

General Obligation Bonds

What are General Obligation (GO) Bonds?

Security	Full faith and credit of the unit
Legal Projects	All capital projects unit has authority to undertake (G.S. 159-48)
Voter Approval	Yes
LGC Approval	Yes
Bond Counsel	Yes
Public or Private Sale	Public
Method of Sale	Competitive
Limit on Amount	Net Debt Limitation



GO Bonds v. Limited Obligation Bonds

	General Obligation	Limited Obligation
Security	Full faith and credit	Collateralized asset(s)
Voter Approval	Required	Not required
Interest Rates	Lowest available in the market	Minimally higher interest rates (due to AAA/Aaa status)
Limitations	If referenda not approved, LGC/State Treasurer will not allow other borrowing for same project/type to move forward for at least 1-2 years	

Breakdown of steps involved in GO Bond issuance – many of which occur concurrently

Planning

- ✓ Define project
- ✓ Cost estimates
- ✓ Identify timing needs
- ✓ Contact LGC, bond attorney, financial advisor

Authorization

- ✓ Notice of intent to LGC
- ✓ Notice to Legislative Study Commission
- ✓ File sworn statement of debt and disclosures
- ✓ Introduce and publish bond order

Voter-Approval

- ✓ Hold public hearing
- ✓ Adopt bond order and publish
- ✓ Voter referendum
- ✓ Adopt resolution setting details of bond
- ✓ Prepare official statement

Issuance

- ✓ Hold bond sale and select underwriter
- ✓ Close deal
- ✓ Bond payments to trustee
- ✓ Post issuance reporting compliance
- ✓ Pay off debt!

GO vs. LOB – How much will it cost?

Bond Amount	\$10 million	\$20 million	\$40 million
LOB Rate	4.5%	4.5%	4.5%
GO Rate	4.0%	4.0%	4.0%
Potential cost difference	\$540,544	\$1,064,919	\$2,113,669

- Rates are for comparison purposes only and do not reflect actual market conditions
- Cost difference is over the 20-year life of the bond
- Issuance costs included in annualized amounts – impacting potential cost difference
- Required Ad Valorem increase of 0.5-1.5 cents depending on the total bond amount

Additional Considerations

Planning funds

- Can be spent in advance of voter authorization; General Fund can be reimbursed by referendum funds afterwards
- If referendum fails, any expended planning funds must be “eaten” by the General Fund
- Timing issue – can we get plans in place in time? Additional cost due to tight turnaround?

Identification of Projects

- Specific projects allow for better cost estimates
- Some sort of cost estimates are necessary to determine a potential not to exceed amount for the ballot question

Additional Considerations

Tax Impact

- Need to show a “reasonable” spend schedule to LGC and public
- Spend schedule is necessary to calculate Ad Valorem impact of a successful bond referendum

Other

- Reminder – in event of a failed referendum, essentially “locked out” of these projects for 1-2 years
- Time – working against the clock to have everything in place for 2026 ballot question

Bottom Line

- Inherent risk of failure in a General Obligation Bond referendum, including the inability to move forward with similar projects in the event of a failed vote
- Marginal lifetime cost savings for a double-triple A rated organization
- Lots of work to get done in order for us to be ready for a 2026 referenda
- Would serve the Board best if we can do the following before beginning the legal process:
 - Articulate Projects
 - Estimated Costs
 - How we're going to pay for it

“Probably a lot of wood to chop for the next 6 months for the Board to discuss, debate, and set priorities for the GO vote.”

Potential Affordable Housing Bond Projects

Assumes \$10 million in bond proceeds

- \$1.5 million for a future (2029-2031) 84 unit 9% LIHTC project in Pittsboro or Siler City
- \$5-6 million for a future 100 unit 4% LIHTC project in Siler City
- \$1 million for land acquisition and support for pre-development activities such as engineering, architectural work, and surveying
- \$1.5 million for housing preservation to support and expand existing home repair efforts in Chatham County

Potential Parks & Recreation Bond Projects

- Greenways/Blueways
- (Natural Surface) Trails/Easements
- Land Acquisition for Passive Recreation
- Minimal facilities/construction for passive recreation sites
 - Examples: Driveways, Parking, Restrooms, Open-air shelters

County Referenda on Housing and Recreation – Past 10 Years

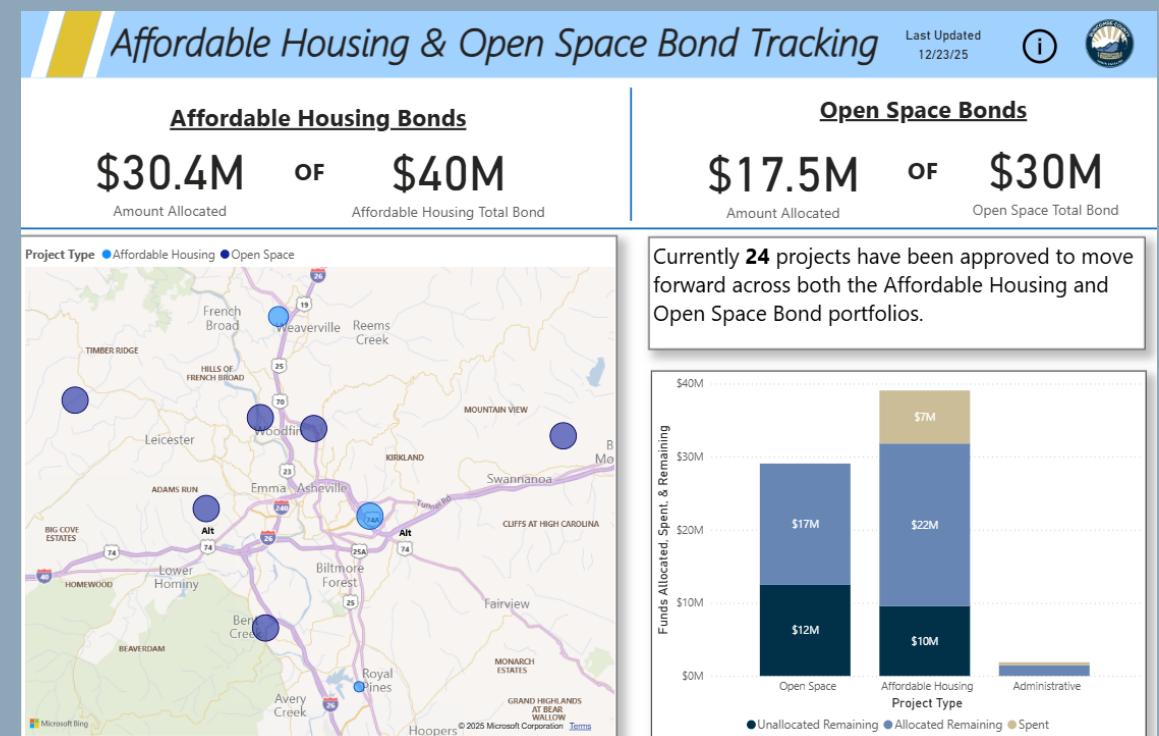
County	Year	Purpose	Amount (millions)	Pass/Fail
Buncombe	2022	Open Space	30	Pass – 67%
Buncombe	2022	Housing	40	Pass – 62%
Jackson	2020	Parks and Rec	20	Pass – 51%
Lee	2020	Parks and Rec	25	Pass – 59%
Wake	2018	Parks and Rec	120	Pass – 68%
Forsyth	2016	Parks and Rec	15	Pass – 70%
Orange	2016	Housing	5	Pass – 66%

Failed Recreation and Housing Measures – Past 10 Years

Municipality	Year	Purpose	Amount (millions)	% Voting Against
Cary	2024	Parks and Rec	560	55%
Cary	2024	Housing	30	51%
Mount Holly	2021	Parks and Rec	13.6	55%
Cape Carteret	2020	Parks and Rec	1.2	52%
Mint Hill	2018	Parks and Rec	15	53%
Harrisburg	2017	Parks and Rec	21	61%

Selected Success – Buncombe County 2022

- Housing (\$40M) and Open Space (\$30M) bonds passed
 - 69% approval for Open Space
 - 62% approval for housing
- Local support from Better with Bonds
- Not tied to immediate tax increase
- Existing boards and committees were prepared to manage the bond projects
 - Ag Advisory Board
 - Land Conservation Advisory Board
 - Passive Recreation Lands Subcommittee
 - Parks & Recreation Advisory Board
 - Affordable Housing Committee



Selected Failure – Cary 2024

- Parks and Rec (\$560M) and Housing (\$30M) bonds did not pass
- Vocal opposition from Carybonds.info
- Property tax would have increased by 28% (32.5 cents → 41.5 cents) over five years
- Recent \$112 million bond in 2019 for Downtown Cary Park
- Concern over on-going operating costs of parks projects and further tax increases



Takeaways from other municipalities

- Have a clear plan for what the bond will be used for
 - Proposals are often tied to master/strategic plans
- The magnitude of a potential tax increase matters
- Consider context and political climate
- Resident education is important
- Community organizations can play a role in passage

Bonds were used to...

Housing

- Purchase land and existing homes for future affordable housing sites
- Provide gap funding or financing for affordable housing developers
- Fund eviction prevention and down payment assistance programs
- Expand shelter capacity

Recreation

- Construct greenways
- Conservation easements
- Create passive recreation sites
- Renovate existing facilities
- Build new parks and community centers

Recommendations/Next Steps

Determine if the Board would like to move forward with a 2026 referenda -

- If Yes:
 - Articulate projects with as much specificity as possible
 - Instruct staff to work on project planning steps (including cost estimates)
 - Instruct staff to work with financial advisors to prepare for legal process
- If No:
 - Determine if Board has interest in 2028 referenda instead – lots of lead time for planning/development
 - Determine if Board would like to proceed with these types of projects in another way (ex: planned for in CIP, included in debt model)

Questions?