



# TOWN OF CHAPEL HILL

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

## Legislation Details (With Text)

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**File created:** 11/8/2022      **In control:** Town Council

**On agenda:** 11/16/2022      **Final action:** 11/16/2022

**Title:** Adopt a Resolution of Intent to Issue Two-Thirds Bonds February 2023.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Draft Staff Presentation, 2. Staff Presentation, 3. A RESOLUTION STATING THE TOWN'S INTENT TO PROCEED WITH A GENERAL OBLIGATION BOND ISSUE FOR PUBLIC SAFETY PURPOSES (2022-11-16/R-11)

Date	Ver.	Action By	Action	Result
11/16/2022	1	Town Council	adopted	Pass

### Adopt a Resolution of Intent to Issue Two-Thirds Bonds February 2023.

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

**Overview:** The Town is preparing to issue "two-thirds" bonds. Staff recommends the bonds to fund a high priority public safety project in the Capital Improvements Plan (CIP). The two-thirds bonds would be sold on February 14, 2023, in conjunction with an issuance of the 2018 affordable housing general obligation (GO) bonds and the 2015 streets and sidewalks general obligation (GO) bonds.

### ★ Recommendation(s):

That the Council adopt the resolution stating the Town's intent to issue general obligation public safety "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 2022 was \$2,977,000. Two thirds of which is approximately \$1,984,667. 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).

#### Two-Thirds Bonds Project

- The availability of two-thirds bonds and the current cost of borrowing provide an opportunity to fund the replacement of the Town's public safety radio equipment.

- Effective, July 1, 2025, all radios active on the state’s Voice Interoperability Plan for Emergency Responders (VIPER) system and all future radios added to the system must be P25 Phase 2 ready (Time Division Multiple Access (TDMA) capable). The Town’s current radios are not P25 Phase 2 ready. The move to P25 Phase 2 provides for greater spectrum efficiency by allowing twice as much radio traffic on the same bandwidth as the old system. As the system continues to grow and to maintain VIPER’s current level of service, the NC Department of Public Safety (NCDPS) decided that a move to TDMA operation is the most cost-effective manner to address future growth and system health.
- The Town’s current radios (140 handhelds and 83 car radios for Police and 45 handhelds, 12 car radios, and 3 repeaters for Fire) are no longer supported by Motorola. Their end of life was December 31, 2019, and NCDPS requires that all radios being added to VIPER after January 1, 2023, must be P25 Phase 2 ready, meaning that the Phase 2 function must be installed in the radio at purchase. The estimate to replace the radios and required accessories is \$1,959,847 for police and \$535,705 for fire.
- The Town does not currently have alternate funding opportunities for this high priority project.
- The Town would need to allocate pay-go capital funds in the FY 2024 budget to address the difference between the cost of the radios and the two-thirds bond funding available.

**Two-Thirds Bonds Schedule**

Council considers adopting resolution in support of application to Local Government Commission (LGC) for two-thirds bonds	November 16, 2022
Council introduction of “bond order” to authorize issuance of two-thirds bonds	December 7, 2022
Council holds public hearing and considers adopting the bond order	January 11, 2023
Council considers adopting the resolution formally approving issuance of referendum and two-thirds bonds	January 25, 2023
LGC takes sealed bids for the purchase of the Town’s bonds	February 14, 2023
Closing on the bonds	March 7, 2023

**Fiscal Impact/Resources:**

Based on the reduction in general obligation debt principal in FY 2022, the Town can issue up to \$1,984,667 (will round down to nearest issuing amount) in two-thirds bonds in 2023. Staff recommends using this capacity to finance the replacement of the Town’s public safety radios.



**Attachments:**

- Resolution
- Draft Staff Presentation

**A RESOLUTION STATING THE TOWN'S INTENT TO PROCEED WITH A GENERAL OBLIGATION BOND ISSUE FOR PUBLIC SAFETY PURPOSES (2022-11-16/R-11)**

**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 expects to be able to issue approximately \$1,980,000 of general obligation bonds under this authority in the fiscal year that began July 1, 2022. Town staff has suggested that the Town use this authority to fund public safety projects, including replacement of the Town's public safety radios and related equipment. 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.

Under the guidelines of the North Carolina Local Government Commission, the Council must make certain finding 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 \$1,980,000, or such greater or lesser amount as may be allowed by law, for public safety purposes, including the replacement of the Town's public safety radios and related equipment.

The Council will determine the final amount of bonds to be issued 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 generate sufficient 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 January 11, 2023). 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 16<sup>th</sup> day of November, 2022.

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

PRESENTER: Amy Oland, Business Management Director

RECOMMENDATION: That the Council adopt the resolution that states the Town's intent to issue general obligation public safety "two-thirds" bonds.