

## **FISCAL CAPACITY Inventory & Analysis**

Fiscally, Easton has managed well considering the large declines in state revenue sharing and state aid to education since 2009. Today the amount of local tax revenues that are allocated to non-municipal uses such as County tax, debt service and education is 30% higher than in 1994. This, along with rising operation and maintenance costs, huge reduction in education subsidies, and the trend in residential development being spread out along rural roads has created substantial fiscal challenges for the Town. It is well documented that the cost of delivering services like road maintenance, police, fire and emergency protection, and school busing all increase substantially as development spreads further away from the community center. Town officials are using the development of this Comprehensive Plan to encourage development where services can be provided in a cost effective manner and attempts to alleviate the impact of declines in revenue sharing. This approach helps protect and maintain the Town's fiscal capacity and is explained further in the future land use section of the plan.

### **Revenue Trends**

Trends in community revenues and expenditures for the past five year period (2009-2013) are described in the table below. Easton primarily has six revenue sources including state revenue sharing, local administrative, Business Equipment Tax Exemption (BETE) reimbursements, state local road assistance, and excise taxes. Overall revenues have remained relatively stable over the past five years with a total increase of 4.5%.

Property taxes make up over half of the revenues generated by the Town of Easton. In the last five years, this revenue source has declined by approximately 3 percent. BETE reimbursement makes up the next highest percent (averages about 15%) but has increased by 77% since 2009. State Local Road Assistance has also increased substantially and funds are used for road projects in Town. Annual funding to municipalities fluctuates with the up's and down's of the annual Highway Budget, rather than being a fixed amount. If Highway Fund revenues are up, then the total allocation will increase and vice versa. This program continues to be focused on municipal aid toward highway and bridge capital improvements.

The largest decrease in revenues has come from State Revenue Sharing with a 67% decrease, followed by State Education revenues at a 47% reduction. According to the Maine Office of the State Treasurer, revenue sharing is expected to remain relatively stable or decline slightly over the next several years. This revenue source is subject to change as tax and sales fluctuate.

### **Expenditure Trends**

During the five years examined, expenditures have increased by approximately 23 percent. Overall, eleven categories were examined separately for trends. Outside Request expenditures include a combination of over 37 organizations or areas where funds are requested and expended and showed the greatest increase at 873%. These expenditures include such things as Central Aroostook Humane Society, NMDC, Assessing, and the Maine Municipal Association. The total increase is somewhat misleading as, beginning in 2013, solid waste disposal was included in this

category, an expenditure of approximately \$100,000. The next highest increase was Other expenses which includes such things as insurances, debt service, and many others. The average annual percent change for the five year period indicates the trend in each expenditure category.

Factoring in the changes made in the expenditure categories, the greatest decline in expenditures were in Capital outlays and public safety. These declines were due mainly to the tightening of the budget.

Municipal Finances, 2009-2013

	2009		2010		2011		2012		2013		% Change 2009-13
		%		%		%		%		%	
		Tot. Rev.		Tot. Rev.		Tot. Rev.		Tot. Rev.		Tot. Rev.	
<b>REVENUES</b>											
Property Taxes	2,783,758	57.83	2,568,526	50.43	2,463,257	52.23	2,463,257	52.32	2,700,750	53.69	-2.98
Homestead Exemption	26,437	0.55	11,766	0.23	15,864	0.34	15,864	0.34	15,924	0.32	35.34
Excise Tax	192,791	4.00	199,419	3.92	203,457	4.31	203,457	4.32	215,026	4.27	7.83
State Education Revenues	781,696	16.24	981,220	19.26	871,917	18.49	871,917	18.52	413,618	8.22	-47.09
State Revenue Sharing	137,886	2.86	127,035	2.49	104,169	2.21	104,169	2.21	45,441	0.90	-67.04
State Local Road Assistance	41,714	0.87	42,228	0.83	42,229	0.90	42,229	0.90	65,042	1.29	55.92
BETE Reimbursement	502,539	10.44	840,342	16.50	676,175	14.34	676,175	14.36	889,226	17.68	76.95
MSRS Contributions	253,912	5.27	255,240	5.01	278,938	5.91	279,938	5.95	278,938	5.55	9.86
Abatements	-1,236	-0.03	-2,557	-0.05	-2,190	-0.05	-2,190	-0.05	-2,031	-0.04	64.32
Other Revenues	94,440	1.96	70,260	1.38	62,747	1.33	52,866	1.12	408,056	8.11	332.08
<b>Total Revenues</b>	<b>4,813,937</b>	<b>100</b>	<b>5,093,479</b>	<b>100</b>	<b>4,716,563</b>	<b>100</b>	<b>4,707,682</b>	<b>100</b>	<b>5,029,990</b>	<b>100</b>	<b>4.49</b>
<b>EXPENDITURES</b>											
General Government	160,151	3.72	174,398	3.67	174,138	3.64	196,640	4.09	179,817	3.40	12.28
Public Safety	85,866	1.99	83,260	1.75	96,638	2.02	94,907	1.98	76,533	1.45	-10.87
Highways	185,393	4.31	204,232	4.30	217,350	4.54	215,800	4.49	253,428	4.80	36.70
Recreation	62,894	1.46	72,923	1.53	75,023	1.57	75,023	1.56	82,368	1.56	30.96
Safety and sanitation	92,595	2.15	94,910	2.00	100,876	2.11	100,876	2.10		0.00	-100.00
Education	2,786,624	64.71	3,133,387	65.95	3,069,053	64.15	3,069,053	63.89	3,469,700	65.65	24.51
MSRS Pension	253,912	5.90	255,240	5.37	278,938	5.83	278,938	5.81	278,938	5.28	9.86
County Tax	157,434	3.66	160,941	3.39	240,673	5.03	240,673	5.01	258,217	4.89	64.02
Outside Requests	19,043	0.44	19,115	0.40	14,543	0.30	14,543	0.30	185,315	3.51	873.14
Capital Outlays	399,510	9.28	436,348	9.18	403,153	8.43	403,153	8.39	256,006	4.84	-35.92
Others	102,622	2.38	116,612	2.45	114,014	2.38	114,014	2.37	244,897	4.63	138.64
<b>Total Expenditures</b>	<b>4,306,044</b>	<b>100</b>	<b>4,751,366</b>	<b>100</b>	<b>4,784,399</b>	<b>100</b>	<b>4,803,620</b>	<b>100</b>	<b>5,285,219</b>	<b>100</b>	<b>22.74</b>
Rev-Exp	507,893		342,113		-67,836		-95,938		-255,229		

Source: Town of Easton 2014

## Education Funding

In Maine, educational funding comes from three sources. Approximately five percent is from federal funds with the remainder comes about equally from state and local sources. The state share is largely from sales and income taxes, the local share is derived almost entirely from property taxes. Easton is different than all other municipalities in that their state share of educational funds had declined drastically over the last three years. The following table shows State Education Revenues on a monthly basis for the past 5 years. Beginning in 2011, there was a decline of over 67% in monthly revenue due to changes in the valuation and the way that Maine disburses education funding. In essence, Easton is penalized for being successful and having several large manufactures, with a high valuation, located within the community.

State Revenue- 5 Year Comparison

	Per Month Revenue	Percent Change	Percent Change 2010-2014
Jul-10	\$55,607		
Jul-11	\$60,071	8.03	
Jul-12	\$19,388	-67.72	
Jul-13	\$10,530	-45.69	
Jul-14	\$5,264	-50.01	-90.53

Source: Town of Easton, 2014

The next table shows the annual income from both State and Federal sources (minus local tax funds). Any difference between income and expenses if made up entirely from Easton's taxpayers and, according to town officials, taxpayers pay approximately 85 percent of the overall school budget.

### Annual income and Expenses-Education

	Income	Expenses	Difference
FY 2011/12	\$1,536,964	\$3,392,716	-\$1,855,752
FY 2012/13	\$1,175,899	\$3,323,335	-\$2,147,436
FY 2013/14	\$864,600	\$3,494,428	-\$2,629,828
FY 2014/15*	\$464,706	\$1,576,965	-\$1,112,259

\*-based on a 7 month timeframe

Source: Town of Easton, 2014

The final table shows the monthly income and expense for the Easton School Department.

**Monthly Income and Expenses**

	<b>Monthly Income</b>	<b>Monthly Expenses</b>	<b>Difference</b>
FY 2011/12	\$128,080	\$282,728	-\$154,648
FY 2012/13	\$97,991	\$276,944	-\$178,953
FY 2013/14	\$72,050	\$291,202	-\$219,152
FY 2014/15*	\$66,386	\$295,611	-\$229,225

\*Based on a 7 month timeframe

Source: Town of Easton, 2014

**Reserve Accounts**

Easton utilizes several options for the funding of capital improvements and purchases necessary to maintain and upgrade facilities and services. Capital items funded over the past decade or more include fire equipment, highway equipment and building renovations, road improvements and equipment, apartment upkeep, and scholarships. As such Easton maintains a number of reserve accounts that are designed to provide funding when capital investments are needed. The following are accounts are maintained by the Town of Easton:

<b>Name</b>	<b>Purpose</b>
Hayden Family Trust	Scholarship fund for High School Students
Winston Larsen Scholarship CD	Scholarship fund for High School Students
Bragdon Scholarship CD	Scholarship fund for High School Students
Malcom Scholarship CD	Scholarship fund for High School Students
Beautification CD	Beautification projects around Easton
Sidney Bradley Scholarship CD	Scholarship fund for High School Students
J McManus Scholarship CD	Scholarship fund for High School Students
Savings Bank Equipment Reserve	Road Projects
Katahadin Equipment Reserve Account	Road Projects
ICS Account	Operating costs for local business
UDAG Account	Business attraction activities
Industrial Park CD	For the development of an industrial park
Grange Account	Apartment maintenance at the Grange Apartments
Cemetery Account	Annual maintenance at the three cemeteries
Field Day Account	Funds for advertising and sponsoring Easton Field Day
Union Church Savings	For the upkeep of the Union Church.
CDBG CD	Help pay for a town revaluation.

Source: Town of Easton, 2014

In addition, most municipal departments with a budget surplus at the end of the year will transfer funds to their respective reserve accounts for equipment. These effective methods have enabled

the Town maintain fiscal capacity while funding needed improvements with a manageable impact on annual tax obligation and local taxpayers.

The Town is also committed to using various grant and loan sources to help fund capital investments, residential assistance, and business assistance. Easton has utilized the Small Community Grant Program to help eligible homeowners replace faulty septic systems that are impacting water resources, have worked with local and state economic development agencies to assist business wishing to locate in town obtain grants or low income loans, and have worked with state and federal agencies on road and bridge projects.

Town officials are also considering using Community Development Block Grant (CDBG), Federal Emergency Management Agency and Maine Emergency Management Agency funds for a wide variety of projects. CDBG programs can be used for ongoing community betterment activities including park enhancement riverfront enhancement and community enterprise projects. The town also has utilized Maine Department of Conservation funds to purchase a snowmobile trail groomer, and have applied to the National Tennis Association to upgrade the town’s tennis courts. Town officials are also looking at other funding sources for recreation projects such as the rebuilding of the basketball courts. These are a few of the many examples of outside funding sources for capital improvements used by Easton.

**Revaluation**

Easton underwent a tax base revaluation process in 1992. The table below shows the comparison between the State’s full valuation and the Town’s valuation for taxation purposes. The town mil rate or the amount of tax levy per \$1000 of valuation is also given for each year.

	2009	2010	2011	2012	2013	2014
State Valuation	144,700,000	155,800,000	236,650,000	245,500,000	240,650,000	250,800,000
Local Valuation	56,171,500	57,392,336	57,545,511	58,031,558		
Mil rate	14.65	14.65	14.65	15.00	16.00	17.72

Source: Municipal Valuation Return Statistical Summary and Town of Easton, 2014

Town officials are concerned that they have not reviewed growth in property valuation as a result of development activity in the community. Development activity and the associated valuation increase should be divided equally between the Town’s residential, commercial, and industrial development . This new development creates the tax base for revenue growth that allows the town to maintain facilities and services. Unfortunately, under the present economic conditions much of this revenue has been absorbed by the lack of growth in Maine Revenue Sharing and the actual rising costs in the operation and maintenance of municipal departments. Tax base growth is a critical component of Easton’s fiscal capacity and overall economic sustainability.

## Analyses

Easton has fiscal strength in its net valuation growth but is not capturing that growth by keeping up with its real estate valuation. Presently the town is at 61% of the State's valuation. While oftentimes perceived as painful, keeping up with valuations will enable the town to fund future capital investments through a combination of grants and reserve funds from tax revenues. One measure of how aggressively the town is taxing property owners is based on what percentage that the town's valuation is to the State calculated full valuation of the town. Eighty percent of full valuation is the minimum that Maine Revenue Services likes to see for municipal valuations. The town's average net valuation from 2009-2013 was 62% of the State's full valuation. Resident's perception may be different, but Easton should be valuing property at a level closer to the State's full valuation.

Municipal department operating expenditures have increased but not substantially over the last five years. In many respects this is a huge accomplishment considering that real operating cost increases since 2005 have been in the order of 20-30%. However, this fiscal conservatism can also come with a price in terms of maintenance and services reductions. Maintenance reductions will always catch up with the operator and usually become a greater expense than if completed on an ongoing basis. Any proposed reduction in services may find Easton at a crossroads between saving funds in the near term but putting at risk the community's quality of life and desirability as a place to live. These are attributes which took the community decades to build. Town officials, and residents, need to be vigilant of the risks and be aggressive in pursuing opportunities to create jobs, build population and generate new revenues.

## Capital Investment Plan

Typically a capital investment plan identifies the public facilities/services necessary to accommodate projected growth. Since population growth is projected for Easton, the investment plan focuses on facilities and services needed to **1.** direct new development to specific areas of the community, **2.** attract businesses or create jobs, **3.** support changing needs and **4.** maintain existing facilities/infrastructure.

The projects identified are given priority ratings as follows: High being within 1-3 years; Necessary being within 3-5 years; Desirable being within the 10 year plan; Deferrable being potentially beyond 10 years. The capital investment plan forms the basis for developing a capital improvements plan (CIP). The CIP is more detailed plan that provides current cost estimates, a project timeline and grants/loans that are being applied for as funding. The CIP is updated annually and is used in the annual budget committee process. The Board of Selectmen should start prioritizing planned investments in 2014 or early 2015.

<b>Project</b>	<b>Potential Funding</b>	<b>Priority</b>	<b>Estimated Cost</b>
<b>Highway Department</b>			
Wheeler/Plow Truck	Reserve Accounts	Necessary	\$180,000
Backhoe	Reserve Accounts	High	\$100,000
Front End Loader	Reserve Accounts	High	\$200,000
Road Paving (2 miles per year)	Reserve, URIP	Annual for 15 years	\$1,500,000
McCain and Huber Directional Signage	Reserve, MaineDOT	High	\$10,000
Windbreaks along roads	Project Canopy grants	Necessary	\$15,000
Addition to Sand/Salt Storage	Reserve Accounts/ grants	Necessary	\$30,000
<b>Fire Department</b>			
Tanker	Reserve, grants	Necessary	\$140,000
Pumper	Reserve, grants	Desirable	\$150,000
Fire Station	Reserve, grants c	Necessary	\$200,000
Life saving equipment	Grants	Necessary	\$50,000
<b>Administration</b>			
Town Office Roof	Reserve	Desirable	\$35,000
Town Office Heat	Reserve	Desirable	\$30,000
Generator	Reserve	Desirable	\$5,000
Union Church Upgrade	Grants	Necessary	\$75,000
Grange Apartment Updates/maintenance	Reserve	Desirable	?
Other Town building Maintenance			
Dam Maintenance	Reserve/grants	Necessary	\$35,000



Library	Grants	Desirable	\$50,000
<b>Recreation</b>			
Tennis Court Renovation	Grants	High	\$100,000
Basketball Court Renovation	Grants	High	\$50,000
Snowmobile Trail Groomer	Grants	Desirable	\$100,000
Odd Fellows Hall maintenance/upkeep	Reserve	Necessary	\$30,000

**FISCAL CAPACITY & CAPITAL INVESTMENT PLAN**  
**Goals, Policies, and Strategies**

**State Goal**

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

**Local Goal**

Maintain and improve our fiscal capacity in a manner that allows us to make cost effective and efficient investments in the facilities and services required to support job creation and population growth.

**Policy**

Maintain a reasonable property tax obligation.

<b>Strategy</b>	<b>Responsibility</b>	<b>Timeframe</b>
Complete a full revaluation of all properties in Easton.	Town Officials	2016
Continue to assess new construction according to the revaluation base year	Town Officials,	On-going
Research opportunities to discontinue ownership or maintenance of existing rural roads with limited use based on traffic counts. Propose modest property tax reductions for owners affected by road abandonment.	Town Officials	On-going
Over the long term, manage for a local net assessed valuation of 90% or above compared to the State’s full valuation.	Town Officials	On-going
Advocate for required fiscal impact analysis of all State incentive programs that result in revenue losses to municipalities.	Town Officials	On-going
Continue to make annual contributions to a reserve fund for a town wide revaluation.	Town Officials	On-going
Initiate public communication on efforts and methods used by municipal departments to control operating expenditures	Town Officials	2016
Complete a comprehensive review of existing fee structures for all departments, review periodically and adjust fees as necessary	Town Officials	2016 and on-going
Review fee formulas for service agreements with neighboring communities and adjust as necessary to cover administrative and capital costs.	Town Officials	On-going
Participate in regional initiatives in solid waste, transportation, and joint purchasing and tax assessment/revaluation services that improve efficiency and control operating costs.	Town Officials	On-going

**Policy**

Continue to manage the town’s long-term debt below 5% of the State’s full valuation for the community.

<b>Strategy</b>	<b>Responsibility</b>	<b>Timeframe</b>
Maintain reserve fund balances for all Departments by developing a reasonable minimum base level for each.	Town Officials	On-going
Implement an integrated funding approach to capital improvements that create jobs or expand services, utilizing grants, loans and tax revenues.	All Depts. and Town Officials	On-going
Continue to borrow as necessary to protect infrastructure/facilities that meet the present needs of the community	Town Officials	On-going
Use tax rate and user fee increases to fund quality of life and job creation capital improvements based on strong public communication and justification.	Town Officials	On-going

**Policy**

Study local options for alternative revenues and annually review and adjust all department fee schedules.

<b>Strategy</b>	<b>Responsibility</b>	<b>Timeframe</b>
Evaluate opportunities to establish new fees for services presently provided and new services requested.	All Depts. And Town Officials	2017
Study the use of impact fees in accordance with the SPO guide “Financing Infrastructure Improvements through Impact Fees” and implement as necessary	All Depts. And Town Officials	2017

**Policy**

Direct substantial capital investment to areas designated in the future land use plan and capital improvements plan.

<b>Strategy</b>	<b>Responsibility</b>	<b>Timeframe</b>
Develop a private investment incentives program based on tax rate, fees, services and grant/loan access for development in designated “growth” areas.	Planning Board and Town Officials	2016
Amend development standards and permit fee structures in all ordinances to categorize development based on the future land use plans; desirability of location and cost efficiency in the delivery of public facilities/services criteria.	Planning Board and Town Officials	2016