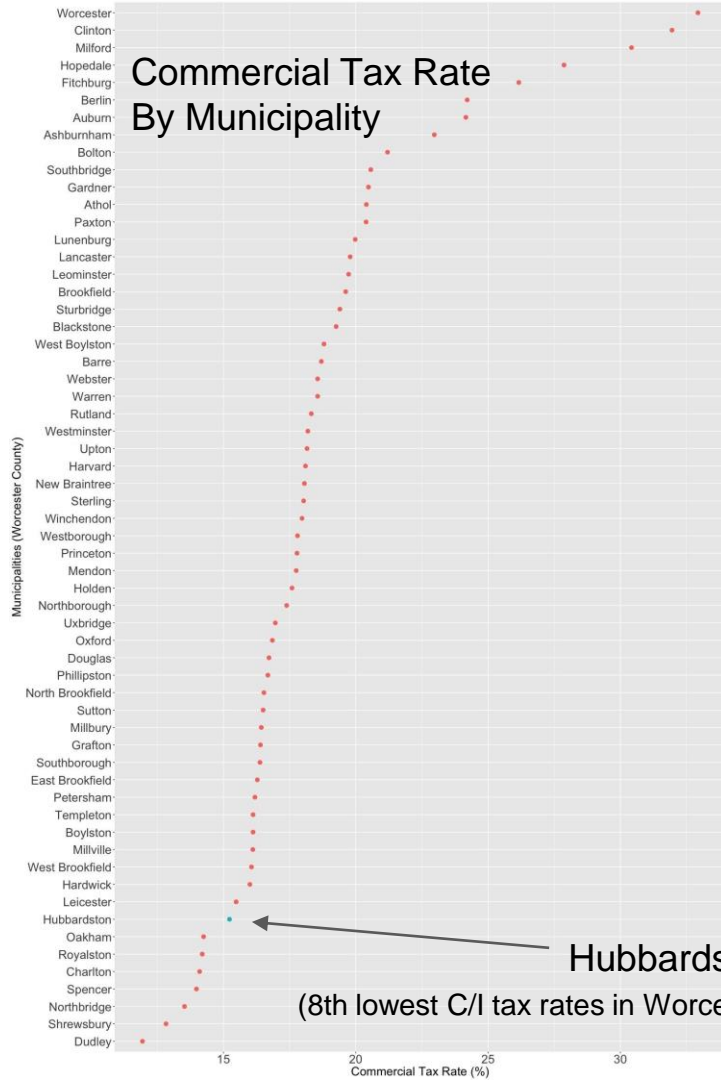


# Massachusetts-wide

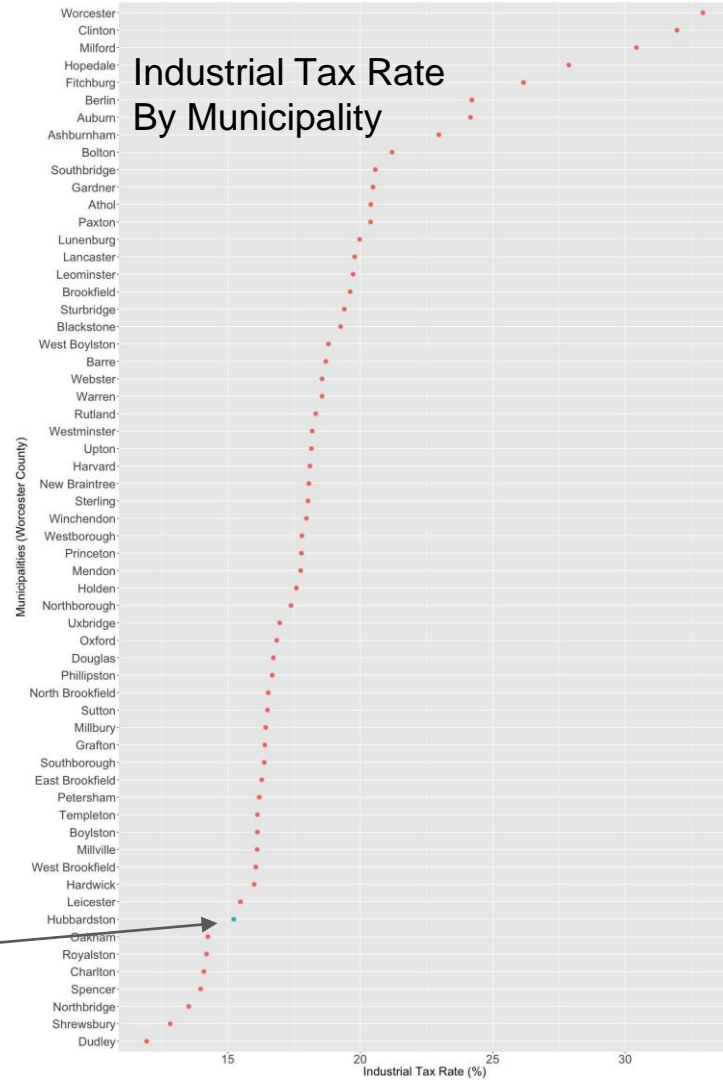


OK, let's break that down a little...

# Worcester County

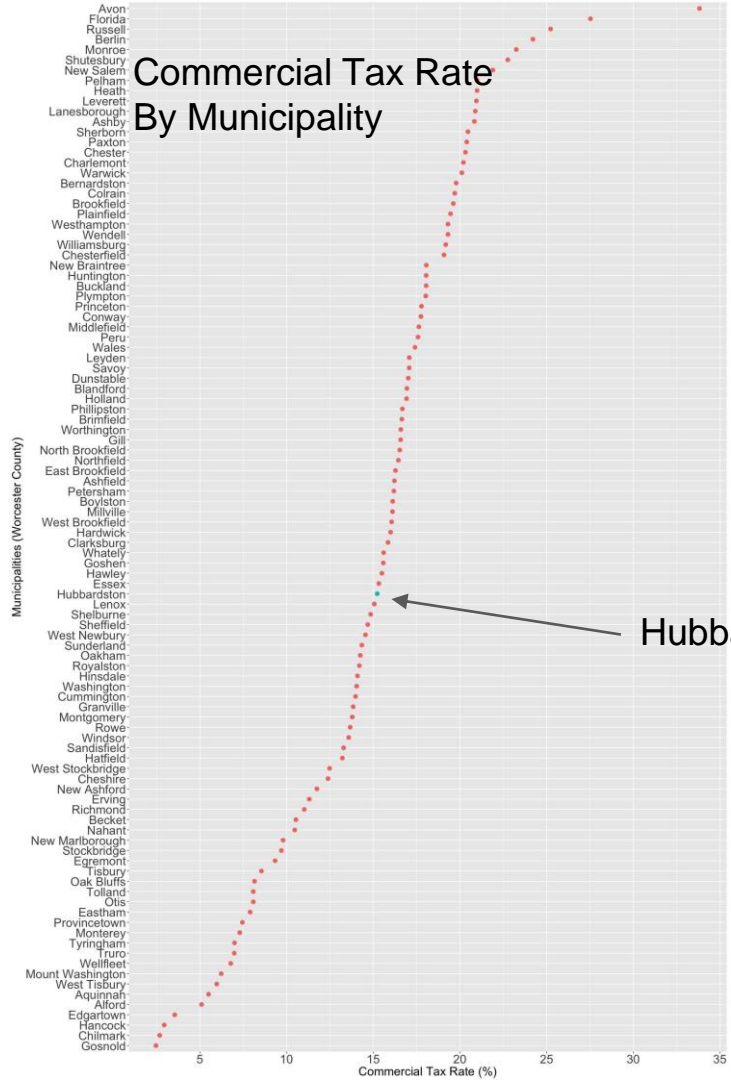


Hubbardston  
(8th lowest C/I tax rates in Worcester County)



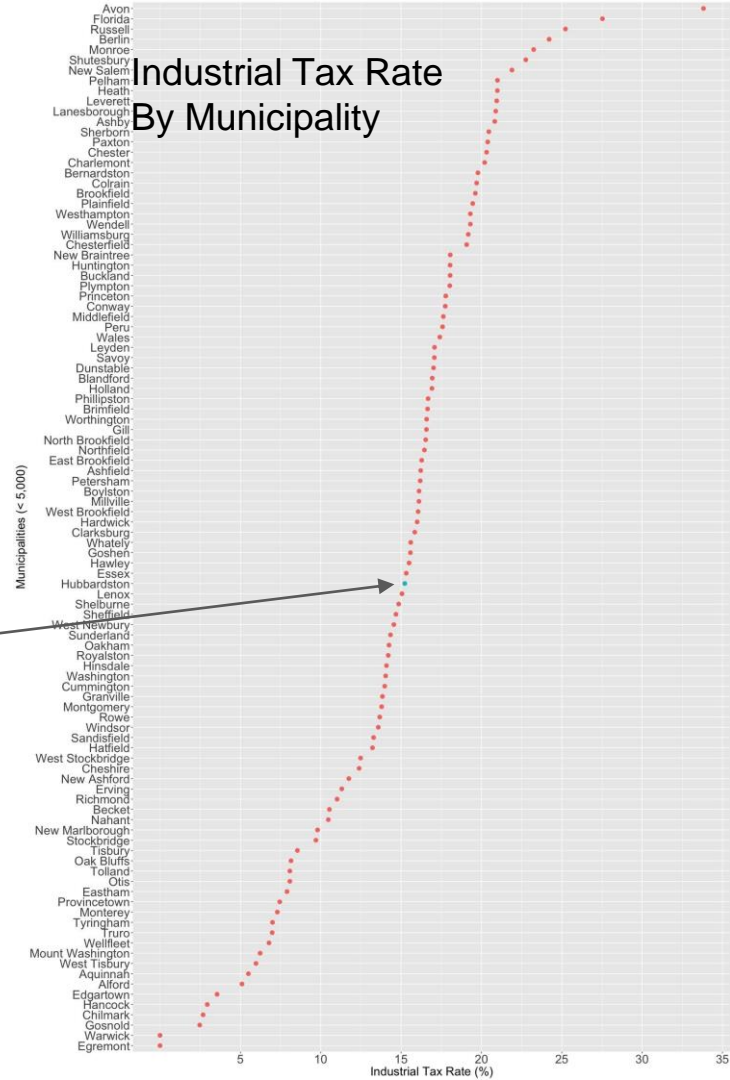
Population < 5,000

# Commercial Tax Rate By Municipality



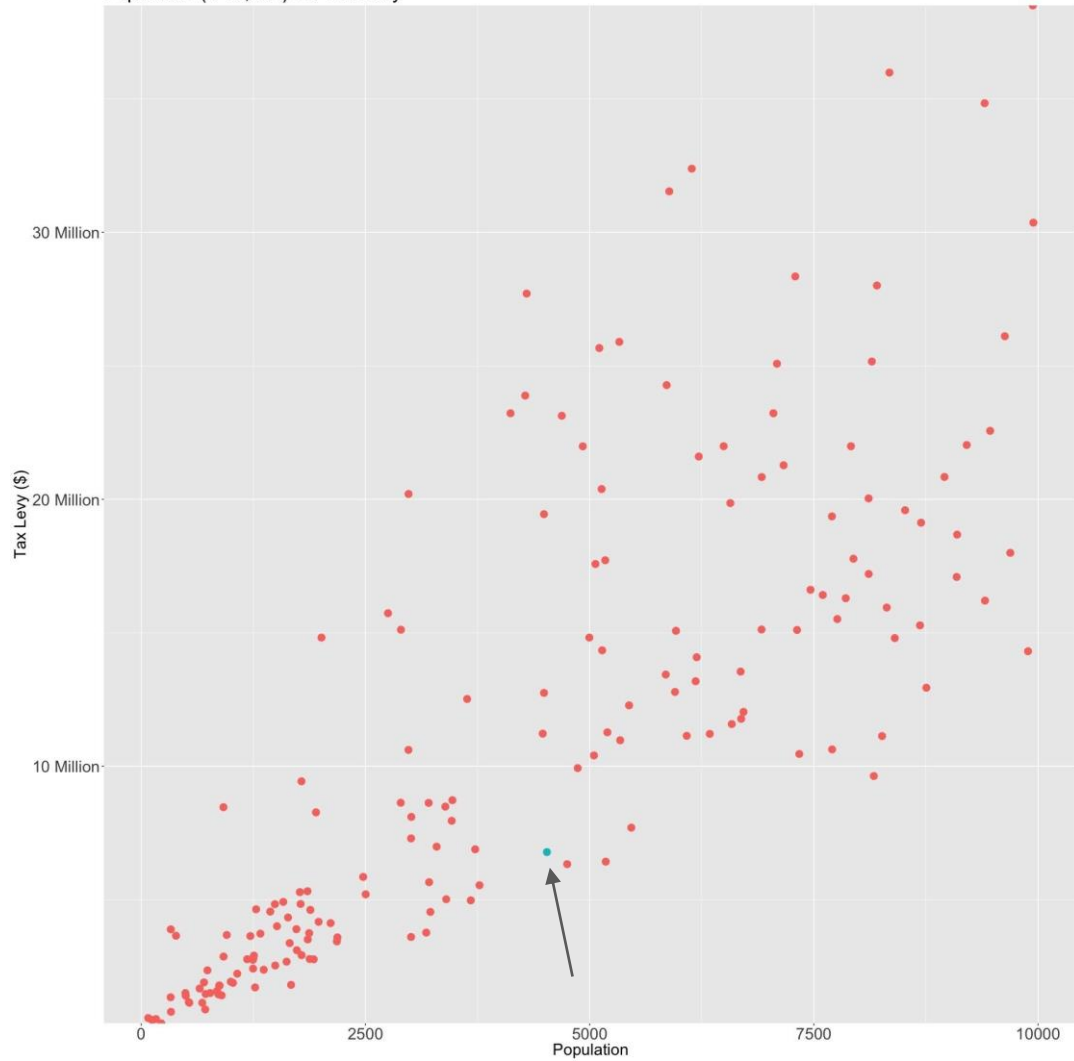
Hubbardston

# Industrial Tax Rate By Municipality

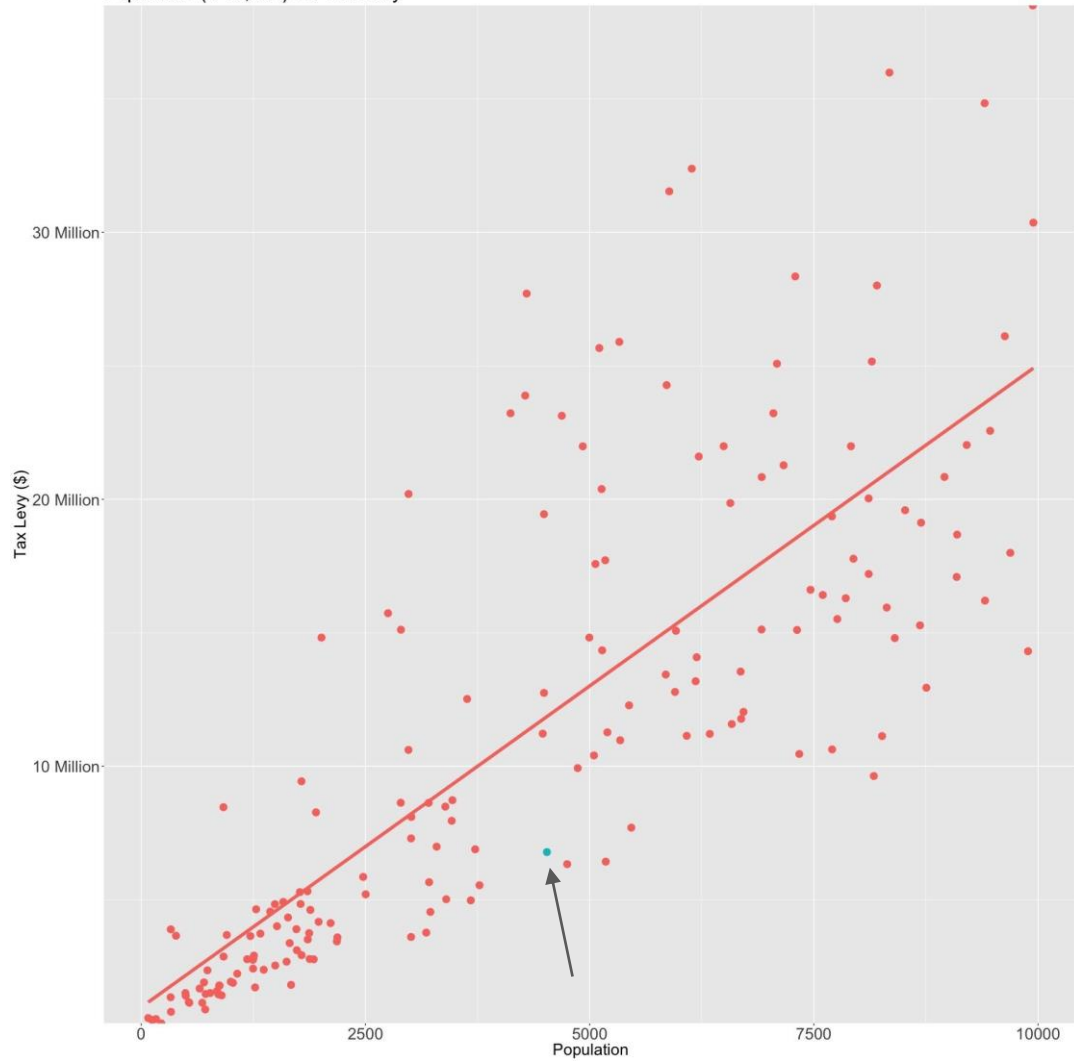


## 4. Tax and Budget Efficiency

Population (< 10,000) vs. Tax Levy

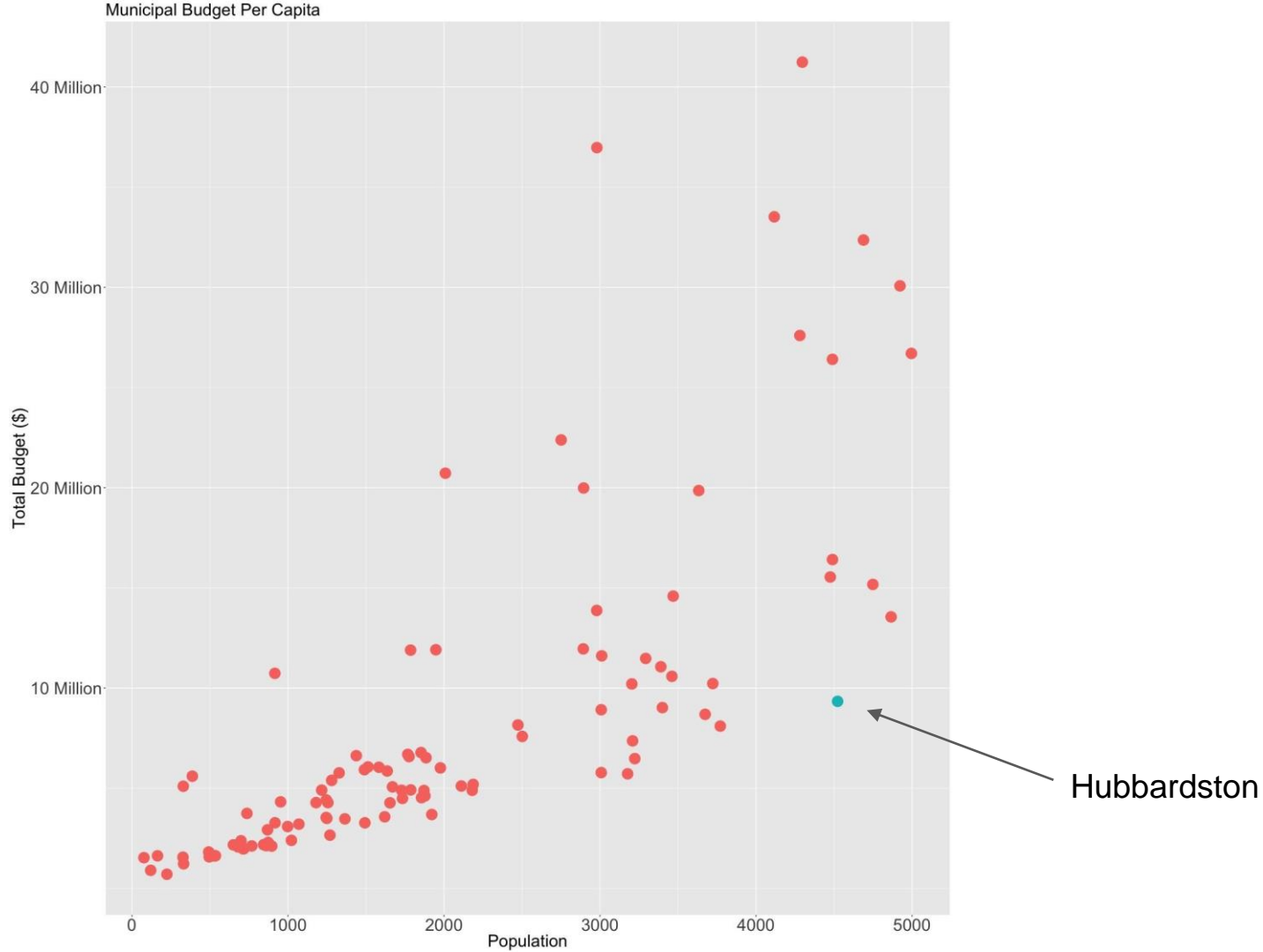


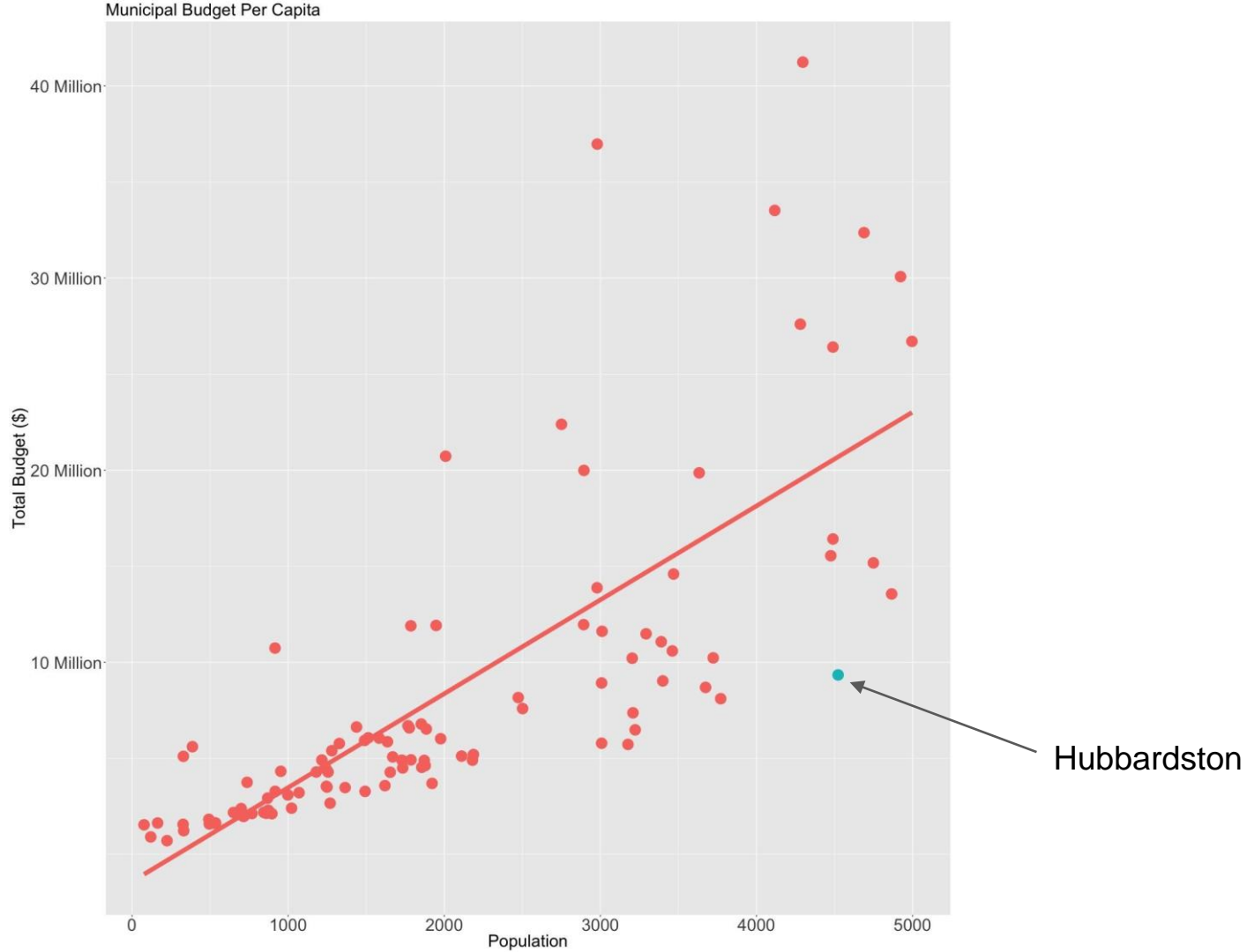
Population (< 10,000) vs. Tax Levy



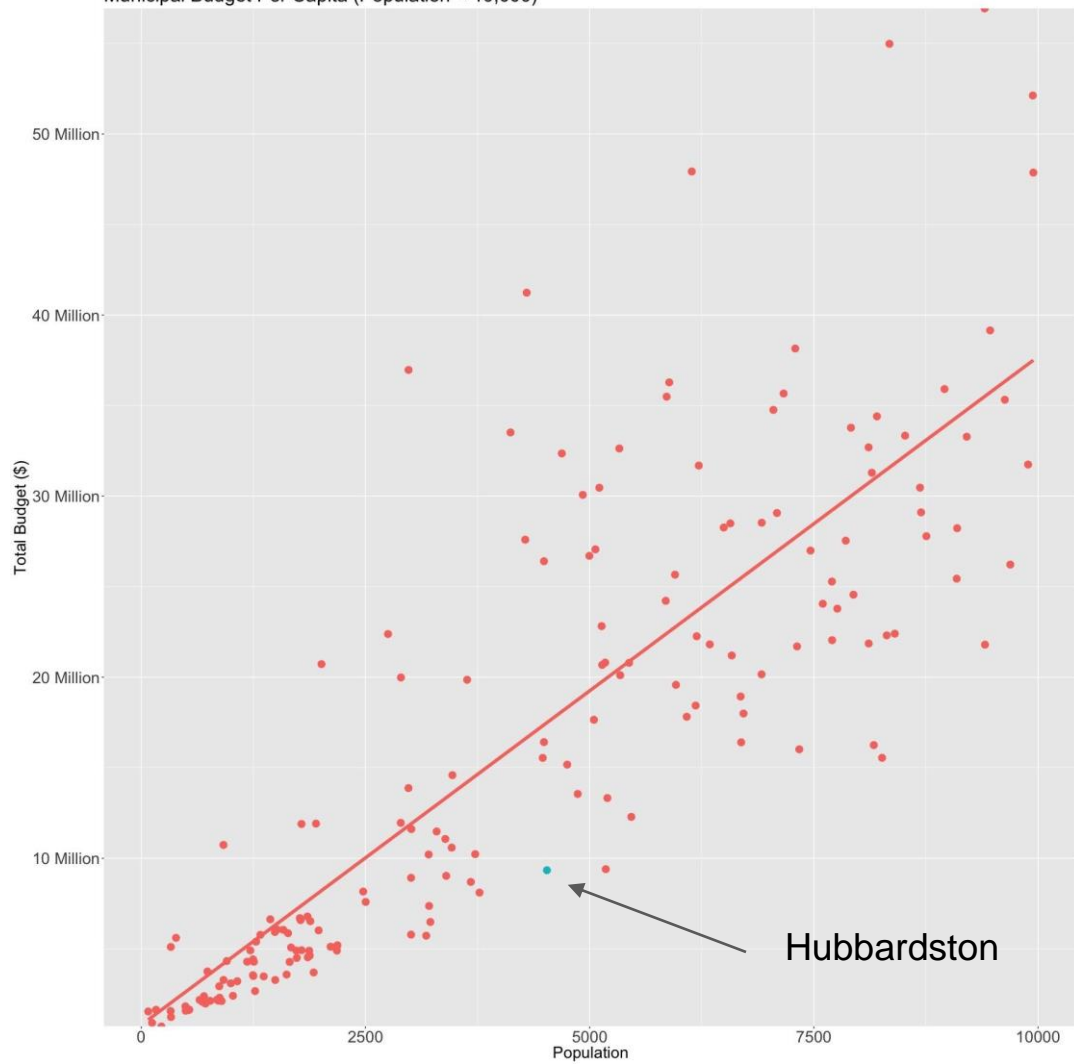
Hubbardston's Budget Efficiency:





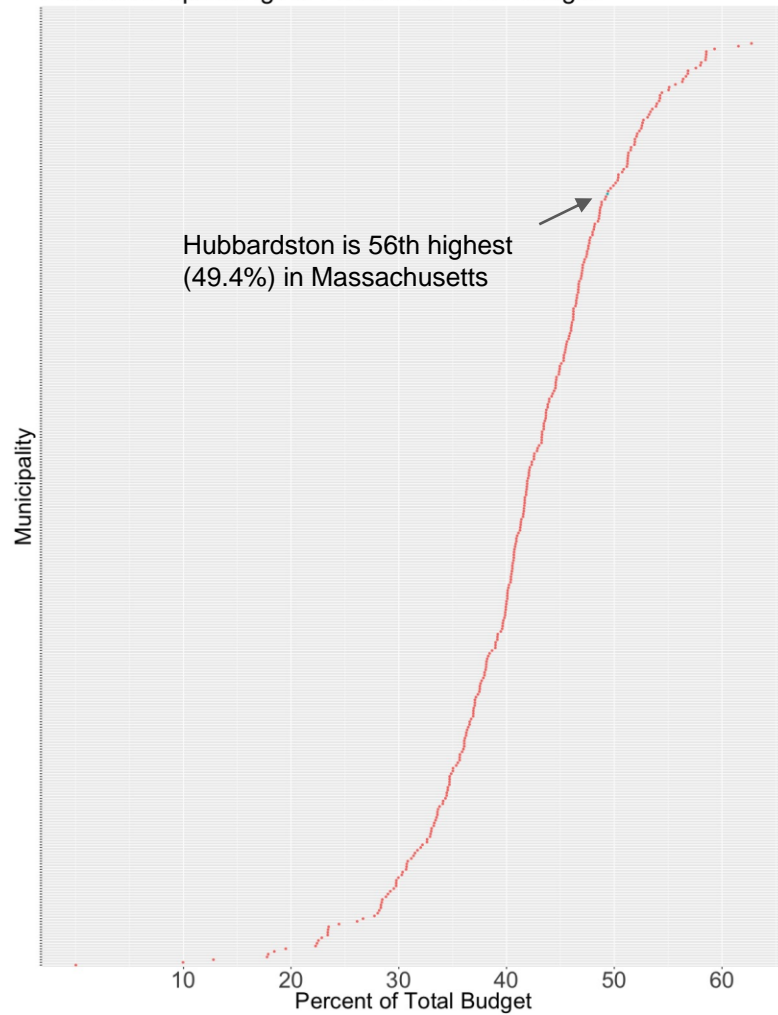


Municipal Budget Per Capita (Population < 10,000)

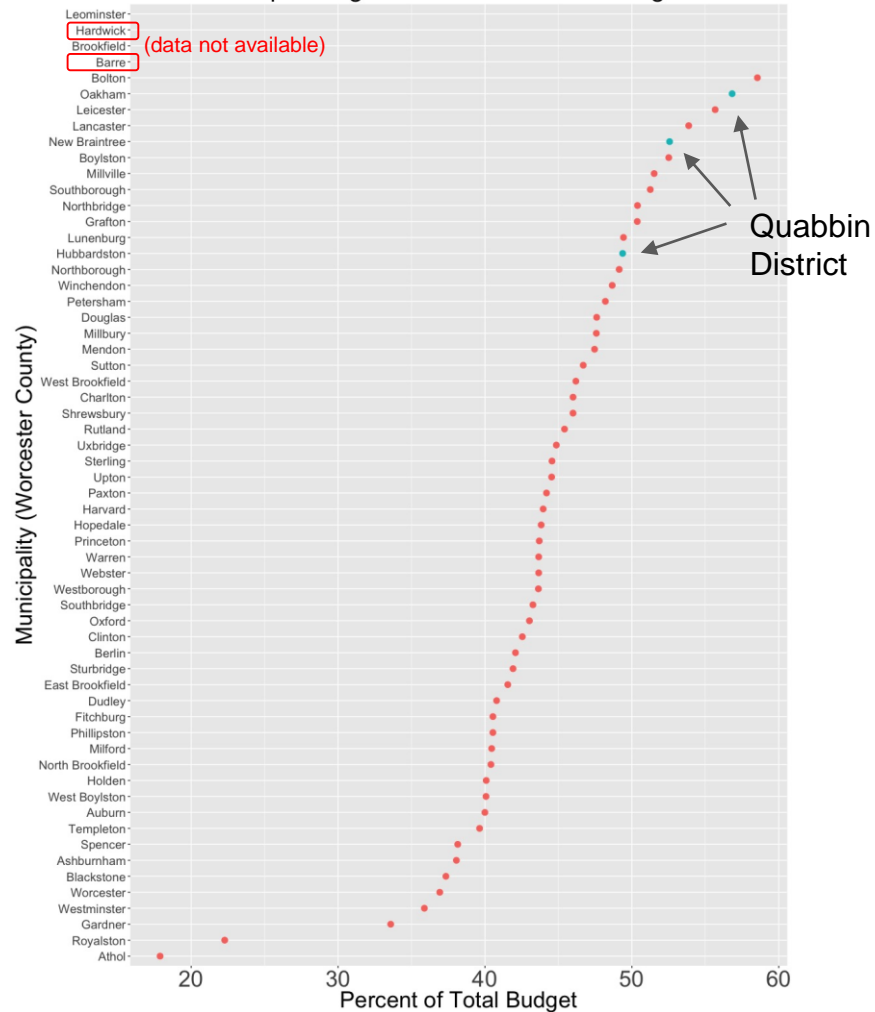


## 5. Comparing Hubbardston's Education and Debt Spending:

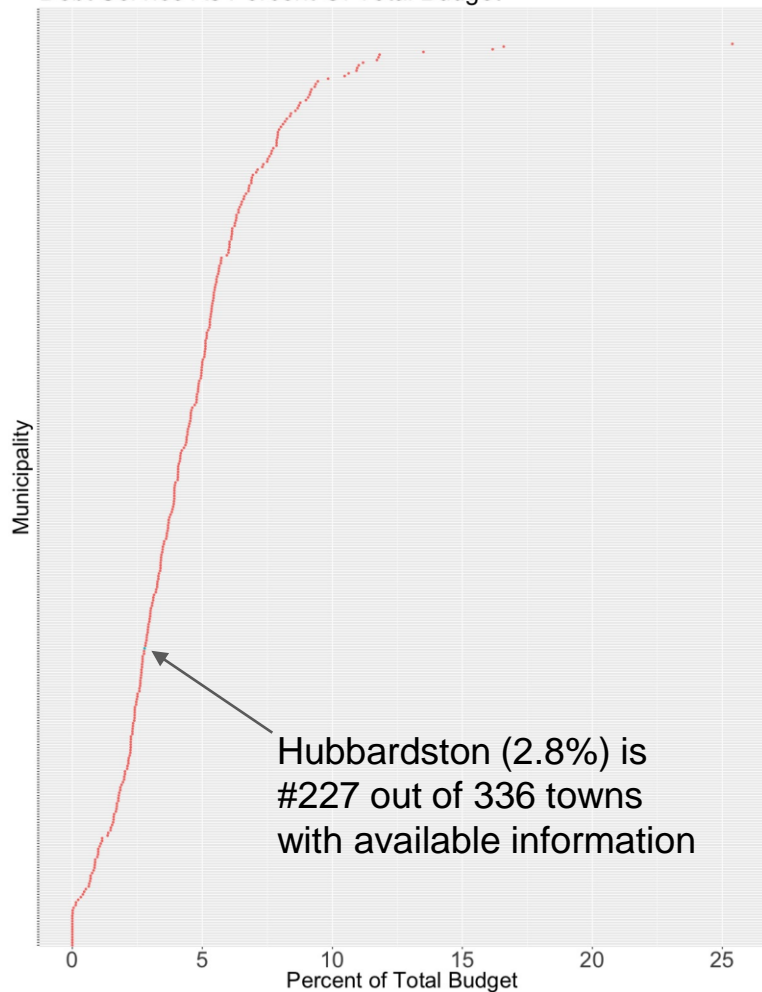
Education Spending As Percent Of Total Budget



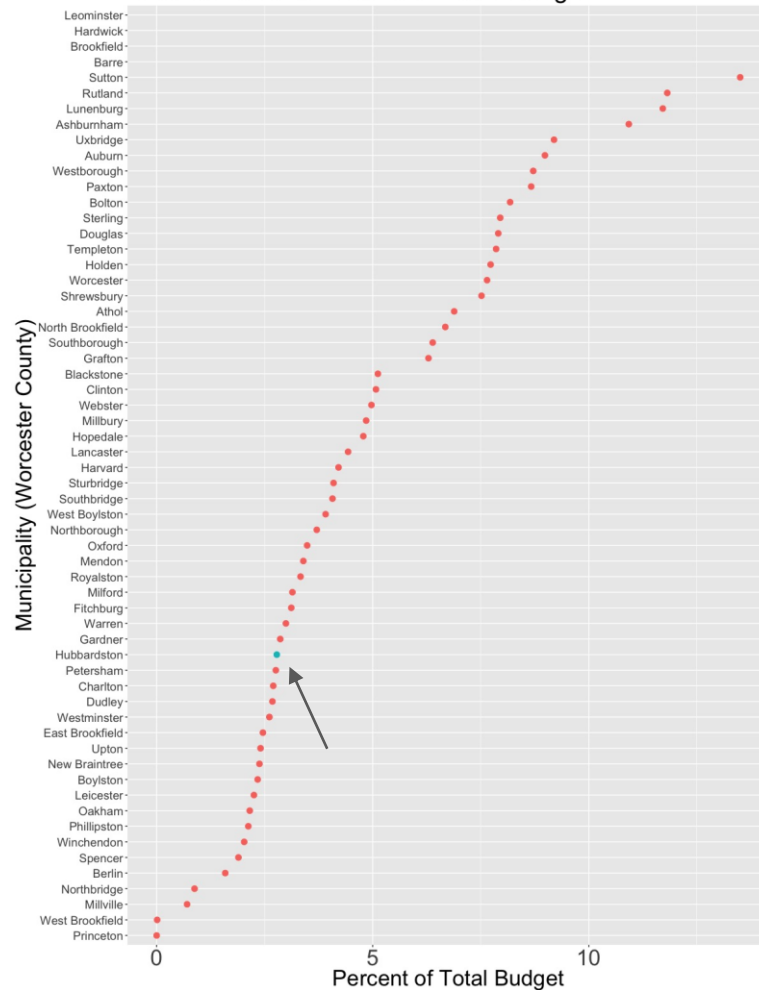
Education Spending As Percent Of Total Budget



# Debt Service As Percent Of Total Budget



# Debt Service As Percent Of Total Budget



# Conclusions:

- Hubbardston has both a relatively low residential tax rate and average single family tax bill compared to other Worcester County municipalities.
  - Hubbardston has had historically and consistently a low average single family tax bill for Massachusetts
- The majority of Hubbardston's total tax revenue is derived from residential property (~94%), and this is on the high-end for Worcester County. However, most small towns derive at least 90% of tax revenue from residential levies putting Hubbardston in-line with other smaller communities.
- The commercial and industrial tax rates in Hubbardston are low for Massachusetts and Worcester County and about average for similar sized towns state-wide.
- Hubbardston's total tax levy and budget per capita are low compared to other small towns.
  - This supports the idea that Hubbardston levies taxes and provides services in an efficient manner.
- Hubbardston spends a comparatively large percentage of its budget on education, though compared to other towns in the Quabbin School district, it spends a lower percentage.
- Hubbardston spends a comparatively small percentage of its budget on debt service compared to all towns in Massachusetts

**Now Let's Talk About Growth...**

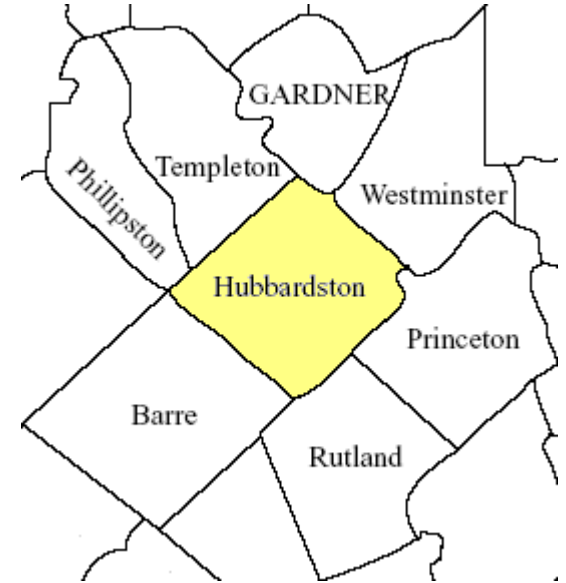


# New Growth:

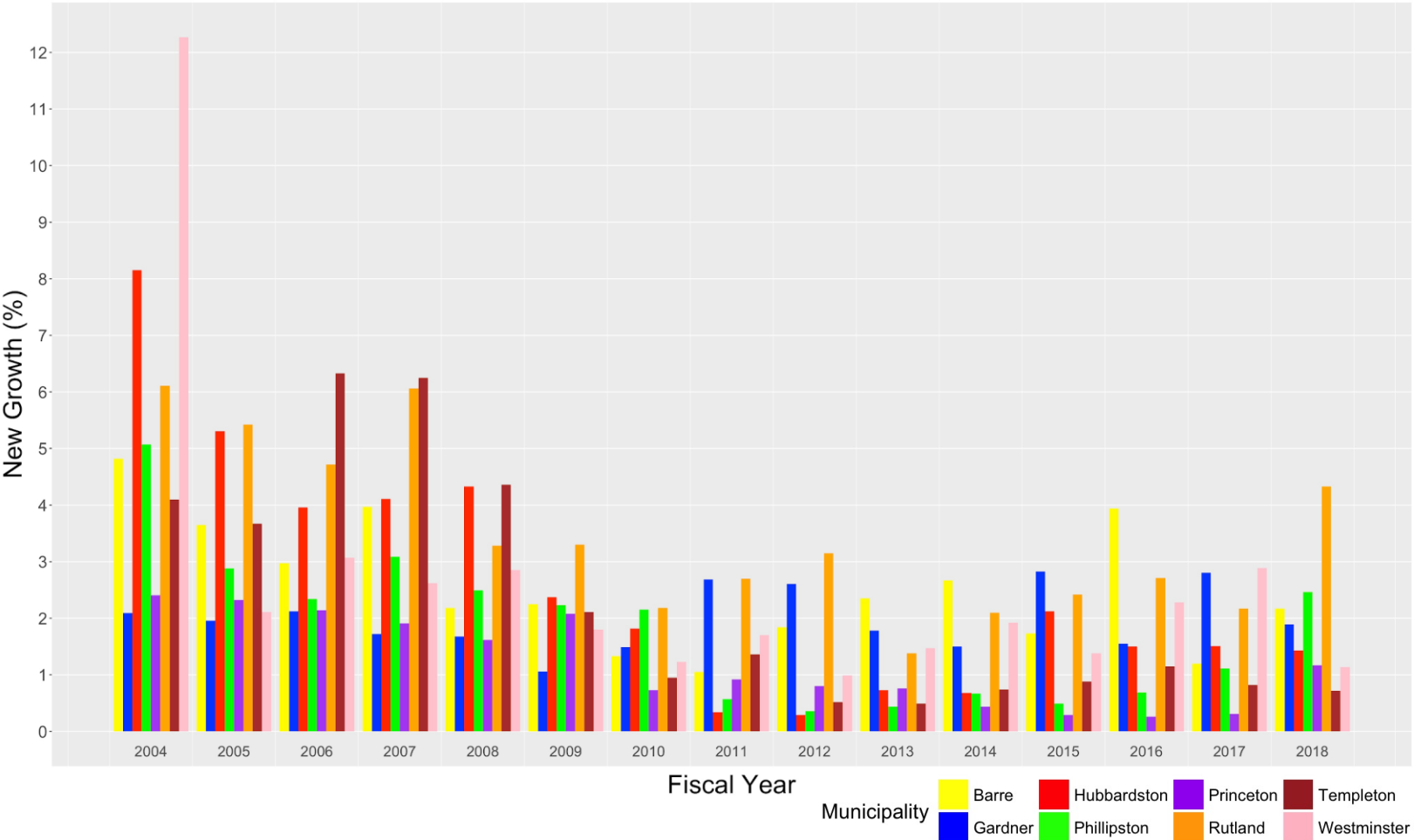
- New growth is defined as additional tax revenue generated from:
  - New construction
  - Renovations
- New growth does NOT include:
  - Value fluctuations due to market forces
  - Revaluations
- = DEVELOPMENT

# New Growth Compared to Who?

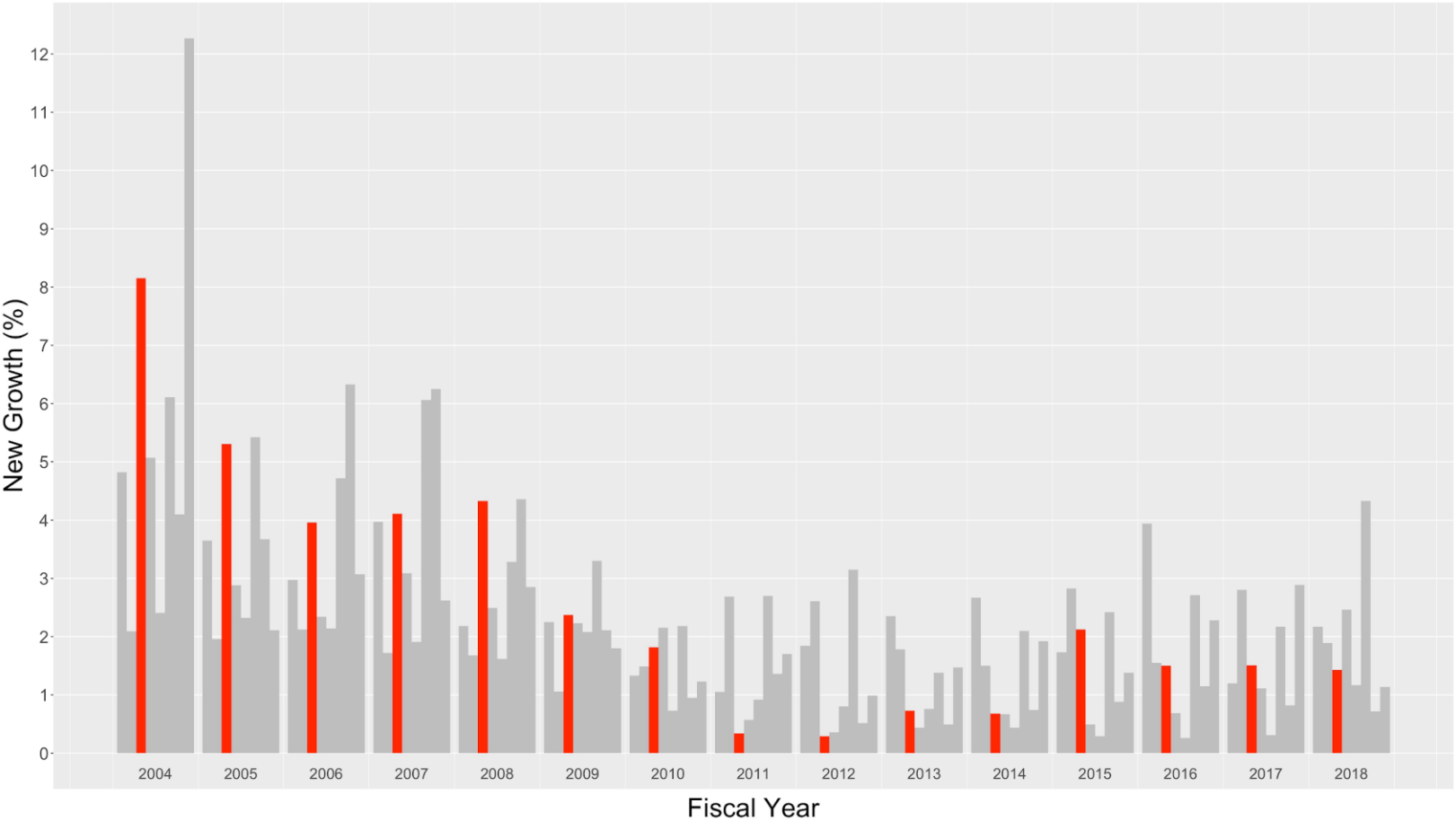
- Municipalities neighboring Hubbardston
- Comparison with neighbors will give perspective to Hubbardston's growth and development within the region.



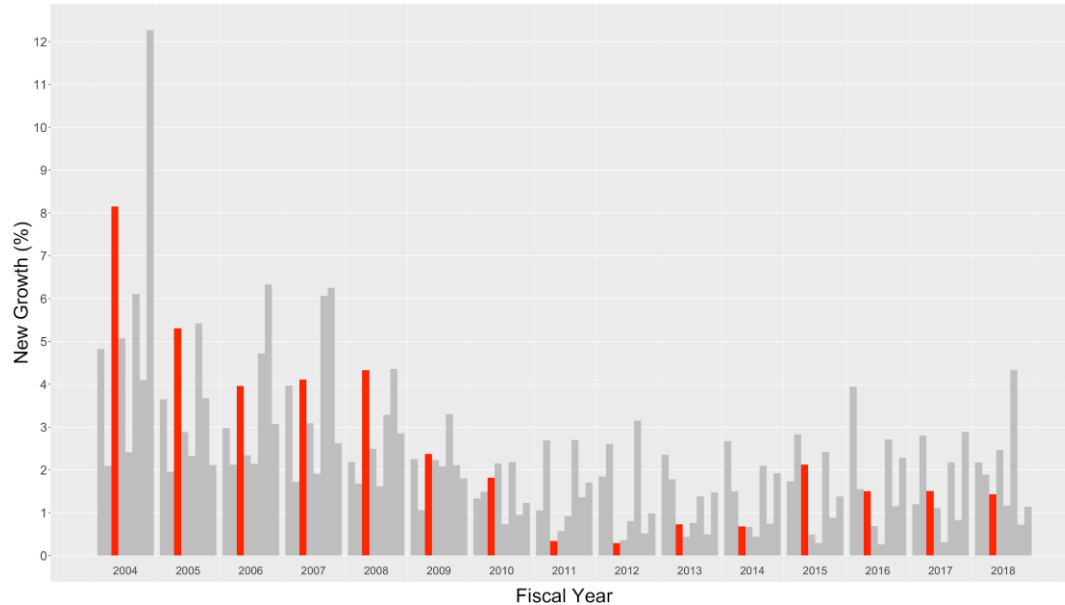
# New Growth as Percentage of Prior Year Tax Levy



New Growth as Percentage of Prior Year Tax Levy

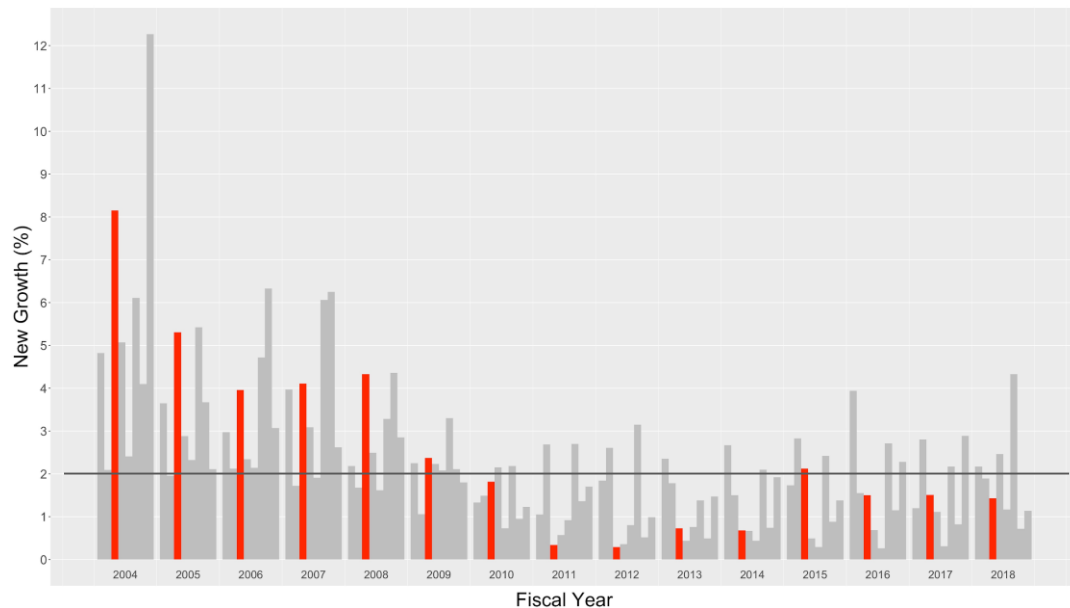


# Hubbardston Percentage Annual New Growth:



- According to the Massachusetts Department of Revenue, 2% annual new growth is recommended to support expenditure inflation.

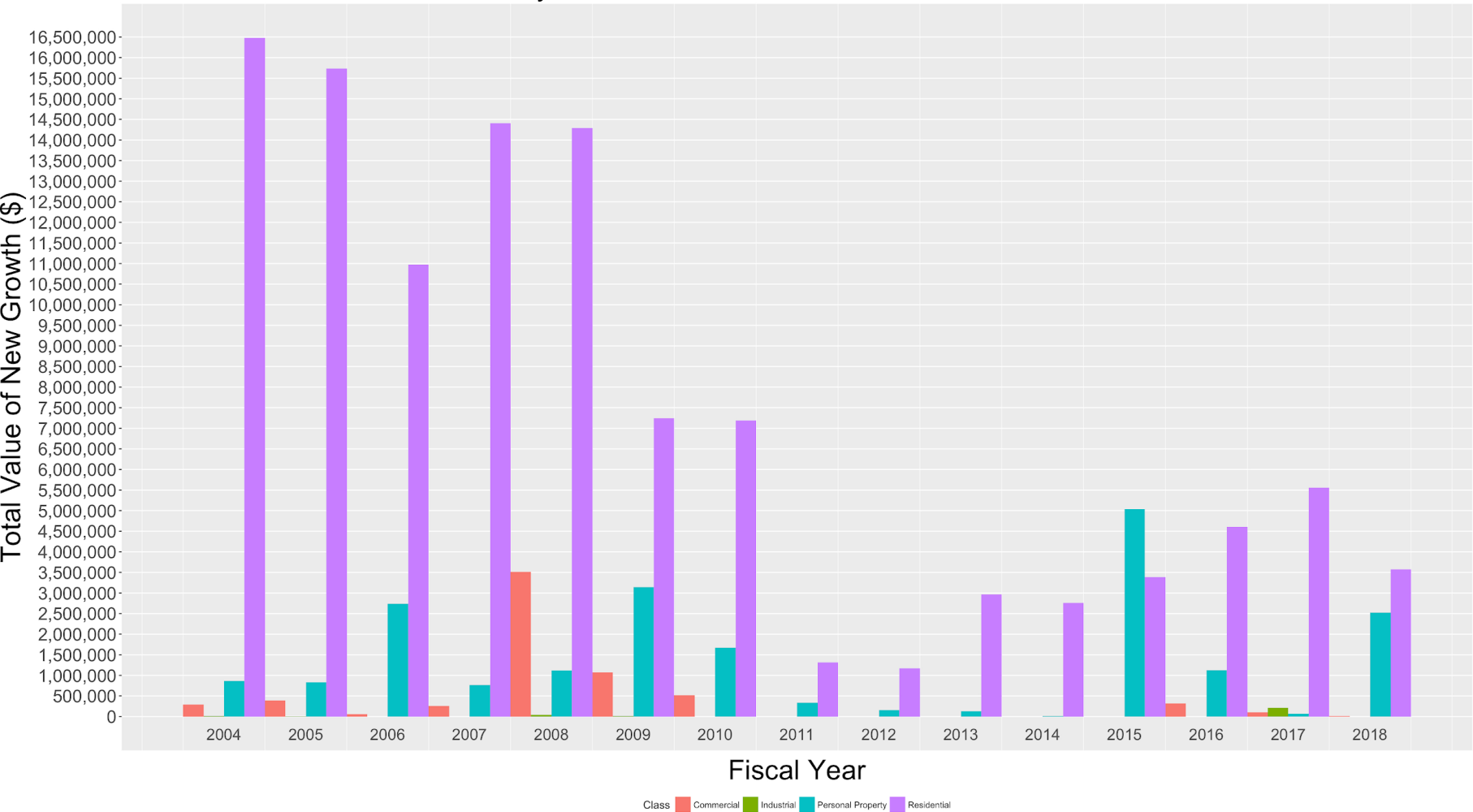
# Hubbardston Percentage Annual New Growth:



- According to the Massachusetts Department of Revenue, 2% annual new growth is recommended to support expenditure inflation.
  - In last 10 years, Hubbardston has had 2% growth twice

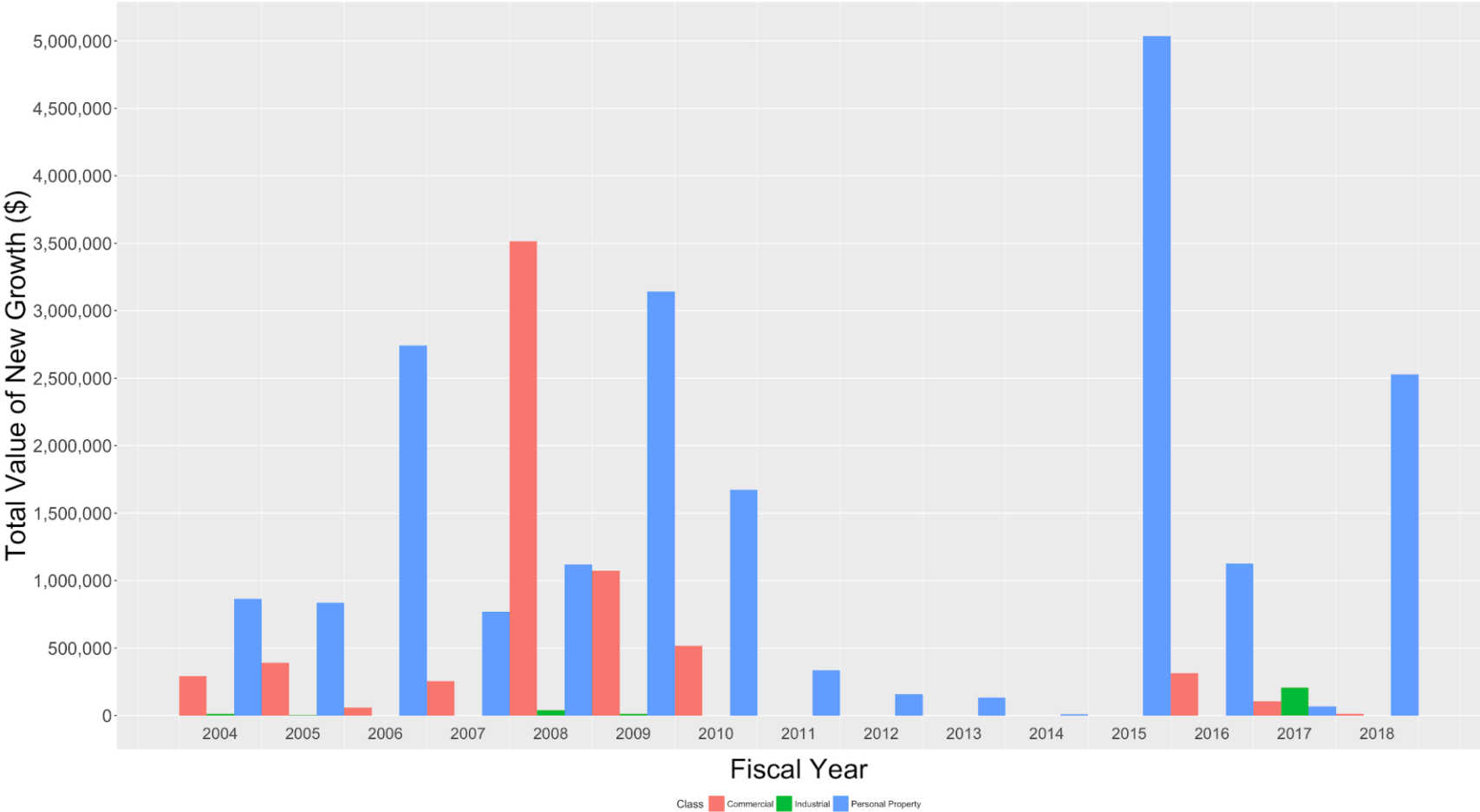
So Where Is Hubbardston's New Growth Coming From?

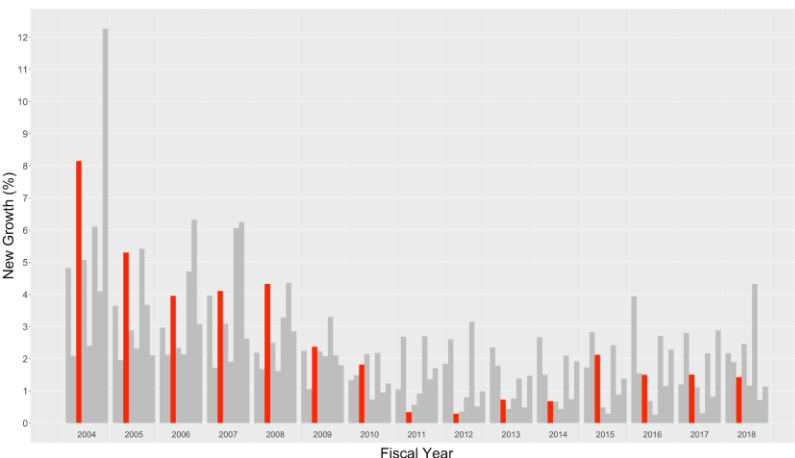
Hubbardston Fiscal Year New Growth By Class





# Hubbardston Fiscal Year New Growth By Class (CIP Only)





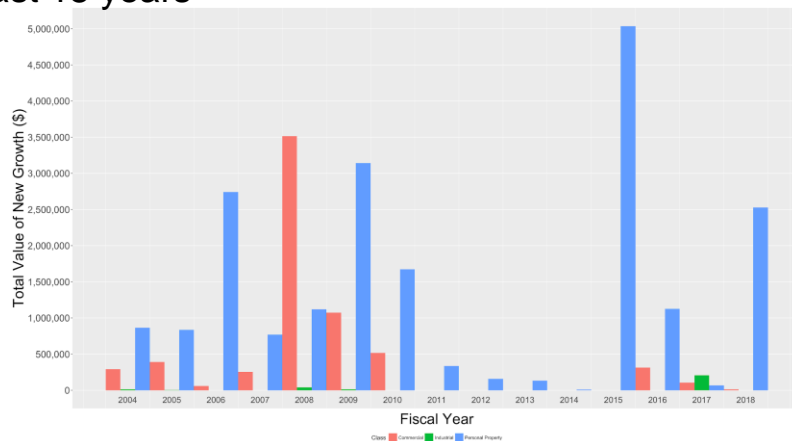
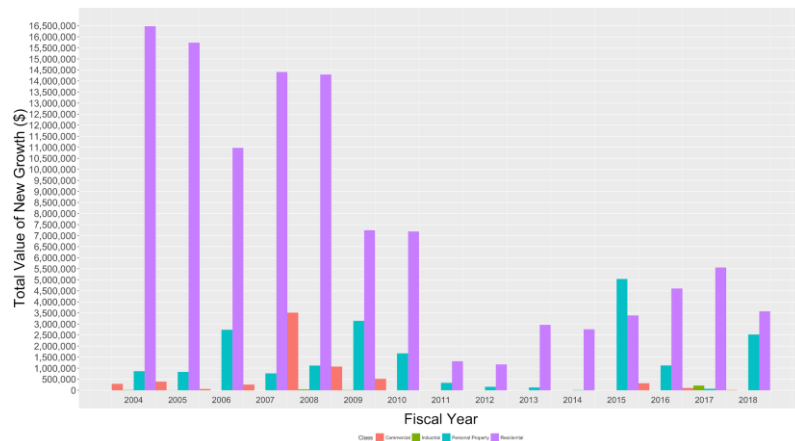
- Residential growth has been driver of overall growth for past 15 years
- Even during the period of most rapid growth (2004-2008), residential growth was overwhelming majority of growth
- Though not consistent, personal property has been a secondary driver of growth.

- Personal Property: “goods, merchandise, equipment, tools, machinery, furniture, cash, securities, stocks, promissory notes, furnishings and effects and other movable property”\*

■ \*numerous exemptions with regard to taxation

■ <https://www.mass.gov/service-details/personal-property-faq>

- There has been virtually no industrial growth in Hubbardston in the last 15 years



So how does Hubbardston compare to its neighbors?

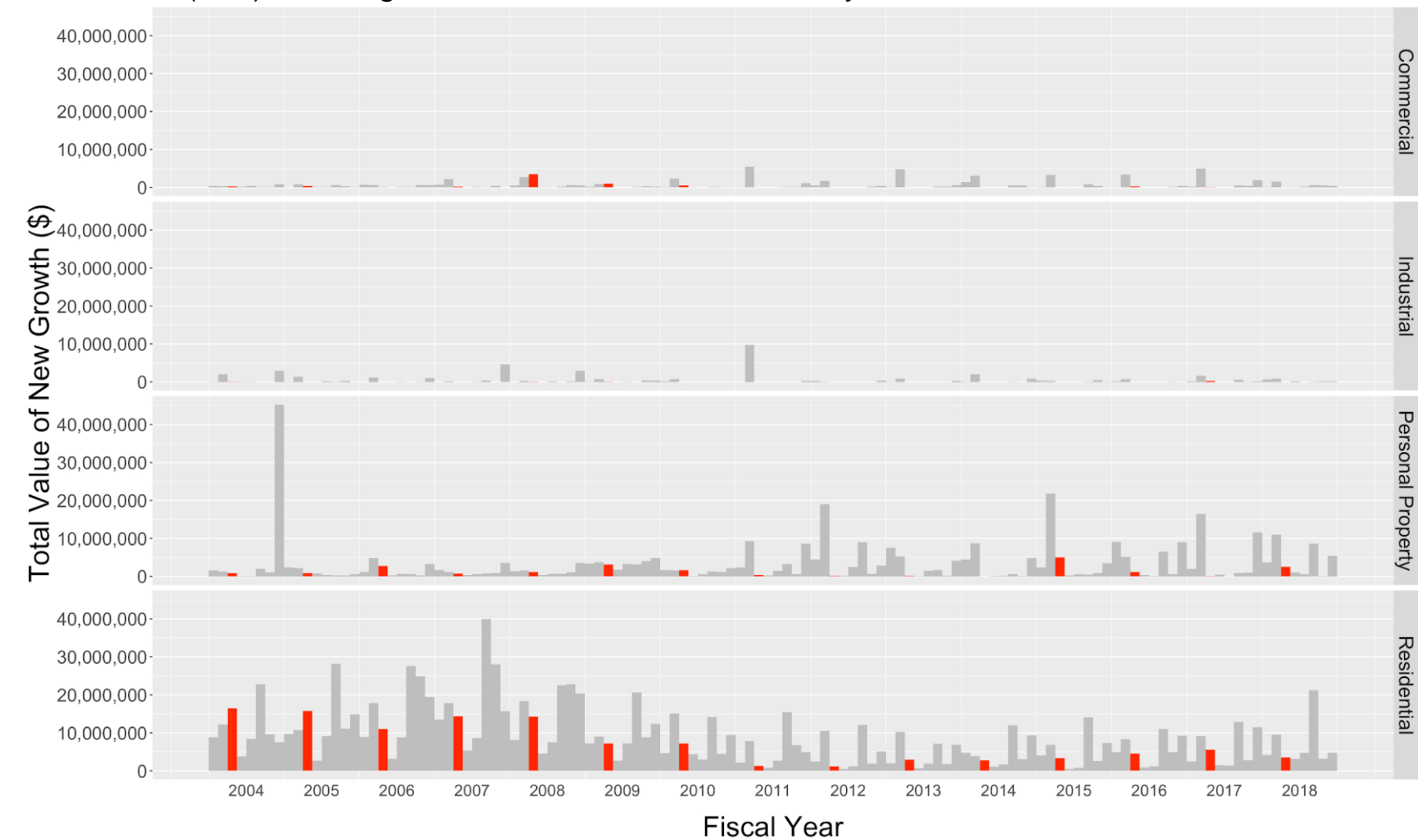
The figure consists of eight vertically stacked panels, each representing a different municipality. The y-axis for all panels is 'Total value of New Growth (\$)' with a scale from 0 to 40,000,000. The x-axis is 'Fiscal Year' from 2004 to 2018. The legend at the bottom indicates four classes: Commercial (red), Industrial (green), Personal Property (teal), and Residential (purple).

Municipality	Class	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Barre	Commercial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Industrial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Personal Property	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Residential	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000
Gardner	Commercial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Industrial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Personal Property	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Residential	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000
Hubbardston	Commercial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Industrial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Personal Property	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Residential	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000	~10,000,000
Phillipston	Commercial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Industrial	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000	~1,000,000
	Personal Property	~1,000,000	~1,000													

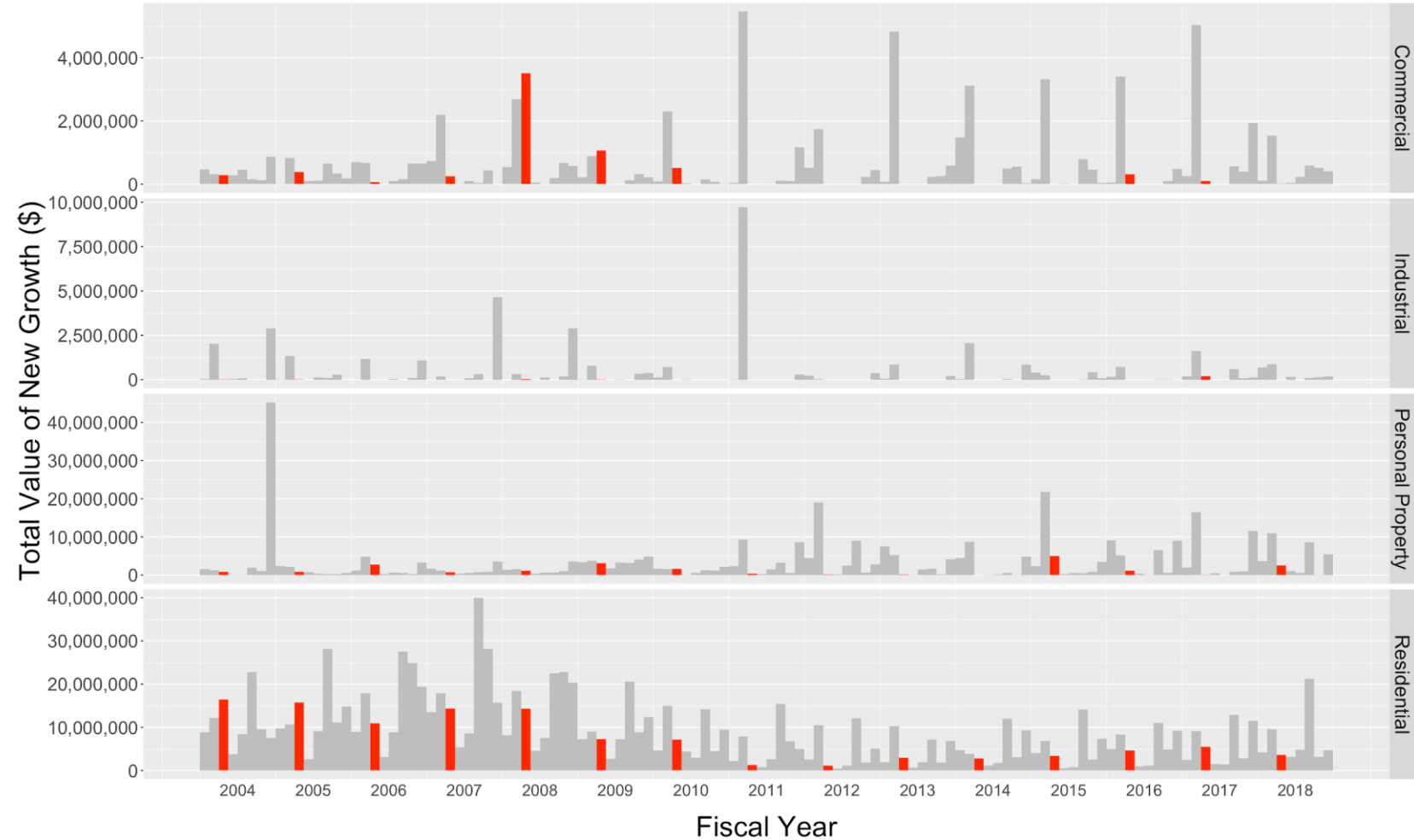
Class ■ Commercial ■ Industrial ■ Personal Property ■ Residential

Broken down by class instead of town:

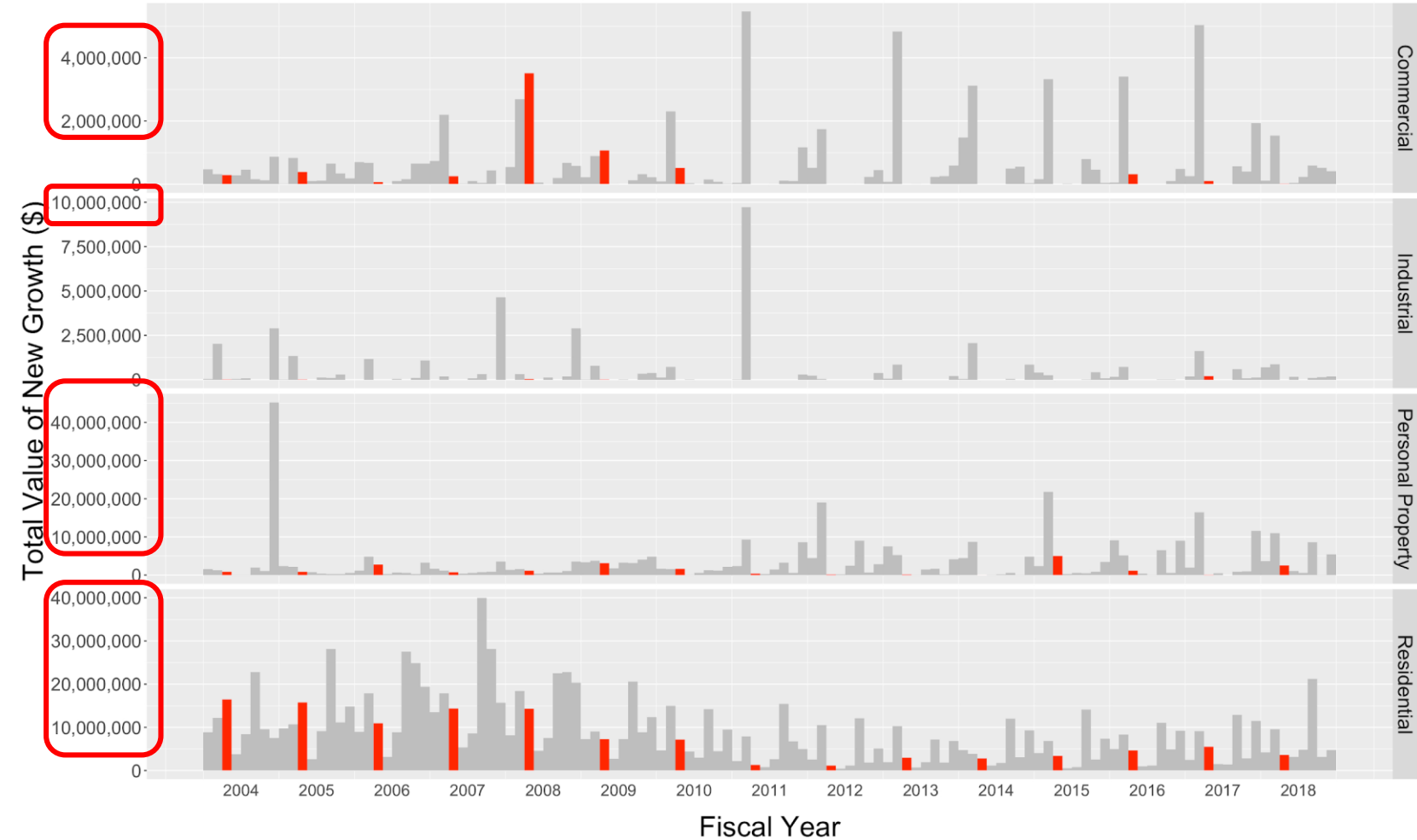
Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class



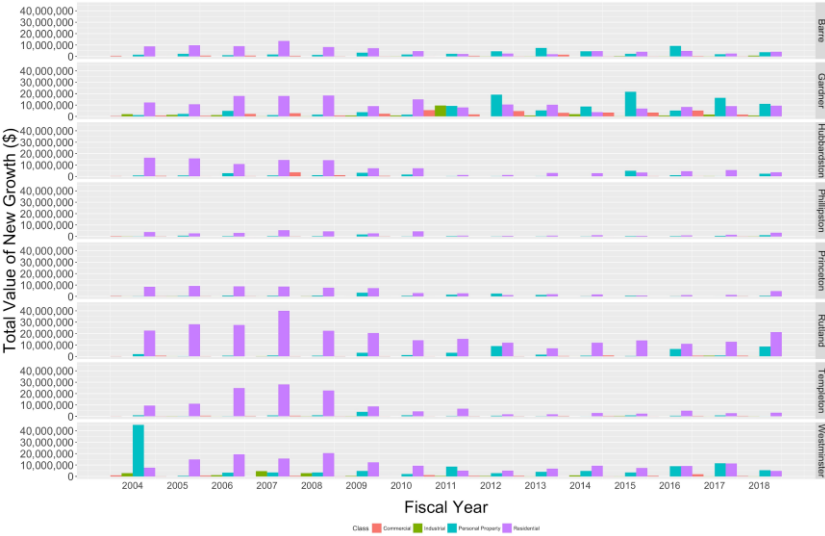
Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class (Floating Y Scale)



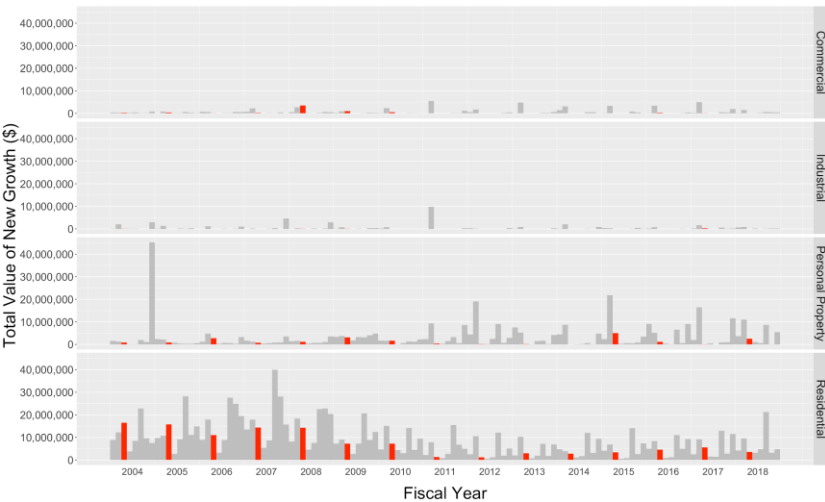
Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class (Floating Y Scale)







- Overall, there has been little new growth in Industrial and Commercial Property among Hubbardston and its neighbors
  - Hubbardston has not “missed out” on opportunities in these classes
- Hubbardston’s residential new growth has been middle-of-the-road compared to its neighbors



# Looking Ahead:

- Hubbardston will need to encourage growth and development in a fashion that can sustain the target of 2% annual new growth
  - Hubbardston has come close, but missed this target recently (last 3 years: ~ 1.5%/year)
- Future growth is likely to come mainly from new residential development



- Finance Committee + Planning Board + Selectboard should develop a strategy to encourage sustained and sensible growth
  - Board of Assessors may have valuable input into our tax base.