

TOWN OF HARWICH

Community Preservation Committee

Approved 3.11.2021

Community Preservation Committee Regular Meeting Minutes February 24, 2021

Meeting Held Remotely

1. Call to Order

Harwich Community Preservation Committee Meeting called to order per Roll Call by Chair Dave Nixon at 6:04 PM, on Wednesday, February 24, 2021 via GoToMeeting.com remote. By Roll Call Present: Chair Dave Nixon – Aye; John Ketchum – Aye; Bob Doane – Aye; Donna Kalinick – Aye; Kathy Green – Aye; Elizabeth Harder – Aye. Motion carried unanimously.

Meeting called to order.

Vice-Chair Mary Maslowski – Joined the meeting while in session.

Absent: Joseph McParland III

Guests: Community Preservation Coalition Executive Director Stuart Saginor, BOS Chair Larry Ballantine, Town Finance Director Carol Coppola, Finance Committee Chair Jon Chorey, and BAMC Chair David Spitz

Meeting Rules read into the record by Board Secretary Jan Moore

2. No Public comment.

3. Approval of Minutes: February 11, 2021 – Postponed.

4. New Business:

- a) Bonding 101 for CPA Projects - Presentation by Community Preservation Coalition Executive Director Stuart Saginor

Power Point Presentation.

Stuart had visited Harwich's Brooks Academy in the past and had found it to be a terrific building, but he thought the exterior was in rough shape.

Communities can borrow funds via bonding for their CPA projects. It is a very popular way to fund CPC projects. 99 municipalities have funded 269 CPA projects via bonding. Most of those projects were for acquiring lands, preservation of historic buildings, and creation of recreational assets.

Borrowing is permitted under the CPA through the town in a general bond. The money does have to be paid back. According to the rules, bonding is against the future revenue stream of funds, which can only be against the local surcharge monies; it cannot be against the state matching funds. A two-thirds vote is needed to pass bonded CPA projects through the legislative body of the town.

The best way to determine what amount that can be afforded to bond is to work the town to determine our Bonding Capacity. The Town Finance Director can help us create a Bond Capacity Spreadsheet for future projects. This spreadsheet would need to be updated annually with Harwich's figures. Stuart can email the committee a spreadsheet example.

Harwich has not had a bonded CPA project before. Every year Harwich CPA monies are divided up, requiring an allocation of 10% to three CPA categories: Historic Preservation Reserve, Community Housing Reserve, Open Space Reserve. The balance of funds goes to the Undesignated Fund. Harwich's local surcharge is 3%. Currently the local surcharge brings in about a million dollars that is required to be divided up between the three categories, afterwards Harwich might have a \$750,000 limit for a bonding project.

CPA Bonding is not raising taxes but using the surcharge funds.

A Bond Counsel, a specialized legal counsel, would draft the bond for the town. There is a \$30,000 to \$40,000 fee.

Interest would have to be paid. Interest rates can fluctuate. The rates are good right now.

The duration of the bond needs to be considered. The CPC can recommend the Bond Term. It follows the state guidelines, the term is usually for 20 – 30 years, depending on the CPA type of project. The Bond Term should be part of the warrant article. Otherwise, the town treasurer may decide the term, and this would change things up.

The CPC warrant article should include:

- The bonding code "under authority of Ch. 44b"
- Misc. costs
- The bond term

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Other points to remember

- Can fund CPA project with multiple funding sources (existing funds + bond for the balance)
- No subsequent ballot election is required

After the 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 the 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

A Debt Service Schedule will show the CPA bonded project payback schedule. The monies will need to be accounted for annually as part of the committee's budget. If payment on a project bond is more than 10% of our annual CPA revenue, bond payment counts as your 10% requirement for that category.

What happens if CPA is revoked? How will the bond be paid back?

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

It was noted that this has never happened.

Committee questions:

John asked how other towns are relying on bonds to fund their CPA projects.

Stuart answered that it varies. Not all towns bond CPA projects. There are a few towns that are almost all bonded out. (At their full bonding capacity.) For many towns, it is just a percentage.

In Gloucester, they did a CPA project to rehab an historic building. The first bond was for the exterior of the building, with a 13-year bond term, using half of their allowable bonding capacity. After that is completed, they'll create another bond to do the interior work.

Another town has bonded open space land acquisitions. Their choice to bond rationale is that land is permanent, so why burden just the current residents. The future residents should be included in the obligation.

So maybe iconic or significant projects tend to be bonded.

Donna asked Stuart if he recommended the committee do some five-year public planning?

Stuart said yes. Every town has a five-year capital plan. CPA concerns the quality-of-life issues, which are not the sort of requirements one sees in a capital plan, like scheduling a fire truck replacement. But one may want to see what projects may be coming up. If the committee is bonding CPA projects, the CPA funds are budgeted over the course of X-years. The plan would be a managing tool to forecast what is coming up, but it is hard to have definite plans.

Donna asked Stuart about short term (5 years and under) bonding.

Stuart explained the costs are high in bonding projects along with other factors, so short term bonding is in the minority use. Then again, it may be useful, using bonding with huge payback amounts to complete the project in a shorter time period. (The legal fees and interest fees add to the cost.)

Donna asked Stuart if the CPC can change the terms of the bond after the fact and after the town meeting vote. For example, pay back the bond early?

Stuart said he wasn't sure of the mechanics. He suggested asking the town treasurer.

Donna asked Stuart if the amount of debt would count towards the required 10% allocations?

Stuart explained that what is in your reserve accounts is what was allocated prior. The bond is against future revenue stream of 3% surcharge. The Debt Service Schedule will show what your payments will be as you go. If you take your bond payment from the reserve account, you will have to reserve or spend the 10% allocations in this year's round of funding.

Donna asked Stuart if you can bond a CPA project on private assets vs. town assets?

Stuart said the answer is confusing. He has seen a town bond a CPA project on a privately owned asset. In another town, the legal counsel said that wouldn't be allowed. So, it is a great legal question you should ask.

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Donna said she thinks bonding should be only used on CPA projects on municipal land. She would not vote for bonding on private assets. Private assets need a great deed restriction.

Regarding the Harwich Housing Trust, David said he would consider bonding for a specific project, not to stocking their bank account to have funds on hand to act on in the future.

Stuart agreed with him. You would be paying fees and interest for years for their bank account for future unknown projects.

Donna pointed out that the CPC has the ability to bond, where the Housing Trust does not have bonding ability. Stuart said the Trust doesn't have a revenue source. Funding the Trust is not restricted to the CPA funding. The town could contribute. The town could create a general bond for the Housing Trust. The general town bond would have to go to a Town Meeting for approval. Smaller bonds under the town's 2 ½% cap wouldn't have to go then to a ballot, they would just need to receive a two-thirds approval vote.

Elizabeth asked Stuart if the Town is not allowed to use CPA funds for any other debt service, but what if the CPC takes on debt to help out the Trust - could we restrict the Trust to pay it back?

Stuart didn't think that was possible. The Trust doesn't have a source of revenue, like a tax revenue. He didn't know how they would pay it back.

Elizabeth asked about a healthy Debt Service. Is there a formula for that?

Stuart answered there are debt service formulas and State guidelines for towns that incorporate the town's credit rating. The CPA debt will be a tiny piece of the town's budget. The State doesn't have specific formulas just for the CPA funds. What percentage of funds should be used for bonding? – It is all over the map.

Kathy said Harwich is still paying off Land Bank Debt. She asked Stuart how many towns still have Land Bank Debt and are bonding CPA projects?

Stuart said there are some 13 towns on the Cape that converted their Land Bank programs to CPA. Chatham and Provincetown have both still. He has tried to get the answer to how much debt came over from the Land Banks to CPA and hasn't been able to find the total amount, yet. It is possible to bond if you have Land Bank Debt. But if the town's Land Bank Debt is still too high, there may not be room to bond. Bond Capacity will answer that question. He said he will email us the list of every bonded CPA project.

Dave asked if we could refinance our Land Bank Debt and include that in another bond?

Stuart said he was not sure, but he thought it is just another bond the town has, so yes. But that is a Bond Counsel question.

Dave asked if the Administrative Fund could cover the bond's issue costs?

Stuart said no. CPA project costs cannot use Admin Funds.

The floor was open to guests for questions. Larry, Jon, and David thanked Stuart for the very useful presentation.

All inquiries for Community Preservation Coalition Executive Director Stuart Saginor should go through the Harwich CPC, as they are the member of the Coalition. Dave reminded everyone to send their questions to him as the Chair of the Harwich CPC.

Donna asked Stuart if the Town votes to reduce the 3% surcharge, how will the bond be affected?

Stuart said the Bond Capacity sheet is so helpful here. The town cannot reduce below what is owned on the bonded project. The Debt Service spreadsheet will show how much is owed on the bond.

Donna pointed out that bonding CPA projects will reduce the funds available for future projects.

7:16 PM Community Preservation Coalition Executive Director Stuart Saginor left the meeting.

Donna pointed out a Bonding Counsel is not the same as the regular Town Counsel. She stated it is important the community reviews and asks questions. There are many things to consider long term. She thanked the guests at tonight's meeting for attending.

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John asked what would happen if the Town voted to reduce the 3% surcharge. The bond must be paid back. The Town cannot reduce it to less than what the bond owes. If it is under the Town's 2 ½% cap, could a bonded CPA project happen?

Mary said Harwich is already using their 2 ½%. She thought it would be tough to do a small bond amount. She stated she doesn't think this would be an option for the Harwich.

5. Old Business:
 - a) Website updates: What could be added? Postponed.
6. Other
7. Next meeting's Agenda points. Postponed.

8. Adjournment

A motion was made by Bob Doane, seconded by Elizabeth Harder, to adjourn.

ROLL CALL VOTE: Chair Dave Nixon – Aye; Vice-Chair Mary Maslowski – Aye; John Ketchum – Aye; Bob Doane – Aye; Kathy Green – Aye; Donna Kalinick – Aye; Elizabeth Harder – Aye. Motion carried unanimously.

Adjournment at 7:22 PM.