

## **J. Fiscal Capacity and Capital Improvement**

### **Goal**

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.

### **Financing Future Growth**

A significant component of planning for future growth is deciding which capital improvements area is most essential for achieving the community's vision. The next step is to consider sources for how the capital improvements will be funded, whether that be grants, donations, tax appropriation, etc. The community will be given preferential consideration when applying for state grant programs if they have a Comprehensive Plan that is found consistent with the Growth Management Act by the State of Maine. In turn this will assist the community in funding their capital improvement projects.

The primary funding source for municipal government is property tax revenue. To maintain a consistent mill rate year to year, town government must operate in a manner that is fiscally responsible. Large fluctuations in the tax rate can cause public outcry and can discourage economic development. Although priorities of the town may change from one election year to another, stable municipal finances are always a fundamental responsibility of town government. It is important for Jonesport 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 Jonesport must be properly maintained through capital reserve accounts to protect the town's continued economic health.

### **Valuations**

The town's primary revenue source is through the taxation of real and personal property as well as boat and vehicle excise taxes. 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.

State law provides for tax exemptions for certain types of property, such as charitable and benevolent, religious, literary and scientific, and governmental. Generally, the previous previously mentioned properties would be 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.

The state also places a total valuation on the town. This value is known as the State Valuation. Every year, Maine Revenue Services Property Tax Division reviews all "arm's length sales" that

have occurred in each community. An arm's length sale is a sale that occurs between a willing seller and a willing buyer without any extenuating services. Examples of non-arm's 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 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.

According to Maine Revenue Services Property Tax Division, Jonesport's valuation increased from \$153,800,000 in 2017 to \$167,600,000 in 2021.

<b>State Valuation – Jonesport 2017-2021</b>				
<b>Source: Maine Revenue Services Property Tax Division</b>				
<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$167,600,000	\$160,800,000	\$156,050,000	\$154,100,000	\$153,800,000

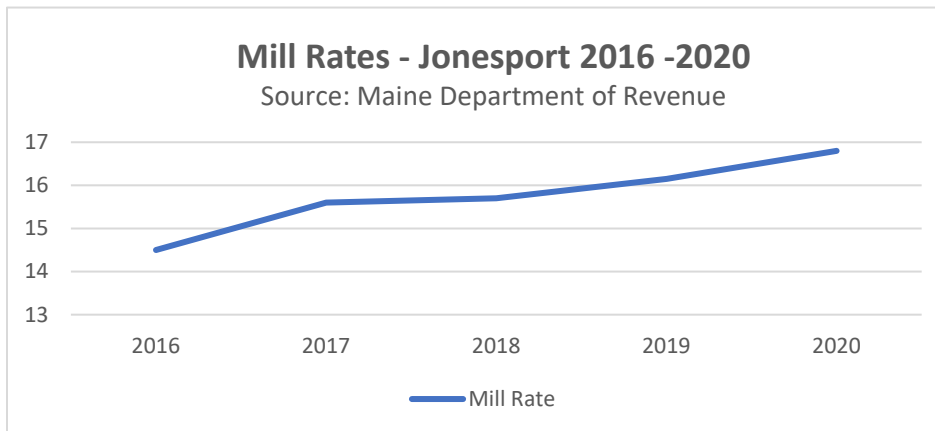
The assessor's records indicate that Jonesport has not had a total town-wide revaluation since 2010. The state indicates that a town should be revalued at least once in every 10-year period. However, they also indicate that a revaluation must be performed when the assessment ratio falls below 70% of market value. In 2020, Jonesport's state certified ratio was 100% of market value.

## Mill Rate

Millage, or "Mill" Rate, gets its name from the Latin word, "millesimum," which means "thousandth part" (1/1000) and is the effective property tax 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 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 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, and is

commonly referred to as the mill rate. The difference between the amount that is committed to the treasurer and the total appropriation is called overlay. Overlay is commonly used to pay any tax abatements that are granted that year. Any overlay that remains at the end of the fiscal year is usually placed into the town general fund. The overlay cannot exceed 5 percent of the total appropriations. The mill rate in Jonesport was 14.50 in 2016, 15.60 in 2017, 15.70 in 2018, 16.15 in 2019, and 16.80 in 2020.



## Municipal Revenues and Expenditures

The bulk of the revenue comes from property taxes. Other sources of revenue include excise taxes, State revenue

sharing, State school subsidy, interest, and State reimbursements for Homestead Exemptions, Veteran Exemptions, and other abatements.

As with revenues, the State Mandated Evaluation affects expenditures. This is because the Town's assessment for Washington County costs is computed as the ratio of the Town's mandated assessment to the total mandated assessment for all towns in the county. Also, the cost of insurance for fire protection is based upon the State Mandated Assessment. Jonesport revenues and Expenditures are described in more detail in the Condition and Trends section of this chapter.

### Funding future capital improvements

Capital improvements refer to the expenditure of municipal funds of \$20,000 or more to purchase assets of land, machinery, equipment, or buildings. There are a variety of projects Jonesport has identified as potential future projects in their Capital Improvement Plan. Projects related to a working waterfront at Henry Point, road and sidewalk improvements, a youth recreation center, broadband improvements, and public water/wastewater have been identified as priorities for the community.

### Borrowing capacity

Jonesport generally funds capital items and improvements with town reserve funds. At the present time, the town has approximately \$1 million in the General Fund with approximately \$800,000 accessible for capital improvements. When the town votes to

expend reserve capital, the town also votes to “repay” itself on an annual basis through tax appropriation. Currently Jonesport does not carry any outside debt.

### Cost sharing with neighboring communities

Aside from mutual aid agreements, Jonesport and Beals share capital improvements relative to fire and ambulance services as well as to capital improvements to Jonesport-Beals High School. As a peninsular community encompassed by U.S Route 1 and state Route 187, capital improvements are generally incumbent upon the community.

### Community revenues and expenditures by category for the last five (5) years

<b>Revenues</b>					
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Property Taxes	\$2,229,887	\$2,325,283	\$2,419,367	\$2,445,451	\$2,471,534
Excise Taxes	\$273,614	\$287,479	\$277,028	\$301,798	\$273,745
Interest/costs on Delinquent Taxes	\$10,691	\$9,166	\$10,114	\$8,067	\$9,383
Payment in Lieu of Taxes	\$1,284	\$500	\$1,456	\$2543	\$1,177
Intergovernmental Revenues	\$224,402	\$63,643	\$77,025	\$99,121	\$96,016
Local Sources	\$34,562	\$35,237	\$38,932	\$85,599	\$91,941
Other Sources	\$90,515	\$85,000	\$95,000	\$40,000	\$103,000

<b>Expenditures</b>					
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
General Government	\$150,287	\$163,293	\$170,257	\$185,243	\$199,438
Public Works	\$222,200	\$217,200	\$218,000	\$212,700	\$203,700
Enforcement	\$25,000	\$9,000	\$9,000	\$7,000	-0-
Health & Sanitation	\$43,000	\$51,855	\$61,800	\$2,800	\$2,800
Cemetery	\$21,750	\$20,650	\$23,150	\$23,150	\$23,500
Protection	\$114,165	\$98,850	\$97,850	\$136,210	\$135,660
Leisure Services	\$39,000	35,500	\$43,000	\$39,000	\$39,000
Uncategorized	\$6,500	\$4,000	\$4,000	\$2,000	\$2,000
Debt Service	-0-	-0-	-0-	-0-	-0-
Capital Expenditures	\$42,640	\$42,640	\$42,500	\$42,500	\$62,500
County Tax	\$241,644	\$253,948	\$267,112	\$268,420	\$274,163

Education	\$1,717,989	\$1,908,378	\$1,964,729	\$2,105,629	\$2,161,589
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Source: Town of Jonesport

Between Fiscal Year 2016 and Fiscal year 2020, municipal revenues and expenditures generally increased while one line item, Health and Sanitation significantly decreased. In 2019, the town discontinued membership with Pleasant River Solid Waste Disposal and the reduction in expenditure is reflected in the Health & Sanitation line. Residents may take their household waste directly to Casella Waste Management at a cost of .08 cents per pound. Further information relative to household waste disposal and recycling are described in Chapter F - Public Facilities & Services

Jonesport expended the most capital on education. In the five years between 2016 and 2020, the net assessment committed to the Jonesport treasurer increased overall by 14.8%. Across the same five-year window, the expenditure for education increased by 25.8%.

### Means of funding capital

Jonesport generally funds capital items and improvements with town reserve funds. At the present time, the town has approximately \$1 million in the General Fund with approximately \$800,000 accessible for capital improvements. When the town votes to expend reserve capital, the town also votes to “repay” itself on an annual basis through tax appropriation. Currently Jonesport does not carry any outside debt.

Aside from borrowing from town reserves, Jonesport utilizes other funding mechanisms such as state and federal grants, donations, private funders, and volunteer labor. Jonesport recognizes that low interest municipal loans are available. The items listed in the Capital Improvement Plan

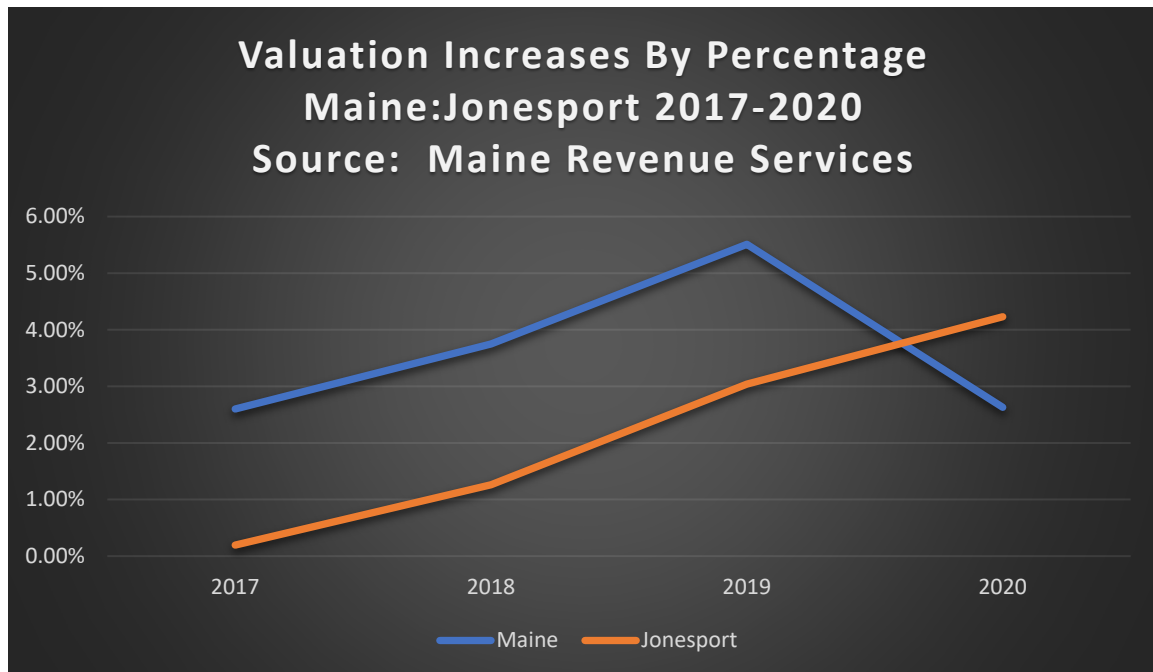
<b>State Valuation – Jonesport 2017-2021</b>				
<b>Source: Maine Revenue Services Property Tax Division</b>				
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below will be accomplished through an array of funding mechanisms.

### Local and state valuations and local mill rates

As described in detail earlier in this chapter, the mill rate is the amount of tax levied per \$1,000 of assessed value. From 2016-2020 the mill rate in Jonesport rose by 15.8%. As previously noted, during the same five-year period, the expenditure for education increased by 25.8%.

<b>Jonesport Mill Rates 2016 - 2020</b>	
<b>2016</b>	14.50
<b>2017</b>	15.60
<b>2018</b>	15.70
<b>2019</b>	16.15
<b>2020</b>	16.80



The graph above shows that the total taxable municipal valuation of Jonesport followed an upward trajectory since 2017 with an increase of 4.23%. In comparison, the State of Maine’s valuation significantly dropped between 2019 and 2020 representing a decrease of 2.88%. Over the same timeframe, the valuation of Jonesport increased by 1.19%.

### **Total municipal debt**

In accordance with the State of Maine the town is subject to a statutory limitation of its long-term debt equal to 15% of the State’s valuation of the town. Following the state’s valuation of Jonesport which totaled \$167,600,000, the allowable limit of debt would be \$25,140,000. As mentioned in the Public Facilities section of this document, in 2020, Jonesport invested \$10 million to upgrade ventilation, heating, insulation, new windows, and LED lighting in both schools. The project was completed in 2021. Jonesport Elementary School (JES) is responsible for a \$216,393.61 yearly lease payment for 15 years beginning in 2022. However, the first two years are paid for through federal funds, so there isn’t local budget outlay.

The Consolidated School District (CSD) will have payments of \$248,074.47 for 15 years with the first full year paid for through federal funds with no local budget outlay. Jonesport’s share of the \$248,074.47 is 76.53% or \$189,851 with Beals responsible for the remainder.

To avoid long-term capital debt and associated interest expense, Jonesport utilizes capital reserves to “self-fund” the capital investment and “repays” the debt through tax appropriation. In this way, Jonesport maintains nearly \$1 million in the General Fund with approximately

\$800,000 accessible for capital investments. In effect, Jonesport operates its own revolving loan fund.

## 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 for capital improvements. A CIP guides budgeting and expenditures of tax revenues and identifies needs for which alternative sources of funding such as loans, grants, gifts, or private improvement 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 are funded through the establishment of financial reserves. Capital improvements generally have an acquisition cost of \$20,000 or more, usually do not recur annually, have a useful life of 10 or more years, and result in fixed assets.

For this plan, the total costs have been recognized with an indication of the expected period for each item that is desired based on priority ratings.

The capital improvements identified below were assigned a priority based on the listed rating system. Logically, “A” improvements would be implemented prior to a “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. To fund some capital improvement projects, it may be necessary to begin identifying 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 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.

The following Capital Improvement Plan has been categorized by the town in response to community input through the community-wide survey (2021) and the public meeting for

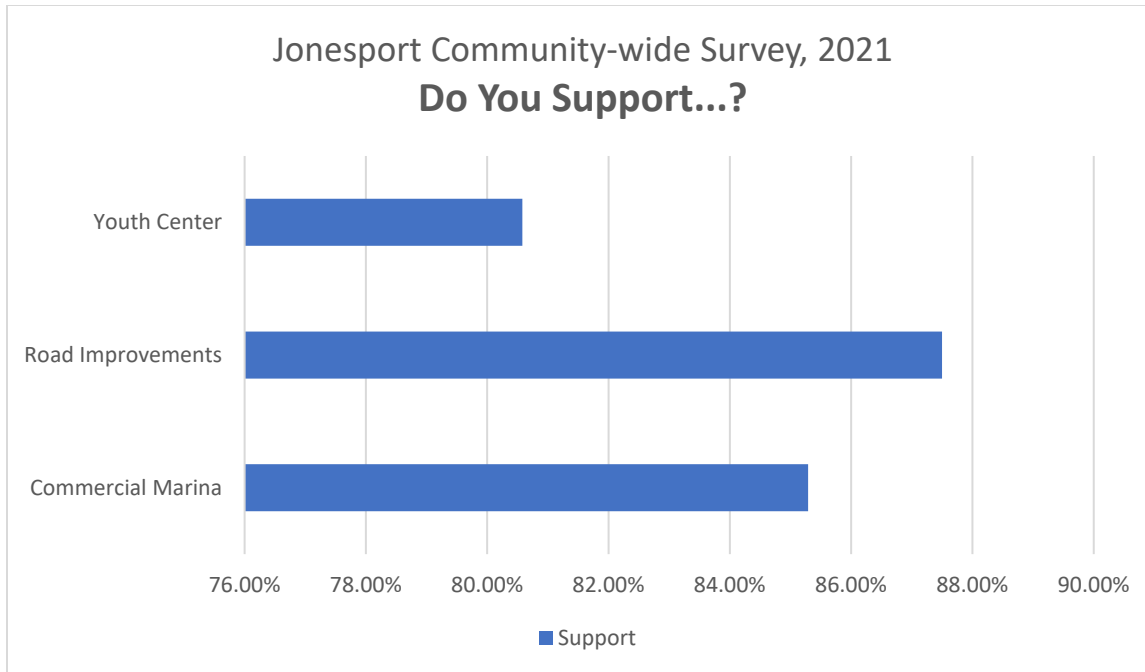
enrollment in Community Resiliency Partnership through the Governor's Office of Policy Innovation & Future (GOPIF) in 2022.

### Public Sewer/water (Community-wide Survey, 2021)

The town recognizes the need to continue to research the feasibility of public water/sewer.

open Also Jonesport sewer public water  
system pay downtown drinking good allow water system  
businesses sewer system Yes opportunities new  
businesses town quality need increase tax well great new  
business opportunities help Absolutely will public water system





As a result of public input, the total costs have been recognized with an indication of the expected time frame for each item that is desired based on priority ratings. The town also recognizes the need to continue research into the feasibility of public water/sewer.

<b>Capital Improvement Plan – Jonesport – 2022-2032</b>				
<b>Item</b>	<b>Cost</b>	<b>Priority</b>	<b>Responsibility</b>	<b>Funding Sources</b>
<b>Working Waterfront at Henry Point</b>	\$17,000,000	B	Town	Grants, Reserve, Loans
<b>Broadband Improvements</b>	\$200,000	B	Town	ARPA funds, collaboration with incumbent ISPs, Grants, Loans
<b>Paving Local Roads</b>	To be determined based on need	C	Town	State Local Roads Assistance Program (LRAP), Loans, Taxation
<b>Sidewalk Improvements</b>	To be determined based on need	C	Town	LRAP, State/federal grants, Loans, Taxation

<b>Youth Recreation Center</b>	To be determined based on acquisition/renovation costs	C	Town	State/federal grants, Donations, Taxation, Private Investment
<b>Public Sewer/Water</b>	To be determined based on feasibility studies	D	Town	State and Federal Grants, Bank Loans, User Fees, Taxation

## Policies

1. To finance existing and future facilities and services in a cost-effective manner.
2. Continue to explore grants available to assist in the funding of capital improvements within the community.
3. Adhere to the statutory limitation of the town's long-term debt equal to, or lower than, 15% of the State's valuation of the town.

**Strategy** – Implemented by the Selectboard on an on-going time frame.

1. Explore opportunities to work with neighboring communities to plan for and finance shared or adjacent capital improvements/investments to increase cost savings and efficiencies.