



### **Agenda Action Form Overview**

Adoption of Resolution Making Findings of Fact and Authorizing LGC Application; Introduction of Bond Order; and Adoption of Resolution Calling Public Hearing for Not to Exceed \$240,000,000 General Obligation Refunding Bonds, Series 2026A

### **Background/Justification**

The Board of Commissioners is being asked to take several interconnected steps to initiate the issuance of General Obligation Refunding Bonds, Series 2026A, in an amount not to exceed \$240,000,000.

The process begins with the Board adopting a Resolution Making Certain Statements of Fact, which formally authorizes the County to apply to the North Carolina Local Government Commission (LGC) for approval of the bonds and the proposed financing team. This resolution establishes the foundation for the refunding and signals the County's intent to move forward. Simultaneously, the Board will introduce the Bond Order — formally titled "Bond Order Authorizing the Issuance of \$240,000,000 General Obligation Refunding Bonds of the County of Durham, North Carolina". This legal document outlines the terms and authority for the bond issuance.

Following the introduction of the Bond Order, the Board will adopt a Resolution Calling a Public Hearing, which directs staff to publish notice of the hearing in accordance with the Local Government Bond Act. This resolution also directs the filing of the required Sworn Statement of Debt and Statement of Disclosure, ensuring the County meets all statutory obligations for transparency and public accountability.

The public hearing on the Bond Order is scheduled to take place at the Board of Commissioners meeting on April 27, 2026, at which point residents will have the opportunity to comment before the Board takes final action on the Bond Order. The following section highlights Board actions related to the debt financing.



- 1. General Obligation Refunding Bonds, Series 2026B to refund Series 2014, Series 2016, and Series 2023A Bonds**
  - a. April 13<sup>th</sup> Board Meeting
    - i. Adopt the Resolution making certain statements of fact and authorizing LGC application
    - ii. Introduce the Bond Order
    - iii. Adopt the Resolution calling the public hearing, directing publication of public hearing notice, and directing the filing of the Sworn Statement of Debt and Statement of Disclosure
  - b. April 27<sup>th</sup> Board Meeting
    - i. Hold the public hearing on the Bond Order
    - ii. Adopt the Bond Order
    - iii. Adopt the Bond Resolution
- 2. General Obligation Bonds, Series 2026A to reimburse prior school, community college, and museum project costs**
  - a. May 11<sup>th</sup> Board Meeting
    - i. Adopt Bond Resolution
- 3. General Obligation Bond (Draw Program), Series 2026C to finance future project costs**
  - a. June 22<sup>nd</sup> Board Meeting
    - i. Adopt Bond Resolution

**Policy Impact**

There is no policy impact. The resolution is consistent with past actions. It does not require an exception to Board policy.

**Fiscal Impact**

For over 20 years, Durham County has used short-term variable rate financing through GO draw programs for a period of time up front, with the issuance of long-term fixed rate debt, GOs, to pay off the short-term variable rate financing. The County was, in fact, the first jurisdiction in the state to adopt a financing strategy more commonly associated with the private sector: pairing short-term variable rate financing through a General Obligation (GO) draw program with the subsequent issuance of long-term fixed rate debt.

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The mechanics of this approach are straightforward but strategically sound. Rather than issuing large amounts of long-term fixed-rate debt upfront and holding the proceeds in reserve until funds are needed, Durham County draws on a short-term variable-rate program to pay for capital expenditures as they are incurred. This draw period typically lasts between two and three years, depending on the pace at which project funding is spent. Once the short-term financing has been substantially drawn down, the County then issues long-term fixed-rate General Obligation bonds to permanently finance those expenditures — effectively paying off the short-term variable rate obligations and converting them into stable, predictable long-term debt.

One of the most significant advantages of this structure is its treatment of arbitrage risk. Under federal tax law, governments that issue tax-exempt bonds and invest the proceeds can face complex arbitrage restrictions and potential liability if bond proceeds earn returns that exceed the bond's interest rate. Durham County's draw program model eliminates this risk. The long-term fixed rate financing occurs only after the funds have already been put to use, an efficient structure that avoids arbitrage concerns altogether while keeping borrowing costs low and financial management straightforward.

In addition to converting short-term variable rate financing into long-term fixed rate debt, this action also includes the refunding of certain previously issued General Obligation bonds — specifically the General Obligation Public Improvement Bonds, Series 2014, and the General Obligation Refunding Bonds, Series 2016.

Refunding is essentially the public sector equivalent of refinancing. Just as a homeowner might refinance a mortgage to take advantage of lower interest rates, a local government can refund outstanding bonds by issuing new bonds at more favorable rates and using the proceeds to retire the older, higher-cost debt. By including these older bond series in the current refunding action, Durham County has the opportunity to capture meaningful interest rate savings on debt that was originally issued years ago under different market conditions. The 2014 and 2016 series bonds have been carrying their original interest rates since issuance, and current market conditions present a favorable window to replace that debt with new bonds at a lower cost.



### **Recommendation**

The County Manager recommends that the Board:

1. Adopt the Resolution by making certain statements of fact and authorizing the filing of an application with the North Carolina Local Government Commission for approval of the Bonds;
2. Introduce the Bond Order authorizing the issuance of the General Obligation Refunding Bonds in an amount not to exceed \$240,000,000; and
3. Adopt the Resolution calling a public hearing on the Bond Order, directing publication of notice of such public hearing, and directing the filing of the Sworn Statement of Debt and Statement of Disclosure.