

FISCAL CAPACITY

Fiscal Management

Comprehensive plans are not intended to dictate day-to-day financial decisions of local government; they are intended to identify long-term trends and needs resulting from growth and development. These needs are usually resolved by new or expanded capital facilities or an increased range of public services; however, it is essential that needs are balanced with the town's capacity to fund them.

A significant element of the public services picture is the ability of the town to finance and maintain its services. Town governments are faced with multiple challenges: ordinary population growth, sprawling new patterns of development, new technology, mandates from state and federal government, and more sophisticated demands from residents for leisure services, protection, education, and more. Coupled with a heavy reliance on property taxes, fiscal management is key to delivery of all other services.

The town has a clear accounting and budgeting system in place which has resulted in sound financial management. Because of this, Solon has had the means to pay for capital improvements. And, because of sound financial management, Solon has stayed well within compliance with 30 MRSA, Section 5061, as amended, which requires that no municipality incur debt that exceeds 15% of the state valuation.

TABLE 1: SOLON'S DEBT ANALYSIS

Year	Total Debt	Municipal Valuation	% of Valuation
2020	\$31,946.77	\$100,800,000	0.032%
2021	\$20,925.50	\$102,950,000	0.020%
2022	\$14,910.22	\$106,450,000	0.014%
2023	\$8,363.10	\$115,750,000	0.007%
2024	0	\$127,550,000	0%
2025	0	\$153,400,000	0%

Source: Solon Annual Reports

Solon's debt has remained a minimal percentage of the town's valuation for the past six years.

TABLE 2: SOLON'S MUNICIPAL & STATE VALUATIONS

Year	Municipal Valuation	State Valuation
2020	\$108,181,907	\$100,800,000
2021	\$107,326,277	\$102,950,000
2022	\$109,058,968	\$106,450,000
2023	\$113,317,406	\$115,750,000
2024	\$130,429,887	\$127,550,000
2025	\$154,046,105	\$153,400,000

Source: Town of Solon's Annual Reports and Municipal Valuation Return Statistical Summary

Over the past six years, Solon's state and municipal valuations- outlined in Table 2- have been increasing. The municipal valuation increased by 52% in this time period. This increase is largely driven by rising property sales, which have accelerated significantly since 2020.

The town's state valuation is based on these property sales, and many properties in Solon are now selling well above their assessed values. Maintaining alignment between the town's valuation and the State's valuation is critical, as discrepancies can lead to reduced reimbursement from the State for programs such as the Tree Growth Exemption, Veteran Exemption, and Homestead Exemption.

To address the growing gap between sale prices and assessed values, Solon initiated a town-wide revaluation process in 2022— the first since 1978. However, the revaluation was not completed in time for the 2024 tax year. As a result, the town implemented an across-the-board increase in land and building valuations to bring the town's figures closer to the State's valuation, resulting in a significant valuation adjustment starting in 2024.

Despite these efforts, properties continued to sell well above assessed values in both 2023 and 2024. This trend is reflected in the town's rising state valuations (Table 2). In 2024, Solon implemented a unilateral increase in land and building valuations for all properties to align more closely with the state valuation. If Solon falls below 93%, the town must reduce the homestead, veteran, and blind exemptions that many receive.

To avoid this outcome, the town will again be increasing both land and building valuations across the board in 2025 to ensure they remain above the 93% state valuation threshold.

An added complication to the revaluation is that the assessing company withdrew from their contract due to staffing shortages after only completing a small portion of the work. Though the company has provided the work done thus far, Solon has been unable to find another assessing firm to complete the work. Fortunately, the Selectmen and Assessors have stepped up to continue the work of property revaluations for Solon.

TABLE 3: SOLON'S BUDGET INFORMATION

YEAR	2020	2021	2022
STATE VALUATION	\$100,800,000	\$102,950,000	\$106,450,000
COUNTY TAX	\$237,757	\$229,514	\$238,885
EDUCATION APPROPRIATION	\$1,385,887	\$1,336,641	\$1,329,884
MIL RATE	0.01840	0.01780	0.01660
REVENUES			
Taxes	\$2,058,850	\$2,006,388	\$1,898,096
Intergovernmental	\$414,168	\$562,878	\$614,399
Interest	\$17,157	\$2,825	\$5,626
Charges for Services	\$27,108	\$50,530	\$47,539
Miscellaneous	\$21,106	\$15,538	\$28,230
TOTAL REVENUES	\$2,538,389	\$2,638,159	\$2,593,890
GENERAL EXPENDITURES			
General Government	\$189,250	\$200,020	\$207,510
Protection	\$139,075	\$157,403	\$147,382
Public works	\$274,692	\$802,301	\$682,192
Leisure services	\$52,544	\$54,161	\$55,300
Health and Sanitation	\$79,262	\$85,847	\$106,731
Social services	\$12,851	\$9,320	\$15,978
Special assessment (Education)	\$1,385,887	\$1,336,641	\$1,329,884
Unclassified	\$36,852	\$50,311	\$65,740
Debt Services	\$12,012	\$7,000	\$7,000
TOTAL EXPENDITURES	\$2,182,425	\$2,703,004	\$2,617,717
Excess (deficiency) of revenues over (under) expenditures	\$355,964	\$(64,845)	\$(23,827)

Source: Town of Solon and Town of Solon Annual Reports

TABLE 4: SOLON'S BUDGET INFORMATION

YEAR	2023	2024	2025
STATE VALUATION	\$115,750,000	\$127,550,000	\$153,400,000
COUNTY TAX	\$258,147	\$249,321	\$267,178
EDUCATION APPROPRIATION	\$1,202,614	\$1,292,752	\$1,335,862
MIL RATE	0.01760	0.01720	0.0146
REVENUES			
Property taxes	\$1,773,964	\$2,017,079	\$2,093,142
Excise taxes	\$212,492	\$238,687	\$244,843
Intergovernmental revenue	\$723,152	\$1,534,963	\$777,610
Charges for Services	\$18,468	\$22,748	\$20,482
Licenses and permits	\$6,825	\$7,731	\$14,172
Investment income	\$16,758	\$31,318	\$34,899
Other revenue	\$105,787	\$63,835	\$118,065
TOTAL REVENUES	\$2,857,445	\$3,916,360	\$3,303,213
GENERAL EXPENDITURES			
General Government	\$287,338	\$356,159	\$354,477
Protection	\$89,392	\$129,422	\$126,678
Public works	\$484,598	\$966,270	\$763,664
Sanitation	\$96,326	\$145,338	\$114,915
Education	\$1,202,614	\$1,292,752	\$1,335,862
County tax	\$258,147	\$249,321	\$267,178
Debt Services	\$8,555	\$-	\$0
Health and welfare	\$35,940	\$28,803	\$18,918
Unclassified	\$171,326	\$64,937	\$374,113
TOTAL EXPENDITURES	\$2,634,236	\$3,233,003	\$3,355,805
Excess (deficiency) of revenues over (under) expenditures	\$223,210	\$683,358	(\$52,592)

Source: Town of Solon and Town of Solon Annual Reports

Tables 3 and 4 are the town's annual income compared with expenses broken down by category for the past five years. This information is presented in two separate tables because Solon procured the services of Keel J. Hood, Certified Public Accountant from 2020 through 2022 for their independent auditors' report. For 2023, 2024, and 2025 the town paid Maine Municipal Audit Services, PA to conduct an independent auditors' report. Because the audit reports were done by two different businesses, there is a slight difference in how budget items are classified.

Tables 3 & 4 Highlights:

- Property taxes fluctuated and stayed stable over the past five years.
- County taxes increased minimally by around 12%.
- Solon's total revenues generated increased by around 30% over the last five years.
- Total expenditures increased by around 54%, but this includes the significant increase in Public Works expenditure (178%), which was at least partially from FEMA funds from flooding in 2023.

Education appropriation is by far the biggest expense for Solon, as it is for all towns in central Maine. Table 5 below details the percentage of annual expenses that goes toward the cost of education.

TABLE 5: EDUCATION AS % OF TOTAL EXPENDITURE

Year	2020	2021	2022	2023	2024	2025
% of total expenditure	64%	49%	51%	46%	40%	40%

Source: Solon's annual reports

Tax Base

All property and structures in the town are assigned a value which is based as closely as possible to the current market conditions. From this value, property taxes are determined.

Property taxes are the largest contributor to the town's budget. Those are broken down as the percentage of total revenues in Table 6 below.

TABLE 6: PROPERTY TAX AS % OF TOTAL REVENUES

Year	2020	2021	2022	2023	2024	2025
% of total revenues	81%	76%	73%	70%	58%	63%

Source: Solon's annual reports

Table 7 displays the portion of the town's tax base that is exempt from taxation. These properties and organizations account for about 24.4% of the entire state valuation for 2025.

TABLE 7: LIST OF TAX-EXEMPT PROPERTIES/ORGANIZATIONS AND EXEMPTION AMOUNTS

Tax Exempt Properties	2025
State & U.S, Total Exemptions in Solon	\$2,642,430
Municipal exemptions	\$4,445,780
Literary and Scientific	\$0
Benevolent & Charitable	\$1,358,270
Total exempt churches and parsonages	\$2,535,080
Fraternal Organizations	\$563,890
Property leased by hospitals	\$0
Solar & Wind Energy exemptions	\$128,470
Pollution control facilities	\$0
Quasi-governmental organizations	\$16,408,500
Snowmobile Trail Grooming Equipment	\$35,330
Total Value Blind exemptions	\$4,000
Total Value Veteran exemptions	\$324,000
Homestead exemption	\$9,025,000
TOTAL (All Exemptions)	\$37,470,720
STATE VALUATION	\$153,400,000
% Exempt	24.4%

Source: 2025 Municipal Valuation Return Statistical Summary

Table 7 Highlights:

- For the homestead exemption- the exempt value was \$9,025,000, with only \$6,840,000 covered by the state. This leaves \$2,185,000 uncovered.
- For the BETE (Business Equipment Tax Exemption)- the exempt value was \$7,936,890, with only \$4,228,775 covered by the state. This leaves \$3,708,115 uncovered.

Some of these exemptions are what would be affected if Solon's municipal valuation fell below the 93% threshold detailed above.

TABLE 8: TAXABLE PROPERTY BY TYPE AND YEAR

Year	2019	2020	2021	2022	2023	2024	2025
Taxable Land Valuation	\$40,681,270	\$45,030,810	\$44,386,030	\$44,445,670	\$47,208,820	\$56,146,350	\$65,169,850
Taxable Building Valuation	\$46,406,192	\$50,477,671	\$50,089,881	\$51,688,820	\$52,753,270	\$61,080,590	\$75,856,170
Total Taxable Land and Buildings	\$87,087,462	\$95,508,481	\$94,475,911	\$96,134,490	\$99,962,090	\$117,226,940	\$141,026,020
Mil Rate	0.01930	0.01840	0.01780	0.01660	0.01760	0.01720	0.01460
State Valuation	\$96,500,000	\$100,800,000	\$102,950,000	\$106,450,000	\$115,750,000	\$127,550,000	\$153,400,000
Total Taxable Personal Property	\$2,003,143	\$1,940,739	\$2,014,251	\$1,913,184	\$1,828,720	\$1,825,410	\$1,951,310
Motor Vehicle Excise Tax	\$192,716	\$191,147	\$200,374	\$225,605	\$222,984	\$210,855	\$237,053
Distribution and Transmission	\$1,917,566	\$1,917,566	\$2,115,570	\$2,333,990	\$2,621,330	\$2,848,880	\$2,848,880
Municipal Total Taxable Valuation	\$89,090,604	\$97,449,220	\$96,490,162	\$98,047,674	\$101,790,810	\$119,052,350	\$142,977,330

*Source: Municipal Valuation Return Statistical Summary (2019-2025) *2025 is the most recent data available
These valuation values presented here are determined by the state.*

Table 8 Highlights:

- The taxable land valuation increased by 60%.
- The mil rate fluctuated over the last six years.
- The motor vehicle excise tax increased by around 23%.
- Distribution and transmission increased by around 49%.
- Municipal Total Taxable Valuation increased by 60%.

The town's mil rate is a calculated value which means taxpayers pay the mill rate for each thousand dollars of their property's assessed value. For example, for the 2025 tax year, property assessed for \$150,000.00, the assessed taxes were calculated by multiplying \$150,000.00 by the mil rate: $150,000.00 \times 0.01720 = \$2,580$.

Excise taxes, such as for motor vehicles, are generally tied to economic conditions also but in general this revenue source will likely continue to increase slightly each year.

Accounting Practices:

The town has its financial records audited annually. The 2020 - 2022 audits were all performed by Keel J. Hood, Certified Public Accountant, while Maine Municipal Audit Services, PA performed the 2023- 2025 audit reports. Solon's annual reports include a detailed audit report and description of all town funds and accounting practices. Reports for 2020 - 2025 were all favorable in their characterization of the town's approach to financial management.

Summary and Findings for Fiscal Capacity:

The town of Solon has put obvious consideration into proper budgeting and financial management, putting the town in an excellent financial position. This is apparent when analyzing the town's debt to income ratio and the town's overall debt, or lack thereof. Solon's minimal overall debt has remained in compliance with the Maine Bond Bank recommended limits and state statute over the last five-year period.

CAPITAL INVESTMENT PLAN

Description of Existing Process:

The Capital Investment Plan (CIP) component of the Comprehensive Plan identifies growth related capital investments and a strategy for accommodating them. In Solon, the Capital Investments Plan is sometimes referred to as the Capital Improvement Plan, or CIP. The CIP anticipates future expenses, sets priorities and timetables, and proposes a mechanism to fund them. The plan is important because it alerts both municipal officials and citizens about future expenses and allows the town to find the most cost-effective way to finance the Improvement.

The Capital Investment Plan will include items identified in this plan which are called capital expenses. A capital expense is defined as having a cost that is not a maintenance or operating expense. Solon does basic capital planning for its municipal facilities. The town should maintain a prioritized list of anticipated capital needs.

In addition to the planned budget and anticipated expenses, Solon's Select Board is foresightful enough to have several reserve accounts for capital purchases and improvements.

As the coordinator for all the town's activities, the Select Board is responsible for the CIP. However, they must rely on town staff and committees to submit needs and cost estimates and set priorities. Thus, the CIP process should ideally be prepared alongside the annual budget, so that a portion of the annual budget is set aside to fund the CIP. This can be in the form of contributions to a reserve fund, one-time appropriations, or commitment to pay interest on a loan.

Solon's Select Board should continue to develop the CIP by incorporating the guidelines needed to reach the goals of the initial project list presented in this plan. The revised CIP will be integrated with the budget process beginning in 2026-2027. The capital investments listed below include both those identified by this plan and other capital improvement projects that have come up in town discussions over the past five years.

Why a CIP?

The development and maintenance of a Capital Investments Plan allows Solon to forecast upcoming major expenses with minimal surprises. Developing a CIP presents the town with the opportunity to:

- Engage in a reasoned discussion about priorities.
- Prepare a pre-planned list that better enables Solon to take advantage of unexpected opportunities, such as grants, low interest rates and price drops.
- Forecast, plan, and mitigate property tax impacts.

Financing the CIP

A source of funding for each item has been identified. The less certain the item is, the more speculative the funding can be. The principal threat to a stable budget is the one-time, large ticket expenditure, such as an expense brought on by an emergency or a new building. In Solon, capital improvements are funded through a combination of appropriations, reserve funds, grants, lease programs, or bonding.

- Annual appropriations: While funding a major purchase in a one-time annual appropriation can be disruptive to the budget, it works for lower-priced items or when a continuing monetary stream can be tapped for regular needs.
- Undesignated fund: At the Annual Town Meeting, residents vote to use the undesignated fund balance as of December 31st more than a set amount (\$110,000 in 2025) to reduce taxes.
- Reserve accounts: Solon's use of saving funds in capital reserve accounts to pay for capital improvements has increased from past practice.
- Bonding/lease-purchase agreements: Solon has not used bonding, but they have permission to do so, as necessary, for equipment purchases. Permission is through the legislative body.
- Grants: Grants are competitive and cannot be relied upon. A grant is acceptable for "wish list" items, but not for essentials. A grant search should be part of the annual CIP update process.
- Sale of surplus equipment: If equipment is sold the revenue goes into the equipment reserve account for that department.
- Outside contributions: In many cases, other organizations may join with the town to contribute to a project of joint benefit. This may include other towns or organizations such as the Somerset Woods Trustee or Old Canada Road National Scenic Byway. While these funding sources may be more reliable than grants, it requires coordination with timetables outside of the town's control.

Financing of the CIP may come from any number of sources, but the most crucial element is to ensure the impact on the annual town budget is spread out over time. Under this Plan, the major impacts will come from Capital Improvement Funds.

Solon has sufficient borrowing power but has not taken advantage of this option for the last several years, due to successful budget planning and oversight. While borrowing is a viable option, the town would rather make purchases outright, using capital improvement funds, where feasible.

Funding Capital Investments

The Town Officials in Solon are proactive in preparing for anticipated expenses. For known projects or expenses, the town plans ahead and tries to raise sufficient funds to cover the costs. If an unanticipated purchase or expense comes up and the town does not have the full financial resources available, they will borrow the necessary funds or seek grants. Solon does not have any debt, so the town has full borrowing capacity if necessary.

Shared Investments

Solon shares capital investments with neighboring communities minimally, except for the Fire Department and mutual aid efforts. The town did reach out to both Bingham and Embden about sharing the transfer station, but both towns declined. There is no need or desire to share public works equipment.

Priority Level:

L= Low

M= Medium

H= High

EMERGENCY SERVICES- FIRE DEPARTMENT:

Project/Need	Priority	Estimated Replacement Timeframe	Estimated Cost	Primary Funding Source
Fire Truck	M	2035	\$600,000	Capital Reserve Funds, grants & loans

PUBLIC WORKS:

Project/Need	Priority	Estimated Timeframe	Estimated Cost	Primary Funding Source
New Town Garage	H	2026-2027	\$1,700,000	Capital Reserve Funds, CDS grant & loans
Dump truck, plow, & dump/sander body	M	2030	\$200,000	Capital Reserve Funds
New salt shed	H	2028	\$600,000	Capital Reserve Funds & loan
Paving Projects				
South Solon Rd, Meeting House Rd	M-H	2027	\$600,000	Capital Reserve Funds
River Rd	M	2029	\$600,000	Capital Reserve Funds
Brighton Rd, French Hill Rd, intown roads	M-L	2030	\$600,000	Capital Reserve Funds

UTILITIES- TRANSFER STATION:

Project/Need	Priority	Estimated Replacement Timeframe	Estimated Cost	Primary Funding Source
Transfer Station truck	M	2030	\$150,000	Capital Reserve Funds & loans

TOWN OFFICE & TOWN BUILDINGS:

Project/Need	Priority	Estimated Replacement Timeframe	Estimated Cost	Primary Funding Source
Coolidge Public Library building addition	M	2030	\$500,000	Capital Reserve Funds

RECREATION:

Project/Need	Priority	Estimated Replacement Timeframe	Estimated Cost	Primary Funding Source
Equipment storage building	M	2028	\$15,000	Capital Reserve Funds