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**CITY OF SOMERVILLE, MASSACHUSETTS
COMMUNITY PRESERVATION COMMITTEE
COMMUNITY PRESERVATION ACT FUND EXPLANATION
Updated June 12, 2014**

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The Community Preservation Act (CPA) Fund was established after the voters of Somerville adopted the CPA (M.G.L. Ch. 44b) by an astounding margin of 76% in November 2012. The CPA creates a new funding source for the City to invest in historic preservation, affordable housing, and open space and recreation projects. The Fund has three key annual revenue sources:

1. A 1.5% surcharge on net property taxes, which generated \$1,316,187 in FY2014 through May 29th.
2. Discretionary appropriations into the Fund by the City. The Board of Aldermen approved an appropriation of \$1,355,671 from Unreserved Fund Balance (free cash) to the Community Preservation Act Fund in FY14.
3. Annual distributions of state funds that match total local funding (surcharge revenue and City appropriation) for the previous fiscal year. The Department of Revenue's current estimate of the FY15 base match rate is 23%. The state also rewards communities that collect the maximum allowable CPA revenue (the equivalent of 3% of net property taxes) with an increased state match rate. The Board's appropriation into the CPA Fund brings the City to this amount, thereby maximizing the matching funds the City will receive from the state. The state is also considering transferring additional revenue into its CPA Trust Fund, which could increase the base match rate to an estimated 44%. Using a low base match rate, the Community Preservation Committee estimates a state match of \$662,621 and using a high base match rate, \$1,255,773.

The FY15 budget for the CPA Fund indicates how the Community Preservation Committee intends to spend estimated FY15 CPA revenue. In estimating this revenue, the Committee has conservatively assumed that:

1. FY15 surcharge revenue will be the same as FY14 surcharge revenue.
2. The City will not appropriate additional revenue into the CPA Fund in FY15. The decision to do so should be evaluated by the Administration and the Board of Aldermen in the spring of 2015.
3. The state will distribute matching funds using the low base match rate of 23%.

The Committee anticipates opening the application process for CPA funding in late summer of this year and making recommendations to the Board of Aldermen on projects to receive CPA funding in early 2015. At this point, therefore, spending from the CPA Fund is determined by the CPA legislation, which:

- Requires that the City spend or reserve at least 10% of annual estimated revenue for each of historic resources, community (affordable) housing, and open space (including recreation).
- Allows the City to appropriate up to 5% of annual estimated revenue for the Committee’s administrative and operating expenses, the majority of which is accounted for by the salary of the Community Preservation Act Manager, who carries out all work related to the Act and the Committee.
- Allows the City to place the remaining estimated revenue in a budgeted reserve, which allows the City to spend the funding after the tax recap.

The Committee’s FY15 budget is therefore as follows:

FY15 CPA Fund Estimated Revenue	
Surcharge revenue	\$1,316,187
City appropriation	\$0
Estimated state match of FY14 surcharge revenue and City appropriation	\$662,621
Total	\$1,978,808
FY15 CPA Fund Appropriations and Reservations	
Open space and recreation reserve (10% of FY15 estimated revenue)	\$197,881
Historic resources reserve (10% of FY15 estimated revenue)	\$197,881
Community housing reserve (10% of FY15 estimated revenue)	\$197,881
Admin/operating expenses (5% of FY15 estimated revenue)	\$98,940
Budgeted reserve (undesignated project funding)	\$1,286,225
Total	\$1,978,808

Community preservation projects, which must receive approval from the Board of Aldermen upon recommendation from the Community Preservation Committee, will be funded out of the four reserve accounts and the Fund’s balance of unspent FY14 revenue. Nearly all FY14 revenue is available to spend on projects in FY15 as the only expenditure from the fund in FY14 was for the salary of the CPA Manager.¹ As the following table demonstrates, total CPA funding available for CPA projects is therefore \$4,494,226.

¹ No CPA projects were funded with FY14 revenue as the Committee began meeting in January of 2014 and has focused on carrying out the substantial legwork that the CPA legislation requires of communities before funding CPA projects.

Total CPA Funding			
	FY2014 Estimated	FY15 Estimated	Cumulative FY14 & FY15 Estimated
Revenue	\$2,671,858	\$1,978,808	\$4,650,666
Surcharge revenue	\$1,316,187	\$1,316,187	\$2,632,374
City appropriation	\$1,355,671	\$0	\$1,355,671
Estimated state match of previous year's surcharge revenue & City appropriation	\$0	\$662,621	\$662,621
Expenditures	-\$57,500	-\$98,940	-\$156,440
Admin/operating expenses (5% of estimated annual revenue)	-\$57,500	-\$98,940	-\$156,440
Project funding to date	\$0	\$0	\$0
Funding available for CPA projects	\$2,614,358	\$1,879,868	\$4,494,226
Open space and recreation reserve (10% of estimated annual revenue)	\$267,186	\$197,881	\$465,067
Historic resources reserve (10% of estimated annual revenue)	\$267,186	\$197,881	\$465,067
Community housing reserve (10% of estimated annual revenue)	\$267,186	\$197,881	\$465,067
Undesignated project funding	\$1,812,801	\$1,286,225	\$3,099,026