

## **2016 GENERAL OBLIGATION BOND AUTHORIZATIONS**

In accordance with state statutes, the issuance of General Obligation (GO) bonds by the City for public improvements must be authorized by the North Carolina Local Government Commission (LGC) and by voters in a referendum. Voter approval authorizes a maximum amount, by purpose (such as housing, redevelopment, parks and recreation, streets and public transportation), and authorizes the levy of any necessary property tax to pay principal and interest on the bonds.

The bond authorization expires after seven years. However, the City Council may extend the authorization period from seven to 10 years, subject to LGC approval. Greensboro has extended the authorization period several times in the past, primarily for street improvements. In January 2012 the authorization for bonds approved by voters in 2006 was extended to 2016 for fire stations, libraries, economic development, and parks and recreational facilities, and in 2014 the authorization for bonds approved by voters in 2008 was extended to 2018 for parks and recreational facilities, street improvements and housing.

Once GO bonds are authorized by voters in a referendum, the City may issue them at any time during the authorization period. The City usually schedules several bond issues spread over four or more years to accommodate construction schedules and to minimize the tax rate impact of additional debt service expense and any new facility operating costs. The net impact on the tax rate takes into account the retirement of existing debt, additional debt service on bonds issued for new public improvements and related operating costs, and projected growth in City revenues (primarily property tax and sales tax revenues) that fund most City services and debt service expense. The City Council considers any proposed net increase in property taxes for these purposes, taking into account economic conditions and then determines when to issue the bonds and if and when to levy an increase in the property tax rate.

## **BOND FACT SHEET / BOND RATINGS**

### **What is a bond?**

A general obligation bond is long-term borrowing in which a city pledges its full faith and credit (taxing power) to repay the debt over a specified term. The purpose of a bond issue is to borrow money to finance major capital projects. A capital project is generally defined as a project expected to have a useful life of 10 years or more which is estimated to cost in excess of \$100,000. Since the City has a Standard & Poor's "AAA," Moody's Investors Service "Aaa," and Fitch Ratings, "AAA" credit ratings (the highest ratings possible), Greensboro is offered the lowest possible interest rate on bond issues.

### **Why issue bonds?**

There are three ways to finance the construction of major capital projects - use current revenues, capital reserve funds (setting aside money over time), and the issuance of bonds (borrowing money to be paid back in the future). Bond financing is often used for major capital projects and programmatic needs that are above and beyond the scope of the annual operating budget and are for facilities that will be used for many years in the future. Since most cities have few reserve funds set aside for major capital projects and programmatic needs, it is necessary

to issue bonds to build major projects or help fund the expansion of programs. This process is similar to a family decision on how to purchase and finance a home or vehicle.

### **How is the debt on bonds repaid?**

Citizens authorize an increase in the property tax to repay the debt on bonds when they are approved in a referendum. The repayment of bonds is spread out over a number of years, so costs are shared by current and future taxpayers. This provides for more equitable funding by all taxpayers who will benefit from the bond projects. When bonds are issued, taxes may be increased for citizens to pay the debt.

### **Are there additional financial implications?**

In addition to actual costs associated with the payment of bonds, new facilities must have funds for staffing, maintenance and operations. It may also cost more money to operate improved and enlarged facilities, as well.

### **What is the procedure for a bond issue?**

- The City Council sets priorities based on citizen concerns and selects bond issue purposes (for example; Transportation, Fire Stations, Parks and Recreation, Libraries, or Housing) and amounts. Related purposes may be combined but unrelated purposes may not be combined.
- The City of Greensboro then files an application with the NC Local Government Commission for the authority to issue bonds.
- The City Council holds a public hearing to receive citizen input on the proposal to issue bonds. Based on citizen comments, Council may remove items or lower dollar amounts.
- A bond referendum is held for citizens to vote and decide on each of the specific bond issue purposes on the bond ballot. If the voters reject a bond issue, the project cannot be funded as planned. If the voters approve a bond issue, the City can move forward with borrowing funds to finance the project.

### **When are bond referendums held?**

The City may only hold a bond referendum on one of the following dates, in order to encourage the highest possible voter turnout:

- At the same time as any other State or county general election.
- At the same time as the primary election in any even-numbered year.
- At the same time as any other election requiring all the precincts in the county to be open.
- At the same time as a municipal general election.

### **When are bonds issued?**

The City usually issues bonds every two years. The schedule and amount of bonds issued is dependent upon project timetables, economic conditions and resources, including tax increases, needed to fund capital projects and related operating costs. The City Council may move forward or delay bond issues based on these factors.