Staff Report for Town Council

Meeting Date: July 18, 2019

Bond Referendum Public Hearing
Purpose: Conduct public hearing on the 2019 bond referendum and consideration of bond orders and a resolution calling for a bond referendum

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 requires Council to conduct the following actions during this Council meeting: 1) hold a public hearing; 2) consider adoption of each of the two bond orders; and 3) consider passage of a resolution which establishes details of the referendum including the date of October 8, 2019.

Recommendation: Staff recommends that Council 1) conduct a public hearing; 2) adopt the two attached Orders authorizing bonds (Attachment A); and 3) adopt the attached “Resolution Calling for a Bond Referendum” (Attachment B).

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 with debt financing via general obligation bonds. There was agreement for a “not to exceed” total of $225 million for Cary’s next referendum: up to $112 million for parks and recreation needs, including preserving open space, and the remaining $113 million for transportation needs. 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). At the
June 27, 2019 Council meeting, Council introduced the bond orders, set the date for a public hearing, and filed certain legal documents with the Town Clerk.

The next step in this process is to hold the public hearing, adopt the bond orders, pass a resolution calling for the bond referendum, and publish the bond orders and notice of the referendum in the News and Observer.

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. Council must hold a public hearing on the bond orders before consideration of the bond orders. Once the public hearing is complete, Council may adopt the bond orders. The bond orders 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 that decision. Upon voter approval, the Town would have seven years to issue the debt with a possible extension to ten years.

In addition to adopting the orders, Council must consider a resolution calling for the bond referendum. The resolution 1) establishes the date and time for the referendum; 2) establishes voter registration details; 3) calls for the placement of legal advertisements; 4) substantially defines the wording of the referendum questions on the ballot; and 5) requests that Wake County and Chatham County Boards of Election conduct the referendum.

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 legal advertisements publishing the bond orders and notice of the referendum. After the referendum vote in October, Council will certify the election results.