

## Frequently Asked Questions

[What is a bond referendum?](#)

[For what purpose will the bond funds be used?](#)

[How much will the Town issue in bonds?](#)

[Why doesn't the Town just use cash instead of debt to pay for these projects?](#)

[Can I vote for some bond issues but not others?](#)

[What is the value of one penny on the tax rate?](#)

[How will the Town pay back the bonds?](#)

[What are the property tax rate implications of these bonds?](#)

[What happens if the bonds don't pass in November?](#)

[If voters don't approve the bonds, does this mean that the Town Board will be prevented from raising property tax rates in the future?](#)

[If these bonds are approved by the voters, how will the additional debt be viewed by bond raters in light of Cornelius's existing debt?](#)

[If the bond referendum is approved, how quickly could the projects begin?](#)

[Where can I obtain additional information?](#)

### **What is a bond referendum?**

A bond referendum gives voters the power to decide if the Town should be authorized to borrow funding for capital projects with General Obligation (G.O.) bonds that are backed by a pledge of the full faith and credit, the taxing power, of the Town. G.O. bonds are debt instruments authorized by the public that can be issued by the Town during a 7-year period (which can be extended to 10 years). The Town will pay back the principal and interest over time, similar to a home mortgage, from the general funds of the Town.

### **For what purpose will the bond funds be used?**

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. 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 the local government is authorized to use the G.O. bonds as a financing tool for the general category of projects up to the amount specified in the question.

### **How much will the Town issue in bonds?**

If citizens vote in favor of the three bond financing questions on the November 5th ballot, the Town will have the authority to issue up to \$20.4 million in general obligation (G.O.) bonds over seven years. If the Town is not ready to issue bonds within seven years, the Town may ask for a three-year extension from the North Carolina Local Government Commission. There are three separate bond questions; any, or all of them may be approved.

Road, Intersection, and Sidewalk Bonds - \$11,150,000  
Parks and Recreation Bonds - \$5,250,000  
Town Center Redevelopment Bonds - \$4,000,000

### **Why doesn't the Town just use cash instead of debt to pay for these projects?**

The Town of Cornelius is in good financial health. However, the Town does not have enough cash available to pay for all of these capital projects while still sustaining the high level of service our citizens expect, and while maintaining fund balance levels that are in line with the Town's Fund Balance Policy. Using a debt instrument, such as bonds, allows citizens to pay for substantial capital projects over the useful life of the asset. Another consideration for using multi-year financing instead of cash is the equity factor: future citizens of Cornelius pay for a portion of the new projects that they will benefit from.

### **Can I vote for some bond issues but not others?**

Yes. There will be three bond questions: one for Road, Intersection, and Sidewalk Bonds, one for Parks and Recreation Bonds, and one for Town Center Redevelopment Bonds. You can familiarize yourself with the questions that will appear on the ballot by viewing the bond questions [here](#).

### **What is the value of one penny on the tax rate?**

In the current fiscal year, one penny on the tax rate is worth about \$455,000 in tax revenue annually for the Town.

### **How will the Town pay back the bonds?**

The Town is required to adopt an annual budget that is balanced, meaning estimated expenses cannot exceed estimated revenues. The Town Board approves an annual budget including revenues and spending plan, including making annual debt service payments. That annual budget document will provide for repayment of the bonds. The Town's largest revenue source is property taxes; therefore, approval of these bonds could directly impact the Town tax rate.

### **What are the property tax rate implications of these bonds?**

According to the Town's five-year financial forecast (FY 14-19), if all the bond measures are approved and are issued as currently anticipated in two phases, the Town estimates that the property tax rate may increase by 1 cent (FY 14 tax rate - 24 cents) as a result of the bonds starting in FY 15. However, many factors influence how much the tax rate might change, such as future interest rates and timing regarding exactly when the bonds are issued. Additionally, revenue and expenditure changes, legislative changes and operational decisions will impact the Town's tax rate in future years regardless of whether the bonds are approved.

View the chart below to see what a penny increase at the Town's current tax rate would cost based on different property value.

<u>Property Value</u>	<u>Cost per Month</u>	<u>Cost per Year</u>
\$ 150,000	\$ 1.25	\$ 15.00
\$ 300,000	\$ 2.50	\$ 30.00
\$ 450,000	\$ 3.75	\$ 45.00
\$ 600,000	\$ 5.00	\$ 60.00

**What happens if the bonds don't pass in November?**

The Town Board has identified a number of capital projects being proposed within each of the bond referendum questions that voters are being asked to consider. If the voters do not approve one or more of the bond issues, it will be up to the Town Board to decide if or how to proceed on those projects. The Town Board could decide to postpone or eliminate projects, could decide to use other Town funds to proceed with certain projects on a pay-as-you-go basis, or could consider other options to finance projects.

**If voters don't approve the bonds, does this mean that the Town Board will be prevented from raising property tax rates in the future?**

No. The bond vote is a vote on whether the Town may specifically use general obligation (G.O.) bond financing; it is not a vote on the property tax rate. The Town Board may raise or lower the property tax rates each year depending on the amount of revenues the Board believes is necessary to meet the operational and capital needs of the municipal government.

**If these bonds are approved by the voters, how will the additional debt be viewed in light of Cornelius's existing debt?**

Bond rating agencies, such as Standard & Poor's, Fitch, and Moody's issue a debt rating on each bond issue. The Town currently has a rating of AAA from Standard & Poor's (S&P) on its current bonds. In Standard & Poor's current opinion on the Town's ability to repay this debt, S&P notes Cornelius' financial strengths, including how quickly existing debt is paid off. Based on Cornelius' current tax rate, debt rating agencies are expected to recognize the Town's financial ability to continue to make its debt service payments.

**If the bond referendum is approved, how quickly could the projects begin?**

The Town is likely to begin design work on the projects, and issue debt to finance these capital projects as early as the spring of 2014. Debt service payments would likely begin six months later in the fall of 2014.

**Where can I obtain additional information?**

Additional information can be obtained by visiting [www.corneliusbonds.org](http://www.corneliusbonds.org) or emailing [bonds@cornelius.org](mailto:bonds@cornelius.org).