

Capital Investment Plan

This Comprehensive Plan strongly supports programming and scheduling of capital investments as part of the town's annual budgeting and administrative process. A Capital Investments Plan provides a process for identifying public facilities, infrastructure and equipment that will require major investment over the coming years either due to growth or capital deterioration. In Winthrop, the Capital Investments Plan is more commonly known as the Capital Improvement Plan, or CIP. The CIP determines priorities, along with when each investment will be necessary and how to fund it.

Why a CIP?

The CIP allows Winthrop to forecast upcoming major expenses with minimal surprises. Developing a CIP presents the town the opportunity to:

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

The CIP Process:

- The town determines the scope of the CIP. The CIP for this Comprehensive Plan is a condensed version of Winthrop's full CIP, which is reviewed and adjusted annually, and includes only fixed assets costing more than \$5,000 plus the paving schedule and culvert purchases. This condensed CIP sets a plan window of 10 years.
- Winthrop's annually reviewed CIP is based on an estimated asset replacement schedule. It captures capital expenses from one to 10 years but has a focus of five years due to the relative uncertainty of anything beyond that term. It includes a paving element, though the town should develop a comprehensive paving schedule that considers the maintenance needs of all the town's public roads and sidewalks.
- Items and prospective costs are identified for inclusion. In Winthrop's case, items range from repair of existing facilities (e.g., tennis courts or the police station), to acquisition of new facilities (e.g., a new Public Works garage), to acquisition of new or replacement equipment (e.g., a street sweeper, or police and fire radios). Costs are estimated and priorities are set.
- The source of funding is identified (see *below*). There may be more than one source and/or alternative sources.
- Timing and priorities are assigned. Generally, a high priority is reserved for items affecting public health or safety. Conversely, low priorities are "wish list" items. Timing can be consistent with priority, but the purpose of the plan is to balance costs over time. Thus, if too many items rely on a single funding source, they may have to be staggered. In Winthrop's case, a target date has been set but is not limited by an ability to act sooner if funding becomes available.

- In some cases, the cost, priority or timing of improvements are contingent on decisions that require greater scrutiny and public input.

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.

- Annual appropriations: While funding a major purchase in a one-time annual appropriation can be disruptive to the budget, it works for lower-priced equipment or when a continuing monetary stream can be tapped for regular needs. Such is the case for paving in Winthrop's CIP.
- Undesignated fund: In keeping with its fund balance policy, the Town maintains at least one-twelfth or 8% of the year end audited General Fund budget total in undesignated funds. Funds in excess of those required by the policy may be used for one-time capital expenditures or to address emergency or even catastrophic needs that may unexpectedly arise.
- Reserve accounts: Winthrop's use of saving funds in capital reserve accounts for a number of years to pay for capital improvements has diminished from past practice. However, the Town Council has expressed a keen interest in resurrecting that practice, including appropriating unspent funds at the end of each fiscal year into those accounts.
- Bonding/lease-purchase agreements: Winthrop has used bonding (financing an immediate purchase with the debt to be repaid over time) for its largest capital needs, such as the construction of a fire station as recommended in the 2010 Comprehensive Plan. The Town has also used lease-purchase agreements to finance the acquisition of equipment and vehicles, including police patrol cruisers.
- Grants: Grants are generally competitive and, therefore, not assured. 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: Equipment that has outlived its usefulness yet retains some value is offered for sale through a public process. Typically, the revenue that sales generate supplements the departmental budget that paid for the equipment.
- 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 (such as for upgrades to emergency communications systems) or associations (such as for construction of the new athletic complex). While this source of funds may be more reliable than grants, it requires coordination with timetables outside of the Town's control. Funding for some items, such as Fire Department equipment using funds collected under the Town's Cost Recovery Ordinance, may come from fees assessed by the town, but would be limited to the rate at which fee revenue is accrued.

Financing of the CIP may come from any of a mix of sources, but the most important 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 bonding. Winthrop is fortunate in that it has smartly managed its bond financing and lease-purchasing and maintains a constant level of bonded indebtedness by replacing retired debt with new debt. Even so, the Town is looking to rebuild its reserve accounts and rely less on financing. Potential items in the planning matrix (*below*) that could be bonded include:

- A system upgrade to dispatch and emergency communications – estimated \$1.2 million. This cost will be shared with the seven other communities that rely on Winthrop for dispatching services and will certainly require bonding.
- A replacement of the library's elevator -- \$200,000. This expense will be funded with federal American Recovery Program Act (ARPA) funds.
- Acquisition of diesel fuel tanks -- \$400,000. This expense would be shared with the Winthrop Public Schools.
- Replacement of the Public Works facility – cost TBD. This expense would require bonding.
- Improvements to Norcross Point and Winthrop's neighboring public beach – cost TBD. The Town plans to seek state and federal grants for this project, each of which requires a local match.

Fiscal Management:

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 and 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. Local property values were last assessed in 2007. The market has changed dramatically since then, particularly on the lakefront and after the COVID pandemic struck in 2019; out-of-staters flocked to Maine, seeking refuge from both the pandemic and urban lifestyles. In mid-2023, the Town Council began exploring the possibility of a revaluation, as the town's minimum assessment ratio turned downward to the 70 percent required by state law.

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. These needs must be balanced with the capacity of a town to fund them.

Winthrop, despite being a service center, is primarily a residential town in terms of taxable property. Of the \$705,670,900 in taxable valuation in town in 2023, 80 percent of it comes from residential property. Nine percent comes from commercial property, with the remainder coming from industrial property, exemptions and personal property. Tax-exempt property is relatively minor. The two summer camps (YMCA and Methodist), the American Legion Hall and post offices are the most significant examples of tax-exempt entities. Another modification to valuation is one tax increment financing (TIF) district for historic building renovation, approximating \$45,000 per

year. Tax revenue, including excise taxes, equated to \$13.8 million in 2022, approximately 80 percent of overall revenues.

Total revenues for 2022 equaled \$17.3 million, and include licenses and permits (\$197,376), intergovernmental revenue (\$2 million), and charges for services (\$1.3 million) as contributors. The \$17.3 million revenue total is up about 19% from \$14.5 million in 2019. The property tax component is up by only \$155,000 (2 percent) since 2019. Overall total taxable value has increased by \$6 million (1 percent) during that time.

As illustrated in Table 1, municipal expenditures track fairly closely with revenues. Public education costs account for nearly 50 percent of total expenditure.

TABLE 1: REVENUE AND EXPENDITURE HISTORY, 2019-2022

 *Source: Town of Winthrop*

Winthrop Capital Investment Planning Matrix (Preliminary):

The table below provides a suggested approach to the CIP based on recommendations of the Comprehensive Plan. The formal Capital Improvements Plan is established and revised annually by the Town Council.

TOP CAPITAL NEEDS SUMMARY - 10-YEAR HORIZON, OVER \$100,000:

Department	Project / Need	Priority	Estimated Replacement	Estimated Cost New	Primary \$ Source
Public Works	Public Works facility	M	2034	TBD	Bond
Public Works	Street sweeper	M	2031	250,000	Lease-finance
Public Works	Trailers (4)	M	2032	490,000	Lease-finance
Public Works	Plow trucks (2)	M	2032	350,000	Lease-finance
Public Works	Excavator	M	2032	125,000	Lease-finance
Public Works	Loader	M	2030	300,000	Lease-finance
Public Works	Sand/salt shed	M	2030	300,000	Lease-finance
Public Works	Paving	H	2034	500K/yr	Annual appropriation
Public Works	Transfer Station scales	M	2030	250,000	Annual appropriation
Police	Dispatch / communications upgrade	H	2028	1.2M	Bond
Library	Elevator	H	2024	200,000	ARPA
Ambulance	Ambulance re-chassis (4)	H	2032	1.8M	Lease-finance
Ambulance	Car garage	L	2032	150,000	Lease-finance
Fire Department	Ladder truck	H	2034	2.1M	Lease-finance
Fire Department	Fire engine	H	2032	625,000	Lease-finance
Administration	Norcross Point improvements	M	2034	TBD	Grants & appropriation

Priority Level:

L= Low

M= Medium

H= High