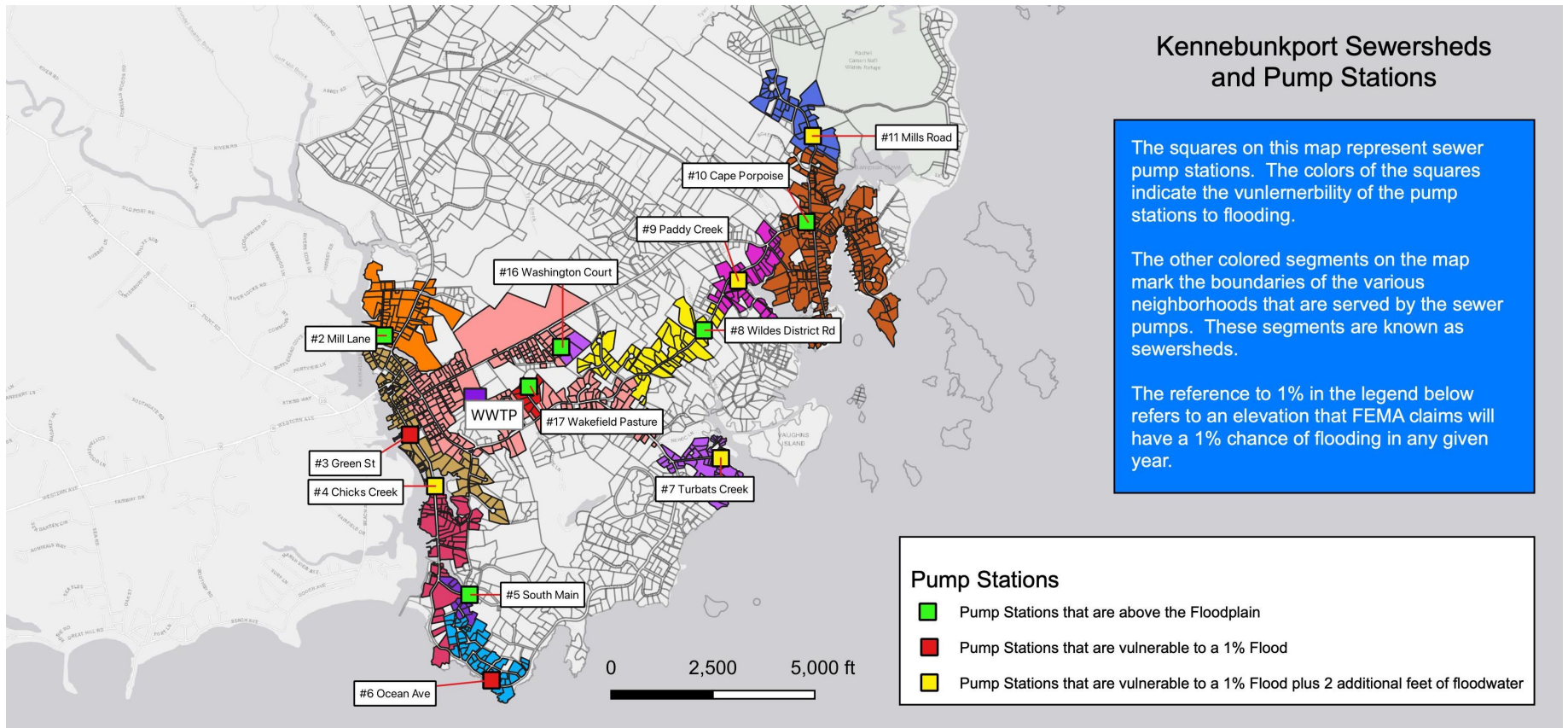


Chapter 14

Fiscal Capacity and Capital Investment Strategies



The map above depicts 13 of Kennebunkport's 17 sewer-sheds, all but one of which rely on a pump station to send wastewater toward the treatment plant. Many components of Kennebunkport's 50-year old sewer system are approaching the limits of their useful life. When renovating and rebuilding such infrastructure, the Town must remain cognizant of the unprecedented impact of sea level rise. Data for the map above was provided by Wright-Pierce Engineers.

Introduction

This chapter is intended to assist the Town in planning for the capital facilities needed to service the future growth and development in the community, and to adapt to a changing climate, and in particular, a rise in sea level. The strategy is designed to:

- Assess the ability of the Town's facilities to accommodate the anticipated growth and to prepare the community for climate change,
- Identify the needs for capital expenditures to service that growth and those preparations, and
- Evaluate the relative priority of the various needs.

In addition to the projects identified in the capital investment strategy, the plan also proposes that the Town support other capital investments that are aimed at improving the quality of life of residents and maintaining the Town's facilities. Those activities will also need to be addressed in the Town's ongoing capital improvements program.

Population Growth

During the first decade of the 21st century, the Town's year-round population decreased from 3,720 to 3,474, or 6.6%.¹ The Census Bureau estimates the population in 2018 to be 3,582, an increase of 108 since 2010, or 3.1%.²

In recent years, Kennebunkport experienced a shift in its population from permanent residents to an older, more seasonally occupied community. The town's seasonal population is estimated at over 12,000.³

During the century's second decade, a number of year-round homes were converted to short-term rentals. This trend tends to inhibit growth in the year-round population.

Despite its relatively small year-round population, the Town of Kennebunkport operates as a full service municipality with a full-time administrative staff, its own police department, a recreation department, public health department, and other programs and staff typically not found in communities of its size. Because of the large influx of seasonal residents and visitors, public facilities are typically sized to accommodate an expanded use and, in some cases, expanded staffing, during the summer season.

The Town's facilities generally appear to be adequate to provide services for the growth in both year-round population and seasonal visitors.

Preparing for Population Growth and Climate Change

The 2012 Comprehensive Plan identified several proposed capital improvements that were subsequently constructed. These include the establishment of an emergency management command center in the police station, the construction of a new recreation center, the rehabilitation of Government Wharf, and the reconstruction of a 670-foot stretch of seawall along Ocean Avenue in the vicinity of Chick's Creek. These improvements are detailed in Chapter 13 of the 2021 Comprehensive Plan entitled Public Facilities & Services.

The 2021 Comprehensive Plan (see chapters 13 & 15) recommends several additional capital improvements, as detailed below, and in chapter 13.

Expansion of the Village Fire Station

The proposed expansion at the Village Fire Station would entail the conversion of the meeting room into offices for department staff and Emergency Medical Services, and bunks for paid staff. The renovation and expansion of the fire station is proposed for 2025 at an estimated cost of \$840,000.

Seawalls

Two additional stretches of seawall along Ocean Avenue, one 80 feet in length and the other 163 feet long, need to be rebuilt at a cost of \$2 million.

Municipal Communications Upgrade

The municipal communications equipment is inadequate. The 2021 Comprehensive Plan proposes the replacement of analog communication equipment with a digital system, and the erection of two communication towers at a cost of \$1.8 million.

Sewer System

The plant's capacity is more than adequate to handle population growth in the foreseeable future, as detailed in Chapter 13. Historically, the Town's emphasis has been on a gradual expansion of the sewer system. However much of the existing infrastructure is approaching the end of its design life, and it is increasing evident that sea level poses a threat to the integrity of most of the system's 16 pump stations. Consequently, the Town's emphasis in the near term will be protecting existing infrastructure, while postponing major expansions of the system. The first phase of these major investments in the system involve the replacement of worn-out components in the wastewater plant and the reconstruction of three pump stations, at a cost of \$6 million. Maine's Revolving Loan Fund will likely offer advantageous terms.

Cape Porpoise Pier

Plans are in the works for the reconstruction of the Cape Porpoise Pier and bait shed. The design will anticipate a rising sea level.⁴ The project will be undertaken in three phases over a three-year period (2022 - 2024) at an estimated cost of \$2.5 million. The Town will seek financial assistance from Maine's Small Harbor Improvement Program and the federal Economic Development Administration.

Pier Road

The design for the reconstruction of the low lying Pier Road will account for sea level rise. The road's elevation is approximately 7 feet above mean sea level. The reconstruction will raise the elevation to 11 feet, and will widen the road from 25 feet to 30 feet in order to create a paved shoulder for use by pedestrians and bicyclists.⁵ The length of reconstructed roadway will be 450 feet, and largely involves the section of roadway that runs along the causeway. The project cost is estimated to be \$1 million.⁶

New Town Offices Building

The Town's Municipal Facility Needs Study recommends a new 8,200 square foot building off North Street. The study concluded that the facility would accommodate the community's needs through 2040. The estimated cost is \$3.2 million.

Public Rest Rooms

Town officials have discussed the construction of public restrooms at the North Street Parking Lot, Goose Rocks Beach, Cape Porpoise Pier, and Government Wharf. Seasonal facilities would be established at all recreational sites such as Cape Porpoise Skating Rink, trail locations, and playing fields.

Land Conservation

The Town should continue to collaborate with the Kennebunkport Conservation Trust to expand the inventory of protected lands. Land conservation's benefits are several: it provides recreational opportunities, protects rare natural habitats, helps to preserve the community's scenic and rural character, while the forested areas efficiently sequester carbon. Additionally, the conservation of land in low lying areas will reduce future property losses caused by sea level rise.

Pedestrian Bicycle Network

Town officials have discussed compiling an inventory of walking, bicycle & hiking trails, and devising a plan to increase connectivity.

Conditions & Trends

Expenditures by Category

Trends in municipal expenditures, both actual and budgeted, during the current and past five fiscal years are depicted in the figures below and opposite.

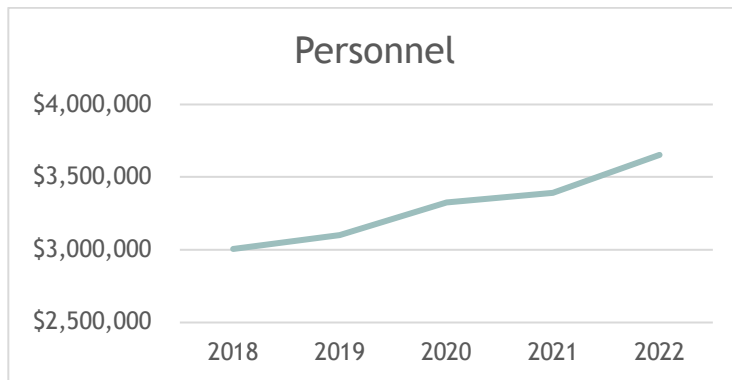


Figure 14-2 Expenditures in Personnel FY2018-2022 (Source: municipal budgets)

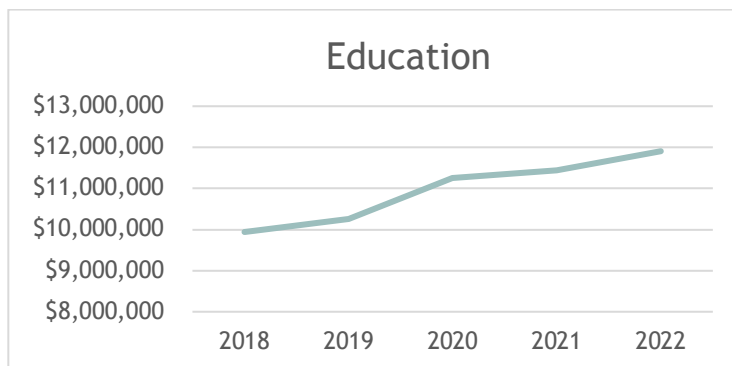


Figure 14-3 Expenditures in Education FY2018-2022 (Source: municipal budgets)

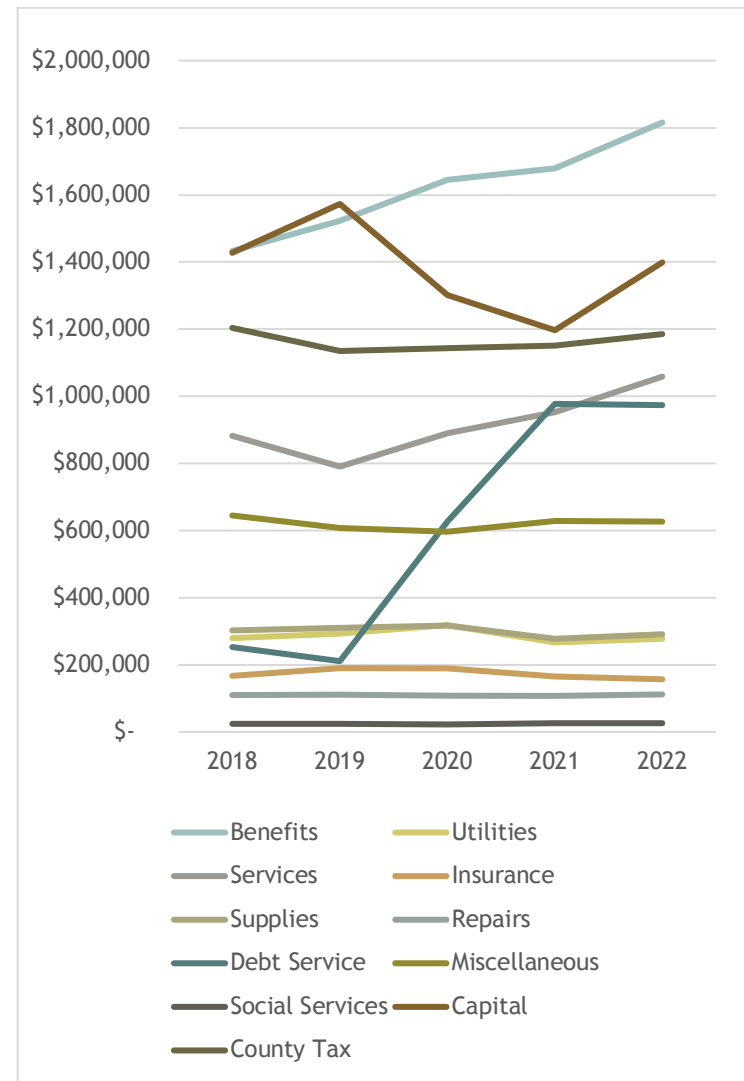


Figure 14-4 Expenditures other than Personnel & Education FY2018-2022 (Source: municipal budgets)

As seen above, debt service and capital improvements have varied, while a steady increase is evident in personnel, education, benefits, and services.

Expenditures by Category

Expenditures, actual and proposed, for FY 2021 & 2022 are shown in Table 14-1 below and Figure 14-5 opposite.

Table 14-1 Proposed Expenditures FY2022 (Source: Municipal Budgets)

Category	FY2021	FY 2022
Personnel	\$3,390,864	\$3,653,271
Benefits	\$1,678,511	\$1,815,724
Utilities	\$266,746	\$277,908
Services	\$952,242	\$1,058,635
Insurance	\$165,630	\$156,980
Supplies	\$277,647	\$291,351
Repairs	\$107,450	\$110,950
Debt Service	\$977,466	\$973,058
Miscellaneous	\$629,015	\$626,769
Social Services	\$26,118	\$25,368
Capital	\$1,196,914	\$1,398,800
County Tax	\$1,150,725	\$1,185,247
Education	\$11,447,719	\$11,905,628
Total	\$22,267,047	\$23,479,689

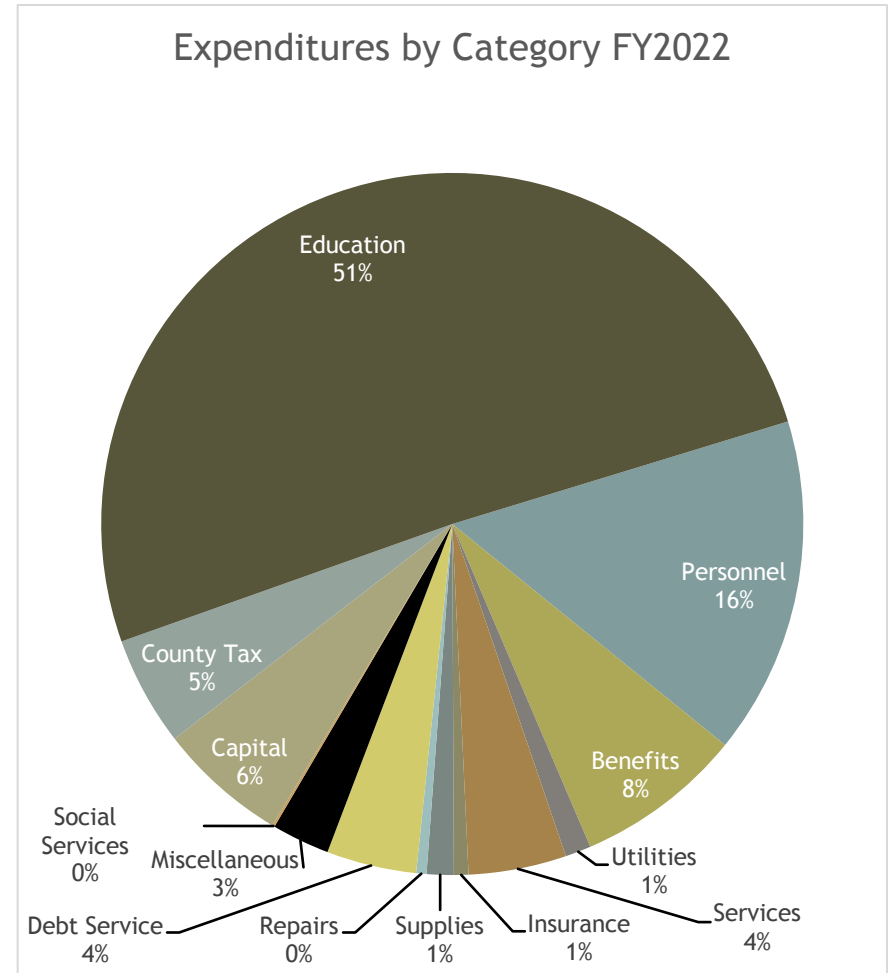


Figure 14-5 Expenditures by Category FY2022 (Source: Municipal Budgets)

Revenues by Category

Trends in municipal revenues, both actual and estimated, during the current and past five fiscal years are depicted in the figures below and opposite.



Figure 14-6 Property Tax Revenues FY 2018-2022 (Source: Municipal Budgets)

As seen in Figures 14-6 & 14-7 Kennebunkport has grown increasingly reliant on property taxes during the past five years.

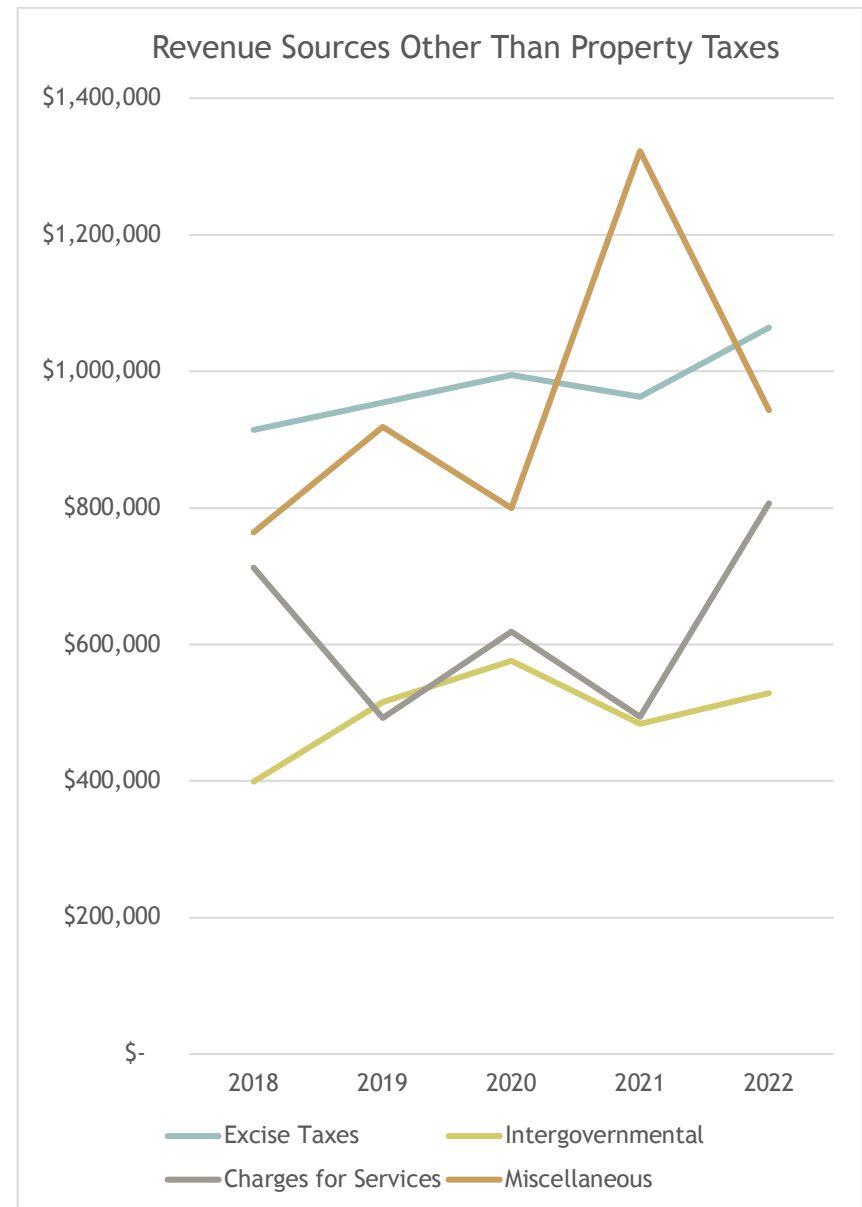


Figure 14-7 Tax Revenues FY Other Than Property Taxes 2018-2022 (Source: Municipal Budgets)

Revenues by Category

Revenues, actual and estimated, for FY 2021 & 2022 are shown in Table 14-2 below and Figure 14-8 opposite.

Table 14-2 Estimated Expenditures FY2022 (Source: Municipal Budgets)

Category	FY2021	FY 2022
Property Taxes	\$19,004,109	\$20,137,569
Excise Taxes	\$962,600	\$1,064,000
Intergovernmental	\$484,088	\$529,020
Charges for Services	\$493,750	\$806,600
Miscellaneous	\$1,322,500	\$942,500
Total	\$22,267,047	\$23,479,689

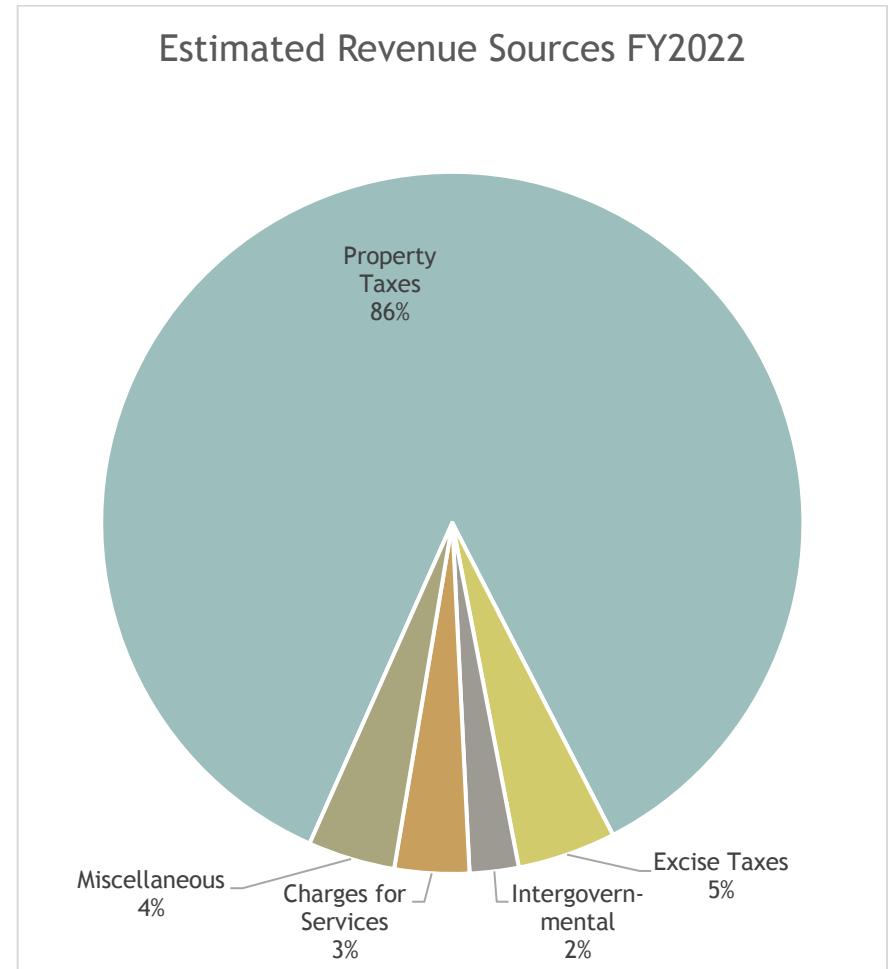


Figure 14-8 Estimated Revenues by Category FY2022 (Source: Municipal Budgets)

Tax Rate 2016-2020

The FY2020 tax rate is \$9.45. Trends in the tax rate from 2016 through 2020 are depicted in the figures below and opposite.



Figure 14-9 Tax Rate 2016-2020 (Source: Town Reports)

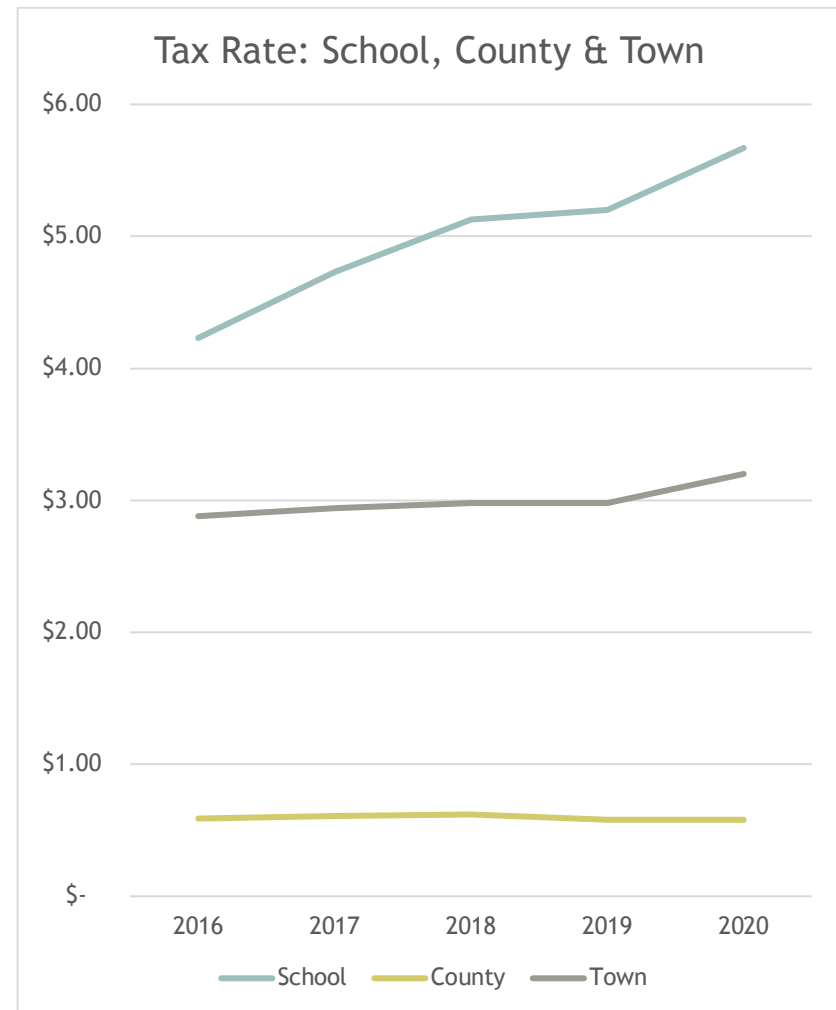


Figure 14-10 Tax Rate Attributable to the Schools, County and Town, 2016-2020 (Source: Town Reports)

As seen above, the portion of the tax rate driven County and Town spending is holding fairly steady, while that of RSU 21 has been climbing steadily.

Tax Rate & Valuation

The components of the 2020 tax rate are shown in Figure 14-11 below. A healthy increase in the town wide valuation during the period 2016-2020 is evident in Figure 14-12 opposite. It should be noted that, as of 2019, the valuation was 76% of market value. A valuation at 100% (in 2020) would be approximately \$2.61 billion.

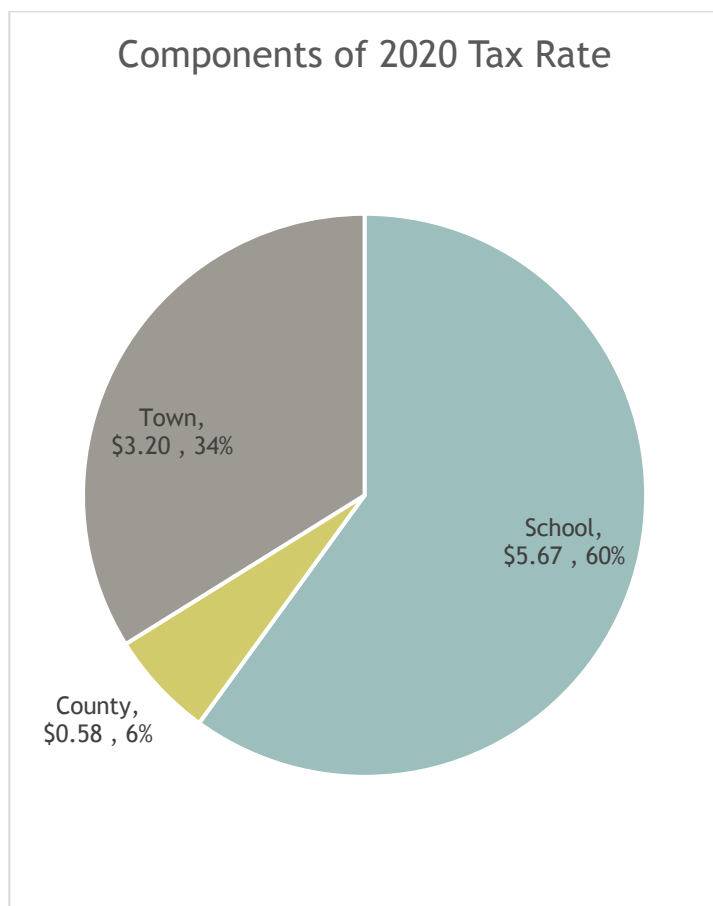


Figure 14-11 2020 Tax Rate (Source: Town Reports)

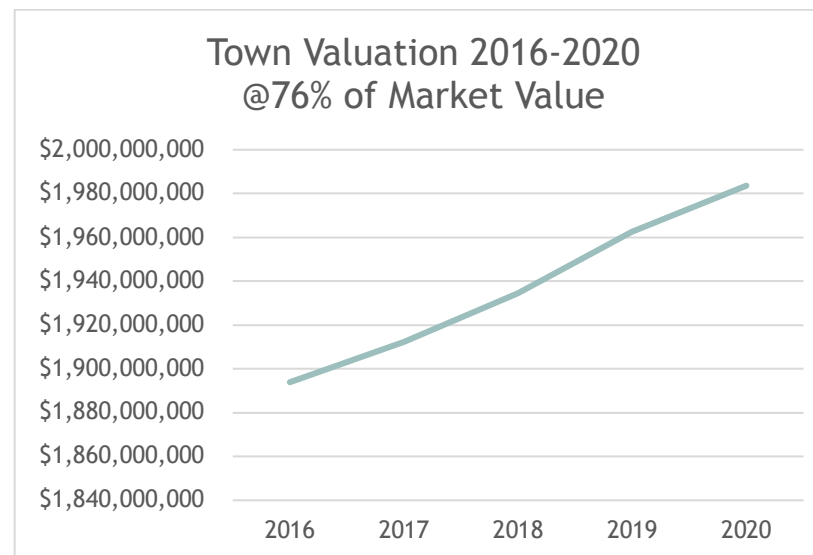


Figure 14-12 Town Valuation 2016-2020 (Source: Town Reports)

Municipal Policies

In order to support the State’s goal of planning for, financing and developing an efficient system of public facilities and services to accommodate anticipated growth and economic development, Kennebunkport strives to:

- Finance existing and future facilities and services in a cost effective manner.
- Explore grants available to assist in the funding of capital investments within the community.
- Reduce Maine’s tax burden by staying within the limitations adopted by the State in 2005.

Capital Improvements

Kennebunkport maintains a 5-year capital improvement program that is updated annually. Unlike many other Maine communities, Kennebunkport's plan extends well beyond the requisite five year horizon. For example, part of the Fire Department's plan goes as far into the future as 2055. In a similar fashion, the Public Works Department is looking out to 2035. The sewer system has likewise been examined in a comprehensive manner. As these three categories of municipal divisions typically account for the most expensive town assets, it is wise and farsighted to look beyond the typical five year planning horizon.

The capital improvements are funded via a variety of means, including but not limited to capital reserve accounts, federal and state grants, bond issues, and general revenues. For example, the acquisition of major fire apparatus is partially supported by Kittredge Family Fire Equipment Fund and the Clifford Seavey Fund. Likewise, the Town hopes to fund some improvements to the Village Parcel with an earmark from recent federal legislation to aid in economic recovery.

The Town has a solid track record in terms of mixing the sources of funding in a manner that avoids a spike in the tax rate from one year to the next.

Kennebunkport has collaborated in the past with nearby communities to share the capital costs involved with public education (RSU 21), potable water supply, and addressing the impacts of climate change, as detailed in Chapter 17 of this document. The Town commits to furthering such collaboration in the future.

Municipal Debt

Title 30-A Section 5702 limits the amount of debt a municipality may incur. A municipality may not issue debt for purposes other than schools, storm water infrastructure, sewers, or energy facilities that would exceed 7.5% of the municipality's valuation. The overall limit on debt is 15% of the valuation.

As of March 2021, Kennebunkport's municipal debt was \$12,143,983⁷ and the property valuation at 100% was approximately \$2.61 billion.⁸ Dividing the former by the latter calculates to a municipal debt to valuation ratio of 0.5%. When incorporating Kennebunkport's share of debt incurred by RSU 21, York County, and the water district results in a total debt of __%. The figure is well within statutory limits and the Maine Bond Bank's recommended parameters.

A municipal debt at this level leaves Kennebunkport with ample borrowing capacity should more debt be required to fund capital improvements.

¹ US Census 2000, 2010

² ACS 2018 5-year estimates

³ Town of Kennebunkport 2017 Annual Report.

⁴ Kennebunkport Capital Improvement Program.

⁵ Estimate by Woodard & Curran, February 5, 2013.

⁶ Ibid.

⁷ Interview with Town Manager Laurie Smith on March 29, 2021.

⁸ Proposed Municipal Budget FY2022, Town of Kennebunkport, February 25, 2021, pages 7 & 61.