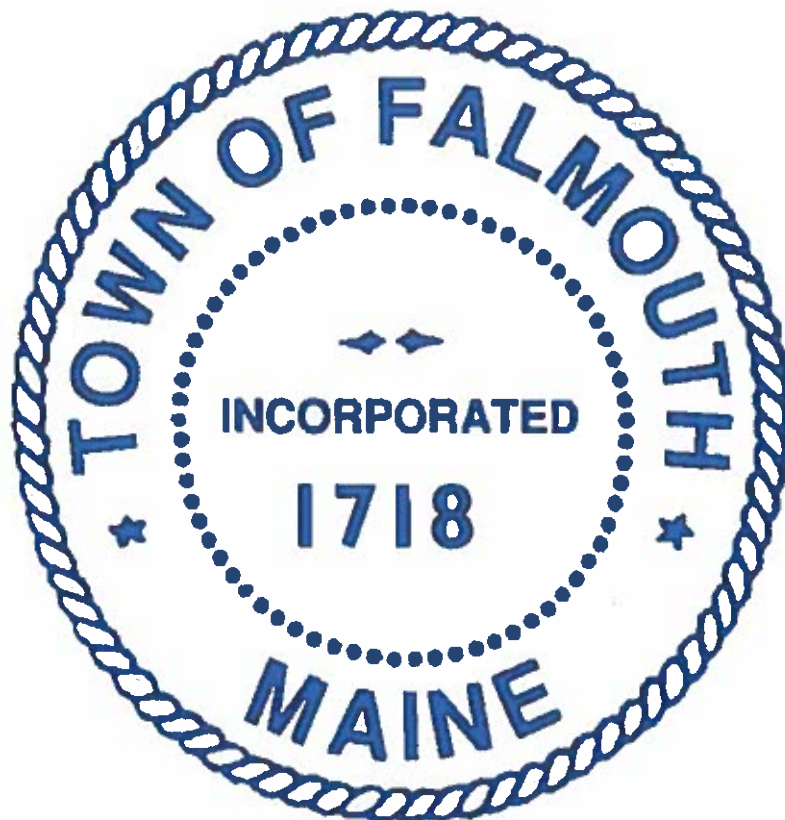


Town of Falmouth, Maine

Proposed Budget

Fiscal Year 2019-2020



Submitted by

Nathan A. Poore, Town Manager  
Peter McHugh, Finance Director

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# A Citizen's Guide to the FY20 Budget Document

The Town of Falmouth budget document provides concise and readable information to the public about Town government. The budget document represents the definitive policy statement of the Town, establishing levels of service and determining the allocation of municipal resources.

The Table of Contents lists every subject covered in this document and its page number. As a further aid, the document is divided into the following major sections:

- Budget Summary and Overview
- Revenue Detail
- Expenditure Detail (Broken down by departments and divisions)
- Capital Improvement Program, TIF and Special Revenue Funds
- Library Budget Detail
- Wastewater Enterprise Fund Budget

The Budget Summary and Overview section provides general information about the budget. It includes the letter of transmittal from the Town Manager to the Town Council as well as information and statistical data relating to the budget.

The Revenue Detail section contains information on the Town's various revenue accounts including actual revenues for FY18, estimated revenues for FY19, and proposed revenues for FY20. Line item notes for the various revenue accounts are also included in this section.

The Expenditure Detail section provides detailed information on all expenditure accounts. This section is divided into programs within departments. Each department section includes an organizational chart of the department, expenditure detail, and line item notes for the major line item accounts. The line item expenditure detail includes actual expenditures for FY18, estimated expenditures for FY19, and proposed expenditures for FY20.

The Capital Improvement Program (CIP) section contains the Town's multi-year Capital Improvement Program. This section includes a financial overview of the CIP, a description of approved CIP projects, the equipment replacement schedules for the Town's operating departments, and the Town's proposed street paving schedule.

The Tax Increment Financing District (TIF) section contains the Town's multi-year project plan for each of the TIF Districts and shows the captured value tax revenues and fund balance for each District by fiscal year.

The Special Revenue Fund section contains the Town's FY20 plan for both revenue and expenses and summarizes balances by Special Revenue Fund.

The Library and Wastewater sections contain the Town's FY20 Plan for each of those entities.

## **General Information**

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The accounts of the Town are organized on the basis of funds and account groups. The operations of each fund are maintained using a set of self-balancing accounts that are composed of its assets, liabilities, fund equity, revenues, and expenditures. This budget document deals with the operations of the Town's General Fund, Capital Improvements Funds, TIF Funds and Special Revenue Funds.

The general fund is used to account for all financial transactions that are not accounted for in categorical funds (sewer enterprise fund, trust and agency funds, etc.). The principle sources of revenue of the general fund are property taxes, excise taxes, inter-governmental revenue, charges for services, and miscellaneous revenue. Expenditures are for general government, financial administration, public safety, public works, community development, economic development, parks and community programs, education, and other agencies/non-departmental.

## **Charter/Code Requirements**

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Article V of the Falmouth Town Charter outlines the requirements for the budget. Per the Charter, the Town's fiscal year begins on the first day of July and ends on the last day of June. The Charter provides that, at least 35 days prior to the beginning of each budget year, the Town Manager "shall submit to the Council a budget and explanatory budget message. The Council shall be limited to the final determination of the total appropriation to be made to each of the several offices, departments and agencies of the Town, including the Department of Education."

The Charter further provides that the Town Manager's budget will be reviewed by the Town Council, which shall approve the budget with or without amendments. The Council is required to hold a public hearing on the budget. Following the hearing, the Council is required to adopt the budget, "with or without change", no later than 60 days from the beginning of the fiscal year. In the event the Council shall fail to adopt the budget within the 60 day period, the budget as presented by the Town Manager shall automatically become the budget for the fiscal year.

Article V, Section 506, of the Charter states that "the Town Council shall make a gross appropriation for each department, including the school department, for the ensuing municipal year." The gross appropriation for each department cannot be exceeded except by consent of the Council. Furthermore, the school budget is to be expended under the direction and control of the School Board.

During the budget year, the Town Council has the authority to make supplemental appropriations in order to cover unforeseen or emergency expenditures. The Charter also gives the Council authority to transfer amounts between departments within the budget. Finally, Article III, Section 302.2, provides that once a budget is adopted by the Council, the Town Manager is responsible for its administration.

Further inquiries regarding the budget and the budget process may be made by contacting either the Town Manager, Nathan Poore, or Finance Director, Peter McHugh at (207) 699-5311.

# **BUDGET SUMMARY AND OVERVIEW**

**To:** The Honorable Members of the Falmouth Town Council

**From:** Nathan Poore, Town Manager

**Date:** April 3, 2019

**Re:** 2019–2020 Budget Transmittal Letter

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I hereby present the proposed fiscal year 2020 municipal budget. This budget was reviewed by finance department staff, my office, and the department head/management team. This budget increases the municipal portion of the mil rate by \$.09 to 3.25 mils, an increase of 2.85%. This budget request includes \$50K or \$.021 mils for senior tax relief. The average annual rate increase since 2009 has been .9%/yr.

The proposed General Operating Budget for the Town is \$13,549,766, which represents a \$474,739 increase over the current year's (Fiscal Year 2019) appropriation. This translates into a 3.6% increase. This budget does not negatively impact the financial condition of the organization and all substantial changes within the budget are sustainable. This is consistent with prior year decisions and financial management practices, which over time have built financial stability for current and future residents of our community.

### **Revenues**

We are projecting large increases in a few non-property tax revenues, including auto excise tax, state revenue sharing and interest income. Due to the strong automobile sector results in the last five years, we are predicting a 2.5% increase in automobile excise tax over the estimated FY19 total. The FY19 Budget included a use of fund balance of \$171,600, there is no use of fund balance in the FY20 Budget. The North Yarmouth Dispatch Service arrangement has ended reducing revenue by \$20,903. The FY19 Budget did not include the Woods Road tower lease which adds (\$26K) to the FY20 Budget. Overall, non-property tax revenues have increased \$155,477 from the FY19 budget, which is a 2.7% increase.

### **Expenditures**

Personnel expense increases including wages, retirement, and health insurance are adding \$386,204 to the budget. The major components of the personnel cost increases were the Town wage increases (\$140K), retirement costs (\$57K), health insurance (\$29K), the remaining ½ year of 2019 budgeted additions of a EMA/Firefighter Captain and a School Resource Officer in January 2019, an FY20 budgeted addition of a Fire Department Engine 2 Operator, an increase in Fire Department part time labor to cover call volume increases, the replacement of a Patrol Officer with a Lieutenant as part of a Police Department restructure and an increase in workers compensation costs (\$13K). Other large increases include the voter-approved Falmouth Memorial Library Bond debt service (\$263K), other contractual services (\$59K), Library contribution (\$43K), and computer services (\$26K).

The following table includes a list of major expenditure and Revenue changes.

<b>FY2020 Budget Impacts</b>	
<b>Funding Change FY20 vs FY19</b>	
Budget Impact: Increase/(Decrease)	
<b>Revenue</b>	
• Auto Excise Taxes	\$ 122,590
• State Revenue Sharing	\$ 101,110
• Interest Income	\$ 94,500
• Tower Lease	\$ 25,783
• Use of Fund Balance	\$ (171,600)
• Dispatch Fees	\$ (20,903)
• Ambulance Charges	\$ (3,000)
• Net Change in All Other Revenue	\$ 6,996
<b>Revenue Sub-Total Impact</b>	<b>\$ 155,476</b>
<b>Expense</b>	
• Full-Time Salaries/Social Security	\$ 272,874
• Library Bond Debt Service	\$ 263,150
• Retirement	\$ 55,249
• Other Contractual Services	\$ 58,600
• Falmouth Library Contribution	\$ 42,815
• Highland Lake	\$ 32,000
• Health Insurance	\$ 29,482
• Part-Time Salaries	\$ 27,279
• Computer Services	\$ 25,633
• Overlay/Abatements	\$ (196,600)
• Transfer to Capital Fund	\$ (176,274)
• Net Change in All Other Expenses	\$ 40,531
<b>Expense Sub-Total Impact</b>	<b>\$ 474,739</b>
<b>Net Increase</b>	<b>\$ 319,263</b>
<b>Mil Rate Impact</b>	<b>\$ 0.13 mils</b>
<b>Mil Rate Impact of Increased Valuation</b>	<b><u>\$(0.04)mils</u></b>
<b>Mil Rate Increase</b>	<b>\$ 0.09 mils</b>
<b>Mil Rate increases .09 mils from 3.16 to 3.25 mils.</b>	



## **Projected Future Needs and Budget Impacts**

This budget continues to maintain financial stability, deliver necessary services, and focus on sustainable solutions.

I look forward to working with the Council to meet the needs of Falmouth's citizens. I want to express my appreciation to everyone involved in the development of the final budget, including all department heads/managers and their staff.

# Budget Analysis

This section of the budget document, identified as the Budget Analysis, provides an overview of spending at multiple levels. The information in this section will illustrate budget impacts, explain changes and new programs, and compare resource allocation.

## **Tax Rate Calculation**

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This tax rate calculation table includes a projected increase in property valuation of \$23.0 million (new construction and lot formation).

<b>Property Tax Rate Calculation 2019-20 Town Budget</b>	
<b>Expenditures</b>	13,549,766
<b>Overlay</b>	35,000
<b>Non-tax revenues</b>	(6,011,372)
<b>Net from property taxes</b>	7,573,394
<b>2019-20 projected valuation</b>	2,326,820,500
<b>2019-20 projected tax rate</b>	3.25
<b>2018-19 rate</b>	3.16
<b>Tax rate increase (decrease)</b>	0.09
<b>Tax Rate % Increase</b>	2.85%

## **Expenditures (By Object of Expenditure)**

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This table and following chart demonstrate how funds are allocated between four major categories. We are primarily a service providing organization, which is why a significant amount of our budget is associated with personnel costs.

<b>Personnel</b>	<b>Supplies &amp; Services</b>	<b>Capital / Debt Service</b>	<b>Other Agencies &amp; Special Revenue Funds</b>
\$ 7,631,997	3,230,902	1,616,152	1,070,715

## **Expenditures (Personnel)**

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The total cost of personnel services (wages and benefits) in the FY20 budget is \$ 7,631,997 representing a 5.3 % increase over FY19. Much of the difference in this category is a result of the following:

- Average wage increases will be 2.5% (\$140K).
- The Town is budgeting the following personnel addition: Fire Department Engine 2 Operator (\$60K). In addition, the Fire Prevention Captain and SRO positions added in January 2019 are in for a full year in the FY20 Budget (\$72K).
- The Fire Department is budgeting \$16K in additional part-time salaries to cover increased call volume in FY20. Public Works has added \$6K in part time salaries to plow sidewalks in the winter and the Budget adds \$8K in additional Town Council stipends based on a survey of municipalities in the Greater Portland Area.
- Retirement cost is increasing due to wage increases (\$44K), and a change in the Fire Department to the 3C pension plan (\$11K).
- Health insurance costs are increasing by 2.9% (\$29K) and workers compensation is increasing due to a higher experience rate (\$13K).
- The above increases are offset by reductions due to increased staff allocations to the TIF Districts (107K).

## **Expenditures (Supplies and Services)**

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The proposed budget includes \$ 3,230,902 for supplies and services, which represents a 3.7% increase from the FY19 budget. The notable impacts in this category include:

- An increase in other contractual services due to brown-tail moth spraying costs (\$45K) and a Fire Department organization study (\$25K).
- An increase in street line painting costs due to increased striping needs (\$12K).
- An increase in computer services (\$25K) because of a required upgrade to the Town's Vision software.
- An increase in motor fuel and lubricants due to a \$.13 increase in cost/gallon of regular unleaded and an increase of \$.06 in diesel cost/gallon (18K).
- The above costs were offset by the elimination of contractual winter maintenance costs for sidewalk plowing which will now be done using part time labor (\$18K).
- All remaining Supplies and services were kept at or below FY2019 levels overall.

## **Expenditures (Capital Outlay / Debt Service)**

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Funding levels in this category are the foundation for ongoing fiscal stability. We will continue to fund capital needs from annual revenues, capital CIP funds, Tax Increment Financing Districts and the issuance of debt. A successful capital improvement program (CIP) will not show mil rate impact fluctuations with substantial peaks and valleys. This budget and the remaining CIP are structured to accommodate the goal of steady funding without significant changes in the mil rate. The budget includes funds for implementing the FY20 portion of CIP. Capital outlays and debt service costs will total **\$1,616,152**, which is a 5.7% increase from the FY19 budget. This increase was primarily due to increased debt service costs for the voter-approved Falmouth Library Construction Bond (\$263K) offset by a decrease in CIP funding needs (\$176K).

The Town's strategy of making prudent investments in its capital equipment/facilities and infrastructure should be continued because it sustains the condition of our infrastructure and minimizes long-term maintenance costs.

## **Expenditures (Contributions and Transfers to Special Revenue Funds)**

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Contributions to outside agencies include the Falmouth Memorial Library and METRO Bus. Funding levels, based on outside agency recommendations and requests, total **\$1,070,715** in FY20 (a decrease of \$113,145 or 10% from last year). The decrease is primarily due to a reduction in the Overlay/Abatement account of \$197K because of the State BETE reimbursement of \$176K and a reduction in the Budgeted amount for the Senior Tax discount of \$25K based on actual FY19 results.

The budget includes a contribution toward Library operations of \$573,028, which is 8.1% more than last year (Appendix D contains the Library Budget). Metro Bus expenses are increasing \$15K or 9.3% from the FY2019 level. The transfers to special revenue funds (\$137,100) are down \$26K when compared to the FY19 budget. This is primarily due to a \$26K contribution to the Recreation Department Special Revenue fund from a new Affordable Housing TIF District, reducing the Town appropriation by that amount. Finally, \$32K was added to fund Highland Lake testing costs.

## **Significant Projected Changes in Expense**

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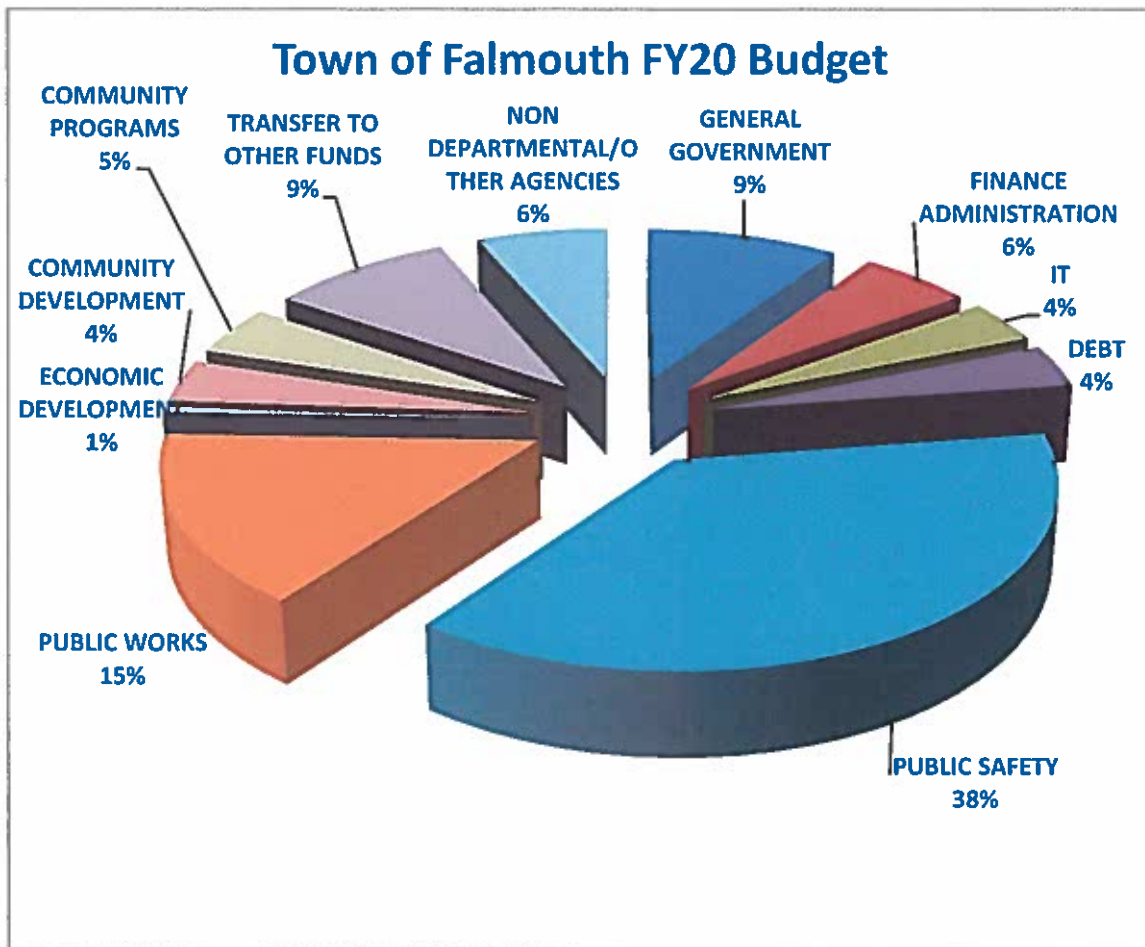
This table represents a list of those expense codes with the most significant projected change compared to the FY19 budget.

<b>FULL-TIME SALARIES/SOC SECURITY</b>	<b>272,874</b>
<b>LIBRARY BOND DEBT SERVICE</b>	<b>263,150</b>
<b>OTHER CONTRACTUAL SERVICES</b>	<b>58,600</b>
<b>RETIREMENT</b>	<b>55,249</b>
<b>LIBRARY CONTRIBUTION</b>	<b>42,815</b>
<b>HIGHLAND LAKE</b>	<b>32,000</b>
<b>HEALTH INSURANCE</b>	<b>29,482</b>
<b>PART TIME SALARIES</b>	<b>27,279</b>
<b>COMPUTER SERVICES</b>	<b>25,633</b>
<b>OVERLAY/ABATEMENTS</b>	<b>(196,600)</b>
<b>TRANSFERS TO CAPITAL FUND</b>	<b>(176,274)</b>
<b>OTHER</b>	<b>40,531</b>

## **Expenditures (Budget Summary by Department)**

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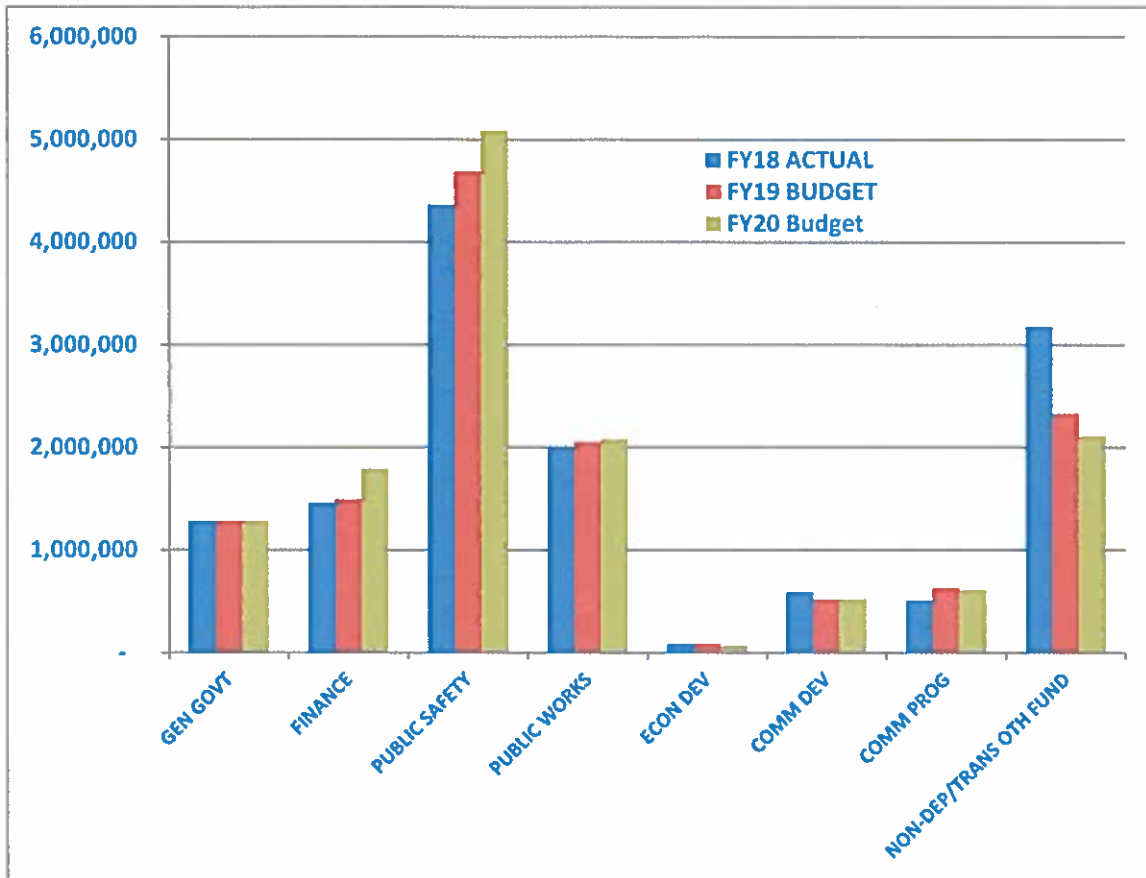
The pie chart on the next page illustrates the final budget allocated by department. Most of our spending goes toward the delivery of services such as Parks and Community Programs, Public Safety, and Public Works. Administration expenses are much smaller, which is desirable so that more resources can be used for the delivery of services. Finance administrative services also support some School Department functions.



## **Budget Allocation by Department**

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The bar graph on the next page presents a budget comparison by department. The explanation for variations depends on many factors including but not limited to varying levels of inflation (depending on the types of expenditures made within each department), personnel changes, reductions in some areas, and program changes.



Changes in department budgets include several explanations such as:

- **General Government:** This category has increased 0.4%. This is a result of staff salary increases, health insurance, retirement increases, and general assistance increases. These increases were offset by increased staff allocations to the TIF Districts to more accurately reflect time spent supporting TIFs and by savings in street light rental costs due to the Town's acquisition of these lights from CMP, in addition, the Town has replaced those lights with efficient LED lights to reduce power consumption.
- **Finance:** This category has increased 20.1%. This is a result of increased debt service to cover the new voter-approved Library Construction Bond. Staff salary, health insurance, and retirement increases, and IT cost increases were partially offset by increases in Finance staff allocations to the TIF districts to more accurately reflect their efforts to support the TIF Districts.
- **Public Safety:** FY20 is projected to increase 8.5% because of salary, retirement and health insurance increases, a full year of the 2<sup>nd</sup> SRO and replacement of a Patrol Officer with a Lieutenant in the Police Department due to a restructuring, and new positions in the Fire Department as demand for Fire/EMS services

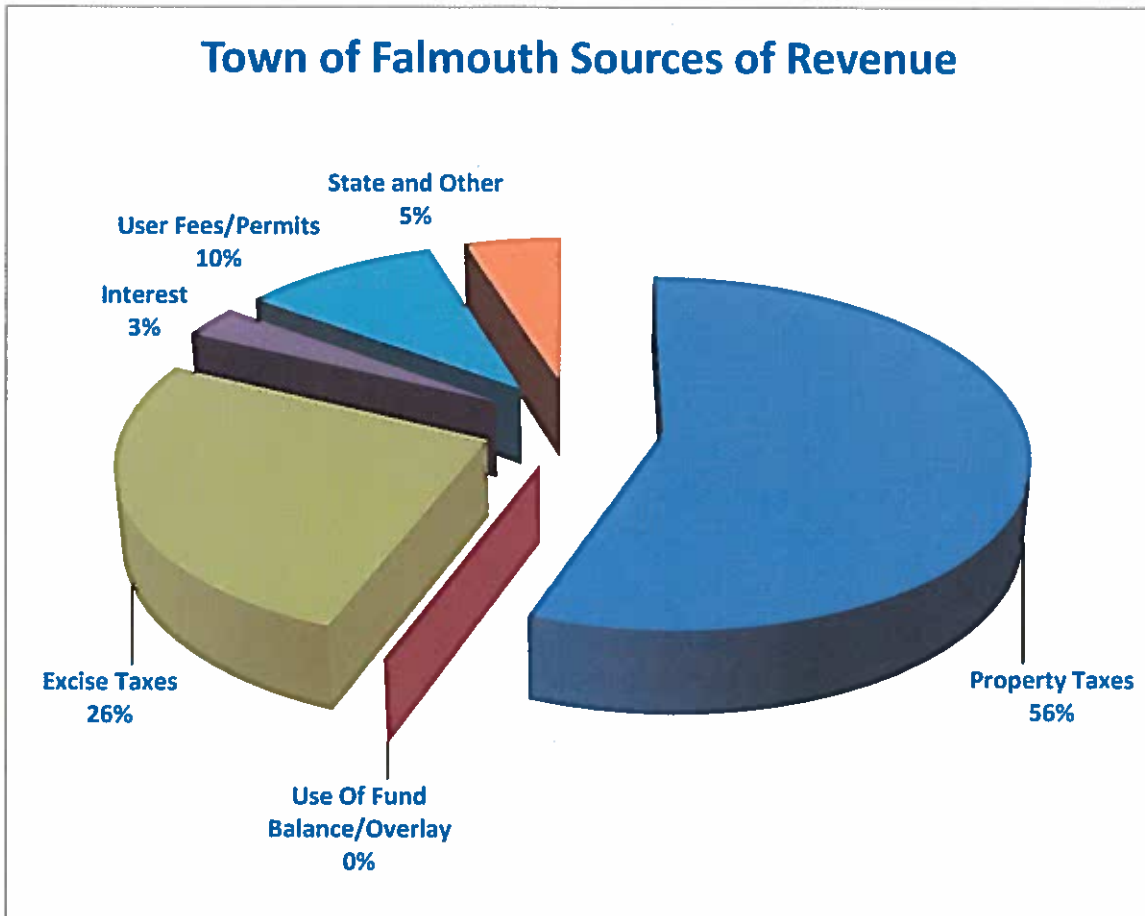
continues to increase while volunteer numbers continues to decline. The Budget also includes money for a third-party study of Fire Department operations.

- **Public Works:** The 2020 1.3% increase is due to wage and benefit increases, fuel cost increases and increases in street painting and solid waste collection costs. These were offset by the elimination of winter contract sidewalk plowing and increased staff allocations to the TIF Districts to more accurately reflect TIF support efforts.
- **Community Programs:** A decrease of 2.7% because of a decrease in the appropriation to support community programs due to increased funding from a new Affordable Housing TIF offset by increases in wages and benefits.
- **Community Development:** An increase of 0.2% primarily from increases in salary, health insurance, and retirement costs offset by increases in staff allocations to the TIF Districts.
- **Economic Development:** A decrease of 25.6% due to an increase in the allocation of the Director of Long-Range Planning and Economic Development costs to the TIF Districts to more accurately reflect TIF support efforts.
- **Non-Departmental and Other Agencies:** A decrease of 9.4% primarily attributable to a decrease in overlay costs (FY19 had \$172K in State BETE claw-back costs), and a reduction in CIP funding needs. These decreases were partially offset by increases in the contribution to the Falmouth Memorial Library, the Metro assessment, brown-tail moth spraying costs, and Highland Lake testing costs.



## Revenues

Municipal services are supported by several revenue sources including property taxes that account for 56% of all revenue sources for municipal (non-education) services. The following pie chart shows where all our revenues originate and demonstrates our reliance on property taxes (chart only applies to municipal services).

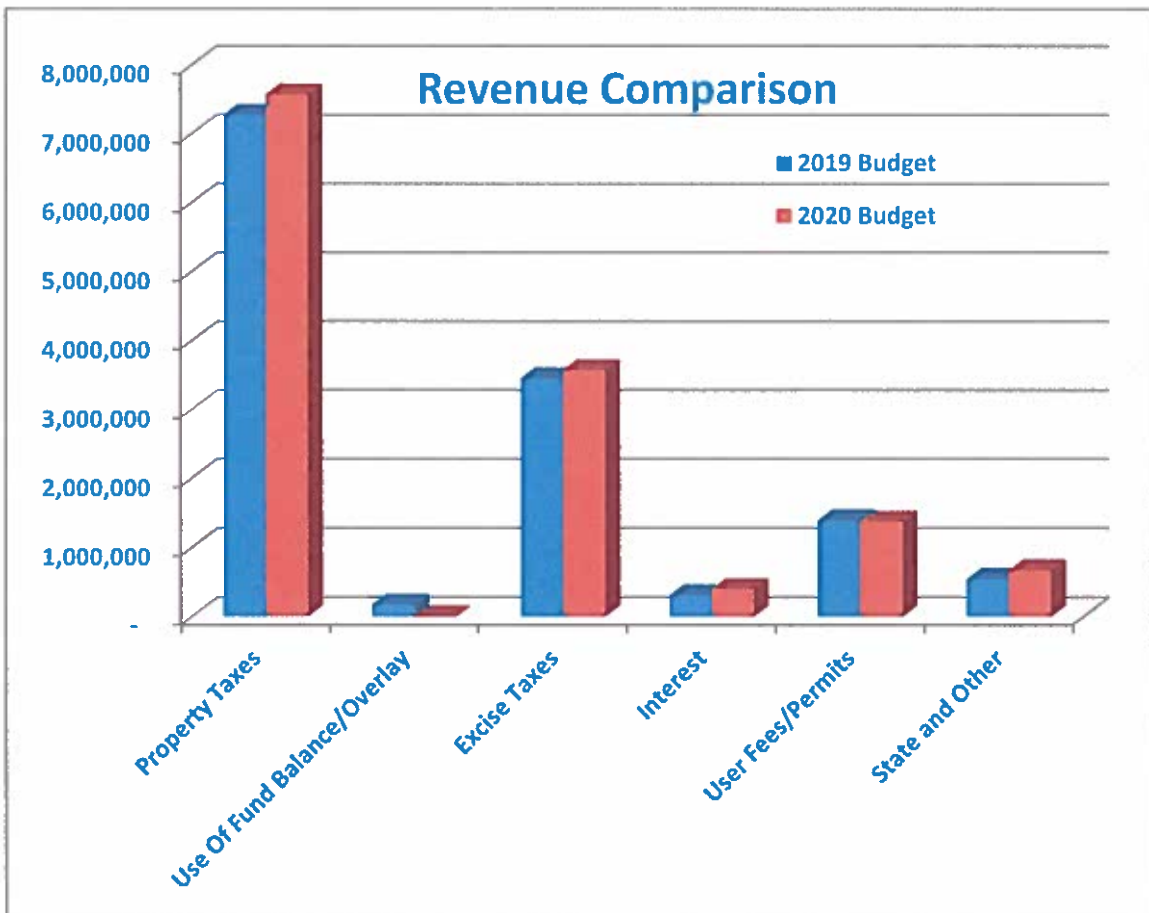


For the FY19 Budget, 78.6% of the funding required to support education general fund expenses came from property tax revenues (note: this will be updated with the FY20 Budget % once the School Budget is complete).

The estimated non-property tax revenues in FY20 are projections based on prior year trends and known changes in state and federal laws. There is a budget-to-budget increase of 2.7%. The table on the following page represents a list of those revenues with the most significant projected change compared to the FY19 budget.

<b>AUTO EXCISE TAX</b>	<b>122,590</b>
<b>STATE REVENUE SHARING</b>	<b>101,110</b>
<b>INTEREST INCOME</b>	<b>94,500</b>
<b>TOWER LEASE</b>	<b>25,783</b>
<b>USE OF FUND BALANCE</b>	<b>(171,600)</b>
<b>DISPATCH FEES</b>	<b>(20,903)</b>
<b>AMBULANCE CHARGES</b>	<b>(3,000)</b>
<b>OTHER</b>	<b>6,996</b>

The following bar graph compares the FY20 and FY19 revenue budget. The increase in total property tax collections is due to a projected mil rate increase of \$.09 or 2.85%. The mil rate increase results from an increase in net Town expenditures offset by an increase in the projected property valuation (new homes, lot splits, new businesses and additions/renovations) upon which the tax rate is based. Excise taxes are projected to increase 2.5% over the latest FY2019 revenue projection.



# Financial Condition

One of the primary strengths of the Town of Falmouth has been and continues to be its stable financial condition. This part of the report demonstrates financial condition by analyzing several characteristics and practices. This information will demonstrate the Town's stable fiscal condition.

Analysts use several financial indicators to measure a municipality's financial condition. This report identifies the following information/indicators: property tax burden; ratio of bonded debt to assessed valuation; direct debt per capita; tax collection rate; and the Town's unassigned fund balance.

## Property Tax Burden

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The State Bureau of Taxation publishes annual full value tax rates for all Maine communities. Full value tax rates are used to provide fair comparisons between communities. The rate is calculated by using the State determined valuations and the adjusted locally determined property tax commitments.

This table compares Falmouth's full value rate with other area communities. This table relies on State derived data. The most recent available data demonstrates that Falmouth's full value rate is \$1.84 below the regional average. Falmouth has the lowest rate in the group. Since 2007, Falmouth has had a rate below the average every year. The difference between the rate in Falmouth and the regional average has exceeded the 2007 level (\$1.58) in every year in the period.

<b>Greater Portland</b>										
<b>Communities</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Cape Elizabeth	11.92	13.05	13.20	14.19	15.00	15.65	15.79	15.34	14.93	15.09
Cumberland	13.26	13.51	14.67	15.78	16.53	17.75	17.85	17.95	18.63	17.70
Falmouth	11.36	11.81	12.16	12.60	13.15	13.82	14.30	13.82	14.00	14.22
Gorham	12.84	13.38	13.50	13.77	14.66	14.93	15.54	15.27	15.42	15.70
Portland	15.09	15.88	16.54	17.27	17.90	18.57	18.71	18.97	18.76	18.08
Scarborough	11.17	11.58	11.97	12.55	13.27	13.93	14.67	14.68	14.82	14.84
South Portland	13.41	13.77	14.66	15.28	15.90	16.37	16.43	16.50	16.70	15.98
Westbrook	15.20	15.32	16.14	16.48	17.45	17.51	17.13	16.93	17.31	17.27
Windham	10.74	10.91	12.00	12.75	13.60	14.33	14.19	13.97	14.46	14.86
Yarmouth	14.43	15.21	16.11	17.00	17.94	18.56	18.66	17.51	17.32	16.88
<b>Greater Portland Average</b>	<b>12.94</b>	<b>13.44</b>	<b>14.10</b>	<b>14.77</b>	<b>15.54</b>	<b>16.14</b>	<b>16.33</b>	<b>16.09</b>	<b>16.24</b>	<b>16.06</b>
<b>Falmouth</b>	<b>11.36</b>	<b>11.81</b>	<b>12.16</b>	<b>12.60</b>	<b>13.15</b>	<b>13.82</b>	<b>14.30</b>	<b>13.82</b>	<b>14.00</b>	<b>14.22</b>
<b>Variance from Average</b>	<b>1.58</b>	<b>1.63</b>	<b>1.94</b>	<b>2.17</b>	<b>2.39</b>	<b>2.32</b>	<b>2.03</b>	<b>2.27</b>	<b>2.24</b>	<b>1.84</b>

## Debt Ratios

The Maine Municipal Bond Bank has found the average debt/valuation ratio for Maine municipalities to be 2.1%. Municipalities have a legal debt limit of 15%, however, bond analysts consider anything under a 3% debt/valuation ratio to be acceptable. As of June 30, 2019, Falmouth's gross debt/valuation ratio will be 1.55%. It should be noted that the bonded indebtedness of the Town's sewer utility is paid through sewer user charges, and not through property tax dollars, and is not reflected in this table.

<b>Fiscal Year End June 30</b>	<b>Pop.**</b>	<b>Assessed Valuation* (x 1,000)</b>	<b>Total Direct Debt (x 1,000)</b>	<b>Debt as % of Assessed Value</b>	<b>Direct Debt per Capita</b>
2019	11,185	\$2,456,681	\$38,195	1.55%	3,414.84
2018	11,185	\$2,422,433	\$42,175	1.74%	3,770.68
2017	11,185	\$2,388,936	\$46,890	1.96%	4,192.22
2016	11,185	\$2,368,572	\$50,865	2.15%	4,547.61
2015	11,185	2,328,863	\$54,840	2.35%	4,903.00
2014	11,185	2,287,140	58,820	2.57%	5,258.83
2013	11,185	2,268,623	47,560	2.10%	4,252.12
2012	11,185	2,243,751	50,700	2.26%	4,532.86

**\*Includes TIF valuation**  
**\*\*Source: U.S. Census Bureau**  
**Total Direct Debt includes High School construction, Public Safety building bond refinancing, Route 1 South infrastructure, Middle School Construction and the Elementary School Construction refinancing**

## Assessed Valuation

Over the past 20 years, Falmouth's valuation has increased between 0.75% to 4% per year due to new construction. It is projected that net new non-TIF valuation will add \$23 million, or 1.0% to the Town's assessed valuation for FY2020 bringing that estimated total to \$2,326,820,500. FY2019 total valuation equates to \$219,600 per capita, which is generally considered a very good valuation ratio for a community with a limited commercial tax base. Direct Debt per Capita is projected to fall to \$3,415 as of June 30, 2019.

## Tax Collection Rates

A municipality's tax collection rate is another indicator of financial stability. Falmouth has had an excellent current year collection rate averaging over 97% in each of the past five years. Overall collection rates have reached 99.9% for the tax years 2013-2016.

## Unassigned Fund Balance

Falmouth’s unreserved, unassigned fund balance as of June 30, 2018, was \$9,923,606. The fund balance should not be viewed as “cash on hand” or surplus funds. There are many encumbrances against the fund balance such as reserves for receivables (unpaid taxes). For example, if the tax collection rate declined to 91%, as it did during the recession in the early 1990’s, the amount that would need to be reserved for tax receivables would substantially increase. The current fund balance exceeds the minimum standards set by the Council’s adopted fund balance policy, providing the Town with a healthy “available” fund balance. A copy of the fund balance policy is attached as Appendix G.

There was a \$654,980 decrease in the unassigned fund balance compared to FY2017. The FY2018 excess revenues over expenditures were offset by transfers to the capital improvement and special revenue funds, \$171,600 in fund balance used to repay the State of Maine for BETE reimbursement overpayments, supplemental appropriations for brown-tail moth spraying (\$30K), Harbor float replacement due to damage caused by the November 2017 storm (\$82K), and street light replacement with energy-saving LED lights with advanced controls (\$420K). The total General Fund balance decreased by \$1,098,616 in FY2018.

Total Governmental Funds, including the Capital, TIF and Special Revenue Funds, for the Town decreased \$2,166,073 in FY2018 primarily due to increased capital spending.

The fund balance provides the Town with adequate coverage for various liabilities, accounts receivable, unforeseen expenses, or shortfalls in revenues. It has also enabled the Town to meet all its cash flow needs despite the timing of property tax collections, which are well into the fiscal year. Credit rating institutions such as Moody’s and Standard & Poor’s, consider fund balance when rating municipalities. The Town’s credit rating was reaffirmed at AAA by Standard and Poor’s during 2017.

### Analysis of Fund Balance

<b>Unreserved, unassigned Fund Balance (6/30/18)</b>	<b>\$ 9,923,606.00</b>
<b>Minimum Reserve required by Fund Balance Policy (16.7% of total 2018-19 expenditure budget and \$1,000,000 further reserve for capital investments)</b>	<b>(9,364,672)</b>
<b>Projected “Available” Fund Balance</b>	<b>\$ 558,934.05</b>

The “available” fund balance should not be relied upon for regular tax relief. In accordance with Council fund balance policy, this available balance should be used for what is commonly called “one-time” expenses. Regular reliance on fund balance could artificially reduce the tax rate, but when fund balance is no longer available, the tax rate would increase. “Available” fund balance is essential for the Town’s ability to respond to unforeseen circumstances. These unforeseen circumstances can include natural disasters, premature infrastructure failure, and economic influences uncontrollable at the local level.



***GENERAL FUND REVENUES***

Acct No	Account Name	Actual FY18	Budget FY19	Estimated FY19	Proposed FY20	FY19 vs FY20 Budget	%	Explanation
	<b>TOTAL GENERAL REVENUES</b>	5,437,623	5,855,896	6,161,925	6,011,372	155,477	2.7%	
R3015	Use of Fund Balance	0	171,600	171,600	0	(171,600)		Funds for B&E State Reimbursement
R3020	Boat Excise Taxes	33,554	33,527	33,527	33,527	-	0.0%	Has been flat
R3030	Auto Excise Taxes	3,363,290	3,413,660	3,450,000	3,536,250	122,590	3.6%	2.5%gr over FY19 Estimate
R3110	Building Permits	105,775	103,651	125,000	106,760	3,110	3.0%	Assume 2% growth over 2019 Budget
R3112	Electrical Permits	23,056	24,968	24,968	25,717	749	3.0%	Based on 3% growth over FY19 Budget
R3115	Growth Permit Fees	6,000	3,858	3,858	3,974	116	3.0%	Based on 3% growth over FY19 Budget
R3116	Code Enforcement - Fines	1,945	0	0	0	-		Don't plan on this
R3120	Zoning Board Fees	4,175	4,410	4,410	4,410	-	0.0%	Remains flat
R3123	Planning Board Fees	19,889	16,000	16,000	16,000	-	0.0%	Remains flat
R3130	Town Clerk Licenses/Fees	14,035	14,000	14,000	14,000	-	0.0%	Has been flat
R3135	Dog License Fees	6,775	5,543	5,543	6,775	1,232	22.2%	Assume remain at FY18 Level
R3140	Miscellaneous Permits & Fees	9,415	8,142	8,142	8,386	244	3.0%	Based on 3% growth over FY19 Budget
R3145	Firearms	532	350	350	530	180	51.4%	Assume remain at FY18 Level
R3150	Inspection Fees	1,603	11,427	11,427	11,427	-	0.0%	Historical level
R3160	Resident Stickers	14,890	13,900	13,900	13,900	-	0.0%	Historical level
R3170	Auto Tags	30,418	33,000	33,000	33,000	-	0.0%	Historical level
R3171	Rec. Vehicle Tags	2,296	2,350	2,350	2,350	-	0.0%	Historical level
R3180	Cable TV Franchise Fees	221,219	219,000	219,000	219,000	-	0.0%	Current pacing
R3190	Plumbing Inspections	31,858	37,000	37,000	37,000	-	0.0%	Historical level
R3210	Witness Fees	622	600	600	600	-	0.0%	Historical level
R3220	Parking Tickets	1,145	1,400	1,400	1,400	-	0.0%	Has been flat
R3225	Yarmouth/N. Yar Animal Cntrl Serv	0	0	0	0	-	0.0%	Arrangement Ended in FY18
R3240	Penalty Interest	52,785	52,500	52,500	52,500	-	0.0%	Current pacing
R3340	Recycling Center	49,291	54,580	54,580	54,580	-	0.0%	Flat to FY19 Budget
R3350	Composting Sales	7,342	6,650	6,650	6,650	-	0.0%	Flat to FY19 Budget
R3360	Ambulance Charges	398,187	415,000	412,000	412,000	(3,000)	-0.7%	Flat to FY19 Estimate
R3370	Accident Reports	2,414	1,948	2,414	2,414	466	23.9%	Assume remain at FY18 Level
R3375	Yarmouth Dispatch	168,132	199,275	173,176	178,371	(20,903)	-10.5%	Yarmouth Support - Annual Increase of 3%



Acct No	Account Name	Actual FY18	Budget FY19	Estimated FY19	Proposed FY20	FY20 vs FY19 Budget	%	Explanation
	<b>TOTAL GENERAL REVENUES</b>	<b>5,437,623</b>	<b>5,855,896</b>	<b>6,161,925</b>	<b>6,011,372</b>	<b>155,477</b>	<b>2.7%</b>	
R3390	Mooring Fees	155,002	154,100	155,000	155,000	900	0.6%	FY18 Level
R3391	Dinghy Fees	4,230	5,200	5,200	5,200	-	0.0%	Flat to FY19 Budget
R3395	Launching Fees	265	510	510	510	-	0.0%	Flat to FY19 Budget
R3410	Snowmobile Registration	1,880	1,893	1,893	1,893	-	0.0%	Flat to FY19 Budget
R3420	General Assistance Reimbursement	1,008	2,500	2,500	2,500	-	0.0%	Flat to FY19 Budget
R3430	State Revenue Sharing	469,256	462,428	483,973	563,538	101,110	21.9%	Based on Governor's Budget Request
R3440	Veterans Reimbursement	5,686	5,700	5,700	5,700	-	0.0%	Historical trend
R3450	Transit Bonus	0	0	0	0	-		Historical trend
R3460	Tree Growth Reimbursement	24,235	22,472	22,472	22,472	-	0.0%	Expect no change
R3470	State Park Funds	7,349	355	355	355	-	0.0%	Expect no change
R3496	Fire Dept - Misc Revenues	735	0	0	0	-		Don't plan on this
R3510	Interest Income	120,184	305,000	534,000	399,500	94,500	31.0%	Assume value increase of \$65K by FY19 year-end, assume loss of \$65K in value in FY20
R3520	Miscellaneous Revenues (Town)	31,374	47,400	47,400	47,400	-	0.0%	Historical level with addition of Stipend reimbursement
R3540	Worker's Comp Refund	9,100	0	0	0	-		Don't plan on this
R3550	Insurance Refund	11,148	0	0	0	-		Don't plan on this
R3560	Tower Lease	25,528	0	25,528	25,783	25,783		US Cellular - Woods Rd Tower