

Frequently Asked Questions

1. What is a general obligation bond referendum?

A bond referendum is a voting process that gives voters the power to decide if a municipality should be authorized to raise funds through the sale of general obligation (G.O.) bonds. A G.O. bond is long-term borrowing tool (typically 20 years) in which a municipality pledges its full faith and credit (taxing power) to repay the debt over a specified term. Generally, G.O. bonds are the least costly financing option available to the town for potential bond projects being considered. The proposed projects are listed here: www.townofdavidson.org/ProposedBondProjects

2. What is the purpose of a bond referendum?

Under North Carolina law, a local government holding a referendum for the purpose of issuing general obligation (G.O.) bonds must specify general categories of capital projects for which bond proceeds may be used. Within these categories, a local government may identify specific projects that are intended to be funded by the bond proceeds – the “bond package.” However, due to the lengthy process involved with identifying, designing, and implementing projects, as well as the lack of detailed cost and other project information available at the time of the bond referendum, the specific projects identified in the bond package may change over time. The question that the actual bond referendum therefore asks of voters is whether they authorize local government to use the G.O. bonds as a financing tool for the general category of projects up to the amount specified in the question.

3. When are bond referenda held?

Bond referenda can be held during a regular election when the polls are open across the entire jurisdiction affected by the referendum. More voters are likely to participate in the bond referendum during a typical election. These bond referenda will be held on November 7, 2017.

4. How do I vote?

Early voting begins on October 18 and Election Day is November 7. More information on how to register, where to vote, and early voting dates and locations is available here:

In Mecklenburg County: <https://www.mecknc.gov/BOE/Pages/default.aspx>, or call (704) 336-2133

In Iredell County : <https://www.co.iredell.nc.us/162/Elections>, or call (704) 878-3140

5. Why issue general obligation (G.O.) bonds?

Bond financing is often used for capital projects that are above and beyond the scope of the annual operating budget or are for projects that will benefit citizens for many years in the future. G.O. bonds typically offer the lowest interest rate for a local government, because under this type of long-term borrowing a town pledges its full faith and credit (taxing power) to repay the debt over a specified term. While there are several ways to finance the construction of major capital projects – current revenues, capital reserve funds (setting aside money over time), and other bonds, G.O. bonds provide the least costly source of borrowed cash to fund major projects.

6. Where can I find a list of potential bond projects?

www.townofdavidson.org/ProposedBondProjects

7. Can I vote for some bond referenda but not others?

Yes. There will be three separate bond referenda on the November 7 ballot: one for mobility projects, one for greenway projects and one for parks & recreation projects. Each will appear as a separate question on the ballot, so citizens will be able to vote for one, two, or all three.

8. Will the use of bonds increase the tax rate?

Yes. Current projections estimate a tax increase of up to 3.62 cents. The current projection is based on issuing \$5 million in bonds in 2019, 2021 and 2023 for a total of \$15 million.

9. How much would the town issue in bonds?

If citizens vote in favor of the three bond financing questions on the November 7 ballot, the town will have the authority to issue up to \$15 million in G.O. bonds:

- \$6 million for mobility projects
- \$5 million for greenway projects
- \$4 million for parks projects.

10. What happens to these projects if the bonds don't pass in November?

If the bonds do not pass, the town won't be authorized to use G.O. bond fund money. We will still look for other funding sources for these projects.

11. How long does the town have to issue the G.O. bonds if the referenda pass?

The town will have seven years (can be extended to ten) to issue/sell the bonds and 20 years to pay back the bonds after the funds are borrowed.

12. How will the town educate citizens about potential projects to fund via G.O. bonds and other details about the process, timeline, etc.?

We'll disseminate information via the following methods:

- Updates at board meetings
- Manager's reports
- Website (including FAQs)
- Newsletter
- eCrier
- Social media
- Videos
- Brochure
- Postcard

- Davidson Coffee Chats
- Davidson Connections
- Table at Farmer's Market

13. What is the town's role in educating about (and not advocating for) bonds?

Absolutely no public funds may be expended for the purpose of advocating for or against a bond referendum. The town may only provide information to citizens to assist them in making an informed decision.

14. With whom are you working as consultants and why?

Parker Poe, a law firm based in Charlotte, is our bond counsel. The Local Government Commission requires all municipalities seeking the use of bonds to hire bond counsel. First Tryon is our financial advisor; they have detailed knowledge and access to the financing marketplace, and assist us with financial modeling.

15. Where can I find more information about the bond referenda?

www.townofdavidson.org/GOBonds

16. When will I see a tax increase?

IF citizens vote to approve all three bond referenda, the 3.62 cent tax increase would be phased in over a three-year period:

1.5 cent tax increase to take effect in FY 2019 (as of January 2020 tax bill),

1.5 cent tax increase to take effect in FY 2020 (as of January 2021 tax bill), and

a .62 cent tax increase to take effect in FY 2021 (as of January 2022 tax bill).

17. How will the county's 2018 Revaluation affect our tax rate?

In FY 2019, the county will conduct a property revaluation. The county tax assessor will provide an update at the September 12 meeting to anticipate an increase in property values across Davidson. The projected assessed value of Davidson property for FY 2019 is \$2,000,000,000 at our tax rate of \$0.35 per \$100 of value which gives us a projected tax revenue of \$7,000,000. If there is an aggregate increase of 25%, in order to maintain a revenue neutral tax rate in FY 2020, we would technically lower our tax rate from \$0.35 to \$0.28 per \$100 of value. (Please see Public Facilities Financing Analysis page 5:

<https://davidson.novusagenda.com/agendapublic/CoverSheet.aspx?ItemID=2236&MeetingID=575> for more details)

See the charts below.

Revaluation Change in Tax Rate

Projected Assessed Value of Property FY2019	\$2,000,000,000
Tax Rate (Per \$100 of value)	0.35
Projected Tax Revenue FY2019	\$7,000,000
Revaluation of Property Aggregate Increase	25%
Potential Assesed Value of Property FY2020	\$2,500,000,000
Potential Neutral Tax Rate FY 2020	0.28

	Potential Tax Rate	Projected Revenue
10% Increase in Tax Rate FY 2020	0.308	\$7,700,000
15% Increase in Tax Rate FY 2020	0.322	\$8,050,000

How Does All This Affect Taxpayers?

FY 2019			
		Tax Rate	Taxes Paid
Assessed Value of Home	\$400,000	0.35	\$1,400

FY 2020 - Public Facilities					
Revaluation Increase	New Assessed Value of Home	15% Increase Tax Rate	Taxes Paid FY2020	Increase Over FY2019	
				Annual	Monthly
25%	\$500,000	0.322	\$1,610	\$210	\$17.50
		10% Increase Tax Rate			
25%	\$500,000	0.308	\$1,540	\$140	\$11.67

18. How will my taxes be affected if the town proceeds with the Public Facilities project and all three G.O. bonds are approved by voters?

To fund the Public Facilities project, we might choose to use the increase in revenue reserving 10% or 15% to use toward installment financing debt service for the public facilities project, bringing our tax rate to either \$0.308 or \$0.322.

An example might be helpful to illustrate the tax impact:

If your home has a property value of \$400,000, at the current \$0.35 tax rate, annual taxes are \$1,400. If Davidson has an average of a 25% revaluation increase, the home value then would be \$500,000 and at a new tax rate of \$0.308 (at a 10% tax rate increase), annual taxes would be \$1,540, which is an annual increase of \$140 or \$11.67 per month. Similarly, if we opt to use a 15% tax rate increase, annual taxes would be \$1,610, which is an annual increase of \$210 or \$17.50 per month. See the chart below:

How Does All This Affect Taxpayers?

FY 2023 - Public Facilities + G.O. Bonds					
Revaluation Increase	New Assessed Value of Home	New Tax Rate (15%+G.O.)	Taxes Paid FY2023	Increase Over FY2019	
				Annual	Monthly
25%	\$500,000	0.3582	\$1,791	\$391	\$32.58
		New Tax Rate (10%+G.O.)			
25%	\$500,000	0.3442	\$1,721	\$321	\$26.75

For more details, including the financial analysis and potential impact on taxpayers, please review the documents listed on the agenda:

<https://davidson.novusagenda.com/agendapublic/CoverSheet.aspx?ItemID=2236&MeetingID=575> and on our website at www.townofdavidson.org/PublicFacilities