



COUNTY FINANCING OPTIONS AND DEBT CAPACITIES

Presented by Tim Romocki

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North Carolina Department of State Treasurer
State and Local Government

Learn. Invest. Grow. Prosper.

Overview

- Current Debt Status
- Debt Options
- Evaluating Debt Capacity



Current Debt Status

County Debt Outstanding – 8/13/2015 \$12,442.93 million

■ General Obligation	\$6,751.1 MM	54.3%
■ Installment Purchase	\$4,846.6 MM	39.0%
■ All Other	\$ 845.2 MM	6.7%



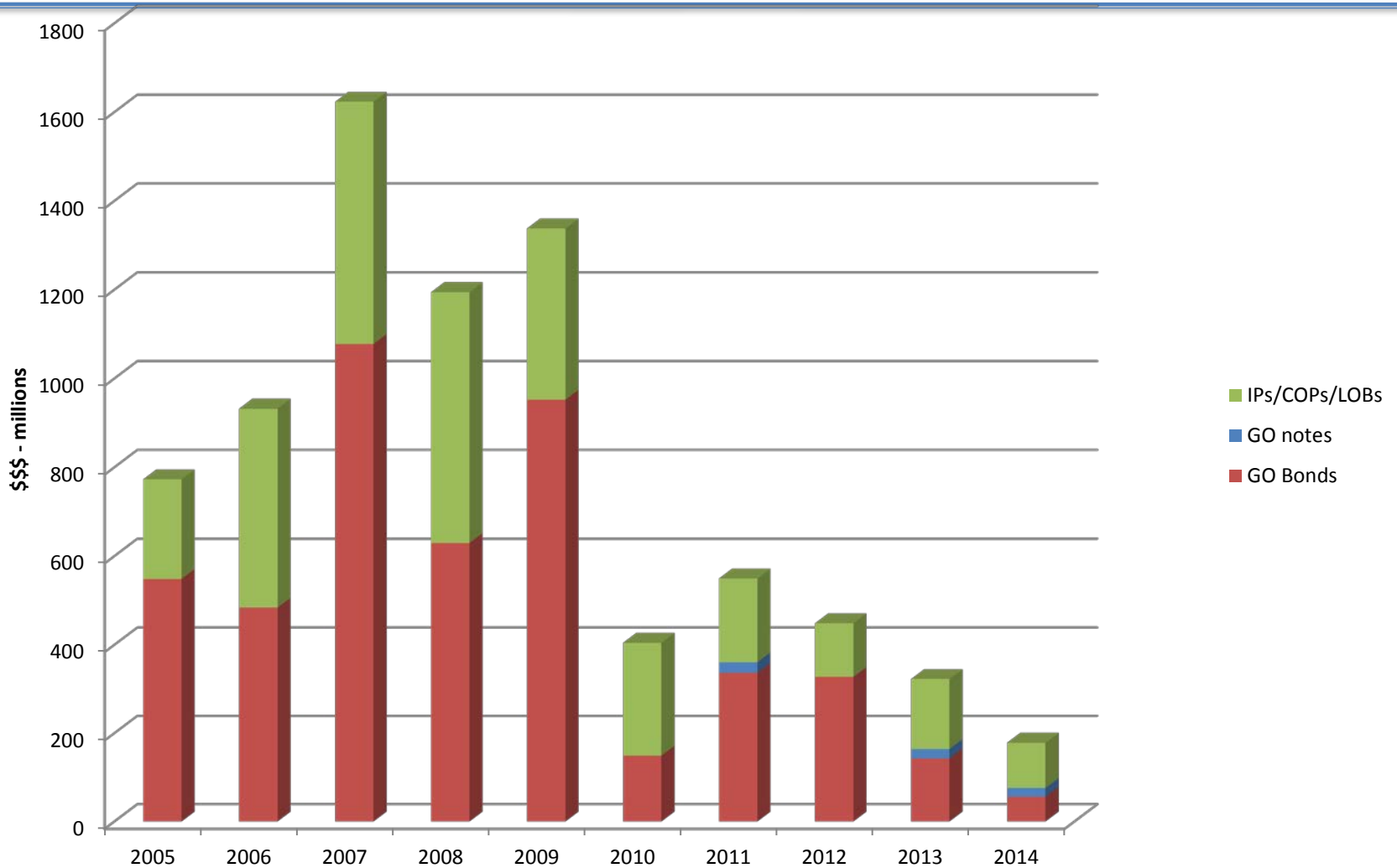
Current Debt Status

County Debt Outstanding – 8/13/2015 \$12,442.93 million

■ Schools	\$7,776	62.5%
■ Water & Sewer	919	7.3
■ Community College	865	7.0
■ County Buildings	596	4.8
■ Jails	583	4.7
■ Courthouse	491	3.9
■ Hospital	353	2.8
■ Land	194	1.6
■ Parks & Recreation	188	1.5
■ Library	139	1.1
■ Other	339	2.8



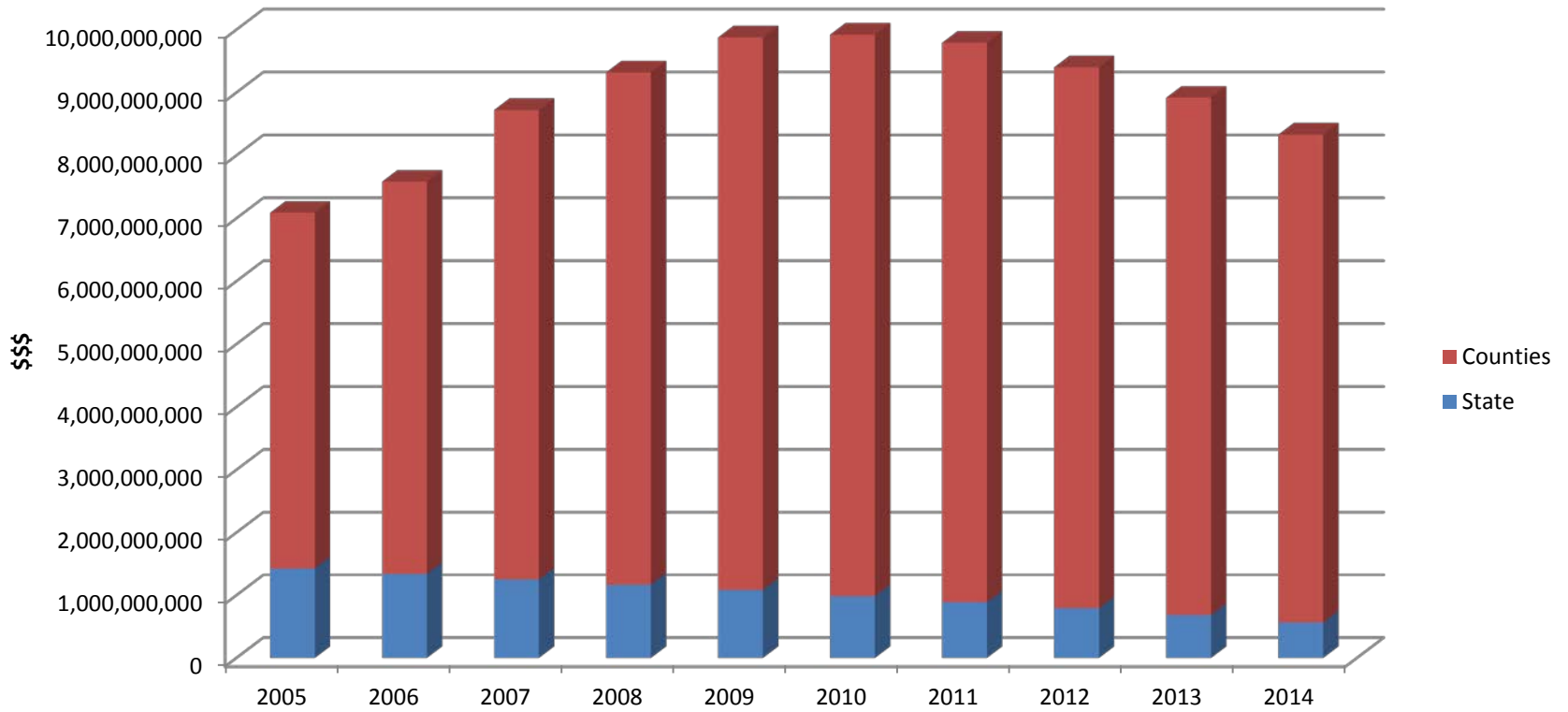
NC School Debt Issued FY2005-14



Source: NC Dept of State Treasurer Annual Reports



NC Outstanding School Debt



Source: NC Department of State Treasurer, State & Local Govt. Finance Division



Debt Options

- General Obligation Bonds
 - Requires referendum
 - Collateral - Full faith and credit, i.e. taxes
- Installment Purchase
 - Requires public hearing
 - Collateral – asset is pledged
 - Debt service is subject to appropriation
 - Can be private (bank held) or publicly sold



Debt Options

- Revenue Bonds
 - Collateral – revenues pledged
 - Enterprise operations – water, sewer, electric, gas, airports, etc.
 - Privately and publicly sold
 - Industrial Revenue Bonds
- Special Obligation Bonds
 - Collateral – other revenues
 - Landfill financings – collateral not desirable; revenues often insufficient
(General Fund Subsidy)



Debt Options

- State Revolving Loan Program
 - Low interest loans for water and sewer projects to qualifying governments, non-profits, and for-profits
 - Collateral – system revenues



Debt Options - Rare

- **Project Development Financing**
 - Voter approved constitutional amendment (2004)
 - Collateral – tax-increase increment is pledged
 - Project Development District
 - Public Infrastructure to support private development

- **School Capital Leases**
 - School Board lease with developer
 - Public Private Partnership
 - One to date – Hoke County's Sandy Grove Middle



Debt Options - Rare

- Special Assessment Bonds
 - Collateral – revenues
 - Assessments on parcels in an assessment district
 - Lien on property – foreclosure possible
 - Finance Public Infrastructure
 - Higher Issuance costs
 - Time consuming
 - Not an obligation of County
 - Moral obligation potential



Most debt must be approved by Local Government Commission. Required findings:

- Contract must be necessary or expedient;
- Contract is preferable to a bond issue;
- Sums to fall due are adequate but not excessive;
- Unit's debt management practices are good;
- Increase in taxes, if any, necessary for debt service is not excessive; for revenue bonds, must demonstrate feasibility;
- Unit is not in default;
- Bonds or debt can be sold at market rates.



Evaluating Debt Capacity

- Evaluate on a case-by-case basis
- Current Debt and Fiscal Management
 - “Good Debt Management” finding
 - Audited Financial Statements – on time
 - Unqualified Opinion
 - Tax Collection Rate > 90%
 - General Fund Balance Available - > 8% of expenditures



Evaluating Debt Capacity

- Current Capacity
 - Existing Debt Service Reserve
 - Dedicated Revenue Stream already in place
 - X cents of property tax rate goes to capital reserve or debt service fund
 - Portion of sales tax used for capital outlay or debt service – Article 40 & 42 restrictions for counties
 - On-going Debt Pay Offs – new capacity if structured with straight-line amortization



Evaluating Debt Capacity

- Ratio Guidelines
 - General Fund Debt Service to Expenditures
 - < 15% Ratings Agency Guideline
 - All NC Counties (95 reporting) – 6/30/2014
 - Debt Service = 12.37 %
 - All NC Municipalities (495 reporting) – 6/30/2014
 - Debt Service = 10.81%



Evaluating Debt Capacity

- Ratio Guidelines
 - Rate of amortization of existing debt
 - 25% of outstanding principal paid off in 5 yrs
 - 50% of outstanding principal paid off in 10 yrs
 - Direct tax-supported debt per capita (6/30/14)
 - County Average - \$1,392; Hi - \$3,286; Lo - \$20
 - Muni Average - \$787; Hi - \$110,796; Lo - \$ 0



Evaluating Debt Capacity

- Ratio Guidelines
 - Debt as a % of assessed valuation
 - County Average – 1.365%;
Hi – 2.66%; Lo – 0.033%
 - Muni Average – 0.747%;
Hi – 2.22%; Lo - 0.0%



Questions and Comments??

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Thank You!

Together we can build and maintain a fiscally strong and prosperous North Carolina.

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