

## Long Range Financial Planning - Community Preservation Act Working Group

August 2023

**Summary:** The Community Preservation Act (CPA) Working Group met twice this past summer to discuss possible adoption of the CPA. Specifically, we were asked to determine if adoption of the CPA could be done as a possible funding source for an identified anchor project (i.e. Hale). Hale Education has asked both the town of Westwood and the town of Dover to provide \$10 million each in exchange for conservation restrictions being placed on Hale land located in the communities. While this working group has not been asked to evaluate the merits of the Hale request and any associated terms to accomplish placement of a CR, we were provided with a big picture overview of the Hale request.

The Hale request for \$10 million would likely be financed with debt meaning a borrowing article would be placed on the Town Meeting warrant. A funding source is necessary to be identified in the borrowing article. Two possible approaches to funding include 1) increasing the annual debt service budget with fees raised through the CPA surcharge and 2) a debt exclusion outside Prop 2 1/2 requiring both a TM and ballot vote. Specifically regarding borrowing within the annual debt service budget and without a debt exclusion, our working group was asked if CPA funds could be raised in time to be a funding source for the Hale CR.

We determined the steps to necessary leading to adoption of CPA and possible Town Meeting action regarding the Hale request are as follows:

- Obtain Town Meeting approval to adopt the Community Preservation Act.
- Obtain approval to adopt CPA at a town election. Note: A ballot vote may not be scheduled for a Special Election.
- Form the Community Preservation Commission (CPC) to create a process, review proposals (i.e. Hale CR), allocate sufficient funds to be collected annually to cover debt service and then seek Town Meeting approval of recommendation(s). Note: Any proposals made by the CPC to a Town Meeting cannot be amended at Town Meeting.

Given consideration of the Hale proposal is already underway by the Select Board with possible action at a Town Meeting in the next six to ten months, adoption of the CPA could not be done in time to be a funding source. Any CPA funding request at a Town Meeting must be made by the CPC and must precede a borrowing authorization. In other words, if the town has a town meeting vote already authorizing a borrowing to fund a Hale conservation restriction in place prior to adoption of the CPA and getting the CPC up and running, the funding source for that borrowing could not be changed to CPA funds.

The following timing options for adoption of CPA and subsequent Hale action at a Town Meeting have been touched on during the working group's meetings:

Option	Step 1 (Town Mtg)	Step 2 (Town Election)	Step 3 (CPC formation)	Step 4 (Hale funding of CR)	Step 5 (CPA Trust Fund distribution from Commonwealth)
<b>1</b>	Fall '23 Annual or Special TM	Spring '24 Election; cannot take to a Special Election	Formation of CPC (spring '24)	Hale proposal to TM (Spring '25)	Distributions from Trust Fund cannot be used if Hale CR financed with a borrowing.
<b>2</b>	Spring '24 Special TM preceding a town election	Spring '24 Election	Formation of CPC (spring '24)	Hale proposal to TM (Spring '25)	Distributions from Trust Fund cannot be used if Hale CR financed with a borrowing.
<b>3</b>	Special TM Oct. '24	Nov. '24 Presidential Election	Formation of CPC (early '25)	Hale proposal to Fall '25 Annual TM or sometime thereafter	Distributions from Trust Fund cannot be used if Hale CR financed with a borrowing.

\*Fall Annual TMs are provided for in the Town Charter and are held in the 2<sup>nd</sup> week of November unless the Select Board votes by the preceding Sept 15<sup>th</sup> to not hold a Fall Annual TM.

## **Pros and Cons to Adoption of the Community Preservation Act in general and specific to the possible Hale Conservation Restriction.**

### ***Pros for adoption of CPA***

- CPA funds raised by the town can be used for borrowings.
- It would help the town generate voter support (of Hale CR) at TM; and if funds are sufficient, a borrowing article using CPA funds would not require a ballot question at a local election.
- A portion of the municipalities annual CPA surcharge is matched by the Commonwealth.
- A portion of the funds generated locally and Trust funds from the Commonwealth would be available for other qualifying projects (i.e. recreation, historic preservation, affordable housing and open space preservation.)

### ***Cons against adoption of CPA***

- This would be a surcharge on all real estate tax bills at a time when the town's largest debt exemption (Pine Hill School) is just hitting tax bills and when several other capital projects are under active consideration.
- While a portion of funds can be used for other qualifying projects, none have been identified or scoped yet.
- A Hale CR is presently being evaluated by the Select Board. If brought to a Fall '23 TM or the Spring '24 TM, CPA funds would not be an eligible funding source.
- If Hale is asked and agrees to delay its request, the amount requested will likely increase.
- There are town staffing implications to provide service to a newly formed volunteer CPC. The CPC would also be asked to consider any qualifying projects brought to it by the community. The CPC would have its own budget process which adds to the work of the Finance and Warrant Commission as it goes through the town meeting process.
- Any funds received from the Commonwealth to supplement local CPA funds cannot be used for borrowings.

## Supplemental information

A sensitivity analysis of surcharge funds to be generated in Westwood at select percentages has been prepared. Highlights include:

- A CPA surcharge generates from \$435k (0.5%) - \$2.6M (3%) with no exemptions for both residential and commercial properties
- When adjusted for a \$100,000 property value exemption, the CPA surcharge generates from \$400k (0.5%) - \$2.4M (3%), equating to approximately \$35k for every 0.5% increment.