

FISCAL CAPACITY AND CAPITAL INVESTMENT PLAN

Introduction

Municipalities must be able to determine the expenditures necessary to provide basic services and the impact that this spending will have on townspeople. The primary funding source for municipal government is property tax revenue. Although the 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 Union to handle diligently all yearly expenditures while at the same time plan for the Town's long-term objectives. As is the case with any business, the physical assets of Union must be properly maintained through capital reserve accounts to protect the Town's continued economic health. [BLANKS IN TEXT --- AND TABLES SHOULD BE FILLED IN BY THE TOWN OR NOTED AS NOT APPLICABLE.]

State Goal

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

Analyses

(1) *How will future capital investments identified in the plan be funded?*

Capital investments will continue to be funded through capital reserve funds supported by property tax revenues town-wide, intergovernmental revenues (State aid), grants and loans from federal, State and private sources, and from --- municipal bonds.

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

The Town **may** --- bond during the ten-year planning period of this plan. The community has sufficient borrowing capacity. Currently, Union has --- debt and so is below the statutory limits as set forth in Title 30-A M.R.S.A. Section 5702.

(3) *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?*

As noted in the Public Facilities and Services Chapter and the Regional Coordination Program Chapter, the Town does cooperate with Knox County, neighboring communities, and multi-community quasi-municipal organizations in the provision of services (e.g., police protection, fire, emergency medical services, public education, municipal solid waste management, and ---). Sharing of capital investments has included the following: --- and has been considered for the following: ---.

Conditions and Trends

Minimum data required to address Analyses:

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

Total municipal revenues rose 10.5% over the last five years. Property taxes increased 13.9%, comprising 74.1% of total revenues in 2011 and 76.4% in 2015. Excise taxes increased 19.3%, comprising 8.8% of total revenues in 2011 and 9.5% in 2015.

Intergovernmental revenue (state aid) decreased 19.4% overall, comprising 6.7% of total revenues in 2011 and 4.9% in 2015. Subcategories of intergovernmental revenue included state revenue sharing (decreased 24.3% to \$93,228), homestead exemption (increased 78.0% to \$54,502), local road assistance (decreased 10.3% to \$51,748), general assistance and other.

Revenues from charges for services, licenses and permits, and other revenues increased 1.9%, comprising 5.2% of total revenue in 2011 and 4.8% in 2015.

Miscellaneous revenues decreased 10.4%, comprising 4.8% of total revenues in 2011 and 3.9% in 2015. In 2015, this category was largely composed of --- debt proceeds [CORRECT AS APPROPRIATE].

Revenues - Total Government Funds for the years ending June 30th						
Categories	2011	2012	2013	2014	2015	Change
Property Taxes	2,913,726	3,003,461	3,129,831	3,174,355	3,319,486	13.9%
Excise Taxes	346,185	353,706	362,284	390,392	413,143	19.3%
Intergovernmental	264,241	273,234	307,730	214,670	212,947	-19.4%
Charges for services	204,391	186,518	198,911	152,303	208,291	1.9%
Investment income, net	13,681	84,614	30,692	135,541	22,758	66.3%
Misc. revenue	190,240	323,624	125,165	44,295	170,423	-10.4%
Total	3,932,464	4,225,157	4,154,613	4,111,556	4,347,048	10.5%

Source: Town Annual Reports, Statement E

Note: Percentages are rounded.

Total expenditures increased 26.3% from 2011 to 2015. The largest expense, education (over which municipal government has no control) increased 8.9% over the last five years, comprising 49.9% of total expenditures in 2011 and 43.1% of total expenditures in 2015.

General government (administration, building maintenance, office personnel, cable tv, stipends, assessor and insurance) increased 9.6% over the same period, comprising 10.4% of total expenditures in 2011 and 9.0% in 2015.

Public safety (fire department, ambulance, plan/code enforcement, animal control and hydrant rental) increased 3.8% over the period, comprising 8.3% of total expenditures in 2011 and 6.8% in 2015.

Highways and bridges (public works, paving/road construction, streetlights, mowing/non roads, and birdhouses) increased 74% over the same period, comprising 15.3% of total expenditures in 2011 and 21.1% in 2015.

County tax increased 2.6%, comprising 5.6% of total expenditures in 2011 and 4.6% in 2015.

Unclassified increased 30.1%, comprising 5.0% of total expenditures in 2011 and 5.2% in 2015. The three largest subcategories in Unclassified in 2015 were Dispatch/RCC (\$58,501), Cemeteries (\$33,769), and Social Security (\$33,198).

Expenditures - Total Government Funds for the years ending June 30th						
Categories	2011	2012	2013	2014	2015	Change
General Government	374,993	364,785	390,853	385,150	411,090	9.6%
Public Safety	297,876	291,344	286,768	282,312	309,342	3.8%
Health and sanitation	45,433	45,731	46,256	45,108	43,307	-4.7%
Highway and bridges	551,896	649,628	739,326	850,385	960,373	74.0%
Recreation and library	8,121	9,061	9,575	5,319	8,938	10.1%
Education	1,802,009	1,892,986	1,949,329	1,959,822	1,961,872	8.9%
County tax	202,601	206,077	203,027	212,719	207,827	2.6%
Debt service principal	11,500	-	-	-	-	-
Debt service interest	376	-	-	-	-	-
Unclassified	181,538	249,131	245,764	223,075	236,135	30.1%
Capital outlay	0	544,034	68,915	40,593	416,008	-
Program expenditures	131,301	-	-	-	-	-
Total	3,607,644	4,252,777	3,939,813	4,004,483	4,554,892	26.3%
Excess (deficiency) of revenue	324,820	(27,620)	214,800	107,073	(207,844)	-164.0%

Source: Town Annual Reports, Statement E

Note: Percentages are rounded.

- (2) Describe means of funding capital items (reserve funds, bonding, etc.) and identify any outside funding sources.

Capital investments are funded through capital reserve project funds supported by property tax revenues town-wide, intergovernmental revenues (State aid), grants and loans from federal and State sources, and from municipal bonds. The Town does --- not have tax increment financing districts. Non-governmental (outside) funding sources have recently included --- gifts, donations from ---.

Nonmajor Permanent Funds as of June 30, 2015	
Name	Fund Balances
Cemetery	232,109
Kinniston Memorial	75,252
Doughty Fund	13,188
Thurston Memorial	35,622
Alumni Scholarship	15,061
Thurston Worthy Poor	95,402
J Pullen Investment	45,557
J Pullen Recreation	12,684
Frank & Gertrude Rowe	15,614
Heald Scholarship	37,867
W Pullen Scholarship	373,128
Total	951,484

Source: Town Annual Report 2015-2016

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

The local valuation of Union decreased 1.6% in the most recent five-year period for which this information is available. Over the same period, the homestead exemption valuation decreased 4.6% to total \$6,840,000 in 2015.

Union Local Valuations						
Category	2011	2012	2013	2014	2015	Change
Total Taxable	217,194,800	217,654,100	209,745,200	211,427,600	213,709,500	-1.6%

Source: Town Annual Reports Note: Percentages are rounded.

The State valuation of the Town decreased 4.3% in the last five years.

Union State Valuations					
2011	2012	2013	2014	2015	Change
235,950,000	235,350,000	231,250,000	225,550,000	225,700,000	-4.3%

Source: Maine Revenue Services Note: Percentages are rounded.

The Town's mil rate increased 15.7% in the last five years.

Union Mil Rates					
2011	2012	2013	2014	2015	Change
14.00	14.40	15.10	15.90	16.20	15.7%

Source: Town Annual Reports Note: Percentages are rounded.

- (4) *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?*

Title 30-A M.R.S.A. Section 5702 contains a limitation on the amount of debt that municipalities may incur. A municipality cannot issue debt (for purposes other than school, storm or sanitary sewer, energy facility or for municipal airports) that would exceed 7.5% of the municipality's last full State valuation. The statute contains additional limits for school, storm or sanitary sewer, energy facility and for municipal airports. There is an overall debt limit for all types of debt of 15% of the municipality's last full State valuation. At the end of fiscal year 2015, the total debt (general obligation and proprietary bonds and notes) was --- \$0. [CORRECT AS APPROPRIATE]. The Town has never exceeded the statutory limit or ---.

The Maine Bond Bank has no set policy on the amount of total debt a municipality can or should have outstanding other than to be sure that the municipality is in compliance with the provisions of Maine law regarding limitations on local debt. The Maine Bond Bank looks at outstanding debt, both direct and contingent, from such perspectives as debt per capita, percentage of operating budget to debt service, and total debt among other factors.

General obligation bonds can be issued for the construction or acquisition of major capital assets. The security pledged for the bonds is the general taxing power of the government. General obligation bonds are usually either term bonds, which are due in total on a single date, or serial bonds, which are repaid in periodic installments over the life of the issue.

A proprietary fund is a business-like fund that can be issued by a state or local government. Examples of proprietary funds include enterprise funds and internal service funds. Enterprise funds provide goods or services to the general public for a fee. Internal service funds account for goods and services provided by one department or agency to another department or agency of the governmental unit (or to other governmental units) on a cost-reimbursement basis.

Capital Investment Plan

The comprehensive plan must include a capital investment plan that:

- (1) Identifies and summarizes anticipated capital investment needs within the planning period in order to implement the comprehensive plan, including estimated costs and timing, and identifies which are municipal growth-related capital investments;*
- (2) Establishes general funding priorities among the community capital investments; and*
- (3) Identifies potential funding sources and funding mechanisms.*

For (1) through (3), see the table below titled Union Capital Investment Plan Summary 2017-2027.

Purpose and Definition

The purpose of a capital investment plan (CIP) is to establish a framework for financing needed capital investments. 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 investments include the repair, renewal, replacement or purchase of capital items. Capital investments differ from operating expenses or consumables. The expense of consumables is ordinarily budgeted as operations. Capital investments generally have the following characteristics: they are relatively expensive (typically having an acquisition cost of \$5,000 or more); they usually do not recur annually; they last for several years (often having a useful life of three or more years); and they result in fixed assets. Capital items can include equipment and machinery, buildings, real property, utilities and long-term contracts and are funded through the establishment of financial reserves.

Capital investments are prioritized each year in the budget process based on the availability of funds and the political will of the community. A complete CIP describes expected yearly investment and allows for both changes in priorities and reduction of available funds. The CIP is intended to prevent a large capital investment from occurring in a single fiscal year. The unexpected purchase of a sizeable investment can overburden the tax rate and cause large fluctuations in tax bills from year to year. The annual provision for eventual replacement of capital investments depends on the useful life of the capital investments. It is important that capital investments be financially accounted for each fiscal year, minimizing later expenses.

For the purposes of this plan, the total costs have been recognized with an indication of the expected period for each item that is desired based upon priority ratings. The Town is currently -- drafting a complete capital investment plan that will provide for a yearly allocation of available and applicable funds. Each year any necessary changes will be made to the CIP and it will be included in the annual budget. Each year the Budget Committee will review the funding requests and make a recommendation for Select Board review.

