

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Ratings:
Moody's: ___
S&P: ___
(See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2021

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the Town of Chapel Hill, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement. The Town has deemed the Preliminary Official Statement "final" for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted pursuant to Rule 15c2-12.

Town of Chapel Hill, North Carolina

\$3,205,000
General Obligation Public Improvement Bonds
Series 2021A

\$4,755,000
General Obligation Affordable Housing Bonds
Series 2021B

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Status

In the opinion of Bond Counsel and subject to the qualifications described in this official statement, interest on the Bonds is not includable in gross income for federal income tax purposes, and is exempt from current State of North Carolina income taxes. See "TAX TREATMENT" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences. The Town has not designated the Bonds as "qualified tax-exempt obligations" for federal income tax purposes.

Redemption

The Bonds are subject to optional redemption prior to maturity at the times and price set forth herein.

Security

The Bonds constitute general obligations of the Town, secured by a pledge of the faith and credit and taxing power of the Town.

Interest Payment Dates

April 1 and October 1, commencing October 1, 2021.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

May 12, 2021 for the 2021A Bonds. May 13, 2021 for the 2021B Bonds.

Bond Counsel

Sanford Holshouser LLP

Financial Advisor

Davenport & Company LLC

Sale Date

April 27, 2021

Sale of Bonds

Pursuant to sealed bids in accordance with the Notices of Sale

The date of this Official Statement is April __, 2021

MATURITY SCHEDULES

\$3,205,000 General Obligation Public Improvement Bonds, Series 2021A

Due April 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	<u>CUSIP⁺</u>
2022	\$160,000			
2023	160,000			
2024	160,000			
2025	160,000			
2026	160,000			
2027	160,000			
2028	160,000			
2029	160,000			
2030	160,000			
2031	160,000			
2032	165,000			
2033	160,000			
2034	160,000			
2035	160,000			
2036	160,000			
2037	160,000			
2038	160,000			
2039	160,000			
2041	160,000			
2041	160,000			

¹ Information obtained from underwriters of the 2021A Bonds.

\$4,755,000 General Obligation Affordable Housing Bonds, Series 2021B

Due April 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield²</u>	<u>CUSIP⁺</u>
2022	\$235,000			
2023	240,000			
2024	240,000			
2025	240,000			
2026	240,000			
2027	240,000			
2028	240,000			
2029	240,000			
2030	240,000			
2031	240,000			
2032	240,000			
2033	240,000			
2034	235,000			
2035	235,000			
2036	235,000			
2037	235,000			
2038	235,000			
2029	235,000			
2040	235,000			
2041	235,000			

² Information obtained from underwriters of the 2021B Bonds.

⁺ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2021 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the Town and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

TOWN OF CHAPEL HILL, NORTH CAROLINA

Pam Hemminger..... Mayor

TOWN COUNCIL

Jessica Anderson Allen Buansi
Hongbin Gu Tai Huynh
Michael Parker Amy Ryan
Karen Stegman

TOWN STAFF

Maurice Jones Town Manager
Florentine A. Miller.....Deputy Town Manager
Mary Jane Nirdlinger.....Assistant Town Manager
Amy Oland Director of Business Management
Ann Anderson Town Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Sanford Holshouser LLP
Carrboro, North Carolina

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LOCAL GOVERNMENT COMMISSION
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
SHARON EDMUNDSON, DEPUTY TREASURER

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the public invitation for bids for the purchase of \$3,205,000 General Obligation Public Improvement Bonds, Series 2021A (the “2021A Bonds”) and \$4,755,000 General Obligation Affordable Housing Bonds, Series 2021B (the “2021B Bonds”) and together with the 2021A Bonds, the “Bonds”), of the Town of Chapel Hill, North Carolina (the “Town”).

The information furnished herein includes a brief description of the Town and its economic conditions, government, debt management, tax structure, financial operations, budget, pension plans and litigation. The Town has assisted the Local Government Commission of North Carolina (the “Commission”) in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date herein. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds to the Commission. In accordance with the requirements of the Rule, the Town has undertaken certain continuing disclosure obligations. See the caption “Continuing Disclosure” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the “State”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their date at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2021. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. The Town will make Bond payments to the person shown as owner on the Town's registration books as of the **Record Date** for the Bonds, which is the end of the calendar day on the 15th day of the month (whether or not a business day) preceding each interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system under which The Depository Trust Company ("DTC"), New York, New York, will act as securities depository nominee for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of DTC and its book-entry system.

Redemption Provisions

The Bonds maturing on or prior to April 1, 2031 will not be subject to redemption prior to their respective maturities. The Bonds maturing on April 1, 2032 and thereafter will be subject to redemption, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than April 1, 2031, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some whole multiple thereof and that, in selecting Bonds for redemption, each such Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed by lot. If less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be called in such manner as the Town may determine.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether such redemption be in whole or in part, the Town shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each Bond to be redeemed in whole or in part to his address appearing upon the registration books of the Town, provided that such notice to Cede & Co. shall be given by certified or registered mail or otherwise as prescribed by DTC. Failure to mail such notice or any defect therein shall not affect the validity of the redemption as regards registered owners to whom such notice was properly given.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Town on or prior to the redemption date of moneys sufficient to pay the redemption price of and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. If a notice contains such a condition and moneys sufficient to pay the redemption price of and interest on such Bonds are not received by the Town on or prior to the redemption date, the redemption shall not be made and the Town shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to such redemption date. If a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate shall be delivered for the unredeemed portion of the principal amount of such Bond.

Authorization and Purpose

The 2021 A Bonds are being issued pursuant to bond orders duly adopted by the Town Council of the Town on April 7, 2021, and a resolution also adopted by the Town Council on April 7, 2021. The Bonds are being issued for the purpose of acquiring and constructing improvements to parks and recreation facilities, public safety facilities and streets and sidewalks within the Town.

The 2021B Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, a bond order adopted by the Town Council of the Town on May 23, 2018, which bond order was approved by the vote of a majority of qualified voters of the Town who voted thereon at a referendum duly called and held on November 6, 2018, and a resolution adopted by said Town Council on April 7, 2021.

Security

The Bonds are general obligations of the Town. The Town is authorized by law to levy on all the real property and tangible personal property taxable by the Town such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

THE TOWN

General Description

The Town, incorporated in 1819, is in the north central portion of the State on the piedmont plateau. The Town is located southwest of the City of Durham and approximately 25 miles northwest of the City of Raleigh. The Town is the home of the University of North Carolina at Chapel Hill. Approximately 92.8 percent of the Town area is located in Orange County and the remaining 7.2 percent is located in Durham County. The Town covers an area of 21.3 square miles.

The Town conducts an ongoing planning and programming process through which it implements orderly expansion and management of the growth and development of the community. At present, the Town exercises zoning and building controls over a 27.6 square mile area that includes the corporate limits and a 6.3 square mile planning jurisdiction.

The growth of the Town has been directly related to the expansion of the University of North Carolina at Chapel Hill (the "University"). Enrollment at the University has risen from 8,791 in 1960 to 30,100 in fall 2020. It is anticipated that expansion will continue to occur in University-related health facilities. To help meet growing demands for service, UNC Health Care is building a new surgical tower on campus and preparing to relocate some clinics from the UNC main campus to its Eastowne Office Park in Chapel Hill near Interstate 40. In 2019, UNC finalized a new Master Plan for all University-owned property, including the main campus, outlying parcels, and the previously entitled Carolina North campus on nearly 300 acres of land now used by Horace Williams Airport, which anticipates a world-class research park with academic buildings, residential areas, businesses, green space, and public schools.

Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the Town to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
38,872	46,019	57,233

The North Carolina Office of State Budget and Management estimates the 2019 population of the Town to be 63,634.

Per capita income data for Orange County and the State are presented in the following table:

<u>Year</u>	<u>Orange County</u> ¹	<u>State</u>	<u>U.S.</u>
2015	\$58,053	\$41,839	\$49,019
2016	60,292	42,816	50,015
2017	63,820	44,409	52,118
2018	63,062	46,216	54,606
2019	65,185	47,766	56,490

¹Separate data for the Town are not available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Most recent available data.

Commerce and Institutional Profile

The Town is characterized by a high degree of institutional and service-oriented activity. The University of North Carolina at Chapel Hill and the University of North Carolina Hospitals and their associated service, teaching and research programs have a national reputation for excellence in

educational and medical fields. The Town is also the place of residence for many technical, professional and executive personnel who work in the Research Triangle Park and the neighboring communities of Durham and Raleigh.

The Triangle refers to an area located between three communities: the Town, the City of Durham and the City of Raleigh. Universities located in these communities include the University of North Carolina at Chapel Hill, Duke University in Durham, and North Carolina State University in Raleigh. The proximity of these universities makes the Triangle area suited to many types of academic research and industrial activities.

The Research Triangle Park, organized in 1959, is situated in the center of the triangle formed by the communities of Raleigh, Durham and Chapel Hill. The Park encompasses over 7,000 acres of land set aside for research and research-oriented manufacturing. Since its founding, the Park and its surrounding areas have developed steadily. Presently located within the Park boundaries are approximately 250 research and development related organizations, employing about 55,000 people.

The Town adopted a comprehensive plan in 2012 aimed at increasing community engagement and facilitating commercial development in targeted areas. As part of the plan the Town initiated the Ephesus Fordham (Blue Hill) Area projects that included rezoning a historical underdeveloped area and making strategic public improvements to support redevelopment. In addition, the Town has approved several major mixed-use developments including Obey Creek, Glen Lennox and Carraway Village.

Through its participation in Launch Chapel Hill (“Launch”), a start-up accelerator located in Downtown Chapel Hill, the Town is investing in developing new and innovative businesses. Launch is a collaboration between the Town, Orange County, and the University of North Carolina that uses local resource partners and a network of mentors, most of whom work through the Center for Entrepreneurial Studies and UNC’s Kenan-Flagler Business School. Since opening in 2013, 136 companies have participated in the program and Launch companies have raised more than \$38 million. Launch companies have created more than 1,000 jobs, 350 within Orange County (as of July 2020).

Healthcare IT firm Well Dot (“Well”) is setting up its \$3.1 million headquarters on Chapel Hill’s Franklin Street, adding 400 jobs to the local economy. The state will provide nearly \$3.9 million in incentives, with the Town of Chapel Hill and Orange County adding an additional \$981,000 in total beginning in spring 2022. Well moved into its newly renovated co-HQ at 419 W Franklin Street in September 2019. Well expects to expand into a second West Franklin Street location as hiring ramps up. The company’s second headquarters is located in Massachusetts.

Wegman’s Food Markets opened its Chapel Hill location on February 24, 2021. The 100,000 square foot supermarket employs 450 full-time and part-time employees and is the third location in the State.

The Town adopted a new Land Use Management Ordinance in January 2003, which revised development regulations. The Town experienced a drop-off in major development applications while the new regulations were being formulated and immediately after their adoption.

Application submissions returned to historic levels in 2006 with some decline in 2009 due to the economic downturn present at that time. Since 2010, the number of development applications has remained relatively constant with a slight reduction in 2019 that was remedied in 2020 with an above average number of submissions.

To improve development review processes and to facilitate redevelopment in an area of Town lacking in investment for decades, the Town adopted a form-based code in 2014, which has resulted in the approval of ten large-scale new construction projects as well as several smaller projects in existing commercial developments.

The Town is currently working to rewrite the Land Use Management Ordinance that was adopted in 2003 to create land use tools that are predictable, functional, and intentional. The first phase of this effort was adopted in December of 2020 and included a major update to the Town's Comprehensive Plan, which details the Town's future vision to the year 2050. Overhauling the Land Use Management Ordinance is a top priority for the Town.

Typically, there is about a one-year lag between the Town's receipt of development applications and building permit issuance. For fiscal year 2019 the number of commercial permits increased from the previous year and saw an 8% increase in total value. The number of residential building permits decreased slightly from the previous year and saw a slight corresponding decline in value. Fiscal year 2020 saw a decline in building permits due to the COVID-19 pandemic. Building permits issued for commercial and residential construction in the Town are summarized below for the latest seven fiscal years:

Fiscal Year Ended/Ending June 30	COMMERCIAL		RESIDENTIAL	
	Number	Value	Number	Value
2016	364	\$106,802,552	693	\$ 45,891,412
2017	240	86,086,325	514	54,701,606
2018	712	217,087,193	1,700	62,583,981
2019	829	235,996,718	1,654	61,738,881
2020	327	141,166,309	481	52,509,760

Source: Building & Development Services Department of the Town.

The following table lists by corporate name, product or service and approximate number of employees the major businesses and institutional establishments in the Chapel Hill area:

<u>Company or Institution¹</u>	<u>Service or Product</u>	<u>Approximate Number of Employees</u>
University of North Carolina at Chapel Hill	Education, Research	13,000+
UNC Health Care	Medical Care	12,000+
Chapel Hill-Carrboro City Schools	Education	2,000+
UNC Physicians Network LLC	Healthcare	1,000+
Town of Chapel Hill	Local Government	500+
Harris Teeter	Trade	500+
Aramark Food and Support Services	Food Service	250+
Food Lion	Trade	250+
The Chapel Hill Resident	Education & Health Services	250+
Carolina Inn	Hotel, Dining	250+

¹Most recent available data from 2019-20.

Source: Orange County Economic Development

Total taxable sales in the County for the fiscal years ended June 30, 2016 through 2020 and for a portion of 2021 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2016	\$1,567,807,425	6.2
2017	1,726,191,488	10.1
2018	1,765,771,320	2.3
2019	1,923,461,091	8.9
2020	1,955,949,743	1.7
2021 (7 months) ¹	1,238,391,560	--

¹For the seven-month period ended January 31, 2021. The comparable figure for the period ended January 31, 2020 is \$1,206,085,140.

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Separate data for the Town are not available.

Employment

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the Town to be as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
January	5.0%	5.0%	4.2%	4.3%	3.2%	4.4%
February	5.0	4.8	4.2	4.0	3.0	N/A
March	5.1	4.8	3.9	4.1	3.6*	N/A
April	4.6	4.0	3.4	3.3	7.5*	
May	5.1	4.4	3.6	3.9	9.0	
June	5.6	4.9	4.5	4.3	6.6	
July	5.4	5.2	4.3	4.5	6.8	
August	5.6	5.2	4.2	4.3	5.0	
September	4.5	3.9	3.1	3.3	5.0	
October	4.5	3.8	3.3	3.4	4.7	
November	4.3	4.1	3.4	3.2	4.8	
December	4.7	3.9	3.5	3.0	5.0	

* Onset of the COVID-19 pandemic.

For comparison, the unemployment rate for January 2021 was 4.3% for Orange County, 6.0% for North Carolina and 6.8% for the United States.

Government and Major Services

GOVERNMENT STRUCTURE

The Town has a Council-Manager form of government. The Town Council is comprised of a Mayor and an eight-member Council. All Council Members serve four-year terms. The Mayor and four Council Members are elected every two years. All elections are on a non-partisan basis. The Council appoints the Town Manager and Town Attorney. The Mayor presides over the Council meetings and

has full voting privileges. The Town Manager is the chief administrative officer of the Town. Town departments are responsible to the Town Manager for the provision of public services.

Maurice Jones, who was the former Town Manager of Charlottesville, Virginia, became Town Manager in August 2018.

EDUCATION

Public education is provided in the Town primarily by the Chapel Hill - Carrboro City School System which serves southeastern Orange County and, to a minor extent, by the Durham County School System for the small portion of the Town located in Durham County. The Chapel Hill-Carrboro City School System is governed by a non-partisan Board consisting of seven members elected to four-year staggered terms. The Town has no financial responsibility for the schools. Revenue is derived from the Federal, State and County governments for school operations and capital facilities.

The table below shows the number of schools by level and average daily membership in the Chapel Hill-Carrboro City School System for the seven-year period beginning with the 2016-17 school year.

School Year	Elementary Grades K-5		Intermediate Grades 6-8		Secondary Grades 9-12		Totals
	No.	ADM*	No.	ADM*	No.	ADM*	ADM*
2016-17	11	5,547	4	2,834	3	3,756	12,137
2017-18	11	5,498	4	2,835	3	3,906	12,239
2018-19	11	5,483	4	3,003	3	3,988	12,474
2019-20	11	5,324	4	3,024	3	3,900	12,248
2020-21	11	4,912	4	2,910	3	3,880	11,702

*Average Daily Membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The average daily membership computations are used as a basis for teacher allotments and for distribution of local funds if there is more than one school unit within a County.

Source: Chapel Hill/Carrboro City Schools, Communication Department and NC Department of Public Instruction/Division of School Business Services.

Note: Excludes UNC Hospital school and Phoenix Academy enrollment.

TRANSPORTATION

Major expansion, maintenance and betterment of primary and secondary highways in the Federal and State highway systems within the Town limits are chiefly the State's responsibility, although the Town does participate on a limited basis in expansion projects. The Town also is responsible for a portion of the acquisition of rights-of-way for such expansion or betterment related sidewalk improvements and street lighting. On June 30, 2020, approximately 66 miles of Town streets were on the State highway system.

Major expansion, maintenance and betterment of the local street system are the sole responsibility of the Town. Major expansions and betterments are financed with long-term bonds and current revenues. As of June 30, 2020, the Town maintained approximately 167 linear miles of streets.

The Town is served by U. S. Highway 15-501, which connects the Town with the City of Durham, and by Interstate 40 which connects the Town with the Research Triangle Park and the Raleigh-Durham International Airport. Interstate 40 connects to Interstate 85 just northwest of the Town limits, within Orange County. Interstate 85 connects the region west through Greensboro to Charlotte and Atlanta, and connects to Interstate 95 just south of Richmond, Virginia.

The Town operates a bus system that provides public transportation services to the Town and adjacent areas, including services to the Town of Carrboro and the University of North Carolina at Chapel Hill on a contractual basis. Effective January 1, 2002, the Town instituted the State's first fare free transportation system for customers on all regular routes and services. Six park-ride lots were established on the perimeter of the Town to facilitate transportation in and out of the University and downtown area. The system operates 943 fixed-route buses and a demand response program for seniors and persons with disabilities.

During the 2018-19 fiscal year, the bus system carried over 7.02 million passengers and had the highest per capita ridership in the State, which places Chapel Hill in the top 10 for urban areas in the United States. The 2019-20 fiscal year ridership numbers saw a decline in ridership due to the COVID-19 pandemic and many UNC students returning home, but there were no direct financial impacts due to the fare free nature of the system. The bus system is financed primarily with a special ad valorem tax levy, Federal and State operating and capital assistance, and contractual contributions from the Town of Carrboro and the University. The Town receives Federal operating assistance from the Federal Transit Administration and State operating assistance, which combined, equals about 30% of eligible operating costs for the system.

The Raleigh-Durham International Airport ("RDU") is a major regional airport serviced by eight major airlines, one foreign flag carrier and four regional airlines. Approximately 14.2 million passengers enplaned or deplaned in calendar year 2019 as compared to 12.8 million passengers in 2018. For calendar year 2020, 4.88 million passengers traveled through RDU. The Town has no financial responsibility for RDU.

PUBLIC SERVICE ENTERPRISES

Water and Sewer Services — Water and sewer services are provided by the Orange Water and Sewer Authority ("OWASA"). The Authority was created in 1975 by the Board of Commissioners of Orange County and the governing bodies of the towns of Chapel Hill and Carrboro for the purpose of acquiring, consolidating, improving and operating the existing water and sewer systems in the southern portion of the County. Prior to the formation of the Authority, water service was provided by the University and sewer service was provided by the towns in conjunction with the University. (See Notes to Financial Statements for further information regarding Orange Water and Sewer Authority).

OWASA's existing raw water supplies include the Cane Creek Reservoir, University Lake, the Stone Quarry Reservoir and a water supply storage allocation from B. Everett Jordan Lake. The Cane Creek/University Lake/Stone Quarry Reservoir system can provide 10.5 million gallons of water per day ("MGD") while maintaining a 20% storage reserve and can reliably meet OWASA's water supply needs when streamflow and reservoir levels are significantly lower than "normal." OWASA's yield estimate includes a 20% storage reserve (700 million gallons) that is believed to provide adequate time to implement emergency supply measures during an extreme drought. The Stone Quarry Reservoir expansion that is planned to be completed in the early 2030s will provide between 2.1 and 2.9 MGD of additional yield (above the current 10.5 MGD).

Improvements to increase the filtration capacity of the OWASA's water treatment plant from 15 million gallons per day (MGD) to 20 MGD were completed in 2003. While peak-day demands have not exceeded present capacity, the trend of rising peak demand necessitated the expansion. Construction has been completed on the Mason Farm Water transmission lines with Jones Ferry Road expansion to 20 MGD. In 2009, the University and OWASA completed initial construction and testing of a new reclaimed water system that is used by the University for cooling towers at chiller plants. The new reclaimed water system is expected to eventually serve 15% of system needs, deferring the need for expansion of water supply and treatment capacity. The capacity of both treatment plants is, therefore, adequate to meet current needs, and additional system improvements including future plant expansions are planned through OWASA's 15-year capital program.

The wastewater collection system includes approximately 349 miles of sewer mains, 10,960 manhole access points and 21 pumping stations conveying waste from OWASA's approximately 21,800 customer sewer accounts to the Mason Farm Wastewater Treatment Plant ("WWTP"). The Mason Farm WWTP was originally constructed in 1948 with an initial capacity of 2.25 MGD. Treatment capacity was increased to 4.5 MGD in 1968. After acquiring the plant in 1977, OWASA expanded the plant capacity to 5.5 MGD. The WWTP was upgraded and expanded to a capacity of 14.5 MGD as part of a multi-year, \$55 million construction project completed in 2007. The average day wastewater flow for the fiscal year ended June 30, 2020 was approximately 7.5 MGD. During this same fiscal year, a maximum day flow of 19.8 MGD was recorded. Highly treated wastewater is recycled to the natural environment at Morgan Creek on the southeast side of Chapel Hill or provided as reclaimed water to the University of North Carolina at Chapel Hill (UNC). Morgan Creek is a tributary of Jordan Lake, a water source for several communities in the region. A recent Wastewater Treatment Plan Hydraulic and Treatment Capacity Study showed that no capacity increase is required at the wastewater treatment plant in the foreseeable future.

Parking Facilities — The Town owns and operates several off-street parking lots in the central business district including a parking facility with 309 spaces which was completed in 1993 and a parking facility underground of a mixed-use development with 154 public spaces which was completed in 2013. In total, the parking enterprise manages 1,463 on-street and off-street parking spaces in the Downtown area. The parking facilities operations are accounted for in separate enterprise funds and are self-supporting.

The Town is planning to construct an 1,100 space parking deck beginning in the late spring of 2021. There will be 100 spaces reserved solely for the support of UNC's building a new Admissions building downtown and the balance of 1,000 will be for public use. The deck will open with at least 40 electric charging stations and will have gated controlled parking. It will replace the 309 spaces at the current Wallace Deck and the 278 spaces at the current CVS parking deck. It is expected that this new deck will allow for the construction of a 200,000+ square foot office building and other developments by supporting the parking needs.

Sanitary Landfill — The Town collects solid waste from residential and commercial customers in the Town. The Town delivers this waste to a transfer station in Morrisville, NC operated by Waste Management for eventual disposal. The Town contracted with Waste Management for municipal solid waste disposal beginning July 1, 2019 and extending through June 30, 2021. The Town is working to negotiate a one-year extension to the contract. The Town continues to review its options for future solid waste disposal with its local partners through the Solid Waste Advisory Group.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered by this Official Statement, the Town has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$600,580,147 as of June 30, 2020. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	Principal Outstanding as of			
	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Streets	\$ 4,362,500	\$9,408,578	\$ 8,575,000	\$8,100,000
Parks and Recreational Facilities	2,450,000	6,291,588	5,440,000	5,140,000
Refunding	5,716,000	4,375,000	3,603,000	12,346,000
Other	<u>19,212,000</u>	<u>21,394,834</u>	<u>20,475,000</u>	<u>7,695,000</u>
Total Outstanding Debt	<u>\$ 31,741,000</u>	<u>\$41,470,000</u>	<u>\$38,093,000</u>	<u>\$33,281,000</u>

Most Recent Bonds Issued:

- 2017-18 \$12,500,000 General Obligation Public Improvement Bonds, Series 2018, 10.53 years average maturity, 3.263952% true interest cost.
- 2018-19 \$9,505,000 General Obligation Refunding Bonds, Series 2019, 6.47 years average maturity, 1.4712% true interest cost.

GENERAL OBLIGATION DEBT RATIOS

<u>At June 30</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population¹</u>	<u>Total GO Debt Per Capita</u>
2016	\$23,472,000	\$7,539,774,668	.31 %	59,852	\$392.17
2017	31,741,000	7,532,719,242	.42	59,903	529.87
2018	41,470,000	8,034,649,409	.52	63,178	656.40
2019	38,093,000	8,223,292,265	.46	63,634	598.63
2020	33,281,000	8,283,264,338	.40	63,634 ²	523.01
<hr/>					
After the Bonds now offered are issued	\$38,559,000 ³	\$8,448,072,137	.46% ³	63,634 ²	\$605.95 ³

¹Estimates of North Carolina Office of State Budget and Management.

²For purposes of this schedule, the 2019 population is being used.

³Preliminary; subject to change.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year Ending June 30th	Existing Debt		Bonds Now Offered ¹	
	Principal	Principal & Interest	G.O. Public Improvement, 2021A	G.O. Affordable Housing, 2021B
2021	\$ 2,682,000.00	\$ 3,978,525.46		
2022	2,582,000.00	3,771,022.56	\$ 160,000.00	\$ 235,000.00
2023	2,591,000.00	3,670,658.16	160,000.00	240,000.00
2024	2,590,000.00	3,564,149.96	160,000.00	240,000.00
2025	2,595,000.00	3,454,397.96	160,000.00	240,000.00
2026	2,419,000.00	3,165,949.46	160,000.00	240,000.00
2027	2,372,000.00	3,011,322.16	160,000.00	240,000.00
2028	2,050,000.00	2,597,743.76	160,000.00	240,000.00
2029	2,065,000.00	2,532,536.26	160,000.00	240,000.00
2030	2,080,000.00	2,463,411.26	160,000.00	240,000.00
2031	2,095,000.00	2,398,775.00	160,000.00	240,000.00
2032	1,160,000.00	1,383,346.26	165,000.00	240,000.00
2033	1,075,000.00	1,263,843.76	160,000.00	240,000.00
2034	1,075,000.00	1,231,593.76	160,000.00	235,000.00
2035	1,075,000.00	1,198,000.00	160,000.00	235,000.00
2036	1,075,000.00	1,164,406.26	160,000.00	235,000.00
2037	1,075,000.00	1,130,250.00	160,000.00	235,000.00
2038	625,000.00	645,312.50	160,000.00	235,000.00
2039			160,000.00	235,000.00
2040			160,000.00	235,000.00
2041			160,000.00	235,000.00
Totals	\$ 33,281,000.00	\$ 42,625,244.54	\$ 3,205,000.00	\$ 4,755,000.00

¹Principal only.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Streets and Sidewalks	11/03/2015	\$7,700,000	\$ --	\$ 7,700,000
Parks and Recreation	11/03/2015	2,700,000	--	2,700,000
Stormwater	11/03/2015	3,200,000	--	3,200,000
Solid Waste	11/03/2015	5,200,000	--	5,200,000
Affordable Housing	11/06/2018	10,000,000	4,755,000	5,245,000
Refunding	09/05/2019	2,745,000	--	2,745,000
Parks and Recreation	04/07//2021	1,155,000	1,155,000	--
Public Safety	04/07//2021	550,000	550,000	--
Streets and Sidewalks	04/07//2021	<u>1,500,000</u>	<u>1,500,000</u>	<u>--</u>
Totals		\$34,750,000	\$7,960,000	\$ 26,790,000

¹ Preliminary, subject to change.

² The Town does not plan to issue the remaining bonds under this authorization.

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2020

<u>Unit</u>	<u>2019 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt²</u>		<u>Total GO Debt Per Capita²</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Orange County	146,521	\$18,965,491,82	\$.868 ³	\$ --	\$17,040,000	\$ --	\$131,000,000	\$894.07

¹ Estimate of North Carolina Office of State Budget and Management.

² Does not include non-general obligation debt.

³ An additional tax rate of \$0.2018 is levied in the Chapel Hill-Carrboro School District.

OTHER LONG-TERM COMMITMENTS

The Town issued \$6,900,000 in Limited Obligation Bonds (“LOBs”) in June 2012 to finance the Town’s portion of the 140 West parking garage, other parking improvements and improvements to the Town’s Operations Center. The transaction included refunding of approximately \$24 million of existing installment financings, including the Town Operations Center debt. The refunding portion of the transaction resulted in a net present value savings of \$746,580 over the remaining life of the bonds. The debt service costs for 140 West are being funded by the Parking Fund budget. The LOBs are not general obligations of the Town, but payments are subject to annual appropriations. Maturities of the LOBs are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,980,000	\$ 583,331	\$ 2,563,331
2022	2,010,000	484,331	2,494,331
Thereafter	<u>8,315,000</u>	<u>1,311,975</u>	<u>9,626,975</u>
	<u>\$ 12,305,000</u>	<u>\$ 2,379,637</u>	<u>\$ 14,684,637</u>

The Town entered into a fifteen-year installment purchase contract with Bank of North Carolina in June 2015 for \$2,395,000 to renovate various municipal facilities. The Town entered into a fifteen-year installment purchase contract with Raymond James in March 2016 for \$7,984,000 to renovate various facilities and for Ephesus Fordham road reconstruction. Maturities of the installment contracts payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 697,000	\$ 174,383	\$ 871,383
2022	704,000	158,342	862,342
Thereafter	<u>6,254,000</u>	<u>695,058</u>	<u>6,949,058</u>
	<u>\$ 7,655,000</u>	<u>\$ 1,027,783</u>	<u>\$ 8,682,783</u>

The Town has one remaining installment purchase contract with SunTrust Bank that was entered into in December 2013 for the purchase of vehicles. Maturities of the installment contract payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 65,992</u>	<u>\$ 604</u>	<u>\$ 66,596</u>

The Town entered into an installment purchase contract with Bank of North Carolina in February 2017 for \$6,408,000 to purchase 14 replacement buses. Maturities of the installment contracts payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 622,000	\$ 93,747	\$ 715,747
2022	636,000	80,674	716,674
Thereafter	<u>3,383,000</u>	<u>197,380</u>	<u>3,580,380</u>
	<u>\$ 4,641,000</u>	<u>\$ 371,801</u>	<u>\$ 5,012,801</u>

DEBT OUTLOOK

The Town reviews its capital needs, and potential funding sources, on an on-going basis. The Town is developing a replacement schedule for the financing and purchase of buses for the Chapel Hill Transit System. With the reduction in federal funding available for bus purchases, the Town and its funding partners (University of North Carolina at Chapel Hill and the Town of Carrboro) are working together to maintain a bus replacement schedule that will support the system's annual ridership of about 7 million passengers.

The Town expects to bring forward an offering of limited obligation bonds in June 2021 to finance the new parking deck referenced on page 10 above. The Town expects a total amount financed for the new deck of approximately \$33,200,000. The Town may also include in this financing some refinancings of existing installment debt.

The Town expects to issue the remainder of the authorized but unissued general obligation bonds for streets, parks and recreation, and stormwater (in the amount of \$13.6 million) and for affordable housing (in the amount of \$10 million, including bonds now offered) in several installments over the next 3 years. The Town will not be borrowing for the solid waste transfer station.

The Town is in the planning process to replace its police headquarters. The Town is also looking to address space needs by combining public safety with other uses in one "multi-agency" facility.

Preliminary estimates suggest that the total cost of a multi-agency facility will be about \$34 million, depending on the final scope and location of the project. It is expected that the project will be financed in 2022.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended/Ending June 30			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021*</u>
Assessed Valuation:	100%	100%	100%	100%
Assessment Ratio ¹				
Real Property	\$7,399,771,971	\$7,529,444,369	\$7,601,209,365	\$7,782,831,638
Personal Property	550,409,864	613,170,831	598,051,765	581,934,880
Public Service Companies ²	<u>84,467,574</u>	<u>80,677,065</u>	<u>84,003,208</u>	<u>83,305,619</u>
Total Assessed Valuation	\$8,034,649,409	\$8,223,292,265	\$8,283,264,338	\$8,448,072,137
Rate per \$100 ³	.508	.528	.528	.544
Levy	\$ 40,816,019	\$ 43,418,983	\$ 43,735,635	\$ 45,957,512

*Unaudited estimates for 2020-21 budget year.

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by North Carolina Property Tax Commission.

³Rate includes an amount which goes to the Transit Fund to finance a portion of the operating expense of the Town’s bus system, and a portion is dedicated to debt service, as follows:

NOTE: Revaluation of real property was effective for the 2018 fiscal year.

<u>Fiscal Year</u>	<u>General Fund Rate (cents per \$100)</u>	<u>Transit Rate (cents per \$100)</u>	<u>Debt Rate (cents per \$100)</u>	<u>Total Rate (cents per \$100)</u>
2016-17	38.8	5.1	8.5	52.4¢
2017-18	37.6	5.0	8.2	50.8¢
2018-19	38.6	6.0	8.2	52.8¢
2019-20	38.6	6.0	9.8	54.4¢
2020-21	38.6	6.0	9.8	54.4¢

Note 1: The Town created a Municipal Service District effective July 1, 1989 which has a current tax rate of \$0.070 for improvements and services in the downtown area.

Note 2: Revaluation of real property was effective with the fiscal year 2018 tax levy.

The Town is authorized by statute to levy ad valorem taxes on the assessed value of real property within its corporate limits. Taxation for operating purposes may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate except for the following applicable purposes; debt service, deficits, and joint undertakings with any other town, city or political subdivision in providing any of the above functions, services or activities, for which unlimited taxes may be levied.

TAX COLLECTIONS

<u>Year Ended June 30</u>	<u>Prior Years' Levy Collected</u>	<u>Current Year's Levy Collected</u>	<u>Current Year's Levy Collected</u>
2016	\$151,200	\$39,638,269	99.62%
2017	248,692	40,679,175	99.60
2018	84,679	39,886,495	99.66
2019	154,265	43,206,984	99.51
2020	176,549	44,871,448	99.58

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2019-20

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Chapel Hill Foundation				
Real Estate Holdings Inc.	Shopping Center	\$ 102,105,000	\$ 555,451	1.23%
BIR Chapel Hill LLC	Apartments/Retail	68,603,700	373,204	0.83
Northwestern Mutual Life (Chapel Watch Apts.)	Apartment Rental	57,423,416	312,383	0.69
Duke Energy Carolinas State Employees Credit Union	Public Utility Bank	45,916,489 41,308,256	249,786 224,717	0.55 0.50
East 54 Office Retail LLC	Office/Retail	40,135,700	218,338	0.48
Health Systems Properties	Medical	37,997,156	206,705	0.46
Chapel Hill at the Pointe				
Villager LLC	Apartment Rental	37,058,842	201,600	0.45
G&I VIII Midtown 501 LLC	Apartment Rental	36,468,100	198,386	0.44
Granville Towers LLC	Apartment Rental	<u>36,455,868</u>	<u>198,320</u>	<u>0.44</u>
		\$ 503,472,527	\$ 2,738,890	6.08%

Budget Commentary for 2020-21

Major issues affecting Town revenues for the 2020-21 budget include the unknown economic impacts of COVID-19 that we anticipate impacting revenues in the areas of sales tax, occupancy tax and department fees, as well as the continuation of slow property tax base growth that has not kept pace with the increase in expenditures. Delays in the construction of major approved development projects and the diminishing supply of developable land have exacerbated the problem. State and Federal budget decisions also have a major effect on the Chapel Hill budget, particularly in the areas of transportation and housing.

See section below “**RECENT DEVELOPMENTS – COVID-19**” for additional information on the impacts that the pandemic has had on the FY 2020-21 budget.

Pension Plans

The Town participates in the North Carolina Local Governmental Employees' Retirement System and three other pension plans.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate was 8.95% of eligible payroll for general employees and 9.70% of eligible payroll for law enforcement officers for the year ended June 30, 2020. The contribution rates for the fiscal year ending June 30, 2021 have been set at 10.15% for general employees and at 10.90% for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For additional information concerning the Town's participation in the North Carolina Local Governmental Employees' Retirement System see the Notes to the Basic Financial Statements of the Town in Appendix D.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

Other Pension Plans — The Town also participates in the (1) Law Enforcement Officers' Special Separation Allowance, (2) Supplemental Retirement Income Plan for Law Enforcement Officers and (3) Supplemental Retirement Income Plan for all Other Employees. For information concerning the Town's participation in such plans see the Notes to the Basic Financial Statements of the Town in Appendix D.

Other Post-Employment Benefits

For employees hired on or before June 30, 2010, the Town contributes to employee health insurance and allows employees to participate in a dental insurance program. Pursuant to a Town resolution, the Town provides postretirement health and dental benefits to retirees and Town Council members of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for employees who retire with 20 years of creditable service; 75% of the cost of

coverage for retirees with 15 years of creditable service; 50% of the cost of coverage for retirees with 10 years of creditable service, and 25% of the cost for retirees with 5 years of creditable service. When they reach the age of 65, Town retirees are eligible for the Medicare supplement reimbursement. The retiree must have been covered under the Town's health plan immediately before reaching age 65.

In an effort to manage the future liability for retiree health benefits, the Council adopted a change to retiree health benefits for employees who are hired after June 30, 2010. Those employees will take part in a defined contribution plan, wherein the Town will contribute \$35 per biweekly payroll and the employees will contribute 1% of pre-tax earnings to a retiree health savings plan for the employees. Participation is mandatory and the employee's portion is portable if the employee leaves the Town before retirement. The employer's portion vests according to the following schedule.

25%	After 5 years
50%	After 10 years
75%	After 15 years
100%	After 20 years

It is anticipated that this change will, over time, reduce the Town's OPEB liability as employee turnover increases the proportion of employees in the defined contribution plan.

The Town contracted with an actuarial firm to conduct an actuarial study on the other post-employment benefits (OPEB) through June 30, 2020 and in accordance with GASB 68, the Town's financial statements for fiscal year 2020 report the annual required contribution (ARC) to fund the future liability for employee health insurance. The actuarial study determined that the Town's net OPEB liability at June 30, 2020 was \$58,966,739. The Town has historically funded health benefits for retirees on a pay as you go basis. For the year ended June 30, 2020, the Town paid \$2,098,826 for retiree health benefits.

In June of 2016 the Town created an irrevocable trust exclusively for pre-funding assets of the Town's defined benefit retiree healthcare plan. Funds held in the irrevocable trust can only be used for OPEB related costs. The Town contributed \$666,400 and 840,000 to the trust in each year for the years ended June 30, 2020 and 2019 respectively.

Litigation

The Town is not a party to any litigation, the outcome of which, the Town believes, would materially adversely affect the Town's ability to meet its financial obligations.

CONTINUING DISCLOSURE

In a resolution adopted by the Town, the Town has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board ("MSRB"), the following:

- (a) by not later than seven months from the end of each fiscal year of the Town, audited financial statements of the Town for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Town are not available by seven months from the end of such fiscal year, unaudited financial statements of the Town for such fiscal year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Town, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "The Town - Debt Information and Tax Information" in this Official Statement (excluding any information on overlapping or underlying units) and (ii)

the combined budget of the Town for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;

- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
- (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modification to rights of the beneficial owners of the Bonds; if material;
 - (8) Bond calls other than mandatory sinking fund redemptions, if material, and tender offers;
 - (9) defeasance of any of the Bonds;
 - (10) release, substitution or sale of any property securing repayment of the Bonds;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar proceedings related to the Town or any other person or entity that may at any time become legally obligated to make payments on the Bonds (collectively, the "Obligated Persons");
 - (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect beneficial owners of the bonds, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Town, any of which reflect financial difficulties; and
- (d) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Town shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The Town may discharge its undertaking described above in any manner that the U.S. Securities and Exchange Commission subsequently authorizes in lieu of the manner described above.

For purposes of sections 15 and 16 above, "financial obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12").

At present, Section 159-34 of the General Statutes of North Carolina requires the Town's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolution also provides that if the Town fails to comply with the undertaking described above, any beneficial owner of the Bonds then outstanding may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the Town will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Town, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Town (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

Town's History of Continuing Disclosure

The Town has had one occasion where there has not been full compliance with previous continuing disclosure undertakings:

- With respect to Certificates of Participation originally issued in 2005 (which were defeased in 2012 and retired in 2015) and Limited Obligation Bonds issued in 2012 (and still outstanding), no continuing disclosure information was posted until January 2017. The Town has posted appropriate continuing disclosure information, on a timely basis, with respect to its general obligation bonds, but the posted information did not appear on EMMA with respect to either the Certificates of Participation or the Limited Obligation Bonds. The Town has now provided for the appropriate financial information to be linked on EMMA to the Town's 2012 Limited Obligation Bonds.

The Town is not aware of any other occasions in which it was in material noncompliance with any of its continuing disclosure undertakings.

The Town has adopted a procedure with respect to the posting of continuing disclosure material. Now, one staff member will have primary responsibility to carry out the posting of the prepared material, and a separate staff member will later verify that the material has properly posted on EMMA with reference to all relevant securities. The Town believes this new process will significantly reduce the chance of a failed or incomplete posting.

The Town posted a notice on EMMA in early 2017 describing the occasions of non-compliance and the Town's new procedures, all as described above.

RECENT DEVELOPMENTS – COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently negatively impacting most, if not all, areas of the world, including the United States, the State and the Town. Within the United States, the Federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at preventing the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these various measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have also resulted in significant volatility in the stock markets and a general consensus that the global and national economies are distressed.

The State has taken a multi-phased approach, based on testing, tracing and trends, to lift restrictions in place to slow the spread of COVID-19. On May 5, 2020, Governor Cooper issued Executive Order 138, which established a three-phase reopening plan (the "*Reopening Plan*") for the State. On September 30, 2020, Governor Cooper issued Executive Order 169, which transitioned the State to Phase 3 of the Reopening Plan ("*Phase 3*"). Phase 3 has been extended multiple times and was recently amended as the State has seen some easing in significant and sustained increases in the percentage of positive COVID-19 tests and emergency room visits for COVID-19 associated symptoms in the State. Given the unpredictability of trends in the spread of COVID-19, the Town cannot predict whether the State will remove or reinstate restrictions moving forward.

Restrictions under Phase 3 currently include, but are not limited to, face covering requirements; limitations on indoor and outdoor gatherings, movie theaters, restaurants, bars and gyms; and curfews for alcohol sales.

As a result of the COVID-19 pandemic, the Town has experienced revenue shortfalls in sales taxes, occupancy taxes, and department fees.

The largest area of revenue loss due to the impacts of COVID-19 is sales tax. The Town projected a 10% decrease for the remaining four months of FY 2020 (March – June collections). In actuality, the Town experienced a decline in March, April and May collections, but saw a large increase in June collections finishing FY 2020 with 3.66% growth from the prior year. With the many unknowns

surrounding the longevity and reach of the pandemic, the Town conservatively projected a 5% decrease to the FY 2021 sales tax budget. Through the first six months of the fiscal year, the Town has seen 7.79% growth from the prior year. These additional revenues are helping to offset shortfalls the Town is experiencing elsewhere.

The second area where the Town is feeling a significant impact is occupancy tax. Occupancy tax revenue only makes up about 1-2% of the Town's general fund revenues. The tourism industry has been hit very hard by the effects of the pandemic. Revenues are down on average about 68% since March 2020. The Town believes that as more people are vaccinated and once the University returns in the fall, this area will rebound.

The third area that has been significantly impacted is in Parks & Recreation charges for services. The Town anticipates a \$1.25 million decrease due to facility closures and cancelled programming. The largest impacts are facility rentals, pool passes, camps and classes.

Personnel costs make up about 70% of the Town's General Fund expenditures. Town employees carry out the services that are so valued in the Town. In order to combat the revenue shortfalls we were experiencing, the Town implemented a hiring freeze in April 2020. The Town consistently carries a number of vacant positions at any given time due to natural attrition. The Town anticipated that natural turnover would slow down due to the volatility in the market. The Town has saved an additional \$1 million in personnel costs as a result of the hiring freeze, which has helped to offset the revenue shortfalls currently being experienced and the additional expenditures are being incurred in response to the pandemic.

The goals of the FY 2021 budget were to retain the Town's strong core services, retain our excellent employees and reduce the use of fund balance to achieve a more sustainable budget during the COVID-19 pandemic. The budget maintained service levels but did not provide for any facilities maintenance funds, vehicle replacements, capital improvement pay-go projects or the Ephesus Fordham tax increment financing transfer.

The Town hopes to break even at the end of this fiscal year (2020-21) and expects to develop a solid plan for the American Rescue Plan funds to help the Town and community during the recovery phase of the pandemic.

Due to the dynamic nature of the COVID-19 outbreak, however, the Town cannot predict either the duration or extent of (1) the COVID-19 outbreak, (2) future actions governmental authorities or other institutions may take to contain or mitigate COVID-19's impact, or (3) whether either of the foregoing will have a material adverse effect on the Town's finances or operations.

CYBERSECURITY

The Town, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats involving, but not limited to, hacking, phishing viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "*Systems Technology*"). As a recipient and provider of personal, private, or sensitive information, the Town may be the target of cybersecurity incidents that could result in adverse consequences to the Town and its Systems Technology, requiring a response action to mitigate the consequences.

The Town evaluates cybersecurity on a continuous basis. The Chief Information Officer (CIO) is responsible for all digital services including cybersecurity. The Chief Information Security Officer (CISO) is responsible for planning and operating the cybersecurity systems. The CIO and CISO communicate regularly with the Network and Operations Teams to discuss threats and vulnerabilities identified by the State, Microsoft, FBI and Homeland Security, operational status and reporting of the multiple layers that make up cybersecurity systems, and information security strategy and initiatives.

The Town operates an Information Security Awareness Training including reinforcement with messaging. The Town uses a multilayered cybersecurity approach to prevent, trap and mitigate threats. Layers include: firewalls blocking unapproved connections, Virtual Private Networks encrypted connections, automated and monitoring and response for network activity, spam filtering (blocking and quarantine), external email warning messages for malicious email, multiple data centers and cloud based offline back to limit exposure to encryption based attacks.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters related to the authorization and issuance of the Bonds are subject to the approving legal opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the Town (“Bond Counsel”). Bond Counsel’s approving legal opinion will be provided at the Town’s expense and will be available at the time of the delivery of the Bonds.

The proposed form of Bond Counsel’s approving opinion is attached as Appendix E.

Bond Counsel’s approving legal opinion expresses Bond Counsel’s professional judgment as to the legal issues explicitly addressed in the opinion. By rendering a legal opinion, an opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Additionally, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction and a bond opinion is not a statement (either expressly or by implication) concerning the marketability, value or likelihood of payment of the Bonds.

Bond Counsel has not been engaged to investigate the Town’s operations or condition or the Town’s ability to provide for payments on the Bonds. Bond Counsel will express no opinion (1) as to the Town’s ability to provide for payments on the Bonds, or (2) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in making a decision to purchase Bonds, including this Official Statement. In this transaction, Bond Counsel will serve only as bond counsel to the Town, and will not represent any bidder or the purchaser of the Bonds.

RATINGS

Moody’s Investors Service and Standard & Poor’s Ratings Services have given the Bonds ratings of ___ and ___, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

Opinion of Bond Counsel. In the opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the Town (“Bond Counsel”), under existing law, interest on the Bonds (1) will not be included in gross income for federal income tax purposes, (2) will not be a specific item of tax preference for purposes of the federal alternative minimum income tax and (3) will be exempt from existing State of North Carolina income taxation. Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

The Town has not designated the Bonds as “qualified tax-exempt obligations” for federal income tax purposes.

Bond Counsel will give its opinion in reliance upon certification by Town representatives and others as to certain facts relevant to the opinion and to the requirements of the Unities States Internal Revenue Code of 1986, as amended (the "Code"). The Town has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the Bonds and the timely payment to the United States of any arbitrage profit with respect to the Bonds. The Town's failure to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Discount Bonds and Premium Bonds. _____, as lead underwriter, has advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on April 1, ____to_____, inclusive, (the "Discount Bonds"), are less than the respective amounts payable at maturity. An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amounts payable at maturity constitutes original issue discount ("OID"). Owners of Discount Bonds should consult their own tax advisors as to the determination for federal tax purposes of the amount of OID properly accruing each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State of North Carolina and local tax purposes.

_____, as lead underwriter, has also advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on April 1, ____to_____, inclusive, (the "Premium Bonds"), are greater than the amounts payable at maturity. The difference between the amount payable at maturity of the Premium Bonds and the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases the Premium Bonds at the initial offering price is "Bond Premium." Bond Premium is amortized over the term of the Premium Bonds for federal income tax purposes. Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable Bond Premium attributable to each taxable year the Premium Bonds are held. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of the Premium Bonds and with respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel's opinion will not specifically address the tax treatment of OID or Bond Premium, or the status of any particular receipt or payment as the receipt or payment of OID or Bond Premium.

Other Tax Consequences. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Interest on the Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any such jurisdiction other than North Carolina.

FINANCIAL ADVISOR

Davenport & Company LLC has acted as financial advisor to the Town in connection with the issuance of the Bonds and has assisted in structuring the Bonds.

UNDERWRITING

The underwriters for the 2021A Bonds are _____.¹

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total underwriters' discount of _____.* The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

The underwriters for the 2021B Bonds are _____.²

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total underwriters' discount of _____.* The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

¹Information provided by the underwriters of the 2021A Bonds.

²Information provided by the underwriters of the 2021B Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

References herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Town Council of the Town.

**LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA**

By

Sharon G. Edmundson
Secretary of the Commission

TOWN OF CHAPEL HILL, NORTH CAROLINA

By

Pam Hemminger
Mayor

By

Maurice Jones
Town Manager

By

Amy Oland
Director of Business Management