

I. FISCAL CAPACITY

In order to maintain a consistent mil rate year to year, town government must operate in a manner that is fiscally responsible. Large fluctuations in the tax rate can cause public concern and can also discourage economic development. Although the priorities of the town may change from one year to another, stable municipal finances are always a fundamental responsibility of town government. It is important for Cooper to handle diligently all yearly expenditures while at the same time planning for the town's long-term objectives. As is the case with any business, the physical assets of Cooper must be properly maintained through capital reserve accounts to protect the town's continued economic health.

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 majority of the financial information for this section was taken from town reports.

VALUATIONS

The town's primary revenue source is through the taxation of real and personal property. These taxes are assessed to local property owners according to the fair market value of their property. This assessment is known as the municipal or town valuation and is determined by the local tax assessor.

According to the town report, Cooper's total real and personal property valuation was **\$12,807,840** in 2005 and has risen to **\$22,155,000** in 2009 (\$15,176,970 for 2006 and \$21,258,900 for 2007), a **73 %** increase. Figures for valuation in 2006 and 2007, in parentheses, describe a continuing upward trend and reflect the town wide revaluation conducted in 2007.

State law provides for tax exemptions for certain types of property, such as: charitable and benevolent, religious, literary and scientific, and governmental. Generally, such properties would be totally non-taxable by exemption. Partial exemptions also exist for veterans of foreign wars or their widows that have not re-married; individuals who are legally blind and homestead exemptions for the homeowner's primary residence. The state does provide some reimbursement to the municipalities for veteran and homestead exemptions. However, in many communities the number of exempt properties is increasing which decreases the municipal tax base. Since exemptions are established by statute, the town has virtually no choice but to grant an applicable exemption. Often, in such a case as a real estate transfer to a tax-exempt organization, the town has little notice that the property will seek exempt status and then the town must deal with the impact on the upcoming budget. As the amount of these exemptions increases, it becomes very difficult for the community to maintain a constant tax rate.

The state also places a total valuation on the town. This value is known as the State Valuation. Every year the Maine Revenue Services Property Tax Division reviews all arms length sales that have occurred in each community. (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.) These sales are compared to the town's local assessed values to determine the assessment ratio or 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.

The state indicates that a town should be revalued at least once in every 10-year period and that a revaluation is required when the assessment ratio falls below 70 percent of market value. This should not be necessary for another 7-10 years given that the town's current state certified assessment ratio is at 100 percent of market value reflecting the town-wide revaluation in 2007.

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. The difference between the amount that is actually committed to the collector and the total appropriation is called overlay. Overlay is commonly used to pay any tax abatements that are granted during that tax year. Any overlay that remains at the end of the year is usually placed into the general fund. The overlay cannot exceed 5 percent of the total appropriations. 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 2005 was 0.0195 and in 2009 was 0.0118. In 2006 the mil rate was 0.0206 and decreased to 0.0164 in 2007 when a town wide revaluation was completed.

Maine Municipal Association (MMA) has ranked local property tax burden for all Maine municipalities. Their calculation considered municipal full value mil rate, commitment, median household income, median home value and property tax. The most recent data available is from 1999. 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 was the lowest. Cooper was listed as number 74.

Table I-1: TAX BURDEN RANKINGS

Municipality	Tax Paid as % of Median Income	1999 Burden Rank
Alexander	3.18	285
Cooper	4.76	74
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
Beals	3.97	159
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

MUNICIPAL REVENUES AND EXPENDITURES

Revenue

The table below shows the major sources of municipal revenue for calendar years 2004 through 2008. Intergovernmental revenues consist of road maintenance funds and tree-growth, veteran, homestead and general assistance reimbursements. Departmental revenues are those dollars that are received through departmental user fees, application fees, etc. Total revenues increased by 13.5 percent during this period.

Table I-2: TOWN OF COOPER REVENUES 2004-2008

REVENUES	2004	2005	2006	2007	2008
Property Tax	\$ 267,827	\$ 248,436	\$ 267,582	\$ 240,224	\$ 249,571
Interest	\$ 1,574	\$ 1,849	\$ 1,418	\$ 2,323	\$ 3,386
Liens (interest charges)	\$ 935	\$ 1,536	\$ 1,587	\$ 1,808	\$ 2,276
Vehicle & Boat Excise	\$ 21,223	\$ 27,129	\$ 23,398	\$ 25,346	\$ 23,000
Intergovernmental Revenues (LRA)					
Education Subsidy	\$ 69,924	\$ 70,307	\$ 84,508	\$ 112,905	\$ 139,057
Rev Sharing	\$ 10,639	\$ 13,610	\$ 15,745	\$ 16,790	\$ 16,741
Highway Block Grant AKA Local Road Assistance	\$ 16,230	\$ 12,984	\$ 9,738	\$ 20,028	\$ 12,984
Tree Growth Reimbursement	\$ 8,481	\$ 18,324	\$ 13,354		\$ 10,435
Homestead Reimbursement	\$ 6,133	\$ 5,941	\$ 5,618	\$ 4,595	\$ 4,139
Other Education revenue	\$ 7,150	\$ 6,622			
Vet Reimbursement			\$ 50	\$ 115	\$ 91
Snowmobile refund				\$ 53	
Gen Assist. Reimbursement		\$ 443			\$ 193
Dept. Revenues			\$ 361	\$ 218	
Building Permits		\$ 280			
Plumbing Permits		\$ 200			
Cemetery income	\$ 15			\$ 200	
Charges or services/fees	\$ 1,165	\$ 1,789	\$ 610	\$ 368	\$ 4,079
Insurance refunds	\$ 1,986		\$ 204	\$ 50	\$ 207
Other revenue	\$ 275	\$ 2,360	\$ 1,167	\$ 1,488	\$ 3,085
Total	\$ 413,557	\$ 411,810	\$ 425,340	\$ 426,511	\$ 469,244

Source: Cooper Town Reports

Expenditures

The table below shows the amount of money expended for each of the major departments within the town of Cooper for calendar years 2004 through 2008. In 2004, almost 62 percent of total expenditures went to education as compared to approximately 68 percent in 2009.

Total expenditures increased almost 34 percent from 2004 to 2008. Unlike other towns in the region this increase was not primarily attributable to education expenses, they increased by 9 percent. Rather it was expenditures on roads that increased by 61% in 5 years with wide fluctuations from year to year.

Expenditures are affected yearly, not only by the local budget but also by the amount of state revenue sharing. Some of the increases in 2006 and 2008 can be attributed to one time expenses such as the debt service of \$27,266 in 2006 and the town wide revaluation that cost \$28,000 in 2008. 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.

Table I-3: TOWN OF COOPER EXPENDITURES 2004-2008

EXPENDITURES	2004	2005	2006	2007	2008
General government	\$ 19,634	\$ 20,935	\$ 21,369	\$ 26,066	\$ 26,942
Protection	\$ 5,330	\$ 7,103	\$ 8,113	\$ 7,466	\$ 6,805
Health and Sanitation	\$ 4,766	\$ 4,390	\$ 4,470	\$ 5,537	\$ 7,328
Public Works	\$ 80,822	\$ 60,093	\$ 129,181	\$ 75,770	\$ 130,230
Social services	\$ 506	\$ 3,330	\$ 1,930	\$ 2,703	\$ 4,101
Leisure services	\$ 465			\$ 550	\$ 370
Cemetery				\$ 1,600	\$ 1,800
Solid Waste					
Education	\$ 233,133	\$ 238,536	\$ 261,470	\$ 233,559	\$ 253,985
County Tax	\$ 25,188	\$ 26,945	\$ 25,966	\$ 26,651	\$ 27,222
Overlay					\$ 4,673
Unclassified	\$ 2,800	\$ 1,100	\$ 2,020	\$ 1,205	\$ 100
Revaluation					\$ 28,000
Alexander Municipal Building					\$ 3,000
Grange/Polling upgrade					\$ 3,176
Debt service		\$ 12,156	\$ 27,266		
Total	\$ 372,644	\$ 374,588	\$ 481,785	\$ 381,107	\$ 497,732

Source: Cooper Town Reports

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 which can include equipment and machinery, buildings, real property, utilities and long-term contracts. Capital improvements differ from operating expenses or consumables which 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 2 to 5 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 5 to 10 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 10- year time frame of the current plan.

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

Table I-4: CAPITAL IMPROVEMENT PLAN – COOPER

Item	Costs (\$)	Priority	Responsibility	Funding Sources
Town office/ Town records storage	50,000-100,000	B	Town	Taxes, Escrow accounts, donated/reduced time and materials through residents and/or WCCC class project
If NO Town office: Purchase/Renovate/upgrade Cathance Grange	50,000-100,000	B	Town	As above
Reconstruction/improvements to Route 191	10,000,000	A	State	Bond, Highway Fund
Upgrade or replace inadequate well and septic systems	20,000 – 30,000	A	Town	Small Community Grant Program (DEP)
Sand salt shed	50,000	D	Town	Town
Road Improvements	Several million	A	State	Bonds; Biennial Capital Improvement Plans; local taxes
Two dry hydrants	6,000	B	Town	Taxes
New or expanded cemetery	10,000 – 20,000	C	Selectmen	Taxes
Public trail	20,000 - 50,000	C	Selectmen; Breakneck Mountain Snowmobile Club	Recreational Trail Grant Program; taxes;

SUMMARY

As indicated by the figures, Cooper has been doing very well in managing its finances over the last five years and the mil rate has remained within a consistent range. In the past, the town has budgeted for capital improvements through the use of grant funds and local revenues. A new reserve account was approved in 2008 for potential expenses associated with renovation of the Grange, if needed, and a Capital Investment Plan is now proposed as part of the Comprehensive Plan. The town has kept funds in surplus in the past to cover capital improvements and will now formally create a capital investment reserve account with some of these funds.