



Legislation Text

File #: [21-0185], Version: 1

Introduction of Bond Orders for Two-Thirds Bonds and Call for a Public Hearing for the Issuance of Two-Thirds Bonds.

Staff:

Amy Oland, Director

Department:

Business Management

Overview: The Business Management Department is pursuing the issuance of "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 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 take the following actions concerning the issuance of \$3.205 million of two-thirds bonds.

1. Formally introduce the Bond Orders describing the use of the bonds.
2. Adopt the resolution setting the public hearing for March 24, 2021 and authorizing the filing of a sworn statement of debt.

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 - Project would remove the current tennis courts and reconstruct the complex to improve drainage and would include five tennis courts, four junior courts, new LED lighting, fencing, walkways and amenities.
- Hargraves Park Tennis Court Improvements - Resurfacing of existing tennis courts, replacement of fencing, and LED light installation.
- Ephesus Park Technical Assessment and Tennis & Pickleball Courts - Project would include the

assessment of the current complex conditions and subsurface by an engineer with recommendations and cost estimates on options for how to proceed in order to effectively address existing issues and would offer a short-term repair of the noted issues.

- Hargraves Park Playground Surface Replacement - Repair of the poured in place surfacing that is cracked and installation of 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 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 replacement status. In FY 2020, Engine 33 spent 96 days out of service 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 a prioritized list of about 26 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 - Public Works staff have a list of high priority sidewalk repairs throughout the Town representing a backlog of maintenance needs. Addressing sidewalk repair needs also has a positive impact related to 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:

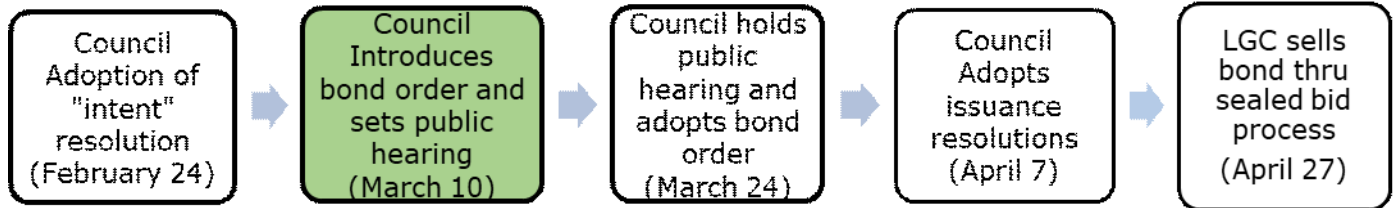
Based on the reduction in general obligation debt principal in FY 2020, the Town can issue up to \$3,205,000 in two-thirds bonds in 2021. This capacity will be used to finance the following projects:

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 \$234,000 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:

- Resolution
- Bond Orders
- Streets and Sidewalks Project Detail
- Draft Staff Presentation

A RESOLUTION SETTING A PUBLIC HEARING FOR MARCH 24, 2021 AND AUTHORIZING THE FILING OF DEBT STATEMENTS (2021-03-10/R-9)

WHEREAS, there have been introduced at this meeting bond orders entitled as follows:

Bond Order Authorizing the Issuance of General Obligation Bonds for Parks and Recreation Facilities in the Maximum Amount of \$1,155,000

Bond Order Authorizing the Issuance of General Obligation Bonds for Public Safety Purpose in the Maximum Amount of \$550,000

Bond Order Authorizing the Issuance of General Obligation Bonds for Streets and Sidewalks in the Maximum Amount of \$1,500,000

AND WHEREAS, Section 159-57 of the General Statutes requires that a public hearing be held on each bond order prior to its adoption, Section 159-56 of the General Statutes requires publication of a notice of the hearing, and Section 159-55 of the General Statutes requires the filing of statements of debt and estimated interest prior to the public hearing.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Chapel Hill, North Carolina, that the Town's Finance Officer is directed to prepare and file, prior to the publication of the notice of a public hearing, a sworn statement of the Town's net debt and statements of estimated interest in the forms prescribed by statute.

BE IT FURTHER RESOLVED (1) that a public hearing on each bond order will be held at 7:00 p.m. (or as soon thereafter as the matter may be heard) on March 24, 2021, via zoom (meeting information located on the Town's website) and (2) that the Council directs the Town Clerk to publish a notice of each public hearing, in the form provided by statute, one time, not less than six days prior to the hearing date, in a newspaper having general circulation in the Town.

This the 10th day of March, 2021.

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 take the following actions concerning the issuance of \$3.205 million of two-thirds bonds.

1. Formally introduce the Bond Orders describing the use of the bonds.
2. Adopt the resolution setting the public hearing for March 24, 2021 and authorizing the filing of a sworn statement of debt.