



## Legislation Text

File #: [21-0235], Version: 1

### **Open the Public Hearing: Issuance of Two-Thirds Bonds to Fund Parks and Recreation, Public Safety, and Streets and Sidewalks Projects in the Capital Improvements Plan (CIP).**

**Staff:**

Amy Oland, Director

**Department:**

Business Management

**Overview:** The Business Management Department is pursuing the issuance of \$3.205 million of “two-thirds” bonds to fund parks and recreation, public safety, and streets and sidewalks projects in the Capital Improvements Plan (CIP). On March 10, 2021, the Council formally introduced the Bond Orders and set a public hearing for March 24, 2021. Staff applied to the Local Government Commission (LGC) for the issuance of the two-thirds bonds and has taken other actions necessary to meet statutory requirements. The two-thirds bonds would be sold April 27, 2021 in conjunction with an initial issuance of the 2018 referendum general obligation (GO) bonds for affordable housing.



**Recommendation(s):**

That the Council hold a public hearing on the bond orders authorizing the issuance of general obligation bonds in the maximum amount of \$3,205,000 for parks and recreation, public safety, and streets and sidewalks projects.

**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 are an opportunity to fund parks and recreation facility improvements, purchase a replacement Fire truck, and repair streets and sidewalks. The potential issuance of two-thirds bonds was discussed at the Council retreat on Friday, February 5, 2021.

**Two-Thirds Bonds Recommended Uses**

*Parks and recreation facilities:*

- Cedar Falls Park Tennis Complex Reconstruction - Remove the current tennis courts and reconstruct the complex to improve drainage; project would include five tennis courts, four junior courts, new LED lighting, fencing, walkways and amenities.
- Hargraves Park Tennis Court Improvements - Resurface existing tennis courts, replace fencing, and install LED lights.

- Ephesus Park Technical Assessment and Tennis & Pickleball Courts - Conduct engineering assessment of current complex conditions and subsurface conditions to produce recommendations and cost estimates on options for how to effectively address existing issues and a short-term repair option of the noted issues.
- Hargraves Park Playground Surface Replacement - Repair the poured in place surfacing that is cracked and install curbing for playground user safety.
- AD Clark Pool Improvements - Replaster pool shell to allow the pool to remain open.
- Hargraves Center Ballfield Renovation - Regrade to improve drainage, including the addition of drain lines and irrigation, replace bleachers and fencing; improve and install ADA accessible paths or sidewalk to ballfields.
- Umstead Park Basketball Court - Resurface and restripe basketball court surface, add new goals, and add retaining walls to minimize erosion.
- Homestead Aquatic Center Pool Improvements - Replaster pool shell at the two Homestead Aquatic Center pools and conduct related improvements.

*Replacement Fire Truck:*

- The Fire Department would use the bond funds to replace Engine 33 (2002 HME) as a frontline vehicle. The current Engine 33 would then be moved to reserve status. In FY 2020, Engine 33 spent 96 days out of service and the Town spent \$88,640 on repairs to maintain the apparatus.

*Streets and Sidewalk projects:*

- Street Resurfacing - There is a significant backlog of needed maintenance on about two-thirds of the Town's streets. Public Works staff have prioritized about 32 shovel-ready street maintenance needs throughout the Town totaling \$2.7 million. The Chapel Hill community has identified street maintenance as a top priority.
- Sidewalk Projects - From the backlog of maintenance needs, Public Works staff identified high priority sidewalk repairs throughout the Town. Addressing sidewalk repair needs also addresses ADA requirements.

**2018 Referendum Bonds**

- The sale of the two-thirds bonds will be coordinated with the first issuance of the 2018 General Obligation bonds for affordable housing. Coordinating these two bond sales is more efficient than conducting separate bond sales and reduces the cost of issuance.
- In November 2018, Chapel Hill voters approved a general obligation bond order totaling \$10 million for affordable housing. Based on the progress of the projects funded by the referendum bonds and the planned cash needs of those projects for the next 12 months, staff has determined that the first sale of referendum bonds in April should be for \$4.755 million.
- The Town is in the process of developing cost estimates and project timelines for the affordable housing projects.

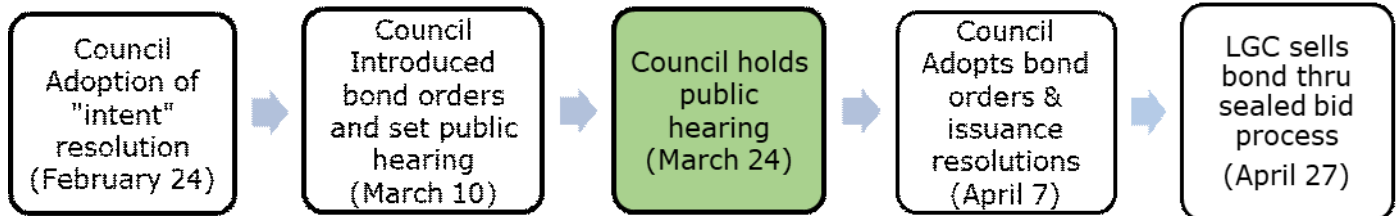
**Fiscal Impact/Resources:**

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

The two-thirds and referendum bonds will have a 20-year term and debt service will be paid from the Debt Management Fund. The estimated average annual debt service for the two-thirds issuance will be \$198,000 per year and for the referendum issuance will be \$295,000 per year. There are adequate resources in the Debt Fund to support these planned borrowings.

**Where is this item in its process?**



**Attachments:**

- Draft Staff Presentation
- Two Thirds Bond Information - Streets and Sidewalks Memorandum
- Response to Council Member Questions - Streets and Sidewalks Listing

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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

- Introduction and recommendation
- Comments from the public
- Comments and questions from the Mayor and Town Council
- Motion to close the Public Hearing and receive comments for 24-hours
- Consider adopting bond orders and issuance resolutions at the April 7 Council meeting.

RECOMMENDATION: That the Council hold a public hearing on the bond orders authorizing the issuance of general obligation bonds in the maximum amount of \$3,205,000 for parks and recreation, public safety, and streets and sidewalks projects.