

**TOWN of FOXBOROUGH  
BOARD of SELECTMEN**

**CLASSIFICATION HEARING**

**September 11, 2007**

**Presented by:**

William R. Scollins, III, Finance Director

Michael G. Capron, Chief Assessor

Foxborough Board of Assessors

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### **Articles: The Tax Levy**

**FY '05 Average Single-Family Tax Bills and Assessed Values**  
**The Shift Was On - Split Tax Rates FY 1992 to FY 2006**

# EXECUTIVE SUMMARY

## FY '08 TAX LEVY

- The Tax Levy is increasing by \$1.39 million or 5.11%. The increase is comprised of:
  - 2.43%, or \$659K, as allowed by Proposition 2 1/2
  - 1.65%, or \$449K in New Growth
  - 1.03%, or \$279K in increased Excluded Debt related to the Joint Public Safety Building
- We continue to tax to the limits allowed by proposition 2 1/2 for the 11th consecutive year

## FY '08 PROPERTY VALUES

- FY '08 total property values decreased by 2.1% while average Single Family Residential values have decreased by 3.06%
  - Over the last 10 years the average Residential value has increased by \$225K or 126%
  - Adjusted for inflation the increase has been much lower at \$121K, or 70%
- The average Single Family property value (*including condominiums*) has decreased in FY '08 by \$17.8K to \$404K
- The average Single Family property value (*excluding Condos*) has decreased in FY '08 by \$17.6K to \$415K
- The Residential class of property comprises 78.33% of total property value, down from 78.87% last year.
  - The remaining 21.67% of property value is associated with Commercial, Industrial and Personal Property classes
  - Over the last five years Residential property has ranged from a low of 78.33% of the total valuation to a high two years ago of 80.01%
  - Although this is a relatively narrow range, this year's slight shift results in more of the tax burden falling on Commercial & Industrial taxpayers

## FY '08 TAX RATE

- The tax rate per \$1,000 in assessed value has increased by 7.4%, or 73 cents, to \$10.65
  - Over the last 10 years the tax rate has decreased by \$4.78, from \$15.43 to \$10.65

## FY '08 TAX BILL

- The FY '08 average Single Family tax (*excluding condominiums*) has increased by 2.98%, or \$128, to \$4,424
- The FY '08 average Single Family tax (*including condominiums*) has increased by 2.82%, or \$118, to \$4,302
- Over the last 10 years the average Residential tax bill has increased by \$1,548, or \$155 per year
- The top 11 taxpayers comprise 10.5%, or \$2.86 million, of the tax levy
- The remaining 383 Commercial & Industrial taxpayers, comprise 9.4%, or \$2.56 million, of the tax levy

## **AREA COMMUNITY COMPARISONS** (101 Class = Single Family excluding Condominiums)

- Foxborough's FY '08 total valuation (\$1.7 billion) of Single Family property is 21% less than the FY '07 average of the 14 area communities (\$2.16 billion) listed on page 9
  - Nine of the 14 towns had higher total valuations than Foxborough in FY '07
- Foxborough's FY '08 total number of Single Family parcels (4,092) is 16% less than the average of the 14 area communities (4,884)
  - 10 of the 14 towns had higher total single family parcels than Foxborough in FY '07
- Foxborough's FY '07 average Single Family valuation (\$433K) is 2% less than the average of the 14 area communities (\$442K)
  - 8 of the 14 towns had higher average single family values than Foxborough in FY '07
- Foxborough's FY '07 average Single Family tax bill (\$4,296) is 6% less than the average of the 14 area communities (\$4,585)
  - Eight of the 14 towns had higher average single family tax bills than Foxborough in FY '07
  - In FY '07 Foxborough's tax bill ranked 92nd in the State out of the 339 with certified tax rates
- Eight of the 14 area communities have adopted a "split" tax rate structure (*i.e., Residential rate lower than Business rate*)
  - One of the towns, Mansfield, adopted a split rate for the first time in FY '07

## **SHIFTING THE FY '08 TAX BURDEN FROM RESIDENTIAL TO BUSINESS**

- The Board of Selectmen has the option to maintain a single tax rate or establish a "split" tax rate (see page 11 for *Classification Considerations*)
- Shifts as low as 1% of the tax burden to as high as 50% can be approved by the Board
- For example: (see page 10 for a wider range of options)
  - A 1% shift would reduce the average Residential tax bill by \$11.44 and conversely increase the average business tax bill by \$62.71
  - A 10% shift would reduce the average Residential tax bill by \$110.60 and conversely increase the average business tax bill by \$610.03
  - A 50% shift would reduce the average Residential tax bill by \$560.61 and conversely increase the average business tax bill by \$3,038.77
- The Board of Assessors is recommending that the single tax rate be maintained for FY '08

**TAX LEVY COMPARISON  
FY 2007 to FY 2008**

**Town of Foxborough**

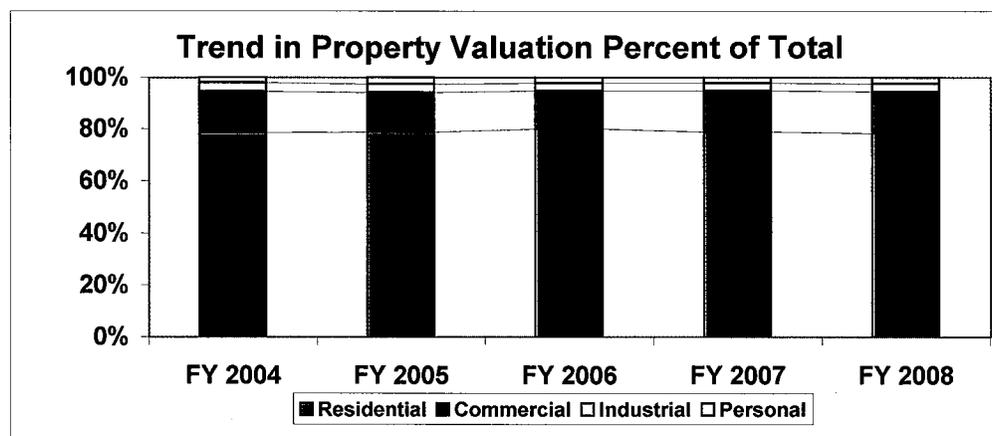
|   | <u>FY 2007</u> | <u>FY 2008</u> | <u>Change</u> |          |
|---|----------------|----------------|---------------|----------|
|   |                |                | <u>\$</u>     | <u>%</u> |
| <b><u>All Property</u></b>                  |                |                |               |          |
| <b>Tax Levy</b>                             | 27,166,904     | 28,554,071     | 1,387,167     | 5.11%    |
| <b>Property Values</b>                      | 2,738,599,190  | 2,681,133,380  | (57,465,810)  | -2.10%   |
| <b>Rate</b>                                 | 9.92           | 10.65          | 0.73          | 7.36%    |
| <b><u>Residential &amp; Condominium</u></b> |                |                |               |          |
| <b>Average Value</b>                        | 421,757        | 403,924        | (17,833)      | -4.23%   |
| <b>Number of Parcels</b>                    | 4,456          | 4,516          | 60            | 1.35%    |
| <b>Average Tax</b>                          | 4,184          | 4,302          | 118           | 2.82%    |
| <b><u>Residential (101)</u></b>             |                |                |               |          |
| <b>Average Value</b>                        | 433,042        | 415,383        | (17,659)      | -4.08%   |
| <b>Number of Parcels</b>                    | 4,049          | 4,092          | 43            | 1.06%    |
| <b>Average Tax</b>                          | 4,296          | 4,424          | 128           | 2.98%    |

## PROPERTY CLASSIFICATION & VALUATION HISTORY FY 2004 - FY 2008

### Town of Foxborough

| Property Type          | FY 2004              |                | FY 2005              |                | FY 2006              |                | FY 2007              |                | FY 2008              |                | 5 Year CAGR   |
|------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|---------------|
|                        | Assessed Valuation   | % of Total     |               |
| <b>Residential</b>     | 1,667,828,804        | 78.54%         | 1,737,415,580        | 78.80%         | 2,010,657,563        | 80.01%         | 2,159,820,329        | 78.87%         | 2,100,175,015        | 78.33%         | 10.40%        |
| # of Accts.            | 5,262                | 83.92%         | 5,280                | 83.61%         | 5,348                | 83.81%         | 5,425                | 84.29%         | 5,507                | 84.39%         |               |
| <b>Commercial</b>      | 338,485,936          | 15.94%         | 337,545,460          | 15.31%         | 371,667,469          | 14.79%         | 436,666,111          | 15.94%         | 432,516,525          | 16.13%         | 13.47%        |
| # of Accts.            | 364                  | 5.81%          | 363                  | 5.75%          | 360                  | 5.64%          | 351                  | 5.45%          | 349                  | 5.35%          |               |
| <b>Industrial</b>      | 72,779,600           | 3.43%          | 72,984,300           | 3.31%          | 74,513,400           | 2.97%          | 82,511,300           | 3.01%          | 82,073,500           | 3.06%          | 7.04%         |
| # of Accts.            | 48                   | 0.77%          | 47                   | 0.74%          | 46                   | 0.72%          | 46                   | 0.71%          | 45                   | 0.69%          |               |
| <b>Personal</b>        | 44,531,050           | 2.10%          | 56,774,650           | 2.58%          | 56,018,090           | 2.23%          | 59,601,450           | 2.18%          | 66,368,340           | 2.48%          | 11.24%        |
| # of Accts.            | 596                  | 9.51%          | 625                  | 9.90%          | 627                  | 9.83%          | 614                  | 9.54%          | 625                  | 9.58%          |               |
| <b>Total Valuation</b> | <u>2,123,625,390</u> | <u>100.00%</u> | <u>2,204,719,990</u> | <u>100.00%</u> | <u>2,512,856,522</u> | <u>100.00%</u> | <u>2,738,599,190</u> | <u>100.00%</u> | <u>2,681,133,380</u> | <u>100.00%</u> | <u>10.76%</u> |
| <b>Total Accounts</b>  | <u>6,270</u>         | <u>100.00%</u> | <u>6,315</u>         | <u>100.00%</u> | <u>6,381</u>         | <u>100.00%</u> | <u>6,436</u>         | <u>100.00%</u> | <u>6,526</u>         | <u>100.00%</u> |               |

**Please Note:**  
Fiscal Years 2004 & 2007 are revaluation years.



**TAX LEVY RECAP  
FY 2007 vs. FY 2008**

**Town of Foxborough**

|   | FY 2007           | FY 2008           | Change             |                |
|---|-------------------|-------------------|--------------------|----------------|
|   |                   |                   | \$                 | %              |
| <b>REVENUE USES:</b>                              |                   |                   |                    |                |
| Appropriations                                    | 49,422,424        | 50,038,091        | 615,667            | 1.25%          |
| Debt Service Not Appropriated                     | 91,563            | -                 | (91,563)           | -100.00%       |
| State Assessments                                 | 1,740,724         | 1,780,117         | 39,393             | 2.26%          |
| Cherry Sheet Offsets                              | 36,340            | 39,194            | 2,854              | 7.85%          |
| Snow & Ice Deficit                                | 226,458           | 136,737           | (89,721)           | -39.62%        |
| Prior Year Allowance for Abatements Deficit       | 8,590             | -                 | (8,590)            | -100.00%       |
| Allowance for Abatements                          | 568,799           | 364,456           | (204,342)          | -35.93%        |
| <b>Total Revenue to be Raised</b>                 | <b>52,094,898</b> | <b>52,358,596</b> | <b>263,698</b>     | <b>0.51%</b>   |
| <b>REVENUE SOURCES:</b>                           |                   |                   |                    |                |
| <b>NON-TAX REVENUE SOURCES:</b>                   |                   |                   |                    |                |
| Cherry Sheet Receipts <i>(includes SBA pmts.)</i> | 10,093,295        | 10,337,416        | 244,121            | 2.42%          |
| Local Receipts                                    | 4,513,388         | 4,910,886         | 397,498            | 8.81%          |
| Solid Waste Enterprise Fund                       | 1,061,402         | 1,082,063         | 20,661             | 1.95%          |
| Water Enterprise Fund                             | 2,508,103         | 2,989,673         | 481,570            | 19.20%         |
| Sewer Enterprise Fund                             | 984,270           | 1,156,536         | 172,266            | 17.50%         |
| <b>Total Enterprise Revenue</b>                   | <b>4,553,775</b>  | <b>5,228,272</b>  | <b>674,497</b>     | <b>14.81%</b>  |
| Free Cash   | 2,710,687         | 2,693,471         | (17,216)           | -0.64%         |
| <b>Available Funds</b>                            | <b>3,056,849</b>  | <b>634,480</b>    | <b>(2,422,369)</b> | <b>-79.24%</b> |
| <b>Total Non-Tax Revenue Sources</b>              | <b>24,927,994</b> | <b>23,804,525</b> | <b>(1,123,469)</b> | <b>-4.51%</b>  |
| <b>TAX LEVY REQUIRED</b>                          | <b>27,166,904</b> | <b>28,554,071</b> | <b>1,387,167</b>   | <b>5.11%</b>   |
| <b>TOTAL TAX &amp; NON-TAX REVENUE</b>            | <b>52,094,898</b> | <b>52,358,596</b> | <b>263,698</b>     | <b>0.51%</b>   |

**PROPOSITION 2 1/2 and TAX LEVY 10 YEAR HISTORY**  
**FY 1999 - FY 2008**  
*(\$ in 000's)*

**Town of Foxborough**

|                                 | <b>FY 99</b>  | <b>FY 00</b>  | <b>FY 01</b>  | <b>FY 02</b>  | <b>FY 03</b>  | <b>FY 04</b>  | <b>FY 05</b>  | <b>FY 06</b>  | <b>FY 07</b>  | <b>FY 08</b>  | <b>10 Year<br/>CAGR</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|
| Prior Year's Levy Limit         | 16,603        | 17,471        | 18,259        | 19,315        | 20,273        | 21,207        | 22,249        | 23,295        | 24,403        | 25,619        |                         |
| ADD: 2 1/2%                     | 415           | 437           | 457           | 483           | 507           | 530           | 556           | 582           | 610           | 640           |                         |
| ADD: New Growth                 | 453           | 351           | 599           | 475           | 427           | 511           | 491           | 525           | 606           | 449           |                         |
| <b>Subtotal Levy Limit</b>      | <b>17,471</b> | <b>18,259</b> | <b>19,315</b> | <b>20,273</b> | <b>21,207</b> | <b>22,249</b> | <b>23,295</b> | <b>24,403</b> | <b>25,619</b> | <b>26,708</b> | <b>4.87%</b>            |
| ADD: Debt Exclusions            | 310           | 257           | 1,601         | 1,158         | 905           | 755           | 816           | 1,550         | 1,574         | 1,853         |                         |
| <b>TOTAL Levy Available</b>     | <b>17,781</b> | <b>18,516</b> | <b>20,916</b> | <b>21,431</b> | <b>22,112</b> | <b>23,004</b> | <b>24,111</b> | <b>25,952</b> | <b>27,193</b> | <b>28,561</b> | <b>5.35%</b>            |
| <b>Actual Levy</b>              | <b>17,773</b> | <b>18,493</b> | <b>20,907</b> | <b>21,417</b> | <b>22,096</b> | <b>22,999</b> | <b>24,098</b> | <b>25,933</b> | <b>27,167</b> | <b>28,554</b> | <b>5.36%</b>            |
| <b>Unused Levy</b>              | <b>8</b>      | <b>23</b>     | <b>9</b>      | <b>14</b>     | <b>16</b>     | <b>5</b>      | <b>14</b>     | <b>20</b>     | <b>26</b>     | <b>7</b>      |                         |
| <b>Tax Rate</b>                 | <b>15.65</b>  | <b>15.46</b>  | <b>14.96</b>  | <b>14.15</b>  | <b>13.74</b>  | <b>10.83</b>  | <b>10.93</b>  | <b>10.32</b>  | <b>9.92</b>   | <b>10.65</b>  | <b>-3.64%</b>           |
| Total Property Valuation        | 1,135,430     | 1,135,430     | 1,397,518     | 1,513,550     | 1,608,168     | 2,123,625     | 2,204,720     | 2,512,857     | 2,738,599     | 2,684,450     | 9.36%                   |
| Levy Ceiling<br>(Outside Limit) | 28,386        | 28,386        | 34,938        | 37,839        | 40,204        | 53,091        | 55,118        | 62,821        | 68,465        | 67,111        | 9.36%                   |

## LARGEST TAXPAYERS FY 2007

### Town of Foxborough

| Business Name   | Nature of Business   | FY 2007            |                  |               |
|---|----------------------|--------------------|------------------|---------------|
|   |                      | Assessed Valuation | Tax Levy         | % of Tax Levy |
| Foxboro Company (1)   | Process Controls     | 69,226,215         | 686,724          | 2.53%         |
| Foxboro Realty Associates                                   | Sports & Real Estate | 43,138,600         | 427,935          | 1.58%         |
| Hub Property  | Office Buildings     | 32,668,600         | 324,073          | 1.19%         |
| Mayfair Realty (2)  | Apartments           | 28,388,800         | 281,617          | 1.04%         |
| Rodman Et Al  | Auto & Real Estate   | 27,054,334         | 268,379          | 0.99%         |
| Quincy Foxboro, LLC   | Office Buildings     | 17,549,800         | 174,094          | 0.64%         |
| Hartfinger, C. E. Trustee                                   | Office Buildings     | 16,871,400         | 167,364          | 0.62%         |
| Hospitality Properties                                      | Hotel & Restaurant   | 14,254,660         | 141,406          | 0.52%         |
| 208 North St., LLC  | Truck Terminal       | 13,758,027         | 136,480          | 0.50%         |
| Panagopoulos, D & N   | Real Estate          | 13,325,600         | 132,190          | 0.49%         |
| Intellution Inc   | Office Buildings     | 12,713,700         | 126,120          | 0.46%         |
| <b>Sub-Total - Top 11 Accounts</b>                          |                      | 288,949,736        | 2,866,381        | 10.55%        |
| <b>All Other Commercial &amp; Industrial - 383 Accounts</b> |                      | 258,616,475        | 2,565,475        | 9.44%         |
| <b>Total Commercial &amp; Industrial - 394 Accounts (2)</b> |                      | <u>547,566,211</u> | <u>5,431,857</u> | <u>19.99%</u> |

(1) A division of Invensys Process Systems.

(2) Mayfair's real estate is technically classified as residential, but is included in this commercial listing due to its significance to the tax base.

**AVERAGE RESIDENTIAL TAX HISTORY**  
*Single Family, Including Condominiums & Mixed Use*  
**FY 1998 - FY 2008**

**Town of Foxborough**

| <b>FY</b> | <b># Parcels</b> | <b>Avg. Value</b> | <b>% Change</b> | <b>Tax Rate</b> | <b>Avg. Tax</b> | <b>% Change</b> | <b>\$ Change</b> |
|-----------|------------------|-------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 2008      | 4,516            | 403,924           | -4.23%          | 10.65           | 4,301.79        | 2.82%           | 117.96           |
| 2007      | 4,456            | 421,757           | 2.77%           | 9.92            | 4,183.83        | -1.21%          | (51.22)          |
| 2006      | 4,423            | 410,372           | 14.50%          | 10.32           | 4,235.04        | 8.11%           | 317.54           |
| 2005      | 4,371            | 358,418           | 6.89%           | 10.93           | 3,917.50        | 7.87%           | 285.94           |
| 2004      | 4,336            | 335,324           | 30.23%          | 10.83           | 3,631.56        | 2.65%           | 93.72            |
| 2003      | 4,258            | 257,485           | 6.89%           | 13.74           | 3,537.84        | 3.80%           | 129.43           |
| 2002      | 4,258            | 240,877           | 8.96%           | 14.15           | 3,408.41        | 3.06%           | 101.08           |
| 2001      | 4,213            | 221,078           | 15.29%          | 14.96           | 3,307.33        | 11.56%          | 342.75           |
| 2000      | 4,144            | 191,758           | 5.95%           | 15.46           | 2,964.58        | 4.67%           | 132.22           |
| 1999      | 4,116            | 180,981           | 1.39%           | 15.65           | 2,832.36        | 2.83%           | 78.08            |
| 1998      | 3,949            | 178,501           | 4.05%           | 15.43           | 2,754.28        | 3.65%           | 96.89            |

**ACTUAL DOLLARS**

|                     |     |         |         |        |          |        |          |
|---------------------|-----|---------|---------|--------|----------|--------|----------|
| Cumulative Change   | 567 | 225,423 | 126.29% | (4.78) | 1,547.51 | 56.19% | 1,547.51 |
| 10 Year Avg. Change | 57  | 22,542  | 12.63%  | (0.48) | 154.75   | 5.62%  | 154.75   |

**INFLATION ADJUSTED DOLLARS**

|                     |    |         |        |    |        |        |        |
|---------------------|----|---------|--------|----|--------|--------|--------|
| Cumulative Change   | NA | 120,903 | 69.85% | NA | 460.19 | 17.23% | 460.19 |
| 10 Year Avg. Change | NA | 12,090  | 6.98%  | NA | 46.02  | 1.72%  | 46.02  |

**COMMUNITY COMPARISONS of  
FY 2005, 2006 & 2007 AVERAGE SINGLE FAMILY PROPERTY (101) TAX BILLS**

| Town               | FY          | Total Value<br>Single Family<br>Properties | %<br>Change   | # of<br>Parcels | Average<br>Value per<br>Parcel | Residential<br>Tax Rate | Average<br>Tax Bill | %<br>Change  | Residential %<br>of Property<br>Value | Shift<br>Rate       | Residential<br>Factor | State<br>Rank |
|--------------------|-------------|--|---------------|-----------------|--------------------------------|-------------------------|---------------------|--------------|---------------------------------------|---------------------|-----------------------|---------------|
| Bellingham         | 2007        | 1,436,913,505                              | 14.14%        | 4,477           | 320,955                        | 9.20                    | 2,953               | 6.11%        | 71.64                                 | Yes                 | 0.89                  | 228           |
|                    | 2006        | 1,258,864,800                              | 10.53%        | 4,428           | 284,296                        | 9.79                    | 2,783               | 3.69%        | 71.06                                 | Yes                 | 0.89                  | 228           |
|                    | 2005        | 1,138,892,350                              | 6.65%         | 4,375           | 260,318                        | 10.31                   | 2,684               | 5.13%        | 69.33                                 | Yes                 | 0.89                  | 230           |
| Canton             | 2007        | 2,663,647,800                              | 6.73%         | 5,246           | 507,748                        | 8.88                    | 4,509               | 1.44%        | 78.01                                 | Yes                 | 0.82                  | 84            |
|                    | 2006        | 2,495,734,300                              | 8.62%         | 5,239           | 476,376                        | 9.33                    | 4,445               | 7.19%        | 79.26                                 | Yes                 | 0.82                  | 73            |
|                    | 2005        | 2,297,629,600                              | 7.32%         | 5,219           | 440,243                        | 9.42                    | 4,147               | 9.83%        | 77.79                                 | Yes                 | 0.80                  | 75            |
| Easton             | 2007        | 2,420,094,400                              | 9.50%         | 5,472           | 442,269                        | 10.82                   | 4,785               | 10.36%       | 88.54                                 | No                  |                       | 68            |
|                    | 2006        | 2,210,060,200                              | 8.60%         | 5,443           | 406,037                        | 10.68                   | 4,336               | 7.35%        | 90.40                                 | No                  |                       | 80            |
|                    | 2005        | 2,035,102,000                              | 15.11%        | 5,386           | 377,850                        | 10.69                   | 4,039               | 5.59%        | 90.27                                 | No                  |                       | 85            |
| Franklin           | 2007        | 3,274,830,500                              | 5.93%         | 7,493           | 437,052                        | 8.86                    | 3,872               | 3.47%        | 79.97                                 | No                  |                       | 124           |
|                    | 2006        | 3,091,558,600                              | 8.49%         | 7,453           | 414,807                        | 9.02                    | 3,742               | 6.46%        | 79.68                                 | No                  |                       | 120           |
|                    | 2005        | 2,849,600,500                              | 26.20%        | 7,435           | 383,268                        | 9.17                    | 3,515               | 4.24%        | 78.72                                 | No                  |                       | 125           |
| Mansfield          | 2007        | 2,198,083,200                              | 2.14%         | 5,282           | 416,146                        | 11.27                   | 4,690               | 1.41%        | 78.98                                 | Yes                 | 0.98                  | 73            |
|                    | 2006        | 2,152,086,800                              | 6.83%         | 5,258           | 409,298                        | 11.30                   | 4,625               | 2.03%        | 78.42                                 | No                  |                       | 66            |
|                    | 2005        | 2,014,451,300                              | 47.72%        | 5,226           | 385,467                        | 11.76                   | 4,533               | 8.19%        | 78.47                                 | No                  |                       | 59            |
| Norfolk            | 2007        | 1,366,395,300                              | 7.87%         | 2,861           | 477,594                        | 12.15                   | 5,803               | 4.45%        | 94.79                                 | No                  |                       | 44            |
|                    | 2006        | 1,266,662,900                              | 15.10%        | 2,845           | 445,224                        | 12.48                   | 5,556               | 14.34%       | 94.79                                 | No                  |                       | 41            |
|                    | 2005        | 1,100,496,100                              | 2.52%         | 2,831           | 388,731                        | 12.50                   | 4,859               | 6.72%        | 94.47                                 | No                  |                       | 51            |
| North Attleborough | 2007        | 2,583,363,800                              | 13.94%        | 6,612           | 390,708                        | 8.42                    | 3,290               | 4.44%        | 79.89                                 | Yes                 | 0.98                  | 173           |
|                    | 2006        | 2,267,336,200                              | 6.58%         | 6,485           | 349,628                        | 9.01                    | 3,150               | 2.27%        | 78.77                                 | Yes                 | 0.99                  | 176           |
|                    | 2005        | 2,127,395,000                              | 51.89%        | 6,417           | 331,525                        | 9.29                    | 3,080               | 7.96%        | 79.14                                 | Yes                 | 0.99                  | 166           |
| Norton             | 2007        | 1,507,564,800                              | 1.32%         | 4,282           | 352,070                        | 9.72                    | 3,422               | 3.32%        | 87.49                                 | No                  |                       | 161           |
|                    | 2006        | 1,487,902,200                              | 16.21%        | 4,263           | 349,027                        | 9.49                    | 3,312               | 1.56%        | 87.33                                 | No                  |                       | 161           |
|                    | 2005        | 1,280,386,000                              | 18.70%        | 4,209           | 304,202                        | 10.72                   | 3,261               | 5.77%        | 88.17                                 | No                  |                       | 148           |
| Norwood            | 2007        | 2,367,667,900                              | 0.81%         | 5,795           | 408,571                        | 7.54                    | 3,081               | 3.15%        | 74.60                                 | Yes                 | 0.75                  | 202           |
|                    | 2006        | 2,348,649,300                              | 14.42%        | 5,771           | 406,974                        | 7.34                    | 2,987               | 0.88%        | 74.39                                 | Yes                 | 0.76                  | 200           |
|                    | 2005        | 2,052,743,800                              | 22.84%        | 5,734           | 357,995                        | 8.27                    | 2,961               | 5.79%        | 72.66                                 | Yes                 | 0.81                  | 183           |
| Plainville         | 2007        | 712,129,500                                | 4.81%         | 1,854           | 384,104                        | 10.72                   | 4,118               | 5.48%        | 81.54                                 | No                  |                       | 101           |
|                    | 2006        | 679,465,700                                | 22.23%        | 1,838           | 369,677                        | 10.56                   | 3,904               | 7.85%        | 81.88                                 | No                  |                       | 105           |
|                    | 2005        | 555,887,900                                | 23.04%        | 1,812           | 306,781                        | 11.80                   | 3,620               | 11.94%       | 84.08                                 | No                  |                       | 113           |
| Sharon             | 2007        | 2,577,828,100                              | 9.65%         | 5,196           | 496,118                        | 14.16                   | 7,025               | 2.72%        | 94.04                                 | No                  |                       | 25            |
|                    | 2006        | 2,351,038,200                              | 6.73%         | 5,194           | 452,645                        | 15.11                   | 6,839               | 3.18%        | 93.99                                 | No                  |                       | 24            |
|                    | 2005        | 2,202,784,100                              | 7.58%         | 5,178           | 425,412                        | 15.58                   | 6,628               | 2.11%        | 93.87                                 | No                  |                       | 22            |
| Walpole            | 2007        | 2,820,802,000                              | 6.79%         | 6,168           | 457,328                        | 10.72                   | 4,903               | 3.72%        | 87.70                                 | Yes                 | 0.96                  | 64            |
|                    | 2006        | 2,641,329,900                              | 6.00%         | 6,113           | 432,084                        | 10.94                   | 4,727               | 5.07%        | 88.13                                 | Yes                 | 0.97                  | 62            |
|                    | 2005        | 2,491,804,400                              | 38.92%        | 6,087           | 409,365                        | 10.99                   | 4,499               | 5.24%        | 88.06                                 | Yes                 | 0.97                  | 62            |
| Westwood           | 2007        | 2,916,342,100                              | -0.02%        | 4,467           | 652,864                        | 10.73                   | 7,005               | 3.47%        | 85.95                                 | Yes                 | 0.89                  | 26            |
|                    | 2006        | 2,916,818,050                              | 14.04%        | 4,468           | 652,824                        | 10.37                   | 6,770               | -1.53%       | 85.92                                 | Yes                 | 0.90                  | 25            |
|                    | 2005        | 2,557,659,750                              | 11.68%        | 4,453           | 574,368                        | 11.97                   | 6,875               | 3.03%        | 85.53                                 | Yes                 | 0.90                  | 19            |
| Wrentham           | 2007        | 1,411,776,820                              | 5.25%         | 3,175           | 444,654                        | 10.65                   | 4,736               | 3.43%        | 83.40                                 | Yes                 | 0.96                  | 69            |
|                    | 2006        | 1,341,298,400                              | 9.82%         | 3,152           | 425,539                        | 10.76                   | 4,579               | 6.94%        | 83.59                                 | Yes                 | 0.97                  | 67            |
|                    | 2005        | 1,221,386,480                              | 9.18%         | 3,115           | 392,098                        | 10.92                   | 4,282               | 5.91%        | 83.36                                 | Yes                 | 0.96                  | 69            |
| <b>Average</b>     | <b>2007</b> | <b>2,161,245,695</b>                       | <b>6.13%</b>  | <b>4,884</b>    | <b>442,013</b>                 | <b>10.27</b>            | <b>4,585</b>        | <b>3.95%</b> | <b>83.32</b>                          | <b>8 Yes / 6 No</b> |                       | <b>103</b>    |
| <b>Average</b>     | <b>2006</b> | <b>2,036,343,254</b>                       | <b>9.96%</b>  | <b>4,854</b>    | <b>419,603</b>                 | <b>10.44</b>            | <b>4,411</b>        | <b>4.70%</b> | <b>83.40</b>                          | <b>7 Yes / 7 No</b> |                       | <b>102</b>    |
| <b>Average</b>     | <b>2005</b> | <b>1,851,872,806</b>                       | <b>20.45%</b> | <b>4,820</b>    | <b>381,259</b>                 | <b>10.96</b>            | <b>4,213</b>        | <b>5.86%</b> | <b>83.14</b>                          | <b>7 Yes / 7 No</b> |                       | <b>101</b>    |
| <b>FOXBOROUGH</b>  | <b>2008</b> | <b>1,699,746,785</b>                       | <b>-3.06%</b> | <b>4,092</b>    | <b>415,383</b>                 | <b>10.65</b>            | <b>4,424</b>        | <b>2.98%</b> | <b>78.33%</b>                         | <b>???</b>          |                       | <b>NA</b>     |
| <b>FOXBOROUGH</b>  | <b>2007</b> | <b>1,753,386,040</b>                       | <b>6.13%</b>  | <b>4,049</b>    | <b>433,042</b>                 | <b>9.92</b>             | <b>4,296</b>        | <b>1.57%</b> | <b>78.87%</b>                         | <b>No</b>           |                       | <b>92</b>     |
| <b>FOXBOROUGH</b>  | <b>2006</b> | <b>1,652,056,400</b>                       | <b>15.90%</b> | <b>4,031</b>    | <b>409,838</b>                 | <b>10.32</b>            | <b>4,230</b>        | <b>9.08%</b> | <b>80.01%</b>                         | <b>No</b>           |                       | <b>90</b>     |
| <b>FOXBOROUGH</b>  | <b>2005</b> | <b>1,425,430,345</b>                       | <b>3.93%</b>  | <b>4,018</b>    | <b>354,761</b>                 | <b>10.93</b>            | <b>3,878</b>        | <b>4.24%</b> | <b>78.80%</b>                         | <b>No</b>           |                       | <b>96</b>     |

Source: Massachusetts DOR Division of Local Services Municipal Databank.

**ANALYSIS of TAX BURDEN SHIFTING from RESIDENTIAL  
to COMMERCIAL, INDUSTRIAL, & PERSONAL PROPERTY (CIP)**

**Town of Foxborough**

|                                   | <u>Value</u> | <u>Tax Rate</u> | <u>Tax</u> | <u>% Change</u> | <u>\$ Change</u> |
|-----------------------------------|--------------|-----------------|------------|-----------------|------------------|
| <b><u>No Classification</u></b>   |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.65           | 4,061.53   | 0.00%           | -                |
| Average CIP                       | 570,126      | 10.65           | 6,071.84   | 0.00%           | -                |
| <b><u>1% Shift in Burden</u></b>  |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.62           | 4,050.09   | -0.28%          | (11.44)          |
| Average CIP                       | 570,126      | 10.76           | 6,134.56   | 1.03%           | 62.71            |
| <b><u>2% Shift in Burden</u></b>  |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.59           | 4,038.65   | -0.56%          | (22.88)          |
| Average CIP                       | 570,126      | 10.86           | 6,191.57   | 1.97%           | 119.73           |
| <b><u>3% Shift in Burden</u></b>  |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.56           | 4,027.21   | -0.85%          | (34.32)          |
| Average CIP                       | 570,126      | 10.97           | 6,254.28   | 3.00%           | 182.44           |
| <b><u>4% Shift in Burden</u></b>  |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.53           | 4,015.77   | -1.13%          | (45.76)          |
| Average CIP                       | 570,126      | 11.08           | 6,317.00   | 4.04%           | 245.15           |
| <b><u>5% Shift in Burden</u></b>  |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.50           | 4,004.33   | -1.41%          | (57.20)          |
| Average CIP                       | 570,126      | 11.18           | 6,374.01   | 4.98%           | 302.17           |
| <b><u>10% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.36           | 3,950.94   | -2.72%          | (110.60)         |
| Average CIP                       | 570,126      | 11.72           | 6,681.88   | 10.05%          | 610.03           |
| <b><u>15% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.21           | 3,893.73   | -4.13%          | (167.80)         |
| Average CIP                       | 570,126      | 12.25           | 6,984.04   | 15.02%          | 912.20           |
| <b><u>20% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 10.06           | 3,836.53   | -5.54%          | (225.01)         |
| Average CIP                       | 570,126      | 12.78           | 7,286.21   | 20.00%          | 1,214.37         |
| <b><u>25% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.91            | 3,779.32   | -6.95%          | (282.21)         |
| Average CIP                       | 570,126      | 13.31           | 7,588.38   | 24.98%          | 1,516.54         |
| <b><u>30% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.77            | 3,725.93   | -8.26%          | (335.60)         |
| Average CIP                       | 570,126      | 13.85           | 7,896.24   | 30.05%          | 1,824.40         |
| <b><u>35% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.62            | 3,668.73   | -9.67%          | (392.81)         |
| Average CIP                       | 570,126      | 14.38           | 8,198.41   | 35.02%          | 2,126.57         |
| <b><u>40% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.47            | 3,611.52   | -11.08%         | (450.01)         |
| Average CIP                       | 570,126      | 14.91           | 8,500.58   | 40.00%          | 2,428.74         |
| <b><u>45% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.32            | 3,554.32   | -12.49%         | (507.21)         |
| Average CIP                       | 570,126      | 15.44           | 8,802.75   | 44.98%          | 2,730.90         |
| <b><u>50% Shift in Burden</u></b> |              |                 |            |                 |                  |
| Average Residential               | 381,365      | 9.18            | 3,500.93   | -13.80%         | (560.61)         |
| Average CIP                       | 570,126      | 15.98           | 9,110.61   | 50.05%          | 3,038.77         |

## **CLASSIFICATION CONSIDERATIONS**

### ***Economic & Political Issues***

1. Consider the percentage of Commercial & Industrial (C & I) properties compared to Residential.  
Will an increased tax burden on C & I significantly lower the Residential tax burden?
2. What is the mix of Commercial & Industrial properties?  
How much of the tax burden falls on large business vs. small business?
3. Will a change adversely effect small / large business and drive them out of the community?
4. Will a change slow economic development?
5. Does business significantly contribute in a "non-tax" way to the community?
6. Are the town's businesses of the type that require an extraordinary amount of municipal services & resources?
7. Is the timing appropriate for a move to a split tax rate?
8. Will a shift to Commercial & Industrial maintain or increase the historical ratio of the tax burden?
9. Is a change a matter of principle or economics?

# FOCUS

## on Municipal Finance

### The Tax Levy

by Debbie Wagner and Terry Williams

The tax levy is the revenue a community raises through real and personal property taxes. Property taxes are levied against all non-exempt real and personal property, which is classified into residential, open space, commercial, industrial or personal property classes. The tax rate is expressed as dollars per thousand dollars of the property valuation. These tax rates apply singly to all property classes in a municipality or are "split" between residential/open space and commercial/industrial/personal property.

The property tax levy is the largest source of revenue for most communities. Other revenue sources are state aid, local receipts, and other available funds, such as free cash and stabilization funds. While the levy is the largest source of revenue for cities and towns, there are vast differences in the level of contribution to the total budget of communities in Massachusetts. Statewide in FY03, the levy was responsible for an average of 50.8 percent of municipal revenue, but varied from almost 84 percent in Alford and Dover to only 15 percent in Lawrence. This is because formulas for the distribution of state aid generally are weighted to give greater assistance to communities with lower property wealth and incomes.

### The Effects of Proposition 2½

Proposition 2½ is a law that places two constraints on the amount of the tax levy that can be raised by a city or town and how much the levy can be increased from year to year. These constraints are called the levy ceiling and the levy limit. The levy ceiling is determined by multiplying the total full and fair cash value of all taxable real and personal property in a community by 2.5 percent. The levy ceiling may change annually as property is added or deleted from the tax rolls and due to adjustments for market value fluctuations. Secondly, and more importantly, is the levy limit, which is the maximum amount that a community can raise through taxation in any given year. The levy limit must be below, or at most equal to, the levy ceiling.

The following is the levy limit calculation:  $Prior\ Year's\ Levy\ Limit \times 1.025 + New\ Growth = Current\ Year\ Levy\ Limit$

The levy limit is increased from year to year as long as it remains below that year's levy ceiling. Each year, a community's levy limit automatically increases by 2.5 percent over the previous year's levy limit. New growth is defined as a calculation of the net increase in municipal property values because of new construction/subdivision or return of exempt property to the tax roles. A community is not obligated to tax to the limit annually. The difference between

the actual tax levy and the levy limit is called excess capacity.

Proposition 2½ does, however, allow a community to increase its levy limit through the passage of an override and exceed its levy limit, or levy ceiling, through passage of a debt or capital outlay expenditure exclusion.

Prior to the passage of Proposition 2½, there was no limitation on the amount of taxes that could be levied by a community. Municipal budgets were, therefore, expenditure driven. The limitations imposed by Proposition 2½ have caused municipal budgeting to be a revenue driven process. This is illustrated below.

### Tax Levy Trends

#### Prior to Proposition 2½:

Total Municipal Budget – State Aid – Other Available Sources – Local Receipts = Tax Levy

After Proposition 2½: Tax Levy + State Aid + Other Available Sources + Local Receipts = Total Municipal Budget

In Massachusetts, over the past 10 years, the total tax levy has increased 61.8 percent as illustrated by the top line of *Figure 1*. Taxes on residential/open space property increased 69.5 percent in the 10-year period from 1993 to 2003 while commercial, industrial and personal property saw an increase of 46.7 percent. The percentage of taxes derived from the various classes of property has shifted during this period, becoming more reliant on residential and open space property classes. The residential sector comprised 66.73 percent of the total tax levy in 1993, while taxes in commercial, industrial and personal property classes made up 33.27 percent.

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|  | Number of communities | FY2003 tax levy        |
|--|-----------------------|------------------------|
| Quarterly communities with split tax rate    | 79                    | \$4,700,127,419        |
| Quarterly communities with single tax rate   | 143                   | \$2,311,144,714        |
| Total quarterly communities                  | 222                   | \$7,011,272,133        |
| Semi-annual communities with split tax rate  | 21                    | \$ 499,075,192         |
| Semi-annual communities with single tax rate | 108                   | \$ 983,673,788         |
| Total Semi-annual communities                | 129                   | \$1,482,748,980        |
| <b>Total communities</b>                     | <b>351</b>            | <b>\$8,494,021,113</b> |

Table 1

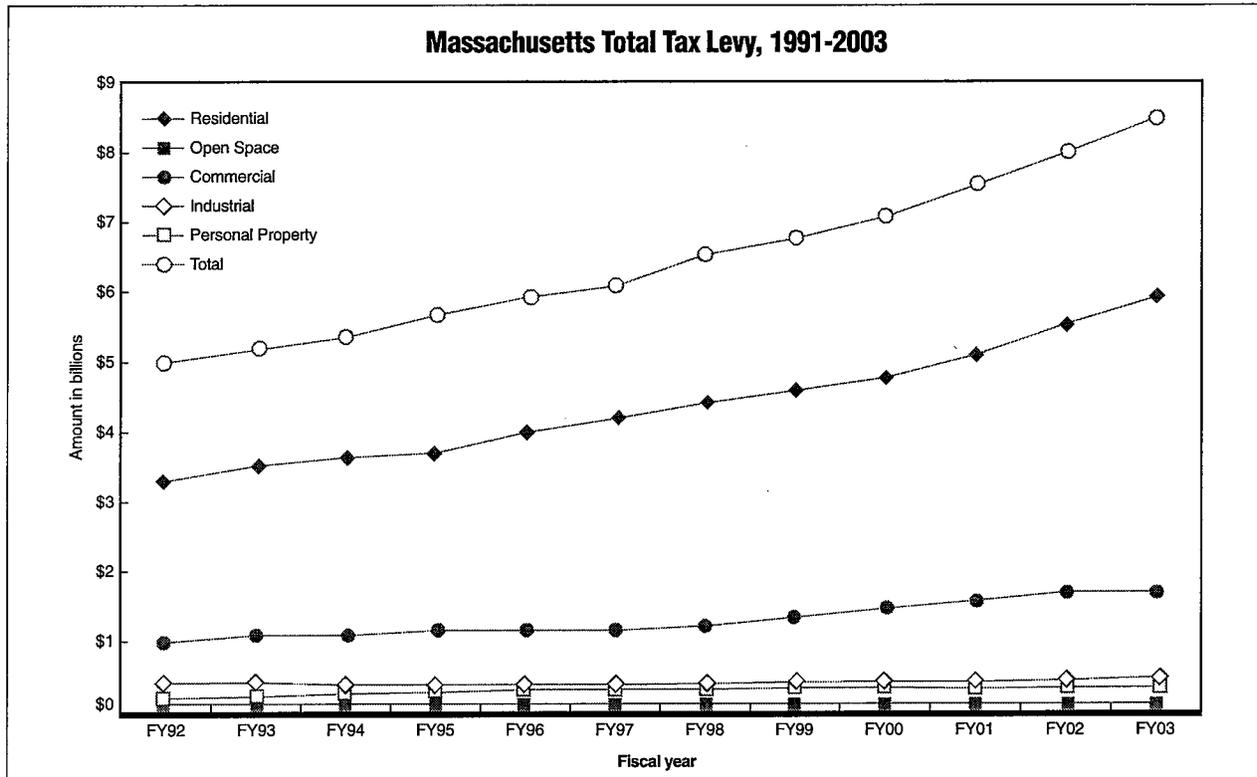


Figure 1

Today the residential/open space portion provides 69.84 percent and the remaining classes have fallen to 30.16 percent of the total tax levy. This shift is occurring for two reasons. Residential parcel counts have increased about 5 percent over the past 10 years while commercial/industrial property counts have remained constant. At the same time, residential valuations have increased at a faster rate than rates in the commercial, industrial, and personal property sectors.

**Quarterly Tax Billing**

Another aspect of the tax levy is the ability of a community to adopt quarterly tax billing (M.G.L. Ch. 59 Sec. 57C) in place of semi-annual billing. Since 1990, 222 (or 63 percent) of the 351 communities in the state have accepted this provision. Those municipalities had a combined levy in FY03 of \$7,011,272,133 (or 82.5 percent) of the total \$8,494,021,113 property tax levy.

This can be an attractive option for many cities and towns because it results in a more even cash flow, and consequently reduces the need to borrow in anticipation of tax receipts. Communities taking advantage of this option tend to be larger ones, which accounts for the fact that they levy a greater percentage of the total.

**“Shifting” the Tax Burden**

Larger communities, or those with an appreciable percentage of commercial and industrial property, often take advantage of the annual option to shift a larger portion of the levy to that segment. This gives the residential owner a lower bill than if the tax rate was assessed equally to all classes. A review of the FY03 tax levy shows that 28.5 percent of communities have shifted the tax burden or “split” the tax rate as shown in *Table 1*. Those cities and towns make up over \$4.7 billion or 55 percent of the \$8.5 billion statewide property tax levy.

*Table 2* compares tax levy information for FY02 and FY03 in each community. Statewide the total tax levy increased by nearly one-half billion dollars or 6.12 percent over FY02. Four of the communities added to their tax levy more than 25 percent (Monroe, Dunstable, Peterborough, and Aquinnah). Another 48 approved increases of between 10 and 20 percent. Large increases such as these tend to occur in communities that have levied property taxes below the levy limit and then in the subsequent year, assessed additional taxes to the limit without the necessity of a ballot vote. On the other hand, some of these larger increases could have resulted from successful override or debt/capital outlay expenditure exclusion votes. ■

# FOCUS

## on Municipal Finance

### FY05 Average Single-Family Tax Bills and Assessed Values

by Scott Dressel

This Focus article reviews fiscal year 2005 single-family tax bills and property values across the Commonwealth. As in previous years, this article ranks communities statewide. It also highlights some major trends and discusses the impact on single-family tax bills. The analyses are based on FY05 data reported to the Department of Revenue's Division of Local Services (DLS) by the local assessors.

Average single-family tax bills are calculated by summing the assessed value of all of the single-family parcels of each community. Dividing this total by the number of parcels results in the average single-family property value. The average value is divided by one thousand and then multiplied by the residential tax rate.

The 11 cities and towns that have adopted a residential exemption are not included in this analysis because

they do not submit sufficiently detailed data to DLS to determine their average tax bills. Two communities (Hancock and Wendell) had not set tax rates at the time this article was written. Therefore, they were excluded from the analysis as well.

#### Statewide Trends

Over each of the past 10 years, the average single-family tax bill has increased in both constant and actual dollars (see Figure 2). In actual dollars, the annual increase over the prior year's tax bill has ranged from 3.8 percent in 1999 to 6.7 percent in 2002. In 2005, the average bill increased by 5.2 percent. This trend has continued even as the average single-family tax rate across the Commonwealth has decreased in each of the past seven years from a high of \$14.92 per \$1,000 in 1998 to \$10.17 per \$1,000 in 2005. Much of the increase in the average bill is attributable to rising residential assessed values, stagnant growth in the commercial and industrial sectors, and relatively flat state aid budgets.

The average single-family property value realized a double-digit increase

for the fifth consecutive year. In 2005, the average value increased by 14.8 percent, from \$307,361 to \$352,911. Even in constant dollar terms, the increase reached 11.7 percent (see Figure 3).

Furthermore, the share of the total tax burden borne by residential property owners has increased in each of the past five years, from 67.9 percent in 1999 to 72.1 percent in 2005. This is mainly due to the fact that commercial, industrial, and personal (CIP) property values have not kept pace with the increasing residential values. It also reflects the rollback of Chapter 3 of the Acts of 2004.

Several "split rate" communities adopted Chapter 3 of the Acts of 2004, temporarily allowing them to increase the amount by which they shift the tax burden to CIP taxpayers. Before this provision, these communities were restricted from taxing CIP properties more than 175 percent of the taxes they would have paid under a single rate. The provision temporarily increased this limit to 200 percent but started to roll it back in 2005. By 2009 the communities that adopted the increased shift will be allowed a maximum CIP percentage of 170, down from the preexisting 175. This will likely add to the weight of the tax burden on residential taxpayers in these communities.

Aggregate state aid across the Commonwealth increased from about \$4.81 billion in 2004 to \$4.95 billion in 2005. As far back as 2002, the figure was about \$5.13 billion. Clearly, state aid has not kept pace with 2002 growing costs and services. This puts pressure on cities and towns to cover their expanding needs through using unused levy capacity or pursuing overrides.

One factor that mitigated the rate of increase in the average tax bill was a de-

*continued on page six*

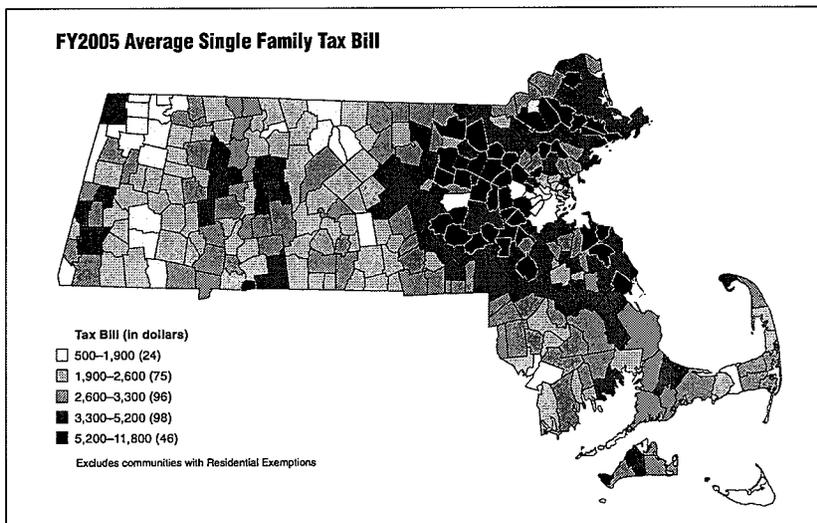
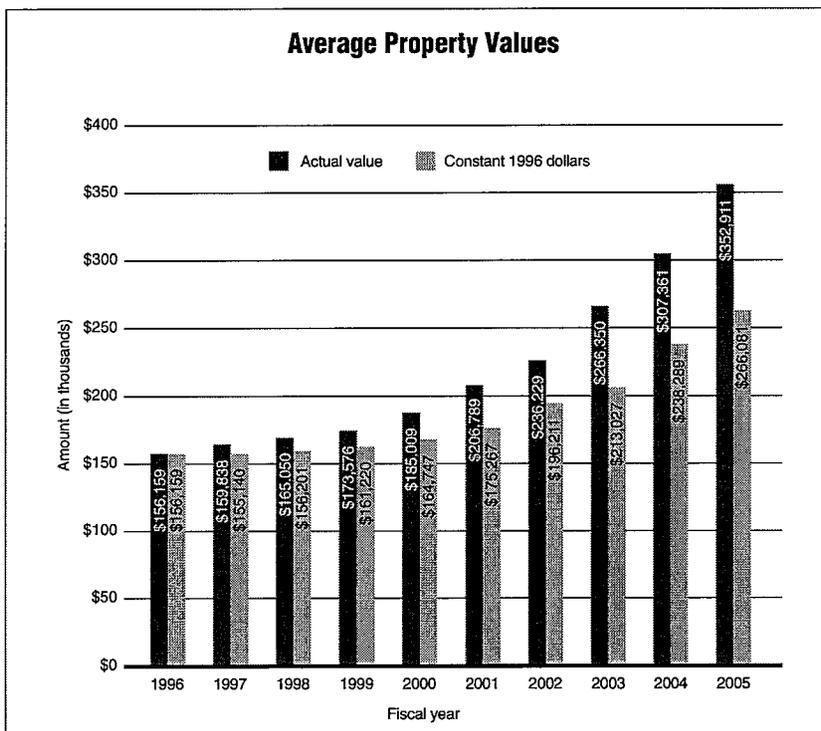
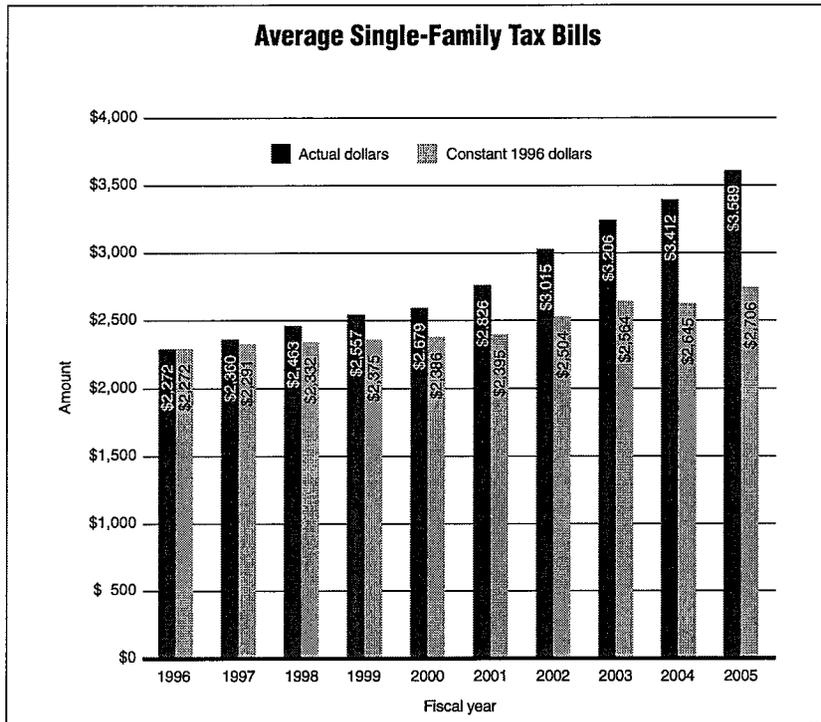


Figure 1

FY05 Average Single-Family Tax Bills and Assessed Values

continued from page three



Figures 2 and 3

crease in the passage of Proposition 2½ overrides and capital exclusions. In FY04, communities passed overrides and capital exclusions that totaled \$41.8 million. In FY05, the total was \$30.5 million. This was the second year in a row with such a decrease.

Debt excluded under Proposition 2½ increased slightly in FY05. Statewide, the amount of excluded debt only went up from about \$313.9 million in 2004 to \$314.6 million in 2005. However, during the four year period from 2002 to 2005, the amount jumped by more than 17 percent. Excluded debt service adds to the maximum allowable levy for cities and towns and therefore directly impacts the tax bill.

#### Community Trends

Table 1 shows the average single-family tax bill and average assessed value for all 338 communities in the study. It compares these figures to those of FY04 and it ranks the communities from high to low for the FY05 tax bill.

The five communities with the highest average tax bills in FY05. They are: Weston (\$11,767), Sherborn (\$9,889), Lincoln (\$9,730), Carlisle (\$9,224), and Dover (\$9,004). Not surprisingly, these towns also all ranked among the highest with respect to average assessed property value. The five communities with the lowest tax bills also remained unchanged: Rowe (\$512), Irving (\$908), Florida (\$940), Tolland (\$1,040), and Monroe (\$1,106). These towns are all in the lower 20 percent of average assessed values. Statewide, the correlation between the average tax bill and average assessed value is generally strong with a few exceptions. For example, communities on the Cape and Islands tend to have high assessed values but lower tax bills due to the large number of seasonal properties whose residents have a lower demand for services. An even stronger correlation exists between average household income and average tax bill. All but

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## Procurement of Banking Services

Massachusetts Office of the Inspector General

The Office of the Inspector General (OIG) has issued *Banking Services Procurement Guide for Local Government Treasurers* to clarify the procurement rules for obtaining banking services. The guide provides a brief overview of M.G.L. Ch. 30B, provides recommendations for banking service procurement, and identifies resources for local officials.

The Commonwealth's cities and towns may obtain a wide range of services from banking institutions including collection services, depository account services, disbursement services, credit services and investment services.

Chapter 30B, the Uniform Procurement Act, establishes procedures that most local government jurisdictions must follow for the acquisition and disposal of supplies, equipment, services, and real property.

Chapter 30B requires competitive procurement procedures using an Invitation for Bids or Request for Proposals for banking service contracts estimated to cost \$10,000 or more. For contracts estimated to cost less than \$25,000, more than \$5,000, Chapter 30B re-

quires three price quotations. Contracts costing \$5,000 or less must be entered into using sound business practices.

There are seven exemptions to Chapter 30B that are relevant to municipal treasurers. For example, banking services obtained under a compensating balance agreement are governed by M.G.L. Ch. 44, Section 53F and therefore exempt from Chapter 30B. The Department of Revenue, Division of Local Services Bureau of Accounts is responsible for interpretation and enforcement of the compensating balance law.

Additionally, the acquisition of bonds, notes, or securities is exempt from Chapter 30B. The following services can safely be considered to be a part of a bond purchase: structuring of the maturity schedule; preparation of the official statement; verifying legal details of the acquisition of a credit rating; obtaining approval from government agencies; the advertisement of the proposed sale; the distribution of the official statement to potential bidders; and the filing of initial and annual disclosure documents with federal and state regulatory agencies.

Numerous recommendations are provided in the guide for jurisdictions to follow for all banking service procurements and contracts. For example, the

OIG recommends that all banking services be procured competitively, allowing banks compete over a municipality's business allows a treasurer to assess what is available and ensures that the municipality is getting the best value.

Additionally, the need to re-procure services prompts a review of the need for those services and the quality of the services currently being received.

The Office recommends that municipalities *always* enter into written agreements or contracts for banking services. A written agreement, contract, or any written documentation between a municipality and a bank can ensure that the municipality is fully complying with public records requirements as well as meeting the responsibility of sound business practices.

Finally, the OIG recommends that treasurers consider the protection of the taxpayer's money. When taking a risk with taxpayers' money, it is imperative that the treasurer be an educated one. Therefore, treasurers should conduct a thorough review of the qualifications, experience, and expertise of any financial/investment advisor and consultant.

For a copy of this guide, please visit our website at [www.mass.gov/dls](http://www.mass.gov/dls). Questions can be submitted by telephone by calling 617-727-9140 or by mail.

### FY05 Average Single-Family Tax Bills and Assessed Values

continued from page six

one of the communities with the 50 highest tax bills have average incomes in the top 20 percent statewide.

In FY05, 11 communities experienced increases in their average tax bills that were greater than 15 percent (ranging from 15.3 percent to 28.1 percent). All but one of these communities also saw their average assessed values increase by at least 10 percent. Four of the eleven successfully passed Proposition 2½ overrides.

While all but five communities across the state experienced increases in the average assessed value, the magnitude of the changes varied dramatically

in 2005. There were 64 cities and towns in which the average value increased by less than 5 percent. However, of the 148 communities that had increases above the statewide average (14.8 percent), 56 communities had increases greater than 30 percent. Of these, 15 were greater than 50 percent. Swansea, Royalston, and Stockbridge each experienced increases above 70 percent.

Further analysis of the average assessed values show a correlation to DLS' community recertification schedule. All but six of the 56 communities with value increases over 30 percent just completed a triennial recertification

in 2005. Only one of the 64 communities with increases under 5 percent had a recertification in 2005. Of the cities and towns below the statewide increase average, 82 percent were also non-certification communities. These figures reflect the fact that leading up to 2005, several communities were not yet performing interim year adjustments to values. Now that interim year adjustments are required for all communities, such sudden and uneven jumps in average assessed value should not occur as frequently. ■

## The Shift Was On

### Split Tax Rates FY1992 to FY2006

James Paquette

During the past 15 years growth in residential property values has run far ahead of growth in commercial, industrial and personal property (CIP) values. The Classification Act of 1979 established shift limits so that communities could utilize split or dual tax rates to balance the property tax burden among different classes of property, even as this trend continued. The adoption of different rates for CIP and residential property does not change the total tax levy but does determine the share of the levy each property class is to bear.

Many communities using the split tax rate and its shift limits have approached their maximum shift. Trends, since the advent of shifting, have shown that as the growth of residential values in the marketplace slows down and an "up-tick" in CIP values takes place, those communities may get some breathing room rather than bumping against their maximum shift factor.

Other communities which still employ the single tax rate, but whose residential taxpayers have experienced the stress of higher property tax bills, may want to review the experience of the nearly 100 communities that have opted to use the split rate and its shift limits. (See [table of communities that shifted](#), available on the DLS website.)

Shift limits of the "Split Tax Rate" were established by the Classification Act of 1979. The share of the levy raised by the commercial and industrial classes and personal property class (CIP) may be increased 50 percent as long as the residential (R) and open space (O) classes raise at least 65 percent of what they would have raised without the shift. The "minimum residential factor" established by the Commissioner of Revenue is used to make certain that the shift of the tax burden complies with the Classification Act. If the minimum residential factor would be less than .65, the community cannot choose the maximum shift and must use a CIP factor less than 1.50. The .65 limitation is important because it directly

affects communities with larger CIP values as a portion of their total value. In the instance of a community that has 20 percent of their value as CIP; a shift in the CIP by the 50 percent would result in a MRF (minimum residential factor) of .875. In the instance of a community that has 45 percent of their value as CIP; an attempt to shift 50 percent would produce a MRF of .59, which would be lower than the permitted .65, meaning that they could not shift the entire 50 percent.

**Many cities and towns use the split rate and its shift limits.**

Chapter 200 of the Acts of 1988 provides relief for those communities in which the maximum shift results in a residential share which is larger than that of the prior year. For those communities, the limits

have been raised. They may increase the CIP share of the levy by 75 percent as long as the residential class would not be reduced to less than 50 percent of its original share. However, this new residential share cannot be less than the residential share in any year since the community's values were first certified at full and fair cash value.

### A change in circumstances

The CIP as a percent of total value decreased from 22.2 percent to 15.4 percent during the time period from FY1992 to FY2006 for all 351 Massachusetts communities (Figure 1). During the same time period 98 selected communities (communities that had shifted each year: FY1992-FY2006), had shown a similar large decrease (Figure 2). The most significant drop occurred during the period of FY2000 to FY2006. During that time period there was a decrease in the CIP as a percent of total value of 27.6 percent for all communities and a similar decrease for the selected communities. While there was

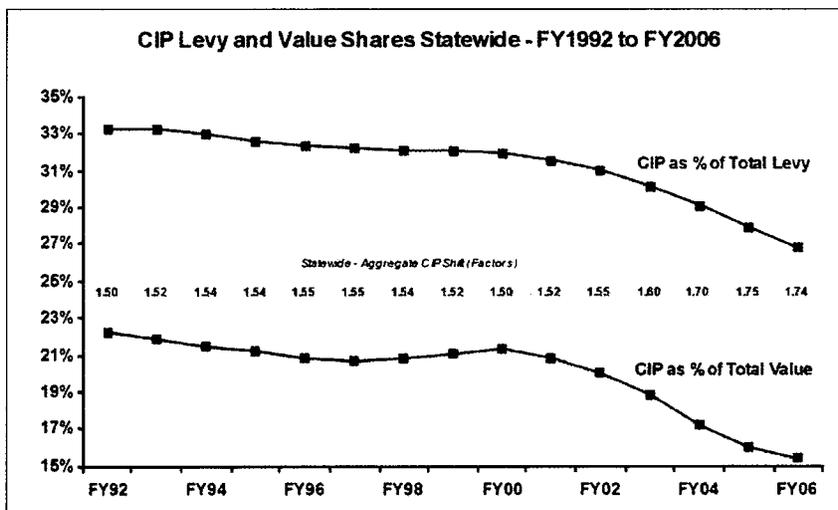


Figure 1

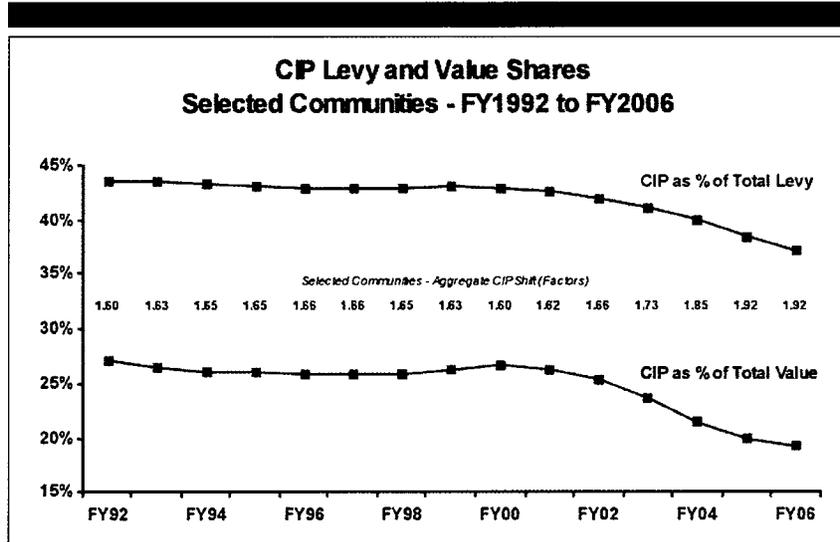


Figure 2

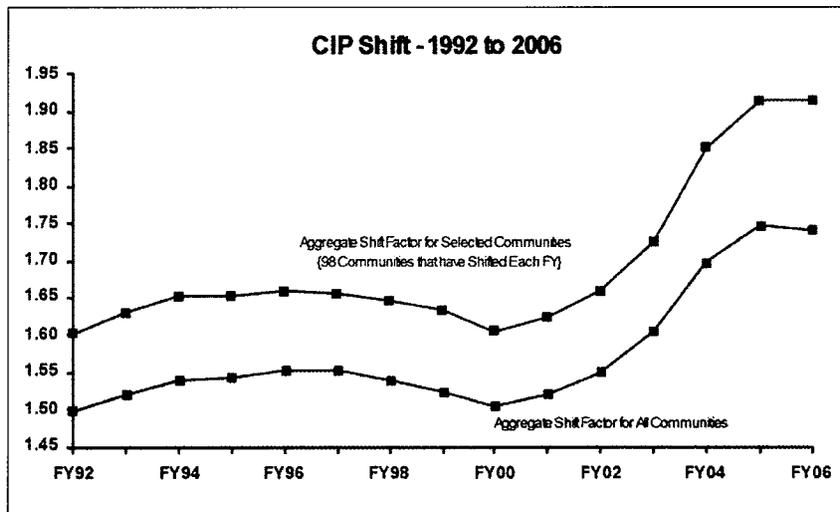


Figure 3

a somewhat parallel pattern shown by the statewide figures and the selected community figures, a comparison of Figure 1 and Figure 2 demonstrates the higher overall figures for the selected communities. The selected communities were running 5 percent higher on the percent of total value and 10 percent higher on the percent of total levy. This is significant because it has an effect on the ability to shift. If a community has an extraordinary proportion of their value in the CIP classes they can't shift that much because the residential share would drop too low.

Additionally, in the instance of a community that has, for example, 20 percent of their value as CIP; the maximum shift in the CIP of 50 percent (under the acts of 1979) would result in a CIP as a percent of the levy of 30 percent. If the CIP as a percent of total value dropped to 18 percent, the maximum shift in the CIP of 50 percent (under the acts of 1979) would result in a CIP as a percent of the levy of 27 percent, a change in the balance between R+O and CIP.

The purpose of Chapter 200 was to help keep the CIP percent of total levy somewhat constant. Using the example

above, if the CIP as a percent of total value dropped to 18 percent, the maximum shift in the CIP of 75 percent (under Chapter 200) would result in a CIP as a percent of the levy of 31.5 percent, a chance to maintain the balance between R+O and CIP.

Through Figure 2, it can be seen that this was, for the most part, what occurred from FY1992 through FY2000. The situation shows a dramatic change, though, from FY 2000 through FY 2006. The rapid decrease in the CIP as a percent of total value was in turn causing a rapid decrease in the CIP as a total percent of total levy.

**A reaction to the changing circumstances**

The decrease in the CIP as a percent of total value resulted in a reciprocal increase in the aggregate shift factor. The aggregate shift factor of the selected communities moved quite rapidly from 1.60 in FY2000 to 1.92 in FY2006 (Figure 3). This is opposite of the movement of the CIP as a percent of total value during the same period (Figures 2) which moved, again, quite rapidly downward during the same time period. The communities were attempting to keep the CIP as a percent of total levy stable, thereby keeping the existing balance between the residential portion of the levy and CIP portion of the levy. There was a need to shift more and more to the shrinking CIP base to keep the same balance. Communities were doing this by shifting to even greater degrees but they were losing ground. The upward movement of the shift factor was not able to keep pace with the downward movement of the CIP as a percent of value. This resulted in a drop in the CIP as a percent of the levy from 43.4 percent in FY1992 to 36.9 percent in FY2006.

**The impact**

The number of communities shifting to their maximum had ranged from a low of 13 in FY1993 to a high of 24 in

FY2003 and the number of communities within 5 points of their maximum shift ranged from a low of 27 in FY1996 to a high of 44 in FY2004. While these variations may initially seem small, there was an almost 63 percent increase in the number of communities that were within 5 points of their maximum allowable shift. The largest number of communities, within 5 points of their maximum shift, occurred in the years of FY 2003 (40 of 99 communities shifting), just before Chapter 3 of the Acts of 2004 (see explanation below), and in FY2004 (44 of 103 communities shifting), the first year a shift greater than 1.75 could be utilized. (See Figure 4.)

Under Chapter 3 of the Acts of 2004, there were expanded parameters for fiscal years 2004, 2005, 2006 and 2007. A community continued to have its maximum shift computed under current law in each of those years. If adopting that shift resulted in residential taxpayers paying a greater share of the tax levy than the prior year, the shift was then further adjusted upward using that year's expanded parameters.

The expanded parameters for determining the maximum shifts for communities that qualify would be:

| Fiscal year | Maximum business share (pct.) | Minimum residential share (pct.) |
|-------------|-------------------------------|----------------------------------|
| 2004        | 200                           | 45                               |
| 2005        | 197                           | 47                               |
| 2006        | 190                           | 49                               |
| 2007        | 183                           | 50                               |

There was an additional limitation that residential taxpayers could not pay a lower share of the tax levy than in the prior year.

In fiscal year 2008, communities that used expanded parameters in any of these years will have their maximum shift determined as under current law. Based on the current legislation, beginning in fiscal year 2009, the maximum shift in these communities will be based on business taxpayers paying no more

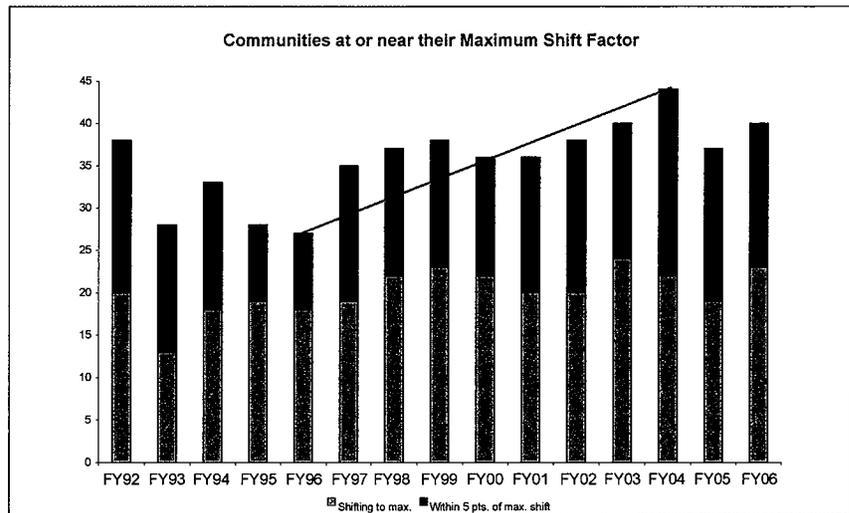


Figure 4

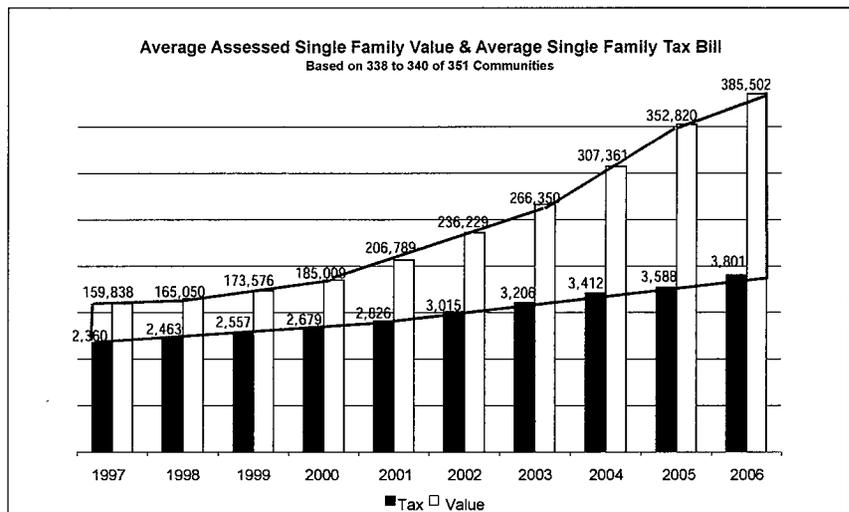


Figure 5

than 170 percent of their fair cash value share of the tax levy.

It's important to note the impact on the average residential tax bill that was mitigated by the use of shifting (Figure 5). While the average single family assessed value had increased from \$159,838 in FY1997 to \$385,502 in FY2006, an increase of 141 percent, the increase in the average tax bill for these properties, during the same period was from \$2,360 to \$3,801, an increase of 61 percent (based on 338 to 340 communities out of the total 351 communities\*). During the time frame,

FY2001 to FY2005, when there was a rapid increase in single family assessed value, the average valuation increase was 12 percent per year while the average increase in the corresponding tax bill was 5.7 percent per year.

The statistics surrounding the decreasing CIP values and the corresponding decreasing CIP share along with the increasing shift factors demonstrates the changes confronting communities in an environment of rapidly increasing residential values along with the stagnant

wood pellets. On a \$/BTU basis, bulk wood pellets priced at about \$200 per ton is the equivalent of paying \$1.72/gallon for heating oil. It is worth noting that the average residential heating oil price has not been lower than \$1.80/gallon since late 2004.

To help educate potential commercial/institutional scarfers on the benefits of wood pellets, DOER is developing a Wood Pellet Heating Guide, which will soon be available for download on the DOER website.

**Additional Resources**

Massachusetts Division of Energy Resources: [www.mass.gov/doer](http://www.mass.gov/doer)

Massachusetts Procurement — Statewide Contracts and Solicitations: [www.comm-pass.com/](http://www.comm-pass.com/)

National Biodiesel Board: [www.biodiesel.org/](http://www.biodiesel.org/)

Pellet Fuels Institute: [www.pelletheat.org/2/index/index.html](http://www.pelletheat.org/2/index/index.html)

**Energy Efficiency Opportunities**

Consistent with its mission as an agency (to improve and streamline energy regulation, promote greater efficiency in all energy uses, reduce energy costs, and mobilize energy education) DOER coordinates and leads several energy efficiency deployment programs including Energy Management Services and Rebuild Massachusetts. DOER conducts outreach to target communities, publicizes local partnership results and success stories, recruits other state agencies, and identifies relevant state technical and financial resources.

The specific objective is to provide support and leadership to state and local entities focusing on energy efficiency and sustainability, provide ongoing technical and logistical support and disseminate the results as models to communities and stakeholders to stimulate further adoption of resource efficiency as a standard part of planning and implementing energy effi-

ciency investments. This comprehensive approach identifies opportunities where, 1) action has already taken place, 2) have current or potential projects in target sectors, or 3) highlight the potential for municipal-wide energy management planning.

In response to communities that have organized Energy Committees or Commissions, DOER recently launched the Energy Smart Communities Network to advance state and community energy-savings efforts by forging connections between cities and towns, disseminating information, and facilitating discussions focused on energy efficiency projects. The Network User Group brings together communities and individuals seeking sustainable energy solutions with their peers in other cities and towns.

If there is something particular you are looking for, or if you are just interested in what other communities have done, the directory will be able to assist you. Communities must be willing to, 1) share information on local activities with other members, and 2) keep contact information up-to-date.

Any community that has an Energy and/or Environmental Committee or Commission or lead office dedicated to energy management can become a member of the network. Communities are asked to share information about their goals and activities.

DOER maintains and edits an address list of everyone who subscribes to the Energy Smart Network. When someone wants to post a message, s/he just sends an e-mail to the list address. Everyone on the list will get that message. If the topic is of general interest, list members are encouraged to respond or comment by replying to the list. Anyone interested may sign up online at [www.mass.gov/doer](http://www.mass.gov/doer).

**Editor's note: This article represents the opinions and conclusions of the authors and not those of the Department of Revenue.**

and sometimes declining commercial values. Chapter 3 of the Acts of 2004, in allowing a greater level of shift, helped in the effort to stabilize the CIP as a percent of total levy. While the increasing level of shifting was a tool, a reversal of the decreasing CIP value as a percent of total value would address the root of the situation causing the need for greater and greater shifting levels. That reversal could be in the form of a "slow down" in the rate of increase of residential real estate values, which has taken place, in the market, during last year and into this year. Additionally, there has been a simultaneous increase in commercial and industrial property values. These market conditions should help decrease the need to shift to greater levels to stabilize the CIP as a percent of the total levy. ■

**\*Data for the 11 communities that have adopted a residential exemption are excluded from this file because they do not submit adequate data to determine an average tax bill. The 11 communities are Boston, Brookline, Cambridge, Chelsea, Marlborough, Nantucket, Somerset, Somerville, Tisbury, Waltham, and Watertown. The residential exemption reduces the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate and shifts the residential tax burden from low and moderately valued homes to apartments and higher valued homes. In FY06, Barnstable and Everett adopted a residential exemption to make 13 communities.**