



*The* **Town** *of*  
**Davidson**

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College Town. Lake Town. *Your Town.*

# General Obligation Bonds



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General Obligation Bonds  
May 23, 2017

# Presentation Overview

- General Obligation (GO) Bond Summary
- Timeline
- June 13, 2017 Resolutions
- Potential Bond Order Amounts
- Scenarios
- Public Information/Citizen Engagement



# General Obligation (GO) Bond Summary

- Requires Voter Approval via referendum
- Requires LGC Approval
- Lowest Interest Rate
- Typically 20 Year
- Collateral is the taxing authority of the municipality
- High initial cost to issue public debt
- Bond Rating Required



# Timeline

- Full timeline is attached to agenda

- Key Dates:

- Pass 3 resolutions June 13
- Introduce Bond Order / Public Hearing Resolution July 11
- Public Hearing & Approve bond order(s) August 8
- Election Day/Referendum Day November 7



# June 13 Resolutions

## 3 Resolutions that will:

1. Direct the publication of notice of intent to apply to the Local Government Commission (LGC).
2. Authorize the Finance Director to apply to the LGC to Approve the Town's proposed GO Bond Financing
3. Make certain findings of fact regarding the Town and Bond Order

# June 13 Resolution #1

## Direct the publication of notice of intent to apply to the Local Government Commission (LGC)

**WHEREAS**, the Board of Commissioners (the “*Board of Commissioners*”) of the Town of Davidson, North Carolina (the “*Town*”) is considering the issuance of general obligation bonds of the Town which shall be for the following purposes and in the following maximum amount:

\$X,000,000 of bonds to pay the costs of acquiring, constructing, reconstructing, widening, extending, paving, resurfacing, grading and improving streets, roads and intersections; acquiring, constructing, reconstructing and improving sidewalks or walkways, curbs, gutters, drains, bridges, overpasses, underpasses and grade crossings; constructing and improving greenways; and providing related landscaping, lighting and traffic controls, signals and markers; and the acquisition of land, rights-of-way and easements in land required therefor.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Commissioners that the Town Clerk is hereby directed to cause a copy of the “NOTICE OF INTENTION TO APPLY TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF BONDS” to be published in a newspaper of general circulation in the Town on or about June 14, 2017.



# June 13 Resolution #2

Authorize the Finance Director to apply to the LGC to Approve the Town's proposed GO Bond Financing

- Finance director will submit Form “LGC-108 Application for Approval of Issuance of General Obligation Bonds” 10 days after publication of the notice authorized in resolution #1
- Town will receive notice of receipt of Application, which is required before the introduction of the Bond Order on July 11, 2017
- Application will most likely be considered for approval at the September, 2017 LGC meeting
- LGC staff will likely ask to meet with Town staff to review application

# June 13 Resolution #3

## Board Making Certain Statements of Fact Concerning Proposed Bond Issue

- A. Facts Regarding Necessity of Proposed Financing
- B. Facts Supporting the Amount of Bonds Proposed
- C. Past Debt Management Procedures and Policies
- D. Past Budgetary and Fiscal Management Policies
- E. Increase in Taxes; Retirement of Debt



# Potential Bond Order Amounts

## Option A

1. Mobility / Transportation	\$ 6,000,000
2. Greenways	\$ 5,000,000
3. Parks	<u>\$ 4,000,000</u>
Total Potential Bond Orders	<u>\$15,000,000</u>



# Potential Bond Order Amounts Option B

1. Mobility / Transportation	\$ 5,000,000
2. Parks/Greenways	<u>\$ 5,000,000</u>
Total Bond Orders	<u><u>\$10,000,000</u></u>



# Scenarios

Bond Amount Issued	Ad Valorem Increase (Pennies)	Debt as a percentage of expenditures
\$15 Million Issued 2019/21/23	3.62 Total	20%
\$10 Million Issued 2019/21	3.35 Total	18%
\$10 Million Issued 2021/23	2.18 Total	18%



# Tax Impact

Current Ad Valorem Tax Rate	0.35 Per \$100 of assessed value				
	\$ 150,000	\$ 300,000	\$ 500,000	\$ 750,000	\$ 1,000,000
Current Home Valuation	\$ 150,000	\$ 300,000	\$ 500,000	\$ 750,000	\$ 1,000,000
Current Ad Valorem Taxes	\$ 525	\$ 1,050	\$ 1,750	\$ 2,625	\$ 3,500
\$15 million issued 2019/21/23 (3.6 penny increase)	\$ 579	\$ 1,158	\$ 1,930	\$ 2,895	\$ 3,860
\$10 million issued 2019/21 (3.35 penny increase)	\$ 575	\$ 1,151	\$ 1,918	\$ 2,876	\$ 3,835
\$10 million issued 2021/23 (2.2 penny increase)	\$ 558	\$ 1,116	\$ 1,860	\$ 2,790	\$ 3,720



# Education and Citizen Engagement

Important to share information and get feedback from citizens throughout this process

- Website
- eCrier
- Media
- Newsletters
- Manager's report
- Updates at board meetings
- Davidson Coffee Chats
- Town's social media
- Open Town Hall
- Public information sessions
- Explore custom survey

# What information does our citizenry want/need?

- Why are these projects important?
- Why are these projects important to finance and complete now?
- How do we prioritize?
- What is the citizens' appetite for the various scenarios and financing options?
- **Education Only!**