



**North Carolina Association of County Commissioners**

***A Look at County Infrastructure  
Investment thru Debt Financing***

**NCGA Local Government Oversight Committee**



**December 9, 2013**



# Joint Legislative Committee on Local Government

## § 120-157.2. Purpose and powers of Committee.

- (a) The Joint Legislative Committee on Local Government shall review and monitor local government capital projects that are required to go before the Local Government Commission and require debt to be issued over one million dollars (\$1,000,000), with the exception of schools, jails, courthouses, and administrative buildings. Any project that fits these criteria must be reported to the Committee Chairs, Committee Assistant, and the Fiscal Research Division at least 45 days prior to presentation before the Local Government Commission.
- (b) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly shall include the purpose, scope, debt requirements, financing methods, and repayment plans of any local governmental capital project reviewed pursuant to subsection (a) of this section and may contain any legislation needed to implement a recommendation of the Committee. (2011-291, s. 1.8(a).)



# Why Issue Debt?

- Finance over useful life of capital investment—all users contribute to funding
- Capitalize on market conditions—historically low interest rates & lower construction costs
- Keep up with demand for facilities—delay in projects and renovation = more costly catch up later
- Capitalize on matching federal grant/financing funds—e.g. federal stimulus with \$373 million in schools



# County Use of Debt for Infrastructure

- County debt = \$13.3 billion in outstanding principal
  - Larger debt issuances likely to be GO bonds
    - 56% of bond value with \$35 million on avg.
    - 18% unissued GO debt (\$1.3 billion)
  - Counties active in refinancing/refunding to lower interest rates
    - 30% of outstanding debt for refund/refinance



# County Use of Debt for Infrastructure

- County debt uses
  - 70% for education
    - 64% for public school construction
    - 6% for community colleges
  - 15% for jails, courthouses, county buildings
  - 5% for water & sewer
  - 8% misc including parks & rec, land, hospitals & libraries
  - <1% for auditoriums, coliseums, civic centers, sports arenas



# County Debt Management

- Statewide county debt ratios
  - Debt as percent of assess valuation = 1.33%
    - Statutory limitation of 8%
  - Per capita debt = \$1,376
- 5 of 6 largest counties (+250k pop) with AAA rating
  - 6 largest counties account for 50% of total debt
  - Nationally only 65 counties have AAA
  - NC per capita debt = \$2,119
  - National AAA per county debt = \$2,816

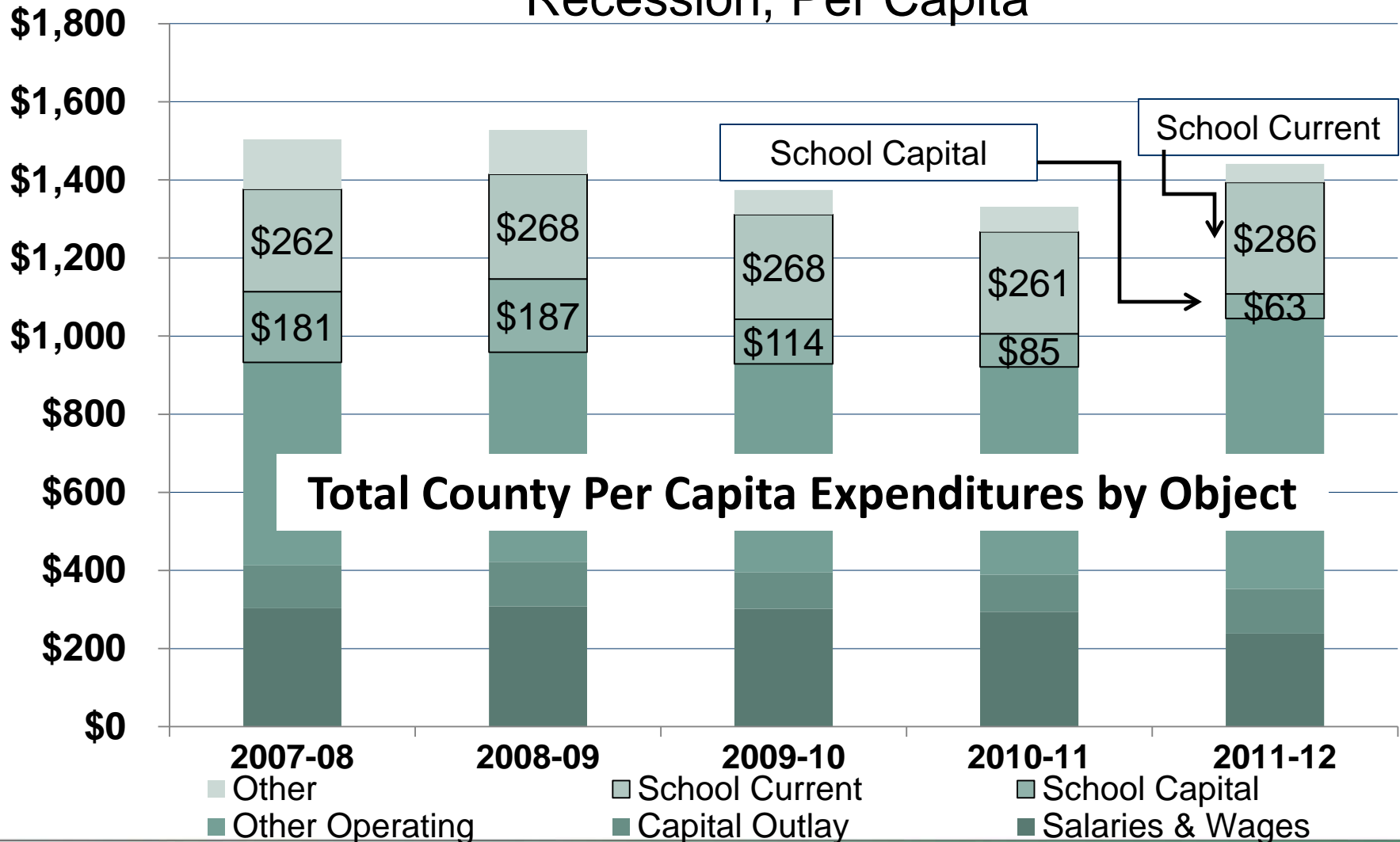


# County Debt Trends

- Recession curtailed issuance of new debt & capital investments
  - Peak of \$14.2 billion in 2009 v. \$13.3 today
- County investment in public school construction likewise dropped



## School Capital Funding Drops in Recession, Per Capita







# Uniquely NC -- Local Government Debt

- Financial management
  - County managers required by statute to submit annual capital budget
  - Counties plan asset acquisition through annual CIP
    - Outlines needs, priorities, financing, operating impacts for 5-6 years+



# Uniquely NC -- Local Government Debt

- Transparency
  - County board of commissioners officially & publicly adopts bond order or COPs contract
  - County required to hold public hearing prior to debt issuance
  - County required to get LGC approval prior to debt issuance



# Questions / Comments



# Thank You!