

## 1997 Bond Referendum

The tax increase at the time was 10 cents:

.541 to .641

The multiple rounds of bonds meant the payments varied over time.

- In 1997, Transylvania County voters approved a \$24,300,000 million bond.
- This bond was issued in multiple series:
  - ▣ School Series 1998
  - ▣ Advanced Refunding Series 1998
  - ▣ School Series 1999

The staggering of the bonds meant that we needed approximately 40,000,000 in revenue over 20 years to make payments.

## 1998 and 1999 Bonds

- The purpose of these school bonds were to provide general renovations across Transylvania County Schools.
- An example: during the construction of Pisgah Forest Elementary (originally budgeted under a 1986 bond) - funding shortfalls required that the school be cut short by 4 classrooms. The 1997 bond referendum planned to add back two of those classrooms.

## Reevaluations

- Property Tax Revenue is a factor of both the tax rate and the assessed value of the County's real and personal property
  - ▣ 10 cents in 1998 generated approx. \$2.1 million in revenue
  - ▣ 3.6 cents in 2018 generates approx. \$2.1 million in revenue
- As a result, it is not possible to repurpose a tax increase from 1997 to meet the needs of a bond issued in 2019.

## Escalating Costs of Education

- So, what happened to the approximately \$2.1 million in property tax revenue used to make payments on the 1998 and 1999 school bonds?
  - ▣ In FY 2002, County Commissioners appropriated an annual sum to the Board of Education in the amount of **\$5,555,172** and a sum to pay the debt service on school-related debt of \$2,745,673
  - ▣ In FY 2018, County Commissioners appropriated an annual sum to the Board of Education in the amount of **\$11,842,443** and to pay debt service on school-related debt was \$660,250.

You can see the difference here – the smaller payments on school debt have been offset by a sharp increase in the annual appropriation to the Board of Education.

This doesn't include the appropriation for annual capital spending, only the local current operating expense.

## 2018 Bond Referendum

- On November 6<sup>th</sup>, 2018 voters will vote on a bond referendum with the following question:

*SHALL* the order authorizing \$68,000,000 of bonds plus interest to pay the capital costs of constructing, improving, renovating and equipping school facilities, including improvements at Brevard High School, Rosman High School and Rosman Middle School, and acquiring land or rights-in-land required therefor, and providing that additional taxes may be levied in an amount sufficient to pay the principal and interest on the bonds be approved?

- Yes  
 No

## The Project

- Rosman High/Rosman Middle and Brevard High Major Renovations
- **SPRING 2020** as the start date.
- At this time, we anticipate needing to pursue a full sale of the bond to provide the cash necessary to begin with no interruptions
  - ▣ No opportunity to stagger because both projects begin at the same time

## Obligations of County Commissioners

- **NC G.S. § 159-13. The budget ordinance; form, adoption, limitations, tax levy, filing.**
- The budget ordinance may be in any form that the board considers most efficient in enabling it to make the fiscal policy decisions embodied therein, but it shall make appropriations by department, function, or project and show revenues by major source.
- (b) The following directions and limitations shall bind the governing board in adopting the budget ordinance:
- (1) **The full amount estimated by the finance officer to be required for debt service during the budget year shall be appropriated.**

## Revenue Necessary to Pay

- Interest rates at time of sale will be a determinant in the size of the bond payments.
- During our process of applying with the State to have this referendum – interest rates influenced the tax rate necessary to pay for the bond if it passes: 10.35 to 11.00
- Our current estimate is that the first bond payment could be as high as \$6,341,000.
- A 10.5 cent increase will provide approx. \$6.1 million in revenue.

## Level Repayment

- There will be a \$3,400,000 annual payment towards the principal under this repayment schedule every year.
- As a result you would see the amount of interest due decline over the course of the loan more quickly than you would another type of amortization. The annual payment due is different and declines over time. Example: 2039's final payment under our estimate is \$3,536,000.

## When Will Payments Begin?

- With a Spring 2019 bond sale, staff anticipates one payment to fall between July 1<sup>st</sup>, 2019 and June 30<sup>th</sup>, 2020
- Your FY2020 budget (which will be developed next Spring) will need to include some plan for making that payment by law:
  - The tax increase estimated for the bond (approx. 10.5 cents)
  - An appropriation from fund balance (spend your savings)
  - A reduction in expenditures (cut the FY2020 budget) (86% mandated by State and Federal policy)

## Frequently Asked Questions

- How much interest?
  - **Approx. \$29,000,000**
- Where did the old tax increase go?
  - **It's funding a different part of the County's FY2019 education budget.**
- When will the tax increase need to take effect?
  - **July 1<sup>st</sup>, 2019**
- What happens if the cost of these projects is more than 68,000,000?
  - **The Board of County Commissioners will need to decide how they want to pursue the remainder of the financing depending on the cost.**