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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

RESOLUTION MODIFYING THE SAFE HARBOR POLICY RELATED TO
REASONABLENESS OF ESTIMATED INTEREST ASSUMPTIONS

WHEREAS, the North Carolina General Assembly enacted Session Law [2022-53](#), entitled in part “AN ACT TO INCREASE THE TRANSPARENCY OF BOND REFERENDA...” (the “Act”); and

WHEREAS, Section 2.(c) of the Act amended Part 2 (Procedure for Issuing Bonds) of Article 4 (the Local Government Bond Act) of Chapter 159 of the General Statutes to add a new section §159-55.1 which requires a finance officer to file a statement of disclosures necessary for bond authorization; and

- pursuant to G.S. 159-55.1(a)(1), the statement of disclosure must include “an estimate of the total amount of interest that will be paid on the bonds over the expected term of the bonds, if issued, and a summary of the assumptions upon which the estimate is based...”; and
- Section 1 of the Act amended G.S. 159-52(b) by adding a finding for Commission approval of an application for general obligation bonds issuance: “That the assumptions used by the finance officer of the unit in preparing the statement of interest filed with the clerk pursuant to G.S. 159-55.1(a) are reasonable”; and
- the Commission, at its November 2022 meeting, adopted a safe harbor policy related to this finding to provide a definition of “reasonable assumptions”; and

WHEREAS, Section 36.3.(a) of Session Law 2023-134 (HB 259) amended G.S. 159-61(d), which sets forth the form of the ballot question to be used for local government general obligation bond referenda including a requirement that a unit include “The estimated cumulative cost over the life of the bond, using the highest interest rate charged for similar debt over the last (maximum bond issuance term)”; and

- Commission staff published Guidelines for Compliance with General Obligation Bond Ballot Question Requirements to provide guidance to local government units in complying with the modified requirements in G.S. 159-61(d); and
- The estimated amount of interest used to comply with the requirements of this ballot question provision may be different than the “estimate of the total amount of interest that will be paid on the bonds over the expected term of the bonds” included in the statement of disclosures

required by G.S. 159-55.1 (which often utilizes a reasonably expected interest rate based on current market conditions rather than the highest interest rate over the past 20 years); and

WHEREAS, the Commission wishes to update the safe harbor policy related to the finding required pursuant to G.S. 159-52(b) to align the policy with the new provisions of G.S. 159-61(d as amended by Session Law 2023-134 (HB 259);

NOW THEREFORE, BE IT RESOLVED by the Commission, that:

1) The Commission will find the assumptions used in the estimate of total interest included in the statement of disclosures necessary for bond authorization required by G.S. §159-55.1(a)(1) to be reasonable if the estimate is based on the following assumptions:

a) The principal on the bonds to be authorized will be paid in 20 annual equal principal installments measured from the date of issue of each separate series of bonds; and

b) The interest rate on the bonds will be equal to either:

1. the highest interest rate charged for similar debt over the maximum bond issuance term; or
2. the Bond Buyer 20 Index (BB20) rate published within 25 days prior to the introduction of the bond order plus 200 basis points (2%) or higher.

2) A finance officer may use alternate assumptions to estimate the total amount of interest to be paid on the bonds over the expected term of the bonds; these alternate assumptions will be considered by the Commission at the same time it considers the application for approval of the bond issue and makes its findings required pursuant to N.C.G.S. 159-52 (b).

WITNESS my hand this 4th day of June 2024.



Debbie Tomasko, Secretary

North Carolina Local Government Commission