

## APPENDIX J

### FISCAL INVENTORY

#### INTRODUCTION

Towns and cities in Maine spend money for the public facilities and public services that the public wants, and for services and other items required by law. Expenditures include gasoline and diesel fuel; heating oil, electricity, and building maintenance; road salt and hot-top material; police vehicles, fire trucks, and snowplows; textbooks and employees' salaries; and all the other expenses it takes to operate a city. The City of Bath also pays for a portion of Sagadahoc County services (i.e., the County Tax) and for a portion of the new RSU 1. The City's share of the County Tax and the City's portion of funding for RSU 1 are both included in Bath property owners' tax bills.

To spend this money and make RSU 1 and County payments, the City must bring in revenue. The largest and most obvious source of revenue is the tax assessed on both real property (i.e., land and buildings) and personal property (i.e., business equipment). The City also collects an annual excise tax on vehicles and boats, as well as various fees for permits, licenses, and certain services. Also, some tax-exempt property owners (discussed later in this appendix) make payments in lieu of taxes (PILOTs) to the City. Cities and towns in Maine receive a small percentage of state-collected taxes, often referred to as *revenue sharing*. When the state's revenues are down, so is the amount of revenue sharing. Unless a city or town is in some form of school district or RSU, they also receive General Purpose Aid to Education from the state. If a city or town is in a district or another RSU (not a School Union), the state's General Purpose Aid to Education is given directly to that district or unit.

In some states, cities and towns have the legal authority to collect sales taxes, meals and lodging taxes, and even income taxes. These local taxes are not available to municipalities in Maine.

This appendix explains where the money comes from that is used to operate the City and where the money is spent. In some discussions, this is reviewed over time and Bath is compared to other communities.

## REVENUES

As discussed previously, the major source of local revenue is the property tax. Property—land and buildings as well as personal property—is required to be assessed by the local tax assessor at “fair market value” or at a uniform percentage of fair market value. The only exceptions are the lands classified as tree-growth land, farmland, and open-space land. These so-called current-use taxing provisions are allowed by Maine State Laws and require the assessor to assess forestland based on the amount of wood grown each year (i.e., the Tree Growth Law) and to be classified as farmland or open-space land at the farmland or open-space value (i.e., the Farm and Open-Space Law). If a landowner takes such land out of its current-use classification, a substantial financial penalty must be paid to the City of Bath. The properties in the current-use tax programs are discussed in Appendix F, Natural Resources Inventory.

The amount of tax paid by a landowner is determined by multiplying the assessed value of that property by the City's tax rate (i.e., mill rate). The tax rate is determined by dividing the amount of the City's budget that has to be raised from taxes (i.e., the total budget minus the amount of excise tax, fees, state revenues, and other non-tax revenues) by the total valuation of the City.

The Assessor sets the tax rate each year by using this calculation. By law, the Assessor is not allowed to raise more money than is needed to cover the budget approved by the City Council. The only exception can be a small “overlay” used primarily to round off the tax rate and to cover any tax abatements that may be given during the year.

To compare one municipality to another, and for County Tax assessment and educational-subsidy purposes, the State (i.e., Maine Revenue Services) calculates a “state valuation” for every Maine municipality. According to the Maine Revenue Services web site, “[t]he state valuation is compiled by determining, through field work and meetings with assessors, the approximate ratio of full value on which local assessments are made; and by then adjusting total local assessed value so that the state valuation of those municipalities are equalized.” This valuation excludes the portion of value that is “captured” by the municipality in any TIF district. (The taxes on this

captured value can be returned to the property owner and/or used for local economic development purposes. The TIF process in Bath is discussed later in this appendix.)

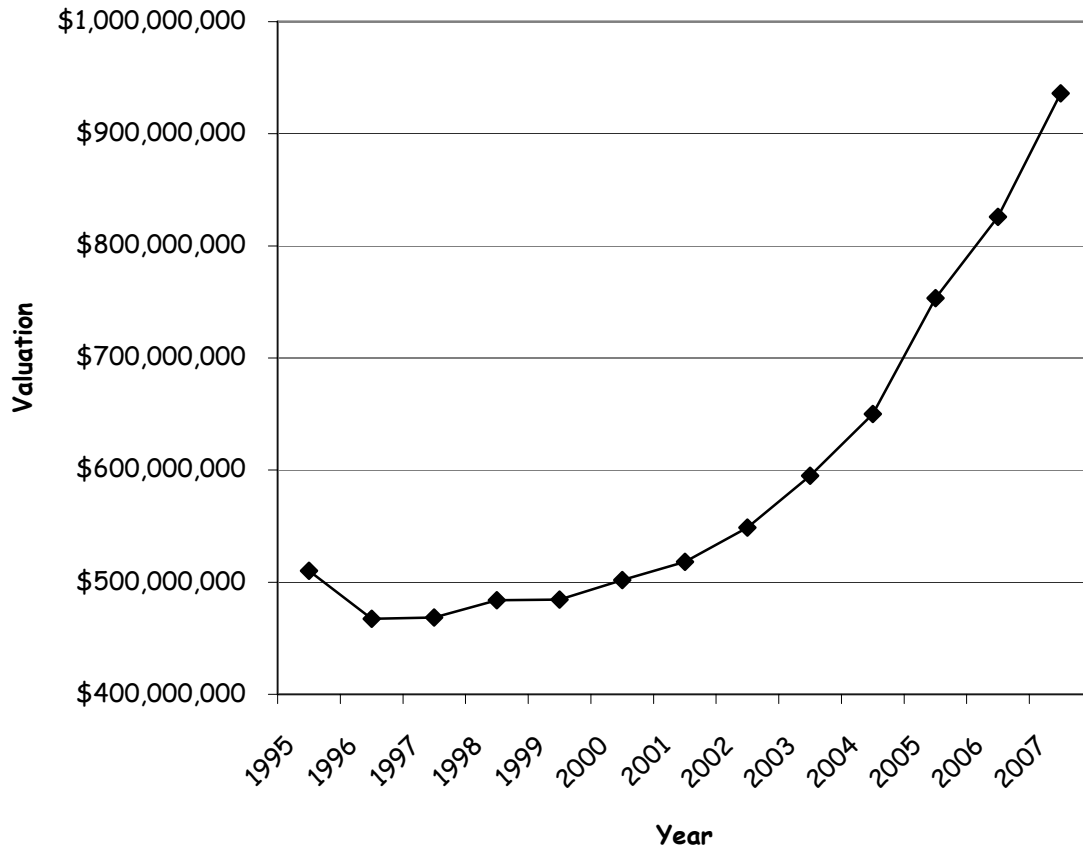
Shown in the following table and graph, the City of Bath's valuation (as shown by state valuation) actually decreased from 1995 to 1996 but has steadily increased since then. If the City's valuation were to increase at a faster rate than the rest of the total for all Sagadahoc County municipalities, Bath would pay an increasing share of the Sagadahoc County Tax (discussed later in this appendix). However, since 2002, Bath's state valuation increased 70.6 percent, whereas the total of Sagadahoc County municipalities increased 94.2 percent.

**STATE VALUATION  
CITY OF BATH  
1995-2007**

<b>Year</b>	<b>State Valuation</b>
1995	\$510,050,000
1996	\$467,450,000
1997	\$468,550,000
1998	\$484,000,000
1999	\$484,550,000
2000	\$501,950,000
2001	\$518,250,000
2002	\$548,850,000
2003	\$595,000,000
2004	\$650,000,000
2005	\$753,500,000
2006	\$825,900,000
2007	\$936,200,000

*Source: Maine Revenue Services, 2008*

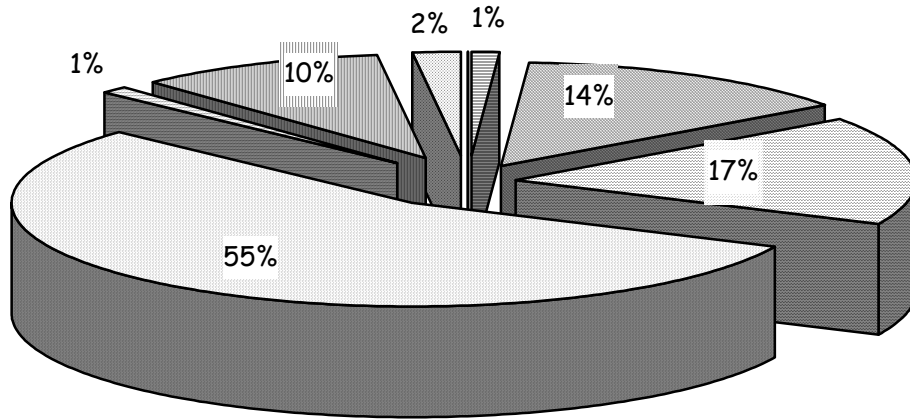
## STATE VALUATION CITY OF BATH



*Source: Maine Revenue Services, 2008*

This valuation consists of homes and other residential property, commercial properties, industrial properties, undeveloped land, utilities, and personal property (i.e., business equipment). These percentages and the change from 1998 (pre-BIW TIF) to 2007 (with and without the BIW TIF) are shown in the following three pie charts. The percentages of the City's total valuation in 1998 and 2007 (adjusted for the TIF) were similar. Why the 2007 values (adjusted and nonadjusted) are different and what this all means is discussed later in this appendix.

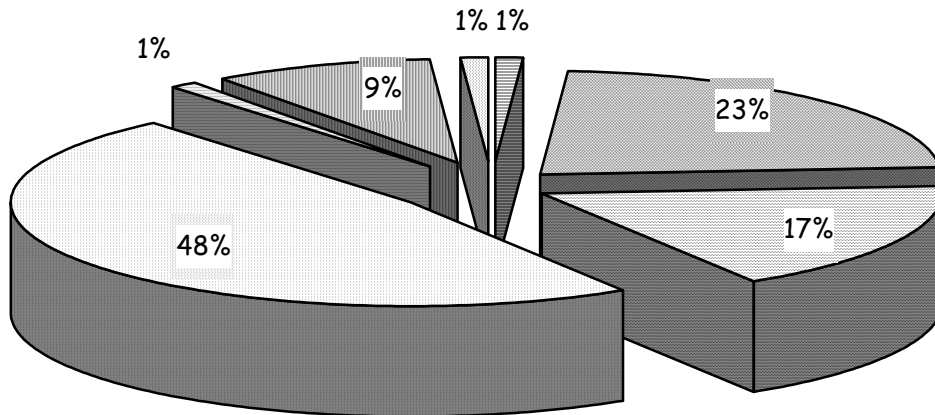
### BATH'S TOTAL TAXABLE VALUATION 1998



Mixed Use	Industrial	Business Equipment
Residential	Utility	Commercial
Undeveloped		

Source: City of Bath Assessor's Office, 2008

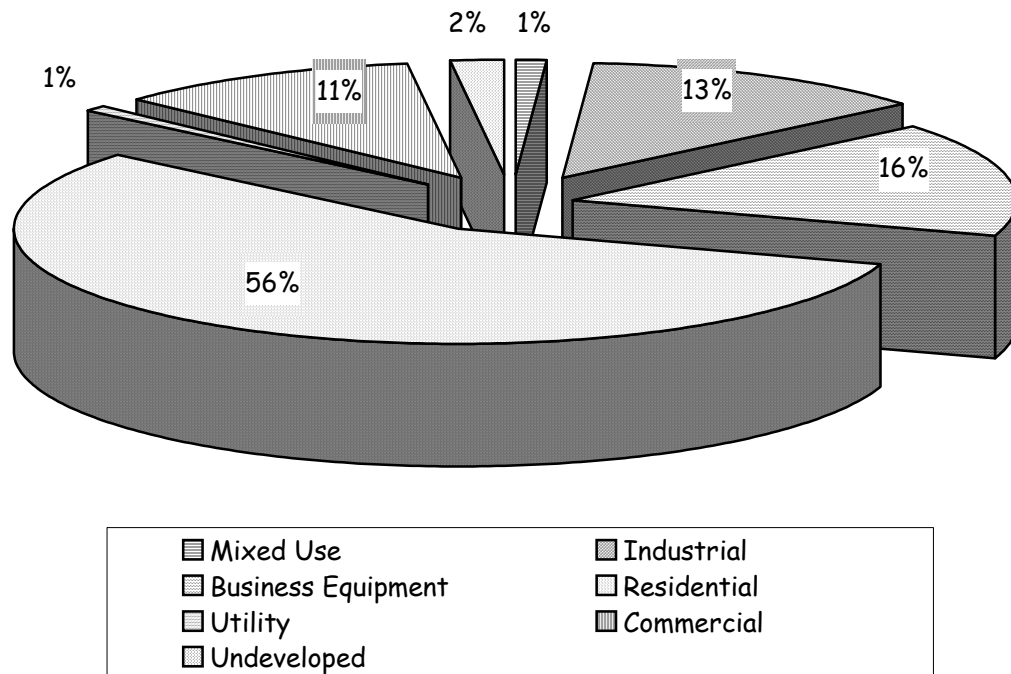
### BATH'S TOTAL TAXABLE VALUATION 2007



Mixed Use	Industrial	Business Equipment
Residential	Utility	Commercial
Undeveloped		

Source: City of Bath Assessor's Office, 2008

**BATH'S TOTAL TAXABLE VALUATION  
(ADJUSTED FOR TIF)  
2007**



*Source: City of Bath Assessor's Office, 2008*

The "industrial" piece of these three pie charts is mostly BIW. However, in 2007, it included Gagne Foods, Custom Composite Technologies, and the Kennebec Company. The disproportionately large size of BIW's valuation, compared to other taxpayers, often leads people to ask how much of the City's total value is attributed to BIW. The following table shows that BIW was almost 39 percent of the total value in 2007; when adjusted for the TIF, it is about 22 percent.

**BATH VALUATION  
AND BATH IRON WORKS PERCENTAGE  
2007**

<b>Bath Total Value</b>	Personal Property	\$ 202,002,200	
	Real Estate	\$ 937,017,400	
	Total	\$1,139,019,600	100%
<b>BIW Total Value</b>	Personal Property	\$ 176,802,200	
	Real Estate	\$ 264,305,100	
	Total	\$ 441,107,300	38.7%
<b>TIF Repayment to BIW</b>			
	Taxes Returned to BIW	\$ (3,127,079)	
	Equivalent Valuation	\$(187,250,240)	
<b>BIW Value NET TIF</b>		\$ 253,857,060	22.3%

*Source: City of Bath Assessor's Office, 2008*

Another topic that needs to be discussed when reviewing the City's valuation is tax-exempt property. According to the Maine Constitution, certain types of properties are exempt from paying property taxes, including federal and state property, municipal property, airports, property owned by benevolent and charitable organizations, libraries, hospitals, certain scientific organizations, and places of worship. The following table shows the percentage of the total value of tax-exempt property in Bath, towns in the Bath Region, and other comparison communities. Most tax-exempt property still requires a certain level of public service: fire and police protection, road maintenance, snowplowing, and stormwater collection, to mention only a few. Some tax-exempt properties make PILOTs to the City of Bath.

**EXEMPT PROPERTY AS A PERCENTAGE OF TOTAL VALUATION  
BATH, BATH REGION TOWNS, AND COMPARISON COMMUNITIES  
2006**

<b>Municipality/ Area</b>	<b>Percentage of Total Valuation Exempt</b>
<b>Bath</b>	<b>16.3%</b>
Georgetown	3.3%
Arrowsic	4.5%
Woolwich	5.0%
Phippsburg	4.0%
West Bath	3.9%
Brunswick <sup>1</sup>	49.1%
Topsham <sup>1</sup>	33.5%
Auburn	14.6%
Augusta	26.2%
Bangor	34.0%
Brewer	11.4%
Lewiston	42.9%
Lisbon	9.8%
Portland	21.8%
Rockland	26.6%
South Portland	13.4%
Waterville	27.2%
Sagadahoc County	13.0%
Maine	12.5%

*Source: Maine Revenue Services, 2008*

<sup>1</sup>When BNAS closes in 2011, the percentages for these towns could change significantly.

As discussed previously, property taxes are calculated by multiplying the assessed value of a property by the City's mill rate. Because inflation affects property values and because the assessed value stays the same (until a new City-wide reevaluation), comparing tax rates in different years or different municipalities is difficult. The equalized tax rate, calculated by Maine Revenue Services, makes these comparisons possible. It is derived by dividing the municipal tax commitment by the state valuation with adjustments for Homestead Exemptions and TIFs. (Equalized tax rates are not those that appear on a property tax bill; rather, they are calculated to allow comparisons of tax rates over time and in different municipalities.)



The following table shows equalized tax rates for the City of Bath, the Bath Region towns, and selected Service Center communities for 1995 through 2005. The following graph illustrates this information for Bath and Bath Region towns. The graph indicates that larger communities that provide more municipal services have higher tax rates than smaller rural communities. This is due to several factors. It indicates that some municipalities are more willing than others to levy taxes to support more public facilities and services. It also shows that it is more costly to be the Service Center for a region because that is where regional services are provided by the state and federal government, hospitals, colleges, churches, and many other tax-exempt entities. Service Center communities also provide services to a larger region and often collect no fees for them from rural communities. Examples in Bath are tennis courts, ice-skating facilities, and boat launches.

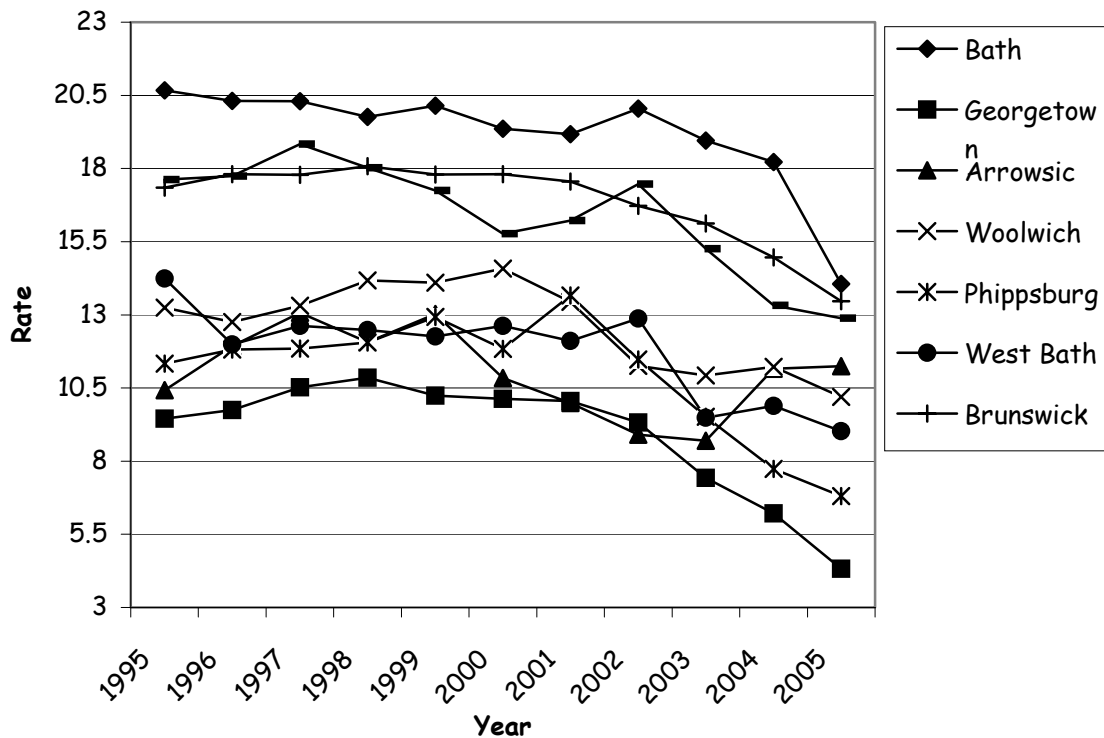
The table and graph show that the equalized tax rates in all of the municipalities, except Arrowsic, were lower in 2005 than in 1995. This is a result of municipality budgets having a smaller increase than their valuation increase.

**EQUALIZED TAX RATES  
BATH REGION AND  
SELECTED SERVICE CENTER COMMUNITIES  
1995-2005**

<b>Area</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Bath	20.70	20.31	20.30	19.76	20.15	19.36	19.17	20.05	18.95	18.22	14.10
Georgetown	9.45	9.75	10.52	10.85	10.24	10.13	10.05	9.32	7.43	6.21	4.32
Arrowsic	10.40	11.93	13.07	12.07	13.03	10.84	9.99	8.91	8.70	11.16	11.30
Woolwich	13.30	12.75	13.31	14.18	14.10	14.58	13.44	11.26	10.93	11.22	10.20
Phippsburg	11.30	11.81	11.85	12.05	12.93	11.84	13.66	11.48	9.52	7.73	6.81
West Bath	14.20	11.99	12.62	12.48	12.26	12.62	12.11	12.87	9.48	9.89	9.03
Brunswick	17.40	17.81	17.78	18.08	17.79	17.81	17.55	16.72	16.12	14.96	13.50
Topsham	17.60	17.74	18.83	18.02	17.25	15.77	16.22	17.47	15.26	13.32	12.90
Auburn	16.45	26.06	26.14	26.43	26.84	26.31	24.63	23.92	21.66	21.09	19.99
Augusta	22.90	23.28	23.10	24.02	14.43	23.69	24.26	23.39	22.15	19.92	17.64
Bangor	23.11	22.42	22.84	22.90	22.78	21.82	22.82	22.05	21.05	19.34	18.11
Brewer	22.42	23.40	23.04	22.66	22.17	21.50	22.22	22.40	21.46	19.86	17.86
Lewiston	26.37	26.69	26.85	26.59	26.70	26.44	25.61	24.55	23.19	20.59	17.46
Lisbon	21.90	21.63	22.64	23.16	23.09	22.43	22.98	22.26	19.92	17.81	15.34
Portland	24.97	24.35	23.81	23.40	22.15	20.91	19.57	19.03	17.59	15.96	14.91
Rockland	20.56	21.43	23.10	23.81	23.83	23.73	23.02	21.90	19.09	17.43	17.05
South Portland	20.40	20.83	18.99	18.62	18.91	18.57	18.53	16.40	14.91	14.09	13.23
Waterville	22.76	22.78	23.35	23.95	25.24	24.92	25.09	25.62	24.72	24.98	22.37
State of Maine Average	16.45	16.76	16.78	16.78	16.46	15.97	15.56	14.97	13.90	12.99	11.77

*Source: Maine Revenue Services, 2008*

## FULL-VALUE TAX RATES BATH REGION



*Source: Maine Revenue Services, 2008*

As discussed previously, property taxes (and other revenues) pay for public services that the City provides—both school and municipal services. They also pay for county services. Counties in Maine do not send tax bills to property owners. They assess the towns and cities in that county a tax that is included in each municipality's tax bill sent to its taxpayers. The amount that each municipality in a county is assessed is based on its state valuation. The City of Bath has the highest state valuation in Sagadahoc County and therefore pays the largest portion of the County Tax.

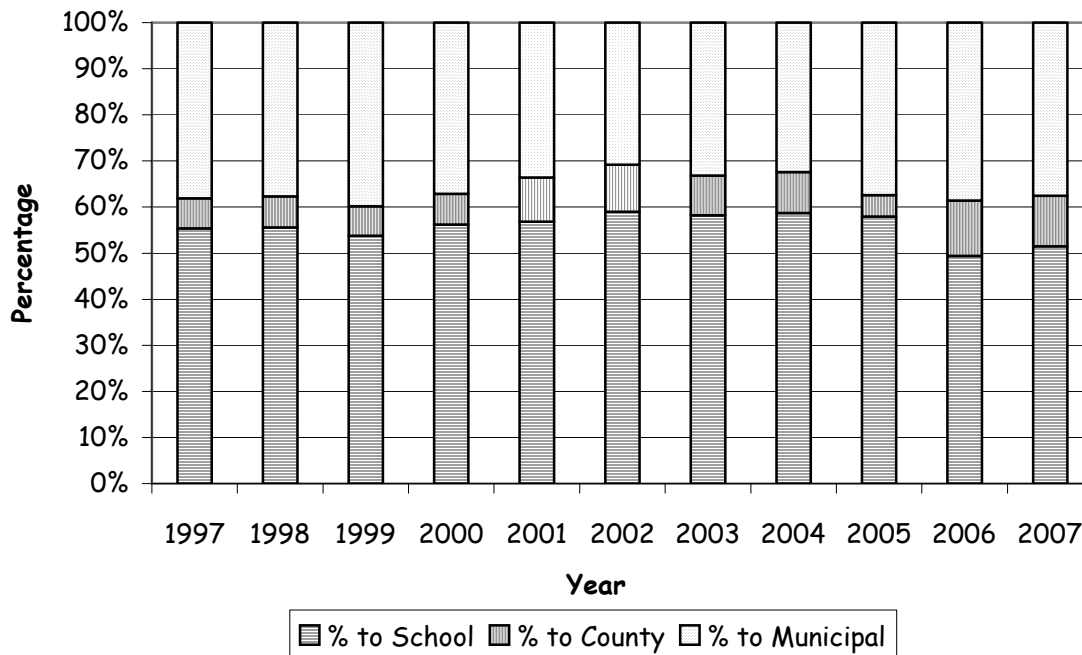
The following table shows how the percentage of a property owner's tax bill is shared among support for the school budget, the Sagadahoc County budget, and the municipal budget, and how it has changed since 1997. The share to Sagadahoc County is substantial, especially considering the minimal services that Bath residents receive from the County.

**PERCENT SHARE OF BATH PROPERTY TAXES  
FOR SCHOOL, COUNTY, AND MUNICIPAL BUDGETS  
1997-2007**

<b>Year</b>	<b>% for School</b>	<b>% for County</b>	<b>% for Municipal</b>
1997	55.4	6.5	38.1
1998	55.6	6.7	37.7
1999	53.8	6.4	39.8
2000	56.2	6.7	37.1
2001	56.8	9.5	33.6
2002	59.0	10.2	30.8
2003	58.2	8.7	33.1
2004	58.7	8.9	32.4
2005	57.9	4.7	37.4
2006	49.4	12.0	38.6
2007	51.5	11.0	37.6

*Source: City of Bath Treasurer's Office, 2008*

**PERCENT SHARE OF BATH PROPERTY TAXES  
FOR SCHOOL, COUNTY, AND MUNICIPAL BUDGETS  
1997-2007**



*Source: City of Bath Treasurer's Office, 2008*

The following table and graph complete the discussion of revenues and show that in addition to property taxes, City revenues include excise taxes paid on vehicles and boats, licenses and fees, intergovernmental transfers (i.e., grants, subsidies, and shared revenues), charges for services (e.g., ambulance-service payments and landfill tipping fees), investments, other (i.e., miscellaneous revenues not listed by auditors in any other category), and other financing sources (i.e., loans, bonds, and transfers from other sources).

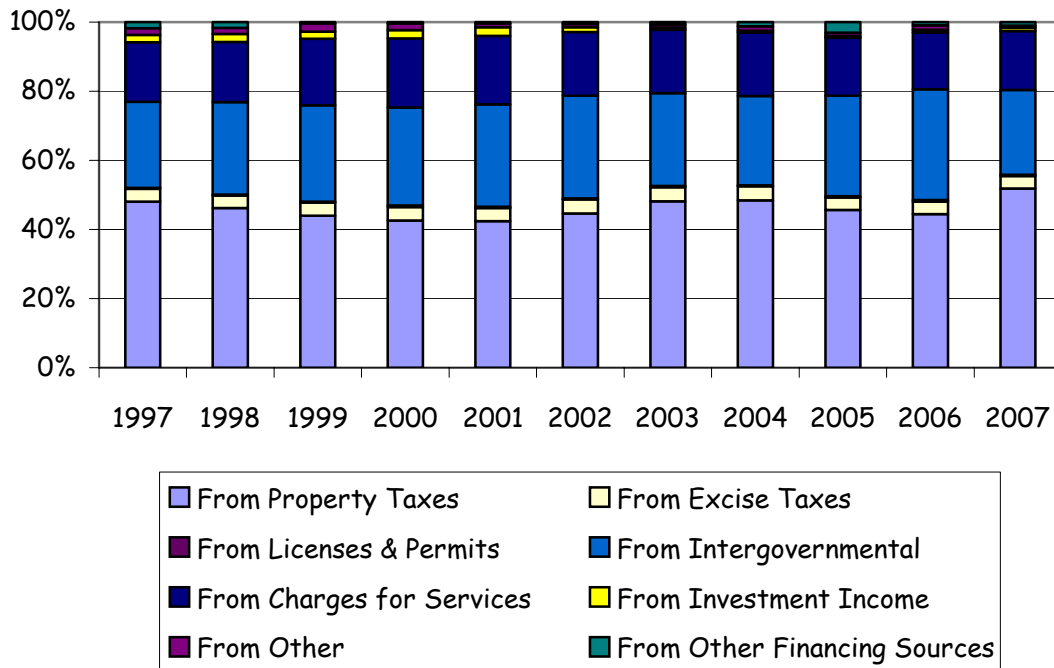
Over the past ten years, the property-tax portion has been about half of the revenue (from 42 to 52 percent), excise tax revenue has stayed at 4 percent, licenses and fees were between 0.3 and 0.5 percent, intergovernmental transfers ranged between 25 and 30 percent, charges for services were as low as 16 percent and as high as 20 percent, investment income was from less than 1 to 3 percent, other sources contributed between 1 and 2 percent, and other financing sources ranged between 0.4 and 3 percent.

### **BATH REVENUE SOURCES 1997-2007**

<b>Year</b>	<b>Property Taxes</b>	<b>Excise Taxes</b>	<b>Licenses &amp; Permits</b>	<b>Intergovernmental</b>	<b>Charges for Services</b>	<b>Investment Income</b>	<b>From Other</b>	<b>Other Financing Sources</b>	<b>Total Revenue</b>
1997	\$9,347,913	\$714,458	\$54,996	\$4,828,940	\$3,354,940	\$412,702	\$378,624	\$342,828	\$19,435,401
1998	\$9,531,100	\$748,978	\$59,911	\$5,516,207	\$3,597,275	\$469,068	\$369,014	\$336,995	\$20,628,548
1999	\$9,391,852	\$808,834	\$62,403	\$5,954,752	\$4,113,947	\$436,509	\$511,081	\$80,000	\$21,359,378
2000	\$9,561,347	\$863,626	\$104,177	\$6,370,566	\$4,481,163	\$550,927	\$434,038	\$83,000	\$22,448,844
2001	\$9,598,279	\$876,263	\$75,633	\$6,718,329	\$4,482,088	\$570,285	\$253,025	\$83,000	\$22,656,902
2002	\$10,289,275	\$934,686	\$65,284	\$6,854,712	\$4,238,843	\$315,152	\$218,531	\$128,000	\$23,044,483
2003	\$11,635,967	\$987,080	\$95,088	\$6,485,027	\$4,425,659	\$158,518	\$209,582	\$173,450	\$24,170,371
2004	\$12,394,368	\$1,034,011	\$79,168	\$6,619,956	\$4,703,368	\$109,238	\$349,374	\$301,000	\$25,590,483
2005	\$12,647,111	\$1,012,382	\$90,128	\$8,053,993	\$4,647,438	\$152,877	\$265,411	\$845,403	\$27,714,743
2006	\$12,396,277	\$1,008,537	\$132,935	\$8,952,716	\$4,591,096	\$211,305	\$343,954	\$270,248	\$27,907,068
2007	\$14,533,594	\$1,013,733	\$104,454	\$6,902,731	\$4,774,735	\$253,504	\$197,784	\$272,800	\$28,053,335

*Source: City of Bath Finance Department, 2008*

### PERCENT DISTRIBUTION OF BATH REVENUE SOURCES 1997-2007



*Source: City of Bath Finance Department, 2008*

## EXPENDITURES

As discussed previously, revenue that the City of Bath receives is used to fund public facilities and services that citizens want, as reflected by the City Council-adopted budget. The following table shows total expenditures for each fiscal year from 1997 through 2007. The table also shows the amount of the expenditures adjusted to 2007 dollars. (Adjusting for inflation provides a better comparison of one year to another.) In general, total expenditures (adjusted for inflation) have been increasing; however, the 2007 total indicated a significant decrease. Expenditures for each City of Bath department are listed in Appendix H.

## TOTAL EXPENDITURES FY1997-FY2007

Year	Amount	Amount (Adjusted) <sup>1</sup>	% Change
1997	\$19,465,753	\$25,286,069	
1998	\$20,516,971	\$26,242,841	3.8%
1999	\$21,157,851	\$26,477,792	0.9%
2000	\$21,909,690	\$26,537,011	0.2%
2001	\$22,770,016	\$26,805,881	1.0%
2002	\$23,936,551	\$27,704,539	3.4%
2003	\$24,788,412	\$28,087,695	1.4%
2004	\$25,409,330	\$28,044,421	-0.2%
2005	\$27,996,464	\$29,887,228	6.6%
2006	\$29,074,326	\$30,067,991	0.6%
2007	\$27,906,459	\$27,906,459	-7.2%

*Source: City of Bath Finance Department, 2008*

<sup>1</sup>Adjusted to 2007 dollars using the U.S. Department of Labor "inflation calculator."

## THE SPENDING LIMITATION

Since 1988, the City of Bath has had a voter-approved Charter provision that limits yearly expenditures. The provision limits the maximum percentage increase in the City's spending over and above the preceding fiscal year to no more than the national CPI. This is a spending limitation, not a tax cap, which means that in most cases, even if the spending does not come from taxes, it is still affected by the spending-limitation requirement. Only bonds approved by the voters, debt service on these bonds, certain grants, certain state or federal monies spent for mandates and "emergency" appropriations, and payments to RSU 1 are exempt.

The impact on the City budget is that, at times, borrowing (and paying interest) is the only way to fund capital improvements. At the end of each fiscal year, the City Council artificially appropriates funds up to the maximum limit in order to "capture the room" under the ceiling for a better starting point in subsequent years. This is the reason that the rating agencies downgraded the City of Bath's bond rating. This process also gives disincentives to each City department when it comes to not spending its entire budget.

In 2005 the State Legislature passed a bill (i.e., LD 1). LD 1 is not a spending limitation but rather a provision that limits increases in the local tax levies. The formula that determines the amount of increase allowed, without an override by the City Council is based on valuation increase and income increase. In FY2005 through FY2007, there was no override; in FY2008 and FY2009, there were overrides. According to the Finance Director, the fact that the City Council is willing to override LD 1 in order to fund needed services and infrastructure improvements is a positive with respect to the City's bond rating.

## DEBT

When reviewing the City's fiscal situation, it is important to consider the amount of the City's debt. In Maine (according to State Law), a municipality's debt cannot exceed 15 percent of its state valuation. Therefore, the City of Bath's legal debt limit is \$140,430,000.

The legal debt limit is divided into different categories, each of which has a maximum percentage of the total legal debt limit. For example, the municipal, stormwater, and sewer debts can each equal 7.5 percent of the total 15 percent, school debt can equal 10 percent of the total 15 percent, and special districts can equal only 3 percent of the City's total 15 percent valuation.

The following table indicates that as of July 2007, the City of Bath's debt was approximately \$27,423,000.

### CITY OF BATH DEBT REPAYMENT AS OF JULY 1, 2007

Description	Amount Outstanding on 7/1/07	Debt- Retirement Date
1988 Sewer Separation Bonds - Original amount financed is \$2 million with a variable interest rate due on 12/1/2008.	\$300,000	12/1/2008
1989 Sewer Separation Bonds - Original amount financed is \$780,000 with a variable interest rate due on 12/1/2009.	\$140,000	12/1/2009
1992 Wastewater Bond (refunded February 2005) - Original amount financed is \$3,311,000 with a variable interest rate due on 10/1/2012.	\$1,158,850	10/1/2012
1997 Wastewater Treatment Upgrade Bonds (refunded	\$3,780,000	10/1/2017



February 2005) - Original amount financed is \$6.3 million with a variable interest rate due on 10/1/2017.		
1998 Library Bonds - Original amount financed is \$500,000 with a variable interest rate due on 11/1/2012.	\$250,100	11/1/2012
1999 Sewer and Street Improvement TIF Bonds - Original amount financed is \$4.5 million with a variable interest rate due on 11/1/2019.	\$3,150,000	11/1/2019
2001 Capital Improvement Bonds - Original amount financed is \$6.62 million with a variable interest rate due on 2/1/2022.	\$5,280,000	2/1/2022
2002 SRF Landfill/Pumping Station Bonds - Original Amount financed is \$4 million with a variable interest rate due on 3/2/2023.	\$1,627,500	3/2/2023
2003 General Obligation Bonds - Original amount financed is \$1.95 million with a variable interest rate due on 10/1/2022.	\$3,340,000	10/1/2022
2004 General Obligation Bonds - Original amount issued is \$1.84 million with a variable interest rate due on 9/1/2019.	\$1,715,000	9/1/2019
2004 Note Payable - Original amount financed is \$550,000 with an interest rate of 5.5% due on 10/1/2024.	\$526,374	10/1/2024
Building Renovation Note - Draw \$1 million draw-down note with an interest rate of 5.125.	-	Revolving Note
2006 Wastewater Revolving Loan Fund - \$350,000 financed over 20 years at an interest rate of 1.78% through the State Revolving Loan Fund.	\$350,000	6/30/2026
2001 Middle School Improvement SSRRF Bonds - Original amount financed is \$1 million with a variable interest rate due on 10/1/2011.	\$330,060	10/1/2011
1995 Landfill/BIW Settlement Bonds (refunded in 2006 with the following school bond) - Total bond issue is \$4,835,000 with an interest rate of 4.375% due 4/1/2016.	\$1,680,000	4/1/2016
1996 High School Improvement Bonds (refunded with the previous BIW/Landfill Bond in 2006) - Total bond issue is \$4,835,000 with an interest rate of 4.375% due 4/1/2016.	\$3,795,000	4/1/2016
<b>Total</b>	<b>\$27,422,884</b>	

*Source: City of Bath Finance Department, 2008.*

## **CAPITAL IMPROVEMENTS PLAN**

A CIP is a fiscal-planning tool that helps a town or city identify capital needs now and in the future and to determine how to finance those needs. A CIP can also help a municipality implement planning strategies in its Comprehensive Plan. The reasons for having a CIP are to:

- help implement the City's planning and financial policies
- spread the costs of public improvements over time
- eliminate peaks and valleys that can occur in annual budgets when major expenditures are unplanned
- give an overall view of the City's needs and avoid overemphasis on any one project
- save taxpayer money by grouping projects together
- let lenders know that the City is doing sound financial planning
- coordinate capital spending with other community goals, infrastructure plans, and school-improvement plans
- help guide the location and timing of development

**Capital improvements include:**

- acquisition of land and buildings
- construction or expansion of a facility or utility
- nonrecurring rehabilitation of a facility costing more than \$10,000
- purchase of all vehicles and other equipment costing more than \$10,000 with a life of more than five years
- planning, engineering, or design of a capital project

In 2007, the City of Bath developed its first detailed CIP. The following table is from the FY2009-FY2013 CIP.

**SUMMARY OF PROPOSED PROJECTS  
2009-2013 CAPITAL PLAN  
CAPITAL (FUND 05)**

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09-pol 1	POL05-552	Police - Vehicles	\$5,200.00	\$47,500.00	\$45,500.00	\$38,500.00	\$69,500.00
09-pol 2	POL05-552	Police - Handguns (duty weapons)	\$0.00	\$8,000.00	\$0.00	\$0.00	\$0.00
09-pol 3	POL05-552	Police - Facility carpeting	\$0.00	\$0.00	\$17,000.00	\$0.00	\$0.00
09-pol 4	POL05-552	Police - Vehicle radios	\$0.00	\$0.00	\$0.00	\$6,000.00	\$0.00
09-pol 5	POL05-552	Police - Dispatch Console	\$0.00	\$0.00	\$30,000.00	\$0.00	\$0.00
09-pol 6	POL05-552	Police - Parking lot reconstruction	\$17,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pol 7	POL05-552	Police - Portable radios	\$0.00	\$0.00	\$6,000.00	\$6,000.00	\$0.00
09-pol 8	POL05-552	Police - Tasers	\$0.00	\$0.00	\$0.00	\$0.00	\$4,000.00
09- f 1	FD05-551	Fire/Rescue - Defibulator replacement	\$0.00	\$25,000.00	\$25,000.00	\$25,000.00	\$0.00

09-f 2	FD05-551	Fire - Vehicles	\$25,000.00	\$595,000.00	\$140,000.00	\$0.00	\$150,000.00
09-a 1	CF05-521	Assessing - Revaluation	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
09 - IT 1	CF05-575	IT Management - City Servers	\$0.00	\$16,000.00	\$16,000.00	\$16,000.00	\$16,000.00
09 - IT 2	CF05-575	IT Management - Workstations	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
09 - IT 3	CF05-575	IT Management - Fiber Optic WAN	\$0.00	\$0.00	\$50,000.00	\$50,000.00	\$50,000.00
09 - IT 4	CF05-501	IT Management - New Phone System	\$0.00	\$75,000.00	\$0.00	\$0.00	\$0.00
09 - pln 1	CIP-744	Planning - Train Park	\$500,000.00	\$800,000.00	\$0.00	\$0.00	\$0.00
09 - pln 6		Planning - Riverwalk	\$25,000.00	\$0.00	\$0.00	\$0.00	\$100,000.00
09 - c 4	CIP-558	Cemeteries - Waterfront Park	\$28,000.00	\$328,000.00	\$28,000.00	\$28,000.00	\$28,000.00
09 - c 5	CP05-602	Cemeteries - Cemetery Main Gate	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09 - c 6		Cemeteries - Cemetery Building	\$10,000.00	\$10,000.00	\$0.00	\$0.00	\$0.00
09 - c 7	CP05-554	Cemeteries - Vehicles & Equip't replacmt	\$18,500.00	\$31,500.00	\$68,000.00	\$41,000.00	\$41,000.00
09 - c 9	CP05-554	Cemeteries - Gazebo	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09 - c 10		Cemeteries - City Park pathway pavement	\$20,000.00	\$0.00	\$0.00	\$20,000.00	\$0.00
08 - c 11		Cemeteries - Pond Dredging	\$0.00	\$0.00	\$50,000.00	\$20,000.00	\$0.00
08 - c 12	CP05-593	Cemeteries - Civil War Monument	\$13,000.00	\$10,000.00	\$0.00	\$0.00	\$0.00
09- pw 1		PW - Washington Street Hammerhead	\$0.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
09- pw 2	PW05-541	PW - North Street Sidewalks	\$0.00	\$0.00	\$488,000.00	\$0.00	\$0.00
09-pw 4	PW05-767	PW - State/Congress Round-A-Bout	\$50,000.00	\$350,000.00	\$0.00	\$0.00	\$0.00
09-pw 5	PW05-540	PW - Centre Street Improvements	\$0.00	\$0.00	\$350,000.00	\$0.00	\$0.00
09-pw 6	CIP-571	PW - Wharf Pile Anode Inspection	\$12,000.00	\$12,000.00	\$0.00	\$0.00	\$0.00
09-pw 7	PW05-587	PW - PW Building Washbay	\$0.00	\$0.00	\$0.00	\$175,000.00	\$0.00
09-pw 14	PW05-562	PW - Old Brunswick Road	\$7,800.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 16	PW05-550	PW - Fleet replacement	\$30,000.00	\$55,000.00	\$55,000.00	\$60,000.00	\$60,000.00
09-pw 18	PW05-540	PW - Street Maintenance	\$88,000.00	\$88,000.00	\$90,000.00	\$90,000.00	\$90,000.00
09-pw 20	PW05-541	PW - Sidewalks	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
09-pw 24		PW - 2008 Street Improvements	\$900,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 27	GF 1200	PW - Fuel System Improvements	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 28	PW/FD Note	PW - Building Improvements	\$40,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-cc 1	CF05-504	CC - Voting Machines	\$40,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-ch 1	CF05-504	CH - City Hall Steeple	\$50,000.00	\$50,000.00	\$0.00	\$0.00	\$0.00
09-ch 3		CH - Generator for City Hall	\$0.00	\$8,000.00	\$0.00	\$0.00	\$0.00
09-ch 4		CH - Sealing/Painting City Hall	\$0.00	\$6,000.00	\$0.00	\$0.00	\$0.00
09-ch 5		CH - Carpeting	\$0.00	\$0.00	\$30,000.00	\$0.00	
09-ch 6		CH - Baptist Church Clock Repair	\$12,810.00	\$0.00	\$0.00	\$0.00	\$0.00
09-r 1		REC - Reconditioning of Fences	\$5,000.00	\$14,000.00	\$0.00	\$0.00	\$0.00
09-r 2	REC05-553	REC - McMann Complex Maint Building	\$0.00	\$0.00	\$0.00	\$70,000.00	\$350,000.00
09-r 4	REC05-553	REC - Track Resurfacing	\$0.00	\$0.00	\$0.00	\$0.00	\$40,000.00
09-r 5	REC05-643	REC - Tennis Court Resurfacing	\$0.00	\$0.00	\$0.00	\$0.00	\$10,000.00
09-r 6	REC05-553	REC - Vehicle Replacement	\$15,000.00	\$54,000.00	\$85,000.00	\$25,000.00	\$0.00
09 - c 2	CP05-570	Cemeteries - Boat launches pavement	\$30,000.00	\$30,000.00	\$0.00	\$0.00	\$0.00
	PW05-550	Current Leases-PW05-550	\$28,976.07	\$0.00	\$0.00	\$0.00	\$0.00
	CP05-554	Current Leases-CP05-554	\$10,718.03	\$0.00	\$0.00	\$0.00	\$0.00

	POL05-552	Current Leases-POL05-552	\$25,457.99	\$0.00	\$0.00	\$0.00	\$0.00
	REC05-553	Current Leases-REC05-553	\$22,415.09	\$0.00	\$0.00	\$0.00	\$0.00
	CIP-524	Current Payment on FD/PW Note	\$50,000.00	\$0.00	\$0.00	\$0.00	\$0.00
		Total Property Tax	\$325,877.18	\$2,658,000.00	\$1,618,500.00	\$715,500.00	\$1,053,500.00

### CAPITAL (LANDFILL FUND 06)

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09-pw 22	665-556	LF - Compactor	\$400,000.00	\$60,000.00	\$60,000.00	\$60,000.00	\$60,000.00
09-pw 23	665-576	Landfill Closure	\$0.00	\$250,000.00	\$250,000.00	\$250,000.00	\$250,000.00
09-pw 29	665-556	LF - Skid Steer	\$0.00	\$40,000.00	\$40,000.00	\$40,000.00	\$0.00
09-pw 32	665-894	LF - Phase 2B Cells	\$1,600,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 49	665-892	LF - Gas Mitigation	\$200,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 34	665-556	LF - Compactor garage	\$0.00	\$100,000.00	\$0.00	\$0.00	\$0.00
	665-554	Current Leases-665-556	\$1,113.47	\$0.00	\$0.00	\$0.00	\$0.00
		Total Expenses	\$2,201,113.47	\$450,000.00	\$350,000.00	\$350,000.00	\$310,000.00

### CAPITAL (SEWER UTILITY FUND 07)

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09-pw 8	703-305	WWT - Aegis Pump Sta Improvements	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 17	703-305	WWT - Treatment Plant Pump Upgrades	\$15,000.00	\$15,000.00	\$17,500.00	\$17,500.00	\$17,500.00
09-pw 21	703-307	WWT - Fleet Replacement	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00
09-pw 30		WWT - Rolloff Truck	\$0.00	\$50,000.00	\$50,000.00	\$50,000.00	\$0.00
09-pw 35	703-305	WWT - Fleet Replacement	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00
09-pw 36	703-312	WWT - Bowery Street Hydraulic Restriction	\$180,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 37		WWT - Willow Street/RR Sewer Modifications	\$0.00	\$280,000.00	\$0.00	\$0.00	\$0.00
09-pw 38		WWT - Cross Country Interceptor	\$0.00	\$100,000.00	\$0.00	\$0.00	\$0.00
09-pw 39	703-305	WWT - Plant Influent & Effluent Upgrades	\$7,000.00	\$7,000.00	\$0.00	\$0.00	\$7,000.00
09-pw 40	703-305	WWT - SCADA System Upgrade	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
09-pw 41	703-305	WWT - PS Instrumentation Upgrades	\$8,000.00	\$8,000.00	\$8,000.00	\$10,000.00	\$10,000.00
09-pw 42		WWT - Riverview Road PS Upgrade	\$0.00	\$0.00	\$150,000.00	\$0.00	\$0.00
09-pw 43		WWT - Hunt Street PS Partial Upgrade	\$0.00	\$90,000.00	\$0.00	\$0.00	\$0.00
09-pw 44		WWT - Bridge St PS Upgrade	\$0.00	\$100,000.00	\$0.00	\$0.00	\$0.00
09-pw 45	703-307	WWT - Chemical Storage Building Replacement	\$7,000.00	\$7,000.00	\$7,000.00	\$0.00	\$0.00
09-pw 46	703-305	WWT - Parking Lot Paving	\$35,000.00	\$0.00	\$0.00	\$0.00	\$0.00

09-pw 47	703-312	WWT - Pleasant Street Pump Station Upgrade	\$600,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 48	703-312	WWT - Juniper Street/Park Street Restriction	\$0.00	\$240,000.00	\$0.00	\$0.00	\$0.00
	703-308	Current Leases-703-308	\$31,280.35	\$0.00	\$0.00	\$0.00	\$0.00
		Total Expenses	\$966,280.35	\$955,000.00	\$290,500.00	\$135,500.00	\$92,500.00

### BIW TIF (FUND 15)

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09 - pln 9		Planning - Downtown Parking	\$0.00	\$100,000.00	\$0.00	\$0.00	\$0.00

### WING FARM TIF (FUND 16)

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09 - pln 2		Planning - Wing Farm Subdivision	\$2,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09 - pln 3		Planning - Rt 1 Traffic Calming	\$0.00	\$0.00	\$1,200,000.00	\$0.00	\$0.00
09 - pln 4		Planning - Water Street Streetscape	\$0.00	\$75,000.00	\$0.00	\$0.00	\$0.00
09 - pln 5		Planning - Commercial St Improvements	\$0.00	\$0.00	\$0.00	\$200,000.00	\$0.00
09 - pln 7		Planning - Front & Centre St Re-lighting	\$0.00	\$0.00	\$0.00	\$100,000.00	\$0.00
09 - pln 10		Planning - Former YMCA	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-pw 3	TIF	PW - Congress Avenue Sidewalks	\$0.00	\$340,000.00	\$340,000.00	\$0.00	\$0.00
		Total Expenses	\$2,020,000.00				

### MIDCOAST CENTER FOR HIGHER EDUCATION (FUND 25)

Project #	GL Line Item	Title	FY 09	FY 10	FY 11	FY 12	FY 13
09-mche 1	MC95-875	MCHE - Roof	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-mche 2	MC95-875	MCHE - Windows	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00
09-mche 3	MC95-875	MCHE - Elevator/Entrance	\$0.00	\$500,000.00	\$0.00	\$0.00	\$0.00
09-mche 4	MC95-875	MCHE - Additional Parking	\$0.00	\$150,000.00	\$0.00	\$0.00	\$0.00
09-mche 5	MC95-875	MCHE - New Boiler	\$0.00	\$0.00	\$0.00	\$0.00	\$85,000.00
09-mche 6	MC95-875	MCHE - Elevator Repair	\$60,000.00	\$0.00	\$0.00	\$0.00	\$0.00
		Current Leases included in operations					
		Total Expenses	\$115,000.00	\$650,000.00	\$0.00	\$0.00	\$85,000.00

Source: City of Bath Planning Office, 2009-2013 Capital Improvement Plan

## TAX INCREMENT FINANCING

Tax increment financing is an economic-development tool available to municipalities in Maine. A brief explanation of TIFs is on the Maine Department of Economic and Community Development web site. "TIF is a tool that permits a municipality to participate in local project financing by using some or all of the new property taxes from a capital investment within a designated geographic district. The municipality has the option of using the 'incremental' taxes to retire bonds it has issued for the project, compensate a developer or business for development project costs, or fund eligible municipal economic development activities. TIF districts may be designated for up to 30 years and bonds may be issued for up to 20 years."

The Bath City Council has created two TIF programs. In 1998, a TIF was created to assist BIW in funding the \$300 million Land Level Transfer Facility (LLTF). This type of TIF is called a *credit enhancement TIF*, in which a percentage of the new "increment" of taxes is returned to BIW. The City actually created two BIW TIF Districts. In one—the district that includes the LLTF on the new land in the river—BIW is returned 100 percent of new taxes on the new real property (i.e., land and buildings) and 50 percent on personal property (i.e., business equipment, which includes the new cranes, crane-ways, and wiring and conduits). What was the existing shipyard is the second TIF district; in this district, 50 percent of the taxes on any new value over the original assessed value is returned to BIW. In 2008, \$3,623,778 was returned to BIW and \$926,862 was available for City projects.

In 2008, the City Council created two other TIF programs. The first is the Wing Farm TIF that geographically includes the Wing Farm Business Park, certain parcels of land abutting it, and land to the north that the City intends to purchase in order to expand the Business Park. It also includes land at BIW on which BIW, in 2007 and 2008, constructed a major addition to its Pre-Outfit 2 (PO2) Building. The second TIF program created in 2008 includes most of the downtown.

The Wing Farm TIF allows the City to capture a percentage of the taxes on the new increment of value created by the addition to the PO2 Building and

to use those taxes to retire bonds associated with expansion of the Wing Farm Business Park. This type of TIF is referred to as an "infrastructure TIF" (or an "old-fashioned TIF" because it was the first type used in Maine).

The Downtown TIF program allows taxes from the PO2 Building addition that are not needed for the Wing Farm expansion, plus a percentage of the taxes on the new increment of value created in the expanded Wing Farm Business Park, to "spill over" into the downtown to fund economic development projects there. In 2008, \$195,966 was available for City projects.

Another important benefit of the TIF process is that the value (all or a portion) can be "sheltered" from the municipality's state valuation, which determines the amount of County Tax. It is also part of the formula in determining the amount of state revenue sharing, General Purpose Aid to Education, and the City of Bath's share of the funding of RSU 1.

## **PLANNING IMPLICATIONS OF THE FISCAL INVENTORY**

1. The increase in valuation shows that the City of Bath's property value is growing. However, it is not growing as fast as the total municipal valuation in Sagadahoc County. This means that whereas Bath still pays the largest portion of the Sagadahoc County Tax, that portion is decreasing.
2. The City of Bath depends on the residential tax base to fund municipal services, even though BIW pays a large percentage of the total taxes. The City has few other industrial taxpayers and the commercial tax base is growing only slowly. This is a good reason to pursue new industrial and commercial development.
3. Tax-exempt properties—that is, properties that pay no property taxes—accounted for more than 16 percent of Bath's total valuation in 2006. Urban communities are where colleges, hospitals, churches, civic organizations, and even state and federal properties are located. These properties pay no taxes but still need many municipal services. There are significantly more tax-exempt properties in Bath and other

large urban municipalities than in small rural communities. Being aggressive in recruiting new and keeping existing commercial and industrial tax base to offset the substantial number of tax-exempt properties is critical.

4. A review of tax rates (i.e., equalized tax rates) shows that larger municipalities in the Bath Region and other Service Center communities find it necessary to have higher taxes than the smaller rural towns. The larger municipalities are also willing to levy taxes for additional public facilities and services that citizens need and want. The fiscal capacity of a community apparently is more related to a balance of need, willingness to pay, and desired quality of life than to other measures.
5. A significant percentage of Bath residents' taxes support the facilities and services of the Sagadahoc County government. This highlights the need for elected officials and other Bath residents to be as involved as possible in influencing Sagadahoc County Commissioners when they prepare the county budget.
6. Obtaining grant funding for projects in Bath has helped keep taxes down. Millions of dollars in grants (i.e., see the "Intergovernmental" column in the "Bath Revenue Sources, 1997 through 2007" table in this appendix) have been used in the last ten years for housing-improvement loans, façade-improvement loans, infrastructure upgrades, and other public improvements.
7. Total City expenditures significantly decreased in 2007. Time will tell (along with state revenue sharing, state support to education, and the county budget) if expenditures will continue to decrease.
8. Although the City of Bath has significant debt (i.e., more than \$27 million), it is well below the legal debt limit. Borrowing money for projects allows residents who will benefit most from them to pay for the improvements over time as they are being used and enjoyed.
9. The City of Bath developed a CIP designed to identify capital needs in the next five years and to develop a strategy to pay for them. The



more that the CIP can be tied to land-use and other nonfinancial planning, the more successful all City planning will be.

10. The City's spending-limitation regulation allows no more yearly increase in spending than the CPI. It encourages each department to spend its entire budget, and it requires the City Council to artificially appropriate funds at the end of a fiscal year to increase the budget up to the ceiling to give the next year's budget room to grow if necessary. The rating agencies downgrade the City of Bath's bond rating due to this action. There should be a better way to control spending.
11. Conversely, when the City Council voted to override LD 1, the bond-rating agencies viewed this action favorably. There needs to be a better way statewide to address local property tax increases.
12. TIF is an economic-development tool that can be used to pay for public or private improvements associated with commercial or industrial growth. It also shelters some of the additional value from this growth so the City's tax liabilities for Sagadahoc County and local education, as well as the amount of state revenue sharing, are benefited.