

## **Financial Management Policy – CPA Appendix**

### **Integrating Community Preservation Act (CPA) funds into the Town's financial policies, procedures, and processes**

#### **Scope and Purpose.**

By the Town of Littleton's adoption of the so-called "blended" Community Preservation Act in 2014, the one percent (1%) CPA property tax surcharge can be augmented by municipal revenues up to the equivalent of another two percent (2%), which increases the base for CPA state matching funds. Whether and to what extent municipal funds are added to the CPA fund requires a high degree of coordination between the Town government, the Community Preservation Committee, and the community as a whole. Accordingly, this Appendix to the Town's Financial Management Policy is jointly adopted by the Board of Selectmen, Finance Committee, and Community Preservation Committee in order to better integrate CPA funds into the Town's financial policies and procedures, including operating and capital budgeting, and short- and long-range fiscal planning processes.

#### **Statutory Framework.**

The Community Preservation Act, MGL Chapter 44B, is a local option statute which establishes dedicated sources of funding for qualifying open space, community housing, historic resources, and recreational purposes.<sup>1</sup> Town Meeting acts on recommendations<sup>2</sup> of the Community Preservation Committee<sup>3</sup> to appropriate or borrow CPA funds.

The Town of Littleton accepted the Community Preservation Act in 2007 and 2013, establishing a one percent (1%) property tax surcharge on all classes of real property,<sup>4</sup> with exemptions for the first \$100,000 of property value, and for owner-occupied low income and low/moderate income senior housing. In 2014, Littleton became the first town in the Commonwealth to accept the so-called "blended" CPA,<sup>5</sup> which authorizes town meeting to appropriate additional

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<sup>1</sup> Qualifying CPA purposes under MGL C.44B,§5(b)(2) are "for the acquisition, creation and preservation of open space; for the acquisition, preservation, rehabilitation and restoration of historic resources; for the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use; for the acquisition, creation, preservation and support of community housing; and for the rehabilitation or restoration of open space and community housing that is acquired or created as provided in this section; provided, however, that funds expended pursuant to this chapter shall not be used for maintenance. . . . With respect to recreational use, the acquisition of artificial turf for athletic fields shall be prohibited."

<sup>2</sup> MGL C.44B,§5(d): "After receiving recommendations from the community preservation committee, the legislative body [i.e., town meeting] shall take such action and approve such appropriations from the Community Preservation Fund as set forth in section 7, and such additional non-Community Preservation Fund appropriations as it deems appropriate to carry out the recommendations of the community preservation committee."

<sup>3</sup> As most recently amended, Town Code Chapter §14-1 provides that the Community Preservation Committee is comprised of one member each of the Conservation Commission, Historical Commission, Planning Board, Park and Recreation Commissioners, Littleton Housing Authority, and Finance Committee—each as designated by the sending board-- plus three individuals appointed by the Board of Selectmen.

<sup>4</sup> By its votes at the May 12, 2007 and May 11, 2013 Annual Town Elections, the Town accepted MGL C.44B,§§3-7, to establish a 1% surcharge on residential property in 2007, which surcharge was expanded in 2013 to include also commercial and industrial property.

<sup>5</sup> MGL C.44B,§3(b½) was added by the legislature in 2012. Littleton accepted that section, effective July 1, 2014, by its votes at the November 4, 2013 Special Town Meeting and the May 10, 2014 Annual Town Election.

municipal revenues into the CPA Fund to increase the base for State CPA matching funds up to the equivalent of a 3% surcharge. With a 1% property tax surcharge, Littleton can appropriate municipal revenues into the CPA fund up to the equivalent of another 2%.

- For Littleton in FY 2014, the 1% CPA surcharge raised \$218,700, for which the Town received State CPA matching funds of \$68,814, or 31.5%, in FY 2015. The base matching fund rate had been 52.23% in FY 2014, and 26.83% in FY 2013.
- For Littleton in FY 2015, the 1% CPA surcharge will raise \$227,484 (4.02% levy increase from FY 2014). The Town can add to the CPA fund municipal revenues of up to the equivalent of another 2%-- \$454,968-- for a total of \$682,452. If the matching fund rate were again 31.5%, the Town could anticipate receiving \$71,657 as a base state match, plus up to another \$143,315—for a total of \$214,972-- in FY 2016.
- Adding the full 2% equivalent in municipal revenues may also qualify the Town for equity and surplus distributions of state matching funds available only to communities at the 3% level.

Under the blended CPA, town meeting can commit into the CPA fund additional funds from other sources of municipal revenues, including but not limited to the following:<sup>6</sup> hotel (local room occupancy) excise taxes; linkage fees and inclusionary zoning payments (e.g., development mitigation funds); proceeds of sale of municipal property; parking fines and surcharges; existing dedicated housing, open space and historic preservation funds (e.g., unallocated cell tower revenues reserved for open space acquisition); and gifts received from private sources for community preservation purposes. As a municipal revenue source, Undesignated Fund Balance (UFB or free cash) could also be added to the CPA fund as a funding source for appropriate capital projects as described later in this appendix. The use of UFB for capital projects is specified under items b and g of section 12 of the Financial Management Policy.

The Community Preservation Committee is charged by statute to study the needs, possibilities and resource of the Town relative to community preservation, to consult with other existing municipal boards, and to hold one or more public informational hearings.<sup>7</sup>

### **Policies, Procedures, and Processes:**

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<sup>6</sup> MGL C.44B,§3(b½) provides that “additional funds so committed shall come from other sources of municipal revenue including, but not limited to, hotel excises pursuant to chapter 64G, linkage fees and inclusionary zoning payments, however authorized, the sale of municipal property pursuant to section 3 of chapter 40, parking fines and surcharges pursuant to sections 20, 20A and 20A1/2 of chapter 90, existing dedicated housing, open space and historic preservation funds, however authorized, and gifts received from private sources for community preservation purposes; and provided further, that additional funds so committed shall not include any federal or state funds.”

<sup>7</sup> MGL C.44B,§5(b)(1) “The community preservation committee shall study the needs, possibilities and resources of the . . . town regarding community preservation, including the consideration of regional projects for community preservation. The committee shall consult with existing municipal boards, including the conservation commission, the historical commission, the planning board, the board of park commissioners and the housing authority, . . . in conducting such studies. As part of its study, the committee shall hold one or more public informational hearings . . . notice of which shall be posted publicly and published for each of two weeks preceding a hearing in a newspaper of general circulation in the . . . town.”

In order to ensure better coordination between the use of CPA funds and other municipal funds, the Board of Selectmen, Finance Committee, and Community Preservation Committee hereby jointly adopt the following:

1. *Blended CPA Long-range Plan.* The Board of Selectmen, Finance Committee, and Community Preservation Committee shall annually adopt, review, and update a long-range plan for use of blended CPA funds over the next 10 to 20 years, including the 1 % CPA property tax surcharge and up to 2% in additional municipal revenues. Said plan shall incorporate any plan adopted by the CPC for the 1% CPA property tax surcharge following its study of the needs, possibilities, and resources of the town regarding open space, community housing, historic resources, and recreational purposes. Prior to the adoption of the Blended CPA Long-range Plan, the three boards shall conduct outreach to the community; shall consult with the Conservation Commission, Agricultural Commission, Housing Authority, Housing Committee, Historical Commission, Planning Board, Park & Recreation Commissioners, and School Committee; and shall hold one or more public hearings. Wherever possible, projects funded shall be consistent with the Blended CPA Long-range Plan.
2. *Requests from Town Boards and Departments, and others for Blended CPA funds.* All Town boards and departments seeking to use CPA funds for qualifying open space, community housing, historic resources, and recreational purposes shall initially request such funding through the annual operating and capital budgeting process, indentifying CPA as the proposed funding source. All requests for Blended CPA funds, whether from Town boards and departments or from other applicants, shall similarly be made initially through the annual operating and capital budgeting process. Requests for project eligibility and project funding shall also be made as determined by the Community Preservation Committee.
3. *Additional Municipal Revenues, Minimum Spending Requirements, Resulting State Matching Funds.* As part of the Town's annual budget process, there shall be a review of what additional municipal revenues are available for commitment to the Community Preservation Fund, to increase the base for state matching funds, a calculation of the resulting amounts needed to satisfy the minimum 10% annual spending requirements under MGL C.44B<sup>8</sup>, and a joint determination between the Board of Selectmen, Finance Committee, and Community Preservation Committee on how the resulting the state matching funds (received in the following fiscal year) shall be apportioned.
4. *Blended CPA Town Meeting Articles.* Any town meeting article pertaining to use of blended CPA funds shall be jointly submitted by the Community Preservation Committee and the Board of Selectmen and/or other sponsoring Town board. Such an article may specify that additional municipal funds be deposited into one or more of CPA funds established for open space, community housing, historic resources, or recreation purposes. In those cases where additional municipal funds are intended to go into the CPA fund only for a particular project, such an article shall both deposit funds into, and appropriate funds out of, the CPA fund for the project specified in said article.

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<sup>8</sup> For example, where the annual allocation (including use of Blended CPA funds) totals \$682,452, at least 10%-- or \$68,245—would need to be appropriated each for open space, community housing, and historic resources.

*5. Use of Gift Funds, Resulting State Match.* Where privately-raised gift funds are proposed to be deposited in the CPA fund for a particular project, there shall be an agreement between the donor and the Town, through the Board of Selectmen and the Community Preservation Committee, providing that, in recognition of the resulting increase in state CPA matching funds which the Town will receive in the following fiscal year, the amount appropriated for said project in a blended CPA article shall be no less than the amount of the donation plus an increment based on the current year's state matching rate.<sup>9</sup>

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<sup>9</sup> For example, for a \$50,000 donation deposited in the CPA fund in FY 2015, when the state matching fund rate was 31.5%, the amount to be appropriated for said project would be no less than \$62,250.