

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Updates in Debt Management

June 2023

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State and Local Government Finance Division



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## Outline for Today

- Policy and Guidelines
- Website Updates
- UAL Units and Debt
- Interest Rate/Recent Municipal Sales
- Debt Section Update

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## Policy and Guidelines

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## General Obligation Bonds

### SL 2022-53

- Modifies [Article 4](#) of Chapter 159 (Local Government Bond Act)
- Creates new requirements for finance officer to disclose and file with the LGC estimates of interest to be paid on the bonds, increase in property tax necessary to service the debt, amount of two-thirds bonds available (new 159-155.1)

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## General Obligation Bonds

### SL 2022-53

- Creates a new finding required for the LGC to approve an application under this section:  
 “That the assumptions used by the finance officer of the unit in preparing the statement of estimated interest...are reasonable” (modification to 159-52(b))
- Modifies requirements for bond orders (modifications to 159-56 and 159-58)
- Effective for all bond orders introduced on or after October 1, 2022

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## LGC Policy to incorporate SL 2022-53

- Estimated Interest- Safe Harbor Policy- approved by the LGC November 2022.
- Note that units are not required to utilize the policy for their assumptions of estimated interest, and alternate assumptions may be preferable in certain circumstances such as refundings, private placements, and issuance of “two-thirds bonds”. Finance officers wishing to use alternative assumptions are encouraged to consult with LGC staff prior to the introduction of a bond order to discuss the basis for the alternate assumptions.

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## Safe Harbor Policy

1) The Commission will find the assumptions used in the estimate of total interest included in the statement of disclosures necessary for bond authorization required by G.S. §159-55.1(a)(1) to be reasonable if the estimate is based on the following assumptions: (a) principal on the bonds to be authorized will be paid in 20 annual equal principal installments measured from the date of issue of each separate series of bonds; and (b) the interest rate on the bonds will be equal to a Bond Buyer 20 Index (BB20) rate published within 25 days prior to the introduction of the bond order plus 200 basis points (2%) or higher.

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## Safe Harbor Policy cont.

2) A finance officer may use alternate assumptions to estimate the total amount of interest to be paid on the bonds over the expected term of the bonds; these alternate assumptions will be considered by the Commission at the same time it considers the application for approval of the bond issue and makes its findings required pursuant to N.C.G.S. 159-52(b)

The [Safe Harbor Policy](#) is available on our [Applying for Debt](#) webpage, along with deadlines, guidance, and other helpful resources.

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## General Obligation Bonds

Time frame of General Obligation Bond process will continue to remain the same.

**\*UPDATE-**

GO Bond LGC approval will be scheduled **AFTER** the local bond referendum (see next slide).

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## Policy and Guideline Update

March 2023 Guidelines for Review of Debt and Approvals

- \*Response to auditor findings
- \*FPICs
- \*Current Financials submitted
- \*Early Contact and Discussions

The [LGC Guidelines for Debt Issuance](#) are available on our [Applying for Debt](#) webpage, along with deadlines, guidance, and other helpful resources.

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## Website Updates

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## Website Updates Related to Debt Approval

- Policy on Public Participation – Online Form
- Debt Inquiry Form

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## Public Participation

- On April 4, 2023, the Local Government Commission adopted an updated “Policy on Public Participation in LGC Meetings”.
- Under this revised policy, members of the public may provide written comments on any agenda item before the Commission using an online form.
- Comments received by LGC staff will be shared with the Commission and with the local government.
- The [policy](#) is available on our [LGC webpage](#), along with a link to the [online form](#).

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## Debt Inquiry Form

- LGC staff launched a “Debt Inquiry” form for local governments with questions on applying for LGC approval of debt.
- This form streamlines communications from local governments to our Debt Management staff.
- Units are asked to supply basic information when known – type of debt, amount of debt, brief description of project, etc.
- Submissions are then routed to appropriate staff for follow up.
- The [form](#) is available in the [LGC Approval](#) section of our [Applying for Debt](#) webpage.

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## Efficiencies

- Timing is everything. Maximize the time frame by speaking to debt staff early in the process about a financing.
- SRF loans will need to have bids in hand before being presented to the LGC.

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## Project Factors

- RFPs
  - Construction bid
  - Bank bids
- Bid Holding time/ Lack of bids
- Cost Increases (Materials/Labor)
- Capital Planning

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## UAL Units and Debt

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## UAL Units and Debt

### [SL 2022-53](#) (S265/Bond Info Transparency / LGC Toolkit II)

- New lower limits for LGC approval for contracts for UAL units (modification to 159-148)
  - Contracts that extend for three or more years (five or more years for other units)
  - Contracts that obligate the unit to at least \$50,000 (generally \$500,000 for other units)
  - Does not change statutory language that a contract must meet all of four defined criteria to require LGC approval
  - Effective for contracts entered into on or after October 1, 2022.

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## UAL Units and Debt

Any unit on the Unit Assistance List can contact us for help working through financings.

Any questions can be directed to the debt management portal or the Coach Team member assigned to the unit.



## Interest Rates



## Recent Fed Funds Rates

• March 2020	0.65	• January 2023	4.33
• April 2020	0.05	• February 2023	4.57
• March 2021	0.07	• March 2023	4.65
• March 2022	0.20	• April 2023	4.83
• June 2022	1.21	• May 2023	5.06
• Sept 2022	2.56		
• October 2022	3.08		
• Nov 2022	3.78		
• Dec 2022	4.10		

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## Recent Municipal Bond Sales

Unit	Amount	Type-Date	Rating	Ave. Bond Life	TIC
Carteret County	\$20,000,000	GO Bonds 6/6/2023	AA+/Aa1	10.34 yrs	3.356%
Raleigh	\$200,000,000	Rev- W/S 6/1/2023	AAA/Aaa/AAA	19.11 yrs	3.951%
Garner	\$21,620,000	GO Bonds 5/31/2023	AAA/Aa1	10.10 yrs	3.4206%
Forsyth County	\$24,840,000	2/3 Bonds 5/23/2023	AAA/Aaa/AAA	10.46 yrs	3.5995%
Forsyth County	\$98,300,000	GO Bonds 5/23/2023	AAA/Aaa/AAA	10.46 yrs	3.563%

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### Recent Municipal Bond Sales

Unit	Amount	Type-Date	Rating	Ave. Bond Life	TIC
Fuquay-Varina	\$27,150,000	GO Bonds 5/9/2023	Aa1/AAA	11.40 yrs	3.173%
Fuquay-Varina	\$1,650,000	2/3 Bonds 5/9/2023	Aa1/AAA	3.17 yrs	2.619%
Greater Asheville Airport	\$175,000,000	Revenue- (AMT) 4/27/2023	A1/AA Insured	20.08 yrs	4.706%
Wilmington	\$68,000,000	LOB 4/26/2023	Aa1/AA+/AA+	10.53 yrs	3.489%
Union County	\$134,405,000	GO-School 4/25/2023	Aaa/AAA/AAA	10.79	3.185%

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### Recent Municipal Bond Sales

Unit	Amount	Type-Date	Rating	Ave. Bond Life	TIC
Dare County	\$37,000,000	LOB 4/20/2023	Aa2/AA	11.072 yrs	3.538%
Wake County	\$187,000,000	LOB- 4/19/2023	Aa1/AA+/AA+	9.390 yrs	3.242%
Winston Salem	\$8,895,000	2/3 Bonds 4/18/2023	Aaa/AAA/AAA	11.70 yrs	3.235%
Winston Salem	\$7,500,000	GO Bonds 4/18/2023	Aaa/AAA/AAA	1.78yrs	4.880%
Winston Salem	\$47,500,000	GO Bonds 4/18/2023	Aaa/AAA/AAA	11.72yrs	3.224%
Union County	\$25,000,000	LOBs 4/17/2023	Aa1/AA+	4.95yrs	2.625%

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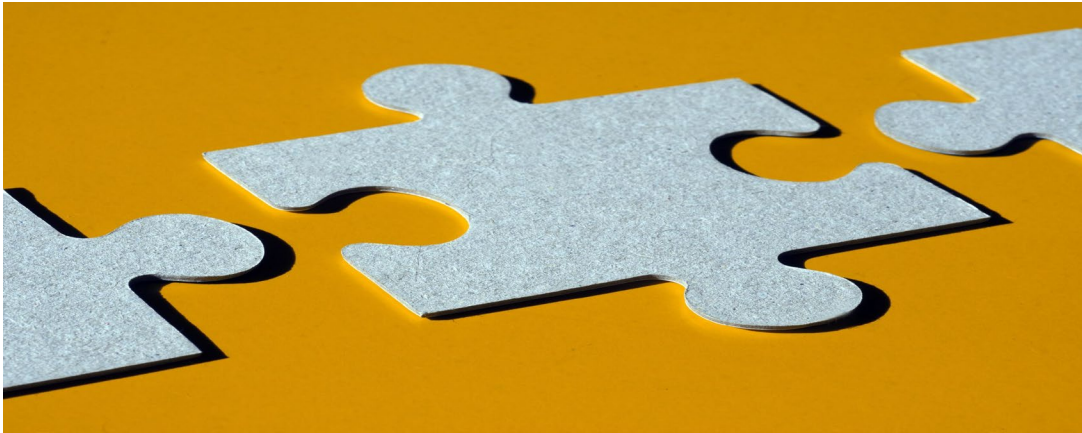


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## Debt Section Update



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## Staff Updates

- Tony Blalock- Assistant Director of Debt Management
- Melissa Dearman- Financial Analyst
- Kelsey Carmichael- Financial Analyst



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## Questions???

- **Contact Information**

- Jennifer Wimmer, Director Debt Management Section, SLGFD
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