

To: The Chebeague Community

From: Five Secession Representatives: Mabel Doughty, Mark Dyer, Beverly Johnson, Jeff Putnam, and Dave Stevens

Date: February 18, 2006

Please note the upcoming meetings:

- **Wednesday, February 22, 7:00 at the Hall:** *Legislative Presentation Community Workshop*
- **Sunday, February 26, 3pm at the Hall:** *Informational Meeting; Q & A; preparation for Augusta*
- **Friday, March 3, 9 am at State and Local Committee Room 208, Cross Building, Augusta**
Public Hearing on Chebeague Island Secession
- **Friday, March 3, all day at the State Capital,** *Reception in the Hall of Flags*

Update on Self-Governance Efforts

This update on secession summarizes the negotiated agreements and our financial picture as presented at the community meeting on Thursday, February 9, 2006. The five secession representatives want you and all Chebeague Island residents to have all the available information so that you can evaluate the potential pros and cons of secession. We encourage you to review this information; to ask questions; and to provide us with your thoughts about secession and its impact on Chebeague's future.

Attached is an updated version of the estimated budget for the Town of Chebeague Island based on the agreements with the Town of Cumberland and MSAD #51

Original Goals

When this effort began, 10 months ago, our primary goal in pursuing self-government was to ensure the survival of the year-round community on Chebeague Island. We believed then, and still do now, that self-government is our best hope for attaining this goal. Self-governance will give us control of the Island school and will give community members a stronger say in community issues critical to Chebeaguers, including:

- K-12 education for Island students
- Stewardship of the outer islands in the vicinity of Chebeague
- Land-use decisions
- Protection of our marine resources
- Control over how our tax dollars are spent

Over 89% of the registered voters on Chebeague participated in the Island-wide referendum in November 2005. The result indicated that 86% of those voting wanted to continue the secession process. Following the vote, the next step in the secession process was to negotiate with the Town and the MSAD #51 School District about the terms of separation. Since early December, the two negotiating teams have been working very hard to reach agreements with the Town of Cumberland and MSAD #51. The Island reached a tentative agreement with the Town in early January and just recently we have reached a tentative agreement with MSAD #51. A brief outline of the agreements is presented on the following page.

Proposed Agreement with the Town of Cumberland

- Town assets on Chebeague, such as properties, buildings and equipment, remain with the new Town of Chebeague Island.
- The outer islands are included as part the Town of Chebeague Island.
- The lease on the Blanchard Lot and the Wharf Agreement will be transferred to the Town of Chebeague Island
- Potential for inter-local agreements regarding solid waste, transportation, public safety and other areas.
- The Town agrees not to oppose secession

Payment:

- A \$1.3 million lump sum payment which covers financial liabilities including existing debt and the cost of a new fire truck on Chebeague.
- In exchange for the outer islands, Chebeague has agreed to contribute 50% of the tax revenue on the outer islands for 50 years.

Proposed Agreement with MSAD #51

- Chebeague assumes local control over the Island school
- Guarantee for grades 6-12 to attend MSAD #51 for seven years from date (2014)
- MSAD #51 will provide basic mainland bus transportation for 7 years
- Mitigation of any tax impact to Cumberland and North Yarmouth as a result of secession
- Island will not be responsible for any new school-related debt
- MSAD #51 agrees not to oppose secession

Payment

- Chebeague assumes its share of the existing school debt (av. \$200,000 annually for 18 yrs)
- \$ 3.5 million lump sum payment with two parts :
 - Approximately \$1.8 million represents tuition for MSAD#51 for seven years
 - Approximately \$1.7 million cash settlement covers all other liabilities – unfunded liabilities, mitigation of tax impact on North Yarmouth and Cumberland

In terms of the governing statutes, these two proposed agreements are sufficient for Chebeague's secession effort to move to the next step, which is the consideration of our proposed legislation in Augusta by the Maine Legislature.

Should we stay with the Town of Cumberland or should we secede?

As a community, we need to consider a number of factors to answer this question. The survival of the Island school and the year-round community are important factors; as well as our ability to control our own destiny. Financial considerations are also very important. We have included a revised budget that incorporates the terms of the Town and School agreements in the new Town of Chebeague Island budget. The lump sum payments to the Town and the School District would be paid by the Town of Chebeague by taking out bonds and financing those bonds over a period of time- - similar to taking out a mortgage to finance a house purchase. One important thing to remember is that these bonds payments are temporary, and unlike most tax increases, they will eventually be retired. Also, in large part, they are in replacement of the taxes we currently pay to the Town. We have provided a financial comparison of our revised budget projection for the Town of Chebeague Island as compared with staying in the Town of Cumberland.

- **Become new Town of Chebeague Island.**

Based on the revised proposed budget, we estimate that our taxes may stay the same or may increase slightly (0-5%) as a new island Town. It will be up to the community to approve the town's budget and vote on it at Town Meeting. Any proposed tax increases or decreases will have to be approved by the Island community.

- **Remain with the Town of Cumberland**

If we stay with the Town of Cumberland the revaluation will, according to Bill Shane, likely result in an estimated average 30% tax increase on properties on Chebeague. And, if the proposed high school construction project moves ahead, greater increases will follow. Any proposed tax increases or decreases in Cumberland require approval by Town Council which represents approximately 5000 voting residents in Cumberland. Currently, approximately 75% of our property taxes go to the MSAD #51 (\$1.5 million in 2005).

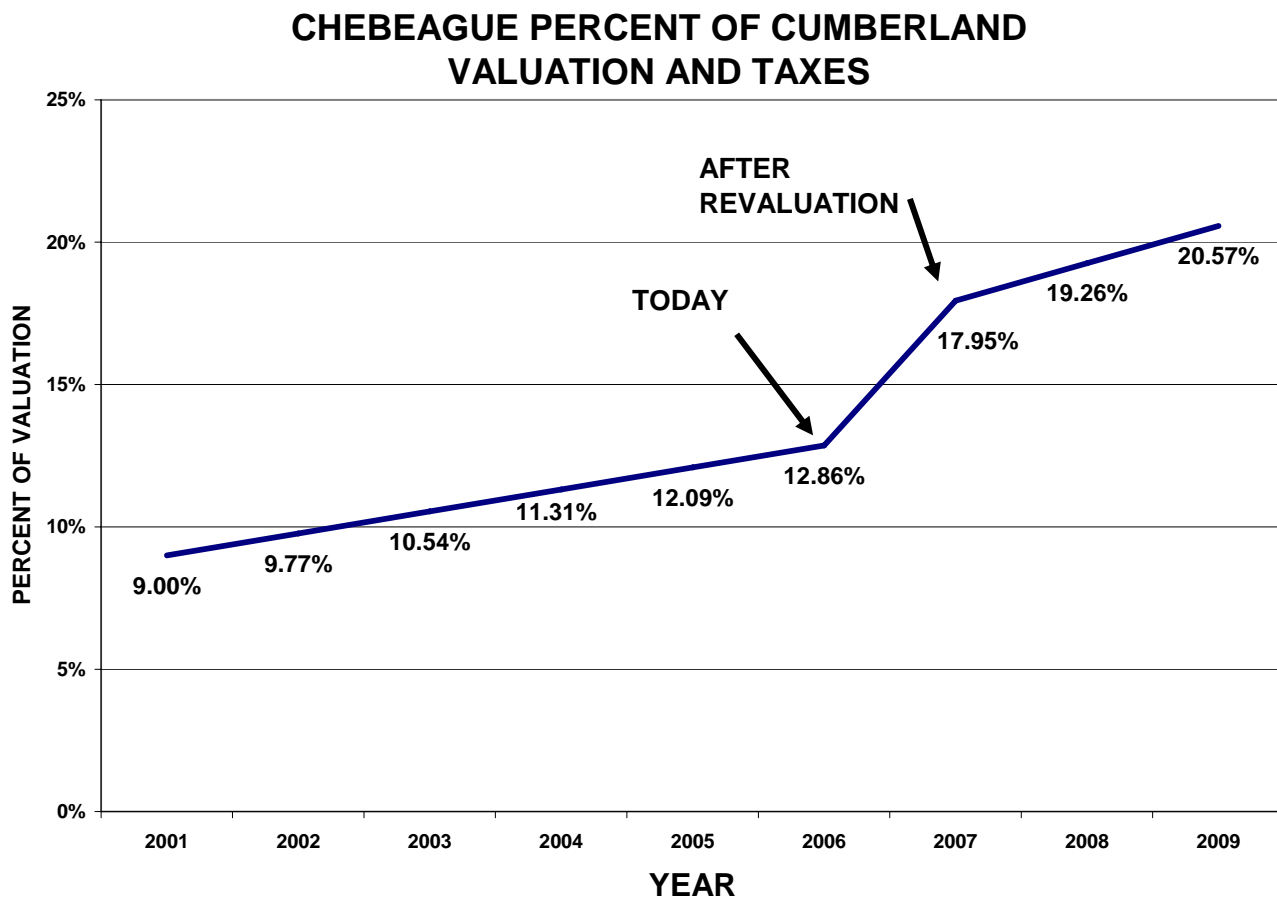
How to decide? Pros and Cons of Secession

Pros	Cons
<ul style="list-style-type: none">• Control of the Island School and for the education of our older students• Local control over educational, tax, and local government issues• Taxes collected on the Island stay on the Island• More grant opportunities to support local services• Potential new jobs for Islanders (e.g. town clerk, etc.)• Current students are guaranteed the opportunity to finish their high school career within the existing Greely system• We avoid the impending tax impacts of revaluation and the proposed high school addition at Greely	<ul style="list-style-type: none">• We, the community members of Chebeague, have to do the work of local government• We give up the guarantees of being a member of a larger school district• A smaller population to support municipal costs

The Financial Picture

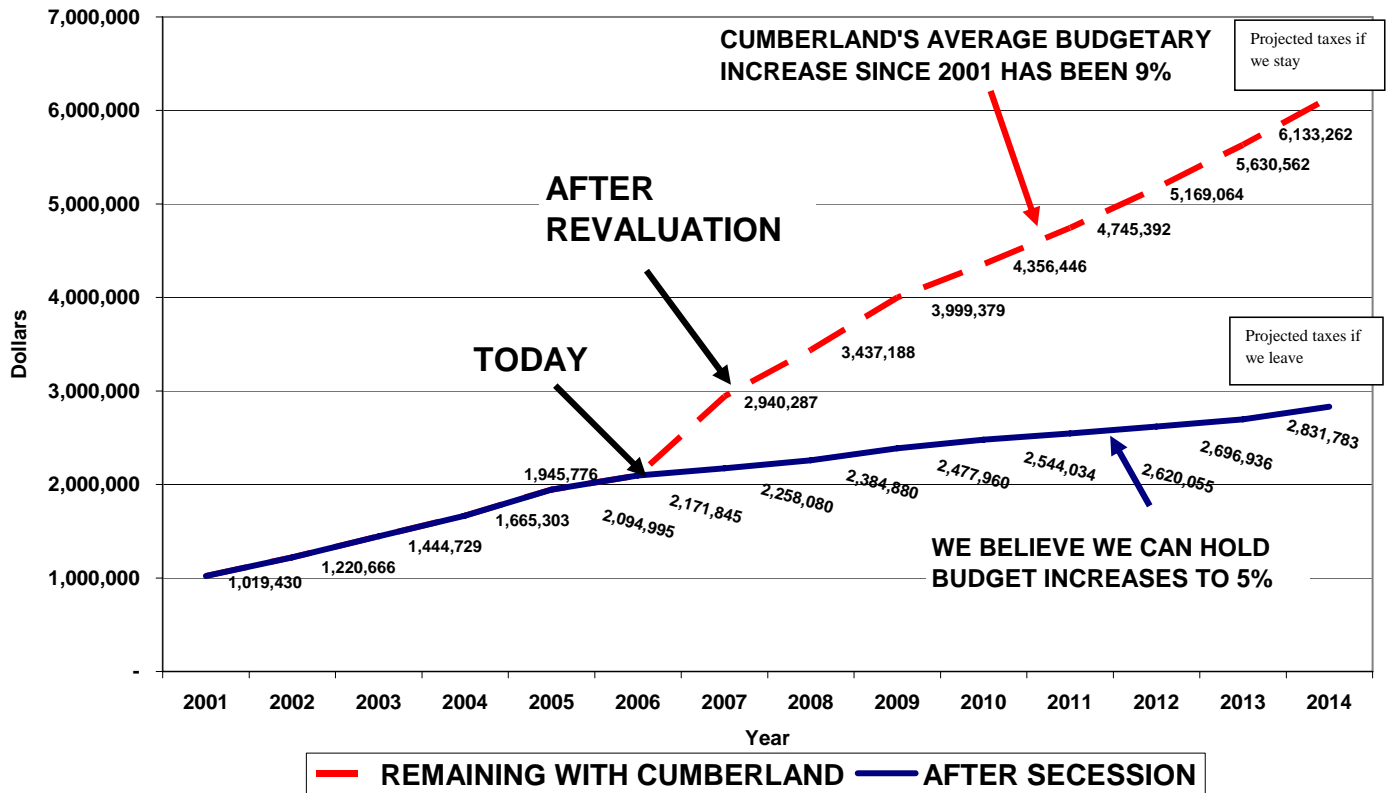
The following graphs show the important financial impacts of becoming a separate Town of Chebeague as compared to staying in the Town of Cumberland.

This first graph shows the change, over time, of Chebeague's share of Cumberland's property tax base. Note that Cumberland has told us that, if we stay with Cumberland, there will be a revaluation within the next few years as shown on the graph occurring in 2007/2008. The years following the revaluation are projected at the current rate. The impact of the revaluation will be that a significant number of tax bills will double and nearly every property owner will be negatively impacted.



The second graph shows a projection of future tax increases if we stay in Cumberland versus a projection of future taxes if we should secede and become our own town. The key point is that, if we secede, Chebeague's budget and taxes will be determined by the citizens of Chebeague at their annual Town Meeting. Our taxes – what we collect and how we spend it – will be controlled by our community and will remain in our community.

Estimated Growth of Chebeague's Tax Burden



Education:

The proposed settlement results in Chebeague assuming control of the Chebeague Island School. The settlement also includes an arrangement with MSAD #51 that Chebeague students can attend the Greely Middle School and Greely High School for a 7-year period. After seven years, a new tuition agreement can be re-negotiated with MSAD #51, if the Island so chooses. As part of the school agreement, Chebeague retains the option to tuition students elsewhere once we become our own Town. Some parents of school-age children expressed interest in sending students to the Yarmouth school system. We have had discussions with the Yarmouth School Committee and have entered into a preliminary agreement that would allow us to send Island students to schools in Yarmouth on a tuition basis. The final decision about if and when we send students to Yarmouth will be made by the Island community at Town Meeting.

Alternatives:

We have the ability to stop now and remain with Cumberland and MSAD #51, or we can decide to try to modify one or both of the proposed agreements. Based on the negotiations, we don't think we would end up with a better deal if we went back. If we wait until after a revaluation, it could cost us even more to secede. Any delay would definitely push us into the next legislative session which would likely decrease our chance for success.

Where do we stand today?

The five secession representatives support the negotiated agreements and recommend that we move forward to the Maine Legislature in early March. We think it's our best chance for self-government. We want to know what you think. We ask that you carefully review the enclosed information. If you have any questions, please contact one of the secession representatives, by mail, phone, email or in person. We are available to answer your questions and listen to your concerns. We are planning a second community meeting to discuss the status of secession on **Sunday, February 26 at 3 pm at the Hall.** We urge you to attend this important meeting.

In the meantime, we will continue to prepare for the public hearing in Augusta on March 3rd. We will need substantial community support and participation in Augusta if we are going to be to be successful. This week there will be a community workshop on **Wednesday, February 22, 7:00 at the Hall** to discuss the presentation and the trip to Augusta. All community members are invited to join us in planning the presentation to the Legislature.

Sincerely,

The five Secession Representatives

Mabel Doughty

Mark Dyer

Bev Johnson

Jeff Putnam

Dave Stevens

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**TOWN OF CHEBEAGUE ISLAND
ESTIMATED BUDGET AS OF 2/17/06**

BUDGET SUMMARY

Preliminary
Budget

REVENUES:

Property taxes	\$ 2,182,010
Excise taxes	48,500
Interest and lien costs	1,980
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Total taxes	2,232,490
Licenses and permits	16,420
Intergovernmental	72,730
Charges for services	16,260
Other revenues	24,870
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Total revenues	\$ 2,362,770

Expenditures:

General government	252,973
Public safety	207,435
Public works	150,000
Health, sanitation and welfare	171,840
Recreation	40,000
Education and libraries	709,484
County tax	107,485
Unclassified (insurance, cemetery, dredging, etc.)	122,018
Unbudgeted expenditures (Contingencies)	56,653
Debt service (MSAD #51, Town of Cumberland)	469,882
Capital outlay	75,000
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Total expenditures	\$ 2,362,770

Local valuation	\$ 115,265,900
Amount needed to be raised by taxes	\$ 2,219,510
Mill rate	\$ 19.26
Current mill rate	\$ 18.80

Current	
Mill Rate	\$ 18.80 per \$1000
Tax on \$150,000 home	\$ 2,820
Tax on \$300,000 home	\$ 5,640
Post-Secession	
Mill Rate	\$ 19.26 per \$1000
Tax on \$150,000 home	\$ 2,889
Tax on \$300,000 home	\$ 5,778

NOTE: Details of this budget will be made available in the full Report to the Legislature,
or may be obtained at the Library