



August 1, 2018

Memo to: Board of Commissioners

From: George Wood, Interim County Manager *GW*

Re: Reimbursement Resolution for Possible Bond Issue in 2019

Enclosed is a Reimbursement Resolution from Finance Director Eric Hardy. It is anticipated that the BOC might issue up to \$30,000,000 in Limited Obligation Bonds (LOBs) in 2019 to finance a list of projects shown in the attachments. If you look at the attachment on legal size paper, you will see that on page 1 begins the list for Buncombe County Schools and Asheville City Schools, which as shown on page 2 totals to \$13,793,283. You approved this on March 13, 2017. In addition, another \$8,000,000 of other school projects is currently under consideration by the School Capital Fund Commission. So, the total for schools is estimated at \$21,793,283.

Continuing on that page 2, the amounts and projects for the County total \$9,311,841, which have been approved in your capital budget for FY 2019 on June 19, 2018 in the latest CIP and budget.

Per IRS regulations, counties must adopt a Reimbursement Resolution if they intend to spend currently available funds on capital projects that will be financed by the later issuance of bonds. This allows us to proceed with these projects, then issue the bonds later in the fiscal year once the actual project costs have been determined by bidding, and possible change orders. This is possible if a county has sufficient fund balance to cash flow the projects, then reimburse county operating funds when the bonds are issued. In this case, we are saying we may spend up to \$30,000,000 out of operating funds, then reimburse the county from a \$30,000,000 bond issue sometime in 2019.

This process also helps with bond issue approvals from the LGC. Let me explain. The NC Treasurer's Office has to approve any long-term debt of a county or city. They have a division called the Local Government Commission (LGC) that is responsible for this. The LGC is also the entity that reviews our annual audit when we submit it to the state. The LGC will accept on occasion the architect's or engineer's estimates on construction projects, but they strongly prefer actual bids in hand. By moving ahead with the projects prior to bond approval, we would better comply with their rules.

Let me stress that approving this resolution **does NOT** commit the county to the issuance of these bonds. Your decision on that will come later in the process. All this resolution does is allows you to reimburse the county for up to \$30,000,000 if you choose to pursue these projects and subsequently issue the bonds to pay for them. You have the discretion to do less than this amount, and that will be determined before we move forward on the actual construction.

Please call me if you have any questions or comments on this matter.