

# Issuing Debt in NC: Public & Private Financings

## Local Government Commission Application Procedures

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Commission  
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Treasurer

# General Guidelines

- LGC BACKGROUND
- LGC MEETS FIRST TUESDAY OF EVERY MONTH
- ESSENTIALLY FINALIZED DOCUMENTS ARE NECESSARY BEFORE LGC CONSIDERATION
- COMPLETED APPLICATION DUE 28 DAYS PRIOR TO LGC MEETING – includes all legal proceedings
- CALL EARLY FOR ASSISTANCE

# Debt Issuance Procedures

- LGC must approve and sell all G.O. debt
- LGC must approve and sell all revenue bonds
- LGC must approve I/P if:
  - Contract is 5 or more years, and
  - Obligates unit to pay money, and
  - ALL money to be paid under contract is greater than lesser of \$500,000 or 1/10 of 1% of assessed value of property subject to taxation in unit,
  - OR, notwithstanding the previous three criteria, involves construction or repair to fixtures or improvements to real property.

# Debt Issuance Procedures

## PRELIMINARY CONFERENCE WITH LGC

- Size & scope of project; need
- Tentative Determination of Feasibility
  - a) Fiscal & Accounting Procedures – audit report
  - b) Debt Levels – increasing?
  - c) Existing Debt Service Requirements
  - d) Can Additional Debt Service Be Supported?
  - e) Method of Finance
  - f) utility rates; tax rates
- Other Capital Plans
- Determine whether to proceed or not

# Debt Issuance Procedures

For financing to be approved by the LGC, the Commission must be able to make certain findings:

- Project/contract must be necessary or expedient,
- Financing Contract is preferable to a bond issue, (IP's)
- 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, (G.O.) or increase in fees for other forms of debt (Enterprise)
- Unit is not in default.

# Debt Issuance Procedures

- A. Financial Review of Applicant – LGC Form 108C
  - 1. Projected Net Revenues
    - A. Actual Revenues & Expenditures
    - B. Add Normal Growth and Rate Changes
    - C. Add Effects of Expanded System
  - 2. Rate & Fee Structure
    - A. Rates & Rate Covenants
    - B. Average Monthly Water & Sewer Bill
    - C. Number of Customers – Projected Increase with Project
    - D. Tap Fee/Impact Fee Policy
  - 3. Existing Debt and Proposed New Debt

**STATE OF NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER**

*State and Local Government Finance Division  
And the Local Government Commission  
325 North Salisbury Street, Raleigh, North Carolina 27603-1385*

**PROJECTION OF WATER AND SEWER NET REVENUES**

Unit \_\_\_\_\_

Fund \_\_\_\_\_

Complete only if the proposed financing is for water or sewer facilities. Where separate accounting funds are maintained for each system, one schedule may be completed for proposed water bonds and one for proposed sewer bonds. Water and sewer operations may be consolidated when either water or sewer financing or both are proposed. Use actual amounts on modified accrual basis of accounting (budgetary basis) from latest audit report.

Fiscal Year \_\_\_\_\_

Fiscal Year \_\_\_\_\_

REVENUES	1. Actual Revenue for Last Complete Fiscal Year	Estimated Increase or (Decrease)		1 + 2 + 3 Estimated Revenue for Fiscal Year After Completion of Project
		2. Due to Normal Growth and Rate Changes	3. Due to Expanded System	
Operating Revenues:				
Customer charges				
Impact fees				
Tap fees				
Other revenue				
Total				
Non-operating Revenues:				
Interest				
Restricted sales tax				
Other				
Total				
Total Revenues				



Projection of water and sewer net revenues (continued)

	Actual Expenditures for Last Complete Fiscal Year	Estimated Expenditures First Fiscal Year After Completion of Project
Other (Do not include depreciation):		
Debt principal		
Interest		
Capital outlay		
Capital reserve		
Transfer to (from) other funds		
Other		
_____		
_____		
Total other		
Net Income (Loss)		

Does the Unit own and operate a Water System and a Sewer System? Yes \_\_\_\_\_ No \_\_\_\_\_ If "No", explain \_\_\_\_\_

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Number of Customers

Current

After Completion  
of Project

Water Residential

\_\_\_\_\_

\_\_\_\_\_

Commercial

\_\_\_\_\_

\_\_\_\_\_

Sewer Residential

\_\_\_\_\_

\_\_\_\_\_

Commercial

\_\_\_\_\_

\_\_\_\_\_

Current

After Completion  
of Project

Percentage  
of Change

Rate and Fee Structure

Indicate monthly cost for an average residential customer:  
Average gallons per month (for residential customer):

\_\_\_\_\_

WATER

Rate (Include minimum cost/thousand gallons, etc.) –  
Residential

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Average monthly bill within city limits

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Average monthly bill outside city limits

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

SEWER

Rate (Include minimum, etc.) – residential

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Average monthly bill within city limits

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Average monthly bill outside city limits

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TAP FEE POLICY

\_\_\_\_\_

IMPACT FEE POLICY

\_\_\_\_\_

\_\_\_\_\_

# Debt Types & Requirements

- Revenue bonds – how to determine feasibility
  - Debt coverage projections needed – agreed upon procedures for bank placement; full feasibility study for publicly sold debt
  - USDA revenue bonds – LGC must approve interim construction bonds (BANs) along with revenue bonds – usually bank placement – 108C

# Debt Types & Requirements

- State Loans – Cleanwater Revolving Loan Program
  - Application made to DENR
  - After DENR approval, DENR forwards financing application to LGC for approval
  - 108C