

Item Title: Schools and Wake Tech General Obligation Bond Referenda for November 2022 Ballot

Specific Action Requested:
That the Board of Commissioners:

- 1. Introduces Bond Order authorizing \$530,700,000 School bonds;**
- 2. Introduces Bond Order authorizing \$353,200,000 Community College bonds;**
- 3. Authorizes resolution declaring intent to reimburse expenditures to be funded by proposed School or Community College bonds, as needed;**
- 4. Authorizes filing of Sworn Statement of Debt, and Statement of Estimated Interest with Board Clerk; and**
- 5. Calls for a public hearing at the July 11, 2022, Board of Commissioners meeting and directs local publication of Notice of Public Hearing for same.**

Item Summary:

Purpose: State statute (*Chapter 159 Article 4*) requires a series of Board authorizations for a General Obligation (“GO”) bond referendum to appear on a voter ballot. The proposed action is the second of four required Board actions over the coming months relating to proposed GO bond referenda for Wake County Public School System (“Schools”) and Wake Technical Community College (“Wake Tech”) which are to appear on the November 8, 2022, Wake County voter ballot. The Board previously authorized a findings resolution related to the proposed GO bond referenda at its meeting held on June 6, 2022. Remaining Board authorizations relating to the proposed GO bond referenda will be scheduled for consideration at future Board meetings to be held July 11, 2022; and December 5, 2022.

Background: The proposed GO bond referenda are for two purposes:

Schools: not to exceed \$530.7 million for certain identified capital needs in fiscal years 2024-2025 (two years)

Wake Tech: not to exceed \$353.2 million for certain identified capital needs in fiscal years 2024-2027 (four years)

Board Goal: This action supports Education Goal 4: Maintain a long-term funding plan for capital needs at the Wake County Public School System and Wake Technical Community College. The proposed referenda complement Key Strategic Action E 4.1: Plan for and execute a

successful bond referendum for the Wake County Public School System and Wake Technical Community College.

Fiscal Impact: Future bonds to be issued under the proposed respective bond referenda have been fully anticipated in the County's long-term Debt and Capital Financial Model.

Additional Information:

Voter approval of a GO bond referendum is required for the County to issue GO bonds, the lowest cost of permanent debt the County can issue. Once voters approve, the County is then authorized to issue the GO bonds and levy additional taxes, if needed and as needed, to allow for full and timely repayment of the GO bonds. The County has seven years to issue the GO bonds upon voter approval.

Since 2016 the County has utilized short-term construction period bank loans ("draw programs") as a temporary and initial funding source for the capital needs of both Schools and Wake Tech, the County's two largest ongoing capital programs. Upon a successful referendum, the County will contract with a bank to provide a four-year draw program to act as the temporary and initial funding source for capital expenditures authorized under a bond referendum. During the four-year draw program period, draws are made as associated capital project expense is incurred. Then from time to time and as appropriate, outstanding balances of the draw program are converted to permanent GO bonds. Once the four-year draw program concludes, the draw program is retired (its purpose being fully utilized) and the remaining balance of the authorized referendum bonds is issued as permanent GO bonds. This interim strategy allows the County to achieve cashflow savings by reducing debt service in the near term. Ultimately this provides the County the ability to delay and compress any tax increases required in the near term to support major capital programs of the County.

The current Board action is the second of four required Board actions related to the proposed referenda. The next related Board action will be considered at the July 11, 2022, Board meeting. A calendar of events related to the proposed referenda is included in the Board packet as Attachment 1.

Schools Recent GO Referendum

The County last held a bond referendum for Schools in November 2018 to fund \$548 million of Schools capital needs for the two fiscal years 2020-2021. The 2018 Schools bond passed with 67% voter approval among cast ballots. The County issued the 2019A GO draw program in summer of 2019 to act as the temporary and initial funding source of the \$548 million capital expenditures authorized under the 2018 Schools bond. To date, the County has converted \$311.1 million of draws under the 2019A GO draw program to permanent GO bonds. Final conversion of draws made under the 2019A GO draw program to permanent GO bonds is expected to occur in Spring 2023.

Rather than hold a bond referendum for Schools in November 2020 to fund \$584.065 million of Schools capital needs for the two fiscal years 2022-2023, the Board instead elected to issue Limited Obligation Bonds (LOBs). This type of debt does not require voter

authorization, is issued at a rate slightly above GO bonds, and requires real property to be pledged as collateral to the bonds. While the Board elected to not pursue a GO bond for Schools capital needs for the two fiscal years 2022-2023, the County was still able to utilize its short-term draw program strategy by issuing a 2021 Installment Financing Agreement (IFA) draw program in summer of 2021 as a temporary and initial funding source for certain Schools capital expenditures in fiscal years 2022-2023. The County has not yet converted any of the 2021 IFA draw program to permanent LOBs. From time to time and as appropriate, balances drawn under the 2021 IFA draw program will be converted to permanent LOBs. Final conversion of all draw program balances to LOBs is expected to occur in Spring 2025.

Schools Proposed \$530.7 Million GO Referendum to Fund Certain Capital Needs in Fiscal Years 2024-2025

\$530.7 million GO bonds to be issued under the proposed 2022 Schools bond referendum will be combined with approximately \$134 million in cash funding to provide total County funding of \$664.7 million for Schools capital needs in fiscal years 2024-2025. Projects identified to be completed with 2022 Schools referendum bonds include, but are not limited to, the completion of two new construction elementary schools and one new construction middle school; the design work and beginning stages of one new construction elementary school and one new construction high school; the design work and beginning stages of tear down and replacement of four existing elementary schools, two existing middle schools, and one existing high school; certain partial renovations and improvements; program management and contingency; and the acquisition of certain furniture, fixtures, and equipment. Below are Schools capital projects for fiscal years 2024-2025 and designated County funding sources:

Schools CIP

FY2024 - FY2025 (2 years)

New Schools

	Total Project Cost	Proposed 2022 Schools Bond	County Cash
Pleasant Plains ES	\$ 59,813,168	\$ 59,813,168	
Bowling Road ES	\$ 59,813,168	\$ 59,813,168	
Parkside MS	\$ 141,199,850	\$ 141,199,850	
HS3 (not identified)	\$ 8,000,000	\$ 8,000,000	
Wendell ES	\$ 5,500,000	\$ 5,500,000	
	\$ 274,326,186	\$ 274,326,186	\$ -

Renovations (Tear Down; Replace)

North Garner MS	\$ 52,128,964	\$ 52,128,964	
Lockhart ES	\$ 11,154,367	\$ 11,154,367	
Brentwood ES	\$ 5,500,000	\$ 5,500,000	
Athens Drive HS	\$ 5,000,000	\$ 5,000,000	
Briarcliff ES	\$ 5,555,000	\$ 5,555,000	
Washington ES	\$ 5,500,000	\$ 5,500,000	
Ligon MS	\$ 7,293,468	\$ 7,293,468	
	\$ 92,131,799	\$ 92,131,799	\$ -

Program Requirements

Life Cycle Bldg Comp	\$ 75,000,000	\$ 75,000,000	
Life Cycle Furniture	\$ 4,402,000	\$ 4,402,000	
Educational Equipment	\$ 7,743,068	\$ 7,743,068	
Environmental/ADA	\$ 2,359,000	\$ 2,359,000	
Technology Devices	\$ 52,235,000		\$ 52,235,000
Technology Infrastructure	\$ 14,055,000		\$ 14,055,000
Security	\$ 9,895,000		\$ 9,895,000
Mobiles	\$ 5,846,706	\$ 5,846,706	
Assessments	\$ 1,179,000		\$ 1,179,000
Property Acquisition	\$ 24,140,000		\$ 24,140,000
SNAP	\$ 32,400,000		\$ 32,400,000
Partial Renovations & Improvements	\$ 27,000,000	\$ 27,000,000	
	\$ 256,254,774	\$ 122,350,774	\$ 133,904,000
Contingency & Management			
Program Contingency	\$ 20,945,431	\$ 20,945,431	
Program Management	\$ 20,945,431	\$ 20,945,431	
	\$ 41,890,862	\$ 41,890,862	\$ -
Schools 2-yr Program (Rounded)	\$ 664,700,000	\$ 530,700,000	\$ 134,000,000

Wake Tech Recent GO Referendum

The County last held a bond referendum for Wake Tech in November 2018 to fund \$349 million of Wake Tech capital needs for the four fiscal years 2020-2023. The 2018 Wake Tech bond passed with 65% voter approval among cast ballots. The County issued the 2019B GO draw program in summer of 2019 to act as the temporary and initial funding source of the \$349 million capital expenditures authorized under the 2018 Wake Tech bond. The County has since converted \$79.6 million of draws under the 2019B GO draw program to permanent GO bonds. Final conversion of draws made under the 2019A GO draw program to permanent GO bonds is expected to occur in Spring 2023.

Wake Tech Proposed \$353.2 Million GO Referendum to Fund Certain Capital Needs in Fiscal Years 2024-2027

\$353.2 million GO bonds to be issued under the proposed 2022 Wake Tech bond referendum will be combined with approximately \$30.6 million in cash funding to provide total County funding of \$383.8 million for Wake Tech capital needs in fiscal years 2024-2027. Projects identified to be completed with 2022 Wake Tech referendum bonds include, but are not limited to, new construction of New Health Sciences Building and parking deck; new construction of General Education Building; new construction of Culinary Science Building; new construction of Cyber Science Building and parking deck; and the renovation of various Southern Campus facilities. Below are Wake Tech capital projects for fiscal years 2024-2025 and designated County funding sources:

**Wake Tech CIP
FY2024 - FY2027 (4 years)**

Major Projects

	Total Project Cost	Proposed 2022 Wake Tech Bond	County Cash
New Health Sciences Building & Parking Deck (PHSC)	\$ 105,000,000	\$ 105,000,000	
General Education Building (WWC)	\$ 75,500,000	\$ 75,500,000	
Culinary Science Building (WWC)	\$ 54,000,000	\$ 54,000,000	
Cyber Science Building & Parking Deck (RTP)	\$ 65,000,000	\$ 65,000,000	
Renovation Various Facilities (SWC)	\$ 38,000,000	\$ 38,000,000	
	\$ 337,500,000	\$ 337,500,000	\$ -

Minor Renovations & Repairs

Mechanical Equipment	\$ 5,100,000	\$ 5,100,000	
Building Automation Control Upgrades	\$ 1,000,000	\$ 1,000,000	
Elevator Modernization	\$ 600,000	\$ 600,000	
Building Envelope Upgrades	\$ 2,900,000	\$ 2,900,000	
Electrical Replacement	\$ 3,300,000	\$ 3,300,000	
Life Safety Equipment Replacement	\$ 600,000	\$ 600,000	
	\$ 13,500,000	\$ 13,500,000	\$ -

Infrastructure Upgrades

IT Infrastructure Projects	\$ 22,050,000		\$ 22,050,000
Minor Capital	\$ 4,250,000		\$ 4,250,000
Facility Alterations	\$ 4,250,000		\$ 4,250,000
Card Readers	\$ 335,000	\$ 335,000	
Signage Upgrades	\$ 500,000	\$ 500,000	
Site Accessibility Upgrades	\$ 300,000	\$ 300,000	
Southern Loop Road (SWC)	\$ 1,000,000	\$ 1,000,000	
	\$ 32,685,000	\$ 2,135,000	\$ 30,550,000

Wake Tech 4-yr Program (Rounded)	\$ 383,800,000	\$ 353,200,000	\$ 30,600,000
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Anticipated Tax Impact

At this time, the County anticipates a 1 cent tax increase for capital will be required in fiscal year 2024 to support the proposed referenda for Schools and Wake Tech. The allocation of the anticipated fiscal year 2024 tax increase is as follows:

Purpose	Bond Amount	Capital Projects Funded by Bond	FY24 Tax Increase
Schools	\$530.7 million	2-years of projects (FY24 to FY25)	.60¢
Wake Tech	\$353.2 million	4-years of projects (FY24 to FY27)	.40¢
Total	\$883.9 million		1.00¢

As part of the fiscal year 2024 budget process in early 2023, the County will reassess and confirm the appropriate necessary tax increase required for capital in fiscal year 2024 to support the proposed referenda bonds for Schools and Wake Tech and whether different than current projection.

Recommendation

At this time, staff recommends the Board of Commissioners introduces Bond Order authorizing \$530,700,000 School bond; introduces Bond Order authorizing \$353,200,000 Community College bonds; authorizes resolution declaring intent to reimburse expenditures to be funded by proposed School or Community College bonds, as needed; authorizes filing of Sworn Statement of Debt, and Statement of Estimated Interest with Board Clerk; and calls for a public hearing at the July 11, 2022, Board of Commissioners meeting and directs local publication of Notice of Public Hearing for same.

Attachments:

1. Referenda Calendar of Events
2. Introduction of Bond Orders and Resolution to Reimburse
3. Notice of Publication of Public Hearing
4. Sworn Statement of Debt to be filed with Board Clerk
5. Statement of Total Estimated Interest to be filed with Board Clerk
6. Board Presentation for this request