

Debt Management Update

NC Government Finance Officers Fall Conference
Winston-Salem Marriott

October 12, 2017



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER






DALE R. FOLWELL, CPA

Staff of State and Local Government Finance Division

Tim Romocki, CPA
Director, Debt Management



Agenda

- **Staffing Changes**
- **Review of the Debt Application Process**
- **Debt Issuance Statistics**



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Debt Staffing Changes

- **Retirements**
 - Gordon Johnson, February 28, 2017
 - Margaret Lusk, April 28, 2017
 - Combined service of over 84 years
- **Replacements**
 - Tony Blalock, Financial Analyst
 - Marian Griffis, Administrative Specialist
- **New Staff**
 - Darrus Cofield, Financial Analyst
 - Patricia England, Debt Administrative Specialist



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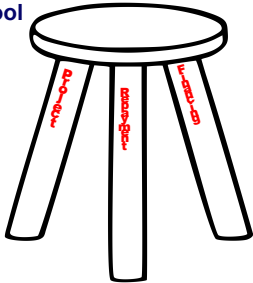
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Review of the Debt Application Process

The Three-Legged Stool



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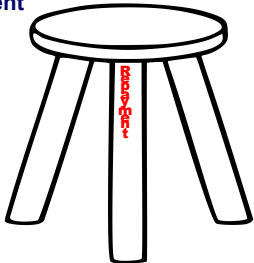
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Review of the Debt Application Process

The First Leg - Repayment



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Review of the Debt Application Process - Repayment


The Repayment Leg

Before you start to consider financing a project, take your **"FISCAL TEMPERATURE"** to determine your Fiscal Health.



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Review of the Debt Application Process - Repayment

Taking your "Fiscal Temperature"

- Do you have adequate fund balance available?
 - Compare to your peers
- Is your tax collection rate above 90%?
- Is annual debt service less than 15% of annual expenditures? (General Fund)
- For Enterprise Funds, is operating income in positive territory?

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Review of the Debt Application Process - Repayment

Taking your "Fiscal Temperature"

- Have your audited financials been submitted, and were they sent in on time?
- Was a unit letter issued? If so, has a satisfactory response been sent?
- Has Fiscal Staff performed a unit visit?
- If they have, are recommendations/corrective action plan being followed?

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Review of the Debt Application Process - Repayment

The Repayment Plan

- General Fund
 - Revenues > Expenditures?
 - Is it enough to cover new debt service?
 - If not, what is the source of additional revenues?
 - If not, will expenditures be reduced?
 - If not, is a tax increase needed? If taxes are to be raised, governing body does not consider them excessive?
 - Will the completed project require additional operating costs?

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Review of the Debt Application Process - Repayment

The Repayment Plan

- Enterprise Funds
 - Revenues > Expenditures?
 - Is it enough to cover new debt service?
 - If not, what is the source of additional revenues?
 - If not, will expenditures be reduced?
 - If not, are rate increases needed to pay the new debt service?
 - Will the completed project require additional operating costs?

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Review of the Debt Application Process - Repayment

The Repayment Plan

- Statutory Requirements – Findings
 - GO and IP - If tax increase needed, "not excessive"
 - Revenue Bonds – project is feasible
 - » Feasibility studies
 - » Agreed-Upon Procedures review of projections
 - » Internally prepared projections

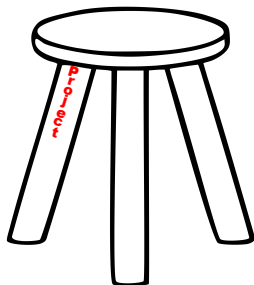
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Review of the Debt Application Process - Project

Second Leg – Bids and Permits



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Review of the Debt Application Process – the Project

The Project

- **What is the method of procurement?**
 - Traditional Design-Bid-Build
 - CMAR – Final GMP
 - Design – Build – Final GMP
 - GESG – finalized EPC
- **Need Certified Bid tabs or Final GMP**

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Review of the Debt Application Process – the Project

The Project – Execution

- **All major permits in hand**
 - NC DEQ – capacity increases; discharge permits; brownfield remediation, ATC
 - US ACE – FONSI; wetlands;
 - NC DOI – >20,000 sq. ft – shell and foundation
 - USDA – 1940-1; ATC; capital budget approval
 - Community Colleges – State Construction sign-off

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Review of the Debt Application Process – the Project

The Project – Execution

- **All major permits in hand**
 - Application should include letter from project architect/engineer listing status of all major permits
 - Copies of actual permits not needed

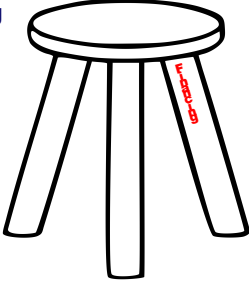
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Review of the Debt Application Process – the Financing

Third Leg – Financing



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Review of the Debt Application Process – the Financing

The Financing

- **Appropriate debt type**
 - GO – non-essential; difficult to use as collateral
 - IP – essential collateral
 - Revenue bonds – fee pledge; coverage pledge
 - Special obligation bonds – pledge of special revenues; other sources

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Review of the Debt Application Process – the Financing

The Financing

- **Appropriate sale type**
- **Public vs. Private**
- **Public – competitive vs. negotiated**
 - Underwriter selection

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Review of the Debt Application Process – the Financing

The Financing

- **Appropriate debt structure**
 - **Term**
 - **Principal repayment**
 - GF – level Principal
 - EF – level Payment

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Review of the Debt Application Process – the Financing

The Financing - Statutory Requirements

- Debt can be sold at market rates
- Sale will not interfere with other NC local governments debt sales
- For IP, preferable to a GO bond issue
- Approval of private sale
- 4 times rule

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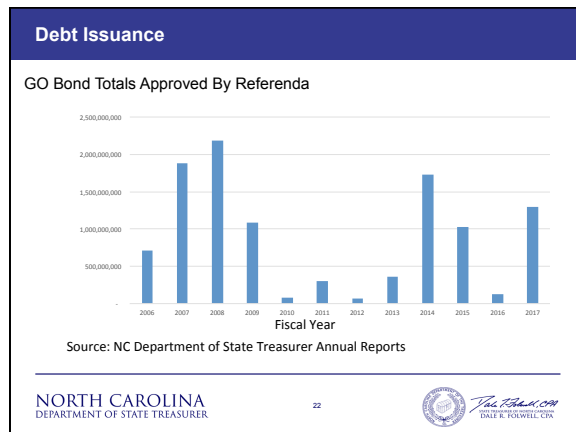
Review of the Debt Application Process

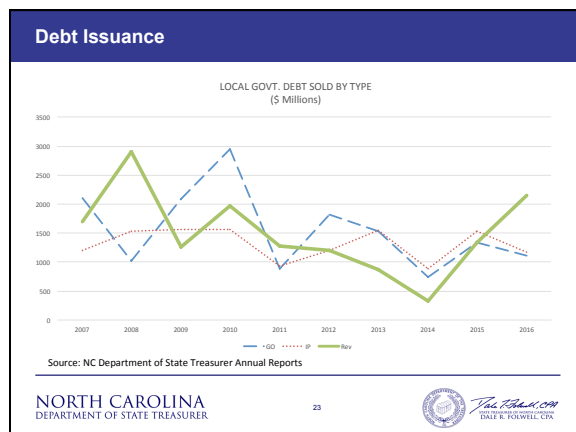
- **Pre-application meeting or call is recommended**
- **Application due 4 weeks prior to meeting of the LGC**
 - LGC meets first Tuesday each month
- **All proceedings should be completed prior to submission of application or shortly thereafter – findings resolution, public hearing, etc.**

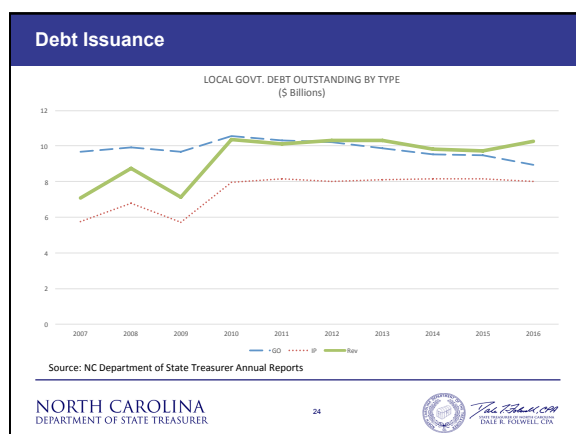
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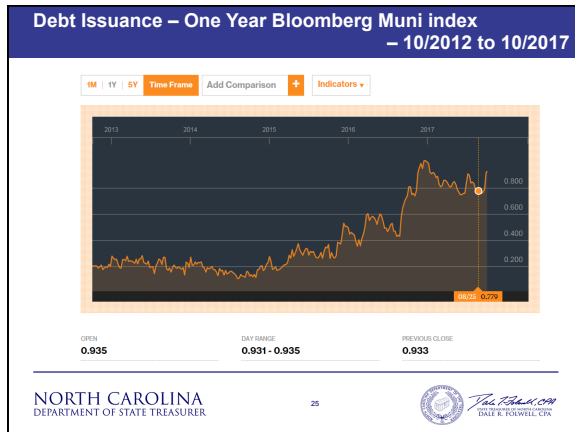
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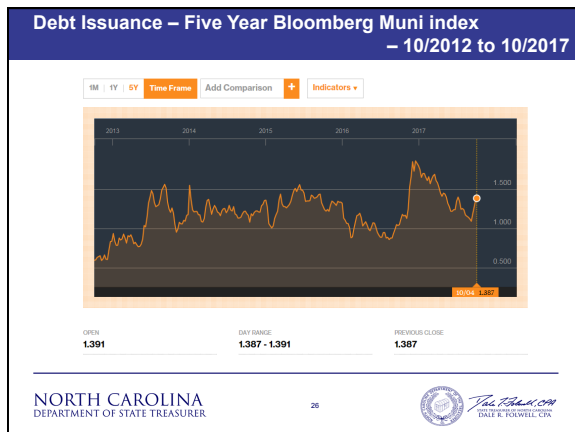


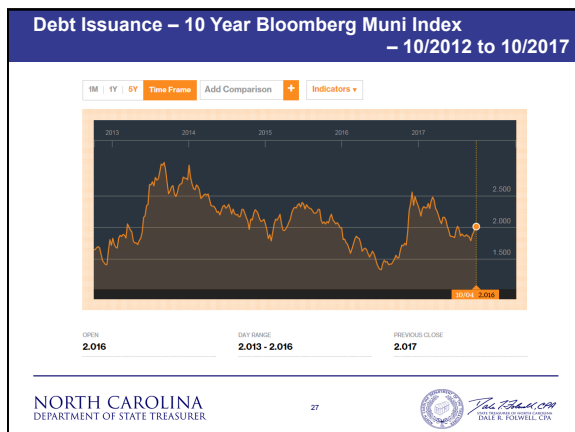














Questions?

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