



# TOWN OF CHAPEL HILL

Town Hall  
405 Martin Luther King Jr.  
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Chapel Hill, NC 27514

## Legislation Details (With Text)

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**Title:** Adopt a Resolution of Intent to Issue Two-Thirds Bonds in April 2021.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Council Questions with Staff Response, 2. A RESOLUTION STATING THE INTENT TO PROCEED WITH A GENERAL OBLIGATION BOND ISSUE FOR VARIOUS TOWN PROJECTS (2021-02-24/R-4)

Date	Ver.	Action By	Action	Result
2/24/2021	1	Town Council	adopted	Pass

### Adopt a Resolution of Intent to Issue Two-Thirds Bonds in April 2021.

**Staff:** Amy Oland, Director      **Department:** Business Management Department

**Overview:** The Business Management Department is preparing to issue “two-thirds” bonds to fund parks and recreation, public safety, and streets and sidewalks projects in the Capital Improvements Plan (CIP). The two-thirds bonds would be sold on April 27, 2021 in conjunction with an initial issuance of the 2018 affordable housing general obligation (GO) bond referendum.

### ★ **Recommendation(s):**

That the Council adopt the resolution stating the Town’s intent to issue general obligation parks and recreation, public safety, and streets and sidewalks “two-thirds” bonds. The actual sale of the bonds is subject to further Council approval.

### **Key Issues:**

#### **Two-Thirds Bonds Background**

- Under the Local Government Bond Act, the “two-thirds rule” authorizes local governments to issue general obligation bonds without a referendum under certain circumstances.
- Two-thirds bonds are restricted to two thirds of the net reduction in general obligation bond principal for the previous fiscal year. The Town’s reduction in principal for FY 2020 was \$4,812,000. Two thirds of which is approximately \$3,205,000. Two-thirds bonds must be issued in the fiscal year immediately following the year for which the principal reduction is calculated.
- Two thirds bonds are also restricted to certain uses including streets, parks, public facilities and public safety. All other allowable purposes are listed under Section 159-48 of NC General Statute, Chapter 159, Article 4 (the Local Government Bond Act).
- The availability of two-thirds bonds and the current low cost of borrowing provide an opportunity to fund parks and recreation facility improvements, purchase a replacement Fire truck, and repair streets and sidewalk. The potential issuance of two-thirds bonds was discussed at the Council retreat on Friday, February 5, 2021.

- We are working with departments to determine top priorities to bring final project recommendations before Council before adopting the bond orders on March 10, 2021.

**Two-Thirds Bonds Schedule**

Council adopts resolution in support of application to Local Government Commission (LGC) for two-thirds bonds	February 24
Council introduction of "bond order" to authorize issuance of two-thirds bonds	March 10
Council adopts the resolution formally approving issuance of referendum and two-thirds bonds	April 7
LGC takes sealed bids for the purchase of the Town's bonds	April 27
Closing on the bonds	May 13

**Fiscal Impact/Resources:**

Based on the reduction in general obligation debt principal in FY 2020, the Town can issue up to \$3,205,000 in two-thirds bonds in 2021. This capacity will be used to finance the following projects:

Parks and recreation facilities	\$1,155,000
Fire truck	550,000
Street repairs	1,300,000
Sidewalk projects	200,000



**Attachments:**

- Resolution

**A RESOLUTION STATING THE INTENT TO PROCEED WITH A GENERAL OBLIGATION BOND ISSUE FOR VARIOUS TOWN PROJECTS (2021-02-24/R-4)**

**WHEREAS --**

The Town's long-range capital improvement plan contemplates funding for a wide variety of projects and calls for funding those projects using the multiple tools available to the Town.

State law allows the Town to issue new general obligation bonds for up to two-thirds of the amount the Town paid down its general obligation debt in the prior fiscal year. The Town is able to issue approximately \$3,205,000 of general obligation bonds under this authority in the fiscal year beginning July 1, 2020. Town staff has suggested that the Town use this authority to provide funding for some of the planned projects, and the Council will proceed to consider such a bond issue.

Under the guidelines of the North Carolina Local Government Commission, this governing body must make certain findings of fact to support the Town's application for the LGC's required approval of the proposed bonds. In this resolution, the Town Council makes the appropriate findings, and takes other appropriate action.

**NOW, THEREFORE BE IT RESOLVED** by the Town Council of the Town of Chapel Hill, North Carolina, that the Council makes an initial determination to issue two-thirds bonds in an amount up to \$3,205,000, or such greater or lesser amount as may be allowed by law. The Council makes a preliminary determination to issue the bonds in the following amounts and for the following purposes:

- |              |                                   |
|--------------|-----------------------------------|
| \$ 1,155,000 | for parks and recreation purposes |
| \$ 550,000   | for public safety purposes        |
| \$ 1,500,000 | for streets and sidewalks         |

The Council will determine the final amount of bonds to be issued for each purpose by later action and after a public hearing. The total amount financed may reflect adjustment to the expected project costs and may include amounts for financing costs.

**BE IT FURTHER RESOLVED** that the Council makes the following findings of fact in support of its determination:

(1) The proposed capital projects are necessary and expedient for the Town.

(2) The amount of bonds proposed is adequate and not excessive for the proposed purpose.

(3) The Town's debt management and budgetary and fiscal management policies have been carried out consistently in accordance with the law.

(4) The Council believes that no actual increase in the Town's property tax rate will be necessary to provide for principal and interest payments on the bonds. The Council expects that existing revenue sources allocated for debt service payments will be sufficient to generate funds for debt payments

***BE IT FURTHER RESOLVED***, as follows:

(a) The Council directs the Finance Officer to proceed with the steps for the bond issue, including proceeding with an application to the LGC for its approval of the proposed bonds and providing for the publication of notice and scheduling a public hearing as appropriate for the process (currently contemplated for March 24). The Council appoints the Finance Officer as the Town's authorized representative with respect to the LGC application process.

(b) The Town intends that the adoption of this resolution will be a declaration of the Town's official intent to reimburse project expenditures from financing proceeds. The Town intends that funds that have been advanced for project costs, or which may be so advanced, from the Town's general fund or any other Town fund, may be reimbursed from the financing proceeds.

(c) The Council authorizes all Town representatives to take all further action as they may consider desirable for accomplishing the purposes and intentions of this resolution. The Council ratifies all prior actions of Town representatives in this regard. This resolution takes effect immediately.

This the 24<sup>th</sup> day of February, 2021.

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**The Agenda will reflect the text below and/or the motion text will be used during the meeting.**

By adopting the resolution, the Council states the Town's intent to issue general obligation parks and recreation, public safety, and streets and sidewalks "two-thirds" bonds.