

Fiscal Capacity

Outstanding Questions/Comments:

- Update the Revenues Section on pages 2-3 with updated Fiscal Year 2024 information.

Highlights:

- Freeport generated a total revenue of \$34,139,926 in Fiscal Year 2023. Like most towns in Maine, a majority of this revenue was generated through property taxes.
- Freeport's revenue has increased in small increments each fiscal year between Fiscal years 2019-2023.
- In Fiscal Year 2023 the Town of Freeport committed and collected \$2,747,220 in real estate and personal property tax revenue from L.L. Bean, Inc. This commitment represents approximately 9.27% of total taxable valuation for the town. L.L. Bean, Inc. typically represents about 7%-10% of Freeport's total taxable valuation. Freeport's expenditures in Fiscal Year 2023 were \$33,530,586. Education is the most significant town expense, making up 61% of the total. Public safety is the next highest expense, at 10%.
- According to the FY 2023 Annual Financial Report, Freeport's state valuation was \$2,307,000,000. Freeport's valuation has increased 32% since FY 2019.
- Freeport's mil rate increased about 3% in the past 2 years, from \$13.35 in FY2022 to \$13.75 in FY 2024. Previously, the mil rate was at a high of \$14.30 in FY 2020.
- Freeport currently has several Credit Enhancement Agreements under TIF Districts. For FY 2023, the Town rebated real estate property taxes totaling \$1,281,542 through these credit enhancement agreements to support community priorities

Introduction

This chapter evaluates Freeport’s financial capacity and ability to fund long term capital expenditures. The financial capacity of the town will inform the town’s ability to carry out the actions identified in the Comprehensive Plan. Freeport operates on a fiscal year cycle, which starts July 1 and ends June 30 each year.

Revenues

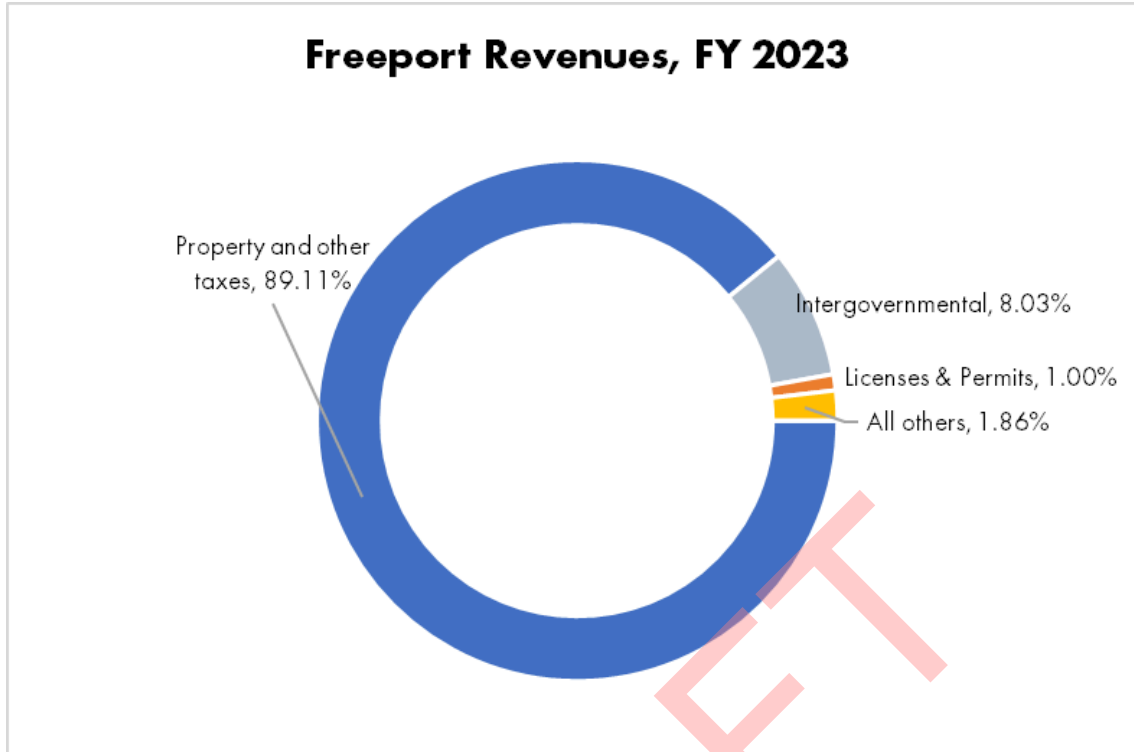
Freeport generated a total revenue of \$34,139,926 in Fiscal Year (FY) 2023. Like most towns in Maine, a majority of this revenue was generated through property taxes.

In FY 2023, the largest shares of Freeport’s revenue were property tax (89%), intergovernmental (8%), and licenses and permits (1%). All other revenue types comprised less than 1% of the total. Total revenues have increased by about 14% since FY 2019, with the largest increases coming from intergovernmental payments and property taxes, as well as Freeport’s unclassified revenues.

Revenue Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Taxes	\$26,965,361	\$27,677,953	\$28,557,158	\$29,449,598	\$30,423,701	\$32,197,486
Intergovernmental	\$1,968,804	\$1,906,484	2,158,187	\$2,351,790	\$2,741,488	
Licenses and permits	\$363,051	\$339,538	\$492,954	\$355,686	\$342,312	
Fees and Fines	\$61,264	\$46,895	\$9,196	\$28,063	\$12,897	
Charges for services	\$261,397	\$309,665	\$300,371	\$282,855	\$279,225	
Investment earnings	\$232,507	\$153,625	\$15,984	\$25,299	\$170,947	
Unclassified	\$67,918	\$42,210	52,082	\$91,345	\$169,356	
Total Revenues	\$29,920,302	\$30,476,370	\$31,585,932	\$32,584,636	\$34,139,926	\$37,731,186

Sources: Town of Freeport Annual Financial Report FY 2024, 2023, FY 2022, FY 2021, FY 2020, and FY 2019.

Note: Fiscal Year runs July 1 - June 30 (ex. Fiscal Year 2024 is July 1, 2023 - June 30 2024)



For the fiscal year ending June 30, 2023 (FY 2023), the Town of Freeport committed and collected \$2,747,220 in real estate and personal property tax revenue from L.L. Bean, Inc. This commitment represents approximately 9.27% of total taxable valuation for the town. L.L. Bean, Inc. typically represents about 7%-10% of Freeport's total taxable valuation.¹

Expenditures

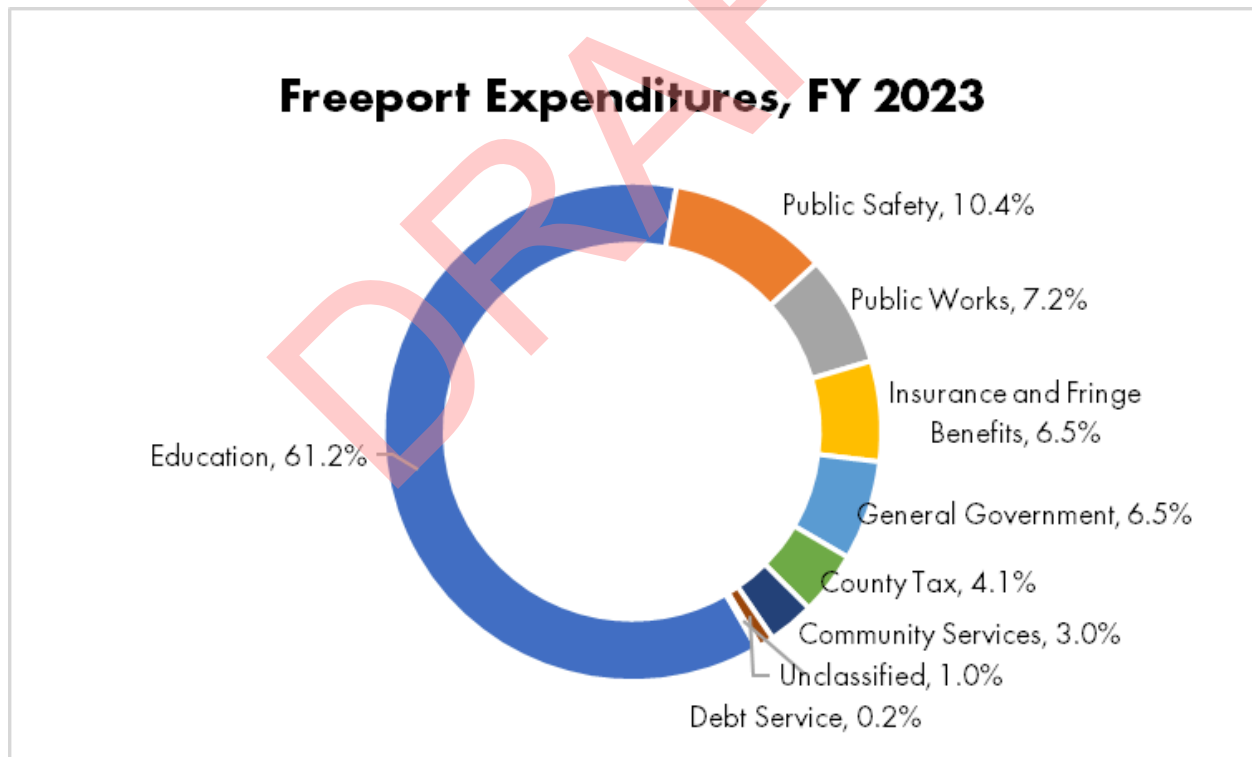
Freeport's expenditures in FY 2023 were \$33,530,586. Education is the most significant town expense, making up 61% of the total. Public safety is the next highest expense, at 10%. Expenditures have increased about 16% since FY 2019. Most expenses have increased between 20%-30% during that time, apart from Public Works, which only increased 7%, and Education (13%). Debt service has decreased by about half since FY 2019.

In FY 2023, expenditures exceeded appropriations in several town departments. The highest were General Assistance (+\$206,132) and the Fire Department (+\$219,789.).

¹ Freeport Annual Financial Report, FY 2023.

Expenditures	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Government	\$1,720,438	\$1,821,296	\$1,817,246	\$1,890,137	\$2,165,317
Public Works	\$2,258,013	\$2,306,746	\$2,239,669	\$2,143,859	\$2,414,727
Public Safety	\$2,802,624	\$2,901,208	\$2,969,312	\$3,147,346	\$3,476,111
Community Services	\$779,422	\$756,599	\$729,625	\$786,179	\$1,006,835
Education	\$18,133,850	\$18,580,496	\$19,125,015	\$19,919,982	\$20,513,344
Insurance and Fringe Benefits	\$1,711,716	\$1,802,802	\$1,831,775	\$1,901,944	\$2,180,530
County Tax	\$1,109,052	\$1,192,404	\$1,321,552	\$1,368,958	\$1,374,422
Unclassified	\$248,098	\$247,992	\$318,120	\$284,649	\$328,619
Debt Service	\$141,827	\$106,923	\$98,363	\$38,269	\$70,681
Total Expenditures	\$28,905,040	\$29,716,466	\$30,450,677	\$31,481,323	\$33,530,586

Sources: Town of Freeport Annual Financial Report FY 2023, FY 2022, FY 2021, FY 2020, and FY 2019.



Real Estate Valuation

The state valuation is a basis for the allocation of money appropriated for state general purpose aid for education, state revenue sharing, and for county assessments. According to the FY 2023 Annual Financial Report, Freeport's state valuation was \$2,307,000,000. Freeport's valuation has increased 32% since FY 2019.

Fiscal Year	Valuation
2019	\$1,739,650,000
2020	\$1,863,700,000
2021	\$2,006,100,000
2022	\$2,060,250,000
2023	\$2,307,000,000

Sources: Town of Freeport Annual Financial Report FY 2023, FY 2022, FY 2021, FY 2020, and FY 2019.

Local Property Mil Tax Rate

The Mil Rate is the amount of tax due per \$1,000 of property value. This number is set annually by dividing the total amount of property taxes that must be collected to meet the approved budget by the total local property valuation.

The table below shows the mil rate for the past five fiscal years. Freeport's mil rate increased about 3% in the past 2 years, from \$13.35 in FY2022 to \$13.75 in FY 2024. Previously, the mil rate was at a high of \$14.30 in FY 2020.

Fiscal Year	Mil Rate
2020	\$14.30
2021	\$14.00
2022	\$13.35
2023	\$13.65
2024	\$13.75

Sources: Town of Freeport Annual Financial Report FY 2024, FY 2023, FY 2022, FY 2021, and FY 2020.

Municipal Debt

In FY 2023, Freeport’s outstanding debt was \$5,064,798. Freeport’s municipal debt has increased by about 10% overall in the past 5 fiscal years, fluctuating each year. The largest sources of debt in FY 2023 were leases, post-employment benefits, and net pension liability. The town incurred a lease payable in FY 2023 of \$1,446,939 with Freeport Community Services for long-term use of their office and storage space. The General Obligation Bonds include FY 2021 funds for a bike/pedestrian bridge.

The town has been steadily paying off its debt related to landfill closure and will continue to pay it off over the next 24 years.

Municipal Debt 2018-2023	2019	2020	2021	2022	2023
General Obligation Bonds	\$1,425,000	\$950,000	\$480,000	\$849,000	\$570,600
Leases	\$0	\$0	\$0	\$0	\$1,394,879
Compensated Absences	\$457,340	\$522,543	\$483,316	\$478,122	\$554,187
Other Post-Employment Benefits	\$1,082,041	\$892,709	\$976,860	\$1,079,012	\$1,015,098
Net Pension Liability	\$1,486,235	\$1,678,897	\$2,076,449	-\$170,576	\$1,448,034
Landfill closure and post-closure care costs	\$139,000	\$123,000	\$107,000	\$91,000	\$82,000
Total Debt	\$4,589,616	\$4,167,149	\$4,123,625	\$2,326,558	\$5,064,798

Sources: Town of Freeport Annual Financial Report FY 2023, FY 2022, FY 2021, FY 2020, and FY 2019.

The state statute limits the amount of general obligation debt a municipality may issue to 7.5% of its total state-assessed valuation. This does not include school, storm or sanitary sewer, or energy facilities debt. The current debt limit for Freeport is \$346 million, which is considerably more than the Town’s outstanding general obligation debt. The Town has sufficient borrowing capacity should additional funds for capital investments be needed.

Tax Increment Financing (TIF) Districts

Tax Increment Financing (TIF) is a program for economic development that is available to all Maine local governments. A geographical area is designated, and some or all of the taxes generated from an increased valuation from the original valuation of the parcel(s) (the 'increment) at the time of the TIF generation can be allocated to the TIF funds for TIF-designated uses. In Freeport, the money is usually used to finance the project and facilitate economic development in the form of infrastructure improvements that benefit the town as a whole.

Freeport currently has several Credit Enhancement Agreements under TIF Districts. For FY 2023, the Town rebated real estate property taxes totaling \$1,281,542 through these credit enhancement agreements to support community priorities:

- TIF II Destination Freeport to support 500 downtown public parking spaces free of charge
 - Public Benefit: Fund parking garage, street and sidewalk improvements in the downtown area.
- TIF IV Housing to support Freeport Housing Trust's (FHT) supply of downtown affordable housing
 - Public Benefit: Support affordable housing projects.
- TIF VII Concord Gully to support environmental mitigation of stormwater and a high-priority trail network.
 - Public Benefit: Supports the improvement of the Concord Gully Brook Watershed and funded a trail network.
- TIF VIII Quarry Ridge to support FHT's supply of downtown affordable housing
 - Public Benefit: Support affordable housing projects.

In addition to the public benefits achieved through the CEAs referenced above, the Destination Freeport TIF also generated an additional \$273,000 during the same fiscal year that was used for economic development programming and services. The town had two previous TIFs that supported street and sidewalk improvements: the Park Street TIF (expired 2010) and the Destination Freeport TIF (expired 2019.)

Capital and Long-Term Improvements

A capital improvement program identifies projected capital expenditures for improvements to roads, buildings, equipment and other Town infrastructure that will be needed to support Town services over the next few years. The capital improvement program provides the basis for residents and town officials to discuss major issues and the options available for dealing with them. Capital investments can be funded through borrowing, but are most often funded through level funding, reserve funds, and grant monies

Freeport’s proposed capital improvement plan for 2024-2028 approved funding for various purchases and improvements across town departments, including: harbormaster boat for the police, rescue equipment, truck and forklift replacements for public works, Electric Vehicle chargers, wayfinding signs, road reconstruction and rehabilitation, town computer upgrades, cable equipment replacement, the comprehensive plan update, and village sidewalk improvements. The approved funds and funding source are listed in the table below.

Capital Project Area	Approved Funds	Funding Source
Police	\$350,000	reserve
Fire	\$35,000	reserve
Rescue	\$466,000	reserve
Public Works	\$336,000	reserve
Solid Waste	\$55,000	reserve
Comprehensive Town Improvements	\$1,110,000	reserve
Municipal Facilities	\$657,000	reserve
Cable	\$29,000	reserve
Other	\$40,000	reserve
Destination Freeport TIF Village Improvements	\$324,000	TIF

Source: Freeport Proposed Capital Improvements Program, FY 2024-FY2028 (Adopted 4/25/2023)

Regional Coordination

Freeport continues to look toward shared delivery of services when available. The town is a member community of ecomaine, which provides waste handling and recycling services to Freeport. Freeport recently collaborated with the town of Yarmouth to hire a joint Sustainability Coordinator to assist with the creation of both towns’ Climate Action Plans and advance each towns’ climate action goals.

Fiscal and Economic Challenges

Freeport has a vibrant downtown, many thriving businesses, and residential growth outside the downtown, all of which support its tax base. Freeport's downtown storefront vacancy rate remains relatively low, though it has been impacted by changes to the retail economy at large. The town continues to monitor strategies to boost storefront traffic and support the downtown economy.

The town also continues to monitor revenues from the State of Maine such as revenue sharing, road assistance, and homestead exemption to ensure that expenditures do not outpace these revenues in future years.

DRAFT