

# **OceanView - Natural Gas Tax Increment Finance Fiscal Analysis**

Prepared by Camoin Associates for the Town of Falmouth

February 8, 2015

## **Introduction:**

Camoin Associates was hired by the Town of Falmouth to provide fiscal analysis to support the Town's consideration of an OceanView /Pipeline Tax Increment Financing District (TIF). For this analysis Camoin updated the TIF fiscal model with the most current state and county fiscal variables for calculating funding formula impacts (county tax, state/municipal revenue sharing, and state school funding formula); updated the model with the most current local fiscal variables and data specific to the proposed TIF (annual tax rates, original assessed value, estimated valuation schedule, and estimated annual valuation increment); and assessed:

- Projected revenues (General Fund and TIF Development Funds) and the net fiscal impacts of utilizing TIF VS No TIF under scenarios posed by the Town
- Estimated impact on each of the funding formulas (county tax, state/municipal revenue sharing, and state school funding formula)
- Estimated impacts based on a continuation of State Municipal Revenue Sharing AND an end to the Revenue Sharing Program.
- Utilizing TIF versus not utilizing the TIF program

## **Summary Findings:**

- Based on the projected valuation of property proposed to be included in the TIF and the estimated mil rate provided by the Town (Table 1) , over the next 30 years, in total the TIF would generate an estimated \$20.3 million in revenues above the amount currently being generated by the properties (Table 2). These revenues could be used by the Town for designated economic development related purposes and not the General Fund.
- By including 100% the incremental valuation of property within a TIF district for 30 years (Tables 2 &3); the Town annually avoids an estimated:
  - Loss of \$380,700 in state aid to education
  - Loss of \$14,664 in state municipal revenue sharing
  - Increase \$51,253 in the Cumberland County Tax Assessment
  - Thus avoiding total negative fiscal impact of \$446,616 annually for 30 years (or \$431,953 if state revenue sharing is ended by the state)

In total over the entire 30 years this amounts to the Town avoiding an estimated:

- Loss of \$11,421,000 in state aid to education
- Loss of \$439,906 in state municipal revenue sharing
- Increase \$1,537,587 in the Cumberland County Tax Assessment

- Thus avoiding total negative fiscal impact of \$13,398,493 (or \$12,958,587 if state revenue sharing is ended by the state)

However, all revenues generated within a TIF district must be utilized for designated economic development related purposes and cannot be used for General Fund purposes.

- If the Town does not TIF the properties with 100% of incremental valuation captured for 30 years it is estimated that the Town would:
  - Raise a total of \$20.3 million in property taxes revenues
  - But lose \$13.4 million (66%) in fiscal impacts due to the funding formulas (state aid to education, state municipal revenue sharing, and the county tax)
  - Thus netting \$6.9 million (34%) in revenues which can be used for any General Fund purposes
- If state municipal revenue sharing was eliminated by the state and the Town does not TIF the properties with 100% of incremental valuation captured for 30 years it is estimated that the Town would:
  - Raise a total of \$20.3 million in property taxes revenues
  - But lose \$13.0 million (64%) in fiscal impacts due to the funding formulas (state aid to education, state municipal revenue sharing, and the county tax)
  - Thus netting \$7.3 million (36%) in revenues which can be used for any General Fund purposes

Note: the Town is estimated to receive \$433,644 in state municipal revenue sharing in FY 2015. The scenario for the TIF analysis which excludes revenue sharing due to elimination results in \$0 in revenue sharing to the Town under both TIF and No TIF scenarios.

## Detailed Tables:

**TABLE 1**

<b>Property Valuation: Town of Falmouth - OV-Natural Gas TIF Model</b>						
<b>TIF Year</b>	<b>Tax Year April 1</b>	<b>March 31 TIF Tax Year</b>	<b>Valuation</b>	<b>Annual Increment (increase sheltered above pre-TIF value)</b>	<b>Mil rate</b>	<b>Total Taxes to Be Paid (on increment plus base value)</b>
<b>Pre-TIF*</b>	2013	2014	\$10,883,600		0.01412	
1	2014	2015	\$22,883,600	\$12,000,000	0.01410	\$322,659
2	2015	2016	\$34,883,600	\$24,000,000	0.01410	\$491,859
3	2016	2017	\$41,883,600	\$31,000,000	0.01417	\$593,491
4	2017	2018	\$53,883,600	\$43,000,000	0.01422	\$766,225
5	2018	2019	\$60,883,600	\$50,000,000	0.01428	\$869,418
6	2019	2020	\$60,883,600	\$50,000,000	0.01439	\$876,115
7	2020	2021	\$60,883,600	\$50,000,000	0.01439	\$876,115
8	2021	2022	\$60,883,600	\$50,000,000	0.01439	\$876,115
9	2022	2023	\$60,883,600	\$50,000,000	0.01439	\$876,115
10	2023	2024	\$60,883,600	\$50,000,000	0.01439	\$876,115
11	2024	2025	\$60,883,600	\$50,000,000	0.01439	\$876,115
12	2025	2026	\$60,883,600	\$50,000,000	0.01439	\$876,115
13	2026	2027	\$60,883,600	\$50,000,000	0.01439	\$876,115
14	2027	2028	\$60,883,600	\$50,000,000	0.01439	\$876,115
15	2028	2029	\$60,883,600	\$50,000,000	0.01439	\$876,115
16	2029	2030	\$60,883,600	\$50,000,000	0.01439	\$876,115
17	2030	2031	\$60,883,600	\$50,000,000	0.01439	\$876,115
18	2031	2032	\$60,883,600	\$50,000,000	0.01439	\$876,115
19	2032	2033	\$60,883,600	\$50,000,000	0.01439	\$876,115
20	2033	2034	\$60,883,600	\$50,000,000	0.01439	\$876,115
21	2034	2035	\$60,883,600	\$50,000,000	0.01439	\$876,115
22	2035	2036	\$60,883,600	\$50,000,000	0.01439	\$876,115
23	2036	2037	\$60,883,600	\$50,000,000	0.01439	\$876,115
24	2037	2038	\$60,883,600	\$50,000,000	0.01439	\$876,115
25	2038	2039	\$60,883,600	\$50,000,000	0.01439	\$876,115
26	2039	2040	\$60,883,600	\$50,000,000	0.01439	\$876,115
27	2040	2041	\$60,883,600	\$50,000,000	0.01439	\$876,115
28	2041	2042	\$60,883,600	\$50,000,000	0.01439	\$876,115
29	2042	2043	\$60,883,600	\$50,000,000	0.01439	\$876,115
30	2043	2044	\$60,883,600	\$50,000,000	0.01439	\$876,115
<b>30 Year TIF Total</b>			<b>\$1,736,508,000</b>	<b>\$1,410,000,000</b>		<b>\$24,946,526</b>
Prepared by Camoin Associates, www.camoinassociates.com						
<b>Notes and Sources:</b>						
The pre-TIF valuation of the property (Original Assessed Value), annual projected valuation increment, and annual projected mil rate provided by Town of Falmouth						

Table 2

Captured Assessed Value & TIF Revenue Projection Table - Town of Falmouth - OV- Natural Gas TIF Model							
TIF Year	Tax Year- April 1	Increased Assessed Value Real Prop.	Captured Valuation @100% of Value Captured	Projected Mill Rate	Total Projected New Taxes Captured	Captured Revenue to Municipal Project Account	Captured Revenue to Developer Project Account
1	2014	\$12,000,000	\$12,000,000	14.10	\$169,200	\$169,200	\$0
2	2015	\$24,000,000	\$24,000,000	14.10	\$338,400	\$338,400	\$0
3	2016	\$31,000,000	\$31,000,000	14.17	\$439,270	\$439,270	\$0
4	2017	\$43,000,000	\$43,000,000	14.22	\$611,460	\$611,460	\$0
5	2018	\$50,000,000	\$50,000,000	14.28	\$714,000	\$714,000	\$0
6	2019	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
7	2020	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
8	2021	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
9	2022	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
10	2023	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
11	2024	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
12	2025	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
13	2026	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
14	2027	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
15	2028	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
16	2029	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
17	2030	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
18	2031	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
19	2032	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
20	2033	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
21	2034	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
22	2035	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
23	2036	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
24	2037	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
25	2038	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
26	2039	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
27	2040	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
28	2041	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
29	2042	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
30	2043	\$50,000,000	\$50,000,000	14.39	\$719,500	\$719,500	\$0
<b>30 Year TIF Total</b>		<b>\$1,410,000,000</b>	<b>\$1,410,000,000</b>		<b>\$20,259,830</b>	<b>\$20,259,830</b>	<b>\$0</b>
Prepared by Camoin Associates, <a href="http://www.camoinassociates.com">www.camoinassociates.com</a>							
<b>Notes and Sources:</b>							
The pre-TIF valuation of the property (Original Assessed Value), annual projected valuation increment, and annual projected mil rate provided by Town of Falmouth							

**TABLE 3**

<b>Tax Shift Summary - Town of Falmouth - OV-Natural Gas TIF Model</b>		
<b>Tax Shift Item</b>	<b>Average Annual</b>	<b>Total-All Years</b>
Educational Aid	\$380,700	\$11,421,000
County Tax	\$51,253	\$1,537,587
Revenue Sharing	\$14,664	\$439,906
<b>Total</b>	<b>\$446,616</b>	<b>\$13,398,493</b>
<b>Total Excl. Rev Sha</b>	<b>\$431,953</b>	<b>\$12,958,587</b>

**TABLE 4**

<b>Tax Shift Summary - Town of Falmouth - OV-Natural Gas TIF Model</b>						
<b>TIF Year</b>	<b>Tax Year- April 1</b>	<b>Total Tax Shift</b>	<b>Total Excl. Rev Shar.</b>	<b>Education Shift</b>	<b>Rev. Sharing Shift</b>	<b>County Tax Shift</b>
1	2014	\$108,410	\$104,666	\$97,200	\$3,744	\$7,466
2	2015	\$217,333	\$209,846	\$194,400	\$7,488	\$15,446
3	2016	\$281,410	\$271,738	\$251,100	\$9,672	\$20,638
4	2017	\$391,326	\$377,910	\$348,300	\$13,416	\$29,610
5	2018	\$456,217	\$440,617	\$405,000	\$15,599	\$35,617
6	2019	\$457,451	\$441,852	\$405,000	\$15,599	\$36,852
7	2020	\$458,728	\$443,129	\$405,000	\$15,599	\$38,129
8	2021	\$460,050	\$444,450	\$405,000	\$15,599	\$39,450
9	2022	\$461,417	\$445,817	\$405,000	\$15,599	\$40,817
10	2023	\$462,831	\$447,232	\$405,000	\$15,599	\$42,232
11	2024	\$464,295	\$448,695	\$405,000	\$15,599	\$43,695
12	2025	\$465,809	\$450,210	\$405,000	\$15,599	\$45,210
13	2026	\$467,376	\$451,777	\$405,000	\$15,599	\$46,777
14	2027	\$468,997	\$453,398	\$405,000	\$15,599	\$48,398
15	2028	\$470,674	\$455,075	\$405,000	\$15,599	\$50,075
16	2029	\$472,410	\$456,810	\$405,000	\$15,599	\$51,810
17	2030	\$474,205	\$458,606	\$405,000	\$15,599	\$53,606
18	2031	\$476,063	\$460,463	\$405,000	\$15,599	\$55,463
19	2032	\$477,985	\$462,386	\$405,000	\$15,599	\$57,386
20	2033	\$479,974	\$464,374	\$405,000	\$15,599	\$59,374
21	2034	\$482,031	\$466,432	\$405,000	\$15,599	\$61,432
22	2035	\$484,160	\$468,561	\$405,000	\$15,599	\$63,561
23	2036	\$486,363	\$470,764	\$405,000	\$15,599	\$65,764
24	2037	\$488,642	\$473,043	\$405,000	\$15,599	\$68,043
25	2038	\$491,000	\$475,401	\$405,000	\$15,599	\$70,401
26	2039	\$493,440	\$477,841	\$405,000	\$15,599	\$72,841
27	2040	\$495,964	\$480,365	\$405,000	\$15,599	\$75,365
28	2041	\$498,576	\$482,977	\$405,000	\$15,599	\$77,977
29	2042	\$501,279	\$485,679	\$405,000	\$15,599	\$80,679
30	2043	\$504,075	\$488,475	\$405,000	\$15,599	\$83,475
<b>30 Year TIF Total</b>		<b>\$13,398,493</b>	<b>\$12,958,587</b>	<b>\$11,421,000</b>	<b>\$439,906</b>	<b>\$1,537,587</b>
<b>30 Year TIF Avg.</b>		<b>\$446,616</b>	<b>\$431,953</b>	<b>\$380,700</b>	<b>\$14,664</b>	<b>\$51,253</b>
Prepared by Camoin Associates, www.camoinassociates.com						
<b>Notes and Sources:</b>						
<p>The tax shifts resulting from the sheltering of valuation from the state school funding formula are based on the state EPS funding model in which a statewide estimated mill rate of 8.10 mills in FY 2014-15 is applied to a district's state valuation to determine the amount of local property taxes to be raised for education. By sheltering valuation through a TIF, the district avoids having to raise an amount equal to the valuation sheltered X mills.</p> <p>State Municipal Revenue Sharing amounts are calculated from spreadsheet provided by Maine Revenue Services, FY 2015 Projected Municipal Revenue Sharing - Released 4.14.14; <a href="http://www.state.me.us/treasurer">http://www.state.me.us/treasurer</a></p> <p>County tax calculations are based on data from the County Finance Department for the FY 2014 County Tax Year. For purposes of this analysis the total county tax assessment is estimated to increase 3.47% annually throughout the life of the TIF. This is based on the average annual increase in the past five years preceding the TIF application.</p>						

TABLE 5

TIF Vs. NO TIF: Town of Falmouth - OV-Natural Gas TIF Model														
TIF: 100% Sheltered - 0% to Developer Project Account - 100% to Municipal Project Account														
TIF Year	Total added Valuation	Estimated Mill Rate	Tax Assessment on added Valuation	No TIF		No TIF - Excl. Rev Shar		TIF				Difference in Net Revenues TIF- No TIF	Difference in Net Revenues TIF- No TIF Excl. Rev Shar	
				Revenue Loss due to Fiscal Formulas	Net G.F. Revenues to City	Revenue Loss due to Fiscal Formulas	Net G.F. Revenues to City	Total Captured Revenue	General Fund Revenues	Revenue Loss due to Fiscal Formulas	Net Revenues to City			
1	\$12,000,000	14.10	\$169,200	\$108,410	\$60,790	\$104,666	\$64,534	\$169,200	\$0	\$0	\$169,200	\$108,410	\$104,666	
2	\$24,000,000	14.10	\$338,400	\$217,333	\$121,067	\$209,846	\$128,554	\$338,400	\$0	\$0	\$338,400	\$217,333	\$209,846	
3	\$31,000,000	14.17	\$439,270	\$281,410	\$157,860	\$271,738	\$167,532	\$439,270	\$0	\$0	\$439,270	\$281,410	\$271,738	
4	\$43,000,000	14.22	\$611,460	\$391,326	\$220,134	\$377,910	\$233,550	\$611,460	\$0	\$0	\$611,460	\$391,326	\$377,910	
5	\$50,000,000	14.28	\$714,000	\$456,217	\$257,783	\$440,617	\$273,383	\$714,000	\$0	\$0	\$714,000	\$456,217	\$440,617	
6	\$50,000,000	14.39	\$719,500	\$457,451	\$262,049	\$441,852	\$277,648	\$719,500	\$0	\$0	\$719,500	\$457,451	\$441,852	
7	\$50,000,000	14.39	\$719,500	\$458,728	\$260,772	\$443,129	\$276,371	\$719,500	\$0	\$0	\$719,500	\$458,728	\$443,129	
8	\$50,000,000	14.39	\$719,500	\$460,050	\$259,450	\$444,450	\$275,050	\$719,500	\$0	\$0	\$719,500	\$460,050	\$444,450	
9	\$50,000,000	14.39	\$719,500	\$461,417	\$258,083	\$445,817	\$273,683	\$719,500	\$0	\$0	\$719,500	\$461,417	\$445,817	
10	\$50,000,000	14.39	\$719,500	\$462,831	\$256,669	\$447,232	\$272,268	\$719,500	\$0	\$0	\$719,500	\$462,831	\$447,232	
11	\$50,000,000	14.39	\$719,500	\$464,295	\$255,205	\$448,695	\$270,805	\$719,500	\$0	\$0	\$719,500	\$464,295	\$448,695	
12	\$50,000,000	14.39	\$719,500	\$465,809	\$253,691	\$450,210	\$269,290	\$719,500	\$0	\$0	\$719,500	\$465,809	\$450,210	
13	\$50,000,000	14.39	\$719,500	\$467,376	\$252,124	\$451,777	\$267,723	\$719,500	\$0	\$0	\$719,500	\$467,376	\$451,777	
14	\$50,000,000	14.39	\$719,500	\$468,997	\$250,503	\$453,398	\$266,102	\$719,500	\$0	\$0	\$719,500	\$468,997	\$453,398	
15	\$50,000,000	14.39	\$719,500	\$470,674	\$248,826	\$455,075	\$264,425	\$719,500	\$0	\$0	\$719,500	\$470,674	\$455,075	
16	\$50,000,000	14.39	\$719,500	\$472,410	\$247,090	\$456,810	\$262,690	\$719,500	\$0	\$0	\$719,500	\$472,410	\$456,810	
17	\$50,000,000	14.39	\$719,500	\$474,205	\$245,295	\$458,606	\$260,894	\$719,500	\$0	\$0	\$719,500	\$474,205	\$458,606	
18	\$50,000,000	14.39	\$719,500	\$476,063	\$243,437	\$460,463	\$259,037	\$719,500	\$0	\$0	\$719,500	\$476,063	\$460,463	
19	\$50,000,000	14.39	\$719,500	\$477,985	\$241,515	\$462,386	\$257,114	\$719,500	\$0	\$0	\$719,500	\$477,985	\$462,386	
20	\$50,000,000	14.39	\$719,500	\$479,974	\$239,526	\$464,374	\$255,126	\$719,500	\$0	\$0	\$719,500	\$479,974	\$464,374	
21	\$50,000,000	14.39	\$719,500	\$482,031	\$237,469	\$466,432	\$253,068	\$719,500	\$0	\$0	\$719,500	\$482,031	\$466,432	
22	\$50,000,000	14.39	\$719,500	\$484,160	\$235,340	\$468,561	\$250,939	\$719,500	\$0	\$0	\$719,500	\$484,160	\$468,561	
23	\$50,000,000	14.39	\$719,500	\$486,363	\$233,137	\$470,764	\$248,736	\$719,500	\$0	\$0	\$719,500	\$486,363	\$470,764	
24	\$50,000,000	14.39	\$719,500	\$488,642	\$230,858	\$473,043	\$246,457	\$719,500	\$0	\$0	\$719,500	\$488,642	\$473,043	
25	\$50,000,000	14.39	\$719,500	\$491,000	\$228,500	\$475,401	\$244,099	\$719,500	\$0	\$0	\$719,500	\$491,000	\$475,401	
26	\$50,000,000	14.39	\$719,500	\$493,440	\$226,060	\$477,841	\$241,659	\$719,500	\$0	\$0	\$719,500	\$493,440	\$477,841	
27	\$50,000,000	14.39	\$719,500	\$495,964	\$223,536	\$480,365	\$239,135	\$719,500	\$0	\$0	\$719,500	\$495,964	\$480,365	
28	\$50,000,000	14.39	\$719,500	\$498,576	\$220,924	\$482,977	\$236,523	\$719,500	\$0	\$0	\$719,500	\$498,576	\$482,977	
29	\$50,000,000	14.39	\$719,500	\$501,279	\$218,221	\$485,679	\$233,821	\$719,500	\$0	\$0	\$719,500	\$501,279	\$485,679	
30	\$50,000,000	14.39	\$719,500	\$504,075	\$215,425	\$488,475	\$231,025	\$719,500	\$0	\$0	\$719,500	\$504,075	\$488,475	
30 Year TIF	\$1,410,000,000		\$20,259,830	\$13,398,493	\$6,861,337	\$12,958,587	\$7,301,243	\$20,259,830	\$0	\$0	\$20,259,830	\$13,398,493	\$12,958,587	
Prepared by Camoin Associates, www.camoinassociates.com														
Notes and Sources:														
This model is based on 100% of incremental valuation captured within the TIF District and 100% of captured revenues are for the municipal development fund and 0% for the developer project fund.														

