

Hubbardston Tax Levy, Spending and Growth Analysis

Part 2

Joshua Lerner
Finance Committee
2018

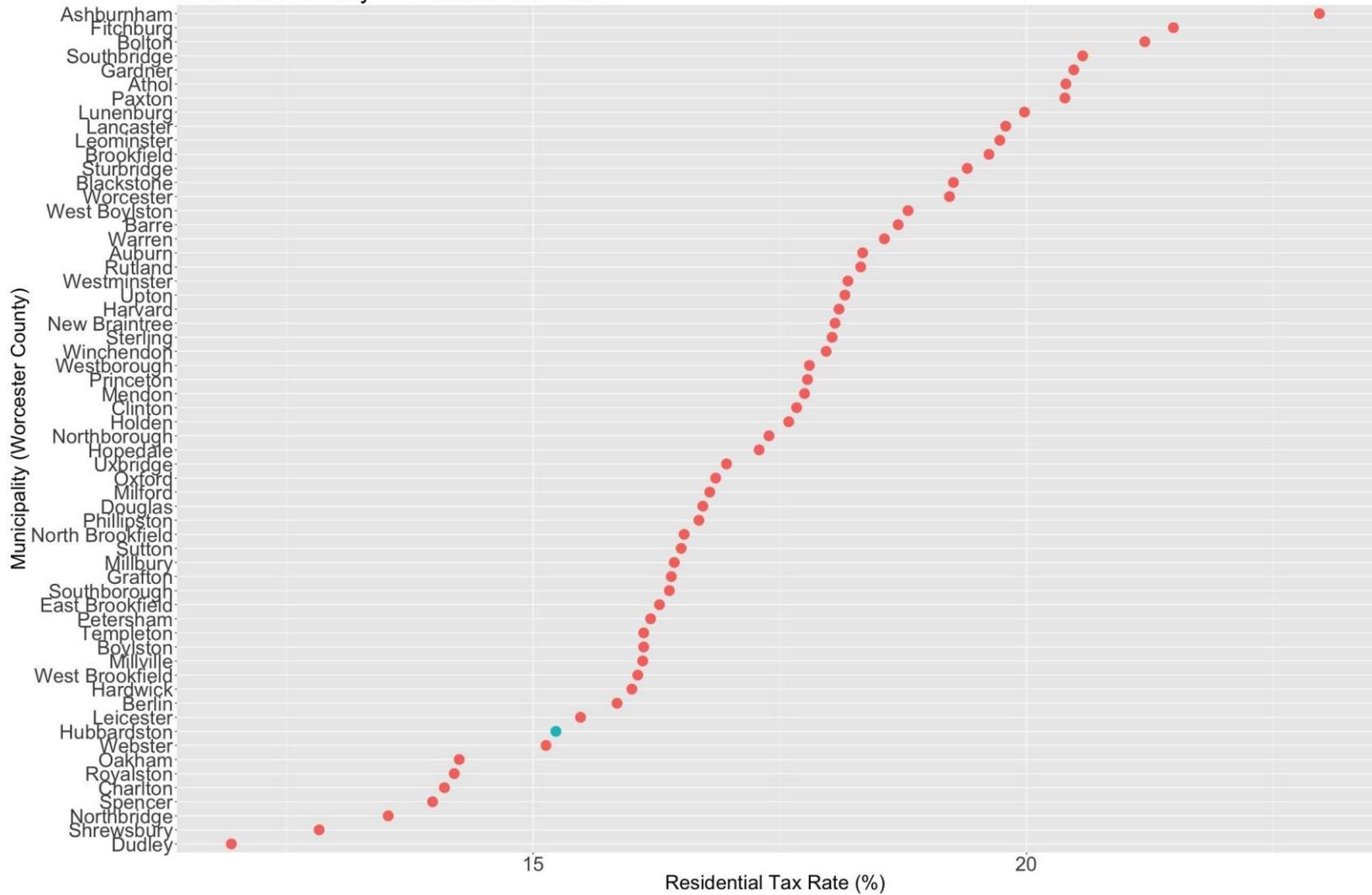
Background

- 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>

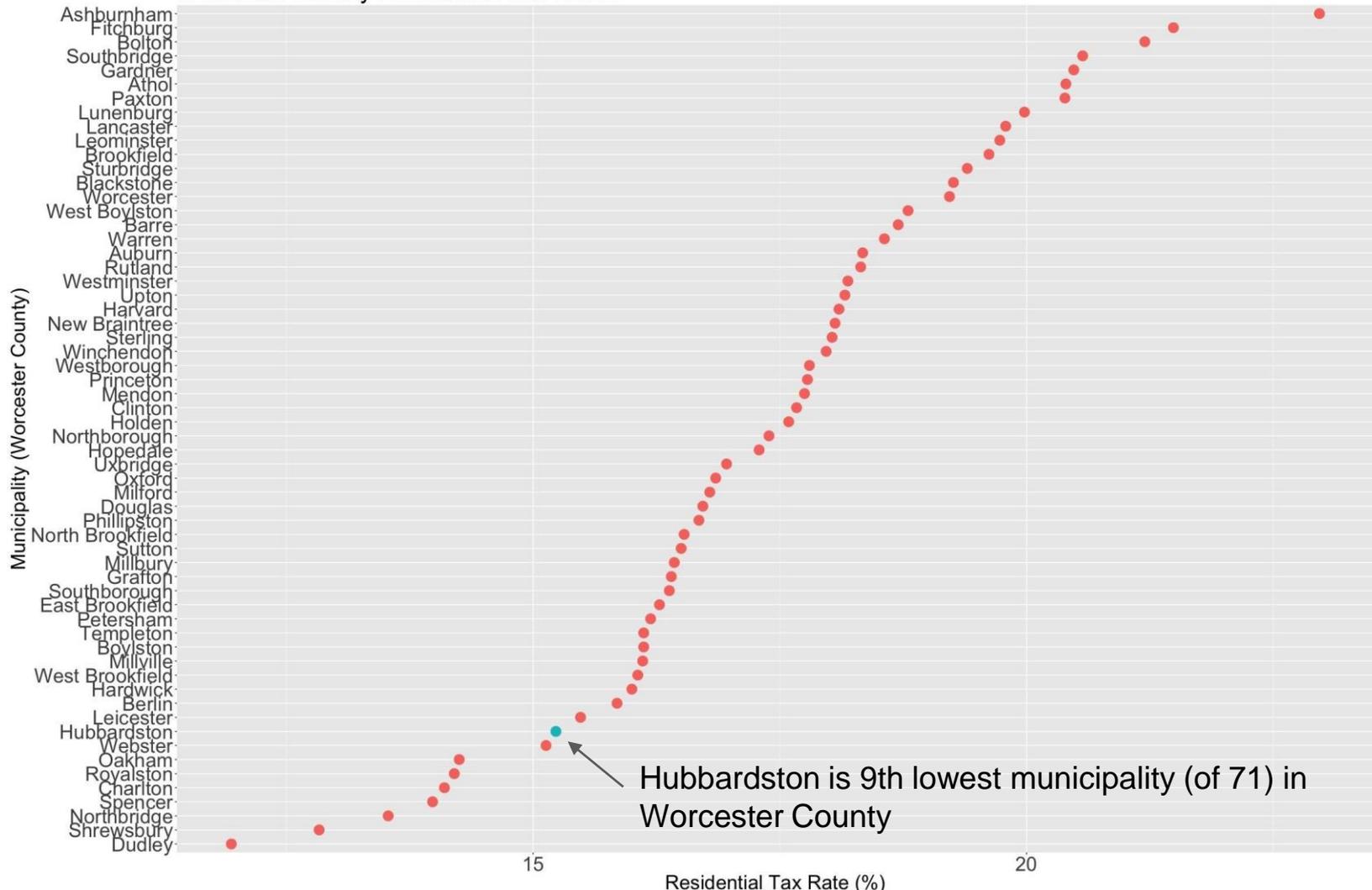
So Let's Address Some Of These Issues...

1. Residential Taxes:

Worcester County Residential Tax Rates

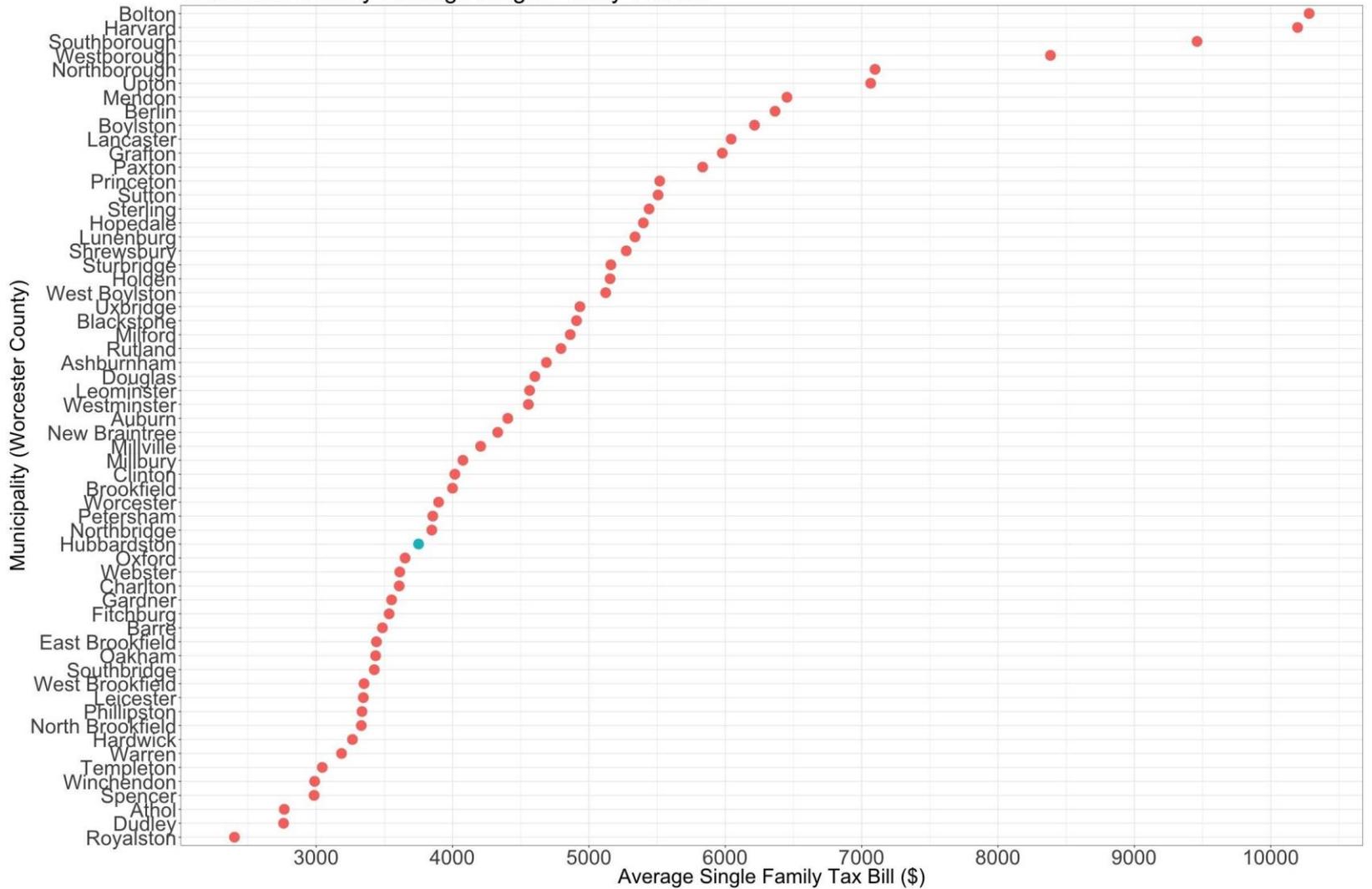


Worcester County Residential Tax Rates

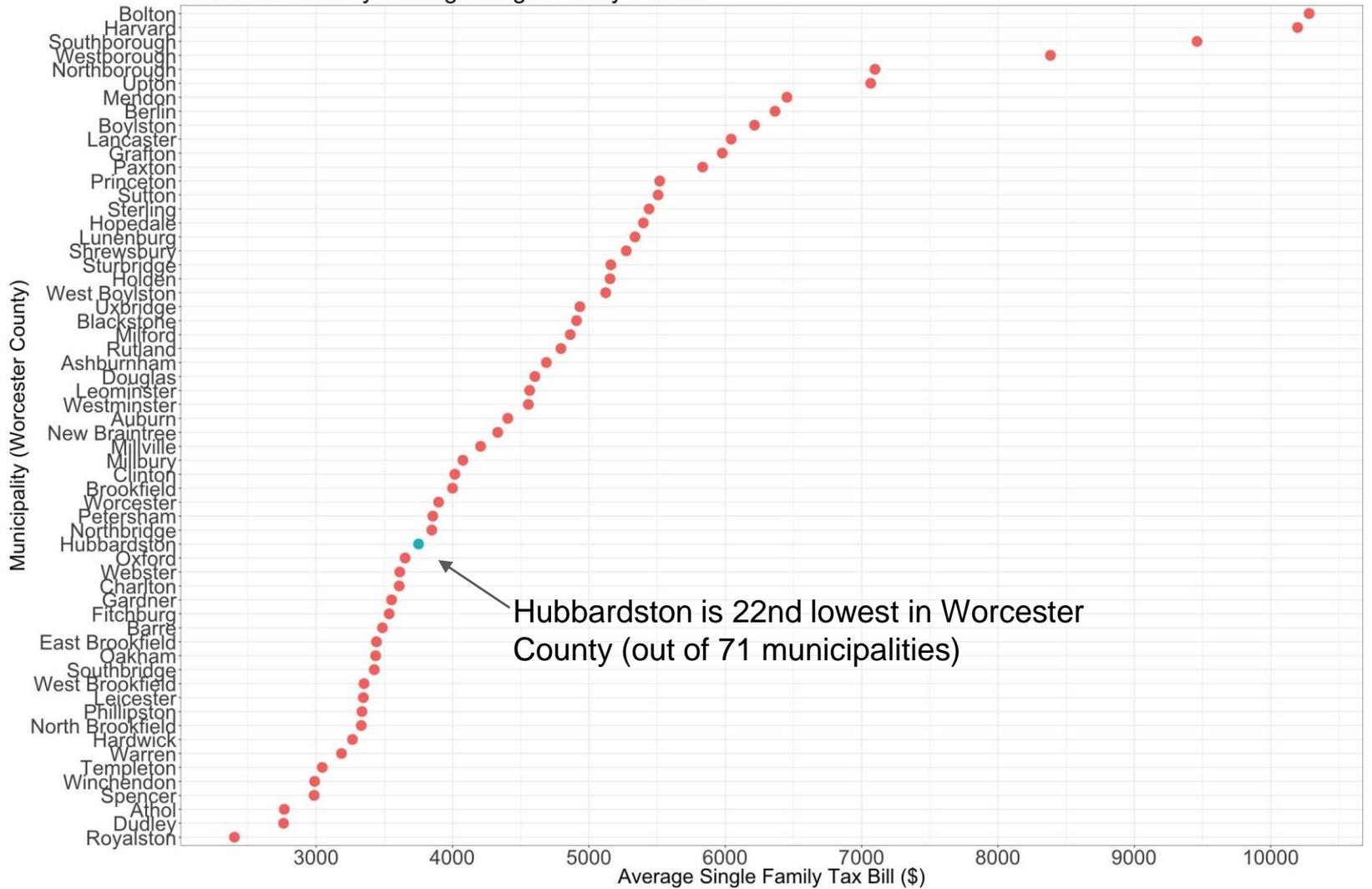


Hubbardston is 9th lowest municipality (of 71) in Worcester County

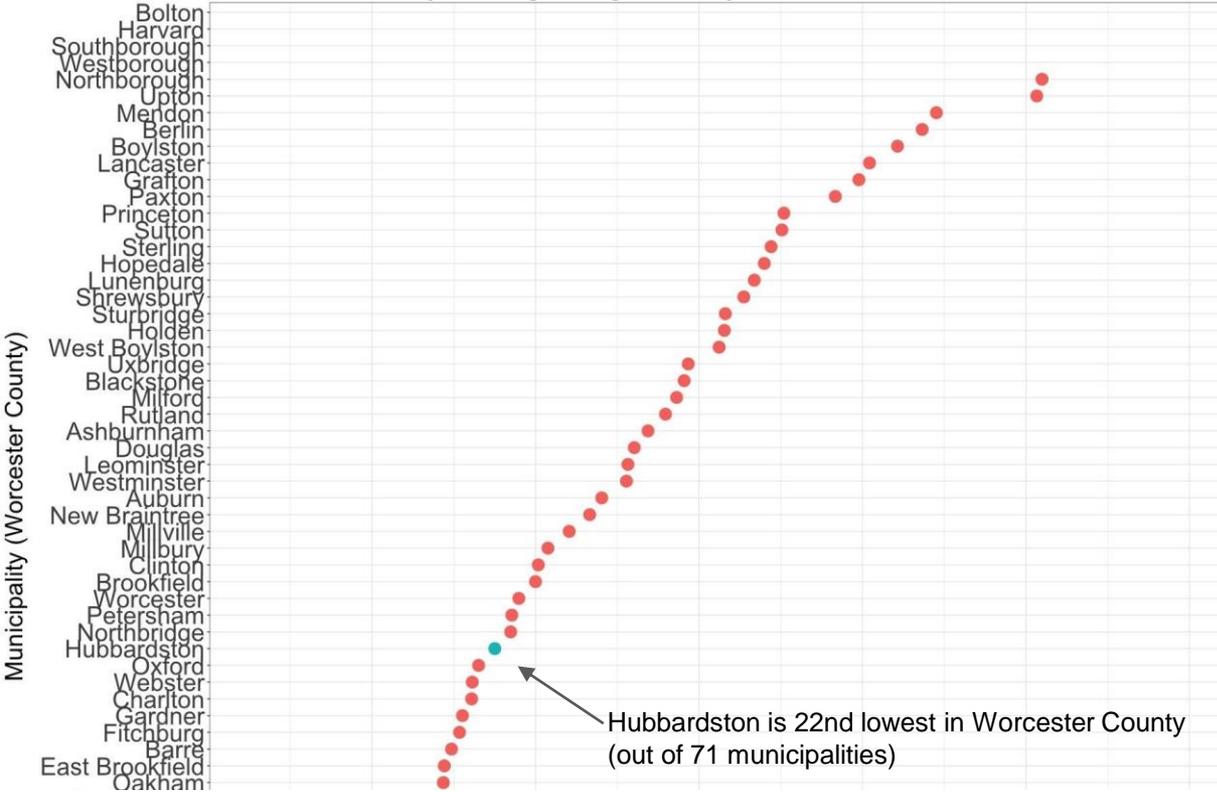
Worcester County Average Single Family Tax Bill



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Hubbardston's Single Family Tax Bill:

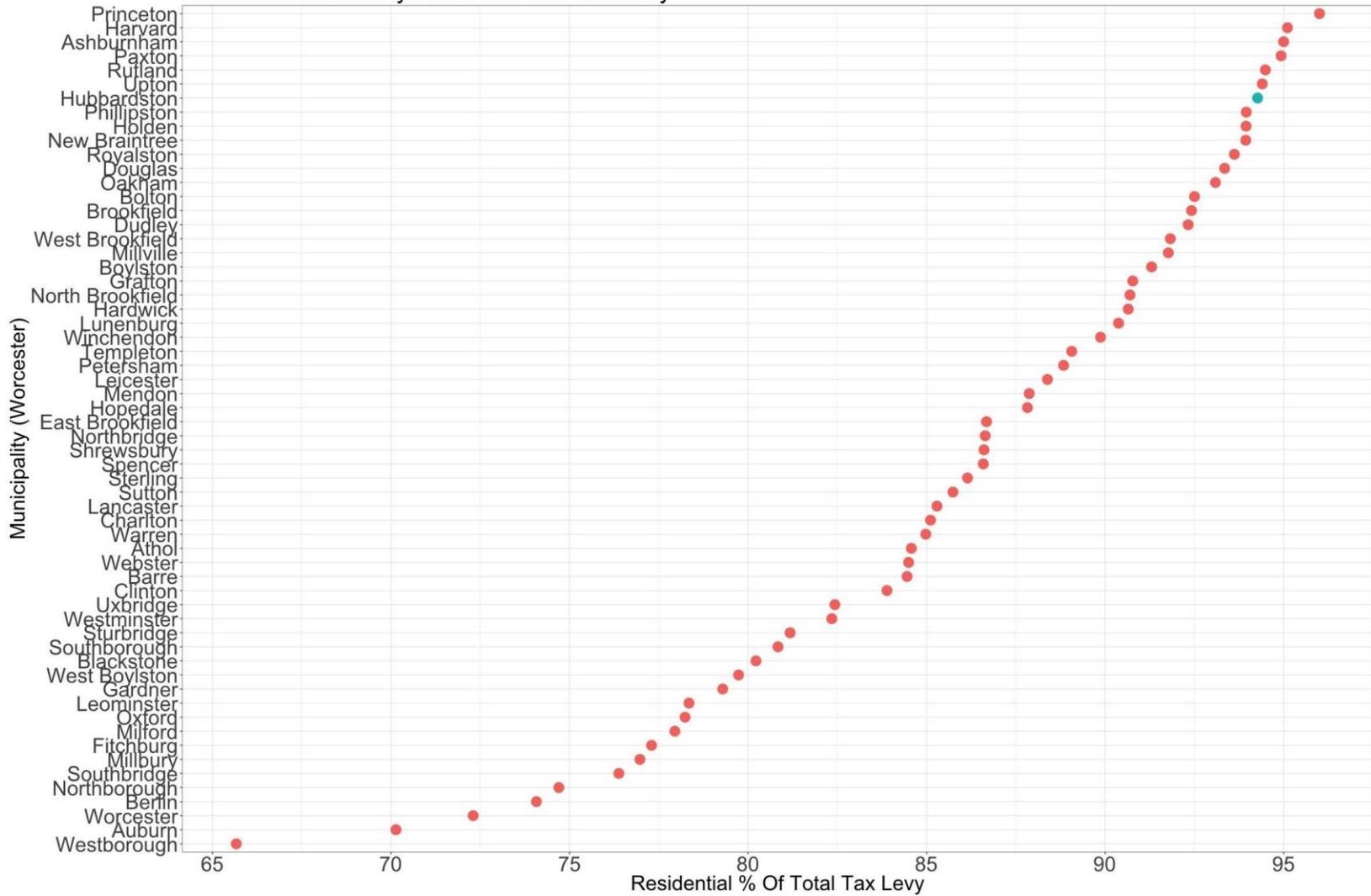
- In last 30 years, Hubbardston has ranked between #212 (1989) and #293 (2011) in terms of average single family tax bill for all of Massachusetts
 - #1 = highest bill
 - 351 Massachusetts Municipalities
- Average during that time is #259.

2. Residential vs. Industrial/Commercial Tax Levies:

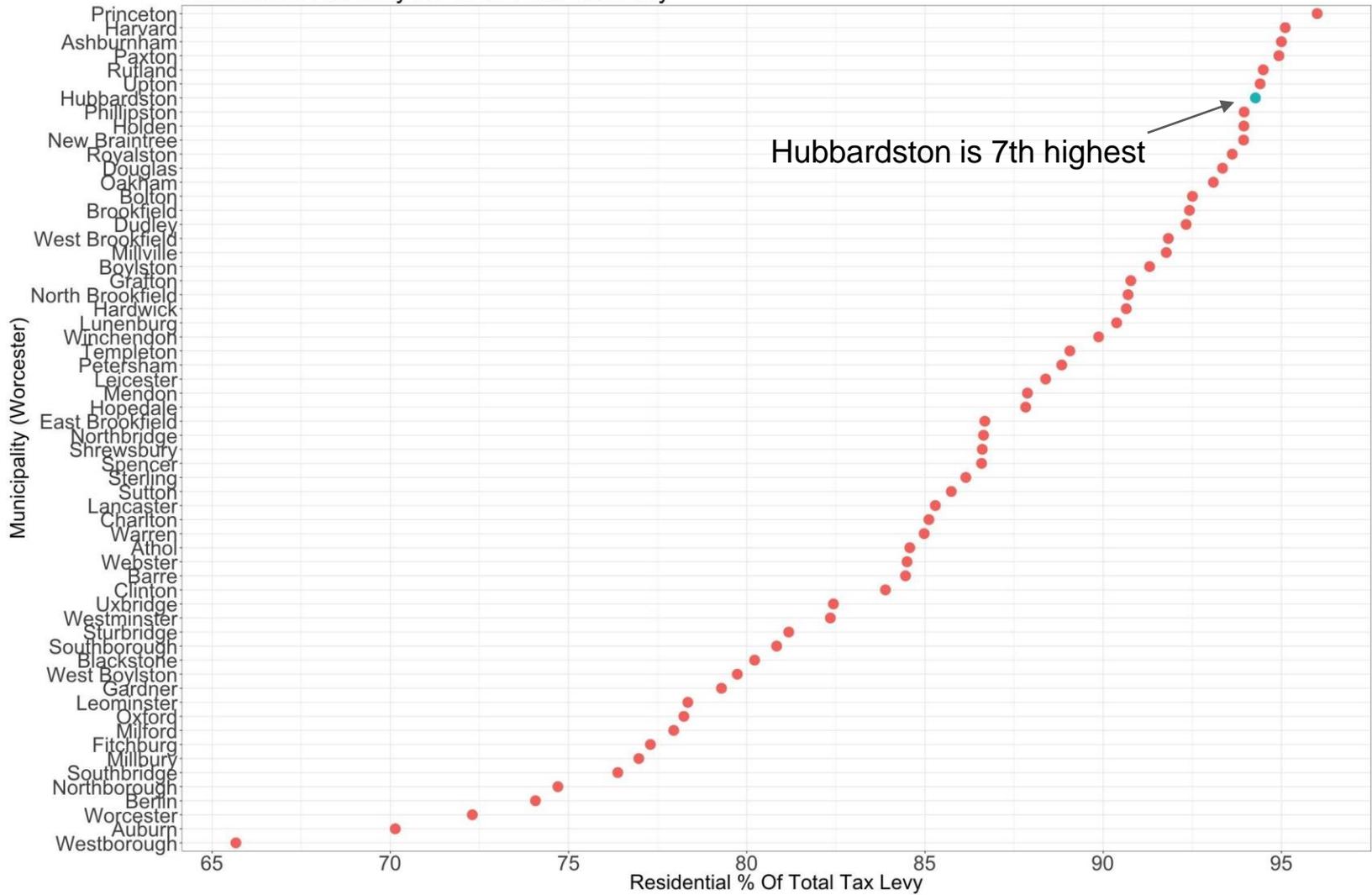
Percentage of Tax Levy From Residential Sources:

- = 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



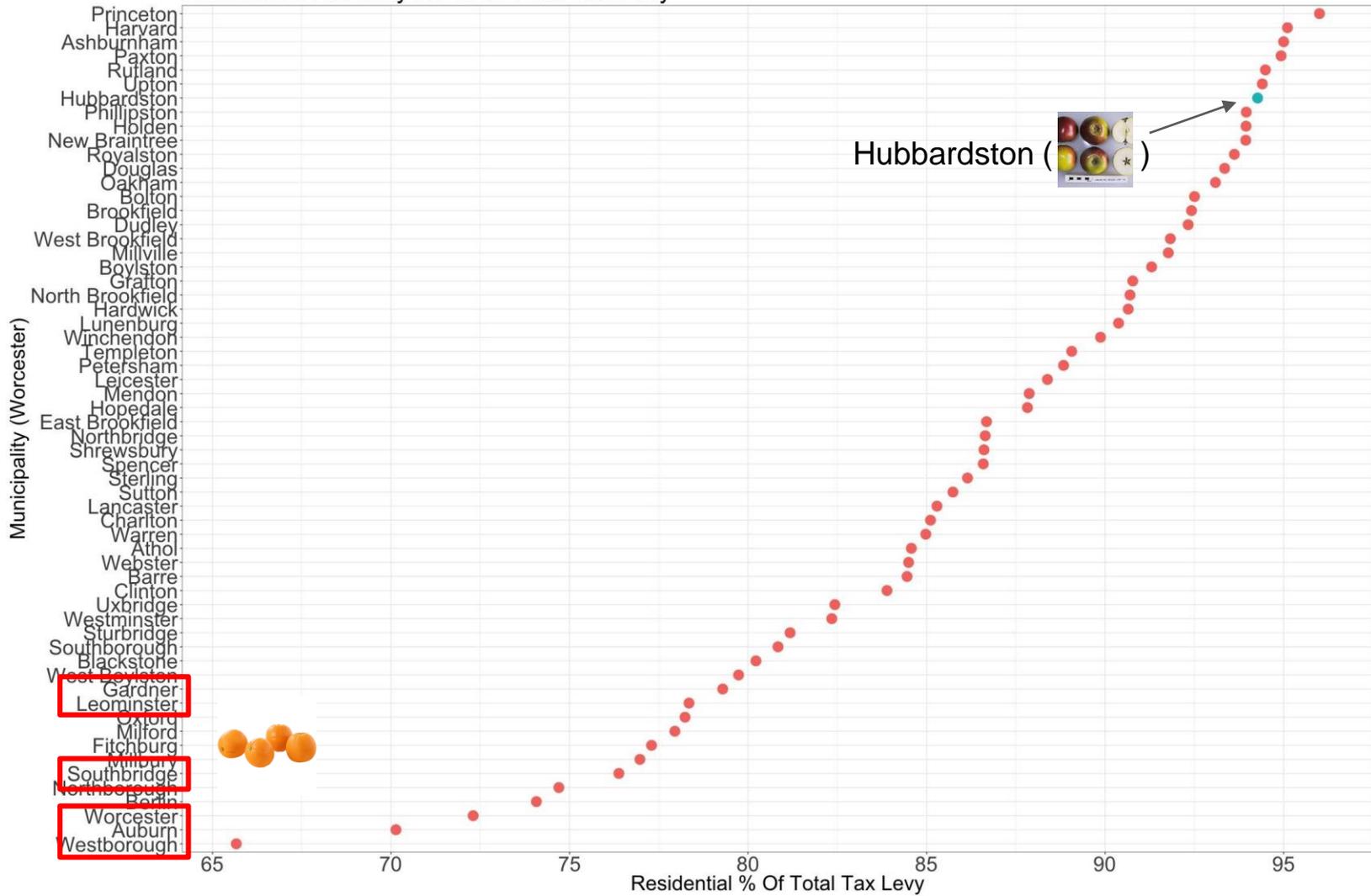
However...



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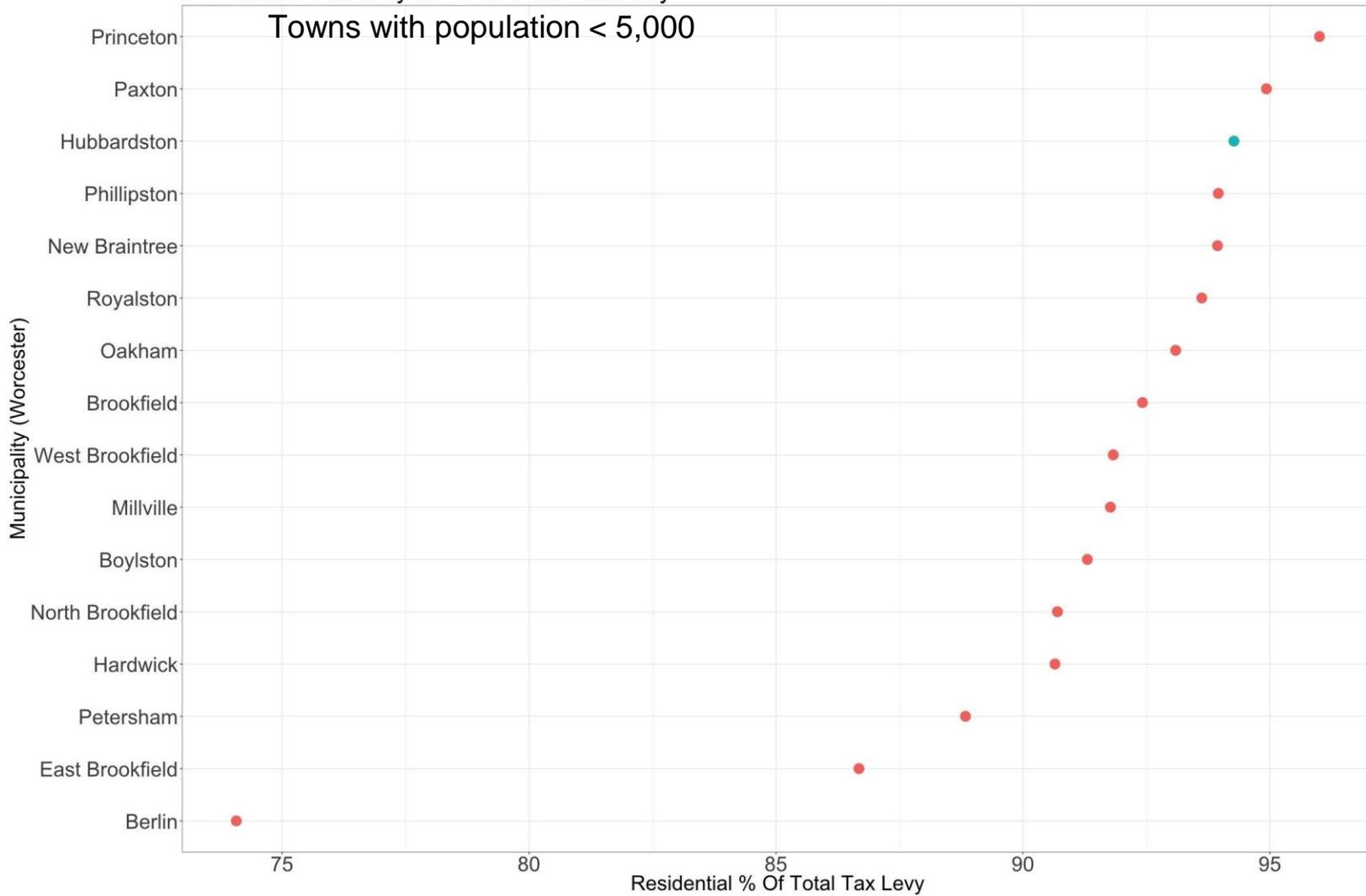


Residential Tax Levy As % Of Total Tax Levy



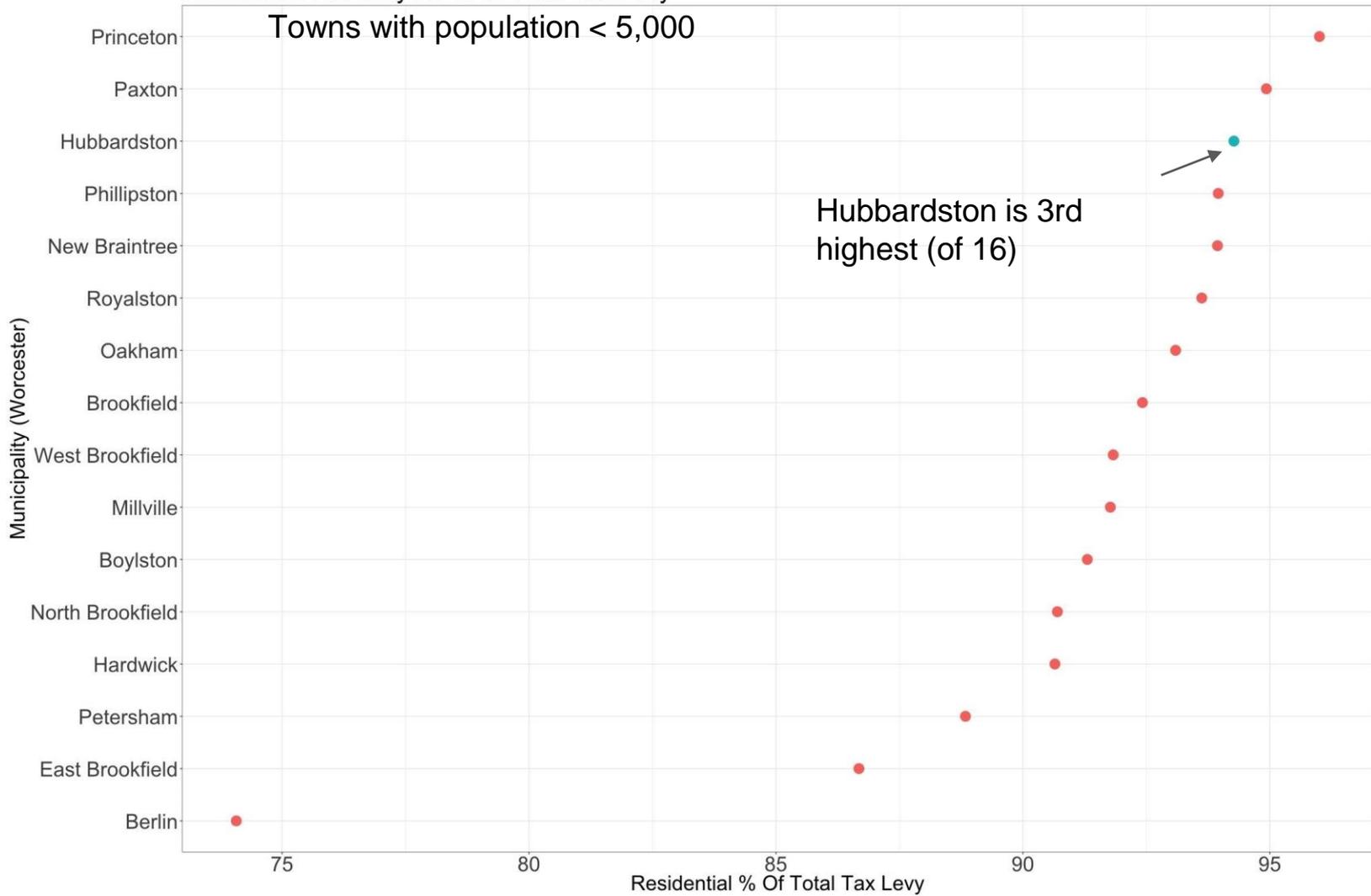
Residential Tax Levy As % Of Total Tax Levy

Towns with population < 5,000



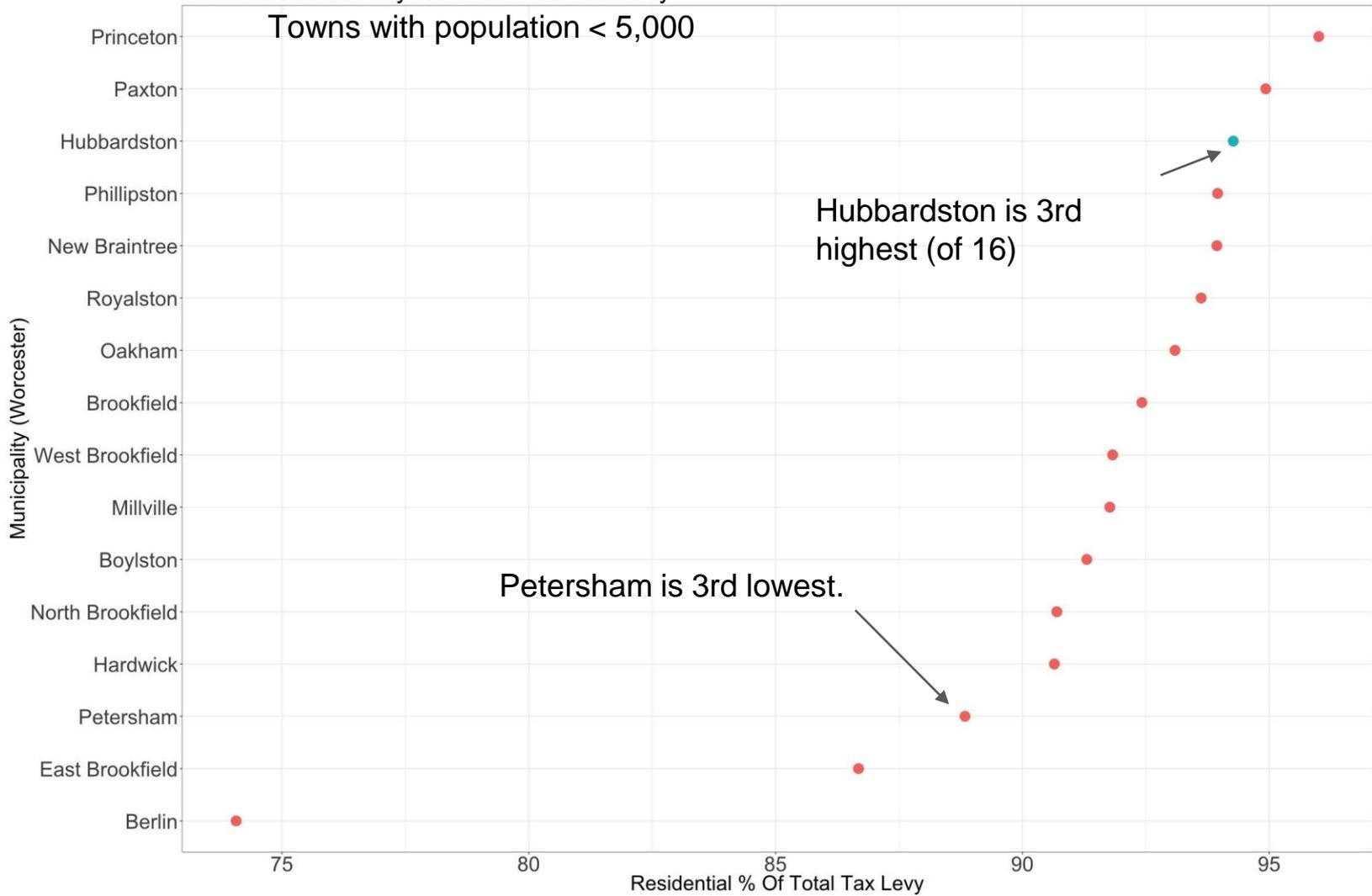
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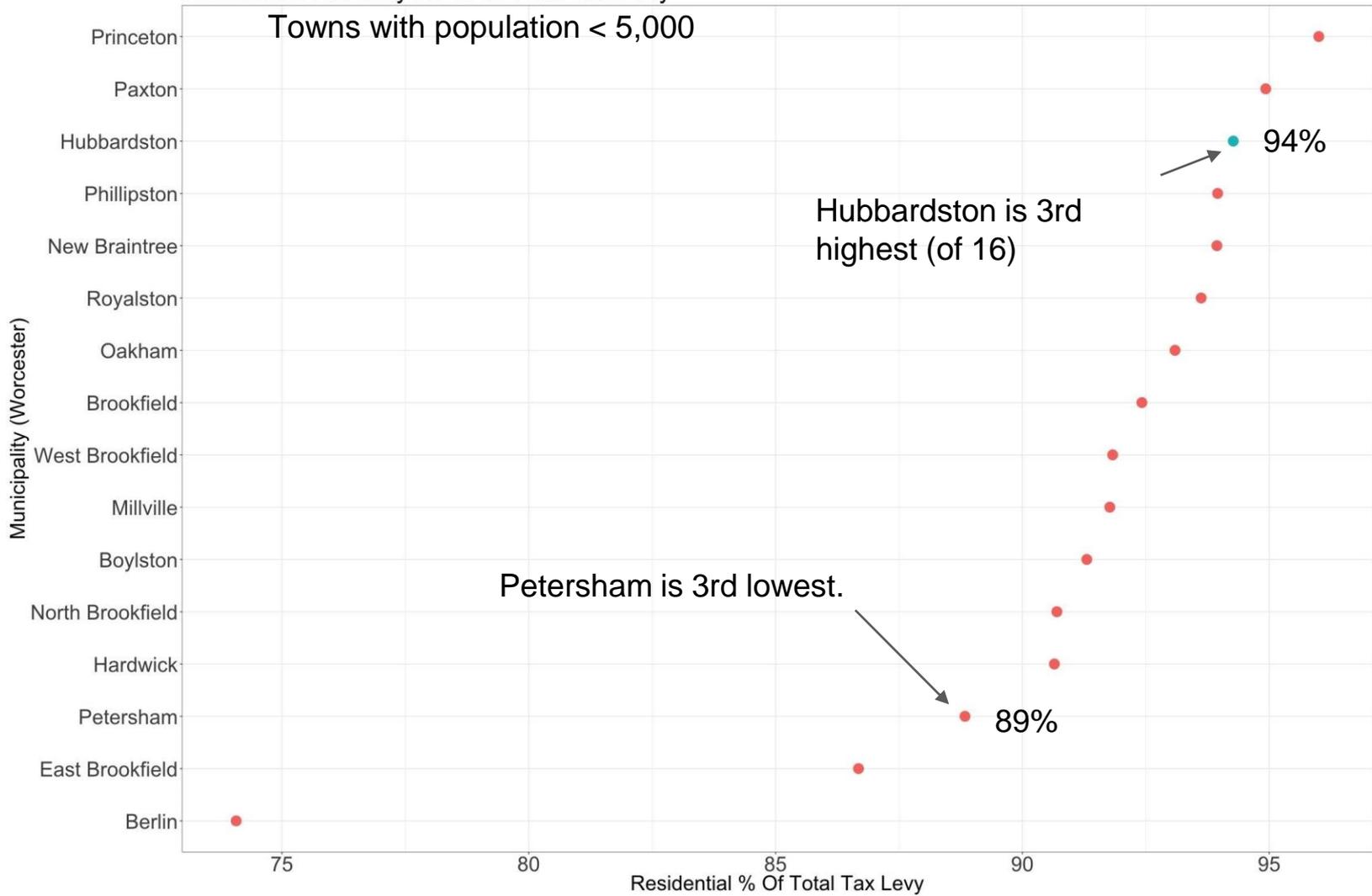


Hubbardston is 3rd highest (of 16)

Petersham is 3rd lowest.

Residential Tax Levy As % Of Total Tax Levy

Towns with population < 5,000



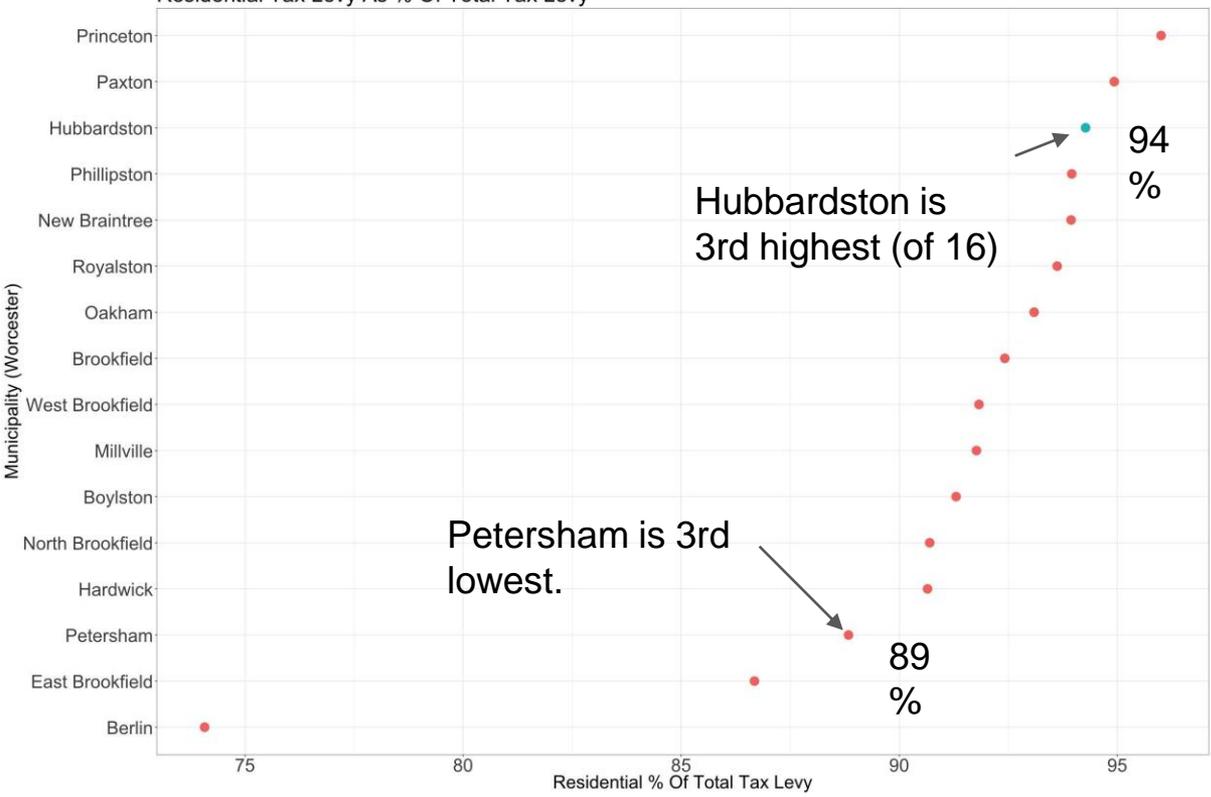
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Petersham is 3rd lowest.

94%

89%

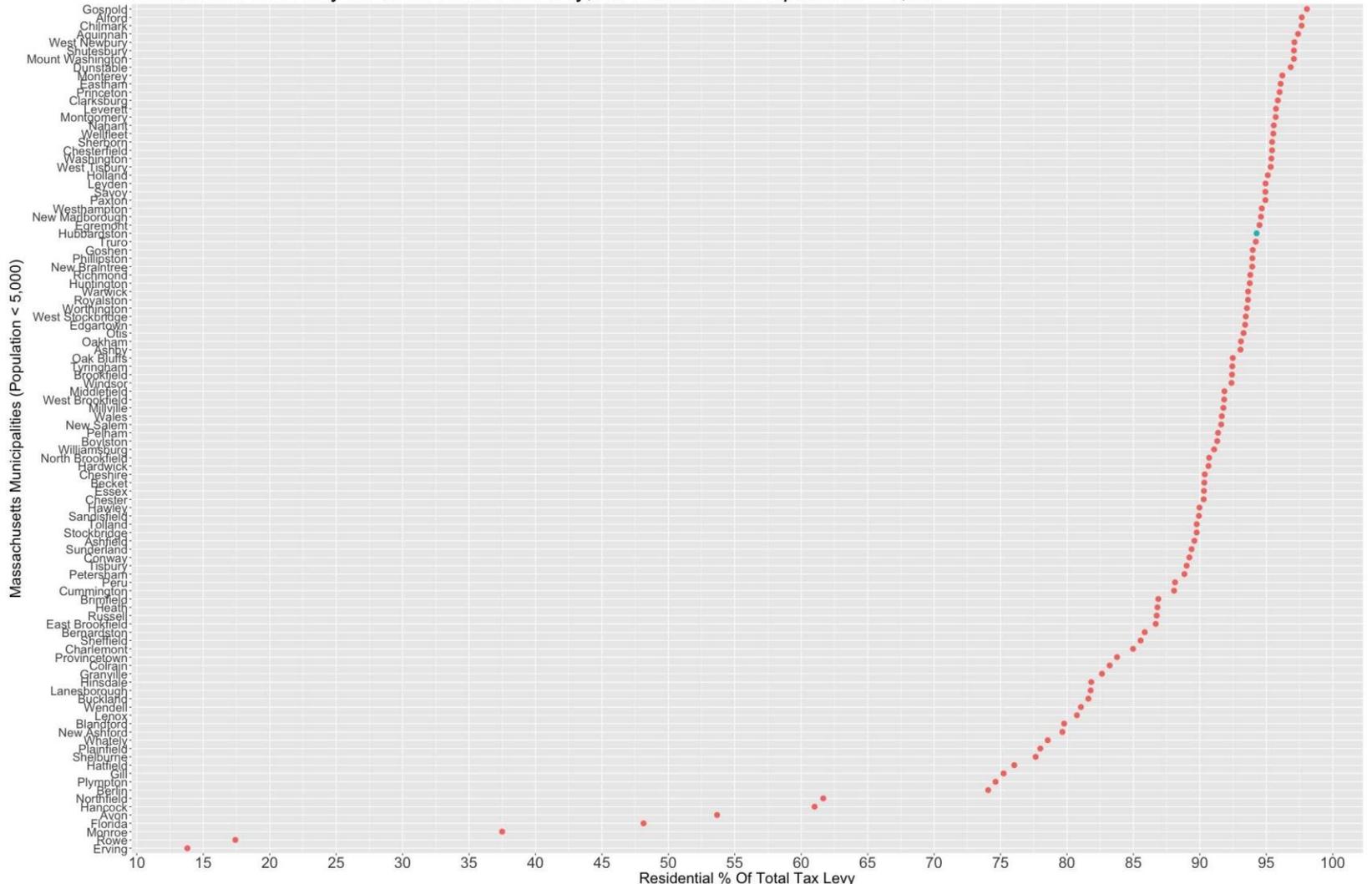
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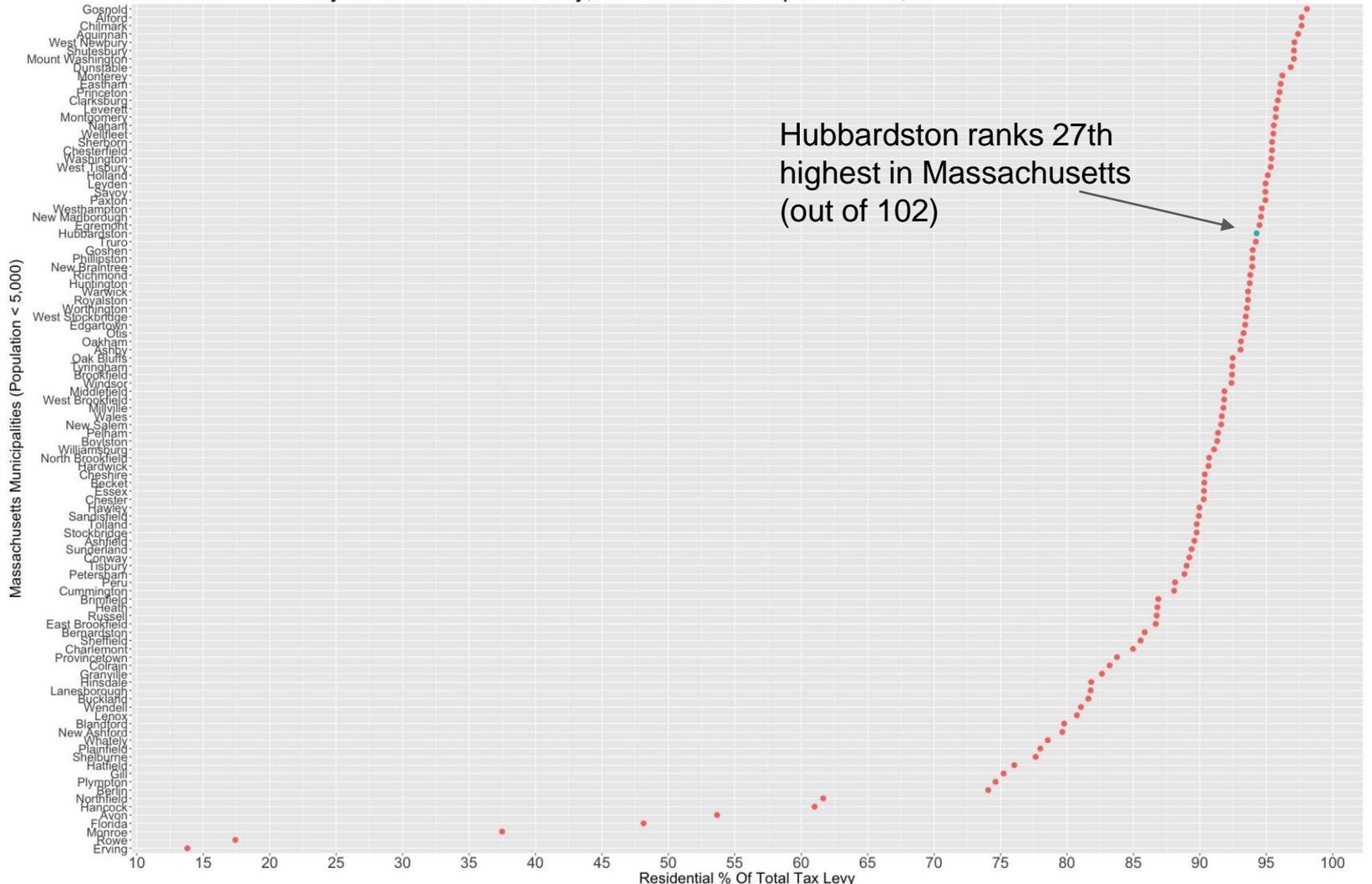
- All but 3 towns with a population less than 5,000 in Worcester County derive 90% or more of their total tax revenue from residential sources.
- 13 of the 16 towns range from 96% to 90.6%

Let's look at all small towns in Massachusetts

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

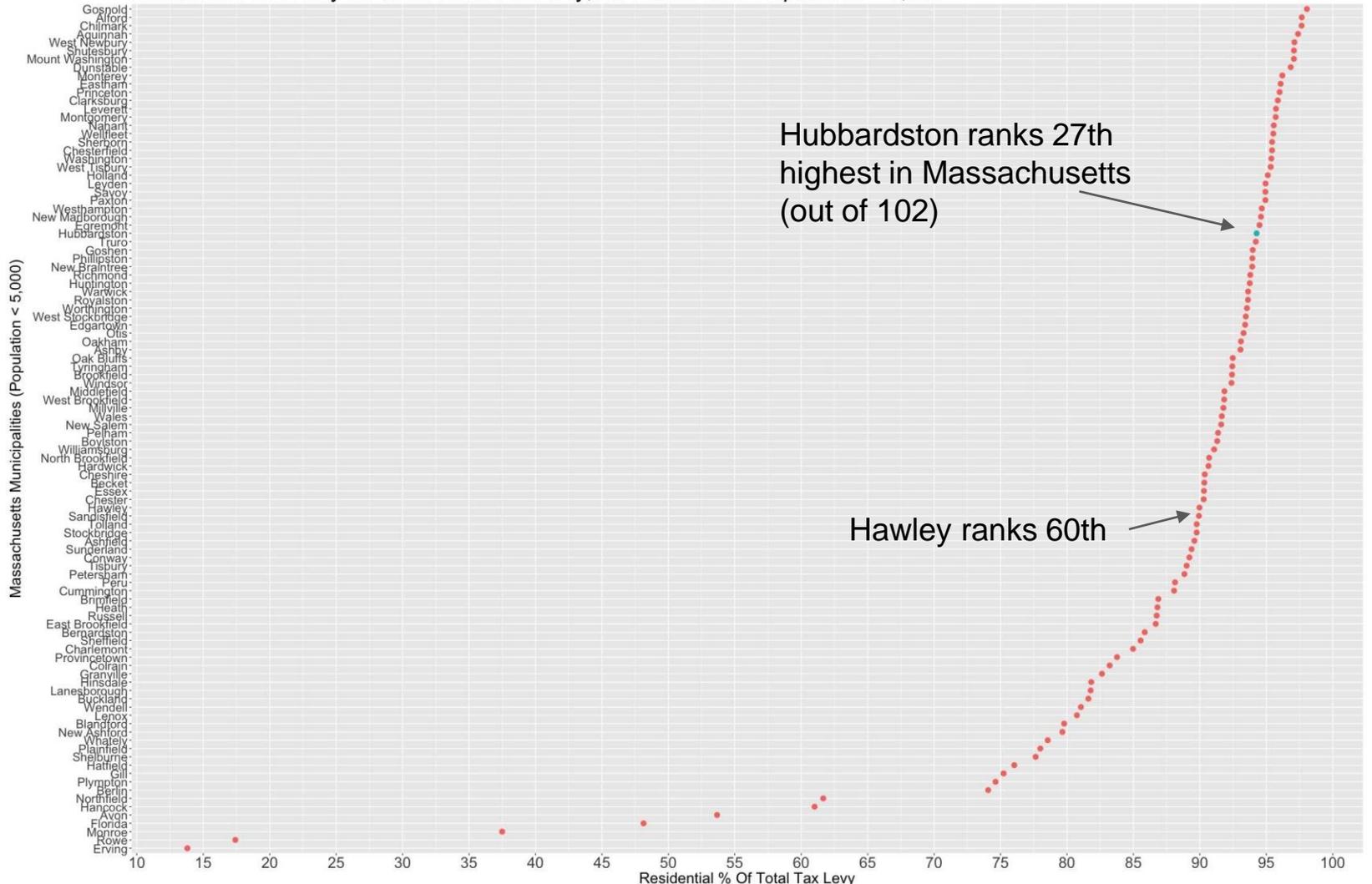


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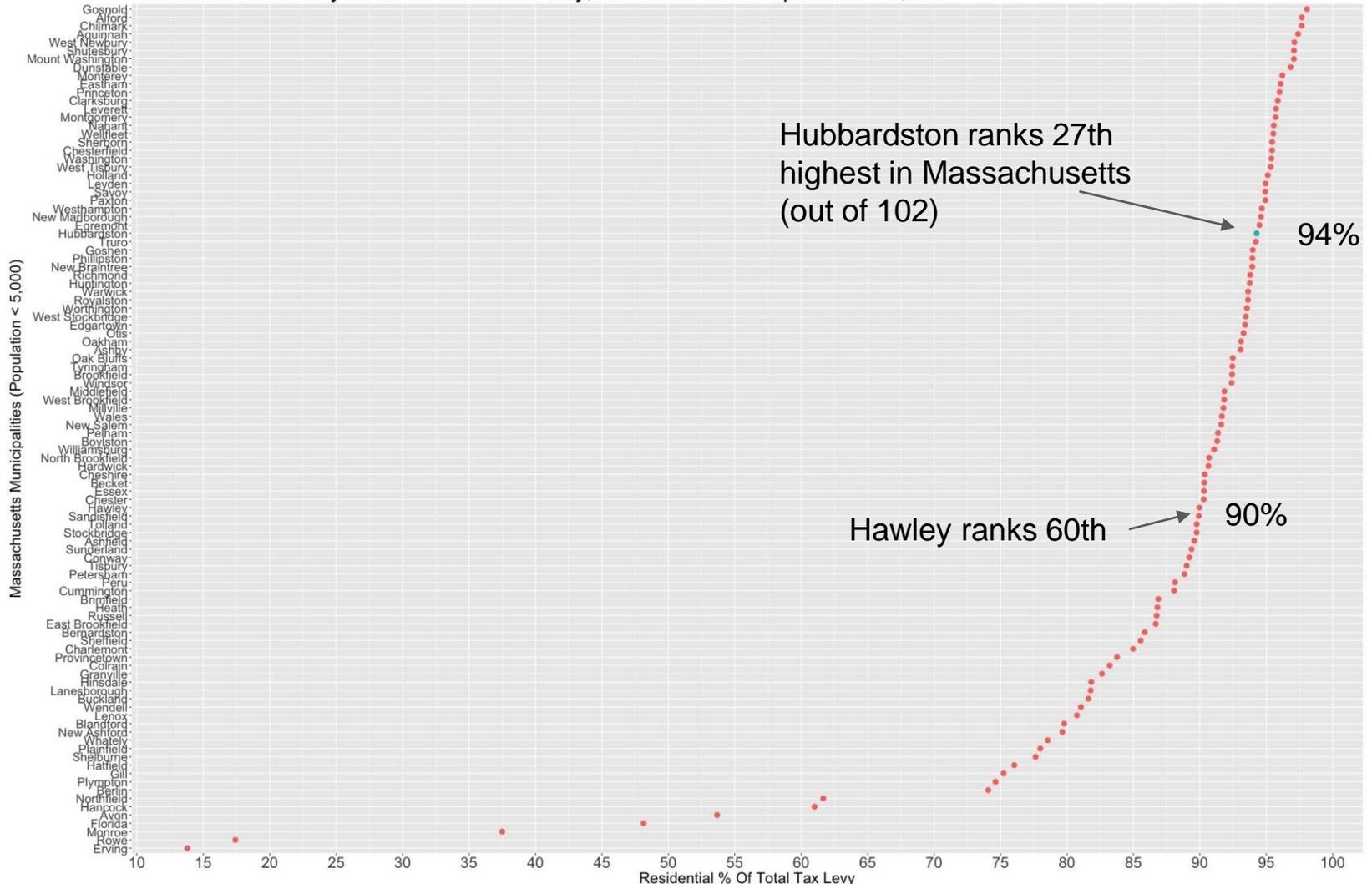


Hubbardston ranks 27th highest in Massachusetts (out of 102)

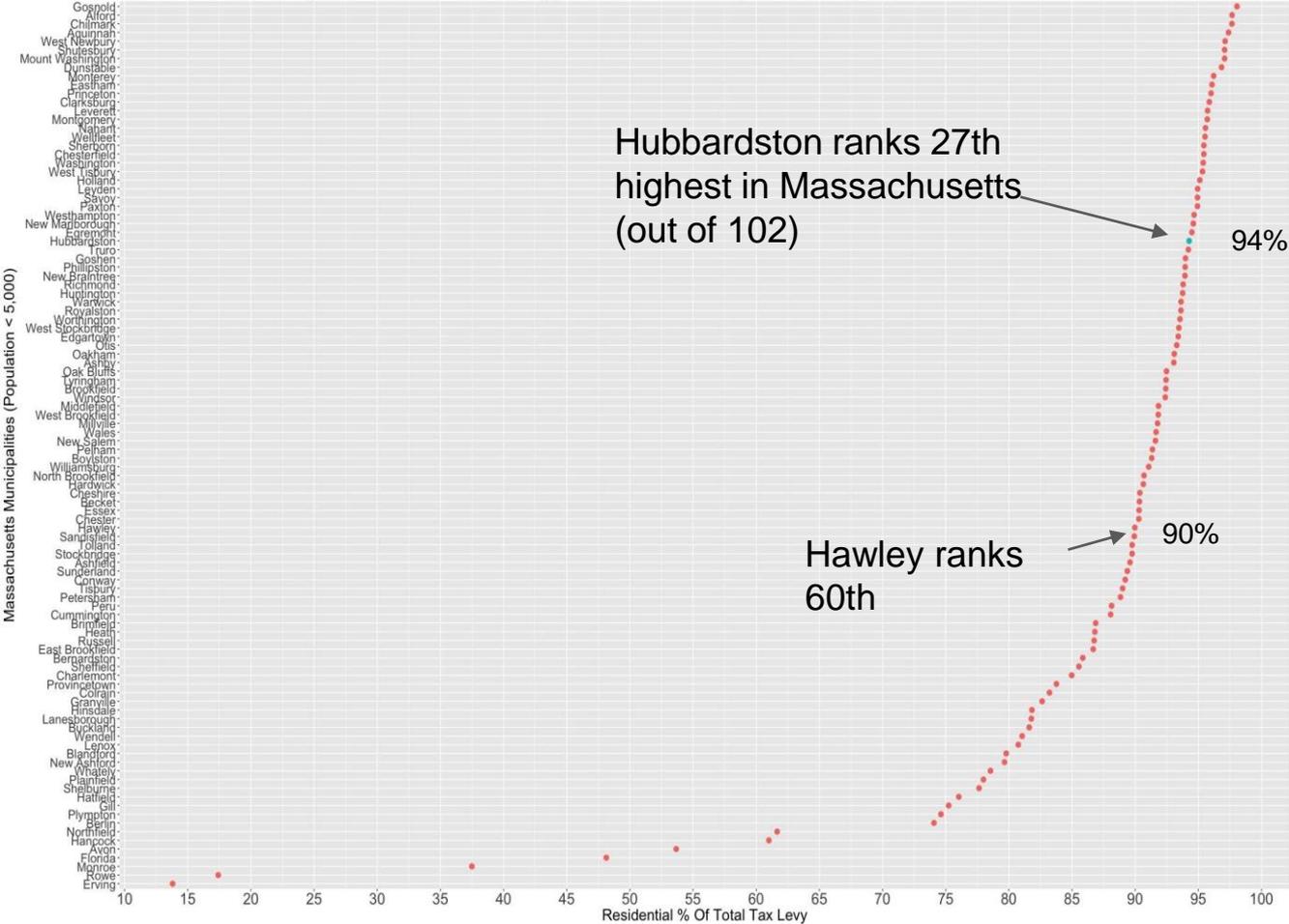
Residential Tax Levy As % Of Total Tax Levy, All Towns With Population < 5,000



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



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



Hubbardston ranks 27th highest in Massachusetts (out of 102)

Hawley ranks 60th

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.

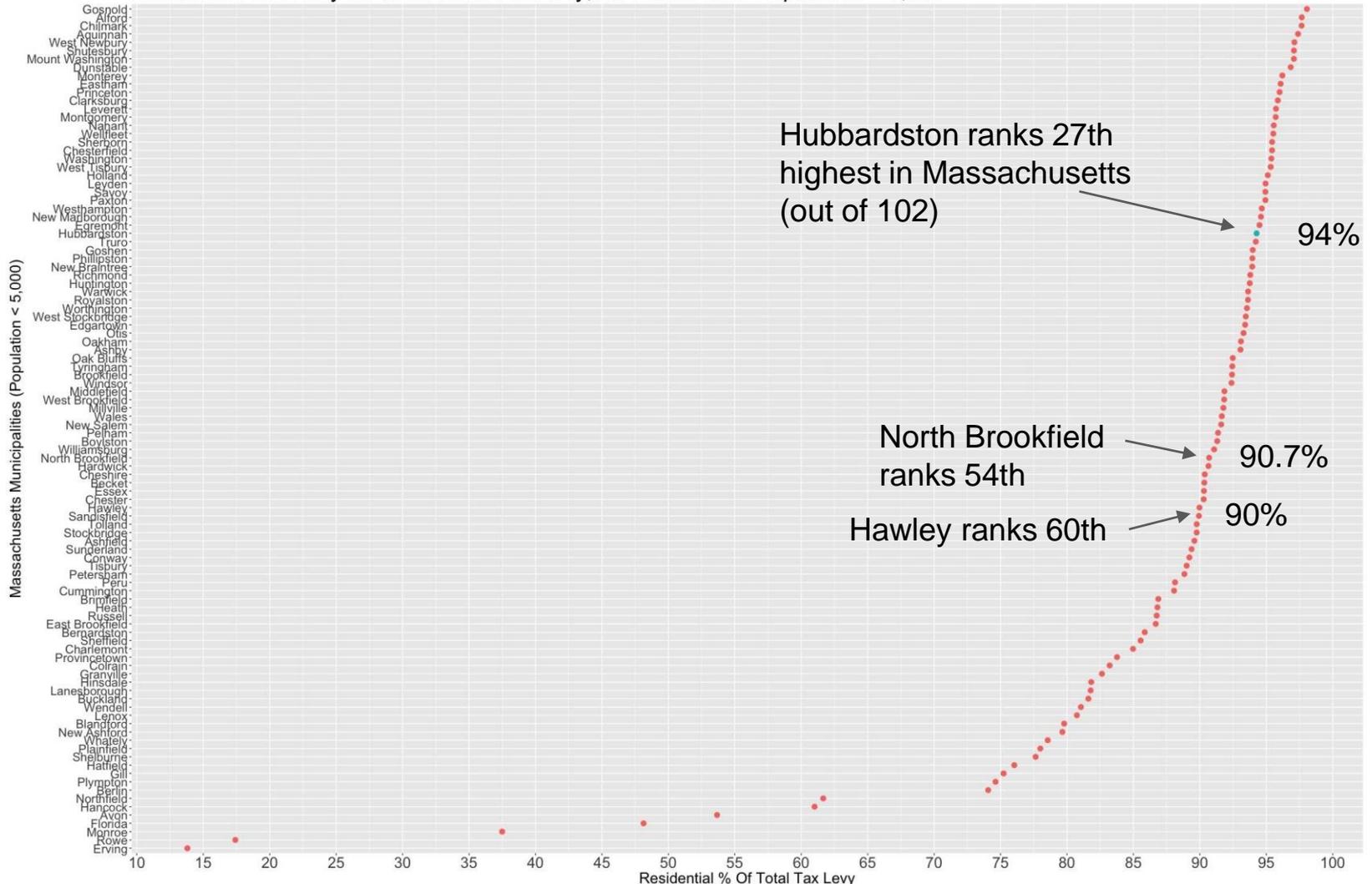
Let's Look At Two Towns...

	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
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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
Total	447,652,454	6,772,982	

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
Total	9,217,986	

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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Assuming that residential tax levy and all tax rates remained unchanged...

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

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 - increase by \$467,000 or >190%
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 - Combined value of Commercial and Industrial new growth in last 15 years:

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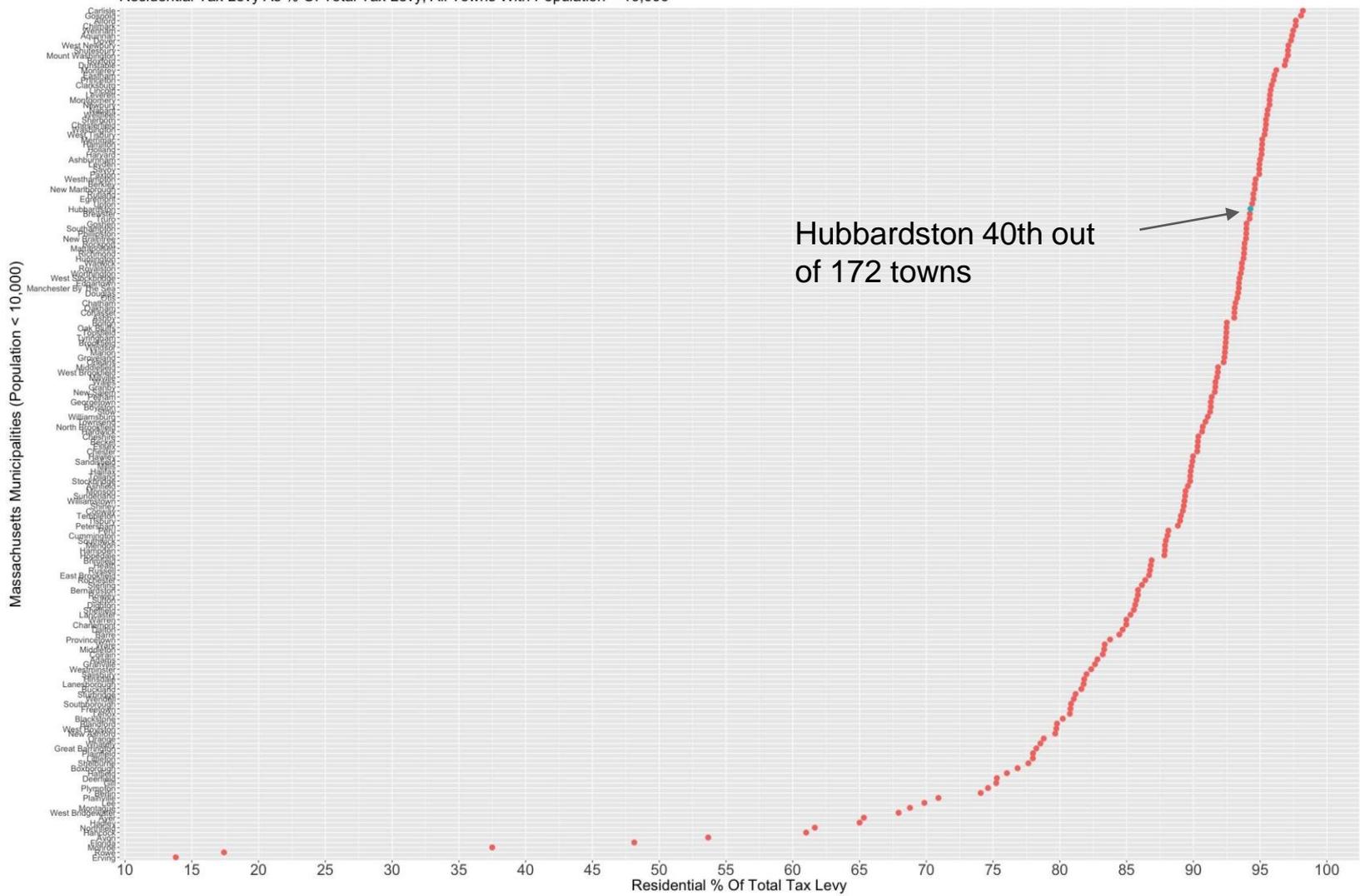
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 - Combined value of Commercial and Industrial new growth in last 15 years: **\$6.8 Million**

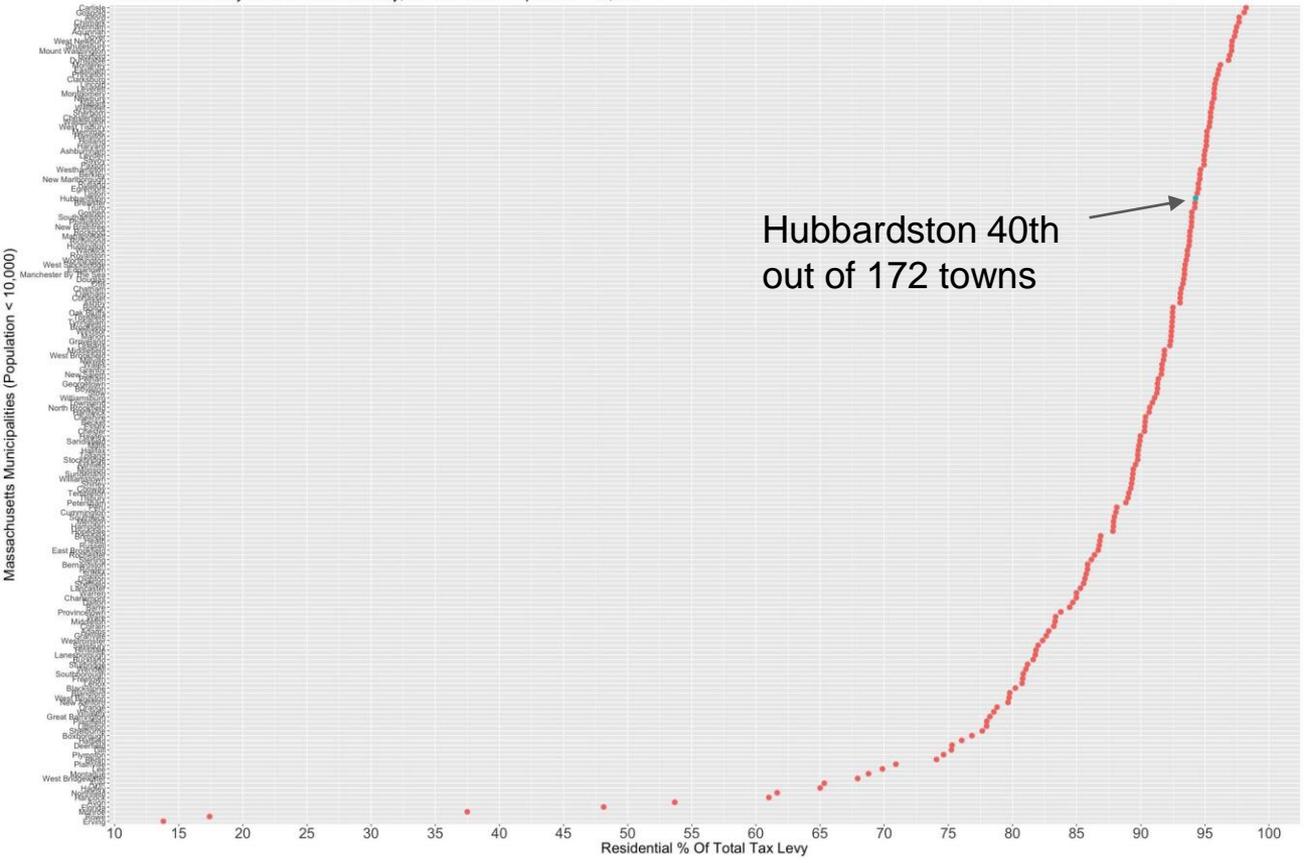
Let's see what the residential tax burden is for slightly larger towns (those with population $< 10,000$)...

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



Hubbardston 40th out of 172 towns

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

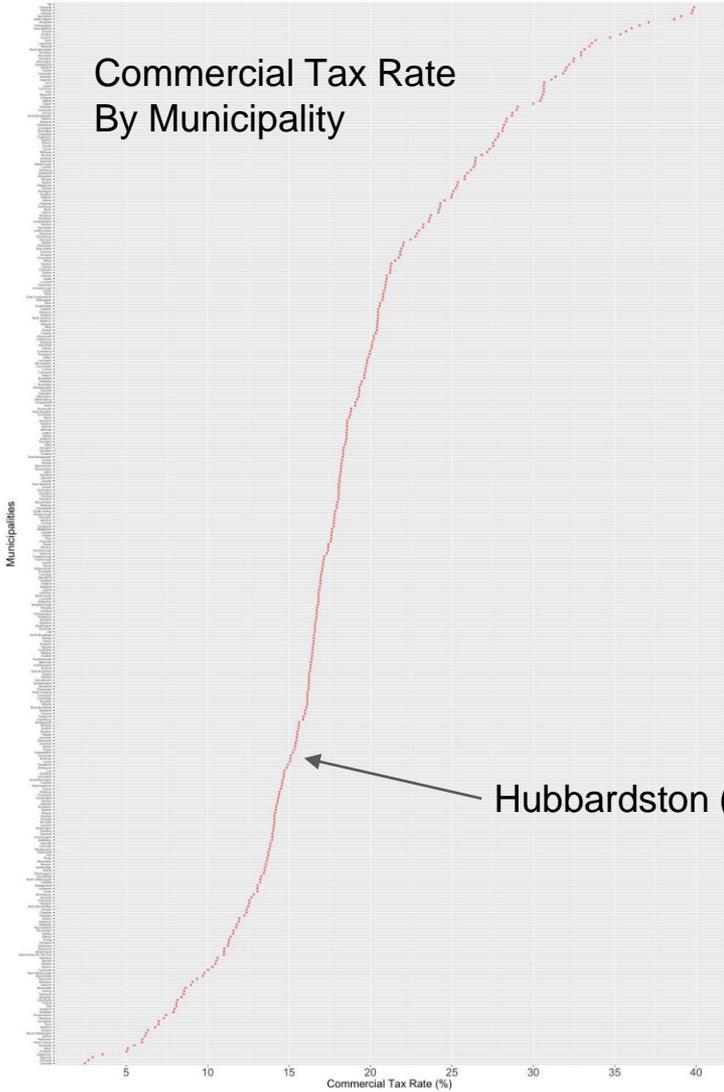


For town in Massachusetts with Population < 10,000:

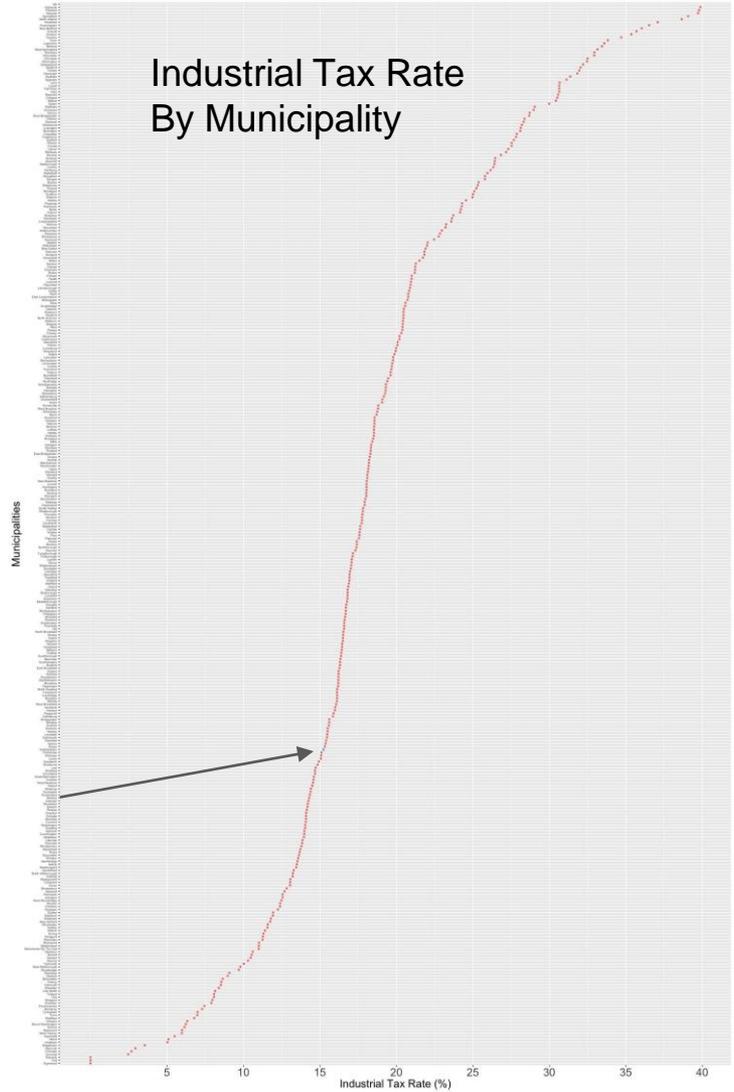
- 90 of 172 (52%) get 90% or more of tax revenue from residential sources.
- 124 (72%) get 85% or more from residential sources

3. Is Hubbardston business friendly?

Massachusetts-wide

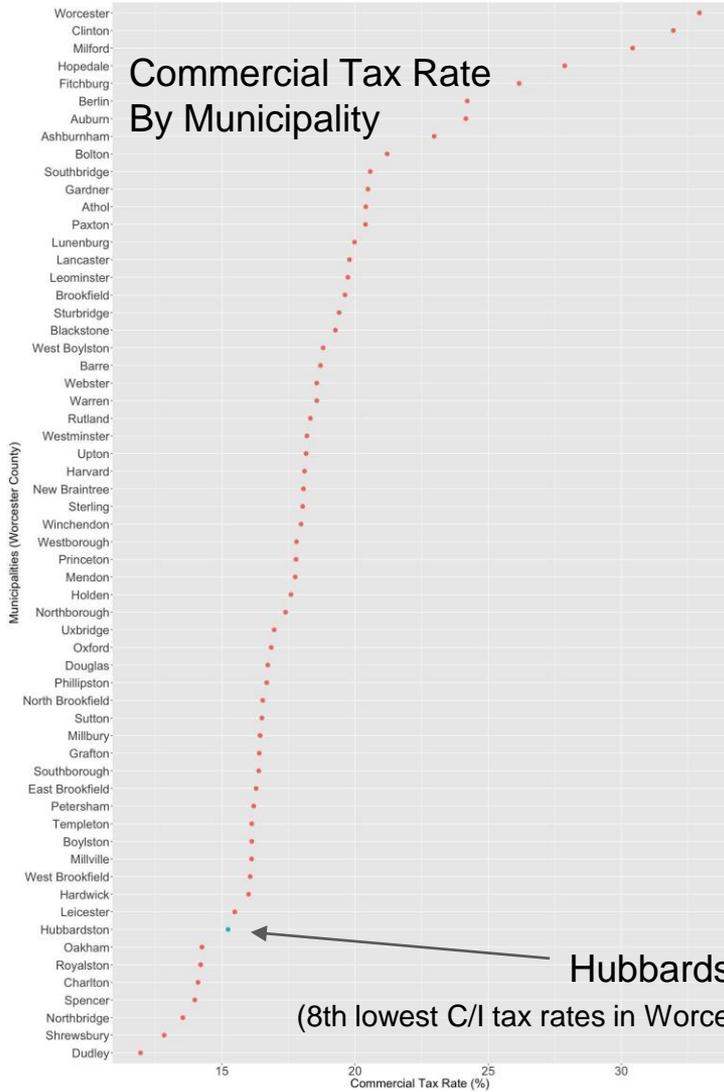


Hubbardston (15.13)

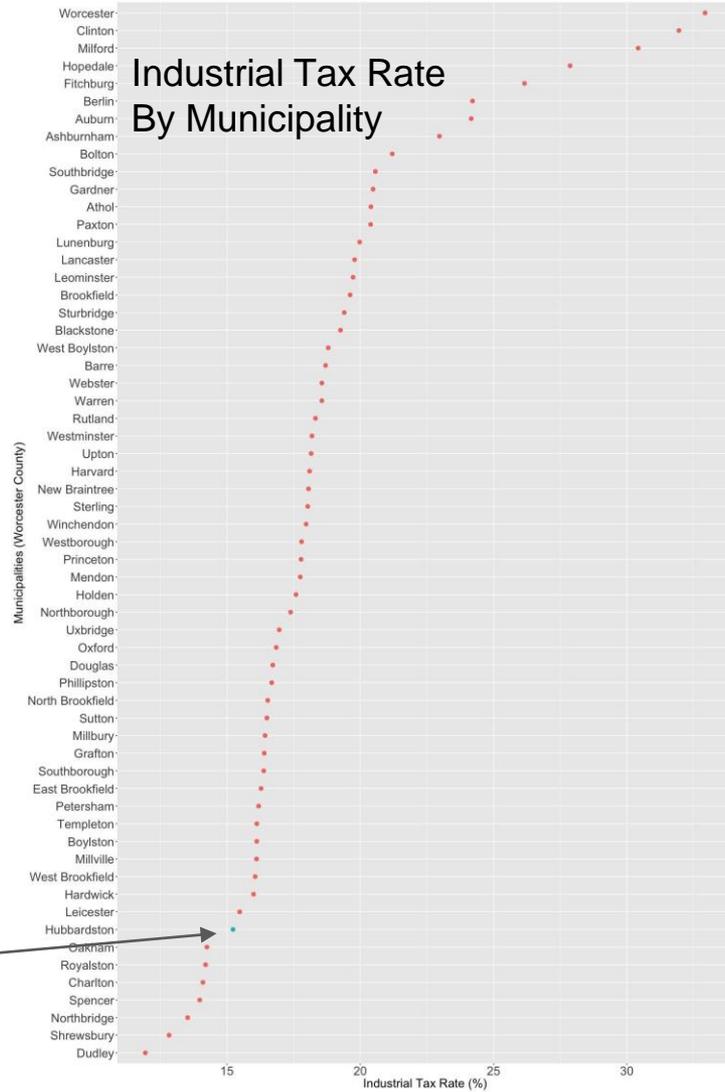


OK, let's break that down a little...

Worcester County

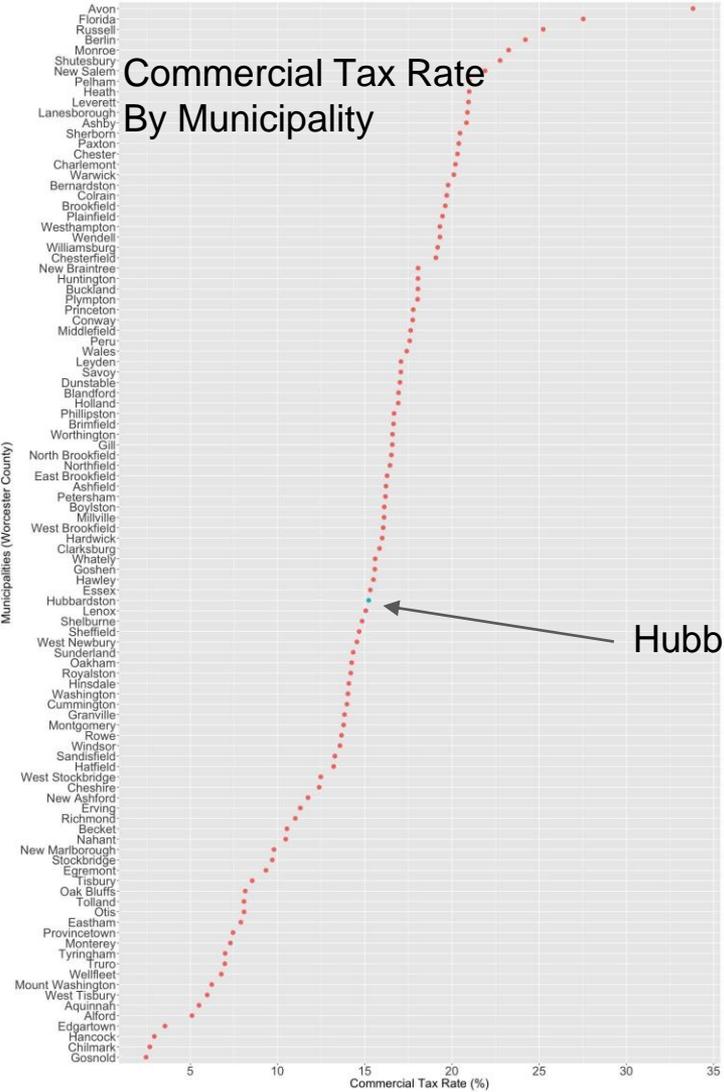


Hubbardston
(8th lowest C/I tax rates in Worcester County)



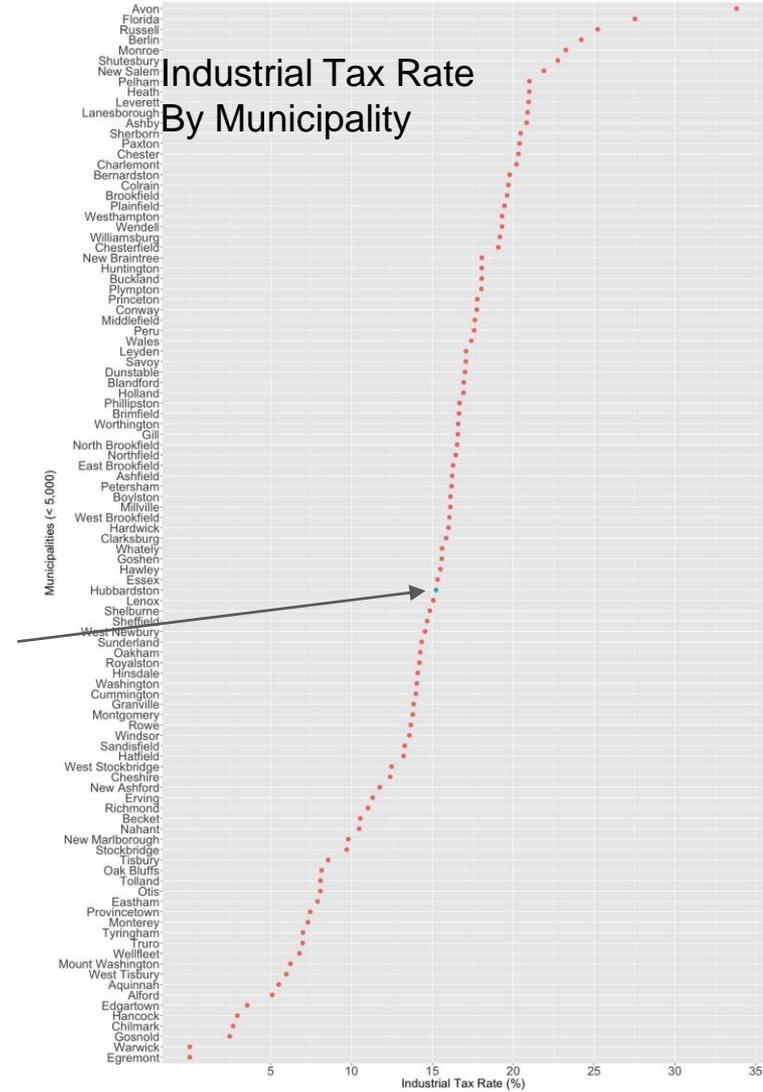
Population < 5,000

Commercial Tax Rate By Municipality



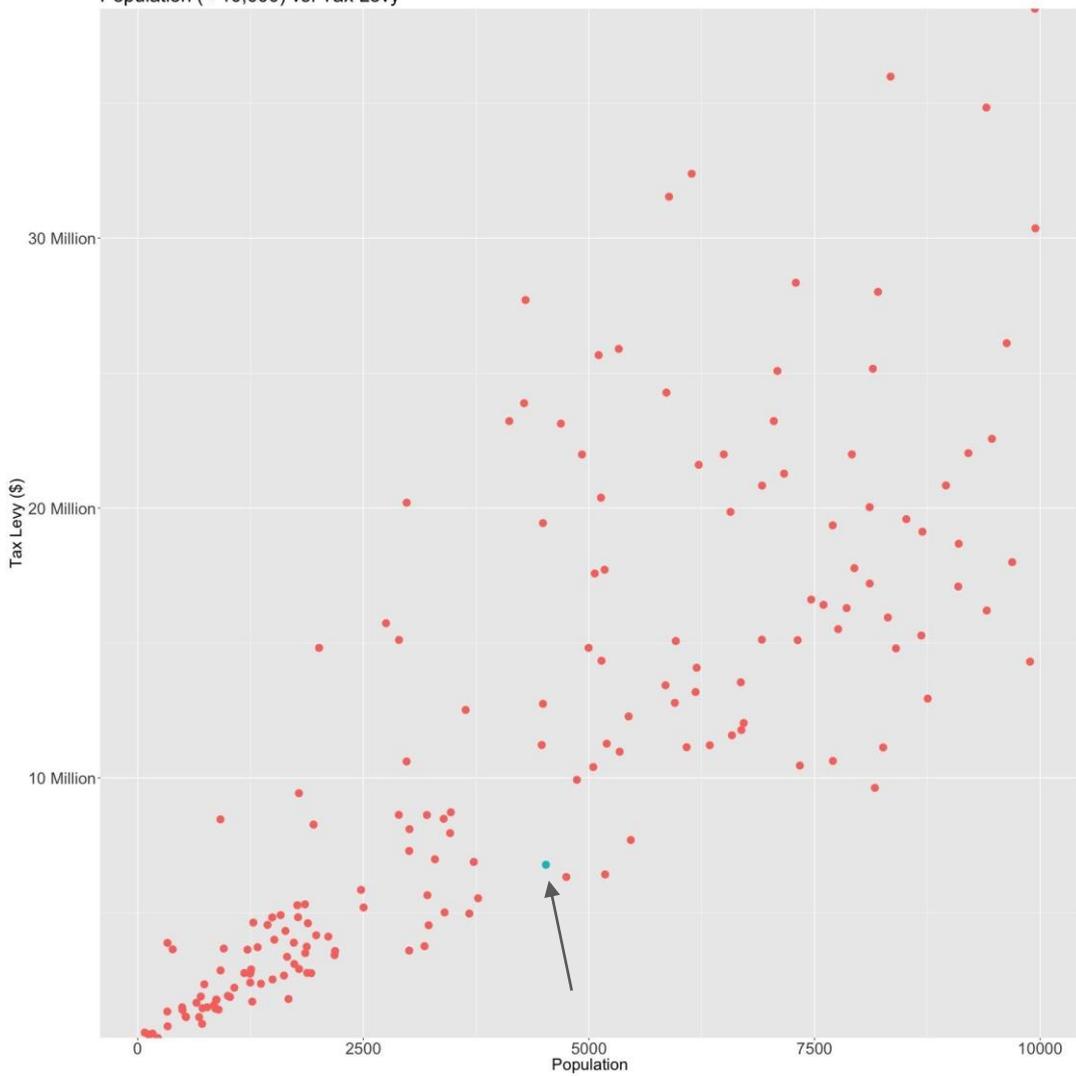
Hubbardston

Industrial Tax Rate By Municipality

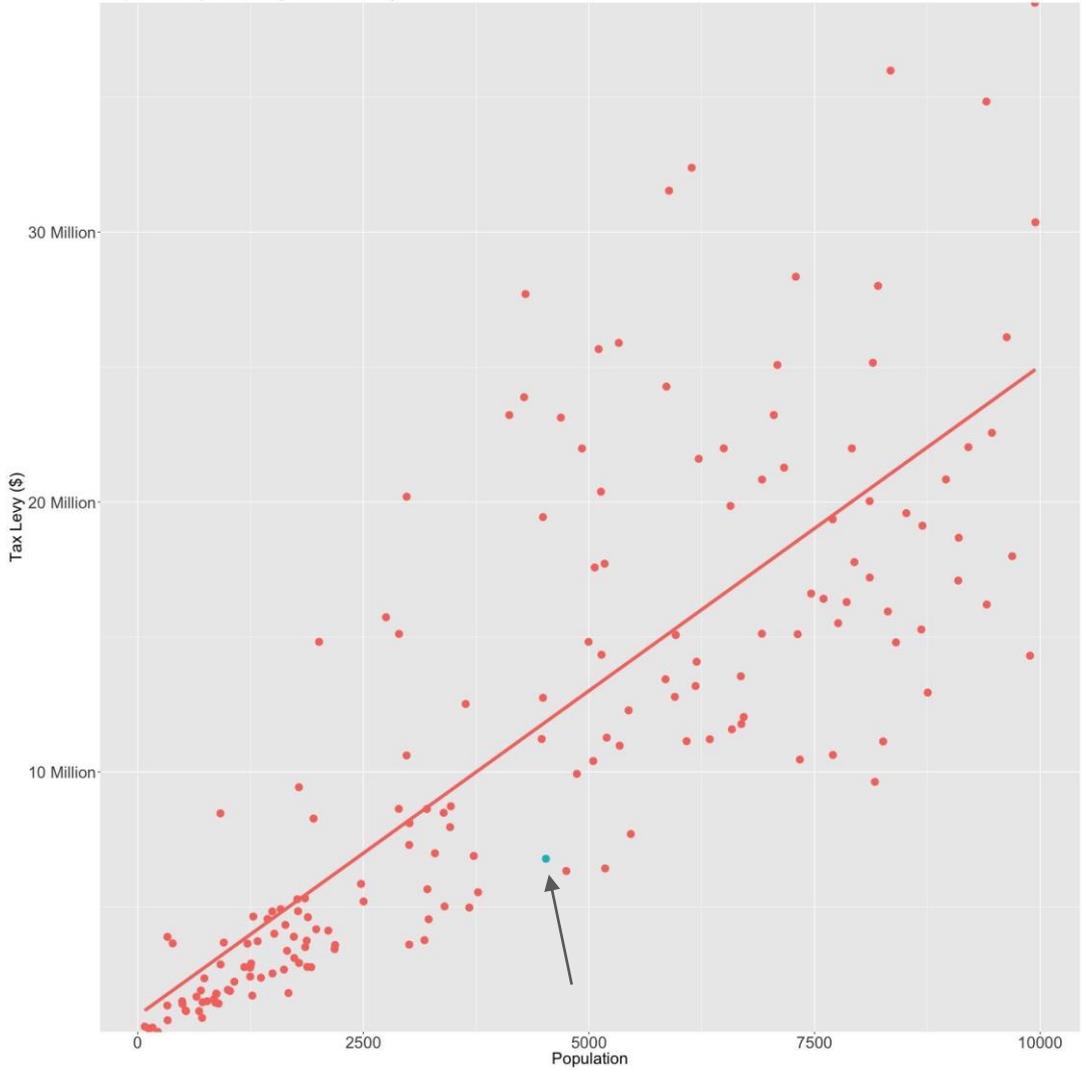


4. Tax and Budget Efficiency

Population (< 10,000) vs. Tax Levy

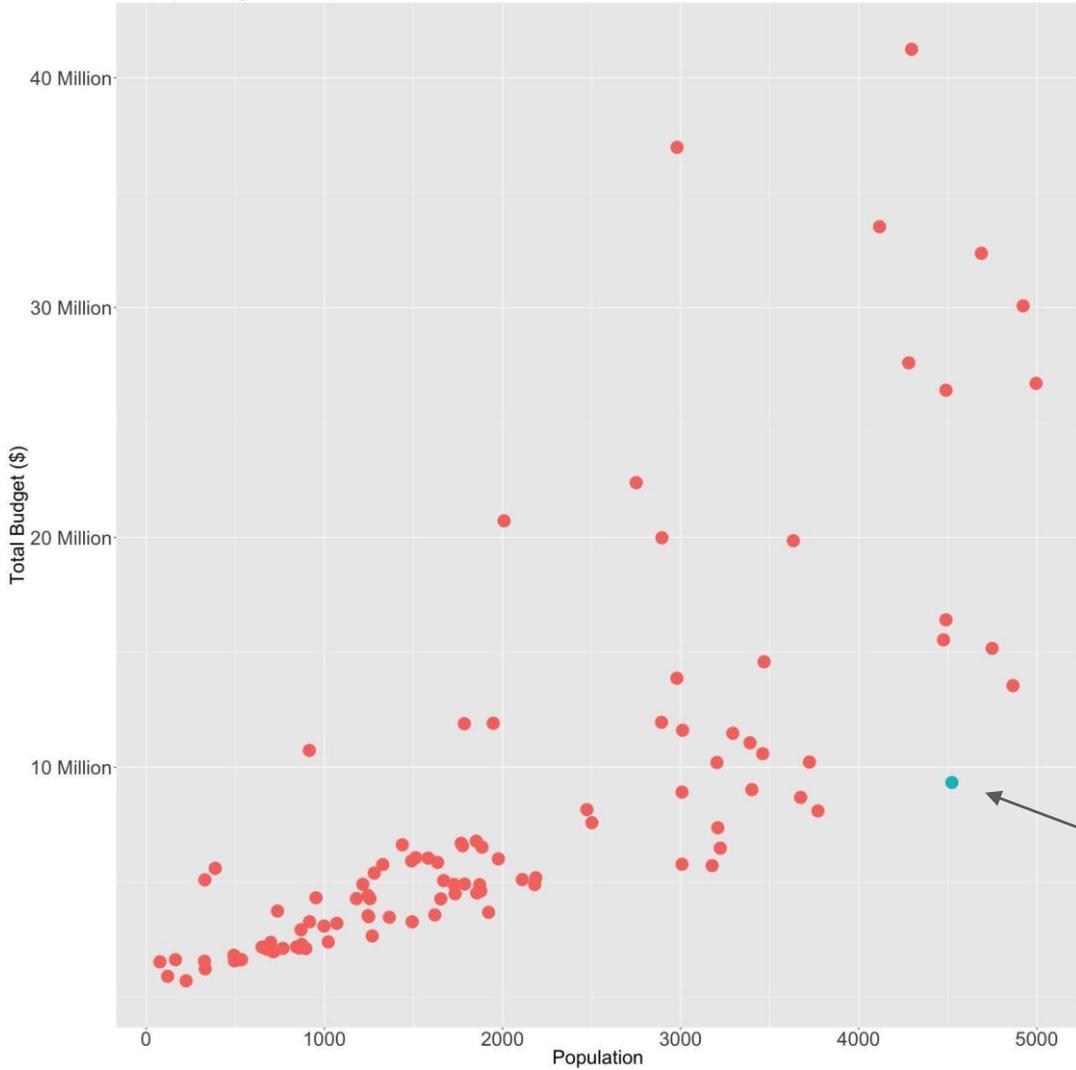


Population (< 10,000) vs. Tax Levy



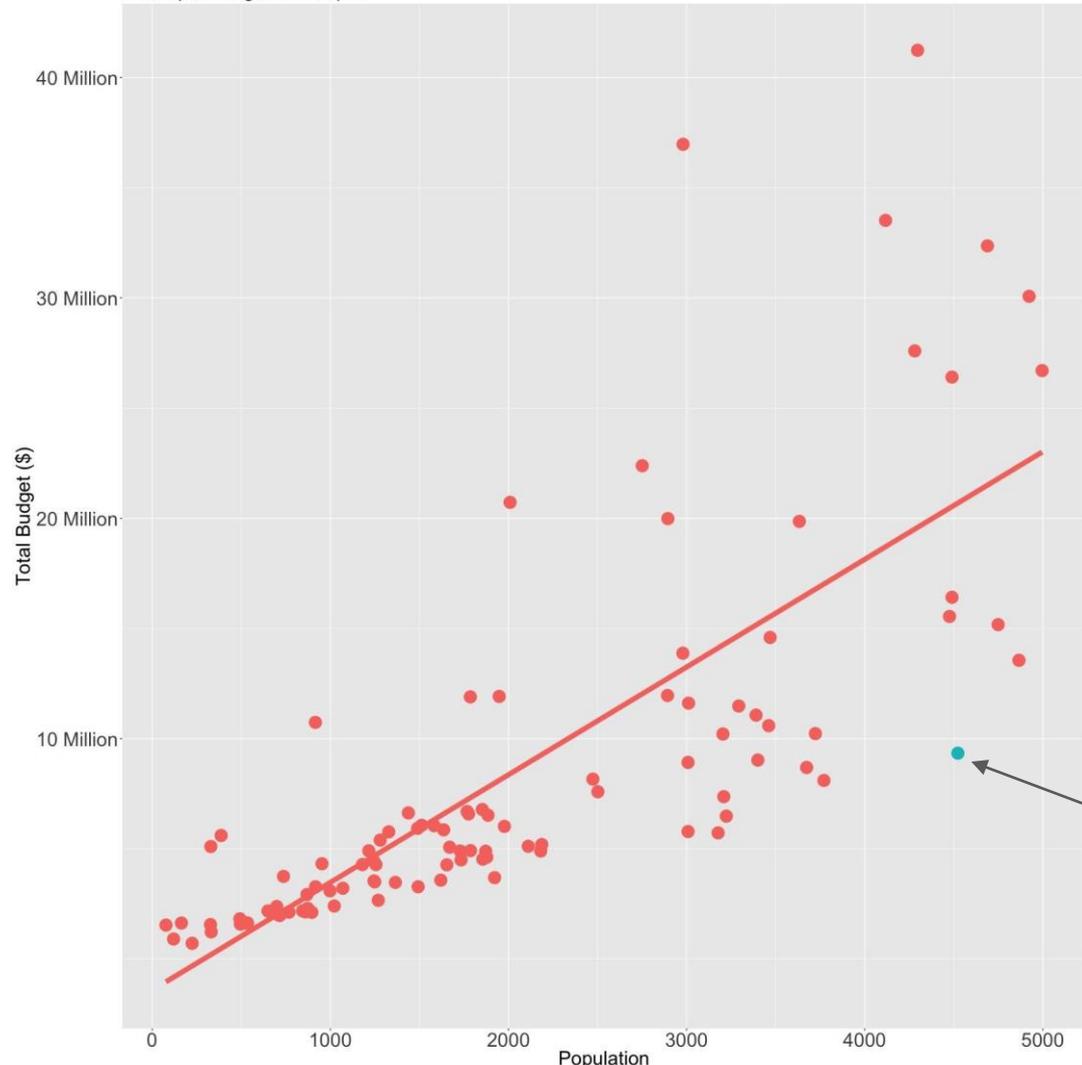
Hubbardston's Budget Efficiency:

Municipal Budget Per Capita

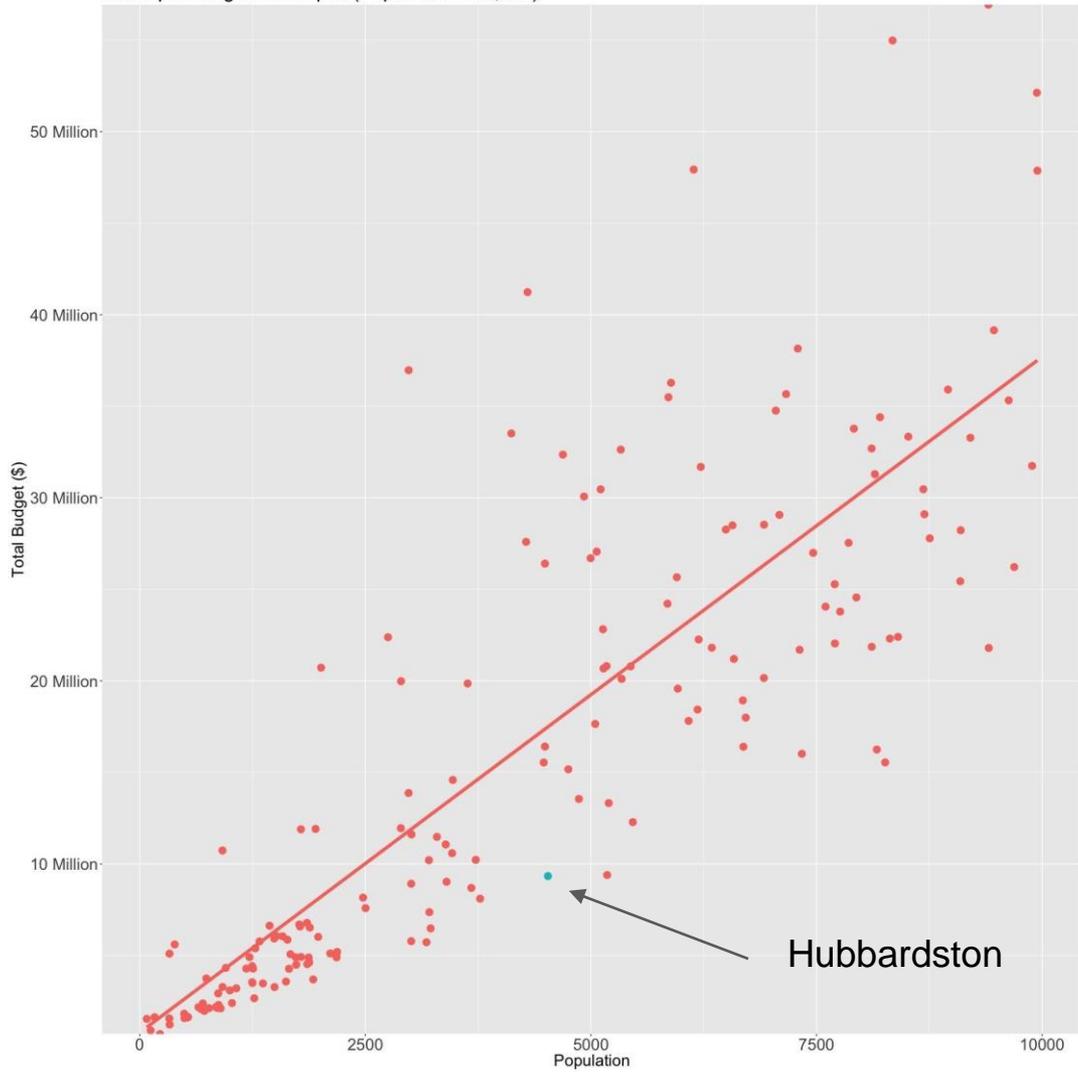


Hubbardston

Municipal Budget Per Capita



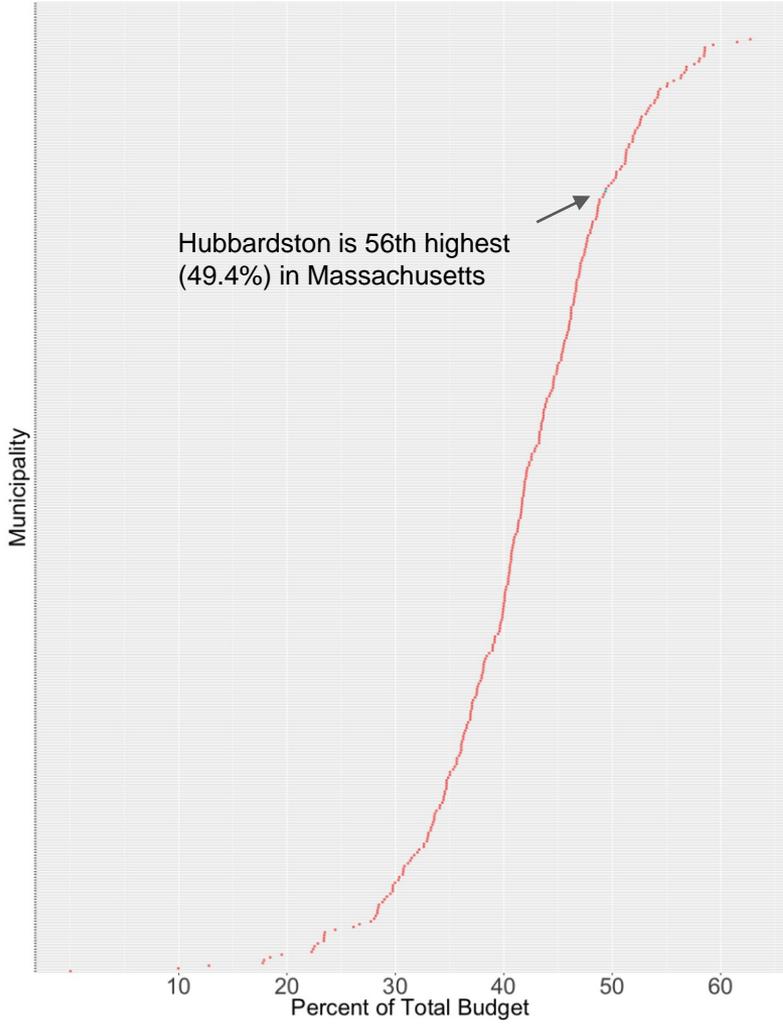
Municipal Budget Per Capita (Population < 10,000)



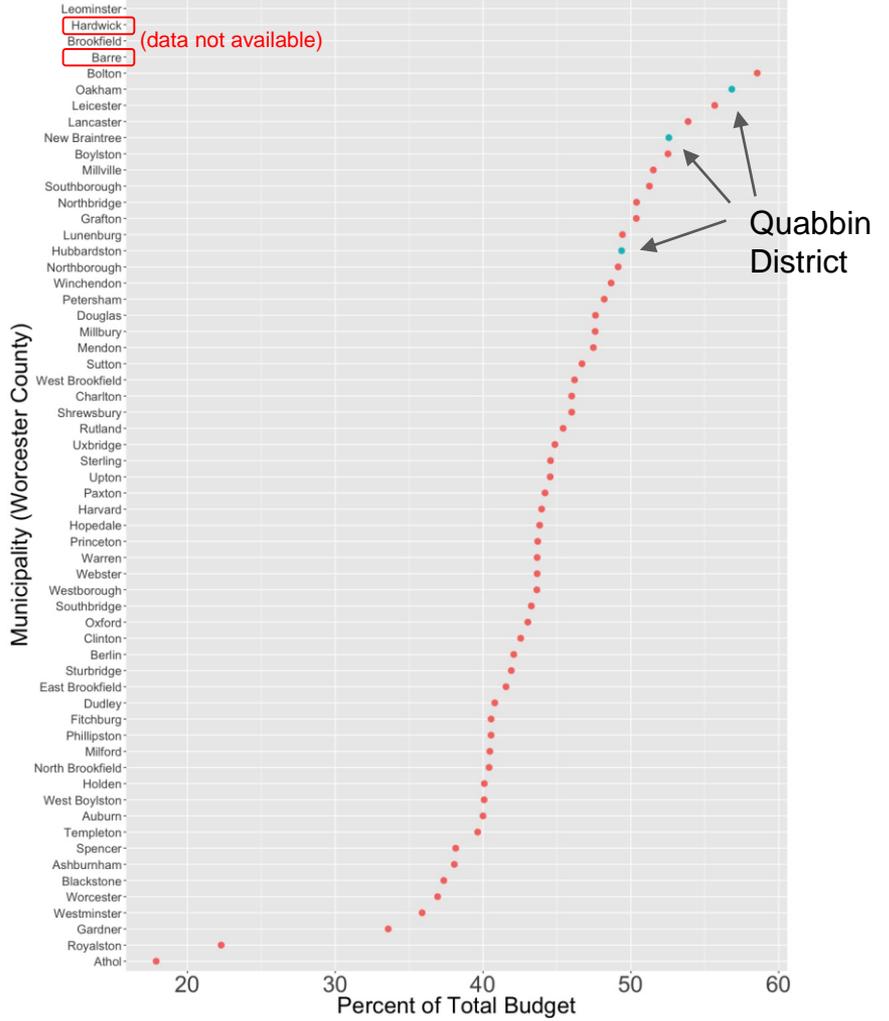
Hubbardston

5. Comparing Hubbardston's Education and Debt Spending:

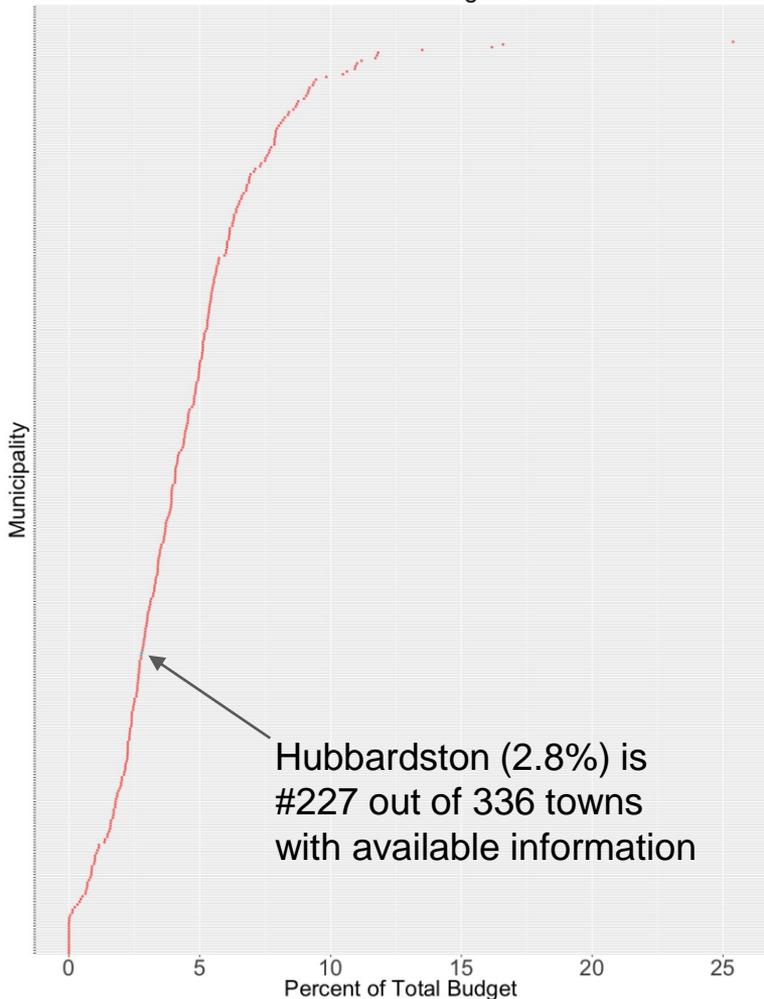
Education Spending As Percent Of Total Budget



Education Spending As Percent Of Total Budget

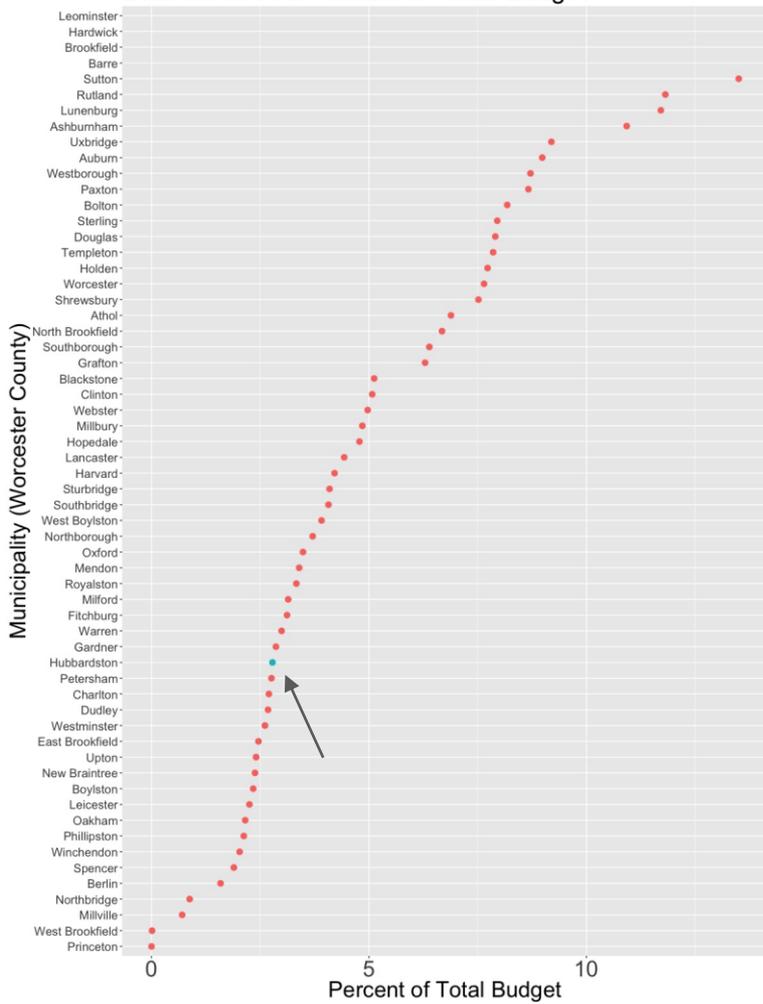


Debt Service As Percent Of Total Budget



Hubbardston (2.8%) is #227 out of 336 towns with available information

Debt Service As Percent Of Total Budget



Municipality (Worcester County)

- Leominster
- Hardwick
- Brookfield
- Barre
- Sutton
- Rutland
- Lunenburg
- Ashburnham
- Uxbridge
- Auburn
- Westborough
- Paxton
- Bolton
- Sterling
- Douglas
- Templeton
- Holden
- Worcester
- Shrewsbury
- Athol
- North Brookfield
- Southborough
- Grafton
- Blackstone
- Clinton
- Webster
- Milbury
- Hopedale
- Lancaster
- Harvard
- Sturbridge
- Southbridge
- West Boylston
- Northborough
- Oxford
- Mendon
- Royalston
- Milford
- Fitchburg
- Warren
- Gardner
- Hubbardston
- Petersham
- Charlton
- Dudley
- Westminster
- East Brookfield
- Upton
- New Braintree
- Boylston
- Leicester
- Oakham
- Phillipston
- Winchendon
- Spencer
- Berlin
- Northbridge
- Milville
- West Brookfield
- Princeton

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

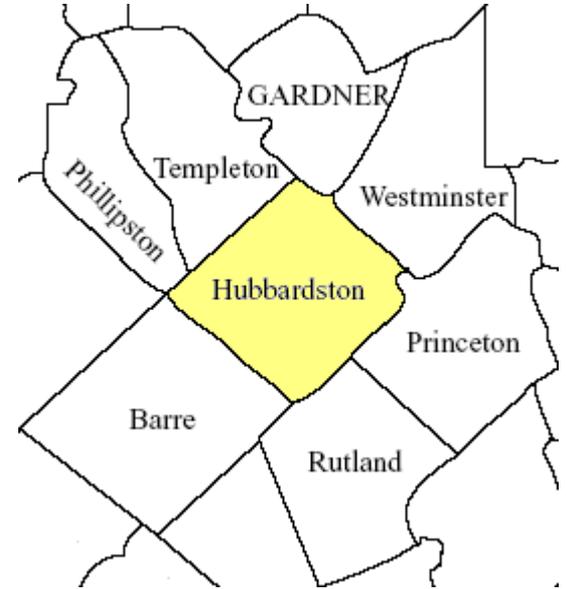
Now Let's Talk About Growth...

New Growth:

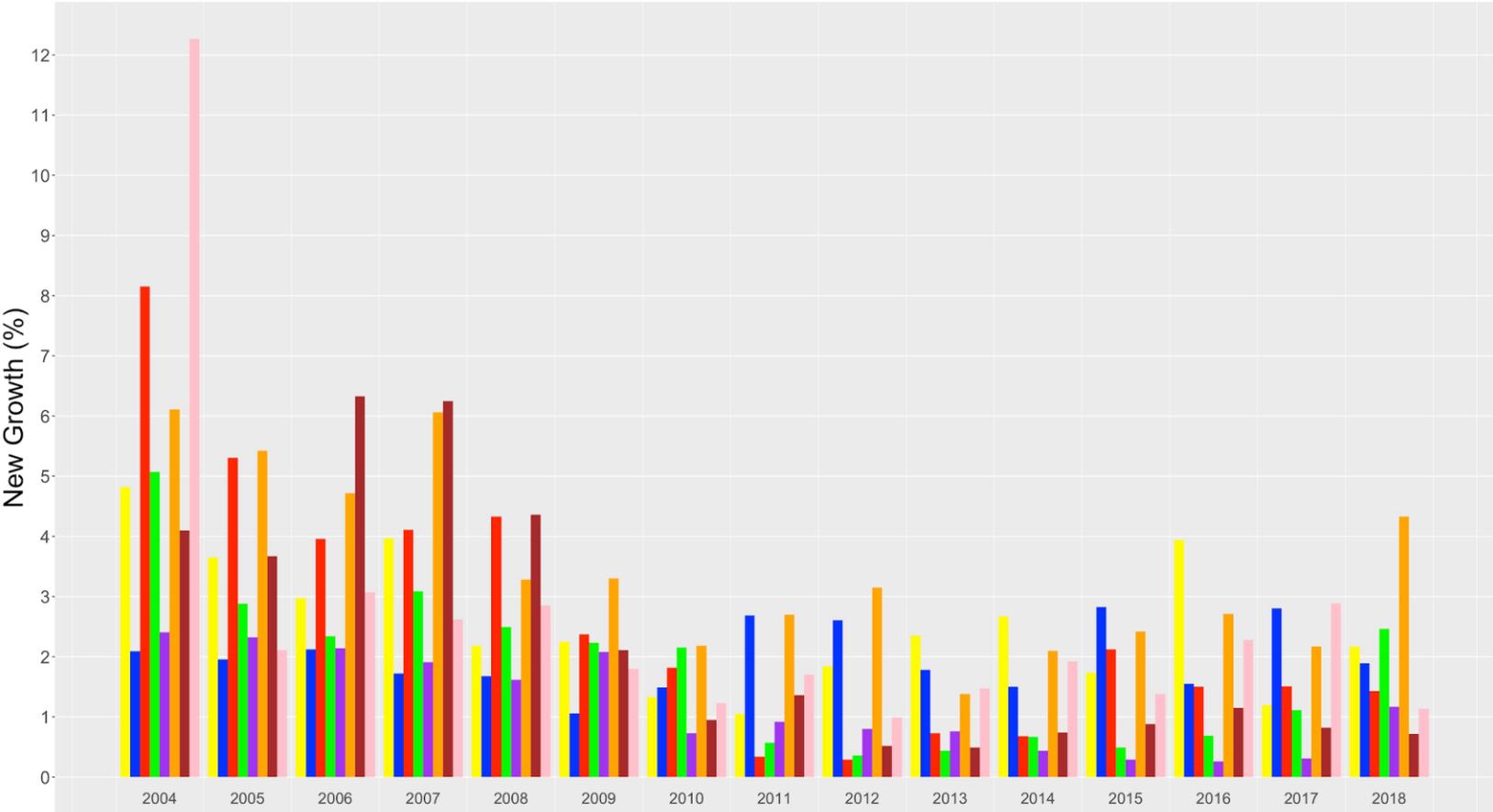
- New growth is defined as additional tax revenue generated from:
 - New construction
 - Renovations
- New growth does NOT include:
 - Value fluctuations due to market forces
 - Revaluations
- = DEVELOPMENT

New Growth Compared to Who?

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



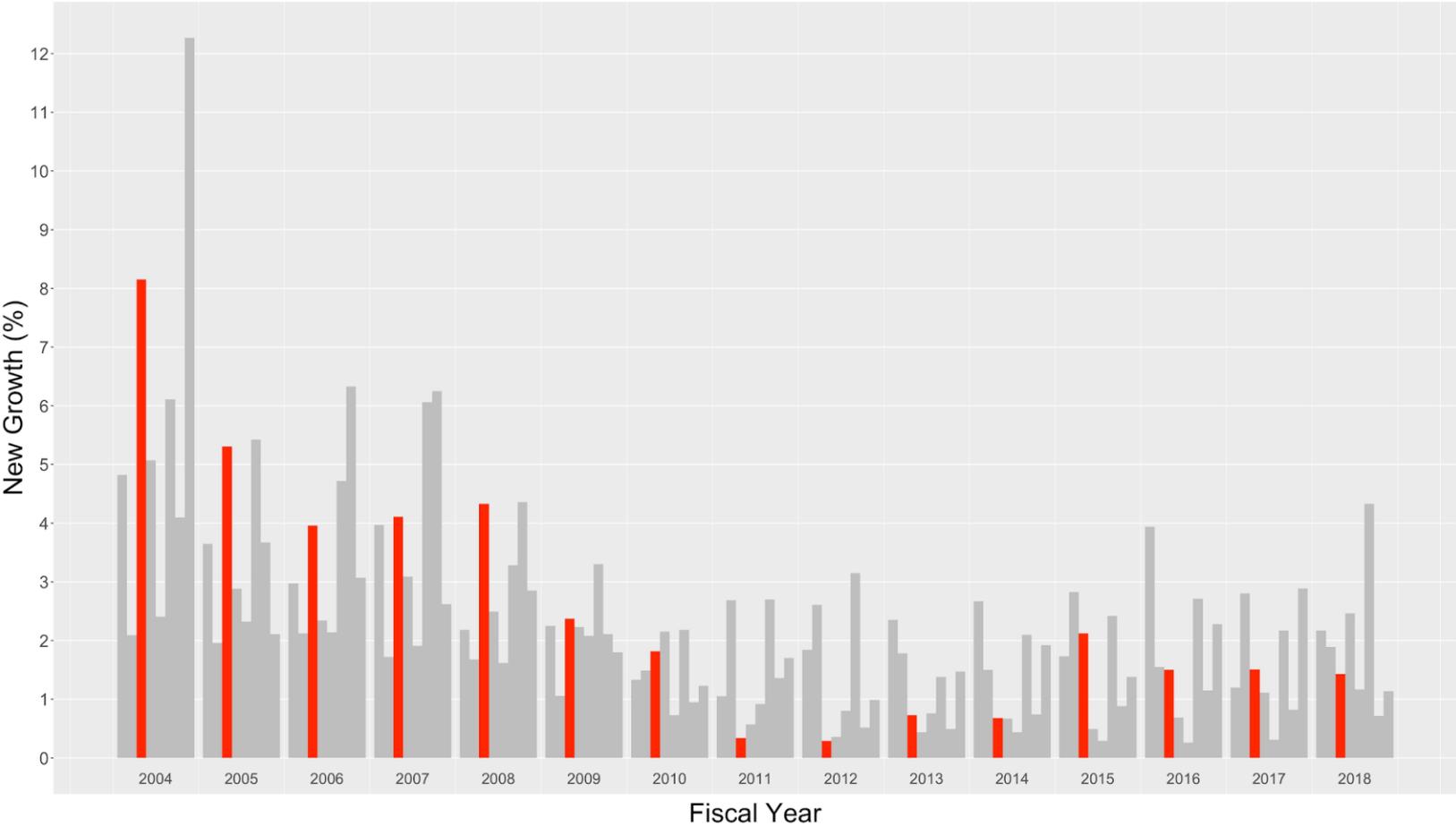
New Growth as Percentage of Prior Year Tax Levy



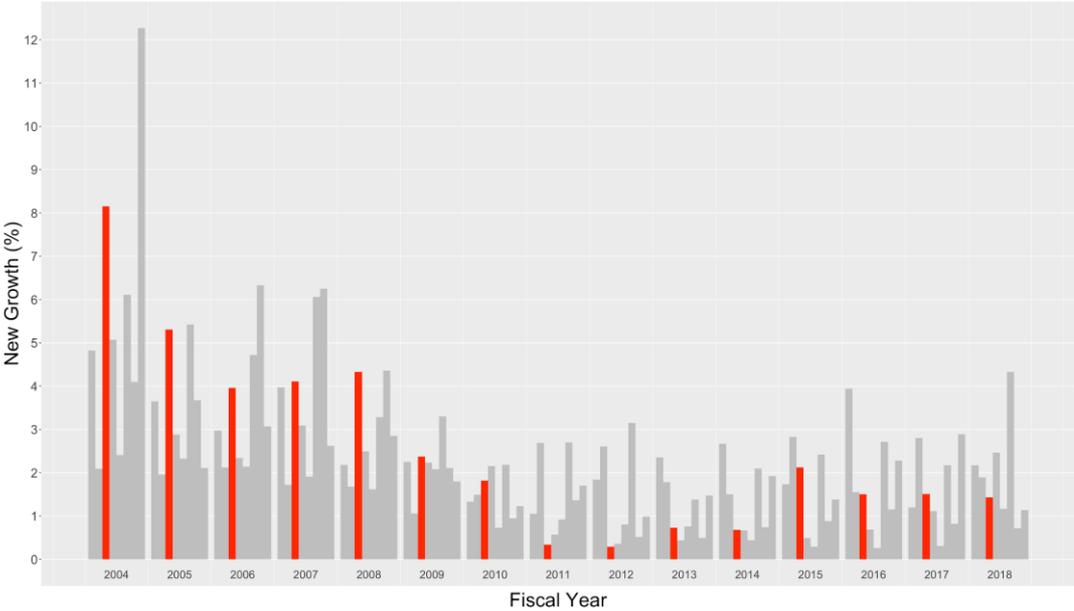
Municipality

- Barre
- Hubbardston
- Princeton
- Templeton
- Gardner
- Phillipston
- Rutland
- Westminster

New Growth as Percentage of Prior Year Tax Levy

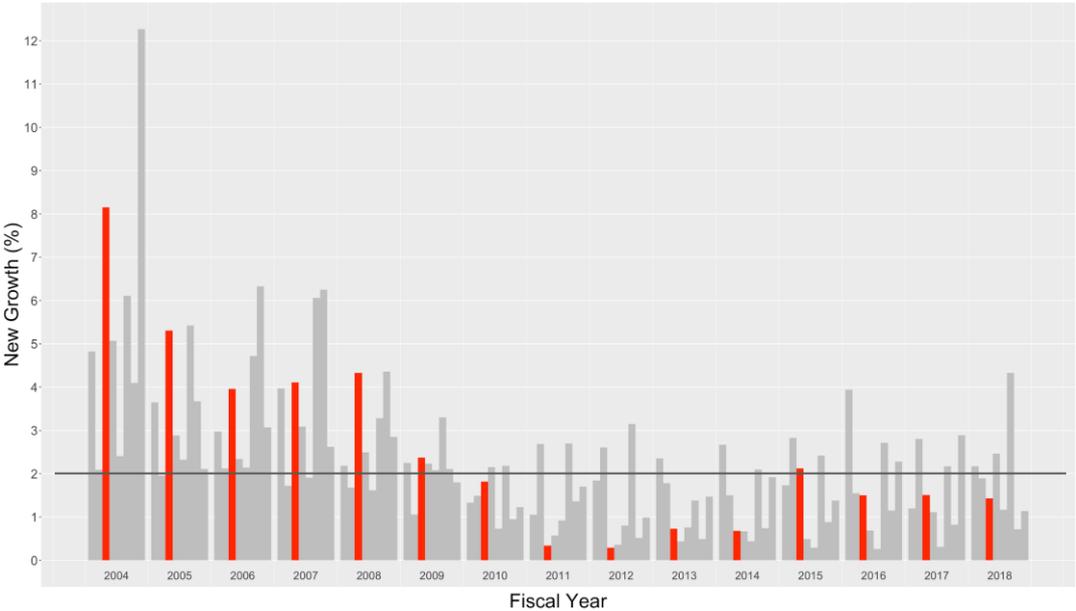


Hubbardston Percentage Annual New Growth:



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

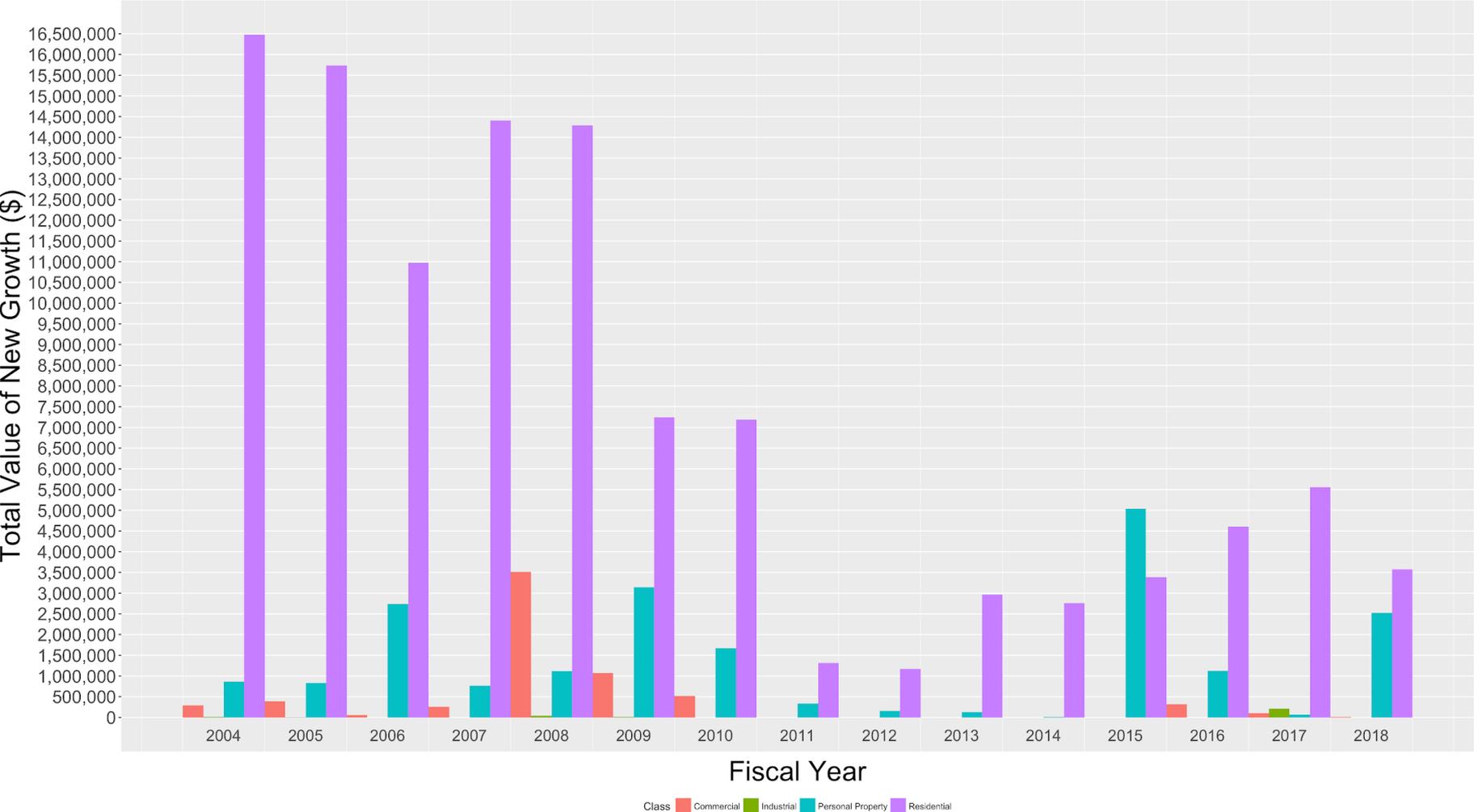
Hubbardston Percentage Annual New Growth:



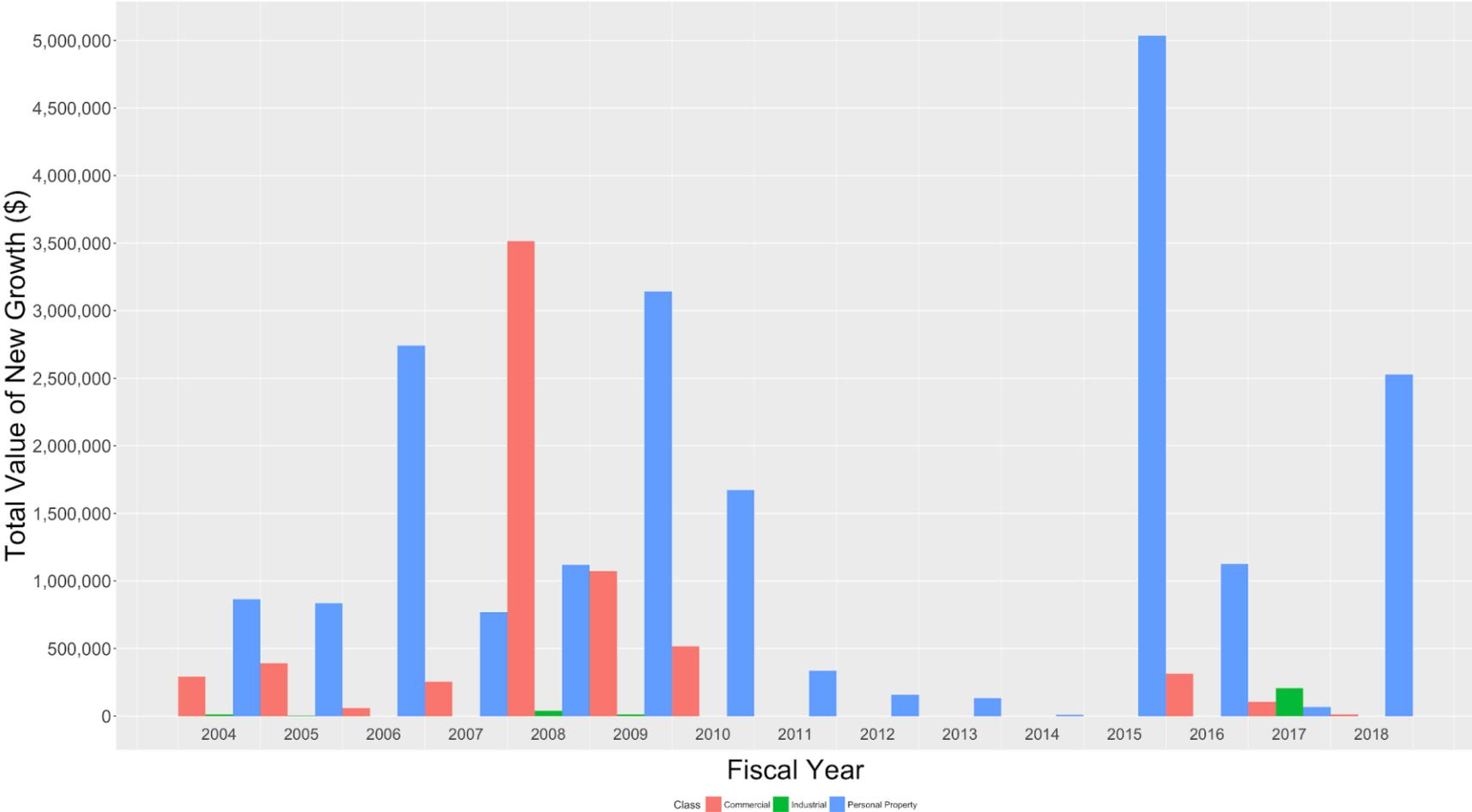
- According to the Massachusetts Department of Revenue, 2% annual new growth is recommended to support expenditure inflation.
 - In last 10 years, Hubbardston has had 2% growth twice

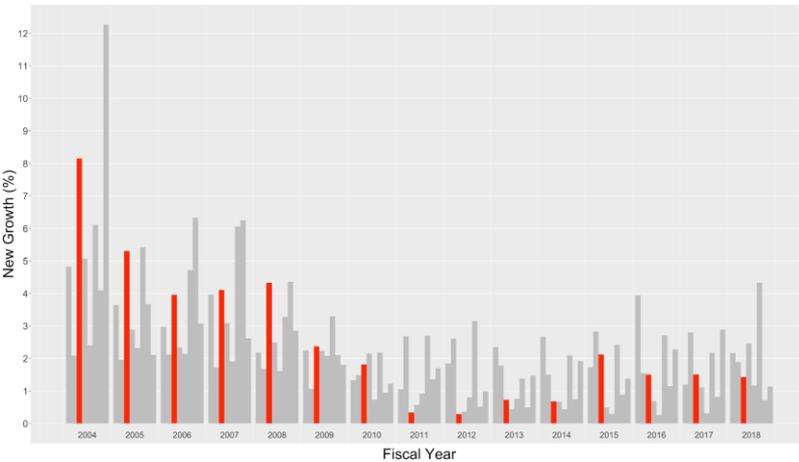
So Where Is Hubbardston's New Growth Coming From?

Hubbardston Fiscal Year New Growth By Class

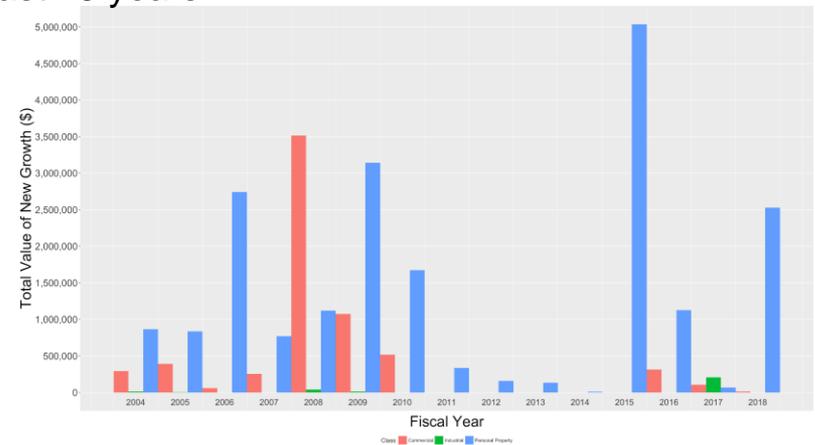
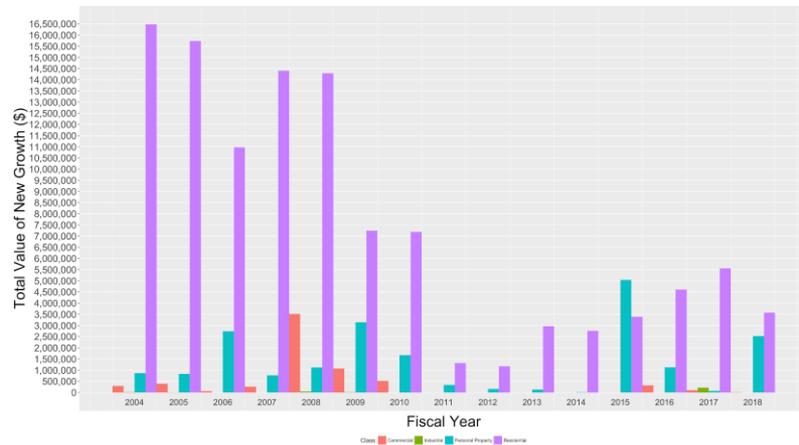


Hubbardston Fiscal Year New Growth By Class (CIP Only)



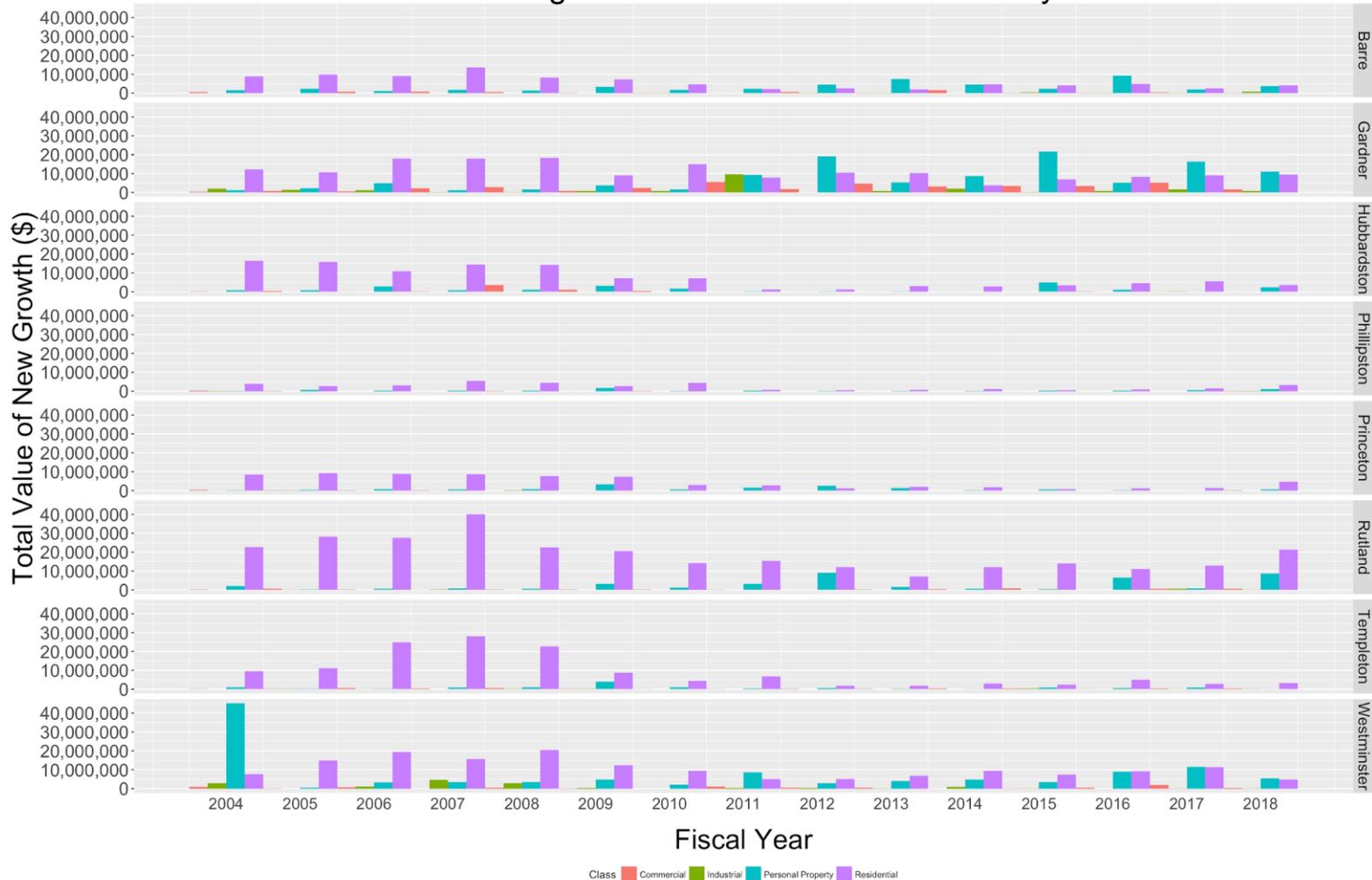


- Residential growth has been driver of overall growth for past 15 years
- Even during the period of most rapid growth (2004-2008), residential growth was overwhelming majority of growth
- Though not consistent, personal property has been a secondary driver of growth.
 - Personal Property: “goods, merchandise,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



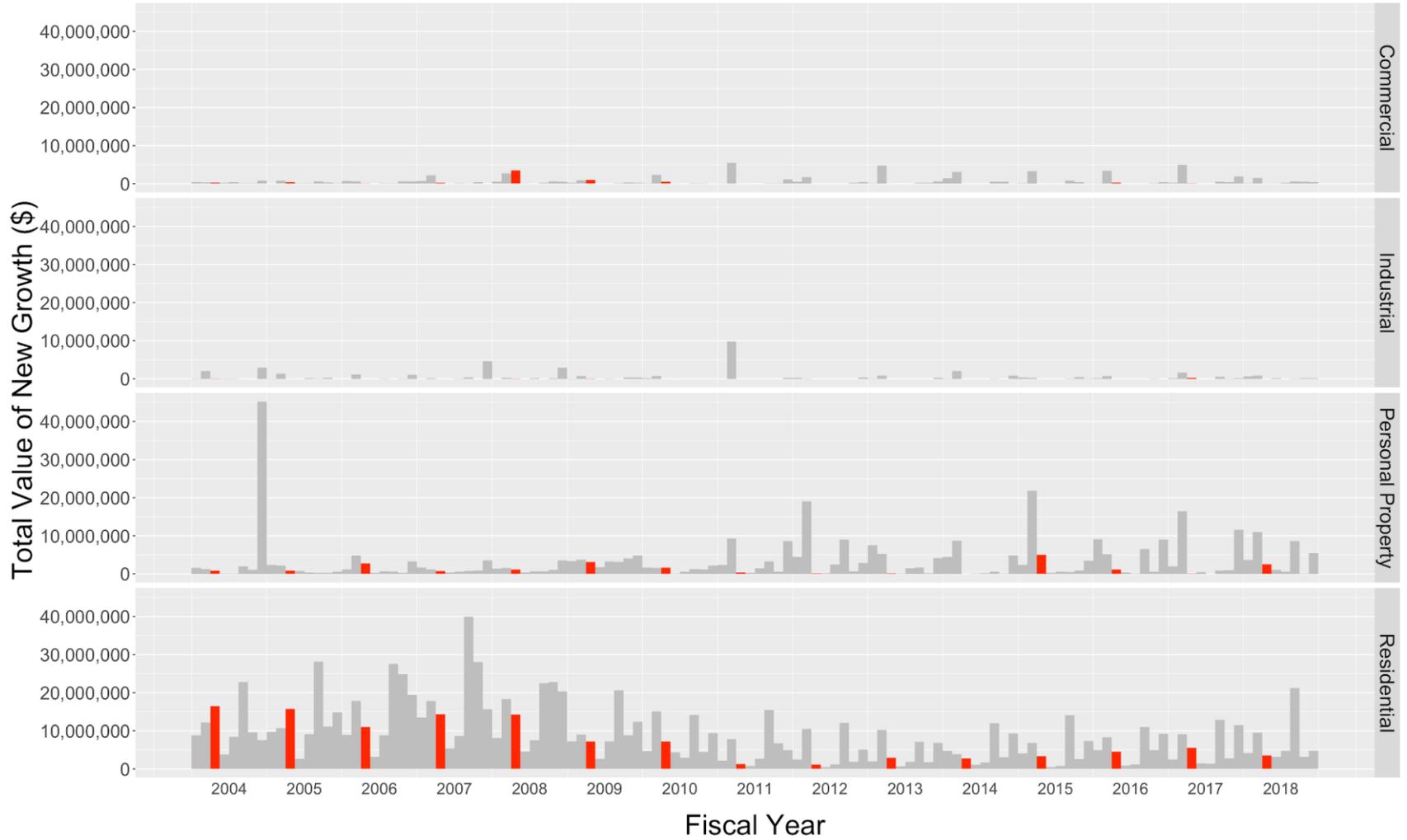
So how does Hubbardston compare to its neighbors?

Hubbardston and Neighbors Fiscal Year New Growth By Class

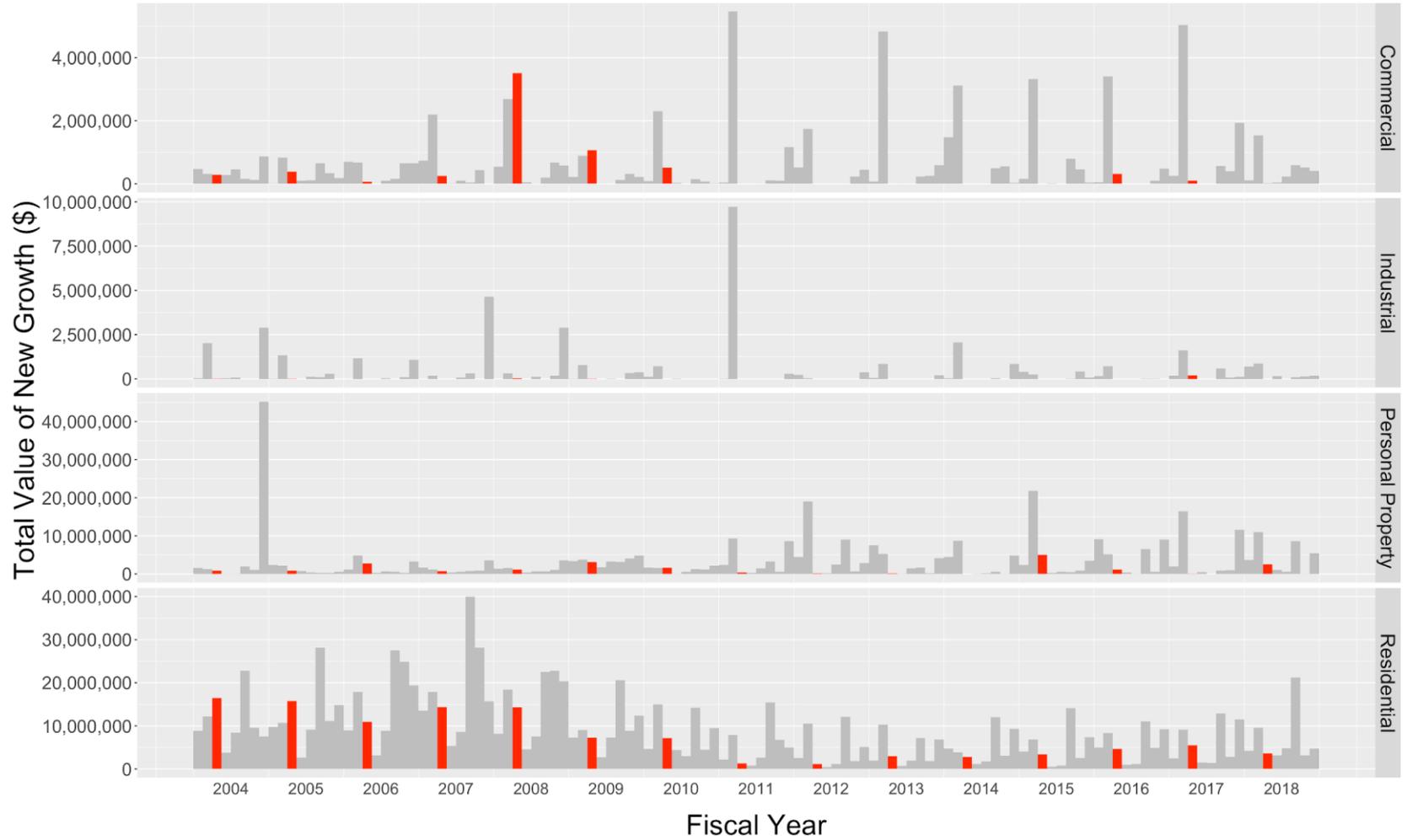


Broken down by class instead of town:

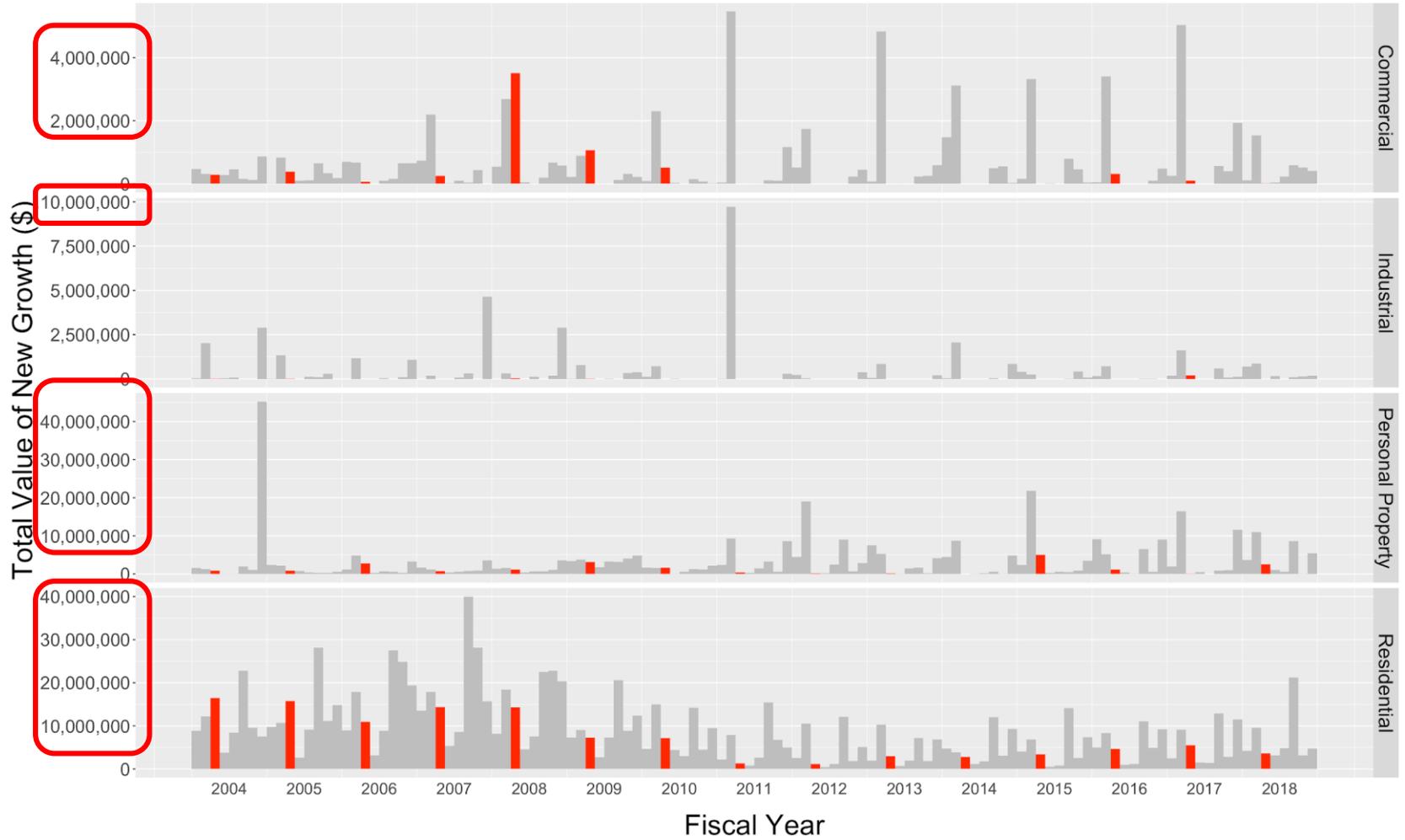
Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class

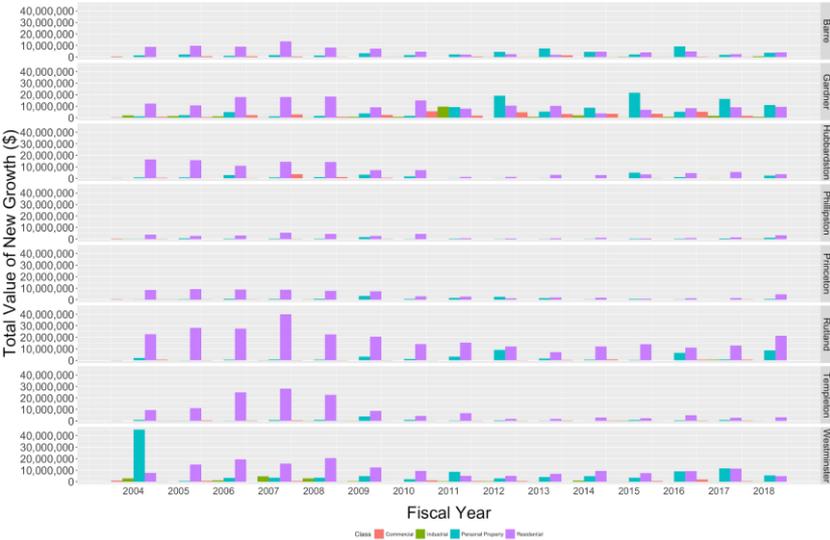


Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class (Floating Y Scale)

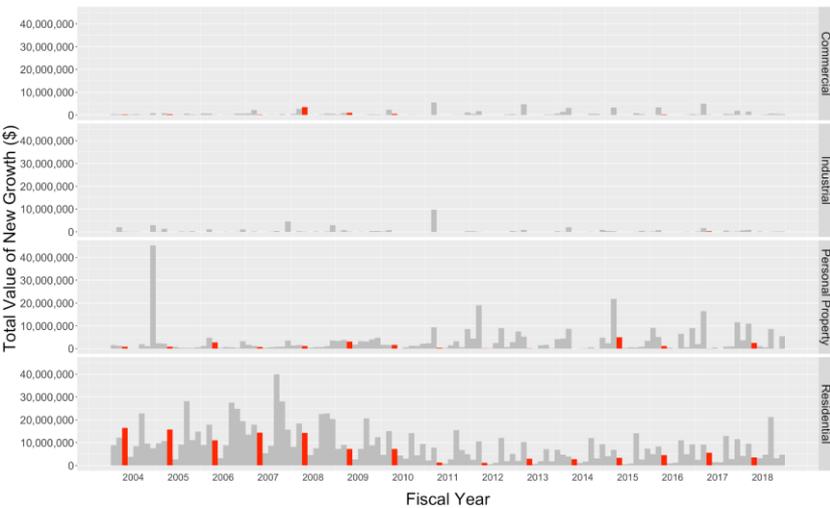


Hubbardston (Red) and Neighbors Fiscal Year New Growth By Class (Floating Y Scale)





- 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.