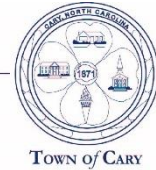


Staff Report for Town Council



Meeting Date: June 27, 2019

Introduction of Bond Orders

Purpose: Consideration of introduction of bond orders, calling a public hearing on the bond orders, and filing a sworn statement of debt

Prepared by: Mary Beth Huber, Finance

Speaker: Karen Mills, Finance

Executive Summary: During the May 9, 2019 Quarterly Meeting, Council directed staff to begin taking the required steps to hold a bond referendum for Transportation and Parks and Recreation on October 8, 2019. The legal process associated with holding a referendum requires separate Council actions over several months. The next steps in this process require Council to conduct the following actions during this Council meeting: 1) introduce bond orders, 2) call for a public hearing, and 3) call for the Chief Financial Officer to file a sworn statement of debt and statement of estimated interest.

Recommendation: Council 1) Introduce and adopt the bond orders listed in Attachment A 2) Fix July 18, 2019 for the public hearing and publish the notice of the public hearing as required by law; and 3) Call for the Chief Financial Officer to file certain legal documents with the Town Clerk.

Background: Dating back to the 1980's, Cary has successfully used voter-approved bonds as one of several financial strategies to help create and maintain the community we enjoy today. The most recent referendum was approved by voters in 2012 for fire, transportation, and parks initiatives. All the funded projects are either complete or well underway.

On May 9 as part of the annual budget discussion, Council and staff explored a number of projects that could qualify and are well-suited for funding via general obligation bonds. There was agreement for a "not to exceed" total of \$225 million for Cary's next referendum: up to \$113 million for transportation needs and the remaining \$112 million for parks and recreation needs, including preserving open space. Council then directed staff to begin the legal process to hold a general obligation bond referendum on October 8, 2019.



At the May 23, 2019 Council meeting, Council adopted a preliminary findings resolution and authorized staff to file an application with the Local Government Commission (LGC). The

next step in this process is to introduce bond orders, call for a public hearing, and file a sworn statement of debt and statement of estimated interest.

Discussion: To help keep Cary great, a referendum is being planned for the October 8, 2019 election. The referendum, which will be comprised of two separate questions, will ask voters whether they approve of the Town's use of general obligation bond financing to pay for qualifying transportation projects and parks projects.

While the referendum sets maximum limits for borrowing in each of the two categories, the Town is not required to borrow the full authorized amounts. If the debt financing is approved by voters, then projects would be initiated, designed, and constructed over as many as 10 years. The debt would be incurred with up to four bond sales over those 10 years, each financed over a minimum of 20 years. At the same time, we expect the tax base will grow, existing debt service will decrease, and other revenues and operating expenses will change. For perspective, in today's dollars based on current assessed value, one penny of property tax yields enough revenue to cover debt service on approximately \$30 million of new debt.

This staff report facilitates the next set of actions required in the bond referendum process. A bond order must be introduced and adopted for each of the two purposes (Transportation and Parks and Recreation). Once the bond orders are introduced, a public hearing must be called for 6:30 pm, July 18, 2019, at which Council will consider final approval of the bond orders.

The bond orders and public hearing must be published in The News and Observer not later than the sixth day before the date of the hearing. In addition, certain legal documents are required to be filed with the Town Clerk as a matter of public record after the bond orders are introduced and before the public hearing takes place.

The bond orders, if approved at the July 18, 2019 Council meeting, would authorize the Town, upon voter approval, to contract for the debt for the stated purposes. The approval of the bond orders is not a final decision to issue the debt, but it is one of the necessary steps toward the decision. Upon voter approval, the Town would have seven years to issue the debt with a possible extension to ten years.

Fiscal Impact: There is no fiscal impact resulting from the actions outlined in this staff report. However, future tax increases will be required for operations, maintenance, and capital projects if we are to keep Cary great as we move from a growing community to a maturing community. As explained in the Discussion section above, the amount and timing of tax increases remains to be determined.

Next Steps: Following the actions at this meeting, staff will place a legal advertisement publishing the bond orders and the public hearing date. In July, the public hearing will be held and the bond orders considered for adoption. If approved, the bond orders would be publicized in legal notices during July and August.

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