



The Community Preservation Act

Bonding 101



**Community
Preservation Coalition**
Preserving our past. Building our future.

Borrowing Permitted Under CPA



- Very popular!
- 89 municipalities -226 CPA projects
- Over \$325 million in project costs paid for with bonds
- Most popular projects:
Acquiring land, historic rehabilitation, creation of recreational assets

Borrowing Permitted Under CPA



- General obligation bonds of the city/town, but issued against your future CPA revenue stream
- Can only bond against local surcharge, not state match
- Two-thirds vote needed to pass bonded projects at Legislative Body

Determining Your Bonding Capacity

- Work with municipal officials to determine what amount you can afford to bond
- Consider a “CPA Bonding Capacity” spreadsheet to guide your future planning
- Update it every year



Bonding Capacity

Maximum Bonding Capacity of Community					
Preservation Fund for Open Space Purposes					
<u>Fund Activity</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Balance	\$ -	\$ 1,644	\$ 14,913	\$ 39,682	\$ 83,826
Plus: Annual Estimated Local CPA Revenue	\$ 525,000	\$ 538,000	\$ 550,000	\$ 565,000	\$ 578,000
Less: 25% Annual Reserves(Admin, Hist Pres, Com Housing)	\$ 131,250	\$ 134,500	\$ 137,500	\$ 141,250	\$ 144,500
Available Cash	\$ 393,750	\$ 405,144	\$ 427,413	\$ 463,432	\$ 517,326
Less payment on exisiting CPA bonds	\$ 256,556	\$ 252,156	\$ 247,356	\$ 242,156	\$ 236,396
Funds available for annual payment on new CPA bond	\$ 135,550	\$ 138,075	\$ 140,375	\$ 137,450	\$ 139,525
Ending Balance	\$ 1,644	\$ 14,913	\$ 39,682	\$ 83,826	\$ 141,405
<u>Details on a potential bond the Town could issue under CPA</u>					
Borrow 6/1/07, begin repayment on 6/1/08					
\$1,790,000 for 20 years @ 4.5%					
Principal Payment	\$ 55,000	\$ 60,000	\$ 65,000	\$ 65,000	\$ 70,000
Interest	\$ 80,550	\$ 78,075	\$ 75,375	\$ 72,450	\$ 69,525
Maximum annual debt repayment that could be supported under CPA:	\$ 135,550	\$ 138,075	\$ 140,375	\$ 137,450	\$ 139,525

Bond Term (in years)

- Length of bond term follows state guidelines on bonding (up to 30 years in some cases)
- CPC recommendation should include bond term



Town Warrant Article/City Council Order



- Should mention “under authority of Ch. 44b”
- Include misc. costs
- Include bond term
- Can fund with multiple funding sources (existing funds + bond for the balance)
- No subsequent ballot election required

After Bond is Authorized...

- CPA and non-CPA projects can be combined in one bond issue
- CPC recommends annual debt service payment each year (include in your CPA budget)
- Legislative body can decide to fund an annual payment from another source other than CPA
- It DOES NOT work in reverse!
You cannot use CPA funds to pay a bond authorized under another funding source



Annual Debt Service

If payment on a project bond is more than 10% of your annual CPA revenue, bond payment counts as your 10% requirement for that category



Sample CPA Budget – Including a Bond

\$100,000 total CPA revenue

Historic Reserve:	\$10,000
Housing Reserve:	\$10,000
X Parcel O.S. Debt Service:	\$15,000*
Administrative Acct:	\$ 5,000
Budgeted Reserve:	<u>\$60,000</u>
	\$100,000

* Counts as your 10% Open Space Requirement

What Happens if CPA is revoked?

- 1) All existing funds encumbered to pay off debt. If that's not enough...
- 2) Keep CPA surcharge on tax bills at full 3%, put everything toward bond.
- 3) Reduce CPA surcharge to whatever percentage will fund annual debt service (with DOR approval)

Note: Above has never happened



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For more information:
www.communitypreservation.org