

DRAFT

FISCAL CAPACITY

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INTRODUCTION

Planning and policy decisions must take into account a municipality's ability to make necessary expenditures and the impact that this spending will have on taxpayers. The primary funding source for municipal government is property tax revenue. In order to maintain a consistent mill rate year to year, City government must operate in a fiscally responsible manner. Large fluctuations in the tax rate can discourage economic development and spark public outcry. Although the priorities of the City may change from one election year to another, stable municipal finances are always a fundamental responsibility of local government. It is important for Belfast to handle diligently all yearly expenditures while at the same time planning for the City's long-term objectives. As is the case with any business, the physical assets of Belfast must be properly maintained through capital reserve accounts to protect the City's continued economic health. The format of this chapter follows the State Comprehensive Plan Criteria Rule as amended in August 2011.

OVERVIEW

Capital investments will continue to be funded through capital reserve funds supported by property tax revenues citywide, funds obtained through the use of targeted tax increment financing districts (such as the existing Downtown-Waterfront TIF), intergovernmental revenues (State aid), grants and loans from Federal, State and private sources, and from municipal bonds.

The community has sufficient borrowing capacity. In fiscal year 2018, total municipal debt was below the statutory limits as set forth in Title 30-A MRSA Section 5702. The City has often used its bonding capacity to pay for major projects, such as but not limited to: upgrades to the public sewer system and wastewater treatment plant, the reconstruction of the Armistice Bridge, and the construction of the Harbor Walk project.

As noted in the Public Facilities and Services Chapter, the City does cooperate with neighboring communities, multi-community quasi-municipal organizations and with Waldo County in the provision of services (public education, fire department mutual aid, and municipal solid waste management). The most significant regional service is education, with RSU 71 servicing Belfast, Belmont, Morrill, Searsmont, and Swanville. The City also contracts with a facility in Camden (Knox County) to provide animal shelter services.

CONDITIONS AND TRENDS

The top two revenue sources remained the same from 2014 through 2018. The top two sources were services/fees and property taxes. During this period, overall total revenues increased by 12.6% and total expenses increased by 12.7%. Within that total, property taxes collected

increased by 12.8% while excise tax increased by 16.9%. Services/Fees revenues increased 13.5% and capital grants/contributions increased by 87.5%. General government expenses increased by 33.5%. Protection expenses increased by 23.2% and social services expenses by 28.4%. Education, public works, central government, and public works were the four top expense sources in 2014 and 2018.

Capital investments are funded through capital reserve funds supported by property tax revenues citywide, intergovernmental revenues (State aid), grants and loans from Federal and State sources, and from municipal bonds. The City has two tax increment financing districts: the Downtown-Waterfront and Northport Avenue, both of which target the construction of public improvements in the respective catchment areas. Non-governmental (outside) funding sources have recently included gifts (e.g. Range-Way improvements), donations (e.g. Dog Park and Friends of Belfast Park), and capital funds from donors (e.g. Enk fund). Capital items funded through capital reserves are shown in the next table.

Actual Revenues and Expenditures	2014	2015	2016	2017	2018
Services/Fees	\$2,822,471	\$3,401,437	\$2,719,915	\$3,061,366	\$3,205,362
Operating Grants/Contributions	\$292,144	\$311,492	\$321,435	\$310,193	\$285,070
Capital Grants/Contributions	\$40,000	\$75,000	\$75,000	\$75,000	\$75,000
Property Tax	\$14,420,366	\$15,212,480	\$15,816,396	\$16,025,483	\$16,272,586
Excise Tax	\$954,221	\$985,363	\$1,034,106	\$1,114,213	\$1,149,122
Intergovernmental Other	\$650,077	\$742,616	\$965,218	\$848,912	\$956,379
Other	\$1,189,011	\$506,166	\$5,897,949	\$3,056,500	\$1,007,901
Total Revenues	\$20,368,290	\$21,234,554	\$26,830,019	\$24,491,667	\$22,951,420

The following major projects have been funded through bonding since 2010:

- Waterfront Walkway (2013): \$800,000
- Front Street/Maskers (2016): \$2,150,000
- Public Works/Solar (2019): \$8,600,000

Belfast has received Federal and State grant funding for the following major capital projects since June of 2010:

- Brownfields Assessment Grants in 2011, 2013, 2016, and 2019 in amounts totaling \$1.3 million used for the assessment of hazardous substance and petroleum of contaminated sites.
- Brownfields Cleanup Grants in 2014 and 2019 in amounts totaling \$600,000 and a Brownfields Revolving Loan Grant of \$50,000 used for remediation and cleanup of the

following sites:

- 45 Front Street
- 45 Congress Street
- 26 High Street
- CDBG Housing Assistance Grant (2011) - \$300,000 for the renovation of multi-family housing.
- CDBG Downtown Revitalization Grant (2012) - \$500,000 for streetscape and infrastructure improvements and on street parking.
- CDBG Economic Development Grant - \$200,000 for Front Street Shipyard improvements to former Belfast Boatyard waterfront facility and the purchase of custom paint booth.
- CDBG Micro-Enterprise Assistance - \$150,000 for micro-enterprise and business façade grants.
- EDA Public Works Grant (2013) - \$1,900,000 for the reconstruction and enhancement of Front Street.
- CDBG Housing Assistance Grant (2014) - \$500,000 for the renovation of multi-family housing.
- Maine Department of Conservation Recreational Trail Grant (2015) - \$35,000 for the Passy Rail Trail development.
- CDBG Economic Development Program (2015) - \$800,000 use to assist in the location of OnProcess Technology in Belfast.
- ConnectME Authority Community Broadband Planning Grant (2017) - \$15,000 used to assist in the planning process for community broadband.
- MEDEP Forgivable Loan – received to pay for climate adaptation plan for the wastewater system.
- Efficiency Maine Trust (2012) - \$10,000 used for electric vehicle charging stations.
- FAA (2018) – Grant of \$3,395,344 for airport improvement.
- Additional funding from FAA and MaineDOT over the last 10 years in the amount of \$5,263,500.44 used for the expansion of Aircraft parking apron, Airport master plan updates, preparation of Obstruction Removal Analysis and Environmental Assessment, tree clearing, and the construction of the parallel taxiway.

Capital Reserves	Balance July 1, 2017	Balance June 30, 2018
Communication Equipment	\$3,624	\$3,650
Ambulance	\$45,869	\$46,194
Assessment	\$894	\$901
Cemeteries-Land Development	\$7,964	\$8,022
Cemeteries-Equipment	\$18,285	\$18,412
Cemeteries-Maintenance	\$7,748	\$7,802

Personnel Reserve	\$93	\$96
Downtown Development	\$76	\$77
Fire Equipment	\$52,996	\$53,363
Harbor Improvement	\$5,256	\$5,263
Highway-Highway Equipment	\$39,977	\$40,268
Capital Reserves (Continued)	Balance July 1, 2017	Balance June 30, 2018
Highway-Road Construction	\$6,802	\$6,852
Highway-Culvert	\$28,557	\$28,757
Police Equipment	\$9,694	\$9,763
Recreation-City Park	\$92,220	\$78,479
Recreation-George Black	\$4,133	\$4,163
Ruth Greenlaw	\$375	\$378
Footbridge Capital	\$55,100	\$55,483
Transfer Station Equipment	\$11,456	\$11,538
Airport	\$115,475	\$4,663
Airport Maintenance	\$13,085	\$6,275
Planning Equipment	\$10,408	\$10,481
Waterfront/Thompson Warf	\$3,595	\$3,617
Ambulance Training and Development	\$2,318	\$2,525
Cable TV Equipment	\$15,420	\$15,528
City Clerk Office Equipment	\$4,458	\$3,808
Assessing Office Equipment	\$3,560	\$8,585
Finance Office Equipment	\$6,993	\$8,864
Energy Savings Cap	\$--	\$24,268
City Manager Equipment	\$513	\$517
Boathouse Maintenance	\$9,860	\$3,928
Park Equipment	\$1	\$1
Future Land Purchase	\$21,069	\$21,216
Fuel Price	\$10,230	\$10,301
Sidewalk Capital	\$14,252	\$21,414
Total	\$632,356	\$517,151

Title 30-A MRSA 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. The City Charter references the State law

regarding the amount of debt which the City may borrow. The City has not exceeded the statutory limit.

At June 30, 2018, the statutory limit for the City was \$128,175,000. The City's outstanding long-term debt of \$6,486,760 at June 30, 2018 was within the statutory limit.

Valuations/Mill Rate	2014	2015	2016	2017	2018	% Change
Municipal Total Valuation of Belfast	\$705,786,800	\$714,284	\$717,379,800	\$709,000,550	\$757,596,300	7.30%
State Valuation of Belfast	\$833,550,000	\$797,600,000	\$814,550,000	\$830,150,000	\$828,300,000	-0.63%
City Mill Rate	0.0208	0.02165	0.0224	0.0229	0.0219	5.20%

Capital Investment Plan

Purpose and Definition of Capital Investment Plan:

Planned growth and a diverse mix of land uses within the City is an important aspect of fiscal planning. 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 (usually having an acquisition cost of \$5,000 or more); they usually do not recur annually; they can last for a long time (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 on priority ratings. 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 City Council review.

Priority Rankings Used in the Capital Investment Plan:

The capital investments identified below were assigned a priority based on the listed rating system. Logically, “A” investments would be implemented prior to “B” and so on. Lower priority items 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. In order to fund capital investment projects it is necessary to begin to identify funding sources and set aside funds in advance of the projected time of funding.

- A. Immediate need. A capital investment rated in this category would typically remedy a danger to public health, safety and welfare.*
- B. Necessary (Needed), to be accomplished within two to five years. A capital investment rated in this category would typically correct deficiencies in an existing facility or service.*
- C. Future investment or replacement, to be accomplished within five to ten years. A capital investment rated 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 ten year period of this comprehensive plan.*

Projects referenced in this comprehensive plan and existing reserve accounts are the basis for this capital investment plan and have been incorporated into the table below. As well, State and Federal mandates necessitating some of these projects have been noted in the table. The need for each project is noted in parentheses.