THE BOND BUYER

Will Fayetteville voters support $90M in new debt?

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Fayetteville property owners would see a tax increase under a proposal put forth by city staff to fund a wide range of public safety projects, to include new fire stations and a 911 call center.

In all, city staff say they've identified a total of $90 million in needs for buildings, road work, sidewalks and other infrastructure. But persuading the City Council to pursue borrowing that much money may be difficult in this election year, especially since the city has taken on tens of millions of dollars in debt for downtown development.

The council on Feb. 28 will consider the staff's proposal to ask voters in a Nov. 5 referendum whether they support the city borrowing $90 million through two general obligation bonds — $30 million for streets and sidewalks, and $60 million for public safety projects.

On the public safety list are two new fire stations, relocating two others, renovating five stations and constructing a new public safety training center and new 911 call center.

For the streets and sidewalks plan, $10.5 million would fund projects through fiscal 2024, then $19.5 million after. Staff recommendations call for, among other things, $6.9 million for new sidewalks, $1.8 million for an extension of Blanton

Road, $900,000 for projects identified in pedestrian and bike studies, and $666,000 for repairs on Ray Avenue.

The city has existing revenue to pay off the streets and sidewalks debt, officials said.

But to fund the $60 million for public safety, the property tax rate would have to increase 3.5 cents per $100 of taxable value, city staff estimate. This means the owner of a $100,000 home in Fayetteville would see property taxes increase $35 each year the bond is being paid off.

City officials emphasize that their proposals could be modified or nixed by the council.

Councilman Johnny Dawkins said he is against the city borrowing at this time.

"I am not going to support any bond issue for the citizens to consider in 2019," he said. "We have a whole lot of debt that I want to see get paid down before we bring another bond issue for the citizens to consider."

Mayor Mitch Colvin also has concerns.

"I don't think our borrowing capacity is the question as much as it is continuing to put more burden on the taxpayers. That is my concern," he said.

Colvin said sometimes when the public demands major upgrades to city infrastructure, it requires raising taxes.

But in this case, Colvin said, there may be some public safety projects that could be delayed, reducing the debt the city takes on.

"I haven't fully been sold on the items included in the public safety piece," he said. "Staff needs to tell me exactly how we've explored all options, how much of the stuff we are asking for is necessary right now."

Mayor Pro Tem Ted Mohn said in an emailed statement that the two proposed bond amounts "in my opinion are only conceptual as of today."

Mohn said the amount needed for public safety could be reduced with the recent news that Cumberland County is willing to share its new 911 dispatch center building on Executive Place with the city, as well as the news that the county and Fayetteville Technical Community College plan to build an $18 million training facility for firefighters and emergency workers.

"Millions of dollars may potentially be saved if the city of Fayetteville, FTCC , Cumberland County and other municipalities within our county agree on collaborative approaches," Mohn wrote.

But the "devil is in the details" for any potential joint venture, he added.

"As of today, specific details elude me from my fellow elected officials on the County's Board of Commissioners," Mohn said. "I look forward to a cooperative atmosphere with all of my fellow elected officials across our entire county."

City Manager Doug Hewett said if the public safety debt is reduced substantially, the city may not need to take out bonds. A referendum on the November ballot could cost $80,000 to $100,000.

"We could go to the bank and say, 'Ok, let us borrow $10 million for two new stations,'" Hewett said. "In three years, we could go back and do renovations to those stations, so it may not be a bond offering at all."

Under law, the projects on the bond lists would have to be completed within seven years. Hewett said that is a major advantage, because needed projects could be finished much faster.

"We were rated as one of the least walkable cities in the country," he said. "We have a sidewalk plan and incremental funding for that over a 20-year period. But if we were able to get an injection of cash from the bond, it would allow the City Council to accelerate the installation of sidewalks, the same with street lights."

Hewett said the general obligation bonds would have to be approved by the state's Local Government Commission. He said he is confident that the city can handle the $90 million in debt.

City voters in 2016 approved a $35 million bond referendum for parks and recreation projects.

In June 2018, the city issued $35.7 million in limited obligation bonds to fund the downtown baseball stadium construction. Total debt over the 20-year financing period will be $50.7 million, with annual payments beginning at $3.1 million in the current fiscal year and declining to $1.8 million in fiscal 2038.

Staff has also proposed that council approve a second round of $2.3 million in bonds for the stadium, which is costing about $7 million more than the initial estimates. Several sources of revenue are paying off the stadium bonds, but property taxes are not proposed to increase, Hewett said. Revenue going toward the stadium debt is coming from parking proceeds, stadium leases, the increasing property values downtown from a special taxing district, and funds from the city's general capital funding plan, which does comes from property taxes.

The capital funding plan is also paying off the bonds on new Hay Street parking garage. The city issued $14.8 million in limited obligation bonds to pay for construction. Total debt service over 20 years will be $21.1 million. Annual payments begin at $1.3 million in the current fiscal year and decline to $771,346 in fiscal 2038.

Even with the recent borrowing, Fayetteville's debt ratio is positive when compared to other cities, according to an email from Nathan Walls, a city public information specialist.

As of June 30, he said, the city's ratio of debt to appraised property value was 0.363 percent, with outstanding debt per capita of $241.

"For the other eight municipalities in North Carolina with populations over 100,000, those metrics would be 1.324% and $1,516 respectively, revealing that the level of debt in Fayetteville is far below our municipal peers," Walls wrote.