



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

**Bonding 101 with the
Community Preservation Act**

Borrowing Permitted Under CPA



- Very popular!
- 97 municipalities
- 261 CPA projects
- Over \$417 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

Debt Service Schedule

DEAN STREET LAND PURCHASE

[illegible]

CHESTNUT STREET LAND PURCHASE

<u>FY</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>
FY07			-	18,027.36
FY08			-	110,100.00
FY09			-	107,850.00
FY10			-	110,625.00
FY11			-	108,425.00
FY12			-	111,125.00
FY13		28,380.00	28,380.00	137,105.00
FY14	95,000.00	58,212.50	153,212.50	271,561.11
FY15	95,000.00	55,600.00	150,600.00	323,325.00
FY16	100,000.00	53,175.00	153,175.00	364,406.42
FY17	100,000.00	51,175.00	151,175.00	541,112.50
FY18	100,000.00	48,675.00	148,675.00	529,862.50
FY19	105,000.00	46,125.00	151,125.00	528,137.50
FY20	105,000.00	44,025.00	149,025.00	522,037.50
FY21	110,000.00	41,325.00	151,325.00	515,237.50
FY22	115,000.00	37,950.00	152,950.00	512,437.50
FY23	115,000.00	34,500.00	149,500.00	504,178.13
FY24	120,000.00	31,575.00	151,575.00	496,293.76
FY25	120,000.00	29,100.00	149,100.00	434,706.26
FY26	125,000.00	26,418.75	151,418.75	433,746.88
FY27	130,000.00	23,550.00	153,550.00	325,168.75
FY28	130,000.00	20,462.50	150,462.50	318,537.50
FY29	135,000.00	17,150.00	152,150.00	316,175.00
FY30	140,000.00	13,712.50	153,712.50	313,687.50
FY31	140,000.00	10,037.50	150,037.50	305,962.50
FY32	145,000.00	6,118.75	151,118.75	302,656.25
FY33	150,000.00	2,062.50	152,062.50	298,875.00
			-	142,087.50
			-	137,362.50
	2,375,000.00	679,330.00	3,054,330.00	8,574,660.06

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:
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