

J. FISCAL CAPACITY

The goal of this section, as with the Public Facilities section, is to plan for, finance, and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development, without placing an enormous burden on the town's taxpayers.

The primary funding source for municipal government is property tax revenue. In order to maintain a consistent mil rate year to year, town government must operate in a manner that is fiscally responsible. Although the priorities of the town may change from one election year to another, stable municipal finances are always a fundamental responsibility of town government. Yearly expenditures must be anticipated while also planning for long-term objectives. As with any business, the physical assets of Addison must be properly maintained through capital reserve accounts to protect the town's continued economic health.

VALUATIONS

According to town reports, Addison's total real and personal property valuation was \$65,446,500.00 in 1997 and had risen to \$68,534,500.00 in 2002, an increase of 4.7 percent.

Table J-1 MUNICIPAL VALUATION & TAX RATES, ADDISON

Year	Amount	Tax Rate	Tax Commitment
1997	\$ 65,446,500.00	\$ 0.0128	\$ 837,715.00
1998	\$ 65,291,600.00	\$ 0.0140	\$ 919,471.00
1999	\$ 53,042,100.00	\$ 0.0171	\$ 909,142.00
2000	\$ 53,484,200.00	\$ 0.0165	\$ 883,559.00
2001	\$ 54,500,800.00	\$ 0.0165	\$ 900,353.00
2002	\$ 68,534,500.00	\$ 0.0154	\$ 1,055,431.00
Source: Addison Town Reports			

The state also places a total valuation on the town known as the State Valuation. Every year the Maine Revenue Services Property Tax Division reviews all arms length sales that have occurred in each community¹ and compares these sales to the local assessed values to determine the percentage of market value that the town is assessing. The state's valuation is used to determine the amount of revenue sharing the town will receive and the portion of the county tax that the municipality will pay.

¹ An arms length sale is a sale that occurs between a willing seller and a willing buyer without any extenuating circumstances. Examples of non-arms length sales could be estate sales, interfamily transfers, foreclosure sales and auctions.

The assessor's records indicate that the town conducted a total town-wide revaluation (on structures only) in 1993. The town's current state certified assessment ratio is 100% of market value. The state indicates that a town should be revalued at least once in every 10-year period. However, they also indicate that a revaluation must be performed when the assessment ratio falls below 70% of market value. Addison is currently conducting a revaluation.

MIL RATE

After the town's budget has been approved and all applicable state and local revenues are deducted from the approved expenditures, the town arrives at the dollar amount that will be raised through tax revenues. This amount is called the net commitment or appropriation. The local assessor arrives at a valuation for each taxable property in the town and the taxpayers are assessed their share of the tax burden through a mathematical calculation. The total appropriation is then divided by the total taxable or assessed valuation of the town to arrive at the minimum tax rate. This rate is usually expressed in dollars per thousand-dollars of valuation, or in decimal form, commonly referred to as the mil rate. Since the mil rate is a direct result of a mathematical calculation, fluctuations in this rate will occur from year to year if there is a change in the total valuation or the tax commitment. The mil rate in 1997 was \$12.80 and in 2002 was \$15.40 per assessed \$1000.00.

The Maine Municipal Association (MMA) ranked local property tax burden in 1999 for all Maine municipalities. Their calculation considered municipal full value mil rate, commitment, median household income, median home value and property tax. The table below shows selected municipalities in Washington County, as well as the countywide average. A rank of 1 was the highest burden and 486 being the lowest. Addison was listed as number 119.

Table J-2 Tax Burden Rankings

Municipality	Tax Paid as % of Median Income	1999 Burden Rank
Lubec	6.61	15
Harrington	6.59	16
Eastport	6.56	17
Machias	5.78	35
Steuben	4.87	69
Jonesport	4.77	73
Milbridge	4.57	96
Addison	4.33	119
Columbia Falls	4.2	131
Calais	4.03	151
Cherryfield	3.66	202
Columbia	3.61	210
East Machias	3.34	259
Jonesboro	2.72	350
Beddington	1.32	468
Centerville	1.18	472
Deblois	0.89	479
Washington County Average	3.44	253

Source: Maine Municipal Association 1999

Taxes as a per cent of income have increased slightly in the past decade; when the 1993 Comprehensive Plan was written they were 4.1 per cent of income, higher than in the surrounding towns.

MUNICIPAL REVENUES AND EXPENDITURES

Revenue

In addition to the primary revenue source of the property tax, other sources of revenue include excise taxes and various sources of state funding such as highway block grants and state revenue sharing. These and other revenue sources are summarized in Table J-4.

Since the state school subsidies are granted to S.A.D. 37, only a small portion of state education monies are shown in Table J-4. They do, however, reduce the amount of money that must be raised through local taxes to cover the cost of education. Federal revenue sharing, another funding source that used to supplement local revenue was eliminated in the late 1980s. As state revenues have declined, there has been a decrease in state revenue sharing funds to Addison. Therefore, there has been increased reliance on local sources of revenue to continue to fund the cost of town government.

Addison attempts to anticipate future capital expenditures by setting aside 'reserves' for future use. Current (as of 1/31/03) reserve accounts are

Endowments (cemetery) 778

The table below shows the major sources of municipal revenue for calendar years 1998 through 2003. Intergovernmental revenues consist of road maintenance funds and state park, tree-growth, veteran and homestead reimbursements. Departmental revenues are those dollars that are received through departmental user fees, photocopy charges, planning board application fees, vehicle registrations, etc. Local revenues consist of: general assistance funds, insurance dividends, sale of town property, cemetery funds, USCG water rights agreements, shellfish license fees, and interest on investment.

Table J-4 Town of Addison Revenues 1998-2003

	1998	1999	2000	2001	2002
Property Taxes*	899,265 79%	977,400 78%	929,875 75%	935,763 69%	1,101,877 75%
Excise Taxes	112,482 10%	138,239 11%	146,220 12%	158,073 12%	180,566 12%
State Revenue	58,503 5%	72,394 6%	86,688 7%	84,219 6%	83,252 6%
State Road					24,176

Assistance	23,580 2%	23,580 2%	25,016 2%	29,240 2%	29,240 2%
Interest	10,533 1%	23,705 2%	27,311 2%	31,749 2%	20,313 1%
Other Receipts	33,802 3%	16,401 1%	20,820 2%	115,586 9%	60,339 4%
TOTAL	\$1,138,166	\$1,251,720	\$1,235,931	\$1,354,631	\$1,470,524

Source: Addison Town Reports

Expenditures

Town expenditure trends are summarized in Table J-5. Overall, spending increased from \$1,144,295 in 1998 to \$1,486,097 in 2003, an increase of 30 percent, which is much more than the 4.7 percent increase in valuation. Education had the most rapid increase of any major expenditure category with an increase of 52%, from \$628,625 in 1998 to \$956,933 in 2003. This dramatic jump is found consistently across the state, but is particularly more pronounced in coastal communities like Addison where valuations have increased, and the state's contribution to education has declined as a result. In 2003, approximately 64 percent of total expenditures went to education as compared to 55 percent in 1998.

The table below illustrates the amount of money expended for each of the major departments within the town of Addison for calendar years 1998 through 2003. The annual costs of general government, protection, health and sanitation, highways and special assessments fluctuated but remained at a fairly consistent percentage of town expenditures. Expenditures in all areas rose over the period except for health and sanitation and the category of unclassified and charities.

It is difficult to predict municipal expenditures for the next ten years. Demands for services, county assessments, valuation, population, and many other factors all enter the very political process of determining expenditures every year. How the state responds to the call for reform of the revenue sharing formula for school expenditures could also have a dramatic affect on the town's budget.

Table J-5 Town of Addison Expenditures 1999-2002

	1998	1999	2000	2001	2002	2003
General Govt.	97,949	104,024	121,610	109,413	118,852	122,360
	8.6%	8.5%	10.3%	8.8%	8.1%	8.2%
Protection	31,683	107,434	20,575	24,780	53,267	43,770
	2.8%	8.7%	1.7%	2.0%	3.6%	2.9%
Health/Sanitation	53,421	37,455	43,611	42,208	48,826	37,409
	4.7%	3.0%	3.7%	3.4%	3.3%	2.5%
Highways	154,642	161,307	148,873	213,040	256,239	169,998
	13.5%	13.1%	12.7%	17.1%	17.4%	11.4%
Education	628,625	676,620	702,372	702,302	843,180	956,933
	54.9%	55.0%	59.7%	56.3%	57.4%	64.4%
Special Assessments (County Tax & Overlay)	99,638	94,727	102,340	97,692	107,048	114,996
	8.7%	7.7%	8.7%	7.8%	7.3%	7.7%
Unclassified & Charities	78,337	47,711	37,000	57,906	42,519	40,631
	6.8%	3.9%	3.1%	4.6%	2.9%	2.7%
TOTALS	1,144,295	1,229,278	1,176,381	1,247,341	1,469,931	1,486,097
SOURCE: Addison Town Reports						
<p>Note: The total expenditures listed above may not be consistent with totals listed in Town Report because an attempt has been made herein to exclude capital expenditures from the totals. For example, the following amounts were excluded from totals: 1999 thru 2001 \$70,620 was expended on the South Addison Town Landing. 1999 thru present \$233,790 was expended on a new Fire Truck.</p>						

FUTURE REVENUES AND EXPENDITURES

While no reliable projections can be made, a few general trends about Addison's fiscal future can be predicted. First, while valuations are not rising as dramatically as they did in the late 1980s (4.7 percent increase between 1998-2003 rather than a 50 per cent increase between 1987-1991) coastal development pressures are moving steadily north. However, property values over the next few years are unlikely to increase as fast as they did between 1986 and 1990. This means that Addison's total valuation will probably increase at a slower rate making it more likely that property tax rates will have to increase if local government obligations continue to increase at the rate they have in recent years.

Second, current sources of state revenue are in decline and until the national and state economy recovers, Maine will be in a tight fiscal situation. With the passage of

Resolution 1A in November, 2003 the legislature is being tasked with the requirement to fund schools at the legislated level of 55 percent but how this will be addressed or what other municipal revenues will be affected is unknown at this time. Little immediate property tax relief can be expected from state government.

Third, Addison still faces a number of expenditures in order to catch up from the effects of recent growth, state mandates, and address other town needs. A salt/sand shed and addressing septic system malfunctions are examples of future expenditures.

To summarize, Addison faces a number of major expenditures in the next few years while also facing a potential decline in revenue. Therefore, higher property tax rates are likely. Since most expenditures are for basic necessities and to meet legal requirements such as road maintenance, solid waste disposal, and education, there is little that can be cut from the budget. On an average statewide, for communities under 2000 in population, 63% of the property tax commitment is for education. In addition, education accounts for 60% of the property tax commitment. Statewide, county tax accounts for 7.1%, and the municipal budget (roads, general administration, solid waste, etc.) accounts for 27.0% of property taxes collected.

CAPITAL IMPROVEMENT PLAN

The comprehensive plan recognizes planned growth and a diverse mix of land uses within the town as an important aspect of fiscal planning. The primary implementation strategy for the fiscal capacity section is the development of a capital improvement plan (CIP). The purpose of a CIP is to establish a framework for financing needed capital improvements. A CIP guides budgeting and expenditures of tax revenues and identifies needs for which alternative sources of funding such as loans, grants or gifts will be sought.

Capital improvements are investments in the repair, renewal, replacement or purchase of capital items that can include equipment and machinery, buildings, real property, utilities and long-term contracts. Capital improvements differ from operating expenses or consumables that are ordinarily budgeted as operations. Capital improvements are funded through the establishment of financial reserves and generally have an acquisition cost of \$5,000 or more; usually do not recur annually; have a useful life of 3 or more years; and result in fixed assets.

For the purpose of this plan, the total costs have been recognized with an indication of the expected time frame for each item that is desired based on priority ratings. Each year the Budget Committee will review the funding requests and make a recommendation for town meeting review.

The capital improvements identified below were assigned a priority based on the listed rating system. Logically, "A" improvements would be implemented prior to "B" and so on. A lower priority item may be funded ahead of schedule if higher priority items have already been funded or are prohibitively expensive, or if other sources of revenue (such

as donated funds) become available. In order to fund some capital improvements projects, it may be necessary to begin to identify funding sources and set aside funds in advance of the projected time of funding.

A - Immediate need. A capital improvement rated in this category would typically remedy a danger to public health, safety and welfare.

B - Necessary, to be accomplished within two to five years. A capital improvement rated in this category would typically correct deficiencies in an existing facility or service.

C - Future improvement or replacement, to be accomplished within five to ten years. A capital improvement rated in this category would be desirable but is of no urgency. Funding would be flexible and there would be no immediate problem.

D - Desirable, but not necessarily feasible within the ten year time frame of the current plan.

Projects previously mentioned and identified throughout this comprehensive plan and existing reserve accounts are the basis for this capital improvement plan and have been incorporated into the table below.

CAPITAL IMPROVEMENT PLAN - Addison

DEPARTMENT	ITEM	COST	PRIORITY	RESPONSIBLE PARTY(ies)	FUNDING SOURCES
Public Works	Sand salt shed	120,000	B	Selectmen	DEP/CDBG USDA Rural Development
Public Safety	Generators (2)	25,000	B	Selectmen/ Fire Dept	Taxes
Public Safety	Replace Fire Rescue Truck	80,000	C	Selectmen Volunteer Fire Dept	Taxes
Public Works	Public Water Supply (Addison Point Water District)	1,000,000	D	Selectmen	CDBG, USDA Rural Development, DEP
Public Safety	Fire Station	400,000	A	Selectmen	CDBG
	Town Hall	900,000	C	Volunteer Fire Dept	

DEPARTMENT	ITEM	COST	PRIORITY	RESPONSIBLE PARTY(ies)	FUNDING SOURCES
	All three town landings have been upgraded and hot topped. Additional facility improvements are needed including a wharf and additional parking in South Addison; new floats and loading area at Addison Point; and extension of floats and hot topping at West River town landing.				
	Town Hall addition (Entry/siding)	100,000	B	Selectmen	Taxes
Harbors	Narrows Recreation Park/Boat Ramp	80,000	C	Selectmen/ Harbor Committee	CDBG, DOT, Dept of Conservation
Harbors	Commercial Fish Pier	700,000	A	Selectmen/ Harbor Committee	CDBG, USDA
Schools	Playground	25,000	C	SAD #37	Taxes/Grants
Schools	High School Vocational Program	1,500,000	C	SAD #37	Taxes/Grants
Revitalization	Exercise any opportunity to build Park or Community Center	400,000	B	Selectmen	Revitalization CDBG
Highways	East Side/Basin Rd – Rebuild	3,000,000	D	State	DOT
Highways	Paving	350,000	B	Selectmen	DOT
Highways	Branch Brook Bridge Replacement	2,000,000	C	Selectmen	DOT
Harbors	Dredging Pleasant River	5,000,000	D	Selectmen/ Harbor Committee	GRANTS
Harbors	River Bank Stabilization	250,000	C	Selectmen	GRANTS
Public Safety	Police Patrol Vehicle	30,000	C	Selectmen	GRANTS
Public Safety	Fire Truck	300,000	C	Selectmen/ Fire Dept	Taxes

CDBG: Community Development Block Grant

MITF: Municipal Investment Trust Fund (capital investments that support growth)

MDOT: Maine Department of Transportation

USDA: United State Department of Agriculture (Rural Development Grants)

SUMMARY

Addison has been doing well in managing its finances over the last five years. The mil rate has fallen somewhat mostly in response to decreases in municipal expenditures. In the past, the town has budgeted for capital improvements through grants and reserve accounts. The town proposes a Capital Improvement Plan to finance many improvements that will allow for future growth.