

# 13. FISCAL CAPACITY & CAPITAL INVESTMENT PLAN

## INTRODUCTION

A comprehensive plan must summarize fiscal conditions in the town. This involves an analysis of both revenues and expenditures. This section reviews recent and projected future trends.

**State Goal:** To plan for, finance and develop an efficient system of public facilities and services to accommodate anticipated growth and economic development.

## OVERVIEW and MILL CLOSURE EFFECTS

The permanent closure of the Verso Paper Mill in 2014 has ended an eight decade span over which the town received more than half of its revenues from the mill site owners. There were times during that span when the mill's tax bill amounted to 70 percent of the town's total. In recent years, through improvements & diversification of the tax base and depreciation in the mill valuation, that portion was reduced to about 45 percent. With the town's reduced overall valuation for tax year 2015-16, the remaining power island equipment, buildings and land on the site accounted for about 17 percent of the town's property revenues. The two Tax Increment Financing districts on site were abolished by mutual agreement.



## HIGHLIGHTS

- ★ Verso's abrupt drop in value was about 40% of the total taxable property value in town.
- ★ Maine's "Sudden & Severe" law helped Bucksport recover about 1/2 of the revenue loss.
- ★ Once the site is cleared, redevelopment should begin to rebuild the town's tax base.
- ★ The town reorganized its Capital Improvements Program for 2016-17.
- ★ A 2015 "Ad Hoc" committee studied options for adjusting the town budget going forward.



Paper mill demolition Phase I, Feb. 2016



Once highly-valued buildings and equipment are leaving the town by rail.

# ANALYSES

## Annual Budgeting

Revenue trends are shown in Table 13.1.

*Identify community revenues and expenditures by category for the last five (5) years and explain trends.*

Category	2004-05	2007-08	2010-11	2013-14	2016-17
Property Taxes	\$8,849,665	\$9,107,173	\$8,749,900	\$9,716,843	\$6,985,840
Excise Taxes	\$712,272	\$724,760	\$650,105	\$703,924	\$785,500
State Revenue Sharing	\$830,000	\$494,397	\$311,061	\$173,070	\$324,500
Homestead Reimburse.	\$139,236	\$109,784	\$72,814	\$78,115	\$95,025
Education Subsidies	\$3,159,311	\$4,155,075	0	0	0
Local Road Assistance	\$69,084	\$74,908	\$67,524	\$67,448	\$62,500
Miscellaneous	\$23,926	\$23,438	\$24,464	\$33,758	0
BETE State Reimburse.	0	0	\$455,120	\$621,946	\$71,082
Other State Revenues	0	\$25,221	0	\$38,537	\$28,500
Department Subsidies	0	\$143,958	\$162,974	\$181,944	\$196,134
Fees for Service	\$591,630	\$696,167	\$746,542	\$718,995	\$684,450
Interest on taxes & invest.	\$155,707	\$499,193	\$182,397	\$105,929	\$68,000
TIF Revenue	0	\$107,500	\$100,895	\$140,196	\$70,000
Other Rev. - Education	\$3,041,694	\$2,232,273	0	0	\$168,000
Other Rev. - General	\$6,284	0	\$38,502	\$697,672	\$410,000
Other Rev. - Special Funds	0	\$12,860	0	0	\$4,500
Carry Forwards	0	\$1,905,375	0	0	0
<b>Total Revenues</b>	<b>\$17,578,809</b>	<b>\$20,312,082</b>	<b>\$11,562,298</b>	<b>\$13,278,377</b>	<b>\$9,954,031</b>

**Source:** Town Manager - Annual Audit Reports



The Maine Homestead Program is not just for “homesteaders” like those in this idyllic non-Bucksport location. 2016 and 2017 increases in the exemption amount and in participation levels could increase the town’s mil rate by up to 20 cents while giving owner-occupants a welcomed tax break. The State now reimburses municipalities one half of the avoided taxation.

<b>Table 13.2 Breakdown of Property Tax Valuation By Category and Tax Year</b>						
<b>Tax Year</b>	<b>Bucksport and Hancock County (rounded percentages)</b>					
	Real Estate (Land & Bldgs)	Machinery & Equipment	Business Equipment	Other personal property	Total personal Property	Total Real & Personal
<b>2015-16</b>	<b>Bucksport</b>					
Amount	\$363,359,000	\$66,710,833	\$2,178,906	\$348,089	\$69,237,828	\$432,596,828
Percent	84%	15%	<1%	<1%	16%	100%
<b>2012-13</b>	<b>Bucksport</b>					
Amount	\$432,649,900	\$267,080,200	\$4,948,500	\$0	\$272,028,700	\$704,678,600
Percent	61%	38%	1%	0%	39%	100%
<b>2002-03</b>	<b>Bucksport</b>					
Amount	\$266,287,200	\$275,721,850	\$96,700	-	\$275,818,550	\$542,105,750
Percent	49%	51%	<1%	0%	51%	100%
<b>2012-13</b>	<b>Hancock County</b>					
Amount	\$12,132,208,700	\$289,503,645	\$51,941,681	\$16,581,036	\$358,026,362	\$12,490,235,062
Percent	97%	2%	<1%	<1%	3%	100%
<b>2002-03</b>	<b>Hancock County</b>					
Amount	\$5,403,751,006	\$334,556,410	\$20,815,082	\$ 8,174,538	\$364,086,030	\$5,767,837,036
Percent	94%	6%	<1%	<1%	6%	100%
<b>SOURCE:</b> Municipal Valuation Return, Property Tax Division, Maine Revenue Services						

The breakdown of property tax by category is shown on Table 13.2. The percentages are compared to Hancock County. As seen in 2012-13, about 97 percent of property tax revenue county-wide came from land and buildings compared 61 percent in Bucksport. Total personal property accounted for 39 percent of property taxes in Bucksport, compared to three percent county-wide. This is indicative of how important paper making was to the town's property tax base. That changed for 2015-16 when the new mill site owners declared (legally) that all of their former paper-making machinery and equipment was "stock in trade" articles for sale and therefore exempt from taxation. Similarly, the change in "highest and best use" for the non-energy plant real estate (buildings and land) reduced its taxable value considerably.

The 2015-16 figures show the loss in personal property and real estate value totaling about 270 million dollars from the previous year. The portion of value comprised of personal property in Bucksport has dropped to 16 percent.

Expenditure trends are shown on Table 13.3.

<b>Table 13.3</b>					
<b>Bucksport Expenditure History: Every third year for fiscal years 2005 - 2017</b>					
<b>Category</b>	<b>2004-05</b>	<b>2007-08</b>	<b>2010-11</b>	<b>2013-14</b>	<b>2016-17</b>
General Government	\$984,925	\$1,121,333	\$1,238,822	\$1,342,514	\$1,581,199
Protection	\$1,040,318	\$1,246,702	\$1,311,185	\$1,540,985	\$1,514,916
Public Works	\$801,236	\$840,921	\$869,493	\$893,666	\$1,009,900
TIF	\$0	\$963,633	\$663,303	\$1,165,332	\$6,669
Health & Sanitation	\$365,733	\$369,063	\$374,238	\$292,007	\$312,685
Community/Social Service	\$2,747	\$52,254	\$54,451	\$74,240	\$69,392
Education & County Tax	\$12,405,567	\$13,172,731	\$5,571,376	\$6,233,799	\$4,631,205
Unclassified	\$0	\$117,566	\$111,272	\$262,902	\$6,669
Recreation & Cemeteries	\$207,932	\$196,220	\$186,831	\$219,368	\$224,687
Debt Service	\$28,182	\$6,075	\$0	\$697,672	\$15,412
Capital Expenses	\$0	\$768,000	\$597,575	\$694,474	\$460,500
Transfers in/(out)	\$0	\$269,510	\$22,096	\$37,117	0
<b>Total</b>	<b>\$15,836,640</b>	<b>\$19,124,008</b>	<b>\$11,000,642</b>	<b>\$13,454,076</b>	<b>\$9,833,234</b>
Excess (deficiency) of revenue	\$1,742,169	\$1,188,074	\$561,656	(\$175,699)	\$120,797
<b>Source:</b> Town Manager - Annual Audit Reports					

*Identify local and state valuations and local mil rates for the last five (5) years.*

Local and state equalized valuations and local mil rates are shown on Table 13.4.

<b>Table 13.4</b>								
<b>Town and State Valuations in \$millions and Local Mil Rate</b>								
<b>Year</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>State Equalized Valuation</b>	619.0	669.7	681.0	674.5	681.3	669.0	667.4	403*
Town Valuation	694.5	697.1	691.7	704.7	719.5	712.8	363.4	427
Local Mil Rate	12.52	12.52	12.52	12.94	13.56	14.11	17.10	16.7
<b>SOURCE</b>	Bucksport Tax Assessor							

\*This 2016-17 preliminary valuation from Maine was adjusted by a "Sudden & Severe" petition due to a loss in mill site taxable valuation of \$270,000,000 per a professional appraiser hired by the town. The 2015-16 disparity between State and Town valuations (the year that the major change took place) was not able to be adjusted because of the way Sudden & Severe provisions are structured. The town made up for the lack of revenue for that year by using 2 million dollars in "rainy day" reserve funds.

## CAPITAL INVESTMENT PLAN

### Annual Planning

The Town of Bucksport has a long tradition of responsible fiscal practice including a robust Capital Improvements Plan (more detailed than Investment Plans) for its various departments. Recent changes in town financial management personnel have brought a variety of budgeting styles but all with a commitment to serious fiscal planning for known and unknown future needs. The 2015-16 fiscal year appears as a notable break in that pattern where some capital investment saving was suspended for a year while substantial reserves were being used to keep the mil rate from rising even higher than the \$3 increase approved in the budget process. The “Sudden & Severe” relief written about elsewhere in this chapter was expected to restore the long-term CIP schedule. This expectation was realized for 2016-17.

The basic funding scheme for the CIP Program has been to reserve funds ahead of need in order to avoid future borrowing or sudden changes in the mil rate. Bucksport has been very successful in applying for grant funding recently and will continue to pursue supplemental funding when available, particularly for large projects.

*Describe means of funding capital items (e.g., reserve funds, bonding & special assessments) and identify any outside funding sources. How will future capital investments identified in the plan be funded?*

The annually updated Capital Improvements Plan is posted to [www.bucksportmaine.gov](http://www.bucksportmaine.gov).



The Federally required secondary treatment expansion of the town's wastewater facility on Route 1 is being funded by a 10.5 million dollar USDA Rural Development grant & loan package paid for through increases to sewer system user fees over 27.5 years.

Town Indebtedness and Borrowing Capacity

As of June 30, 2015 the Town of Bucksport carried \$3,639,485 in overlapping debt from Hancock County (\$17,948 or 5.2%) and RSU 25 (\$3,621,987 or 66.99%). Town debt for municipal operations was \$0 and \$1,755,064 was carried in debt for Sewer Operations. The construction of a secondary treatment facility that is due to be online in 2017 will add \$7,800,000 to debt service for Sewer Operations. Sewer operations debt is retired from Sewer user fees. There are no plans at this time for long term debt for municipal operations. The Town has a long term practice of maintaining and funding capital reserve accounts to be used for capital investments and the Town seeks to maintain that practice going forward. As of 6/30/2015 the Town held \$2,017,152 in Capital Reserve funds for these purposes, and budgets funds annually to cover planned capital improvements according to a 5 year plan which is updated annually. Outstanding long term debt for Bucksport for sewer operations is 2.2% which is well within the legal debt limit (7.5% of municipal taxable valuation), and the total debt, including sewer and RSU 25 and County share for the community is at 3.07% which is well within the 15% legal overall debt limit established in Maine law MRSA Title 30-A § 5702.

*How does total municipal debt (including shares of county, school and utility) compare with the statutory and Maine Bond Bank recommended limits on such debt?*

*If the community plans to borrow to pay for capital investments, does the community have sufficient borrowing capacity to obtain necessary funds?*

Regional Investment Planning

The primary sharing of capital investments is through the Regional School Unit 25. The fire department through its mutual aid plans coordinates its anticipated purchases with departments in other towns. For example, one department might purchase a specialized piece of equipment that is shared among the departments.

*Have efforts been made by the community to participate in or explore sharing capital investments with neighboring communities? If so, what efforts have been made?*



Bucksport High School got a very much needed face lift in 2014 with funding through the regional school unit. The insulated and air tight brick replaced the leaky 1960's glass block façade at a cost of more than two million dollars.