
What is a General Obligation Bond?

A General Obligation Bond or GO Bond (“Gee-Oh”) is a type of bond that must be approved by a majority of the voters through a referendum. General Obligation Bonds are a type of debt instrument that are used by local governments to finance capital needs. The Bonds are secured by full faith and credit, backed by a levy of ad valorem taxes.

How are the Bonds anticipated to be repaid?

The annual principal and interest (combined, debt service) is paid by additional taxes. Generally, a separate bond millage rate is levied over and above the existing M&O millage rate to produce revenues equal to the annual debt service. The impact on the average homeowner is dependent on the value of the home, the actual interest rate of when the bonds are sold and the final terms/conditions of the bond (i.e. length of amortization, amount borrowed, etc).

What kind of projects can General Obligations Bonds finance?

GO Bonds can be issued for any purposes for which taxes may be levied. However, for each broad category of projects, a separate question must be posed to the voters.

Does the project list need to be detailed in the referendum?

The project list is not required to detail every single project, but it is required to list the broad category of the projects (i.e. “parks/greenspace” or “Transportation”).

Are there any limitations on the amount of General Obligation Bonds a City can have outstanding?

The total amount of General Obligation Bonds outstanding may not exceed 10% of the tax digest.

Are there any limitations on the amortization schedule?

General Obligation debt must be retired within 30 years.

Does the City have to issue the Bonds all at once?

No. The bonds can be issued in one or more series at any amount and intervals as necessary.

Once issued, how quickly do the bond proceeds need to be spent?

Generally speaking, there needs to be the intention to spend the bond proceeds within 36 months of the issuance.

Does the GO Bond Authorization expire?

No. However, annual principal repayments are specified in the election question. Therefore, if the issuance is delayed beyond those principal amounts, then amounts in those years are lost. Additionally, the Bonds must be validated through the court system within 6 months of the election.

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