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Report of the Caribou Secession Committee Territory Representatives

A Formal Presentation For The
Proposed Act of Secession

To

The Caribou City Council

Presented At A
PUBLIC HEARING

Originally submitted June 11, 2015

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Section I. INTRODUCTION AND SUMMARY

A. INTRODUCTION:

The law of CONSOLIDATION, SECESSION AND ANNEXATION, 30-A M.R.S. Sections 2171-C & 2172 requires, in part, that “*The persons initiating the petition shall submit a written report at the public hearing that describes the impact of the proposed secession on property taxes in the municipality as well as in the secession territory.*” Our report will do that and much more.

This introduction is intended to give readers a quick overview of the problems which have led us to secession. Our proposed **Secession Territory (hereinafter referred to as the Territory)** is the very large rural community that surrounds Caribou to the north, east and south. It is a distinct population segment of the city, consisting of at least 2,591 people. It’s a place with wide open spaces, farms, wood lots and country homesteads with abundant wildlife; a place where its residents enjoy the unique life style that country living has to offer, which is very different from urban life in Caribou.

Farming, forestry and a scattering of small businesses account for most of the economic activity. Geographically, it encompasses about 80% of the total landmass of Caribou which presently exists as a double township.

Awareness of the issues will enhance one’s ability to understand the reasons why we feel the need to secede. References will be made to the 2014 COMPREHENSIVE PLAN of the City of Caribou. This plan was recently updated by the Planning Board and adopted by the City Council November 24, 2014. Portions of the plan contain factual information which the future town of Lyndon may adopt in the short term. Other portions of the Comprehensive Plan contain language which serves to expose the long standing and deeply rooted anti-rural bias held by the City Council and the Planning Board. It is very illustrative of the lack of fairness and institutional discrimination to which rural citizens are presently subjected.

Our report will also briefly outline the historical transition of Caribou, as it grew from the pioneering town of Lyndon, first incorporated in 1859, to present day Caribou, which was re-incorporated as a city in March of 1967. Included in this historical account is the annexation of our rural lands in 1868 that made Caribou as large as it is today. It will also detail our grievances with the current City Council form of government, the unfairness that it creates for all citizens and the seemingly unconstitutional provisions of the City Charter.

And finally, our report will touch on the existence of “two Maines”. Not northern Maine versus southern Maine, as is usually discussed, but one of rural Maine versus urban Maine. We will discuss the competing and disparate needs of its respective citizens with regards to the **unequal** delivery of government services. Presently, a condition exists

where about 31% of Caribou's rural population resides in the Territory and pays taxes amounting to nearly 40% of all the revenue raised from property taxes citywide, yet receives less than half of the services that are provided to urban citizens! The **Caribou Secession Committee (hereinafter referred to as the Committee)** recognizes that the city is constitutionally required to assess all property fairly and uniformly, **but it is not obligated to provide equal services to every resident!** It is this gross disparity in the provision and delivery of services coupled with the restrictive land use regulations that the Committee believes are patently unfair to rural residents that are an aggravating factor leading to secession; particularly in view of the large, year after year, tax increases which the city administration claims are necessary to fund the spending for services and amenities delivered to urban citizens within the Urban Compact Zone.

We are referring to expenditures for street lighting, sidewalks (maintenance and snowplowing), parks, swimming pool, the Wellness and Recreation Center, General Aviation Airport, fire hydrants and police patrols, free public parking lots and their maintenance, spring cleanup and brush removal, winter carnival, "Thursdays on Sweden Street" parties, etc.

The Mayor, in response to the Committee's concerns regarding taxpayer fairness, has exasperated the situation by publishing a satirical Op-Ed article in the local newspaper in which he makes a public mockery of the secession movement (see appendix). His ample and continuing arrogance in this regard proves that the rural taxpayer is at a severe disadvantage with respect to this excessive taxation and the situation is **never** likely to improve as long as the City Council-City Manager form of government is in force. This model of governance is very expensive and one that will only lead to greater amounts of tax revenue being spent within the Urban Compact Zone on additional public facilities which will require hiring more employees; all of which will lead to disproportionately higher taxes for the rural community in the future.

Caribou's future path to big increases in spending is one that we decline to follow and that is why secession is vitally important to us. It (secession) will allow ALL RURAL RESIDENTS to receive **equal** services, pay up to 28% less in property taxes and continue to enjoy their rural country lifestyle without the fear of living in a home they can no longer afford. The city's policy on taxation has made us "land rich and cash poor"! We simply seek to be in charge of our own future so we can defend ourselves against unreasonably higher taxes that will diminish the value of our homes and may force us to sell at a loss and move. The importance of self-governance and self-determination cannot be overstated.

B. SUMMARY:

Now, after 156 years as a part of Caribou, the last 48 years with Caribou as a city, the rural citizens of the former town of Lyndon and the plantations of Eaton Grant, Sheridan and Forestville, now find it necessary to seek authority from the Legislature of the State of Maine to reverse the Annexation of 1868 and secede from the city.

Caribou is a city in decline. In an effort to revitalize itself, its municipal officials are trying to be all things to all people. Their plan of "Build it and they will come" has not worked. In fact, it has had the reverse effect. The city's population has declined by at least 2.9% from 8,189 at the 2010 U.S. Census to an estimated 7,952 in 2013. Student enrollment at the Eastern Aroostook Regional School Unit 39 is down by 82 students this year alone, while the per capita tax rate continues to climb. For many, paying your property taxes in full and on time has become an annual struggle. For FY2014 the city received revenue of \$56,896.00 in interest charges on delinquent taxes which have now reached a staggering \$845,000.00 while the number of tax acquired properties is at an all-time high. These facts, when viewed together, clearly illustrate that the combined tax burden on Caribou residents is too great, unaffordable and unsustainable.

Business activity is also very weak. As taxes have risen, many citizens find that they have precious little disposable income to spend on items other than necessities. Some business ventures have already relocated or expanded outside of Caribou while most new small businesses close within the first 12 to 18 months. Situated in the State's second poorest County of Aroostook, small business failure in Caribou has almost become predictable.

Of course, there are some exceptions and those businesses that succeed are those that fit a very specialized niche in the local economy. Sitel, a well-known call center has recently relocated from the nearby Loring Air Force base to the urban zone of Caribou, occupying a city owned building that had been vacant for several years after another call center operation had moved out. A second call center, Virtual Managed Solutions is exploring expansion plans in the same area as well. Porvair Filtration Group, an international filter manufacturing business based in the U.K., has also recently expanded in Caribou by building a 7,000 sq. ft. extension on an existing business they recently acquired.

Demographically, 19.3% of Caribou's population is 65 years of age or older and living on a fixed income while 16% are living in poverty. Estimated Per Capita income in 2013, was \$25,000 dollars per year while the median house hold income was about \$40,000. Unemployment is pervasive and or seasonal and many of Caribou's residents receive some form of government benefits. The cost of living is among the highest in the state. Even now, with the global price of oil as low as it is, the cost per gallon of gasoline, kerosene, diesel fuel and heating oil is almost always higher in Caribou than the state average according to the Governor's Energy Office.

It is against this backdrop of incontrovertibly dismal economic and demographic factors which forces us to conclude that rural citizens would be far better served by a smaller local government with lower taxes. It is also noteworthy to mention that over the last decade, the City of Caribou could have used state revenue sharing funds to offer its citizens property tax relief, as those funds were intended to be used; but municipal officials chose to divert that money away from tax relief and use it to expand the size and cost of its government. As a result, our local government is much larger and more expensive to operate than it needs to be and yearly tax increases have become necessary just to maintain the status quo. The City Council is now proposing new and expensive construction projects (A swimming pool for the Wellness and Recreation Center and a Police-Fire-Ambulance Public Safety Complex) which are likely to drive the mil rate to 25.5 from its current 22.3.

This report also presents the reader with our vision of the future town of Lyndon as a self-governing, autonomous municipality utilizing the "Town Meeting" form government so prevalent in Maine today; wherein all its citizens receive the same level of services and taxes are never more than that which are absolutely essential to providing those basic services. A detailed analysis of the tax revenue that can be realized from real and personal property currently situated within the secession territory illustrates that it is sufficient to provide rural residents with the same level of basic services that they now have and receive *a 28% reduction in their property tax bill*, assuming a modest amount of state revenue sharing. If revenue sharing is discontinued as proposed in the Governor's next biennial budget, the amount of the property tax savings will be reduced proportionally.

As described in the statute, this report to the City of Caribou is part of the second step in the secession process. Many more steps will follow. This report represents a commitment to the rebirth and long-term viability of Lyndon as a rural community. It also presents us with a blueprint necessary to achieve that goal. If future circumstances dictate changes in our plans for the Town of Lyndon, they will be documented accordingly, as we move forward in the process.

This report was written in its entirety by the 5 representatives of the Caribou Secession Committee, all of whom are rural residents of the future Town of Lyndon. It is intended to be compliant with the state statute and is modeled, in part, after the Community Report submitted to the 122nd Legislature, Second Session, by the Chebeague Island representatives in support of their secession from the Town of Cumberland.

We know that we will be able to deliver high quality, cost-effective, essential services to our citizens by collaborating with neighboring municipalities, Aroostook County and through contracts with service providers in the private sector. Collaboration will be the rule, not the exception. We will keep our tax burden low by carefully monitoring and controlling municipal spending. We are ready for self-governance. Our group of supporters includes 3 former city Councilors and the vast majority of the registered voters who reside within the Secession Territory.

In conclusion, we intend no harm to come to the City of Caribou or any of its post-secession inhabitants. An amicable separation is most desirable and when secession is achieved, it will put an end to the competition for resources between urban and rural citizens. We also hope to put an end to the insidious culture of taxation which drives up the cost of government and makes living in the harsh climes of northern Maine much more difficult than it needs to be. Secession will also set the town of Lyndon on course for a brighter, independent and more affordable future.

Section II. WHO WE ARE – THE 5 REPRESENTATIVES

The Caribou Secession Committee started out as a small, bipartisan group of about 20 very concerned citizens who came together and organized because the size and cost of city government had become too great. We are *not* extremists or trouble makers; rather, we are a grassroots organization of citizen activists who are trying to regain control of our local government. We believe in the rule of law and reasonable taxation. We choose to exercise our rights to speak freely, to organize, assemble and petition our government; all of which are rights guaranteed by both the United States and Maine Constitutions. And in Maine, we the people, have one additional right. It is the right to change our government.

MAINE CONSTITUTION – ARTICLE 1 – SECTION 2

Power inherent in people. All power is inherent in the people; all free governments are founded in their authority and instituted for their benefit; THEY HAVE THEREFORE AN UNALIENABLE AND INDEFEASIBLE RIGHT TO INSTITUTE GOVERNMENT, AND TO ALTER, REFORM, OR TOTALLY CHANGE THE SAME, WHEN THEIR SAFETY AND HAPPINESS REQUIRE IT.

Our secession movement is not about city politics. It's about the size, cost and structure of city government, its excessive spending and taxation, taxpayer fairness and the unconstitutional provisions of the current city charter which have deprived us from having a voice in the very government that was intended to benefit us, not harm us. It is also about the competing and disparate needs of the urban community versus the rural community. We are Democrats, Republicans and unenrolled registered voters; but more importantly, **WE ARE ALL FISCAL CONSERVATIVES!** We are not backed by a political party, a large corporation or a wealthy benefactor. And, most importantly, we are NOT AGAINST reasonable taxation. We are registered voters defending ourselves from a city government that has for far too long, ignored the needs of the rural community and treats us as second class citizens. Even the 2014 Comprehensive Plan of the City of Caribou contains language that exposes their strong anti-rural bias.

We simply believe that the ONLY way the rural community of Lyndon will ever regain the local control we so desperately need and desire is through secession! We know that if we can control government spending, we can control and ultimately lower our taxation. It

is a matter of last resort. We strongly believe we can govern ourselves better, with a Town Meeting form of government, than the current “City Council – City Manager form of government can. According to the Maine Municipal Association, there are about 494 municipalities in Maine and about 95% of them use some iteration of the Town Meeting form of government. It is our belief that the City should abandon its status as a city, revert back to a town and institute the Town Meeting form of government. It should also revise its Charter to empower its citizens, not subjugate them.

Our membership includes 3 former City Councilors and their like-minded friends, neighbors and relatives. Some of us have been involved in the affairs of the city for over 25 years trying to effect change from within the “system”. Nothing has worked because the cards are stacked against rural citizens by the city manager form of government and the city charter.

Most Caribou taxpayers, no matter where they reside, agree that property taxes are too high! However, the Committee believes they are disproportionately higher in rural Caribou, especially after the city’s revaluation conducted in 2011. But high taxes are only the symptom of the underlying illness that causes them. ***It is the form of government that must change.***

In accordance with the law, our Committee was required to appoint five individuals to serve as official representatives of the Territory until town leaders could be elected at the first town meeting. These Caribou residents stepped forward and volunteered to do that:

MAYNARD ST.PETER - Mr. St. Peter is a lifelong resident of Caribou currently residing on the Madawaska Road. He is 78 years of age, retired, and has been married to Velma Madore for nearly 55 years. Together, they have 6 children and 14 grandchildren and 7 great grandchildren. Mr. St. Peter was graduated from the Caribou High School in 1955. While in school he worked part time for the Currier Furniture Company. Shortly after graduation he enlisted in the United States Army, Corps of Engineers, where he served until 1958. Returning to Caribou, he went to work for Currier’s until 1973 and then joined the Plourde Furniture Company where he was employed until his retirement in 1995. While employed, he earned a Bachelor of Arts Degree from the University of Maine, Presque Isle in 1977. Among his many notable achievements, Mr. St. Peter was appointed to serve on the Loring Reuse Committee by the Caribou City Council (1992-1993), Loring Restoration Advisory Board by the Aroostook Band of MicMac (1994-1998) and the Loring Development Authority , Board of Directors (2006-2012). He was also elected to serve as the Grand Knight, Caribou Knights of Columbus (1961-1962), Chairperson of the Caribou Democratic Committee (2000-2004) and the Caribou Coalition for affordable Energy, Board of Directors (2000-2004).

FREEMAN COTE – Mr. Cote is 80 years old and resides on Grimes Mill Road. He was born in the nearby town of Caswell but has lived in Caribou for the last 73 years. He retired after working many years as a construction laborer, and most recently, as a self-

employed contractor specializing in roofing, concrete foundations and overhead garage doors. Mr. Cote is a widower and has 5 children and 10 grandchildren.

MILO HANEY – Mr. Haney is 64 years of age and was born in Caribou. He is a lifelong resident of Connor and Caribou and currently resides on the Access Highway, with his wife of 26 years, Priscilla. They have 4 children and 3 grandchildren. He has been involved in the automotive repair business for the last 45 years, first as a mechanic, then as an owner of a prosperous and well known automotive service station near the former Loring Air Force. In addition to being a successful self-employed businessman, Mr. Haney was also a member and past-president of the Sportsman’s Club of Stockholm and a member of a snowmobile club called the Loring Snow Hawks. He cares deeply about the Caribou area and has turned down many lucrative offers of employment out of State.

DOUG MORRELL – Mr. Morrell is 52 years old, married to Jennia Morrell and they reside on Sullivan Drive. He has 3 children and 3 grandchildren. He is a graduate of Caribou High school, past City Councilor, past president of the Caribou Chamber of Commerce and Industry, Past MEP board member, Past LEAD board member, and he is a lifelong resident of Caribou. Mr. Morrell has owned and operated his own business for the past 24 years.

PAUL CAMPING – Committee Chair and Spokesman. Mr. Camping resides on Grimes Road in Caribou and is 66 years of age. He is married and has 3 adult children and 3 grandchildren. He was born and raised in Rochester, New York where he studied Police Science at the Monroe Community College, earning an Associate Degree. He was subsequently employed as a Police Investigator with the Rochester Police Department and retired in 1993 with just over 24 years of service. He went on to serve as a Distribution and Inventory Control Manager for two different companies in New York and Virginia before relocating to Caribou in 2007. Since moving to Maine, Mr. Camping has served as the past-President of the Crown of Maine Chapter of the National Wild Turkey Federation and currently sits on the Board of Directors for the Aroostook County Conservation Association.

On December 14, 2013, to make it official and put our commitment to each other and the people of the secession territory in writing, we drafted and signed our SECESSION PROCLAMATION reprinted below;

Secession Proclamation

Establishment of Exploratory Committee

Whereas, the undersigned, all duly registered voters of the city of Caribou, Maine, do hereby declare and proclaim that we have formed an exploratory committee to begin the

process of secession of a certain tract of land, herein after referred to as the secession territory, from the city of Caribou. This act is done in accordance with the Constitution of Maine, Article I, Section 2, and Maine Revised Statutes Title 30-A, Part 2, Subpart 2, Chapter 113, Subchapter 2, and Sections 2171 – 2172.

Whereas, we find that the Caribou City Manager form of government, the Caribou City Council and the Caribou City Charter are inappropriate for the residents of the secession territory and we assert our right to reform and totally change the boundaries of the municipal government under which we choose to live.

Whereas, the exploratory committee shall be charged with the responsibilities of creating a map delineating the physical boundaries of the secession territory, circulating a petition for secession among the resident and nonresident populations, listing at least five people who will serve as representatives of the secession territory and submitting the legally sufficient petition to the municipal officers of Caribou to request a public hearing. It shall also be the responsibility of the committee to gather all pertinent fiscal and operational information necessary for residents to make an informed decision relative to the delivery of services by their newly incorporated town government.

Section III: BRIEF HISTORY OF TOWN OF LYNDON & CITY OF CARIBOU

This account of significant historical events is not intended to be all inclusive; rather, it is intended to demonstrate how, and when, the town of Lyndon and the surrounding Plantations became the city of Caribou. To fully appreciate and comprehend our need and desire to separate from Caribou, it is very helpful to understand the history of our region and to realize how we got to where we are today and why our right to re-organize our own government is so important to us.

Secession created the State of Maine in 1820 when it separated from the State Massachusetts. Interestingly, that secession movement can trace its roots back to the Revolutionary War when Massachusetts had some difficulty protecting the District of Maine from the British. Coastal merchants in Maine, who defied the Crown, were particularly vulnerable because of the superior British Naval power. Separationists argued that by separating from Massachusetts, Maine could afford to form its own militia to better defend itself **and, because the new government would be much smaller, it would be less expensive to operate and taxation would be more equitable!** These are the words of the historians, not the Caribou Secession Committee.

After the war, the movement to secede got stronger and picked up momentum. Because the City of Portland had close commercial ties to Massachusetts, separationists had little support there, while interior towns were ready to separate. This is probably the first recorded instance of the now common clashes that occur between the competing and disparate needs of rural and urban communities! Maine's separation from

Massachusetts was a long, drawn-out affair that spanned a period of 40 years and involved numerous debates over economics, taxes, and political representation, among other issues.

Maine's population increased dramatically between 1790 and 1810 and the territory of northern Maine was no exception. The northern border was largely undefined after the conclusion of the Revolutionary War in 1782. The United States and Massachusetts firmly held that all the lands drained by the Aroostook River were part of Massachusetts. In 1805, the lands of the EATON GRANT, consisting of 10,000 acres, were surveyed by the Massachusetts State Legislature and granted to Captain William Eaton for his important diplomatic and military roles in the first Barbary War of 1801-1805, which included his military capture of the City of Derna, Tripoli.

Many of the original lot lines from the original sale of lots in Eaton still exist today. As plots of land were sold and settled from the Eaton Grant, the plantation of Eaton at the mouth of the Little Madawaska River soon developed. So too, did the nearby Plantations of Sheridan, along The Hardwood Brook, and Forestville, along Otter Brook. Lumbering was the trade of these first settlers. Sawed blocks of squared lumber and ships mast were their primary products of export. Alexander Cochran constructed a grist mill on the Caribou stream in 1828 to service these lumbermen.

Tree poaching along the Aroostook River by Canadians was a hot and contentious subject and in 1839 it came to a boil. The United States Government authorized \$10,000,000 and a 50,000 man militia for the State of Maine to put a stop to English encroachment along the Aroostook River. Governor Kent, in 1839, utilized the force to build a military road from Houlton to the mouth of Fish River where they built the block house named Fort Kent. This road then became US Route 1. Aroostook County was established on March 16, 1839 by the Maine Legislature and in the early 1840's a State's Land Agent was surveying land in Aroostook County for homesteading.

Over time, more and more settlers came to northern Maine using the military road and local governments were formed. In 1848, Township Letter H was organized which later became the town of Lyndon, which was incorporated in 1859. The Town of Lyndon encompassed the village of Caribou which began to form as a center of commerce about 1844. Then, in 1868, citizens of the nearby plantations of Eaton, Sheridan and Forestville petitioned the State Legislature to approve their well-orchestrated plan of annexing their territories to Lyndon. Their stated purpose for doing so was for convenience of commerce, cultural similarities and because they thought they were too small geographically to adequately conduct the responsibilities of a town. These three original petitions are preserved in Augusta at the Maine State Archives and were signed by a total of just 69 men. The Maine Legislature approved the annexations in 1869 and Lyndon, which eventually became a double township, was now comprised of the original townships known as Letter "H" and "I" and the Eaton Grant. Some descendants of the original 69 men who signed the petitions still own or live on the land their ancestors settled 156 years ago.

In 1877, the town of Lyndon changed its name to Caribou. For 107 years, the municipalities of Lyndon, and then Caribou, were governed using the Town Meeting form of government and a modified version of the former known as Representative Town Government (1957), to deliver services to its citizens. This is the very same form of government the future Town of Lyndon plans to use upon secession.

Efforts to change the status of Caribou, from a town to a city, were made by members of the Chamber of Commerce in 1957 and 1960, but their ideas failed to gain any traction with the public. Those who were proponents of city status argued that that:

- A city form of government enables the Council to act promptly on matters without the necessity of a town meeting.
- A city classification carries with it a connotation which will more effectively gain recognition to attract business development and tourists.
- Census figures will be more realistically published.

Not everybody was convinced city status was the way to go. Ralph W. Allen lobbied against the movement and was credited with leading the campaign to defeat the change. Mr. Allen, at the time, was a well-respected businessman and Banker in Caribou and he predicted that important safeguards would be lost to citizens if the change was effected. In a lengthy interview with the *Aroostook Republican* newspaper, published on March 16, 1966 just 8 days before the next Caribou town meeting, Mr. Allen said that the size of your population is irrelevant in determining your form of government. He cited several examples of very small towns that were called cities, such as Forest City with 13 telephones and the city of Eastport that now (1966) has half the people it had in 1900. He is quoted as saying,

“Eastport advertises itself as the most easterly port in the United States. Advertising Caribou as the most northeasterly city in the United States would do no more for us. I am sure we can think of better ways to promote the growth of our town.”

Mr. Allen went on to quote former President Thomas Jefferson who reportedly once said that “The New England Town Meeting was the wisest invention ever devised by the wit of man for the exercise of self-government and for its preservation.”

Mr. Allen then said,

“I believe the best government is one that encourages citizen interest, participation and supervision. That is not readily accomplished under city government, with financial power and authority centralized in a small group (the Council) as compared to our present more democratic town meeting.”

And finally, Mr. Allen was very prophetic when he said,

“Caribou is very fortunate because of the competent people we now have in our town offices. Someday, when that happy situation changes, there will be greater

risk under a centralized city government. I would prefer the safeguards we now have. They should not be lightly set aside.”

The Secession Committee whole-heartedly agrees with Mr. Allen. Just as he predicted 48 years ago, that “someday” has come to pass and the Committee’s dissatisfaction with our current government can be traced directly to Caribou’s change in status from a town to a city. As a new city, utilizing the City Council-City Manager form of government, important safe guards **were** lost to taxpayers. We no longer have direct representatives who can express our views at a town meeting where important spending warrants are considered. The power to levy taxes, appropriate and spend money quickly shifted away from the citizens to the City Council, whose power over us is virtually unchecked today.

The budget committee, so important to the previous form of representative town government, was replaced by the City Manager and his department heads. Spending decisions are now generally “rubber-stamped” by the Council. The concentration of power now rests in the 7 member City Council, not its citizens, making the rural community of Lyndon especially vulnerable to significant tax increases. And oddly enough, and in contrast to the Eastern Aroostook Regional School Unit # 39, taxpayers can vote to accept or reject their 18 million dollar budget, but are prohibited from voting on the city’s budget!

During past periods of relative prosperity, when the population was larger and economic activity was proportionally greater, the per capita tax burden on residents was far less than it is today. In the years preceding the closing of nearby Loring Air Force Base in 1994, the size and cost of city government grew. Money was freely spent on schools, parks and recreational facilities, a general aviation airport, urban renewal projects, snowmobile trail groomers and city owned parking lots. The number of employees increased. Compensation and fringe benefits were second to none as Caribou was engaged in a fierce competition with the City of Presque Isle to become the preeminent place to live and work in northern Maine.

By 1960, the city’s population had reached its peak of 12,464 but soon started to decline, with the closure of the Loring Air Force Base in 1994, the population decline accelerated. Businesses closed, people moved away and student enrollment began the steady decline still in progress today. Present day Caribou is a mere shadow of its former self. Yet, property taxes and the per capita tax burden are at an all-time high.

So too, are the amount of uncollected real and personal property taxes and the number of tax acquired properties the city has foreclosed on. Today, approximately \$845,000 dollars of delinquent taxes remain uncollected. At today’s valuations, this is the equivalent of 2.2 mils. This is a clear indication that taxes are higher than the community can afford to pay. But instead of making a concerted effort to collect those back taxes, Caribou’s Council has shifted that burden to present day taxpayers by increasing the mil rate year after year. In doing so, the per capita tax burden grows greater and more taxpayers struggle to pay on time. Together, these economic indicators combine to form

what the Committee calls the MISERY INDEX! The City Council is aware of the problem but refuses to re-think its policy on taxation to mitigate it.

Section IV: VITAL STATISTICS & THE “TWO MAINES” WITHIN CARIBOU

POPULATION:

A concerted effort has been made by the Committee to determine the true population of the proposed secession territory. We looked at a number of sources that contain demographical data which would be necessary to make that determination. The most comprehensive was the U.S. Census Bureau. However, the manner with which the data is reported made it impossible to extract population numbers on a street level or neighborhood basis.

For example, for 2010 the Census Bureau reported that the population for the entire city of Caribou was 8,189 and that by 2013, the Bureau estimated that the population had declined by 2.9% (237) to 7,952. If that estimation is correct and linear, Caribou is losing people at the rate of about 80 citizens per year. **Conceivably, by June of 2015, the population of our city may be as low as 7,832.**

Regrettably, we have been unable to determine whether or not the loss of population has taken place within the urban or rural areas of Caribou. So the exact population of the Secession Territory eludes us. We concluded that the best we could do, absent a thorough door to door census, was to create a baseline estimate of the territory population by adding together the number of registered voters and the number of students enrolled from the territory at R.S.U.39. **We therefore believe the current population of the territory is at least 2,612.**

- Central Voter Registration File sorted by Territory street
Established 3/9/2015 by Caribou City Clerk 2,192*
- Student Enrollment by Territory Street. 420

*It should be noted that the Committee believes that the number of registered voters residing in the secession territory (2,192) is overstated by a factor approaching 100 individuals! During the circulation of the petition, the Committee discovered that the

Central Voter Registration File, jointly maintained by the Office of the Secretary of State and the Caribou Registrar of Voters, was poorly maintained and inaccurate. Many people had sold their homes and moved out of the territory, but voter registration records recorded both, the seller and the buyer, residing in the same home. Only a limited effort was made by the Registrar, through a mail verification procedure, to refine the address data contained in the file. Nineteen decedents were among those she removed, however, the Committee believes that true number of registered voters residing in the secession territory remains severely inflated.

In consideration of the forgoing, the Committee believes the population of the Territory is approximately (31.89%) of the entire city. (2,612 / 8,189)

VALUATION OF TERRITORY TAXABLE PROPERTY:

According to assessment information we received from the City Assessor in late 2013, the value of all real estate in the secession territory was about \$140,318,300 and the value of the taxable personal property was \$3,694,800. Tax revenue generated from the combined value of this property represented about 38.8% of the City's total revenue from property taxes in their budget year of 2014 at a Mil rate of \$22.30 per one thousand dollars of valuation. There are 276 Non-resident landowners in the Secession Territory.

HIGHWAY AND TRANSPORTATION SYSTEMS:

The secession territory has a fully developed system of roads consisting of about 90 miles of arterial and collector roads.

The Maine Northern Railway runs through the territory and into the former Loring Air Force base, now known as the Loring Commerce Center. This spur has not been used since about 1994 and is in need of rehabilitation.

CEMETERIES:

There are 5 cemeteries in the territory. The Bubar on Rt. 161, the Eaton Grant Settlers on Grimes Rd., the Lyndon cemetery on U.S. Route 1, the Green Ridge and the Sacred Heart.

PUBLIC PARKS AND HISTORICAL SITES

Caribou Historical Society -- U.S. Route 1

North Caribou Park located on the Van Buren Road – U.S. Route 1

Cochran Burial Plot on the River Road

RIVER ACCESS:

The Secession Territory has approximately 40 miles of shoreline on the Aroostook (19) and Little Madawaska Rivers (21). There is one boat launch on the Aroostook owned by the Maine Department of Inland Fisheries and Wildlife. It is located on Rt. 161 in what is known locally as the old Forbes Gravel Pit.

The “Two Maines within Caribou”

Whenever people discuss the role of government in Maine, we often hear them refer to the existence of the “two Maines”. Generally, this refers to the different needs and expectations of the citizens who reside in either northern or southern Maine. Lately, however, this phrase has taken on a new connotation; it is now being used to describe the different needs and expectations between rural and urban populations. Here are two classic examples that clearly illustrate this point:

The first can be found in an article written by Troy A. Haines, the Chair of the Aroostook County Democratic Committee, which was originally posted on the blog ***Dirigo Blue*** on May 25, 2011. His article was entitled ***Rural v. Urban*** and was written to oppose LD-1333, known then as the Health Insurance Bill. He eloquently framed his argument against the bill with facts that are very relevant to our secession movement. He wrote:

“As people living in Rural Maine, we have a shared understanding of our place in the politics of this state. We know that the way of life we enjoy is second to none, but that somehow we are considered to be less important, or perhaps less impactful than the urban centers in Maine. We know that the idea of “Two Maines” is very much prevalent in the minds of most Mainers, but we differ in that we prefer the rural way of life. Therefore it is a hard pill to swallow when our elected officials choose to pass legislation that makes it increasingly difficult to live in rural areas of Maine that are already economically depressed.”

A second, more recent instance of this unique usage, can be found in a newspaper article written by Bill Nemitz and published in the ***Portland Press Herald*** on November 14, 2014. Mr. Nemitz’s story begins with:

“Election’s outcome redefines the ‘two Maines’---It’s no longer north versus south, or rich versus poor. It’s now officially urban versus rural.”

He then describes Portland Mayor Michael Brennan as befuddled by the election results. Mayor Brennan is quoted as saying, *“I’ve never really seen a situation like*

this politically before". Mr. Brennan is referring, of course, to the re-election of Governor LePage who won a second term.

Mr. Nemitz then discusses what he thinks is a bigger issue than LePage being re-elected. *"It's no longer north versus south. Nor, for that matter, can it be reduced to rich versus poor. It's now officially urban versus rural."*

"Look at the Press Herald's map of how Maine municipalities voted and you'll see clusters of blue around places such as Portland, Biddeford, Bangor and Augusta – offset by seas of red in the less populated parts of the state".

"Rural, conservative Maine has spoken. Loudly."

And the Caribou Secession Committee could not agree more. Both Mr. Haines and Mr. Nemitz capture the essence of our movement which is to separate from Caribou to protect and preserve our "rural identity"! Yes, we are a bipartisan group. But more importantly, we are rural fiscal conservatives and we renounce expensive municipal government and the high taxes that accompany it. Caribou is becoming the Portland of the North and we choose not to be a part of that change. **We started out as a rural farming community and 156 years later we still are!**

Section V: PROBLEMS LEADING TO SECESSION

Pursuant to Section 2171-C.*Initial Hearing*, "...the municipal officers shall call and hold a public hearing. The purpose of the public hearing is to allow municipal residents, officers and residents in the secession territory to discuss secession."

Paragraph 2 of the statute further requires that *"The public hearing must include a formal presentation by those initiating the petition, **which must include a description of the problems that have led to the secession effort.** Attendees shall discuss the problems, potential solutions other than secession and the potential impact of secession on the secession territory and the municipality. The persons initiating the petition shall submit a written report at the public hearing that describes the impact of the proposed secession on property taxes in the municipality as well as the secession territory."*

Accordingly, the Committee has identified eight problems that have led us to the secession effort. Following the description of each problem will be a potential solution to that problem.

1.) THE "CITY COUNCIL-CITY MANAGER" FORM OF GOVERNMENT IS INAPPROPRIATE FOR THE CITIZENS OF RURAL CARIBOU.

Since 1967, Caribou citizens have been deprived of direct representation and stripped of the power to have any meaningful input in the affairs of the city to include, but not limited to, approving the Expense, Capital Expense and Revenue budgets by referendum vote.

The City Council has virtually unlimited power and the citizens have very little. This form of government is completely devoid of any checks or balances and it fosters rampant apathy due to the lack of opportunity for citizens to exert even a modicum of supervision over the Council.

POTENTIAL SOLUTION: The City should abandon its status as a city, re-incorporate as a town and revert back to the “Representative Town Meeting” form of government in use prior to becoming a city. The current Charter must be revised under Article 9.03, to empower taxpayers, not subjugate them. We envision the creation of wards or voting districts from which Selectmen or Selectwomen would be elected and taxpayers would have the right to vote on every item of spending and approve all budgets.

2.) THE CITY CHARTER CONTAINS PROVISIONS THAT ARE UNLAWFUL, UNCONSTITUTIONAL AND VIOLATE THE CIVIL RIGHTS OF EVERY CITIZEN IN CARIBOU.

The right to petition one’s government has been an unrestricted and fundamental right of American citizens since the founding of our country. This right is guaranteed by the constitutions of the United States and the State of Maine. But in Caribou, Article VIII of the City Charter expressly prohibits petitioning the City Council if the initiative deals with the budget or capital program or any ordinance relating to appropriation of money, levy of taxes or salaries of city officers or employees.

ARTICLE VIII ORDINANCE INITIATIVE AND REFERENDUM

This article applies only to citizen initiatives and referendum for new or amended ordinances.

Sec. 8.01 General Authority.

(a) *Initiative. The qualified voters of the City shall have power to propose ordinances to the Council and, if the Council fails to adopt an ordinance so proposed without any change in substance, to adopt or reject it at a City election, **provided that such power shall not extend to the budget or capital program or any ordinance relating to appropriation of money, levy of taxes or salaries of City officers or employees.***

(b) *Referendum. The qualified voters of the city shall have power to require reconsideration by the Council of any adopted ordinance and, if the Council fails to repeal an ordinance so reconsidered, to approve or reject it at a City election, **provided that such power shall not extend to the budget or capital program or any emergency ordinance or ordinance relating to appropriation of money or levy of taxes or salaries of city officers or employees.***

As one can easily see, the citizens of Caribou are powerless to exercise their right to petition their government on budgetary and spending matters and we believe that Sect.

8.01 of the City Charter is not only unconstitutional, it is in violation of Section 2504 of Title 30-A, Chapter 121: MEETINGS AND ELECTIONS HEADING. Section 2504 reads as follows:

§2504. CIRCULATION OF PETITIONS FOR LOCAL INITIATIVE

No municipality may enact any charter provision or ordinance prohibiting the circulation of petitions for any local initiative. A petition related to any local initiative, including, without limitation, petitions filed under section 2522, section 2528, subsection 5, the Constitution of Maine, Article IV, Part Third, Section 21, or a municipal charter provision authorizing local initiatives, may be circulated as provided in Title 21-A, section 903-A.

It is noteworthy to mention that Article I of the Charter asserts the City Council's unequivocal rights to unlimited powers under the authority of the constitution and laws of the state of Maine, but then tramples with calloused impunity, on the rights of its citizens.

ARTICLE I POWERS OF THE CITY

Sec. 1.01 Powers of the City.

The City shall have all powers possible for a city to have under the constitution and laws of this State as fully and completely as though they were specifically enumerated in this Charter.

Sec. 1.02 Construction.

The powers of the City under this Charter shall be construed liberally in favor of the City, and the specific mention of particular powers in the Charter shall not be construed as limiting in any way the general power stated in this article.

And finally, the Charter contains questionable language which makes citizens ineligible to serve on the Council if they have become delinquent in paying their property taxes.

ARTICLE II CITY COUNCIL

Sec. 2.01 Composition, Eligibility, Election and Terms.

(a) Composition. There shall be a City Council of seven (7) members elected by qualified voters of the City at large to serve staggered three (3) year terms each. (b) Eligibility. Only qualified voters of the City, who are current for all annual personal and real property taxes due to the city on or before

December 31st of the previous year, shall be eligible to hold the office of Councilor.

This specific provision of the Charter has been the topic of much discussion and consternation among city residents and an effort to repeal it was put before the voters in November of 2013. The effort to repeal Sec. 2.01 (b) failed as voters overwhelmingly voted to retain it. Ironically, a citizen who ran for the office of Councilor and received the most votes, was not seated because she was found to be ineligible by this section of the Charter, after the election!

Incredulously, the Mayor said, in sum and substance that the eligibility provision was “*probably unconstitutional*”, but he made no effort to strike it down or seek judicial review!

The Committee views this inappropriate lack of action, together with the aforementioned unconstitutional and unlawful provisions of the Charter, as a prime examples of the arrogance of the Caribou City Council which places the needs of the city above the needs and civil rights of its citizens.

People have become disenchanted with city government because they are resigned to the idea that ***all they will ever get from city hall is government-- just the way they darn-well better like it.***

The truth is, as a small rural populace, we deserve much better. We know that the Town Meeting form of government will give us ***what we so desperately desire – government of the people, by the people and for the people!***

POTENTIAL SOLUTION: Many of the problems leading to secession and their potential solutions were previously addressed in a Charter revision proposal proffered by a citizens group known as Caribou Citizens for Responsible City Management. Regrettably, these proposals were rejected by the last Charter Commission. **A new Charter Commission must be empanelled which will be comprised of at least 3 representatives of the Caribou Secession Committee** in accordance with sect. 9.03 of the Charter and State law at Title 30-A, M.R.S.A. Chapter 111: HOME RULE HEADING, §2103. Charter commission, membership, procedure:

1. Membership. The charter commission shall consist of several voters in the municipality, elected under paragraph A, **and 3 members appointed by the municipal officers under paragraph B.**

3.) THE CITY COUNCIL HAS REFUSED TO IMPLEMENT ZERO-BASED BUDGETING.

The Committee believes that Zero-Based Budgeting (ZBB) is a better tool to use when crafting an expense budget as it is more likely to result in less spending, thus averting tax increases. This methodology requires the City Manager and his Department Heads

to examine and justify every expense, each year, taking nothing for granted. It can easily identify wasteful spending, shortages and expenses for unneeded programs.

Caribou presently uses an incremental spreadsheet method wherein the amounts approved for the previous year's budget are augmented by a predetermined percentage and adopted for the current year. In other words, the budget for the current year stands on the foundation provided by the previous year's budget and in turn, provides the foundation of the succeeding year's budget; all of which have escaped the line by line scrutiny that comes from Zero-based budgeting.

Year after year increases are virtually unavoidable when the City Council tries to please all the special interest groups standing in line at City Hall with their hands extended, desperately groping for a piece of the public pie! It is far easier and less painful to tax and spend, than to sharpen your pencils and rein in spending which might inflict pain on certain constituents.

Because the Charter requires the Council to adopt the Expense Budget prior to knowing what the revenues are, expenses are *usually greater* than the revenues. The Council is then faced with three choices;

- a. Go back and rework the expenses to fit the revenues which is seldom done.
- b. Raise the mil rate to cover the deficit and try to blame the increase on something other than themselves.
- c. A combination of both.

Under the current budgeting methodology, the best scenario taxpayers can ever hope for is a "flat" city budget, meaning no increase in the cost of general government. However, the cost of city government is only one of the three components considered in the calculation of the Mil rate. The city must also levy taxes for its share of the expenses of Aroostook County and the Eastern Aroostook Regional School Unit 39. For a long time, taxpayers have pleaded for "**tax relief**" from the City Council because a flat budget still makes Caribou residents vulnerable to a tax increase from the other two entities. The Committee has argued that the city budget should be low enough to absorb potential increases from the County and R.S.U. 39. However, the city administration would rather play the blame game and point fingers at the others who they feel were responsible for any increases. In other words, they believe that protecting the "status quo" of the city is more important than protecting the taxpayer!

In 2011, the City of Caribou underwent a revaluation of taxable property which was fully implemented in FY 2012. Citizens were told that about 1/3 of the assessments on real properties went down, 1/3 stayed the same and 1/3 went up. By and large, the rural assessments of Caribou increased the most. The Assessor at the time, Elizabeth O'Bar, said that rural assessments increased an average of 42%. In 2012 the mil rate was reduced to 19.30 from 26.10 to reflect the higher valuations which were reported at \$371,512,000. Even though the mil rate dropped by \$6.80 per \$1,000.00 dollars of valuation, the citywide tax levy grew to \$7,170,000. This represented a very large tax

increase for the 1/3 that received higher assessments. Some rural assessments increased by \$100,000 dollars or more (Please see the following Reschke illustration), which seemed inconceivable as we were then, and still are, firmly in the grip of the great recession.

Then, for the budget years of 2013 and 2014, the mil rate was increased by \$1.20 and \$1.80 respectively. It now stands at \$22.30 per thousand dollars of valuation. In the five year span between 2009 and 2013, the tax levy grew from \$6,371,000.00 to \$7,614,000.00; an increase of \$1,243,000.00 or 19.5%, far outstripping the rate of inflation!

The Committee believes that the lack of Zero Based Budgeting is a contributing factor in the growth of the cost of Caribou government and that the historical data shown above, proves this premise.

Potential Solution: Make the use of Zero Based Budgeting mandatory by including it in the revised Charter at Article V - FINANCIAL PROCEDURES.

4.) THE CITY WORKFORCE IS TOO LARGE AND TOO COSTLY

Caribou is hiring new people every year. The city workforce is at an all-time high and in 2014 employed 167 individuals to provide services to its citizens. Their salaries, wages and lavish benefits, or total compensation, is among the highest in the state. Even Mayor Gary Aiken, who has private sector business experience, once said in describing Caribou's benefit package at a City Council meeting, that he had never seen anything better!

As an example, employees earn paid vacation and sick time at an alarming rate. By the time they have 20 years of service they could have "banked" 5 weeks (200 hours) of vacation time, 24 weeks (960 hours) of sick time and still get 11 paid holidays. And for those employees who were hired before December 31, 2013, when they leave the City they are eligible to be paid in full for any unused sick leave benefits up to the amount in the employee's sick bank as of December 31, 2014.

Exceedingly generous benefits like this drive up the cost of labor and are a prime factor in the high taxes we all pay. In fact, as of December 31, 2014 the City has an unfunded liability of unused "paid time off" owed to employees in the amount of \$598,674.98! Recently, three long term employees retired from the city. The payout to these former employees for their unused paid time off cost the city nearly \$80,000.00! It's no wonder that the cost of labor comprises 60-70% of the City's Expense budget and that the compensation for city employees far exceeds the average wages and benefits available to Caribou taxpayers who work in the private sector!

Here is how the cost of labor breaks down for FY2014:

Salaries (including overtime)	\$3,583,078
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Social Security	\$ 277,843
Health Insurance & clothing allow.	\$1,112,365
Retirement & Workers Comp.	\$ 133,581
Unemployment Insurance	\$ 34,859
Compensated Absences	<u>\$ 112,546</u>
Total \$5,254,272	

Based on recent U.S. Census Bureau population estimates of 7,952, Caribou has approximately one full time employee for every 110 citizens! In nearby neighboring communities the ratio is much more efficient; Madawaska is 1 to 122, Van Buren is 1 to 143, Fort Fairfield is 1 to 158, Washburn is 1 to 187, Limestone is 1 per 211, and in Fort Kent the ratio is 1 employee for every to 226 citizens, two times better than Caribou!

So why is Caribou so out of line with other towns? Part of the answer can be found in the ridiculous labor agreements we have with our employees. For example, in the Department of Public Works, employees are assigned to operate specific pieces of equipment. They, and only they, are allowed to operate it during the work day. If for some reason, the assigned employee becomes temporarily unavailable, all work needing that particular equipment comes to a grinding halt until that employee returns to the job site.

This is not a training or safety issue. It is a working condition imposed by the union, which the City has accepted, that is intended to protect that employee's job or "turf". No supervisor or co-worker can fill in for the missing worker. It is restrictive and inefficient and it leads to the necessity of hiring more employees who will work more overtime, all at the taxpayer's expense. And this is not an isolated example. The contract with the AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO is full of union imposed working conditions that needlessly bloat the cost of labor the city must pay for to maintain its roads. The Committee believes that employees have the right to organize and that they should receive an honest day's pay for an honest day of work. But common sense must prevail when spending tax payer money. So, it is not surprising that the Public Works Department requires 16 full time employees and \$1,975,394.00 to maintain 154 miles of roads.

Potential Solution: The city should seek to privatize as many jobs as possible using a cost-benefit analysis. Most services can be provided by the private sector for less money than the city currently spends. A comparison of Caribou to other municipalities in northern Maine, as illustrated above, shows that Caribou is the least efficient in the ratio of employees to citizens. A Charter provision must be adopted that limits the total compensation of all employees, and cannot be increased without voter approval. Furthermore, employee compensation must be commensurate with wages and salaries paid by the private sector in Aroostook County.

5.) AMBULANCE DEPARTMENT PROFITS UNPROVEN

The City of Caribou operates the Ambulance Department as an ENTERPRISE ACCOUNT to provide ambulance services to the citizens of Caribou and the various surrounding towns, but prepares its operational budgets within the greater General Fund Budgets. The Ambulance business is very expensive and requires a large capital expenditure each year for equipment and manpower. The 2014 Expense Budget for this Department was about \$1,500,000. Taxpayers are underwriting the cost of this service and are exposed to a huge increase in property taxes should there be an unexpected downturn in the demand for this service.

For years, citizens have been told that the operation of the ambulance department is profitable and that it serves to reduce the amount of money needed to be raised from property taxes. But how can we be sure? The budgeting documents and accounting practices employed by the city are inadequate and confusing, raising concerns that the profitability claim may not be true. For FY 2015, the Ambulance Department has been merged with the Fire Department, making it even more difficult to determine profitability!

According to Section 5.06 of the City Charter:

“The final complete budget shall provide a thorough financial plan of all City funds and activities for the ensuing year and shall be in such form as to provide detailed information by each general ledger account and general ledger sub-account.

This would seem to require that the Department should have a separate sub-budget, complete with its own BALANCE SHEET where Assets, Liabilities and Equity Positions can be properly recorded. ACCOUNTS RECEIVABLE are an asset of the city and any BAD DEBT or CONTRACTUAL ALLOWANCES should be charged off there when they are realized, and not at some later date. Periodic FINANCIAL STATEMENTS can then be made at predetermined accounting intervals which can be used to accurately determine NET INCOME and PROFIT AND LOSS. Doing so, using actual expenses and revenues, would increase the transparency of the finances for this enterprise and reassure taxpayers.

Central to the confusion and skepticism is the practice of preparing the current year's budget by *forecasting* what expenses and revenues are expected to be, instead of using actual year-end figures from the preceding year. Taxpayers never learn how much profit or loss was realized until the budgets for the following year are published. Even then, it's hard to tell as Expenses are increased by Bad Debts and Capital Improvement appropriations and Revenues are reduced by Contract Allowances. There is never a clear summary statement published by the Administration which explains the financial

performance of the Department in plain, easy to understand language supported by verifiable, reliable and objective financial data.

If the Department is truly profitable, the Committee maintains that it should be totally self-sufficient, in that, it requires no financial support from taxpayers. This would require all Capital Expense Reserve Accounts to be removed from the Capital Improvement Budget. Presently, according to the 2014 Comprehensive Plan, the Ambulance Department is scheduled to receive \$1,680,972.00 in C.I.P. funds across the 10 year planning period of 2014 – 2023. Any funds set aside for future purchases of ambulance equipment should be funded from the revenues of the department. Any excess revenue would then be transferred to the City's General Fund.

Potential Solutions: Transfer all assets, responsibilities and employees of the Ambulance and Billing Departments to the Caribou Hospital District or sell the enterprise to the private sector which removes the tax liability from the taxpayers of Caribou. Simultaneously, implement a plan which transitions the Caribou Fire Department into an all-volunteer Force.

6.) EXCESSIVELY HIGH TAXATION NEGATIVELY IMPACTS THE RURAL REAL ESTATE MARKET - DEPRECIATING HOME VALUES AND ERODING EQUITY

This illustration is made with the full knowledge and consent of Mark Reschke who resides in the Territory at 910 Grimes Road.

In 2003, Mark and Carolyn Reschke moved to Caribou and purchased their home located 910 Grimes Road for \$167,000.00. Mark worked for the National Weather Service and has since retired. He and his wife Carolyn are trying to sell their home so they can move to California to be near her elderly mother.

In March of 2014, he listed his home for sale with a Caribou Realtor for \$269,000.00. At that time, the realtor advised Mr. Reschke that it would take a long time to sell his home as the market is depressed because there are so many houses for sale in the area. The 2014 Comprehensive Plan agrees with his realtor. At page 58, the report states,

The large number of properties for sale in town in 2014 is indicative of a housing market that is oversaturated.

His home has now been on the market for over one year and Mr. Reschke wants to know why his home isn't selling. It's in excellent shape and would be a great place to raise a family, but he has had no luck in finding a buyer. Why isn't his home selling? The reasons are at least twofold.

First, due to a declining population, there is a housing surplus in the Caribou area. Citing the Comprehensive Plan once again, in the section entitled *ADEQUACY OF HOUSING STOCK IN CARIBOU* at page 58, it states,

“With a projected flat, if not declining population expected throughout the planning period Caribou has more than adequate housing by total unit numbers for the foreseeable future. Currently more homes are available than there is a need for in Caribou, the challenge in housing over the next ten years is to ensure the type of housing meets the needs of an aging and shrinking population”.

The second reason is affordability. With our declining population, especially in the home buying segment of those between the ages of 18-44, coupled with low median household incomes of \$42,583, there are precious few qualified buyers in Caribou for homes valued at or above the state’s median value of \$172,300.00! Why are there so few buyers? The answer to that question is, that in order to qualify for a 3.5% mortgage on this home, a buyer with good credit would need to have cash reserves as follow:

Down payment of 20%	\$53,800
Cash for closing costs	<u>\$20,000</u>
Total	\$73,800

His buyer would also need an income of about \$75,000 per year to afford the monthly mortgage payment for a \$215,000 loan at 3.5% for 30 years:

Principal and Interest	\$1,247
Insurance	\$ 120
Taxes	<u>\$ 606</u>
Total	\$1,973.00

Here’s what city planners say about housing affordability in their Comprehensive Plan, again at page 58,

*“Affordability of housing in Caribou is perhaps the only strong point of the housing stock in town. The average home price in Caribou is approximately \$100,000 as of 2013 and includes quality single family housing in the price range. After the primary home payment the **largest single cost for home ownership or occupancy in Caribou is the cost of heating.**”*

That’s a ridiculous statement. While it’s true our heating season is long, we all have to pay taxes 12 months of the year. The cost to heat this home is nowhere near the \$7,280.00 the owner has to pay in 2014 taxes! Their claim about heating costs is just another example of the city’s refusal to acknowledge the corrosive effect of high property taxes. In the illustration above, taxes alone comprise 49% of the monthly payment for

Principal and Interest. Buyers are leery of purchasing a home with high assessments, especially in our rural community. Potential buyers in this market have said that the property taxes on Mr. Reschke's home are just way too high! When Caribou underwent its city-wide revaluation in 2011, the assessment on his home skyrocketed 115% to \$336,500.00 and his property taxes more than doubled.

Mr. Reschke appealed his assessment and requested a tax abatement of \$60,000.00. He appeared before the Caribou Board of Assessors and used comparable properties as the basis for his appeal. His abatement request was denied. So now he is burdened with a "real estate bubble" assessment on a home with a "recession market" value! Sadly, there are many other home owners in the Territory with similar predicaments.

While the Committee understands that Assessed Value and Fair Market Value are two different figures with little or no direct correlation between them, they are generally not so far apart as they are in this illustration. Using the substitution principle of the Market Data Approach to Valuations, it can be clearly seen that Mr. Reschke's home is over valued by at least \$50,000. Hopefully, market values will eventually catch up to assessments. But until then, sellers will have great difficulty in finding buyers because the city followed the huge increases in assessments with big increases in the mil rate.

Buyers are savvy enough to know that future increases in the Caribou Mil rate, even by as little of 1 point, will raise the property taxes on this home by \$336.50 per year. Using Caribou's historical trend of mil rate increases (just since the 2011 revaluations), as a predictor of future Mil rates, one could conservatively forecast that the property taxes on this home will easily exceed \$8,500.00 by FY2016 (assuming the mil rate increased to 25.3) That would represent a tax increase of \$1220.00 or 16.75% in just two years.

It is a well-known fact that to qualify for a mortgage, buyers must demonstrate that they can afford the monthly payments of Principle, Interest, Insurance and **Taxes!** With mortgage rates at historically low levels, the Committee believes that it is the **tax component** of every potential sale of rural homes located in the Secession Territory that is pricing buyers out of the real estate market. Territory homeowners now find themselves in a situation where they are land-rich and cash-poor in a fragile local economy and this is incontrovertible evidence that the current tax policy of the Caribou City Council is wreaking havoc on the rural real estate market!

As taxes increase, marketability decreases and homes become more difficult to sell because they have become unaffordable to the pool of less affluent home buyers who live in Caribou. This drives housing prices down and depreciates the investments we make in our homes. And the most frustrating aspect of this condition is that the City Council refuses to take even a *smidgen* of responsibility for this situation! To make matters worse, the city planners want to **increase** current levels of spending on infrastructure and amenities in an attempt to spur economic development. It is their misguided belief that economic development is the only way to lessen the per capita tax burden. Paradoxically, more spending requires more taxation!

So, in an effort to stabilize the population and bolster the local economy, the city administration is preparing to make taxpayers pay more, not less. That's like an Emergency Room Doctor trying to save a stabbing victim by making him bleed faster! Reference is once again made to the 2014 Comprehensive Plan in the section entitled *ECONOMIC DEVELOPMENT PRIORITIES*. At page 50 they state,

*The City's economic development priorities are focused on two main avenues; **reducing the tax burden on residents through development** and secondly, attracting employment opportunities to Caribou.*

*Caribou must focus on growing the local economic base to ensure viability of services and the viability of the community as a whole in the future. The only method to reduce population decline is through the availability of job opportunities. While retail and commercial development is important and should be encouraged, businesses and industries that provide jobs are more critical and must be sought out and developed as the primary focus of the community over the next ten years. Economic development must become the priority of every agency of the city and every organization in the community. The risk from not doing so is too great, the very survival of Caribou as a viable community to live and work in is at stake, and the need for economic growth cannot be underestimated. **Furthermore, the City must continue to fund investments in economic development, from attraction events, infrastructure investment, site amenities and more to direct support to businesses.***

Or, they could curtail spending on nonessential items and reduce the Mil rate. That would immediately reduce the tax burden on all residents and help to restore Caribou as an affordable community in which we could live and prosper.

Ironically, the **2004 Comprehensive Plan** included a warning to future Municipal Officials that they obviously failed to heed. In a discussion regarding affordable housing, it cautioned at page 93,

*City Officials will, however, **need to be watchful of increasing property taxes that could create financial hardships on lower to middle income homeowners.***

Then, in the section entitled *HOUSING ANALYSIS* on page 94 they stated,

*If a town wants to have population increases and economic development, then adequate, safe, **and affordable housing will be needed for residents of differing income levels.***

So which Comprehensive Report should taxpayers believe? In 2004, we were told that increases in population and economic development come from safe and **affordable** housing. Now, in 2014 we are told that we have to spend more money on infrastructure to spur development which will increase population! Clearly, the only thing municipal officials know how to do effectively is to raise our taxes!

The purpose of this illustration is to expose the economic penalty that the tax policy of the City of Caribou has imposed on rural residents. The 2004 warning about **creating financial hardships on lower to middle income home owners** has now become a harsh reality in the secession territory. Our survival as a rural farming community is at risk! Rural lives matter and we cannot prosper in an environment where institutional discrimination has created extraordinarily high assessments with their attendant high property taxes! The equity we had in our homes has now been eroded because the smart money has left Caribou and the real estate market is severely out of balance in favor of the buyers.

The future town of Lyndon's proposed Mil rate of \$15.90 would drop Mr. Reschke's property tax bill to \$5,191.35, a 28% decrease, and instantly make his home more attractive to a larger pool of potential buyers. The Committee believes that only through secession from Caribou, can we begin to lessen the problem of home depreciation that Mr. Reschke and other rural homeowners have, or will have, in the Territory.

Potential Solution: The Committee asserts that all Real Estate in Caribou, especially rural Caribou, is over-valued by at least 25%. It is common knowledge that numerous errors were made by RJD Appraisal during the 2011 re-valuation. Effective immediately, the Caribou City Council must begin a review of all properties to discover and correct those assessing errors and periodically report these findings to the community. It is inconceivable that municipal valuations across the state of Maine have fallen uniformly while Caribou's valuation has increased. Accordingly, the revised city Charter shall compel the Council or the Board of Assessors to use all sales data of taxable real estate annually, from July 1st to June 30th to determine whether the average assessed valuation of property has increased or decreased for the relevant period and adjust our assessed valuation accordingly. Next, the City must make a concerted effort to reduce the present mil rate to provide tax relief to the citizens of Caribou.

7.) OVERFUNDING OF THE CAPITAL EXPENSE BUDGET

Each fiscal year, as part of the budgeting process, the city sets aside money in their Capital Improvement Reserve Accounts for future purchases of materials and equipment. This action is required by Article V, Section 5.06 (b) of the City Charter. The Capital Expense Budget then becomes incorporated in the General Fund Budget as 85 General Fund – Capital Improvements.

On the surface, this appears to be sound financial planning. The City's Capital Improvement program is discussed on page 92 of the Comprehensive Plan. It states,

FUNDING FUTURE CAPITAL INVESTMENTS IN THE COMMUNITY

Caribou prepares a 10 year capital plan in the form of a budget for reserve accounts. Historically the City has been successful in paying cash for large purchases through sufficient reserves, saving taxpayers millions of dollars in

interest payments throughout the years. This is evidenced through the City's near zero debt service; as of 2014 Caribou has zero bonds with the Maine Bond Bank; a trend not shared by neighboring communities.

However, when one views these accounts in their entirety it becomes readily apparent that the Capital Expense Accounts are being grossly overfunded, at the taxpayer's expense! Perhaps the reason for the overfunding can be found in the insufficiency of the City Manager's Capital Expense Budget report. Absent from the report, but required by Section 5.06 (b) (2) of the Charter, is the **proposed capital expense budget for the next 5 years**. Without this critical information and a schedule of planned purchases, the Capital Improvements Committee and the City Council cannot make intelligent decisions on funding. They need to know the current balance of the accounts and whether or not the amount of money set aside for future acquisitions is sufficient or superfluous.

When the Committee asked to see the schedule of planned purchases we were told, **"There is not a document that exists "with an itemized schedule of planned purchases through the year 2023"**.

Two glaring examples of OVERFUNDING can be found in the Capital Improvement Budget for the last 2 years. The total of all capital expenses approved for FY2015 is \$607,294. This amount is \$34,141 higher than the previous year (2014) and \$87,021 higher than the 3 year average. So this dollar amount seems to be way out of line when one considers that the city just received in February 2015, a new \$350,000.00 fire truck which was paid for by an AFG grant administered through FEMA.

So where is the necessity to fund the Fire Equipment Reserve line of the Capital Expense Budget with \$73,000.00 in FY2014 and \$63,000.00 in FY2015? Clearly, this budget line was overfunded by \$136,000.00 over the last two budget years.

The second example can be found in Dept. 31 – Ambulance Department. The amount approved for FY2015 was \$152,000.00. This amount is \$10,000.00 higher than the previous year (2014) and \$65,815.00 higher than the 3 year average. The Committee believes it is unreasonable to fund this line in any amount at the taxpayer's expense when the Ambulance department is being operated as an enterprise account. Taxpayers have been told repeatedly over the years that this department is a profit center for the city. If so, it should not need, or receive, any taxpayer support in the Capital Improvement Budget. Accordingly, the Ambulance Department should have its own budget, outside of the General Fund Budget, and it should pay for its equipment and supplies using money from their proprietary account.

Together, just these two examples of OVERFUNDING, have cost taxpayers \$430,000 of unnecessary Capital Expense for FY2014 & 2015. Using 2013 City valuations, where 1.0 Mil equals about \$371,450, this sum of money comprises 1.15 Mills of everybody's tax bill! The City Administration is using the Capital Improvement Plan as nothing more than a money-grab opportunity.

However, to fully appreciate the full force of their frontal assault on taxpayers, one must view the 10 year Capital Improvement Plan, published in the Comprehensive Plan at p.99, in its entirety (2014-2023). There are 46 separate budget lines for all Departments. Their sum total for all 10 years is a staggering **\$8,480,151.00!** And, of this amount, **\$1,680,972.00, or 19.8%** is earmarked for the Ambulance Department alone!

This revelation is particularly alarming, to say the least, in view of the City's recent acknowledgement that it already has an accumulation of taxpayer cash on hand that exceeds **\$6,000,000.00!** Every taxpayer in Caribou, even those who reside outside of the Secession Territory, should stand up and take notice of the piracy that is being perpetrated upon us and ask this very simple question; Why should we taxpayers have to take money out of our saving accounts, to pay taxes that are unnecessarily high, just so the city can deposit our money into their saving accounts? Not only does the city have **NO BONDED DEBT, IT HAS SUBSTANTIAL SURPLUS OF TAXPAYER CASH IN THE BANK**, in large part, due to the incessant OVERFUNDING of the Capital Improvement Reserve Accounts!

The Comprehensive Report claims that the use of Capital Expense Accounts has saved taxpayers millions of dollars in interest over the years. This is nonsense! Due to the size and scope of the Capital Improvement Budget, taxpayers are being forced to make up-front tax payments that are greater than the interest costs might have been if money had been borrowed; especially in the current economy where interest rates are at an all-time historic low! Either way, we are paying too much!

Potential Solution: The city must institute a schedule of planned purchases of required equipment and supplies based on the age, condition and useful life of current equipment and discontinue the practice of putting money into the reserve accounts on the basis of an unproven need or the "wish lists" from the department heads. The city should also consider financing major purchases and using the 3.4 million dollars returned by the state pension system to fund these reserve accounts.

8.) THE CITY HAS A STRONG BIAS AGAINST RURAL TERRITORY RESIDENTS

It is clear, through policy decisions, actions and words, that the city of Caribou harbors a strong resentment towards the rural community. We have been relegated to second class citizens who now, apparently, have become more trouble than we are worth.

Evidence of this bias can be found in two distinct areas. First, in the **unequal delivery of municipal services**, and second, in the **overly restrictive land use regulations** proposed and published in the city's recently updated 2014 Comprehensive Plan. It was adopted just 7 months ago by the City Council on November 24, 2014.

Unequal Delivery of Municipal Services:

Rural residents comprise less than 33% of the City's population, but contribute to nearly 40% of the property taxes collected by the city while receiving less than 50% of the services provided to the residents of the Urban Compact Zone. The City's Comprehensive Plan makes it clear that they are unwilling and unable to provide the full complement of services economically to rural residents. Rural residents have become victims of institutional discrimination in that our per capita tax burden is higher while our level of services is much lower. Conversely, urban residents enjoy a higher level of services and a lower per capita tax burden. The city, while aware of this discrepancy, is content to do nothing to alleviate it.

Overly Restrictive Land Use Regulations:

The Comprehensive Plan contains many examples of bias and discrimination against rural residents. The first can be found on page 38, in which the Plan identifies Caribou as a farming community with the need to protect farmland by stifling development in the Secession Territory. It states, in pertinent part;

“The city would like to contain sprawl in the rural parts of town and focus on development in the urban core to protect larger farming operations. Restricting developments in the rural parts of town to large scale single lot industrial or commercial developments and residential developments abutting the urban core will ensure the viability of larger farming operations throughout the planning period.”

The Committee strongly rejects any attempt by the City to compel us, our children or our grandchildren to live in the urban parts of the Caribou! Many of the Territory landowners have sufficient land suitable for subdivisions which could be used by their children to build their own homes and raise their families, where they themselves were raised. Apparently, city planners have forgotten that the rural country life style is an informed choice that people make and will not compromise on. If they can't live in rural Caribou, they will move to a rural location outside of Caribou, further ensuring the city's population will continue to decline. Any attempt to disguise this overly stringent zoning regulation in the name of protecting large farming operations is simply nonsensical and exemplary of their overt institutional discrimination against rural residents. Farmers have all the land they need and are certainly in no danger of running out of land to till. Aroostook County farmland under cultivation is lower than it has ever been and it is regulated by market conditions and the attrition of farming families. It has nothing to do with rural development taking farm land out of production.

This anti-rural mentality is pervasive throughout the Comprehensive Plan. Again, on page 100, in the section entitled *Future Land Use Plan*, the Planning Board writes,

“Goal:

To encourage orderly growth and development in appropriate areas of each community, while protecting the state's rural character, making efficient use of public services, and preventing development sprawl”.

*To protect **critical rural and critical waterfront areas** from the impacts of development.*

However, this last sentence is in **direct contradiction** to what they wrote earlier on page 35 under the heading of,

Development Threats:

***Redeveloping the riverfront as a residential and mixed use area interlaced with open space and recreation facilities** will remove the threat the riverfront currently faces from continued industrial use and the possibility of expansion of industrial use.*

And at page 52, in the section entitled *OPPORTUNITIES FOR LARGE SCALE COMMERCIAL AND INDUSTRIAL DEVELOPMENT IN CARIBOU*, riverfront development is encouraged again,

The prime area for large commercial development is the Caribou Riverfront. The riverfront area offers an opportunity for large scale commercial development similar to waterfront areas in other parts of Maine and the country. The riverfront has declined in its value to the community from its peak as a transportation and industrial hub.

It appears clear to the Committee that the city planners are OK with river development in the urban areas, **but not the rural areas**. The Territory has a significant number of shoreline miles along the Aroostook and Little Madawaska Rivers. Most of it, if not all of it, has not been developed in the Territory and has no need to be protected as described above.

Further, in an effort to reinforce their contempt for development of any kind in the Territory, the planner's report continues with a discussion about merging two residential districts into one within the urban zone. At page 102, they write,

*“In effect the intended uses for two separate zones have shifted and created a conglomeration of housing. Continuing to allow any type of housing in the residential zone allows this to continue and the City to make the most of its available in town lots; **this is critical to prevent development in the rural zone which often adds costly infrastructure for the City to maintain. It is in the interest of the City to maximize the opportunity for housing to locate in town as opposed to in the rural area.***

The Committee finds the phrase, “**development in the rural zone which often adds costly infrastructure for the City to maintain**”, amusing. If any future development was to occur in the rural areas, it would take place on existing roads where there is no

other city infrastructure to be found, anywhere! It's a false claim made without any supporting evidence and actually bolsters our complaint that the rural community receives an unequal delivery of services, yet we are taxed as if we receive the full complement of municipal services which are available in the urban zone! The City planners continue their story telling by writing,

*“Continued growth and development, including conversion, of in-town lots located in the new residential zone will not require any municipal infrastructure expansion **and in fact will prevent the expansion and continuation of infrastructure in the rural parts of town.**”*

We must stop here and set the record straight. There is no plan to, nor is there any need to, expand infrastructure in the rural parts of town! It is a complete fallacy to imply that they (plans) exist, or might exist. This portion of their report is patently dishonest and deceptive and shows that the City will stop at nothing to subjugate its rural residents!

Their foolishness continues as they finish with this paragraph,

“This will further add to the fiscal viability of maintaining City roads and other infrastructure as well as potentially force small scale development out of the rural parts of town and into the urban core”.

The Committee seriously doubts that the city can force any small scale development *out of the rural parts of town and into the urban core*. But we do appreciate the sentiment of the planners who think the urban compact zone would be stronger if they didn't have to maintain those **nuisance rural back roads**. Reference is made to the Section of the Comprehensive Plan entitled *TRANSPORTATION ANALYSIS* at pages 80 – 81,

*City officials also need to be aware that it is cheaper to encourage development along existing maintained roads within the City or to infill within the growth area. **Caribou may want to review and consider whether to discontinue any of the back roads. Discontinuance means the City is no longer responsible for the road's upkeep.** The City may retain easements allowing access over the discontinued way to interior lands and water bodies and for public utilities. Alternatively, all public rights may be discontinued, although the City would be liable for damages if a parcel became landlocked as a result of such an action. **Caribou may discontinue a road for winter maintenance; this would allow for regular use of the road in the summer and fall while relieving the City of plowing responsibility, even if houses were built on the road.***

Amazingly, it now appears that our secession movement plays right into their future vision of Caribou!

And finally, at page 103 of the Comprehensive Plan, in the section entitled **Rural District**, the true motives and intentions of the City Administration and Planning Board

are fully revealed. To allow the reader to appreciate the deeply rooted, lingering hostility and animosity which has been directed at the rural community for years, this section has been reprinted in its entirety. The embolding has been added by the Committee for emphasis:

*“The Rural District encompasses most of the area outside the urban center and is intended for the kinds of uses which have traditionally predominated in rural New England; forestry and farming, farm residence, and a scattering of varied uses not inconsistent with a generally open, non-intensive pattern of land use. **The minimum lot size requirement is high in order to prevent over-development where public sewers are not feasible and where a full range of urban services cannot be provided economically.***

*Given the immense space available in the rural district it is **unlikely that proposed or potential developments would impact the overall nature of the district and the City’s desire to maintain its rural areas in a rural state.***

*The rural district of Caribou, comprising most of the area outside the urban core, has the potential to accommodate any amount or type of development. **The challenge is small scale residential development and single family homes which spread out infrastructure and often require more municipal investment than will be recovered through property taxes.** Development in this zone should be limited to agricultural operations, or an industrial or residential operation that is of sufficient size to **generate enough taxation to pay for the required infrastructure.***

*Larger subdivisions, if located in the rural district but close to town, may be permissible if the size and scope of the subdivision **warrants municipal investment in required infrastructure;** however given building trends over the last 10 years this is unlikely. There are two former industrial sites in the rural district that could benefit from redevelopment, or potentially land adjacent to the Caribou Municipal Airport or Cary Medical Center (its own district) that could be beneficial as long as development in the rural district is self-sustaining with tax revenue. **Larger “country” roads should be discontinued and small scale residential development along many of these roads should be discouraged as they will not contain the necessary tax base to continue supporting these roads.***

*Caribou should investigate **the implementation of substantial impact fees for small scale residential development in the rural district as this type of development should be discouraged,** since it adds little value and does not serve as an attractant to potential businesses or residences, **mainly serving to force the city to maintain an unsustainable infrastructure level.***

The Committee notes that the Plan makes multiple references to a condition where the present day tax revenues generated from the rural district, are insufficient for the city to

maintain an **“unsustainable infrastructure level”**. This finding is in direct contradiction to the findings of the Committee. Our analysis of the Rural District (our secession territory) property valuations and the tax revenue which would be generated from a Mil rate of 15.9 (28% less than the city Mil rate of 22.3), demonstrates that the tax revenue is more than sufficient to support the future town of Lyndon replete with all those **“larger country roads”** they want to close.

The timing of the publication of the 2014 Comprehensive Plan has been extremely fortuitous for the Secession Committee. By way of review, the Committee announced its intention to secede on July 14, 2014 while the updating of the Plan was in progress. Four months later, on November 24, 2014 it was completed and adopted by the City Council. The Committee views the Plan as a *mea culpa* of sorts in that it succinctly puts into words the animus rural citizens have been feeling for a long time. Further, it is evidence that the only time the city acknowledges that the rural citizens of the Secession Territory are part of Caribou, is when they mail us our tax bill.

To summarize, if we fail to secede, this is what we have to look forward to:

- Substantial loss of property rights.
- Higher taxes.
- High minimum lot sizes for subdivisions.
- Diminished property values and marketability of our homes due to extremely high property taxes (Reschke example).
- Subdivision plans delayed and/or approved only after paying substantial impact fees in addition to taxes.
- Roads closed or made seasonal only.
- In extreme cases, property seized under the power of Eminent Domain.

Only through secession can the citizens of the Secession Territory protect themselves from these oppressive and unfair land use regulations.

Potential solution: Calculate a base MIL rate that is fair for all taxpayers. One that will pay for the Education and County Appropriations as well as the basic services we all receive regardless of where we live such as Police, Fire and Ambulance Services. For the sake of discussion, let's say that rate might be 15.0 MILS. Then, determine the cost of all the extra services and amenities that urban residents receive such as sidewalks, streetlights, fire hydrants, public water supply and sewers, and charge them a service fee for using them. **In other words, make those who use the services pay for the services.**

Additionally, rewrite the Comprehensive Plan to remove all of the discriminatory and blatantly biased language that relegates rural citizens to second class citizens. Rural lives and rural homesteads are just as important to our community as urban lives are. Fairness and equality must be restored!

Section VI: WHAT WE ARE PROPOSING

The Legislature has found that “the citizens of the State in accordance with the Constitution of Maine, Article I, Section 2, have an unalienable and inalienable right to institute government and to alter, reform or totally change the same, when their safety and happiness require it.”

A vast majority of the registered voters in our rural Territory, including the Secession Territory Representatives, are of the firm belief that such a condition exists in the secession territory.

Therefore, the residents of the Secession Territory will seek approval from the city of Caribou and the authority from the Legislature of the State of Maine to secede from the City of Caribou and re-incorporate the Town of Lyndon.

This was not an easy decision to make and we intend no harm to come to Caribou. The Committee deliberated for 7 months. We looked for alternatives to secession which would have given us long lasting solutions to our differences with the city. We recognized that any changes made with the current City Council could be reversed by the next Council and our Mil rate would still be \$22.30 per thousand. Property taxes would continue to grow higher and municipal services would decline. Ultimately, we came to the conclusion that secession from Caribou was the **only** viable way to proceed. The 2014 Comprehensive Plan proves we made the right choice.

Section VII: INITIATION OF SECESSION PROCEDURE

Pursuant to M.R.S.A., Title 30-A, Chapter 113, §2171 et seq., the Secession Committee delineated the boundaries of the proposed secession territory and created a map. The Territory, if allowed to secede, would be called Lyndon in recognition of the town’s original name when it first incorporated in 1859.

The Committee then gathered and analyzed financial and logistical information from numerous sources; all in an effort to determine the viability of their secession plan. Then, on July 14, 2014, confident that the tax revenue produced from within the Territory was sufficient to support a small town, the group appeared before the Caribou City Council and publically announced our intention to secede. The five official representatives were identified on the petition; all of whom reside in the Territory and reflect a wide diversity of ages, backgrounds, and occupations.

Section VIII: PETITION CIRCULATION

The petition, calling for a PUBLIC HEARING, was circulated within the Territory and signed by 1315 residents from among the 2,192 voters registered in the secession territory (54.6%). The petition was submitted to and accepted by the City Council March 9, 2015. According to law, the petition was examined and certified by the City Clerk on April 13, 2015. 1,198 signatures were valid and 117 were rejected. A public hearing was scheduled for June 11, 2015, to be followed by an Advisory Referendum.

A sample of the petition can be found in the appendix.

Section IX: SECESSION FROM THE CITY OF CARIBOU

The following territory now lies within the City of Caribou and District 2 of the County of Aroostook, together with the inhabitants of that territory, it is defined as the Secession Territory of the proposed Town of Lyndon:

The boundaries of the proposed Town of Lyndon are described as follows:

All that part of the City of Caribou in Aroostook County in the State of Maine beginning at a The delineation of Lyndon in Aroostook County, State of Maine will be as follows;

Lyndon lies within the boundaries of the existing Municipality of Caribou, Aroostook County, and State of Maine and incorporates most of the land currently held by the municipality of Caribou. The Town of Lyndon will contain approximately 80% (eighty percent) of the land of the municipality known as Caribou. Lyndon is mostly rural in its character and as a general rule follows preexisting property lot lines. It excludes everything within the Urban Compact Zone of the City of Caribou.

Lyndon's South West town line begins at a point on the Caribou/ Washburn town line at Latitude 46.81538 and Longitude -68.05818 , it then follows the Caribou/Washburn town line south to a point that intersect with the Caribou/ Presque Isle Municipal line located at Latitude 46.7770 and Longitude -68.05687 , it then turns east and follows the Caribou/ Presque Isle town line to a point being Lyndon's South East corner abutting the Township of Fort Fairfield at a point of latitude 46.77946 and longitude of -67.91955 ,then North along the Caribou/ Fort Fairfield town line to the intersection of the Limestone town line at Latitude 46.86591 and Longitude -67.91920 , then West along the Caribou/ Limestone town line to a point of Latitude 46.86638 and Longitude -67.92709 , then North along the Caribou/ Limestone town line to a point of intersection where the boundary lines of the four towns of Caribou, Limestone, Caswell and the unorganized township of Connor meet, at Latitude 46.95785 and Longitude -67.92950. From this point the town line of Lyndon will extend Westerly along the Caribou/Connor boundary to a point of intersection with the town line of New Sweden at Latitude 46.95574 and Longitude -68.06271, it then goes South along the Caribou/New Sweden then Woodland town line to a point of Latitude 46.88072 and Longitude -68.06120. From here, Lyndon's town line will turn Easterly and extend to a point on the east side of the former Bangor and Aroostook Railroad tracks, now the property of the State of Maine, located at latitude 46.88150 and Longitude -67.99563. It then goes South by Southeast following the eastern, edge of the old rail bed to a point on the center line of Maine State Highway 89, also known as the Access Highway, at Latitude 46.87449, Longitude -67.98872. The line will then goes east –Northeast along said center line of Highway 89 to a point of Latitude 46.87505 and Longitude -67.97542. Here the line will turn south, following a right of way, then crossing the railroad tracks and continuing across the Aroostook

River to a high water mark on its Southerly bank to a point located at 46.87044 and Latitude-67.97615. It then follows the high water mark Southwest then South along the Aroostook River's eastern bank to a point at Latitude 46.81702 and Longitude -67.98546. Lyndon's town line then turns west crossing the Aroostook River and goes to a point along the eastern edge of U.S. Route 1 to a point of Latitude 46.81654 and Longitude of -67.99490. The line then goes West and slightly North crossing said highway to a point on the western edge of U.S. Route 1 to the North East corner of lot 4F Caribou tax Map 5 located at Latitude 46.81690 and Longitude -67.9967, it then goes West /Southwest following the northern boundary line of lot 4F to a point 2 rods from the center line of the eastern side of Main Street at Latitude 46.81628 and Longitude -67.99816. The town line then goes West by Northwest crossing Main Street to Latitude 46.81365 and Longitude -67.99851, the north east corner of Lot 10C on Caribou Tax Map 5. The Town line then goes Westerly to the Caribou/ Washburn town line to its point of beginning at Latitude 46.81537 and Longitude -68.05818. All points subject to future verification by instrument survey.

Coordinates were obtained from a computer program known as GOOGLE EARTH and confirmed with Map 65 found in the Maine Atlas and Gazetteer, published by DeLorme, Inc. of Yarmouth, Maine. Exterior boundary lines of the proposed Town of Lyndon are intended to follow the existing boundary lines of the perimeter of the city of Caribou and interior boundary lines of the proposed town of Lyndon are intended to follow the high water mark of the Aroostook River, existing roadways and the abandoned railroad bed of the Bangor and Aroostook Railroad. And finally, other interior boundary lines will follow, whenever possible, existing property lines as presently delineated on the various tax maps of the City of Caribou made the James W. Sewall Co. and revised by Blackstone Land Surveying, P.A.

Section X: WHY WE ARE DOING THIS

Without a doubt, we are diverging communities with vastly different needs and expectations. The respective concerns of both, the future town of Lyndon and the City of Caribou, are equally vital and valid. But they are very different. Therefore, the citizens of the Territory seek to establish their own town meeting form of government.

Our grievances have been plainly stated in Section V of this report. Chief among them is the City Council form of government under which we are forced to live. Over time, the tables have turned on rural citizens. In 1859, all of Lyndon was rural and the town meeting form of government served all citizens equally well. Now, that very same government has transformed itself into an expensive and complex city government that puts rural citizens at a distinct disadvantage and operates to their detriment. Public servants have become our public adversaries. The city government of Caribou is more government than we need and it is undoubtedly much more government than we can afford. Restoring the town meeting form of government will allow us to control spending and taxation.

The Committee has some very definite goals and objectives that can only be achieved through secession. We seek to protect the rural life style we now enjoy but is threatened by the draconian last use regulations which are proposed in the Comprehensive Plan. We need to protect our full property rights and the substantial investments that we have made in our homes.

Secession will allow the ruralists to govern themselves and relieve the urbanites of the financial strain of providing services, even though they are very limited, to the rural community.

Section XI: GEOGRAPHIC REALITIES

In the 1800's, it was an economic reality that municipalities formed around centers of commerce. That reality was demonstrated locally in 1868 when the Plantations of Eaton, Sheridan and Forestville petitioned the Legislature in Augusta to allow them to be annexed to the Town of Lyndon, which encompassed the village of Caribou.

Today, with our extensive system of highways, public transportation and the automobile, that is no longer true. Rural residents of Caribou are no longer dependent on the goods and services available in urban Caribou. In fact, Caribou has declined to such an extent, that rural consumers are often *required* to shop in nearby towns or use the internet to acquire the goods they desire.

Citizens of rural northern Caribou can easily shop in Van Buren or Limestone while eastern or southern rural residents can shop or find medical services in Fort Fairfield or Presque Isle.

Frequent shopping trips are also made to Bangor or even Portland. Therefore, should secession become a reality, the Committee does not anticipate any great changes in the current patterns of commerce as they exist today.

Section XII: COMMUNITY SUPPORT

Our secession movement has, for the first time, unified the rural community and has given the "silent majority" a voice. Previously, opposition to city policies was anemic and sporadic which allowed the current situation to exist.

Our petition circulators were met with wide spread support and gratitude. These are some of the remarks they heard;

Many residents were thankful that somebody had finally taken the time to do something about the terrible way things are being done in Caribou. Others said they couldn't afford to live in Caribou and were thinking of moving. One senior citizen cried and said he was about to lose his home to the city because he could no longer afford the taxes and had become delinquent.

One professional couple said they had to sell and move because taxes on their home had become so high, they couldn't afford to send their teenage children to college.

And from postings on our **Facebook Page Timeline:**

CB Smith of Caribou: *I support the petition drive 100%. I do understand that the petition effort will force the current city government to the negotiating table for discussion on how to relieve the enormous pressure put on the tax payers in the city of Caribou. If this petition effort is not successful, we the taxpayers will not see any reduction of taxes or a correctly balanced budget in the coming years. Instead I believe we will continue to see an unchecked misuse of taxpayer monies and continued increases for years to come. Eventually something is going to break.*

Keith Ouellette of Caribou: *“Looking forward to the discussions and how this change will effect Lyndon's level of services for fire, police, schools and especially road maintenance. Caribou stands to get a few mill reductions just in the road maintenance category. All those snow drifted, desolate roads and potholes to maintain for a few residents. Doesn't really seem fair for Caribou to have to cover that. Thanks for the update.”* · April 1 at 3:13pm · Edited

Susan D'Alessandro: *WOW---I admire you for doing this! It's about time we all stood up to this. I just stumbled across your efforts and I can't believe my eyes!!! I hope to read this more carefully tomorrow but you put it so well, "of the people, for the people, by the people". "They" have been passing the buck--the Feds, to the State and the State to the Municipal levels and there seems to be no end....to the point where we all can lose everything we've worked for. You put it best: the arrogance of unchecked power have finally reached the breaking point. The importance of self-determination and self-governance cannot be overstated. Many citizens feel like our current municipal officials are their adversaries, not public servants." In our case, the mill rate is 29.6 and stands to rise as we approach budget time!!!! GOOD FOR YOU!!! Maybe you can share the lessons you've learned to the rest of us, and then we ALL should consider the rest of the problem---The Governor's attack on us. My taxes have gone up 650% and depending on what happens with the Homestead Exemption, etc., not to mention another mill rate increase, in 5 years my taxes will increase 1,125%!!!!!! I WISH YOU ALL THE LUCK IN THE WORLD!!!*

Section XIII: MUNICIPAL SERVICES FOR LYNDON

It must be noted at the outset of this section that the 5 Representatives, who have initiated the secession process, have no legal authority to sign contracts or make legal commitments with respect to the operation of the government of the future town of Lyndon. Rather, in our limited role as Representatives, we strive to guide this movement forward through the complexities of the law to its ultimate conclusion. Further, we must research and explore all of the options available for the provision of services and determine their approximate costs and affordability. In the interest of caution, we have estimated future expenses and revenues as accurately as possible.

When the Legislature gives its final approval to the re-incorporation of Lyndon, a town meeting will be called wherein municipal officers will be elected. It is at that point, that the five Representatives will pass the responsibilities of organizing the town to the newly elected officials. Henceforth, the citizens of Lyndon and their Selectmen will determine which services to provide and how to pay for them.

With that understanding, the Committee has investigated viable options for the provision of basic essential services which every town must provide for its citizens. And in doing so, we were guided by these three principles:

- Lyndon must be able to afford its services from a reasonable rate of taxation and must not become dependent on State revenue sharing. If revenue sharing is available, it will be used to lower the mil rate, and not to expand the size and cost of government.
- In an effort to keep property taxes low, only basic essential services will be provided and the number of town employees will be kept to an absolute minimum. Those individuals who are hired, will have multiple responsibilities.
- The best, most cost effective way to provide services is through inter-local collaborative agreements with neighboring towns or the County of Aroostook. Those interlocal agreements shall be the rule, not the exception. Lyndon will also strive to provide services through contracts with the private sector utilizing the competitive bidding process.

Based on our tax and revenue study, the Committee has determined that the taxable real and personal property presently situated within the secession territory, combined with other revenues, will generate \$2,823,000 million dollars of revenue at a mil rate of \$15.90 per thousand dollars of valuation. This is sufficient to pay for the following services. Please see **SECTION XIV: *Sample Preliminary Draft Budget Illustration*** for cost information.

EDUCATION

Our number one priority is the education of our children. We have been in discussions with Eastern Aroostook Regional School Unit #39 Superintendent Susan White and John Sjostedt (Stockholm) of the School Board. It has been determined that approximately 420 school age children reside within the Secession Territory and are enrolled in R.S.U. #39. Upon seceding from Caribou, it is the desire and intent of the Committee and the Regional School Unit, that the transition will be seamless so students will notice no changes whatsoever. Our children, to quote Superintendent White, “will be welcomed with open arms!” They will attend the same schools and ride on the same busses as they do now.

The cost for their education will be paid by the Town of Lyndon. It has been estimated to be approximately \$3,100.00 per student. Two financial options are available to the Town of Lyndon. The first, is to pay tuition to the R.S.U. The second option, is for the Town of Lyndon to become the fourth municipal member of the school union. The Committee recommends the latter and these details will be solidified as the secession process continues. Either way, the education of our children will continue without inconvenience or interruption.

SOLID WASTE DISPOSAL

The residents of the Territory have a vested financial interest in the Tri-Community Landfill by virtue of paying a portion of the property taxes that enabled the City of Caribou to be a partner in this enterprise. The Committee intends to pursue efforts to become **a host community** and retain such proportional right, title, and interest as shall be determined by the State Legislature or through a mediated agreement with the city of Caribou.

In the 2014 Comprehensive Plan at page 83, it is stated that,

Sanitation- Caribou is a participant community in the Tri-Community Recycling and Sanitary Landfill (TCL). The Tri-Community Recycling and Sanitary Landfill is jointly owned by the communities of Caribou, Fort Fairfield, and Limestone and provides sanitation and landfill services for the three participating communities as well as surrounding communities. Tri-Community Landfill continues to serve as an excellent example of regional coordination, with ample excess capacity and regular returns of funds to the three communities. TCL is actively engaged in discussions with nearby communities in an effort to grow the joint ownership of the facility and expand its use and reach.

Accordingly, the Territory will take full advantage of this opportunity. The inclusion of Lyndon to the list of Aroostook County communities being served will not adversely affect the capacity of, or the life expectancy of the TCL as this

population is already being served. The idea that the Maine Department of Environmental Protection would even consider licensing a separate landfill in the same proximity as the TCL is nonsensical and it flies in the face of sound environmental policy for the region and conventional wisdom.

EMERGENCY RESPONSE SERVICES

Police, Ambulance and Fire protection services are especially important to us. The rural residents of the Territory must feel secure in their homes and on their streets. These services as they presently exist are summarized below with commentary regarding potential changes:

- Police services are presently provided in the Secession Territory by 4 different law enforcement agencies on a limited, shared and overlapping basis. They are the Caribou Police Department, the Aroostook County Sheriff's Office, the Maine State Police and the Maine Warden Service. The Committee believes that the elimination of the Caribou Police Department from this phalanx of law enforcement officers does not diminish public safety in the territory. Therefore, the Committee has no immediate plan to provide additional and redundant police services.
- Ambulance services are now provided by the City of Caribou. Future services for the town of Lyndon may be provided through a mediated agreement or contract with the City of Caribou or by the Crown Ambulance Company on a per capita basis, estimated to be about \$32,000.00.
- Fire protection services are now provided by the City of Caribou. Future services for the town of Lyndon may be provided through a mediated agreement or contract with the City of Caribou on a per capita basis or by a Volunteer Fire Department established in collaboration with the County of Aroostook. Any volunteer department so established, would also serve the residents of the unorganized territory of Connor and would be augmented by mutual aid agreements with the surrounding departments. The Committee has begun discussions with the Aroostook County Administrator and County Commissioners who have indicated they are open to a future partnership agreement in this regard.

It will likely be in the best interests of both the Secession Territory and the City of Caribou to explore interlocal agreements that achieve efficient and consolidated support, E-9-1-1 services, firefighter training and other necessary emergency services for the Town of Lyndon at a reasonable cost.

ROAD MAINTENANCE

The Committee proposes that the Town of Lyndon will have a limited Public Works Department. 72.66 miles of Territory roadways will be snow plowed and 54.77 miles will be otherwise maintained. This maintenance will be accomplished primarily through service contracts with the private sector. The Committee believes that privatizing certain municipal services is more cost effective than the alternative and will significantly reduce spending and the per capita tax burden to residents. This philosophy does not automatically exclude interlocal agreements with neighboring municipalities.

Discussions have been conducted with Mr. Brent Bubar of the Maine Department of Transportation, Region 5, to determine the extent of State Aid which would be paid to Lyndon for the maintenance of Territory roads. The Committee is confident that the maintenance of roads in the Territory is affordable and the cost falls within the amount of money set aside in the proposed budget illustration.

SECTION XIV: SAMPLE PRELIMINARY DRAFT BUDGET ILLUSTRATION

The Committee has determined that sufficient tax revenues exist to provide basic services to Secession Territory residents provided that the future Town of Lyndon maintains a modest small town governmental structure employing the fewest number of people possible and provides those services in the most cost effective manner as described in Section XIII.

With that in mind, the following *SAMPLE PRELIMINARY DRAFT BUDGET ILLUSTRATION* is being offered for discussion purposes only and is not intended to be binding on Lyndon's future Selectmen.

REVENUE BUDGET – FY 2016 – JULY 1, 2016 thru JUNE 30, 2017

Excise Tax	\$250,000.00*
Maine D.O.T. Road Assistance	\$86,000.00
Real & Personal Prop. Taxes	\$2,289,600.00**
State Revenue Sharing	<u>\$169,400.00***</u>
Total	\$2,795,000.00

*Excise taxes estimated as a percentage of those collected by the City of Caribou

**Valuation of \$144,000,000.00 and a Mil rate of \$15.90 per thousand

***Revenue Sharing may not be available requiring a recalculation of the Mil Rate

EXPENSE BUDGET -- FY 2016 -- JULY 1, 2016 thru JUNE 30, 2017

General Government	\$200,000.00
Health & Sanitation	65,000.00
Municipal Buildings	25,000.00
General Assistance	25,000.00
Tax Assessment	15,000.00
Fire Department	40,000.00
Ambulance Service	30,000.00
County Tax	161,000.00
Public Works	672,000.00
Parks	3,500.00
Cemeteries	2,500.00
Ins. & Retirement	10,000.00
Cash Reserve Fund	96,000.00
Unclassified	75,000.00
Education (R.S.U. #39)	<u>1,375,000.00</u>
Total	\$2,795,000.00

Expenses have been estimated based, in part, upon the known variables and the actual expenditures of similarly sized municipalities near the secession territory including Caribou.

SECTION XV: IMPACT ON PROPERTY TAXES IN CARIBOU AND THE SECESSION TERRITORY

Pursuant to Maine Statute, Title 30-A, Chapter 113, Section 2171 – C (2), the following constitutes the written report to be submitted at the Public Hearing that “...describes the impact of the proposed secession on the property taxes in the municipality as well as in the secession territory.”

IMPACT ON THE PROPERTY TAXES OF THE SECESSION TERRITORY:

The impact on property taxes in the secession territory are very simple to analyze; taxes will decline significantly by 28% as a result of reducing the Mil rate from Caribou's \$22.30 per thousand to Lyndon's \$15.90 per thousand. This is an integral part of the underlying assumption by the five Secession Territory Representatives, as embodied in the Town of Lyndon's *Sample Preliminary Draft Budget Illustration*, that there will be immediate changes in the level of taxation with no reduction in the provision of municipal and educational services. The combined savings for all taxpayers owning property in the secession territory, valued at \$144,000,000.00, can be seen in the illustration below:

Caribou's taxation: $\$144,000,000.00 / 1000 = 144,000 \times 22.3 = \$3,211,200$

Lyndon's taxation: $\$144,000,000.00 / 1000 = 144,000 \times 15.9 = \underline{\$2,289,600}$

Total tax savings to territory residents \$921,600

IMPACT ON THE PROPERTY TAXES IN CARIBOU:

The Committee used actual year end data from Caribou's FY 2014 budgets, as reported by the City on January 26, 2015, to conduct the property tax impact analysis because using actual data is always more reliable than proposed or hypothetical data, and the 2015 budget is almost a mirror image of the 2014 budget. As part of our analysis, secession is presumed to have taken place in the prior year, so the effect on revenue and expenses can be clearly seen using real numbers, and not guessing at the theoretical impact secession might have. Even though secession may not occur until 2016, or beyond, we believe our analysis remains valid, as the concepts we analyzed tend to remain constant over time and proportional to each other. In other words, while the numbers may change from year to year, their ratios to each other should not.

At the outset, the Committee recognized that there are some variables in this analysis which could ultimately alter our findings and for which there is no definitive way to quantify them at this time. These variables are dependent on future events that may, or may not, transpire and are described as follows;

1. The formulas used to calculate state aid for education and revenue sharing (if it exists at the time of separation) are complex and both are valuation dependent. Generally, as the State valuation increases, state aid decreases. Conversely, if valuation were to decrease, due to secession, State aid would

likely increase. The exact dollar amounts are impossible to calculate at this time as they are contingent upon the actions of the State Legislature.

2. The pending distribution of Caribou's current tangible assets and liabilities to the Secession Territory is also impossible to determine. The Secession Committee claims a 38.8% ownership interest in all assets and liabilities. The basis for this claim being that farmers, potato farmers in particular, are responsible for the historic growth and vitality Caribou. In the years that preceded the construction of Loring Air Force Base, agriculture was the economic engine that provided the tax revenue that allowed the city of Caribou to acquire its assets and grow its infrastructure. Now, 20 years after the closure of the base, it is agriculture in the secession territory that is, once again, paying the bills and getting little in return. The Committee therefore asserts that the residents of the Territory are entitled to a share of the assets that they paid dearly for. Without the rural farming community, Caribou would be little more than a crossroads dot on the map of Maine!
3. The quantity and manner in which these assets are distributed, if any, to the Secession Territory cannot be determined at this juncture. It is unknown if there will be a direct transfer of title, a lump sum payment at the time of separation or payments over time as determined by mediation or through a negotiated agreement between both parties. There is the potential for a cash buyout to be funded, in full or in part, by Caribou through the issuance of bonds through the Maine Bond Bank. Should this occur, the debt service on any such bond, has the potential to increase the mil rate of the municipality. Accordingly, this is one facet of the tax impact statement that will remain unknown until the secession movement progresses to the point where that becomes an eventuality.

ASSETS AND LIABILITIES OF CARIBOU

According to the Independent Auditor's Report dated January 1, 2014, the value of those assets and the cash reserves are as follows;

Fixed Capital Assets	\$18,490,500.00*
Vehicles and Machinery	\$ 4,563,824.00
Cash on hand	\$ 3,199,228.00
Cash returned by Maine State Retirement	\$ 3,453,556.08

Notes Receivable (due in 2016)	\$ 283,000.00
Landfill Joint Venture (50% share-1/1/2014)	\$ 1,454,354.00
2 Territory T.I.F. Contracts (To be determined)	
Assets Total	\$31,444,462.00

**from 2014 Real Estate Commitment Book*

The Value of the Liabilities is as follows;

Bonded Debt	\$ 0.00
Notes Payable	\$ 0.00
Unfunded Employee Benefits (12/31/14)	\$ 598,674.98
Liabilities Total	\$ 598,674.98

Net Position (Assets minus Liabilities): \$30,845,787.02

Maximum payable to Secession Territory: \$11,968,165.36

**All figures subject to revaluation at time of secession.*

Caribou currently collects \$8,291,840.22 in combined real and personal property taxes from a total tax commitment of \$371,801,400 using a Mil Rate 22.3. Secession will reduce their valuation by \$144,000,000.00, which in turn, will reduce their property tax revenue by \$3,211,200, or 38.8%. Other revenues will also be reduced as can be seen in the revenue illustration below.

Property taxes comprised only 44.5% (\$3,944,380.00) of Caribou's FY2014 Revenue Budget of \$8,860,198.00 (as reported on Jan. 26, 2015). The budgetary impact of the loss of revenue will be mitigated by corresponding offsets resulting from reduced financial obligations in education and public works expenses, as well as from the abundant economies of scale that will present themselves throughout the budget that will be directly proportional to the loss of population.

And so, our analysis must begin by quantifying the type and amount of revenue that will be lost to Caribou;

Real and Personal Property Tax	\$3,211,200
(\$144,000,000 at \$22.30 per thousand)	
Excise Tax**	250,000

Maine D.O.T. Road Assistance	83,400
State Revenue Sharing**	200,000
Homestead Re-imburement (240,217)	80,000
Tree Growth Re-imburement (600)	600
BETE reimbursement (50,953)	16,830
Veterans Exemption (10,000)	2,000
Miscellaneous revenues	<u>40,000</u>
Total	\$3,884,030

Good faith estimates were used in arriving at the amounts of reduced revenue that are population dependent. Previously, in the section of our report entitled **VITAL STATISTICS, we reported that the U.S. Census Bureau, in 2013, had estimated that the pre-secession population of Caribou was about 8,189. We estimated that the post-secession population would decline by 2,612 to approximately 5,577, which represents a reduction of about 31.8%. Accordingly, the Committee reduced some city revenues by roughly one third, having no other benchmarks to go by.

Next, our analysis must continue by quantifying the type and amount of savings that will off-set the loss of revenue:

Education - R.S.U. Appropriation for 420 Territory students	\$1,342,320.00
Reduced Expenses for Public Works:	\$938,575.00
Maintenance for 5 rural cemeteries:	
(Bubar, Grimes Rd., Lyndon, Green Ridge, Sacred Heart)	\$2,450.00
County Tax levy decrease	\$161,000.00
P.W. Capital Improvement Reserve reduction	\$36,000.00
North Caribou Park Maintenance	\$2,000.00
Immediate FY2014 Budget Offsets	\$2,482,345.00
<i>Apparent Savings Shortfall</i>	<i>(\$1,203,685.00)</i>

As previously stated, we are using actual expenses from FY 2014 as a good indicator of future savings, as opposed to using hypothetical expenses from a future fiscal year. Accordingly, the Committee anticipates that Caribou will directly benefit from secession by an immediate drop in the combined Educational and Department of Public Works

expenses. Had secession occurred prior to 2014, \$2,482,345 of those expenses would have been paid for by the town of Lyndon. Here, the loss of revenue is directly offset by savings with a ratio of 1 to 1.

The 2014 adjusted Appropriation for Education pre-secession is \$3,460,276.00 as reported on the 2014 MUNICIPAL TAX RATE CALCULATION FORM. The post-secession appropriation would have been reduced by \$1,342,320 because the Secession Territory will be paying for 420 students who reside in the future town of Lyndon.

Secession will also reduce the number of centerline miles of roads for which Caribou is presently responsible, from 157 to 85.33. 71.67 miles, or 45.65% of roads are situated in the Territory. Savings here would have been achieved through reduced expenses for summer and winter maintenance. According to City Manager Bless, snow plowing for Territory roads alone accounts for \$649,616.00 of expenses each winter! (\$4532.76 per lane mile (x) 71.67 (x) 2). Expenditures for labor (6-7 employees), materials and supplies can be reduced substantially. Budget Lines for items such as fuel, routine equipment maintenance, equipment repair, repaving, chip sealing, signage, vehicle painting, depreciation, overtime, health insurance, Capital Improvement funds set aside for future purchases of new highway equipment and the like can virtually be cut in half! We estimate the total savings for Caribou Public Works to be at least \$974,575, or 52.5% of their FY 2014 budgeted expenses of \$1,856,257.00.

Our analysis continues with three very real, yet esoteric, money saving contingencies that may not be readily apparent by examining budget information alone. They are;

- Per capital spending ratio.
- Employee to citizen ratio.
- Economies of scale.

All 3 of these contingencies, when implemented in post-secession budgeting, will have a ripple effect across the entire length and breadth of Caribou's Expense and Capital Improvement budgets, and will certainly lead to additional savings and reduced spending.

For example, the 2014 Expense Budget, excluding education, resulted in a per capita spending ratio of \$1,062.27 per citizen. (\$8,699,000 of spending divided by a population of 8,189). (By way of comparison, Fort Kent's spending ratio is \$787.66 for 4,082 citizens). If Caribou maintained that exceptionally high level of spending for a post-secession population of 5,577, the Expense Budget could be reduced across the board to just \$5,924,279.79, resulting in **proportional savings** of \$2,774,720.21. When the **immediate budget offsets** (shown above, excluding education expenses) of \$1,140,025 are added to the proportional savings, the combined savings to the City of Caribou become \$3,914,745.21.

At this juncture, Caribou has combined savings that exceed their lost revenue by \$30,715.21.

The City's 72 full time and 11 part-time employees represent an *employee to citizen ratio* of 1 employee to every 113.7 citizens (8,189 /72). The Committee has reviewed the FY 2014 Expense Budget and determined the fully burdened labor cost for this workforce was approximately \$5,200,000.00. If that ratio were to be maintained for a post-secession population of 5,577, the city workforce could be reduced by 32% or 23 employees to 49. The smaller workforce would save the city \$1,664,000 in labor costs alone.

And finally, even the most extravagant municipal officials would recognize that significant *economies of scale* will exist in a post-secession Caribou as a result of its much smaller geographic size. Logistical savings will be found in most departments.

As an example, the department of Tax Assessment will find savings from having many fewer tax accounts to manage. Fewer tax bills will be printed and mailed. Fewer miles will be driven to assess properties and fewer tax maps will have to be maintained. Conceivably, the department could reduce its staff by one employee, as the work load will be substantially less. Everything from insurance payments to clothing allowances to retirement costs will be reduced throughout the workforce. Similar savings will be found in other departments as well.

We offer this analysis, not in an effort to instruct the city on how to budget their finances, but to demonstrate that there will not be an adverse impact on property taxes in Caribou, if and when, the prudent administration of resources is employed. There will obviously be a period of adjustment as they transition into a much smaller municipality with a smaller population, but most importantly, there will be no severe and sudden impact. With proper planning the transition will be both seamless and painless.

However, if the City responds to the loss of revenue from secession the same way they responded to the loss of revenue from the State Revenue Sharing program, they will most certainly raise taxes on non-territory property owners. The City is already demonstrated their expertise in shifting the financial burden directly to taxpayers as opposed to reducing their expenses.

In consideration of the foregoing, the Committee has determined that secession from Caribou will be revenue and expense neutral and will have no ill effects on the property taxes of the municipality. In fact, taxation might actually decline in direct proportion to its reduced geographic size. Only time, and a future City Council, can make that final determination. The Committee believes secession will be a win – win opportunity for both the Territory and the City of Caribou.

SECTION XVI: CONCLUSION

This report is a preliminary document which was prepared expressly for the Public Hearing. It is intended to satisfy the legal requirements of Maine law, Title 30-A, M.R.S.A Part 2, Subpart 2, Chapter 113 CONSOLIDATION, SECESSION AND ANNEXATION, Sect. 2171-C & 2172, and it will be made widely available to members of the media so that the information contained within can be disseminated to the citizens and property owners of Caribou.

The Committee had identified 8 separate and distinct problems that have led us to this Secession effort and we have proposed solutions to those problems, some of which would require monumental changes to the size and structure of our present government. These solutions, which must be incorporated into a new Charter, are intended to eliminate the domination and subjugation of Caribou citizens and break the culture of taxation that is so prevalent with the past, and current, municipal officials.

We have also prepared a Tax Impact Statement which shows that our secession from Caribou, should it occur, will not cause property taxes in the municipality to increase.

Citizens must be afforded the opportunity to have meaningful participation in their local government; something that has been missing since the town of Lyndon, then Caribou, became the City of Caribou nearly 50 years ago. While the Committee remains open-minded and hopeful that positive changes can be made to our local government, we are also abundantly aware that we are a numerical minority and that any measures which must be voted upon within the entire city community are likely to fail without the sincere and enthusiastic support of the current administration. We also recognize that were a referendum to be held within the Secession Territory now, the effort to secede would pass with overwhelming support. The actions or reactions of the current City Council in the days and weeks following the Public Hearing will certainly dictate what path we will follow.

The Committee intends to update this report periodically and append it to the report that is presented to the State Legislature in Augusta. It contains factual information that was known to be true at the time of its writing. All research and analysis was conducted by the 5 Secession Territory Representatives and our findings were reviewed and approved by a Licensed Attorney and Certified Public Accountant.

We will also be providing, under separate cover, an index of tax maps that will show the proposed boundary lines of Lyndon with more precision, especially those maps that will be split between Lyndon and Caribou. The index will show the following:

Tax Maps by number wholly within Lyndon – excluding Caribou

Tax Maps by number wholly within Caribou – excluding Lyndon

Tax Maps by number wherein Lyndon and Caribou share a boundary

Links to important reference material:

Maine Constitution

<http://legislature.maine.gov/const/>

The Law of Consolidation, Secession and Annexation

<http://www.mainelegislature.org/legis/statutes/30-a/title30-Asec2171.html>

City of Caribou:

www.CaribouMaine.org

City Charter

<http://www.cariboumaine.org/wp-content/uploads/2013/02/City-Charter.pdf>

City 2014 Comprehensive Plan

<http://www.cariboumaine.org/wp-content/uploads/2013/02/Comprehensive-Plan-20141.pdf>

City Budgets:

<http://www.cariboumaine.org/index.php/government/budgets/>

