

## Section V.N.

### Fiscal Capacity

## I. Tax Base

<b>Islesboro Tax Base, 2017</b>		
<b>Residential</b>	\$301,402,700	79.6%
<b>Vacant land (taxable only)</b>	\$63,895,900	16.9%
<b>Commercial</b>	\$13,235,600	3.5%
<b>Total taxable real estate</b>	\$378,534,200	
<b>Source: Islesboro Assessor, August 2017</b>		

The Islesboro tax base is comprised almost exclusively of residential properties. Commercial uses make up only 2% of the tax base. Undeveloped taxed land may be developed as residential, commercial, or industrial under existing regulations.

<b>Islesboro Untaxed Property Values, 2017</b>		
<b>Tree Growth</b>	\$2,421,052	7.8%
<b>Conservation/Open Space</b>	\$10,007,300	32.4%
<b>Resident Owner's Exempt</b>	3,472,000	11.3%
<b>Other exempt property</b>	\$14,943,000	48.5%
<b>Total Untaxed Property</b>	\$30,843,352	100%
<b>Source: Islesboro Assessor, August 2017</b>		

A number of properties are untaxed including land and property owned by the state and Town, churches, as well as land in the state Tree Growth and Open Space programs and conservation lands.

In 2017 there are 17 parcels of land and a total of 430 acres in the Tree Growth Program. There are 44 parcels in the totaling 569 acres in the Open Space Program.<sup>1</sup> No acres have been withdrawn from these programs since 2001.

<sup>1</sup> Islesboro Assessor, August 2017.

The Islesboro mil rate has fluctuated between 2009 and 2018 with the highest in 2018 and the lowest in 2010. The mil rate has increased 32% between FY 2009 and FY 2008, the overall Town budget has increased by 35% during that same time period.<sup>2</sup>

## II. Expenditures

It has been noted that the Town has been the fortunate recipient of many generous donors who have provided financial support for numerous projects that have been identified by townspeople or organizations. These include Friends of the Library, Friends of the Lighthouse, and Friends of the Community Center. Leadership gifts from seasonal residents, together with support from year-round residents, have funded numerous projects.

- FO  
ET The Islesboro Central School (K – 12) was originally a summer cottage donated to the Town. It is was renovated at a cost of \$8,000,000, half of which was funded by private donations and half by a bond approved by voters.
- FO  
ET The Islesboro Community Center was completed at a will cost of approximately \$4,000,000, all private monies. The yearly operating costs are covered by class fees, grants, voluntary annual contributions and fundraising.
- FO  
ET The Boardman Cottage (a senior facility serving 8 residents) was another private effort which cost just under \$1,000,000. The Beacon Project raises between \$60,000 and \$80,000 a year through an annual appeal and fundraising in order to make up the difference between actual expenses and money paid by Medicare and private pay residents.
- FO  
ET Islesboro Island Trust raises roughly \$200,000 - \$300,000 annually, enabling it to preserve open space, educate adults and children about the value of island ecosystems, and serve as an environmental advocate on behalf of Islesboro.

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<sup>2</sup> Friends of Midcoast Maine conversation with Town Manager 11/13/2008.

**FO**  
**ET** Islesboro Affordable Property raises approximately \$125,000 with the goal of helping provide affordable housing.

Numerous other organizations solicit contributions to help make our community a more enjoyable place to live. The Friends of the Library provide books, DVD's, furniture, etc. The Baptist Sewing Circle uses money from items it makes to support numerous community organizations. The Society for the Preservation of the Free Will Baptist Church is the home of a summer concert series and the Islesboro Forum which has weekly speakers in the summer. The Islesboro Historical Society has a museum, provides programs and gallery space for artists. Big Tree Boating provides a sailing program for children and adults. Pripet Riding Program provides horseback riding lessons. The list goes on and on – the Friends of the Fire Department, the Islesboro Ambulance Association, the Islesboro Sporting Club, the Community Fund, etc.

Without the outstanding generosity of many people who contribute to all of the above, this would be a less appealing community. The value of this support is very significant and is a reason why tax increases have not been higher.

### **III. Capital Investments and Long Term Investments**

Most capital items are funded through reserve accounts established for specific purposes. In general, the Town only bonds when the reserve accounts are not adequate for the project. The ten year bond approved for the land fill had no effect on taxes until the last two years because revenues from the landfill offset these costs.

In FY 2018 the Town had total outstanding debt of \$7,030,000. The debt is broken down as follows: School Renovation Project: \$2,880,000; Dark Harbor Wastewater Outfall Pipe: \$350,000; and Islesboro Municipal Broadband: \$3,800,000.

#### IV. LD Limits

The state (LD 1) limits the amount of tax increases allowed by municipalities (and other levels of government) in order to “increase the state share of education costs, reduce property taxes and reduce government spending at all levels.”<sup>3</sup> The Municipal Property Tax Levy Limit is calculated annually and is based on *local* property development within the municipality and *statewide* average personal income growth. It limits the amount of money that municipalities can raise through property taxes for municipal operations. It does not apply to property taxes raised for school or county taxes.

In the four years since the implementation of “LD1”, the Town of Islesboro has *increased* the Municipal Property Tax Levy Limit twice, by \$140,000 to \$150,000.<sup>4</sup> The reason for this was to provide sufficient funding for appropriations approved by the voters at Town Meeting. The Municipal Property Tax Levy Limit may only be *exceeded* for extraordinary circumstances outside the control of the municipal legislative body (an act of terrorism or a natural disaster would be an extraordinary circumstance). Islesboro has never *exceeded* the limit.

#### V. Issues and Implications

1. Islesboro’s property values have increased while the property tax rate has remained relatively stable (2008 is lower than 1996), providing increasing revenue for municipal expenditures.
2. Title 36, Maine Statutes, which establishes special property tax rates for forest land, agricultural land and open space meeting state specifications, says in part, “... It is in the public interest to encourage the preservation of farmland and open space land in order to... conserve the State's natural resources and to provide for the welfare and happiness of the inhabitants of the State.” Islesboro has seen an increase in the number and acreage of parcels that are participating in these current use and conservation taxation

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<sup>3</sup> LD 1 text.

<sup>4</sup> Friends of Midcoast Maine discussion with Town Manager, 11/13/2008.

programs, even as the Town's total property valuation has increased. Is the community satisfied that the impact of this trend on the Town's total property assessment is offset by the environmental benefits?

3. The ratio of the Town assessed value for property compared to its actual market value when sold has fallen well below the state's recommended minimum. Is the difference between the assessed value used to compute property taxes, and the price of property when actually sold, its market value, greater for one type of property than for another? For example, is the assessment to sale ratio greater for shorefront than for upland properties? Does this mean that property taxes are not distributed equitably among land owners as property tax laws intend? The Islesboro Assessor updates the assessed values of properties on a regular basis. However, if this regular updating process is falling behind changes in actual market values, should Islesboro undertake a more aggressive revaluation process?