

Section III.C.

Capital Investments Plan

The capital facilities of local governments are essential to meeting the service needs of the community in an efficient and cost-effective manner. Islesboro maintains a simple capital budgeting process, largely managed by the Town Manager and Select Board. The Town has bonded for capital improvements in the past and maintains several capital reserve accounts.

A more formal method of managing capital needs is called a Capital Improvement Program (CIP). A CIP is a document that includes an assessment of all existing and anticipated public facilities and services¹ required to meet the town's planned growth and economic development needs. It is generally a multi-year plan, often five years, for the maintenance, replacement and expansion of existing public facilities and equipment or the construction or acquisition of new facilities and equipment. It includes projections of when and where such facilities and equipment will be required, how much they are anticipated to cost, how the costs will be funded, and a schedule of when the improvements will be needed.

The Comprehensive Plan supports continuing use of a CIP as part of the Town's annual budgeting and administrative process. The Town would benefit from formalizing the process to plan for improvements identified in the Comprehensive Plan.

Lacking a more formal CIP, the temptation may be to defer needed spending on capital projects when the budget is tight and approve whatever is proposed when funds are available. This approach can result in scarce capital dollars being spent on projects that do not reflect the greatest needs of the community. Equally important, project-by-project budgeting can result in unexpected future costs for major projects that are essential or are mandated by state or federal requirements.

A CIP is designed to assist the Town in planning for its needed capital expenditures on a rational and systematic basis. The CIP is designed to identify Islesboro's needed capital expenditures, to evaluate the priority of the various needs, and to structure a spending program for meeting the more important of these needs on an affordable basis.

¹ Such as, but not limited to, roads, sewers, water systems, schools, parks, open space, fire and police services, etc.

In contrast to a CIP, a Capital Investments Plan (CInP), is a state required element of a local comprehensive plan. It is a more detailed working document sufficient for annual budgeting for needed capital improvements.

A CInP establishes a more general framework for programming and financing new or expanded public facilities that are needed to accommodate projected growth and development and are major investments for which the community is fiscally responsible. The CInP sets forth general funding priorities among needed community investments and identifies potential funding sources and financing mechanisms.

To be consistent with the state's Community Planning and Investment Act, Islesboro's CInP should:

- identify the need to improve, replace, and/or expand capital facilities and public services necessary to support projected growth and development, address important challenges that have a fiscal component, and protect the environment and health, safety, and welfare of the public consistent with the vision, challenges, goals, policies, and strategies identified in the Comprehensive Plan;
- estimate when the improvement, replacement, and/or expansion will be needed within the ten-year planning period;
- estimate the costs of those facilities and services;
- establish general funding priorities among the various capital improvements; and
- identify potential funding sources and funding mechanisms.

The CInP should reasonably reflect priorities contained within the Comprehensive Plan and assure that the siting and construction of all public facilities are consistent with the Future Land Use Plan. It need not include all investments identified in the Comprehensive Plan; however, it should reflect the key elements of the community's growth management program and not conflict with other policies and strategies of the Comprehensive Plan.

I. Financial Considerations

The need for capital spending must be balanced against the ability of the Town to pay for capital projects. This means that while some projects may be desirable, the Town

simply may not be able to afford them. To help maintain a high bond rating and ease with which the Town sells its bonds, the Town should create a debt management policy that specifies how much, on average and as an upper limit, the Town anticipates spending on capital investments each year.

The Town has used two approaches to finance capital projects in the recent past. It has used bonds to finance capital projects and established annual reserves for equipment replacement, minor road repair, and normal building maintenance to fund necessary projects in the CIP. In general, the Town has only bonded when the reserve accounts are not adequate for the project.

Based on the town's 2017 Financial Report, the Town had an outstanding debt of \$7,030,000, broken down as follows:

<input type="checkbox"/> Dark Harbor Wastewater Outfall Pipe Loan	\$ 350,000
<input type="checkbox"/> Islesboro Municipal Broadband Bond	\$3,800,000
<input type="checkbox"/> Islesboro Central School Renovation Bond	<u>\$2,880,000</u>
TOTAL	\$7,030,000

Combining these three sources of outstanding debt, Islesboro had a total debt of \$8,887,766 in 2017. Under state law, no municipality can incur debt, which would cause its total outstanding debt to exceed 7.5% of its last full state valuation, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, and municipal airports. Including all improvements, a municipality may not incur debt exceeding 15% of its last full state valuation. In 2017, Islesboro's full valuation, as defined by the state, was \$434,100,000.²

As of June 30, 2017, Islesboro's total outstanding debt was \$8,887,766 or \$23,669,734 below its statutory limit of \$32,557,500. In other words, Islesboro's debt is approximately 2.04% of its statutory debt limit.³ As a rule of thumb, the Maine Bond Bank recommends that a community bond no more than 5% of its state valuation, so Islesboro has significant, unused bonding capacity.

² Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%. http://www.maine.gov/revenue/propertytax/sidebar/2017_state_valuation.pdf.

³ 15% of the town's full valuation, defined by the state as \$615,200,000, is \$92,280,000.

II. Adequacy of Existing Facilities and Systems

This section analyzes the adequacy of Islesboro's existing facilities to meet its current needs and to accommodate projected growth. The analysis looks at the facilities function-by-function. A basic description of these facilities is found in the inventories and analyses. Where costs are not available, it is recommended that these costs be researched and added to the CInP.

A. Water Service

All residents of Islesboro draw drinking water from privately owned bedrock wells.

The Comprehensive Plan calls for consideration of creating a municipal water supply(ies) to support compact development in *Village Areas* and the *Activity Center*. Estimated cost of \$30,000 to assess feasibility.

B. Sewer Service

The only public sewer system offered by the Town is in Dark Harbor. The Dark Harbor Waste Water Treatment Facility is overseen by the Pollution Control Board which as overseen two years of maintenance and preventative maintenance projects. In the Fall of 2016 the system was extended approximately 500 feet to the North, extending the main line and connecting one additional property to the system; a second property is awaiting its hookup to the system. The Pollution Control Committee continues to plan for preventative maintenance and the Town added \$15,000 to the Dark Harbor Waste Water Capital Reserve Account at its May 2017 Town Meeting.

The Comprehensive Plan calls for consideration of creating community septic and/or a municipal sewer system(s) to support compact development in *Village Areas* and the *Activity Center*. Estimated cost of \$30,000 to identify a preferred approach.

C. Solid Waste Management

According to the former Town Manager, the solid waste facility is adequate to meet current needs, but as the Town's population increases, it will have to review solid waste operations to increase the number of times trash is taken off the Island.

D. Fire Protection and Public Safety

Fire Chief Murton Durkee recommends that the town site a fire substation at the northern end of the island to house one fire truck and one ambulance. He estimates the cost for the facility as \$200,000-\$300,000.

The Fire Chief indicates that all existing trucks are adequate to meet existing need, but in the future, the Town should replace and/or add a 1000gmp/2000gallon tank Pumper/Tanker at an estimated cost \$200,000.

According the Public Safety Officer, Fred O. Porter, the public safety facility is not sufficient for current and future demands. He recommends expanding the current facility to roughly 8,000 square feet to house a 4-bay garage, a 3-room dormitory with shower/bath, cooking, and training space and be equipped with a generator that can be used to back-up the generator currently used in the Town Office complex. He also recommends the facility include a separate EOC office. He estimates the cost for the new facility, including the heated concrete slab and prefabricated steel shell, would be \$175,000, with additional monies needed to finish the interior.

In addition, the Public Safety Officer recommends the community secure a wheelchair accessible van (estimated cost of \$40,000) to help transfer clients from the hospital to their homes. He notes that this activity would increase revenue and off-set taxpayer burden for interstate transport.

E. Harbor and Waterfront Infrastructure

There are no plans for further development at Pripet Wharf, although the Comprehensive Plan includes discussion about constructing a seasonal dock or pier. No cost estimate is available.

F. Transportation System

Since 1993, the Town has raised varying amounts between \$150,000 and \$300,000 for annual road maintenance and repaving. For the past two budget cycles the Town as allocated \$300,000 for annual maintenance, following a plan to pave two miles of main roads yearly, including shoulder and drainage improvements. Estimated cost of \$300,000.

The Town wants to catalog road needs and establish priorities that reflect those roads that are most in need of attention. The Town is in the process of conducting a cost/benefit analysis to guide decisions about whether the Town should purchase its own equipment and construct a building to support transportation improvements.

As development and need is projected, funds should be budgeted to maintain, construct, and improve sidewalks, streetscapes, pedestrian improvements, signage and bicycle racks, and roadway improvements in *Village Areas* and the *Activity Center* as well as for major roadway projects, including reconstruction and improvement of shoulders, and to acquire off-road easements for pedestrian and bicycle circulation where appropriate. No cost estimate is available.

The Comprehensive Plan calls for exploring the need for and advantage of developing an Island minibus, or other transportation service, additional fuel storage and availability, and other options to improve accessibility, travel, and emergency preparedness. No cost estimate is available.

G. *Village Areas and Activity Center*

The Comprehensive Plan calls for the Town to plan for safe, sanitary waste disposal, water supply, and other public investments in *Village Areas* and the *Activity Center* to protect water quality and create a desirable and compact settlement pattern. No cost estimate available.

H. *Cultural, Park, Open Space, and Recreational Resources*

The Pendleton Library is not adequate to meet current and future needs for large room activities and internet usage. Additional parking is also needed. No cost estimate is available.

The town-owned pier at Seal Harbor is in need of repair or replacement. The Town has done minor work to stabilize the structure, but there are no major plans to replace it. No cost estimate is available.

The Town also owns the Grindle Point Lighthouse and Sailors Memorial Museum. The exterior is in very good condition, but the interior needs painting, the floor of the room below the lantern has buckled due to high humidity and flooding during very high tides and storm surges. The fuel storage building is in bad condition – roof slates are falling off

and brick mortar needs repointing. An estimate for restoration, made ten years ago, was over \$6,000. There are no plans to improve facilities.

Prepare an open space plan to identify the most important areas to protect and to guide regulatory protections and targeted acquisitions and improvements. Cost estimated at \$30,000 - \$50,000.

I. Agricultural Resources

Concern has been expressed about high land values thwarting efforts to re-establish farms. It is unclear how much capital might be needed to provide organizing support and physical improvements necessary to reestablish farming, but interest has been expressed locally to allow and promote small scale agricultural operations.

J. Economic Development

The Town should plan for investments to support economic development goals, policies, and strategies developed as part of an overall economic development strategy. No cost estimate is available.

K. Affordable Housing

The Comprehensive Plan calls for the creation of a public-private partnership to create rental housing in designated villages both Up and DownIsland. No cost estimate is available.

III. Facilities Necessary to Support Anticipated Growth

Capital investments required to implement anticipated growth include:

- creation of municipal water, community septic and/or sewer systems to support compact development in *Village Areas* and the *Activity Center*;
- fire substation at the northern end of the island;
- expanded public safety facility;
- maintenance, construction, and improvement of sidewalks, streetscapes, pedestrian improvements, landscaping, parks, etc. in *Village Areas* and the *Activity Center*;

- open space plan to identify the most important areas to protect and to guide regulatory protections and targeted acquisitions and improvements;
- physical improvements necessary to reestablish farming;
- physical improvements to implement economic development goals, policies, and strategies developed as part of an overall economic development; and
- public-private partnership to create rental housing in designated villages.

Capital investments required to service individual development projects should be the responsibility of the developer. The Town's development review regulations should assure that the need for improvements is assessed and the funding of any needed improvements is required by the developer as a condition of project approval or other appropriate financial mechanisms.

IV. Summary

The capital investments set forth in this section represent an ambitious goal for the community and are put forward with the recognition that some projects may not be able to be accomplished during the next decade or that projects desirable to enhance the quality of life may need to be scaled back, deferred, or funded through private sources.

Other areas of capital investment may become evident as time goes on. With each annual review of its CIP, the Town Manager, Select Board, and Town departments should continue to assess anticipated needs over the next five years.

The funding of investments will require that the Town absorb the majority of costs through the local property tax. Outside public financial assistance is available for some water, sewer, waste disposal, public safety, transportation, and harbor improvement projects. A limited number of grant programs for coastal, water quality, open space, habitat protection, and tree planting are also available. The Town has a long history of active philanthropists, which it should continue to cultivate. It may also establish special assessment districts and/or tax increment financing districts for economic development and/or affordable housing efforts, development districts to fund improvements for specific areas of the community, and impact fees for a variety of capital improvements.

These tools should be authorized in the comprehensive plan, which they currently are not.

To help maintain a high bond rating and ease with which the Town sells its bonds, the town should create a debt management policy that specifies how much, on average and as an upper limit, the Town anticipates spending on capital investments each year.