

## **K. FISCAL CAPACITY**

The purpose of this section is to:

1. Summarize recent changes in Whitneyville's fiscal condition and predict how these changes might affect the town in the future;
2. Project future revenue and expenditure trends;
3. Identify major capital expenditures projected for Whitneyville over the next ten years; and
4. Assess Whitneyville's capacity to pay for these expenditures.

### **FINDINGS**

Between 2006 and 2010, Whitneyville's municipal expenses have varied between \$360,000 and \$600,000. The greatest source of annual volatility in the town's budget is education costs, which have declined over the last five years from around \$475,000 in 2006 to just over \$200,000 in 2010. Core municipal expenses over the last five years have varied between \$120,000 and \$160,000. The single largest source of municipal revenue in Whitneyville is intergovernmental revenue, most of which is directed toward education. The amount of money raised through property taxes has declined slightly, from \$197,000 in 2006 to \$189,000 in 2010.

The town of Whitneyville anticipates modest growth in the property tax base over of the next few years, with additional revenue coming from taxes on new commercial development and business equipment. However, the town has not conducted a revaluation in over 10 years. The current municipal valuation is less than 70% of the state valuation. The town should conduct a revaluation.

Whitneyville has laid out a modest Capital Improvement Plan at the end of this chapter. The Capital Improvement Plan reflects the town's fiscal constraints and summarizes anticipated capital expenses over the planning period. Capital investments in Whitneyville are financed through general taxation, the use of capital reserve accounts and by pursuing state and federal grants. To date, the town of Whitneyville has remained within LD1 spending limits.

### **VALUATION**

The primary method of generating revenue within the town is through property taxes. Taxes are assessed on local property owners according to the value of their real estate and personal property. This assessment is known as the municipal valuation (the estimated value of all taxable property in town) and is determined by the local tax assessor. Over the most recent three year period, Whitneyville's municipal valuation increased by approximately 9% from \$ 7,330,229 in 2008 to \$ 8,062,159 in 2010.

According to the Maine Municipal Valuation Return Statistical Summary, Whitneyville's state valuation, which includes total real and personal property, increased by 8% over the same three year period. The State Valuation is calculated annually by the Maine Revenue

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Services Property Tax Division, which reviews all arms length sales<sup>1</sup> that have occurred in each community. 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.

### WHITNEYVILLE MUNICIPAL AND STATE VALUATION

	<b>Municipal Valuation</b>	<b>% Growth</b>	<b>State Valuation</b>	<b>% Growth</b>	<b>Valuation Ratio</b>
2010	\$ 8,062,159	9%	\$11,850,000	1%	68%
2009	\$ 7,367,746	1%	\$11,700,000	7%	63%
2008	\$ 7,330,229	-	\$10,950,000	-	67%

**Source:** Whitneyville Town Reports & Municipal Valuation Returns

As the table above indicates, Whitneyville's municipal valuation was consistently more than 30% below the State Valuation between 2008 and 2010. Maine Revenue Services recommends that towns 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, as is currently the case in Whitneyville. The town should begin the process of conducting a revaluation.

### MUNICIPAL TAX BASE

Over the last several years, the town of Whitneyville's municipal tax base has steadily grown. Over the most recent three-year period for which data are available, the building valuations have made up a slightly larger portion of the total valuation than buildings. The value of exemptions has also steadily declined.

### PROPERTY VALUATION BY CLASS

	<b>Land Valuation</b>		<b>Building Valuation</b>		<b>Exemptions</b>		<b>Total<sup>2</sup></b>
2010	\$ 3,618,435	45%	\$ 4,953,324	61%	\$ 509,600	6%	\$ 8,062,159
2009	\$ 3,568,904	48%	\$ 4,488,817	61%	\$ 689,975	9%	\$ 7,367,746
2008	\$ 3,501,863	48%	\$ 4,535,886	62%	\$ 707,520	10%	\$ 7,330,229

**Source:** Whitneyville Assessor

The largest driver of growth in the municipal tax base over the last five years was the completion of a wreath manufacturing facility in 2010. There has been relatively little residential development in Whitneyville since 2000. Services needed to support new commercial development are very low and services for new residential development (in-town sewer & water, road maintenance, et cetera) have been absorbed within existing capacity. As such tax revenues from new development have more than offset the costs of additional services. Anticipated capital investments are identified in other parts of the

<sup>1</sup> 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.

<sup>2</sup> Total = Land Valuation + Building Valuation - Exemptions

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Plan and are included in the Capital Improvement Plan (see K-6). They do not include any additional services or capital investments needed to support recent or future development.

Over the next five to ten years, the town assessor anticipates that Whitneyville will receive some new revenue from taxes on business equipment at the new manufacturing facility. Otherwise, Whitneyville's tax base is expected to be stable, with little new residential or commercial development.

### **Tax exemptions**

State law provides for tax exemptions for certain types of property, such as: charitable and benevolent, religious, literary and scientific, and governmental. Generally, the previously mentioned properties would be totally non-taxable by exemption. Partial exemptions also exist for veterans of foreign wars or their widows who have not remarried; 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.

Since 2006, the total assessed value of property tax exemption in Whitneyville has decreased from \$707,520 in 2008 to \$509,600 in 2010. With the rise in total valuation over the same time period, the assessed valuation of exempt property as the percent of the total valuation declined over the same time period from 10% in 2006 to 6% in 2008.

Tax-exempt properties are located throughout town, but the largest concentrations of tax-exempt properties are properties enrolled in the state Current Use Taxation program for Tree Growth. This includes 29 parcels covering over 5,000 acres with a pre-exemption valuation of around \$800,000. Many of the parcels in Whitneyville that would be eligible for enrollment in the Tree Growth program are already enrolled. The town does not anticipate any substantial increase in Tree Growth enrollment over the next 5 to 10 years.

### **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 (of property tax) per thousand-dollars of valuation, 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.

In Whitneyville the mil rate in 2008 was \$0.02038 and in 2010 was \$0.02347. The increase in the mil rate is due to the fact that the total amount of money raised through

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taxation increased at a greater rate than the municipal valuation over the same three year period.

A revaluation that brings Whitneyville's assessed value closer into line with the state valuation will reduce the mil rate. However, it will not necessarily reduce the total amount of property taxes paid by any one individual property owner.

### MUNICIPAL REVENUES AND EXPENDITURES

The table below provides a summary of the combined general fund revenues for the town of Whitneyville from 2006 through 2010. Total revenue rose from \$432,607 in 2006 to \$460,592 in 2010. Over the five-year period, revenue from property taxes declined slightly, while excise taxes and other locally raised forms of revenue remain virtually unchanged. Over half the total revenue received by the town of Whitneyville comes from intergovernmental revenues, the largest percentage of which is state reimbursement for education. Virtually all of the annual variation in municipal revenue can be attributed to annual variations in intergovernmental revenue.

#### TOWN OF WHITNEYVILLE, REVENUES 2006-2010

<b>Revenues</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General Property Taxes	197,171	170,273	149,409	172,012	189,181
Excise taxes	23,944	23,283	23,987	26,642	25,076
Intergovernmental <sup>3</sup>	203,416	249,847	278,618	280,066	229,963
Interest income	3,939	5,914	5,822	10,505	7,120
Charges for service <sup>4</sup>	182	-	-	510	458
Miscellaneous	4,055	11,213	5,902	5,062	8,794
<b>Total revenues</b>	<b>432,607</b>	<b>460,530</b>	<b>463,738</b>	<b>494,797</b>	<b>460,592</b>

Source: Town Of Whitneyville, Annual Reports, 2004/2005 through 2008/2009

Expenditures in the same five year period declined from \$606,995 to \$367,874. Although expenditures declined in virtually every category over the most recent five year period, the sharp decline in expenditure can be accounted for by a one time capital expenditure made in 2006.

The town of Whitneyville anticipates a certain level of volatility in education expenses. Since the town has a relative small school aged population and does not operate its own schools, education expenditures vary from year to year based on the number of children enrolled in K-12 education.

<sup>3</sup>Intergovernmental revenues consist of road maintenance funds and state park, tree-growth, veteran and homestead reimbursements.

<sup>4</sup>Charges for services and other are those dollars that are received through departmental user fees, photocopy charges and application fees. Charges for services figure for 2004 are included in the "Miscellaneous" line.

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**TOWN OF WHITNEYVILLE EXPENDITURES 2006-2010**  
(includes capital expenditures)

Expenses						Change 2006 - 2010	
	2006	2007	2008	2009	2010	Amount	Percent
General government	38,258	38,082	36,418	29,078	34,472	(3,786)	- 10%
Public Safety	12,737	14,523	14,773	12,901	12,181	(556)	- 4%
Solid waste	19,727	12,751	14,251	18,455	15,319	(4,408)	- 22%
Public work	40,533	29,737	43,114	40,903	38,353	(2,180)	- 5%
General assistance	15	-	243	-	730	715	4767%
County Tax	17,435	14,762	15,619	14,767	13,941	(3,494)	- 20%
Recreation	-	-	-	-	1,443	1,443	-
Unclassified	5,570	8,717	33,622	14,773	30,294	24,724	444%
Program expenses	-	-	-	282	6,462	6,462	-
<i>Subtotal</i>	<i>134,275</i>	<i>118,572</i>	<i>158,040</i>	<i>131,159</i>	<i>153,195</i>	<i>18,920</i>	<i>14%</i>
Education	472,720	310,141	384,109	254,779	214,681	(258,039)	- 55%
<b>Total</b>	<b>606,995</b>	<b>428,713</b>	<b>543,149</b>	<b>385,938</b>	<b>367,876</b>	(239,119)	<b>-39%</b>

When education expenditures are discounted, core municipal expenditures are remarkably stable over the five year period. The town anticipates that expenses in most categories will remain stable or increase slightly over the next 5 to 10 years, with continued annual volatility in education expenses.

**Capital Reserve Funds**

The town of Whitneyville maintains capital reserve funds with balances as shown below.

**RESTRICTED FUND BALANCES CARRIED FORWARD, 2010**

Account	Balance
Sewer Account	\$25,000
Forest Fire Account	\$25,905

Source: Whitneyville Selectmen

**Long Term Debt**

State law limits the amount of debt a municipality may incur. This cap is set at 7% of the municipality's state valuation. In addition, a 15% limit is applied to the combined total of the town's debt plus all overlapping debt from quasi-municipal districts, including the school district, water and sewer districts, and county government.

The town of Whitneyville does not currently carry any long term debt.

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### **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 selectmen will review funding requests for approval at town meeting. 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 a table (see K-7).

The town of Whitneyville typically funds capital improvements through general taxation, use of capital reserve accounts and pursuit of state and federal grants. There are currently no special mechanisms for funding capital improvements in Whitneyville (such as impact fees or Tax Increment Financing). However, the town has established several capital reserve accounts in anticipation of future capital expenses.

Given these anticipated needs, it is in the town's best interest to make yearly contributions to capital reserve accounts. The Capital Improvement Plan should be evaluated as the town considers future yearly contributions. It is also recommended that the town keep significant balances within the reserve account to cover the cost of any unaccounted-for capital needs.

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**TOWN OF WHITNEYVILLE CAPITAL IMPROVEMENT PLAN**

<b>ITEM</b>	<b>COST</b>	<b>TIMEFRAME</b>	<b>FUNDING SOURCE</b>
Hillgrove Center – Kitchen Renovation	\$10,000	Medium-term 2014 to 2018	Town funds & donations
Hillgrove Community Center – Window Replacement	\$10,000	Medium-term 2014 to 2018	Energy Efficiency Grant (PUC)
Basketball Court, repaving and fencing	\$10,000	Medium-term 2014 to 2018	Town funds & donations
Clustered Septic – Pump Replacement	\$20,000	Short-term 2012-2013	Capital Reserve Account
Middle Street – rebuild and repave	~\$20,000	Immediate 2011	Town funds
Canal Road – repave (approx 1/2 mile)	+\$30,000	Short-term 2012-2013	Town funds
School Street – repave & intersection repair	\$20,000	Medium-term 2014 to 2018	Town funds
Washington Street – repave	\$15,000	Medium-term 2014 to 2018	Town funds

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**POLICIES AND IMPLEMENTATION STRATEGIES**

<b>Goal:</b> Whitneyville will plan for, finance and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development.			
<b>Policy</b>	<b>Implementation Strategy</b>	<b>Responsibility</b>	<b>Timeframe</b>
Whitneyville will finance public facilities and services in a cost effective manner and reduce Maine’s tax burden by staying within LD 1 spending limits.	Whitneyville will implement the capital investment plan by developing a capital improvement program and by prioritizing the projects listed in the Capital Improvement Plan.	Selectmen	On-going
	Whitneyville will budget for and conduct a municipal revaluation.	Selectmen	Immediate
	Whitneyville will review and/or update the capital improvement program biennially.	Selectmen	On-going
	Whitneyville will explore grants available to assist in the funding of capital investments within the community.	Selectmen	Short Term (1-2 years)
	Whitneyville will direct a minimum of 75% of new municipal growth-related capital investments into designated growth areas in the Future Land Use Plan.	Selectmen	On-going
	Whitneyville will continue to work with neighboring communities and WCCOG to plan for and finance shared or adjacent capital investments to increase cost savings and efficiencies.	Selectmen	On-going