

Fiscal Capacity & Capital Investment Plan

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

<i>Policies</i>	<i>Strategies</i>	<i>Responsibility</i>	<i>Implementation</i>
<i>To finance existing and future facilities and services in a cost effective manner.</i>	Explore opportunities to work with neighboring communities to plan for and finance shared or adjacent capital investments to increase cost savings and efficiencies.	Town Manager Board of Selectmen Advisory Board Economic Development	Ongoing
<i>To explore grants available to assist in the funding of capital investments within the community</i>			
<i>To reduce the state and local tax burden by staying within LD1 spending limitations.</i>			

Fiscal Capacity

Sound fiscal management has allowed Madison to be in a relatively strong financial position considering the soft state of the economy. The Town currently carries no debt and has a debt ceiling of approximately 75million dollars. The current Tax Increment Financing (TIF) agreement with Backyard Farms allows the Town to have revenue specifically for economic development projects that can include some major infrastructure. However, public input expresses concern over rising tax rates.

Three major factors go into determining local taxes. Once the **total amount** is determined to fund local, county and school budgets, then the board of assessors determine a **tax rate** (mil rate) based on the **value of property** within the town. See Table A.34:

Table A.34 Fiscal Year	Town Valuation	Tax Rate	Total Income
2013-2014	\$497,500,000	0.01753	\$8,721,175.00
2012-2013	\$499,559,900	0.01691	\$8,421,641.77
2011-2012	\$499,652,500	0.01625	\$8,093,748.93
2010-2011	\$504,630,500	0.01600	\$7,798,470.02
2009-2010		0.016	\$8,151,267.09

The money raised from local taxes is distributed in three areas. Table A.35 shows that over the past 5 years an average of 60% has gone toward the school district budget, 26.5% to the town and 13.5% to Somerset County.

Table A.35 Fiscal Year	Town Portion	Somerset County	MSAD #59	Total
2013-14	\$2,327,996	\$1,081,584	\$5,439,485	\$8,849,065
2012-13	\$2,238,546	\$1,139,404	\$5,043,690	\$8,421,641
2011-12	\$2,158,908	\$1,056,567	\$4,878,272	\$8,093,748
2010-11	\$1,958,574	\$1,052,274	\$4,787,621	\$7,798,470
2009-10	\$2,759,992	\$1,006,277	\$4,384,997	\$8,151,267

Madison remains a community dependent on the valuation and tax revenue provided by the local paper industry. In 2001 Madison Paper (UPM) comprised 61.04% of the valuation of the town. Today it makes up a little less than 45%. This change reflects ongoing depreciation and a new state exemption that exempts new equipment put in place since April 1, 2007. Other taxpayers are paying a higher percentage of the tax commitment due to the decrease in UPM's percentage. Changes to the BETR/BETE tax incentives are currently being discussed in the State Legislature would have a bearing on Madison and other industrial towns, resulting in more exemptions and less tax revenue.

Slight adjustments to property values are made by the tax assessors each year. Madison's most recent major valuation was 2007. A valuation is a more broad general approach to reviewing

and adjusting the value of property. A revaluation is a very detailed, property by property approach and proves to be quite costly.

Waterfront properties in general have seen a rise in valuation over the past 10 years. In East Madison, lakeside properties make up approximately 9% of the town’s total valuation at about \$44.5 million. It is expected that development will continue along Lake Wesserunsett as long as water quality remains good enough for the lake to be attractive.

Comparative Data

The state requires towns to assess property values at a minimum percentage of 70%. If taxes are based on a value lower than 100% then the tax rate should be adjusted to ‘full value’ for comparison purposes. Table A.36 shows data from the Maine Revenue Services with estimated full value tax rates for an ‘apples to apples’ comparison.

Table A.36 - Town	2012	2011	2010	2009	2008	2007
Madison	16.91	16.25	15.59	15.68	15.31	15.12
Skowhegan	16.40	15.86	15.28	15.30	15.55	15.30
Anson	19.20	18.90	17.39	15.48	14.86	14.98
Norridgewock	15.82	16.81	15.54	15.55	15.18	13.49
Pittsfield	18.50	17.90	17.39	15.52	14.54	14.11
Fairfield	19.70	19.20	18.97	18.11	16.07	14.52
Somerset County	n/a	15.71	14.97	14.62	14.19	13.77
State of Maine	n/a	n/a	12.87	12.23	11.70	11.33

As of 2010 Somerset County had the 4th highest average tax rate in the state, behind Aroostook, Penobscot and Androscoggin. But as Table A.37 shows, since property values vary widely from county to county, the amount of dollars property owners pay in taxes has Somerset County residents on the low end of the scale.

Table A.37 - County	2010 Median Property Tax*	Countywide Average Tax Rate

Cumberland	\$	2,973.00	13.87
York	\$	2,455.00	11.39
Sagadahoc	\$	2,234.00	12.79
Androscoggin	\$	2,185.00	17.06
Knox	\$	2,166.00	11.37
Lincoln	\$	1,727.00	8.61
Kennebec	\$	1,662.00	13.54
Hancock	\$	1,627.00	8.76
Waldo	\$	1,580.00	12.19
Penobscot	\$	1,525.00	16.4
Oxford	\$	1,427.00	12.47
Franklin	\$	1,278.00	10.79
Somerset	\$	1,222.00	14.97
Piscataquis	\$	1,092.00	11.88
Aroostook	\$	1,066.00	15.69
Washington	\$	1,065.00	13.8

*Source (www.taxrate.org)

Revenues and Expenditures

For 2013 the Town of Madison anticipates generating revenue of \$1,148,663, most of which comes through excise tax on vehicles. In addition State revenue sharing consists of \$280,000 per year. In 2013 the State lowered revenue sharing by approximately \$130,000. These streams of revenue allow for a lower burden on the taxpayer for essential services.

As a result of cost increases and reductions in state support, the portion that taxpayer's pay of the Town's municipal budget has increased 7.8% over 2011 and the portion of the School District Budget has increased 11.5% over that same time period.

Currently the State Legislature is considering changes to business tax exemption policies known as BETR/BETE. Town's like Madison that rely on large industrial tax payers like UPM Madison would be adversely affected if tax exemptions are expanded. According to estimates, as much as \$30 million could be removed from local taxable property resulting in \$500,000 that will either need to be cut from the current budget or raised by increasing the tax rate.

Funding Priorities

Over the next several years the Town will consider upgrades to municipal facilities beginning with public safety. The current fire department area will need to be expanded and some technical upgrades will be necessary as well. Up to 1 million dollars has been allocated in a proposed amendment to the Backyard Farms TIF agreement for fire department construction or renovation through 2033. In addition up to \$750,000 of the BYF TIF has been allocated for assistance to purchase firefighting equipment.

The police department will need more space for storage and operations. The municipal office will need more document storage space, and there has been public support for creating a space where all local bills could be paid. Currently there are separate locations to pay water, sewer, electricity and property taxes.

There is an ongoing plan developed by Maine Local Roads (see Table A.16 page 42) to guide long term plans for the resurfacing and reconstruction of local roads. Up to 5.5 million dollars has been allocated in a proposed amendment to the Backyard Farms TIF agreement for local road work through 2033. In addition a percentage of funds is dedicated to assisting with the future purchase of highway equipment.

It has been suggested to start a sidewalk inventory in the village area of town. Funding for repair of sidewalks has been secured from Summit Natural Gas specific to those areas affected by installation of the gas pipeline. In addition up to \$750,000 of the BYF TIF has been allocated for infrastructure including sidewalks.

Each of the three school buildings currently operated by MSAD#59 are in good to excellent condition. Major building projects are not anticipated over the next 20 years.

Table A.38 outlines the Town of Madison's Capital Improvement Plan through 2020.

Capital Improvement Plan (5 Year)

Table A.38

PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
HIGHWAY	Sidewalk Renovation	TIF/Grants	\$50,000.00	\$75,000.00	\$75,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$275,000.00
	Equipment Purchase	Capital Exp/TIF	\$25,000.00	\$25,000.00	\$50,000.00	\$50,000.00			\$150,000.00
	Natural Gas Conversion (Town Garage)	Capital Exp/TIF	\$5,200.00						\$5,200.00
	Salt Shed	TIF						\$50,000.00	\$50,000.00
	Local Roads	Capital Exp/TIF	\$320,425.00	\$366,300.00	\$180,100.00	\$420,939.00	\$264,775.00	\$57,835.00	\$1,610,374.00
	Subtotal		\$400,625.00	\$466,300.00	\$305,100.00	\$495,939.00	\$289,775.00	\$132,835.00	\$2,090,574.00
PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
TOWN OWNED PROPERTY	Weston Avenue School (Demolition)	TIF	\$90,000.00	\$10,000.00					\$100,000.00
	East Madison Store (Demolition/Site Work)	TIF	\$75,000.00	\$10,000.00	\$5,000.00				\$90,000.00
	Business Park (Site Work)	TIF			\$15,000.00	\$10,000.00			\$25,000.00
	Library (Natural Gas Conv/Building Maint)	Capital Exp/Grants	\$4,000.00		\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$24,000.00
	Municipal Building (Natural Gas Conv/Maint)	Capital Exp/Grants	\$4,000.00	\$2,500.00	\$10,000.00	\$15,000.00	\$10,000.00	\$5,000.00	\$46,500.00
	Old Point Ave (Natural Gas Conv/Upgrades)	Capital Exp/Grants		\$12,500.00	\$5,000.00	\$2,500.00			\$20,000.00
	Congregational Church (Boiler/Upgrades)	TIF		\$15,000.00	\$15,000.00	\$10,000.00	\$5,000.00		\$45,000.00
	Main Street Parking Lot (Cameras)	TIF	\$10,000.00	\$5,000.00					\$15,000.00
Subtotal		\$183,000.00	\$55,000.00	\$55,000.00	\$42,500.00	\$20,000.00	\$10,000.00	\$365,500.00	
PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
RECREATION	Ice Rink (Weston Ave)	Capital Exp/Grants		\$15,000.00	\$5,000.00	\$5,000.00			\$25,000.00
	Site Work Ball Fields	Capital Exp/Grants		\$2,500.00	\$5,000.00	\$5,000.00	\$2,500.00		\$15,000.00
	Trail Development	TIF/Grants	\$5,000.00	\$5,000.00	\$5,000.00	\$2,500.00	\$2,500.00	\$2,500.00	\$22,500.00
	Boatlanding Upgrades	TIF/Grants	\$20,000.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,000.00	\$32,000.00
	Subtotal		\$25,000.00	\$25,000.00	\$17,500.00	\$17,500.00	\$7,500.00	\$4,500.00	\$97,000.00
PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
FIRE DEPARTMENT	Equipment Upgrades (SCBA)	TIF/Grants	\$150,000.00	\$40,000.00	\$5,000.00	\$5,000.00	\$2,500.00	\$2,500.00	\$205,000.00
	Rescue Vehicle	Capital Exp/TIF		\$25,000.00	\$50,000.00	\$50,000.00	\$25,000.00	\$10,000.00	\$160,000.00
	Station Addition/Renovation	TIF		\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$500,000.00
	Subtotal		\$150,000.00	\$165,000.00	\$155,000.00	\$155,000.00	\$127,500.00	\$112,500.00	\$865,000.00
PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
POLICE DEPARTMENT	Equipment Purchase/Upgrades	Capital Exp/Grants	\$1,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$26,000.00
	New Cruiser	Capital Expense	\$6,750.00	\$22,000.00	\$7,500.00	\$23,000.00	\$8,000.00	\$24,000.00	\$91,250.00
	Additional Storage	Capital Expense		\$1,500.00	\$1,500.00	\$2,500.00	\$2,500.00	\$5,000.00	\$13,000.00
	Subtotal		\$7,750.00	\$28,500.00	\$14,000.00	\$30,500.00	\$15,500.00	\$34,000.00	\$130,250.00
PROJECT LIST		Funding Sources	2014	2015	2016	2017	2018	2019	Estimated Cost
BOARD OF ASSESSORS	Revaluation of Property	Capital Expense	\$25,000.00	\$35,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$260,000.00
	Subtotal		\$25,000.00	\$35,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$260,000.00
Total (Scheduled)			2014	2015	2016	2017	2018	2019	Estimated Cost
			\$791,375.00	\$774,800.00	\$596,600.00	\$791,439.00	\$510,275.00	\$343,835.00	\$3,808,324.00