

Discussion Materials

Town of Chapel Hill, North Carolina



February 18, 2022

Contents / Agenda



3	Topics for Discussion
4	Credit Rating Overview and Peer Comparatives
12	Existing Tax Supported Debt Profile
17	Debt Service Cash Flow Forecast
20	Capital Planning and Future Debt Capacity/Affordability Analysis
28	Observations
30	Appendix A: Additional Capacity Case Details
43	Appendix B: Financial Policies
52	Appendix C: Existing Tax Supported Debt
69	Appendix D: Rating Reports



Topics for Discussion

- Credit Rating Overview and Peer Comparatives

- Existing Tax Supported Debt and Financial Profile.
 - Current Credit Ratings and Rating Peers
 - Key Financial Ratios / Policies.
 - Peer Comparatives.
 - Debt Service Budgeting Approach.

- Capital Planning.
 - Capital Projects / Funding Overview.
 - Debt Capacity.
 - Debt Affordability.

- Observations.



Credit Rating Overview and Peer Comparatives



Credit Rating Overview and Peer Comparatives

Rating Overview

- The Town currently has the following ratings:
 - Moody's: Aaa
 - Last Rating Report: 7/1/2021
 - Last Rating Change: Upgrade to Aaa (2/24/1998)
 - S&P: AAA
 - Last Rating Report: 7/9/2021
 - Last Rating Change: Upgrade to AAA (10/11/2006)

Moody's Investor Services	Standard & Poor's	Fitch Ratings
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BB+	BB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Peer Comparative Introduction

- The following pages contain peer comparatives based on the below Moody's rating categories.
 - National Aaa Cities & Towns (Median): 212 Credits
 - North Carolina Aaa Cities & Towns (Median): 13 Credits
 - North Carolina Aaa Cities & Towns:
 - Apex
 - Huntersville
 - Asheville
 - Morrisville
 - Cary
 - Raleigh
 - Chapel Hill
 - Wake Forest
 - Charlotte
 - Wilmington
 - Durham
 - Winston-Salem
 - Greensboro

- Note: The data shown in the peer comparatives is from Moody's Municipal Financial Ratio Analysis database. The figures shown are derived from the most recent financial statement available as of December 20, 2021 (a combination of FY 2020 and FY 2021 figures).



Rating Agency Commentary – Moody’s (7/1/2021)

MOODY’S INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to Chapel Hill, NC's LOBs, Ser. 2021 A&B; outlook stable

01 Jul 2021

New York, July 01, 2021 – Moody's Investors Service has assigned a Aa1 rating to the Town of Chapel Hill, NC's \$33.1 million Limited Obligation Bonds (LOBs), Series 2021A and \$16.7 million Taxable Limited Obligation Bonds, Series 2021B. The outlook is stable.

RATINGS RATIONALE

The LOBs are rated one notch below the town's general obligation (GO) rating of Aaa, reflecting the legal structure and the risk of non-appropriation, which is somewhat mitigated by a pool of leased assets that includes more essential assets (town operations center) and less essential assets (a parking garage).

RATING OUTLOOK

The stable outlook reflects the expectation that the town's financial position will remain healthy supported by formal policies, conservative budget management and stable property tax revenues. Additionally, the tax base will continue to benefit from ongoing development and the presence of the University of North Carolina at Chapel Hill (UNC, Aaa stable).

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained trend of structural imbalance leading to weakened reserves and liquidity
- Significant increase in debt or capital needs
- Marked tax base deterioration or weakened income and wealth metrics

LEGAL SECURITY

Debt service on the town's Limited Obligation Bonds are subject to annual appropriation and a first lien on essential pledged assets (town operations center), as well as a less essential parking garage. Further, the town's budget officer is required to include annual installment payments in each proposed budget for the life of the bonds. The board may delete the appropriation only through the adoption of an express resolution. If the town fails to make installment payments, the Trustee can accelerate payments and may institute foreclosure proceedings and apply the proceeds of sale to the balance of payments due under the bonds.

USE OF PROCEEDS

A portion of bond proceeds will fund the construction of a new parking deck and road improvements. The remaining proceeds will refund the town's outstanding 2012 LOBs and 2015 installment financing agreement with no extension of maturity.

PROFILE

Located in the central portion of the state, the town sits within Orange County (Aaa stable). The town covers a land area of 21.3 square miles and has a population of approximately 64,000.

METHODOLOGY

The principal methodology used in these ratings was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments Methodology published in June 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1274696. Alternatively, please

■ Ratings Rationale

- The Aaa rating reflects the town's large and stable tax base that benefits from the presence of the University of North Carolina at Chapel Hill (Aaa stable) and UNC Health Care. The rating also incorporates the town's strong financial position, supported by formal policies and conservative budget management as well as elevated long-term liabilities.

■ Factors that Could Lead to an Upgrade

- Not applicable

■ Factors that Could Lead to a Downgrade

- Sustained trend of structural imbalance leading to weakened reserves and liquidity.
- Significant increase in debt or capital needs.
- Marked tax base deterioration or weakened income and wealth metrics.

Moody's Methodology Update



Quantitative Scoring Factors

- On December 16, 2016, Moody's updated its US Local Governments General Obligation Debt methodology and assumptions. Under the new methodology, an initial indicative rating is calculated from a weighted average of four key factors. Below the line qualitative adjustments can be made after the initial indicative rating.

US Local Governments General Obligation Debt Methodology

1	Economy / Tax Base	30%
	Tax Base Size (Full Value)	10%
	Full Value Per Capita	10%
	Wealth (Median Family Income)	10%
2	Finances	30%
	Fund Balance (% of Revenues)	10%
	Fund Balance Trend (5-Year Change)	5%
	Cash Balance (% of Revenues)	10%
	Cash Balance Trend (5-Year Change)	5%
3	Management	20%
	Institutional Framework	10%
	Operating History	10%
4	Debt / Pensions	20%
	Debt to Full Value	5%
	Debt to Revenue	5%
	Moody's Adjusted Net Pension Liability (3-Year Average) to Full Value	5%
	Moody's Adjusted Net Pension Liability (3-Year Average) to Revenue	5%

Qualitative Scoring Factors

	Below-the-Line Adjustments	Other Considerations ¹
1	Economy / Tax Base	
2	Institutional presence (+)	Per capita income
3	Regional economic center (+)	Composition of workforce/employment opportunities
4	Economic concentration (-)	Proportion of tax base that is vacant or exempt from taxes
5	Outsized unemployment or poverty levels (-)	Median home value
6		Trend of real estate values
7		Population trends
8		Property tax appeals outstanding
9		Unusually significant tax base declines or growth
10		
11	Finances	
12	Outsized enterprise or contingent liability risk (-)	Questionable balance sheet items that may distort fund balance
13	Unusually volatile revenue structure (-)	Large portion of fund balance that is restricted or unusable
14		Labor contracts that materially affect credit strength
15		Limited revenue raising ability:
16		Restrictive property tax cap
17		Constraints on capturing tax base growth
18		Other levy-raising limitation
19		Limited ability to cut or control expenditures:
20		Limitation constrains budgetary flexibility to a degree not already captured in the scorecard
21		Heavy fixed costs, including contractually fixed costs such as pension payments
22	Management	
23	State oversight or support (+ or -)	
24	Unusually strong or weak budget management and planning (+ or -)	
25		
26	Debt / Pensions	
27	Unusually weak or strong security features (- or +)	Very high or low debt service relative to budget
28	Unusual risk posed by debt structure (-)	Very high or low overall debt burden (including overlapping debt)
29	History of missed debt service payments (-)	Heavy capital needs implying future debt increases
30		Unusually slow or rapid amortization of debt principal (gauged by the percentage of principal repaid within 10 years)
31		Other post-employment benefits (OPEB), the most significant of which is retiree healthcare liabilities, when they have the potential to significantly constrain operational flexibility

¹ These other considerations include factors specifically outlined in Moody's rating methodology. However, any information regarding an issuer can rise to the level of a qualitative factor/consideration as deemed appropriate by the rating analyst and credit committee.

Note: Qualitative adjustments consisting of either a ½ “notch” up or down (+/- ~0.16 on the scorecard) or a full “notch” up or down (+/- ~0.33 on the scorecard) can be added or subtracted from the initial indicative rating, as applicable.

Moody's Scorecard – FY 2020 Financial Information



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
	Very Strong (Aaa)		Strong (Aa)		Moderate (A)		Weak (Baa)		Poor (Ba)		Very Poor (B & Below)		Input	Weight	Score	Weighted Score	
Numerical Score	0.50	1.49	1.50	2.49	2.50	3.49	3.50	4.49	4.50	5.49	5.50	6.50					
1 Economy / Tax Base (30%)																	
2 Total Full Value (\$000)	> \$12B	\$12B >	> \$1.4B	\$1.4B >	> \$240M	\$240M >	> \$120M	\$120M >	> \$60M	< \$60M	8,448,072	10%	1.83	0.18			
3 Full Value Per Capita (\$)	> \$150,000	\$150,000 >	> \$65,000	\$65,000 >	> \$35,000	\$35,000 >	> \$20,000	\$20,000 >	> \$10,000	< \$10,000	138,498	10%	1.63	0.16			
4 Median Family Income as % of U.S. (2010 Census)	> 150%	150% >	> 90%	90% >	> 75%	75% >	> 50%	50% >	> 40%	< 40%	178.14%	10%	0.93	0.09			
5 Finances (30%)																	
6 Available Op Fund Balance as % of Revenue	> 30.0%	30.0% >	> 15.0%	15.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%	49.41%	10%	0.85	0.09			
7 5-Year Dollar Change in Fund Balance as % of Revenues	> 25.0%	25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%	4.78%	5%	3.01	0.15			
8 Operating Net Cash as % of Operating Revenues	> 25.0%	25.0% >	> 10.0%	10.0% >	> 5.0%	5.0% >	> 0.0%	0.0% >	> -2.5%	< -2.5%	42.22%	10%	0.50	0.05			
9 5-Year Dollar Change in Cash Balance as % of Revenues	> 25.0%	25.0% >	> 10.0%	10.0% >	> 0.0%	0.0% >	> -10.0%	-10.0% >	> -18.0%	< -18.0%	4.55%	5%	3.04	0.15			
10 Management (20%)																	
11 Institutional Framework	Very strong legal ability to match resources with spending	Strong legal ability to match resources with spending		Moderate legal ability to match resources with spending		Limited legal ability to match resources with spending		Poor legal ability to match resources with spending		Very Poor or no legal ability to match resources with spending		Aaa	10%	1.00	0.10		
12 Operating History: (5 Year Average of Operating Revenues / Operating Expenditures)	> 1.05x	1.05x >	> 1.02x	1.02x >	> 0.98x	0.98x >	> 0.95x	0.95x >	> 0.92x	< 0.92x	1.01	10%	2.74	0.27			
13 Debt / Pensions (20%)																	
14 Direct Net Debt as % of Full Value	< 0.75%	0.75% <	< 1.75%	1.75% <	< 4.00%	4.00% <	< 10.00%	10.00% <	< 15.00%	> 15.00%	0.43%	5%	1.06	0.05			
15 Net Direct Debt / Operating Revenues (x)	< 0.33x	0.33x <	< 0.67x	0.67x <	< 3.00x	3.00x <	< 5.00x	5.00x <	< 7.00x	> 7.00x	0.50	5%	1.99	0.10			
16 3-Year Avg of Moody's ANPL / Full Value	< 0.90%	0.90% <	< 2.10%	2.10% <	< 4.80%	4.80% <	< 12.00%	12.00% <	< 18.00%	> 18.00%	0.78%	5%	1.36	0.07			
17 3-Year Avg of Moody's ANPL / Operating Revenues	< 0.40x	0.40x <	< 0.80x	0.80x <	< 3.60x	3.60x <	< 6.00x	6.00x <	< 8.40x	> 8.40x	0.90	5%	2.53	0.13			
18																	
19 Total Score																	1.59
20 Unadjusted Rating																	Aa1

- The Town's quantitative Indicative Rating Score is a 1.59, which scores in the Aa1 Category.
- The Town has historically received qualitative adjustments to this score resulting in an actual rating of Aaa.

Moody's Rating Scorecard: Indicative Ratings		
HI	LO	Rating
0.50	1.50	Aaa
1.50	1.83	Aa1
1.83	2.17	Aa2
2.17	2.50	Aa3

Moody's Scorecard Comparison



	2016 Scorecard Results				2017 Scorecard Results				2018 Scorecard Results				2019 Scorecard Results				2020 Scorecard Results				
	Input	Weight	Score	Weighted Score	Input	Weight	Score	Weighted Score	Input	Weight	Score	Weighted Score	Input	Weight	Score	Weighted Score	Input	Weight	Score	Weighted Score	
1 Economy / Tax Base (30%)																					
2 Total Full Value (\$000)	7,539,775	10%	1.91	0.19	7,532,719	10%	1.91	0.19	8,034,649	10%	1.86	0.19	8,307,699	10%	1.85	0.18	8,448,072	10%	1.83	0.18	
3 Full Value Per Capita (\$)	127,782	10%	1.75	0.18	127,169	10%	1.76	0.18	134,128	10%	1.68	0.17	131,497	10%	1.72	0.17	138,498	10%	1.63	0.16	
4 Median Family Income as % of U.S. (2010 Census)	158.50%	10%	1.32	0.13	158.50%	10%	1.32	0.13	169.73%	10%	1.10	0.11	170.20%	10%	1.10	0.11	178.14%	10%	0.93	0.09	
5 Finances (30%)																					
6 Available Op Fund Balance as % of Revenue	57.60%	10%	0.57	0.06	46.80%	10%	0.93	0.09	45.46%	10%	0.97	0.10	45.42%	10%	0.99	0.10	49.41%	10%	0.85	0.09	
7 5-Year Dollar Change in Fund Balance as % of Revenues	23.40%	5%	1.60	0.08	11.00%	5%	2.42	0.12	9.78%	5%	2.51	0.13	8.69%	5%	2.63	0.13	4.78%	5%	3.01	0.15	
8 Operating Net Cash as % of Operating Revenues	48.70%	10%	0.50	0.05	39.30%	10%	0.54	0.05	38.04%	10%	0.62	0.06	38.66%	10%	0.59	0.06	42.22%	10%	0.50	0.05	
9 5-Year Dollar Change in Cash Balance as % of Revenues	15.20%	5%	2.14	0.11	5.90%	5%	2.90	0.15	4.64%	5%	3.03	0.15	6.44%	5%	2.86	0.14	4.55%	5%	3.04	0.15	
10 Management (20%)																					
11 Institutional Framework	Aaa	10%	1.00	0.10	Aaa	10%	1.00	0.10	Aaa	10%	1.00	0.10	Aaa	10%	1.00	0.10	Aaa	10%	1.00	0.10	
12 Operating History: (5 Year Average of Operating Revenues / Operating Expenditures)	1.00	10%	2.99	0.30	1.01	10%	2.74	0.27	1.01	10%	2.74	0.27	1.01	10%	2.68	0.27	1.01	10%	2.74	0.27	
13 Debt / Pensions (20%)																					
14 Direct Net Debt as % of Full Value	0.70%	5%	1.42	0.07	0.90%	5%	1.64	0.08	0.83%	5%	1.57	0.08	0.70%	5%	1.44	0.07	0.43%	5%	1.06	0.05	
15 Net Direct Debt / Operating Revenues (x)	0.84	5%	2.56	0.13	0.99	5%	2.63	0.13	1.00	5%	2.63	0.13	0.80	5%	2.56	0.13	0.50	5%	1.99	0.10	
16 3-Year Avg of Moody's ANPL / Full Value	0.70%	5%	1.27	0.06	1.00%	5%	1.57	0.08	1.15%	5%	1.70	0.08	1.29%	5%	1.83	0.09	0.78%	5%	1.36	0.07	
17 3-Year Avg of Moody's ANPL / Operating Revenues	0.83	5%	2.50	0.13	1.13	5%	2.61	0.13	1.30	5%	2.67	0.13	1.50	5%	2.75	0.14	0.90	5%	2.53	0.13	
18																					
19 Total Score				1.58				1.71				1.70				1.70				1.59	
20 Unadjusted Rating				Aa1				Aa1				Aa1				Aa1				Aa1	

Moody's Rating Scorecard: Indicative Ratings				Moody's Rating Scorecard: Indicative Ratings				Moody's Rating Scorecard: Indicative Ratings				Moody's Rating Scorecard: Indicative Ratings				Moody's Rating Scorecard: Indicative Ratings			
HI	LO	Rating		HI	LO	Rating		HI	LO	Rating		HI	LO	Rating		HI	LO	Rating	
0.50	1.50	Aaa		0.50	1.50	Aaa		0.50	1.50	Aaa		0.50	1.50	Aaa		0.50	1.50	Aaa	
1.50	1.83	Aa1		1.50	1.83	Aa1		1.50	1.83	Aa1		1.50	1.83	Aa1		1.50	1.83	Aa1	
1.83	2.17	Aa2		1.83	2.17	Aa2		1.83	2.17	Aa2		1.83	2.17	Aa2		1.83	2.17	Aa2	
2.17	2.50	Aa3		2.17	2.50	Aa3		2.17	2.50	Aa3		2.17	2.50	Aa3		2.17	2.50	Aa3	

- Over the last five years, the Town's quantitative Indicative Rating Score has been in the Aa1 Category and the Town has received qualitative adjustments to this score resulting in an actual rating of Aaa.

Rating Agency Commentary – S&P (7/9/2021)



S&P Global
Ratings

RatingsDirect®

Summary:

Chapel Hill, North Carolina; Appropriations

Primary Credit Analyst:

Nora G Wittstruck, New York + (212) 438-8589; nora.wittstruck@spglobal.com

Secondary Contact:

Timothy W Barrett, Washington D.C. + 1 (202) 942 8711; timothy.barrett@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Credit Opinion

Related Research

WWW.STANDARDANDPOORS.COM/RATINGSDIRECT

JULY 9, 2021 1

- The 'AAA' rating reflects S&P's opinion of the Town's:
 - Very strong economy;
 - Very strong management;
 - Strong budgetary performance;
 - Very strong budgetary flexibility;
 - Very strong liquidity;
 - Strong debt and contingent liability position; and
 - Very strong institutional framework.

- Outlook
 - “The stable outlook reflects our view of the town's robust economy that generates its primary operating revenue sources to maintain budgetary balance and very strong reserves. Furthermore, we believe the management team's adherence to its well-embedded policies and procedures will support the 'AAA' rating over the long term. For these reasons, we do not expect to change the rating over the two-year outlook period.”

 - Downside scenario
 - “While unlikely during the outlook period, persistent budgetary imbalances leading to recurring draws on reserves could result in a negative outlook or negative rating action.”

S&P Methodology Update & Scorecard



Methodology Update

- On September 12, 2013, Standard & Poor's updated its US Local Governments General Obligation Ratings methodology and assumptions.
- Under the new methodology, an initial indicative rating is calculated from a weighted average of seven key factors:

US Local Governments General Obligation Ratings Methodology

1. Economy	30%
Total Market Value Per Capita	
Projected per capita effective buying income as a % of US	
2. Management	20%
Impact of management conditions on the likelihood of repayment	
3. Budgetary Flexibility	10%
Available Fund Balance as a % of Expenditures	
4. Budgetary Performance	10%
Total Government Funds Net Result (%)	
General Fund Net Revenue	
5. Liquidity	10%
Total Gov't Available Cash as a % of Total Gov't Funds Debt Service	
Total Gov't Cash as a % of Total Gov't Funds Expenditures	
6. Debt and Contingent Liabilities	10%
Net Direct Debt as a % of Total Governmental Funds Revenue	
Total Governmental Funds Debt Service as a % of Total	
7. Institutional Framework	10%
Legal and practical environment in which the local gov't operates	

- Up to a one-notch adjustment can be made from the indicative rating based on other qualitative factors.

2021 S&P Scorecard (FY 2020 Data)

Chapel Hill, NC 2021 S&P Scorecard - As Calculated by Davenport

Factor	Weight	Score	Weighted Score
Economy	30%	1.00	0.30
Management	20%	1.00	0.20
Budgetary performance	10%	2.00	0.20
Budgetary flexibility	10%	1.00	0.10
Liquidity	10%	1.00	0.10
Debt and contingent liabilities	10%	2.00	0.20
Institutional framework	10%	1.00	0.10
Weighted Average			1.20

Indicative Rating

1.00 - 1.64	AAA
1.65 - 1.94	AA+
1.95 - 2.34	AA
2.35 - 2.84	AA-
2.85 - 3.24	A+
3.25 - 3.64	A
3.65 - 3.94	A-

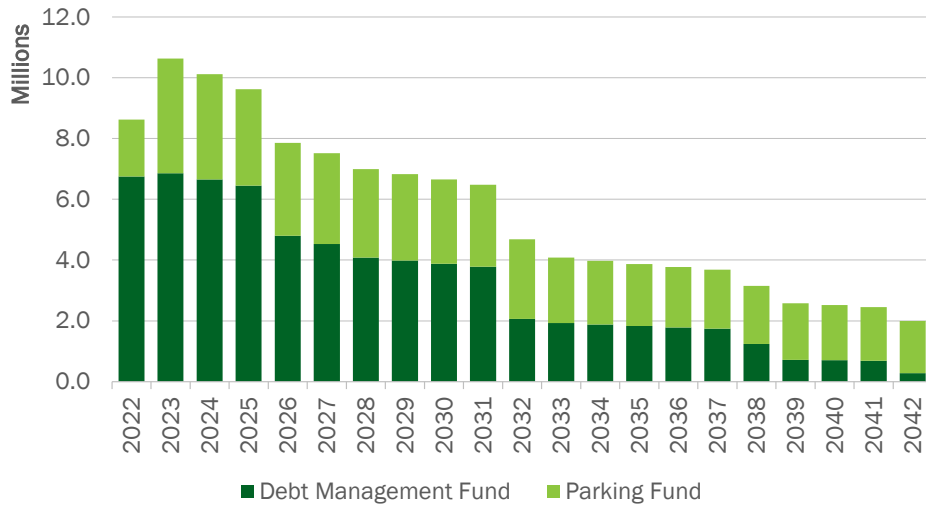


Existing Tax Supported Debt Profile



Existing Tax Supported Debt

Tax Supported Debt Service



Tax Supported Debt Service

FY	Principal	Interest	Total	10-yr Payout
Total	93,313,000	24,796,998	118,109,998	
2022	5,847,000	2,780,913	8,627,913	65.4%
2023	7,732,000	2,904,132	10,636,132	67.4%
2024	7,473,000	2,647,723	10,120,723	68.4%
2025	7,242,000	2,386,305	9,628,305	69.7%
2026	5,718,000	2,140,906	7,858,906	71.5%
2027	5,607,000	1,911,944	7,518,944	74.3%
2028	5,301,000	1,697,110	6,998,110	77.8%
2029	5,335,000	1,493,147	6,828,147	81.3%
2030	5,364,000	1,285,525	6,649,525	84.4%
2031	5,398,000	1,081,896	6,479,896	88.5%
2032	3,806,000	880,518	4,686,518	93.9%
2033	3,317,000	764,280	4,081,280	100.0%
2034	3,312,000	661,281	3,973,281	100.0%
2035	3,312,000	556,669	3,868,669	100.0%
2036	3,312,000	457,020	3,769,020	100.0%
2037	3,312,000	374,639	3,686,639	100.0%
2038	2,857,000	291,721	3,148,721	100.0%
2039	2,367,000	213,597	2,580,597	100.0%
2040	2,367,000	151,398	2,518,398	100.0%
2041	2,367,000	89,199	2,456,199	100.0%
2042	1,967,000	27,075	1,994,075	100.0%

Par Outstanding – Estimated as of 6/30/2021

Type	Par Amount
General Obligation Bonds (Debt Management Fund)	\$36,264,000
Limited Obligation Bonds (Debt Management Fund)	\$12,159,000
IPCs (Debt Management Fund)	\$5,523,000
Limited Obligation Bonds (Parking Fund)	\$39,367,000
Total	\$93,313,000

Notes:

–Does not include \$4,019,000 outstanding paid from Transit Fund and \$2,295,000 outstanding paid from Stormwater Fund.

–Includes Limited Obligation Bonds, Series 2021A&B issued on August 12, 2021.

–Rosemary Parking Deck Debt Service from the Limited Obligation Bonds, Series 2021A&B is shown as Parking Fund Debt.



Key Debt Ratio: Tax Supported Payout Ratio

10-Year Payout Ratio



- Existing 10-year Payout Ratio

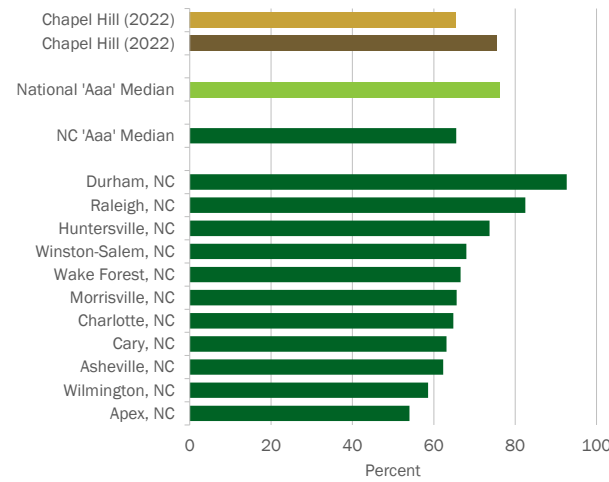
- FY 2022: 65.4%

- The 10-Year Payout Ratio measures the amount of principal to be retired in the next 10 years.

- This ratio is an important metric that indicates whether or not a locality is back-loading its debt.

- The Town has a policy establishing a minimum 10-Year Payout Ratio of 65%.

10-year Payout Ratio Peer Comparative



Gold – Reflects Town of Chapel Hill Value
Brown – Reflects Town of Chapel Hill Value excluding Rosemary Parking Deck Debt
Light Green – Reflects National 'Aaa' Median Value
Dark Green – Reflects NC 'Aaa' Values

- Rating Considerations:

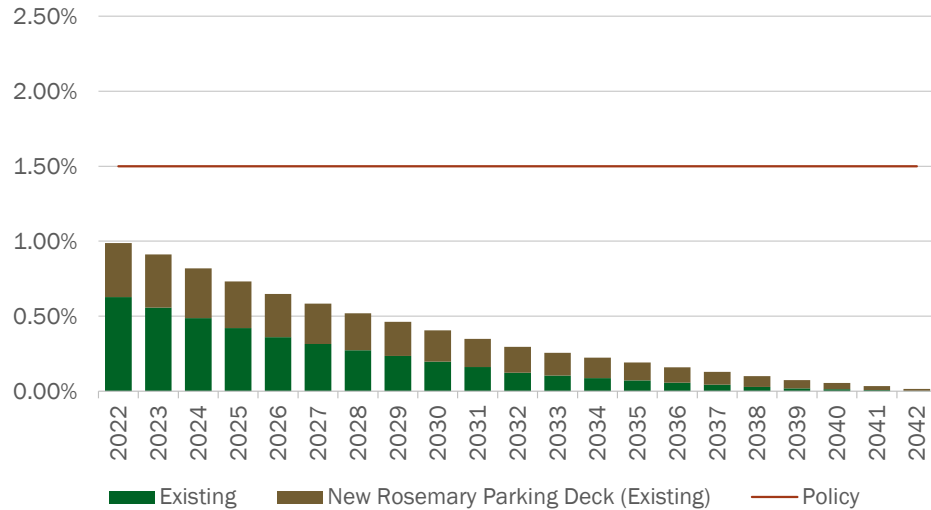
- Moody's: Moody's rating criteria for General Obligation credits allows for a scorecard adjustment if an issuer has unusually slow or rapid amortization of debt principal.

- S&P: A payout ratio greater than 65% results in a one point positive qualitative adjustment to the Debt & Contingent Liabilities section of S&P's General Obligation rating methodology.



Key Debt Ratio: Debt to Assessed Value

Debt to Assessed Value



Existing Debt to Assessed Value

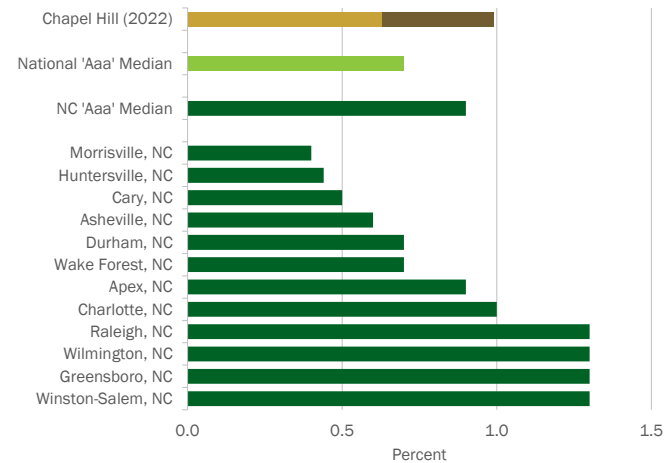
– FY 2022: 0.99%

Assumed Future Growth Rates

– 2022 Budgeted Assessed Value: \$9,443,201,995
 – 2023 Estimated Assessed Value: \$9,620,619,000
 – 2024 & Beyond: 1.80%

■ The Town has a policy establishing a maximum Debt to Assessed Value of 1.50%.

Debt to Assessed Value Peer Comparative



Gold – Reflects Town of Chapel Hill Value

Brown – Reflects Value of Rosemary Parking Deck Debt

Light Green – Reflects National 'Aaa' Median Value

Dark Green – Reflects NC 'Aaa' Values

Rating Considerations:

– Moody's: Criteria for General Obligation Credits defines categories of Debt to Assessed Values as:

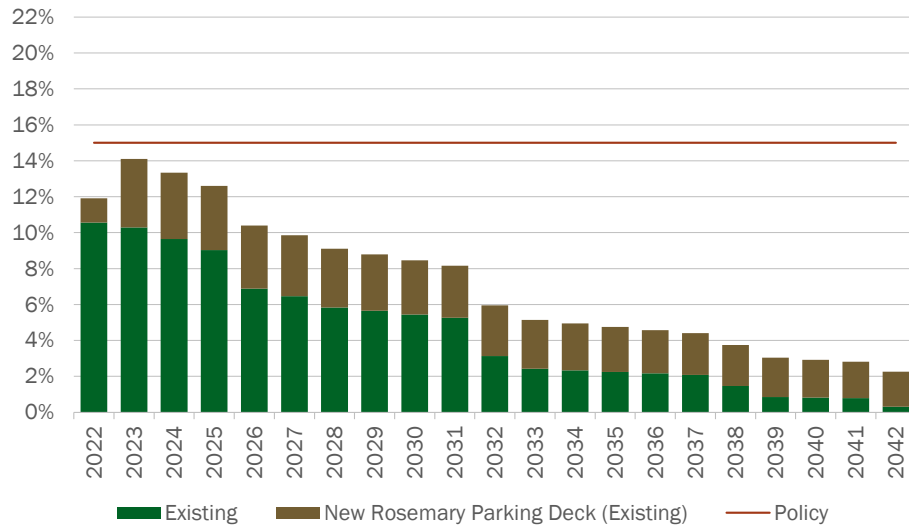
- Very Strong (Aaa): < 0.75%
- **Strong (Aa): 0.75% - 1.75%**
- Moderate (A): 1.75% - 4.00%
- Weak – Very Poor (Baa and below): > 4.00%

– S&P: A positive qualitative adjustment is made to the Debt and Contingent Liabilities score for a debt to market value ratio below 3.00%, while a negative adjustment is made for a ratio above 10.00%.



Key Debt Ratio: Debt Service vs. Expenditures

Debt Service vs. Governmental Expenditures



Existing Debt Service vs. Expenditures

- FY 2022: 11.88%
- FY 2023: 14.03%

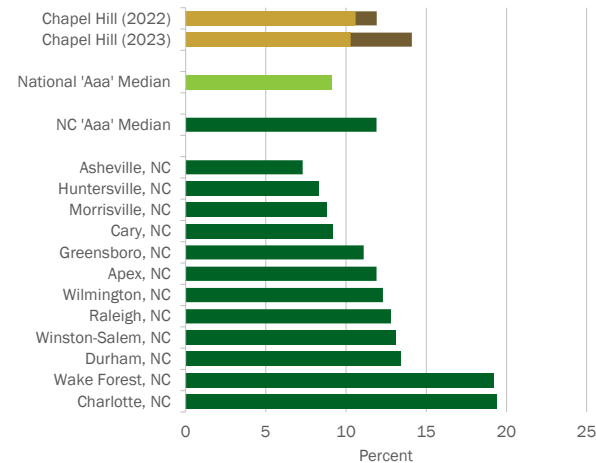
Assumed Future Growth Rates

- 2021 Adjusted Expenditures: \$62,895,096
- 2021 and Beyond: 1.80%

The Town has a policy establishing a maximum level of Debt Service to Expenditures of 15.00%.

Note: Governmental Expenditures represent the ongoing operating expenditures of the Town. In this analysis, debt service and capital outlay expenditures are excluded.

Debt Service vs. Expenditures Peer Comparative



Gold – Reflects Town of Chapel Hill Value
 Brown – Reflects Value of Rosemary Parking Deck Debt
 Light Green – Reflects National 'Aaa' Median Value
 Dark Green – Reflects NC 'Aaa' Values

Rating Considerations:

- Moody's: Moody's criteria allows for a scorecard adjustment if an issuer has very high or low debt service relative to its budget Percent.
- S&P: The Debt and Contingent Liabilities section defines categories of Net Direct Debt as a % of Total Governmental Funds Expenditures as follows:
 - Very Strong: <8%
 - **Strong: 8% to 15%**
 - Adequate: 15% - 25%
 - Weak: 25% - 35%
 - Very Weak: > 35%



Debt Service Cash Flow Forecast

Debt Management Fund and Parking Fund Debt Service



Debt Management and Parking Fund Debt Overview

Debt Obligations

- The Town's Debt Management Fund and/or Parking Fund pays debt service on the following obligations:
 - 2012 General Obligation Refunding Bonds;
 - 2012 General Obligation Public Improvement Bonds;
 - 2013 General Obligation Refunding Bond;
 - 2016 Raymond James IPC;
 - 2017 General Obligation Public Improvement Bonds;
 - 2017 General Obligation Public Safety Bonds;
 - 2018 General Obligation Public Improvement Bonds;
 - 2019 General Obligation Refunding Bonds;
 - 2021 General Obligation Public Improvement Bonds;
 - 2021 General Obligation Affordable Housing Bonds;
 - 2021 Limited Obligation Bonds;
 - 2021 Taxable Limited Obligation Bond (Pinnacle Bank).

Revenue Available for Debt Service

- The Town has established a Debt Management Fund for the repayment of debt service on tax supported debt obligations. Debt Service on these obligations is paid from the following revenue sources:
 - 8.8 cent tax rate dedicated to the Debt Management Fund;
 - Incremental Tax Revenue generated in the Blue Hill District;
 - Interest earnings on the Debt Management Fund Balance.
- Debt Service on the parking facility obligations is paid from net revenue of the Parking Fund, if sufficient revenue is available.
 - To the extent the Parking Fund is not able to generate sufficient revenue to pay parking related debt service, the Debt Management Fund supplements the Parking Fund.

Note: Additionally, the Town operates both a Transit Fund (funded primarily by 6 cents on the tax rate) and Storm Water Management Fund (funded primarily by Storm Water fees) that pays the debt service on certain transit and storm water related loans that are not paid by the debt fund.

- Transit Fund: 2017 Pinnacle Bank IFC
- Storm Water Management Fund: 2018 General Obligation Public Improvement Bonds



Debt Affordability Analysis

Existing Debt Management Fund and Parking Fund Debt

FY	Debt Service Requirements							Revenue Available for DS						Debt Service Cash Flow Surplus (Deficit)					
	Existing Debt Service - Debt Fund ¹	Existing Debt Service - Parking Fund	New Rosemary Parking Deck Debt Service	CIP Debt Service	CIP Pay-Go Cash	Service Charges	Total	Property Taxes (8.8c)	Transfer from Parking for existing debt ²	Interest on Investments ³	Blue Hill Incremental Tax Revenue ⁴	New Rosemary Parking Deck Net Revenues ⁵	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Fund Balance ⁶
2022	6,753,700	903,922	970,291	-	-	-	8,627,913	8,280,000	903,922	10,000	445,100	-	9,639,022	1,011,109	-	-	1,011,109	-	10,664,118
2023	6,860,900	899,773	2,875,459	-	-	-	10,636,132	8,430,400	899,773	58,376	445,100	1,805,314	11,638,963	1,002,831	-	-	1,002,831	-	12,678,058
2024	6,649,553	668,127	2,803,042	-	-	-	10,120,723	8,582,147	668,127	63,390	445,100	2,407,085	12,165,850	2,045,127	-	-	2,045,127	-	14,723,184
2025	6,446,441	451,239	2,730,625	-	-	-	9,628,305	8,736,626	451,239	147,232	445,100	2,541,305	12,321,502	2,693,196	-	-	2,693,196	-	17,416,381
2026	4,798,147	402,551	2,658,209	-	-	-	7,858,906	8,893,885	402,551	174,164	445,100	2,512,821	12,428,521	4,569,615	-	-	4,569,615	-	21,985,996
2027	4,527,999	405,154	2,585,792	-	-	-	7,518,944	9,053,975	405,154	219,860	445,100	2,479,714	12,603,803	5,084,858	-	-	5,084,858	-	27,070,854
2028	4,082,094	402,642	2,513,375	-	-	-	6,998,110	9,216,947	402,642	270,709	445,100	2,446,607	12,782,004	5,783,894	-	-	5,783,894	-	32,854,748
2029	3,985,147	402,042	2,440,958	-	-	-	6,828,147	9,382,852	402,042	328,547	445,100	2,413,499	12,972,040	6,143,893	-	-	6,143,893	-	38,998,641
2030	3,879,647	401,336	2,368,541	-	-	-	6,649,525	9,551,743	401,336	389,986	445,100	2,368,541	13,156,707	6,507,182	-	-	6,507,182	-	45,505,823
2031	3,784,157	404,490	2,291,250	-	-	-	6,479,896	9,723,674	404,490	455,058	445,100	2,291,250	13,319,572	6,839,676	-	-	6,839,676	-	52,345,499
2032	2,061,040	402,511	2,222,967	-	-	-	4,686,518	9,898,700	402,511	523,455	445,100	2,222,967	13,492,733	8,806,215	-	-	8,806,215	-	61,151,714
2033	1,924,163	-	2,157,117	-	-	-	4,081,280	10,076,877	-	611,517	445,100	2,157,117	13,290,612	9,209,332	-	-	9,209,332	-	70,361,046
2034	1,875,463	-	2,097,818	-	-	-	3,973,281	10,258,261	-	703,610	445,100	2,097,818	13,504,790	9,531,509	-	-	9,531,509	-	79,892,555
2035	1,830,150	-	2,038,519	-	-	-	3,868,669	10,442,910	-	798,926	445,100	2,038,519	13,725,454	9,856,785	-	-	9,856,785	-	89,749,340
2036	1,783,250	-	1,985,770	-	-	-	3,769,020	10,630,882	-	897,493	445,100	1,985,770	13,959,245	10,190,225	-	-	10,190,225	-	99,939,565
2037	1,738,881	-	1,947,758	-	-	-	3,686,639	10,822,238	-	999,396	445,100	1,947,758	14,214,492	10,527,852	-	-	10,527,852	-	110,467,418
2038	1,238,975	-	1,909,746	-	-	-	3,148,721	11,017,038	-	1,104,674	445,100	1,909,746	14,476,559	11,327,837	-	-	11,327,837	-	121,795,255
2039	717,050	-	1,863,547	-	-	-	2,580,597	11,215,345	-	1,217,953	445,100	1,863,547	14,741,945	12,161,347	-	-	12,161,347	-	133,956,602
2040	701,050	-	1,817,348	-	-	-	2,518,398	11,417,221	-	1,339,566	445,100	1,817,348	15,019,235	12,500,837	-	-	12,500,837	-	146,457,439
2041	685,050	-	1,771,149	-	-	-	2,456,199	11,622,731	-	1,464,574	445,100	1,771,149	15,303,554	12,847,355	-	-	12,847,355	-	159,304,795
2042	274,050	-	1,720,025	-	-	-	1,994,075	11,831,940	-	1,593,048	445,100	1,720,025	15,590,113	13,596,038	-	-	13,596,038	-	172,900,833
2043	-	-	-	-	-	-	-	12,044,915	-	1,729,008	445,100	-	14,219,023	14,219,023	-	-	14,219,023	-	187,119,856
2044	-	-	-	-	-	-	-	12,261,724	-	1,871,199	445,100	-	14,578,022	14,578,022	-	-	14,578,022	-	201,697,878
2045	-	-	-	-	-	-	-	12,482,435	-	2,016,979	445,100	-	14,944,513	14,944,513	-	-	14,944,513	-	216,642,391
2046	-	-	-	-	-	-	-	12,707,118	-	2,166,424	445,100	-	15,318,642	15,318,642	-	-	15,318,642	-	231,961,034
2047	-	-	-	-	-	-	-	12,935,846	-	2,319,610	445,100	-	15,700,557	15,700,557	-	-	15,700,557	-	247,661,591
2048	-	-	-	-	-	-	-	13,168,692	-	2,476,616	445,100	-	16,090,408	16,090,408	-	-	16,090,408	-	263,751,998
Total	66,596,905	5,743,786	45,769,307	-	-	-	118,109,998							Total	-	-	Total Tax Effect	0.00¢	

¹ Excludes Parking Fund Debt Service and Rosemary Parking Deck Debt Service.
² The Parking Fund is assumed to transfer an amount equal to annual debt service on existing Parking Fund debt (Column C). The Parking Fund's ability to make this transfer will depend on actual results.
³ Per Town Staff, assumed to be equal to \$10,000 in FY 2021-2022, 0.50% of prior years ending Debt Fund Balance in FY2023-2024 and 1.00% in FY 2025 and beyond.
⁴ Transfer from General Fund based on incremental assessed value and resulting tax revenue in Blue Hill. Transfers may increase over time with additional development / assessed value growth.
⁵ Rosemary Deck Debt Service is assumed to be paid from net parking revenues generated from the facility. To the extent revenues are not sufficient to pay the debt service, additional revenue will be required from the Debt Management Fund and/or other sources. If revenue generated is higher than debt service, only the required amount to pay debt service is transferred.
⁶ Per Town Staff. Includes \$7,264,168 remaining in the Debt Fund at the end of FY 2021 plus \$3,399,950 that was reimbursed to the Debt Fund from 2021&B LOB proceeds after June 30, 2021.

- FY 2023 Value of a Penny: \$958,000
- FY 2024 & Beyond: 1.80% (consistent with Town planning model)



Capital Planning





2015 and 2018 General Obligation Bond Referendums

- On November 3, 2015, the Town passed a GO Bond Referendum for 5 separate purposes. A total of \$40,300,000 in General Obligation Bonds was proposed and passed by the Town.
 - \$16,200,000 Streets and Sidewalks
 - \$5,000,000 Trails & Greenways
 - \$8,000,000 Parks & Recreation
 - \$5,200,000 Solid Waste
 - \$5,900,000 Storm Water

- Additionally, on November 6, 2018, the Town passed a GO Bond Referendum for \$10 million of Affordable Housing Bonds.

- The Town’s GO Bond authorization will expire 7 years from the date of the Referendum. The Town would have the ability to extend the approval for 3 additional years, subject to LGC approval, for a total of up to 10 years from the date of the Referendum.
 - Any remaining authorization from November 3, 2015 will expire on November 3, 2022. Town Staff and Bond Counsel anticipate presenting necessary actions to extend this authorization prior to the Summer Council Recess.

- The Town has issued \$26,255,000 of General Obligation Bonds to date and \$24,045,000 of the referendum authorization remains unissued:

A	B	C	D	E	F	G	H
Referendum Question	Authorized GO Bonds	2017 Issuance	2018 Issuance	2021 Issuance	Remaining Authorized / Unissued	Initial Expiration	Final Expiration (if extended)
1 Streets and Sidewalks	\$ 16,200,000	\$ 3,000,000	\$ 5,500,000	\$ -	\$ 7,700,000	11/3/2022	11/3/2025
2 Trails & Greenways	5,000,000	5,000,000	-	-	-	11/3/2022	11/3/2025
3 Parks & Recreation	8,000,000	1,000,000	4,300,000	-	2,700,000	11/3/2022	11/3/2025
4 Solid Waste	5,200,000	-	-	-	5,200,000	11/3/2022	11/3/2025
5 Storm Water	5,900,000	-	2,700,000	-	3,200,000	11/3/2022	11/3/2025
6 Affordable Housing	10,000,000	-	-	4,755,000	5,245,000	11/6/2025	11/6/2028
7 Total	\$ 50,300,000	\$ 9,000,000	\$ 12,500,000	\$ 4,755,000	\$ 24,045,000		

Capital Projects Under Consideration



- In February 2021, the Town identified the following Capital Projects that it was considering funding in the next two fiscal years. Following the issuance of the proposed 2022 and 2023 General Obligation Bonds mentioned below, the Town will have \$8.4 million of remaining authorized but unissued General Obligation Bonds (\$5.2 million for Solid Waste and \$3.2 million for Storm Water). Solid Waste and Storm Water are not included in this analysis as they are repaid from dedicated funds.
 - The Town’s current anticipated funding plan for the identified Capital Projects is shown below:

A Project	B Source	C February 2021 Analysis		E February 2022 Analysis		G Difference Amount	
		D Amount	D Timing	F Amount	F Timing		
1							
2	Affordable Housing I	2021 GO Bonds	\$ 5,000,000	Spring 2021 (FY 21)	\$ 4,755,000	Spring 2021 (FY 21)	\$ (245,000)
3	Two-Thirds Bonds	2021 GO Bonds	-	n/a	3,205,000	Spring 2021 (FY 21)	3,205,000
4	New Rosemary Parking Deck	2021 LOBs	33,200,000	Spring 2021 (FY 21)	39,000,000	Fall 2021 (FY 22)	5,800,000
5	Elliot Road Reconstruction Phase II	2021 LOBs	6,400,000	Spring 2021 (FY 21)	6,480,000	Fall 2021 (FY 22)	80,000
6	Affordable Housing II	2022 GO Bonds	5,000,000	Spring 2022 (FY 22)	5,245,000	Fall 2022 (FY 23)	245,000
7	Streets and Sidewalks	2022 GO Bonds	7,700,000	Spring 2022 (FY 22)	7,700,000	Fall 2022 (FY 23)	-
8	New MSC - Parks & Recreation Facilities ¹	2023 GO Bonds	2,700,000	Spring 2022 (FY 22)	2,700,000	Spring 2023 (FY 23)	-
9	New Municipal Service Center ¹	2023 LOBs	31,300,000	Spring 2022 (FY 22)	31,300,000	Spring 2023 (FY 23)	-
10	Total Projects		\$ 91,300,000		\$ 100,385,000		\$ 9,085,000

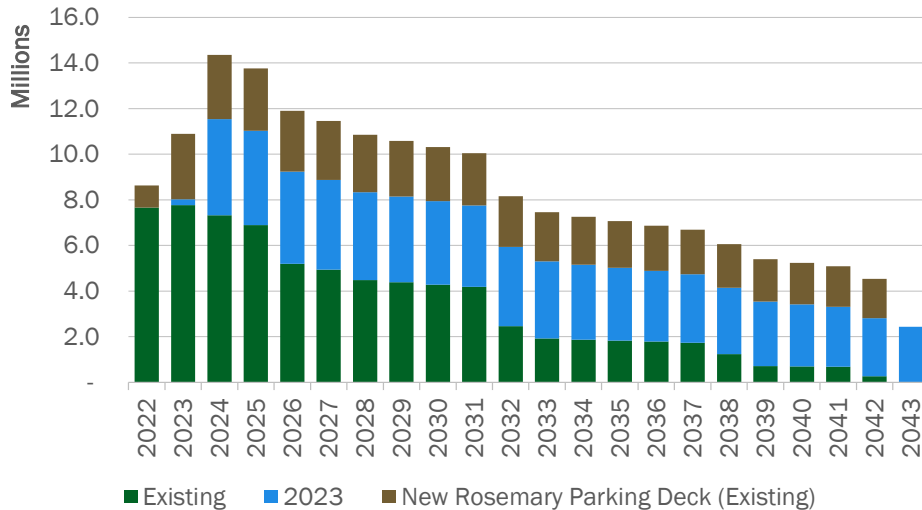
¹ Timing for MSC Project to be determined - dependent on land negotiations.



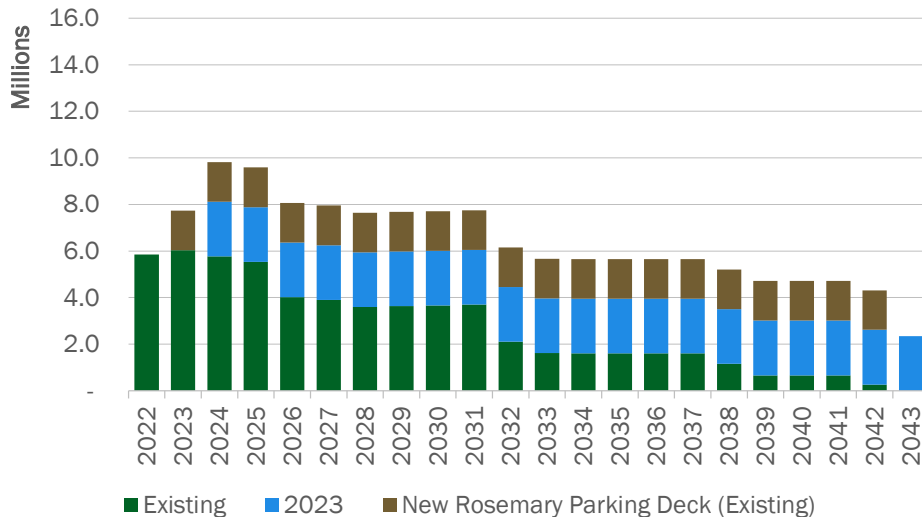
Existing and Proposed Debt Service

FY 2023 Capital Projects

Existing and Proposed Debt Service



Existing and Proposed Principal



Assumptions

- Financing Assumptions:
 - Amortization: Level Principal
 - Term: 20 Years
 - Interest Rate: 4.00%
 - First Interest Payment:
 - AH / Streets & Sidewalks: FY of Issuance
 - New Municipal Services Center: FY Following Issuance
 - First Principal Payment: FY Following Issuance

- Proposed New Debt Issued (FY 2023):
 - Affordable Housing (Fall 2022): \$5,245,000
 - Streets & Sidewalks (Fall 2022): \$7,700,000
 - New MSC - P&R Facilities (Spring 2023): \$2,700,000
 - New Municipal Services Center (Spring 2023): \$31,300,000
 - Total: \$46,945,000

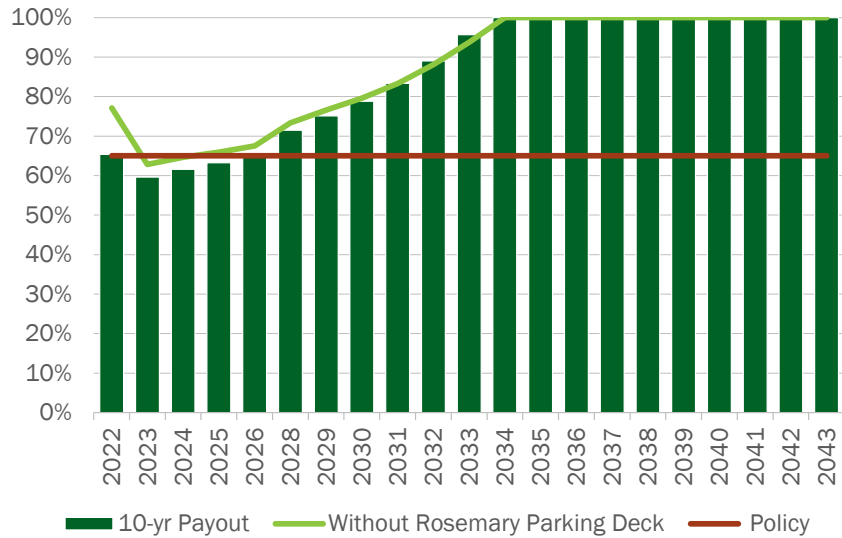
- Proposed New Debt Service (FY 2023):
 - Affordable Housing: \$7,552,800
 - Streets & Sidewalks (Fall 2022): \$11,088,000
 - New MSC - P&R Facilities (Spring 2023): \$3,834,000
 - New Municipal Services Center (Spring 2023): \$44,446,000
 - Total: \$66,920,800



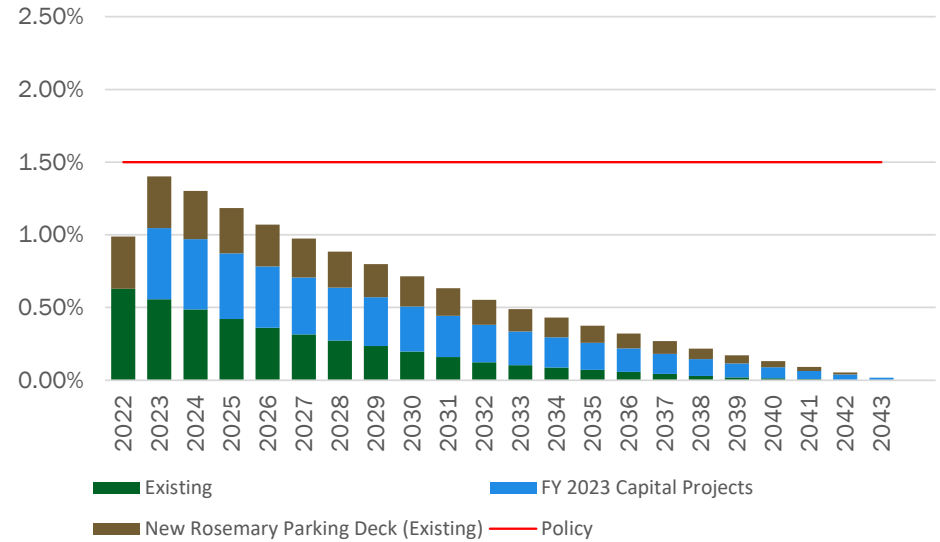
Key Debt Ratios

FY 2023 Capital Projects

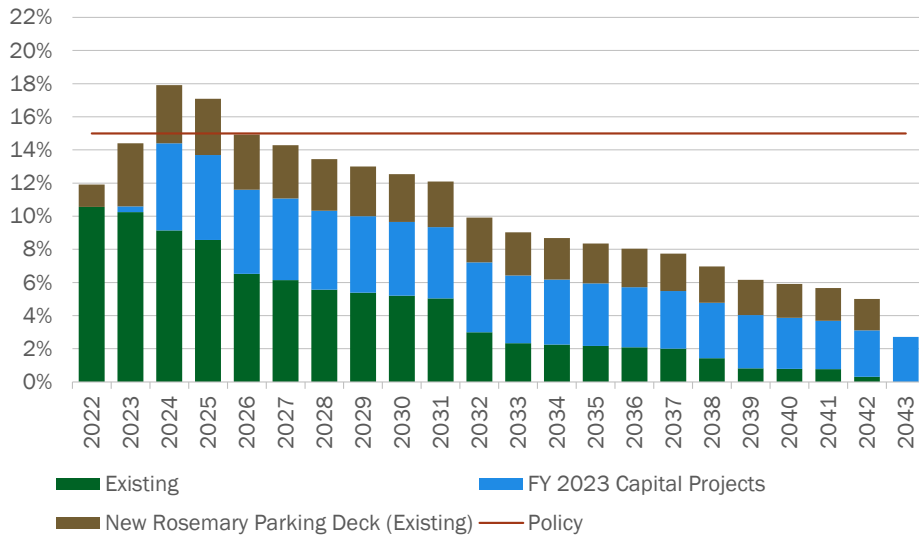
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures





Debt Affordability Analysis

FY 2023 Capital Projects

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Debt Service Requirements						Revenue Available for DS				Debt Service Cash Flow Surplus (Deficit)					
FY	Existing Debt Service ¹	New Rosemary Parking Deck Debt Service	CIP Debt Service	CIP Pay-Go Cash	Total	Existing Revenue Sources ^{2,3}	Transfer from Parking for existing debt ⁴	Rosemary Parking Deck Net Revenues ⁵	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Fund Balance ⁶
2022	7,657,622	970,291	-	-	8,627,913	8,735,100	903,922	-	9,639,022	1,011,109	-	-	1,011,109	-	10,664,118
2023	7,760,673	2,875,459	258,900	-	10,895,032	8,933,876	899,773	1,805,314	11,638,963	743,931	-	-	743,931	-	12,419,158
2024	7,317,681	2,803,042	4,225,050	-	14,345,773	9,089,343	668,127	2,407,085	12,164,555	(2,181,218)	-	(2,181,218)	-	-	10,237,940
2025	6,897,680	2,730,625	4,131,160	-	13,759,465	9,284,105	451,239	2,541,305	12,276,649	(1,482,816)	-	(1,482,816)	-	-	8,755,124
2026	5,200,698	2,658,209	4,037,270	-	11,896,176	9,426,536	402,551	2,512,821	12,341,909	445,732	-	-	445,732	-	9,200,856
2027	4,933,152	2,585,792	3,943,380	-	11,462,324	9,591,084	405,154	2,479,714	12,475,951	1,013,627	-	-	1,013,627	-	10,214,483
2028	4,484,735	2,513,375	3,849,490	-	10,847,600	9,764,191	402,642	2,446,607	12,613,440	1,765,840	-	-	1,765,840	-	11,980,323
2029	4,387,189	2,440,958	3,755,600	-	10,583,747	9,947,755	402,042	2,413,499	12,763,295	2,179,549	-	-	2,179,549	-	14,159,872
2030	4,280,983	2,368,541	3,661,710	-	10,311,235	10,138,442	401,336	2,368,541	12,908,319	2,597,085	-	-	2,597,085	-	16,756,956
2031	4,188,646	2,291,250	3,567,820	-	10,047,716	10,336,344	404,490	2,291,250	13,032,083	2,984,367	-	-	2,984,367	-	19,741,324
2032	2,463,551	2,222,967	3,473,930	-	8,160,448	10,541,214	402,511	2,222,967	13,166,692	5,006,244	-	-	5,006,244	-	24,747,567
2033	1,924,163	2,157,117	3,380,040	-	7,461,320	10,769,453	-	2,157,117	12,926,570	5,465,250	-	-	5,465,250	-	30,212,818
2034	1,875,463	2,097,818	3,286,150	-	7,259,431	11,005,489	-	2,097,818	13,103,307	5,843,877	-	-	5,843,877	-	36,056,694
2035	1,830,150	2,038,519	3,192,260	-	7,060,929	11,248,577	-	2,038,519	13,287,096	6,226,167	-	-	6,226,167	-	42,282,861
2036	1,783,250	1,985,770	3,098,370	-	6,867,390	11,498,811	-	1,985,770	13,484,580	6,617,191	-	-	6,617,191	-	48,900,051
2037	1,738,881	1,947,758	3,004,480	-	6,691,119	11,756,338	-	1,947,758	13,704,096	7,012,977	-	-	7,012,977	-	55,913,028
2038	1,238,975	1,909,746	2,910,590	-	6,059,311	12,021,268	-	1,909,746	13,931,015	7,871,703	-	-	7,871,703	-	63,784,732
2039	717,050	1,863,547	2,816,700	-	5,397,297	12,298,292	-	1,863,547	14,161,839	8,764,542	-	-	8,764,542	-	72,549,274
2040	701,050	1,817,348	2,722,810	-	5,241,208	12,587,814	-	1,817,348	14,405,162	9,163,954	-	-	9,163,954	-	81,713,228
2041	685,050	1,771,149	2,628,920	-	5,085,119	12,884,963	-	1,771,149	14,656,112	9,570,993	-	-	9,570,993	-	91,284,221
2042	274,050	1,720,025	2,535,030	-	4,529,105	13,189,882	-	1,720,025	14,909,907	10,380,802	-	-	10,380,802	-	101,665,023
2043	-	-	2,441,140	-	2,441,140	13,506,665	-	-	13,506,665	11,065,525	-	-	11,065,525	-	112,730,548
2044	-	-	-	-	-	13,834,129	-	-	13,834,129	13,834,129	-	-	13,834,129	-	126,564,677
2045	-	-	-	-	-	14,193,181	-	-	14,193,181	14,193,181	-	-	14,193,181	-	140,757,859
2046	-	-	-	-	-	14,559,797	-	-	14,559,797	14,559,797	-	-	14,559,797	-	155,317,656
2047	-	-	-	-	-	14,934,123	-	-	14,934,123	14,934,123	-	-	14,934,123	-	170,251,779
2048	-	-	-	-	-	15,316,310	-	-	15,316,310	15,316,310	-	-	15,316,310	-	185,568,088
Total	72,340,691	45,769,307	66,920,800	-	185,030,798					Total		(3,664,034)	Total Tax Effect	0.00¢	

¹ Excludes Rosemary Parking Deck Debt Service.

² Includes a 8.8 cent property tax revenue and a transfer from the General Fund based on incremental assessed value and resulting tax revenue in Blue Hill. Transfers may increase over time with additional development / assessed value growth.

³ Per Town Staff, Investment earnings are assumed to be equal to \$10,000 in FY 2021-2022, 0.50% of prior years ending Debt Fund Balance in FY2023-2024 and 1.00% in FY 2025 and beyond.

⁴ The Parking Fund is assumed to transfer an amount equal to annual debt service on existing Parking Fund debt (Included in Column B). The Parking Fund's ability to make this transfer will depend on actual results.

⁵ Rosemary Deck Debt Service is assumed to be paid from net parking revenues generated from the facility. To the extent revenues are not sufficient to pay the debt service, additional revenue will be required from the Debt Management Fund and/or other sources.

⁶ Per Town Staff. Includes \$7,264,168 remaining in the Debt Fund at the end of FY 2021 plus \$3,399,950 that was reimbursed to the Debt Fund from 2021A&B LOB proceeds after June 30, 2021.

- FY 2023 Value of a Penny: \$958,000
- FY 2024 & Beyond: 1.80% (consistent with Town planning model)



Debt Capacity Analysis

- In order to provide perspective on additional funding capacity/affordability in the debt management fund for Fiscal Years 2023-2027, the following scenarios have been analyzed:
 - Issue the maximum amount of debt as soon as possible.
 - Issue a level amount every other year from FY 2023 to FY 2027.
 - Utilize Pay-as-you-Go Capital Funding instead of debt issuance.

- The following debt assumptions have been included:
 - Term: 20 Years
 - Amortization: Level Principal
 - Interest Rate: 4.00%
 - First Interest: FY Following Issuance
 - First Principal: FY Following Issuance

- This capacity could be used to fund:
 - Two-Thirds GO Bonds
 - Future GO Referendum Bonds
 - Future LOBs/IPC's
 - Pay-as-you-Go Capital

- The impact on the Town's key debt ratios and debt management for each scenario is shown on the following page.



Debt Capacity Analysis

As of February 18, 2022

A	B	C	D	E	F	G	H	I	J	
Case		Case 1		Case 2		Case 3		Case 4		
		Planned FY 2022 and FY 2023 Debt Issuances		Full Debt Capacity with Maximum Upfront Financings		Full Debt Capacity with Staggered Financings		Planned Debt Issuances with Maximum Pay-Go Financing		
1	Key Assumptions:									
2	Amortization	Level Principal		Level Principal		Level Principal		Level Principal		
3	Term	20 Years		20 Years		20 Years		20 Years		
4	Interest Rate	4.00%		4.00%		4.00%		4.00%		
5										
6	Planned Debt Issuances (Slides 14-18)									
7	2021 GO Bonds ¹	\$7,960,000		\$7,960,000		\$7,960,000		\$7,960,000		
8	2021 LOBs ¹	\$45,480,000		\$45,480,000		\$45,480,000		\$45,480,000		
9	2022 GO Bonds (FY 2023)	\$12,945,000		\$12,945,000		\$12,945,000		\$12,945,000		
10	2023 GO Bonds (FY 2023)	\$2,700,000		\$2,700,000		\$2,700,000		\$2,700,000		
11	2023 LOBs (FY 2023)	\$31,300,000		\$31,300,000		\$31,300,000		\$31,300,000		
12	Total Debt Issuances	\$100,385,000		\$100,385,000		\$100,385,000		\$100,385,000		
13										
14	Additional Capacity									
15	FY 2022			\$0		\$0		\$0		
16	FY 2023			\$27,040,000		\$12,603,500		\$8,625,313		
17	FY 2024			\$0		\$0		\$0		
18	FY 2025			\$0		\$12,603,500		\$0		
19	FY 2026			\$0		\$0		\$358,181		
20	FY 2027			\$0		\$12,603,500		\$921,618		
21	Total Additional Capacity			\$27,040,000		\$37,810,500		\$9,905,112		
22										
23	Grand Total Debt Issuances & Capacity	\$100,385,000		\$127,425,000		\$138,195,500		\$110,290,112		
24										
25	Debt Ratios without Rosemary Deck	Policy	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance
26	10-Year Payout	65.00%	62.84%	2	59.06%	4	60.85%	4	62.84%	2
27	Debt to Assessed Value	1.50%	1.04%	0	1.32%	0	1.17%	0	1.04%	0
28	Debt Service to Expenditures	15.00%	14.30%	0	16.81%	2	15.49%	1	14.30%	0
29										
30	Debt Ratios with Rosemary Deck	Policy	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance	Worst Shown	Years out of Compliance
31	10-Year Payout	65.00%	59.59%	3	57.15%	4	58.34%	4	59.59%	3
32	Debt to Assessed Value	1.50%	1.40%	0	1.68%	2	1.53%	1	1.40%	0
33	Debt Service to Expenditures	15.00%	17.78%	2	20.18%	5	18.92%	7	17.78%	2

¹Note: The 2021 GO Bonds and LOBs were issued in May 2021 and August 2021, respectively, and are included in the existing debt for this analysis.



Observations

Observations



- The Town has Aaa / AAA ratings from Moody's and S&P respectively, which are the highest credit ratings that a local government can achieve.
 - The Town received its Aaa rating from Moody's in 1998 and its AAA rating from S&P in 2006.
- The Town has managed its debt issuance activities in a responsible fashion and has a Debt Profile that is consistent with other highly rated Cities and Towns.
- As measured by certain key Debt Ratios and rating agency guidelines, the Town can fund its planned projects while largely remaining compliant with its financial policies. The Town's resulting debt profile would be on the higher end when compared to its Aaa-rated peers. If the Rosemary Deck is not able to be operated on a self-supporting basis (including debt service), the Town's debt ratios would be further pressured and its resulting Debt Capacity and Debt Affordability would be limited.
- The Town has well established and sustainable debt service budgeting practices which provide for additional Debt Affordability beyond current debt levels. The ability of the Parking Fund to continue supporting its existing debt service and to operate the Rosemary Deck on a self-supporting basis will be important factors in determining future Debt Affordability within the Debt Management Fund.



Appendix A

Additional Capacity Case Details



Case 2

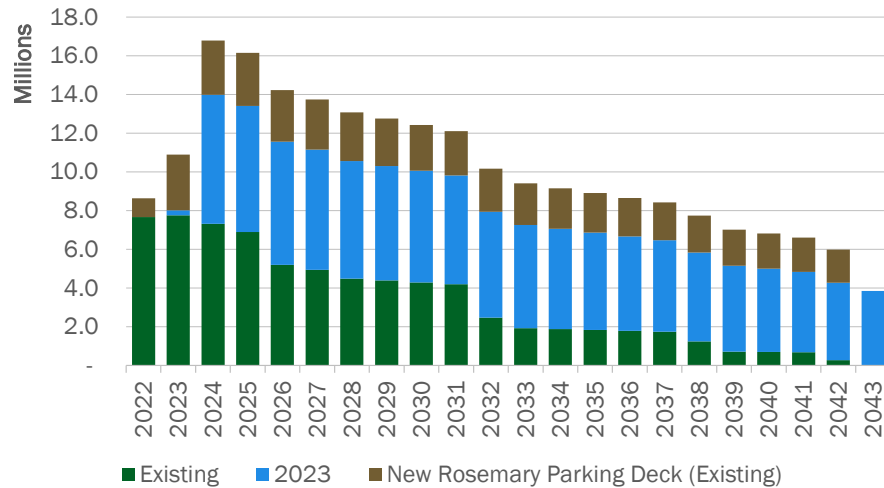
Full Debt Capacity – Maximum Upfront Financing



Existing and Proposed Debt Service

Case 2: Full Debt Capacity – Maximum Upfront Financing

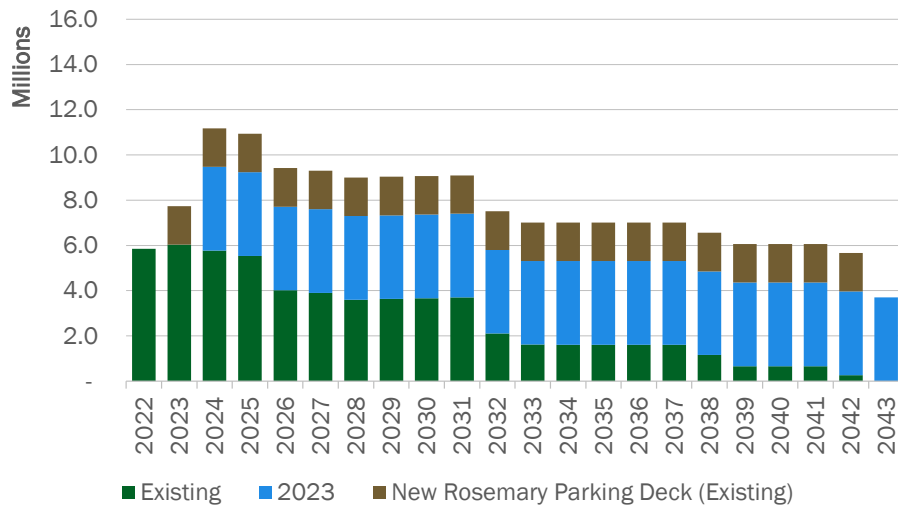
Existing and Proposed Debt Service



Assumptions

- Financing Assumptions:
 - Amortization: Level Principal
 - Term: 20 Years
 - Interest Rate: 4.00%
 - First Interest Payment:
 - FY 2023 Capital Projects: See Page 26
 - Future Issuances: FY Following Issuance
 - First Principal Payment: FY Following Issuance

Existing and Proposed Principal



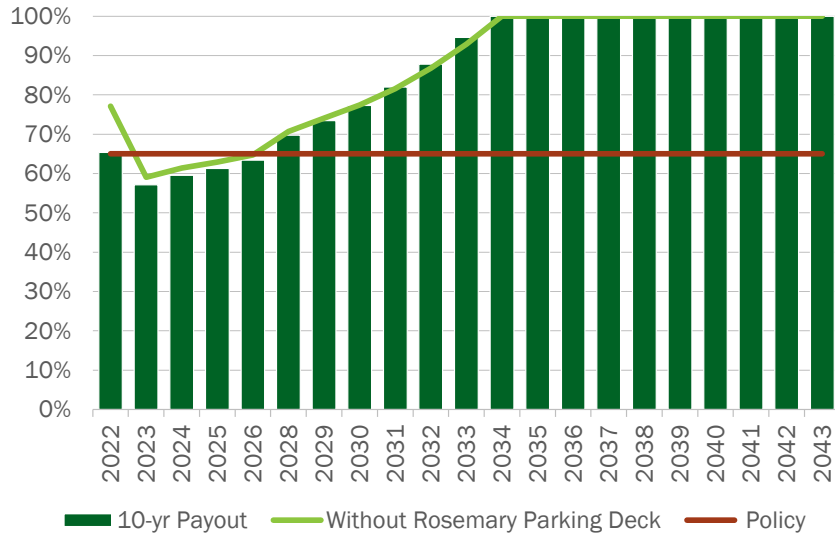
Debt Issued by Fiscal Year*	Planned Issuances	Capacity	Total
FY 2023	\$46,945,000	\$27,040,000	\$73,985,000
FY 2024	0	0	0
FY 2025	0	0	0
FY 2026	0	0	0
FY 2027	0	0	0
Total Debt Issued	\$46,945,000	\$27,040,000	\$73,985,000
Total Debt Service*	\$66,920,800	\$38,396,800	\$105,317,600



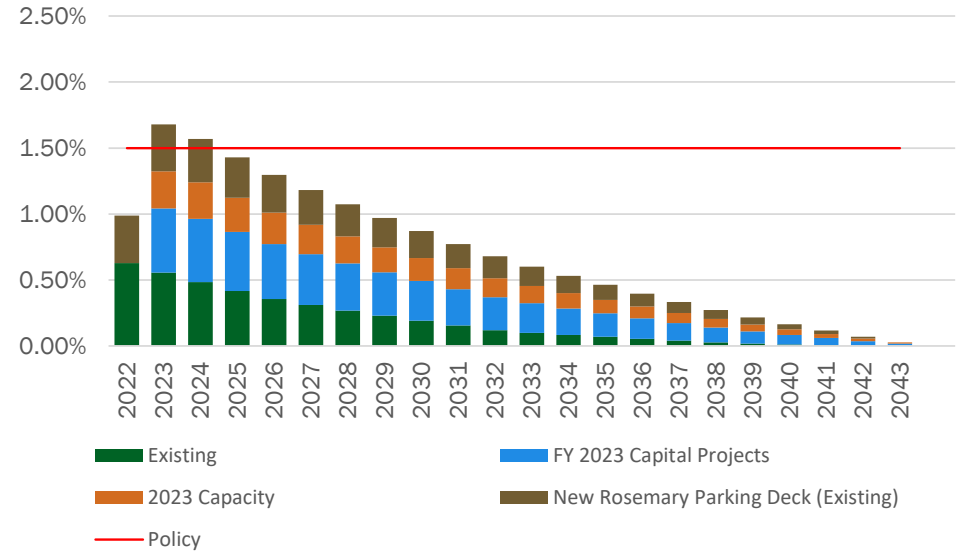
Key Debt Ratios

Case 2: Full Debt Capacity – Maximum Upfront Financing

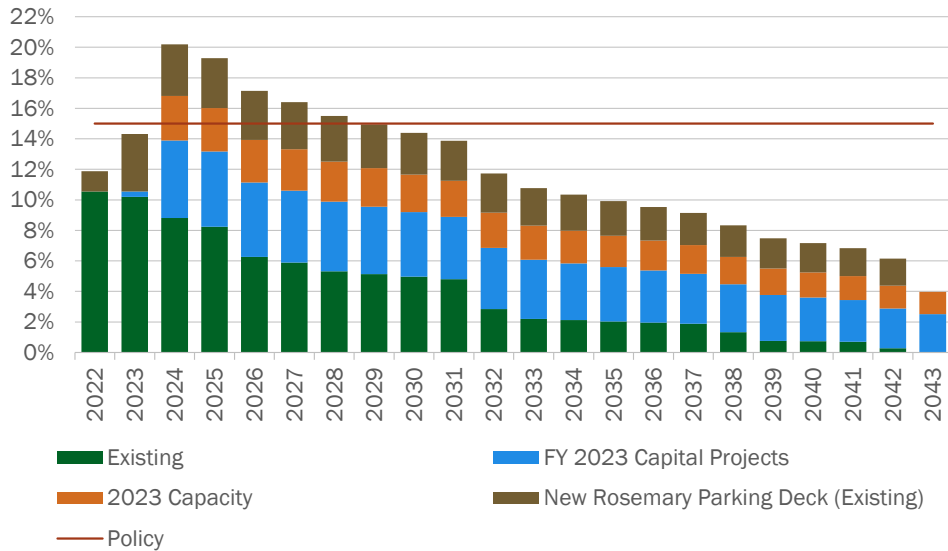
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures





Debt Affordability Analysis

Case 2: Full Debt Capacity – Maximum Upfront Financing

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
FY	Debt Service Requirements					Revenue Available for DS				Debt Service Cash Flow Surplus (Deficit)				Estimated Incremental Tax Equivalent	Debt Fund Balance ⁶
	Existing Debt Service ¹	New Rosemary Parking Deck Service	CIP Debt Service	CIP Pay-Go Cash	Total	Existing Revenue Sources ^{2,3}	Transfer from Parking for existing debt ⁴	Rosemary Parking Deck Net Revenues ⁵	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)		
2022	7,657,622	970,291	-	-	8,627,913	8,735,100	903,922	-	9,639,022	1,011,109	-	-	1,011,109	-	10,664,118
2023	7,760,673	2,875,459	258,900	-	10,895,032	8,933,876	899,773	1,805,314	11,638,963	743,931	-	-	743,931	-	12,419,158
2024	7,317,681	2,803,042	6,658,650	-	16,779,373	9,089,343	668,127	2,407,085	12,164,555	(4,614,818)	-	(4,614,818)	-	-	7,804,340
2025	6,897,680	2,730,625	6,510,680	-	16,138,985	9,259,769	451,239	2,541,305	12,252,313	(3,886,672)	-	(3,886,672)	-	-	3,917,668
2026	5,200,698	2,658,209	6,362,710	-	14,221,616	9,378,162	402,551	2,512,821	12,293,534	(1,928,082)	-	(1,928,082)	-	-	1,989,586
2027	4,933,152	2,585,792	6,214,740	-	13,733,684	9,518,971	405,154	2,479,714	12,403,839	(1,329,846)	-	(1,329,846)	-	-	659,740
2028	4,484,735	2,513,375	6,066,770	-	13,064,880	9,668,644	402,642	2,446,607	12,517,893	(546,988)	-	(546,988)	-	-	112,752
2029	4,387,189	2,440,958	5,918,800	-	12,746,947	9,829,079	402,042	2,413,499	12,644,620	(102,327)	-	(102,327)	-	-	10,425
2030	4,280,983	2,368,541	5,770,830	-	12,420,355	9,996,947	401,336	2,368,541	12,766,825	346,470	-	-	346,470	-	356,896
2031	4,188,646	2,291,250	5,622,860	-	12,102,756	10,172,343	404,490	2,291,250	12,868,082	765,327	-	-	765,327	-	1,122,222
2032	2,463,551	2,222,967	5,474,890	-	10,161,408	10,355,023	402,511	2,222,967	12,980,500	2,819,093	-	-	2,819,093	-	3,941,315
2033	1,924,163	2,157,117	5,326,920	-	9,408,200	10,561,390	-	2,157,117	12,718,508	3,310,308	-	-	3,310,308	-	7,251,623
2034	1,875,463	2,097,818	5,178,950	-	9,152,231	10,775,877	-	2,097,818	12,873,695	3,721,465	-	-	3,721,465	-	10,973,087
2035	1,830,150	2,038,519	5,030,980	-	8,899,649	10,997,740	-	2,038,519	13,036,259	4,136,610	-	-	4,136,610	-	15,109,698
2036	1,783,250	1,985,770	4,883,010	-	8,652,030	11,227,079	-	1,985,770	13,212,849	4,560,819	-	-	4,560,819	-	19,670,517
2037	1,738,881	1,947,758	4,735,040	-	8,421,679	11,464,043	-	1,947,758	13,411,801	4,990,122	-	-	4,990,122	-	24,660,638
2038	1,238,975	1,909,746	4,587,070	-	7,735,791	11,708,744	-	1,909,746	13,618,491	5,882,699	-	-	5,882,699	-	30,543,338
2039	717,050	1,863,547	4,439,100	-	7,019,697	11,965,878	-	1,863,547	13,829,425	6,809,728	-	-	6,809,728	-	37,353,066
2040	701,050	1,817,348	4,291,130	-	6,809,528	12,235,852	-	1,817,348	14,053,200	7,243,672	-	-	7,243,672	-	44,596,738
2041	685,050	1,771,149	4,143,160	-	6,599,359	12,513,798	-	1,771,149	14,284,947	7,685,588	-	-	7,685,588	-	52,282,326
2042	274,050	1,720,025	3,995,190	-	5,989,265	12,799,863	-	1,720,025	14,519,888	8,530,623	-	-	8,530,623	-	60,812,949
2043	-	-	3,847,220	-	3,847,220	13,098,145	-	-	13,098,145	9,250,925	-	-	9,250,925	-	70,063,874
2044	-	-	-	-	-	13,407,462	-	-	13,407,462	13,407,462	-	-	13,407,462	-	83,471,336
2045	-	-	-	-	-	13,762,248	-	-	13,762,248	13,762,248	-	-	13,762,248	-	97,233,584
2046	-	-	-	-	-	14,124,554	-	-	14,124,554	14,124,554	-	-	14,124,554	-	111,358,138
2047	-	-	-	-	-	14,494,528	-	-	14,494,528	14,494,528	-	-	14,494,528	-	125,852,666
2048	-	-	-	-	-	14,872,318	-	-	14,872,318	14,872,318	-	-	14,872,318	-	140,724,985
Total	72,340,691	45,769,307	105,317,600	-	223,427,598					Total		(12,408,732)	Total Tax Effect	0.00¢	

¹ Excludes Rosemary Parking Deck Debt Service.

² Includes a 8.8 cent property tax revenue and a transfer from the General Fund based on incremental assessed value and resulting tax revenue in Blue Hill. Transfers may increase over time with additional development / assessed value growth.

³ Per Town Staff, Investment earnings are assumed to be equal to \$10,000 in FY 2021-2022, 0.50% of prior years ending Debt Fund Balance in FY2023-2024 and 1.00% in FY 2025 and beyond.

⁴ The Parking Fund is assumed to transfer an amount equal to annual debt service on existing Parking Fund debt (Included in Column B). The Parking Fund's ability to make this transfer will depend on actual results.

⁵ Rosemary Deck Debt Service is assumed to be paid from net parking revenues generated from the facility. To the extent revenues are not sufficient to pay the debt service, additional revenue will be required from the Debt Management Fund and/or other sources.

⁶ Per Town Staff. Includes \$7,264,168 remaining in the Debt Fund at the end of FY 2021 plus \$3,399,950 that was reimbursed to the Debt Fund from 2021A&B LOB proceeds after June 30, 2021.

- FY 2023 Value of a Penny: \$958,000
- FY 2024 & Beyond: 1.80% (consistent with Town planning model)



Case 3

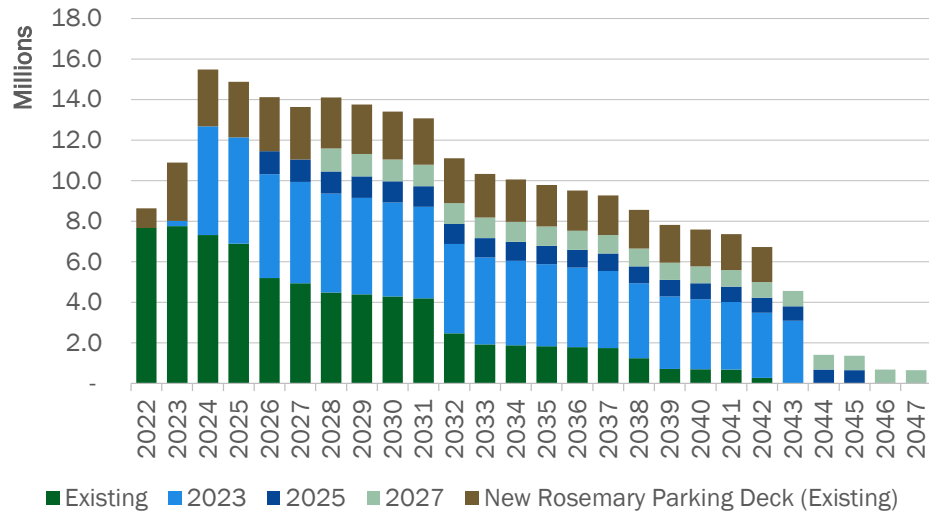
Full Debt Capacity – Staggered Financings



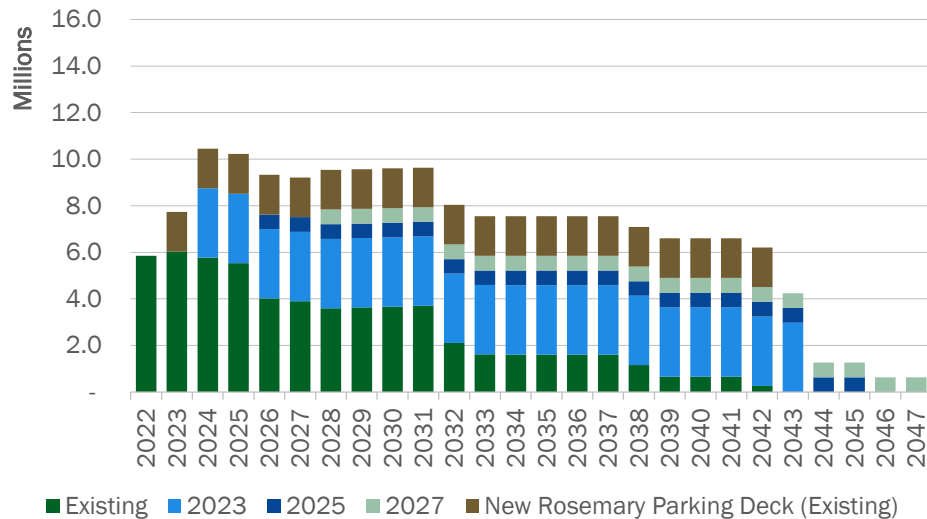
Existing and Proposed Debt Service

Case 3: Full Debt Capacity – Staggered Financings

Existing and Proposed Debt Service



Existing and Proposed Principal



Assumptions

- Financing Assumptions:
 - Amortization: Level Principal
 - Term: 20 Years
 - Interest Rate: 4.00%
 - First Interest Payment:
 - FY 2023 Capital Projects: See Page 26
 - Future Issuances: FY Following Issuance
 - First Principal Payment: FY Following Issuance

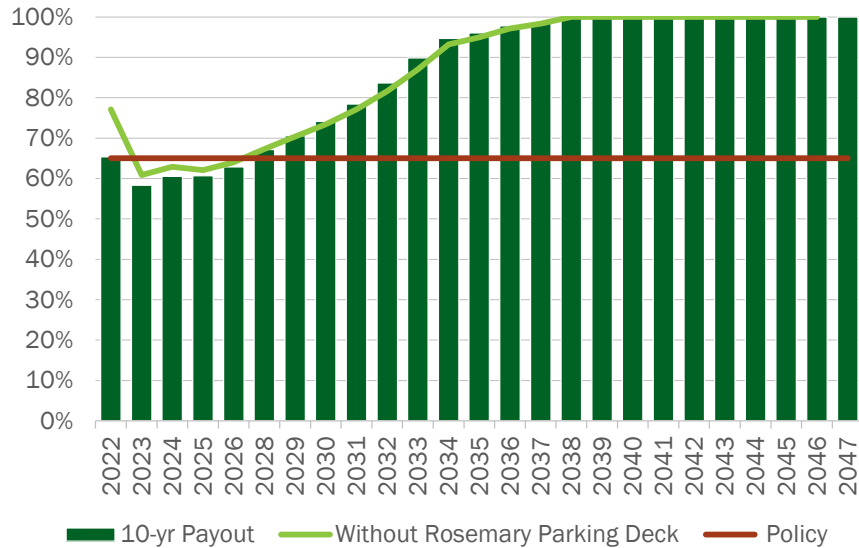
Debt Issued by Fiscal Year*	Planned Issuances	Capacity	Total
FY 2023	\$46,945,000	\$12,603,500	\$59,548,500
FY 2024	0	0	0
FY 2025	0	12,603,500	12,603,500
FY 2026	0	0	0
FY 2027	0	12,603,500	12,603,500
Total Debt Issued	\$46,945,000	\$37,810,500	\$84,755,500
Total Debt Service*	\$66,920,800	\$53,690,910	\$120,611,710



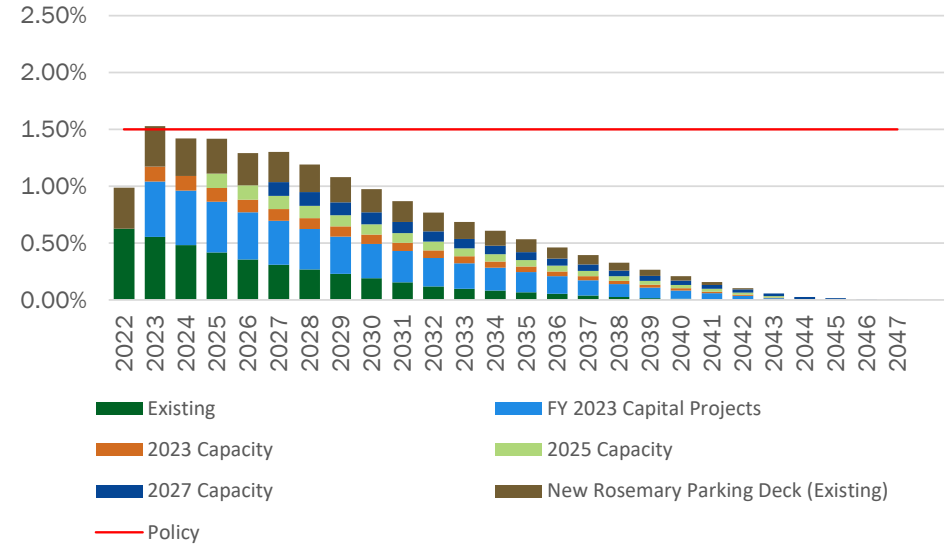
Key Debt Ratios

Case 3: Full Debt Capacity – Staggered Financings

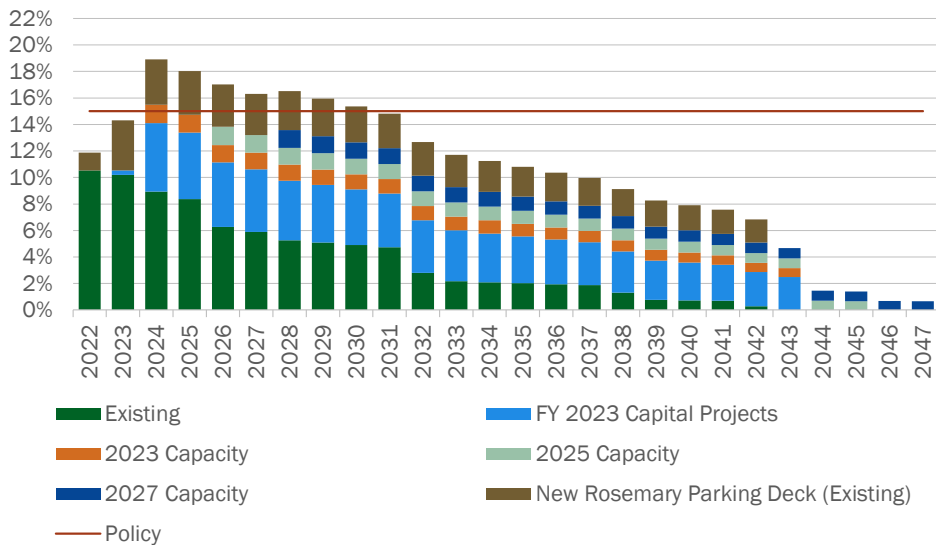
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures





Debt Affordability Analysis

Case 3: Full Debt Capacity – Staggered Financings

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
FY	Debt Service Requirements					Revenue Available for DS				Debt Service Cash Flow Surplus (Deficit)					
	Existing Debt Service ¹	New Rosemary Parking Deck Service	CIP Debt Service	CIP Pay-Go Cash	Total	Existing Revenue Sources ^{2,3}	Transfer from Parking for existing debt ⁴	Rosemary Parking Deck Net Revenues ⁵	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Fund Balance ⁶
2022	7,657,622	970,291	-	-	8,627,913	8,735,100	903,922	-	9,639,022	1,011,109	-	-	1,011,109	-	10,664,118
2023	7,760,673	2,875,459	258,900	-	10,895,032	8,933,876	899,773	1,805,314	11,638,963	743,931	-	-	743,931	-	12,419,158
2024	7,317,681	2,803,042	5,359,365	-	15,480,088	9,089,343	668,127	2,407,085	12,164,555	(3,315,533)	-	(3,315,533)	-	-	9,103,625
2025	6,897,680	2,730,625	5,240,268	-	14,868,573	9,272,762	451,239	2,541,305	12,265,306	(2,603,267)	-	(2,603,267)	-	-	6,500,358
2026	5,200,698	2,658,209	6,255,486	-	14,114,392	9,403,989	402,551	2,512,821	12,319,361	(1,795,031)	-	(1,795,031)	-	-	4,705,326
2027	4,933,152	2,585,792	6,111,182	-	13,630,126	9,546,128	405,154	2,479,714	12,430,996	(1,199,130)	-	(1,199,130)	-	-	3,506,196
2028	4,484,735	2,513,375	7,101,193	-	14,099,303	9,697,109	402,642	2,446,607	12,546,357	(1,552,946)	-	(1,552,946)	-	-	1,953,250
2029	4,387,189	2,440,958	6,931,682	-	13,759,829	9,847,484	402,042	2,413,499	12,663,025	(1,096,804)	-	(1,096,804)	-	-	856,446
2030	4,280,983	2,368,541	6,762,171	-	13,411,696	10,005,407	401,336	2,368,541	12,775,285	(636,411)	-	(636,411)	-	-	220,036
2031	4,188,646	2,291,250	6,592,660	-	13,072,556	10,170,975	404,490	2,291,250	12,866,714	(205,842)	-	(205,842)	-	-	14,194
2032	2,463,551	2,222,967	6,423,149	-	11,109,667	10,343,942	402,511	2,222,967	12,969,420	1,859,753	-	-	1,859,753	-	1,873,947
2033	1,924,163	2,157,117	6,253,638	-	10,334,918	10,540,717	-	2,157,117	12,697,834	2,362,916	-	-	2,362,916	-	4,236,863
2034	1,875,463	2,097,818	6,084,127	-	10,057,408	10,745,730	-	2,097,818	12,843,548	2,786,140	-	-	2,786,140	-	7,023,003
2035	1,830,150	2,038,519	5,914,616	-	9,783,285	10,958,240	-	2,038,519	12,996,759	3,213,474	-	-	3,213,474	-	10,236,477
2036	1,783,250	1,985,770	5,745,105	-	9,514,125	11,178,347	-	1,985,770	13,164,117	3,649,992	-	-	3,649,992	-	13,886,468
2037	1,738,881	1,947,758	5,575,594	-	9,262,233	11,406,202	-	1,947,758	13,353,961	4,091,727	-	-	4,091,727	-	17,978,196
2038	1,238,975	1,909,746	5,406,083	-	8,554,804	11,641,920	-	1,909,746	13,551,666	4,996,862	-	-	4,996,862	-	22,975,058
2039	717,050	1,863,547	5,236,572	-	7,817,169	11,890,195	-	1,863,547	13,753,743	5,936,573	-	-	5,936,573	-	28,911,631
2040	701,050	1,817,348	5,067,061	-	7,585,459	12,151,437	-	1,817,348	13,968,785	6,383,326	-	-	6,383,326	-	35,294,957
2041	685,050	1,771,149	4,897,550	-	7,353,749	12,420,781	-	1,771,149	14,191,929	6,838,181	-	-	6,838,181	-	42,133,138
2042	274,050	1,720,025	4,728,039	-	6,722,114	12,698,372	-	1,720,025	14,418,396	7,696,283	-	-	7,696,283	-	49,829,420
2043	-	-	4,558,528	-	4,558,528	12,988,309	-	-	12,988,309	8,429,781	-	-	8,429,781	-	58,259,202
2044	-	-	1,411,592	-	1,411,592	13,289,416	-	-	13,289,416	11,877,824	-	-	11,877,824	-	70,137,025
2045	-	-	1,361,178	-	1,361,178	13,628,905	-	-	13,628,905	12,267,727	-	-	12,267,727	-	82,404,752
2046	-	-	680,589	-	680,589	13,976,266	-	-	13,976,266	13,295,677	-	-	13,295,677	-	95,700,429
2047	-	-	655,382	-	655,382	14,337,951	-	-	14,337,951	13,682,569	-	-	13,682,569	-	109,382,998
2048	-	-	-	-	-	14,707,622	-	-	14,707,622	14,707,622	-	-	14,707,622	-	124,090,619
Total	72,340,691	45,769,307	120,611,710	-	238,721,708					Total		(12,404,964)	Total Tax Effect	0.00¢	

¹ Excludes Rosemary Parking Deck Debt Service.

² Includes a 8.8 cent property tax revenue and a transfer from the General Fund based on incremental assessed value and resulting tax revenue in Blue Hill. Transfers may increase over time with additional development / assessed value growth.

³ Per Town Staff, Investment earnings are assumed to be equal to \$10,000 in FY 2021-2022, 0.50% of prior years ending Debt Fund Balance in FY2023-2024 and 1.00% in FY 2025 and beyond.

⁴ The Parking Fund is assumed to transfer an amount equal to annual debt service on existing Parking Fund debt (Included in Column B). The Parking Fund's ability to make this transfer will depend on actual results.

⁵ Rosemary Deck Debt Service is assumed to be paid from net parking revenues generated from the facility. To the extent revenues are not sufficient to pay the debt service, additional revenue will be required from the Debt Management Fund and/or other sources.

⁶ Per Town Staff. Includes \$7,264,168 remaining in the Debt Fund at the end of FY 2021 plus \$3,399,950 that was reimbursed to the Debt Fund from 2021A&B LOB proceeds after June 30, 2021.

- FY 2023 Value of a Penny: \$958,000
- FY 2024 & Beyond: 1.80% (consistent with Town planning model)



Case 4

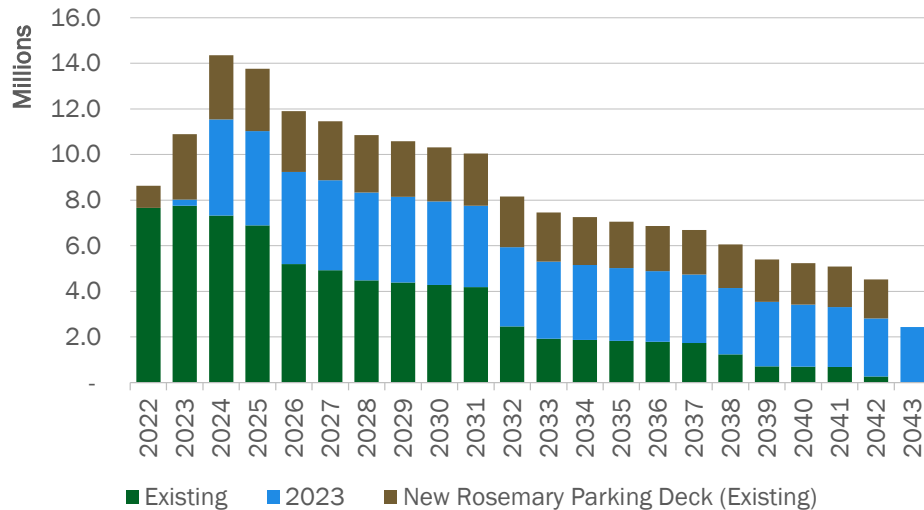
Planned Debt Issuances with Maximum Pay-Go Financing



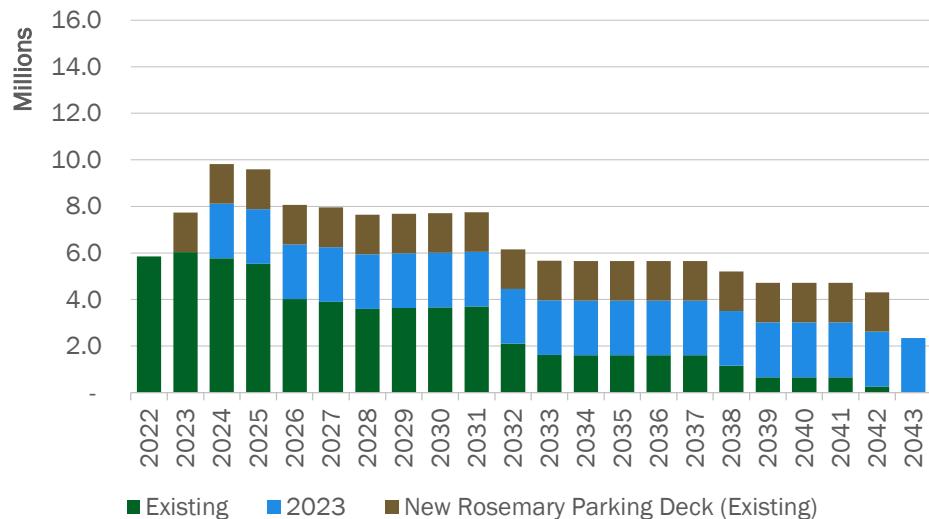
Existing and Proposed Debt Service

Case 4: Planned Debt Issuances with Maximum Pay-Go Financing

Existing and Proposed Debt Service



Existing and Proposed Principal



Assumptions

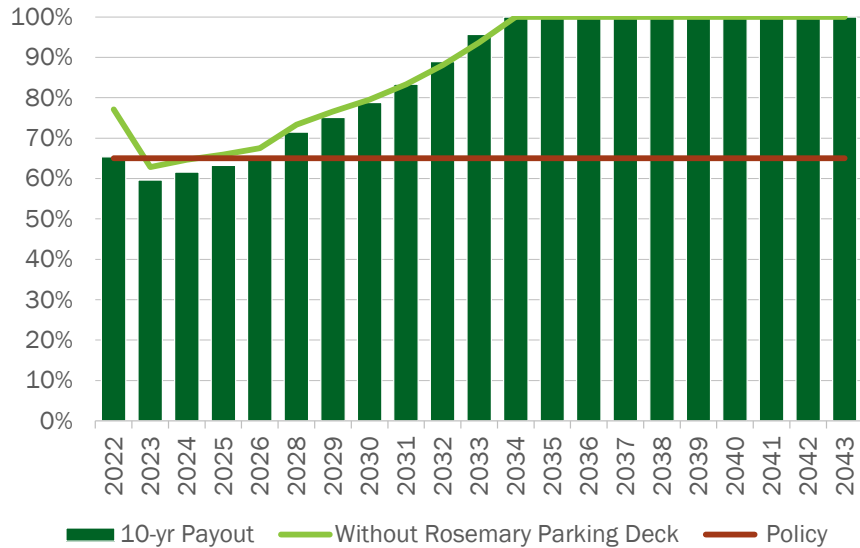
■ Financing Assumptions:	
— Amortization:	Level Principal
— Term:	20 Years
— Interest Rate:	4.00%
— First Interest Payment:	
— AH / Streets & Sidewalks	FY of Issuance
— New Municipal Services Center	FY Following Issuance
— First Principal Payment:	FY Following Issuance
■ Debt Issued (FY 2023):	
— Affordable Housing:	\$5,245,000
— Streets & Sidewalks:	\$7,700,000
— New MSC – Parks & Rec Facilities:	\$2,700,000
— <u>New Municipal Services Center:</u>	<u>\$31,300,000</u>
Total:	\$46,945,000
■ Proposed Debt Service (FY 2023):	
— Affordable Housing:	\$7,552,800
— Streets & Sidewalks:	\$11,088,000
— New MSC – Parks & Rec Facilities:	\$3,834,000
— <u>New Municipal Services Center:</u>	<u>\$44,446,000</u>
Total:	\$66,920,800
■ Pay-Go Financing:	
— FY 2023:	\$8,625,313
— FY 2024:	\$0
— FY 2025:	\$0
— FY 2026:	\$358,181
— <u>FY 2027:</u>	<u>\$921,618</u>
— Total:	\$9,905,112



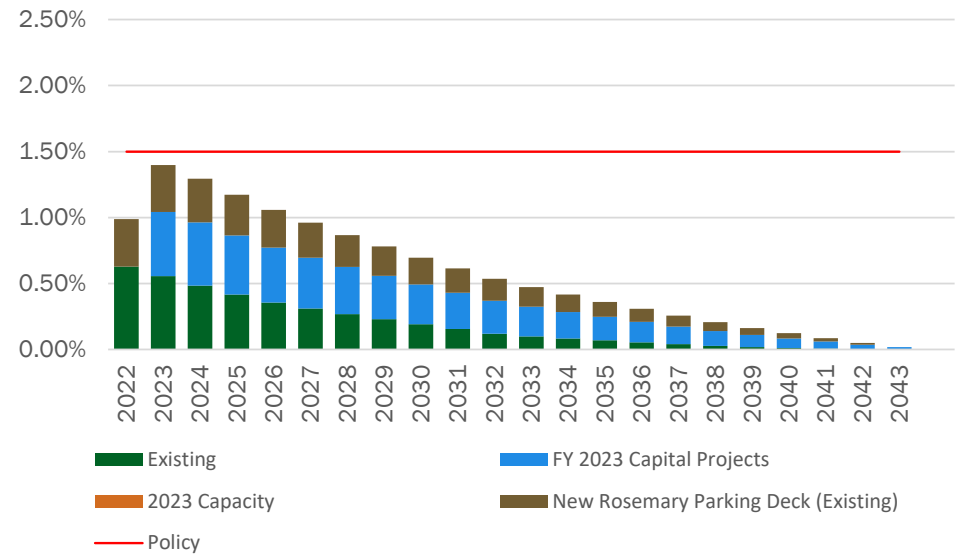
Key Debt Ratios

Case 4: Planned Debt Issuances with Maximum Pay-Go Financing

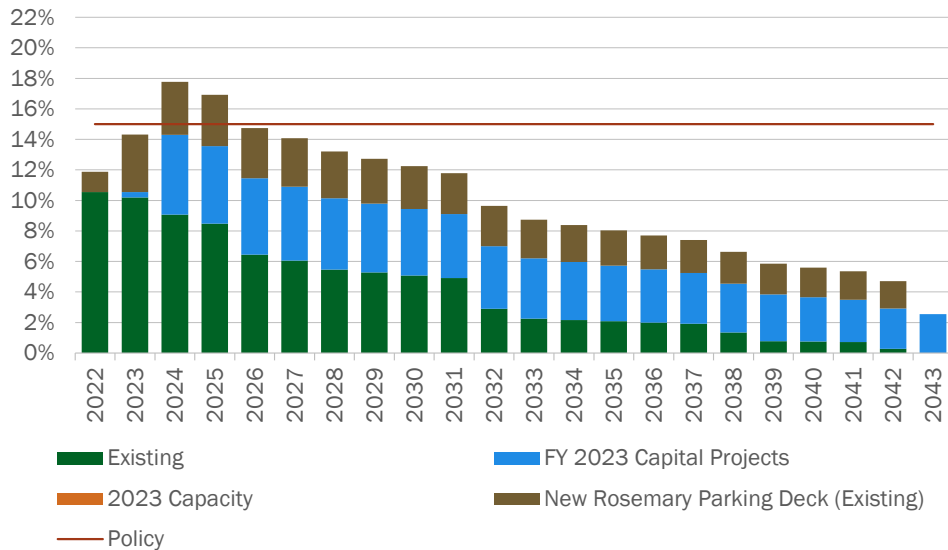
10-Year Payout



Debt to Assessed Value



Debt Service to Expenditures





Debt Affordability Analysis

Case 4: Planned Debt Issuances with Maximum Pay-Go Financing

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
FY	Debt Service Requirements					Revenue Available for DS				Debt Service Cash Flow Surplus (Deficit)				Estimated Incremental Tax Equivalent	Debt Fund Balance ⁶
	Existing Debt Service ¹	New Rosemary Parking Deck Debt Service	CIP Debt Service	CIP Pay-Go Cash	Total	Existing Revenue Sources ^{2,3}	Transfer from Parking for existing debt ⁴	Rosemary Parking Deck Net Revenues ⁵	Total Revenues Available	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Fund Balance Utilized	Adjusted Surplus/ (Deficit)		
2022	7,657,622	970,291	-	-	8,627,913	8,735,100	903,922	-	9,639,022	1,011,109	-	-	1,011,109	-	10,664,118
2023	7,760,673	2,875,459	258,900	8,625,313	19,520,345	8,933,876	899,773	1,805,314	11,638,963	(7,881,382)	-	(7,881,382)	-	-	3,793,845
2024	7,317,681	2,803,042	4,225,050	-	14,345,773	9,046,216	668,127	2,407,085	12,121,429	(2,224,344)	-	(2,224,344)	-	-	1,569,500
2025	6,897,680	2,730,625	4,131,160	-	13,759,465	9,197,421	451,239	2,541,305	12,189,965	(1,569,500)	-	(1,569,500)	-	-	0
2026	5,200,698	2,658,209	4,037,270	358,181	12,254,357	9,338,985	402,551	2,512,821	12,254,357	0	-	-	0	-	0
2027	4,933,152	2,585,792	3,021,762	921,618	11,462,324	9,499,075	405,154	2,479,714	12,383,943	921,618	-	-	921,618	-	921,619
2028	4,484,735	2,513,375	3,849,490	-	10,847,600	9,662,047	402,642	2,446,607	12,511,295	1,663,695	-	-	1,663,695	-	2,585,314
2029	4,387,189	2,440,958	3,755,600	-	10,583,747	9,844,589	402,042	2,413,499	12,660,129	2,076,382	-	-	2,076,382	-	4,661,696
2030	4,280,983	2,368,541	3,661,710	-	10,311,235	10,034,244	401,336	2,368,541	12,804,121	2,492,887	-	-	2,492,887	-	7,154,583
2031	4,188,646	2,291,250	3,567,820	-	10,047,716	10,231,104	404,490	2,291,250	12,926,843	2,879,127	-	-	2,879,127	-	10,033,710
2032	2,463,551	2,222,967	3,473,930	-	8,160,448	10,434,921	402,511	2,222,967	13,060,399	4,899,951	-	-	4,899,951	-	14,933,662
2033	1,924,163	2,157,117	3,380,040	-	7,461,320	10,662,098	-	2,157,117	12,819,215	5,357,895	-	-	5,357,895	-	20,291,557
2034	1,875,463	2,097,818	3,286,150	-	7,259,431	10,897,060	-	2,097,818	12,994,878	5,735,448	-	-	5,735,448	-	26,027,005
2035	1,830,150	2,038,519	3,192,260	-	7,060,929	11,139,063	-	2,038,519	13,177,582	6,116,653	-	-	6,116,653	-	32,143,658
2036	1,783,250	1,985,770	3,098,370	-	6,867,390	11,388,202	-	1,985,770	13,373,972	6,506,582	-	-	6,506,582	-	38,650,240
2037	1,738,881	1,947,758	3,004,480	-	6,691,119	11,644,624	-	1,947,758	13,592,382	6,901,263	-	-	6,901,263	-	45,551,503
2038	1,238,975	1,909,746	2,910,590	-	6,059,311	11,908,437	-	1,909,746	13,818,183	7,758,872	-	-	7,758,872	-	53,310,375
2039	717,050	1,863,547	2,816,700	-	5,397,297	12,184,332	-	1,863,547	14,047,880	8,650,582	-	-	8,650,582	-	61,960,957
2040	701,050	1,817,348	2,722,810	-	5,241,208	12,472,714	-	1,817,348	14,290,062	9,048,854	-	-	9,048,854	-	71,009,812
2041	685,050	1,771,149	2,628,920	-	5,085,119	12,768,713	-	1,771,149	14,539,862	9,454,743	-	-	9,454,743	-	80,464,555
2042	274,050	1,720,025	2,535,030	-	4,529,105	13,072,469	-	1,720,025	14,792,494	10,263,389	-	-	10,263,389	-	90,727,944
2043	-	-	2,441,140	-	2,441,140	13,388,078	-	-	13,388,078	10,946,938	-	-	10,946,938	-	101,674,882
2044	-	-	-	-	-	13,714,356	-	-	13,714,356	13,714,356	-	-	13,714,356	-	115,389,239
2045	-	-	-	-	-	14,072,211	-	-	14,072,211	14,072,211	-	-	14,072,211	-	129,461,449
2046	-	-	-	-	-	14,437,617	-	-	14,437,617	14,437,617	-	-	14,437,617	-	143,899,066
2047	-	-	-	-	-	14,810,721	-	-	14,810,721	14,810,721	-	-	14,810,721	-	158,709,787
2048	-	-	-	-	-	15,191,673	-	-	15,191,673	15,191,673	-	-	15,191,673	-	173,901,460
Total	72,340,691	45,769,307	65,999,182	9,905,112	194,014,291					Total		(11,675,227)	Total Tax Effect	0.00¢	

¹ Excludes Rosemary Parking Deck Debt Service.

² Includes a 8.8 cent property tax revenue and a transfer from the General Fund based on incremental assessed value and resulting tax revenue in Blue Hill. Transfers may increase over time with additional development / assessed value growth.

³ Per Town Staff, Investment earnings are assumed to be equal to \$10,000 in FY 2021-2022, 0.50% of prior years ending Debt Fund Balance in FY2023-2024 and 1.00% in FY 2025 and beyond.

⁴ The Parking Fund is assumed to transfer an amount equal to annual debt service on existing Parking Fund debt (Included in Column B). The Parking Fund's ability to make this transfer will depend on actual results.

⁵ Rosemary Deck Debt Service is assumed to be paid from net parking revenues generated from the facility. To the extent revenues are not sufficient to pay the debt service, additional revenue will be required from the Debt Management Fund and/or other sources.

⁶ Per Town Staff. Includes \$7,264,168 remaining in the Debt Fund at the end of FY 2021 plus \$3,399,950 that was reimbursed to the Debt Fund from 2021A&B LOB proceeds after June 30, 2021.

- FY 2023 Value of a Penny: \$958,000
- FY 2024 & Beyond: 1.80% (consistent with Town planning model)

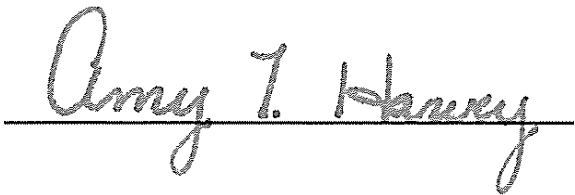


Appendix B

Financial Policies

I, Amy T. Harvey, Deputy Town Clerk of the Town of Chapel Hill, North Carolina, hereby certify that the attached is a true and correct copy of (2019-06-12/R-2) adopted by the Chapel Hill Town Council on June 12, 2019.

This the 13th day of June, 2019.

A handwritten signature in cursive script that reads "Amy T. Harvey". The signature is written in black ink and is positioned above a solid horizontal line.

**Amy T. Harvey
Deputy Town Clerk**



A RESOLUTION FOR THE ADOPTION OF FINANCIAL POLICY GUIDELINES (2019-06-12/R-2)

WHEREAS, financial policies are central to a strategic, long-term approach to financial management;
and

WHEREAS, the Government Finance Officers Association (GFOA) has recognized financial policies as an essential part of public financial management; and

WHEREAS, formal, written financial policies help governments promote financial stability and continuity, manage financial risks, promote long-term strategic thinking, and support the Town's excellent bond ratings;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby adopts the Financial Policy Guidelines which includes: Debt Policy, Fund Balance Reserve Policy, Cash Management and Investment Policy, and Other Post-Employment Benefit (OPEB) Pre-Funding Policy.

This the 12th day of June, 2019.

Financial Policy Guidelines

For:



Town of Chapel Hill, North Carolina

Adopted: June 12, 2019

**Maurice Jones, Town Manager
Amy Oland, Business Management Director**

FISCAL POLICY GUIDELINES

<u>Section Contents:</u>	<u>Page:</u>
• Objectives	2
• Debt Policy	3
• Fund Balance Reserve Policy	4
• Cash Management and Investment Policy	5
• Other Post Employment Benefit (OPEB) Pre-Funding Policy	6

OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the Town’s ability to insulate itself from fiscal crisis;
- Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible;
- Promotes long-term financial stability by establishing clear and consistent guidelines;
- Directs attention to the total financial picture of the Town rather than single issue areas;
- Promotes the view of linking long-run financial planning with day to day operations;
- Provides the Council, community and management a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following fiscal policy statements are presented.

DEBT POLICIES

General

1. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year pay-as-you-go appropriations.
3. When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.
4. Where feasible, the Town will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
5. Where feasible, the Town will limit the amount of debt issued each calendar year to remain Bank Qualified eligible per Internal Revenue Service (IRS) guidelines (currently \$10,000,000).

Tax Supported Debt

1. Net Debt as a percentage of total assessed value of taxable property should not exceed 1.5%. Net Debt is defined as any and all debt that is tax supported.
2. The ratio of debt service expenditures as a percent of total governmental fund expenditures should not exceed 15% with an aggregate ten-year principal payout ratio target of 65% or better.

FUND BALANCE RESERVE POLICIES

1. Unassigned Fund Balances will mean funds that remain available for appropriation by the Council after all commitments for future expenditures, required reserves defined by State statutes, and previous designations have been calculated. The Town will define these remaining amounts as “available fund balances.”
2. The Town will strive to maintain a targeted Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, at the close of each fiscal year equal to 22% of General Fund Expenditures. Unassigned Fund Balance in excess of 22% of General Fund Expenditures may be appropriated from time to time for pay-as-you-go capital and other one-time uses.
3. In the event that funds are available over and beyond the targeted amount, those funds may be transferred to the Capital Reserve Fund at the Council discretion.
4. The Town Council may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the 22% target for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of the Town. In such circumstances, the Council will adopt a plan to restore the Unassigned Fund Balance to the target level within 24 months. If restoration cannot be accomplished within such time period without severe hardship to the Town, then the Council will establish a different but appropriate time period.

CASH MANAGEMENT AND INVESTMENT POLICIES & STRATEGIES

1. It is the intent of the Town that public funds will be invested to the extent possible to reduce the need for property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of Town funds will be in accordance with N.C.G.S. 159.
2. The Town will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
3. Cash Flows will be forecasted and investments will be made to mature when funds are projected to be needed to meet cash flow requirements.
4. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
5. Maturity: All investments will mature in no more than 36 months from their purchase date.
6. Custody: All investments will be purchased “payment versus delivery” and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investment will be held in book-entry form in the name of the Town with the Town’s third party Custodian (Safekeeping Agent).
7. Authorized Investments: The Town may deposit Town funds into: Any Council approved Official Depository, if such funds are secured in accordance with N.C.G.S. 159-31. The Town may invest Town funds in: the North Carolina Capital Management Trust, U.S. Treasuries, U.S. Agency Securities specifically authorized in G.S. 159 and rated no lower than “AAA”, and Commercial Paper meeting the requirements of N.C.G.S. 159 plus having a national bond rating.
8. Diversification: No more than 5% of the Town’s investment funds may be invested in a specific company’s commercial paper and no more than 20% of the Town’s investment funds may be invested in commercial paper. No more than 25% of the Town’s investments may be invested in any one U.S. Agency’s Securities.
9. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.

OTHER POST-EMPLOYMENT BENEFIT PRE-FUNDING POLICIES & STRATEGIES

1. By ordinance of the Town Council, the Town administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits for all retirees of the Town who were hired before July 1, 2010, participate in the North Carolina Local Government Employees' Retirement System, and have at least five years of creditable service with the Town.
2. Retirees who qualify for coverage receive the same benefits as active employees, wherein the Town pays all or a portion of the costs of coverage for the benefits based on years of service.
3. Actuarial Valuation: The total other post-employment benefit (OPEB) liability is determined by an actuary on an annual basis. The actuary bases this calculation on several actuarial assumptions: inflation rate, salary increases, investment rate of return and healthcare cost trend rates.
4. Pay-Go Contributions: The Town is required to pay annually the projected pay-as-you-go financing requirements for the retiree healthcare benefits.
5. Pre-Funding Contributions: The Town may contribute an additional amount to prefund benefits contributed to the trust annually as determined by the Council.
6. Benefits of Pre-Funding: Multiple outside entities use the actuary information that resides in the Comprehensive Annual Financial Report to assess the creditworthiness and financial soundness of the Town. The amount of pay-go and pre-funding contributions helps reduce the total OPEB liability.
7. The Town will contribute annually to the OPEB trust to help fund the Annually Required Contribution and work towards reducing the overall OPEB liability. In the event that funds are available over the General Fund 22% targeted fund balance amount, the Council may choose to contribute a portion of this amount to the OPEB trust.



Appendix C

Existing Tax Supported Debt



Existing Tax Supported Debt

By Credit

Tax Supported Debt



Total Tax Supported Debt Service

FY	Principal	Interest	Total
Total	93,313,000	24,796,998	118,109,998
2022	5,847,000	2,780,913	8,627,913
2023	7,732,000	2,904,132	10,636,132
2024	7,473,000	2,647,723	10,120,723
2025	7,242,000	2,386,305	9,628,305
2026	5,718,000	2,140,906	7,858,906
2027	5,607,000	1,911,944	7,518,944
2028	5,301,000	1,697,110	6,998,110
2029	5,335,000	1,493,147	6,828,147
2030	5,364,000	1,285,525	6,649,525
2031	5,398,000	1,081,896	6,479,896
2032	3,806,000	880,518	4,686,518
2033	3,317,000	764,280	4,081,280
2034	3,312,000	661,281	3,973,281
2035	3,312,000	556,669	3,868,669
2036	3,312,000	457,020	3,769,020
2037	3,312,000	374,639	3,686,639
2038	2,857,000	291,721	3,148,721
2039	2,367,000	213,597	2,580,597
2040	2,367,000	151,398	2,518,398
2041	2,367,000	89,199	2,456,199
2042	1,967,000	27,075	1,994,075

LOBs

FY	Principal	Interest	Total
Total	51,526,000	14,766,472	66,292,472
2022	2,301,000	1,329,283	3,630,283
2023	4,325,000	1,574,980	5,899,980
2024	4,060,000	1,446,112	5,506,112
2025	3,816,000	1,321,642	5,137,642
2026	2,462,000	1,211,072	3,673,072
2027	2,471,000	1,112,258	3,583,258
2028	2,480,000	1,013,204	3,493,204
2029	2,491,000	913,812	3,404,812
2030	2,497,000	814,190	3,311,190
2031	2,507,000	714,427	3,221,427
2032	2,376,000	617,915	2,993,915
2033	1,977,000	536,180	2,513,180
2034	1,977,000	465,881	2,442,881
2035	1,977,000	395,582	2,372,582
2036	1,977,000	333,207	2,310,207
2037	1,977,000	288,664	2,265,664
2038	1,972,000	244,196	2,216,196
2039	1,972,000	189,897	2,161,897
2040	1,972,000	135,598	2,107,598
2041	1,972,000	81,299	2,053,299
2042	1,967,000	27,075	1,994,075

GO Bonds

FY	Principal	Interest	Total
Total	36,264,000	9,337,549	45,601,549
2022	2,842,000	1,309,353	4,151,353
2023	2,856,000	1,217,352	4,073,352
2024	2,855,000	1,102,594	3,957,594
2025	2,860,000	978,592	3,838,592
2026	2,684,000	856,893	3,540,893
2027	2,637,000	740,016	3,377,016
2028	2,315,000	635,813	2,950,813
2029	2,330,000	542,980	2,872,980
2030	2,345,000	446,905	2,791,905
2031	2,360,000	355,150	2,715,150
2032	1,430,000	262,603	1,692,603
2033	1,340,000	228,100	1,568,100
2034	1,335,000	195,400	1,530,400
2035	1,335,000	161,088	1,496,088
2036	1,335,000	123,813	1,458,813
2037	1,335,000	85,975	1,420,975
2038	885,000	47,525	932,525
2039	395,000	23,700	418,700
2040	395,000	15,800	410,800
2041	395,000	7,900	402,900
2042	-	-	-

IPCs

FY	Principal	Interest	Total
Total	5,523,000	692,976	6,215,976
2022	704,000	142,278	846,278
2023	551,000	111,801	662,801
2024	558,000	99,018	657,018
2025	566,000	86,072	652,072
2026	572,000	72,941	644,941
2027	499,000	59,670	558,670
2028	506,000	48,094	554,094
2029	514,000	36,354	550,354
2030	522,000	24,430	546,430
2031	531,000	12,319	543,319
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-
2042	-	-	-

General Obligation Bonds



Potential Refunding Candidate

\$4,655,000

General Obligation Refunding Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		765,000	56,850	821,850
2022	3.000%	195,000	22,950	217,950
2023	3.000%	195,000	17,100	212,100
2024	3.000%	190,000	11,250	201,250
2025	3.000%	185,000	5,550	190,550
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 6/5/2012 Next Call: 4/1/2022

Purpose: Refunding Insurance: n/a

Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1

Potential Refunding Candidate

\$1,700,000

General Obligation Public Improvement Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		935,000	136,383	1,071,383
2022	2.000%	85,000	21,548	106,548
2023	2.000%	85,000	19,848	104,848
2024	2.000%	85,000	18,148	103,148
2025	2.100%	85,000	16,448	101,448
2026	2.200%	85,000	14,663	99,663
2027	2.300%	85,000	12,793	97,793
2028	2.450%	85,000	10,838	95,838
2029	2.500%	85,000	8,755	93,755
2030	2.550%	85,000	6,630	91,630
2031	2.600%	85,000	4,463	89,463
2032	2.650%	85,000	2,253	87,253
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 7/3/2012 Next Call: 4/1/2022

Purpose: Public Improvement Insurance: n/a

Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1

\$3,050,000

General Obligation Refunding Bond, Series 2013 (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		1,494,000	88,518	1,582,518
2022	1.770%	272,000	26,444	298,444
2023	1.770%	266,000	21,629	287,629
2024	1.770%	260,000	16,921	276,921
2025	1.770%	255,000	12,319	267,319
2026	1.770%	249,000	7,806	256,806
2027	1.770%	192,000	3,398	195,398
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 2/28/2013 Next Call: 2/28/2020

Purpose: Refunding Insurance: n/a

Coupon Dates: May 1 / Nov 1 Maturity Date: May 1

General Obligation Bonds



\$1,460,000

General Obligation Public Safety Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		870,000	108,750	978,750
2022	5.000%	145,000	34,800	179,800
2023	5.000%	145,000	27,550	172,550
2024	5.000%	145,000	20,300	165,300
2025	3.000%	145,000	13,050	158,050
2026	3.000%	145,000	8,700	153,700
2027	3.000%	145,000	4,350	149,350
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 2/21/2017 Next Call: Noncallable
 Purpose: Equipment Insurance: n/a
 Coupon Dates: Feb 1 / Aug 1 Maturity Date: Feb 1

\$9,000,000

General Obligation Public Improvement Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		7,200,000	2,120,063	9,320,063
2022	4.000%	450,000	268,875	718,875
2023	3.000%	450,000	250,875	700,875
2024	5.000%	450,000	237,375	687,375
2025	5.000%	450,000	214,875	664,875
2026	5.000%	450,000	192,375	642,375
2027	5.000%	450,000	169,875	619,875
2028	4.000%	450,000	147,375	597,375
2029	4.000%	450,000	129,375	579,375
2030	3.000%	450,000	111,375	561,375
2031	3.000%	450,000	97,875	547,875
2032	3.000%	450,000	84,375	534,375
2033	3.000%	450,000	70,875	520,875
2034	3.125%	450,000	57,375	507,375
2035	3.125%	450,000	43,313	493,313
2036	3.250%	450,000	29,250	479,250
2037	3.250%	450,000	14,625	464,625
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 2/22/2017 Next Call: 2/1/2027
 Purpose: Land, Streets, and Parks & Rec Insurance: n/a
 Coupon Dates: Feb 1 / Aug 1 Maturity Date: Feb 1

\$9,800,000

General Obligation Public Improvement Bonds, Series 2018 (No Stormwater)

FY	Coupon	Principal	Interest	Total
Total		8,330,000	2,418,763	10,748,763
2022	5.000%	490,000	297,063	787,063
2023	5.000%	490,000	272,563	762,563
2024	5.000%	490,000	248,063	738,063
2025	5.000%	490,000	223,563	713,563
2026	5.000%	490,000	199,063	689,063
2027	2.500%	490,000	174,563	664,563
2028	2.500%	490,000	162,313	652,313
2029	3.000%	490,000	150,063	640,063
2030	2.875%	490,000	135,363	625,363
2031	2.875%	490,000	121,275	611,275
2032	3.000%	490,000	107,188	597,188
2033	3.000%	490,000	92,488	582,488
2034	3.125%	490,000	77,788	567,788
2035	3.125%	490,000	62,475	552,475
2036	3.125%	490,000	47,163	537,163
2037	3.250%	490,000	31,850	521,850
2038	3.250%	490,000	15,925	505,925
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 4/19/2018 Next Call: 5/1/2026
 Purpose: Parks & Rec and Streets & Sidewalks Only Insurance: n/a
 Coupon Dates: May 1 / Nov 1 Maturity Date: May 1
 Note: Excludes Stormwater Component of issuance.

General Obligation Bonds



\$9,505,000

General Obligation Refunding Bonds, Series 2019

FY	Coupon	Principal	Interest	Total
Total		8,710,000	2,452,000	11,162,000
2022	5.000%	810,000	435,500	1,245,500
2023	5.000%	825,000	395,000	1,220,000
2024	5.000%	835,000	353,750	1,188,750
2025	5.000%	850,000	312,000	1,162,000
2026	5.000%	865,000	269,500	1,134,500
2027	5.000%	875,000	226,250	1,101,250
2028	5.000%	890,000	182,500	1,072,500
2029	5.000%	905,000	138,000	1,043,000
2030	5.000%	920,000	92,750	1,012,750
2031	5.000%	935,000	46,750	981,750
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: [12/10/2019](#) Next Call: [Noncallable](#)
 Purpose: [Refunding](#) Insurance: [n/a](#)
 Coupon Dates: [Apr 1 / Oct 1](#) Maturity Date: [Apr 1](#)

\$3,205,000

General Obligation Public Improvement Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		3,205,000	788,089	3,993,089
2022	4.000%	160,000	81,389	241,389
2023	4.000%	160,000	85,450	245,450
2024	4.000%	160,000	79,050	239,050
2025	4.000%	160,000	72,650	232,650
2026	4.000%	160,000	66,250	226,250
2027	4.000%	160,000	59,850	219,850
2028	4.000%	160,000	53,450	213,450
2029	4.000%	160,000	47,050	207,050
2030	4.000%	160,000	40,650	200,650
2031	4.000%	160,000	34,250	194,250
2032	1.000%	165,000	27,850	192,850
2033	1.125%	160,000	26,200	186,200
2034	1.250%	160,000	24,400	184,400
2035	2.000%	160,000	22,400	182,400
2036	2.000%	160,000	19,200	179,200
2037	2.000%	160,000	16,000	176,000
2038	2.000%	160,000	12,800	172,800
2039	2.000%	160,000	9,600	169,600
2040	2.000%	160,000	6,400	166,400
2041	2.000%	160,000	3,200	163,200
2042	-	-	-	-

Dated Date: [5/12/2021](#) Next Call: [4/1/2031](#)
 Purpose: [Parks & Rec, Public Safety, Streets & Sidewalks](#) Insurance: [n/a](#)
 Coupon Dates: [Apr 1 / Oct 1](#) Maturity Date: [Apr 1](#)

\$4,755,000

General Obligation Affordable Housing Bonds, Series 2021B

FY	Coupon	Principal	Interest	Total
Total		4,755,000	1,168,135	5,923,135
2022	4.000%	235,000	120,785	355,785
2023	4.000%	240,000	127,338	367,338
2024	4.000%	240,000	117,738	357,738
2025	4.000%	240,000	108,138	348,138
2026	4.000%	240,000	98,538	338,538
2027	4.000%	240,000	88,938	328,938
2028	4.000%	240,000	79,338	319,338
2029	4.000%	240,000	69,738	309,738
2030	4.000%	240,000	60,138	300,138
2031	4.000%	240,000	50,538	290,538
2032	1.000%	240,000	40,938	280,938
2033	1.125%	240,000	38,538	278,538
2034	1.250%	235,000	35,838	270,838
2035	2.000%	235,000	32,900	267,900
2036	2.000%	235,000	28,200	263,200
2037	2.000%	235,000	23,500	258,500
2038	2.000%	235,000	18,800	253,800
2039	2.000%	235,000	14,100	249,100
2040	2.000%	235,000	9,400	244,400
2041	2.000%	235,000	4,700	239,700
2042	-	-	-	-

Dated Date: [5/13/2021](#) Next Call: [4/1/2031](#)
 Purpose: [Affordable Housing](#) Insurance: [n/a](#)
 Coupon Dates: [Apr 1 / Oct 1](#) Maturity Date: [Apr 1](#)



\$32,805,000

Limited Obligation Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		26,190,000	10,238,856	36,428,856
2022			859,394	859,394
2023	5.000%	1,310,000	1,037,775	2,347,775
2024	5.000%	1,310,000	972,275	2,282,275
2025	5.000%	1,310,000	906,775	2,216,775
2026	5.000%	1,310,000	841,275	2,151,275
2027	5.000%	1,310,000	775,775	2,085,775
2028	5.000%	1,310,000	710,275	2,020,275
2029	5.000%	1,310,000	644,775	1,954,775
2030	5.000%	1,310,000	579,275	1,889,275
2031	5.000%	1,305,000	513,900	1,818,900
2032	5.000%	1,310,000	448,525	1,758,525
2033	4.000%	1,310,000	389,575	1,699,575
2034	4.000%	1,310,000	337,175	1,647,175
2035	4.000%	1,310,000	284,775	1,594,775
2036	3.000%	1,310,000	238,925	1,548,925
2037	1.750%	1,310,000	207,813	1,517,813
2038	3.000%	1,310,000	176,700	1,486,700
2039	3.000%	1,310,000	137,400	1,447,400
2040	3.000%	1,310,000	98,100	1,408,100
2041	3.000%	1,310,000	58,800	1,368,800
2042	3.000%	1,305,000	19,575	1,324,575

Dated Date: 8/12/2021 Next Call: 12/1/2031
 Purpose: Rosemary Parking Deck Insurance: n/a
 Coupon Dates: Jun 1 / Dec 1 Maturity Date: Dec 1

\$32,805,000

Limited Obligation Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		6,615,000	2,448,787	9,063,787
2022			225,631	225,631
2023	5.000%	390,000	271,313	661,313
2024	5.000%	390,000	251,813	641,813
2025	5.000%	395,000	232,188	627,188
2026	5.000%	400,000	212,313	612,313
2027	5.000%	400,000	192,313	592,313
2028	5.000%	405,000	172,188	577,188
2029	5.000%	410,000	151,813	561,813
2030	5.000%	410,000	131,313	541,313
2031	5.000%	415,000	110,688	525,688
2032	5.000%	275,000	93,438	368,438
2033	4.000%	275,000	81,063	356,063
2034	4.000%	275,000	70,063	345,063
2035	4.000%	275,000	59,063	334,063
2036	3.000%	275,000	49,438	324,438
2037	1.750%	275,000	42,906	317,906
2038	3.000%	270,000	36,450	306,450
2039	3.000%	270,000	28,350	298,350
2040	3.000%	270,000	20,250	290,250
2041	3.000%	270,000	12,150	282,150
2042	3.000%	270,000	4,050	274,050

Dated Date: 8/12/2021 Next Call: 12/1/2031
 Purpose: Elliot Road Project, Refunding of 2015 IPC Insurance: n/a
 Coupon Dates: Jun 1 / Dec 1 Maturity Date: Dec 1

LOBs



\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		7,849,000	1,491,450	9,340,450
2022		-	110,898	110,898
2023	1.760%	393,000	134,684	527,684
2024	1.760%	393,000	127,767	520,767
2025	1.760%	393,000	120,850	513,850
2026	1.760%	393,000	113,934	506,934
2027	1.760%	393,000	107,017	500,017
2028	1.760%	393,000	100,100	493,100
2029	1.760%	393,000	93,183	486,183
2030	1.760%	393,000	86,266	479,266
2031	1.760%	393,000	79,350	472,350
2032	1.760%	392,000	72,442	464,442
2033	1.760%	392,000	65,542	457,542
2034	1.760%	392,000	58,643	450,643
2035	1.760%	392,000	51,744	443,744
2036	1.760%	392,000	44,845	436,845
2037	1.760%	392,000	37,946	429,946
2038	1.760%	392,000	31,046	423,046
2039	1.760%	392,000	24,147	416,147
2040	1.760%	392,000	17,248	409,248
2041	1.760%	392,000	10,349	402,349
2042	1.760%	392,000	3,450	395,450

Dated Date: **8/12/2021** Next Call: **Make Whole 9/1/2026**

Purpose: **Rosemary Parking Deck** Insurance: **n/a**

Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.

\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		5,328,000	415,786	5,743,786
2022	1.760%	836,000	67,922	903,922
2023	1.760%	828,000	71,773	899,773
2024	1.760%	609,000	59,127	668,127
2025	1.760%	401,000	50,239	451,239
2026	1.760%	359,000	43,551	402,551
2027	1.760%	368,000	37,154	405,154
2028	1.760%	372,000	30,642	402,642
2029	1.760%	378,000	24,042	402,042
2030	1.760%	384,000	17,336	401,336
2031	1.760%	394,000	10,490	404,490
2032	1.760%	399,000	3,511	402,511
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: **8/12/2021** Next Call: **Make Whole 9/1/2026**

Purpose: **Refunding of 2012 LOBs - Parking Portion** Insurance: **n/a**

Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.

\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		5,544,000	171,593	5,715,593
2022	1.760%	1,465,000	65,439	1,530,439
2023	1.760%	1,404,000	59,435	1,463,435
2024	1.760%	1,358,000	35,130	1,393,130
2025	1.760%	1,317,000	11,590	1,328,590
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: **8/12/2021** Next Call: **Make Whole 9/1/2026**

Purpose: **Refunding of 2012 LOBs - Chapel Hill Portion** Insurance: **n/a**

Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.



\$2,395,000

2015 IPC (Bank of NC)

FY	Coupon	Principal	Interest	Total
Total		160,000	17,856	177,856
2022	2.239%	160,000	17,856	177,856
2023				-
2024				-
2025				-
2026				-
2027				-
2028				-
2029				-
2030				-
2031				-
2032				-
2033				-
2034				-
2035				-
2036				-
2037				-
2038				-
2039				-
2040				-
2041				-
2042				-

Dated Date: 6/4/2015 Next Call: Current

Purpose: Equipment / Buildings Insurance: n/a

Coupon Dates: Feb 1 / Aug 1 Maturity Date: Aug 1

Note: Refunded by 2021A LOBs.

\$7,984,000

2016 IPC (Raymond James)

FY	Coupon	Principal	Interest	Total
Total		5,363,000	675,120	6,038,120
2022	2.320%	544,000	124,422	668,422
2023	2.320%	551,000	111,801	662,801
2024	2.320%	558,000	99,018	657,018
2025	2.320%	566,000	86,072	652,072
2026	2.320%	572,000	72,941	644,941
2027	2.320%	499,000	59,670	558,670
2028	2.320%	506,000	48,094	554,094
2029	2.320%	514,000	36,354	550,354
2030	2.320%	522,000	24,430	546,430
2031	2.320%	531,000	12,319	543,319
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 3/10/2016 Next Call: 3/1/2026

Purpose: Capital / Fire Station / EF / Town Hall Insurance: n/a

Coupon Dates: Mar 1 / Sep 1 Maturity Date: Mar 1



Existing Tax Supported Debt

By Fund

Tax Supported Debt



Total Tax Supported Debt Service

FY	Principal	Interest	Total
Total	93,313,000	24,796,998	118,109,998
2022	5,847,000	2,780,913	8,627,913
2023	7,732,000	2,904,132	10,636,132
2024	7,473,000	2,647,723	10,120,723
2025	7,242,000	2,386,305	9,628,305
2026	5,718,000	2,140,906	7,858,906
2027	5,607,000	1,911,944	7,518,944
2028	5,301,000	1,697,110	6,998,110
2029	5,335,000	1,493,147	6,828,147
2030	5,364,000	1,285,525	6,649,525
2031	5,398,000	1,081,896	6,479,896
2032	3,806,000	880,518	4,686,518
2033	3,317,000	764,280	4,081,280
2034	3,312,000	661,281	3,973,281
2035	3,312,000	556,669	3,868,669
2036	3,312,000	457,020	3,769,020
2037	3,312,000	374,639	3,686,639
2038	2,857,000	291,721	3,148,721
2039	2,367,000	213,597	2,580,597
2040	2,367,000	151,398	2,518,398
2041	2,367,000	89,199	2,456,199
2042	1,967,000	27,075	1,994,075

Debt Management Fund (Excluding Parking Fund)

FY	Principal	Interest	Total
Total	53,946,000	12,650,905	66,596,905
2022	5,011,000	1,742,700	6,753,700
2023	5,201,000	1,659,900	6,860,900
2024	5,161,000	1,488,553	6,649,553
2025	5,138,000	1,308,441	6,446,441
2026	3,656,000	1,142,147	4,798,147
2027	3,536,000	991,999	4,527,999
2028	3,226,000	856,094	4,082,094
2029	3,254,000	731,147	3,985,147
2030	3,277,000	602,647	3,879,647
2031	3,306,000	478,157	3,784,157
2032	1,705,000	356,040	2,061,040
2033	1,615,000	309,163	1,924,163
2034	1,610,000	265,463	1,875,463
2035	1,610,000	220,150	1,830,150
2036	1,610,000	173,250	1,783,250
2037	1,610,000	128,881	1,738,881
2038	1,155,000	83,975	1,238,975
2039	665,000	52,050	717,050
2040	665,000	36,050	701,050
2041	665,000	20,050	685,050
2042	270,000	4,050	274,050

Parking Fund

FY	Principal	Interest	Total
Total	39,367,000	12,146,093	51,513,093
2022	836,000	1,038,213	1,874,213
2023	2,531,000	1,244,232	3,775,232
2024	2,312,000	1,159,169	3,471,169
2025	2,104,000	1,077,865	3,181,865
2026	2,062,000	998,760	3,060,760
2027	2,071,000	919,945	2,990,945
2028	2,075,000	841,017	2,916,017
2029	2,081,000	762,000	2,843,000
2030	2,087,000	682,877	2,769,877
2031	2,092,000	603,739	2,695,739
2032	2,101,000	524,478	2,625,478
2033	1,702,000	455,117	2,157,117
2034	1,702,000	395,818	2,097,818
2035	1,702,000	336,519	2,038,519
2036	1,702,000	283,770	1,985,770
2037	1,702,000	245,758	1,947,758
2038	1,702,000	207,746	1,909,746
2039	1,702,000	161,547	1,863,547
2040	1,702,000	115,348	1,817,348
2041	1,702,000	69,149	1,771,149
2042	1,697,000	23,025	1,720,025

Debt Management Fund



Potential Refunding Candidate

\$4,655,000

General Obligation Refunding Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		765,000	56,850	821,850
2022	3.000%	195,000	22,950	217,950
2023	3.000%	195,000	17,100	212,100
2024	3.000%	190,000	11,250	201,250
2025	3.000%	185,000	5,550	190,550
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 6/5/2012 Next Call: 4/1/2022

Purpose: Refunding Insurance: n/a

Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1

Potential Refunding Candidate

\$1,700,000

General Obligation Public Improvement Bonds, Series 2012

FY	Coupon	Principal	Interest	Total
Total		935,000	136,383	1,071,383
2022	2.000%	85,000	21,548	106,548
2023	2.000%	85,000	19,848	104,848
2024	2.000%	85,000	18,148	103,148
2025	2.100%	85,000	16,448	101,448
2026	2.200%	85,000	14,663	99,663
2027	2.300%	85,000	12,793	97,793
2028	2.450%	85,000	10,838	95,838
2029	2.500%	85,000	8,755	93,755
2030	2.550%	85,000	6,630	91,630
2031	2.600%	85,000	4,463	89,463
2032	2.650%	85,000	2,253	87,253
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 7/3/2012 Next Call: 4/1/2022

Purpose: Public Improvement Insurance: n/a

Coupon Dates: Apr 1 / Oct 1 Maturity Date: Apr 1

\$3,050,000

General Obligation Refunding Bond, Series 2013 (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		1,494,000	88,518	1,582,518
2022	1.770%	272,000	26,444	298,444
2023	1.770%	266,000	21,629	287,629
2024	1.770%	260,000	16,921	276,921
2025	1.770%	255,000	12,319	267,319
2026	1.770%	249,000	7,806	256,806
2027	1.770%	192,000	3,398	195,398
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 2/28/2013 Next Call: 2/28/2020

Purpose: Refunding Insurance: n/a

Coupon Dates: May 1 / Nov 1 Maturity Date: May 1

Debt Management Fund



\$1,460,000

General Obligation Public Safety Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		870,000	108,750	978,750
2022	5.000%	145,000	34,800	179,800
2023	5.000%	145,000	27,550	172,550
2024	5.000%	145,000	20,300	165,300
2025	3.000%	145,000	13,050	158,050
2026	3.000%	145,000	8,700	153,700
2027	3.000%	145,000	4,350	149,350
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

\$9,000,000

General Obligation Public Improvement Bonds, Series 2017

FY	Coupon	Principal	Interest	Total
Total		7,200,000	2,120,063	9,320,063
2022	4.000%	450,000	268,875	718,875
2023	3.000%	450,000	250,875	700,875
2024	5.000%	450,000	237,375	687,375
2025	5.000%	450,000	214,875	664,875
2026	5.000%	450,000	192,375	642,375
2027	5.000%	450,000	169,875	619,875
2028	4.000%	450,000	147,375	597,375
2029	4.000%	450,000	129,375	579,375
2030	3.000%	450,000	111,375	561,375
2031	3.000%	450,000	97,875	547,875
2032	3.000%	450,000	84,375	534,375
2033	3.000%	450,000	70,875	520,875
2034	3.125%	450,000	57,375	507,375
2035	3.125%	450,000	43,313	493,313
2036	3.250%	450,000	29,250	479,250
2037	3.250%	450,000	14,625	464,625
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

\$9,800,000

General Obligation Public Improvement Bonds, Series 2018 (No Stormwater)

FY	Coupon	Principal	Interest	Total
Total		8,330,000	2,418,763	10,748,763
2022	5.000%	490,000	297,063	787,063
2023	5.000%	490,000	272,563	762,563
2024	5.000%	490,000	248,063	738,063
2025	5.000%	490,000	223,563	713,563
2026	5.000%	490,000	199,063	689,063
2027	2.500%	490,000	174,563	664,563
2028	2.500%	490,000	162,313	652,313
2029	3.000%	490,000	150,063	640,063
2030	2.875%	490,000	135,363	625,363
2031	2.875%	490,000	121,275	611,275
2032	3.000%	490,000	107,188	597,188
2033	3.000%	490,000	92,488	582,488
2034	3.125%	490,000	77,788	567,788
2035	3.125%	490,000	62,475	552,475
2036	3.125%	490,000	47,163	537,163
2037	3.250%	490,000	31,850	521,850
2038	3.250%	490,000	15,925	505,925
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: 2/21/2017 Next Call: Noncallable
 Purpose: Equipment Insurance: n/a
 Coupon Dates: Feb 1 / Aug 1 Maturity Date: Feb 1

Dated Date: 2/22/2017 Next Call: 2/1/2027
 Purpose: Land, Streets, and Parks & Rec Insurance: n/a
 Coupon Dates: Feb 1 / Aug 1 Maturity Date: Feb 1

Dated Date: 4/19/2018 Next Call: 5/1/2026
 Purpose: Parks & Rec and Streets & Sidewalks Only Insurance: n/a
 Coupon Dates: May 1 / Nov 1 Maturity Date: May 1
 Note: Excludes Stormwater Component of issuance.

Debt Management Fund



\$9,505,000

General Refunding Bonds, Series 2019

FY	Coupon	Principal	Interest	Total
Total		8,710,000	2,452,000	11,162,000
2022	5.000%	810,000	435,500	1,245,500
2023	5.000%	825,000	395,000	1,220,000
2024	5.000%	835,000	353,750	1,188,750
2025	5.000%	850,000	312,000	1,162,000
2026	5.000%	865,000	269,500	1,134,500
2027	5.000%	875,000	226,250	1,101,250
2028	5.000%	890,000	182,500	1,072,500
2029	5.000%	905,000	138,000	1,043,000
2030	5.000%	920,000	92,750	1,012,750
2031	5.000%	935,000	46,750	981,750
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-

Dated Date: **12/10/2019** Next Call: **Noncallable**

Purpose: **Refunding** Insurance: **n/a**

Coupon Dates: **Apr 1 / Oct 1** Maturity Date: **Apr 1**

\$3,205,000

General Obligation Public Improvement Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		3,205,000	788,089	3,993,089
2022	4.000%	160,000	81,389	241,389
2023	4.000%	160,000	85,450	245,450
2024	4.000%	160,000	79,050	239,050
2025	4.000%	160,000	72,650	232,650
2026	4.000%	160,000	66,250	226,250
2027	4.000%	160,000	59,850	219,850
2028	4.000%	160,000	53,450	213,450
2029	4.000%	160,000	47,050	207,050
2030	4.000%	160,000	40,650	200,650
2031	4.000%	160,000	34,250	194,250
2032	1.000%	165,000	27,850	192,850
2033	1.125%	160,000	26,200	186,200
2034	1.250%	160,000	24,400	184,400
2035	2.000%	160,000	22,400	182,400
2036	2.000%	160,000	19,200	179,200
2037	2.000%	160,000	16,000	176,000
2038	2.000%	160,000	12,800	172,800
2039	2.000%	160,000	9,600	169,600
2040	2.000%	160,000	6,400	166,400
2041	2.000%	160,000	3,200	163,200
2042	-	-	-	-

Dated Date: **5/12/2021** Next Call: **4/1/2031**

Purpose: **Parks & Rec, Public Safety, Streets & Sidewalks** Insurance: **n/a**

Coupon Dates: **Apr 1 / Oct 1** Maturity Date: **Apr 1**

\$4,755,000

General Obligation Affordable Housing Bonds, Series 2021B

FY	Coupon	Principal	Interest	Total
Total		4,755,000	1,168,135	5,923,135
2022	4.000%	235,000	120,785	355,785
2023	4.000%	240,000	127,338	367,338
2024	4.000%	240,000	117,738	357,738
2025	4.000%	240,000	108,138	348,138
2026	4.000%	240,000	98,538	338,538
2027	4.000%	240,000	88,938	328,938
2028	4.000%	240,000	79,338	319,338
2029	4.000%	240,000	69,738	309,738
2030	4.000%	240,000	60,138	300,138
2031	4.000%	240,000	50,538	290,538
2032	1.000%	240,000	40,938	280,938
2033	1.125%	240,000	38,538	278,538
2034	1.250%	235,000	35,838	270,838
2035	2.000%	235,000	32,900	267,900
2036	2.000%	235,000	28,200	263,200
2037	2.000%	235,000	23,500	258,500
2038	2.000%	235,000	18,800	253,800
2039	2.000%	235,000	14,100	249,100
2040	2.000%	235,000	9,400	244,400
2041	2.000%	235,000	4,700	239,700
2042	-	-	-	-

Dated Date: **5/13/2021** Next Call: **4/1/2031**

Purpose: **Affordable Housing** Insurance: **n/a**

Coupon Dates: **Apr 1 / Oct 1** Maturity Date: **Apr 1**

Debt Management Fund



\$32,805,000

Limited Obligation Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		6,615,000	2,448,787	9,063,787
2022			225,631	225,631
2023	5.000%	390,000	271,313	661,313
2024	5.000%	390,000	251,813	641,813
2025	5.000%	395,000	232,188	627,188
2026	5.000%	400,000	212,313	612,313
2027	5.000%	400,000	192,313	592,313
2028	5.000%	405,000	172,188	577,188
2029	5.000%	410,000	151,813	561,813
2030	5.000%	410,000	131,313	541,313
2031	5.000%	415,000	110,688	525,688
2032	5.000%	275,000	93,438	368,438
2033	4.000%	275,000	81,063	356,063
2034	4.000%	275,000	70,063	345,063
2035	4.000%	275,000	59,063	334,063
2036	3.000%	275,000	49,438	324,438
2037	1.750%	275,000	42,906	317,906
2038	3.000%	270,000	36,450	306,450
2039	3.000%	270,000	28,350	298,350
2040	3.000%	270,000	20,250	290,250
2041	3.000%	270,000	12,150	282,150
2042	3.000%	270,000	4,050	274,050

Dated Date: 8/12/2021 Next Call: 12/1/2031
 Purpose: Elliot Road Project, Refunding of 2015 IPC Insurance: n/a
 Coupon Dates: Jun 1 / Dec 1 Maturity Date: Dec 1

\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		5,544,000	171,593	5,715,593
2022	1.760%	1,465,000	65,439	1,530,439
2023	1.760%	1,404,000	59,435	1,463,435
2024	1.760%	1,358,000	35,130	1,393,130
2025	1.760%	1,317,000	11,590	1,328,590
2026				-
2027				-
2028				-
2029				-
2030				-
2031				-
2032				-
2033				-
2034				-
2035				-
2036				-
2037				-
2038				-
2039				-
2040				-
2041				-
2042				-

Dated Date: 8/12/2021 Next Call: Make Whole 9/1/2026
 Purpose: Refunding of 2012 LOBs - Chapel Hill Portion Insurance: n/a
 Coupon Dates: Jun 1 / Dec 1 Maturity Date: Dec 1
 Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.

Debt Management Fund



\$2,395,000

2015 IPC (Bank of NC)

FY	Coupon	Principal	Interest	Total
Total		160,000	17,856	177,856
2022	2.239%	160,000	17,856	177,856
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 6/4/2015 Next Call: Current
 Purpose: Equipment / Buildings Insurance: n/a
 Coupon Dates: Feb 1 / Aug 1 Maturity Date: Aug 1
 Note: Refunded by 2021A LOBs.

\$7,984,000

2016 IPC (Raymond James)

FY	Coupon	Principal	Interest	Total
Total		5,363,000	675,120	6,038,120
2022	2.320%	544,000	124,422	668,422
2023	2.320%	551,000	111,801	662,801
2024	2.320%	558,000	99,018	657,018
2025	2.320%	566,000	86,072	652,072
2026	2.320%	572,000	72,941	644,941
2027	2.320%	499,000	59,670	558,670
2028	2.320%	506,000	48,094	554,094
2029	2.320%	514,000	36,354	550,354
2030	2.320%	522,000	24,430	546,430
2031	2.320%	531,000	12,319	543,319
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-
2042		-	-	-

Dated Date: 3/10/2016 Next Call: 3/1/2026
 Purpose: Capital / Fire Station / EF / Town Hall Insurance: n/a
 Coupon Dates: Mar 1 / Sep 1 Maturity Date: Mar 1

Parking Fund



\$32,805,000

Limited Obligation Bonds, Series 2021A

FY	Coupon	Principal	Interest	Total
Total		26,190,000	10,238,856	36,428,856
2022			859,394	859,394
2023	5.000%	1,310,000	1,037,775	2,347,775
2024	5.000%	1,310,000	972,275	2,282,275
2025	5.000%	1,310,000	906,775	2,216,775
2026	5.000%	1,310,000	841,275	2,151,275
2027	5.000%	1,310,000	775,775	2,085,775
2028	5.000%	1,310,000	710,275	2,020,275
2029	5.000%	1,310,000	644,775	1,954,775
2030	5.000%	1,310,000	579,275	1,889,275
2031	5.000%	1,305,000	513,900	1,818,900
2032	5.000%	1,310,000	448,525	1,758,525
2033	4.000%	1,310,000	389,575	1,699,575
2034	4.000%	1,310,000	337,175	1,647,175
2035	4.000%	1,310,000	284,775	1,594,775
2036	3.000%	1,310,000	238,925	1,548,925
2037	1.750%	1,310,000	207,813	1,517,813
2038	3.000%	1,310,000	176,700	1,486,700
2039	3.000%	1,310,000	137,400	1,447,400
2040	3.000%	1,310,000	98,100	1,408,100
2041	3.000%	1,310,000	58,800	1,368,800
2042	3.000%	1,305,000	19,575	1,324,575

Dated Date: **8/12/2021** Next Call: **12/1/2031**
 Purpose: **Rosemary Parking Deck** Insurance: **n/a**
 Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		7,849,000	1,491,450	9,340,450
2022		-	110,898	110,898
2023	1.760%	393,000	134,684	527,684
2024	1.760%	393,000	127,767	520,767
2025	1.760%	393,000	120,850	513,850
2026	1.760%	393,000	113,934	506,934
2027	1.760%	393,000	107,017	500,017
2028	1.760%	393,000	100,100	493,100
2029	1.760%	393,000	93,183	486,183
2030	1.760%	393,000	86,266	479,266
2031	1.760%	393,000	79,350	472,350
2032	1.760%	392,000	72,442	464,442
2033	1.760%	392,000	65,542	457,542
2034	1.760%	392,000	58,643	450,643
2035	1.760%	392,000	51,744	443,744
2036	1.760%	392,000	44,845	436,845
2037	1.760%	392,000	37,946	429,946
2038	1.760%	392,000	31,046	423,046
2039	1.760%	392,000	24,147	416,147
2040	1.760%	392,000	17,248	409,248
2041	1.760%	392,000	10,349	402,349
2042	1.760%	392,000	3,450	395,450

Dated Date: **8/12/2021** Next Call: **Make Whole 9/1/2026**
 Purpose: **Rosemary Parking Deck** Insurance: **n/a**
 Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.

\$18,721,000

Taxable Limited Obligation Bond, Series 2021B (Pinnacle Bank)

FY	Coupon	Principal	Interest	Total
Total		5,328,000	415,786	5,743,786
2022	1.760%	836,000	67,922	903,922
2023	1.760%	828,000	71,773	899,773
2024	1.760%	609,000	59,127	668,127
2025	1.760%	401,000	50,239	451,239
2026	1.760%	359,000	43,551	402,551
2027	1.760%	368,000	37,154	405,154
2028	1.760%	372,000	30,642	402,642
2029	1.760%	378,000	24,042	402,042
2030	1.760%	384,000	17,336	401,336
2031	1.760%	394,000	10,490	404,490
2032	1.760%	399,000	3,511	402,511
2033				-
2034				-
2035				-
2036				-
2037				-
2038				-
2039				-
2040				-
2041				-
2042				-

Dated Date: **8/12/2021** Next Call: **Make Whole 9/1/2026**
 Purpose: **Refunding of 2012 LOBs - Parking Portion** Insurance: **n/a**
 Coupon Dates: **Jun 1 / Dec 1** Maturity Date: **Dec 1**

Note: Bond is only subject to a make-whole call prior to 9/1/2026, and is callable at par thereafter.



Appendix D

Rating Reports

CREDIT OPINION

13 April 2021

 Rate this Research

Contacts

Lauren Von Bargaen +1.212.553.4491
AVP-Analyst
 lauren.vonbargaen@moody's.com

Grayson Nichols +1.214.979.6851
VP-Senior Analyst
 grayson.nichols@moody's.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Chapel Hill (Town of) NC

Update to credit analysis

Summary

[Chapel Hill, NC](#) (Aaa stable) benefits from a stable tax base that is home to the [University of North Carolina at Chapel Hill](#) (Aaa stable) and UNC Healthcare and proximity to the Research Triangle Park (RTP). Despite the high student population, income levels are strong. The town's financial position is healthy supported by formal policies and conservative budget management. While long-term liabilities are elevated relative to peers because of unfunded pension and OPEB liabilities, fixed costs remain manageable.

Credit strengths

- » Large stable tax base that benefits from the presence of UNC and proximity to RTP
- » Strong income and wealth levels
- » Healthy financial position
- » Manageable fixed costs and proactive funding of OPEB

Credit challenges

- » Elevated long-term liabilities will increase given additional debt plans

Rating outlook

The stable outlook reflects the expectation that the town's financial position will remain healthy supported by formal policies, conservative budget management and stable property tax revenues. Additionally, the tax base will continue to benefit from ongoing development and the presence of UNC.

Factors that could lead to an upgrade

- » N/A

Factors that could lead to a downgrade

- » Sustained trend of structural imbalance leading to weakened reserves and liquidity
- » Significant increase in debt or capital needs
- » Marked tax base deterioration or weakened income and wealth metrics

Key indicators

Exhibit 1

Chapel Hill (Town of) NC	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$7,539,775	\$7,532,719	\$8,034,649	\$8,223,292	\$8,283,264
Population	59,005	59,234	59,561	63,634	63,634
Full Value Per Capita	\$127,782	\$127,169	\$134,898	\$129,228	\$130,170
Median Family Income (% of US Median)	170.2%	169.7%	170.2%	178.1%	178.1%
Finances					
Operating Revenue (\$000)	\$67,191	\$66,033	\$68,627	\$72,003	\$73,022
Fund Balance (\$000)	\$38,698	\$30,903	\$31,197	\$32,706	\$36,084
Cash Balance (\$000)	\$32,689	\$25,926	\$26,108	\$27,836	\$30,829
Fund Balance as a % of Revenues	57.6%	46.8%	45.5%	45.4%	49.4%
Cash Balance as a % of Revenues	48.7%	39.3%	38.0%	38.7%	42.2%
Debt/Pensions					
Net Direct Debt (\$000)	\$56,398	\$65,260	\$66,943	\$58,558	\$50,998
3-Year Average of Moody's ANPL (\$000)	\$55,610	\$74,843	\$78,025	\$78,939	\$84,727
Net Direct Debt / Full Value (%)	0.7%	0.9%	0.8%	0.7%	0.6%
Net Direct Debt / Operating Revenues (x)	0.8x	1.0x	1.0x	0.8x	0.7x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.7%	1.0%	1.0%	1.0%	1.0%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.8x	1.1x	1.1x	1.1x	1.2x

Source: Moody's Investors Service, town CAFRs

Profile

Located in the central portion of the state, the town sits within [Orange County](#) (Aaa stable). The town covers a land area of 21.3 square miles and has a population estimated at 63,634.

Detailed credit considerations

Economy and tax base: economic stability provided by UNC and proximity to RTP

The town's tax base will remain stable given the presence of UNC and the important role the town plays as one of the anchors of Research Triangle Park (RTP). The university enrolls over 29,000 students and employs approximately 13,000 people. UNC Healthcare is the second largest employer with over 12,000 employees. In addition to not-for-profit employment opportunities in surrounding communities including [Duke University](#) (Aa1 stable) and Duke University Health System (over 20,000 employees), the area is characterized by a robust and diverse private sector centered around RTP. Over 39,000 people are employed by RTP's various entities, producing an annual payroll of over \$2.7 billion.

Chapel Hill's \$8.4 billion tax base is below state and national medians for the rating category, which is mitigated by the significant tax-exempt property in the town. The base has grown at a compound annual rate of 2.3% for the past five years. The high quality nature of the tax base is evidenced by a full value per capita of \$134,128. Despite the large student presence, wealth levels are well above those of the state and the U.S.

Financial operations and reserves: strong financial position following surplus in FY21

The town's financial position will remain healthy given a solid track record of positive operating results, conservative budgeting practices, and sound reserve levels. The town reported a \$1.1 million surplus in fiscal 2020 due to expenditures under budget. Yearend available operating fund balance of \$36.1 million represents a strong 49.4% of revenue, which is in line with medians. The town maintains a formal policy that targets unassigned fund balance equal to 22% of budget, a target that the town remains in compliance with.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

In fiscal 2021, the budget includes the use of \$2.4 million in reserves, consistent with prior years' appropriations. Given conservative estimates for revenues, including sales taxes, which are currently out performing budget, officials estimate that the town will at least break even by the end of the fiscal year.

Liquidity

The town continues to carry a healthy amount of cash and investments with \$30.8 million in fiscal 2020, representing 42.2% of combined operating fund revenues.

Debt and pensions: long-term liabilities will remain elevated given debt plans

The town's debt position will remain manageable despite future debt plans. Pensions and OPEB account for the majority of the town's long-term liabilities, which are well above the median for the rating category. Including the 2021 GO issuance, the town's debt burden represents 0.7% of full value, which is slightly below state and national medians.

The town has identified \$86 million in projects it intends to fund with GO and limited obligation bond proceeds through fiscal 2022. Despite additional debt needs, the town's debt burden will remain manageable given formal debt policies and limits.

Legal security

The general obligation bonds are payable from the town's unlimited ad valorem tax pledge.

Debt structure

All of the town's debt is fixed rate. Payout is slightly below average with 71% of principal repaid in 10 years.

Debt-related derivatives

The town has not entered into any swap agreements.

Pensions and OPEB

The town participates in the state-managed, defined benefit plan for all employees and maintains a single employer supplemental defined benefit plan for police. Contributions to the state plan, which represent 100% of the actuarial determined contribution, have met or exceeded our "tread water" indicator in recent years. The supplemental police plan is funded on a pay-go basis, per state statute.

The town contributed \$5 million to the plans in fiscal 2020. Moody's adjusted net pension liability (ANPL), based on a 3.51% discount rate, is \$132.5 million, or 1.8x operating revenues. Comparatively, the town's GASB reported net liability, based on an average 6.91% discount rate, is \$25.4 million.

The town's OPEB liabilities are elevated but will remain manageable over the long-run given closure of the plan to new employees in 2010 and the establishment of a trust, both of which will reduce the growth rate of the liability. The trust was approximately 10% funded as of June 30, 2020. In fiscal 2020, the town paid \$2.8 million towards OPEB, \$666,400 of which was a contribution to the trust. Management plans to continue to fund the liability, though contributions in fiscal 2021 were reduced given the uncertainty surrounding the pandemic. The town's Moody's adjusted OPEB liability, based on a 2.7% discount rate, is \$107.2 million, or 1.5x operating revenues.

Adjusted long-term liabilities are elevated and above medians, representing 4.0x operating revenues. Despite above-average liabilities, total fixed costs (pensions, OPEB and debt service) accounted for a manageable 21% of 2020 revenue.

ESG considerations

Environmental

Environmental factors represent a moderate risk to the town's credit profile. According to data compiled by Moody's affiliate Four Twenty Seven, Chapel Hill is exposed to an elevated risk of hurricanes and, to a lesser extent, heat stress and extreme rainfall. These exposures are mitigated by the town's revenue raising capacity, as well as federal government support for disaster recovery costs.

Social

Social considerations are key influencers of all local economies, financial and leverage trends and governance stability. Social factors are incorporated into the town's rating by way of wealth (full value per capita) and income (median family income) metrics. The town is

proactive in taking steps to prevent and mitigate the impact of cyber events. We consider the coronavirus outbreak to represent social risk under our ESG framework, given the substantial implications for public health and safety.

Governance

Governance is also a material to the town's credit quality. The town's adopted policy requires management to maintain a minimum 22% of expenditures in unassigned general fund balance. The town maintains a 10 year operating and capital forecast. The formally adopted debt policy limits the town's net debt to a maximum of 1.5% of full value and debt service to 15% of expenditures.

North Carolina cities have an institutional framework score of "Aaa," or very strong. Property taxes, cities' main revenue source, are highly predictable and stable and revenue raising flexibility is strong. Expenditures are highly predictable and stable and cities have a high ability to reduce expenditures given modest fixed cost burdens and no collective bargaining units.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Chapel Hill (Town of) NC

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$8,448,072	Aa
Full Value Per Capita	\$132,760	Aa
Median Family Income (% of US Median)	178.1%	Aaa
Notching Factors: ^[2]		
Institutional Presence		Up
Finances (30%)		
Fund Balance as a % of Revenues	49.4%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	4.8%	A
Cash Balance as a % of Revenues	42.2%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	4.5%	A
Management (20%)		
Institutional Framework	Aaa	Aaa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.7%	Aaa
Net Direct Debt / Operating Revenues (x)	0.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.9%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.0x	A
Other		
Credit Event/Trend Not Yet Reflected in Existing Data Sets:		Down
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

Source: US Census Bureau, Moody's Investors Service

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Contacts

Lauren Von Bargaen
AVP-Analyst
lauren.vonbargaen@moodys.com

+1.212.553.4491

Grayson Nichols
VP-Senior Analyst
grayson.nichols@moodys.com

+1.214.979.6851

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

RatingsDirect®

Summary:

Chapel Hill, North Carolina; Appropriations; General Obligation

Primary Credit Analyst:

Nora G Wittstruck, New York + (212) 438-8589; nora.wittstruck@spglobal.com

Secondary Contact:

Timothy W Barrett, Washington D.C. + 1 (202) 942 8711; timothy.barrett@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Credit Opinion

Related Research

Summary:

Chapel Hill, North Carolina; Appropriations; General Obligation

Credit Profile

US\$5.0 mil GO affordable hsg bnds ser 2021B due 04/01/2041		
<i>Long Term Rating</i>	AAA/Stable	New
US\$3.205 mil GO pub imp bnds ser 2021A due 04/01/2041		
<i>Long Term Rating</i>	AAA/Stable	New
Chapel Hill GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Chapel Hill ltd oblig rfdg bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AAA' long-term rating to Chapel Hill, N.C.'s series 2021A general obligation (GO) public improvement bonds and series 2021B GO affordable housing bonds. At the same time, we affirmed our 'AAA' long-term rating on the town's GO bonds outstanding and our 'AA+' long-term rating on the town's appropriation-backed debt. The outlook is stable.

Securing debt service on the bonds and GO debt outstanding is the town's full faith and credit, including its statutory authority to levy ad valorem taxes on all real and tangible personal property without limitation as to rate or amount. Proceeds from the series 2021A bond will fund various improvements to the town's parks and recreation facilities, public safety facilities, and streets and sidewalks. The series 2021B bond proceeds will fund affordable housing development efforts approved by a voter referendum held on Nov. 6, 2018.

Credit overview

The town mitigated negative budgetary performance in fiscal 2020 by implementing expenditure adjustments and as robust revenue collections received prior to the onset of the pandemic together led to an operating surplus that increased available reserves to \$17.7 million, or about 28% of general fund expenditures (according to S&P Global Ratings' calculations). These results were achieved despite the University of North Carolina (UNC) sending students home and broadly canceling athletic and other programming to protect the community from health and safety risks that contributed to revenue weakness in the final months of the fiscal year. Although the town's management team believes that economic uncertainty will continue as more contagious variants of the virus emerge, we believe the cautious approach is consistent with its long-term conservative planning efforts that underpins the 'AAA' GO rating. Furthermore, despite UNC's challenges with initially opening its campus in fall 2020, the institution developed a comprehensive testing and contact tracing program and is planning for all students to return to campus in fall 2021. In the long term, Chapel Hill's participation in the Research Triangle Park as well as expansion of affordable housing

options will help the town attract and retain employers leading to economic stability. Furthermore, we believe the town's liability and debt profile are well managed and are unlikely to create unsustainable fiscal pressure.

We rate Chapel Hill's GO debt higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions," published Nov. 19, 2013 on RatingsDirect, the town primarily has a locally derived revenue base and maintains independent taxing authority as well as independent treasury management from the federal government.

The GO rating also reflects our view of the town's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area and a local stabilizing institutional influence;
- Very strong management, with strong financial policies and practices under our financial management assessment methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2020;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 28% of operating expenditures;
- Very strong liquidity, with total government available cash at 86% of total governmental fund expenditures and 8.4x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability profile, with debt service carrying charges at 10.2% of expenditures and net direct debt that is 78.5% of total governmental fund revenue, as well as low overall net debt at less than 3.0% of market value and rapid amortization, with 76.8% of debt scheduled to be retired in 10 years; and
- Very strong institutional framework score.

Environmental, social, and governance factors

We analyzed the town's environmental, social, and governance risks relative to its economy, budgetary outcomes, management, and debt and long-term liability profile, and view them as consistent with those of the sector and, in particular, North Carolina issuers. However, we view the nearly 13% population growth over the past 10 years as a social opportunity, as it provides underlying economic strength to drive employment opportunities when compared with areas of the country experiencing population stagnation or loss. Furthermore, we view the town's affordable housing development as creating opportunities for diverse individuals to live in Chapel Hill to help it remain a viable community.

Stable Outlook

Downside scenario

While unlikely during the outlook period, persistent budgetary imbalances leading to recurring draws on reserves could result in a negative outlook or negative rating action.

Credit Opinion

Very strong economy

We consider Chapel Hill's economy very strong. The town, with an estimated population of 64,051, is located in Durham and Orange counties in the Durham-Chapel Hill metropolitan statistical area, which we consider broad and diverse. The town also benefits, in our view, from a stabilizing institutional influence. The town has a projected per capita effective buying income of 119% of the national level and per capita market value of \$129,323. Overall, the town's market value grew by about 1% to \$8.3 billion in 2020.

Anchoring Chapel Hill's economy is the UNC flagship campus, as well as UNC Medical Center, which together provide substantial stability while driving research and innovation activities throughout the region, particularly given the town's participation in the North Carolina Research Triangle. The region's economic diversity includes technology, electronics, pharmaceutical, biotech, and financial services employers. The diversity and ability for the bulk of the region's population to work from home through the pandemic stabilized the county's unemployment rate, with the monthly rate remaining below 10% through calendar 2020 despite an uptick to 9% in May. The rate recovered quickly and returned to a low 4.5% in December.

Given the town's proximity to major employers and access to transportation networks such as the I-95 corridor, Chapel Hill has grown as a premier residential location, with several mixed-used developments recently completed or underway. The Blue Hill district, a commercial, retail, and residential center, will evolve with additional infrastructure improvements, and has already garnered investment totaling \$100 million. Greenfield Place, an affordable housing development, is recently complete with 149 units and officials want to leverage the success of this development to attract 140 to 170 additional affordable housing units for seniors and low-income families. In addition, phase one of Glen Lennox is underway with 215 multifamily housing units, a parking deck, and an office building that is recruiting tenants. When development is complete, management expects investments in the area in excess of \$1 billion.

Over the long term, we expect the town's economy to remain very strong given UNC's master plan that calls for new development on existing parcels to serve students, faculty, and staff as well as construction of a surgical tower at UNC Health Care and an education building for UNC Medicine. In addition, the town will benefit from robust arts and culture activities, tourism, and sporting event attractions once a full recovery of the economy is underway later this year.

Very strong management

In June 2019, the town adopted a comprehensive set of financial policies, which complemented existing policies and procedures already in place. Inclusive in the policies is the objective to adopt, adhere, and regularly review the town's compliance with its policies and practices, which we view as with very strong management.

Management utilizes conservative budgeting practices that take into account historical and projected trends, which have contributed to the maintenance of the town's strong reserves over the past three fiscal years. Furthermore, quarterly formal reports provided to the town council supplement monthly monitoring of financial performance. Long-term financial planning is detailed in a rolling, multiyear plan that projects revenue and expenditures over a five-year period. The town also annually updates its 15-year capital improvement plan that identifies potential funding

sources for its projects. A formal debt policy outlines key affordability metrics, including maintaining net tax-supported debt equal to 1.5% of assessed valuation, ensuring debt service expenditures do not exceed 15% of total governmental expenditures, and targeting 10-year principal amortization at 65% or better. The town's formal reserve policy requires maintenance of the unassigned general fund balance at a minimum of 22% of general fund expenditures. The policy also requires the town council to adopt a restoration plan should the unassigned amount fall below the minimum threshold. A formal cash management and investment policy dictates that investments will adhere to state guidelines, 20% will be immediately available for liquidity purposes, and all investments should mature in no less than 36 months.

In addition to financial policies, the town's 2020 comprehensive plan aims to increase community engagement and establishes biennial goals to provide accountability toward achieving progress. We believe this plan, coupled with formalized policies for technology and data security to protect the town's systems from cybersecurity incidents, is consistent with management's strong governance aspects.

Strong budgetary performance

Chapel Hill's budgetary performance is strong, in our opinion. The town had surplus results across its general fund and total governmental funds in fiscal 2020 of 1.5% of expenditures and 3.8%, respectively. We believe the town's strong performance in fiscal 2020 despite the shock of the pandemic is partly evident in its substantial reliance on property taxes to support the general fund budget (about 50%). Furthermore, although sales taxes generate nearly 23% of operating revenue, collections surpassed fiscal 2019 by more than \$500,000, or 3.7%. Collections trended 8% to 9% higher through the first seven to eight months of fiscal 2020, driving growth, after which they dropped 18% following the onset of the pandemic. In addition, with federal stimulus payments and an incremental easing of social activity restrictions, year-to-date sales tax collections are trending about \$1 million over budget, which management conservatively forecast to decline 5% from fiscal 2020 actual collections. As a result, we do not believe exposure to this economically sensitive revenue source will lead to operating weakness in fiscal 2021.

S&P Global Ratings' budgetary performance information reflects adjustments to the town's audited results to include recurring transfers into and out of the general fund, and removal of large one-time capital outlay expenditures funded with debt proceeds across total governmental funds.

The fiscal 2020 budget totaled \$68.1 million (a 5.5% increase over the fiscal 2019 original budget). The budget included an appropriation of fund balance equal to \$3.4 million, which is a typical practice. However, following the onset of the pandemic, the town implemented a hiring freeze with 100 to 110 positions held vacant (unless considered essential). In addition, the town received about \$1.5 million from Orange County for technology improvements to support employees who were working from home and used funds to partner with nonprofit organizations to allocate resources for community needs. As a result of these efforts as well as robust revenue trends prior to the pandemic, fiscal 2020 ended strong without a draw on reserves.

Going into fiscal 2021, management maintained its high-quality core services despite high uncertainty at the time of budget adoption. As a result, general fund expenditures were reduced to \$65.5 million (\$2.6 million, or 3.8%, below the fiscal 2020 adopted budget). The budget continued the hiring freeze and reduced capital and maintenance expenditures while appropriating nearly \$2.4 million from fund balance. Year-to-date trends show positive revenue variance, particularly for sales taxes, and officials believe fiscal 2021 will end with at least balanced operations. Fiscal

2022 is under development and with expected receipt of \$10 million under the American Rescue Plan, we believe the town's budgetary performance will remain strong.

Very strong budgetary flexibility

Chapel Hill's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2020 of 28% of operating expenditures, or \$17.7 million.

Chapel Hill has historically maintained very strong reserves, in our view, with the unreserved fund balance exceeding the town's formal reserve policy target that requires maintenance of an unassigned general fund balance equal to 22% of operating expenditures. Although economic uncertainty stemming from the pandemic is not fully resolved, we believe improved coordination of the vaccine rollout, additional federal stimulus funds to support small businesses, individuals, and local governments, and management's conservative budgeting practices will result in fiscal 2021 ending without a draw on reserves. Furthermore, town officials report that \$8.8 million of reserves restricted in the general fund required by state statute and \$10.5 million in combined debt service and affordable housing development reserve funds are also available with the approval of council. Therefore, we expect the town's budgetary flexibility to remain very strong in the near term.

Very strong liquidity

In our opinion, Chapel Hill's liquidity is very strong, with total government available cash at 86% of total governmental fund expenditures and 8.4x governmental debt service in 2020. In our view, the town has strong access to external liquidity if necessary given its regular issuance of debt over the past 20 years.

While the state allows for what we view as permissive investments, we believe the town has no aggressive investments, with the majority of investments held in local government investment pools and mutual funds at the end of fiscal 2020. Additionally, we have identified no contingent liabilities that could pose a material risk to the town's liquidity. Therefore, we do not expect Chapel Hill's liquidity position to deteriorate from its very strong position in the near term.

Strong debt and contingent liability profile

In our view, Chapel Hill's debt and contingent liability profile is strong. Total governmental fund debt service is 10.2% of total governmental fund expenditures, and net direct debt is 78.5% of total governmental fund revenue. Overall net debt is low at 1.4% of market value, and approximately 77.0% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Following the current transactions, the town's net direct debt outstanding totals \$61.5 million. In summer 2021 the town will issue \$39.6 million in appropriation-backed debt for road improvements and a parking facility. However, we do not view the additional debt as significant given the town's debt policies that consider affordability as well as its rapid retirement of existing principal.

Pension and other postemployment benefit (OPEB) liabilities

- We do not view pension and OPEB liabilities as an immediate source of credit pressure for Chapel Hill, given our opinion of strong funding discipline and the largest plan's funded status that together limit escalating cost trajectory risk.

- Chapel Hill's required pension and actual OPEB contributions totaled 4.9% of total governmental fund expenditures in 2020. The town made its full annual required pension contribution.
- OPEB liabilities are primarily funded on a pay-as-you-go basis for all retirees hired before July 1, 2010. Although claims volatility and medical cost trends could lead to escalating costs, the town contributes to a trust fund to offset the liability. The net liability stood at about \$60 million as of June 30, 2020, after accounting for \$6.1 million in the trust fund (9.4% funded).

As of June 30, 2020, the town participated in two defined benefit pension plans:

- Local Government Employees' Retirement System (LGERS), a state-administered plan that is 88.6% funded, with the city's proportional share of the net pension liability equal to about \$16.0 million
- Law Enforcement Officers' Special Separation Allowance, a single-employer plan that provides benefits to 22 retirees with 100 active employees in the plan. The plan is funded on a pay-as-you-go basis, had a funded ratio of 0% as of the most recent actuarial valuation date of Dec. 31, 2018, and carries a modest net liability outstanding of \$5.3 million.

In general, we expect LGERS contributions to meet our view of minimum funding progress, partly as a result of the plan's closed, level-dollar, 12-year amortization that should result in timely funding progress. Furthermore, North Carolina local governments are required to pay 100% of the actuarially determined contribution as set annually by the LGERS Board of Trustees, and the city met 100% of its static funding requirement in 2020. Despite primarily good assumptions governing the plan, LGERS' discount rate of 7% could lead to some contribution volatility over the long term given that it surpasses our view of a conservative discount rate equal to 6% that we believe is a rate sufficient to absorb market shocks.

The law enforcement officers' special separation allowance is funded on a pay-as-you-go basis and provides benefits to qualified law enforcement officers. In fiscal 2020, the town paid \$407,241 toward plan beneficiaries. Despite the low funded ratio, the discount rate for this plan is 3.26% and the large active employee population will likely help keep annual contributions and the liability manageable over the long term.

Additionally, the town provides OPEBs through its Healthcare Benefits Plan--a single-employer, defined benefit plan. The town pays all or a portion of the costs of coverage for the benefits based on years of service, and the plan is available to all qualified retirees until the age of 65 or until Medicare eligible. In June 2016, the town established an irrevocable trust to begin prefunding the liability. As a result, in fiscal 2020, the town contributed \$666,400 to the trust and paid \$1.7 million toward premium costs. In fiscal 2021 the town budgeted to contribute about \$455,000 toward the OPEB trust, which is slightly lower than previous years' amounts, but we believe active management of the OPEB liability through annual trust fund contributions is consistent with the town's very strong credit profile.

Very strong institutional framework

The institutional framework score for North Carolina municipalities is very strong.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
- 2020 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of April 12, 2021)

Chapel Hill go pub imp bnds ser 2004 dtd 10/01/2004 due 04/01/2006-2025

Long Term Rating

NR

Current

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.


Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.



Richmond Office
One James Center
901 East Cary Street
11th Floor
Richmond, VA 23219

Charlotte Office
Independence Center
101 N. Tryon Street
Suite 1220
Charlotte, NC 28246

Ted Cole
Senior Vice President

804-697-2907
tcole@investdavenport.com

Mitch Brigulio
Senior Vice President

704-644-5414
mbrigulio@investdavenport.com

Cole Claiborne
Analyst

cclaiborne@investdavenport.com
704-644-5413

Municipal Advisor Disclosure



The enclosed information relates to an existing or potential municipal advisor engagement.

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 1.13.14 CC | MB | TC