


Overview of General Obligation Bond Financing of Capital Projects


Citizens' Capital Needs Committee
September 21, 2017

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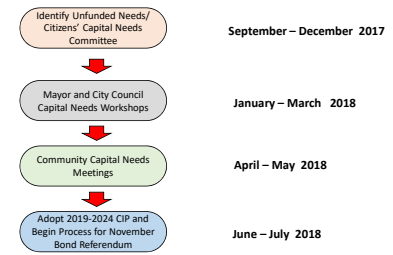


Overview

- Capital Planning Process
- Financing Capital Projects
- General Obligation Bonds
- Debt-Related Financial Indicators
- Results from Previous City Bond Referenda
 - ✓ 2000
 - ✓ 2014




Capital Planning Process



The flowchart shows four sequential steps: 1. Identify Unfunded Needs/ Citizens' Capital Needs Committee (September - December 2017), 2. Mayor and City Council Capital Needs Workshops (January - March 2018), 3. Community Capital Needs Meetings (April - May 2018), and 4. Adopt 2019-2024 CIP and Begin Process for November Bond Referendum (June - July 2018). Red arrows indicate the flow from one step to the next.


Financing Capital Projects

- Must be authorized by State law.
- Federal law exempts interest paid on most state and local government obligations from federal income tax .
- Local Government Commission (LGC)
 - Established in 1931 in response to depression
 - Approval usually required to issue debt




Financing Capital Projects

- Forms of Financing
 - Public Issues
 - General Obligation Bonds
 - Revenue Bonds
 - Special Obligation Bonds
 - Limited Obligation Bonds
 - Private Placements
 - Installation Purchase Contracts
 - Capital Leases



Financing Capital Projects

- ✓ All financings require City Council approval.
- ✓ Public hearings are required when there is a pledge of taxpayer revenues. Public approval is required for most financings.
- ✓ Statutory net debt limitation restricts some forms of borrowing.



General Obligation Bonds

- Simplest form of borrowing available to local governments.
- Secured by the full faith and credit of the city and the promise to levy any amount of property tax necessary to repay the debt.
- Promise to levy tax can be enforced by bondholder.

General Obligation Bonds

- Voted
 - Approved by referendum
- Bond Order Categories
 - Established by referendum
 - General Government
 - Economic Development
 - Housing
 - Public Safety Facilities
 - Parks and Recreation
 - Streets and Sidewalks

NOTE: Cannot transfer bond proceeds between categories

General Obligation Bonds

- Outstanding debt at June 30, 2017 \$118,305,000
- July 2017 bonds issued 59,030,000
- 2014 bonds authorized but unissued 25,505,000
(Expected issue date, June 2020)

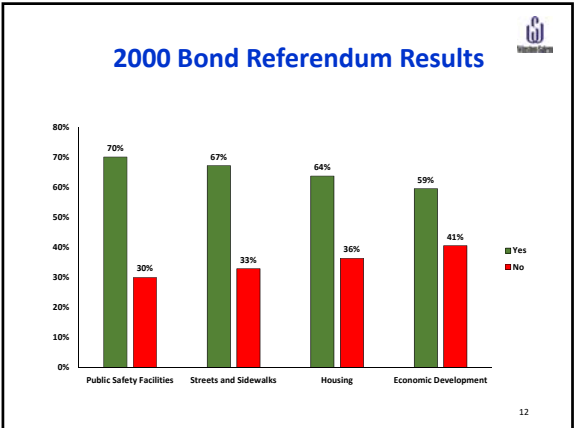
Debt-Related Financial Indicators

- Legal Debt Margin -
 - 8% of assessed property valuation or \$1.5 billion
 - ☞ City's current debt margin is 0.5%.
- Financial Policy limits per capita debt \$1,000
 - ☞ City's per capita debt June 30, 2017 \$500

1¢ tax increase = \$30 million in General Obligation Financing

2000 Bond Referendum

BOND ORDER	AMOUNT
Economic Development	\$ 12,500,000
Housing	6,400,000
Public Safety Facilities	11,500,000
Streets and Sidewalks	40,000,000
GENERAL OBLIGATION BOND TOTAL	\$ 71,000,000





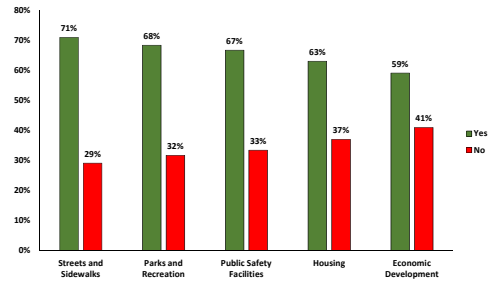
2014 Bond Referendum

<u>BOND ORDER</u>	<u>AMOUNT</u>
Economic Development	\$ 25,000,000
Housing	10,000,000
Public Safety Facilities	31,000,000
Parks and Recreation	30,850,000
Streets and Sidewalks	42,350,000
GENERAL OBLIGATION BOND TOTAL	\$139,200,000

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2014 Bond Referendum Results



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Winston-Salem