



## Background

At the October 20th meeting the Commission approved an \$8.5 million scope of work for the Giles County Courthouse renovation. The next step is to determine the preferred financing approach to fund the project through bonds.

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## Bonding Scenarios

The County has the option to issue bonds with different repayment terms. Each scenario includes both principal and interest payments, and the interest rate will be established at market rates. Below are interest rates as of late-Oct 2025.

Amortization Term	Annual Payment (Principal + Interest)	Interest Rate (Fixed)	Explanation
20 Years	\$620,000	3.81%	Spreads payments over 20 years, lower annual cost, slightly higher total interest over life of the bond.
15 Years	\$735,000	3.41%	Moderate annual payment, lower interest rate, balances cost today and long-term interest.
10 Years	\$995,000	2.91%	Higher annual payments, lowest interest rate, pays off debt fastest, reduces total interest paid.

### Key Term – *Amortization*:

This is the length of time over which the bond is repaid. Longer terms reduce annual payments but increase total interest; shorter terms increase annual payments but reduce total interest.

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## Call Provisions

- A *call provision* is the date when the County can pay off or refinance the bonds early.
- Standard call provisions are 10 years; the proposal is a 7-year call, allowing the County to refinance or pay off all or part of the debt starting in CY-2033.
- Shorter call provisions provide more flexibility but can slightly increase interest rates.

**Plain-language:** This is essentially an “early payoff option” that lets the County reduce interest costs in the future if funds are available or refinancing makes sense.

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## Issuance Variables

- The Courthouse renovation bond can be issued independently of any other future projects. There is no need to wait for additional projects to be ready before issuing this bond.
- Bonds can be combined with other financing in the future, but any cost savings are minimal and should not drive the decision.
- The timing of issuing the bond should be based solely on the funding needs of the Courthouse project.
- The Board may approve multiple bond issuances in the same resolution if desired, but each bond can still be issued separately according to project readiness.

**Plain-language:** The Courthouse project does not have to wait for other projects to be funded. The County can move forward now and retain flexibility for future bonding needs.

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## Context on Borrowing vs. Inflation

- The projected interest rate for a 20-year bond is ~3.8%, which is below the anticipated 5–7% annual inflation in labor and construction costs. Borrowing now locks in lower financing costs compared with paying for the same work in the future.
- Delaying renovations transfers financial risk to future Commissions, who may face both higher construction costs and higher interest rates.
- In effect, borrowing is a hedge against anticipated rising costs — it reduces total project expense while addressing critical infrastructure needs promptly.

**Plain-language:** The interest rate on a bond today is lower than the expected annual increase in construction costs.

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## Options and Consequences

As County Executive, my job is to present facts, identify risks, and outline trade-offs. The decisions—and the consequences—rest with the Commission.

### Option 1: Proceed with the \$8.5M bond now

- **Pros:** Follows through on scope of work commitment; locks in favorable interest rates (~3.8%); addresses critical mechanical, safety, and structural needs; avoids escalating costs due to inflation or deferred maintenance.
- **Cons:** Requires upfront debt service and funding for professional services (architects, engineers, project management).
- **Likely Outcome:** Problems are addressed correctly; long-term cost savings; reduced emergency and operational risk.



### Option 2: Delay bond issuance or pursue partial repairs

- **Pros:** Short-term avoidance of borrowing; perceived cautious approach.
- **Cons:** Costs increase over time due to inflation and continued deterioration; mechanical failures, emergency repairs, and fire/safety risks remain; historically, postponement leads to indefinite deferral.
- **Likely Outcome:** Problems worsen; total cost rises (estimated 5-7% per year); operational and safety risks continue.

### Option 3: Do “bare minimum” repairs only

- **Pros:** Lowest short-term cost.
- **Cons:** Deferred mechanical, safety, and masonry issues; exacerbates risks; long-term costs escalate; transfers responsibility to future Commissions.
- **Likely Outcome:** Deferred crises; increasing emergency repair costs; potential irreparable damage.

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### Commission Decision Points

Assuming the Commission follows through on its Oct 20<sup>th</sup> resolution committing to an \$8.5M Scope of Work, the remaining decisions are:

1. **Amortization Term:** Choose between 10, 15, or 20 years, weighing annual payment vs. total interest cost.
2. **Call Provision:** Weigh the proposed 7-year call or adjust term based on flexibility needs and cost implications.
3. **Issuance Approach:** Decide whether to issue bonds separately or combined, based on project timing and strategic financing goals.

The Commission may choose to move forward with a preferred term, call provision, and issuance approach so that bonds can be structured and marketed efficiently in alignment with the Commission’s approved Scope of Work. Alternatively, the Commission may revisit and adjust the Scope of Work.

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## Decision Paper—Courthouse Bonding Options—04 Nov 2025



**Conclusion:** This is a decision about stewardship, risk management, and fiscal responsibility. *Tempus fugit* — delaying action increases both financial and operational risk and compounds deterioration.

True fiscal conservatism means addressing critical needs before they become more expensive emergencies. The facts, risks, and consequences are clear — the Commission must now decide.

v/r,

A handwritten signature in blue ink, appearing to read "G. S. Stowe", is written over the printed name.

G. S. Stowe  
County Executive