



# TOWN OF CHAPEL HILL NORTH CAROLINA

## MEMORANDUM

**TO:** Roger L. Stancil, Town Manager

**FROM:** Kenneth C. Pennoyer, Business Management Director  
Amy Oland, Assistant Business Management Director  
Loryn Clark, Executive Director Housing and Community

**SUBJECT:** Introduction of Bond Order for the November 2018 Affordable Housing Referendum, Setting a Public Hearing and Authorizing Filing of a Debt Statement

### **Recommended Council Action**

- That the Mayor or a member of the Council introduce the Bond Order for the November 2018 General Obligation (G.O.) Bond Referendum. (To “introduce” the Bond Order, the title of the Bond Order should be read and it should be stated that the Bond Order is being introduced, and that the Bond Order will be back for final action at the May 23, 2018 Council meeting.)
- That the Council adopt the resolution setting a public hearing on the bond order for May 9, 2018 and authorize the filing of a sworn statement of debt by the Town’s Finance Officer.

### **Context with Key Issues**

- In the State of North Carolina, public approval is required for the issuance of most municipal general obligation (G.O.) bonds. Public approval is gained through a public vote or referendum. Referendum questions for municipal G.O. debt must be broken out into bond orders that authorize issuance of bonds for a particular purpose. Each Bond Order is voted on individually.
- The Town’s Affordable Housing Investment Plan identified a number of projects that could be financed through G.O. Bonds. The plan includes proposed projects that would be developed by third-party non-profits organizations and projects that the Town would develop.
- On March 21, 2018 the Council adopted the Preliminary Findings Resolution for the November 2018 Affordable Housing G.O. Bond Referendum. The Preliminary Resolution, among other things, established the Council’s intent to proceed with a referendum in November 2018 to authorize the issuance of general obligation bonds for affordable housing in an amount not to exceed \$10,000,000. The resolution also authorized Town staff to proceed with the steps necessary to authorize the referendum.
- State statutes require that the bond order come before the Council on two separate occasions. The first occasion is to “introduce the bond orders” and the second is for final action.
- Additional actions needed to hold a G.O. Bond Referendum in November 2018 include setting a public hearing on the bond order and filing a sworn statement of debt. The

attached resolution sets the public hearing for May 9, 2018 and authorizes the Finance Officer to file a sworn statement of debt.

### **Explanation of Recommendation**

- The actions needed to hold a general obligation bond referendum on November 6, 2018 include the following:
  - Publish notice of intent to file an application with the Local Government Commission (LGC) (Complete)
  - Make Legislative Committee filing (Complete)
  - File LGC application (Complete)
  - **Council introduces bond order, schedules public hearing and authorizes debt statement (4/25 Council Meeting)**
  - File sworn statement of debt (before public hearing notice)
  - Publish notice of public hearing (Before May 2<sup>nd</sup>)
  - Council holds public hearing (May 9<sup>th</sup>)
  - Council adopts the bond order and sets the ballot question and referendum date (May 23<sup>rd</sup>)
  - Publish Bond Orders and notice of referendum (twice)
  - Referendum (November 6<sup>th</sup>)

### **Fiscal Note**

- The Town's Debt Management Fund, created by Council in 2009, provides a dedicated source of funding for governmental (non-enterprise) Town debt. The affordable housing bonds will be repaid from the Debt Fund; however, there is insufficient capacity in the fund to support the existing capital program and the proposed affordable housing bond without an increase in the dedicated tax. Based on our assumptions concerning timing of issuance and interest rates, an increase in the Debt Fund tax of 1 penny will be sufficient to cover repayment of the bonds. The timing of the tax rate increase can either coincide with the date of issuance or can be instituted for the fiscal year prior to the expected date of the first issuance which would be FY2018-19. Total interest and principal on the proposed bonds over the 20 year term is estimated to be \$14,636,000.