



AGENDA
TOWN FINANCE COMMITTEE
Thursday – March 14, 2024

Hybrid

5:00 P.M.

LINK TO PARTICIPATE REMOTELY:

<https://scarboroughmaine.zoom.us/j/87455939819>

TO VIEW MEETING ONLY:

<https://www.youtube.com/channel/UCD5Y8CFy5HpXMftV3xX73aw>

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Approval of Minutes: February 8, 2024

Item 4. Discussion on the following:

- Budget Timeline Review
- SLT Alger Hall Check-In/Analysis Refresh
- Continuation of Cost to Serve Analysis
- Impact Fee Update [[October 4, 2023 Presentation](#)]

Item 5. Public Comment.

Item 6. Adjourn.

M		T		W		Th		F		S	
March											
18		19		20		21		22		23	
School Board (SB)		SB Budget Workshop				SB 1st Reading					
Budget Workhop Pt1		Pt2									
25		26		27		28		29		30	
SB Finance Committee				****PRESENTATION OF TOWN & SCHOOL BUDGET****							
April											
1		2		3		4		5		6	
				Joint Town Council and School Board Workshop							
				Town Council (TC) 1st Read of Budget							
8		9		10		11		12		13	
						TC Finance Budget Workshop Part 1 (2-7PM)		TC Finance Budget Workshop - Part II (8-1PM)			
15		16		17		18		19		20	
				Revaluation Workshop with the Council and Budgetary Impacts		Finance Committee Meeting to Discuss Recommendations #1 (500-630) Joint Roundtable #1 (630-730)				Joint Budget Round Table #2 (1000-1100) Public Safety Building	
22		23		24		25		26		27	

SB Finance COMmittee (400- 500)	Joint Budget Roundtable #3 (500- 600)	29	30	Finance Committee Meeting to Discuss Recommendations #2 (600-730PM)				
				Joint Budget Roundtable #4 (500- 600)	SB Public Hearing			
May								
6	7	13	14	1	2	3	4	
				TC Public Hearing Joint Budget Workshop with SB	SB 2nd Reading	Joint TC & SB Finance Committee Final Q/A with Staff (Optional) - FRIDAY AFTERNOON 3- 5PM(?)		
				8	9	10	11	
					TC Finance Committee Final Recommendations (500-630)			
				15	16	17	18	
	TC 2nd Read & Budget Vote	SB Meeting & Budget Adjustments if needed						



FY2025

Budget Adoption

Budget Meetings			
Wednesday	March 27, 2024	Town Council/School	Budget Presentation
Wednesday	April 3, 2024	1 st Reading	Budget Workshop
Wednesday	May 1, 2024	Joint TC/BOE Workshop & TC – Public hearing	FY25 Budget
Wednesday	May 15, 2024	2 nd Reading	FY25 Budget Adoption
Tuesday	June 11, 2024	Validation Vote	School Budget

Thursday, April 11, 2024 – 2:00 to 7:00 p.m.

		FC Budget Workshop Part 1	
2:00 p.m.	2:30 p.m.		Planning Department
2:30 p.m.	3:00 p.m.		Engineering Department
3:00 p.m.	4:00 p.m.		Public Works
4:00 p.m.	4:30 p.m.		Library
4:30 p.m.	5:00 p.m.		IT Department
5:00 p.m.	6:00 p.m.		School Department

Friday, April 12, 2024 – 8:00 a.m. to 1:00 p.m.

		FC Budget Workshop Part 2	
8:00 a.m.	8:30 a.m.		Finance Department
8:30 a.m.	9:00 a.m.		Assessing Department
9:00 a.m.	10:00 a.m.		Fire Department
10:00 a.m.	11:00 a.m.		Police Department
11:00 p.m.	12:00 p.m.		Community Services
12:00 p.m.	12:30 p.m.		SEDCO
12:30 p.m.	1:00 p.m.		Administration/HR



TO: Tom Hall, Scarborough Town Manager
Jon Anderson, Chair Council Finance Committee
FROM: Karen Martin, SEDCO Executive Director
DATE: March 7, 2024
SUBJECT: Fiscal Impact Model

Overview

During the last Finance Committee Meeting, we ran a little short on time for reviewing the Fiscal Model. Finance Committee Chair, Jon Anderson provided feedback from his review of materials, with a request that the March 14th meeting focus on some of these general questions.

This memo addresses the following:

- Description of the factors considered and not considered
- Assumptions most sensitive to changes
- Explanation of Sharable Revenues
- Should Debt Service be included
- Rationale for the revaluation increases
- Police and Fire Level of Service
- What is the definition of "Fiscal Impact" in the output of the tables?
- What happens after the CEA in the Fiscal Impact?
- Review of Fiscal Impact Concept and Execution

Factors involved in the Fiscal Impact

Capital Costs: The biggest consideration in looking at the fiscal impact in Scarborough was the question of capital costs. Capital costs are not considered in this fiscal analysis. We made this determination for a few reasons.

First, we do have a robust set of existing impact fees, and we are looking to add additional fees to cover additional costs. Impact fees are intended to cover capital costs attributed to new development. They cannot, by law, be used to cover operational costs, nor can they be used to cover any capital costs attributed to the existing population.

Secondly, our land use ordinances require the developers to pay for improvements and infrastructure which are required to serve their projects.

Our site plan ordinance requires the developer to provide analysis and pay for needed improvements during the review process. Specifically, during site plan, the developer must identify "any proposed off-site improvements to roads, sidewalks, natural areas or other infrastructure as may be necessary to accommodate the proposed development." Such improvements are then paid for by the developer either directly or through impact fees.

Given that the Fiscal Impact Analysis is likely done before a project has gone through the detailed planning process, it would be a challenge to identify all the projects required to support the development. And, since most of the improvements must be paid for by the developer, they would not need to be included in the Fiscal Impact.

School improvements are also intended to be paid for through impact fees. For recreation and open space, we are about to begin the review process for a new impact fee.

Included Factors:

The current model looks at the following areas of service delivery: Police, Fire, Public Works, Community Services, The Public Library and Education.

For all of the areas except for education, we look at 100% of the net budget of each department. By using 100% of the net budget, we are assuming that all staff and costs go directly to servicing the community. We are assuming no fixed costs.

For education, we have looked at the costs in two ways. We have looked at the marginal costs of the school, which represents about 78% of the total new budget. Because fixed costs can easily be identified in the school budget, our recommendation is that only the marginal costs should be addressed in the fiscal impact analysis.

The idea behind the fixed versus marginal costs is to identify those costs that must be paid for regardless of a new development. For example, the addition of new students does not require a second superintendent.

Assumptions Most Sensitive to Change

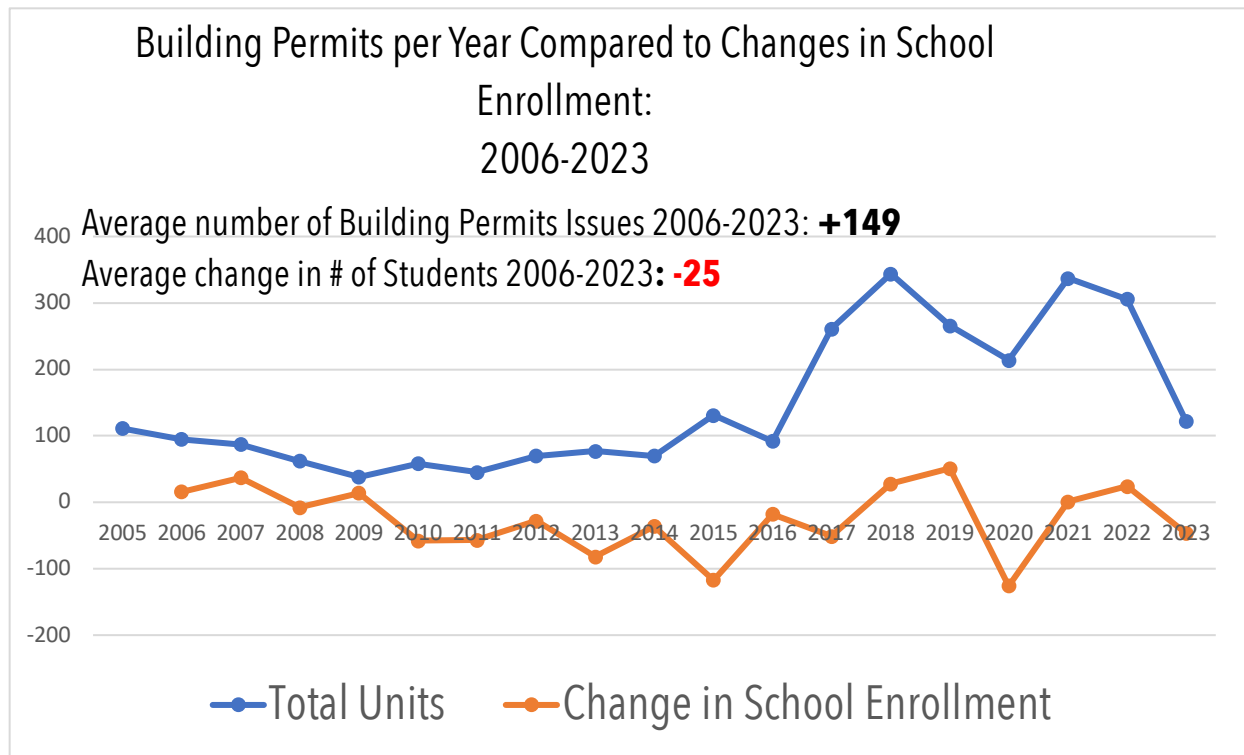
By far, the cost of education is the largest and most sensitive factor in the analysis. Using Marginal costs, each student represents \$14,614. At full costs, each student represents \$18,736.

In addition to the cost per student having a large impact on the cost of a project, how we generate the number of students also impacts the figures.

The relationship between students and housing units would seem to be an easy relationship to track. In Scarborough, there are several factors that make this analysis challenging.

One important item to note is that the cost of education can rise even if the number of students does not increase. It's easy to assume that increasing education costs are all due to new development.

First, let's look at the most basic relationship between new housing units and new students.



This chart shows that, on average, student enrollment was dropping while the number of new units was increasing.

Another factor is the turnover of existing units – the vast majority of which are single family homes. Conventional wisdom says that there is a portion of existing sales that are the baby boomers turning over larger single-family homes to younger families. Census statistics tell us that about 10% of our population is new to Scarborough each year.

Lastly, the type of new units has changed in the last decade or so. We are just beginning to understand the market for Multifamily in Scarborough. Historical information had very few multifamily units to rely on for good information.

We've tried to combat this changing information by asking the school department to help us do research into what has happened at The Downs. They have provided the number of students by type of unit for the past few years, and we have relied upon that info to do much of the work.

Lastly, demographics plays a role as the Scarborough population now has 22.8% of its population aged 65 and older compared to 19.2% of its population under 18. This is the reverse relationship than we had back in 2010.

Explanation of Sharable Revenues

Under our version of The Downs Credit Enhancement Agreement there are two items in revenue streams that are not "Sharable." As part of the state statute, only value created after the TIF is created is eligible to "share" under a credit enhancement agreement. The value that was there before the designation of the TIF is known as the Original Assessed Value (OAV). The taxes owed on the OAV, are still paid by the property owner to the town, but they are not allowed to be reimbursed. In the case of The Downs, there is over \$7 million in Original Value, that remains with the Town and is not subject to the 40% CEA. This value is available to the town to pay for services. So, it is removed in order to calculate the amount due under the CEA, but it is added back in when looking at revenues available to pay for services.

Excise tax generated from an area based on car registrations is also not used in calculating the amount owed under a CEA, therefore excise tax is not "Sharable"

Debt Service

When we use the Marginal Costs of Schools, we are not including debt service. If we use 100% of the school costs, there is some debt service in this full amount. In terms of other capital costs, to some extent, all of those costs have already been committed before a development happens. How much of that debt service should be a part of an allocation to new development is complex. And any impact fees or other fees paid for by the developer that played a part of the calculation of this debt would need to be examined. We have to understand whether or not there is double dipping.

Rationale on Revaluation Periods and Percentage Increases.

The Manager, the Assessor and SEDCO have looked at the numbers and made some conservative approaches to value increases. The Assessor feels highly confident that an estimate of 60% for residential uses and 45 to 50% for commercial uses is warranted based on the data he has analyzed to date. Sales of homes in 2023 from real estate records look closer to 70%, suggesting that we are in the ballpark. The 15% increases in future years are a basic guess – we believe we are on a track to do revaluations every five years, resulting in lower rates of increase. The more frequently we perform the revaluations, the less likely we will see the extreme value swings, except of course, should another event like the pandemic, forcing an unpredictable rise in values.

Police and Fire Level of Service

The current model does not account for changes in level of service for departments. It makes sense that each department may have a trigger that demands an extra officer or extra firefighter. New development cannot pay for current deficits, but if we want to ask departments to specify what their thresholds are, that can easily be added to the model.

Fiscal Impact

The meaning of the Fiscal Impact is the result that you get when you calculate your revenues, subtract CEA obligations and cost to serve. If it is positive, then you have revenues left over to cover other community expenses.

After the CEA

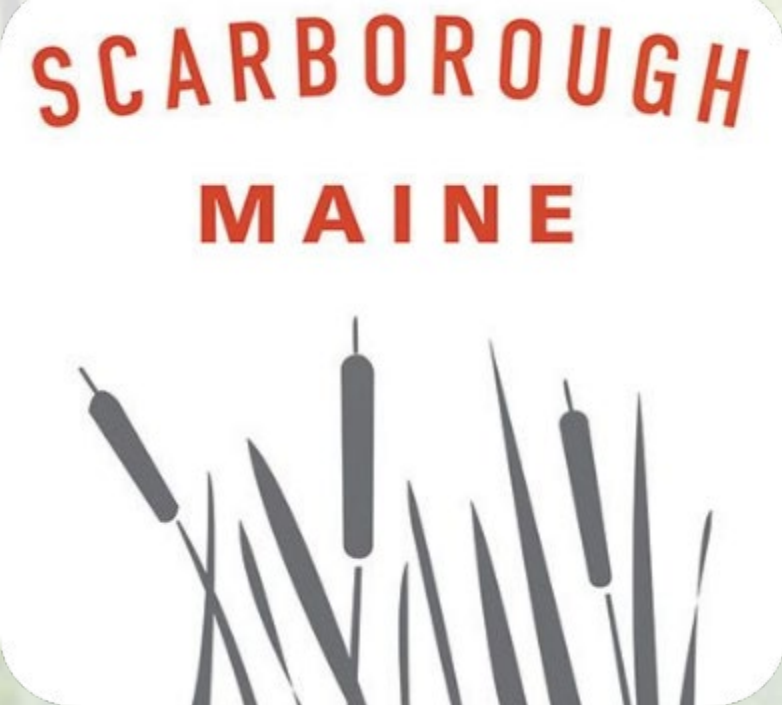
To date, we have used the fiscal analysis on The Downs. We have generally stopped the calculations at the conclusion of the TIF. There is no reason not to go further. With the Downs, the CEA investment drops down to \$2,000,000 per year, so it is easy to see what happen – that \$2 million is added back to the Towns side of the ledger.

Reviews: An Outside Look

Crowd sourcing the concepts can only make the product better. I've asked a few other economic development directors of other towns, particularly those experiencing growth, to review what we've done to critique and make suggestions. We will also ask GPCOG to take a look.

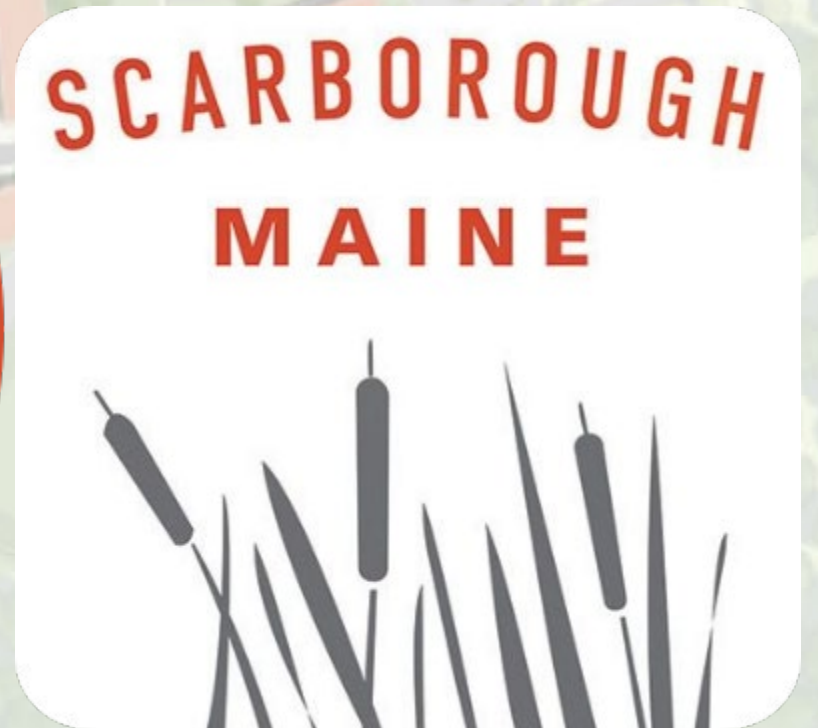
I did asked the state, through DECD, to take a look at fiscal impact, noting that we could use some leadership from the state on analyzing growth. We cannot be the only town working in this arena of trying to understand how growth affects the bottom line.

Updated Fiscal Impact Model (FIM)



Purpose of FIM

- **Tool for Council**
- **Not a bill to developer**
- **Best for large projects**



Costs: Capital Cost Considerations

Infrastructure identified through Planning Process

- Off-site improvements identified
- Method of payment identified
 - Impact fees
 - Developer financed improvements

Some Capital Costs may be identified upfront as barrier to development

- Public/Private deliberation
- Public may participate

**Who,
Where &
When**

Costs: Service Level Changes

Current FIM uses existing service levels

- Assumes project pays for current service level
- Adds a percentage annual increase
- Assumes revenue allocated to departments to purchase the same level of service
- Does NOT anticipate changes in service levels
- Current deficiencies would need to be identified and targets established for thresholds

**Pays for
new
services at
current
levels**

Costs: Education Marginal Costs

Marginal Costs

- Assumes current level of service
- Removes fixed costs that are already budgeted (Central Office, Debt service)
- Represents 78% of total education costs
- Cost per student

**Marginal
cost per
student:
\$14,614**

Costs: Other Factors:

Services Included (100% of Budgets)

- Public Works (mile of roadways)
- Public Safety (Police, Fire EMS)
 - Calls per unit or square feet
- Community Services & Public Library
 - # of people

Pays for new services at current levels

COSTS: Based on Department Budgets

Category	Basis	Factor	30 Year Forecast
Public Works	Per Mile	\$32,918	\$87,753
Police	Per Call/Landuse	\$273	\$724
Fire	Per Call/Landuse	\$1,049	\$2,980
Education- Total	Per Student	\$18,736	\$49,947
Education: less 22% Fixed Costs	Per Student	\$14,614	\$38,959
Community Services	Per Person	\$34	\$91
Library	Per Person	\$53	\$141


Includes 4% annual increase in cost factor

Revenues: Sharable

Revenues generated by Project, but not eligible for CEA

- **Original Assessed Value**
- **Excise Tax**

Added back for Cost to Serve calculation



**Not all
Revenues are
created equal**

2023 Housing Sales

January through December Housing Sales in Scarborough

Category	Single Family	Townhouse	Condo	All Units
# Sold	214	25	44	283
Ave Price	\$742,980	\$610,240	\$572,875	\$704,806
Total # of Bedrooms	725	67	94	886
Ave Number of Bedrooms	3.39	2.68	2.14	3.13
# of Units with 4 or More Bedrooms	91	1	1	93
% of Units with 4 or More Bedrooms	42.5%	4.0%	2.3%	32.9%
Ave Square Feet	2,266	1,798	1,374	2,086
# of New Units (Built 2022-2023)	49	6	13	68
New Units as a % of Total	23%	24%	30%	24%
Ave Price of New Units	\$837,788	\$622,000	\$488,115	\$755,339



Values per Square Feet

Value per Sq Ft	2019	2023	Revaluation # 1 Year 6 FY 25	Revaluation # 2 Year 11 FY 30	Revaluation #3 Year 16 FY 35	Revaluation #4 Year 21 FY 40	Revaluation #5 Year 26 FY 45
Small Retail	\$125	\$130	\$195	\$224	\$258	\$297	\$341
Large Retail	\$100	\$123	\$185	\$212	\$244	\$281	\$323
Restaurants	\$160	\$185	\$278	\$319	\$367	\$422	\$485
All Other Retail & Service (Nursing Homes)	\$150	\$150	\$225	\$259	\$298	\$342	\$394
Recreational Fields/sports facilities	\$75	\$75	\$113	\$129	\$149	\$171	\$197
Office	\$125	\$130	\$195	\$224	\$258	\$297	\$341
Medical Office	\$200	\$220	\$330	\$380	\$436	\$502	\$577
Research/Professional Office/Production	\$100	\$212	\$318	\$366	\$421	\$484	\$556
Production	\$100	\$105	\$158	\$181	\$208	\$240	\$275
Warehouse	\$50	\$70	\$105	\$121	\$139	\$160	\$184
Hotel/Lodging		\$175	\$263	\$302	\$347	\$399	\$459

Based on 50% increase in 2025, 15% increases in remaining Revals

Fiscal Model Inputs: Scenario 1

Residential Revaluations	Valuation Increase Townwide (Residential)	Valuation Increase Project (Residential)	Valuation Increase Townwide (NonResidential)	Valuation Increase Project (NonResidential)
Year 6	60%	60%	50%	45%
Year 11	15%	15%	15%	15%
Year 16	15%	15%	15%	15%
Year 21	15%	15%	15%	15%
Year 26	15%	15%	15%	15%

Net Budget Increases	
Annual Net Budget Increases in Non Revaluation Years	5.00%
Annual Net Budget Increase in Revaluation Years	5.00%
Estimated Townwide value Increase from new development (Including the Project)	1.50%
Annual Department Budgets	4%

Summary of Fiscal Impact

The Downs

DRAFT 3/14/24
To be revised based on
Committee Recommendations



Project Summary	
Residential Units:	
Single Family	462
MF	1,523
Total	1,985
Percent Senior Units	17%
Non Residential:	
Commerical (Retail/Service/Office)	1,163,270
Research/Production	768,245
Total	1,931,515
People	3,636
Students	253

In Year 5 & 30:	Year 5		Year 30	
Revenues Sharable for CEA	\$	2,860,655	\$	28,779,924
Revenues Excise	\$	310,406	\$	2,110,374
Revenues OAV	\$	116,033	\$	96,773
Total Available for Cost to Serve	\$	3,287,094	\$	30,987,070

In Year 30:	Year 5		Year 30	
Municipal Costs	\$	492,010	\$	4,777,276
School Costs	\$	686,858	\$	9,863,842
CEA:	\$	1,144,262	\$	2,000,000
Total Cost to Serve + CEA	\$	2,323,129	\$	16,641,118

Assumptions:	
CEA:	40%/10%/\$2 Mil
Length of CEA	
OAV	\$ 7,265,700
Reval Increase 2025-Residential	60%
Reval Increase 2025-NonResidential	50%
Future Reval Increases (All Uses)	15%
Annual Budget Increases	5.00%
Annual Townwide Increase in Value	1.50%
Annual Increase in Department Budget	4%

Fiscal Impact Year 5:	\$ 963,964
Fiscal Impact Year 7:	\$ 1,569,475
Fiscal Impact Year 15:	\$ 3,976,263
Fiscal Impact Year 20:	\$ 10,436,283
Fiscal Impact Year 30:	\$ 14,345,952

Property Tax Rates	
2020	\$14.70
2025	\$10.33
2030	\$10.64
2035	\$10.96
2040	\$11.29
2045	\$11.63
2049	\$13.32

Characteristics of The Downs

- Mixed Use
- 31 to 40% nonresidential value (depending on year)
- 17% Seniors
- Total Revenues committed to Downs over Life of Project
- 18% to pay for major infrastructure
- 10% Reimbursement triggered in Year 18
- \$2,000,000 cap triggered in Year 20



Impact Fees

Finance Committee

March 14, 2024



Impact Fee Background

- ▶ State Statute 4354 Impact Fees (1987) authorizes municipality's to require construction of off-site capital improvements or the payment of impact fees instead
- ▶ Applicable Infrastructure Facilities May Include:
 - ▶ Wastewater collection and treatment facilities
 - ▶ Municipal water facilities
 - ▶ Solid waste facilities
 - ▶ Public safety equipment and facilities
 - ▶ Roads and traffic control devices
 - ▶ Parks & other open space or recreational areas, and
 - ▶ School facilities



Impact Fee Background – Town

- Scarborough began imposing impact fees on development in 1990 with traffic/roadway improvement fees that applied to the Payne Road corridor, which was part of a PACTS Regional approach to the corridor
- Additional traffic impact fees have been added over the last 30 years
- School Impact Fee added in 2002
- Many existing fees are outdated, or soon will be, as the improvements contemplated as the basis for the fee will be completed



Existing Impact Fee Ordinances



- Chapter 415 Impact Fee Ordinance (2002, 2020)
 - Chapter 1 - General Provisions
 - Chapter 2 - School Impact Fees
- Chapter 415 A – Dunstan Corner Capital Improvement District (2006, 2011)
- Chapter 415 B – Haigis Parkway / Route One Capital Improvement District (2011)
- Chapter 410 Roadway Impact Fee Ordinance: Payne Road Area Capital Improvement District (1990, 2017)



Proposed Amendments

- Chapter 415 – Impact Fee Ordinance
 - Section 1 - General Provisions - [Combined from all](#)
 - Section 2 – School Impact Fees
 - Section 3 – [NEW Recreation Impact Fees](#)
 - Section 4 - [Reserved for Open Space](#)
 - Section 5 - Roadway Impact Fees –
 - General Roadway Impact Fee Standards
 - Dunstan Corner District ([MOVED](#))
 - Haigis parkway / Route One District ([MOVED](#))
 - Payne Road Area Districts ([MOVED](#))
 - [NEW](#) Payne Road and Ginn Road
 - [NEW](#) Payne Road and Nonesuch River
- Repeal Chapter 415 A – Dunstan Corner Capital Improvement District
- Repeal Chapter 415 B – Haigis Parkway / Route One Capital Improvement District
- Repeal Chapter 410 Roadway Impact Fee Ordinance: Payne Road Area Capital Improvement District



Recreation Impact Fees: Total Amount

- Existing population (ACS 2021 Data) – 21,539
- Assumptions:
 - 10 years of permits – 2,610
- Parks and Facilities Master Plan 10 Year time frame – **\$10,859,900**
 - **New - \$5,262,700.00**
 - **Expansion – \$526,500.00**
 - **Replacement – \$5,070,700.00**
 - Maintenance – Not included \$4,358,600
 - 25% Contingency – Not Included 3.8 Million (Accelerator Clause Anticipated)
- 20% of Total Cost Assigned to New - **\$2,171,980**



Recreation Impact Fee: Fee per Bedroom

Parks and Facilities Master Plan Applicable Cost: \$10,859,900

- New Projects: \$5,262,700
- Expansion Projects: \$526,500
- Replacement Projects: \$5,070,700

Percentage of Total Cost Assigned to New Development: 20% - \$2,171,980

- Total Units Per Year (10 years) – 2,610
- Total Bedrooms Per Year (10 years) (assumes 3 br and under) – 5,330
- Total Cost Per Bedroom (10 Years) - \$408
- Total Persons per Year (10 Years) – 5,234
- Total Cost Per Person (10 Years) - \$415

Recreation Impact Fee: \$400 per bedroom

- **Total Captured (10 years): \$2,132,000**

Traffic Impact Fees

Payne Road and Ginn Road Intersection

- New separate impact fee created

Payne Road and Nonesuch River Crossing

- New separate impact fee created

Future Impact Fee Considerations

- Payne Road at Gorham Rd Improvements (Design complete 2025)
- Payne Road at Cummings (replacing Payne Rd District 2)
- Transportation Master Plan implementation projects to be determined from Town-wide Transportation Study



Payne Road Corridor Traffic Impact Fee

Signalized Intersection Payne/Ginn Rd

Design Completed
(By Developer)

Widen Payne Rd at Nonesuch River Crossing

Design Needed

Improvements at Payne/Gorham Rd

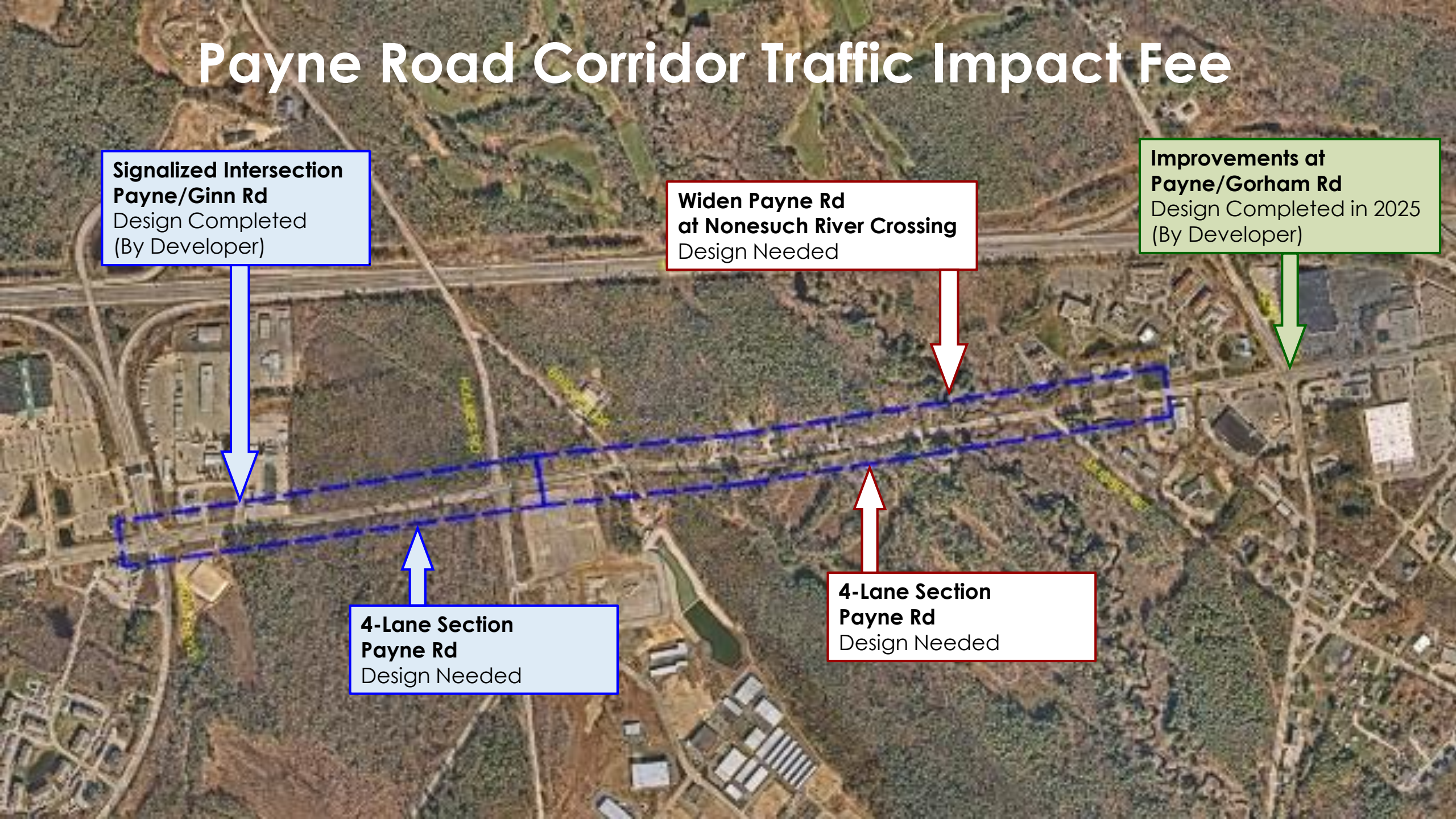
Design Completed in 2025
(By Developer)

4-Lane Section Payne Rd

Design Needed

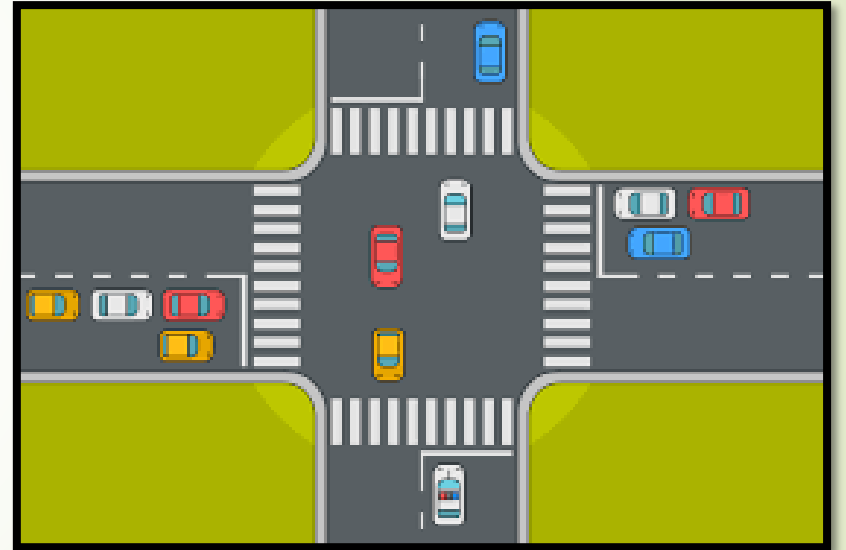
4-Lane Section Payne Rd

Design Needed



Methodology – Traffic Impact Fees

- Model existing traffic volumes and existing capacity thresholds of the roadways or intersections.
- Factor in growth rates acceptable to Maine Department of Transportation to determine the improvements needed in the next 10 years for anticipated volumes
- Rerun model factoring in proposed improvements to determine the additional capacity
- Based on the design and construction estimates, a per trip fee is determined





Traffic Impact Fees

➤ Payne / Ginn District:

- ✓ Total Project Cost (2035): \$9,832,897.98
- ✓ Per Trip Fee: \$5,567.89

➤ Payne / Nonesuch River District

- ✓ Total Project Cost (2035): \$23,913,345.73
- ✓ Per Trip Fee: \$7,166.12

* Assumes 5% increase in construction costs (on low end)



Next Steps - July 1 Implementation

- 
- Transportation Committee Review – March 26, 2024
 - Legal Review - Ongoing
 - Engage Development Community – SEDCO – March 21
 - Finance Committee Review – April ??
 - Town Council First Reading – May 15
 - Town Council Public Hearing - June 5
 - Town Council Second Reading – June 26



Questions and Discussion